

PENNEO™

Interim Report

2021-H1

Penneo realizes 61% ARR growth rate in 2021-H1 and improves ARR guidance for 2021

Company Announcement No. 19-2021
Copenhagen, 27 August 2021

Interim report for the period
1 January 2021 - 30 June 2021

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Management commentary

Key features 2021-H1

- Annual Recurring Revenue (ARR) increased 61% to 47.6M DKK end of 2021-H1 from 29.5M DKK in 2020-H1
- ARR from new customers increased by 5.3M DKK in 2021-H1 which is 83% higher than 2.9M DKK in 2020-H1
- Average Revenue Per Account (ARPA) increased by 29% compared to 2020-H1
- EBITDA amounted to negative 5.4M DKK as a result of the planned investments in future ARR growth
- ARR guidance for 2021 is improved to 56-60M DKK from 54-59M DKK

Further information

Departing Interim CEO,
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Main Market aspirations

Penneo intends to migrate to Nasdaq Copenhagen Main Market and plans to seek capital of 100M DKK to accelerate growth further

As announced in Company Announcement No.16-2021, Penneo intends to apply for admission to trading on Nasdaq Copenhagen Main Market. By moving onto the Main Market, Penneo expects to be able to attract a wider range of national and international institutional investors.

The process of listing Penneo on Main Market is expected to be carried out in connection with the publication of Penneo's annual report in 2022-Q1.

Penneo was listed on First North on 2 June 2020 and has since the listing made several key accomplishments:

- Fulfillment of the growth strategy
- Market cap growth of approx. 300% to 1B DKK as of 23 August 2021
- A year-on-year ARR growth rate of 61% in 2021-H1
- Improved ARR guidance for 2021
- Augmented governance structures

Consequently, migrating to Main Market is a natural next step for Penneo.

To accelerate the next growth phase, the Board of Penneo has updated the strategy with three new revenue streams:

- Roll out the KYC/AML product to existing 700+ audit customers in the Nordics
- Penetrate the Financial Institutions vertical with Penneo's KYC/AML and Signing product in Denmark
- Secure Audit vertical ownership in current countries

Business summary

Penneo expands agreement with KPMG Norway

As announced in Company Announcement No.15-2021, Penneo expanded the partnership with KPMG to include Penneo's KYC/AML software for the purpose of onboarding KPMG Norway's customers to Penneo's platform. The expanded agreement is a result of the commercial focus to roll out the KYC/AML software to auditors across the Nordic countries and Europe. The strategic focus was announced in the annual report for 2020.

Penneo's new KYC/AML product increases net ARR retention rate

The net ARR retention rate is an important SaaS benchmark metric which demonstrates the ability to provide additional value to customers and to continue delivering high growth rates.

In 2021-H1 Penneo realized a net ARR retention rate of 130% as a consequence of:

- Higher customer engagement with Penneo's existing products
- Increasing demand for new products across markets

Both of which lead to an uplift in ARR per customer, thus causing a net ARR retention rate of more than 100%.

In particular, Penneo's strategic vertical audit and accounting, shows an increasing demand for Penneo's KYC/AML product, which is in alignment with the new revenue streams of the updated strategy announced in Company Announcement No. 16-2021.

Events after 2021-H1

Christian Stendevad takes up the position as CEO of Penneo

As announced in Company Announcement no. 5-2021, Christian Stendevad was appointed CEO of Penneo and would take up the position no later than 1 October 2021. As announced in Company Announcement No. 18-2021, Christian Stendevad took up the position as CEO of Penneo on 18 August 2021, succeeding Nicolaj Højer Nielsen who stepped down as Interim CEO.

Nicolaj Højer Nielsen will present the interim report on 30 August 2021 and will be available for queries until 1 September 2021.

Consequently, the Executive Board of Penneo is:

- CEO, Christian Stendevad
- CTO, Jan Flora

Michael Moesgaard Andersen steps down from the Board of Directors of Penneo

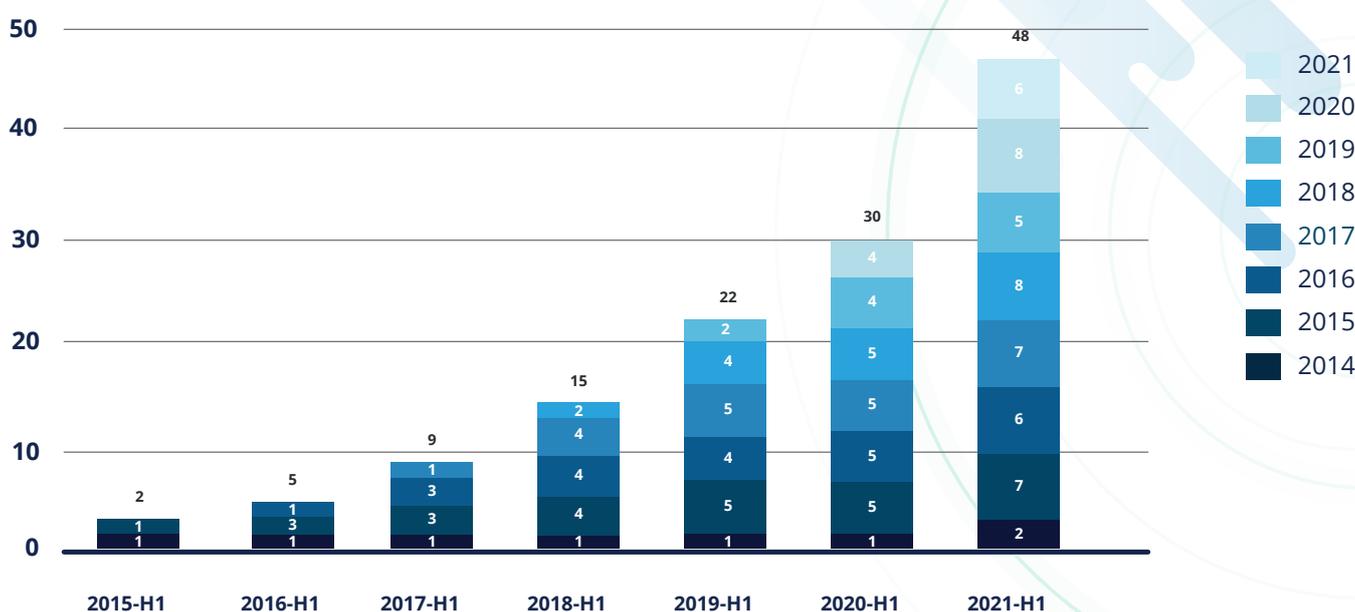
As announced in Company Announcement No. 17-2021, Michael Moesgaard Andersen decided to step down from the Board of Directors.

The Board recommends that Steffen Heegaard will be elected as a new member of the Board at the next ordinary shareholders meeting. Steffen Heegaard has more than 20 years of experience within capital market communication, IR and ESG, primarily from Topdanmark. As an independent board member, Steffen Heegaard will be a unique addition to the existing board competencies and a key contributor in realizing Penneo's capital market aspirations.

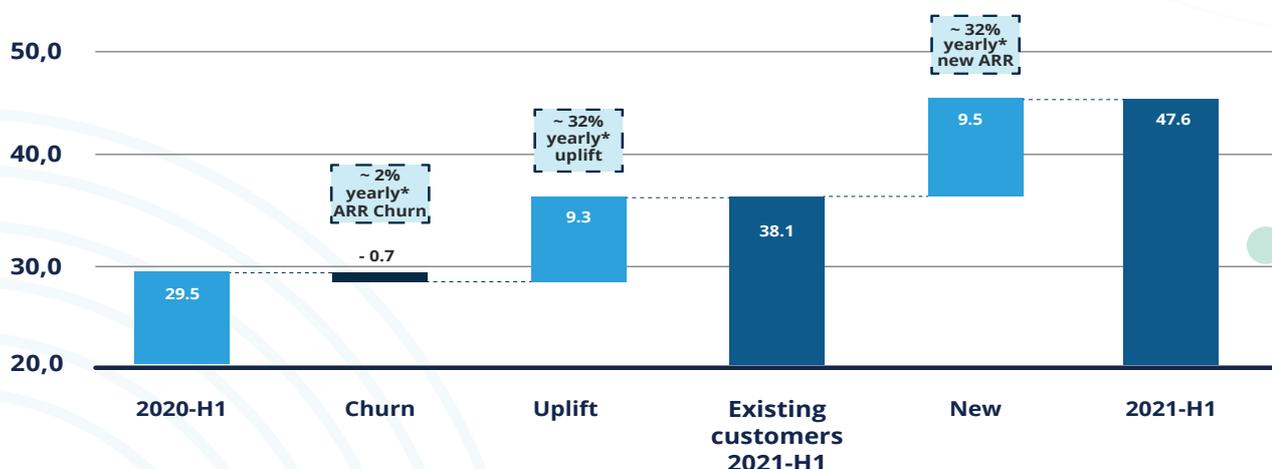
ARR development

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 ARR retention rate of 130%.

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-H1 to 2021-H1 and is measured on the last day of both periods.

From the Chairman



On behalf of the Board of Penneo, I would like to thank Nicolaj Højer Nielsen for his contribution as Interim CEO, notably for Penneo's remarkable accomplishments under his leadership since the listing of Penneo on Nasdaq First North on 2 June 2020.

Christian Stendevad is the right match for Penneo and I'm pleased that he is succeeding Nicolaj Højer Nielsen as CEO.

I look forward to our future collaboration in the next growth phase and towards new frontiers.



Christian Sagild
Chairman of the Board



From the CEO



I am excited to join Penneo in leading the international scaling and continued growth with the Executive Management team and the entire organisation.

I am honoured to take over the role as CEO in a company with such potential and look forward to drawing on my industry and scaling experience to further execute the expansion strategy and realize our growth ambitions.



Christian Stendevad
CEO



Financial statements

Financial statements

Key figures

	2021-H1 DKK	2020-H1 DKK
Revenue	26,692,977	15,925,122
Cost of sales	(4,902,145)	(3,397,699)
Other external expenses	(7,412,867)	(3,138,559)
Staff costs	(19,768,728)	(13,212,406)
EBITDA*	(5,390,763)	(3,823,543)

*EBITDA does not include extraordinary costs categorised as "Other operating expenses" on page 18 which amounted to DKK 0.6M in 2021-H1 and DKK 1.7M DKK in 2020-H1.

SaaS metrics

	2020-Q3	2020-Q4	2021-Q1	2021-Q2
New customers	89	133	149	171
Average ARR in the first year for new customers	13,627	14,525	17,027	18,845
Customer Acquisition Cost (CAC)*	(20,828)	(22,220)	(22,511)	(21,523)
Net ARR retention rate**	114%	121%	123%	130%
Average Revenue Per Account (ARPA)	17,770	19,120	19,988	21,444

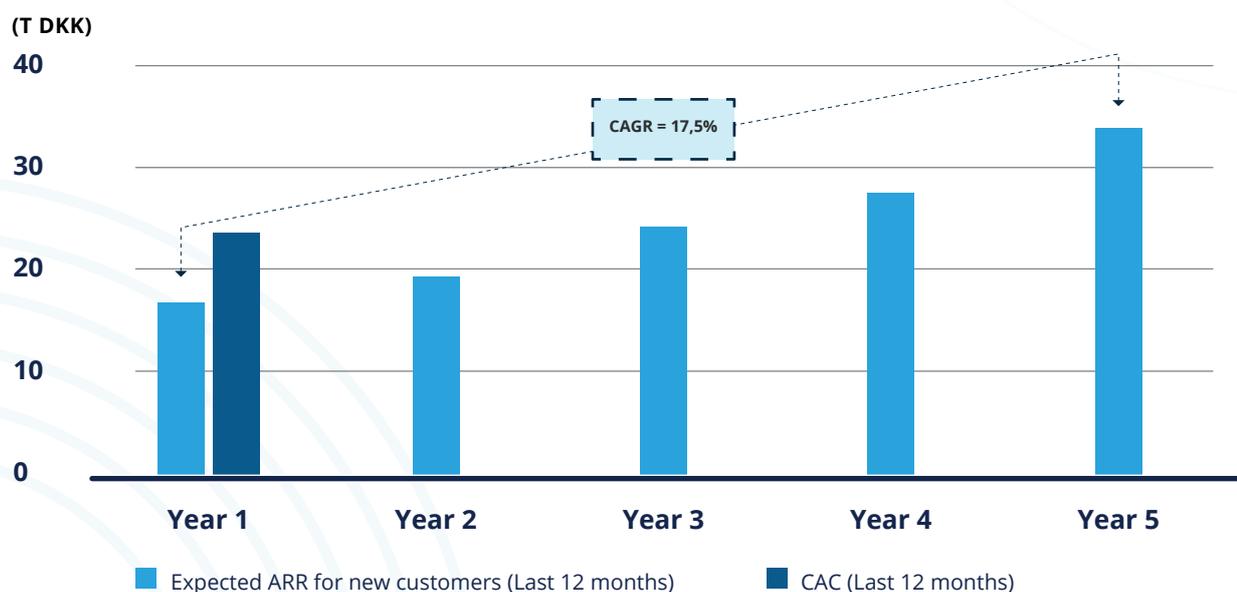
*CAC is defined as inbound lead spend and staff costs directly related towards onboarding new customers

**Net retention rate is the yearly ARR development of the existing customer base.

Average ARR development (T DKK)

A five year cohort analysis based on new customers in the last twelve months

Average ARR for new customers (in the last twelve months) was 17T DKK. On average, CAC was 22T DKK, which is why it takes approximately 1.2 years to recover CAC. A cohort analysis shows a yearly growth of 17.5% in net ARR from a given cohort (including both churn of customers and ARPA development of retained customers) which is why ARR is expected to grow from 17T DKK in year one to 33T DKK in year five.





CFO Statement - Casper Nielsen Christiansen

SaaS metrics - growth drivers for successful scaling



I am pleased with our financial results and state of business, realizing a 61% ARR growth rate in 2021-H1 and improving our ARR guidance for 2021 to 56-60M DKK, corresponding to a year-on-year growth rate between 51% and 62%. EBITDA guidance is maintained to be able to facilitate additional investments in new strategic opportunities that align with the announced strategy.

SaaS metrics

The growth rate is driven by the highlighted SaaS metrics below.

Firstly, we have been succesful in acquiring new customers while maintaining a low CAC. This is a result of our efforts to ensure commercial stability and to build scale-proof organizational structures that are ready to be invested in further.

Secondly, we have continued our low churn rate and realized a net ARR retention rate of 130%, which is a considerable driver for our growth rate.

The increase in net ARR retention is attributable to two factors:

- *The increasing demand for our Signing product across markets and industries*
- *Our ability to succesfully embed the KYC/AML product acquired from CLA Reply to our operations and commercial activities.*

Thirdly, the increase in average ARR in the first year for new customers is testament to the effect of our investments in commercial efforts.

Fourthly, acquisition costs for new customers are recouped in approx. one year, followed by strong profits in years 2-5 and beyond. Consequently, further scaling of the business is highly profitable and highly cash-efficient.

The above metrics demonstrate the success of our strategy and effect of our investments in ARR growth. We have a stable point of departure to execute the next step in our growth phase. Conclusively, we are planning to seek capital to accelerate growth further.



Financial review

Recognised revenue

Recognised revenue has increased by 68% compared to 2020-H1. This is a direct result of the investment into Sales and Marketing development.

Cost of sales

Cost of sales has increased by 44% compared to 2020-H1 which is caused by the increased usage of Penneo's platform and the increased sale of Penneo's products. Consequently, the contribution margin has increased to 82% compared to 2020-H1 where the contribution margin was 79%.

Other external expenses

Other external expenses have increased by 136% compared to 2020-H1. The increase is mainly due to increased Marketing costs, in accordance with the 'use of proceeds' of the IPO document. Additionally, the increase is 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

Staff costs have increased by 50% compared to 2020-H1. 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 that for internationalisation and growth through auditors in Europe. At the end of 2021-H1, Penneo had 84 employees compared to 52 employees at the end of 2020-H1.

EBITDA

2021-H1 resulted in an ARR growth rate of 61% and negative EBITDA of 5.4M DKK, compared to negative EBITDA of 3.8M DKK in 2020-H1. The result is in line with Management's expectations, the growth strategy set out in the IPO and the updated strategy announced in Company Announcement no. 16-2021.

The growth strategy prescribes investing into product development, commercial activities to build a globally scalable software and into future ARR growth and value creation. Short term, these investments will generate negative EBITDA but long term strengthen the profitability.

Other operating expenses

Other operating expenses have decreased by 63% compared to 2020-H1. The decrease is caused by the preparation of the IPO in 2020-H1.

Trade receivables

Trade receivables have increased by 43% compared to the end of 2020. The increase is primarily a result of the increased invoicing in 2021-H1.

Income tax receivables

Income tax receivables consist of tax credit related to Penneo's development projects.

Cash flow

Cash flow from operating activities

Net cash flow from operating activities resulted in an outflow of 7.9M DKK in 2021-H1 compared to an outflow of 4.2M DKK in 2020-H1. 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 strategy.

Cash flow from investing activities

Net cash flow from investing activities resulted in an outflow of 7.1M DKK in 2021-H1 compared to an outflow of 4.1M DKK in 2020-H1. The increase is caused by the heavy investment to develop Penneo's product in accordance with the strategy.

Cash flow from financing activities

Net cash flow from financing activities resulted in an outflow of 1.1M DKK in 2021-H1 compared to an inflow of 46.8M DKK in 2020-H1. The decrease relates to very high comparable numbers in 2020-H1 in relation to the IPO.

Statement by Management

The Board of Directors and Executive Board have today considered and approved the interim report for the period 01.01.2021 – 30.06.2021 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 30.06.2021 and of the results of Penneo's activities and cash flows for the accounting period 01.01.2021 – 30.06.2021.

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

Copenhagen, 27.08.2021

Executive Board

CEO, Christian Stendevad

CTO, Jan Flora

Board of Directors

Christian Sagild

Morten Kenneth Elk

Rikke Stampe Skov

Statement of profit or loss and other comprehensive income

	2021-H1 DKK	2020-H1 DKK
Revenue	26,692,977	15,925,122
Cost of sales	(4,902,145)	(3,397,699)
Other external expenses	(7,412,867)	(3,138,559)
Gross profit	14,377,966	9,388,864
Staff costs	(19,768,728)	(13,212,406)
Other income	22,393	-
Other operating expenses	(639,121)	(1,721,621)
Depreciation, amortisation, impairment	(3,955,154)	(2,484,795)
Operating profit/(loss)	(9,962,646)	(8,029,959)
Financial income	34,505	34,755
Financial expenses	(651,185)	(742,546)
Profit/(loss) before tax	(10,579,325)	(8,737,750)
Tax for the year	2,213,063	1,067,191
Profit/(loss) for the year from continuing operations	(8,366,262)	(7,670,559)
Total comprehensive income for the year	(8,366,262)	(7,670,559)
Attributable to:		
Shareholders of Penneo A/S		
Earnings per share, basic (DKK)	(0.33)	(0.55)
Earnings per share, diluted (DKK)	(0.27)	(0.41)

Statement of financial position

	30.06.2021	31.12.2020
	DKK	DKK
Other intangible assets	39,572,534	35,256,287
Property, plant and equipment	754,708	734,739
Right-of-use assets	14,110,214	15,369,359
Deposits	1,288,887	1,258,700
Total non-current assets	55,726,343	52,619,085
Trade receivables	12,402,583	8,660,841
Income tax receivables	4,177,874	1,964,811
Other receivables	0	1,016
Prepayments	657,912	800,486
Cash	15,712,850	31,842,851
Total current assets	32,951,218	43,270,005
Total assets	88,677,561	95,889,090

Statement of financial position

	30.06.2021	31.12.2020
	DKK	DKK
Share capital	502,615	502,615
Reserve for development	19,552,677	15,928,604
Retained earnings	23,237,051	35,227,386
Treasury shares	7,177	7,177
Other capital reserve	8,235,686	5,910,269
Total equity	51,535,206	57,576,051
Interest-bearing liabilities	3,919,840	4,695,526
Provisions	437,841	432,267
Lease liabilities	12,380,131	13,560,555
Other payables	1,850,411	2,220,843
Contract liabilities	425,458	447,851
Total non-current liabilities	19,013,681	21,357,042
Contract liabilities	3,975,025	4,063,593
Lease liabilities	2,249,527	2,003,508
Trade payables	2,629,756	2,665,906
Other payables	8,123,777	7,848,086
Interest-bearing liabilities	1,150,590	374,904
Total current liabilities	18,128,674	16,955,997
Total liabilities	37,142,356	38,313,039
Total equity and liabilities	88,677,561	95,889,090

Statement of changes in equity

	Contributed capital	Reserve for development expenditure	Retained earnings	Treasury shares	Other capital reserve	Total
	DKK	DKK	DKK	DKK	DKK	DKK
2021-H1						
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	-	-	(8,366,262)	-	-	(8,366,262)
Transfer to reserves	-	3,624,073	(3,624,073)	-	-	0
Share-based payments	-	-	-	-	2,325,417	2,325,417
Balance as at 30 June	502,615	19,552,677	23,237,051	7,177	8,235,686	51,535,206

	Contributed capital	Reserve for development expenditure	Retained earnings	Treasury shares	Other capital reserve	Total
	DKK	DKK	DKK	DKK	DKK	DKK
2020-H1						
Balance as at 1 January	135,995	11,167,899	(3,891,111)	0	1,542,693	8,955,476
Net profit/(loss) for the period	-	-	(7,670,559)	-	-	(7,670,559)
Capital increase	366,620	-	49,644,554	-	-	50,011,174
Transaction costs	-	-	(3,118,241)	-	-	(3,118,241)
Holding merger	-	-	1,907,836	-	-	1,907,836
Transfer to reserves	-	1,659,290	(1,659,290)	-	-	0
Share-based payments	-	-	-	-	753,574	753,574
Balance as at 30 June	502,615	12,827,189	35,213,190	0	2,296,267	50,839,260

Cash flow statement

	2021-H1 DKK	2020-H1 DKK
Operating profit/loss	(9,962,646)	(8,029,959)
Depreciation, amortisation and impairment	3,955,154	2,484,795
Share-based payment expense	2,325,417	753,574
Other income	(22,393)	-
Change in working capital	(3,817,611)	1,122,349
Financial income received	34,505	34,755
Financial expenses paid	(456,956)	(607,538)
Cash flow from operating activities	(7,944,529)	(4,242,023)
Investments in intangible assets	(6,920,633)	(3,906,144)
Investments in property, plant and equipment	(112,692)	(323,740)
Deposits	(30,187)	91,522
Cash flow from investing activities	(7,063,511)	(4,138,362)
Payment of principal portion of lease liabilities	(1,121,962)	(1,092,710)
Transaction costs from capital increase	-	(4,088,553)
Cash increase from capital	-	52,019,954
Cash flow from financing activities	(1,121,962)	46,838,691
Change in cash and cash equivalents		
Cash and cash equivalents beginning of period	31,842,851	8,217,139
Net cash flow	(16,130,002)	38,458,306
Cash and cash equivalents end of period	15,712,849	46,675,445

Guidance

2021-H1

In the IPO document, Penneo announced ARR guidance of 38-43M DKK.

The guidance was initially improved to 41-45M DKK and subsequently improved to 45-47M DKK as announced in Company Announcement No. 1-2021 and No. 12-2021 respectively. In 2021-H1 Penneo realized ARR of 47,6M DKK.

Henceforth, Penneo will solely provide year-end guidance.

The entire year 2021

In Company Announcement No. 12-2021, Penneo announced improved ARR guidance of 54-59M DKK. After the improved ARR guidance for 2021 was announced, the following assumptions have changed:

- A higher level of inflow of customers than assumed
- A stronger uplift on existing customers

Consequently, the ARR guidance for 2021 is improved to 56-60M DKK.

Fulfilment of the ARR guidance depends on the following key drivers and assumptions to continue:

- A continued low customer churn rate
- A continued level of engagement with the platform
- A continued ability to obtain new customers across industries and markets

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

Forward-looking statements

Statements about the future expressed in the interim 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.

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 - 30.06.2021

Board of Directors

Christian Sagild
Morten Kenneth Elk
Rikke Stampe Skov

Executive Board

CEO, Christian Stendevad
CTO, Jan Flora

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

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

- >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



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