



PENNEO®

Quarterly Financial Report Q3-2023

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ARR performance highlights

The below performance highlights are calculated based on actual end-of-quarter currency exchange rates.

Q3-2023 development

- ARR increased by 3.3M DKK compared to 1.5M DKK in Q3-2022 including a positive currency exchange related impact of 0.2M DKK
- ARR increase from newbiz amounted to 2.1M DKK compared to 1.1M DKK in Q3-2022
- ARR increase from uplift amounted to 1.7M DKK compared to 1.0M DKK in Q3-2022
- ARR decrease from churn amounted to 0.6M DKK compared to 0.7M DKK in Q3-2022
- ARR from foreign markets increased by 1.7M DKK compared to 0.7M DKK in Q3-2022

Q3-2023 year-to-date development

- ARR increased by 11.5M DKK compared to 9.5M DKK in Q3-2022 year-to-date despite a negative currency related impact of 0.7M DKK
- ARR increase from newbiz amounted to 6.3M DKK compared to 5.9M DKK in Q3-2022 year-to-date
- ARR increase from uplift amounted to 7.1M DKK compared to 5.0M DKK in Q3-2022 year-to-date
- ARR lost to churn amounted to 1.8M DKK compared to 1.4M DKK in Q3-2022 year-to-date
- ARR from foreign markets increased by 4.1M DKK compared to 4.1M DKK in Q3-2022 year-to-date

End of Q3-2023

- ARR amounted to 82.5M DKK at the end of Q3-2023 compared to 65.0M DKK at the end of Q3-2022 (27% year-on-year growth)
- YoY ARR net retention rate amounted to 114%
- YoY ARR uplift amounted to 18%
- YoY ARR churn rate amounted to 4%
- ARR from foreign markets amounted to 24M DKK at the end of Q3-2023 compared to 19M DKK at the end of Q3-2022 (28% year-on-year growth)

2023 ARR guidance

Penneo assumes an ARR level of 87-92M DKK at the end of 2023 corresponding to an ARR growth rate of 23-30%. This is a narrower ARR guidance range within the previously communicated range of 87-95M DKK at the end of 2023. The expected EBITDA level for 2023 continues to be in the range from negative 10M DKK to negative 15M DKK. The ARR outlook is based on currency exchange rates per end of 2022.

Financial performance highlights

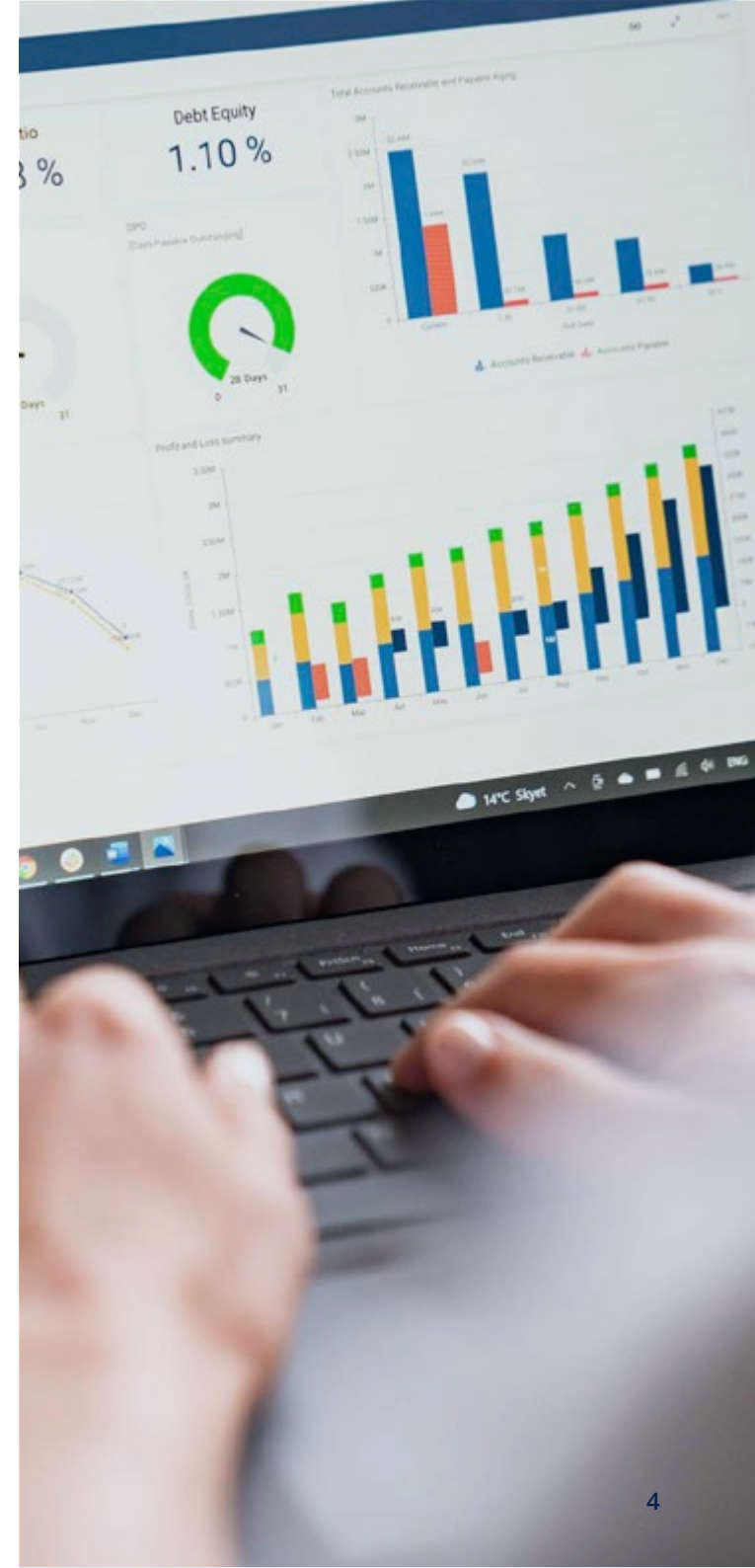
EBITDA development

M DKK	Q3-2023 YTD	Q3-2022 YTD	Q3-2021 YTD	Q3-2020 YTD
Revenue	55.9	46.7	35.8	23.7
Cost of sales	(9.4)	(9.0)	(7.0)	(4.8)
Gross profit	46.5	37.7	28.8	18.8
Other external expenses	(14.8)	(13.4)	(10.8)	(5.6)
Staff costs	(49.4)	(38.7)	(31.5)	(19.6)
EBITDA*	(17.7)	(14.3)	(13.5)	(6.4)

*EBITDA does not include "Other income" and "Other operation expenses" on page 22.

Cash development

M DKK	Q3-2023 YTD	Q3-2022 YTD	Q3-2021 YTD	Q3-2020 YTD
Cash flow from operating activities	(3.9)	(10.8)	(7.5)	(5.8)
Cash flow from investing activities	(16.8)	(14.4)	(10.7)	(6.2)
Free Cash Flow	(20.7)	(25.2)	(18.2)	(12.0)
Cash flow from financing activities	2.4	58.1	7.9	46.3
Net cash flow	(18.3)	32.9	(10.3)	34.3
M DKK	Q3-2023 YTD	Q3-2022 YTD	Q3-2021 YTD	Q3-2020 YTD
Cash and cash equivalents end of period	34.9	58.3	21.6	42.5



Letter from the CEO



In the third quarter of 2023, typically a low season for Penneo, the company continued making good progress achieving a year-on-year ARR growth of 27%. ARR increased by 3.3M DKK compared to 1.5M DKK in Q3-2022, reaching a year-to-date total of 82.5M DKK. This marks Penneo's best Q3 ever.

In Q3-2023, there was an improvement in currency exchange rates, especially regarding the NOK and SEK compared to the DKK. This positively impacted ARR by 0.2M DKK compared to end of H1-2023 where we saw a significant negative impact. For the remainder of 2023, we expect continued significant fluctuation in both NOK and SEK against DKK, that will impact our ARR result.

For background, Penneo reports ARR using the currency exchange rates at the end of each quarter. In a constant currency rate scenario, Penneo would have seen an increase of 18.2M DKK in ARR over the last 12 months corresponding to a year-on-year growth of 28%. In other words, currency fluctuations are masking a slightly more positive trend in our underlying business.

As stated in our H1-2023 report, and according to our current investment plan, we have the ability to reach a position by the end of H2-2024, where we expect our ARR to exceed our overall cost base.

During Q3, our sales teams continued navigating a

market environment characterized by cautious buying behavior. This caution, which has persisted since the second half of 2022, was particularly noticeable among our new customers, and has led to reduced deal sizes due to smaller initial sales commitments.

This applies mostly to our 'established' markets, i.e. Denmark, Norway and Sweden, whereas our new market Belgium is displaying much stronger growth both in terms of acquiring new customers and achieving higher initial deal sizes.

In general, the trend of lower deal sizes across some markets is being outweighed by a stronger performance in terms of acquiring new customers. In Q3-2023, for instance, Penneo onboarded 113 new customers up from 78 in the same quarter last year and looking at the first three quarters of 2023, Penneo onboarded 366 new customers up from 279 during the first three quarters of 2022.

In other words, Penneo is on average closing smaller deals, but this is being outweighed by more deals, particularly driven by the good traction we are seeing in Belgium. Despite lower deal sizes, this also explains why Penneo's new business ARR amounted to 2.1M DKK in Q3-2023, a significant increase compared to 1.1M DKK in Q3-2022.

Since Penneo has a low customer churn rate of 4% (year-on-year result for end of Q3-2023) and a solid track record of uplift, the improved ability to acquire new customers holds special value since customers tend to stay with us and also buy more over time. Consequently, in Q3-2023 alone, ARR increase from uplift amounted to 1.7M DKK compared to 1.0M DKK in Q3-2022 while year-on-year ARR uplift amounted to 18% end of Q3-2023.

In Q3-2023, the share of new business ARR from foreign markets continued growing and accounted for 63% of our total new business ARR compared to 36% in Q3-2022. This was driven by Belgium where 44 new customers were acquired in Q3-2023 compared to 28 in Q2 and 29 in Q1.

One of the main drivers behind this growth is the fact that digitization of business processes is a key focus area among our auditor clients in Belgium and we can

see that Penneo's solutions provide them a distinct competitive advantage. Moreover, having a strong local team in place as well integrations with relevant local third party software providers, is allowing us to leverage this to our advantage.

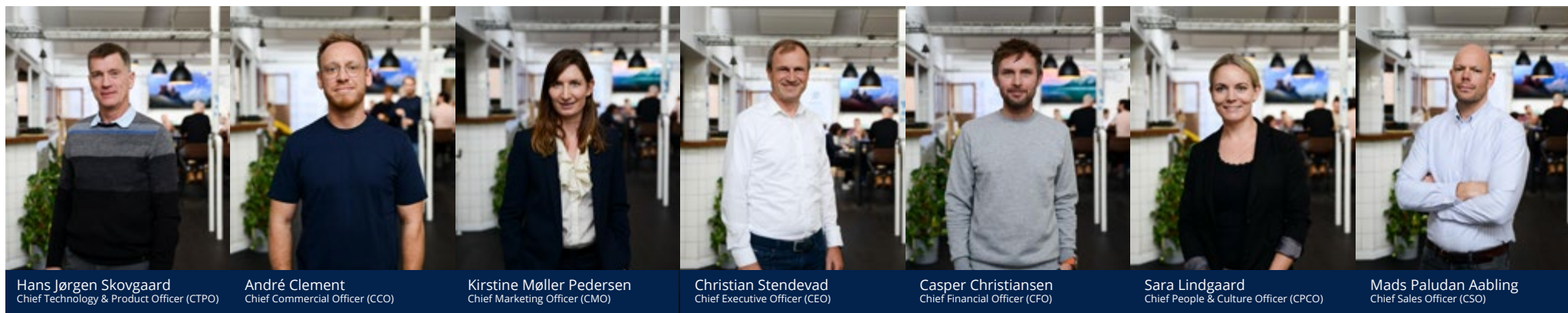
Speaking of foreign markets, Penneo is gearing up for our next expansion, likely targeting Germany as we have also reported earlier this year. While we are still in the process of preparing our go-to-market approach, Germany's size and business potential makes it an attractive option despite challenges like low digitalization and eID adoption.

In Q3, Penneo achieved a significant milestone by obtaining ISO 27001 and ISO 27701 certifications for its information security and privacy management system. These international standards require a robust set of policies and controls to safeguard sensitive information, including personal data. In this way, the

certifications underscore Penneo's commitment to the highest privacy and data security standards, which is crucial since our core customer value proposition is centered around helping organizations optimize and securely manage digital collaboration and privacy.

Also in Q3, Penneo announced the promotion of two team members, Mads Paludan Aabling and Sara Lindgaard, to the company's senior management team. Mads, now Chief Sales Officer, will apply his extensive commercial expertise to drive growth through new sales and more revenue from existing customers. Meanwhile, Sara, in her role as Chief People & Culture Officer, will concentrate on fostering employee growth, engagement, and performance.

These strategic appointments align with Penneo's dedication to cultivate internal talent, and the company anticipates they will contribute to its continued success and growth.



ARR growth from Q3 year-on-year financial cohorts

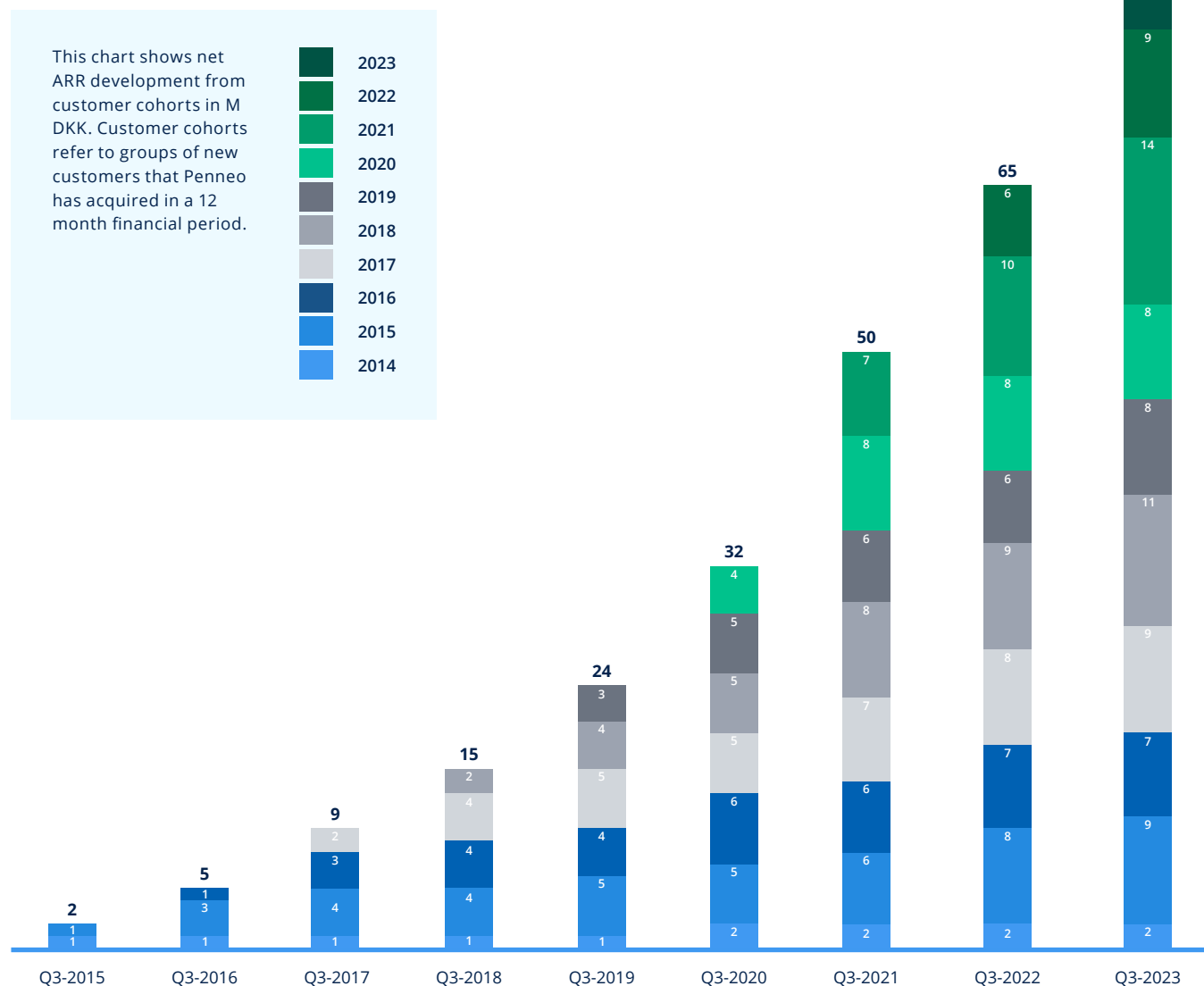
New customers that Penneo acquire in one specific financial period (customer cohorts) evolve and gradually contribute with additional ARR in subsequent years. This is important since the cost of acquiring a new customer on average initially outweighs the upfront income generated by this customer.

A cohort analysis based on all financial years since the establishment of Penneo, shows a yearly growth of 18% in net ARR from a given cohort (including both churn of customers and ARPA development of retained customers).

Moreover, when viewed individually, cohorts are developing with a positive year-on-year growth. From 2019 and onwards, new customers have been onboarded to a fully subscription-based model.

By the end of Q3-2023, 82% of the revenue was subscription based compared to 78% at the end of Q3-2022. Subscription-based ARR had the highest growth rate, but transaction-based ARR also grew since Penneo's older customer cohorts continue to develop positively.

Annual Recurring Revenue development year-on-year financial cohorts (M DKK)



Overview of ARR development

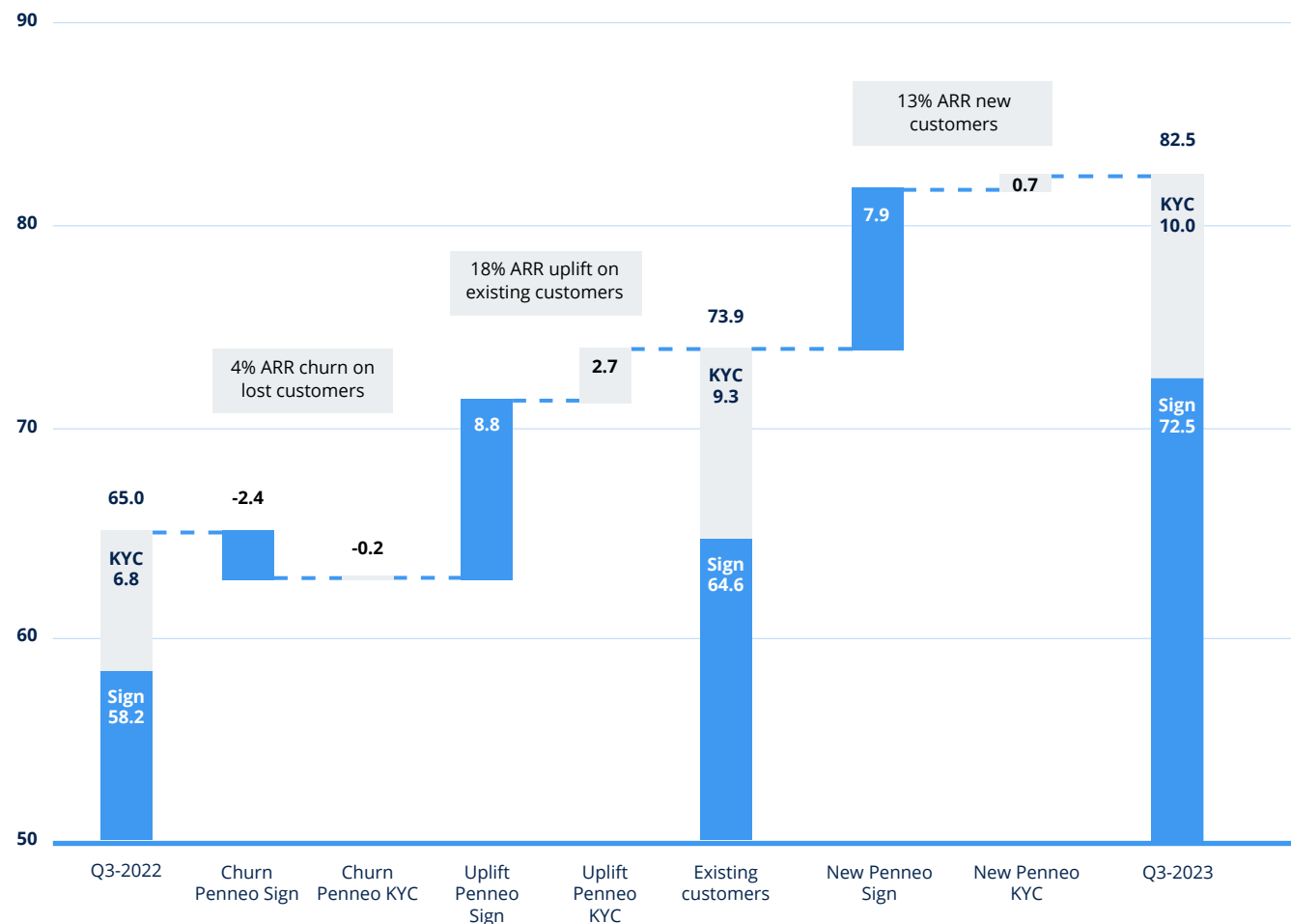
In Q3-2023, Penneo increased its ARR with 3.3M DKK compared to 1.5M DKK in the same period last year. Year-on-year, this increased our total ARR by 27% to 82.5M DKK at the end of the quarter. During Q3-2023, performance was driven by a total ARR uplift of 1.1M DKK from existing Sign and KYC customers (after adjusting for -0.6M DKK in ARR lost due to churn), whereas ARR from new business contributed 2.1M DKK. A growing share of new business ARR comes from foreign markets that accounted for 63% of new business ARR in Q3-2023.

This is in line with our strategic focus on European expansion.

In Q3-2023, Penneo's ARR was positively influenced by a currency related impact of 0.2M DKK due to a recent increase in the Norwegian and Swedish krone when viewed against DKK. By the end of Q3 this reduced the negative impact from currency rates to 0.7M DKK as opposed to 0.9M DKK by the end of H1-2023.

During Q3-2023, Penneo secured 113 new customers compared to 78 in Q3-2022. In Belgium alone, 44 new customers were welcomed in Q3-2023, a continuation of the inflow we saw in Q1 and Q2 where 29 and 28 new customers were acquired respectively.

ARR development during the last 12 months (M DKK)



The annual development represents the development from Q3-2022 to Q3-2023 and is measured on the last day of both periods.

ARR development in Q3-2023

ARR decrease due to churn

In Q3-2023, ARR lost due to customer churn amounted to 0.6M DKK compared to 0.7M DKK in Q3-2022. Year-on-year, however, Penneo maintained a churn rate of 4% in Q3-2023. This is slightly higher than the 3% year-on-year churn rate achieved in Q3-2022, but still below our 5% benchmark level. Moreover, the Average Revenue Per Account (ARPA) for customers who churned in Q3-2023 remained in the lower end, indicating that, on average, the churned customer base consisted of smaller accounts.

ARR uplift

In Q3-2023, Penneo's existing customer base contributed 1.7M DKK to our ARR, up from 1.0M DKK in Q3-2022. Looking at a year-over-year comparison, the ARR uplift increased from a growth of 15% in Q3-2022 to 18% in Q3-2023.

Uplift related to Penneo Sign remains the primary driver of this positive trend. Year-on-year, Penneo's total uplift in Q3-2023 (including churn) amounted to 8.9M DKK. 72% of this came from Sign, whereas KYC contributed 28%.

Focusing specifically on KYC (our newest product), the uplift of KYC related ARR amounted to 37% over the last 12 months.

ARR new business

In Q3-2023, Penneo achieved an ARR new business growth of 2.1M DKK, compared to 1.1M DKK in Q3-2022.

This increase is primarily due to an enhanced ability to acquire new customers, driven especially by Belgium.

How Penneo defines ARR

ARR is used to measure annual recurring revenue from customers. It can be measured in two ways: Live ARR and Contracted ARR. Live ARR is the recurring revenue currently being received, whereas contracted ARR also includes the recurring revenue that a company has contracted to receive from its customers, but not necessarily started receiving yet.

We calculate ARR as Live ARR as we believe it presents the most accurate status of our business. We also report ARR based on actual currency exchange rates end-of-quarter. Our ARR guidance, however, is based on currency exchange rates per end of 2022.

Reported numbers	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
ARR newbiz	2.1	2.3	2.0	2.3	1.1	2.9	1.9	2.7	1.4	3.2	2.5
ARR uplift	1.7	3.4	2.0	4.4	1.0	2.4	1.6	2.7	1.8	3.6	1.4
ARR churn	(0.6)	(0.6)	(0.6)	(0.8)	(0.7)	(0.3)	(0.4)	(0.2)	(0.6)	(0.1)	0.0
Total ARR growth	3.3	5.0	3.3	6.0	1.5	5.0	3.1	5.2	2.6	6.7	3.9
ARR EoQ	82.5	79.2	74.2	71.0	65.0	63.5	58.5	55.5	50.2	47.6	40.9

SaaS metrics

In Q3-2023, Penneo significantly improved its ability to acquire new customers. Compared to 78 new customers in Q3-2022, 113 new customers were welcomed in Q3-2023 which corresponds to a growth of 45%. Particularly noteworthy is the addition of 44 new customers in Belgium.

Average ARR in the initial year for new customers over a trailing 12-month period reached 17.7T DKK in Q3-2023, showing a slight increase from 16.9T DKK in Q2-2023. However, it remains lower than the corresponding figure in Q3-2022, which stood at 21.5T DKK.

This development reflects the cautious buying behavior that we are still seeing among our new customers including a conservative approach to initial sales commitments. However, we are seeing some improvement from Q2-2023 to Q3-2023 even though Q3 is typically a low season. In general, when assessing Penneo's average ARR over time, it is important to note

that irregularities might occur due to extraordinary large deals in certain quarters.

Looking more closely at Penneo's key geographies, there are significant differences in the achieved average ARR for new customers in Q3-2023. In Belgium, the average ARR for new customers is 26.6T DKK. These customers were in our tier 1 Audit and Accounting customer target segment that generally has a higher average ARR. For comparison, the average ARR for new customers in Denmark was 14.0T DKK.

In Q3-2023, ARPA was 30.1T DKK compared to 25.3T DKK in Q3-2022 which corresponds to a growth of 19%. This indicates a higher revenue generation per account and demonstrates Penneo's continued ability to generate uplift from existing customers.

On average, Customer Acquisition Cost (CAC) was 31.9T DKK in the period from end of Q3-2022 to end of Q3-

2023. This corresponds to a 11% decrease compared to the previous comparable period where CAC was 35.8T DKK. Alongside the significant increase in new customers, this reflects a more cost-effective customer acquisition strategy while achieving a high customer growth rate.

In Q3-2023, the net ARR retention rate (NRR) amounted to 114%* as a result of an ARR uplift of 18% and ARR churn of 4%. This indicates steady growth, as also supported by the continued increase in ARPA. Compared to Q3-2022, NRR has improved slightly, climbing from 112% to 114%. This is due to an increase in the uplift rate from 15% to 18%, while the churn rate experienced only a modest increase from 3% to 4%. This suggests a better overall retention of recurring revenue despite a slight increase in customer churn.

**The net ARR retention rate is calculated using these figures: $(73.9/65.0 * 100 = 114\%)$*

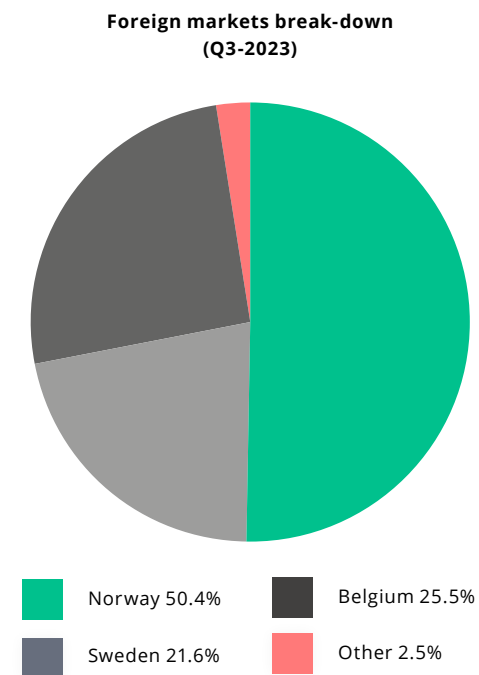
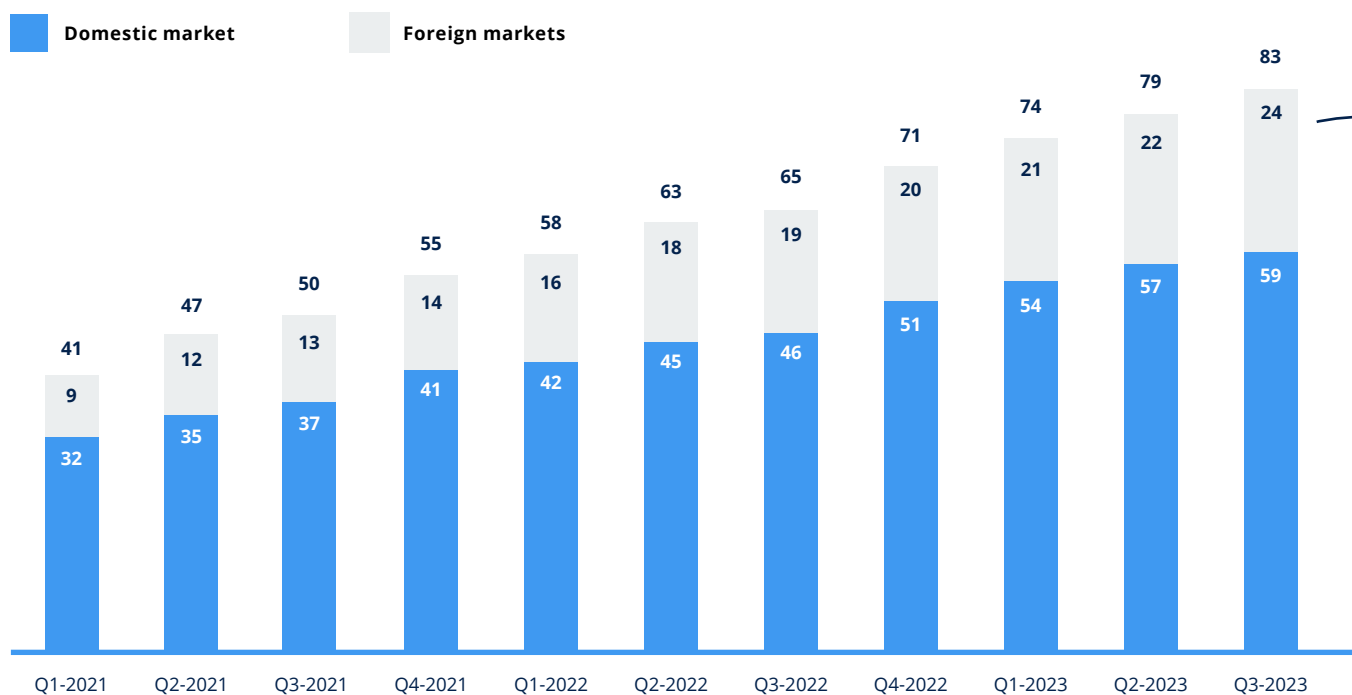
	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
New customers	113	142	111	125	78	103	98	123	87	171	149
Average ARR in the first year for new customers	18,527	16,016	17,839	18,619	14,686	28,131	19,432	21,939	16,366	18,845	17,027
Customer Acquisition Costs (CAC)	(31,864)	(26,639)	(36,574)	(32,633)	(35,833)	(31,952)	(29,871)	(32,229)	(35,640)	(21,523)	(22,511)
Net ARR retention (NRR)	114%	113%	113%	113%	112%	114%	120%	124%	124%	130%	123%
Average Revenue per account (ARPA)	30,115	29,914	28,315	26,608	25,288	25,092	23,751	23,137	21,960	21,444	19,988

Domestic and foreign ARR base split

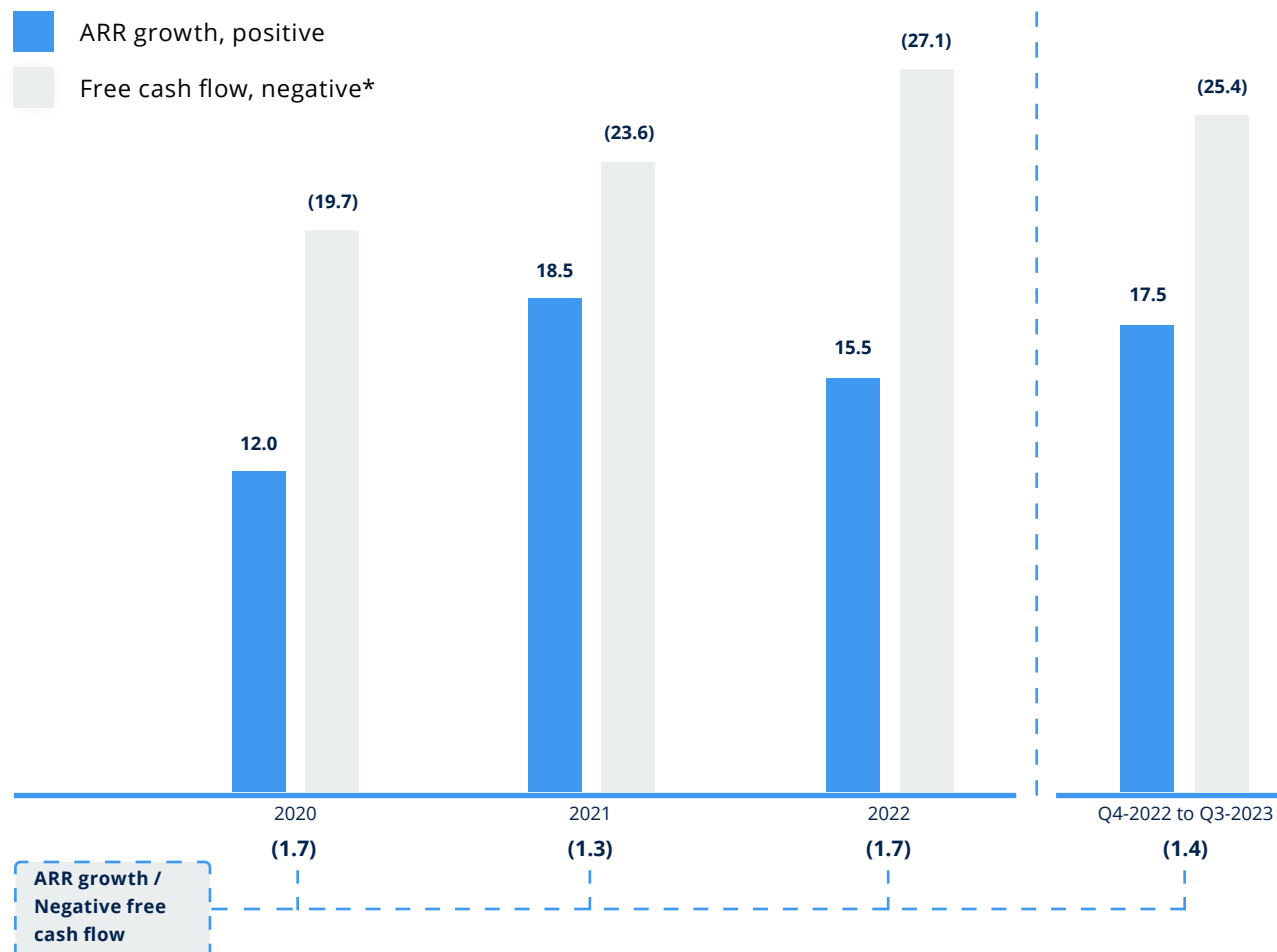
Penneo's growth strategy is based on entering new markets while simultaneously increasing its market share in existing markets. This chart shows the growth of Penneo's ARR base split into the domestic market (Denmark) and foreign markets including Norway, Sweden, Belgium and others.

In Q3-2023, ARR from the Danish market grew by 27% year-on-year driven by a continued effort to strengthen the company's market position further as well as growing demand for Penneo KYC. Meanwhile, ARR from foreign markets increased by 28% year-on-year or 1.7M DKK compared to 0.7M DKK in Q3-2022, due to Penneo's expansion strategy including in particular in Belgium.

Looking into ARR from foreign markets in Q3-2023, Norway was the largest market (50.4%) followed by Belgium (25.5%) and Sweden (21.6%). Belgium's share of ARR from foreign markets grew from 22.2% in Q2-2023 to 25.5% in Q3-2023 and is now Penneo's second largest foreign market.



ARR growth compared to negative free cash flow



Adjusted for cost associated with the listing on the First North Growth Market and the Copenhagen Main Market (2.3M DKK in 2020 and 2.4M DKK in Q2-2022)

In the 12 month period from end of Q3-2022 to end of Q3-2023, Penneo realized an ARR growth of 17.5M DKK and a free cash flow of negative 25.4M DKK.

This is equivalent to a cash to acquired ARR ratio of 1.4 which we consider satisfactory considering that one acquired DKK of ARR on average results in a revenue of more than seven DKK in the first five years based on our compound annual growth rate of 18% during the first five years.

Our expectation in the H1-2023 report was a slightly negative development during Q3. This, however, has not materialized since the Danish tax authorities in Q3-2023 decided to postpone the payment of employee related tax to Q4-2023 and Q1-2024. We expect to maintain a ratio at the current level in the full financial year 2023.

End of Q3-2023, Penneo's cash position was 34.9M DKK. As previously communicated, we will continue to execute on our investment plan, taking a cautious approach to new investments, particularly in terms of recruiting additional employees. Currently, our focus is on leveraging the full potential of our current investments and existing employees rather than actively seeking new hires since this aligns with our goal of prudent resource management and cultivating the talent pool we already have.

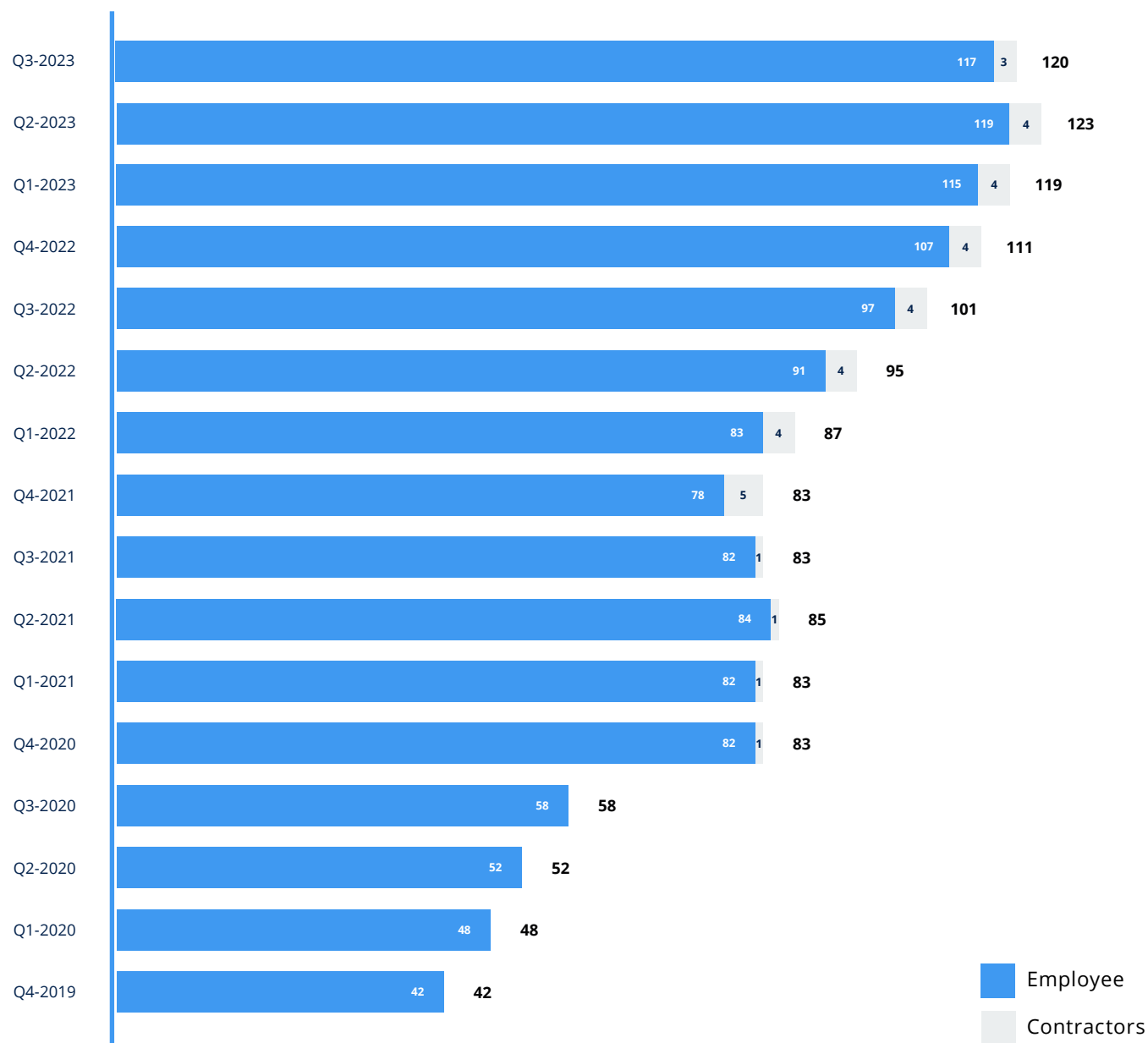
Employee development

Penneo is continuously investing to have the necessary foundation in place to support continued growth. Most of these investments are made in the recruitment of new employees, however, always taking a cautious approach to ensure new hires translate into value.

In 2022, the number of employees grew by 28% from 87 to 111. During the first two quarters of 2023 this figure grew by 12 new employees to 123. In Q3-2023, however, the number of employees decreased slightly to 120.

Half of the net new employees hired in the first three quarters of 2023 have been within product development. The primary focus of these employees are on accelerating the roll out of Penneo's KYC solution in new markets including e.g. integration with local data providers such as national company registries and eID's as well as localization of the solution. The remaining new employees have primarily been hired in sales and support functions.

While we may choose to recruit additional new employees, our current priority is to fully utilize and optimize the capabilities of our current talent. This strategy is in line with our broader objective of practicing careful resource management.



Penneo's workforce is diverse with +20 nationalities and a gender representation of 34% women and 66% men.

Outlook 2023

ARR guidance

Penneo assumes an ARR level of 87-92M DKK at the end of 2023 corresponding to an ARR growth rate of 23-30%.

This is a narrower ARR guidance range within the previously communicated range of 87-95M DKK at the end of 2023.

EBITDA guidance

The assumed EBITDA level for 2023 continues to be in the range of negative 10M DKK to negative 15M DKK.

The above ARR outlook is based on currency exchange rates at the end of 2022.

Penneo's guidance for 2023 continues to rely on the key assumptions that we laid out in our 2022 financial report. These assumptions are detailed below.

Continued conservative buying patterns

For the remainder of 2023, we expect a continuation of the unfavorable macroeconomic market conditions that we observed during 2022, particularly in H2. Consequently, we also expect a continuation of the more conservative buying patterns that we have experienced among our existing and new customers. Compared

to historical performance, this includes for example lower average deal sizes due to smaller initial sales commitments and longer sales cycles for some types of larger deals (Penneo KYC in particular).

Unchanged strategic priorities

Despite continued uncertain market conditions, we remain confident in our current growth strategy. We will continue to invest in maturing and scaling up our organization, although we may choose to adjust investments if market conditions deteriorate. These investments span across sales and marketing, product development and other areas that play a critical role in supporting the geographic expansion of Penneo Sign and roll out of Penneo KYC.

Currently, we are gearing up for our next expansion, likely targeting Germany as we have also reported earlier this year. While we are still in the process of preparing our go-to-market approach, Germany's size and business potential makes it an attractive option despite challenges like low digitalization and eID adoption.

Increased demand generation capabilities

In 2022 and also in the first three quarters of 2023, we have carried out organizational changes aimed at increasing our demand generation capabilities and sales reach. Our primary way of creating demand, acquiring leads and converting them to customers remains

digital inbound marketing and sales. However, we have strengthened our outbound sales with reps who are solely focused on sales prospecting. Therefore, we expect a larger share of new customers from this sales channel and also a larger number of new customers in 2023 compared to 2022. This will contribute positively to ARR growth despite lower average deal size per new customer due to the current market conditions.

Low churn and continued uplift

As we move into the last quarter of 2023, we expect a slightly higher customer churn rate, yet still below the 5% benchmark that we have set as our general company goal as a result of the historical performance. We also expect a continued uplift from existing customers based on increased engagement with Penneo Sign and revenue from the cross-selling of Penneo KYC. Moreover, we expect a net positive effect on ARR uplift from an annual adjustment of our pricing reflecting the general increase in inflation rate. This was introduced in 2022 and took effect on 1 January 2023.

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 are affected by risk and uncertainties. Therefore, the company's actual results may differ from the expectations expressed in the management report.

Analyst coverage

Penneo A/S is followed by the analysts listed below. Please note that any opinions, estimates or forecasts regarding Penneo's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Penneo A/S or its management. Penneo A/S does not by its reference below or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

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Financial statements

CFO statement



Customer Acquisition Cost (CAC)

Over the last 12 months, we have invested 15.5M DKK to acquire new customers resulting in 491 new customers gained at an average cost of 31.6T DKK per new customer.

This is slightly below the equivalent figure for the previous 12 month period that ended Q3-2022. The

total 15.5M DKK investment in acquiring new customers accounted for 18.7% of Penneo's total cost base (total of 'Other external expenses and Staff costs') which was 82.8M DKK in the 12 month period that ended Q3-2023.

The comparable percentage for the 12 month period that ended in H1-2023 was 18.5% (14.7M DKK out of 79.4M DKK). Moreover, the increase from 14.7M DKK (12 months end of H1-2023) to 15.5M DKK (12 months end of Q3-2023) corresponds to an increase of 5% in the investment that Penneo makes to acquire new customers. This translated into a growth of 8% in the number of new customers from 456 (12 months end of H1) to 491 (12 months end of Q3).

New ARR per new customer

We achieved both a higher number of new customers and a higher average initial deal size during the 12 month period ending on 30 September 2023 compared with the 12 months period ending on 30 June 2023. Total ARR from new customers amounted to 8.7M DKK or 17.6T DKK on average per new customer compared to 7.7M DKK or 16.9T DKK.

ARR growth compared to negative free cash flow

As stated in both our Q1-2023 and H1-2023 reports, the ratio between ARR growth and negative free cash

flow was 1.4 in the period Q2-2022 to Q1-2023 and 1.6 in the period Q3-2022 to Q2-2023. Our expectation in the H1-2023 report was a slightly negative development during Q3. This, however, has not materialized since the Danish tax authorities in Q3-2023 decided to postpone the payment of employee related tax to Q4-2023 and Q1-2024. We expect to maintain a ratio at the current level in the full financial year 2023.

Cash position

At the end of Q3-2023, Penneo's cash position was 34.9M DKK. As we move forward, our approach is to invest the cash that is available and continuously ensure that we have a clear path to profitability given the cash available. During the coming year, we are confident that our efforts will yield positive results, leading to a stronger balance between ARR growth and free cash flow.

EBITDA

In Q3-2023 year-to-date, we realized a negative EBITDA of 17.7M DKK. Looking ahead, we anticipate a negative EBITDA between 10M DKK and 15M DKK for the full fiscal year 2023. For background, fluctuations in our billing cycles are the primary reason that EBITDA varies somewhat between quarters.

Key figures

DKK	Q3-2023 YTD	Q3-2022 YTD
Revenue	55,881,830	46,669,105
Cost of sales	(9,387,682)	(8,958,771)
Gross profit	46,494,148	37,710,334
	83%	81%
Other external expenses	(14,838,260)	(13,403,228)
Staff costs	(49,373,405)	(38,653,368)
EBITDA*	(17,717,517)	(14,346,262)

DKK	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021
Revenue	15,904,086	21,934,250	18,043,494	25,388,533	14,748,751	17,565,608	14,354,746	18,458,693
Cost of sales	(3,374,083)	(3,116,138)	(2,897,461)	(3,563,534)	(2,834,338)	(3,187,849)	(2,936,584)	(2,690,089)
Gross profit	12,530,003	18,818,112	15,146,033	21,824,999	11,914,413	14,377,759	11,418,162	15,768,604
	79%	86%	84%	86%	81%	82%	80%	85%
Other external expenses	(4,654,858)	(5,571,369)	(4,612,033)	(4,419,983)	(4,820,340)	(4,556,908)	(4,025,980)	(3,626,638)
Staff costs	(15,321,261)	(16,882,535)	(17,169,609)	(14,185,712)	(11,764,446)	(13,489,501)	(13,399,421)	(12,729,816)
EBITDA*	(7,446,116)	(3,635,792)	(6,635,609)	3,219,304	(4,670,373)	(3,668,650)	(6,007,239)	(587,850)

*EBITDA does not include "Other income" and "Other operation expenses" on page 22.

Key figures

DKK	Q3-2023 YTD	Q3-2022 YTD
Cash flow from operating activities	(3,874,049)	(10,839,141)
Cash flow from investing activities	(16,848,733)	(14,365,953)
Free Cash Flow (FCF)	(20,722,782)	(25,205,094)
Cash and cash equivalents beginning of period	53,161,291	25,415,797
Free Cash Flow (FCF)	(20,722,782)	(25,205,094)
Cash flow from financing activities	2,434,983	58,126,076
Cash position end of period	34,873,492	58,336,779

DKK	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021
Cash flow from operating activities	(585,314)	(4,236,847)	948,112	795,552	(2,054,739)	(3,542,478)	(5,241,924)	(617,208)
Cash flow from investing activities	(5,838,698)	(5,640,207)	(5,369,828)	(5,037,090)	(5,198,482)	(4,481,480)	(4,685,991)	(4,755,818)
Free Cash Flow (FCF)	(6,424,012)	(9,877,054)	(4,421,716)	(4,241,537)	(7,253,221)	(8,023,958)	(9,927,915)	(5,373,026)
Cash and cash equivalents beginning of quarter	40,995,085	51,034,048	53,161,291	58,336,779	65,524,735	73,378,894	25,415,797	15,712,849
Free Cash Flow (FCF)	(6,424,012)	(9,877,054)	(4,421,716)	(4,241,537)	(7,253,221)	(8,023,958)	(9,927,915)	(5,373,026)
Cash flow from financing activities	302,419	(161,909)	2,294,473	(933,951)	65,265	169,799	57,891,012	15,075,974
Cash position end of quarter	34,873,492	40,995,085	51,034,048	53,161,291	58,336,779	65,524,735	73,378,894	25,415,797

Financial commentary

Recognized revenue

Recognized revenue increased from 46.7M DKK in Q3-2022 YTD to 55.9M DKK in Q3-2023 YTD representing a modest growth of 20% when compared to Penneo's overall year-on-year ARR growth of 27%. This was due to a delay in the invoicing of transaction based ARR which accounted for 18% of our total ARR as of 30 September 2023. In Q4-2023, however, we expect the impact from this will be resolved as we complete our invoicing.

Recognized revenue increased by 25% from Q4-2022 to Q3-2023 which aligns with the growth in ARR for the same period.

Gross profit margin

Penneo's gross profit margin improved from 81% in Q3-2022 YTD to 83% in Q3-2023 YTD. This was linked to the migration from NemID to MitID. Furthermore, the company's revenue increased, which also improved the gross profit margin. Looking at Q3-2023 alone, the gross profit margin was 79%, somewhat lower than the 81% we achieved in Q3-2022. This was linked to the above mentioned invoicing delay.

Other external expenses

Other external expenses increased from 13.4M DKK in Q3-2022 YTD to 14.8M DKK in Q3-2023 YTD, representing an annual growth of 11%. This increase is mainly due to a higher utilization of consultants and

contractors as well as higher software and marketing costs, both of which are needed to support Penneo's operations and growth plans.

Staff costs

Staff costs increased from 38.7M DKK in Q3-2022 YTD to 49.4M DKK in Q3-2023 YTD, corresponding to a 28% annual growth rate. This was driven by a rising number of employees. By the end of Q3-2023, Penneo employed 117 employees (excluding contractors), compared to 97 (excluding contractors) at the end of Q3-2022.

Other intangible assets

Other intangible assets increased from 57.0M DKK end of 2022 to 65.1M DKK end of Q3-2023 corresponding to an increase of 14%. Penneo's ongoing investment into development projects is the main reason for this.

Trade receivables

Trade receivables for Penneo decreased from 20.0M DKK at the end of 2022 to 10.1M DKK at the end of Q3-2023, representing a decrease of 49%. The decrease is primarily attributed to seasonality.

Income tax receivables

Income tax receivables consist of tax credit related to development projects from the income year of 2022. Penneo does not expect to apply for tax credit for the income year of 2023.

Other payables (current)

Other payables (current) increased from 8.6M DKK at the end of 2022 to 11.5M DKK at the end of Q3-2023 corresponding to an increase of 34%. The primary reason for the increase is a postponement of employee taxes for July and August.

Cash flow from operating activities

Net cash flow from operating activities resulted in an outflow of 3.9M DKK in Q3-2023 YTD compared to an outflow of 10.8M DKK in Q3-2022 YTD. This positive change was primarily caused by a positive change in working capital due to seasonality in trade receivables.

Cash flow from investing activities

Net cash flow from investing activities resulted in an outflow of 16.8M DKK in Q3-2023 YTD compared to an outflow of 14.4M DKK in Q3-2022 YTD. This rise is caused by an increased focus and investment in the continued development of Penneo's products.

Cash flow from financing activities

Net cash flow from financing activities resulted in an inflow of 2.4M DKK in Q3-2023 YTD compared to 58.1M DKK in Q3-2022 YTD. This change is linked to the capital raise of net 59M DKK in March 2022. In Q3-2023 YTD, warrants were exercised for a total amount of 5.8M DKK compared to 2.2M DKK in Q3-2022 YTD.

Statement by management



The Board of Directors and Executive Board have today considered and approved the interim report for the period 01.07.2023 – 30.09.2023 for Penneo A/S.

The financial statements have been prepared in accordance with the 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 30.09.2023 and of the results of Penneo's activities and cash flows for the accounting period of 01.07.2023 – 30.09.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein. The interim report has not been audited nor reviewed by the Company's auditor.

Copenhagen, 21 November 2023

Executive Board

CEO, Christian Stendevad

Board of Directors

Christian Sagild (Chair)

Jakob Neua Nørgaard

Morten Kenneth Elk

Rikke Stampe Skov

Steffen Heegaard

Statement of profit or loss and other comprehensive income

DKK	Q3-2023	Q3-2023 YTD	Q3-2022	Q3-2022 YTD
Revenue	15,904,086	55,881,830	14,748,751	46,669,105
Cost of sales	(3,374,083)	(9,387,682)	(2,834,338)	(8,958,771)
Gross profit	12,530,003	46,494,148	11,914,413	37,710,334
Other external expenses	(4,654,858)	(14,838,260)	(4,820,340)	(13,403,228)
Staff costs	(15,321,261)	(49,373,405)	(11,764,446)	(38,653,368)
Other income	11,196	33,589	11,196	33,589
Other operation expenses	0	0	0	(2,365,758)
Depreciation, amortisation, impairment	(3,651,886)	(10,949,669)	(2,518,519)	(7,476,941)
Operating profit/(loss)	(11,086,806)	(28,633,597)	(7,177,696)	(24,155,372)
Financial income	22,028	48,378	77,242	112,363
Financial expenses	(508,278)	(1,542,479)	(623,829)	(1,885,626)
Profit/(loss) before tax	(11,573,056)	(30,127,698)	(7,724,283)	(25,928,634)
Tax for the year	0	0	1,532,972	4,350,124
Profit/(loss) for the year	(11,573,056)	(30,127,698)	(6,191,311)	(21,578,510)
Earnings per share, basic (EPS)	(0.35)	(0.92)	(0.19)	(0.70)
Earnings per share, diluted (DEPS)	(0.35)	(0.92)	(0.19)	(0.70)

Statement of financial position

DKK	30-09-2023	30-06-2023	31-12-2022	30-09-2022
Other intangible assets	65,065,749	62,184,456	57,012,359	53,790,835
Property, plant and equipment	889,503	948,008	1,094,886	1,148,836
Right-of-use assets	9,435,178	10,156,623	11,602,470	11,310,106
Deposits	1,660,477	1,572,052	1,439,174	1,439,174
Total non-current assets	77,050,907	74,861,140	71,148,888	67,688,951
Trade receivables	10,119,040	11,806,993	19,980,670	9,231,783
Income tax receivables	5,500,000	5,500,000	5,500,000	9,106,208
Other receivables	2,059	4,436	1,585	210,464
Prepayments	1,991,149	2,508,450	2,198,270	1,546,190
Cash	34,873,491	40,995,085	53,161,291	58,336,779
Total current assets	52,485,739	60,814,964	80,841,817	78,431,424
Total assets	129,536,646	135,676,104	151,990,705	146,120,375

Statement of financial position

DKK	30-09-2023	30-06-2023	31-12-2022	30-09-2022
Share capital	668,654	663,354	642,933	642,333
Reserves for development	51,773,363	48,727,070	43,224,973	39,838,449
Retained earnings	12,892,173	26,297,561	44,232,570	46,432,178
Treasury shares	3,422	3,422	4,477	4,477
Other capital reserves	20,077,338	19,101,978	17,396,193	16,075,841
Total equity	85,414,949	94,793,385	105,501,146	102,993,277
Interest bearing liabilities	12,980,365	13,078,010	10,699,587	11,642,987
Provisions	463,133	460,170	454,302	451,396
Lease liabilities	7,509,437	8,214,841	9,626,100	9,251,342
Other payables	2,526,394	2,504,973	2,442,713	2,430,079
Contract liabilities	324,692	335,888	358,281	369,477
Total non-current liabilities	23,804,021	24,593,883	23,580,983	24,145,282
Contract liabilities	4,397,705	4,441,184	5,104,931	4,391,182
Lease liabilities	2,834,413	2,839,193	2,835,660	2,886,663
Trade payables	1,184,127	2,112,033	2,691,826	2,779,502
Other payables	11,508,598	6,513,515	8,606,762	6,113,561
Interest bearing liabilities	392,834	382,912	3,669,397	2,810,907
Total current liabilities	20,317,676	16,288,836	22,908,576	18,981,814
Total liabilities	44,121,697	40,882,719	46,489,559	43,127,097
Total equity and liabilities	129,536,646	135,676,104	151,990,705	146,120,375

Statement of changes in equity

	Share Capital DKK	Reserves for development expenditure DKK	Retained earnings DKK	Treasury shares DKK	Other capital reserves DKK	Total DKK
Q3-2023 YTD						
Equity beginning of 2023	642,933	43,224,973	44,232,570	4,477	17,396,193	105,501,146
Net profit/(loss) for the period			(30,127,698)			(30,127,698)
Excercise of warrants	25,721		6,017,113		(267,531)	5,775,303
Transaction costs			(11,200)			(11,200)
Transfer to reserves		8,548,390	(8,548,390)			0
Transfer of shares as a part of Employee Share Scheme			1,329,778	(1,055)	(1,328,722)	0
Share-based payments					4,277,397	4,277,397
Equity end of Q3-2023	668,654	51,773,363	12,892,173	3,422	20,077,338	85,414,949
	Share Capital DKK	Reserves for development expenditure DKK	Retained earnings DKK	Treasury shares DKK	Other capital reserves DKK	Total DKK
Q3-2022 YTD						
Equity beginning of 2022	542,579	30,600,906	12,050,329	7,177	13,842,673	57,043,663
Net profit/(loss) for the period			(21,578,510)			(21,578,510)
Excercise of warrants	10,170		2,647,045		(449,240)	2,207,975
Capital increase	89,584		61,499,471			61,589,055
Transaction costs			(3,383,473)			(3,383,473)
Transfer to reserves		9,237,543	(9,237,543)			0
Treasury shares transferred as consideration in a business combination			3,001,826	(1,826)	(3,000,000)	0
Transfer of shares as part of Employee Share Scheme			1,433,033	(874)	(1,432,159)	0
Shared-based payments					7,114,566	7,114,566
Equity end of Q3-2022	642,333	39,838,449	46,432,178	4,477	16,075,840	102,993,277

Cash flow statement

DKK	Q3-2023 YTD	Q3-2022 YTD
Cash flows from operating activities	(3,874,049)	(10,839,141)
Operating profit/loss	(28,633,597)	(24,155,372)
Depreciation, amortisation and impairment losses	10,949,669	7,476,941
Share-based payment expenses	4,277,397	7,114,566
Other income	(33,589)	(33,589)
Changes in working capital	10,838,869	284,968
Financial income received	48,378	112,363
Financial expenses paid	(1,321,177)	(1,639,018)
Cash flow from investing activities	(16,848,733)	(14,365,953)
Investments in intangible assets	(16,582,299)	(14,131,562)
Investments in property plant and equipment	(45,131)	(84,159)
Deposits	(221,304)	(150,232)
Cash flow from financing activities	2,434,983	58,126,076
Repayment of borrowings	(995,785)	(243,757)
Payment of principal portion of lease liabilities	(2,333,335)	(2,043,725)
Transactions costs from capital increase	(11,200)	(3,383,473)
Cash increase from capital increase	5,775,303	63,797,031
Cash and cash equivalents beginning of period	53,161,291	25,415,797
Net cash flow	(18,287,800)	32,920,982
Cash and cash equivalents end of period	34,873,492	58,336,779

A photograph of a man and a woman in conversation. The man, on the left, is bald with a beard and glasses, wearing a white t-shirt and holding a white mug. The woman, on the right, has long dark hair and is wearing a black top. They are standing in front of a wall of white square tiles. The word "Governance" is overlaid in white text on the left side of the image.

Governance

Governance

Company information

Penneo A/S
Enghavevej 40, 4. sal,
DK-1674 Copenhagen V

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

Date of incorporation: 09.01.2014
Accounting period: 01.07.2023 - 30.09.2023

Board of Directors

Christian Sagild (Chair)
Jakob Neua Nørgaard
Morten Kenneth Elk
Rikke Stampe Skov
Steffen Heegaard

Executive Board

CEO Christian Stendevad

Auditor

Deloitte Statsautoriseret
Revisionspartnerselskab

Primary activities

Penneo is a provider of Software-as-a-Service (SaaS), and was initially established for the purpose of assisting businesses with digital document signing and digitizing workflows. Today, the company has developed into an eco-system of digital solutions which automate work routines within for example anti-money laundering (AML) - a RegTech software that offers businesses an efficient and cost-saving way to comply with legislation.

The original and widespread product "Penneo Sign", which helps customers secure easy online signing of documents, is continuously being developed by the company. Additionally, we have launched Penneo KYC (Know Your Customer) - a product that digitises business workflows and helps companies meet legal compliance requirements in connection with the onboarding and identification of new customers.

Penneo holds a strong position across the geographical markets it operates in. In total, 1.8 million individuals signed documents electronically with Penneo in 2022 across all of the markets we operate in. In April 2022, Penneo was listed on Nasdaq Copenhagen following a listing on Nasdaq First North in June 2020. This transition contributes to strengthening the company's focus on European expansion.

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

Financial calendar



PENNEO®

Learn more on www.penneo.com