



PENNEO™

Quarterly report

2020

July 1 - September 30

Penneo continued its high ARR growth rate in 2020-Q3

Company announcement No. 11-2020
Copenhagen, November 25, 2020

Financial report for the period
July 1 2020 - September 30 2020

Highlights

2020-Q3-YTD

Annual Recurring Revenue (ARR) end of 2020-Q3 was 32,7M DKK which is 38% higher than 23,7M DKK end of 2019-Q3

2020-Q3

Penneo increased total ARR by 3,2M DKK in 2020-Q3 which is 78% higher than 1,8M DKK in 2019-Q3

Penneo increased the ARR uplift from existing customers by 2,3M DKK ARR in 2020-Q3 which is 130% higher than 1,0M DKK in 2019-Q3

Penneo continued to see the effects of its digital marketing activities, which resulted in a 110% increase in the ARR generated from inbound leads compared to 2019-Q3

Penneo onboarded 90 customers in 2020-Q3 and 289 customers in 2020-Q3-YTD

Penneo increased average ARR per new customer by 70% in 2020-Q3-YTD compared to 2019-Q3-YTD

Further information

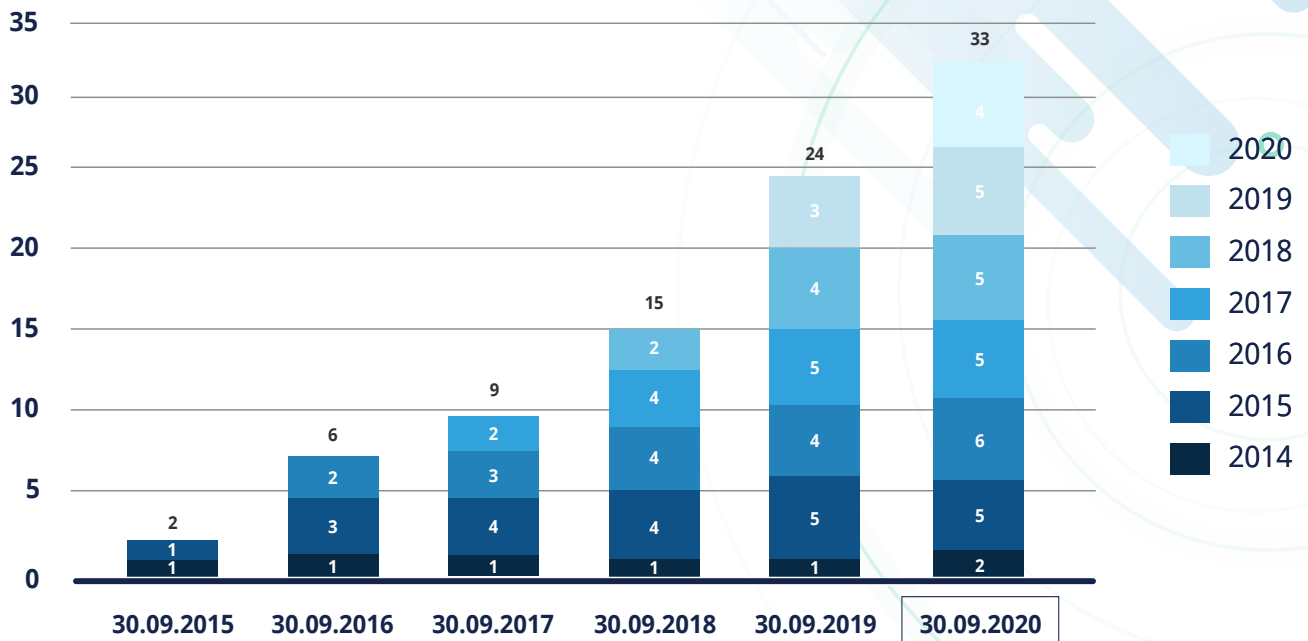
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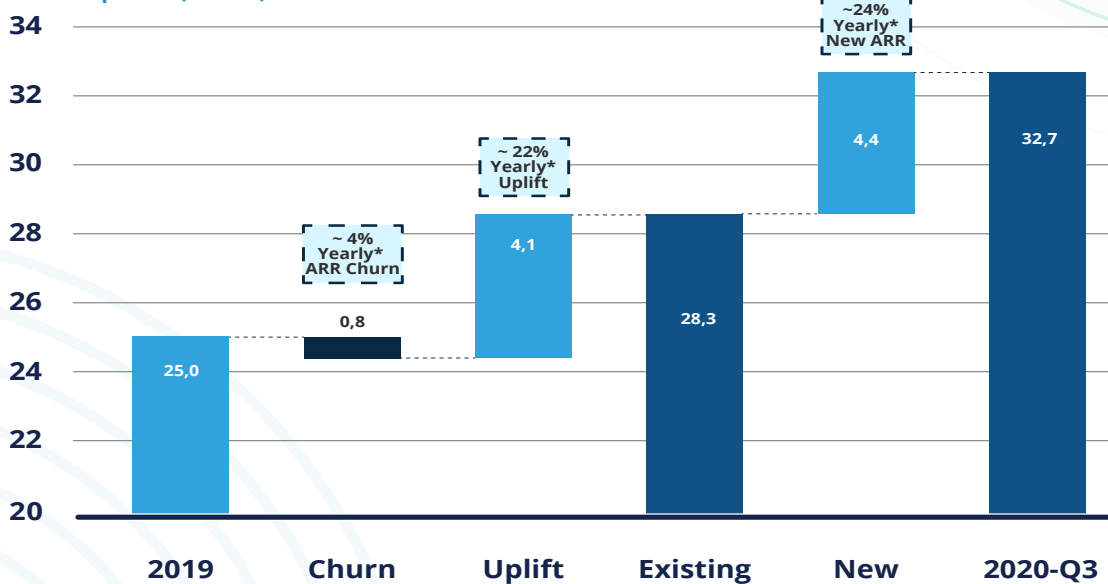
ARR development

A key metric for all SaaS companies is the Annual Recurring Revenue as it expresses the yearly returning value of a company's client base. The continued development of a strong product portfolio that generates positive cashflow each year is essential for Penneo, and generates a solid economic foundation for investing into future growth with low risk and high forecasting predictability. The yearly ARR uplift and small yearly ARR churn generates a "net negative churn" of 18%.

Annual Recurring Revenue Development
Yearly cohorts (M DKK)



Annual Recurring Revenue Development
in the period (M DKK)



*The yearly rates are annualized and show the value that would be registered if the financial development in 2020-YTD was maintained for a full year.

Management review

Developing an international SaaS business

As part of the internationalization and entry to the Finnish market, Penneo successfully integrated the Finnish eID FTN-standard.

After the end of the period, Penneo signed a deal with a Big10 audit company in Belgium, VGD. VGD is present in 5 countries and is part of Nexia International, a leading global network of independent accounting and consulting firms.

Strategy execution

After the end of the period, Penneo performed its first acquisition. Penneo acquired the Anti-Money laundering (AML) and Know Your Customer (KYC) software from CLA Reply. The AML/KYC software will be integrated in Penneo's platform, and is a strategic stepping stone in the international roll out. The AML/KYC software has strong global potential that taps into the increasing focus of global AML and KYC challenges for audit and accounting firms.

Organizational growth

In 2020-Q3, Penneo's organization grew from 52 to 58 team members. In addition, through the acquisition of CLA Reply, Penneo added six new talented team members including the two founders. The new employees have provided additional AML and KYC expertise to Penneo.

New CEO

As stated in the company announcement no. 7/2020 Niels Henrik Rasmussen has resigned as CEO of Penneo due to his daughter's back surgery and rehabilitation, and to focus on his family going forward. The Board of Directors is in the process of recruiting a new CEO. Until a new CEO has been recruited, the Board has appointed Nicolaj Højer Nielsen as Interim CEO. Nicolaj Højer Nielsen is co-founder of Penneo as well as a member of the Board. He has temporarily stepped down as a Board member until the new CEO is in place.



Financial statement

Management Statement

Statement by Management on the interim report. The Board of Directors and the Executive Board have today considered and approved the quarterly report of Penneo A/S for the period 01.07.2020 - 30.09.2020.

The quarterly report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the quarterly report gives a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations for the period 01.07.2020 - 30.09.2020.

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

Copenhagen, November 25, 2020

Exposition of the Income Statement 2020-YTD

Recognized revenue

During 2019 and earlier, Penneo had another product mix and invoiced and recognized revenue up front for longer, consecutive subscription periods. Today, Penneo is a true ARR-driven company where revenues are annualized and recognized over shorter deal length. Notwithstanding the fact that the recognized revenues of Q3-YTD from 2019 to 2020 therefore do not compare well because of this transition, a considerable growth materialized (18%). A like-for-like comparison of the ARR displays a growth from 2019-Q3 to 2020-Q3 by end of quarter at 38%.

Costs related to the operations and the strategic development of Penneo

In alignment with the strategy, Penneo increased other external expenses from 3,1M DKK in 2019-Q3-YTD to 6,5M DKK in 2020-Q3-YTD to facilitate the growth and internationalization of Penneo e.g. cost of premises to accommodate the growing TEAM and increased marketing activities.

Staff costs

Aligned with the use of proceeds from the IPO, Penneo invested heavily into hirings related to sales-, marketing- and software development. Penneo wants to take advantage of its position in Scandinavia and use it for an internationalization and growth journey through auditors in Europe. At the end of 2020-Q3 Penneo has 58 employees compared to 35 employees at the end of 2019-Q3. Consequently staff costs have grown 59% from 10,8M DKK to 17,1M DKK.

Amortisation, depreciation and impairment losses

In 2020 Penneo completed several development projects that amounted to 8M DKK in 2020 which is why the depreciation in 2020-Q3-YTD increased to 2,3M DKK compared to 1,5M DKK 2019-Q3-YTD.

Other operating expenses

Other operating expenses 2,2M DKK are primarily related to the IPO.

EBITDA

Aligned with the internationalization strategy Penneo focuses on ARR growth throughout Europe instead of profit in the short run. Investing in growing the team and an international distribution channel through auditors, will on the short term generate a negative EBITDA, but will on the long term strengthen our profitability and position in the market. Consequently EBITDA amounted to negative 4,8M DKK.

Income statement

	2020-Q3 DKK	2020-Q3-YTD DKK	2019-Q3 DKK	2019-Q3-YTD DKK
Revenue	7.733.482	23.666.961	5.276.298	20.124.711
Cost of sales	(1.450.088)	(4.847.787)	(615.926)	(3.907.840)
Other external expenses	(2.630.870)	(6.504.668)	(983.034)	(3.110.991)
Gross profit	3.652.524	12.314.506	3.677.338	13.105.880
Staff costs	(5.844.590)	(17.115.640)	(3.827.577)	(10.759.154)
Depreciation, amortisation and impairment losses	(778.480)	(2.324.265)	(498.493)	(1.495.480)
Other operating expenses	(230.400)	(2.160.493)	(320.000)	(320.000)
Operating profit/loss	(3.200.946)	(9.285.892)	(968.733)	531.245
Other financial income	16.779	51.534	8.627	35.991
Other financial expenses	(195.836)	(594.918)	(215.784)	(311.753)
Profit/loss before tax	(3.380.003)	(9.828.303)	(1.175.889)	255.483
Tax on profit/loss for the year	743.473	2.161.213	258.673	(174.049)
Profit/loss for the year	(2.636.530)	(7.667.090)	(917.216)	81.434
Proposed distribution of profit/loss				
Retained earnings	(2.636.530)	(7.667.090)	(917.216)	81.434
	(2.636.530)	(7.667.090)	(917.216)	81.434

M DKK

EBITDA

2020-Q3-YTD

(4,8)

2019-Q3-YTD

2,3

Exposition of the Cash flow Statement 2020-YTD

Cash and cash equivalents end of period

The cash and cash equivalents as per 2020-Q3 amount to 42,5M DKK. Besides the cash amount, Penneo has a credit facility of 2,0M DKK.

Cash flows from operating activities

Penneo recorded a negative cash flow from primary operating activities of 4,9M DKK for the first nine months of the year against a negative cash flow from operating activities of 0,3M DKK for the same period for 2019. This is related to the increase in the operations-related costs to facilitate the growth and internationalization of Penneo, e.g. staff costs, cost of premises, and increased marketing activities.

Cash flows from investing activities

Penneo invested in intangible assets of 8,4M DKK during the first nine months of 2020, which consist of capitalized costs related to the software development activities.

Cash flows from financing activities

Cash flow generated from financing activities amounts to 47,9M DKK, and is mainly related to the IPO.

Cash flow statement

	2020-Q3-YTD DKK	2019-Q3-YTD DKK
Cash flows from operating activities	(4.922.406)	(306.218)
Operating profit/loss	(9.285.892)	531.245
Amortisation, depreciation and impairment losses	2.324.265	1.495.480
Working capital changes	2.582.604	(2.057.182)
Debtors and other receivables	(1.557.679)	1.091.754
Creditors and other payables	4.140.283	(3.148.935)
Financial income received	51.534	35.991
Financial expenses paid	(594.918)	(311.753)
Cash flows from investing activities	(8.682.657)	(4.350.501)
Acquisition etc. of intangible assets	(8.377.393)	(3.318.759)
Acquisition etc. of property, plant and equipment	(409.008)	0
Acquisition etc. of deposits	103.744	(1.031.742)
Cash flows from financing activities	47.924.082	3.339.359
Cash increase of capital	52.019.954	1.505.077
Loans raised	5.000.000	2.000.000
Repayments of loans etc.	(5.000.000)	(165.718)
Other cash flows from financing activities	(4.095.872)	
Increase/decrease in cash and cash equivalents	34.319.019	(1.317.360)
Cash and cash equivalents beginning of year	8.217.139	4.199.145
Cash and cash equivalents end of period	42.536.158	2.881.785

Statement of changes in equity for 2020-Q3-YTD

	Contributed Capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of 2020	135.995	13.265.820	(1.565.826)	11.835.989
Increase of capital	366.620	(272.386)	51.925.719	52.019.953
Costs related to equity transactions	0	0	(3.214.303)	(3.214.303)
Transfer to reserves	0	4.784.401	(4.784.401)	0
Profit/loss for 2020-Q3-YTD	0	0	(7.667.090)	(7.667.090)
Equity end of 2020-Q3	502.615	17.777.835	34.694.099	52.974.548

Statement of changes in equity for 2019-Q3-YTD

	Contributed Capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of 2019	108.567	8.480.464	(2.513.602)	6.075.429
Increase of capital	11.551	0	1.493.526	1.505.077
Transfer to reserves	0	1.438.928	(1.438.928)	0
Profit/loss for 2019-Q3-YTD	0	0	81.434	81.434
Equity end of 2019-Q3	120.118	9.919.392	(2.377.570)	7.661.940

Exposition of the Balance sheet

Trade receivables

The trade receivables are increased by 1,7M DKK at the end of 2020-Q3 compared to the end of 2019. The invoicing in 2020-09 has been 50% higher than 2019-12 which corresponds with the deviation in the trade receivables at 49%.

Income tax receivable

The income tax receivable has increased 1,8M DKK or 253% at the end of 2020-Q3 compared to the end of 2019. This is caused by the tax credit regarding development costs.

Other payables - non-current

Other payables non-current at 2,3M DKK consists of the frozen provision for holiday allowance. Penneo expects to pay this upfront in order to lower the administrative tasks and focus.

Prepayments received from customers

The prepayments originated from the sold signatures have decreased by 29% since the end of 2019 where the prepayments originated from the subscriptions have increased by 80%. This is aligned with Penneo's strategy to convert the customers from a transaction based price model to a value driven subscription price model.

Other payables - current

Increase in other payables is mainly caused by the government regulations of the due dates for A-skat and AM-bidrag, after Covid-19 broke out. The postponed taxes will be paid over the course of 2021-H1.

Balance sheet

	30.09.2020 DKK	31.12.2019 DKK
Assets		
Completed development projects	13.142.165	7.356.996
Goodwill	0	0
Development projects in progress	9.998.454	9.650.466
Intangible assets	23.140.619	17.007.462
Leasehold improvements	571.438	242.457
Property, plant and equipment	571.438	242.457
Deposits	1.009.900	1.112.672
Other Financial assets	1.009.900	1.112.672
Fixed assets	24.721.957	18.362.591
Trade receivables	5.167.061	3.460.894
Receivables from group enterprises	0	21.193
Other receivables	52.772	41.469
Income tax receivable	2.570.518	727.491
Prepayments	293.582	432.180
Receivables	8.083.933	4.683.227
Cash	42.536.158	8.217.139
Current assets	50.620.090	12.900.366
Assets	75.342.047	31.262.957

Balance sheet

	30.09.2020 DKK	31.12.2019 DKK
Contributed capital	502.615	135.995
Reserve for development expenditure	17.777.835	13.265.820
Retained earnings	34.694.098	(1.565.826)
Equity	52.974.548	11.835.989
Deferred tax	2.205.246	3.405.000
Provisions	2.205.246	3.405.000
Debt to other credit institutions	5.070.430	5.070.430
Other payables	2.289.879	689.462
Deferred income	447.851	447.851
Non-current liabilities other than provisions	7.808.154	6.207.743
Prepayments received from customers	3.831.566	4.636.043
Trade payables	2.841.337	2.370.974
Other payables	5.681.196	2.807.208
Current liabilities other than provisions	12.354.099	9.814.225
Liabilities other than provisions	20.162.253	16.021.968
Equity and liabilities	75.342.047	31.262.957

Net earnings per share

	2020-Q3 DKK	2020-Q3-YTD DKK
Shares	25.130.728	25.130.728
Warrants	4.502.603	4.502.603
Total	29.633.331	29.633.331
Before delution	25.130.728	25.130.728
After delution	29.633.331	29.633.331
Net earnings	(2.636.530)	(7.667.090)
Net earnings per share before delution	(0,10)	(0,31)
Net earnings per share after delution	(0,09)	(0,26)

About Penneo

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 550.000 people used Penneo's workflow in 2019.

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

Financial Calendar

ANNUAL REPORT

March 25, 2021

GENERAL MEETING

April 28, 2021

QUARTERLY REPORT

May 26, 2021

HALF YEAR REPORT

August 27, 2021

QUARTERLY REPORT

November 25, 2021

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

PENNEO™

Learn more on www.penneo.com