

Penneo

ARR in line, cash flow better

- Q2: 21% ARR growth in line, FCF of DKK -4m vs. ABGSCe DKK -6m
- Reiterates FY'24 guidance, as expected
- Expect limited consensus estimate revisions

Q2 numbers vs. ABGSCe

Q2 ARR of DKK 95.6m was in line with our DKK 95.8m estimate and corresponded to ~21% y-o-y growth. Churn of 5% was a tad higher than expected, and uplift of 10% was 2pp lower than our estimate. The latter continued to be weighed down by temporary downgrades from customers. However, better-than-expected new sales of 16% compensated, fuelled by strong customer intake (particularly in Denmark and Belgium). Revenues of DKK 24.0m were ~3% below our estimate, but adj. EBITDA came in somewhat higher at DKK 1.5m (vs. ABGSCe of DKK 1.1m). Looking more closely at the cost composition, a portion of the deviation vs. our estimates between staff costs and other external expenses is, to our understanding, driven by a relative increase in freelancers vs. permanent employees (salaries for the former is recognised in other external expenses). Lastly, FCF (excl. leases) of DKK -4m was stronger than our expectation of DKK -6m, taking the cash position to DKK 29m (vs. ABGSCe of DKK 27m). The deviation appears to be driven mainly by better NWC.

Outlook and FY'24 guidance

As we had anticipated, Penneo reiterated its FY'24 guidance of implied ARR growth of 18-25% (ABGSCe 22.5%) and an adj. EBITDA of DKK 5m-10m (ABGSCe DKK 8m). While the company has not noted a material change in the demand outlook in the Nordics, Belgium continues at a very solid pace, also expecting a launch of its KYC product in the country during the autumn. The company's entry into the German market is also off to a great start. Lastly, the ambition to achieve at least FCF-neutral status on a run-rate basis from YE'25 is unchanged.

Consensus estimate revisions

We expect limited consensus estimate revisions initially. The company will host a conference call at 10:00 CET.

Deviation table

DKKm	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	ABGSCe Q2'24e	Actual Q2'24	Dev. %	Dev. DKKm
ARR	71.0	74.2	79.2	82.5	89.3	91.3	95.8	95.6	-0.2%	-0.2
y-o-y ARR growth (%)	27.9%	26.8%	24.7%	26.7%	25.8%	23.0%	21.0%	20.7%	-0.3pp	
Churn (%)	4.0%	4.1%	4.1%	4.0%	4.4%	5.5%	4.5%	5.1%	0.6pp	
Churn (DKK)	-2.2	-2.4	-2.6	-2.6	-3.1	-4.1	-3.6	-4.0	-12.2%	-0.4
Uplift (%)	16.4%	16.8%	17.0%	17.7%	15.9%	12.9%	12.0%	10.0%	-2.0pp	
Uplift (DKK)	9.1	9.9	10.8	11.5	11.3	9.6	9.5	7.9	-16.9%	-1.6
New ARR (%)	15.5%	14.1%	12.0%	13.2%	14.2%	15.6%	13.5%	15.8%	2.3pp	
New ARR (DKK)	8.6	8.3	7.6	8.6	10.1	11.6	10.7	12.5	16.9%	1.8
Revenue	25.4	18.0	21.9	15.9	32.6	21.2	24.9	24.0	-3.5%	-0.9
y-o-y revenue growth (%)	37.5%	25.7%	24.9%	7.8%	28.3%	17.4%	13.6%	9.5%	-4.0pp	
Cost of sales	-3.6	-2.9	-3.1	-3.4	-3.0	-3.8	-3.9	-3.8	2.6%	0.1
Gross profit	21.8	15.1	18.8	12.5	29.6	17.4	21.0	20.2	-3.7%	-0.8
Gross margin (%)	86.0%	83.9%	85.8%	78.8%	90.9%	82.3%	84.3%	84.1%	-0.2pp	
Other external expenses	-4.4	-4.6	-5.6	-4.7	-6.1	-5.3	-4.8	-5.6	-17.2%	-0.8
Staff costs	-14.2	-17.2	-16.9	-15.3	-14.5	-15.8	-15.2	-13.1	13.8%	2.1
Adj. EBITDA	3.2	-6.6	-3.6	-7.4	9.0	-3.7	1.1	1.5	46.0%	0.5
Adj. EBITDA margin (%)	12.7%	-36.8%	-16.6%	-46.8%	27.7%	-17.6%	4.2%	6.4%	2.2pp	
FCF (excl. leases)	-4.2	-4.4	-9.9	-6.4	5.4	-7.3	-6.1	-3.8	37.0%	2.2

Source: ABG Sundal Collier, company data

Fast comment

Commissioned research

Not rated

IT

PENNEO-DK/PENNEO DC

Share price (DKK)	27/8/2024	7.64
MCap (DKKm)		260
MCap (EURm)		35
No. of shares (m)		34.1
Free float (%)		56.8
Av. daily volume (k)		30

Next event Q2 Report 28 August 2024

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ABGSCe vs. FY'24 guidance

'24 guidance DKKm	Guidance	ABGSCe
ARR	105-112	109
ARR growth (%)	18-25%	22.5%
Adj. EBITDA	5-10	8

Source: ABG Sundal Collier, company data

Penneo

DKKm	2022	2023	2024e	2025e	2026e
Sales	72	88	108	135	165
Sales growth (%)	32.8	22.7	22.4	24.6	22.5
EBITDA	-13	-9	8	22	36
EBITDA margin (%)	-18.7	-9.8	7.4	16.4	21.6
EBIT adj.	-21	-23	-11	2	14
EBIT adj. margin (%)	-29.3	-26.2	-9.9	1.4	8.2
Pretax profit	-26	-25	-13	-0	11
EPS	-0.56	-0.68	-0.35	-0.01	0.24
EPS growth (%)	-6.9	19.8	-48.3	-98.3	-4,176.2
EPS adj.	-0.51	-0.68	-0.34	0.00	0.26
DPS	0.00	0.00	0.00	0.00	0.00
EV/EBITDA (x)	-18.3	-30.0	35.0	13.0	7.8
EV/EBIT adj. (x)	-11.6	-11.2	-26.4	147.8	20.5
P/E (x)	-13.5	-11.3	-21.8	-1,274.4	31.3
P/E adj. (x)	-14.9	-11.3	-22.3	1,566.3	30.0
EV/sales (x)	3.42	2.93	2.61	2.13	1.68
FCF yield (%)	-11.7	-6.5	-5.8	-1.8	3.1
Le. adj. FCF yld. (%)	-11.7	-6.5	-5.8	-1.8	3.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net IB debt/EBITDA (x)	2.1	2.3	-0.5	0.1	-0.2
Le. adj. ND/EBITDA (x)	2.9	2.6	-3.1	-0.5	-0.6

Source: ABG Sundal Collier, Company Data

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