

RISMA

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RISMA

Conclusions

- RISMA is a Danish Software-as-a-Service (SaaS) company that provides an all-in-one software for governance, risk management and compliance (GRC) initiatives such as GPDR, ISMS, risk management, financial controls, and ISO standards.
- RISMA has created a strong foothold in the GRC market with more than 350 customers which has been driven by a highly digitalized Danish market. Some of the most well-known customers are Bavarian Nordic, Codan, Danmarks Nationalbank, GN Store Nord, Spar Nord, Sund & Bælt, and Topdanmark. RISMA also has customers outside Denmark which includes Gjensidige in Norway and SSAB in Sweden.
- The GRC software market is expected to grow by double digits in the coming years. The growth expectations are supported by strong drivers such as **i)** increasing regulations globally and high penalties **ii)** new areas of risk and reporting in the sustainability agenda such as ESG, **iii)** protection of companies' brand reputation and role in the society as a responsible company, and **iiii)** corporations and organizations can lower costs through digitalization of the GRC process.
- By the end of 2020, RISMA's total ARR amounts to DKK 12.7m. RISMA expects to increase the total ARR annually by ~52% towards 2023 which corresponds to DKK 44.2m in 2023. The management's above the market growth ambitions are fueled by:
 - A geographic expansion into the Nordic region by using expected 75% of the offering on sales and marketing initiatives with establishment of full sales and support teams. The company estimates that the market potential in the Nordics amount to USD ~1.15bn. The Nordic region is characterized by the highest spending on GRC software per capita in Europe. Looking 12-18 months ahead, RISMA plans to enter other key markets in Europe.
 - Mid-sized organizations switch to an all-in-one GRC software. Historically, many organizations have purchased single modules such as GPDR based on a specific need. However, the growing market maturity supports the business case of buying a complete compliance platform and thereby replace inefficient tools with more efficient and structured compliance software solutions.
 - Historical SaaS metrics support the growth expectations. In 2020, the churn rate of 7% points to high stickiness, and average ARR per customer is increased from DKK 43k in 2019 to DKK 75k in 2020.
- RISMA expects to raise DKK 40m from the offering on Nasdaq First North Growth Market. In total, DKK 20.07m has been pre-subscribed by cornerstone investors including several members of the Board of Directors. The pre-IPO valuation amounts to DKK 131.7m which corresponds to a valuation multiple of 10.4x ARR (2020) and 3.0x ARR (2023E) if ambitious growth expectations are realized.

Disclaimer

- HC Andersen Capital receives payment from RISMA for a Digital IR/Corporate Visibility subscription agreement.
- Kasper Lihn has no ownership in RISMA and has no intention of subscribing to new shares in connection with the offering.
- This is not a piece of advice to buy, not to buy, sell or not to sell shares.
- The material has been read by the company before publication.
- HC Andersen Capital ApS assumes no responsibility for the correctness of the contents of the material.

RISMA

IPO information

- RISMA expects to be listed on Nasdaq First North Growth Market Denmark with the first day of trading on 23 March 2021. RISMA's offer period begins on 2 March 2021 and ends on 15 March 2021.
- The primary reason for RISMA's listing is to raise capital to fund the internationalization strategy and to become an international company in the GRC software market. Thus, 75% of the IPO proceeds is expected to be used for sales and marketing, while 15% and 10% is expected to be used for IPO-related costs and technology, respectively.
- The company expects to sell 4,210,526 new shares with an offer price of DKK 9.50 per share. This corresponds to a total offering of DKK 40m. RISMA has a pre-subscription amount of DKK 20.07m from cornerstone investors. RISMA's pre-valuation is DKK 131.7m and post-money valuation is DKK 171.7m.
- All existing shareholders before the offering have agreed to enter into lock-up agreements. The initial lock-up obligation applies from the first day of trading until after the publication of H1 2021. Hereafter, shares are released in instalments. The last instalment will be released on the publication date of H1 2022.

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Investment case

- The investment case builds from the European Union's implementation of the General Data Protection Regulation (GDPR) in 2018. As a result, European companies are investing heavily in GRC software to ensure compliance and avoid penalties for up to 4% of the revenue or up to USD 20m.
- The global market for GRC software is growing with an expected CAGR of 11.2% towards 2026. RISMA expects to grow above the market towards 2023 by entering Sweden and expanding further into Norway during H1 2021.
- RISMA's customer base consists of well-known private and public organizations such as Bavarian Nordic, Codan, Danmarks Nationalbank, GN Store Nord, Spar Nord, Sund & Bælt, and Topdanmark. Hence, several large and mid-sized customers have approved RISMA's all-in-one software platform which also is reflected in the company's 7% churn in 2020.
- By the end of 2020, RISMA has a total ARR of DKK 12.7m. The total ARR is expected to increase to DKK 44.2m in 2023 corresponding to a CAGR of ~52%. The pre-IPO valuation amounts to DKK 131.7m which implies a valuation multiple of 10.4x ARR (2020) and 3.0x ARR (2023E).

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RISMA

RISMA – in brief

RISMA was founded in 2014 by Lars Nybro Munksgaard, who is CEO, board member, and major shareholder with around 20% ownership before the offering.

The company is a Software-as-a-Service (SaaS) company that offers an all-in-one software for all governance, risk and compliance (GRC) initiatives. This means that RISMA's software platform includes different modules such as e.g. GDPR, ESG (Q2 2021E), Anti-Money Laundering, and Anti-Bribery & Corruption. In contrast, most of RISMA's competitors are providing stand-alone point-solutions with narrow scope such as GDPR or financial controls.

Currently, RISMA has more than 350 customers primarily in Denmark which are both from the private and the public sector. The company's target market is mid-sized organizations with between 100 to 15,000 employees. Some of the most well-known customers are Bavarian Nordic, Codan, Danmarks Nationalbank, GN Store Nord, Spar Nord, Sund & Bælt, and Topdanmark.



RISMA's all-in-one GRC platform
Source: RISMA

What is GRC?

Governance: In the Governance solutions, Actions and Controls manage tasks and recurring controls, respectively. Thereby, it is ensured that identified gaps and unwanted risks are mitigated.

Risk: In this solution, you document risks and measure against risk appetite. The customer gets a total overview of risks, tasks and controls that need to be performed to mitigate the risks.

Compliance: In the compliance solution, you document what is done to comply with a specific set of regulations. This is compared to the regulation itself to identify gaps, and to identify tasks and recurring controls that need to be performed.

RISMA

The management team

RISMA's management team is led by Lars Nybro Munksgaard, who has been the founder, CEO and board member of the company since 2014. Lars Nybro Munksgaard is also the sole member of the executive management and plays a key role in the company's future execution of the planned internationalization strategy. Prior to founding the company, he has worked in Deloitte, A.P. Moller-Maersk, and Saxo Bank in different areas including financial reporting, compliance, and risk management. His ownership of RISMA constitutes to 19.75% before the offering and 15.15% after the offering.

Thomas Hermann is the company's CFO and joined RISMA in 2020. Before joining RISMA, he has worked in a software company and in a Big4 accounting firm. Kasper Holton Hülse is also hired in 2020 as CSO and has experience in media and software companies. He is board member in Hypefactors, another First North listed SaaS company. RISMA's Chief Customer Success Officer (CCSO) is Gitte Barsøe Pedersen, who joined RISMA in 2017 after working in leadership positions across different areas for media and software companies. The fifth management team member is Nicolai Ascanius, who has been RISMA's Chief Information Officer (CIO) since 2016. He has more than 20 years experience in software development both in the private and public sector.

Lars Nybro Munksgaard
Founder, CEO and board member since 2014



Thomas Hermann
Chief Financial Officer since 2020



Kasper Holton Hülse
Chief Sales Officer since 2020



Gitte Barsøe Pedersen
Chief Customer Success Officer since 2017



Nicolai Ascanius
Chief Information Officer since 2016



RISMA's management team

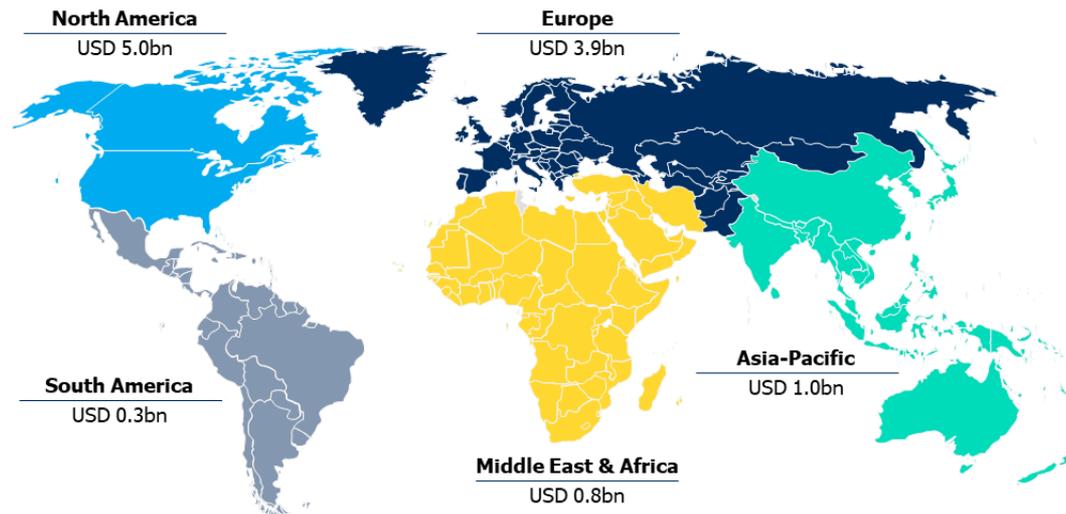
RISMA

The GRC software market

Global market: Overall, the global market for GRC software is valued to USD 14bn in 2020 with an expected CAGR of 11.2% towards 2026. RISMA's internationalization strategy targets European countries which is estimated to represent 35% of the global market. Only North America has a larger market share of the global GRC software market.

European market: The primary market driver is the European Union's implementation of GDPR in 2018 which requires organizations to be compliant within data protection. This regulation has forced European organizations to invest heavily in GRC software. Therefore, the European market is starting to mature especially in the Nordics, the UK, and Germany. In other European countries, the GRC market is still relatively immature according to the company description. In RISMA's new markets in Europe, the underlying digitization trend will be a key market driver for the demand of GRC software in the next years.

Nordic market: Scandinavia represents the most attractive market based on maturity. Denmark is one of the leading countries in Europe measured on governance, risk management, and compliance spending. Specifically, Denmark's spending on GRC software per capita is USD 63.4, which in fact is the largest in Europe. This number is significantly larger than the second largest, Sweden (USD 39.6), and the third largest, Norway (USD 37.9). The Nordic GRC market is estimated with a value of USD ~1.15bn which is larger than both the UK market (USD ~1bn) and the German market (USD ~0.75bn).



The Global GRC software market and regional comparison
Source: RISMA and Reports Intellect Analysis

RISMA

Internationalization strategy

Today, RISMA's footprint is in the Nordics with more than 90% of the customers in Denmark. Given RISMA's strategic and financial resources, RISMA prefers to gain market shares on one market at a time. Currently, RISMA plans to use the proceeds from the offering to enter the Swedish market and expand further to the Norwegian market with sales and support teams during H1 2021. RISMA's strategic plan of entering Sweden and Norway has clear advantages due to several market similarities. Sweden and Norway somewhat share same cultures as Denmark of being compliant and transparent in the way of doing business, and RISMA already has well-known customers in both Sweden and Norway. Overall, this lowers the probability of market failures when allocating more resources to the markets. The company's short-term growth outside Europe is likely to take place via partners.

Looking 12-18 months ahead, RISMA plans to enter other key markets in Europe. Selected markets include relatively mature GRC markets such as Germany, France, the UK, Netherlands, and Finland. In the new markets, RISMA expects to establish partners 6-12 months before direct sales and customer support functions are established. Partners include consultant firms within different areas such as legal, accounting, management, and GRC-advisors. This strategy lowers the risk of entering a new market too early with significant financial resources, and RISMA can utilize leads generated via the partners.

Now: Denmark

- Focus and proof-of-concept market
- Highest GRC software spend per capita (in Europe)
- Expected +10% CAGR (2020-26)
- Market value USD +650m (2026)



H1 2021: Norway

- Soft-test-market with dedicated salesperson
- 3rd highest software spend per capita (in Europe)
- Expected CAGR ~10% (2020-26)
- Market value USD +350m (2026)



H1 2021: Sweden

- Strong market potential for RISMA
- 2nd highest software spend per capita (in Europe)
- Expected CAGR +10% (2020-26)
- Market value USD +700m (2026)



+12-18 months:

Germany, Finland, UK, Netherlands, France

These markets all indicate high potential for RISMA based on criteria like:

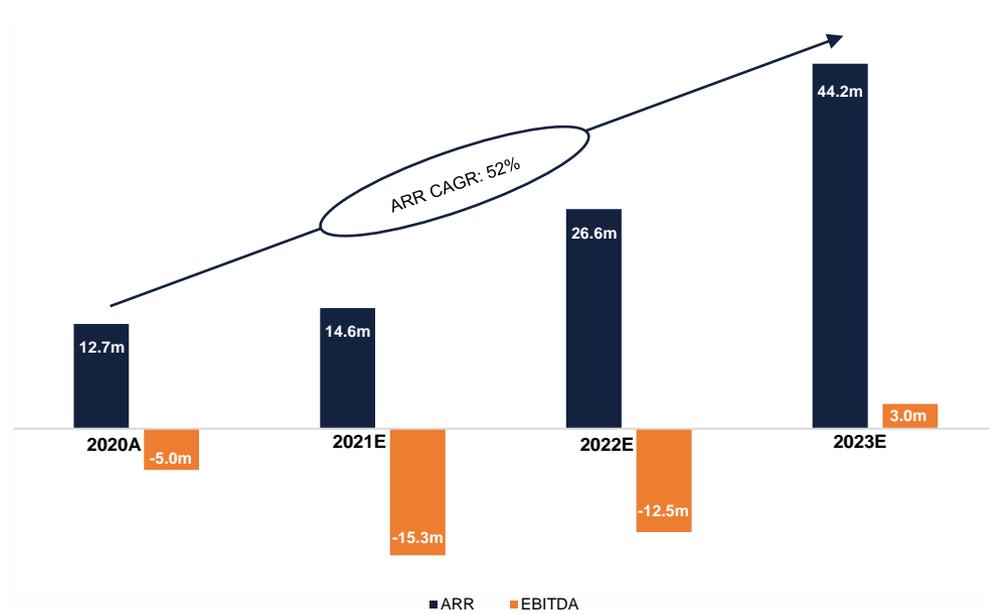
- Market value
- Market maturity
- CAGR
- GRC software spend per capita

RISMA

ARR and EBITDA expectations towards 2023

In 2020, RISMA's annual recurring revenue (ARR) was DKK 12.7m with a growth rate of approx. 17%. The company's churn was 7% in 2020, which was slightly higher than RISMA expected. On the other hand, upselling increased the total ARR by 6%. This corresponds to a retention rate of 98.7%. In 2021, RISMA expects a revenue retention rate of more than 100% driven by a lower churn and an increase in upselling. RISMA must onboard ~25 new customers to reach the ARR target of DKK 14.6m in 2021 based on the average ARR per onboarded customer in 2020 which was DKK 75k (43k in 2019). The company expects this number to increase in the next years.

Historically, RISMA has reported losses which is expected for young SaaS companies as RISMA. As stated by the CEO, an investment of DKK 2-3 in growth yields DKK 10-15 in customer lifetime value. In 2020, RISMA's EBITDA was DKK -5.0m and total loss for the year amounted to DKK -7.1m. Going forward, RISMA expects EBITDA of DKK -15.3m in 2021, DKK -12.5m in 2022, and DKK 3.0m in 2023 based on a business-as-usual scenario with operations in the Nordics following the offering.



RISMA's expected total ARR and EBITDA from 2020 to 2023
Source: RISMA

Key SaaS metrics

ARR (2020) 12.7m <small>ARR (year end) in DKK</small>	ARR growth rate (2020-2023E) ~52% <small>Compounded annual growth rate</small>
ARR per customer (2020) 75k <small>Average ARR per customer onboarded in 2020 (DKK)</small>	Retention rate (2020) 98.7% <small>Expects >100% going forward</small>
Churn rate (2020) 7% <small>Customers leaving RISMA</small>	Upselling (2020) 6% <small>Upselling to existing customers</small>

RISMA's key SaaS metrics
Source: RISMA

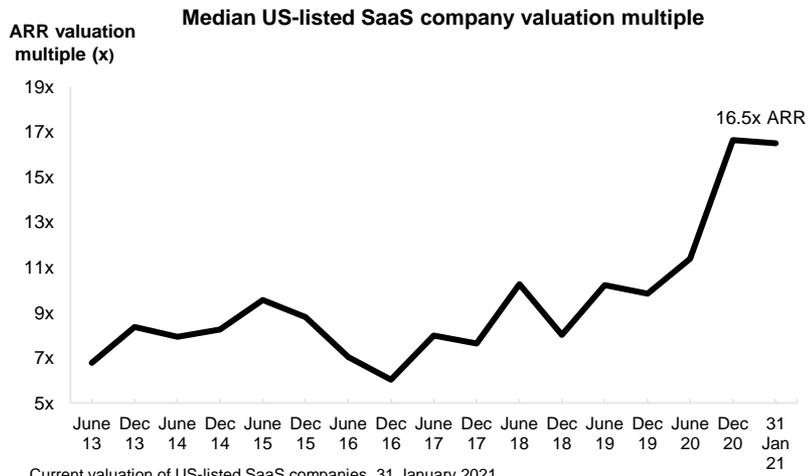
RISMA

Valuation perspectives

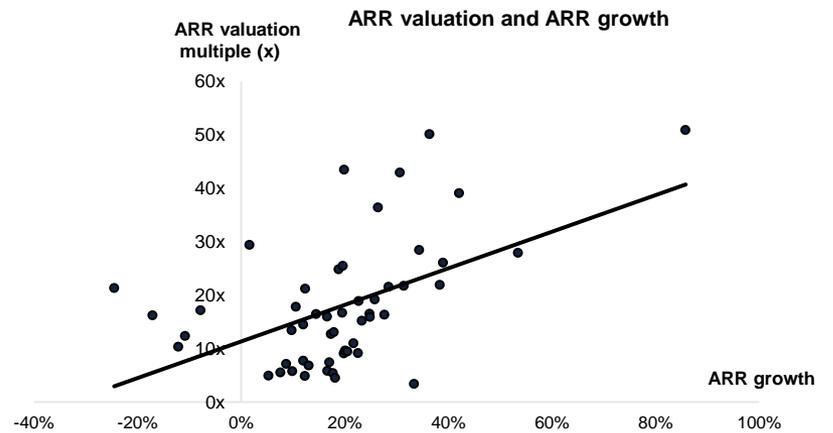
RISMA's pre-IPO valuation and post money valuation is DKK 131.7m and DKK 171.7m, respectively. As at December 2020, RISMA's total ARR amounts to DKK 12.7m, and the total ARR is expected to increase to DKK 44.2m in December 2023.

	December 2020A	December 2021E	December 2022E	December 2023E
RISMA's ARR valuation multiple*	10.4x	9.0x	5.0x	3.0x

*Based on pre-IPO valuation of DKK 131.7m and RISMA's own guidance.



Current valuation of US-listed SaaS companies, 31 January 2021
Source: The Saas Capital Index



Plot of relationship between historical ARR growth rate and ARR valuation (SaaS Capital Index, 31 January 2021)
Zoom Video Communications is excluded (ARR growth of 367%). Source: The Saas Capital Index

Why is SaaS companies traded at a high ARR multiple?

- Recurring revenue equals high visibility
- Low churn rate, stickiness and lifetime value of customers
- Scalability of business model and accessibility (cloud)

ARR valuation multiple, growth rate, and other factors

- ~50 out of 65 companies report ARR growth rates (plotted)
- The trend line shows a positive relationship between the historical ARR growth rate and the valuation multiple
- Other factors such as company size, company maturity, technological level, market potential and growth rate also effect the valuation of the SaaS companies

RISMA

Important risk factors investors should know before investing in RISMA

Nasdaq First North Growth Market: Potential investors must be aware of the significant risks related to investing in IPOs and particular in companies being listed on Nasdaq First North Growth Market. Companies traded on Nasdaq First North Growth Market are subject to less regulations compared to the regulated main market.

Share price development: The market price of the RISMA share may vary from the offer price depending on several factors including financial results varying from expectations, economic downturns, changes in expectations, changes in geopolitical conditions, and the risk of declining the global stock market.

COVID-19 pandemic: RISMA has, to some extent, been affected by the COVID-19 lockdown. In 2020, the company's ARR growth rate was approx. 17%, and the retention rate was 98.7%. However, both the ARR growth rate and the retention rate were higher than anticipated in the beginning of the lockdown in March 2020 according to the company's company description.

Competition risk: Large global software providers in the GRC industry such as SAP or One Trust with huge financial resources may enter RISMA's market and increase the competition. Furthermore, other market players may enter the market which potentially will decrease both RISMA's prices and market share and lower the company's future expectations.

Regulatory and operational risk: International regulations on data protection, compliance, and information security could negatively affect RISMA's business. Specifically, changes in laws might force RISMA to invest in additional product development to remain compliant which would have a negative impact on RISMA's earnings. RISMA's founder, CEO and board member, Lars Nybro Munksgaard, is important for the future business operation, and the company's execution of the internationalization strategy. Additionally, RISMA is also dependent on the ability to hire, find and retain new employees with the right competencies.

Liquidity risk: The company expects that the proceeds from the offering provide sufficient liquidity to reach its strategic objectives. However, RISMA's growth strategy and internationalization may require additional capital in the future within the next 12 to 18 months. Specifically, RISMA expects to be EBITDA positive in the Scandinavian markets from 2023. In other words, investors should expect losses which is typical for young SaaS companies such as RISMA.

Currency risk: More than 90% of RISMA's customers are based in Denmark. Since RISMA expects to expand across Europe in the future, the company's currency risk is expected to increase. In this situation, RISMA may try to mitigate the currency fluctuations by currency hedging. However, the costs of hedging can also impact RISMA's earnings.

Sale of shares by major and existing shareholders: Large sales of shares by major shareholders or members from the Board of Directors and management team may affect the company's ability to raise additional capital in the future. RISMA's major shareholders are NB Herlev Holding ApS, LNM Holding ApS, Ankjer Holding ApS, and AKPK A/S. All major shareholders have a lock-up agreement of initially 6 months. Hereafter, existing shares are released from the lock-up obligation in five instalments of equal size. Last instalment is on the publication date of H1 2022. In total, the major shareholders own 57.1% of the company's shares after the offering.

RISMA

Information about the offering

Major shareholders under lock-up agreements are NB Herlev Holding ApS (owned by Claus Henrik Christiansen who is a member of the Board of Directors), LNM Holding ApS (owned by Lars Nybro Munksgaard who is CEO and a member of the Board of Directors), Ankjer Holding ApS (Lars Ankjer Jensen, who is Chairman of the Board of Directors), and AKPK A/S.

Approx. 50% of the total offering has been pre-subscribed by cornerstone investors. Specifically, NB Herlev Holding, Ankjer Holding, Nordic Life Science Consulting and LNM Holding are owned by members of the Board of Directors, and Anne Mette Marx Juul is married to the Chairman, Lars Ankjer. This means that DKK 11.1m out of DKK 20.07m is pre-subscribed by corporate insiders with aligned incentives as other outside investors.

Summary information about the offering

Market	Nasdaq First North Growth Market Denmark
Offer price	DKK 9.50 per offer share
Size of the offering	DKK 40 million
Existing shares	13,861,130
Offer shares	4,210,526
Total shares after the offering	18,071,656
Pre-IPO valuation	DKK 131,680,735
Post money valuation	DKK 171,680,735
Minimum subscription amount	DKK 3,800 (400 shares)
Pre-subscription amount	DKK 20,070,000
Temporary ISIN	DK0061534294
Permanent ISIN	DK0061534377

Summary of RISMA's offering
Source: RISMA



Pre-subscribers

Investors	# of shares	Subscription amount (DKK)
NB Herlev Holding*	736,842	7,000,000
Ankjer Holding*	315,789	3,000,000
J. Hansen Ejendomme	210,526	2,000,000
Flemming Hansen	210,526	2,000,000
Carl Peter Møller	105,263	1,000,000
Niels Lyng	52,631	500,000
UBK Holding	52,631	500,000
Morten Andreasen	52,631	500,000
Nordic Life Science Consulting*	52,631	500,000
LNM Holding*	52,631	500,000
Jesper Stahl	42,105	400,000
Jens Holmskov	31,578	300,000
Jesper Ræbild	26,315	250,000
Lars Kyhl Nielsen	26,315	250,000
Magnus Cohn	15,789	150,000
Anne Mette Marx Juul**	10,526	100,000
Kasper Hülsen	9,473	90,000
Michael Als	3,157	30,000
Other	105,263	1,000,000
Total	2,112,622	20,070,000

RISMA's pre-subscribers
Source: RISMA