

FREJA EID GROUP

Entering the next phase

With its 332k+ user base and 900k+ quarterly transactions, Freja eID's app is one of the most popular in Sweden. As Freja eID is set to focus more on fine-tuning the commercial aspects of its growing eID ecosystem, we await further platform monetisation. We have cut our 2021–2022e net sales by 24–17%, and forecast a 64%+ revenue CAGR for 2020–2023. We have lowered our fair value to SEK20–35 (25–40).

Users rose 396% YOY, transactions 342% YOY, and services 64% YOY in Q3. We recognise that Freja eID is still in the early stages and has been one of the most downloaded apps in Sweden recently with 332k users (~4% of the adult population in Sweden). For its next phase of its strategy, we hope to see its users become more engaged in the app to drive monetisation as we calculate daily transactions per user is at ~0.03x versus BankID's ~2.2x. Freja eID's management intends to focus on: 1) tailored campaigns; 2) increased communication with its users; and 3) adding more relevant services to improve utilisation. As we believe these measures will take effect only gradually, we have lowered our sales forecasts for 2021–2023 by 24–17%. With an end-Q3 cash position of SEK43m (excluding a SEK24m unutilised credit facility) and a LTM FCF burn of SEK47m, sales and operating leverage would have to improve to avoid recapitalisation in 2022e.

Milestone reached as Sweden's pre-registration of eIDs to eIDAS was approved.

This allows Swedish eIDs to expand operations to other European countries, and we view this decision as a validation of the strategy, having been peer-reviewed and approved by 20 EU countries. Initially this should enable Freja eID to be used by foreign public services, with a potential for new strategic partnerships over the coming years in a market that could be ~SEK4bn–10bn based on Freja's SEK10–30 ARPU, in our view, although it will not be the only vendor in town as we note ~20 competing eID in the EU.

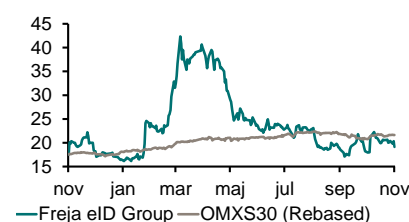
Relying parties signed in Q3 should fuel user activity, having added Apoteksgruppen and PostNord, which accepts Freja eID as a method of identification. For instance, PostNord has ~500k packages in circulation daily. Also, we like that it continues to focus on use cases where competing eID are not as strong today.

Fair value cut to SEK20–35. We are encouraged by user intake and the potential to build network effects and scalability of Freja eID, but believe demonstrated sales growth acceleration in eID (the main metric for future value creation) is what could move the needle on a group basis to merit a higher valuation.

Year-end Dec	2019	2020	2021e	2022e	2023e
Revenue (SEKm)	33	24	22	56	107
EBITDA adj (SEKm)	-31	-30	-31	-6	23
EBIT adj (SEKm)	-43	-43	-43	-21	2
PTP (SEKm)	-44	-44	-44	-23	-1
EPS rep (SEK)	-2.74	-2.74	-2.56	-1.21	-0.12
EPS adj (SEK)	-2.74	-2.74	-2.56	-1.21	-0.12
DPS (SEK)	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	nm	-27.2	-10.1	155.0	91.7
EBITDA margin adj (%)	nm	nm	nm	nm	21.9
EV/Sales adj (x)	13.83	10.47	15.28	6.34	3.35
EV/EBITDA adj (x)	nm	nm	nm	nm	15.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	-5.6	-14.7	-13.5	-5.4	-1.1

Source: Company (historical figures), DNB Markets (estimates)

FREJA versus OMXS30 (12m)



Source: Factset

SUMMARY

Share price (SEK)	19.1
Tickers	FREJA SS

CAPITAL STRUCTURE

No. of shares (m)	18.9
No. of shares fully dil. (m)	18.9
Market cap. (SEKm)	361
NIBD adj end-2021e (SEKm)	-28
Enterprise value adj (SEKm)	334
Net debt/EBITDA adj (x)	0.89
Free float (%)	48

Source: Company, DNB Markets (estimates)

Note: Unless otherwise stated, the share prices in this note are the last closing price.

NEXT EVENT

Q4 2021	10/02/2022
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ESTIMATE CHANGES (SEK)

Year-end Dec	2021e	2022e	2023e
Sales (old)	28.71	76.89	129.1
Sales (new)	21.83	55.67	106.7
Change (%)	-23.9	-27.6	-17.3
EPS (old)	-1.91	-0.25	0.92
EPS (new)	-2.56	-1.21	-0.12
Change (%)	nm	nm	-113.0

Source: DNB Markets,

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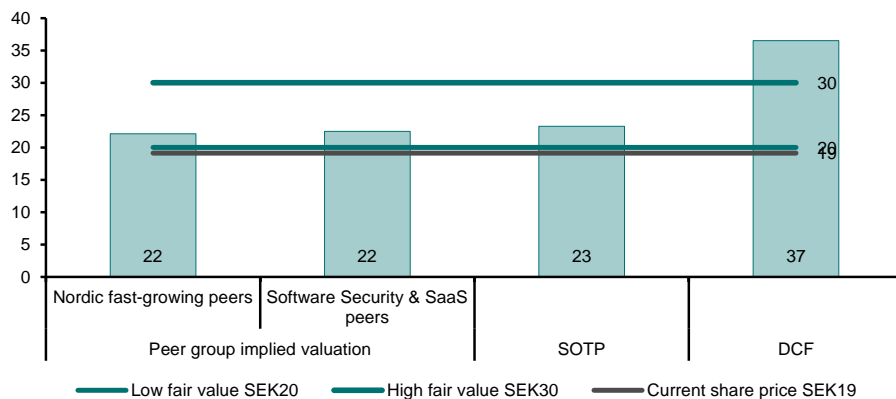
ANALYSTS

Joachim Gunell

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Overview

Valuation (add listing currency here, e.g. SEK)



Source: DNB Markets

Downside risks to our fair value

- Lack of user-base growth or customer acceptance of Freja eID’s technology could hit the share price.
- Delayed EBIT-breakeven would raise the risk of recapitalisation.
- Escalating pricing pressure (per eID transaction) might not be offset by strong volume growth, which could hurt Freja eID’s top-line growth.
- Technology or security breaches could destroy user confidence in the business and create a significant headwind to growth.

Source: DNB Markets

DNB Markets estimates

- Since being loss-making in 2020–2021 is well flagged, near-term we expect the share price to be driven by: 1) Freja eID momentum adding relying parties; 2) user growth on the Freja eID platform validating the technology; and 3) news of profitability improvements.
- We expect a ~65% sales CAGR by 2023. As growth materialises, we expect margins to improve as it benefits from economies of scale. Our FCF analysis suggests that Freja eID should be adequately capitalised until FCF-breakeven.

Source: DNB Markets

Valuation methodology

- Our fair value of SEK20–35/share (25–40) is based on peers’ multiples, a SOTP, and a DCF. On our estimates the stock is trading at a 2021–2022e EV/sales of 15–6x (versus its historical average of 5x).
- Our high fair value scenario of SEK100–125/share assumes Freja eID captures 5% of the Nordic eID market.
- Our low fair value scenario of SEK10–15/share assumes 50% lower Freja eID sales by 2022e (including a SEK50m rights issue).

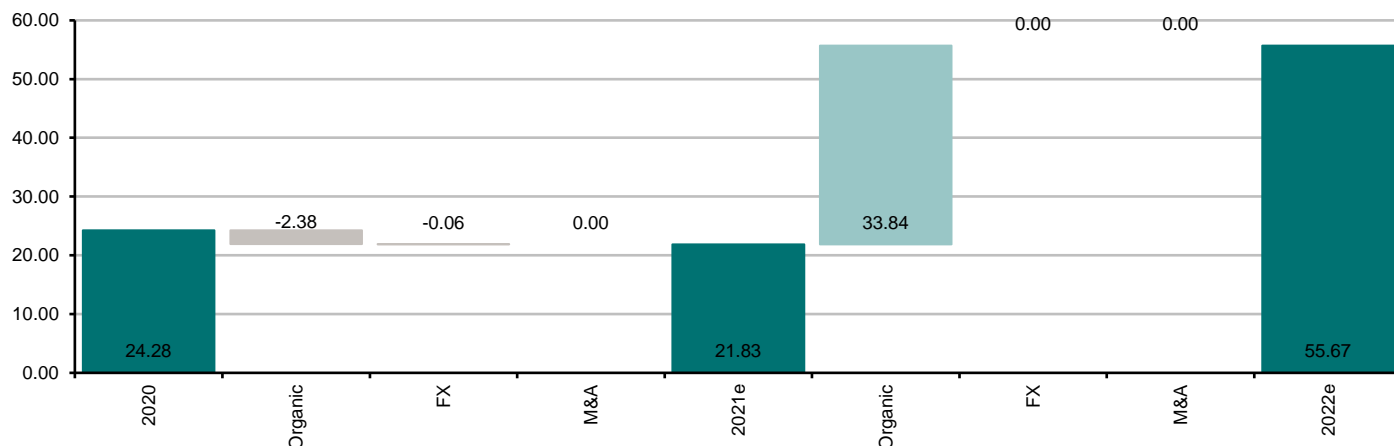
Source: DNB Markets

Upside risks to our fair value

- Continued reports of new relying parties and accelerated user-base growth should be good for sentiment, supporting our sales growth forecasts.
- Large framework agreements with a cluster of organisations, service providers, municipalities, banks, etc.
- Better cost control, implying higher margins. In a mature state, we note other SaaS peers achieve 20–40% EBIT margins.
- As the only internationally scalable eID solution, the Swedish market could act as a stepping stone into the Nordics and potentially Europe.

Source: DNB Markets

Sales bridge 2020–2022e (SEKm)



Source: DNB Markets (forecasts), company (historical data)

ESG overview

Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> ■ Digital identities such as Freja eID are imperative for the spread of digitalisation. The ability to prove we are who we say we are is increasingly determining our opportunities to establish trust and carry out meaningful interactions in a digital economy. We have identified several secular ESG drivers, and the value proposition is simple: increased security and efficiency, and lower costs. 	<ul style="list-style-type: none"> ■ We have identified the following ESG risks: <ul style="list-style-type: none"> ■ Potential misuse without proper control. ■ Technical failures or data breaches. ■ Exclusion of individuals. ■ The divestment of Freja eID's Freja UP and HSM distributor business to a member of the management team could hurt its ESG assessment from a governance perspective.
Actions being taken by company	<ul style="list-style-type: none"> ■ Private and public services alike are struggling to keep up with managing identities seamlessly online, and eID providers such as Freja eID are the foundation of enabling a digital society. 	<ul style="list-style-type: none"> ■ Freja eID Group offers the only inclusive mobile eID in Sweden that is not reliant on personal identity numbers.

Key ESG drivers

Short-term

- Entering a legally binding agreement with pen and paper takes time, costs money, and has slow turnaround times, whereas usernames and passwords (dominant online solution today) are threatening digitalisation as users are reluctant to use digital services that are only password-protected. Managing digital identities is front and centre for many IT administrators, as digital IDs are key to how we act online.
- The reasons for this have become evident in recent surveys: 1) Verizon reports that 80% of confirmed breaches resulted from weak or poorly protected passwords; 2) Identity as a Service reduces labour costs by 30–35%, according to Forrester; and 3) McKenzie sees a 90% cost reduction in customer onboarding from eIDs, with the time taken for these interactions reduced from weeks to minutes.
- Potential misuse without proper controls. As eID system administrators (private or government) would gain access to – and control – large-scale population data, it has the potential to be used for fraud, tracking ethnic groups, political manipulation and unauthorised surveillance, and has the possibility to restrict online access such as payments, travel and social media.
- Technical failures or data breaches are threats to any digital ecosystem, so ensuring system quality from a reputational point of view is imperative.
- Processing vital customer data could create privacy risks, etc. if Freja eID decided to use its user data as a monetisation tool for other services.

Long-term

- Improved security in the digital society, as digital IDs can help to reduce fraud, offering a higher degree of confidence in authentication. eIDs are increasingly being demanded to replace passwords, as c90% of users request eID as an online login over passwords to feel more secure, according to GSMA.
- Regulation playing into the hands of eIDs: 1) eIDAS regulation gives electronic transactions the same legal standing as paper-based transactions in EU member states; 2) GDPR; and 3) PSD2, which should increase eID adoption.
- Increased sales of goods and services. Through streamlined digital onboarding, digital channels should increase sales of goods, boosting GDP.
- As digital identities increasingly become the foundation of the digital environment, excluding individuals without sufficient technological access or savviness could drive an aversion to adopting eIDs, which is why alternative conventional ID options should remain.
- Changes to directives and legislation for eIDs could pose a risk, if one communication standard were adopted across the EU, for instance.
- Changing customer behaviour could mean identification through mobile phones becomes obsolete. Yet, Freja eID has a dynamic history of adapting its IT security solutions to meet customer demand and transition its offering.

10 November 2021

Q3 report

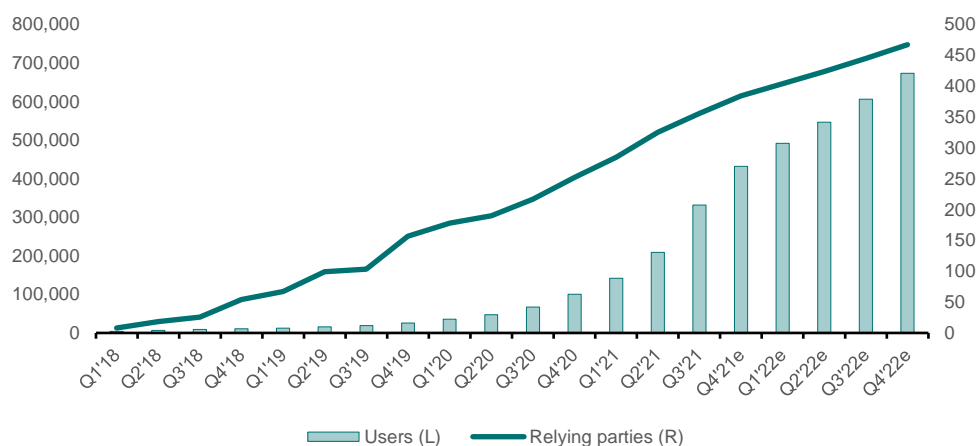
Figure 1: Q3 results versus expectations

Key highlights (SEKm, except per share data)	Q3 2021		Deviation	Deviation	Q3 2020	DNBe
	Actual	DNB	DNB (%)	DNB, Abs	Actual	2021e
Net sales	3.6	5.5	-34%	-2	4.5	20.6
Gross profit	3.3	5.1	-37%	-2	4.2	19.2
Margin	89.4%	93.3%	-3.9pp		93.3%	93.0%
EBIT adjusted	-13.5	-8.3	-62%	-5	-10.2	-43.4
Margin	-370.8%	-151.2%	-219.5pp		-224.5%	-210.3%
One-offs	0.0	0.0			0.0	0.0
EBIT	-13.5	-8.3	-62%	-5	-10.2	-43.4
Margin	-370.8%	-151.2%	-219.5pp		-224.5%	-210.3%
EPS adj.	-0.83	-0.46	-82%	-0.37	-0.76	-2.56
Free cash flow	-16.0	-8.0	-99%	-8	-4.7	-48.6
Net cash (-) or debt (+)	-38.5	-46.2	-17%	8	-0.5	-27.5

Divisions (SEKm)	Q3 2021	Deviation	Deviation	Q3 2020	DNBe
	DNB	DNB (%)	DNB, Abs	Actual	2021e
By product segment					
Freja eID	0.9	1.3	-33%	0.3	3.8
Services (incl. support)	2.8	4.2	-34%	4.2	16.8
Group	3.6	5.5	-34%	4.5	20.6
Growth					
Freja eID	169.6%	305%			205%
Services (incl. support)	-34.0%	0%		-39%	-19%
Group	-19.6%	2.2%		-37.5%	-10.1%

Source: Company (historical figures), DNB Markets (estimates)

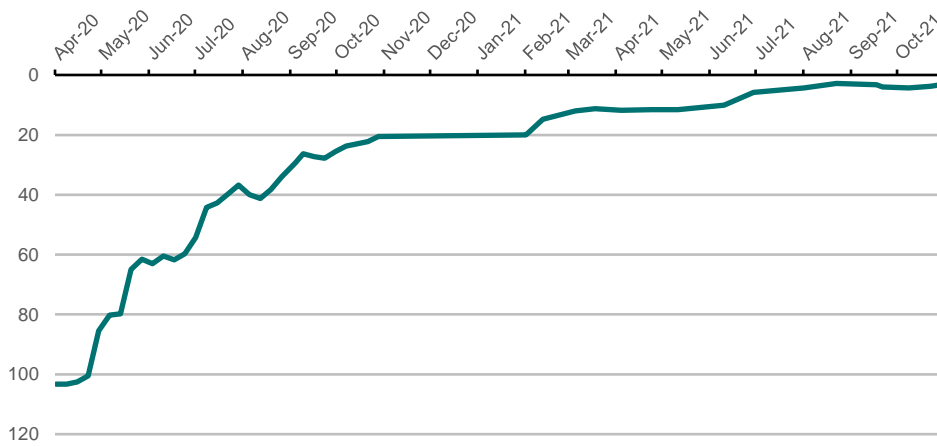
Figure 2: Freja eID ecosystem (2018–2022e)



Source: Company (historical data), DNB Markets (forecasts)

10 November 2021

Figure 3: Freja eID's rank in 'utilities' category in App Store Sweden



Source: SimilarWeb

Figure 4: One of SimilarWeb's most popular free utilities apps in Sweden (November 2021) – based on number of installs and active users

Home > Top iOS Apps > Utilities > Sweden

Top Apps Ranking

Top App Store Apps - Most Popular Apps in Sweden | Utilities | Top Free

Apple App Store | Sweden | Utilities | Top Free | Go

iPhone | iPad

Leader Board | App Trends

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App	Publisher	Store Rank	Change
1 BankID Security App	Finansiell ID-Teknik BID AB	1	+1
2 Freja eID - My ID in an app	Freja eID Group AB	2	+1
3 Göteborg Energi	Goteborg Energi AB	3	-2
4 Google	Google LLC	4	=
5 Google Chrome	Google LLC	5	=

Source: SimilarWeb

10 November 2021

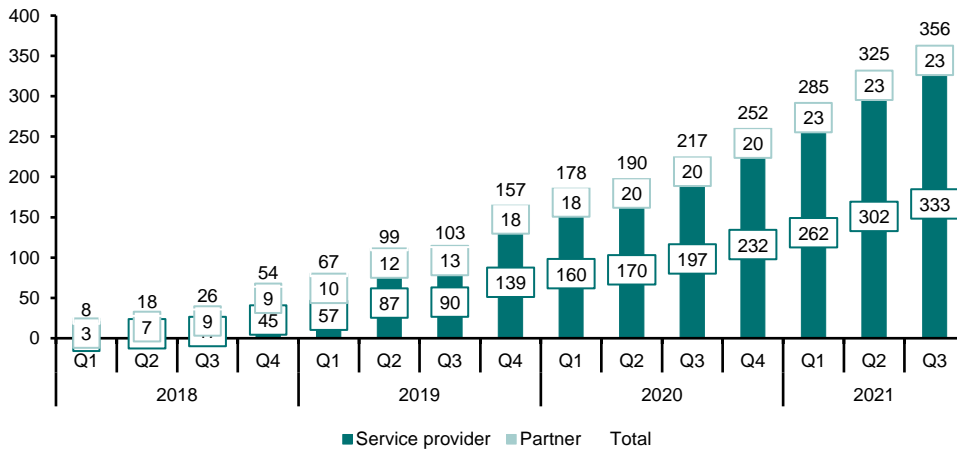
Figure 5: Selected press releases related to Freja eID (October 2019–October 2021)

Date	Title	Type
2019-10-16	IT Omsorg	Service provider
2019-11-27	1177 Vårdguiden (The Healthcare Guide)	Service provider
2019-12-05	Collaboration with CESAM-H (7 Kalmar county municipalities)	Service provider
2019-12-11	Bolagsverket & Verksam.se	Service provider
2020-01-10	AFA Försäkring's R&D portal	Service provider
2020-01-13	Videoslots.com	Service provider
2020-01-13	Launch of unique mobile professional eID	
2020-01-16	Microsoft (Office365 and Azure integration)	Partnership
2020-01-29	Casino Cosmopol	Service provider
2020-02-03	Adreax Group (Studentkortet and the STUK app)	Service provider
2020-03-20	Uddevalla Municipality	Service provider
2020-03-26	Svensk Travsport (Swedish Trotting Sport)	Service provider
2020-04-29	Arbetsförmedlingen (Swedish Public Employment Service)	Service provider
2020-05-25	Svenska Energigruppen	Partnership
2020-06-01	Folkhälsomyndigheten (Public Health Agency of Sweden)	Service provider
2020-06-29	Läkemedelsverket	Service provider
2020-06-30	Min myndighetspost	Service provider
2020-07-07	Scrive	Partnership
2020-07-10	Malmö stad (potential of 75,000 users)	Service provider
2020-09-09	Telia Group framework agreement	Service provider
2020-10-26	Lidingö stad	Service provider
2020-11-06	Stockholm's Stad for public e-services	Service provider
2020-11-13	ATG for new user registrations	Service provider
2020-11-16	Swedish Energy Agency	Service provider
2020-11-18	Sotenäs, Munkedal & Lysekil municipalities	Service provider
2020-11-27	Göteborgs universitet	Service provider
2020-12-21	Umeå universitet	Service provider
2021-01-13	Freja eID test biometric verification	
2021-01-20	Formal application to make Freja eID + Sweden's official e-ID within eIDAS	
2021-01-25	Umeå municipality	Service provider
2021-02-02	Padelappen	Service provider
2021-02-04	Cambio Healthcare Systems via Min Hälsa app	Service provider
2021-02-08	Visiba Care	Partnership
2021-02-10	Payairs	Partnership
2021-02-16	Karma Mobil	Service provider
2021-02-19	ZignSec	Partnership
2021-02-23	ZebraID	Service provider
2021-02-25	PhenixID	Service provider
2021-02-26	Blekinge Tekniska Högskola	Service provider
2021-03-02	Region Halland	Service provider
2021-03-08	Six year renewal with ATG	Service provider
2021-03-12	IdentifieraDig	Service provider
2021-03-26	Capio Sverige	Service provider
2021-03-30	Alltid Öppet	Service provider
2021-04-08	Arbetsgivarintyg.nu	Service provider
2021-04-23	Launch of Open Banking offering	
2021-05-25	Högsby kommun	Service provider
2021-06-15	Vourity	Service provider
2021-07-01	Covid-19 certificate	
2021-08-17	Freja eID launches electronic identification for people in digital isolation	
2021-08-31	Alecta	Service provider
2021-09-03	Finshark	Service provider
2021-09-23	Kronans Apotek	Service provider
2021-09-30	Apoteksgruppen	Service provider
2021-10-14	News on European eIDAS classification	
2021-10-18	PostNord	Service provider
2021-10-26	Direkten	Service provider

Source: Company press releases (underlying data), DNB Markets (table structuring)

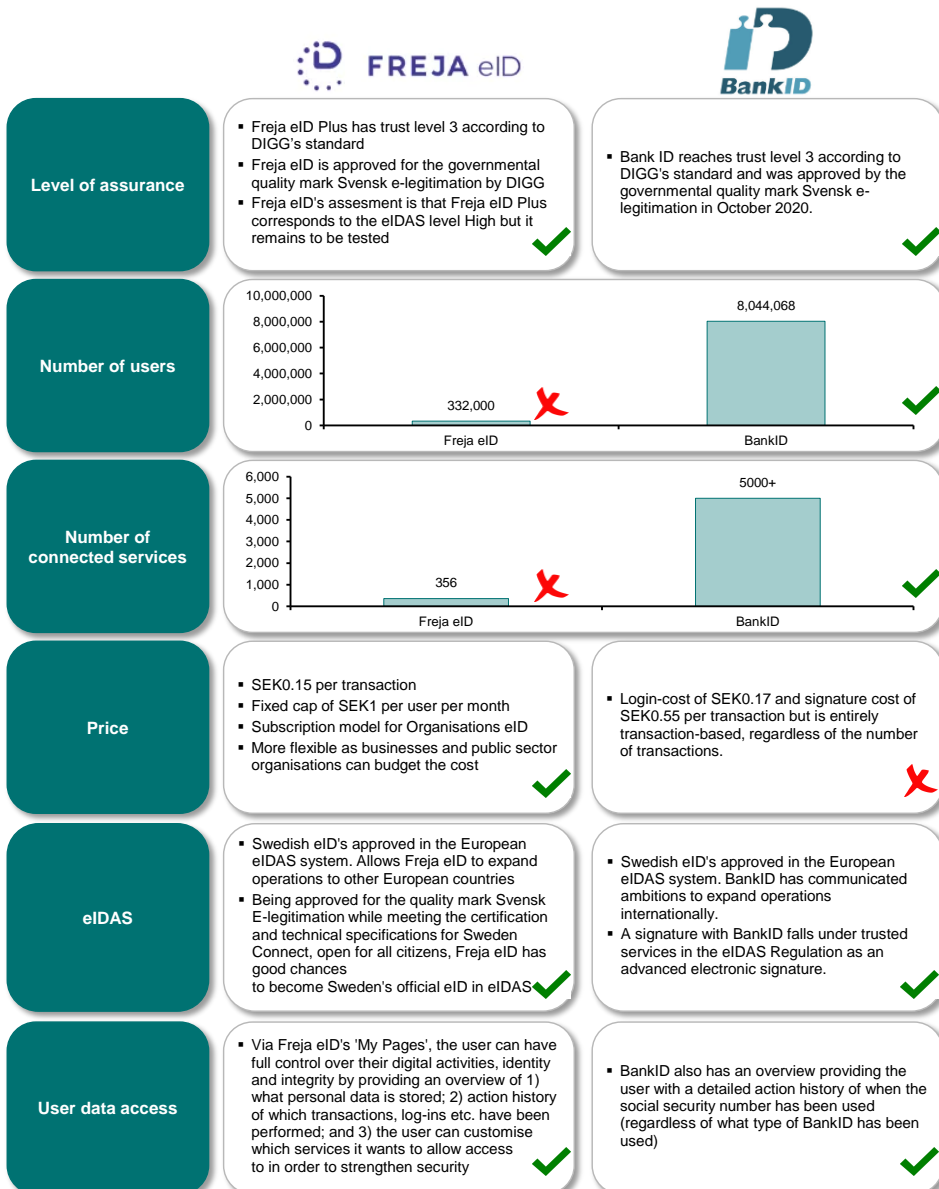
10 November 2021

Figure 6: Cumulative number of relying parties on the Freja eID platform



Source: Company press releases (underlying data), DNB Markets (graph structuring)

Figure 7: Freja eID versus BankID (Q3 2021)



Source: Companies (underlying data), DNB Markets (further calculations)

10 November 2021

Estimate revisions

Figure 8: Forecast changes (SEKm)

(SEKm, except per share data)	Old			New			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Group									
Sales	29	77	129	22	56	107	-24%	-28%	-17%
Sales growth	18.3%	167.8%	67.8%	-10.1%	155.0%	91.7%	-2831bp	-1288bp	2386bp
Organic	25.9%	179.4%	67.8%	-5.6%	170.0%	91.7%	-3151bp	-941bp	2386bp
Structure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0bp	0bp	0bp
Currency	-0.2%	0.0%	0.0%	-0.2%	0.0%	0.0%	0bp	0bp	0bp
Gross profit	27	73	124	20	53	102	-25%	-28%	-18%
<i>Gross margin</i>	94.2%	95.4%	96.4%	93.3%	94.4%	95.5%	-86bp	-92bp	-97bp
Capitalised development costs	4	5	6	6	6	8	45%	31%	42%
Other external expenses	-19	-31	-39	-19	-31	-45	-2%	-2%	-15%
Personnel costs	-40	-48	-64	-42	-48	-63	-5%	0%	2%
EBITDA	-21	17	48	-31	-6	23	48%	-134%	-51%
Depreciation and amortisation	-12	-18	-21	-12	-15	-21	-2%	18%	-2%
EBIT	-33	-1	27	-43	-21	2	31%	1857%	-92%
<i>EBIT margin</i>	-115.4%	-1.4%	21.0%	-198.6%	-37.9%	2.0%	-8321bp	-3653bp	-1892bp
One-offs	0	0	0	0	0	0			
EBIT adj.	-33	-1	27	-43	-21	2	31%	1857%	-92%
<i>EBIT adj. margin</i>	-115.4%	-1.4%	21.0%	-198.6%	-37.9%	2.0%	-8321bp	-3653bp	-1892bp
Capitalized development costs	-2	-3	-4	-3	-3	-4	-58%	-23%	13%
EBIT adj. for cap. dev. costs	-35	-4	23	-47	-24	-2	32%	562%	-107%
<i>EBIT adj. CDC margin</i>	-122.5%	-4.8%	17.6%	-213.3%	-43.7%	-1.5%	-9082bp	-3890bp	-1908bp
Net financial items	-1	-2	-4	-1	-2	-3	7%	22%	9%
Pre-tax profit	-34	-3	23	-44	-23	-1	30%	577%	-105%
Tax	0	-1	-6	-2	0	-1			
<i>Tax rate</i>	-0.3%	-36.9%	25.0%	-5.0%	0.0%	-77.9%	-474bp	3695bp	-10291bp
Net profit	-34	-5	17	-46	-23	-2	36%	394%	-113%
EPS adjusted	-1.91	-0.25	0.92	-2.56	-1.21	-0.12	34%	394%	-113%
EPS	-1.91	-0.25	0.92	-2.56	-1.21	-0.12	34%	394%	-113%
DPS	0.00	0.00	0.00	0.00	0.00	0.00			
Sales by product area									
Services (incl. support)	19	20	21	17	18	19	-13%	-10%	-10%
Freja eID	8	57	108	4	38	88	-54%	-34%	-19%
Group Total	29	77	129	22	56	107	-24%	-28%	-17%
Freja eID KPIs									
Number of relying parties	383	465	544	384	467	547	1%	1%	1%
Number of users	353,210	596,558	842,090	432,000	672,874	915,438	22%	13%	9%
Balance sheet and cash flow									
Free cash flow	-36	-5	14	-49	-20	-4	-36%	-282%	129%
Cash	45	39	53	32	13	9	-28%	-68%	-84%
Net cash (-) / net debt (+)	-40	-35	-49	-28	-8	-4	-31%	-77%	-92%

Source: DNB Markets

10 November 2021

Figure 9: Annual income statement

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales						33.3	24.3	21.8	55.7	106.7
COGS						-1.7	-2.4	-1.5	-3.1	-4.8
Gross profit						31.6	21.8	20.4	52.6	101.9
Capitalised development costs						5.1	5.5	5.9	6.0	8.0
Other external expenses						-20.5	-17.3	-18.9	-31.2	-45.2
Personnel costs						-47.4	-39.6	-41.7	-48.5	-62.5
EBITDA						-31.2	-29.6	-31.1	-5.9	23.4
Depreciation and Amortisation						-11.9	-13.6	-12.3	-15.2	-21.3
EBIT						-43.1	-43.2	-43.4	-21.1	2.2
<i>EBIT margin</i>						-129.4%	-178.1%	-198.6%	-37.9%	2.0%
One-offs						0.0	0.0	0.0	0.0	0.0
EBIT adj.						-43.1	-43.2	-43.4	-21.1	2.2
<i>EBIT adj. margin</i>						-129.4%	-178.1%	-198.6%	-37.9%	2.0%
Net CDC						0.0	0.0	-3.2	-3.2	-3.8
EBIT adj. for cap. dev. costs						-43.1	-43.2	-46.6	-24.3	-1.6
<i>EBIT adj. CDC margin</i>						-129.4%	-178.1%	-213.3%	-43.7%	-1.5%
Net financial items						-0.8	-0.8	-0.8	-1.8	-3.4
Pre-tax profit						-43.9	-44.1	-44.1	-22.9	-1.3
Tax						3.9	0.0	-2.2	0.0	-1.0
Net profit						-40.0	-44.1	-46.4	-22.9	-2.3
Gross margin						94.9%	89.9%	93.3%	94.4%	95.5%
EBITDA margin						-93.7%	-122.1%	-142.3%	-10.6%	21.9%
Adj. EBIT margin						-129.4%	-178.1%	-198.6%	-37.9%	2.0%
Freja eID (DNBe)										
Number of relying parties						157	252	384	467	547
Number of users						26,000	100,000	432,000	672,874	915,438
Sales by product area										
Goods						0.0	0.0	0.0	0.0	0.0
Services (incl. support)						29.2	20.6	16.8	18.2	18.7
Freja eID						0.1	1.2	3.8	37.5	88.0
Group Total						33.3	24.3	21.8	55.7	106.7
Sales growth by product area										
Goods										
Services (incl. support)							-29%	-19%	8%	3%
Freja eID							1215%	205%	886%	135%
Group Total							-25%	-6%	170%	92%
Sales growth, of which										
Organic							-27%	-6%	170%	92%
Structure							0%	0%	0%	0%
Currency							1%	0%	0%	0%
Total growth							-25%	-6%	170%	92%

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Figure 9: Quarterly income statement

(SEKm)	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21e	Q1'22e	Q2'22e	Q3'22e	Q4'22e
Sales	5.5	6.5	5.4	6.8	6.5	5.8	3.7	5.8	8.1	13.2	14.3	20.1
COGS	-0.4	0.0	-0.3	-0.4	-0.4	-0.4	-0.4	-0.3	-0.4	-0.8	-1.3	-0.6
Gross profit	5.1	6.5	5.1	6.4	6.1	5.4	3.3	5.6	7.7	12.4	13.0	19.5
Capitalised development costs	1.8	1.4	1.1	1.1	0.8	1.6	1.9	1.6	1.6	1.3	1.5	1.6
Other external expenses	-4.1	-5.4	-3.6	-5.6	-4.5	-4.8	-4.8	-4.8	-5.1	-5.9	-8.8	-11.4
Personnel costs	-12.4	-9.5	-9.4	-8.4	-10.6	-9.6	-10.7	-10.8	-12.1	-11.9	-12.2	-12.2
EBITDA	-9.5	-6.9	-6.8	-6.5	-8.1	-7.4	-10.4	-5.2	-4.7	-0.6	-2.5	1.9
Depreciation and Amortisation	-3.3	-3.3	-3.4	-3.6	-3.0	-3.0	-3.1	-3.2	-3.2	-3.5	-4.0	-4.5
EBIT	-12.9	-10.2	-10.2	-10.0	-11.0	-10.4	-13.5	-8.4	-7.9	-4.1	-6.5	-2.6
<i>EBIT margin</i>	<i>-233.0%</i>	<i>-157.5%</i>	<i>-188.5%</i>	<i>-148.0%</i>	<i>-168.6%</i>	<i>-179.8%</i>	<i>-368.0%</i>	<i>-144.2%</i>	<i>-98.2%</i>	<i>-30.6%</i>	<i>-45.7%</i>	<i>-13.0%</i>
One-offs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT adj.	-12.9	-10.2	-10.2	-10.0	-11.0	-10.4	-13.5	-8.4	-7.9	-4.1	-6.5	-2.6
<i>EBIT adj. margin</i>	<i>-233.0%</i>	<i>-157.5%</i>	<i>-188.5%</i>	<i>-148.0%</i>	<i>-168.6%</i>	<i>-179.8%</i>	<i>-368.0%</i>	<i>-144.2%</i>	<i>-98.2%</i>	<i>-30.6%</i>	<i>-45.7%</i>	<i>-13.0%</i>
Net CDC	-1.5	-0.6	-0.2	-0.1	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
EBIT adj. for cap. dev. costs	-14.4	-10.8	-10.4	-10.1	-11.8	-11.2	-14.3	-9.2	-8.7	-4.9	-7.3	-3.4
<i>EBIT adj. CDC margin</i>	<i>-260.1%</i>	<i>-166.7%</i>	<i>-192.2%</i>	<i>-149.4%</i>	<i>-180.8%</i>	<i>-193.6%</i>	<i>-389.8%</i>	<i>-157.9%</i>	<i>-108.1%</i>	<i>-36.7%</i>	<i>-51.3%</i>	<i>-17.0%</i>
Net financial items	-0.6	46.7	-0.2	0.0	-0.3	-0.2	-0.1	-0.2	-0.3	-0.4	-0.4	-0.6
Pre-tax profit	-13.5	36.5	-10.4	-10.1	-11.4	-10.6	-13.6	-8.6	-8.2	-4.5	-7.0	-3.3
Tax	-0.1	-0.1	-0.7	-0.1	0.0	-0.1	-2.1	0.0	0.0	0.0	0.0	0.0
Net profit	-13.6	36.4	-11.1	-10.2	-11.4	-10.7	-15.7	-8.6	-8.2	-4.5	-7.0	-3.3
Gross margin	92.7%	99.6%	94.4%	94.2%	93.9%	93.0%	89.5%	95.5%	95.1%	94.0%	90.9%	97.0%
EBITDA margin	-172.6%	-106.3%	-126.0%	-95.4%	-123.3%	-128.3%	-282.6%	-89.2%	-58.6%	-4.2%	-17.6%	9.4%
Adj. EBIT margin	-233.0%	-157.5%	-188.5%	-148.0%	-168.6%	-179.8%	-368.0%	-144.2%	-98.2%	-30.6%	-45.7%	-13.0%
Freja eID (DNBe)												
Number of relying parties	178	190	217	252	285	325	356	384	404	424	445	467
Number of users	36,000	47,000	67,000	100,000	142,000	209,000	332,000	432,000	492,000	546,120	606,193	672,874
Sales by product area												
Goods	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services (incl. support)	4.7	6.0	4.2	5.7	5.1	4.7	2.8	4.3	5.5	5.0	3.0	4.6
Freja eID	0.3	0.3	0.3	0.4	0.6	0.8	0.9	1.6	2.6	8.2	11.3	15.5
Group Total	5.5	6.5	5.4	6.8	6.5	5.8	3.7	5.8	8.1	13.2	14.3	20.1
Sales growth by product area												
Goods												
Services (incl. support)	-41%	-32%	-39%	-5%	8%	-22%	-34%	-25%	8%	8%	8%	8%
Freja eID				284%	117%	176%	170%	326%	308%	986%	1198%	896%
Group Total	-37%	-28%	-34%	0%	14%	-13%	-20%	-4%	41%	144%	291%	245%

Source: Company (historical figures), DNB Markets (estimates)

Figure 10: Freja eID valuation versus listed peers

	Mkt. cap. (SEKbn)	P/E (x)			EV/EBIT (x)			EV/sales (x)			Gross margin	EBIT margin	FCF margin	CAGR 2020–2022e (%)		
		2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e				Sales	EBIT	EPS
Freja eID (DNBe)	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	164.3	15.3	6.3	3.3	93.0	-198.6	-222.6	51	-30	-33
Premium/discount		n.a.	n.a.	n.a.	n.a.	n.a.	391%	18%	-43%	-66%	15.3	-216.8	-239.0	31	-63	-72
Nordic fast-growing peers																
Admicom	4.2	48.0	40.6	33.5	36.1	30.4	24.6	16.4	13.9	11.9	94.9	45.1	38.0	16	16	46
Evolution Gaming	296.6	48.8	35.7	29.0	43.9	31.6	24.8	27.2	20.6	16.6	100.0	61.7	49.5	61	72	60
HMS Networks	24.5	71.1	61.7	56.8	56.7	47.5	43.1	12.9	10.9	10.2	62.7	23.1	22.2	26	38	38
Invisio Communications	7.4	n.a.	44.3	29.6	n.a.	33.7	21.8	11.3	8.2	6.5	58.3	7.2	-15.1	29	33	38
Lime Technologies	4.5	60.7	49.3	40.3	57.6	43.0	34.5	11.8	10.1	8.8	n.a.	20.3	15.3	18	18	16
Sectra	42.0	n.a.	n.a.	n.a.	n.a.	94.2	83.9	25.2	20.0	17.6	86.4	19.7	14.4	9	18	18
Storytel	10.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.1	2.6	2.2	46.0	-12.1	-16.9	20	48	45
Average		57.1	46.3	37.8	48.6	46.7	38.8	15.4	12.3	10.5	74.7	23.6	15.3	25	35	37
Median		54.7	44.3	33.5	50.3	38.4	29.6	12.9	10.9	10.2	74.6	20.3	15.3	20	33	38
Security & SaaS peers																
Okta	360.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	50.0	32.9	24.0	78.0	-0.1	13.0	47	-10	46
Sailpoint	46.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.9	11.1	9.3	77.3	-1.8	2.2	16	n.a.	n.a.
Proofpoint		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	80.4	n.a.	20.1	18	n.a.	20
DocuSign	450.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36.5	25.0	19.0	78.4	11.2	16.4	47	234	166
Qualys	46.8	43.8	42.0	38.1	32.1	29.6	24.7	12.4	11.0	9.7	80.7	38.9	41.8	13	8	7
Rapid7	66.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.6	12.7	10.5	72.9	1.4	5.0	26	189	n.a.
Palo Alto Networks	430.4	84.6	69.9	56.9	63.1	48.0	36.4	12.0	9.5	7.8	74.9	18.4	30.0	25	31	23
Mimecast	45.7	72.6	57.8	51.3	56.9	39.4	33.4	10.3	8.6	7.5	77.3	17.9	17.2	18	73	71
Average		67.0	56.6	48.8	50.7	39.0	31.5	21.4	15.8	12.5	77.5	12.3	18.2	26	88	55
Median		72.6	57.8	51.3	56.9	39.4	33.4	12.9	11.1	9.7	77.6	11.2	16.8	22	52	34
Average		61.4	50.2	41.9	49.5	44.2	36.3	18.4	14.1	11.5	76.3	17.9	16.9	26	59	46
Median		60.7	46.8	39.2	56.7	39.4	33.4	12.9	11.1	10.0	77.6	18.2	16.4	20	33	38

Source: Bloomberg (underlying data), DNB Markets (further calculations)

10 November 2021

Summary of positives

Challenger position in a market ripe for disruption

Freja eID Group's Identity-as-a-Service (IDaaS): Freja eID is a mobile ID ecosystem that verifies, manages, and controls digital identities in online activities such as log-in, signing, and approval – the cornerstone of a digital society. Freja eID has been launched in the world's most mature eID market (Sweden, which has 75% eID adoption), for which we forecast a 20%+ CAGR by 2023e supported by four key secular digitalisation trends: 1) time and cost savings; 2) a need for greater security online; 3) increased online sales of goods and services; and 4) legislation of electronic identification. Our analysis suggests a long-tailed shift to IDaaS from the number of users and the number of authentications and signings. Freja eID's no.2 position in the Swedish mobile eID market – which we value at SEK1.2bn – provides a good start, and we estimate the Nordic mobile eID market could be worth SEK3bn in 2021, where we believe Freja eID is an internationally scalable solution.

Freja eID benefits from platform company dynamics – network effects

There are two main growth drivers for Freja eID: 1) integrated service providers extending the value to users; and 2) users attracting new service providers. These factors amplify each other, creating growing competitive advantages that are hard to replicate. Thus, Freja eID's focus has been to build a relevant base of service providers with a broad user base and high interaction, now at 356 (333 service providers, 23 partners). We consider it positive that Freja eID's relying parties have grown to 356 with a small user base, suggesting that customers see an attractive business case. Among existing ecosystem parties, we note a heavy skew towards the public and gambling sectors (target verticals for Freja eID). Both are transaction-intensive (often small transaction values), which is why they have strong incentives to join the Freja eID platform, as its flexible pricing model allows more efficient budgeting and cost control, as they pay a fixed price instead of a per-transaction cost.

We believe Freja eID is a worthy complement to competing Swedish mobile BankID

Sweden's eID market is very reliant on BankID, which holds a monopoly-like position. To lessen reliance on it, the Swedish Agency for Digital Government formed a citizens' 'System of Choice' for electronic identification in 2017. Coming out of this, Freja eID was the only government-approved mobile eID compliant with the requirements for the 'Svensk e-legitimation' quality mark. Also, the Swedish Financial Supervisory Authority's investigation into eIDs on 30 August 2019 highlighted the potential problems of BankID's dominant market position. In our view, monopoly-like situations seldom benefit users, as: 1) being too reliant on one provider threatens the digital ecosystem; 2) increased competition sparks innovation and improved product quality; and 3) there is no price competition. We believe Freja eID is as competitive on technology and ease-of-use as BankID's mobile app. We consider BankID's drawbacks to be: 1) its reliance on Swedish social security numbers (could be seen as discriminatory based on users' identity-related data); and 2) it does not have the 'Svensk e-legitimation' quality mark.

Positioned for >65% sales CAGR and improving margins

The business model transition has allowed for stable revenues but elevated opex, yet in recent quarters Freja eID has started to deliver on its path to profitability. We note solid progress in adding new relying parties in recent quarters, rapidly expanding the value for new users to the Freja eID platform. We expect a >65%+ 2020–2023 sales CAGR, primarily on growing Freja eID adoption. As revenue growth materialises, we expect margins to improve as Freja eID benefits from economies of scale in its IDaaS revenue model.

At c60% ownership, management's interests are aligned with those of shareholders

Management has 20+ years' experience in IT security, originating from high-growth company Protect Data, which was acquired by cyber-security global leader Check Point in 2007 for cSEK4bn (5x NTM EV/sales). We believe management's background evidences key digital identity knowledge and building scalable high-growth companies.

Swedish market (which we value at SEK1.2bn) could act as a stepping stone to a Nordic total addressable market of SEK3bn, where secular growth drivers provide a long runway for growth

Network effects drive growth for Freja eID, where the number of users and services amplify each other and the value of the platform

Competitor BankID launched its mobile eID solution in 2010, giving it a head start to Freja eID. Yet, we see Freja eID as a worthy complement and potential disruptor to incumbents

Freja eID Group has invested heavily in Freja eID, which has held back margins...

...but we believe a >65% 2020–2023e sales CAGR and healthy operating leverage should lead to EBIT-breakeven by 2023e

Proven management ability to exploit potential in high-growth IT security companies and retain c60% ownership

Summary of negatives

No evidence that 'network effects' for Freja eID are gaining ground yet

As discussed, the number of users on the Freja eID platform will be the swing factor in our assessment of its growth prospects and Freja eID's valuation, as the number of users determines the number of services (its customers) attracted to the platform. As Freja eID reached a critical mass of relying parties in early 2021, we believe this should prompt it to intensify its efforts to drive platform user growth. Yet, if by end-2021 it does not report user-base growth in Freja eID, it would raise concerns about the attractiveness of its product offering, in our view. In such a scenario we see little evidence that Freja eID sales growth could be at a turning point, and we would have to revisit our forecasts for Freja eID.

Bears could claim Freja eID provides little evidence that growth is at a turning point near-term

Large eID market potential could mean intensified competition

While we view Freja eID as an up-and-coming potential disruptor in the Nordic eID market, we conclude its offering is fairly similar to that of its main competitor in Sweden, Bank ID, in terms of ease-of-use, capabilities, deployment, and to some extent pricing. This indicates the space could become highly competitive, as BankID would likely want to defend its monopoly-like position in Sweden. In a scenario with escalating pricing pressure (per eID transaction), this might not be offset by strong volume growth, which could hurt Freja eID's top-line growth. Banks are still the most trusted provider of eIDs in Europe according to our analysis, while the rapid growth of the mobile eID market means we cannot rule out that large technology companies could make inroads too.

Competition is already strong, and might become tougher

Lacklustre profitability and FCF generation increase the risk of recapitalisation

At end-Q3 2021, Freja eID's cash position was SEK13m (net cash of SEK63m including its credit facilities). With an annual average FCF burn rate of cSEK40m–50m in 2020–2021, investor concerns about the balance sheet should lessen as operational leverage improves. We estimate Freja eID is adequately capitalised for the operational business to be EBIT- and cash-flow-breakeven by 2023. Yet, as our forecasts include Freja eID sales increasing to ~SEK4m in 2021 rising to SEK38m in 2022, if sales fall short, this could increase the risk of a recapitalisation.

Delayed EBIT-breakeven would raise the risk of additional funding requirements

If Freja eID does not take off, the valuation would look high

If Freja eID sales do not materialise, we see little evidence that group organic growth could rise strongly near-term driven by the legacy business and do not believe it should be attributed a 2021e EV/sales of 15x. In such a scenario (with the risk of recapitalisation rising), our low fair value is SEK10–15/share.

Low fair value of SEK10–15/share

Security compromise or regulatory change

Freja eID's business model is built on the trust customers place in its ability to deliver a secure signature and authentication platform that is enforceable under law in the regions in which the company operates. As eID system administrators would gain access to and control of large-scale population data, there is the potential to use it for fraud, tracking particular ethnic groups, political manipulation, and unauthorised surveillance, with the possibility to restrict online access such as payments, travel, and social media, while any technical failures or data breaches would be threats to any digital ecosystem. Changes in that dynamic (through a security breach or change in regulation) would be detrimental to the company.

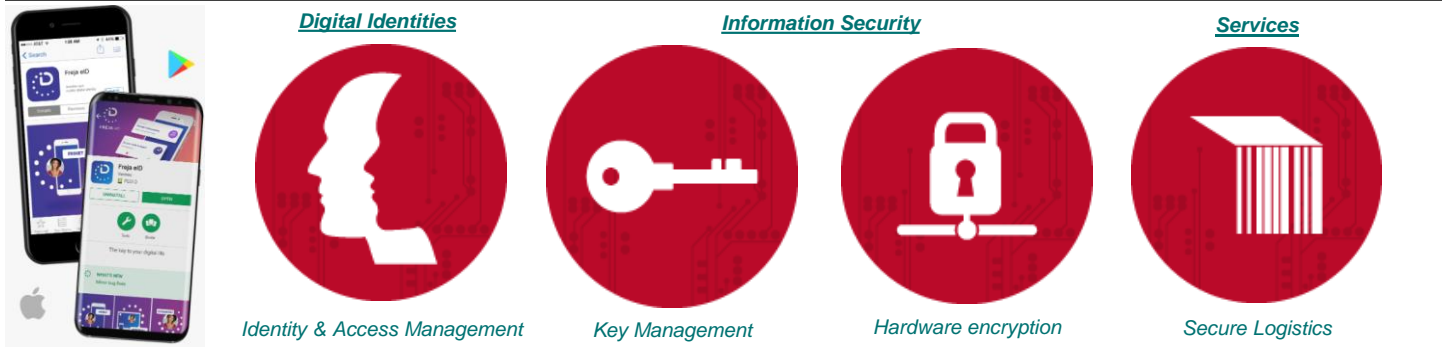
Security breaches could destroy user confidence in the business and create a significant headwind to growth

10 November 2021

A recap on Freja eID

Dating back to 2002, Freja eID has a dynamic history of adapting its IT security solutions to meet customer demand, having transitioned from being the leading Nordic provider of security tokens for banking, governments, corporations etc. (physical devices) to a cloud-based Identity-as-a-Service (IDaaS) platform of trust providing Sweden's new mobile e-identity (eID). Freja eID is a mobile ID ecosystem that verifies, manages, and controls digital identities in online activities such as log-in, signing, and approval. While the business model was overhauled in 2016 as customers demanded next-generation IDaaS, the foundation remains securing identity to prove you are who you say you are in a digital context.

Figure 11: Freja eID's digital identities are in ongoing transition from on-premises solutions towards Identity-as-a-Service



- Digital identities as software as a service platform.** The Freja eID replaces complicated usernames/passwords with an easy-to-use mobile app. Freja is the only eID provider with a quality mark 'Svensk e-legitimation' issued by the Swedish Agency for Digital Government (DIGG), and Freja eID has applied to DIGG to position Freja eID as Sweden's independent national eID in eIDAS, the EU's regulation to drive digital growth and cross-border electronic transactions between member states. In addition, we note that the Swedish Financial Supervisory Authority's investigation of eIDs, whose referral on 30 August 2019 highlighted competitor BankID's shortcomings and the potential problems from its dominant market position, benefits Freja eID, in our view.
- Services** comprise Freja eID's secure fulfilment services, mainly related to security tokens for banking, which is a mature business with low growth, but still needed for redundancy reasons and to face regulatory demands (PDS2, etc.).

There are two main growth drivers for Freja eID: 1) integrated service providers, extending the value to users; and 2) users attracting new service providers. As these factors amplify each other, it creates accelerating competitive advantages that are hard to replicate. Thus, Freja eID's focus has been to build a relevant base of service providers with a broad user base and high interaction, now at 356 (333 relying parties, 23 partners).

Positioned to benefit from network effects where number of users determines platform's success

Figure 12: Network effects drive growth for Freja eID, where number of users and number of services amplify each other



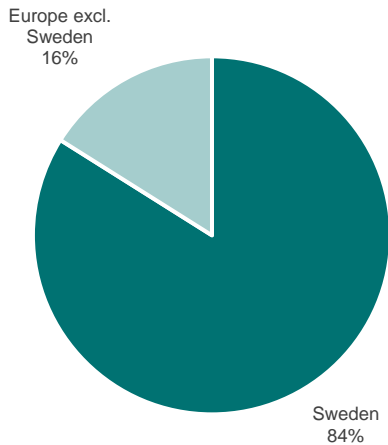
10 November 2021

The company’s partners include system integrators such as Tieto, Svensk e-identitet, Curity and CGI, with which Freja eID’s potential customers in the private and public sectors collaborate. Freja eID’s geographical sales mix still reflects its renewed focus on building its Freja eID ecosystem, with 84% of 2020 sales from Sweden, and 16% from elsewhere in Europe. While Freja eID will initially target the mature market for eIDs in Sweden, it will also be positioned to expand in the Nordics and eventually elsewhere in Europe, as broader adoption of eIDs is yet to be material in those markets, where Freja eID could position itself to drive that shift.

Taking market share in mature home eID market of Sweden is Freja eID’s focus...

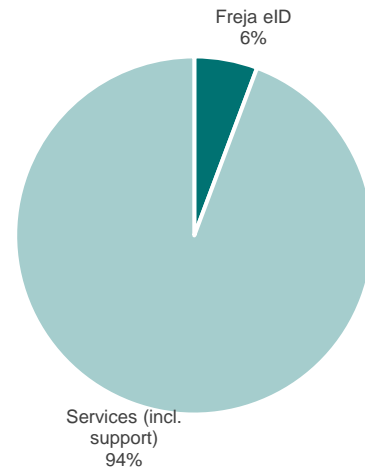
...and we see potential opportunities elsewhere in the Nordics

Figure 13: Geographical sales split (2020)



Source: Freja eID

Figure 14: Sales by business model (2020)



Source: Freja eID

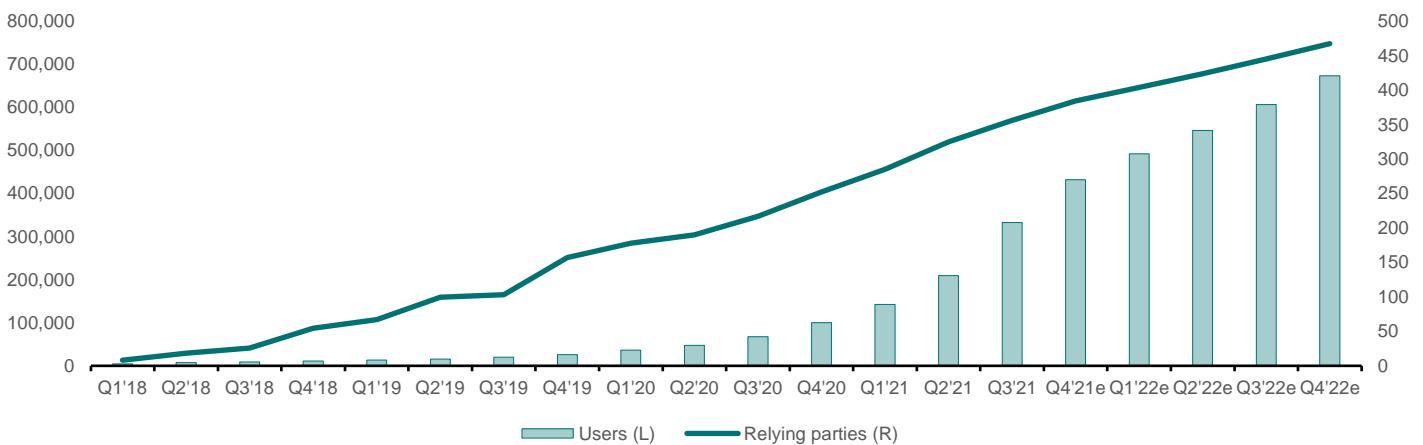
The Freja eID platform is free for users (consumer) and accessed through a mobile app. It is the online service providers (businesses, municipalities, authorities, banks, online payment processes, etc.) where users log in, sign, or approve that are Freja eID’s customers, foremost through a transaction-based business model, which is the most common procurement method for the public sector (typically SEK0.15 per transaction), and complemented by a fixed subscription model, facilitating budgeting for customers.

Transaction-based business model means Freja eID is building a broad user base with frequent interaction services

Freja eID reported 2020 net sales of SEK22m, with a stable gross margin (94%+), but an operating loss of SEK43m (-175% EBIT margin), as management is investing in growth by adding as many Swedish service providers and users as possible at this early stage of growth (Freja eID launched in H2 2017) to build a large enough revenue base to create leverage and drive margin expansion.

Freja eID is key to reigniting organic growth, in our view

Figure 15: Freja eID ecosystem (2018–2022e)



Source: Company (historical data), DNB Markets (forecasts)

10 November 2021

Forecast changes – P&L

(SEKm)	New			Old			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Revenues	22	56	107	29	77	129	-7	-21	-22
Cost of sales	-1	-3	-5	-2	-4	-5	0	0	0
Gross profit	20	53	102	27	73	124	-7	-21	-23
Operating expenses	-55	-74	-100	-54	-74	-97	0	1	-2
EBITDA	-31	-6	23	-21	17	48	-10	-23	-25
EBITDA adj	-31	-6	23	-21	17	48	-10	-23	-25
EBITDA margin (%)	nm	nm	21.9	-73.3	22.6	37.2	nm	nm	-15.2
Depreciation	-12	-15	-21	-12	-18	-21	0	3	0
EBIT	-43	-21	2	-33	-1	27	-10	-20	-25
EBIT adj	-43	-21	2	-33	-1	27	-10	-20	-25
Net interest	-1	-2	-3	-1	-2	-4	0	1	0
Net financial items	-1	-2	-3	-1	-2	-4	0	1	0
PBT	-44	-23	-1	-34	-3	23	-10	-20	-25
Taxes	-2	0	-1	0	-1	-6	-2	1	5
Net profit	-46	-23	-2	-34	-5	17	-12	-18	-20
Adjustments to net profit	0	0	0	0	0	0	0	0	0
Net profit adj	-46	-23	-2	-34	-5	17	-12	-18	-20
<i>Per share data (SEK)</i>									
EPS	-2.56	-1.21	-0.12	-1.91	-0.25	0.92	-0.65	-0.97	-1.04
EPS adj	-2.56	-1.21	-0.12	-1.91	-0.25	0.92	-0.65	-0.97	-1.04
DPS ordinary	0.00	0.00	0.00			0.00			0.00
DPS	0.00	0.00	0.00			0.00			0.00
<i>Other key metrics (%)</i>									
Revenue growth	-10.1	155.0	91.7	18.3	167.8	67.8	-28.3	-12.9	23.9
EBIT adj growth	nm	nm	nm	-23.4	-96.7	-2606.0	nm	nm	nm
EPS adj growth	nm	nm	nm	-30.4	-87.1	-476.3	nm	nm	nm
Avg. number of shares (m)	19	19	19	19	19	19	0	0	0
Capex	-9	-13	-21	-10	-18	-22	0	5	1
OpFCF	-40	-19	2	-31	-1	26	-10	-18	-23
Working capital	-8	-9	-8	-11	-10	-7	2	0	0
NIBD adj	-28	-8	-4	-40	-35	-49	13	27	45

Source: DNB Markets

Forecast changes – By segment and assumptions

(SEKm)	New			Old			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Revenue									
Goods	0	0	0	0	0	0	0	0	0
Services (incl. support)	17	18	19	19	20	21	-2	-2	-2
Freja eID	4	38	88	8	57	108	-4	-19	-20
Assumptions									
Revenue org. % YOY	-5.60	170.0	91.70	25.92	179.4	67.84	-31.51	-9.41	23.86
Structure impact % YOY	0.00	0.00	0.00			0.00			0.00
Currency impact % YOY	-0.25	0.00	0.00	-0.25		0.00	0.00		0.00

Source: DNB Markets

10 November 2021

Quarterly numbers

(SEKm)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Revenues	7	5	7	7	6	4	6	8	13	14	20
Cost of sales	0	0	0	0	0	0	0	0	-1	-1	-1
Gross profit	6	5	6	6	5	3	6	8	12	13	19
Operating expenses	-13	-12	-13	-14	-13	-14	-14	-16	-16	-19	-22
EBITDA	-7	-7	-6	-8	-7	-10	-5	-5	-1	-3	2
Depreciation	-3	-3	-4	-3	-3	-3	-3	-3	-4	-4	-5
EBIT	-10	-10	-10	-11	-10	-14	-8	-8	-4	-7	-3
Net interest	47	0	0	0	0	0	0	0	0	0	-1
Net financial items	47	0	0	0	0	0	0	0	0	0	-1
PBT	36	-10	-10	-11	-11	-14	-9	-8	-4	-7	-3
Taxes	0	-1	0	0	0	-2	0	0	0	0	0
Net profit	36	-11	-10	-11	-11	-16	-9	-8	-4	-7	-3
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	36	-11	-10	-11	-11	-16	-9	-8	-4	-7	-3
Dividend paid	0	0	0	0	0	0	0	0	0	0	0
Avg. number of shares (m)	15	15	16	16	19	19	19	19	19	19	19
<i>Per share data (SEK)</i>											
EPS	2.49	-0.76	-0.63	-0.71	-0.57	-0.83	-0.45	-0.44	-0.24	-0.37	-0.17
EPS adj	2.49	-0.76	-0.63	-0.71	-0.57	-0.83	-0.45	-0.44	-0.24	-0.37	-0.17
DPS ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	17.5	-17.0	25.6	-3.6	-11.3	-36.6	58.4	38.8	63.7	7.9	40.9
Revenues, YOY growth	-36.6	-37.5	-0.1	18.2	-10.9	-32.0	-14.2	23.5	128.1	288.3	245.3
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	99.6	94.4	94.2	93.9	93.0	89.5	95.5	95.1	94.0	90.9	97.0
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	9.4
Depreciation/revenues	-51.2	-62.5	-52.6	-45.2	-51.5	-85.4	-55.0	-39.6	-26.5	-28.0	-22.4
EBIT adj margin	-157.5	-188.5	-148.0	-168.6	-179.8	-368.0	-144.2	-98.2	-30.6	-45.7	-13.0
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

Adjustments to quarterly numbers

(SEKm)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
EBITDA	-7	-7	-6	-8	-7	-10	-5	-5	-1	-3	2
EBITDA adj	-7	-7	-6	-8	-7	-10	-5	-5	-1	-3	2
EBIT	-10	-10	-10	-11	-10	-14	-8	-8	-4	-7	-3
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	-10	-10	-10	-11	-10	-14	-8	-8	-4	-7	-3
Net profit	36	-11	-10	-11	-11	-16	-9	-8	-4	-7	-3
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	36	-11	-10	-11	-11	-16	-9	-8	-4	-7	-3

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Quarterly numbers by segment and assumptions

(SEKm)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Revenue											
Goods	0	0	0	0	0	0	0	0	0	0	0
Services (incl. support)	6	4	6	5	5	3	4	6	5	3	5
Freja eID	0	0	0	1	1	1	2	3	8	11	15
Structure impact % YOY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company (historical figures), DNB Markets (estimates)

Annual P&L

(SEKm)	2019	2020	2021e	2022e	2023e
Revenues	33	24	22	56	107
Cost of sales	-2	-2	-1	-3	-5
Gross profit	32	22	20	53	102
Operating expenses	-63	-51	-55	-74	-100
EBITDA	-31	-30	-31	-6	23
Depreciation	-12	-14	-12	-15	-21
EBIT	-43	-43	-43	-21	2
Net interest	-1	-1	-1	-2	-3
Net financial items	-1	-1	-1	-2	-3
PBT	-44	-44	-44	-23	-1
Taxes	4	0	-2	0	-1
Effective tax rate (%)	9	0	-5	0	-78
Net profit	-40	-44	-46	-23	-2
Adjustments to net profit	0	0	0	0	0
Net profit adj	-40	-44	-46	-23	-2
Dividend paid	0	0	0	0	0
Avg. number of shares	15	16	19	19	19
<i>Per share data (SEK)</i>					
EPS	-2.74	-2.74	-2.56	-1.21	-0.12
EPS adj	-2.74	-2.74	-2.56	-1.21	-0.12
DPS ordinary	0.00	0.00	0.00	0.00	0.00
DPS	0.00	0.00	0.00	0.00	0.00
<i>Growth and margins (%)</i>					
Revenue growth	nm	-27.2	-10.1	155.0	91.7
EPS adj growth	nm	nm	nm	nm	nm
Gross margin	94.9	89.9	93.3	94.4	95.5
EBITDA margin	nm	nm	nm	nm	21.9
EBITDA adj margin	nm	nm	nm	nm	21.9
Depreciation/revenues	-35.6	-56.1	-56.3	-27.3	-19.9
EBIT margin	nm	nm	nm	nm	2.0
EBIT adj margin	-129.4	-178.1	-198.6	-37.9	2.0
PBT margin	nm	nm	nm	nm	nm
Net profit margin	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Adjustments to annual P&L

(SEKm)	2019	2020	2021e	2022e	2023e
EBITDA	-31	-30	-31	-6	23
EBITDA adj	-31	-30	-31	-6	23
EBIT	-43	-43	-43	-21	2
Other EBIT adjustments	0	0	0	0	0
EBIT adj	-43	-43	-43	-21	2
Net profit	-40	-44	-46	-23	-2
Other EBIT adjustments	0	0	0	0	0
Net profit adj	-40	-44	-46	-23	-2
<i>Per share data (SEK)</i>					
EPS	-2.74	-2.74	-2.56	-1.21	-0.12
Recommended adjustment	0.00	0.00	0.00	0.00	0.00
EPS adj	-2.74	-2.74	-2.56	-1.21	-0.12

Source: Company (historical figures), DNB Markets (estimates)

Cash flow

(SEKm)	2019	2020	2021e	2022e	2023e
Net profit	-40	-44	-46	-23	-2
Cash flow from operations (CFO)	-11	-28	-39	-6	17
Capital expenditure	-15	-12	-9	-13	-21
Acquisitions/Investments	0	0	0	0	0
Divestments	0	32	0	0	0
Cash flow from investing (CFI)	-15	20	-9	-13	-21
Free cash flow (FCF)	-26	-9	-49	-20	-4
Net change in debt	4	4	-8	0	0
Dividends paid	0	0	0	0	0
Other	0	-2	-4	0	0
Cash flow from financing (CFF)	6	22	58	0	0
Total cash flow (CFO+CFI+CFF)	-20	13	9	-20	-4
<i>FCFF calculation</i>					
Free cash flow	-26	-9	-49	-20	-4
Less: net interest	1	1	1	2	3
Less: tax shields/other	0	0	0	0	0
Less: acquisitions	0	0	0	0	0
Less: divestments	0	-32	0	0	0
Free cash flow to the firm	-25	-40	-48	-18	-1
Growth (%)					
CFO	nm	-165.0	-39.4	83.5	363.9
CFI	nm	227.6	-148.1	-39.0	-61.8
FCF	nm	66.7	-464.0	59.8	79.5
CFF	nm	241.4	165.2	-100.0	nm
FCFF	nm	-57.4	-20.9	62.9	96.8

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Balance sheet

(SEKm)	2019	2020	2021e	2022e	2023e
Assets	89	85	90	95	115
Inventories	1	0	0	0	0
Trade receivables	17	3	3	10	16
Other receivables	3	3	2	8	13
Current financial assets	19	7	4	17	31
Cash and cash equivalents	10	23	32	13	9
Current assets	50	37	41	48	68
Non-current assets	39	48	49	47	47
Total assets	89	85	90	95	115
Equity and liabilities	89	85	90	95	115
Total equity to the parent	17	45	65	42	40
Total equity	17	45	65	42	40
Trade payables	11	3	3	11	17
Other payables and accruals	57	35	14	34	50
Total current liabilities	68	38	17	45	67
Long-term debt	0	0	3	3	3
Deferred tax liabilities	0	0	0	0	0
Other non-current liabilities	4	2	5	5	5
Total non-current liabilities	4	2	8	8	8
Total liabilities	72	40	25	53	75
Total equity and liabilities	89	85	90	95	115
<i>Key metrics</i>					
Net interest bearing debt	-2	-21	-28	-8	-4

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Valuation ratios

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Enterprise value</i>										
Share price (SEK)	14.33	25.92	27.92	31.00	32.67	31.67	17.13	19.14	19.14	19.14
Number of shares (m)	0.00	0.00	0.00	0.00	0.00	14.62	16.07	18.87	18.87	18.87
Market capitalisation	0	0	0	0	0	463	275	361	361	361
Net interest bearing debt	0	0	0	0	0	-2	-21	-28	-8	-4
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	0	0	0	0	0	-2	-21	-28	-8	-4
EV	0	0	0	0	0	461	254	334	353	357
EV adj	0	0	0	0	0	461	254	334	353	357
<i>Valuation</i>										
EPS						-2.74	-2.74	-2.56	-1.21	-0.12
EPS adj						-2.74	-2.74	-2.56	-1.21	-0.12
DPS ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E						-11.6	-6.2	-7.5	-15.8	-159.3
P/E adj						-11.6	-6.2	-7.5	-15.8	-159.3
Average ROE						-463.7%	-140.6%	-83.9%	-42.7%	-5.5%
Earnings yield adj						-8.6%	-16.0%	-13.4%	-6.3%	-0.6%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/SALES						13.83	10.47	15.28	6.34	3.35
EV/SALES adj						13.83	10.47	15.28	6.34	3.35
EV/EBITDA						-14.8	-8.6	-10.7	-59.7	15.2
EV/EBITDA adj						-14.8	-8.6	-10.7	-59.7	15.2
EV/EBIT						-10.7	-5.9	-7.7	-16.7	164.3
EV/EBIT adj						-10.7	-5.9	-7.7	-16.7	164.3
EV/OpFCF (taxed)						-9.9	-25.1	-8.2	-18.6	154.3

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Key accounting ratios

	2019	2020	2021e	2022e	2023e
<i>Profitability (%)</i>					
ROA	-89.6	-50.6	-52.8	-24.7	-2.2
<i>Return on invested capital (%)</i>					
Working capital/revenues	-83.0	-100.3	-37.3	-16.9	-7.0
<i>Cash flow ratios (%)</i>					
FCF/revenues	-77.8	-35.5	-222.6	-35.1	-3.8
FCF yield (%)	-5.6	-14.7	-13.5	-5.4	-1.1
CFO/revenues	-31.9	-115.9	-179.6	-11.6	16.0
CFO/market capitalisation	-2.3	-10.2	-10.9	-1.8	4.7
CFO/capex	-69.4	-229.2	-417.7	-49.6	81.0
CFO/current liabilities	-15.6	-74.2	-228.4	-14.5	25.4
Cash conversion ratio	64.8	19.6	104.9	85.2	176.9
Capex/revenues	45.9	50.6	43.0	23.4	19.8
Capex/depreciation	128.9	90.1	76.4	85.9	99.3
OpFCF margin	-139.6	-41.7	-185.4	-34.1	2.2
Total payout ratio	0.0	0.0	0.0	0.0	0.0
<i>Leverage and solvency (x)</i>					
EBIT/interest payable	nm	nm	nm	nm	0.63
Cash coverage	-40.25	-35.61	-39.92	-3.27	6.79
Net debt/EBITDA	0.06	0.72	0.89	1.35	-0.17
LTD / (LTD + equity (MV))	0.00	0.00	0.01	0.01	0.01
<i>Cash conversion cycle</i>					
Inventory turnover days	186.7	0.0	0.0	0.0	0.0
Receivables turnover days	224.9	92.2	82.7	118.6	96.7
Credit period	2257.8	487.5	877.6	1305.2	1302.4
Cash conversion cycle	-1846.2	-395.3	-794.9	-1186.6	-1205.7

Source: Company (historical figures), DNB Markets (estimates)

10 November 2021

Important Information

Company: Freja eID Group
 Coverage by Analyst: Joachim Gunell
 Date: 10-11-2021

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10 November 2021

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