

# FREJA EID GROUP

## Set for acceleration of monetisation

Freja eID's strong commercial momentum through 2021 laid a promising foundation to fuel its financial profile as well. We are encouraged by the improved granularity on the SaaS-like revenue streams that should provide better earnings resilience. That said, it is likely to ramp up slightly more slowly than we had previously expected. Thus, we have lowered our 2022–2023e sales by ~8% and as we expect Freja eID to undertake a ~SEK50m recapitalisation in 2022, we have cut our fair value to SEK17–25 (20–35).

**Some pluses and some minuses.** We are surprised by the commercial traction Freja eID has showed through 2021, with growth rates significantly above our forecast with user growth of 376% YOY (currently at 500k+), ~400 relying parties' showing 55%+ YOY growth, while the eID ecosystem conducted 3.5m+ transactions in 2021. Group Q4 sales were SEK6m (-3% YOY) and the EBIT loss of SEK12m was 44% YOY worse than our forecast. This set up a FCF burn of SEK14m (~SEK54m annualised), which we estimate means Freja eID has a cash runway of ~6 months (or ~12 months including its SEK25m credit facility).

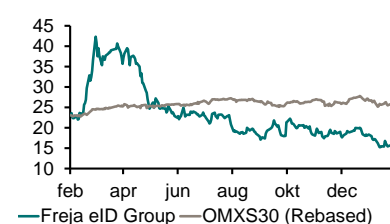
**2022–2023e sales cut by ~8% and we forecast a SEK50m recapitalisation.** We believe Freja eID now has more tools to accelerate financial aspects of the growing commercial momentum in its eID ecosystem as it: 1) has reached a critical mass in users and services; 2) the use-cases are rising in absolute numbers, but also in relevance, as shown by Organisations eID, Physical eID, Engage-offering, as well as recent partnerships with PostNord, Apoteket, KMPG, etc.; and 3) we are more comfortable that it has found the best revenue model for its platform through SaaS, reducing the cost of adopting the technology. That said, we expect SaaS revenues to ramp up slightly more slowly (but with a higher medium-term resilience and profitability), leading us to lower our 2022–2023e sales by ~8%, which means that we now forecast a SEK50m recapitalisation and diluted share count.

**Fair value cut to SEK17–25** based on 2022–2023e SOTP, DCF and peer multiples. We believe moving the valuation needle hinges on accelerating eID sales growth.

Year-end Dec	2019	2020	2021	2022e	2023e	2024e
Revenue (SEKm)	33	24	22	50	99	132
EBITDA adj (SEKm)	-31	-30	-35	-9	26	42
EBIT adj (SEKm)	-43	-43	-47	-24	5	18
PTP (SEKm)	-44	-44	-48	-26	1	14
EPS rep (SEK)	-2.75	-3.06	-2.93	-1.30	0.03	0.46
EPS adj (SEK)	-2.75	-3.06	-2.93	-1.30	0.03	0.46
DPS (SEK)	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	nm	-27.2	-9.7	129.5	96.8	33.0
EBITDA growth adj (%)	nm	nm	nm	nm	nm	60.8
EPS growth adj (%)	nm	nm	nm	nm	nm	1468.9
EBITDA margin adj (%)	nm	nm	nm	nm	26.1	31.6
EV/Sales adj (x)	13.83	10.47	16.09	5.72	2.91	2.10
EV/EBITDA adj (x)	nm	nm	nm	nm	11.1	6.6
EV/EBIT adj (x)	nm	nm	nm	nm	62.2	15.3
P/E adj (x)	nm	nm	nm	nm	nm	32.3
ROE (%)	nm	nm	nm	nm	0.8	11.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	-5.6	-14.7	-13.7	-7.5	0.1	3.4

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

FREJA versus OMXS30 (12m)



Source: Factset

### SUMMARY

Share price (SEK)	15.0
Tickers	FREJA SS

### CAPITAL STRUCTURE

No. of shares (m)	22.5
No. of shares fully dil. (m)	22.5
Market cap. (SEKm)	337
NIBD adj end-2022e (SEKm)	-49
Enterprise value adj (SEKm)	288
Net debt/EBITDA adj (x)	5.45
Free float (%)	52

Source: Company, DNB Markets (estimates)

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

### NEXT EVENT

Q1 2022	05/05/2022
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### ESTIMATE CHANGES (SEK)

Year-end Dec	2022e	2023e	2024e
Sales (old)	55.67	106.7	
Sales (new)	50.32	99.06	131.8
Change (%)	-9.6	-7.2	nm
EPS (old)	-1.21	-0.12	
EPS (new)	-1.30	0.03	0.46
Change (%)	nm	nm	nm

Source: DNB Markets,

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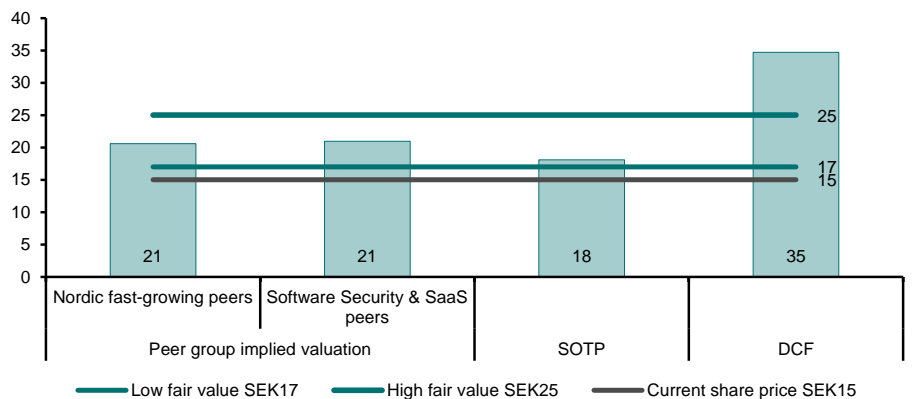
### ANALYSTS

Joachim Gunell

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# Overview

## Valuation (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 2021–2022 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 ~113% sales CAGR by 2023. As growth materialises, we expect margins to improve as the company benefits from economies of scale. Our FCF analysis suggests that Freja eID will probably need to make a recapitalisation of ~SEK50m in 2022e.

Source: DNB Markets

## Valuation methodology

- Our fair value of SEK17–25/share (20-35) is based on peers’ multiples, a SOTP, and a DCF. On our estimates the stock is trading at a 2022e EV/sales of 5x (versus its historical average of ~5x).
- Our high fair value scenario of SEK90–110/share assumes Freja eID captures 5% of the Nordic eID market.
- Our low fair value scenario of SEK8–12/share assumes 50% lower Freja eID sales by 2022e (including an additional SEK30m rights issue).

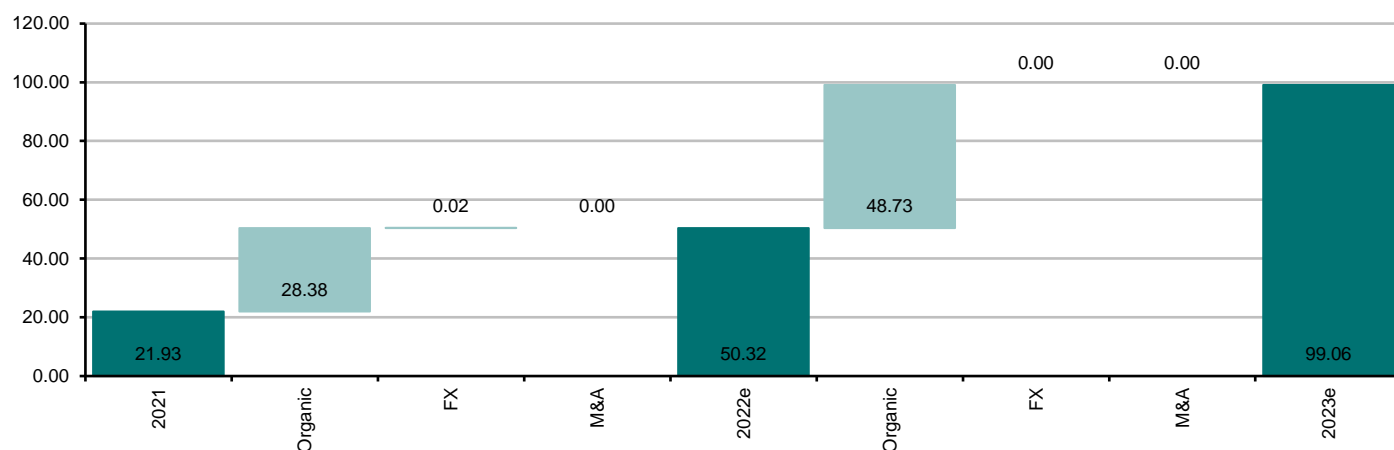
Source: DNB Markets

### 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 2021–2023e (SEKm)



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

# ESG overview

## Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> <li>■ 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ We have identified the following ESG risks:                             <ul style="list-style-type: none"> <li>■ Potential misuse without proper control.</li> <li>■ Technical failures or data breaches.</li> <li>■ Exclusion of individuals.</li> </ul> </li> <li>■ 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.</li> </ul>
Actions being taken by company	<ul style="list-style-type: none"> <li>■ 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ Freja eID Group offers the only inclusive mobile eID in Sweden that is not reliant on personal identity numbers.</li> </ul>

### 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.

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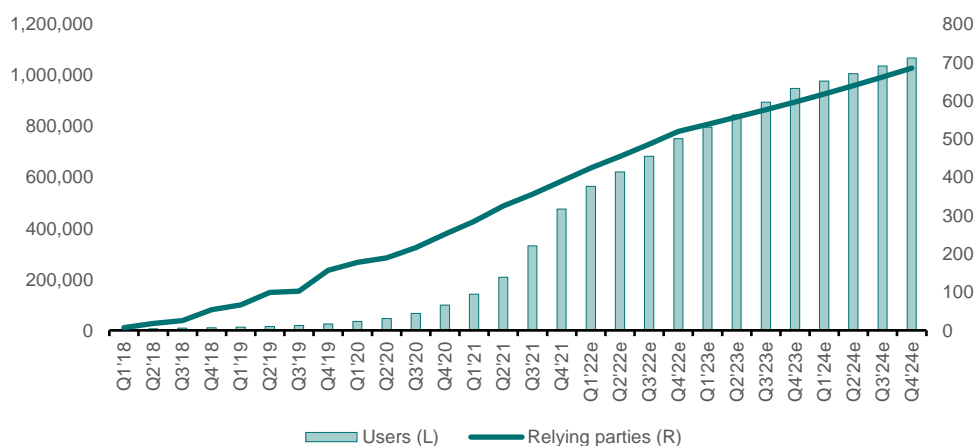
## Q4 report

Figure 1: Q4 results versus expectations

Key highlights (SEKm, except per share data)	Q4 2021		Deviation	Deviation	Q4 2020	DNBe
	Actual	DNB	DNB (%)	DNB, Abs	Actual	2022e
<b>Net sales</b>	<b>5.9</b>	<b>5.8</b>	<b>1%</b>	0	<b>6.1</b>	<b>50.3</b>
<b>Gross profit</b>	<b>5.5</b>	<b>5.6</b>	<b>0%</b>	0	<b>5.7</b>	<b>48.5</b>
Margin	94.7%	95.5%	-0.8pp		93.5%	96.4%
<b>EBIT adjusted</b>	<b>-12.1</b>	<b>-8.4</b>	<b>-44%</b>	-4	<b>-10.0</b>	<b>-24.2</b>
Margin	-207.0%	-144.2%	-62.8pp		-165.9%	-48.1%
One-offs	0.0	0.0			0.0	0.0
EBIT	-12.1	-8.4	-44%	-4	-10.0	-24.2
Margin	-207.0%	-144.2%	-62.8pp		-165.9%	-48.1%
<b>EPS adj.</b>	<b>-0.77</b>	<b>-0.45</b>	<b>-70%</b>	-0.32	<b>-0.63</b>	<b>-1.30</b>
Free cash flow	-13.6	-11.0	-23%	-3	-9.9	-25.2
Net cash (-) or debt (+)	-24.2	-27.5	-12%	3	-21.2	-49.0
<b>Divisions</b>						
(SEKm)		Q4 2021	Deviation	Deviation	Q4 2020	DNBe
		DNB	DNB (%)	DNB, Abs	Actual	2022e
<b>By product segment</b>						
Freja eID	1.2	1.6	-23%	0	0.4	32.1
Fulfilment	4.7	4.3	10%	0	5.7	18.2
<b>Group</b>	<b>5.9</b>	<b>5.8</b>	<b>1%</b>	<b>0</b>	<b>6.1</b>	<b>50.3</b>
<b>Growth</b>						
Freja eID	229%	326%				833%
Fulfilment	-17%	-25%			-5%	6%
<b>Group</b>	<b>-2.5%</b>	<b>-3.8%</b>			<b>-0.5%</b>	<b>129.5%</b>

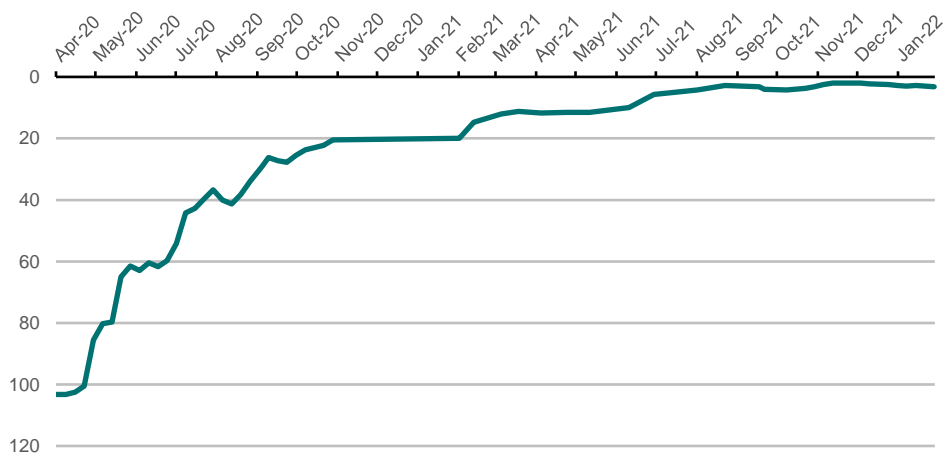
Source: Company (historical figures), DNB Markets (estimates)

Figure 2: Freja eID ecosystem (2018–2024e)



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

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 (February 2022) – based on number of installs and active users

Home > Top iOS Apps > Utilities > Sweden

## Top Apps Ranking

Top Free Utilities iPhone Apps in App Store in Sweden

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	=
2 Google	Google LLC	2	=
3 Google Chrome	Google LLC	3	=
4 Freja eID - My ID in an app	Freja eID Group AB	4	=
5 Themes: Color Widgets, Icons	Juan Zhang	5	=

Source: SimilarWeb

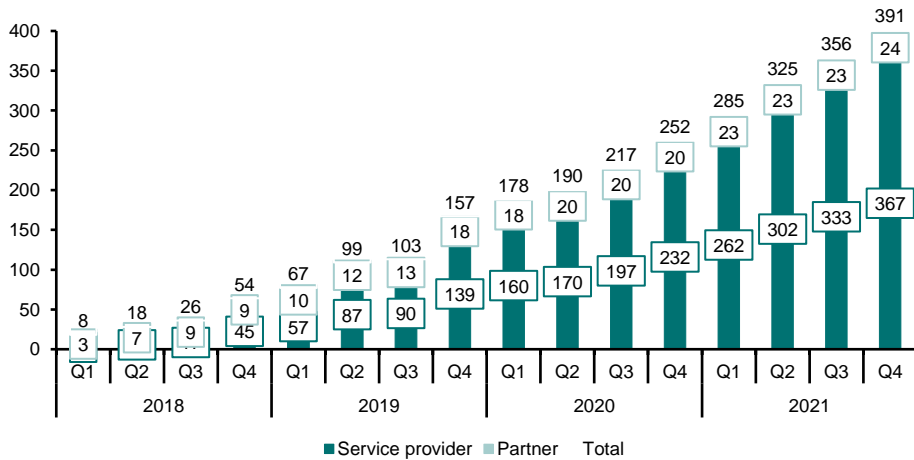
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Figure 5: Selected press releases related to Freja eID (February 2020–February 2022)

Date	Title	Type
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	Zebrain	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
2021-11-10	Focalpay	Partnership
2021-11-23	Freja eID reaches 400k customers	
2021-12-17	Expanded partnership with ID06	
2022-01-07	Apotek Hjärtat	Service provider
2022-01-17	AXYER AB	Service provider
2022-01-25	Freja eID improves security during physical identification	
2022-01-28	Karlstads Universitet	Service provider
2022-02-01	KPMG	Service provider
2022-02-04	Alvesta kommun	Service provider
2022-02-11	Trelleborg's kommun	Service provider
2022-02-14	ATG mobile payments	

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

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 (Q4)

	FREJA eID	BankID
<b>Level of assurance</b>	<ul style="list-style-type: none"> <li>Freja eID Plus has trust level 3 according to DIGG's standard</li> <li>Freja eID is approved for the governmental quality mark Svensk e-legitimation by DIGG</li> <li>Freja eID's assessment is that Freja eID Plus corresponds to the eIDAS level High but it remains to be tested</li> </ul>	<ul style="list-style-type: none"> <li>Bank ID reaches trust level 3 according to DIGG's standard and was approved by the governmental quality mark Svensk e-legitimation in October 2020.</li> </ul>
<b>Number of users</b>	476,000	8,171,097
<b>Number of connected services</b>	391	5000+
<b>Price</b>	<ul style="list-style-type: none"> <li>SEK0.15 per transaction</li> <li>Fixed cap of SEK1 per user per month</li> <li>Subscription model for Organisations eID</li> <li>More flexible as businesses and public sector organisations can budget the cost</li> </ul>	<ul style="list-style-type: none"> <li>Login-cost of SEK0.17 and signature cost of SEK0.55 per transaction but is entirely transaction-based, regardless of the number of transactions.</li> </ul>
<b>eIDAS</b>	<ul style="list-style-type: none"> <li>Swedish eID's approved in the European eIDAS system. Allows Freja eID to expand operations to other European countries</li> <li>Being approved for the quality mark Svensk E-legitimation while meeting the certification and technical specifications for Sweden Connect, open for all citizens, Freja eID has good chances to become Sweden's official eID in eIDAS</li> </ul>	<ul style="list-style-type: none"> <li>Swedish eID's approved in the European eIDAS system. BankID has communicated ambitions to expand operations internationally.</li> <li>A signature with BankID falls under trusted services in the eIDAS Regulation as an advanced electronic signature.</li> </ul>
<b>User data access</b>	<ul style="list-style-type: none"> <li>Via Freja eID's 'My Pages', the user can have full control over their digital activities, identity and integrity by providing an overview of 1) what personal data is stored; 2) action history of which transactions, log-ins etc. have been performed; and 3) the user can customise which services it wants to allow access to in order to strengthen security</li> </ul>	<ul style="list-style-type: none"> <li>BankID also has an overview providing the user with a detailed action history of when the social security number has been used (regardless of what type of BankID has been used)</li> </ul>

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



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## Estimate revisions

Figure 8: Forecast changes (SEKm)

(SEKm, except per share data)	Old			New			Change		
	2021	2022e	2023e	2021	2022e	2023e	2021	2022e	2023e
<b>Group</b>									
<b>Sales</b>	<b>22</b>	<b>56</b>	<b>107</b>	<b>22</b>	<b>50</b>	<b>99</b>	<b>0%</b>	<b>-10%</b>	<b>-7%</b>
Sales growth	-10.1%	155.0%	91.7%	-9.7%	129.5%	96.8%	38bp	-2545bp	513bp
Organic	-5.6%	170.0%	91.7%	-5.4%	143.8%	96.8%	15bp	-2621bp	513bp
Structure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0bp	0bp	0bp
Currency	-0.2%	0.0%	0.0%	-0.3%	0.1%	0.0%	-7bp	7bp	0bp
<b>Gross profit</b>	<b>20</b>	<b>53</b>	<b>102</b>	<b>20</b>	<b>49</b>	<b>97</b>	<b>0%</b>	<b>-8%</b>	<b>-5%</b>
<i>Gross margin</i>	93.3%	94.4%	95.5%	93.2%	96.4%	98.1%	-18bp	193bp	264bp
Capitalised development costs	6	6	8	6	6	7	3%	-1%	-8%
Other external expenses	-19	-31	-45	-20	-28	-38	-7%	11%	16%
Personnel costs	-42	-48	-63	-41	-51	-62	2%	-5%	1%
<b>EBITDA</b>	<b>-31</b>	<b>-6</b>	<b>23</b>	<b>-35</b>	<b>-9</b>	<b>26</b>	<b>-12%</b>	<b>-52%</b>	<b>10%</b>
Depreciation and amortisation	-12	-15	-21	-12	-15	-21	-1%	0%	0%
<b>EBIT</b>	<b>-43</b>	<b>-21</b>	<b>2</b>	<b>-47</b>	<b>-24</b>	<b>5</b>	<b>-9%</b>	<b>-15%</b>	<b>113%</b>
<i>EBIT margin</i>	-198.6%	-37.9%	2.0%	-214.9%	-48.1%	4.7%	-1626bp	-1013bp	263bp
One-offs	0	0	0	0	0	0			
<b>EBIT adj.</b>	<b>-43</b>	<b>-21</b>	<b>2</b>	<b>-47</b>	<b>-24</b>	<b>5</b>	<b>-9%</b>	<b>-15%</b>	<b>113%</b>
<i>EBIT adj. margin</i>	-198.6%	-37.9%	2.0%	-214.9%	-48.1%	4.7%	-1626bp	-1013bp	263bp
Capitalized development costs	-3	-3	-4	0	-3	-4	100%	0%	0%
<b>EBIT adj. for cap. dev. costs</b>	<b>-47</b>	<b>-24</b>	<b>-2</b>	<b>-47</b>	<b>-27</b>	<b>1</b>	<b>-1%</b>	<b>-13%</b>	<b>-151%</b>
<i>EBIT adj. CDC margin</i>	-213.3%	-43.7%	-1.5%	-214.9%	-54.4%	0.8%	-160bp	-1074bp	236bp
Net financial items	-1	-2	-3	-1	-2	-3	5%	11%	8%
Pre-tax profit	-44	-23	-1	-48	-26	1	-8%	-13%	215%
Tax	-2	0	-1	-4	0	-1			
<i>Tax rate</i>	-5.0%	0.0%	-77.9%	-9.4%	0.0%	54.7%	-433bp	0bp	13265bp
<b>Net profit</b>	<b>-46</b>	<b>-23</b>	<b>-2</b>	<b>-52</b>	<b>-26</b>	<b>1</b>	<b>-13%</b>	<b>-13%</b>	<b>-129%</b>
EPS adjusted	-2.56	-1.21	-0.12	-2.93	-1.30	0.03	-14%	-7%	125%
EPS	-2.56	-1.21	-0.12	-2.93	-1.30	0.03	-14%	-7%	125%
DPS	0.00	0.00	0.00	0.00	0.00	0.00			
<b>Sales by product area</b>									
Fulfilment	17	18	19	17	18	19	2%	0%	0%
Freja eID	4	38	88	3	32	80	-10%	-14%	-9%
<b>Group Total</b>	<b>22</b>	<b>56</b>	<b>107</b>	<b>22</b>	<b>50</b>	<b>99</b>	<b>0%</b>	<b>-10%</b>	<b>-7%</b>
<b>Freja eID KPIs</b>									
Number of relying parties	384	467	547	391	521	597	2%	11%	9%
Number of users	432,000	672,874	915,438	476,000	752,015	949,402	10%	12%	4%
<b>Balance sheet and cash flow</b>									
Free cash flow	-49	-20	-4	-52	-25	0	-6%	-29%	106%
Cash	32	13	9	28	53	53	-12%	318%	513%
Net cash (-) / net debt (+)	-28	-8	-4	-24	-49	-49	-12%	513%	1137%

Source: DNB Markets



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Figure 9: Annual income statement

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
<b>Sales</b>					<b>33.3</b>	<b>24.3</b>	<b>21.9</b>	<b>50.3</b>	<b>99.1</b>	<b>131.8</b>
COGS					-1.7	-2.4	-1.5	-1.8	-1.9	-1.9
<b>Gross profit</b>					<b>31.6</b>	<b>21.8</b>	<b>20.4</b>	<b>48.5</b>	<b>97.2</b>	<b>129.9</b>
Capitalised development costs					5.1	5.5	6.1	5.9	7.4	8.5
Other external expenses					-20.5	-17.3	-20.2	-27.8	-38.1	-41.8
Personnel costs					-47.4	-39.6	-41.0	-50.8	-61.8	-78.5
<b>EBITDA</b>					<b>-31.2</b>	<b>-29.6</b>	<b>-34.7</b>	<b>-9.0</b>	<b>25.9</b>	<b>41.6</b>
Depreciation and Amortisation					-11.9	-13.6	-12.4	-15.2	-21.3	-23.5
<b>EBIT</b>					<b>-43.1</b>	<b>-43.2</b>	<b>-47.1</b>	<b>-24.2</b>	<b>4.6</b>	<b>18.1</b>
<i>EBIT margin</i>					-129.4%	-178.1%	-214.9%	-48.1%	4.7%	13.7%
One-offs					0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT adj.</b>					<b>-43.1</b>	<b>-43.2</b>	<b>-47.1</b>	<b>-24.2</b>	<b>4.6</b>	<b>18.1</b>
<i>EBIT adj. margin</i>					-129.4%	-178.1%	-214.9%	-48.1%	4.7%	13.7%
Net CDC					0.0	0.0	0.0	-3.2	-3.8	-3.8
<b>EBIT adj. for cap. dev. costs</b>					<b>-43.1</b>	<b>-43.2</b>	<b>-47.1</b>	<b>-27.4</b>	<b>0.8</b>	<b>14.3</b>
<i>EBIT adj. CDC margin</i>					-129.4%	-178.1%	-214.9%	-54.4%	0.8%	10.9%
Net financial items					-0.8	-0.8	-0.7	-1.6	-3.2	-4.2
<b>Pre-tax profit</b>					<b>-43.9</b>	<b>-44.1</b>	<b>-47.9</b>	<b>-25.8</b>	<b>1.5</b>	<b>13.9</b>
Tax					3.9	-1.0	-4.5	0.0	-0.8	-3.5
<b>Net profit</b>					<b>-40.0</b>	<b>-45.1</b>	<b>-52.3</b>	<b>-25.8</b>	<b>0.7</b>	<b>10.4</b>
Gross margin					94.9%	89.9%	93.2%	96.4%	98.1%	98.6%
EBITDA margin					-93.7%	-122.1%	-158.4%	-17.9%	26.1%	31.6%
Adj. EBIT margin					-129.4%	-178.1%	-214.9%	-48.1%	4.7%	13.7%
<b>Freja eID (DNBe)</b>										
Number of relying parties					157	252	391	521	597	686
Number of users					26,000	100,000	476,000	752,015	949,402	1,068,560
<b>Sales by product area</b>										
Goods					0.0	0.0	0.0	0.0	0.0	0.0
Fulfilment					29.2	20.6	17.2	18.2	18.8	19.1
Freja eID					0.1	1.2	3.4	32.1	80.3	112.7
<b>Group Total</b>					<b>33.3</b>	<b>24.3</b>	<b>21.9</b>	<b>50.3</b>	<b>99.1</b>	<b>131.8</b>
<b>Sales growth by product area</b>										
Goods										
Fulfilment						-29%	-17%	6%	3%	1%
Freja eID						1215%	175%	833%	150%	40%
<b>Group Total</b>						<b>-25%</b>	<b>-6%</b>	<b>144%</b>	<b>97%</b>	<b>33%</b>
<b>Sales growth, of which</b>										
Organic						-27%	-5%	144%	97%	33%
Structure						0%	0%	0%	0%	0%
Currency						1%	0%	0%	0%	0%
<b>Total growth</b>						<b>-25%</b>	<b>-6%</b>	<b>144%</b>	<b>97%</b>	<b>33%</b>

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

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Figure 9: Quarterly income statement

(SEKm)	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22e	Q2'22e	Q3'22e	Q4'22e
<b>Sales</b>	<b>5.5</b>	<b>6.5</b>	<b>5.4</b>	<b>6.8</b>	<b>6.5</b>	<b>5.8</b>	<b>3.7</b>	<b>5.9</b>	<b>7.1</b>	<b>10.8</b>	<b>13.3</b>	<b>19.2</b>
COGS	-0.4	0.0	-0.3	-0.4	-0.4	-0.4	-0.4	-0.3	-0.5	-0.5	-0.3	-0.5
<b>Gross profit</b>	<b>5.1</b>	<b>6.5</b>	<b>5.1</b>	<b>6.4</b>	<b>6.1</b>	<b>5.4</b>	<b>3.3</b>	<b>5.6</b>	<b>6.6</b>	<b>10.3</b>	<b>13.0</b>	<b>18.7</b>
Capitalised development costs	1.8	1.4	1.1	1.1	0.8	1.6	1.9	1.8	1.4	1.1	1.4	2.0
Other external expenses	-4.1	-5.4	-3.6	-5.6	-4.5	-4.8	-4.8	-6.1	-5.9	-6.4	-6.9	-8.6
Personnel costs	-12.4	-9.5	-9.4	-8.4	-10.6	-9.6	-10.7	-10.1	-11.8	-12.2	-13.2	-13.6
<b>EBITDA</b>	<b>-9.5</b>	<b>-6.9</b>	<b>-6.8</b>	<b>-6.5</b>	<b>-8.1</b>	<b>-7.4</b>	<b>-10.4</b>	<b>-8.8</b>	<b>-6.5</b>	<b>-3.7</b>	<b>-1.7</b>	<b>2.9</b>
Depreciation and Amortisation	-3.3	-3.3	-3.4	-3.6	-3.0	-3.0	-3.1	-3.3	-3.2	-3.5	-4.0	-4.5
<b>EBIT</b>	<b>-12.9</b>	<b>-10.2</b>	<b>-10.2</b>	<b>-10.0</b>	<b>-11.0</b>	<b>-10.4</b>	<b>-13.5</b>	<b>-12.1</b>	<b>-9.7</b>	<b>-7.2</b>	<b>-5.7</b>	<b>-1.6</b>
<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>-204.5%</i>	<i>-136.6%</i>	<i>-67.0%</i>	<i>-42.8%</i>	<i>-8.2%</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
<b>EBIT adj.</b>	<b>-12.9</b>	<b>-10.2</b>	<b>-10.2</b>	<b>-10.0</b>	<b>-11.0</b>	<b>-10.4</b>	<b>-13.5</b>	<b>-12.1</b>	<b>-9.7</b>	<b>-7.2</b>	<b>-5.7</b>	<b>-1.6</b>
<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>-204.5%</i>	<i>-136.6%</i>	<i>-67.0%</i>	<i>-42.8%</i>	<i>-8.2%</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
<b>EBIT adj. for cap. dev. costs</b>	<b>-14.4</b>	<b>-10.8</b>	<b>-10.4</b>	<b>-10.1</b>	<b>-11.8</b>	<b>-11.2</b>	<b>-14.3</b>	<b>-12.9</b>	<b>-10.5</b>	<b>-8.0</b>	<b>-6.5</b>	<b>-2.4</b>
<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>-218.0%</i>	<i>-147.8%</i>	<i>-74.4%</i>	<i>-48.8%</i>	<i>-12.4%</i>
Net financial items	-0.6	46.7	-0.2	0.0	-0.3	-0.2	-0.1	-0.2	-0.3	-0.3	-0.4	-0.6
<b>Pre-tax profit</b>	<b>-13.5</b>	<b>36.5</b>	<b>-10.4</b>	<b>-10.1</b>	<b>-11.4</b>	<b>-10.6</b>	<b>-13.6</b>	<b>-12.3</b>	<b>-10.0</b>	<b>-7.5</b>	<b>-6.1</b>	<b>-2.2</b>
Tax	-0.1	-0.1	-0.7	-0.1	0.0	-0.1	-2.1	-2.3	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>-13.6</b>	<b>36.4</b>	<b>-11.1</b>	<b>-10.2</b>	<b>-11.4</b>	<b>-10.7</b>	<b>-15.7</b>	<b>-14.6</b>	<b>-10.0</b>	<b>-7.5</b>	<b>-6.1</b>	<b>-2.2</b>
Gross margin	92.7%	99.6%	94.4%	94.2%	93.9%	93.0%	89.5%	94.8%	92.4%	95.4%	97.8%	97.4%
EBITDA margin	-172.6%	-106.3%	-126.0%	-95.4%	-123.3%	-128.3%	-282.6%	-148.1%	-91.6%	-34.5%	-12.7%	15.2%
Adj. EBIT margin	-233.0%	-157.5%	-188.5%	-148.0%	-168.6%	-179.8%	-368.0%	-204.5%	-136.6%	-67.0%	-42.8%	-8.2%
<b>Freja eID (DNBe)</b>												
Number of relying parties	178	190	217	252	285	325	356	391	425	455	487	521
Number of users	36,000	47,000	67,000	100,000	142,000	209,000	332,000	476,000	565,000	621,500	683,650	752,015
<b>Sales by product area</b>												
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
Fulfilment	4.7	6.0	4.2	5.7	5.1	4.7	2.8	4.7	5.4	4.9	2.9	4.9
Freja eID	0.3	0.3	0.3	0.4	0.6	0.8	0.9	1.2	1.7	5.8	10.3	14.2
<b>Group Total</b>	<b>5.5</b>	<b>6.5</b>	<b>5.4</b>	<b>6.8</b>	<b>6.5</b>	<b>5.8</b>	<b>3.7</b>	<b>5.9</b>	<b>7.1</b>	<b>10.8</b>	<b>13.3</b>	<b>19.2</b>
<b>Sales growth by product area</b>												
Goods												
Fulfilment	-41%	-32%	-39%	-5%	8%	-22%	-34%	-18%	6%	6%	6%	6%
Freja eID				284%	117%	176%	170%	226%	170%	673%	1091%	1096%
<b>Group Total</b>	<b>-37%</b>	<b>-28%</b>	<b>-34%</b>	<b>0%</b>	<b>14%</b>	<b>-13%</b>	<b>-20%</b>	<b>-3%</b>	<b>24%</b>	<b>99%</b>	<b>264%</b>	<b>227%</b>

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 2021–2023e (%)			
		2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e				Sales	EBIT	EPS	
<b>Freja eID (DNBe)</b>	<b>0.3</b>	n.a.	<b>425.3</b>	<b>27.1</b>	n.a.	<b>50.5</b>	<b>12.3</b>	<b>4.7</b>	<b>2.4</b>	<b>1.7</b>	<b>96.4</b>	<b>-48.1</b>	<b>-50.0</b>	<b>113</b>	n.a.	n.a.	
Premium/discount		n.a.	981%	-23%	n.a.	67%	-57%	-48%	-69%	-75%	18.7	-68.6	-70.8	94	n.a.	n.a.	
<b>Nordic fast-growing peers</b>																	
Admicom	3.5	30.8	26.1	22.7	23.5	19.6	16.4	10.2	9.0	7.8	94.0	43.1	39.5	18	19	21	
Evolution Gaming	228.0	26.7	21.8	19.0	23.6	18.3	14.9	15.2	12.2	10.4	82.0	63.1	51.8	28	30	28	
HMS Networks	19.5	46.0	42.8	39.0	35.4	32.3	28.9	8.2	7.7	7.2	62.3	23.3	17.2	15	17	15	
Invisio Communications	5.5	46.9	30.8	21.2	35.5	22.8	n.a.	6.6	5.3	4.4	58.8	18.3	14.0	30	129	136	
Lime Technologies	3.7	39.9	32.6	n.a.	36.4	29.1	n.a.	8.3	7.2	n.a.	n.a.	22.1	21.2	16	25	23	
Sectra	27.0	82.2	69.0	22.0	62.8	55.4	50.4	13.3	11.7	10.7	86.0	21.1	15.0	17	21	25	
Storytel	8.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.8	1.5	1.3	46.1	-8.6	-32.7	26	-20	-17	
<b>Average</b>		<b>45.4</b>	<b>37.2</b>	<b>24.8</b>	<b>36.2</b>	<b>29.6</b>	<b>27.6</b>	<b>9.1</b>	<b>7.8</b>	<b>7.0</b>	<b>71.5</b>	<b>26.1</b>	<b>18.0</b>	<b>21</b>	<b>32</b>	<b>33</b>	
<b>Median</b>		<b>43.0</b>	<b>31.7</b>	<b>22.0</b>	<b>35.4</b>	<b>26.0</b>	<b>22.6</b>	<b>8.3</b>	<b>7.7</b>	<b>7.5</b>	<b>72.2</b>	<b>22.1</b>	<b>17.2</b>	<b>18</b>	<b>21</b>	<b>23</b>	
<b>Security &amp; SaaS peers</b>																	
Okta	277.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	22.8	16.6	12.4	77.1	-6.6	6.4	46	990	n.a.	
Sailpoint	34.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.6	6.3	5.1	76.9	-1.8	7.8	19	n.a.	n.a.	
Proofpoint		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	79.9	n.a.	21.5	15	n.a.	n.a.	
DocuSign	226.0	61.6	56.8	42.1	58.2	50.3	35.0	11.6	9.2	7.4	81.9	20.0	20.8	36	72	66	
Qualys	44.6	42.1	35.9	31.0	27.9	22.5	17.8	8.9	7.6	6.7	80.4	31.3	35.7	17	6	4	
Rapid7	51.6	n.a.	n.a.	98.5	n.a.	n.a.	56.7	9.0	7.4	6.1	72.7	2.9	6.5	26	158	n.a.	
Palo Alto Networks	483.8	72.3	58.8	47.3	49.1	37.3	28.4	9.7	8.0	6.5	74.2	18.8	32.4	25	28	22	
Mimecast	49.9	57.2	50.8	43.2	37.7	31.6	25.0	8.6	7.5	6.5	78.3	22.1	23.2	17	30	20	
<b>Average</b>		<b>58.3</b>	<b>50.5</b>	<b>52.4</b>	<b>43.2</b>	<b>35.4</b>	<b>32.6</b>	<b>11.2</b>	<b>8.9</b>	<b>7.2</b>	<b>77.7</b>	<b>12.4</b>	<b>19.3</b>	<b>25</b>	<b>214</b>	<b>28</b>	
<b>Median</b>		<b>59.4</b>	<b>53.8</b>	<b>43.2</b>	<b>43.4</b>	<b>34.5</b>	<b>28.4</b>	<b>9.0</b>	<b>7.6</b>	<b>6.5</b>	<b>77.7</b>	<b>18.8</b>	<b>21.1</b>	<b>22</b>	<b>51</b>	<b>21</b>	
<b>Average</b>		<b>50.6</b>	<b>42.5</b>	<b>38.6</b>	<b>39.0</b>	<b>31.9</b>	<b>30.4</b>	<b>10.1</b>	<b>8.4</b>	<b>7.1</b>	<b>75.0</b>	<b>19.2</b>	<b>18.7</b>	<b>23</b>	<b>116</b>	<b>31</b>	
<b>Median</b>		<b>46.5</b>	<b>39.3</b>	<b>35.0</b>	<b>35.9</b>	<b>30.3</b>	<b>28.4</b>	<b>8.9</b>	<b>7.7</b>	<b>6.7</b>	<b>77.7</b>	<b>20.5</b>	<b>20.8</b>	<b>19</b>	<b>28</b>	<b>22</b>	

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

## 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 78% 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 was 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 391 (367 service providers, 24 partners). We consider it positive that Freja eID's relying parties have grown to 391 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 >110% 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 >110%+ 2021–2023 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 c35% 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 >110% 2021–2023e 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 c35% 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 and users in 2021, we believe this should prompt it to intensify its efforts to drive platform monetisation. Yet, if by end-2022 it does not report tangible revenue growth in Freja eID, it would raise concerns about the attractiveness of its product offering or business model, in our view. In such a scenario 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-Q4 2021, Freja eID's cash position was SEK28m (net cash of SEK53m including its credit facilities). With an annual average FCF burn rate of cSEK55 in 2021 investor concerns about the balance sheet should lessen as operational leverage improves. We estimate Freja eID will have to make a SEK50m recapitalisation in Q3 2022e in order to execute on its growth strategy.

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 2022e EV/sales of 5x. In such a scenario (with the risk of additional recapitalisation rising), our low fair value is SEK8–12/share.

Low fair value of SEK8–12/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.

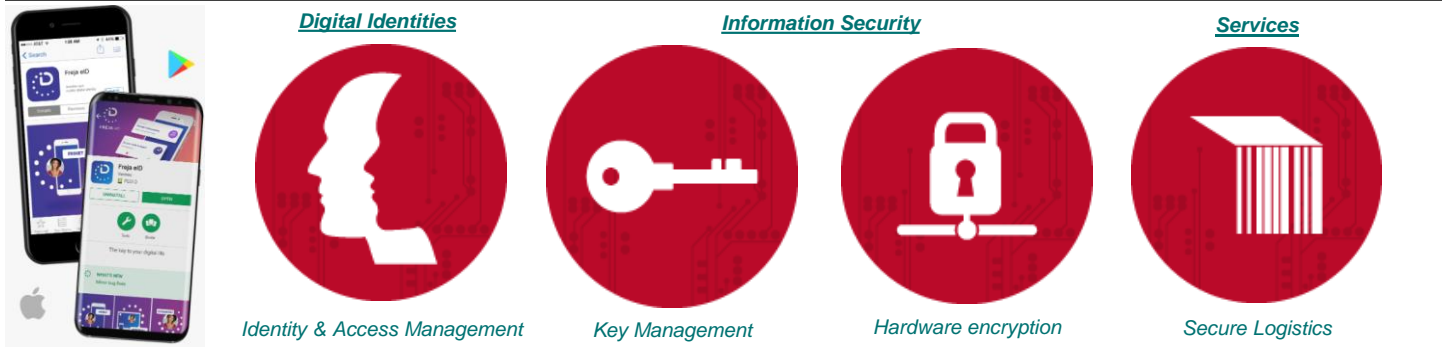
Security breaches could destroy user confidence in the business and create a significant headwind to growth

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## 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**



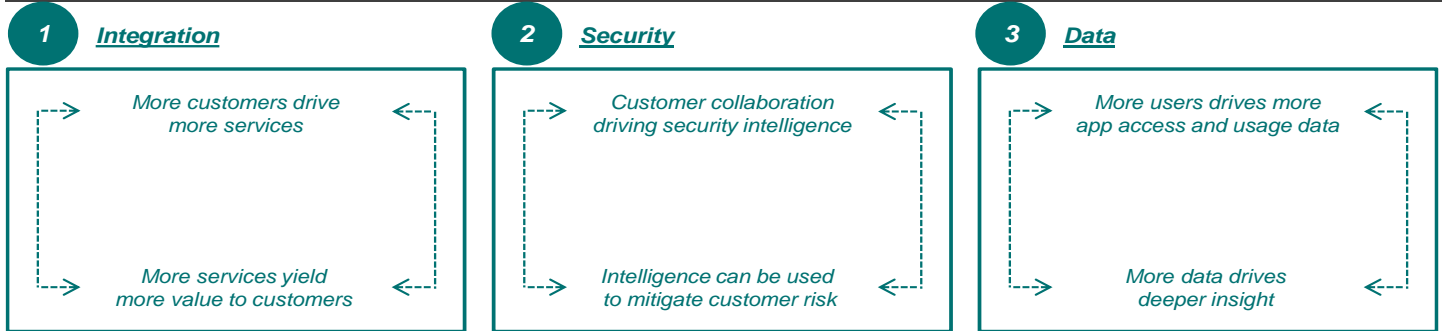
- Digital identities as software as a service platform.** The Freja eID replaces complicated usernames/passwords with an easy-to-use mobile app. Freja is the only eID provider with a quality mark 'Svensk e-legitimation' issued by the Swedish Agency for Digital Government (DIGG), and Freja eID has applied 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 391 (367 relying parties, 24 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**

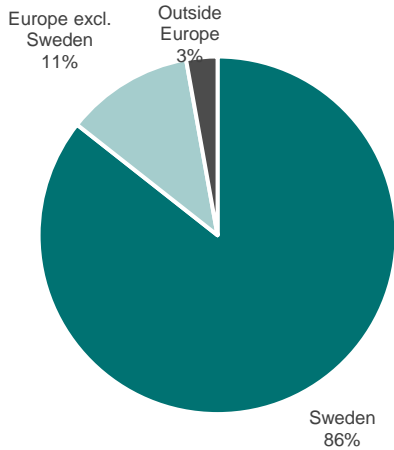


The company’s partners include system integrators such as Tieto, Svensk e-identitet, Curity and CGI, with which Freja eID’s potential customers in the private and public sectors collaborate. Freja eID’s geographical sales mix still reflects its renewed focus on building its Freja eID ecosystem, with 86% of 2021 sales from Sweden, and 14% 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...

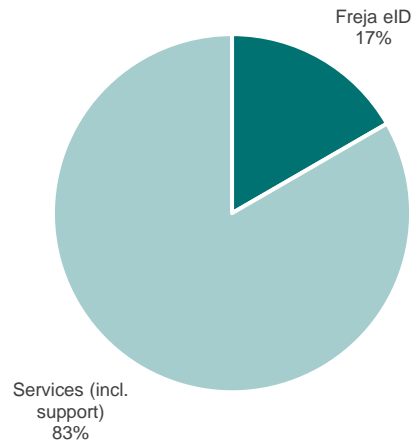
...and we see potential opportunities elsewhere in the Nordics

Figure 13: Geographical sales split (2021)



Source: Freja eID

Figure 14: Sales by business model (2021)



Source: Freja eID

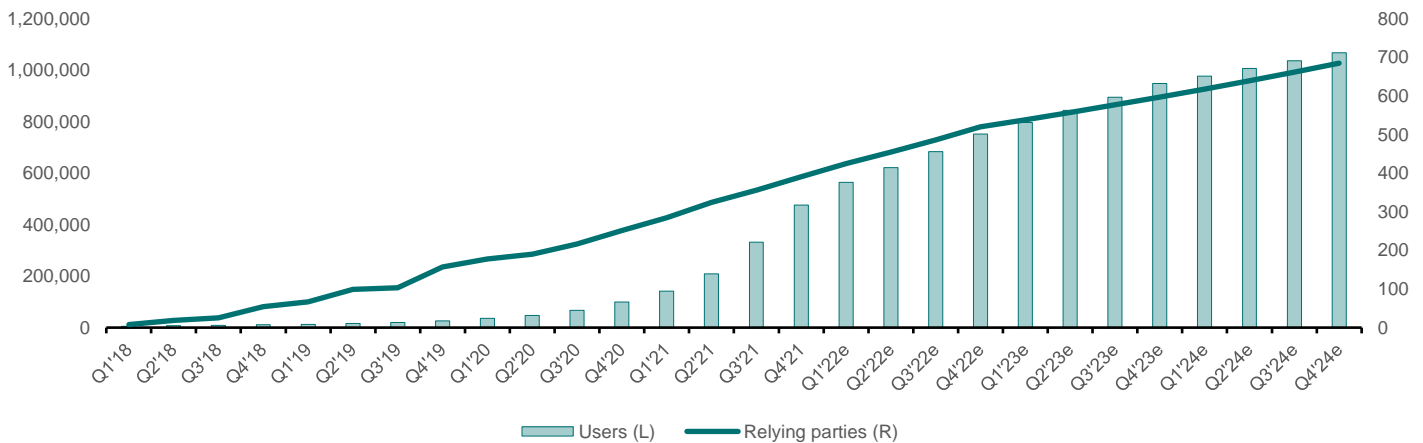
The Freja eID platform is free for users (consumer) and accessed through a mobile app. It is the online service providers (businesses, municipalities, authorities, banks, online payment processes, etc.) where users log in, sign, or approve that are Freja eID’s customers, foremost through a transaction-based 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 2021 net sales of SEK21m, with a stable gross margin (92%+), but an operating loss of SEK47m (-215% 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 (2018–2024e)



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



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Forecast changes – P&L

(SEKm)	New			Old			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Revenues	50	99	132	56	107		-5	-8	
Cost of sales	-2	-2	-2	-3	-5		1	3	
Gross profit	49	97	130	53	102		-4	-5	
Operating expenses	-73	-93	-112	-74	-100		1	7	
EBITDA	-9	26	42	-6	23		-3	2	
EBITDA adj	-9	26	42	-6	23		-3	2	
EBITDA margin (%)	nm	26.1	31.6	-10.6	21.9	nm	nm	4.2	nm
Depreciation	-15	-21	-24	-15	-21		0	0	
EBIT	-24	5	18	-21	2		-3	2	
EBIT adj	-24	5	18	-21	2		-3	2	
Net interest	-2	-3	-4	-2	-3		0	0	
Net financial items	-2	-3	-4	-2	-3		0	0	
PBT	-26	1	14	-23	-1		-3	3	
Taxes	0	-1	-3	0	-1		0	0	
Net profit	-26	1	10	-23	-2		-3	3	
Adjustments to net profit	0	0	0	0	0		0	0	
Net profit adj	-26	1	10	-23	-2		-3	3	
<i>Per share data (SEK)</i>									
EPS	-1.30	0.03	0.46	-1.21	-0.12		-0.08	0.15	
EPS adj	-1.30	0.03	0.46	-1.21	-0.12		-0.08	0.15	
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	129.5	96.8	33.0	155.0	91.7	nm	-25.4	5.1	nm
EBIT adj growth	nm	nm	291.4	-51.3	-110.3	nm	nm	nm	nm
EPS adj growth	nm	nm	1468.9	-52.6	-90.1	nm	nm	nm	nm
Avg. number of shares (m)	22	22	22	19	19		4	4	
Capex	-14	-20	-23	-13	-21		-1	1	
OpFCF	-23	6	19	-19	2		-4	4	
Working capital	-10	-8	-9	-9	-8		0	0	
NIBD adj	-49	-49	-61	-8	-4		-41	-45	

Source: DNB Markets

Forecast changes – By segment and assumptions

(SEKm)	New			Old			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
<b>Revenue</b>									
Goods	0	0	0		0			0	
Fulfilment	18	19	19	18	19		0	0	
Freja eID	32	80	113	38	88		-5	-8	
<b>Assumptions</b>									
Revenue org. % YOY	143.8	96.83	33.03	170.0	91.70		-26.21	5.13	
Structure impact % YOY	0.00	0.00	0.00		0.00			0.00	
Currency impact % YOY	0.07	0.00	0.00		0.00			0.00	

Source: DNB Markets

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Quarterly numbers

(SEKm)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e	Q1 2023e
<b>Revenues</b>	5	7	7	6	4	6	7	11	13	19	22
Cost of sales	0	0	0	0	0	0	-1	0	0	0	-1
<b>Gross profit</b>	5	6	6	5	3	6	7	10	13	19	21
Operating expenses	-12	-13	-14	-13	-14	-14	-16	-17	-19	-20	-22
<b>EBITDA</b>	-7	-6	-8	-7	-10	-9	-7	-4	-2	3	4
Depreciation	-3	-4	-3	-3	-3	-3	-3	-4	-4	-5	-5
<b>EBIT</b>	-10	-10	-11	-10	-14	-12	-10	-7	-6	-2	-1
Net interest	0	0	0	0	0	0	0	0	0	-1	-1
Net financial items	0	0	0	0	0	0	0	0	0	-1	-1
<b>PBT</b>	-10	-10	-11	-11	-14	-12	-10	-8	-6	-2	-1
Taxes	-1	0	0	0	-2	-2	0	0	0	0	0
<b>Net profit</b>	-11	-10	-11	-11	-16	-15	-10	-8	-6	-2	-1
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-11	-10	-11	-11	-16	-15	-10	-8	-6	-2	-1
Dividend paid	0	0	0	0	0	0	0	0	0	0	0
Avg. number of shares (m)	15	16	16	19	19	19	19	19	22	22	22
<i>Per share data (SEK)</i>											
EPS	-0.76	-0.63	-0.71	-0.57	-0.83	-0.77	-0.53	-0.40	-0.27	-0.10	-0.06
<b>EPS adj</b>	-0.76	-0.63	-0.71	-0.57	-0.83	-0.77	-0.53	-0.40	-0.27	-0.10	-0.06
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	-17.0	25.6	-3.6	-11.3	-36.6	61.3	20.0	51.4	23.4	44.2	13.9
Revenues, YOY growth	-37.5	-0.1	18.2	-10.9	-32.0	-12.7	8.7	85.7	261.6	223.4	206.9
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	94.4	94.2	93.9	93.0	89.5	94.8	92.4	95.4	97.8	97.4	97.4
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	15.2	20.1
Depreciation/revenues	-62.5	-52.6	-45.2	-51.5	-85.4	-56.4	-45.0	-32.5	-30.1	-23.5	-22.9
EBIT adj margin	-188.5	-148.0	-168.6	-179.8	-368.0	-204.5	-136.6	-67.0	-42.8	-8.2	-2.8
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)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e	Q1 2023e
<b>EBITDA</b>	-7	-6	-8	-7	-10	-9	-7	-4	-2	3	4
EBITDA adj	-7	-6	-8	-7	-10	-9	-7	-4	-2	3	4
<b>EBIT</b>	-10	-10	-11	-10	-14	-12	-10	-7	-6	-2	-1
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	-10	-10	-11	-10	-14	-12	-10	-7	-6	-2	-1
<b>Net profit</b>	-11	-10	-11	-11	-16	-15	-10	-8	-6	-2	-1
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-11	-10	-11	-11	-16	-15	-10	-8	-6	-2	-1

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

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Quarterly numbers by segment and assumptions

(SEKm)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e	Q1 2023e
<b>Revenue</b>											
Goods	0	0	0	0	0	0	0	0	0	0	0
Fulfilment	4	6	5	5	3	5	5	5	3	5	6
Freja eID	0	0	1	1	1	1	2	6	10	14	16
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	2021	2022e	2023e	2024e
<b>Revenues</b>	<b>33</b>	<b>24</b>	<b>22</b>	<b>50</b>	<b>99</b>	<b>132</b>
Cost of sales	-2	-2	-1	-2	-2	-2
<b>Gross profit</b>	<b>32</b>	<b>22</b>	<b>20</b>	<b>49</b>	<b>97</b>	<b>130</b>
Operating expenses	-63	-51	-55	-73	-93	-112
<b>EBITDA</b>	<b>-31</b>	<b>-30</b>	<b>-35</b>	<b>-9</b>	<b>26</b>	<b>42</b>
Depreciation	-12	-14	-12	-15	-21	-24
<b>EBIT</b>	<b>-43</b>	<b>-43</b>	<b>-47</b>	<b>-24</b>	<b>5</b>	<b>18</b>
Net interest	-1	-1	-1	-2	-3	-4
Net financial items	-1	-1	-1	-2	-3	-4
<b>PBT</b>	<b>-44</b>	<b>-44</b>	<b>-48</b>	<b>-26</b>	<b>1</b>	<b>14</b>
Taxes	4	-1	-4	0	-1	-3
Effective tax rate (%)	9	-2	-9	0	55	25
<b>Net profit</b>	<b>-40</b>	<b>-45</b>	<b>-52</b>	<b>-26</b>	<b>1</b>	<b>10</b>
Adjustments to net profit	0	0	0	0	0	0
Net profit adj	-40	-45	-52	-26	1	10
Dividend paid	0	0	0	0	0	0
Avg. number of shares	15	16	19	22	22	22
<i>Per share data (SEK)</i>						
EPS	-2.75	-3.06	-2.93	-1.30	0.03	0.46
<b>EPS adj</b>	<b>-2.75</b>	<b>-3.06</b>	<b>-2.93</b>	<b>-1.30</b>	<b>0.03</b>	<b>0.46</b>
DPS ordinary	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
<i>Growth and margins (%)</i>						
Revenue growth	nm	-27.2	-9.7	129.5	96.8	33.0
EPS adj growth	nm	nm	nm	nm	nm	1468.9
Gross margin	94.9	89.9	93.2	96.4	98.1	98.6
EBITDA margin	nm	nm	nm	nm	26.1	31.6
EBITDA adj margin	nm	nm	nm	nm	26.1	31.6
Depreciation/revenues	-35.6	-56.1	-56.5	-30.2	-21.5	-17.8
EBIT margin	nm	nm	nm	nm	4.7	13.7
EBIT adj margin	-129.4	-178.1	-214.9	-48.1	4.7	13.7
PBT margin	nm	nm	nm	nm	1.5	10.6
Net profit margin	nm	nm	nm	nm	nm	nm

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

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## Adjustments to annual P&amp;L

(SEKm)	2019	2020	2021	2022e	2023e	2024e
<b>EBITDA</b>	<b>-31</b>	<b>-30</b>	<b>-35</b>	<b>-9</b>	<b>26</b>	<b>42</b>
EBITDA adj	-31	-30	-35	-9	26	42
<b>EBIT</b>	<b>-43</b>	<b>-43</b>	<b>-47</b>	<b>-24</b>	<b>5</b>	<b>18</b>
Other EBIT adjustments	0	0	0	0	0	0
EBIT adj	-43	-43	-47	-24	5	18
<b>Net profit</b>	<b>-40</b>	<b>-45</b>	<b>-52</b>	<b>-26</b>	<b>1</b>	<b>10</b>
Other EBIT adjustments	0	0	0	0	0	0
Net profit adj	-40	-45	-52	-26	1	10
<i>Per share data (SEK)</i>						
EPS	-2.75	-3.06	-2.93	-1.30	0.03	0.46
Recommended adjustment	0.00	0.00	0.00	0.00	0.00	0.00
EPS adj	-2.75	-3.06	-2.93	-1.30	0.03	0.46

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

## Cash flow

(SEKm)	2019	2020	2021	2022e	2023e	2024e
Net profit	-40	-45	-52	-26	1	10
<b>Cash flow from operations (CFO)</b>	<b>-11</b>	<b>-28</b>	<b>-42</b>	<b>-11</b>	<b>20</b>	<b>35</b>
Capital expenditure	-15	-12	-10	-14	-20	-23
Acquisitions/Investments	0	0	0	0	0	0
Divestments	0	32	0	0	0	0
<b>Cash flow from investing (CFI)</b>	<b>-15</b>	<b>20</b>	<b>-10</b>	<b>-14</b>	<b>-20</b>	<b>-23</b>
<b>Free cash flow (FCF)</b>	<b>-26</b>	<b>-9</b>	<b>-51</b>	<b>-25</b>	<b>0</b>	<b>12</b>
Net change in debt	4	4	-10	0	0	0
Dividends paid	0	0	0	0	0	0
Other	0	-2	-4	0	0	0
<b>Cash flow from financing (CFF)</b>	<b>6</b>	<b>22</b>	<b>56</b>	<b>50</b>	<b>0</b>	<b>0</b>
<b>Total cash flow (CFO+CFI+CFF)</b>	<b>-20</b>	<b>13</b>	<b>5</b>	<b>25</b>	<b>0</b>	<b>12</b>
<i>FCFF calculation</i>						
Free cash flow	-26	-9	-51	-25	0	12
Less: net interest	1	1	1	2	3	4
Less: tax shields/other	0	0	0	0	0	0
Less: acquisitions	0	0	0	0	0	0
Less: divestments	0	-32	0	0	0	0
<b>Free cash flow to the firm</b>	<b>-25</b>	<b>-40</b>	<b>-51</b>	<b>-24</b>	<b>3</b>	<b>16</b>
<b>Growth (%)</b>						
CFO	nm	-165.0	-48.1	73.2	279.3	72.5
CFI	nm	227.6	-149.7	-44.2	-41.7	-16.1
FCF	nm	66.7	-496.0	51.0	101.0	4597.9
CFF	nm	241.4	159.1	-11.2	-100.0	nm
FCFF	nm	-57.4	-28.3	53.6	114.5	364.0

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

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**Balance sheet**

<b>(SEKm)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Assets</b>	<b>89</b>	<b>85</b>	<b>94</b>	<b>135</b>	<b>156</b>	<b>180</b>
Inventories	1	0	0	0	0	0
Trade receivables	17	3	8	10	15	18
Other receivables	3	3	2	8	12	14
Current financial assets	19	7	5	16	29	36
Cash and cash equivalents	10	23	28	53	53	65
<b>Current assets</b>	<b>50</b>	<b>37</b>	<b>44</b>	<b>87</b>	<b>109</b>	<b>133</b>
<b>Non-current assets</b>	<b>39</b>	<b>48</b>	<b>50</b>	<b>49</b>	<b>47</b>	<b>47</b>
<b>Total assets</b>	<b>89</b>	<b>85</b>	<b>94</b>	<b>135</b>	<b>156</b>	<b>180</b>
<b>Equity and liabilities</b>	<b>89</b>	<b>85</b>	<b>94</b>	<b>135</b>	<b>156</b>	<b>180</b>
Total equity to the parent	17	45	59	83	84	95
<b>Total equity</b>	<b>17</b>	<b>45</b>	<b>59</b>	<b>83</b>	<b>84</b>	<b>95</b>
Trade payables	11	3	7	11	16	20
Other payables and accruals	57	35	19	33	48	57
<b>Total current liabilities</b>	<b>68</b>	<b>38</b>	<b>26</b>	<b>43</b>	<b>64</b>	<b>77</b>
Long-term debt	0	0	2	2	2	2
Deferred tax liabilities	0	0	0	0	0	0
Other non-current liabilities	4	2	6	6	6	6
<b>Total non-current liabilities</b>	<b>4</b>	<b>2</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Total liabilities</b>	<b>72</b>	<b>40</b>	<b>35</b>	<b>52</b>	<b>72</b>	<b>85</b>
<b>Total equity and liabilities</b>	<b>89</b>	<b>85</b>	<b>94</b>	<b>135</b>	<b>156</b>	<b>180</b>
<i>Key metrics</i>						
Net interest bearing debt	-2	-21	-24	-49	-49	-61

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

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Valuation ratios

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
<i>Enterprise value</i>										
Share price (SEK)	25.92	27.92	31.00	32.67	31.67	17.13	19.98	15.00	15.00	15.00
Number of shares (m)	0.00	0.00	0.00	0.00	14.62	16.07	18.87	22.47	22.47	22.47
Market capitalisation	0	0	0	0	463	275	377	337	337	337
Net interest bearing debt	0	0	0	0	-2	-21	-24	-49	-49	-61
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	0	0	0	0	-2	-21	-24	-49	-49	-61
EV	0	0	0	0	461	254	353	288	288	276
EV adj	0	0	0	0	461	254	353	288	288	276
<i>Valuation</i>										
EPS					-2.75	-3.06	-2.93	-1.30	0.03	0.46
<b>EPS adj</b>					<b>-2.75</b>	<b>-3.06</b>	<b>-2.93</b>	<b>-1.30</b>	<b>0.03</b>	<b>0.46</b>
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					-11.5	-5.6	-6.8	-11.6	506.5	32.3
P/E adj					-11.5	-5.6	-6.8	-11.6	506.5	32.3
Average ROE					-463.7%	-143.7%	-100.0%	-36.2%	0.8%	11.7%
Earnings yield adj					-8.7%	-17.9%	-14.7%	-8.6%	0.2%	3.1%
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	16.09	5.72	2.91	2.10
EV/SALES adj					13.83	10.47	16.09	5.72	2.91	2.10
EV/EBITDA					-14.8	-8.6	-10.2	-32.1	11.1	6.6
EV/EBITDA adj					-14.8	-8.6	-10.2	-32.1	11.1	6.6
EV/EBIT					-10.7	-5.9	-7.5	-11.9	62.2	15.3
EV/EBIT adj					-10.7	-5.9	-7.5	-11.9	62.2	15.3
EV/OpFCF (taxed)					-9.9	-25.1	-7.9	-12.5	47.4	14.8

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

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## Key accounting ratios

	2019	2020	2021	2022e	2023e	2024e
<i>Profitability (%)</i>						
ROA	-89.6	-51.7	-58.5	-22.5	0.5	6.2
<i>Return on invested capital (%)</i>						
Working capital/revenues	-83.0	-100.3	-47.2	-19.4	-8.0	-6.5
<i>Cash flow ratios (%)</i>						
FCF/revenues	-77.8	-35.5	-234.2	-50.0	0.2	8.8
FCF yield (%)	-5.6	-14.7	-13.7	-7.5	0.1	3.4
CFO/revenues	-31.9	-115.9	-190.0	-22.2	20.2	26.3
CFO/market capitalisation	-2.3	-10.2	-11.1	-3.3	6.0	10.3
CFO/capex	-69.4	-229.2	-423.0	-80.0	101.2	150.5
CFO/current liabilities	-15.6	-74.2	-160.7	-25.8	31.5	45.1
Cash conversion ratio	64.8	19.1	98.1	97.6	37.1	111.1
Capex/revenues	45.9	50.6	44.9	27.8	20.0	17.5
Capex/depreciation	128.9	90.1	79.5	92.0	93.2	97.9
OpFCF margin	-139.6	-41.7	-203.3	-45.6	6.1	14.1
Total payout ratio	0.0	0.0	0.0	0.0	0.0	0.0
<i>Leverage and solvency (x)</i>						
EBIT/interest payable	nm	nm	nm	nm	1.47	4.32
Cash coverage	-40.25	-35.61	-46.93	-5.58	8.20	9.93
Net debt/EBITDA	0.06	0.72	0.70	5.45	-1.90	-1.46
LTD / (LTD + equity (MV))	0.00	0.00	0.01	0.01	0.01	0.01
<i>Cash conversion cycle</i>						
Inventory turnover days	186.7	0.0	0.0	0.0	0.0	0.0
Receivables turnover days	224.9	92.2	177.7	125.1	97.3	89.5
Credit period	2257.8	487.5	1740.5	2109.1	3134.5	3779.6
Cash conversion cycle	-1846.2	-395.3	-1562.8	-1984.0	-3037.3	-3690.1

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



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## Important Information

Company: Freja eID Group  
 Coverage by Analyst: Joachim Gunell  
 Date: 14/02/2022

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DNB Markets client	28%	11%	1%	4%	132

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