



DIGIZUITE

INVESTMENT CASE



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#DIGITALIR

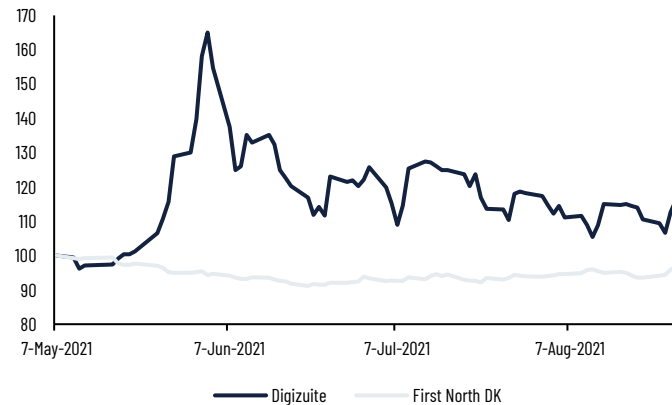
DIGIZUITE

Digizuite is a SaaS company providing a Digital Asset Management (DAM) solution for larger companies and organizations. The company was listed on Nasdaq First North in May 2021.

Ticker: DIGIZ

Share price (DKK): 10.16

Market capitalization (DKK): 296,823,831



KEY FINANCIALS (DKKm)

	2019	2020	2021E
Revenue	20.8	26.9	N/A
ARR	17.3	25.6	32-35
EBITDA	-14.9	-15.8	-26.0 to -23.0

INVESTMENT CASE

- Digizuite is a **global SaaS company** providing a Digital Asset Management (DAM) solution for large enterprises. Digizuite targets companies with annual revenue of more than DKK 1 billion and/or more than 1,000 employees in Europe and North America. Digizuite's solution enables enterprises to manage digital assets (text, graphics, images, videos, audio etc.), automate workflows and share files with team members, clients and other parties. **Digizuite has been recorded in Gartner's "DAM Market Guide" since 2016 and Forrester's "DAM Wave" since 2019 which demonstrate Digizuite's market position.**
- The DAM market is driven by **large trends within marketing content** which have been pushed even more in the wake of COVID-19. Approx. 60% of marketers create at least one piece of content each day, and digital advertising spend is expected to grow substantially. Market reports estimate that the **Digital Asset Management (DAM) market is expected to grow ~20-30%** over the coming years.
- Proven global scalable business model** with more than 80% of the revenue generated outside Denmark. Half of the revenue is derived from the competitive North American market. To create a stronger footprint in North America and Europe, Digizuite is scaling up the organization and investing in sales and marketing activities using the net proceeds (approx. DKK 50m) from the IPO.
- Strong historical SaaS metrics** with high ARR growth rates (48% in 2020 and 35% in H1 2021). **Net revenue retention was 110%** (adjusted for currency effects) in H1 2021 with upselling of 17% to existing customers and a relatively **low churn rate of approx. 7%**. In 2021, Digizuite expects to increase total ARR to between DKK 32-35m implying an ARR growth rate of 31% to the midpoint in ARR guidance.
- The share trades to **valuation multiples of 10.6x ARR (June 2021) and 8.9x ARR (2021 based on midpoint in year end ARR guidance)** compared to the US sector of 16.1x ARR and peer company, MediaValet, trading at 8.6x ARR (June 2021) with 30% growth rate in H1 2021.

KEY INVESTMENT REASONS

- Impressive key SaaS metrics with low churn rates and high ARR growth rates since 2017
- Solid footprint in North America with 50% of total revenue
- Strong partnerships and customers across Europe and in North America

KEY INVESTMENT RISKS

- Scaling up the organization to achieve ambitious growth plan can be costlier and more challenging than first anticipated
- A capital increase may be relevant over the coming years
- The DAM market is highly competitive with large vendors having financial strength and market power

DISCLAIMER

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

SELECTED RISK FACTORS AFFECTING THE INVESTMENT CASE

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

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

Competition risk: The digital asset management (DAM) market is under transformation according to Digizuite, and the competitive situation is expected to change going forward. Digizuite focuses on the DAM market for large companies with a relatively stable market situation. However, large software providers such as Aprimo, Sitecore and Smartsheet could potentially buy other companies and increase the market power. Also, new providers from e.g. Marketing Work Management (MWM), Content Marketing Platforms (CMP), Product Information Management (PIM) can through acquisitions or product development potentially provide competing products which also can increase the competition.

Operational risk: Digizuite's ability to operate its business and future plans are dependent on the company's key personnel including the CEO Kim Wolters. Digizuite is also working on building up a sales- and support organization in North America which will have a great impact of the company's future revenues. This implies that Digizuite's ability to attract new employees is an important risk factor. Another risk is large customers leaving Digizuite. However, this risk factor is less relevant since Digizuite's customer portfolio is relatively diversified with the biggest customer accounting for approx. 14% of the total ARR in 2020.

Financing: Digizuite's four-year strategy focus on growth in order to unfold Digizuite's potential, and the company does not expect to be profitable in the coming years. Thus, the company will on a continued basis assess whether additional capital is necessary to execute its strategy. In case the company fail to raise additional capital, if necessary, investors can potentially lose all invested money.

Sale of shares by major shareholders and insiders: Large sales of shares by major shareholders or members from the Board of Directors and management team may affect the company's ability to raise additional capital in the future.

Lock-up agreements: In relation to lock-up agreements from the IPO, ASEO Invest IT ApS (the largest shareholder with 36.5% ownership) has agreed to enter a lock-up period of 12 months along with members of the Board of Directors, the management team and other employees with shares in Digizuite. The lock-up period started from the first day of trading and will end after 12 months, i.e., 7 May 2022.

Other shareholders with a total of 9,735,745 shares before the IPO (33.3% of total shares) have another lock-up agreement. Following every 30 calendar days after the first day of trading (7 May 2021), 20% of the shareholders' shares are released. This means that many shares already have been released, i.e. 20% in June, 20% in July and 20% in August. BankInvest and Strategic Investment A/S, which are major shareholders, are both included in this lock-up agreement.

DIGIZUITE - IN BRIEF

A global SaaS company within Digital Asset Management (DAM)

Overview: Digizuite is a global Software-as-a-Service (SaaS) company located in Odense with offices in the United Kingdom, Belgium, and the United States. The company provides a SaaS platform within Digital Asset Management (DAM) that helps marketers in large enterprises to store, handle and edit files such as photos, videos, graphics etc. Digizuite has more than 65 employees including external full-time consultants.

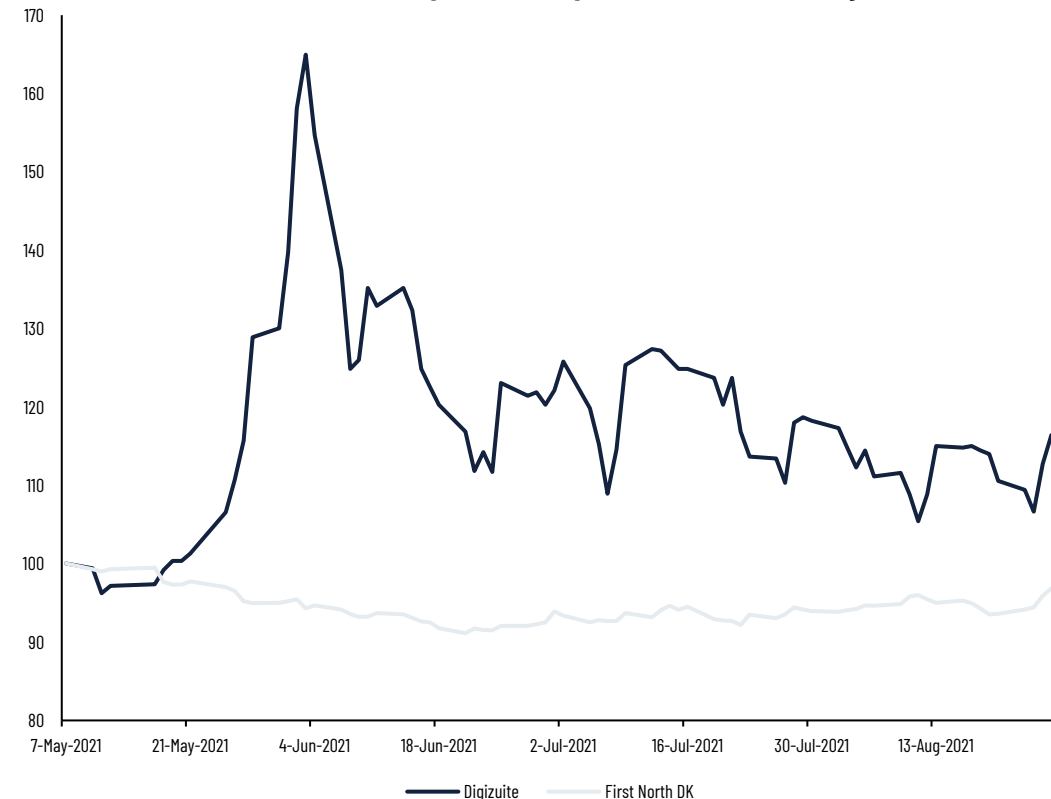
Business model: The company was founded in 2000 as an IT consultant company, however, the company changed to a growth-oriented software business model in 2014. In 2018, Digizuite introduced the current subscription-based SaaS business model. Today, Digizuite has a 50/50 revenue split between Europe and North America. In North America, Digizuite has customers in both the United States and Canada. In Europe, the company's key markets are Scandinavia, the UK, the Benelux countries, Germany, Austria and Switzerland.

Customers: Digizuite has approx. 80 customers which primarily are large enterprises with annual revenue of more than DKK 1 billion and/or more than 1,000 employees. Customers include Fortune500 companies, and customers are both B2B and B2C companies across different industries with the majority within manufacturing, food, and health care. Some of the most-known Danish customers are HusCompagniet, Matas, and Danish Crown Foods and international names such as Lonza Group and JCB.

Go-to-market strategy: Customers are reached through both direct sales and partnerships (sales- and implementation partners). In 2020, approx. 40% of Digizuite's new customers were from the partner channel. Thus, partners are important for Digizuite's scaling and future growth ambitions. In the first half of 2021, Digizuite has entered new partnerships in both Europe and North America.

Share information: Digizuite was listed on Nasdaq First North in May 2021. The company was listed at DKK 8.73, and the share now trades at DKK 10.16. The market capitalization is DKK 296,823,831 as of 26 August.

Indexed share price development (Index 100 = 7 May 2021)



DIGITAL ASSET MANAGEMENT (DAM) MARKET AND COMPETITION

The Digital Asset Management (DAM) market is expected to grow by ~20-30% in the coming years and reach a market value of USD ~9.2 billion in 2026

Market: With an increasing use of digital content and more personalized content across many different channels including homepages and social media, larger companies demand a way to store, handle, manage and share files across organizations. Obviously, the digital transformation has accelerated as a result of the COVID-19 pandemic.

In total, the Digital Asset Management (DAM) market was estimated with a value of more than USD 1 billion in 2019 by Forrester, and the market is expected to grow more than 30% yearly. In another report, Mordor Intelligence valued the DAM market to USD ~3 billion in 2020. In this report, market is expected to grow with a CAGR of 21.2% from 2021 to 2026 and reach a value of USD 9.2 billion in 2026.

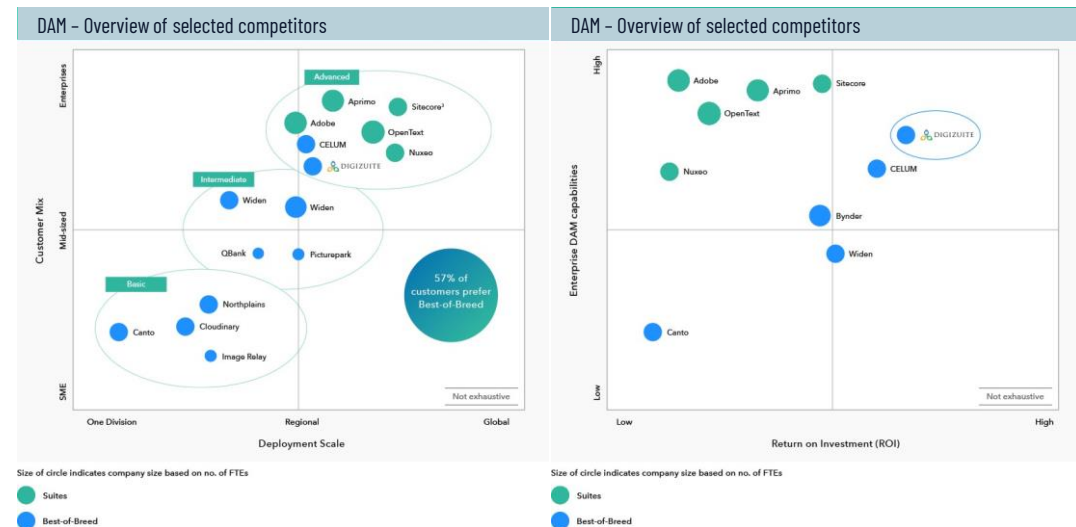
The total market can be divided into three segments based on company size according to Gartner. The market segments are i) Enterprise DAM, ii) Medium DAM, and iii) Small business DAM. Digizuite targets primarily larger organizations which are segmented in the Enterprise DAM. Specifically, Digizuite defines its target customers as mid-sized and large global companies with an annual revenue of more than DKK 1 billion and/or more than 1,000 employees. Digizuite estimates that this target group has more than 25,000 companies in its current markets in Europe and North America.

The software to the enterprise market functions as an advanced and automatized digital library which covers companies' content operation across the entire organization and towards external partners. The DAM-software also supports workflows and integrates with different systems to support the digital supply chain of digital content and marketing material from a central source to many different channels and systems.

Large companies without a DAM software typically works manually and unstructured with their digital content and stores files in different places such as Onedrive, Dropbox and similar solutions. Hence, there is large efficiency gains from implementing a DAM solution. Focusing on Digizuite's DAM solution, ROI is 185% based on a newly conducted report by Forrester Research.

Competition: The DAM enterprise market can be divided in two categories: 1) DAM Suite vendors and 2) DAM Best of Breed vendors. Digizuite is a best-of-breed vendor meaning that the company is specialized in solutions to specific DAM demands. Suite vendors are larger companies which also are offering other software solutions. In the overview below, vendors with green circles are suite vendors, and blue circles are Best of Breed vendors.

Based on the management's assessment and market reports, Digizuite is positioned as the best Best of Breed Enterprise DAM company based on Enterprise DAM capabilities and Return on Investment (ROI). However, large Suite vendors such as Adobe, Aprimo, Sitecore and OpenText have a larger customer mix and better Enterprise DAM capabilities.



Overview of selected competitors
Source: Digizuite's company description

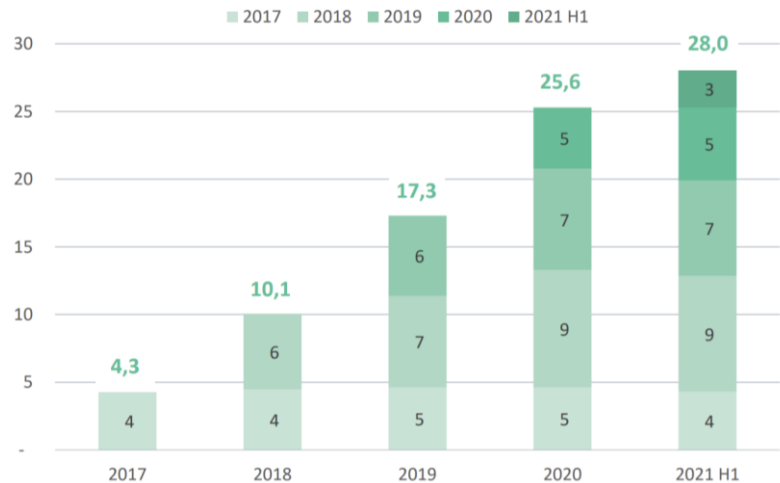
KEY SaaS METRICS AND FINANCIALS

Investors should focus on key SaaS metrics such as annual recurring revenue (ARR), churn etc. and less on the company's profitability

Key SaaS metrics: For relatively young SaaS companies listed on First North, investors should follow and analyze the development in key SaaS metrics. At the end of 2020, Digizuite reported annual recurring revenue (ARR) of DKK 25.6m after increasing ARR with 48%. More impressively, Digizuite reported net revenue retention of 117% in 2020 with 15% upselling and a churn rate of only 2%. Targeting large enterprises, Digizuite's ARR per customer was approx. DKK 375k at the end of 2020.

New figures from H1 2021 demonstrates that Digizuite is on track to deliver on its expectations after increasing total ARR with 35% y-o-y. Net revenue retention was high at 110% (adjusted for currency effects) with approx 17% upselling and approx. 7% churn rate. As shown in the yearly cohorts below, Digizuite has managed to increase ARR with a CAGR of 81% from 2017 to 2020.

Digizuite's ARR cohorts (2017 - H1 2021)



Source: Digizuite's H1 2021 report

Revenue: In 2020, Digizuite grew revenue with 29% y-o-y to DKK 26.9m. With 80% of the total revenue being subscriptions, year end ARR is relatively close to the total revenue. However, Digizuite still has a small part of the revenue as consultancy services related to implementation and training with customers and partners. This percentage is expected to be smaller as Digizuite's business model is focused on subscriptions, and consultancy services may grow slower than new sales in subscriptions. In the first half of 2021, Digizuite continued its growth rate in same pace with an increase in revenue of approx. 30% y-o-y.

EBITDA: Digizuite has increased its investments in growth using the new capital from the IPO (net proceeds of approx. DKK 50m), i.e. Digizuite focuses primarily on growth and less on profitability. Alone in the first half of 2021, Digizuite has hired 20 new employees increasing the organization by approx. one third. As a result, EBITDA was DKK -12.7m in the first half of 2021.

Guidance: Looking ahead, Digizuite expects to increase ARR to the range DKK 32-35m by the end of 2021. This is an ARR increase of 31% (midpoint) compared to the year end ARR in 2020. Long-term ARR guidance is DKK 100m by the end of 2024. This corresponds to a CAGR of 41%. Growth is fueled by fresh capital from the IPO. Thus, EBITDA guidance for 2021 is expected to be in the interval DKK -26m to -23m.

Digizuite's guidance

ARR (end 2021E)

32-35m

Total ARR (DKKm)
end 2021E

ARR growth (2021E)

25-37%

ARR growth (%)
2020A to 2021E

Target ARR (2024E)

100m

Target ARR
end 2024E

EBITDA (2021E)

-26 to -23m

EBITDA interval
(2021E)

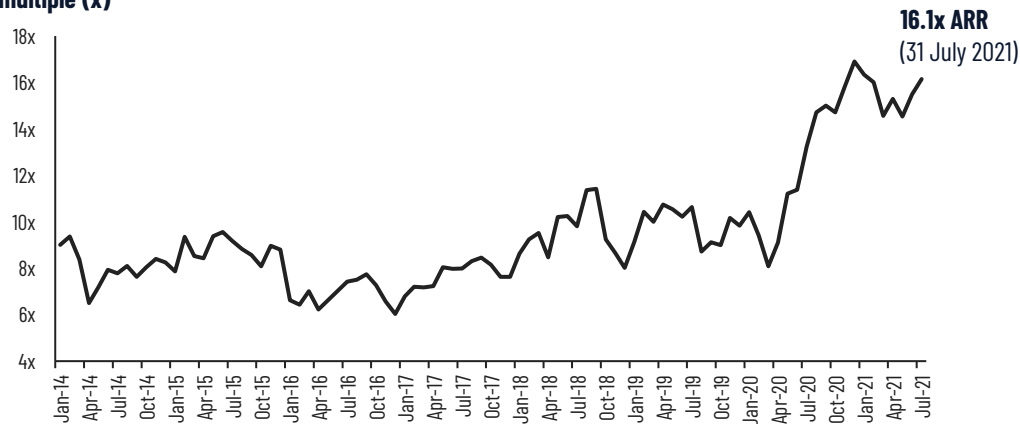
Source: Digizuite

VALUATION PERSPECTIVES

Median ARR multiple for US-listed SaaS companies is 16.1x ARR, Canadian peer company trades at 8.6x ARR, and Digizuite trades at 10.6x ARR

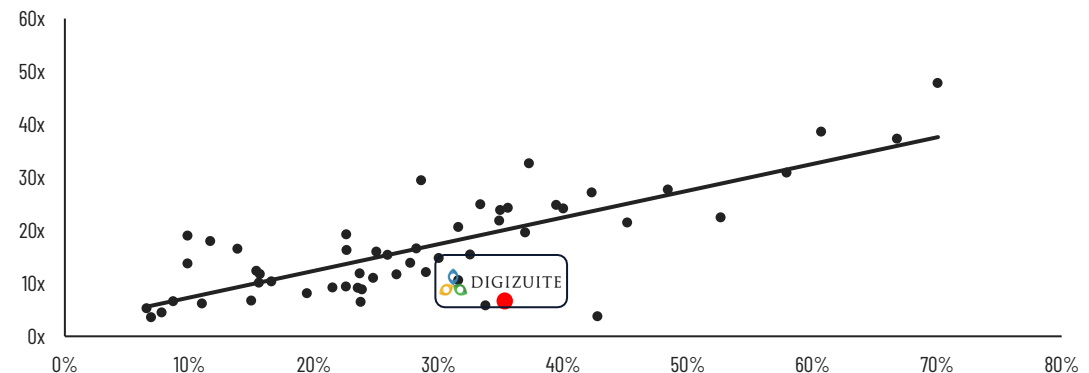
SaaS companies are traded to high valuations due to the investors' appetite for recurring revenue with high predictability and visibility. A key SaaS metric is the churn rate since a low churn rate points to stickiness and a long customer lifetime. The starting point for valuation of SaaS companies are *The SaaS Capital Index*, which consists of more than 60 US-listed SaaS companies. **As of 31 July 2021, the median value of the index's ARR valuation multiple is 16.1x ARR** as shown below in the chart to the left. In the chart to the right, the trend line shows a positive relationship between the historical (LTM) ARR growth rate and the current ARR valuation multiple. Other factors such as company size and maturity, customers, technological level, investments in R&D, TAM and growth rate also affect the valuation which is included later.

ARR valuation multiple (x)
Median US-listed SaaS company ARR valuation multiple



Current valuation of US-listed SaaS companies, 31 July 2021. Source: SaaS Capital Index

ARR valuation multiple (x)
ARR valuation and ARR growth relationship



Plot of relationship between historical ARR growth rate and ARR valuation (SaaS Capital Index, 31 July 2021). Zoom Video Communications and companies without ARR growth data are excluded. Source: SaaS Capital Index.

DIGIZUITE

	End June 2021	End 2021E
ARR valuation multiple	10.6x	8.9x
ARR growth (y-o-y)	35%	31%

Based on market capitalization of DKK 297m and ARR of DKK 28.0m in June 2021 and DKK 33.5m (midpoint in 2021 expectations).

Digizuite is valued to 10.6x ARR end June 2021 and 8.9x ARR based on midpoint in the company's expectations for 2021. As shown above, growth rates are important for the valuation multiple. In H1 2021, the company increased ARR with 35% and for full year 2021, Digizuite expects to increase ARR with 25-37%.

Close peer company: MediaVale

	End June 2021	End 2021E
ARR valuation multiple	8.6x	*8.2x
ARR growth (y-o-y)	30%	*31%

*Revenue consensus estimate (source: Refinitiv) of CAD 9.8m (2021E) is applied as a proxy for ARR (2021). Revenue constituted of 86% of the total ARR in 2020.

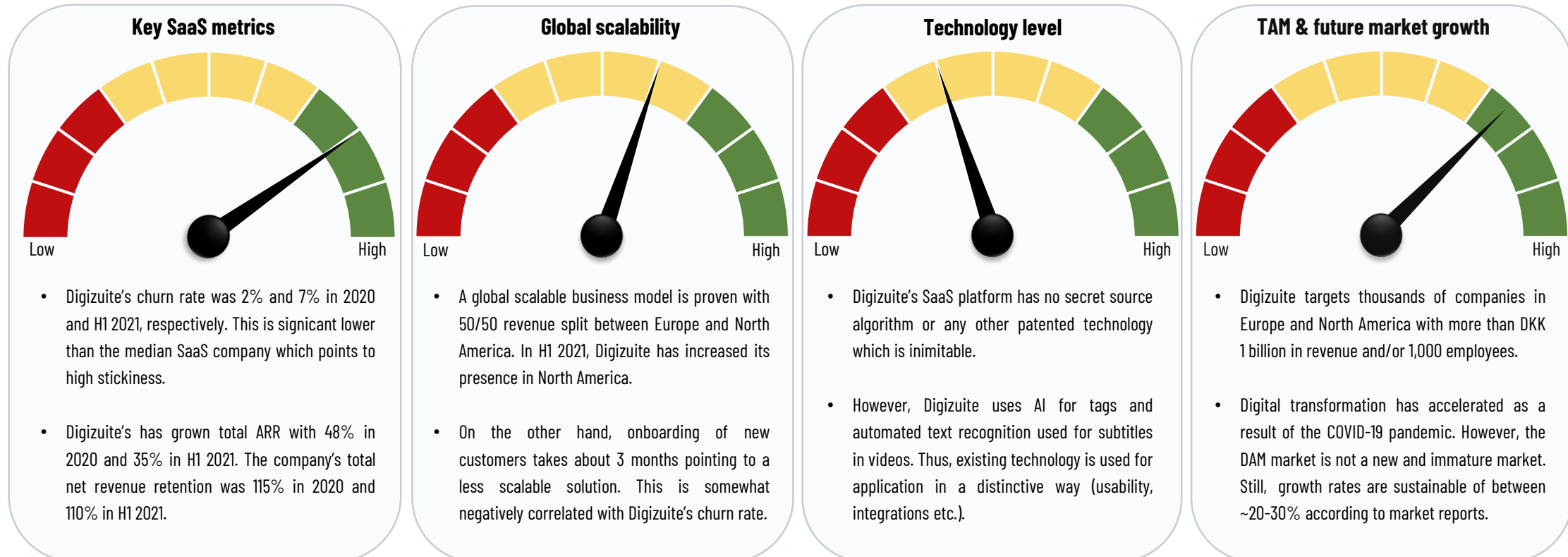
MediaVale is a close peer company to Digizuite offering an enterprise DAM solution. The company is listed in Canada with a market capitalization of CAD 81.4m (DKK ~407m). In June 2021, MediaVale reported an ARR of CAD 9.4m (DKK ~47m) which was an increase of 30% y-o-y.

SaaS ASSESSMENT OF DIGIZUITE

How does Digizuite stack up with other SaaS companies?

The SaaS business model and market potential vary across companies and industries besides growth rates. Therefore, it is helpful to score the company on some of the most important general criteria for the SaaS industry to determine whether a company should trade with a discount/premium to other SaaS companies. We have pointed out four criteria to assess Digizuite or any other SaaS company as shown in the speedometers below. **A medium/neutral rating points to pricing on par with the SaaS sector.**

The assessment criteria are **1) Key SaaS metrics**, i.e. Digizuite's ARR growth, churn rate, upselling etc., **2) Global scalability**, i.e. how scalable the business model is across borders, onboarding time etc., **3) Technology level**, i.e. how advanced the software is and whether it is inimitable, and **4) Total addressable market (TAM) and future market growth**, i.e. how big is the market and future growth rates.



MANAGEMENT TEAM AND MEMBERS OF THE BOARD OF DIRECTORS

Experienced management team with board members highly involved in the company

Kim Wolters
CEO



Oliver Bottelet
CFO



Dan Read
CRO



Charlotte Blicher
CMO



Søren Skovbølling
Chairman



Annette Lang Skovbølling
Board member and former CEO



Rikke Rasmussen
COO



Per Bendsen
CPO



John Burke-Hansen
CTO



Peter Toft
VP Global Partnerships



Michael Koehn Milland
Board member



Johan Jardevall
Board member



Line Sørensen
Board member



CEO Kim Wolters has been CEO in Digizuite since 2017. He is highly experienced with 20 years experience from international software and IT consultant companies. He owns 604,433 shares corresponding to 2.1% of the company.

CFO Oliver Bottelet joined Digizuite in March 2021. He has 10 years experience in IT and software companies including Esoft Systems which is a former listed company on Nasdaq First North. He owns 22,909 shares corresponding to an ownership of 0.1%

CRO Dan Read hired Dean Read as Chief Revenue Officer (CRO) in North America. He has more than 15 years of management experience in Episerver and Sitecore.

The management team also includes CPO Per Bendsen, CMO Charlotte Blicher, CTO John Burke-Hansen, COO Rikke Maria Lee Rasmussen, and VP Global Partnerships & Alliances Peter Toft.

Chairman Søren Skovbølling is a serial entrepreneur and has been positioned in several management positions over the past 28 years within IT, software and the banking industry.

Board member Annette Lang Skovbølling is former CEO in Digizuite from 2014 to 2017 and a serial entrepreneur. Together with Søren Skovbølling and their children, ASEO invest IT ApS owns 10,666,784 shares corresponding to 36.5% of the company.

Other board members include Michael Koehn Milland (since 2016) living in the United States, Johan Jardevall (since 2019) living in United Kingdom and Line Christa Amanda Sørensen (since March 2021) living in Switzerland. All board members have extensive knowledge within IT and software companies.



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