Analyst Group

# Hudya Group AS

## Well positioned for continued growth

2019-10-07

## Bull & Bear-analys

Analyst:
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# Content

Hudya Group AS ("Hudya" or "the Company") is a Nordic operator within the power, telecom, insurance, banking and alarm/smart living markets. Hudya was founded in 2016 with an idea of providing everyday services in a fair and simple way. Since its foundation, Hudya has established operations in Norway, Sweden and Denmark with revenues of approx. 185 MNOK in 2018. Hudya aims to establish further subsidiaries in selected European markets going forward, and is aiming to combine the advantages of technology while understanding that interpersonal relationships continues to be an important factor for a holistic customer experience.

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| 4 **Valuedrivers** | With a digital platform with a focus on building customer relationships in an ever more digital world, Hudya is well positioned to grow and to perform well organically via the Company's current business verticals, as well as via additional strategic acquisitions in the upcoming years. |
| 1 **Historical Profitability** | Hudya was founded in 2016 and the Company has yet to prove that it can become profitable on group level. However, previously acquired companies, e.g. Aconto and Gradèn Mattsson are profitable. The rating is only based on historical data and is not forward looking. |
| 2 **Risk Profile** | Both the company itself as well as the Hudya brand is still relatively young and lacks strong brand recognition in most Nordic markets. This could hold back the potential short-term success, as well as contributing to the overall risk profile. Furthermore, if the Company fails to generate cross-sales and acquire new platform users organically, revenues will be impacted drastically, and profit margins could suffer. |
| 3 **Management & Board** | Management has experience within relevant verticals and digital systems. CEO Børge Leknes, and others, have previously built multiple startups, which fosters trust in the Company. Management and board has a total ownership of Hudya of about 62%, which sends a strong positive signal. |

**5 4 3 2 1 1 2 3 4 5**

Analyst Group's grades in the format of Bull and Bear aims to communicate an overall view of the research report. The grades are carefully conducted from a process that includes qualitative analysis and views from multiple analysts. Bull is a metaphor for a positive view. Depending on the specific category, the grade can be based on a forward looking perspective, a backwards looking perspective, or a combination of both perspectives in relation to the Company. Bear is a metaphor for a negative view. Depending on the specific category, the grade can be based on a forward looking perspective, a backwards looking perspective, or a combination of both perspectives in relation to the Company.

2019-10-07

# Hudya Group AS (HUDYA)

## Well positioned for continued growth

Hudya is a rapidly growing digital platform for everyday services such as telecom, electricity, insurance and banking services. Founded in 2016, the Company has quickly shown success. The focus today is to grow organically through new platform users and through cross-sales between verticals. So far Hudya has also made multiple acquisitions and the Company is estimated to be able to continue growing both organically and through new acquisitions. Based on an organic revenue forecast, increased margins and applied target multiple, a valuation of 18 NOK per hare is derived in a Base scenario.

- **Current market trends benefit Hudya**

Hudya has exposure both towards the digital platform markets and towards the different vertical services, markets that shows a strong growth. For example, the market for mobile payments is estimated to grow at a rate of 18% Y/Y between 2018 and 2023. The market for digital insurance is forecasted to grow at CAGR of ~14% between 2018 and 2023. These market trends, together with others, enables Hudya to grow fast and to add more users to the Company's platform more rapidly.

- **Proven M&A strategy and organic growth paves way for strong growth**

Hudyas strategy has been to grow both organically and through an aggressive acquisition strategy, already in H1-2019 Hudya has completed three acquisitions. By integrating acquisitions into the platform, and by having attractive offerings, Hudya generates cross-sales on the platform between the vertical offerings. The part of the business that creates recurring revenues, e.g. via the telecom and power vertical, contributes to drive a higher valuation of the Company.

- **A platform with a strong focus on customer relationship**

The Hudya platform enables customers to, in an effective and transparent way, save money on a variety of everyday services. With offers towards the low end of the market price spectrum, the platform is an attractive way of gathering payments and saving money. These customer advantages can both attract new customers as well as create incentives for established customers to continue with the Hudya system, which generates further cross-sales.

- **Still a young player in a competitive market**

Hudya has in a short period of time managed to establish themselves as a competitive player in Norway. However, the brand is still in its infancy in the rest of northern Europe and Hudya needs to prove that the platform can stay competitive in the long term.

**Share price** 14.3 NOK

| Valuation range | | |
|---|---|---|
| **Bear** | **Base** | **Bull** |
| 11.5 NOK | 18.0 NOK | 21.0 NOK |

| **Hudya Group AS** | |
|---|---|
| Share Price, NOK (last transaction value) | 14.3 |
| Number of Shares Outstanding | 33,380,030[1] |
| Company value (MNOK) | 477.3 |
| Net Cash (-)/Debt(+) (MNOK) | 47.2 |
| Enterprise Value (EV) (MNOK) | 524.5 |
| W.52 price interval (NOK) | n.a. |
| Stock Exchange (target listing Q4-19) | t.b.a. |
| **Share Price** | |
| 1 Month | n.a. |
| 3 Months | n.a. |
| 1 Year | n.a. |
| YTD | n.a. |
| **Top Shareholders** | |
| Vikna Holding AS | 15.1% |
| BLS Holding AS (Børge Leknes) | 12.8% |
| PLV Holding AS (Pål Lauvrak) | 11.4% |
| Taarnet Consulting AS (Morten Kvam) | 11.4% |
| GM Holding AB | 7.1% |
| **Management & Board** | |
| CEO | Børge Leknes |
| Chairman of the Board | Ole Morten Settevik |
| **Financial Calendar** | |
| Quarterly Report Q3-19 | t.b.a. |

| **Forecast (Base), MNOK** | 2018 | 2019E | 2020E | 2021E |
|---|---|---|---|---|
| Revenues | 185.3 | 191.7 | 492.6 | 860.8 |
| **Gross profit** | **150.8** | **153.9** | **305.9** | **370.1** |
| *Gross Margin* | 81% | 80% | 62% | 43% |
| Total SG&A expenses | -168.8 | -187.7 | -280.8 | -329.7 |
| **EBITDA (adj.)** | **-1.6** | **-18.8** | **25.1** | **40.5** |
| *EBITDA margin (adj.)* | -1% | -12% | 8% | 11% |

*[1]Number of shares are derived from 27,785,624 outstanding today (incl. Payr shares), and approx. 5.6 million new shares from current rights issue Q3-19 (given full subscription).*

# INVESTMENT THESIS

Hudya is a rapidly growing digital platform for everyday services such as telecom, electricity, insurance and banking services. Founded in 2016, the Company has quickly shown success. The focus today is to grow organically through new platform users and through cross-sales between verticals. So far Hudya has also made multiple acquisitions and the Company is estimated to be able to continue growing both organically and through new acquisitions. Based on an organic revenue forecast, increased margins and applied target multiple, a valuation of 18 NOK per hare is derived in a Base scenario.

### Growing markets and trends benefit Hudya

POSITIVE MARKET TREND

Hudya operates in a variety of markets, both in markets for digital systems and payments but also within different verticals such as electricity, telecom, banking and insurance. The market for digital payments is estimated to grow at 18% CAGR between 2018 and 2023. Another market that is growing is digital insurance, which has a forecasted CAGR of 13.7% between 2018 and 2023. The Nordic insurance market (excluding life insurance) is also projected to grow in the upcoming years, performing a CAGR of 4% between 2015 and 2025. In conclusion, these market trends allow Hudya to prosper in the upcoming years, where Analyst Group believe that the Company is well positioned to capitalize on current trends within the market.

### Proven track record within acquisitions and organic growth creates a solid growth foundation

The Company's strategy has been to grow both organically and through an aggressive acquisition strategy. By integrating acquisitions into the platform, and by having attractive offerings, Hudya generates cross-sales on the platform between the vertical offerings. Depending on which customer vertical, Hudya obtains a combination of commissions and recurring revenues. The monthly payments by users on the platform, e.g. via the telecom and power vertical, generates recurring revenues, something that drives a higher valuation of the Company. Furthermore, Hudya is estimated to have the capacity to perform multiple acquisitions in the upcoming years.

### Strong offerings to customers in a wide range of verticals attracts new customers and enable cross-sales

Hudya strives to have competitive offerings in all of their verticals. Within insurance, Hudya offers close to the lowest price on the market through their partner, Frende Forsikring. The Company position themselves as a cost-effective and transparent alternative to other brands, which could potentially attract new customers. The Hudya Company Aconto, which is one of Norway's leading companies within refinancing and restructuring of loans, offers on average 4% lower interest rates than competitors with twice the customer satisfaction, according to Hudya. The offering on electricity is also in the low end of market prices. These customer advantages can both attract new customers as well as create incentives for established customers to continue with the Hudya system, which could generate further cross-sales.

### Experienced management and strong insider ownership

62% INSIDER OWNERSHIP

The management and board of Hudya have experience with startups, acquisitions, insurance, power, telecom and finance, as well as tech and digital platforms. CEO Børge Leknes was co-founder and CEO of Vardia Norge, an insurance start up that achieved great success. Hudyas management and board has a total share ownership of 62%. Overall the management team has experience with both digital systems and within the different verticals Hudya is offering which instill trust in the Company and creates confidence in the Hudya platform and the pricing of its services.

### Forecast and valuation

493 MNOK IN TOTAL SALES 2020E

In a Base scenario, Hudya is estimated to increase revenues to 493 MNOK in 2020, with a EBITDA-margin of 8%. By applying a target multiple of P/S 1.3, and a discount rate of 10%, a valuation of 18 NOK per share is derived in a Base scenario.

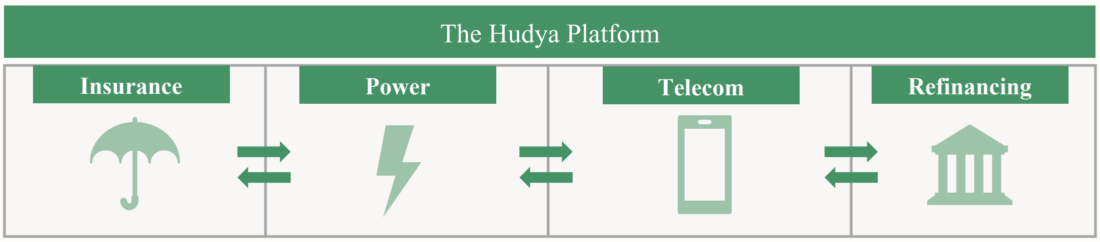
### Young brand and market shifts creates a risk

Hudya has in a short period of time managed to establish themselves as a competitive player in Norway when it comes to digital payments. However, the brand is still in its infancy in the rest of northern Europe and Hudya needs to prove that the platform can stay competitive in the long term. However, since the platform has a wide variety of offerings the risk is to some extent mitigated.

# COMPANY DESCRIPTION

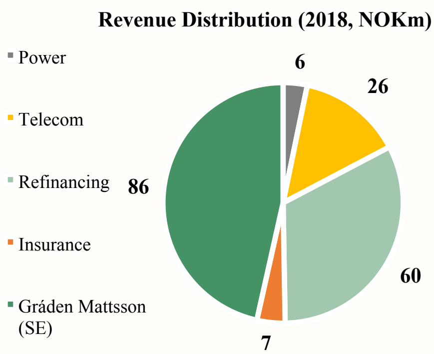
Hudya was founded in 2016 with a clear focus to provide a platform which simplifies everyday services. These services, as of today, include power, telecommunication, insurance and refinancing services to Nordic consumers and business. The services are accessed through multiple channels, which means that the system is completely digital with access 24/7. The vision is to create a peace of mind for the user and to effectively manage personal finances. The Company believes that creating relationships between them and their platform users creates long-term value. This, according to Hudya, differentiates the Company from similar companies with more transaction-based services and creates a unique edge for the Hudya platform.

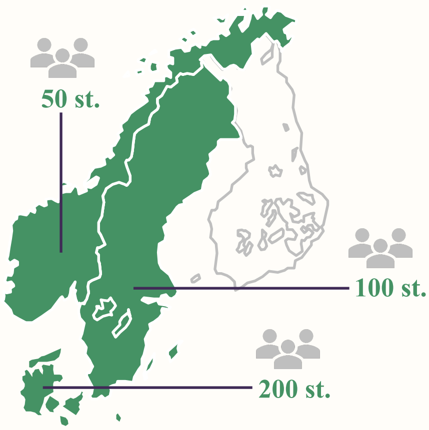
**HUDYA CURRENTLY HAS FOUR MAIN VERTICALS**




**Hudya has an established presence in the Nordic. During 2018, revenues amounted to approx. 185 MNOK.**

Revenue distribution 2018 and organization




*Hudya's organization includes 300 FTEs providing sales- and support services through the fully owned subsidiaries in Norway, Sweden (Gradén-Mattsson AB) and Denmark (Hybrid Distribution ApS). Existing capacity is currently sold to reputable clients such as Tele2, Comviq and Santander, but will be successively tilted towards treating Hudya customers along with the expected growth in Hudya products.*

Source: Hudya, 2019

### Revenue model

Revenue is generated through different verticals and revenue models:

- The agent model: Hudya obtains a commission,
- Direct supplier/reseller: Hudya obtains a margin on the service that the deliver from e.g. a power company or a telecom company.

Since some verticals of the platform results in monthly payments, the platform creates recurring cash flows. Furthermore, new and established users can generate cross-sales by signing up to the platform for one of the company's services, for example electricity, and then start using multiple services on the platform. In addition, it is common for potential customers to first engage online and then make the deal offline, for example via a phone call. Moreover, Hudya has B2B customers, a segment that is expected to grow. In other words, the Company can potentially grow rapidly if Hudya successfully manage to increase platform users both organically and through acquisition, and manage to effectively generate cross-sales between the vertical offerings.

### Cost structure

The main drivers behind the Company's costs are employees and platform related costs. Platform related costs are costs associated with running the platform and costs of marketing through social media platforms as well as legal costs. The main costs in the upcoming years will therefore be related to sales, IT and technology, and competence within this area. Other costs that the Company has had are related to rent of office space and other marketing costs.

# Market analysis

### Current trends are estimated to increase probability of success for Hudya

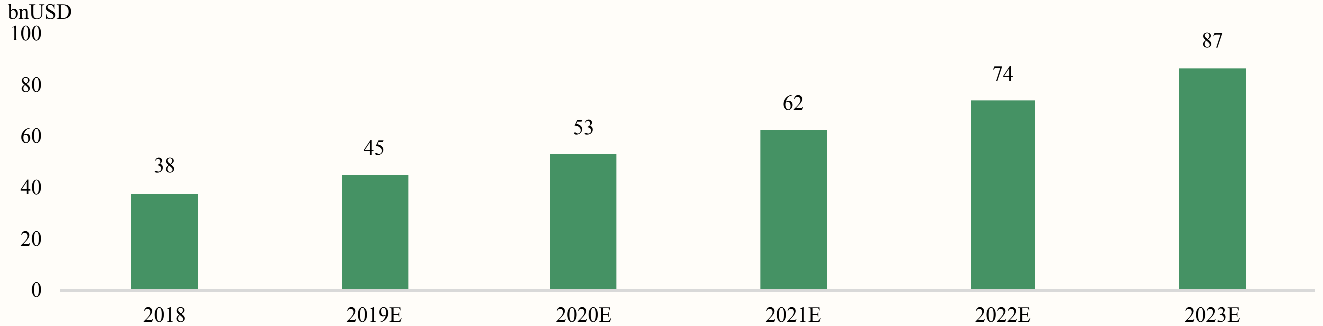
It is difficult to define a single market or industry in which Hudya operates. A more suitable approach is to research trends and changes in different industries and markets. Since Hudya has a digital platform, it is important to try to get a sense of the market for mobile services and mobile payment methods. However, it is equally important to try to evaluate the different vertical segments the platform offers, such as electricity, insurance, banking, telecom, and so on. Hudya provides a uniform eco-system for these types of everyday services, resulting in "everything in one place" for customers.

### The market for digital payments is forecasted to grow at a CAGR of 18% 2018 – 2023

The global market for digital payments is forecasted to perform at a CAGR 18% from 38 bnUSD 2018 to 87 bnUSD 2023, with the main value drivers being more mobile phone users, greater demand for online systems and automated payments.[1] This presents opportunities for Hudya and fits well with the Company profile. The competition within mobile payments are fierce, with competition both from global banking giants but also from smaller startups. Some of the companies within this market will not directly compete with Hudya and will probably not develop similar services but the possible competition still presents a market risk.

**Digital payments is expected to grow at 18% CAGR.**

Digital payments market, forecast 2018E - 2023E



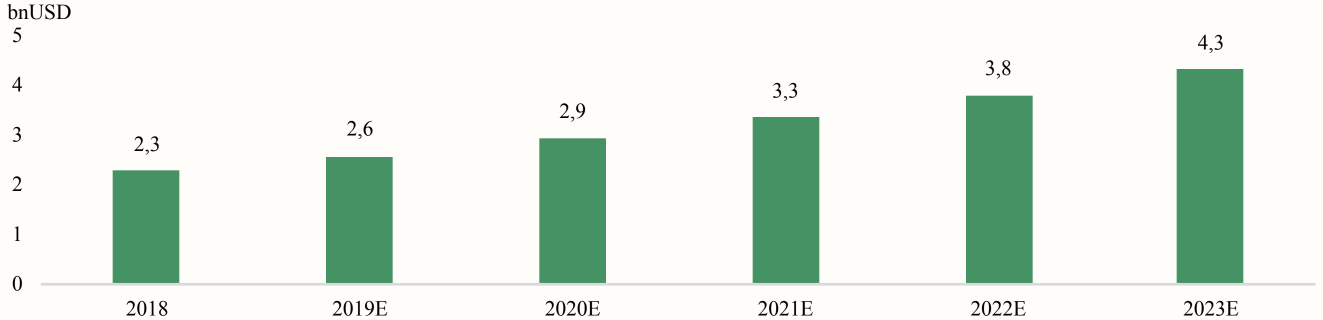

Source: Markets and Market, 2018

### Task management software market is projected to grow at 14% CAGR 2018 – 2023

The global market for task management software has a broad spectrum of different types of services, some of which compete or will compete with Hudya in the upcoming years. The rapid growth in management software demonstrates the changes that is taking place in the software and platform market. The forecasted growth of the market is a CAGR of 14% between 2018 and 2023, from 2.3 bnUSD to 4.3 bnUSD.[2] This shift towards software will enable Hudya to create a more user friendly and better platform in the upcoming years.

**Task management software creates new possibilities for the Hudya platform.**

Global task management software market forecast 2018E – 2023E




Source: Markets and Market, 2018




[1]Market sand markets, 2018
[2]Markets and markets, 2018

# Market analysis

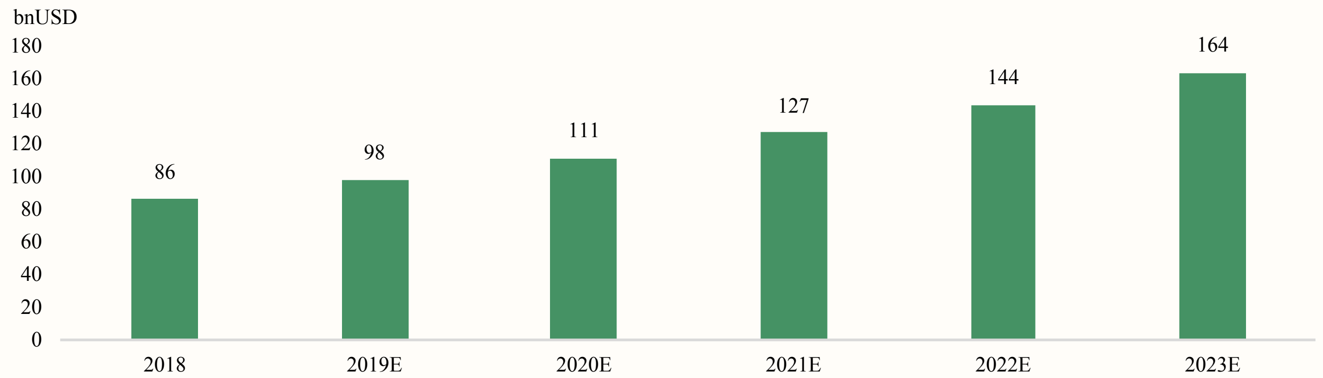
### The market for digital insurance is forecasted to grow at 13.7% CAGR 2018 - 2023

The market for digital insurance involves a variety of different products and services and is estimated to grow at a CAGR of 13.7% between 2018 and 2023.[1] The growth can be attributed to a wide range of factors among other the rising need for more customer-centric solutions and a move from product-based solutions. The need for customer focus is a strong value driver for the Hudya platform and if this trend holds true this market could potentially create great prosperity for the Company going forward.

A market trend towards digitalization within insurance will certainly present opportunities for Hudya to create a greater market role. The market is global with some of the main growth areas being western Europe and north America. The reason for this is that the countries in these regions are already used to modern technology and companies in these regions are increasingly developing new and innovative digital platforms.

**Digital insurance is expected to grow at 13.7% CAGR.**

Digital insurance market, 2018E – 2023E



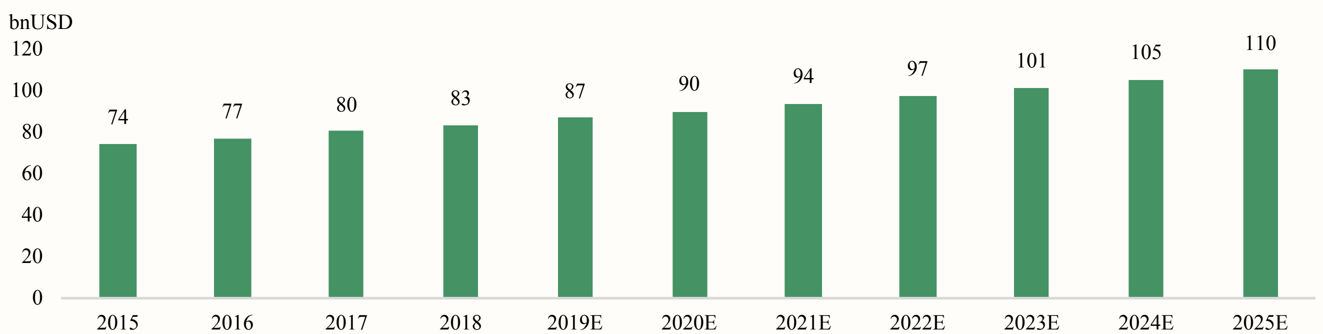

Source: Markets and Market, 2018

### The Nordic insurance market is estimated to grow at 4% CAGR between 2015 and 2025

The Nordic insurance market (excluding life insurance) is estimated to grow 4% between 2015 and 2025, an increase from approx. 7 bnUSD to approx. 11 bnUSD.[2] Since insurance is an important revenue driver for Hudya, this market increase combined with the growing market for digital insurance, creates interesting opportunities for the Company in the upcoming years. Moreover, the overall market in which Hudya is operating in seems to provide a positive foundation on which to grow from, the trends are advantageous, and these different markets will likely present many opportunities in the upcoming years.

**The Nordic insurance market is forecasted to grow at 4% CAGR.**

Market for Nordic insurance, 2015A – 2025E, excluding life insurance




Source: Statista, 2015



[1]Market sand markets, 2018
[2]Statista, 2015

# FINANCIAL FORECAST

Hudya has been growing aggressively with a buy and build strategy, with a range of M&A agreements in the past 18 months, with companies including Seqr (Sweden), SalesPartners Direct Sales (Denmark) and Payr (Norway) during H1-2019. Payr, which was acquired during July 2019, is a Norwegian fintech company providing a mobile banking and product comparison app. Payr was founded in 2016 and started by building a service for scanning and payment of invoices and gradually developed into a marketplace platform for consumer services. The company has 40,000 registered users in Norway who used the company's mobile service to pay bills of more than NOK 1bn in 2018. Hudya has an active M&A history and more acquisitions in the future could be possible. However, since the methodology of forecasting acquisitions regarding "what", "when" and "how" is very difficult, this analysis do not take into account future potential acquisitions. The financial forecasts presented on the following pages are therefore based on the organic development of Hudya during the years 2019-2022. Future acquisitions, if any, is therefore regarded as an extra option to the valuation.

### Revenue forecast 2019-2022

**FORECAST DERIVED FROM HUDYAS CURRENT SEGMENTS**

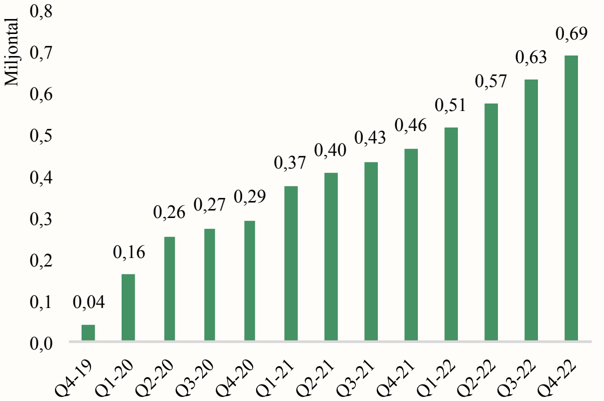
The main revenue drivers in the estimated period of 2019–2022 are derived from Hudyas current business segments; *Power*, *Telecom*, *Insurance* and *Refinancing* services to Nordic consumers and businesses. Bear in mind that the Hudya platform allows for cross-sales between the different vertical offerings on the platform. This means that a customer who joins the platform via e.g. the telecom segment, may end up signing more deals within the other verticals. When it comes to geographical markets to address, Hudya is forecasted to, over time, go beyond the Nordic countries and in a broader sense launch the platform in other European countries. However, during the forecast period of 2019 to 2022, main focus is on the current potential of Norway, Sweden and Denmark. In addition to Hudyas current business segment, the Company intends to launch "Payr by Hudya" products, which includes a new European credit line, this will be a part of the app and allow users to obtain a credit.

### User forecast

With the acquisitions of Payr and Seqr, in combination with Hudyas own customer base, the Company today has a large user base to work with. As mentioned, Payr has 40,000 registered users in Norway. Assuming that all of these would download the Payr app when customer bases are merged (estimated during the beginning of 2020), this could then make way for another 40,000 users. Going forward, Hudya is estimated to launch in Sweden (Q1-20) and Denmark (Q1-21), where new markets, together with a continued growth in current markets, it is plausible that this will generate more platform users. By working with active user acquisitions (e.g. digital marketing via Facebook) in combination with a mix of digital and analog conversion points, proactive customer service, short response time, data enrichment etc., Hudya can grow their user base quickly during 2019-2022. The Company is estimated to grow new users organically at a average rate of 1 200 – 2 000 per month between the period 2019-2022, where Norway and Sweden are considered to be the main markets during 2019-2020, Denmark is estimated to contribute from 2021.

**Hudya is estimated to grow their user base at a high rate.**

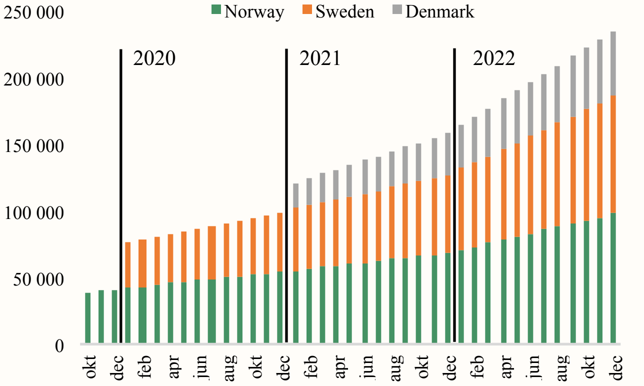
Number of user (accumulated)




Analyst Groups forecast

**Until 2022, the Nordic is excepted to be the main focus.**

Geographical distribution of users (accumulated)




Analyst Groups forecast

# FINANCIAL FORECAST

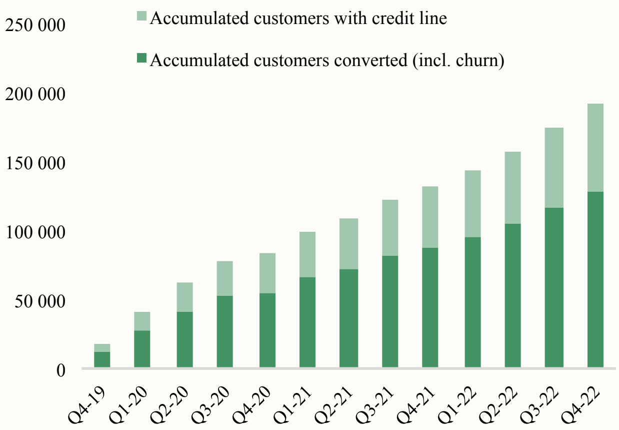
## Conversion of users

**1.5-2.0%**
ESTIMATED CHURN RATE

Some of the main revenue drivers going forward are brand recognition, geographical expansion, as well as more vertical offerings on the platform. Based on the characteristics of Hudyas verticals, a *direct* 10% conversion rate is applied for new users to the platform, and a "lagging" effect of another 10% conversion within six months. When a user have been converted into actively using Hudyas platform and services, we assume that the intention to switch back or to another supplier is relatively low, enabling a low customer *churn rate*. For Hudyas current verticals, a weighted average churn of 1.5-2.0% is applied during the forecast period 2019-2022. When it comes to the new European credit line mentioned on the previous page, 50% of new customers on the platform are estimated to sign the credit, which is based on Analyst Groups market analysis and a dialogue with the Company and past experience from Aconto.

**A high level of customer stickiness makes way for a low churn rate.**

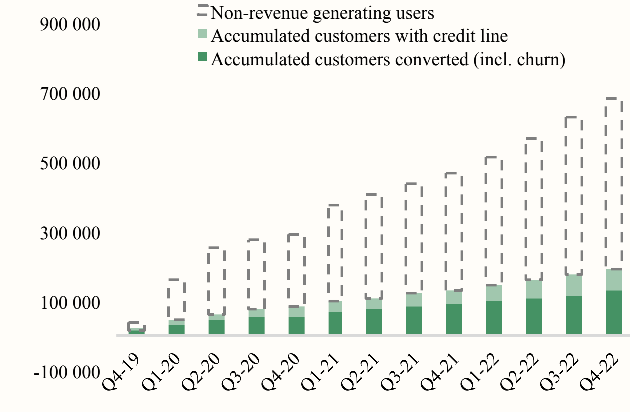
Number of paying customers (accumulated)




Analyst Groups forecast

**The conversion rate, based on available users, is estimated to approx. 10% in a Base scenario.**

Number of paying customers, percent of total user base (accumulated)




Analyst Groups forecast

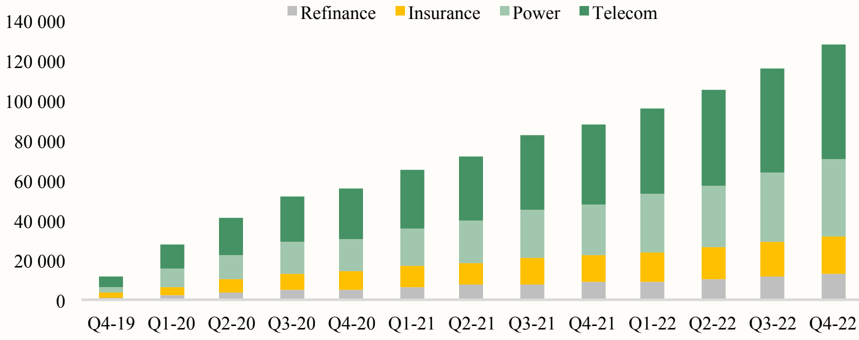
## Distribution of users and customers

An important factor to take into account is the distribution of the customer base, i.e. what or which part of the available verticals (power, telecom, insurance and refinance), will the customers be using. In practice, few users are assumed to join the Hudya platform and immediately start using all verticals, including the credit line. It is more likely that a user starts in one or two verticals, e.g. telecom or power, and thereafter add other verticals of the platform. The following figure below is an assumption regarding the distributions of customers, based on a dialogue with the Company and by looking at current market characteristics as a whole.

**Telecom and Power are estimated to make up a large portion of the customer base.**

Distribution of customer base

| Distribution of customers | |
|---|---|
| Refinance | 10% |
| Insurance | 15% |
| Power | 30% |
| Telecom | 45% |




Analyst Groups forecast

# FINANCIAL FORECAST

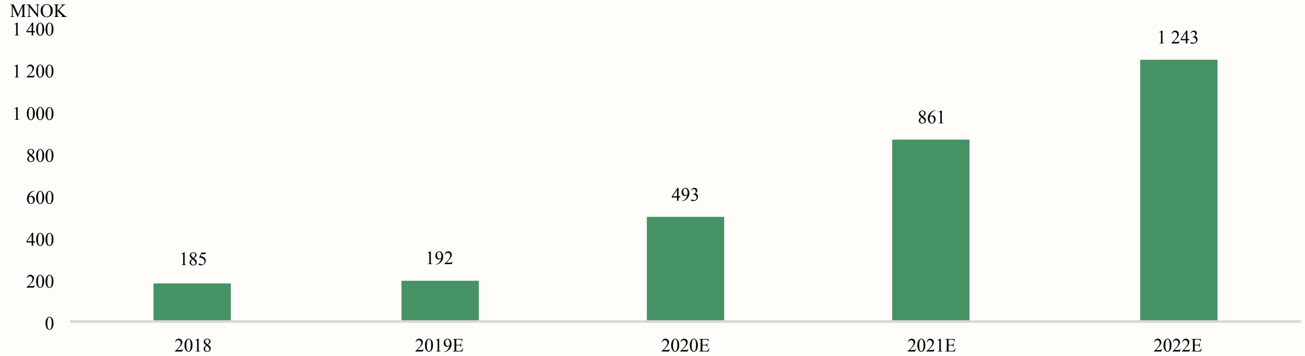
### Average Revenue Per User (ARPU) and revenue forecast

Depending on which business vertical, Hudya obtains different revenue streams. Some revenues are "one offs", for example when a customer refinance a loan or signs a new insurance policy, Hudya obtains a one-time revenue. Hudya can also obtain recurring revenues, for example when it comes to the power and telecom vertical, Hudya obtains monthly revenue streams. It is important to mention that Hudya also have smaller recurring revenues from the other verticals [bank and insurance] as well. Also, based on the current business structure with partners, Hudya could decide to redistribute income from less one offs, to a larger portion of recurring revenues.

The following is Analyst Groups revenue estimates 2019-2022, which is based on estimated user growth, conversion rates, distribution of the customer base and an average revenue per customer depending on which vertical the customer is divided into.

**The forecast of approx. 1.2 bnNOK in revenues in 2022 corresponds to a CAGR of 60% from 2018.**

Forecasted revenue, MNOK




Analyst Groups forecast

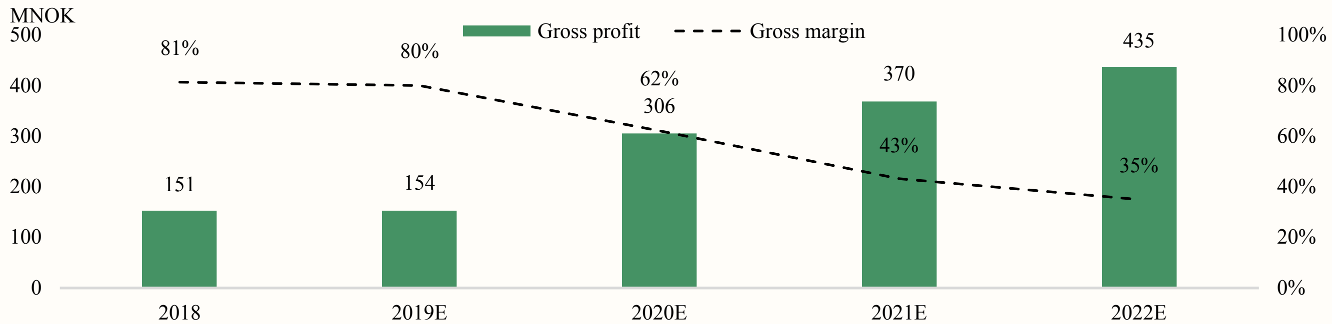
### Gross profit and margins

The main costs driving the Company's Cost Of Goods Sold ("COGS") are platform related as well as to some of Hudyas verticals, mainly Power and Telecom. For example, when it comes to Telecom, a customer is billed a certain price per month from Hudya, from which Hudya obtains the full amount as a net revenue. However, Hudya must pay the telecom supplier a margin, which is booked as a COGS. The same goes for Power, where Hudya has a certain gross margin on the full net revenue received from the customer, where the rest is attributed to COGS.

Another important contributor is marketing through online social media platforms, such as Facebook and Instagram. These are some of the main marketing areas for the Hudya platform for acquiring new users going forward. Although, note that some of the marketing related costs could be booked as an operating [marketing] expense, meaning that all online marketing may not be attached to COGS.

**Over time, Hudya is estimated to perform an average gross margin of approx. 35-45 %.**

Forecasted gross profit, MNOK




Analyst Groups forecast

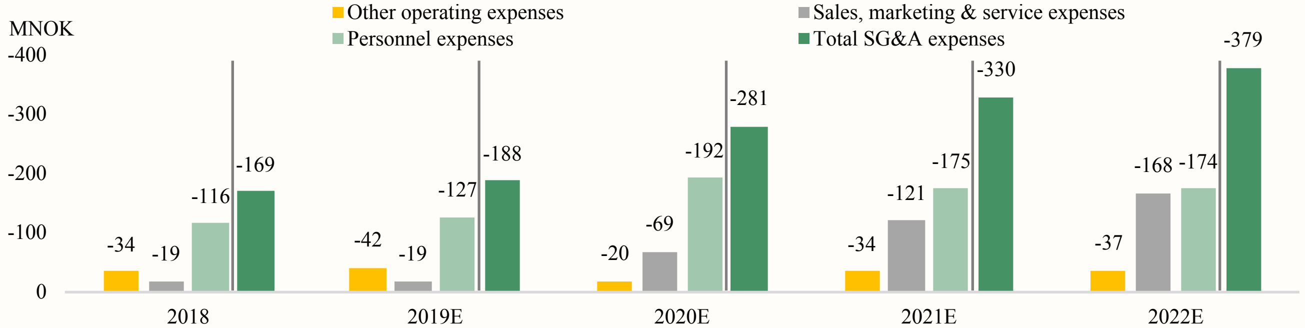
# Financial forecast

## Operating costs

The Company is expected to require new employees in the upcoming years but the need for new employees will slow down due to the scalability of the platform. The main qualification Hudya is looking for when hiring is expected to be IT group level management, as well as customer support, and key competence within digitalization. Other OPEX relates to rent, office supplies and other administrative cost. These costs are expected to be lower than before due to integration of acquired companies. This cost also include other marketing channels that is not made through Google or social media, channels which are assumed to be mainly digital.

**Personnel expenses, as well as costs related to sales and marketing, are estimated to be the main cost drivers going forward.**

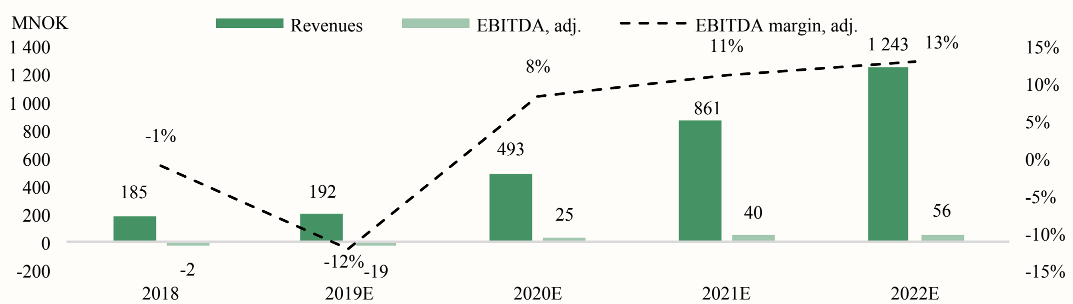
Forecasted Operating Costs (OPEX)




Analyst Groups forecast

**13%**
**EBITDA**
**MARGIN**
**2022E**

The following is a summary of the financial forecast stretching to 2022. The increased sales volume is all organically and driven by the acquisitions of more user, estimated conversion rates and average revenue values per customer. By 2022, Hudya is estimated to have reached sales of approx. 1.2 bnNOK, with an EBITDA-margin of 13%.




| Base scenario (MNOK) | 2018 | 2019E | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|
| Revenues | 185,3 | 191,7 | 492,6 | 860,8 | 1 243,1 |
| Cost of goods sold | -34,4 | -37,7 | -186,7 | -490,6 | -808,0 |
| **Gross profit** | **150,8** | **153,9** | **305,9** | **370,1** | **435,1** |
| Gross margin | 81% | 80% | 62% | 43% | 35% |
| | | | | | |
| Personnel expenses | -115,9 | -126,7 | -192,1 | -174,7 | -174,0 |
| Sales, marketing & service expenses | -18,6 | -18,8 | -69,0 | -120,5 | -167,8 |
| Other operating expenses | -34,2 | -42,2 | -19,7 | -34,4 | -37,3 |
| **Total SG&A expenses** | **-168,8** | **-187,7** | **-280,8** | **-329,7** | **-379,2** |
| | | | | | |
| EBITDA | **-17,9** | **-33,8** | **25,1** | **40,5** | **55,9** |
| One-offs adjustment M&A 18 & IFRS 19 | 16,3 | 15,0 | 0,0 | 0,0 | 0,0 |
| | | | | | |
| **EBITDA, adj.** | **-1,6** | **-18,8** | **25,1** | **40,5** | **55,9** |
| EBITDA margin, adj. | -1% | -12% | 8% | 11% | 13% |

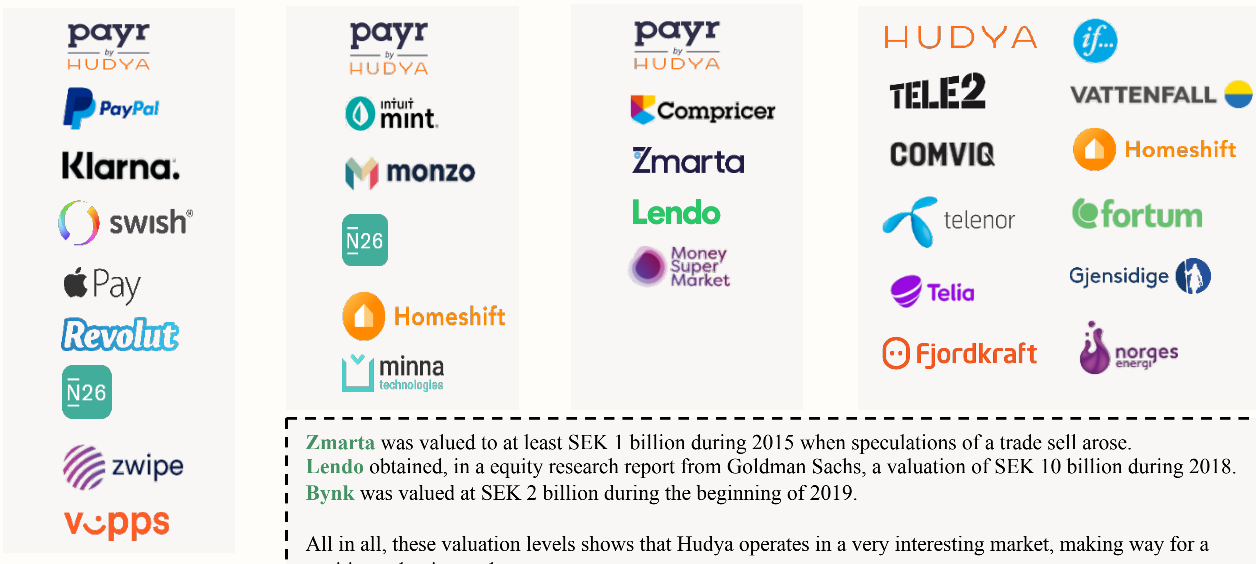
# VALUATION

Hudya has a number of different peers. Most of the peers have transaction-based services without recurring revenue. Certain peers are therefore interesting from other perspectives, for example regarding growth prospects. The following is an overview of Hudyas market position:

**It is clear that Hudya addresses a wide range of verticals.**

Market landscape

Payments | Personal finance mgmt. | Service comparison | Customer ownership




**Zmarta** was valued to at least SEK 1 billion during 2015 when speculations of a trade sell arose.
**Lendo** obtained, in a equity research report from Goldman Sachs, a valuation of SEK 10 billion during 2018.
**Bynk** was valued at SEK 2 billion during the beginning of 2019.

All in all, these valuation levels shows that Hudya operates in a very interesting market, making way for a positive valuation path.

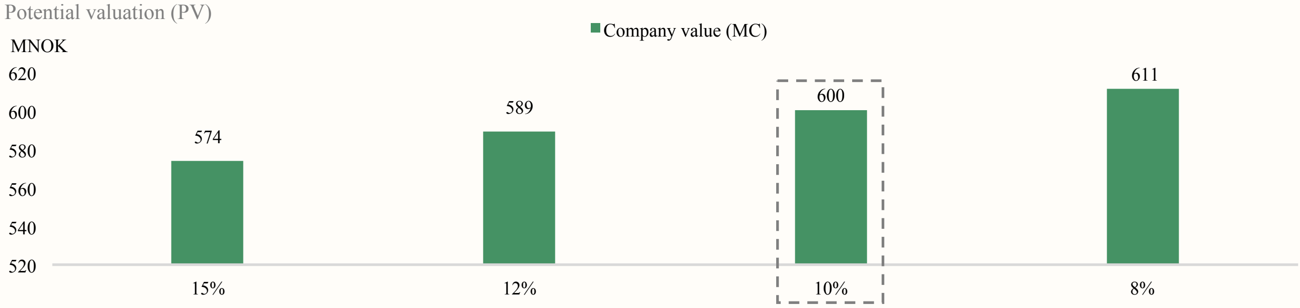
Source: Hudya (2019)

**18 NOK**
**PER SHARE IN A BASE SCENARIO**

Comparable transactions, such as Zmarta Group, Bynk, Lendo, Elskling (part of Zmarta), has in the last couple of years displayed acquisitions multiples between P/S 1.3x and 2.0x. Since Hudya has such a broad platform, it is difficult to find a suitable trading comparable, instead different platform companies can be investigated and since Hudya is a relatively young company, a certain valuation discount is needed. With a target P/S multiple of 1.3, hence in the "conservative" range of mentioned transaction comparable's, on forecasted sales of 493 MNOK in 2020, a company value of 660 MNOK is derived. By using a discount rate of 10%, this yields a present value (PV) of approx. 600 MNOK. Given the outstanding number of shares today, and assuming that the current capital raise during Q3-19 is fully subscribed, this corresponds to a value per share of 18 NOK in a Base scenario.

**By applying a discount rate of 10 %, a present value (PV) of approx. 600 MNOK is derived.**

Potential valuation (PV)




Analyst Groups forecast

Note that it cannot be ruled out that Hudya may carry out additional external capital acquisition in the future. Given today's traits and the intention to list Hudyas shares on Nasdaq during autumn 2019, alternatives via the stock market may be likely going forward, e.g. through rights issues or through directed rights share issues. This type of external capital raise will affect the valuation of the Company. Also worth mentioning is that given good profit margins, other alternatives than funding through raise of share capital could be available, e.g. via bank loans.

# BULL & BEAR

### Bull scenario

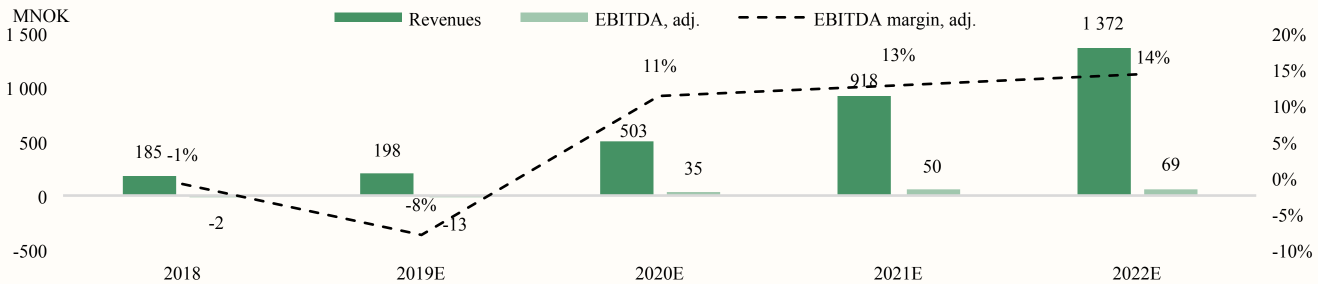
**21 NOK**
**PER SHARE IN A BULL SCENARIO**

In a Bull scenario, Hudya is estimated to achieve a higher user growth rate and a a better conversion rate, in combination with a high level of cross selling (i.e. customers adding more platform verticals over time). An important driver for this is to digitalize and automate typical customer "journeys" (onboarding, support, up and cross selling). Also, by adding more products over time, a larger customer base can be achieved. In a Bull scenario, expansion to new markets is expected to go faster than in previous presented Base scenario.

In a Bull scenario, Hudya performs an average organic growth of 65% per year between 2018 and 2022, reaching revenues of 1.4 bnNOK. Based on a target multiple of P/S 1.5, and a discount rate of 10%, a value per share of 21 NOK is motivated in a Bull scenario.

**In a Bull scenario, Hudya is able to grow at a higher rate, in combination with stronger profit margins.**

Revenue and EBITDA, Bull scenario




Analyst Groups forecast

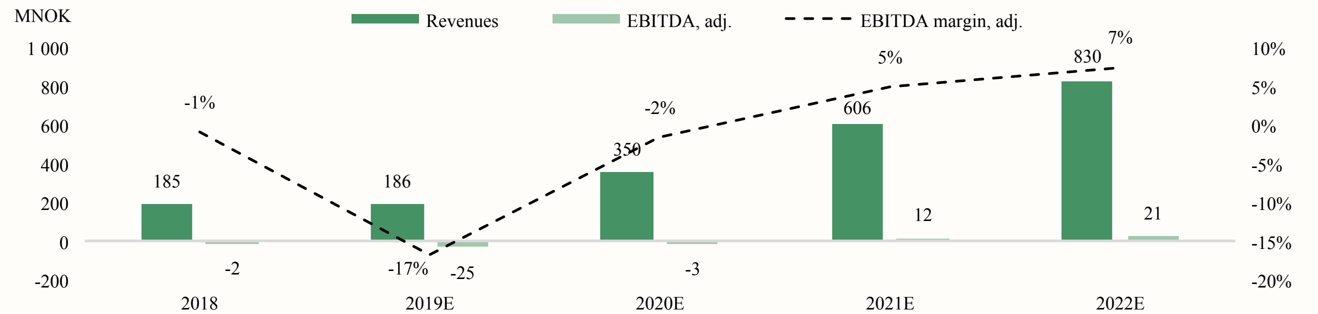
### Bear scenario

**11.5 NOK**
**PER SHARE IN A BEAR SCENARIO**

In a Bear scenario, Hudya is estimated to gain fewer new customers and therefore a weaker organic growth, the average growth rate (CAGR) is estimated to be 45% between 2018 and 2022. There is a risk that forecasted cross-sales could be lower, due to a variety of different factors, such as weaker price offerings on verticals and general dissatisfaction with the platform. As a result of dissatisfaction and failure to increase cross-sales, the Company is estimated to spend more money on the distribution of the platform, thus increasing COGS and operating expenses. This, in combination with a weaker growth, results in lower margins. In a Bear scenario, the Company is projected to reach revenues of 830 MNOK in 2022, with a weaker EBITDA margin compared to previous scenarios. Based on a target multiple of P/S 1.2, and a discount rate of 10%, a value per share of 11.5 NOK is motivated in a Bear scenario. If new capital via e.g. rights issues are necessary, a Bear scenario would likely mean that new shares would be issued at lower valuation levels, resulting in a larger dilution.

**In a Bear scenario, Hudya has troubles to grow at a sufficient rate which in turn results in lower profit margins during the forecast period.**

Revenue and EBITDA, Bear scenario




Analyst Groups forecast

# MANAGEMENT

**Børge Leknes, CEO**

Co-founder of Hudya and former CEO of Varida Norway. Experience within the insurance industry in the Nordic region. Former founder and CEO at Bodø Insurance Center and former manager at IF P&C Insurance Nordic.

*2,817,096 shares in Hudya.*

**Morten Kvam, CCO**

Co-founder of Hudya. Former Head of Business Development at Varida Norge. Former MD at SEB Card. Former Executive Vice President, OBOS. Former CEO and owner, Norsk Familieøkonomi.

*2,504,858 shares in Hudya.*

**Hanne Ek, CFO**

Former CFO at EXP Group AS (Katapult World) and CFO at Advania AS. Hanne also has past experience as Lean Manger at Evry AS.

*Hanne currently has no share ownership in Hudya.*

**Pål Lauvrak, Chief Concept Officer/Managing Director Hudya Norway**

Former CMO, Vardia Norge and Co-Founder, Vardia Insurance Group ASA. Former Concept Development Manager, IF P&C Insurance.

*2,514,318 shares in Hudya.*

**Carsten Müller, Chief Operations Officer/Managing Director Hudya Denmark**

Carsten has past experience as CEO at Vardia Denmark as well as Head of Alliance at IF P&C Insurance, where he has also been regional manager at a franchise branch. He also has experience as Division Manager at Eniro.

*853,079 shares in Hudya.*

# Board of Directors

**Ole Morten Settevik, Chairman of the board**

Experience as CEO of Advania. Former General Manager, Microsoft Norway. Chairman: Advania, Intellisearch, Board member: IKT Norge, Crayon, NRK Aktivum, Mamut, Active 24, Software Innovation (Tieto), Bluegarden and Ementor.

*160,166 shares in Hudya and 105,834 warrants.*

**Ivar S. Williksen, Deputy Chairman**

Ivar has experience as CEO at Vikna Invest AS Vikna Holding AS, as well as President and CEO at Vardia Insurance Group ASA. He also has had a position as President and CEO at NEMI Insurance ASA, as well as extensive experience in general as Chairman and Board Member.

*3,341,747 shares in Hudya and 8,750 warrants.*

**Kathryn Moore Baker, Deputy Chairwoman**

Current Senior Partner and Advisor at Pulpit Rock Energy AS. Former Partner, Reiten & Co. Former management consultant, McKinsey and Co. Former Financial Analyst, Morgan Stanley & Co. Chairwoman: Navamedic, Agasti Holding, Kuddle, Norwegian Venture and Private Capital Association and more. Board member: Norwegian National Bank, NEAS, Moss Maritime, Swedish and European Venture and Private Capital Association and more.

*21,359 shares in Hudya and 84,167 warrants.*

**Mats Wennberg, Board member**

Mats has been involved in the IT industry since 1976 and has experience as Managing Director in the Nordic and Baltic region for Microsoft. He has also been Vice President for MFST Europe, the Middle East and Africa, responsible for Microsoft business and sales operations. Mats also has worked as a management consultant, and he is engaged in several Nordic early- and middle stage companies focusing primarily on the North American market.

*270,693 shares in Hudya and 6,250 warrants.*

**Louise Dedichen, Board member**

Rear Admiral and Head of the Norwegian Defense University College, former Public Relations officer at the ministry of defense. Former contract negotiator and royal navy supply command.

*45,834 warrants in Hudya.*

**John Bjørnsen, Board member**

John is Partner at Pioneer Investor Management as well as Partner/Advisor at Pareto Securities. He also has previous experience from e.g. internship programs at J.P. Morgan and SEB.

*38,805 shares in Hudya and 21,250 warrants.*

# Appendix

| Base scenario (MNOK) | 2018 | 2019E | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|
| Revenues | 185,3 | 191,7 | 492,6 | 860,8 | 1 243,1 |
| Cost of goods sold | -34,4 | -37,7 | -186,7 | -490,6 | -808,0 |
| **Gross profit** | **150,8** | **153,9** | **305,9** | **370,1** | **435,1** |
| Gross margin | 81% | 80% | 62% | 43% | 35% |
| | | | | | |
| Personnel expenses | -115,9 | -126,7 | -192,1 | -174,7 | -174,0 |
| Sales, marketing & service expenses | -18,6 | -18,8 | -69,0 | -120,5 | -167,8 |
| Other operating expenses | -34,2 | -42,2 | -19,7 | -34,4 | -37,3 |
| **Total SG&A expenses** | **-168,8** | **-187,7** | **-280,8** | **-329,7** | **-379,2** |
| | | | | | |
| **EBITDA** | **-17,9** | **-33,8** | **25,1** | **40,5** | **55,9** |
| One-offs adjustment M&A 18 & IFRS 19 | 16,3 | 15,0 | 0,0 | 0,0 | 0,0 |
| | | | | | |
| **EBITDA, adj.** | **-1,6** | **-18,8** | **25,1** | **40,5** | **55,9** |
| EBITDA margin, adj. | -1% | -12% | 8% | 11% | 13% |

| Bull scenario (MNOK) | 2018 | 2019E | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|
| Revenues | 185,3 | 197,7 | 502,5 | 918,0 | 1 372,0 |
| Cost of goods sold | -34,4 | -37,7 | -191,0 | -523,2 | -891,8 |
| **Gross profit** | **150,8** | **160,0** | **311,6** | **394,7** | **480,2** |
| Gross margin | 81% | 81% | 62% | 43% | 35% |
| | | | | | |
| Personnel expenses | -115,9 | -126,7 | -185,9 | -179,0 | -185,2 |
| Sales, marketing & service expenses | -18,6 | -18,8 | -70,4 | -128,5 | -185,2 |
| Other operating expenses | -34,2 | -42,2 | -20,1 | -36,7 | -41,2 |
| **Total SG&A expenses** | **-168,8** | **-187,7** | **-276,4** | **-344,2** | **-411,6** |
| | | | | | |
| **EBITDA** | **-17,9** | **-27,7** | **35,2** | **50,5** | **68,6** |
| One-offs adjustment M&A 18 & IFRS 19 | 16,3 | 15,0 | 0,0 | 0,0 | 0,0 |
| | | | | | |
| **EBITDA, adj.** | **-1,6** | **-12,7** | **35,2** | **50,5** | **68,6** |
| EBITDA margin, adj. | -1% | -8% | 11% | 13% | 14% |

| Bear scenario (MNOK) | 2018 | 2019E | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|
| Revenues | 185,3 | 185,6 | 349,8 | 605,6 | 830,2 |
| Cost of goods sold | -34,4 | -37,7 | -150,4 | -351,2 | -547,9 |
| **Gross profit** | **150,8** | **147,9** | **199,4** | **254,3** | **282,3** |
| Gross margin | 81% | 80% | 57% | 42% | 34% |
| | | | | | |
| Personnel expenses | -115,9 | -126,7 | -139,9 | -133,2 | -124,5 |
| Sales, marketing & service expenses | -18,6 | -18,8 | -49,0 | -84,8 | -112,1 |
| Other operating expenses | -34,2 | -42,2 | -14,0 | -24,2 | -24,9 |
| **Total SG&A expenses** | **-168,8** | **-187,7** | **-202,9** | **-242,2** | **-261,5** |
| | | | | | |
| **EBITDA** | **-17,9** | **-39,8** | **-3,5** | **12,1** | **20,8** |
| One-offs adjustment M&A 18 & IFRS 19 | 16,3 | 15,0 | 0,0 | 0,0 | 0,0 |
| | | | | | |
| **EBITDA, adj.** | **-1,6** | **-24,8** | **-3,5** | **12,1** | **20,8** |
| EBITDA margin, adj. | -1% | -17% | -2% | 5% | 7% |

# Disclaimer

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**Bull and bear**

The recommendations in the form of bull alternatively Bear aims to provide a comprehensive picture of Analyst Group's opinion. The recommendations are developed through rigorous processes consisting of qualitative research and the weighing and discussion with other qualified analysts.

Definition Bull
Bull is a metaphor for an optimistic view of the future. It indicates a belief in improvement.

Definition Bear
Bear is a metaphor for a pessimistic view set on the future. It indicates a belief deterioration.

**Other**

This analysis is a task analysis. This means Analyst Group has received payment for doing the analysis. The Principal, **Hudya Group AS** (furthermore" the Company") has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

The parts that the company has been able to influence are the parts that are purely factual and objective. The analysis is planned to be updated within three months.

Analyst Group

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