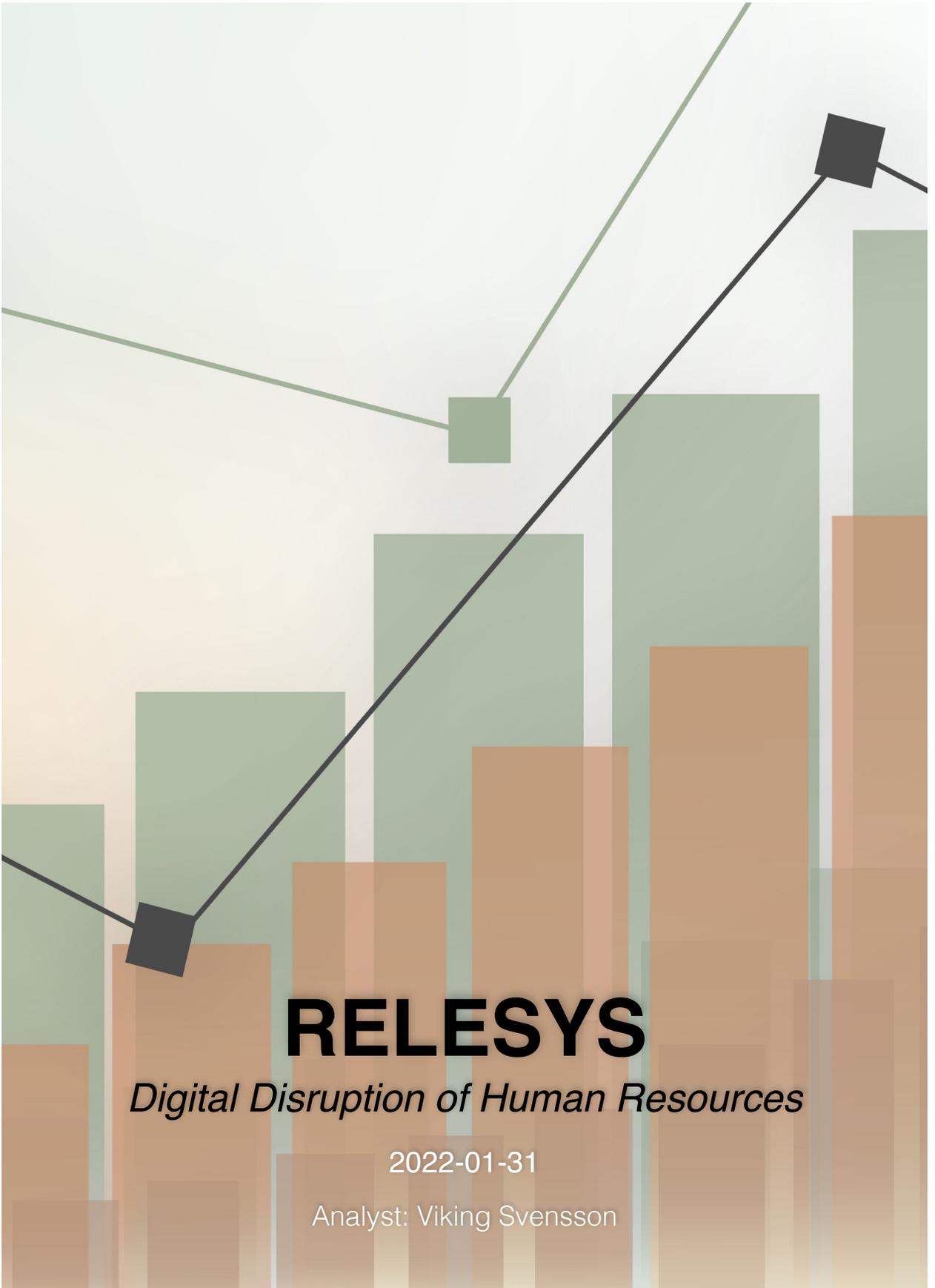


EQUITY RESEARCH REPORT



RELESYS

Digital Disruption of Human Resources

2022-01-31

Analyst: Viking Svensson

Relesys A/S ("Relesys or the "Company") develops and licenses an all-in-one platform, gathering daily operations, communication and training in one solution for non-desk workers. The Company has a proven track record of double-digit growth, profitability and an impressive customer base. Historically, during the first year of a customer's lifetime, the average revenue per customer has increased with 26%. Relesys is operating in a market that is undergoing a digital disruption, estimated to have a CAGR of 28% until 2025. In the coming years, the Company is expected to enter the UK, the US and DACH region. Relesys is estimated to reach a revenue of DKK 60.1m in 2023, based on a peer valuation, a share price of DKK 10.5 is motivated.

■ CAGR of 28% in Underlying Market Until 2025

The Connectivity and Engagement market is estimated to be worth DKK 51.2bn in 2021 according to Statista HR tech (2020). The segment is expected to grow with a CAGR of 28% from 2020 until 2025 implying a market value of DKK 137.4bn in 2025. The high growth rates in Connectivity and Engagement can be explained by several factors, two examples is that spending on IT solutions is increasing amongst global companies and according to Gallup (2020) 80% of the global workforce are non-desk workers in an urgent need for engagement and connectivity.

■ Growing With Existing Customers

Relesys has a history of growing with their existing customers. During the first year of a customer's lifetime, the average revenue per customer increased with 26%. That growth continued the second year, generating a total increase in revenue per customer of 45% by the end of year two. Most customers typically implement Relesys platform in one subsidiary and then further expands to the remainder of the groups entities.

■ Entering Both the UK and the US

Relesys is expected to enter the UK in 2022 and the US in 2023. The UK have 5.6mn citizens working within Relesys target industries while the US have 53.6mn citizens working within the same industries. Both markets are fragmented with no clear market leader which opens up for Relesys to increase market share. Furthermore, the Company already have active users in both countries which should help validating the Relesys platform.

■ Customer Concentration Risk

Relesys three largest customers account for 25% of the Company's revenue. Losing one of the Company's three largest customers would make it challenging for Relesys to reach Analyst Groups estimated Base scenario. However, as the Company enters more markets and sign more customers this risk is expected to become increasingly lower.

SHARE PRICE | **DKK 8.5**

VALUATION RANGE

BEAR
DKK 7.2

BASE
DKK 10.5

BULL
DKK 12.3

| RELESYS | | | | | |
|--|--|--------------|--------------|--------------|--------------|
| Share Price (2022-01-28) | 8.5 | | | | |
| Number of Shares Outstanding | 51 400 000 | | | | |
| Market Cap (DKKm) | 436.9 | | | | |
| Net cash(-)/debt(+) (DKKm) | -67.0 | | | | |
| Enterprise Value (DKKm) | 369.9 | | | | |
| W.52 Price Intervall (DKK) | 6.25 – 9.80 | | | | |
| List | Nasdaq First North Growth Market Denmark | | | | |
| DEVELOPMENT | | | | | |
| 1 Week | 10.5% | | | | |
| 1 Month | -5.6% | | | | |
| 3 Months | 34.4% | | | | |
| Since IPO | 34.4% | | | | |
| MAIN SHAREHOLDERS (2021-03-31) | | | | | |
| Roesgaard & Co Holding ApS | 34.61% | | | | |
| Sejs & Co. ApS | 33.04% | | | | |
| Martin Langholm Sorensen Holding ApS | 6.39% | | | | |
| Total (Major Shareholders) | 74.04% | | | | |
| CEO AND CHAIRMAN OF THE BOARD | | | | | |
| CEO | Jesper Roesgaard | | | | |
| Chairman of the board | Alexander M. Larsen | | | | |
| FINANCIAL CALENDAR | | | | | |
| Annual Report | 2022-03-28 | | | | |
| ESTIMATES (BASE), DKKM | 2019 | 2020 | 2021E | 2022E | 2023E |
| Revenue | 20.6 | 25.7 | 33.2 | 43.9 | 60.8 |
| <i>Revenue growth</i> | <i>N/A</i> | <i>24.8%</i> | <i>29.2%</i> | <i>32.0%</i> | <i>39.0%</i> |
| Gross profit (Adj.)¹ | 18.0.1 | 23.0 | 29.5 | 54.3 | 54.0 |
| <i>Gross margin (Adj.)¹</i> | <i>87.8%</i> | <i>89.7%</i> | <i>89.2%</i> | <i>89.4%</i> | <i>88.8%</i> |
| EBITDA | 4.4 | 3.7 | 2.5 | 1.4 | 2.6 |
| <i>EBITDA margin</i> | <i>21.5%</i> | <i>14.4%</i> | <i>7.6%</i> | <i>3.2%</i> | <i>4.3%</i> |
| EBIT | 2.8 | 1.9 | -0.1 | -2.1 | -2.2 |
| <i>EBIT margin</i> | <i>13.5%</i> | <i>7.5%</i> | <i>Neg.</i> | <i>Neg.</i> | <i>Neg.</i> |
| P/S | N/A | N/A | 13.1x | 10.0x | 7.2x |
| EV/S | N/A | N/A | 11.2x | 8.5x | 6.1x |
| EV/EBITDA | N/A | N/A | 163.1x | 314.1x | 139.9x |

¹Excl. Other external costs

DISCLAIMER

Disclaimer

These analyses, documents and any other information originating from AG Equity Research AB (Henceforth "AG") are created for information purposes only, for general dissemination and are not intended to be advisory. The information in the analysis is based on sources, data and persons which AG believes to be reliable. AG can never guarantee the accuracy of the information. The forward-looking information found in this analysis are based on assumptions about the future, and are therefore uncertain by nature and using information found in the analysis should therefore be done with care. Furthermore, AG can never guarantee that the projections and forward-looking statements will be fulfilled to any extent. This means that any investment decisions based on information from AG, any employee or person related to AG are to be regarded to be made independently by the investor. These analyses, documents and any other information derived from AG is intended to be one of several tools involved in investment decisions regarding all forms of investments regardless of the type of investment involved. Investors are urged to supplement with additional relevant data and information, as well as consulting a financial adviser prior to any investment decision. AG disclaims all liability for any loss or damage of any kind that may be based on the use of analyses, documents and any other information derived from AG.

Conflicts of Interest and impartiality

To ensure AG's independence, AG has established compliance rules for analysts. In addition, all analysts have signed an agreement in which they are required to report any and all conflicts of interest. These terms have been designed to ensure that *COMMISSION DELEGATED REGULATION (EU) 2016/958 of 9 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest*. Compliance policy: <https://analystgroup.se/interna-regler-ansvarsbegransning/> (Swedish)

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 an independent analysis. This means Analyst Group has not received payment for doing the analysis. The Principal, **Relesys** (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.

This analysis is copyright protected by law © AG Equity Research AB (2014-2022). Sharing, dissemination or equivalent action to a third party is permitted provided that the analysis is shared unchanged.