



## FREJA eID GROUP

### 2021 shaping up to be a good year

33 new service provider wins YTD and an accelerating pace of user intake (142k, showing 294% growth YOY) are early signs that Freja eID is starting to benefit from network effects, amplifying the value of its eID platform. We forecast a 76% sales CAGR to 2023e and see a potential boost to our user forecasts from its Covid-19 certificate, although we would need to become more comfortable with its ecosystem monetisation capabilities before we turn more positive. We have raised our fair value to SEK85–130 (75–125).

**Strong Q1 metrics broadly in line with our estimates.** Freja eID reported 142k users (up 294% YOY, 5% above our estimate), 285 services supporting the eID (up 60% YOY), 435k transactions (up 270% YOY), and revenues of SEK0.6m (up 117% YOY, 1% above our forecast), although we highlight that the base remains small. At the group level, sales of SEK6m (up 14% YOY) beat our forecast by 13%, although the EBIT loss of SEK11m was 28% below our forecast. This corresponds to an annual FCF burn rate of ~SEK35m. Should Freja eID want to become more opportunistic on international expansion and growth, given the recent ecosystem traction, we believe it could utilise the recent share price rally and expanded AGM mandate (25% of its shares versus 10% previously) to recapitalise. At end-Q1, it had a cash position of SEK17m plus a SEK24m unutilised credit facility.

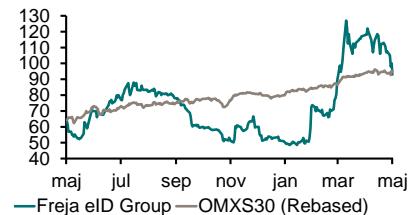
**Covid-19 digital green certificate in focus.** We note the potential for accelerating user intake and service provider growth in the coming months in the travel, restaurant and event-booking industries, as Freja eID could act as a Covid-19 vaccination certificate, which would lower the bar for attracting new users. We expect 300k+ users by end-2021, with Freja eID sales of SEK18m growing to SEK65m in 2022e.

**Fair value raised to SEK85–130,** corresponding to a 2022e EV/sales of 5–8x. While the current valuation (2022e EV/sales of 6x) already bakes in a lot of expectations, we believe Freja eID can report sales growth of 30%+ for an extended period. Should we gain further proof-points that it can successfully monetise its growing eID ecosystem, we would expect a further re-rating.

Year-end Dec	2019	2020	2021e	2022e	2023e
Revenue (SEKm)	33	24	39	86	132
EBITDA adj (SEKm)	-31	-30	-11	24	51
EBIT adj (SEKm)	-43	-43	-25	6	30
PTP (SEKm)	-44	-44	-26	3	26
EPS rep (SEK)	-8.21	-8.23	-4.94	0.32	3.61
EPS adj (SEK)	-8.21	-8.23	-4.94	0.32	3.61
DPS (SEK)	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	nm	-27.2	58.7	122.4	54.0
EBITDA growth adj (%)	nm	nm	nm	nm	114.7
EPS growth adj (%)	nm	nm	nm	nm	1036.1
EBITDA margin adj (%)	nm	nm	nm	27.7	38.6
EV/Sales adj (x)	13.83	10.47	12.80	5.81	3.66
EV/EBITDA adj (x)	nm	nm	nm	21.0	9.5
EV/EBIT adj (x)	nm	nm	nm	83.4	16.0
P/E adj (x)	nm	nm	nm	nm	25.8
ROE (%)	nm	nm	nm	4.2	37.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	-5.6	-14.7	-7.3	-0.9	3.0

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

#### FREJA versus OMXS30 (12m)



Source: Factset

#### SUMMARY

Share price (SEK) 93.0

Tickers FREJA SS

#### CAPITAL STRUCTURE

No. of shares (m)	5.4
No. of shares fully dil. (m)	5.4
Market cap. (SEKm)	498
NIBD adj end-2021e (SEKm)	-5
Enterprise value adj (SEKm)	493
Net debt/EBITDA adj (x)	0.43
Free float (%)	48

Source: Company, DNB Markets (estimates)

#### NEXT EVENT

Q2 2021 12/08/2020

#### ESTIMATE CHANGES (SEK)

Year-end Dec	2021e	2022e	2023e
Sales (old)	37.42	85.21	133.0
Sales (new)	38.53	85.68	132.0
Change (%)	3.0	0.5	-0.8
EPS (old)	-4.36	0.63	4.07
EPS (new)	-4.94	0.32	3.61
Change (%)	nm	-49.5	-11.3

Source: DNB Markets,

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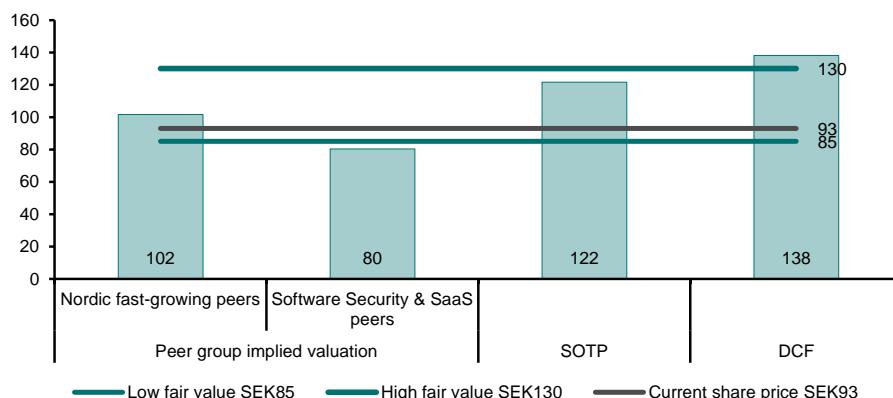
#### ANALYSTS

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

- As being loss-making in 2020–2021 is well flagged, near-term we expect the share price to be driven by: 1) Freja eID momentum adding relying parties; 2) user growth on the Freja eID platform validating the technology; and 3) news of profitability improvements.
- We expect a ~76% sales CAGR by 2023. As growth materialises, we expect margins to improve as it benefits from economies of scale. Our FCF analysis suggests that Freja eID should be adequately capitalised until FCF-breakeven, although it could be more opportunistic on growth, requiring additional funding in 2021e.

Source: DNB Markets

## Valuation methodology

- Our fair value of SEK85–130/share (75–125) is based on peers' multiples, a SOTP, and a DCF. On our estimates the stock is trading at a 2022e EV/sales of 6x (versus its historical average of 4x).
- Our high fair value scenario of SEK300–400/share assumes Freja eID adds 1,000,000 users by end-2023e.
- Our low fair value scenario of SEK50–60/share assumes 50% lower Freja eID sales by 2022e (including a rights issue).

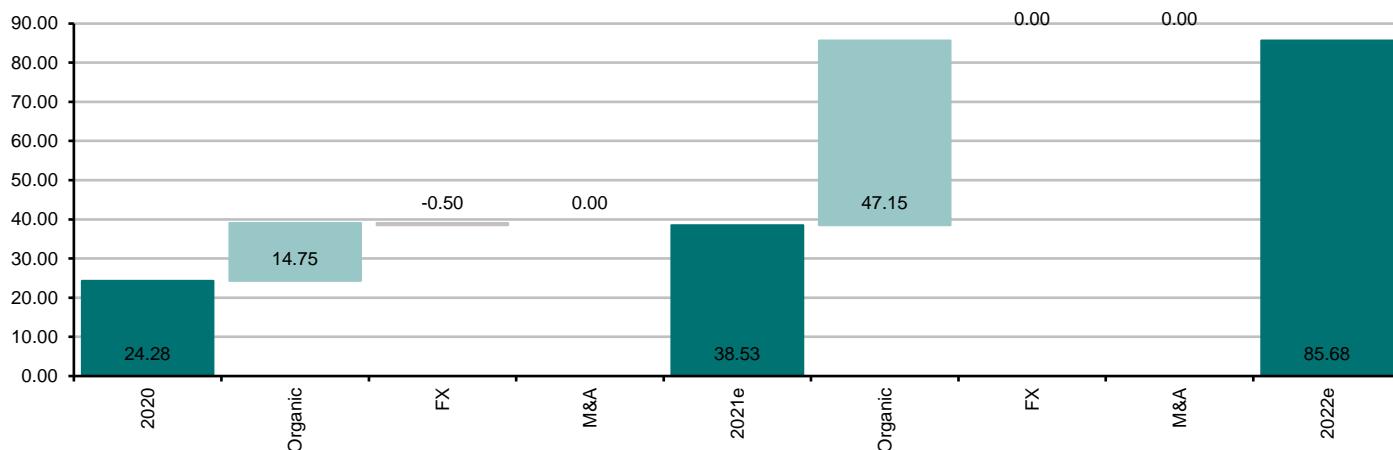
Source: DNB Markets

## Upside risks to our fair value

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

Source: DNB Markets

## Sales bridge 2020–2022e (SEKm)



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

# ESG overview

## Sustainability assessment

	<b>Positive</b>	<b>Negative</b>
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> <li>■ Freja eID Group offers the only inclusive mobile eID in Sweden that is not reliant on personal identity numbers.</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>	
<b>Key ESG drivers</b>		
Short-term	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Technical failures or data breaches are threats to any digital ecosystem, so ensuring system quality from a reputational point of view is imperative.</li> <li>■ 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.</li> </ul>
Long-term	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> <li>■ Increased sales of goods and services. Through streamlined digital onboarding, digital channels should increase sales of goods, boosting GDP.</li> </ul>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Changes to directives and legislation for eIDs could pose a risk, if one communication standard were adopted across the EU, for instance.</li> <li>■ Changing customer behaviour could mean identification via 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.</li> </ul>

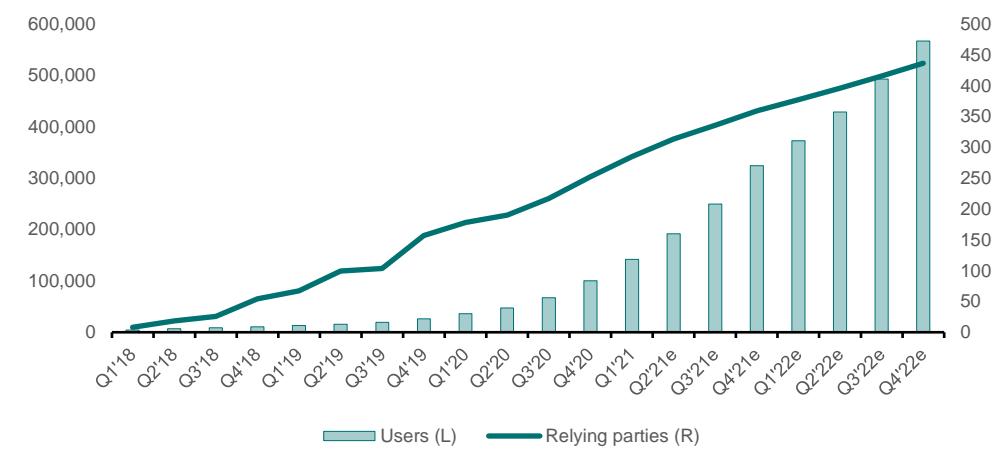
# Q1 report

Figure 1: Q1 results versus expectations

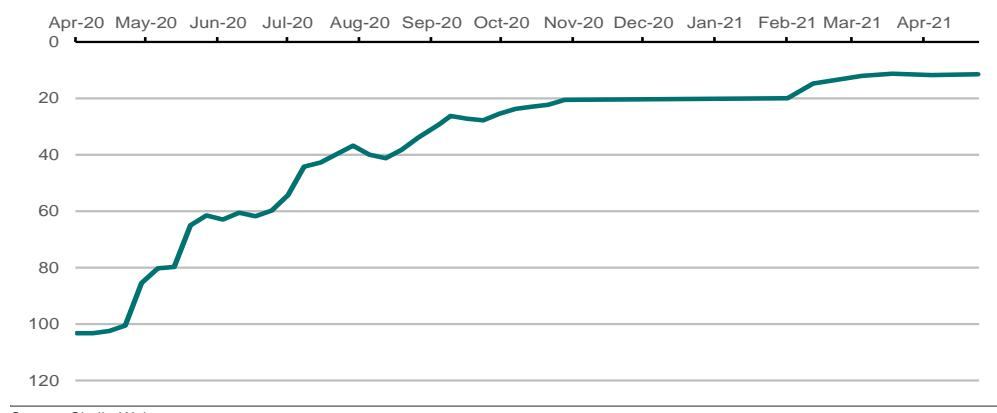
Key highlights (SEKm, except per share data)	Q1 2021		Deviation	Deviation	Q1 2020	DNBe
	Actual	DNB	DNB (%)	DNB, Abs	Actual	2021e
Net sales	5.7	5.1	13%	1	5.0	37.7
Gross profit	5.3	4.8	11%	1	4.6	36.2
Margin	93.1%	94.0%	-0.9pp		92.0%	95.9%
EBIT adjusted	-11.0	-8.6	-28%	-2	-12.9	-25.2
Margin	-192.2%	-169.4%	-22.8pp		-256.2%	-66.9%
One-offs	0.0	0.0			0.0	0.0
EBIT	-11.0	-8.6	-28%	-2	-12.9	-25.2
Margin	-192.2%	-169.4%	-22.8pp		-256.2%	-66.9%
EPS adj.	-2.12	-1.66	-28%	-0.46	-2.79	-4.94
Free cash flow	-8.9	-11.6	23%	3	-2.1	-36.2
Net cash (-) or debt (+)	-12.1	-14.6	-17%	3	1.1	-4.9
Divisions (SEKm)	Q1 2021		Deviation	Deviation	Q1 2020	DNBe
	Actual	DNB	DNB (%)	DNB, Abs	Actual	2021e
By product segment						
Freja eID	0.6	0.6	1%	0	0.3	17.6
Services (incl. support)	5.1	4.5	14%	1	4.7	20.2
Group	5.7	5.1	13%	1	5.0	37.7
Growth						
Freja eID	116.6%	115%				1306%
Services (incl. support)	7.7%	-5%			-41%	-2%
Group	14.0%	-7.4%			-30.8%	58.7%

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

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



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

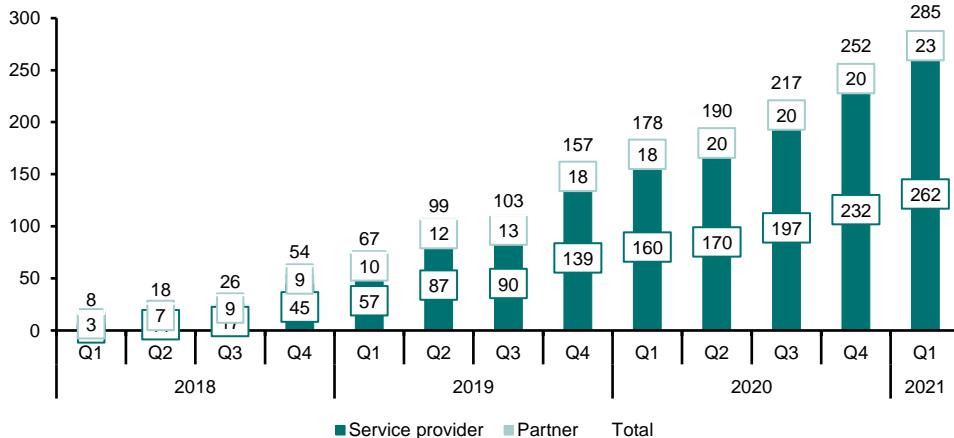
**Figure 3: Freja eID's rank in 'utilities' category in App Store Sweden**

Source: SimilarWeb

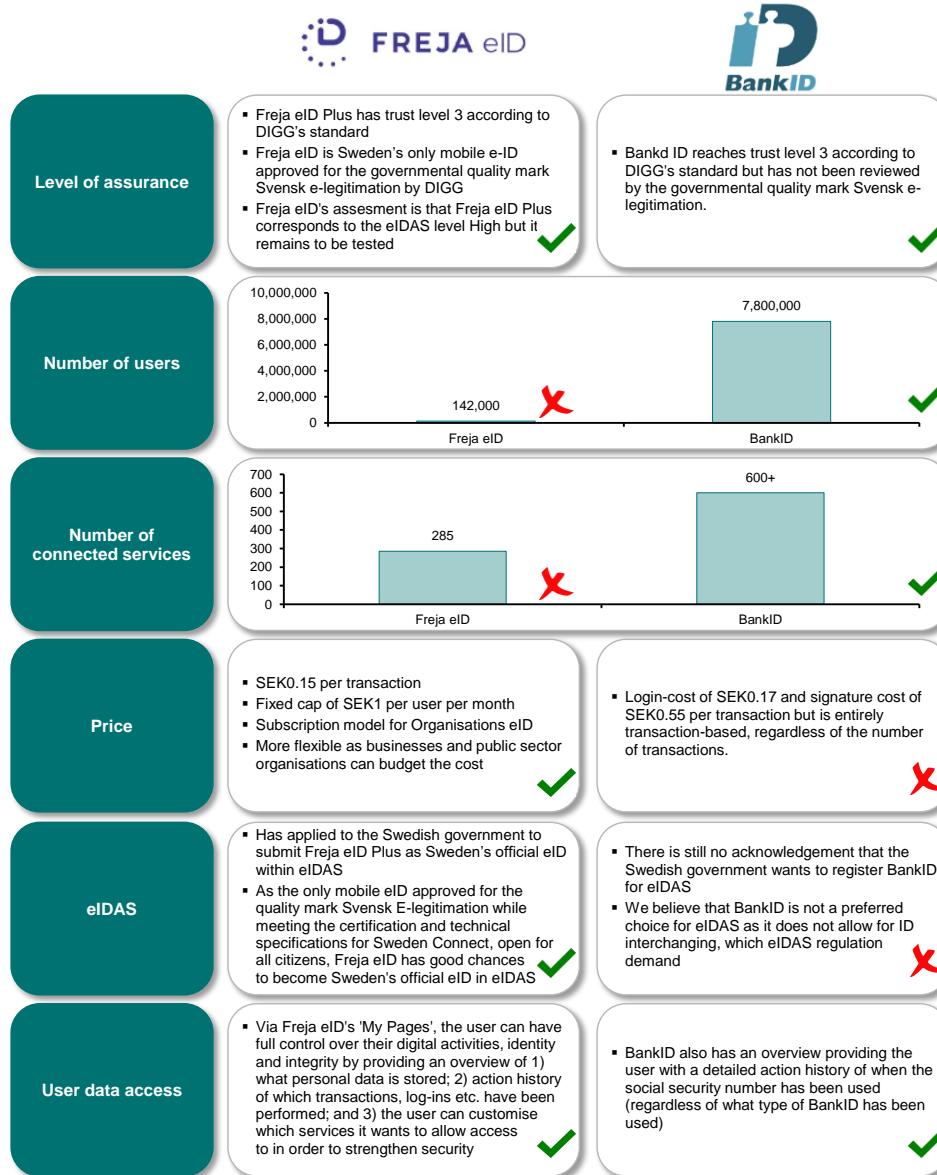
**Figure 4: Selected press releases related to Freja eID (May 2018–May 2021)**

Date	Title	Type
2019-05-27	Established Freja eID in Norway	
2019-05-28	Svenska Spel	Service provider
2019-05-28	City of Lidingö (municipality)	Service provider
2019-06-03	Agreement with Pagero payment platform	Partnership
2019-06-26	Agreement with Crunchfish Proximity	Partnership
2019-07-08	Agreement with Pulsen Integration AB	Partnership
2019-09-10	Lund University	Service provider
2019-10-03	Agreement with Visma Consulting	Partnership
2019-10-16	IT Omsorg	Service provider
2019-11-27	1177 Vårdguiden (The Healthcare Guide)	Service provider
2019-12-05	Collaboration with CESAM-H (7 Kalmar county municipalities)	Service provider
2019-12-11	Bolagsverket & Verksam.se	Service provider
2020-01-10	AFA Försäkring's R&D portal	Service provider
2020-01-13	Videoslots.com	Service provider
2020-01-13	Launch of unique mobile professional eID	
2020-01-16	Microsoft (Office365 and Azure integration)	Partnership
2020-01-29	Casino Cosmopol	Service provider
2020-02-03	Addreax Group (Studentkortet and the STUK app)	Service provider
2020-03-20	Uddevalla Municipality	Service provider
2020-03-26	Svensk Travsport (Swedish Trotting Sport)	Service provider
2020-04-29	Arbetsförmedlingen (Swedish Public Employment Service)	Service provider
2020-05-25	Svenska Energigruppen	Partnership
2020-06-01	Folkhälsomyndigheten (Public Health Agency of Sweden)	Service provider
2020-06-29	Läkemedelsverket	Service provider
2020-06-30	Min myndighetspost	Service provider
2020-07-07	Scrive	Partnership
2020-07-10	Malmö stad (potential of 75,000 users)	Service provider
2020-09-09	Telia Group framework agreement	Service provider
2020-10-26	Lidingö stad	Service provider
2020-11-06	Stockholm's Stad for public e-services	Service provider
2020-11-13	ATG for new user registrations	Service provider
2020-11-16	Swedish Energy Agency	Service provider
2020-11-18	Sotenäs, Munkedal & Lysekil municipalities	Service provider
2020-11-27	Göteborgs universitet	Service provider
2020-12-21	Umeå universitet	Service provider
2021-01-13	Freja eID test biometric verification	
2021-01-20	Formal application to make Freja eID + Sweden's official e-ID within eIDAS	
2021-01-25	Umeå municipality	Service provider
2021-02-02	Padelappen	Service provider
2021-02-04	Cambio Healthcare Systems via Min Hälsa app	Service provider
2021-02-08	Visiba Care	Partnership
2021-02-10	Payairs	Partnership
2021-02-16	Karma Mobil	Service provider
2021-02-19	ZignSec	Partnership
2021-02-23	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	

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

**Figure 5: Cumulated number of relying parties on the Freja eID platform**

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

**Figure 6: Freja eID versus BankID**

Source: DNB Markets

## Estimate revisions

Figure 7: Forecast changes (SEKm)

(SEKm, except per share data)	Old			New			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
<b>Group</b>									
<b>Sales</b>	<b>37</b>	<b>85</b>	<b>133</b>	<b>39</b>	<b>86</b>	<b>132</b>	<b>3%</b>	<b>1%</b>	<b>-1%</b>
Sales growth	54.7%	127.7%	56.1%	58.7%	122.4%	54.0%	401bp	-533bp	-203bp
Organic	74.2%	127.7%	56.1%	74.3%	127.1%	54.0%	10bp	-59bp	-203bp
Structure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0bp	0bp	0bp
Currency	-2.7%	0.0%	0.0%	-2.1%	0.0%	0.0%	60bp	0bp	0bp
<b>Gross profit</b>	<b>36</b>	<b>82</b>	<b>129</b>	<b>37</b>	<b>83</b>	<b>128</b>	<b>3%</b>	<b>0%</b>	<b>-1%</b>
Gross margin	96.1%	96.8%	97.3%	96.0%	96.6%	97.1%	-10bp	-21bp	-20bp
Capitalised development costs	5	5	5	4	5	5	-8%	2%	1%
Other external expenses	-22	-29	-36	-21	-30	-36	4%	-1%	0%
Personnel costs	-41	-50	-65	-42	-52	-67	-4%	-3%	-3%
<b>EBITDA</b>	<b>-8</b>	<b>26</b>	<b>55</b>	<b>-11</b>	<b>24</b>	<b>51</b>	<b>41%</b>	<b>-8%</b>	<b>-7%</b>
Depreciation and amortisation	-14	-18	-22	-14	-18	-21	2%	2%	4%
<b>EBIT</b>	<b>-22</b>	<b>8</b>	<b>33</b>	<b>-25</b>	<b>6</b>	<b>30</b>	<b>14%</b>	<b>-23%</b>	<b>-10%</b>
EBIT margin	-59.3%	9.1%	25.1%	-65.5%	7.0%	22.9%	-614bp	-214bp	-222bp
One-offs	0	0	0	0	0	0			
<b>EBIT adj.</b>	<b>-22</b>	<b>8</b>	<b>33</b>	<b>-25</b>	<b>6</b>	<b>30</b>	<b>14%</b>	<b>-23%</b>	<b>-10%</b>
EBIT adj. margin	-59.3%	9.1%	25.1%	-65.5%	7.0%	22.9%	-614bp	-214bp	-222bp
Capitalized development costs	-2	-4	-7	-2	-2	-3	-26%	56%	57%
<b>EBIT adj. for cap. dev. costs</b>	<b>-24</b>	<b>4</b>	<b>27</b>	<b>-27</b>	<b>4</b>	<b>27</b>	<b>15%</b>	<b>16%</b>	<b>2%</b>
EBIT adj. CDC margin	-63.9%	4.1%	20.0%	-71.0%	4.8%	20.7%	-716bp	63bp	63bp
Net financial items	-1	-3	-4	-1	-3	-4	-4%	-4%	-2%
<b>Pre-tax profit</b>	<b>-23</b>	<b>5</b>	<b>29</b>	<b>-26</b>	<b>3</b>	<b>26</b>	<b>13%</b>	<b>-39%</b>	<b>-11%</b>
Tax	0	-2	-7	0	-1	-6			
Tax rate	0.0%	31.8%	25.0%	0.0%	43.9%	25.0%	-2bp	1213bp	0bp
<b>Net profit</b>	<b>-23</b>	<b>3</b>	<b>22</b>	<b>-26</b>	<b>2</b>	<b>19</b>	<b>13%</b>	<b>-50%</b>	<b>-11%</b>
EPS adjusted	-4.36	0.63	4.07	-4.94	0.32	3.61	13%	-50%	-11%
EPS	-4.36	0.63	4.07	-4.94	0.32	3.61	13%	-50%	-11%
DPS	0.00	0.00	0.00	0.00	0.00	0.00			
<b>Sales by product area</b>									
Goods	0	0	0	0	0	0			
Services (incl. support)	20	20	21	20	21	21	3%	3%	3%
Freja eID	18	65	112	18	65	111	-2%	0%	-1%
<b>Group Total</b>	<b>37</b>	<b>85</b>	<b>133</b>	<b>39</b>	<b>86</b>	<b>132</b>	<b>3%</b>	<b>1%</b>	<b>-1%</b>

Source: DNB Markets (forecasts)

Figure 8: Annual income statement

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<b>Sales</b>						33.3	24.3	38.5	85.7	132.0
COGS						-1.7	-2.4	-1.5	-2.9	-3.9
<b>Gross profit</b>						31.6	21.8	37.0	82.7	128.1
Capitalised development costs						5.1	5.5	4.3	4.7	5.1
Other external expenses						-20.5	-17.3	-21.2	-29.5	-35.7
Personnel costs						-47.4	-39.6	-42.4	-51.9	-67.3
<b>EBITDA</b>						-31.2	-29.6	-11.4	23.7	51.0
Depreciation and Amortisation						-11.9	-13.6	-13.8	-17.8	-20.8
<b>EBIT</b>						-43.1	-43.2	-25.2	6.0	30.2
<i>EBIT margin</i>						-129.4%	-178.1%	-65.5%	7.0%	22.9%
One-offs						0.0	0.0	0.0	0.0	0.0
<b>EBIT adj.</b>						-43.1	-43.2	-25.2	6.0	30.2
<i>EBIT adj. margin</i>						-129.4%	-178.1%	-65.5%	7.0%	22.9%
Net CDC						0.0	0.0	-2.1	-1.9	-2.9
<b>EBIT adj. for cap. dev. costs</b>						-43.1	-43.2	-27.4	4.1	27.3
<i>EBIT adj. CDC margin</i>						-129.4%	-178.1%	-71.0%	4.8%	20.7%
Net financial items						-0.8	-0.8	-1.2	-2.9	-4.4
<b>Pre-tax profit</b>						-43.9	-44.1	-26.4	3.0	25.8
Tax						3.9	0.0	0.0	-1.3	-6.4
<b>Net profit</b>						-40.0	-44.1	-26.4	1.7	19.3
Gross margin						94.9%	89.9%	96.0%	96.6%	97.1%
EBITDA margin						-93.7%	-122.1%	-29.6%	27.7%	38.6%
Adj. EBIT margin						-129.4%	-178.1%	-65.5%	7.0%	22.9%
<b>Freja eID (DNBe)</b>										
Number of relying parties						157	252	359	436	510
Number of users						26,000	100,000	323,973	566,631	829,604
<b>Sales by product area</b>										
Goods						0.0	0.0	0.0	0.0	0.0
Services (incl. support)						29.2	20.6	20.2	20.8	21.4
Freja eID						0.1	1.2	17.6	64.9	110.6
<b>Group Total</b>						33.3	24.3	38.5	85.7	132.0
<b>Sales growth by product area</b>										
Goods										
Services (incl. support)							-29%	-2%	3%	3%
Freja eID							1215%	1306%	270%	70%
<b>Group Total</b>							-25%	72%	127%	54%
<b>Sales growth, of which</b>										
Organic							-27%	74%	127%	54%
Structure							0%	0%	0%	0%
Currency							1%	-2%	0%	0%
<b>Total growth</b>							-25%	72%	127%	54%

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

**Figure 9: Quarterly income statement**

(SEKm)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21e	Q3'21e	Q4'21e
<b>Sales</b>	<b>8.0</b>	<b>10.3</b>	<b>8.6</b>	<b>6.8</b>	<b>5.5</b>	<b>6.5</b>	<b>5.4</b>	<b>6.8</b>	<b>6.5</b>	<b>7.1</b>	<b>8.8</b>	<b>16.1</b>
COGS	-0.2	-0.5	-0.5	-0.2	-0.4	0.0	-0.3	-0.4	-0.4	-0.2	-0.3	-0.6
<b>Gross profit</b>	<b>7.8</b>	<b>9.7</b>	<b>8.2</b>	<b>6.6</b>	<b>5.1</b>	<b>6.5</b>	<b>5.1</b>	<b>6.4</b>	<b>6.1</b>	<b>6.8</b>	<b>8.5</b>	<b>15.6</b>
Capitalised development costs	1.0	2.0	0.7	1.4	1.8	1.4	1.1	1.1	0.8	0.9	1.3	1.2
Other external expenses	-4.5	-7.5	-4.5	-4.0	-4.1	-5.4	-3.6	-5.6	-4.5	-4.7	-5.3	-6.7
Personnel costs	-11.9	-11.6	-11.1	-12.8	-12.4	-9.5	-9.4	-8.4	-10.6	-10.2	-10.6	-11.0
<b>EBITDA</b>	<b>-7.6</b>	<b>-7.4</b>	<b>-6.7</b>	<b>-8.8</b>	<b>-9.5</b>	<b>-6.9</b>	<b>-6.8</b>	<b>-6.5</b>	<b>-8.1</b>	<b>-4.1</b>	<b>-2.2</b>	<b>2.9</b>
Depreciation and Amortisation	-2.7	-2.9	-3.1	-3.2	-3.3	-3.3	-3.4	-3.6	-3.0	-3.1	-3.9	-3.9
<b>EBIT</b>	<b>-10.3</b>	<b>-10.3</b>	<b>-9.8</b>	<b>-12.0</b>	<b>-12.9</b>	<b>-10.2</b>	<b>-10.2</b>	<b>-10.0</b>	<b>-11.0</b>	<b>-7.1</b>	<b>-6.1</b>	<b>-0.9</b>
<b>EBIT margin</b>	<b>-128.8%</b>	<b>-100.0%</b>	<b>-113.6%</b>	<b>-176.7%</b>	<b>-233.0%</b>	<b>-157.5%</b>	<b>-188.5%</b>	<b>-148.0%</b>	<b>-168.6%</b>	<b>-101.0%</b>	<b>-69.5%</b>	<b>-5.9%</b>
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>-10.3</b>	<b>-10.3</b>	<b>-9.8</b>	<b>-12.0</b>	<b>-12.9</b>	<b>-10.2</b>	<b>-10.2</b>	<b>-10.0</b>	<b>-11.0</b>	<b>-7.1</b>	<b>-6.1</b>	<b>-0.9</b>
<b>EBIT adj. margin</b>	<b>-128.8%</b>	<b>-100.0%</b>	<b>-113.6%</b>	<b>-176.7%</b>	<b>-233.0%</b>	<b>-157.5%</b>	<b>-188.5%</b>	<b>-148.0%</b>	<b>-168.6%</b>	<b>-101.0%</b>	<b>-69.5%</b>	<b>-5.9%</b>
Net CDC	0.0	-1.4	-0.1	-0.7	-1.5	-0.6	-0.2	-0.1	-0.8	-0.7	-0.4	-0.3
<b>EBIT adj. for cap. dev. costs</b>	<b>-10.3</b>	<b>-11.7</b>	<b>-9.9</b>	<b>-12.7</b>	<b>-14.4</b>	<b>-10.8</b>	<b>-10.4</b>	<b>-10.1</b>	<b>-11.8</b>	<b>-7.8</b>	<b>-6.5</b>	<b>-1.2</b>
<b>EBIT adj. CDC margin</b>	<b>-128.8%</b>	<b>-113.7%</b>	<b>-114.8%</b>	<b>-187.0%</b>	<b>-260.1%</b>	<b>-166.7%</b>	<b>-192.2%</b>	<b>-149.4%</b>	<b>-180.8%</b>	<b>-110.7%</b>	<b>-73.9%</b>	<b>-7.5%</b>
Net financial items	-0.1	-0.1	-0.3	-0.2	-0.6	46.7	-0.2	0.0	-0.3	-0.4	-0.4	-0.1
<b>Pre-tax profit</b>	<b>-10.4</b>	<b>-10.4</b>	<b>-10.1</b>	<b>-12.2</b>	<b>-13.5</b>	<b>36.5</b>	<b>-10.4</b>	<b>-10.1</b>	<b>-11.4</b>	<b>-7.5</b>	<b>-6.6</b>	<b>-1.0</b>
Tax	-0.1	1.4	2.6	-0.1	-0.1	-0.1	-0.7	-0.1	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>-10.5</b>	<b>-9.0</b>	<b>-7.4</b>	<b>-12.4</b>	<b>-13.6</b>	<b>36.4</b>	<b>-11.1</b>	<b>-10.2</b>	<b>-11.4</b>	<b>-7.5</b>	<b>-6.6</b>	<b>-1.0</b>
Gross margin	97.5%	94.8%	94.3%	97.0%	92.7%	99.6%	94.4%	94.2%	93.9%	96.6%	96.3%	96.5%
EBITDA margin	-95.0%	-72.2%	-77.7%	-129.4%	-172.6%	-106.3%	-126.0%	-95.4%	-123.3%	-57.5%	-25.1%	18.1%
Adj. EBIT margin	-128.8%	-100.0%	-113.6%	-176.7%	-233.0%	-157.5%	-188.5%	-148.0%	-168.6%	-101.0%	-69.5%	-5.9%
<b>Freja eID (DNBe)</b>												
Number of relying parties	67	99	103	157	178	190	217	252	285	314	335	359
Number of users	12,779	15,683	19,430	26,000	36,000	47,000	67,000	100,000	142,000	191,700	249,210	323,973
<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
Services (incl. support)	8.0	8.7	6.9	6.0	4.7	6.0	4.2	5.7	5.1	5.7	4.0	5.4
Freja eID	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.4	0.6	1.4	4.8	10.7
<b>Group Total</b>	<b>8.0</b>	<b>10.3</b>	<b>8.6</b>	<b>6.8</b>	<b>5.5</b>	<b>6.5</b>	<b>5.4</b>	<b>6.8</b>	<b>6.5</b>	<b>7.1</b>	<b>8.8</b>	<b>16.1</b>
<b>Sales growth by product area</b>												
Goods												
Services (incl. support)							-41%	-32%	-39%	-5%	8%	-5%
Freja eID										284%	117%	416%
<b>Group Total</b>							<b>-37%</b>	<b>-28%</b>	<b>-34%</b>	<b>0%</b>	<b>14%</b>	<b>13%</b>
<b>Sales growth, of which</b>												
Organic							-39%	-29%	-33%	2%	18%	17%
Structure							0%	0%	0%	0%	0%	0%
Currency							2%	1%	-1%	-2%	-4%	-2%
<b>Total growth</b>							<b>-37%</b>	<b>-28%</b>	<b>-34%</b>	<b>0%</b>	<b>14%</b>	<b>13%</b>
Source: DNB Markets (forecasts), company (historical data)												

Figure 10: Freja eID valuation versus listed peers

	Mkt. cap. (SEKbn)	P/E (x)			EV/EBIT (x)			EV/sales (x)			Gross margin	EBIT margin	FCF margin	CAGR 2020–2022e (%)			
		2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e				Sales	EBIT	EPS	
<b>Freja eID (DNBe)</b>	<b>0.5</b>	n.a.	<b>292.6</b>	<b>25.8</b>	n.a.	<b>83.4</b>	<b>16.0</b>	<b>12.8</b>	<b>5.8</b>	<b>3.7</b>	<b>95.9</b>	<b>-65.5</b>	<b>-93.8</b>	<b>88</b>	n.a.	n.a.	
Premium/discount		n.a.	597%	-23%	n.a.	158%	-44%	28%	-31%	-49%	18.3	-83.7	-111.0	68	n.a.	n.a.	
<b>Nordic fast-growing peers</b>																	
Admicom	4.6	50.6	41.6	33.8	39.5	32.0	n.a.	17.9	15.2	12.7	n.a.	44.9	38.0	15	18	48	
Evolution Gaming	329.1	56.0	42.4	33.5	49.9	37.1	29.8	30.7	23.8	19.6	n.a.	60.9	54.1	57	66	55	
HMS Networks	17.2	51.9	51.1	46.9	39.5	37.3	33.4	9.2	8.4	7.9	63.3	22.9	20.0	20	29	27	
Invisio Communications	8.5	67.3	39.9	29.1	53.0	31.1	21.8	11.3	8.5	6.9	59.9	21.6	-11.3	34	48	56	
Lime Technologies	4.2	49.5	39.5	33.1	41.8	32.4	26.8	10.5	8.9	7.8	n.a.	24.8	19.6	17	27	24	
Sectra	21.5	86.2	75.3	64.4	65.2	57.4	48.8	12.9	11.0	9.6	86.4	19.7	14.4	5	8	8	
Storytel	13.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.5	3.3	2.7	46.7	-8.2	-17.9	26	0	-2	
<b>Average</b>	<b>60.2</b>	<b>48.3</b>	<b>40.1</b>	<b>48.2</b>	<b>37.9</b>	<b>32.2</b>	<b>13.8</b>	<b>11.3</b>	<b>9.6</b>	<b>64.1</b>	<b>26.7</b>	<b>16.7</b>	<b>25</b>	<b>28</b>	<b>31</b>		
<b>Median</b>	<b>53.9</b>	<b>42.0</b>	<b>33.6</b>	<b>45.9</b>	<b>34.8</b>	<b>29.8</b>	<b>11.3</b>	<b>8.9</b>	<b>7.9</b>	<b>61.6</b>	<b>22.9</b>	<b>19.6</b>	<b>20</b>	<b>27</b>	<b>27</b>		
<b>Security &amp; SaaS peers</b>																	
Okta	295.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41.9	31.7	24.4	78.0	-0.1	13.0	38	-37	12	
Sailpoint	35.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.0	8.7	7.2	79.8	4.1	5.1	15	n.a.	-71	
Proofpoint	83.1	84.4	66.9	55.7	67.7	n.a.	n.a.	8.3	7.1	6.8	80.3	12.2	18.3	17	n.a.	16	
DocuSign	312.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	88.1	26.0	18.8	14.7	78.4	11.2	16.4	43	196	127
Qualys	31.5	35.4	32.6	28.4	24.7	21.1	16.7	8.3	7.4	6.8	79.9	33.4	36.2	11	2	1	
Rapid7	34.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	63.0	8.6	7.2	6.1	74.2	3.2	2.2	20	244	n.a.
Palo Alto Networks	273.2	56.6	46.8	38.3	42.8	35.2	27.2	7.8	6.6	5.6	74.5	18.3	29.2	21	28	22	
Mimecast	22.6	38.0	34.9	29.4	27.9	21.3	15.7	5.3	4.7	4.1	77.3	17.9	17.2	15	61	59	
<b>Average</b>	<b>53.6</b>	<b>45.3</b>	<b>38.0</b>	<b>40.8</b>	<b>25.9</b>	<b>42.2</b>	<b>14.5</b>	<b>11.5</b>	<b>9.5</b>	<b>77.8</b>	<b>12.5</b>	<b>17.2</b>	<b>22</b>	<b>82</b>	<b>24</b>		
<b>Median</b>	<b>47.3</b>	<b>40.8</b>	<b>33.8</b>	<b>35.3</b>	<b>21.3</b>	<b>27.2</b>	<b>8.5</b>	<b>7.3</b>	<b>6.8</b>	<b>78.2</b>	<b>11.7</b>	<b>16.8</b>	<b>18</b>	<b>44</b>	<b>16</b>		
<b>Average</b>	<b>57.6</b>	<b>47.1</b>	<b>39.3</b>	<b>45.2</b>	<b>33.9</b>	<b>37.2</b>	<b>14.2</b>	<b>11.4</b>	<b>9.5</b>	<b>73.2</b>	<b>19.1</b>	<b>17.0</b>	<b>24</b>	<b>53</b>	<b>27</b>		
<b>Median</b>	<b>53.9</b>	<b>42.0</b>	<b>33.6</b>	<b>42.3</b>	<b>32.4</b>	<b>28.5</b>	<b>10.0</b>	<b>8.5</b>	<b>7.2</b>	<b>77.6</b>	<b>18.3</b>	<b>17.2</b>	<b>20</b>	<b>28</b>	<b>23</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 75% eID adoption), for which we forecast a 20%+ CAGR by 2023e supported by four key secular digitalisation trends: 1) time and cost savings; 2) a need for greater security online; 3) increased online sales of goods and services; and 4) legislation of electronic identification. Our analysis suggests a long-tailed shift to IDaaS from the number of users and the number of authentications and signings. Freja eID's no.2 position in the Swedish mobile eID market – which we value at SEK1.2bn – provides a good start, and we estimate the Nordic mobile eID market could be worth SEK3bn in 2021, where we believe Freja eID is the only internationally scalable solution with the potential to become Sweden's independent national eID in eIDAS – the EU regulation on electronic identification.

## 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 285 (262 relying parties, 23 partners). We consider it positive that Freja eID's relying parties have grown to 285 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 >76% 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 >76% 2020–2023 sales CAGR, primarily on growing Freja eID adoption. As revenue growth materialises, we expect margins to improve as Freja eID benefits from economies of scale in its IDaaS revenue model.

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

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

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

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

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

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

...but we believe a >76% 2020–2023e sales CAGR and healthy operational leverage should lead to EBIT-break-even by 2022e

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

## Summary of negatives

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

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

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

### Large eID market potential could mean intensified competition

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

Competition is already strong, and might become tougher

### Lacklustre profitability and FCF generation increase the risk of recapitalisation

As at end-Q1 2021, Freja eID's cash position was SEK17m (net cash of SEK41m including its credit facilities). With an annual FCF burn rate of cSEK30m–40m on average in 2019–2020, investor concerns about the balance sheet should lessen as operational leverage improves. We estimate Freja eID is adequately capitalised for the operational business to be EBIT- and cash-flow-breakeven by 2022. Yet, as our forecasts include Freja eID sales increasing to SEK18m in 2021, if sales fall short, this could increase the risk of a recapitalisation.

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

### If Freja eID does not take off, 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 7.0x. In such a scenario (with the risk of recapitalisation rising), our low fair value is SEK50–60/share.

Low fair value of SEK50–60/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

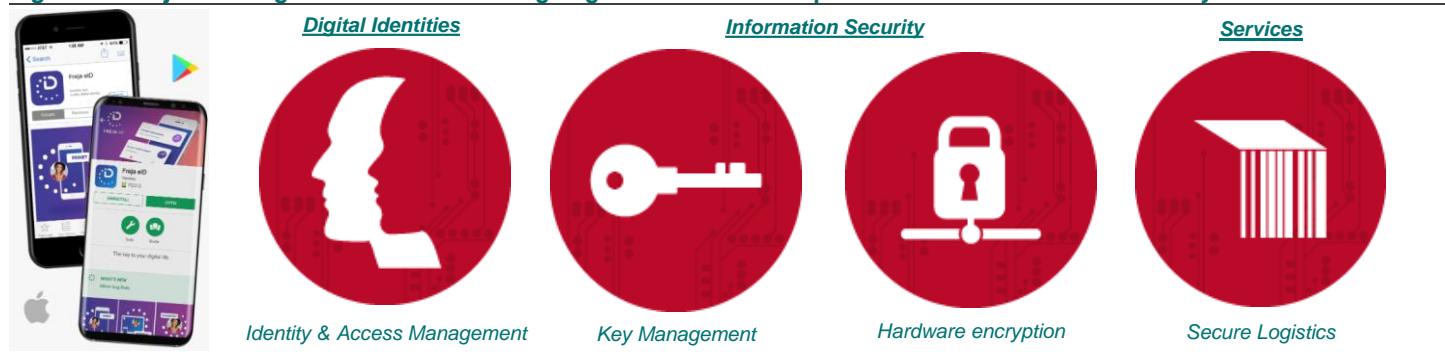
## A recap on Freja eID

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.

Freja eID's Identity-as-a-Service (IDaaS) offering secures digital identities, the cornerstone of a digital society

80% of confirmed breaches due to weak/poorly protected passwords, according to Verizon

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



Source: Company (underlying data), DNB Markets (structuring)

- **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.).

eIDs allow citizens to securely authenticate themselves in online services as proof of identification

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 285 (262 relying parties, 23 partners).

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

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



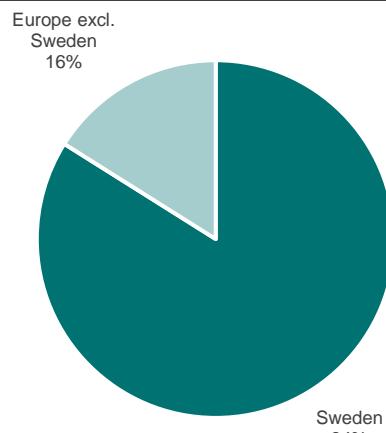
Source: DNB Markets

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

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

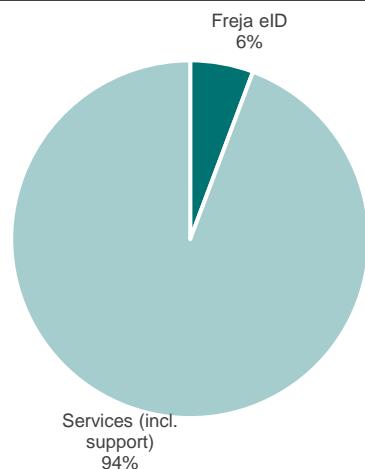
...and we see potential opportunities elsewhere in the Nordics

**Figure 13: Geographical sales split, 2020**



Source: Freja eID

**Figure 14: Sales by business model, 2020**



Source: Freja eID

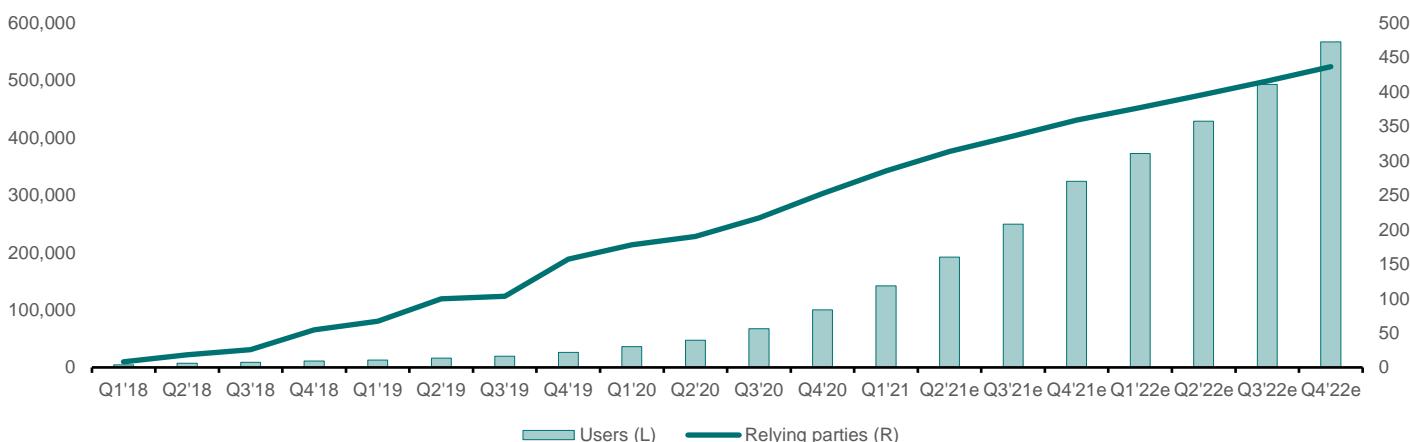
The Freja eID platform is free for users (consumer) and accessed through a mobile app. It is the online service providers (businesses, municipalities, authorities, banks, online payment processes, etc.) where users log in, sign, or approve that are Freja eID's customers, foremost through a transaction-based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

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

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

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

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



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

## Forecast changes – P&amp;L

(SEKm)	New			Old			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Revenues	39	86	132	37	85	133	1	0	-1
Cost of sales	-2	-3	-4	-1	-3	-4	0	0	0
Gross profit	37	83	128	36	82	129	1	0	-1
Operating expenses	-59	-77	-98	-58	-75	-96	-1	-2	-2
EBITDA	-11	24	51	-8	26	55	-3	-2	-4
EBITDA adj	-11	24	51	-8	26	55	-3	-2	-4
EBITDA margin (%)	nm	27.7	38.6	-21.7	30.3	41.3	nm	-2.6	-2.7
Depreciation	-14	-18	-21	-14	-18	-22	0	0	1
EBIT	-25	6	30	-22	8	33	-3	-2	-3
EBIT adj	-25	6	30	-22	8	33	-3	-2	-3
Net interest	-1	-3	-4	-1	-3	-4	0	0	0
Net financial items	-1	-3	-4	-1	-3	-4	0	0	0
PBT	-26	3	26	-23	5	29	-3	-2	-3
Taxes	0	-1	-6	0	-2	-7	0	0	1
Net profit	-26	2	19	-23	3	22	-3	-2	-2
Adjustments to net profit	0	0	0	0	0	0	0	0	0
Net profit adj	-26	2	19	-23	3	22	-3	-2	-2
<i>Per share data (SEK)</i>									
EPS	-4.94	0.32	3.61	-4.36	0.63	4.07	-0.57	-0.31	-0.46
EPS adj	-4.94	0.32	3.61	-4.36	0.63	4.07	-0.57	-0.31	-0.46
DPS ordinary	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
<i>Other key metrics (%)</i>									
Revenue growth	58.7	122.4	54.0	54.7	127.7	56.1	4.0	-5.3	-2.0
EBIT adj growth	nm	nm	405.2	-48.6	-135.0	329.5	nm	nm	75.7
EPS adj growth	nm	nm	1036.1	-896.6	-114.4	546.4	nm	nm	489.7
Avg. number of shares (m)	5	5	5	5	5	5	0	0	0
Capex	-14	-20	-23	-15	-20	-23	1	0	0
OpFCF	-25	4	28	-24	6	32	-2	-2	-4
Working capital	-13	-9	-7	-17	-28	-41	4	19	34
NIBD adj	-5	0	-15	-9	-21	-55	5	21	40

Source: DNB Markets

## Forecast changes – By segment and assumptions

(SEKm)	New			Old			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
<b>Revenue</b>									
Goods	0	0	0	0	0	0	0	0	0
Services (incl. support)	20	21	21	20	20	21	1	1	1
Freja eID	18	65	111	18	65	112	0	0	-2
<b>Assumptions</b>									
Revenue org. % YOY	74.34	127.1	54.05	74.25	127.7	56.07	0.10	-0.59	-2.03
Structure impact % YOY	0.00	0.00	0.00		0.00	0.00		0.00	0.00
Currency impact % YOY	-2.06	0.00	0.00	-2.66	0.00	0.00	0.60	0.00	0.00

Source: DNB Markets

## Quarterly numbers

(SEKm)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021e	Q3 2021e	Q4 2021e	Q1 2022e	Q2 2022e
<b>Revenues</b>	7	6	7	5	7	7	7	9	16	18	21
Cost of sales	0	0	0	0	0	0	0	0	-1	-1	-1
<b>Gross profit</b>	7	5	6	5	6	6	7	8	16	17	20
Operating expenses	-15	-15	-13	-12	-13	-14	-14	-15	-16	-19	-19
<b>EBITDA</b>	<b>-9</b>	<b>-10</b>	<b>-7</b>	<b>-7</b>	<b>-6</b>	<b>-8</b>	<b>-4</b>	<b>-2</b>	<b>3</b>	<b>2</b>	<b>6</b>
Depreciation	-3	-3	-3	-3	-4	-3	-3	-4	-4	-4	-5
<b>EBIT</b>	<b>-12</b>	<b>-13</b>	<b>-10</b>	<b>-10</b>	<b>-10</b>	<b>-11</b>	<b>-7</b>	<b>-6</b>	<b>-1</b>	<b>-2</b>	<b>1</b>
Net interest	0	-1	47	0	0	0	0	0	0	-1	-1
Net financial items	0	-1	47	0	0	0	0	0	0	-1	-1
<b>PBT</b>	<b>-12</b>	<b>-14</b>	<b>36</b>	<b>-10</b>	<b>-10</b>	<b>-11</b>	<b>-7</b>	<b>-7</b>	<b>-1</b>	<b>-3</b>	<b>1</b>
Taxes	0	0	0	-1	0	0	0	0	0	0	0
<b>Net profit</b>	<b>-12</b>	<b>-14</b>	<b>36</b>	<b>-11</b>	<b>-10</b>	<b>-11</b>	<b>-7</b>	<b>-7</b>	<b>-1</b>	<b>-3</b>	<b>1</b>
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-12	-14	36	-11	-10	-11	-7	-7	-1	-3	1
Dividend paid	0	0	0	0	0	0	0	0	0	0	0
Avg. number of shares (m)	5	5	5	5	5	5	5	5	5	5	5
<i>Per share data (SEK)</i>											
EPS	-2.54	-2.79	7.47	-2.28	-1.90	-2.12	-1.40	-1.23	-0.19	-0.54	0.11
<b>EPS adj</b>	<b>-2.54</b>	<b>-2.79</b>	<b>7.47</b>	<b>-2.28</b>	<b>-1.90</b>	<b>-2.12</b>	<b>-1.40</b>	<b>-1.23</b>	<b>-0.19</b>	<b>-0.54</b>	<b>0.11</b>
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	-21.4	-18.6	17.5	-17.0	25.6	-3.6	8.0	24.8	82.9	10.6	15.3
Revenues, YOY growth	nm	-30.8	-36.6	-37.5	-0.1	18.2	8.6	63.1	137.5	172.7	191.3
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	97.0	92.7	99.6	94.4	94.2	93.9	96.6	96.3	96.5	95.1	97.1
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	18.1	9.6	30.0
Depreciation/revenues	-47.3	-60.4	-51.2	-62.5	-52.6	-45.2	-43.6	-44.4	-24.0	-21.6	-23.6
EBIT adj margin	-176.7	-233.0	-157.5	-188.5	-148.0	-168.6	-101.0	-69.5	-5.9	-12.0	6.4
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)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021e	Q3 2021e	Q4 2021e	Q1 2022e	Q2 2022e
<b>EBITDA</b>	<b>-9</b>	<b>-10</b>	<b>-7</b>	<b>-7</b>	<b>-6</b>	<b>-8</b>	<b>-4</b>	<b>-2</b>	<b>3</b>	<b>2</b>	<b>6</b>
EBITDA adj	-9	-10	-7	-7	-6	-8	-4	-2	3	2	6
<b>EBIT</b>	<b>-12</b>	<b>-13</b>	<b>-10</b>	<b>-10</b>	<b>-10</b>	<b>-11</b>	<b>-7</b>	<b>-6</b>	<b>-1</b>	<b>-2</b>	<b>1</b>
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	-12	-13	-10	-10	-10	-11	-7	-6	-1	-2	1
<b>Net profit</b>	<b>-12</b>	<b>-14</b>	<b>36</b>	<b>-11</b>	<b>-10</b>	<b>-11</b>	<b>-7</b>	<b>-7</b>	<b>-1</b>	<b>-3</b>	<b>1</b>
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-12	-14	36	-11	-10	-11	-7	-7	-1	-3	1

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

## Quarterly numbers by segment and assumptions

(SEKm)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021e	Q3 2021e	Q4 2021e	Q1 2022e	Q2 2022e
<b>Revenue</b>											
Goods	0	0	0	0	0	0	0	0	0	0	0
Services (incl. support)	6	5	6	4	6	5	6	4	5	5	6
Freja eID	0	0	0	0	0	1	1	5	11	13	15
<b>Assumptions</b>											
Revenue org. % YOY	-38.68	-29.25	-33.27	1.79	17.92	17.21	95.93	167.3	210.9	191.3	
Structure impact % YOY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Currency impact % YOY	1.59	0.76	-0.86	-2.27	-3.95	-3.73	-1.66	-0.95	0.00	0.00	

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

## Annual P&amp;L

(SEKm)	2019	2020	2021e	2022e	2023e
<b>Revenues</b>	33	24	39	86	132
Cost of sales	-2	-2	-2	-3	-4
<b>Gross profit</b>	32	22	37	83	128
Operating expenses	-63	-51	-59	-77	-98
<b>EBITDA</b>	-31	-30	-11	24	51
Depreciation	-12	-14	-14	-18	-21
<b>EBIT</b>	-43	-43	-25	6	30
Net interest	-1	-1	-1	-3	-4
Net financial items	-1	-1	-1	-3	-4
<b>PBT</b>	-44	-44	-26	3	26
Taxes	4	0	0	-1	-6
Effective tax rate (%)	9	0	0	44	25
<b>Net profit</b>	-40	-44	-26	2	19
Adjustments to net profit	0	0	0	0	0
Net profit adj	-40	-44	-26	2	19
Dividend paid	0	0	0	0	0
Avg. number of shares	5	5	5	5	5
<i>Per share data (SEK)</i>					
EPS	-8.21	-8.23	-4.94	0.32	3.61
<b>EPS adj</b>	<b>-8.21</b>	<b>-8.23</b>	<b>-4.94</b>	<b>0.32</b>	<b>3.61</b>
DPS ordinary	0.00	0.00	0.00	0.00	0.00
DPS	0.00	0.00	0.00	0.00	0.00
<i>Growth and margins (%)</i>					
Revenue growth	nm	-27.2	58.7	122.4	54.0
EPS adj growth	nm	nm	nm	nm	1036.1
Gross margin	94.9	89.9	96.0	96.6	97.1
EBITDA margin	nm	nm	nm	27.7	38.6
EBITDA adj margin	nm	nm	nm	27.7	38.6
Depreciation/revenues	-35.6	-56.1	-35.8	-20.7	-15.7
EBIT margin	nm	nm	nm	7.0	22.9
EBIT adj margin	-129.4	-178.1	-65.5	7.0	22.9
PBT margin	nm	nm	nm	3.5	19.5
Net profit margin	nm	nm	nm	nm	nm

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

## Adjustments to annual P&amp;L

(SEKm)	2019	2020	2021e	2022e	2023e
<b>EBITDA</b>	-31	-30	-11	24	51
EBITDA adj	-31	-30	-11	24	51
<b>EBIT</b>	-43	-43	-25	6	30
Other EBIT adjustments	0	0	0	0	0
EBIT adj	-43	-43	-25	6	30
<b>Net profit</b>	-40	-44	-26	2	19
Other EBIT adjustments	0	0	0	0	0
Net profit adj	-40	-44	-26	2	19
<i>Per share data (SEK)</i>					
EPS	-8.21	-8.23	-4.94	0.32	3.61
Recommended adjustment	0.00	0.00	0.00	0.00	0.00
EPS adj	-8.21	-8.23	-4.94	0.32	3.61

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

## Cash flow

(SEKm)	2019	2020	2021e	2022e	2023e
Net profit	-40	-44	-26	2	19
<b>Cash flow from operations (CFO)</b>	<b>-11</b>	<b>-28</b>	<b>-22</b>	<b>15</b>	<b>38</b>
Capital expenditure	-15	-12	-14	-20	-23
Acquisitions/Investments	0	0	0	0	0
Divestments	0	32	0	0	0
<b>Cash flow from investing (CFI)</b>	<b>-15</b>	<b>20</b>	<b>-14</b>	<b>-20</b>	<b>-23</b>
<b>Free cash flow (FCF)</b>	<b>-26</b>	<b>-9</b>	<b>-36</b>	<b>-5</b>	<b>15</b>
Net change in debt	4	4	22	0	0
Dividends paid	0	0	0	0	0
Other	0	-2	0	0	0
<b>Cash flow from financing (CFF)</b>	<b>6</b>	<b>22</b>	<b>23</b>	<b>0</b>	<b>0</b>
<b>Total cash flow (CFO+CFI+CFF)</b>	<b>-20</b>	<b>13</b>	<b>-14</b>	<b>-5</b>	<b>15</b>
<i>FCFF calculation</i>					
Free cash flow	-26	-9	-36	-5	15
Less: net interest	1	1	1	3	4
Less: tax shields/other	0	0	0	0	0
Less: acquisitions	0	0	0	0	0
Less: divestments	0	-32	0	0	0
<b>Free cash flow to the firm</b>	<b>-25</b>	<b>-40</b>	<b>-35</b>	<b>-2</b>	<b>19</b>
<b>Growth (%)</b>					
CFO	nm	-165.0	21.2	169.7	142.9
CFI	nm	227.6	-171.7	-43.9	-13.3
FCF	nm	66.7	-319.6	87.1	414.4
CFF	nm	241.4	3.7	-100.0	nm
FCFF	nm	-57.4	11.7	95.0	1196.4

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

**Balance sheet**

(SEKm)	2019	2020	2021e	2022e	2023e
<b>Assets</b>	<b>89</b>	<b>85</b>	<b>88</b>	<b>106</b>	<b>151</b>
Inventories	1	0	0	0	0
Trade receivables	17	3	7	13	19
Other receivables	3	3	6	10	15
Current financial assets	19	7	11	22	39
Cash and cash equivalents	10	23	10	5	20
<b>Current assets</b>	<b>50</b>	<b>37</b>	<b>35</b>	<b>50</b>	<b>93</b>
<b>Non-current assets</b>	<b>39</b>	<b>48</b>	<b>54</b>	<b>56</b>	<b>58</b>
<b>Total assets</b>	<b>89</b>	<b>85</b>	<b>88</b>	<b>106</b>	<b>151</b>
<b>Equity and liabilities</b>	<b>89</b>	<b>85</b>	<b>88</b>	<b>106</b>	<b>151</b>
Total equity to the parent	17	45	40	41	61
<b>Total equity</b>	<b>17</b>	<b>45</b>	<b>40</b>	<b>41</b>	<b>61</b>
Trade payables	11	3	10	14	21
Other payables and accruals	57	35	29	40	59
<b>Total current liabilities</b>	<b>68</b>	<b>38</b>	<b>38</b>	<b>55</b>	<b>80</b>
Long-term debt	0	0	4	4	4
Deferred tax liabilities	0	0	0	0	0
Other non-current liabilities	4	2	6	6	6
<b>Total non-current liabilities</b>	<b>4</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Total liabilities</b>	<b>72</b>	<b>40</b>	<b>49</b>	<b>65</b>	<b>90</b>
<b>Total equity and liabilities</b>	<b>89</b>	<b>85</b>	<b>88</b>	<b>106</b>	<b>151</b>
<i>Key metrics</i>					
Net interest bearing debt	-2	-21	-5	0	-15

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

## Valuation ratios

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Enterprise value</i>										
Share price (SEK)	43.00	77.75	83.75	93.00	98.00	95.00	51.40	93.00	93.00	93.00
Number of shares (m)	0.00	0.00	0.00	0.00	0.00	4.87	5.36	5.36	5.36	5.36
Market capitalisation	0	0	0	0	0	463	275	498	498	498
Net interest bearing debt	0	0	0	0	0	-2	-21	-5	0	-15
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	0	0	0	0	0	-2	-21	-5	0	-15
EV	0	0	0	0	0	461	254	493	498	483
EV adj	0	0	0	0	0	461	254	493	498	483
<i>Valuation</i>										
EPS						-8.21	-8.23	-4.94	0.32	3.61
<b>EPS adj</b>						<b>-8.21</b>	<b>-8.23</b>	<b>-4.94</b>	<b>0.32</b>	<b>3.61</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						-11.6	-6.2	-18.8	292.6	25.8
P/E adj						-11.6	-6.2	-18.8	292.6	25.8
Average ROE						-463.7%	-140.6%	-62.2%	4.2%	37.9%
Earnings yield adj						-8.6%	-16.0%	-5.3%	0.3%	3.9%
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	12.80	5.81	3.66
EV/SALES adj						13.83	10.47	12.80	5.81	3.66
EV/EBITDA						-14.8	-8.6	-43.2	21.0	9.5
EV/EBITDA adj						-14.8	-8.6	-43.2	21.0	9.5
EV/EBIT						-10.7	-5.9	-19.6	83.4	16.0
EV/EBIT adj						-10.7	-5.9	-19.6	83.4	16.0
EV/OpFCF (taxed)						-9.9	-25.1	-19.4	138.2	17.2

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

## Key accounting ratios

	2019	2020	2021e	2022e	2023e
<i>Profitability (%)</i>					
ROA	-89.6	-50.6	-30.5	1.8	15.0
<i>Return on invested capital (%)</i>					
Working capital/revenues	-83.0	-100.3	-34.4	-10.8	-5.0
<i>Cash flow ratios (%)</i>					
FCF/revenues	-77.8	-35.5	-93.8	-5.5	11.1
FCF yield (%)	-5.6	-14.7	-7.3	-0.9	3.0
CFO/revenues	-31.9	-115.9	-57.5	18.0	28.4
CFO/market capitalisation	-2.3	-10.2	-4.4	3.1	7.5
CFO/capex	-69.4	-229.2	-158.5	76.7	164.5
CFO/current liabilities	-15.6	-74.2	-58.0	28.3	47.0
Cash conversion ratio	64.8	19.6	136.7	-274.9	76.1
Capex/revenues	45.9	50.6	36.3	23.5	17.3
Capex/depreciation	128.9	90.1	101.3	113.3	109.7
OpFCF margin	-139.6	-41.7	-65.9	4.2	21.3
Total payout ratio	0.0	0.0	0.0	0.0	0.0
<i>Leverage and solvency (x)</i>					
EBIT/interest payable	nm	nm	nm	2.03	6.88
Cash coverage	-40.25	-35.61	-9.42	8.08	11.63
Net debt/EBITDA	0.06	0.72	0.43	-0.01	-0.29
LTD / (LTD + equity (MV))	0.00	0.00	0.01	0.01	0.01
<i>Cash conversion cycle</i>					
Inventory turnover days	186.7	0.0	0.0	0.0	0.0
Receivables turnover days	224.9	92.2	129.8	99.1	95.9
Credit period	2257.8	487.5	2307.9	1765.2	1990.7
Cash conversion cycle	-1846.2	-395.3	-2178.1	-1666.1	-1894.8

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

## Important Information

Company: Freja eID Group  
 Coverage by Analyst: Joachim Gunell  
 Date: 06-5-2021

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6 May 2021

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