



# IMPERO

## INVESTMENT CASE



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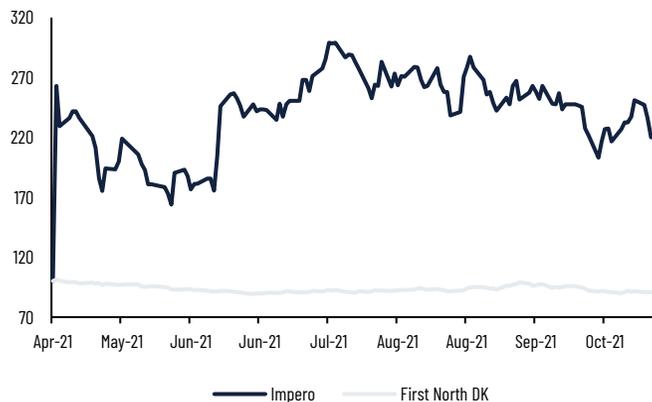
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## IMPERO

Impero is a Software-as-a-Service (SaaS) company that offers a B2B compliance management platform. The company was listed on Nasdaq First North in April 2021.

Ticker: IMPERO  
Share price (DKK): 21.40  
Market capitalization (DKK): 388,386,481



### KEY FINANCIALS (DKKm)

	2020	2021E	2022E	2023E
<b>ARR</b>	12.6	18-19.5	27-29.5	40.5-44
<b>EBITDA</b>	-3.3	N/A	N/A	N/A

## INVESTMENT CASE

- **Impero is a Software-as-a-Service (SaaS) company that provides a B2B compliance management platform.** The SaaS platform enables companies and organizations to manage compliance through automation of risk management, control management, documentation, and reporting.
- **Growth in the GRC software market** is supported by drivers such as **i)** increasing regulatory and legislative requirements within e.g. tax, ESG & sustainability reporting, **ii)** companies' fear of reputational issues and fines, **iii)** cost savings from digitalization in compliance management, and **iiii)** higher demand for top management to ensure the company's role as stakeholder in the society.
- **Impero has onboarded well-known and large Northwestern European corporations** including Volkswagen Group, SimCorp, Siemens, and Arla. Targeting larger corporations, **Impero has a unique land & expand strategy.** An attractive partner strategy with Big4 accounting firms also opens up for new large clients in Northwestern Europe with an estimated total addressable market of approx. DKK 800m.
- **Impero reported strong SaaS metrics in H1 2021 and continued its growth plan in accordance with the IPO document.** With high ARR growth of 44% y-o-y including uplift from existing customers of 8% and a churn rate below 2%, Impero has managed to win new customers and retain and expand use of the platform with existing customers.
- **Impero is on track to deliver on its 2021 ARR guidance of DKK 18-19.5m (43-55% growth).** Sustainable annual ARR growth rates are expected of approx. 50% towards 2023.
- **ARR valuation multiple is 27.4x ARR supported by the strong SaaS metrics and large well-known customers and partners.** However, the share trades above the Danish and US SaaS sector of 14.1x ARR and 16.4x ARR, respectively.

### KEY INVESTMENT REASONS

- Strong SaaS metrics with high growth rates and sustainable low churn rates
- Land & expand strategy provides large upselling opportunities
- With Big4 accounting firms as partners, Impero has a scalable sales function which opens for new markets

### KEY INVESTMENT RISKS

- The GRC market is highly competitive with many smaller players
- Based on current growth rates, valuation is relatively high compared to other Danish SaaS companies
- A capital increase may be necessary before 2023 to fuel the ambitious growth plan

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## SELECTED RISK FACTORS POTENTIALLY AFFECTING THE INVESTMENT CASE

***We have highlighted some general risks associated with the investment case of which we believe investors should be aware of***

**Nasdaq First North Stock Market:** Potential investors must be aware of the significant risks related to investing in companies listed on Nasdaq First North Denmark. Companies traded on Nasdaq First North Denmark are subject to fewer regulations compared to the regulated main market.

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

**Market development:** The GRC market has increased in the past years and is expected to grow towards 2025. However, there is a risk that the market develops unfavorable affecting Impero's operation and financial guidance.

**Competition risk:** The GRC software market is characterized by several companies and platforms competing in high-, mid- and low-end markets. The competitors are both larger companies and smaller, local companies. There is a risk that large, global software providers in the GRC industry such as SAP and Oracle use their financial strength and increase competition by decreasing their prices. This may affect Impero's operation and financial guidance.

**Product development risk:** Impero has a clear strategy for product development that accounts for market changes. Yet, there is a risk that Impero's strategy for the company's products will fail and not create increased sales.

**Regulatory risk:** International regulations on data protection, compliance, and information security affect Impero's business environment. However, Impero carries out risk assessments every year and receives security reviews from third-party IT vendors e.g. Deloitte.

**Operational risk:** Impero's ability to operate its business is dependent on key employees such as CEO, Rikke Stampe Skov and CCO, Karsten Mayland. The CEO, CCO, and the two co-founders are all subject to competition clauses. In line with the growth strategy, Impero also expects to increase the number of employees from 28 as of June 2021 to 40-45 in April 2022. Yet, a risk for a scale up such as Impero is to continuously attract competent and qualified employees.

**Liquidity risk:** Impero's growth strategy and internationalization require access to capital. Specifically, Impero expects that the proceeds from the offering will last two years from the time of the offering, i.e., until April 2023.

**Currency risk:** Impero operates primarily from Denmark and has customers in several European countries. Customers are mainly invoiced in EUR which lower currency risks due to pegged DKK to EUR. Yet, Impero expects to expand its customer base to other Northwest European and possibly North America and Asia which may increase this risk due to fluctuations in local currencies.

**Sale of shares by major shareholders and lock-up agreements:** Large sales of shares by major shareholders, members from the Board of Directors and Management Team may affect the company's ability to raise additional capital in the future. Existing shares before the IPO owned by major shareholders, Management Team and members of the Board of Directors are under lock-up until the first financial report after April 2022 which is the H1 2022 report. For major shareholders, Management Team and members of the Board of Directors, shares are released in five installments of equal size. All minority shareholders' shares are released when the lock-up expires. After the capital increase in connection with the IPO, major shareholders own approx. 72% of the share capital implying that the free float is relatively low.

## IMPERO – IN BRIEF

### *Impero has managed to onboard and retain some of the largest companies in Denmark and Germany as customers*

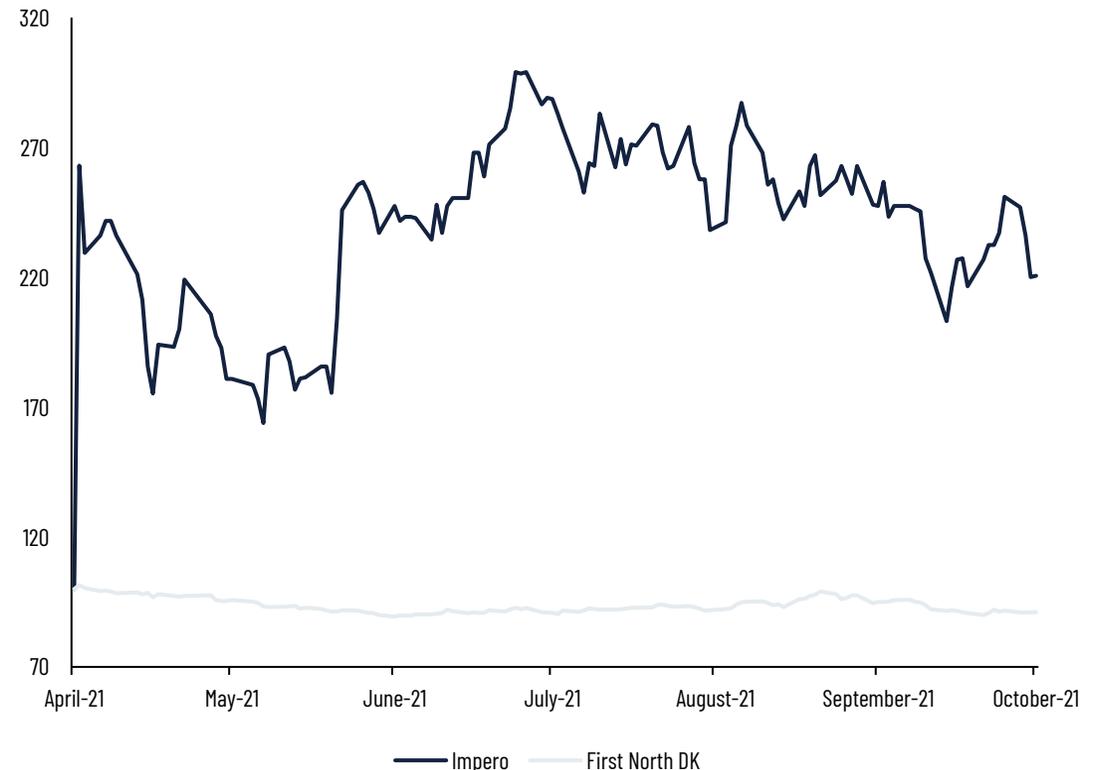
**Overview:** Impero’s software was developed in 2014 by Jacob Engedal Sørensen and Morten Balle. Before that, the founders worked in Big4 accounting companies and identified a need for an easy-to-use digital compliance management platform in large companies. The cloud-based SaaS platform is scalable and can be used for all types of risks and controls. Impero’s platform can be divided into four user functionalities; risk management, control management, documentation, and reporting.

**Customers:** Impero’s customer base includes both small, medium and large companies, which are both public and private customers. However, Impero is primarily targeting larger companies, and Impero already has several large and well-known Northwestern European companies in various industries as customers. Impero has onboarded customers such as Volkswagen Group, Siemens, Demant, Arla, Bestseller, Hempel and Vorwerk, and Impero has about 1/3 of all OMX C25 companies. In total, Impero has more than 100 customers.

**Go-to-market strategy:** Impero’s 5-step-go-to-market strategy for entering new markets starts with **1)** establishing a partnership with a Big4 accounting firm which has an extensive and attractive customer base. At this point, Impero focuses primarily on large accounting firms with a broad customer base across industries. **2)** Impero dedicates effort to win well-known lighthouse customers and uses such customers as key reference customers, i.e. first customers in new markets validate and demonstrate Impero’s value proposition and become essential catalysts for signing other customers. **3)** After the implementation of the Impero platform, many of the new large customers expand the use of Impero across other departments leading to an ARR uplift. **4)** After being established in the new market, Impero grows the partner channel and starts direct sales. **5)** Impero’s final step in the go-to-market strategy is to establish a local office to increase sales efforts further and improve customer success management. Today, Impero has two hubs outside Denmark located in United Kingdom and Germany.

**Share information:** Impero was listed on Nasdaq First North in Copenhagen in 2021 with an offer price per share of DKK 9.70. The company raised DKK 40m before costs from 2,823 investors. As of 21 October 2021, Impero’s market value is DKK 388,386,481. The share trades at DKK 21.40.

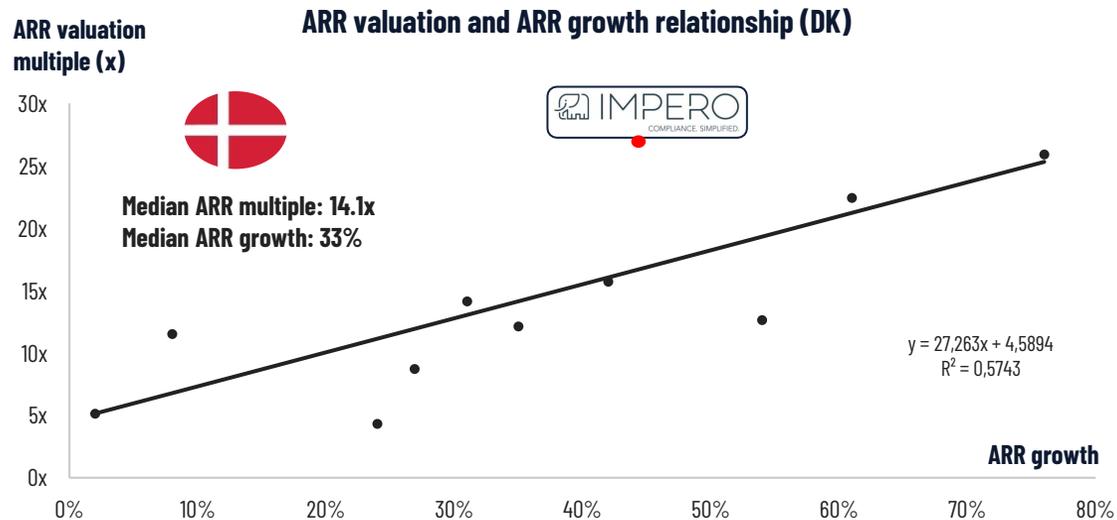
**Indexed share price development (Index 100 = offer price DKK 9.70)**



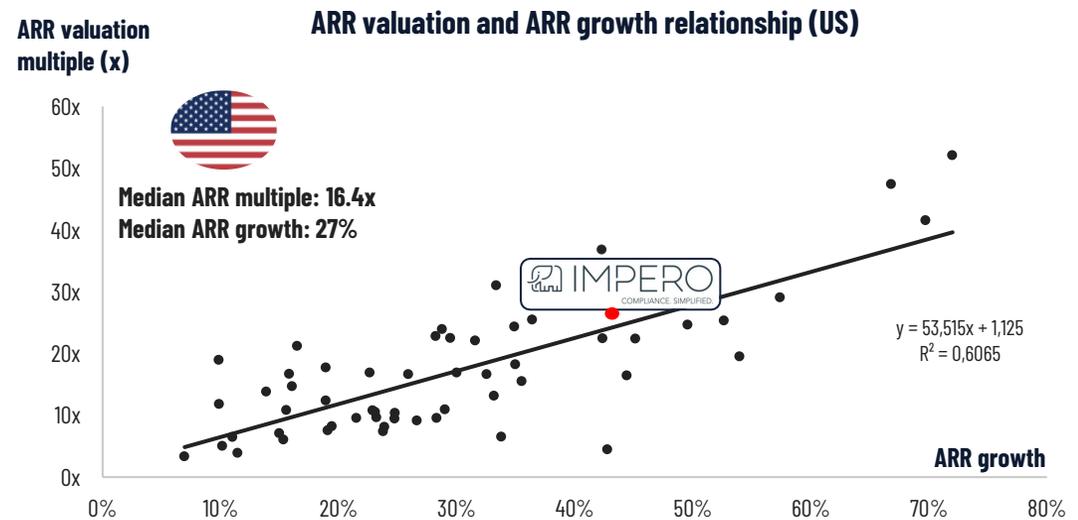
## VALUATION PERSPECTIVES

**Impero trades to a relatively high ARR multiple due to impressive SaaS metrics and large well-known customers and partners**

SaaS companies are traded at high valuations due to the investors' appetite for recurring revenue with high predictability and visibility. The starting point for valuation of SaaS companies is *The SaaS Capital Index* (+60 US-listed SaaS companies) and the *SaaS HCA Index DK* (13 Danish-listed SaaS companies with ARR data). **As of 30 September 2021, the median ARR valuation multiple is 16.4x ARR in United States and 14.1x in Denmark.** The relationship between ARR growth and ARR valuation is shown in the two charts below, i.e., historical ARR growth (LTM) is having a large effect on the valuation. Other factors such as company size and maturity, customers, technological level, investments in R&D, TAM and growth rate also affect the valuation which is included later in our assessment.



Plot of relationship between historical ARR growth rate and ARR valuation (The SaaS HCA Index, 30 September 2021). Two companies are excluded due to lack of growth data or negative growth. Source: HC Andersen Capital



Plot of relationship between historical ARR growth rate and ARR valuation (The SaaS Capital Index, 30 September 2021). Companies without ARR growth data are excluded. Source: SaaS Capital Index.



ARR valuation multiple\*

June 2021A

27.4x

December 2021E

20.7x

December 2022E

13.7x

December 2023E

9.2x

### COMMENTS ON VALUATION

- With large well-known customers and partners combined with low churn rate and high ARR growth, Impero is trading at a high ARR multiple
- In a US perspective, Impero trades closer to the trend line

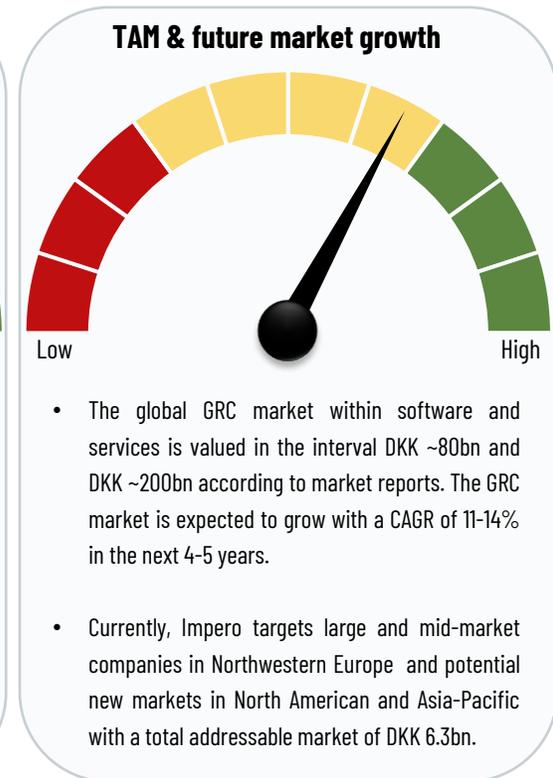
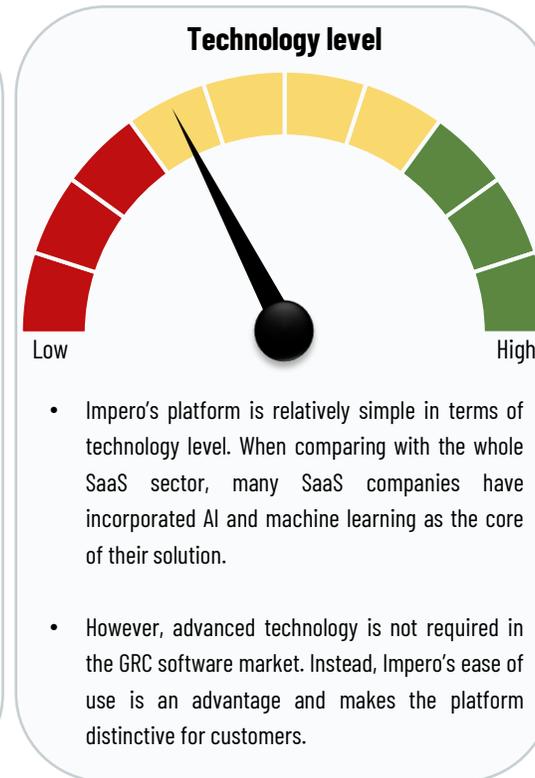
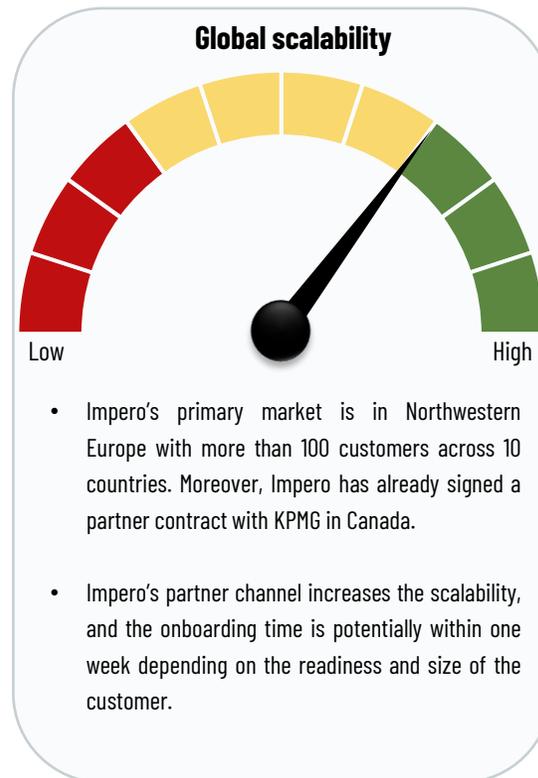
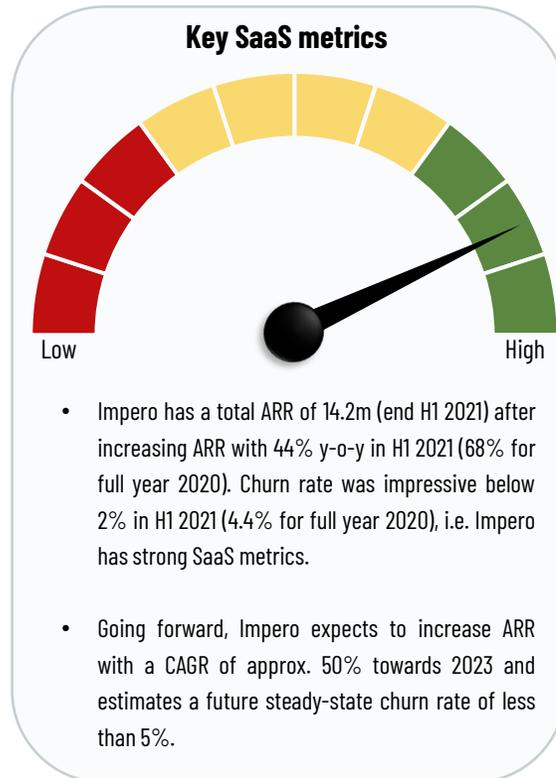
\*Based on Impero's market capitalization 21 October 2021, realized ARR in June 2021 and Impero's own guidance (midpoint) from end 2021 to end 2023.

## SaaS ASSESSMENT OF IMPERO

### How does Impero stack up with other companies in the SaaS sector?

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

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



## SOLUTION AND BUSINESS MODEL

**Proof-of-concept was established early from large international companies, and Impero has since 2017 increased their customer portfolio significantly**

**Solution:** Impero's founders began developing the platform in 2014 in cooperation with two Danish blue-chip companies and one public customer. Proof-of-concept was established between 2016-2018 after attracting international companies such as Maersk and Vorwerk Group.

Impero's software platform automates and streamlines companies' and organizations' compliance and risk management processes. With Impero's platform, customers can create a compliance framework for risk management, control management, documentation and reporting. Thus, potential failures are minimized, and full transparent accountability is ensured throughout the organization.

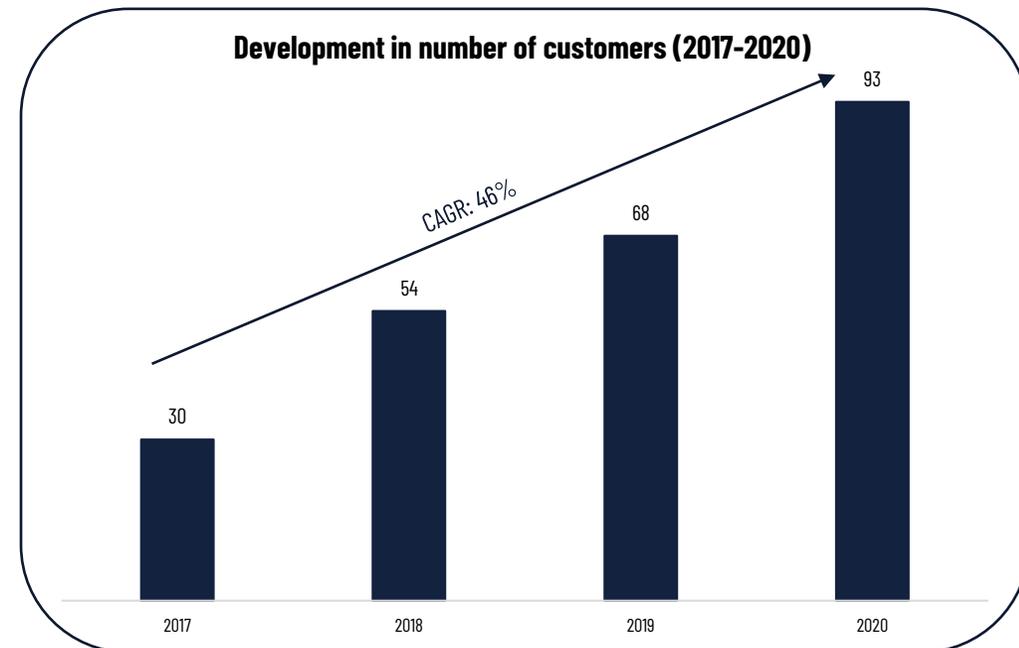
The platform takes care of the entire compliance management process and not just individual steps in a workflow. With the solution, Impero delivers cost reduction, scalability, agility and proactivity in a changing market with increasing number of regulatory requirements.

As mentioned, Impero's platform can be divided into four user functionalities; risk management, control management, documentation, and reporting.

- Risk management helps companies and organizations to map, assess and monitor all types of risks and organize actions and mitigating controls in a framework.
- Control management helps companies and organizations set up and manage controls to address risks, i.e., assigning responsibilities, KPIs, due dates etc.
- Reporting helps companies and organizations get information on the development and real-time status of compliance processes.
- Documentation helps companies and organizations document compliance workflows, i.e. all documentation from the control and risk management modules is kept safe and readily available to present to relevant authorities.

**Business model:** Impero has a classical Software-as-a-Service (SaaS) business model, i.e. customers are paying on subscription basis. A 12-month contract, which automatically renews, ensures visibility of future revenue stream from existing customers. This is also demonstrated through Impero's low ARR churn rate below 2% in H1 2021.

Targeting larger companies and organizations, Impero's business model is well-suited for land & expand, i.e. land a large customer and expand the software throughout the entire company. In June, Impero announced that the company signed a global agreement with GroupM lifting the customer relationship from Denmark and the Nordics to global implementation in 80 markets. Such agreements increase upselling/uplift, and Impero can grow with their customers. In 2020, average ARR per customer was DKK 136k which is expected to increase going forward.



## MARKET AND COMPETITION

### *Impero is positioned in a large GRC market and differentiates itself in the competitive landscape with a simple and agile software platform*

**Global market:** The GRC market is characterized by a wide range of products ranging from simple IT tools, independent compliance solutions and all-in-one compliance software platforms. In 2020, the global software market was measured to consist of more than 1,000 professional service companies, which are both local and global players. Overall, the global market for GRC software is valued to USD 14bn in 2020 with an expected CAGR of 11.2% towards 2026<sup>1</sup>. Another market report estimates CAGR of 13.7% from 2021 to 2028<sup>2</sup>.

Given the expected growth for the GRC market, this underscores the growing need from companies to digitize compliance management. In the future, also smaller companies are expected to demand more digital GRC tools.

**Total addressable market (TAM):** Impero estimates that the total addressable market (TAM) amounts to DKK 6.3bn based on three different customer segments in targeted markets. The top tier segment represents customers headquartered in the Northwestern Europe (compliant countries) with annual revenue of more than DKK 7.5bn. The mid-market segment consists of companies with annual revenue between DKK 1bn and 7.5bn with similar high compliance characteristics as the top tier segment. Finally, the new markets segment consists of companies with headquarters located outside Northwestern Europe with a high compliance demand and annual revenue of at least DKK 1bn.

TAM of DKK 6.3bn assumes that all companies with annual revenue of at least DKK 7.5bn pay DKK 400k yearly, while smaller companies with annual revenue between DKK 1bn and 7.5bn pay DKK 150k yearly. Focusing on Northwestern Europe, TAM is approx. DKK 800m.

**Competition:** Overall, the competitive landscape can be described as highly fragmented and is roughly divided into four categories according to Impero:

- 1) Large enterprise solutions that typically provide a full suite of various software applications.
- 2) In-house developed solutions in Big4 accounting firms. However, larger companies often require that software provided by auditors and consultancies are independent. Furthermore, some Big4 providers have experienced in-house software solutions as costly implying that the accounting firms partner up with external software providers such as Impero.
- 3) Local solutions are provided by companies such as Easy GRC, 6Clicks, House of Control, and AMANA. Still, these providers are often limited to parts of the GRC suite of functionalities according to Impero.
- 4) Generic tools such as mail and Excel solutions which are analog and non-GRC tools. These solutions are often cost-effective for small organizations with only a few risks and controls, however, not adequate for larger companies.

Summing up, Impero differentiates by offering a simple and agile platform that users of generic tools relatively easily can learn. According to Impero, there is also room for both larger enterprise solutions and niche players because of the fragmented competitive landscape. Nevertheless, there is a risk that large global software providers in the GRC industry use their financial resources to gain market shares by decreasing their prices.

Source: <sup>1</sup>Reports Intellect Analysis and <sup>2</sup>Grand View Research

## KEY SaaS METRICS AND FINANCIALS

**Impero has historically reported consistent strong SaaS metrics and expects ARR CAGR of approx. 50% towards 2023**

**Key SaaS metrics:** Investors should focus on key SaaS metrics such as annual recurring revenue (ARR), churn etc. and less on the company's profitability since Impero invests heavily in growth and new customers with long lifetime value. Thus, operating losses of DKK -8.0m and DKK -5.2m in 2019 and 2020, respectively, are in line with the company's expansion strategy, and Impero does not expect to be able to achieve a positive EBITDA before 2024. Providing software, margins are very attractive, i.e. Impero has a gross margin on the software of 95% (2020).

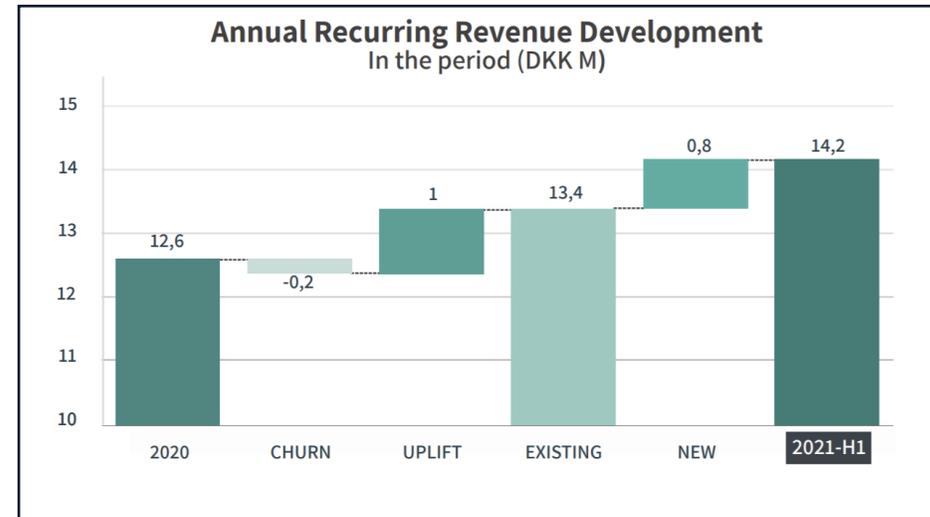
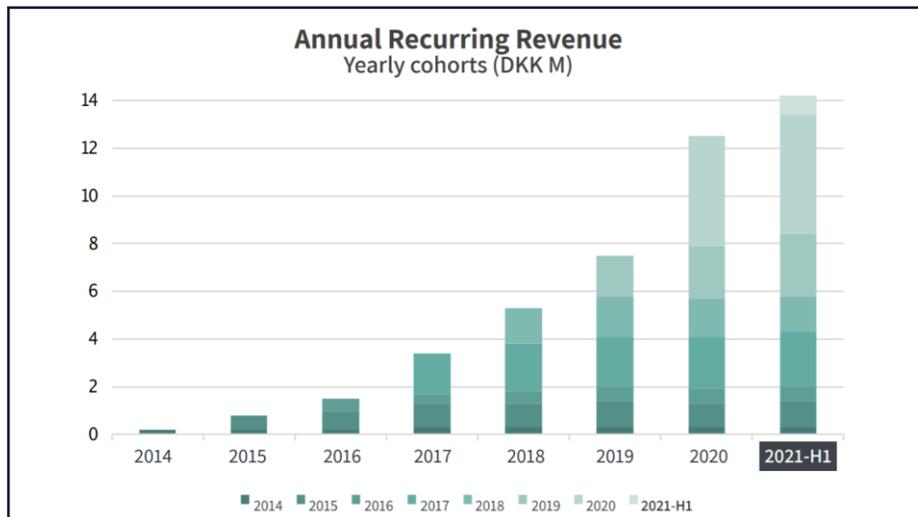
Historically, Impero has managed to deliver consistent impressive SaaS metrics as shown in the yearly cohorts below. Customers onboarded years ago are still using Impero and many of the customers have increased their engagement by expanding the number of users. At the same time, new sales have increased ARR over the years (total ARR growth of 68% in 2020). Churn rate was 4.4% in 2020 and uplift/upselling to existing customers was 14%.

Looking ahead, Impero's long-term goal is to achieve a total ARR of between DKK 40.5-44.0m in 2023 implying a CAGR of ~50% towards 2023.

**H1 2021:** Impero's H1 2021 report was the first announced report since the company was listed on Nasdaq First North in April. Impero grew total ARR with 44% in H1 2021 which was in the lower end of expected 43-55% ARR growth for the full year. With a promising pipeline in H2 2021 and investments in sales- and marketing during H1, Impero maintains the full year ARR guidance.

Unfolding Impero's SaaS performance in H1 2021, the most impressive SaaS metric was churn rate which was below 2%, i.e. a theoretical customer lifetime value of 50 years which is important when comparing with CAC payback period at 12 months (2020). Focusing on the uplift/upselling, Impero's uplift was 8% from existing customers, i.e. a net revenue retention of approx. 106%. Moreover, Impero increased ARR with 6% from new customers supported by Impero's large customers which increase usage shortly after implementation.

Scaling up the organization and investing in sales- and marketing efforts, costs have increased substantially which is in line with the growth strategy. As a result, EBITDA was DKK -5.9m in H1 2021 (DKK -3.1m in H1 2020).



## MANAGEMENT TEAM, CO-FOUNDERS AND MEMBERS OF THE BOARD OF DIRECTORS

*Professional management team is scaling up the organization with co-founders on board and backed by an experienced board*

**Rikke Stampe Skov**  
CEO



**Karsten Mayland**  
CCO



**Allan L. Christensen**  
CTO



**Morten Balle**  
Co-founder



**Jacob E. Sørensen**  
Co-founder



**CEO Rikke Stampe Skov** joined Impero in June 2018. Before joining Impero, Rikke Stampe Skov was partner in PwC within Risk Assurance Services. Earlier this year, Rikke Stampe Skov was elected as board member in Penneo A/S, another First North listed SaaS company with around 1 billion in market value. She owns 4.2% of Impero's share capital.

**CCO Karsten Mayland** leads Impero's global growth and expansion strategies. Before joining Impero, Karsten Mayland has been a director for both PwC and Deloitte for several years.

**CTO Allan Lykke Christensen** was CTO of Boyum IT Group and has worked as Head of Delivery & Optimization in the LEGO Group. Furthermore, Allan Lykke Christensen has led teams across global offices and has developed SaaS solutions.

**Co-founders Morten Balle and Jacob Engedal Sørensen** continue to have important roles in the company. Jacob Engedal Sørensen works as Business Development Director and Morten Balle is Head of Product Quality. Morten Balle owns 7.6% of the share capital, and Jacob Engedal Sørensen owns 6.4% of the share capital.

**Jørgen Bardenfleth**  
Chairman



**Sten T. Davidsen**  
Vice Chairman



**Carsten Gerner**  
Board member



**Line K. Ljungdahl**  
Board member



**Martin Pronk**  
Board member



**Jørn G. Grove**  
Board member



**Chairman Jørgen Bardenfleth** is an investor and board member in companies within tech, MedTech, science, and consultancy. He has many years of experience from executive positions in tech and IT companies including Microsoft Denmark, Intel, and HP.

**Vice Chairman Sten T. Davidsen** is a dedicated member of several boards in both small and large Danish companies. He has a long career where he has held several senior-level positions.

**Board member Carsten Gerner** has extensive experience in auditing and risk management. Previously, he has been CEO of PwC. He also advises on strategy and organizational development and holds several board positions across industries.

**Board member Line K. Ljungdahl** is Chief Legal Officer in Bang & Olufsen and a member of the Executive Management Board. Before working in Bang & Olufsen, she has experience from different executive positions and as an attorney at Kromann Reumert.

**Board member Martin Pronk** is CTO and co-founder of the SaaS company, Queue-it. Established in 2010, Queue-it provides a leading virtual waiting room that prevents websites crashing from high traffic.

**Board member Jørn G. Grove** is a professional investor with extensive experience from several industries. He is a major shareholder in Impero with an ownership of 26.3%.



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