



agillic

AGILIC

INVESTMENT CASE



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AGILIC

Agilic is a SaaS company providing omnichannel marketing automation software for companies. Agilic was listed at Nasdaq First North in 2018.

Ticker: AGILC

Share price (DKK): 27.00

Market capitalization (DKK): 275,071,059



KEY FINANCIALS (DKKm)

	2018	2019	2020	2021E
Revenue	39.0	53.8	50.5	49-53
ARR	50.1	55.1	46.1	50-56
EBITDA	-19.1	-15.4	0.3	0-3

INVESTMENT CASE

- **In a more digital world accelerated by COVID-19, companies need a strategy to reach customers digitally.** Companies are competing to get customers' attention due to an increasing number of digital channels such as digital ads, e-mails, SMS etc. and an increasing amount of content.
- **Agilic's business model is a good fit to this new digital world** with its omnichannel marketing software solution personalizing content through artificial intelligence. With a usage-based business model, revenue increases with customers databases and number of channels.
- **The global marketing technology market accelerated with a growth rate of 22% y-o-y in 2020** and may increase even more in 2021. Agilic differentiates in a highly competitive market by being a tool for marketing departments rather than a big IT department project, and the company targets mid-sized B2C companies with many customers interactions within verticals such as retail, finance, subscription (technology, software and cloud, entertainment and gaming, energy and utility, media and publishing), NGO/charity and travel & leisure.
- With a customer mix heavily hit by COVID-19, Agilic faced negative growth in 2020 and a small positive ARR growth in Q2 2021. **Turnaround is addressed in the Reboot 2.1. strategy targeting ARR growth of 8-20% in 2021 and 16-40% in 2022** by **i)** increasing marketing muscles and stickiness with a partner strategy **ii)** reaching larger customers through the internationalization strategy. On top of the strategic initiatives, 2020 headwinds could turn to tailwinds in a re-opening economy and increase average ARR on the existing customer base. **Additionally, Agilic has recently upgraded EBITDA guidance.** Having a positive EBITDA and a strong cash balance is important for Agilic to attract new clients.
- **Valuation of the SaaS sector is highly correlated with growth rates which could explain Agilic's current valuation of 5.7x ARR** compared to the US SaaS sector trading at 16.1x ARR at the end of July 2021. If the new growth strategy is achieved, Agilic is trading at an ARR multiple of 5.7x with double-digit growth rates (midpoint 2021E) implying a large upside potential relative to a peer in the marketing technology segment.

KEY INVESTMENT REASONS

- Strong digital market trend accelerated by COVID-19 pushing companies to omnichannel marketing automation software
- New Reboot 2.1 strategy focusing on partners may increase internationalization and increase stickiness
- Currently valued at a relatively low ARR multiple of 5.7x

KEY INVESTMENT RISKS

- Negative growth rate in 2020 could indicate a more cyclical business than other SaaS companies due to customer mix
- A highly competitive market with risks of new entrants entering the market with new technology
- High dependency of partners may limit flexibility

DISCLAIMER

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RISK FACTORS POTENTIALLY AFFECTING THE INVESTMENT CASE

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

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

Competition: Agillic is subject to competition from major international competitors and new entrants in the Marketing Automation Software market. The market is characterized by large international providers and new fast-growing competitors investing heavily in gaining market share through sales and marketing initiatives.

Market development: The market for marketing automation software may affect the demand for Agillic's solutions. However, the global COVID-19 pandemic has accelerated the digital transformation need for many companies since they have realized the necessity of digital footprint and maturity to operate within today's digital world. Since Agillic's marketing automation platform is one of the digital transformation tools, the market growth as well as the competition are expected to continue in the coming years.

Operational: Agillic suspended its guidance in 2020 due to COVID-19. However, with its Reboot 2.1 strategy, Agillic now expects revenue of DKK 49-53m and total ARR of DKK 50-56m in 2021 and revenue of DKK 57-63m and total ARR of DKK 65-70m in 2022. For 2021, Agillic recently raised its EBITDA guidance from DKK -5 to -1m to DKK 0 to 3m. There is a risk that Agillic fails to fulfill the expectations if e.g. restrictions from COVID-19 continue, and/or the internationalization strategy fails.

Product development: It is important that Agillic continues to maintain the ability to be innovative in relation to the solutions that Agillic offers. Thus, large resources is expected to be allocated for product development. If Agillic fails to develop its products to the market standards or above standards, Agillic's products may lose their relevance in relation to customers requirements for functionality. Consequently, this may affect the guidance because Agillic may loose customers and has difficulties to win new customers.

Financing: In the beginning of 2021, Agillic raised DKK 11.65m in new capital from private investors and institutional investors including BankInvest, Strategic Investments and German Lloyd Fonds. At the end of Q2 2021, Agillic's cash balance was DKK 22m. Taking the guidance of positive cash flow from operations into consideration combined with the fact that Agillic is a relatively mature software company on First North, a capital increase in the short term is less likely.

Key employees: Agillic is dependent on key employees to ensure the growth of Agillic. If one or more key employees leave Agillic, this may have an impact on the company, strategy, revenue, operating profit and financial position.

Cyber attack: Agillic's business is based on a software solution that Agillic hosts for its customers. Therefore, an attack by hackers will be a threat to Agillic's ability to operate daily through the cloud. However, Agillic works with maintenance of IT infrastructure and virus protection ensuring that risk of cyber attacks are reduced.

AGILLIC – IN BRIEF

Agillic has developed a proven SaaS business within the marketing technology market with well-known Danish mid-sized B2C customers

Overview: Agillic as we know today was established in 2015. With headquarter in Copenhagen and offices in London, Stockholm and Kiev, Agillic is an international SaaS marketing technology company with 49 employees as of 30 June 2021. The company provides a marketing automation software platform that helps marketers in companies communicating relevant and personalized content for their customers. Agillic sends 7 million messages per day through its clients.

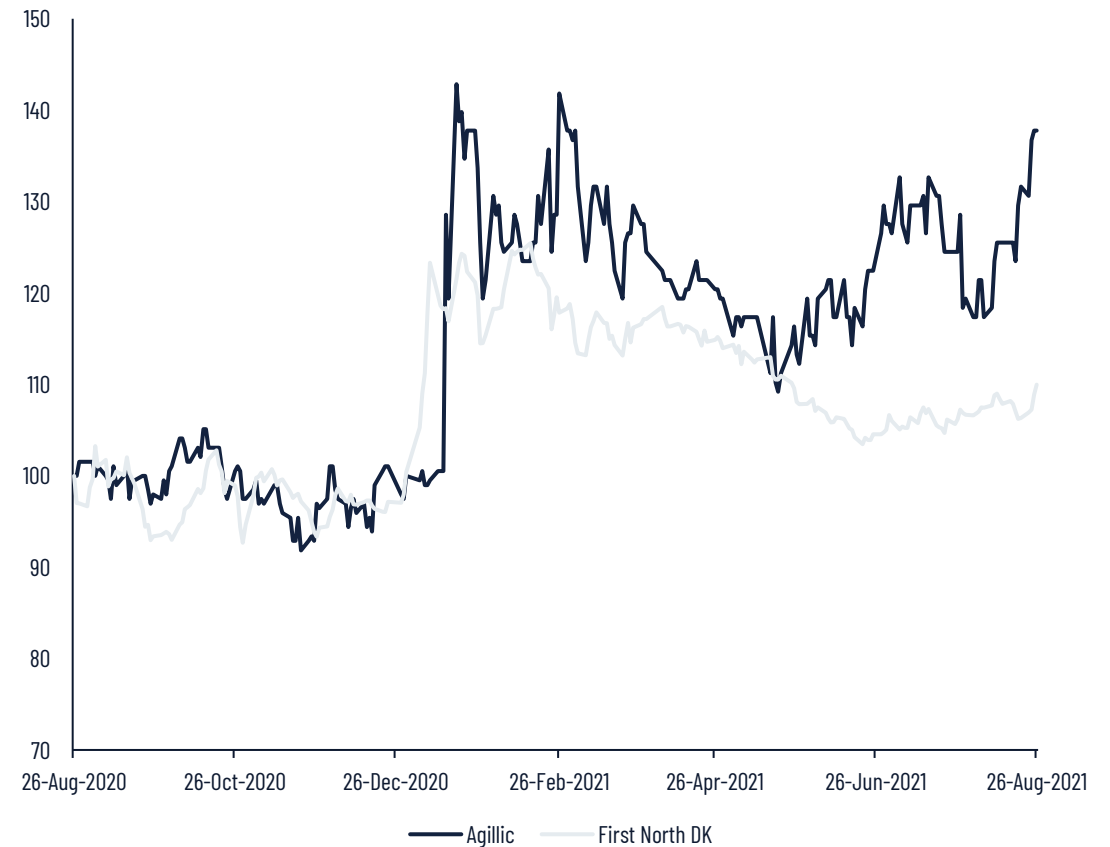
Customers and business model: Agillic targets mid-sized companies and has strong presence within retail, finance, NGO / charity, subscription, and travel & hospitality, especially data-driven B2C-businesses. Current customers include SportMaster, Matas, Sydbank, Air Greenland, Børsen etc. Using Agillic’s software platform, companies can communicate specific content personalized to the specific customer based on the customer data via multiple channels. A smaller part of the total ARR consists of transactions such as e-mails and SMS (approx. 10% of total ARR in 2020), while the remaining 90% of the total ARR of DKK 46.5m end 2020 is subscription/license fees. Serving 91 customers in several European countries, average ARR per customer is approx. DKK 500,000.

Go-to-market strategy: With Agillic’s new strategy Reboot 2.1 launched in January 2021, the company increases its focus on internationalization through partners in the Nordics, the UK, the DACH region, North America and Central Eastern Europe. At the same time, Agillic keeps focus on direct sales through marketing and sales investments.

The partner strategy focuses on increasing sales (Business Development Partners) and strengthen the implementation process (Solution Partners) which have clear advantages: **i)** focus on implementation partners may increase stickiness and decrease churn rates and **ii)** a new commission-based reward model with partners may, all else equal, increase incentive for partners to work with Agillic. Partners are classified into gold, silver and bronze structure based on skill sets and revenue contribution.

Share information: Agillic was listed on Nasdaq First North in Copenhagen in 2018 with an offer price per share of DKK 38.00. The company raised DKK 37m before costs from 1,106 investors. As of 26 August 2021, Agillic’s market value is DKK 275,071,059. The share trades at DKK 27.00.

Indexed share price development (Index 100 = 26 August 2020)



SOLUTION AND BUSINESS MODEL

With Agillic's SaaS business model, Agillic grows with customers

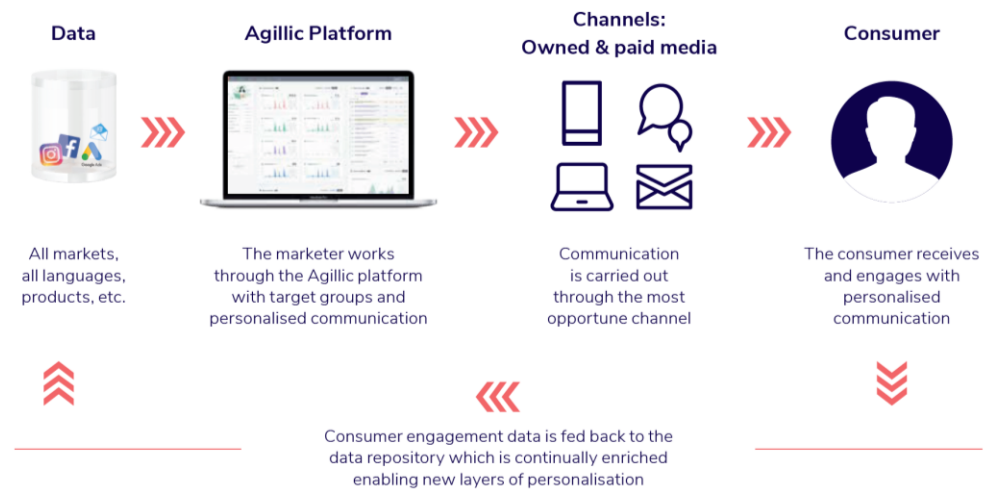
SaaS solution: Agillic's software platform is designed for marketing departments in companies implying that Agillic works close with their customers. Agillic's customer marketing platform uses clients' data and customer profiles. With the use of artificial intelligence, more data creates more precise predictions. With this data input, Agillic's customer marketing platform is able to match content and customer profiles for each customer.

Thus, specific content can be personalized through omnichannel marketing, i.e. integrating all channels such as SMS, e-mails, app notifications and digital ads. This is a clear advantage of Agillic's platform. Ultimately, consumers receive and engage with the personalized communication.

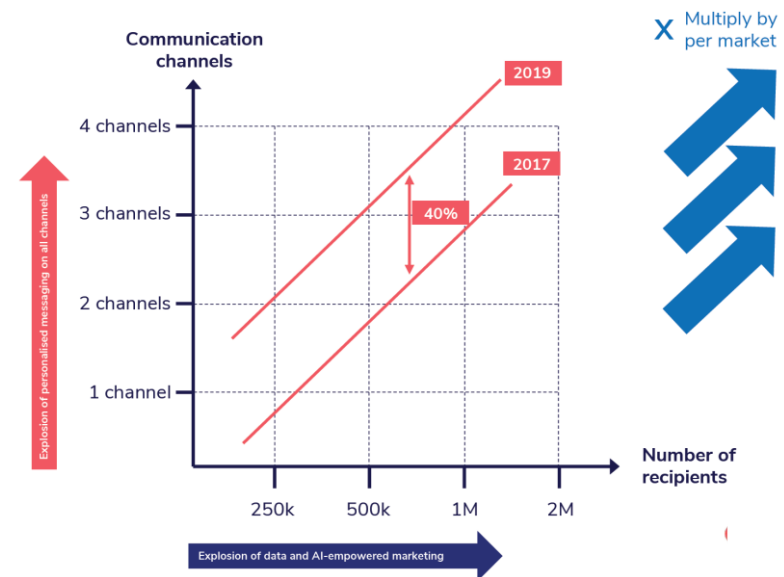
Business model: Agillic's business model is a classical Software-as-a-Service (SaaS) with sale of access to Agillic's platform through the cloud. Clients are paying for a yearly license in advance which provides high visibility. Moreover, subscription fee is usage-based measured on number of unique receivers and channels, i.e. Agillic grows with their customers. Specifically, the subscription fee is depended on the following parameters:

- Number of channels (one channel, multichannel or omnichannel)
- Volume (number of unique receivers in customer database)
- Elements of AI models and integrations of channels

Besides the subscription, customers are paying on a monthly basis for their usage of transactions sent such as e-mails and SMS.



Source: Agillic's annual report 2020

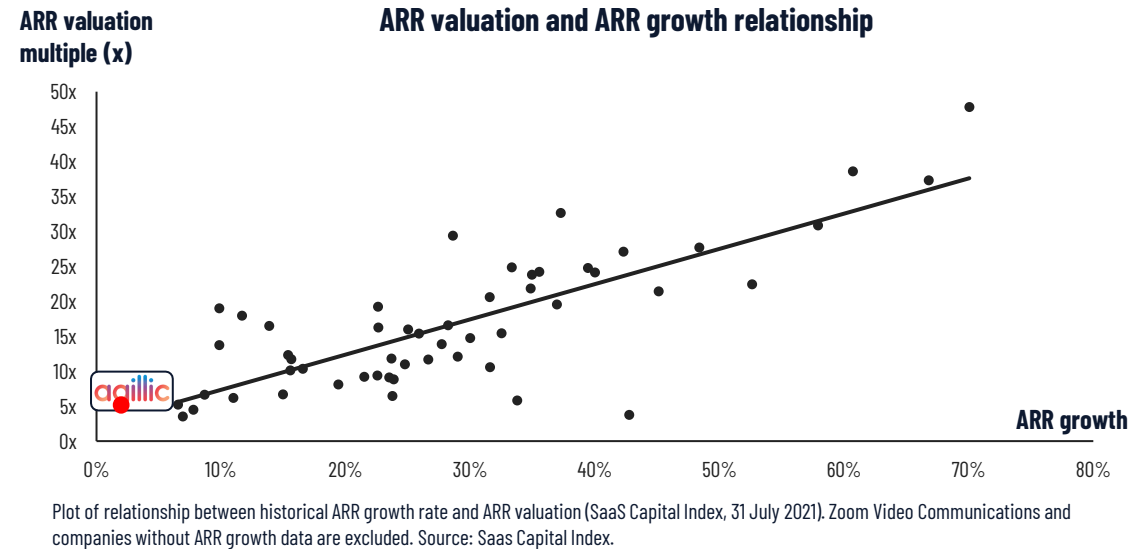
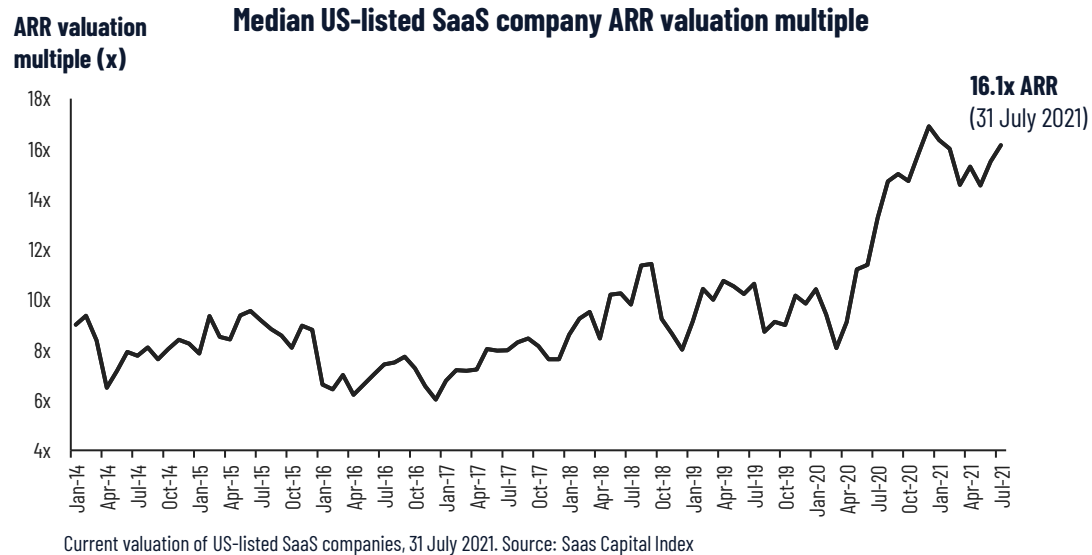


Source: Agillic's investor presentation, February 2021

VALUATION PERSPECTIVES

Comparing with the SaaS sector and peer within marketing automation, a return to double-digit growth rates as guided may lead to an upside in Agillic's share price

SaaS companies are traded to 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*, which consists of more than 60 US-listed SaaS companies. **As of 31 July 2021, the median value of the index's ARR valuation multiple is 16.1x ARR** as shown below in the chart to the left. In the chart to the right, the trend line shows a positive relationship between the historical (LTM) ARR growth rate and the current ARR valuation multiple. Other factors such as company size and maturity, customers, technological level, investments in R&D, TAM and growth rate also affect the valuation which is included later in our assessment.



AGILLIC

ARR growth (Q2 2021)

End June 2021

2%

ARR valuation multiple

5.7x

Source: Agillic and Nasdaq

As shown in the relationship between ARR growth and ARR valuation, growth is the most important driver for valuation. **Agillic is valued to 5.7x ARR** based on market capitalization of DKK 275.1m and ARR of DKK 48.0m end Q2 2021. In Q2 2021, Agillic grew total ARR with 2% y-o-y.

PEER: HUBSPOT

Revenue growth (Q2 2021)

End June 2021

53%

ARR valuation multiple*

22.4x

Source: *The SaaS Capital Index as of 31 July 2021

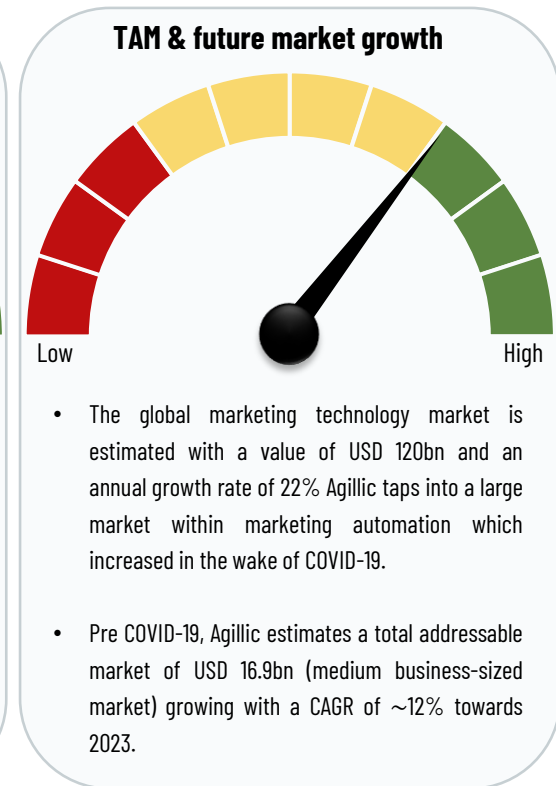
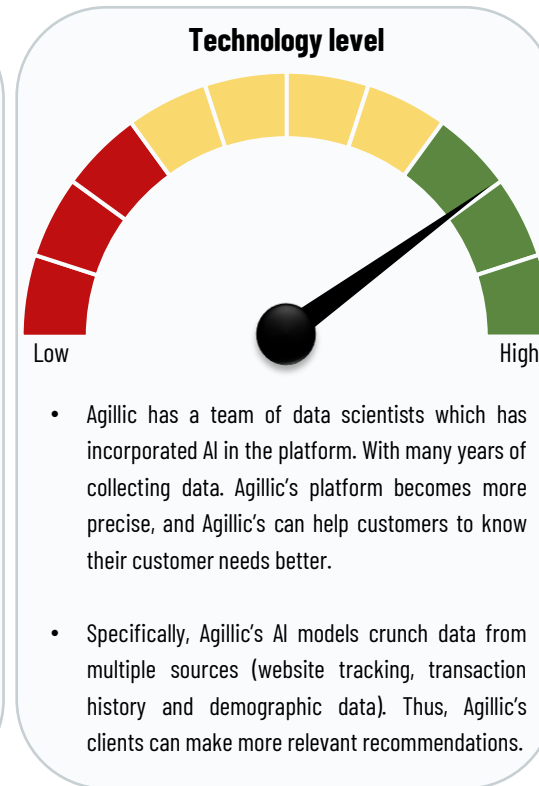
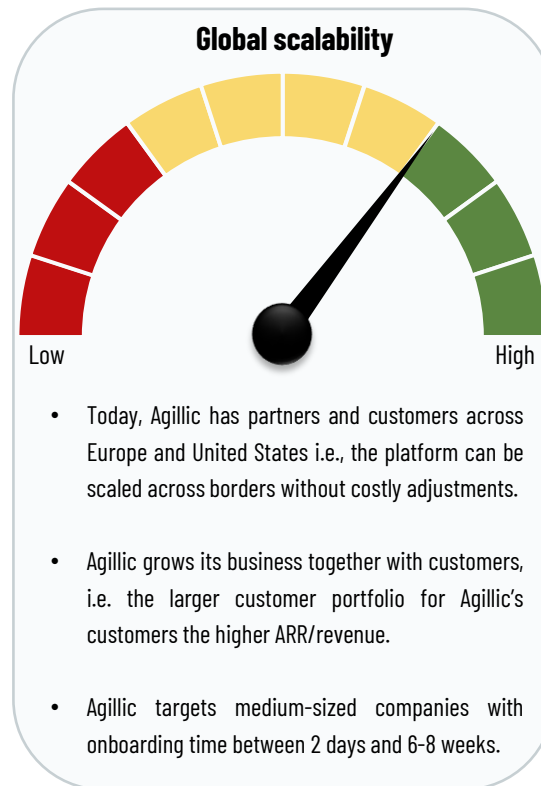
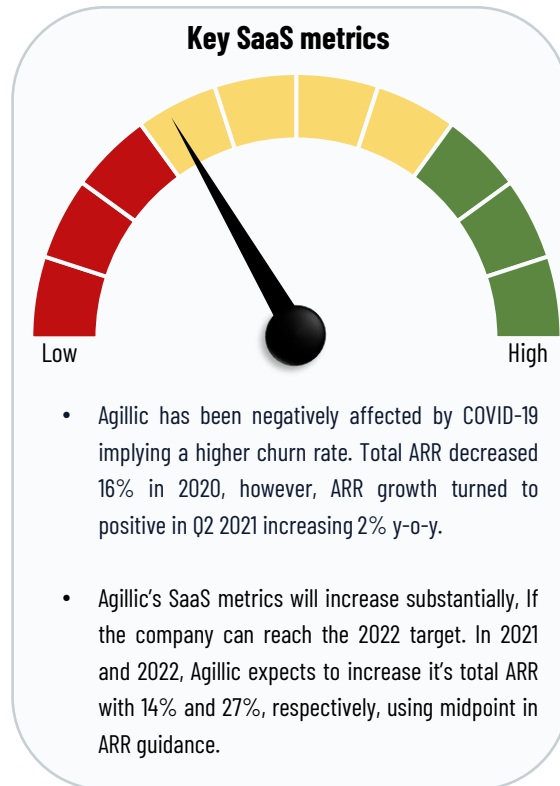
HubSpot is a large US-listed company offering different services including marketing automation targeting B2B companies. Market value is USD 32.1bn, HubSpot reported an ARR of more than USD 1 billion in February 2021 (no specific number). In 2021, revenue guidance is approx. USD 1.25bn.

SaaS ASSESSMENT OF AGILLIC

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

The SaaS business model and market potential vary across companies and industries besides growth rates. Therefore, it is helpful to score the company on some of the most important general criteria for the SaaS industry to determine whether a company should trade with a discount/premium to other SaaS companies. We have chosen four criteria to assess Agillic 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. Agillic's ARR growth, churn rate, upselling etc., **2) Global scalability**, i.e. how scalable the business model is across borders, onboarding time etc., **3) Technology level**, i.e. how advanced the software is and whether it is inimitable, and **4) Total addressable market (TAM) and future market growth**, i.e. how big is the market and future growth rates.



MARKET AND COMPETITION

High competition with both large suite vendors and best-of-breed vendors in fast-growing global marketing technology market

Market: In a more digital world with an increasing amount of data, multiple channels (e-mail, SMS, app notifications, digital ads etc.) and consumer expectations of receiving personalized and relevant content, the global marketing technology (MarTech) market has increased substantially over the past years. According to BDO, WARC, and the University of Bristol, the MarTech industry is estimated with a value of USD 121.5bn in 2020 after an increase of 22% y-o-y. This may be even higher in 2021 due to the acceleration of digitalization pushed by COVID-19. A supporting trend is that almost 70% of members of the CMO Council are increasing their investments in MarTech providing clear tailwinds in the market. Using pre-COVID 19 numbers, the total addressable market of the medium business-sized market is estimated to USD 16.9bn growing with a CAGR of ~12% towards 2023.

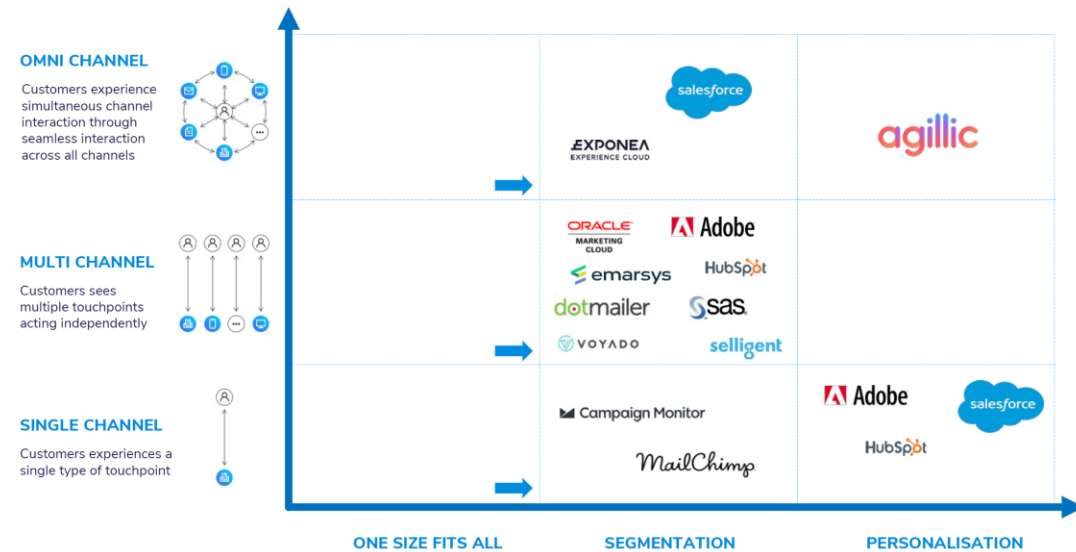
The value proposition is clear. With customer data being integrated and fed into algorithms, customer interactions can be handled easier, and companies can customize their content to the specific customer.

The market both has large suite vendors such as Adobe and Salesforce and best-of-breed vendors such as Agillic with a narrow focus within marketing automation. Entrant barriers seem to be relatively low since number of entrants in the market in 2019 almost equaled the total number of players in the MarTech industry in 2015.

Competition: With several new competitors entering the market, the competition is high. Agillic differentiates itself from large competitors by targeting mid-sized companies with many customer contact points and interactions. Additionally, the solution is more flexible opposite to large suite vendors. Thus, Agillic can customize personalized content to many different customer groups through many channels.

According to an investor presentation from Agillic, the company scores highest in the competitive landscape focusing on the two combined factors; number of channels and the degree of content personalization.

Large suite vendors such as Salesforce, Adobe and HubSpot also provide marketing automation systems with different characteristics. In Agillic's view, e.g. Salesforce can personalize content through a single channel, however, only segmentate simultaneously across all channels. Targeting large B2C companies with millions of users in their customer bases, Agillic provides personalized content across all channels.



Source: Agillic's investor presentation, February 2021

KEY SaaS METRICS AND FINANCIALS

After being hit by customer mix leading to higher churn rate and decreasing ARR in 2020, Agillic now expects to increase ARR with 8-20% and achieve positive EBITDA in 2021

ARR development: Investors should focus on annual recurring revenue (ARR) to keep track on how the SaaS company is growing. From 2016 to 2020, Agillic has grown its total ARR with a CAGR of approx. 22%. However, with Agillic's customer mix and target group such as retail companies and travel & leisure companies, 2020 was a tough year due to COVID-19 implying a 16% decrease in total ARR due to downgrades and churns.

As a relatively mature SaaS company on Nasdaq First North in Denmark, double-digit growth rates will increase the attractiveness of the investment case substantially. With Agillic's new Reboot 2.1 internationalization plan, Agillic expects to turn negative ARR growth to positive ARR growth in 2021 and 2022. End 2021, Agillic expects to increase total ARR to DKK 50-56m (midpoint in guidance of DKK 53m corresponds to 14% ARR growth y-o-y). Looking into 2022, Agillic expects to increase total ARR with approx. 27% YoY (midpoint in guidance) corresponding to DKK 67.5m.

Other SaaS metrics: Agillic does not report its churn rate and net revenue retention, however, COVID-19 effects have been tough for Agillic's growth, i.e. total ARR decreased 16% in 2020. Despite negative effect of COVID-19 with clients downgrading and some clients churning, Agillic managed to win 20 new clients in 2020.

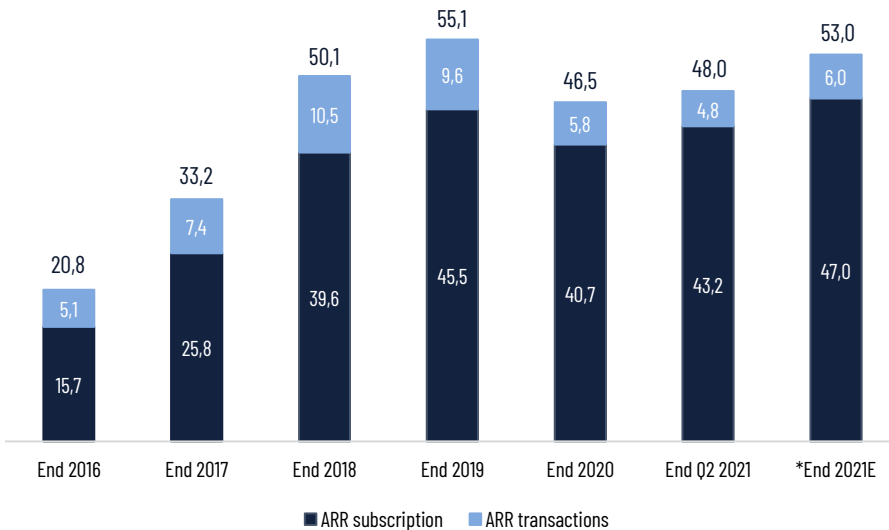
Also, the average ARR per customer has decreased from DKK 0.7m in the beginning of 2020 to DKK 0.5m at the end of Q2 2021 because downgrades of existing customers were exchanged for clients' subscription period commitment, and new customers are targeted to lower ticket size. Investors should keep an eye on this measure to keep track on the development of downgrading/upselling since Agillic grows with their customers, and their prices may sustain or increase in better times following roll-out of COVID-19 vaccines and less travel restrictions. Recent figures from Q2 2021 show that Agillic now has 91 customers which is all-time high.

Another nice and very important measure to follow is the customer acquisition costs (CAC) payback time (Agillic definition: CAC divided by average ARR x gross margin (%)). Agillic has managed to reduce this metric from 18 months to 12 months (year-end 2020). This means that time to recover costs associated with a new customer is only one year. Furthermore, according to Agillic's H1 2021 results, CAC has been reduced to DKK 0.3m from 1.6m in the same period last year.

EBITDA development: Focusing on operational profitability (EBITDA), Agillic increased investments significantly in 2018 and 2019 using proceeds from the IPO. This implied negative EBITDA of DKK -19.1m in 2018 and DKK -15.4m in 2019. In 2020, Agillic has stepped on the brake and made a small positive EBITDA of DKK 0.3m. This is expected to continue in 2021, i.e. Agillic's EBITDA guidance is DKK 0m to DKK 3m after an upgrade in mid July (before DKK -5m to DKK -1m).

Being operational profitable and having cash on the balance sheet is important for Agillic to attract new customers, i.e. Agillic balances ARR growth and profitability.

Historical development in total ARR (end 2016 to end Q2 2021) and 2021 expectations



*Agillic's own expectations (midpoint in guidance)
Source: Agillic's annual reports and own contribution

MANAGEMENT TEAM AND MEMBERS OF THE BOARD OF DIRECTORS

CEO Emre Gürsoy with experience in scaling SaaS companies joined Agillic in 2020 and is expected to get Agillic back on track



CEO Emre Gürsoy joined Agillic in March 2020. He has been working in Creative Business Services for over 25 years and Digital Services for more than 15 years. Before joining Agillic, he was CEO of the MarTech company, AdPeople, where he scaled up the company and expanded internationally. He holds 15,625 shares corresponding to approx. 0.15% of the share capital.

CFO (leaving) Bent Faurskov is the current CFO, however, he leaves the company as of 30 September due to a job offering from Chemometec. Agillic is currently searching for a new CFO.

CCO Bo Sannung joined Agillic in 2015. He is experienced within IT management, digital marketing and marketing management in the software industry and the financial industry. He holds 146,518 shares in Agillic corresponding to approx. 1.4% of the share capital.

CXO Rasmus Houllind joined Agillic in 2015. He has extensive experience with international clients and the development of loyalty programs in international agencies. He holds 207,653 shares corresponding to approx. 2.0% of the share capital.

VP of Technology Nicolas Remming joined Agillic in 2015. He has extensive knowledge of marketing technologies and extensive experience in managing large digital projects. He holds 35.873 shares.

VP of Product Nils Budde joined Agillic in 2019. He has experience from management positions and has competencies within data-driven sales & marketing.

Chairman Johnny Henriksen was elected in 2013, and he is a major shareholder. He has been CEO of DDB Group Denmark and has held several board positions. He owns 1,429,273 shares in Agillic corresponding to 14% of the share capital.

Board member Michael Moesgaard Andersen was elected in February 2021 in connection with the capital increase. He has more than 20 years of experience with start-ups scaling and has been involved in many IPOs on Nasdaq First North. He has 100,000 shares corresponding to approx. 1% of the share capital.

Board member Jesper Lohmann was elected in 2013. He has held management position in Carlsberg and has later co-founded Dico. He owns 155.081 shares corresponding to 1.5% of the share capital.

Board member Susanne Lund was elected in March 2021. She has almost 30 years of experience within the IT & software industry working for e.g. Microsoft, Jabra and Templafy. She owns no shares in Agillic.

Board member Mikael Konnerup was elected in 2013 and is an investor. Mikael was a co-founder of Dico, and he currently sits on several boards. He owns 1.735.042 shares corresponding to 17% of the share capital.



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