

Trifork A/S



Bringing Customers to the Future

Trifork A/S ("Trifork" or "the Company") is a Danish IT and business service provider operating in 6 business areas and 12 countries, through a roll up business model. Trifork help customers to make their businesses more efficient through software and AI solutions. Trifork's innovative business model enables the Company to establish long-term customer relationships and thereby drive innovation. Recent investments in the aftermarket segment are estimated to increase the EBIT margin from 9.8% in 2022 to 10.9% in 2024. In addition, the segment *Inspire*, which focuses on attracting new customers, increased by 138.5% in 2022, the improved *Inspire* segment is estimated to positively impact all core business areas and be instrumental in the forecasted increase of total revenue from DKK 1,390.2m in 2022 to DKK 2,139.6m in 2024. As a result, Trifork is estimated to grow revenue with a CAGR of 24.1%, outperforming the market CAGR of 10%. A relative valuation with a target EV/EBIT multiple of 17.3x applied to the estimated EBIT in 2024 of DKK 233.1m implies an enterprise value of DKK 4,032.6m, corresponding to a share price of DKK 201 in a Base scenario.

Strong Growth With No Sign of Slowing Down

Trifork has historically shown revenue growth with a CAGR of 20.9% between the years 2018 and 2022. In the Company's competitive market, achieving this growth shows innovation, efficiency, and a well functioning business model. With a successful R&D department containing of 25 active startups, the Company is positioned to keep serving customers with valuable and innovative software. Analyst Group estimates the Company's revenue to grow with a CAGR of 24.1% between 2022 and 2024 amounting to a total revenue of DKK 2,139.6m.

Synergies Expected from Investments

In 2022, Trifork invested over DKK 11.9m in its operation, where the investments mainly target the *Inspire* segment and the aftermarket segment called *Run*. The *Inspire* segment offers conferences and workshops to attract customers, while the *Run* segment further develops existing software, product related services and other recurring revenue streams. The amount of new customers is expected to increase due to the developed *Inspire* segment's high conversion rate when attracting new customers. In addition, the average revenue per customer is estimated to increase due to the Company's capitalization in the aftermarket. The investments so far has provided higher revenue and a lower churn rate. Analyst Group estimates that the increasing amount of customers from the *Inspire* segment, combined with the improved profitability from the expanded aftermarket segment *Run*, will create synergies that is estimated to increase the EBIT margin from 9.8% in 2022 to 10.9% in 2024.

Competitive Market Entails Risk

Trifork is operating in a highly competitive market. To fall behind in technological development entails the risk of losing market share. The Company's choice to operate in six different business areas reduces risk by diversifying but also implies the risk of more niched companies conquering market share in one of the segments. However, Trifork's business model builds long-term relationships with customers, which protects the Company from new players striving for Trifork's market share.

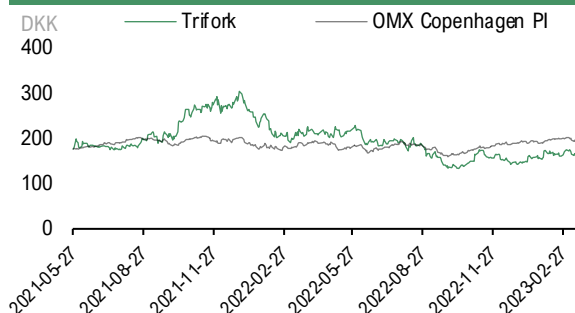
VALUATION RANGE

Bear DKK 145.3 **Base** DKK 201.0 **Bull** DKK 278.0

KEY INFORMATION

Share Price (2023-03-27)	156.8
Shares Outstanding	19,744,899
Market Cap (DKKm)	3,096.0
Net cash(-)/debt(+)	527.9
Enterprise Value (DKKm)	3,623.9
List	Copenhagen Stock Exchange
Quarterly report 1 2023	2023-05-03

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: HOLDINGS)

Jørn Larsen	19.5%
Ferd A/S	10.0%
Thorup Kresten Krab	6.6%
CHR Augustinus Fabrikker A/S	5.1%
Universal Investment Co LLC	2.4%

Estimates (DKKm)	2021	2022	2023E	2024E
Revenue ¹	1,204.7	1,390.2	1,687.4	2,139.6
COGS	-218.2	-279.4	-316.4	-376.3
Gross Profit¹	986.4	1,110.8	1,371.1	1,763.4
Gross Margin	81.9%	79.9%	81.5%	82.4%
Operating Costs	-784.1	-884.3	-1,073.5	-1,362.7
EBIT¹	114.6	136.3	164.9	233.1
EBIT Margin	9.5%	9.8%	10.0%	10.9%
P/S	2.5x	2.2x	1.8x	1.4x
EV/S	2.9x	2.5x	2.1x	1.7x
EV/EBIT	30.9x	26.0x	21.5x	15.2x
P/E	32.4x	22.3x	21.4x	15.7x

¹Adj. For one time charges

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ABOUT THE COMPANY

Trifork is a Danish IT and business service provider founded in 1996. The Company operates in three vertical business areas: *FinTech*, *Digital Health*, and *Smart Building*, and three horizontal business areas: *Smart Enterprise*, *Cyber Protection*, and *Cloud Operations*. In all the different business areas, the main focus is to offer software that improves the business. Trifork is active in 12 countries and strives to be the industry leader, driving innovation through a successful R&D department. The Company has been listed on Copenhagen Stock Exchange since 2021.

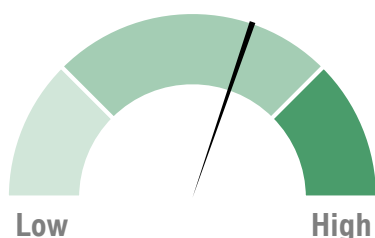
CEO AND CHAIRMAN

CEO	Jørn Larsen
Chairman	Julie Galbo

JUNIOR ANALYST

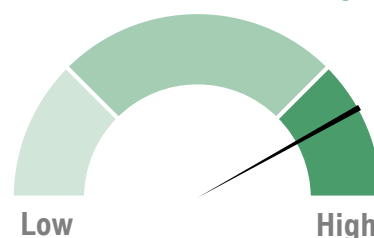
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Value Drivers



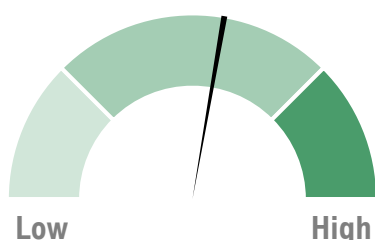
In 2022, Trifork invested in its operation, where the investments mainly targeted the Company's ability to attract customers and development of the aftermarket segment to create recurring revenue streams. Analyst Group estimates that attracting more customers in combination with a lower churn rate with a developed aftermarket segment and a strong market tailwind serves as strong value drivers for Trifork.

Historical Profitability



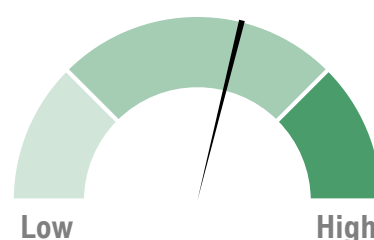
Trifork has grown with a CAGR of 21.2% between 2018 to 2022, and the growth originates from both organic growth and acquisitions. The Company has been profitable every year for over 12 years, with a current EBIT margin of 9.8%. Trifork has succeeded with being profitable every year, in spite of a continuous high growth rate, which is a sign of a scalable business model.

Management & Board



In a fast-growing market, Trifork has grown even faster on a yearly basis, a track record which proves the management's quality. The CEO, Jørn Larsen, is also the biggest shareholder, with 19.5% of the shares, which creates incentives to create shareholder value.

Risk Profile



A fast growing market entails a constant risk of new competitors entering the market. Customers can easily change Trifork for a competitor if the Company fails to offer the best software solution. Furthermore, Trifork is a frequent acquirer of other companies, which historically has been successful, however it also creates a risk in a climate affected by increasing interest rates and decreasing demand.

ESTIMATED
MARKET GROWTH
OF 10% CAGR

Increased Importance of Software Drives Market

The market for Trifork, considering the Company's core geographical and business areas, is estimated to grow with a CAGR of 10% and reach DKK 223.5bn in 2024. The growth is primarily driven by the global trends of technological change and the increasing use of data. The trend has shifted from software solutions that primarily support businesses to solutions that can completely transform and differentiate the business from competitors. The increased importance of software in a modern business is displayed through Trifork's business area *Smart Enterprise*, where revenue has grown with a CAGR of 28.4% between 2018-2022. *Smart Enterprise* is the Company's biggest business area, corresponding to 45.6% of total revenue, Analyst Group estimates that the *Smart Enterprise* revenue will continue to grow with a CAGR of 29.1% between 2022 and 2024. As the most prominent business area, and the second fastest growing, *Smart Enterprise* is estimated to be the biggest contributor to the total revenue CAGR of 24.1% to 2024, outperforming the market CAGR of 10%.

Sustained Increase in Revenue Through a Progressive Business Strategy

Trifork operates in three vertical business areas: *FinTech*, *Digital Health*, and *Smart Building* and three horizontal business areas: *Smart Enterprise*, *Cyber Protection* and *Cloud Operations*. The vertical business areas target specific sectors which are financial institution, healthcare, and real estate. The horizontal business areas operate in the same sectors as the vertical as well as others, focusing on the service rather than a specific market. The Company's business model consists of three segments: *Inspire*, *Build*, and *Run*. The *Inspire* segment focuses on attracting new customers by showing the value that Trifork can create for the customers, the *Build* segment is where the software is produced, and the *Run* segment is the Company's aftermarket operation. The segment *Inspire* revolves around the GOTO brand, where Trifork, through conferences and workshops alongside customers, find ways to make the customer's businesses more efficient. The *Inspire* segment's purpose is not to generate revenue, however, it works as a bridge into the *Build* and *Run* segments and provides new customers to all business areas. In 2021, the customer-specific workshops in the *Inspire* segment had a 70% conversion rate into the *Build* segment. In 2022, the activity in the *Inspire* segment increased by 138.5% from 2021 and has provided new important contracts in Switzerland and Denmark. The increased activity in the *Inspire* segment is estimated to continue increasing the total revenue with a CAGR of 24.1% until 2024.

Capitalization on Aftermarket Expected to Create Synergies

In 2022, Trifork invested DKK 11.9m in the segment *Run*, which included developing existing software, product-related services and other forms of annual recurring revenue. As a result, the *Run*-revenue reached DKK 289.1m in 2022, an increase of 19% from the same period in 2021. In addition to the revenue growth, the churn rate decreased from 17% in Q2 2022 to 15.2% in Q3 2022. The *Run* segment enables dependable recurring revenue, higher profit margins, and a more scalable business model. The capitalization of the aftermarket combined with the increased customers from the developed *Inspire* segment is estimated to increase the EBIT margin from 9.8% in 2022 to 10.9% in 2024.

Valuation

In a Base scenario, factors such as Trifork's increased activity in the *Inspire* segment and a decreasing churn rate is estimated to generate a total revenue growth of 24.1% CAGR, amounting to a total revenue in 2024 of DKK 2,139.6m. The investments in the *Run* segment is estimated to increase the EBIT margin from 9.8% in 2022 to 10.9% in 2024. A target EV/EBIT multiple of 17.3x applied to the estimated EBIT of DKK 233.1m in 2024 implies a share price of DKK 201 in a Base scenario.

Risk of Falling Behind

Trifork is operating in a competitive market that requires the Company to continuously develop its IT services to stay ahead and win contracts. To fall behind in technological change or competitors innovation can entail Trifork losing market share. The Company, however, has a strong track record of founding, co-founding, and investing in startups through its R&D department *Trifork Labs*. Investing in companies or strategic partners, which invent software that can drive Trifork's segments, is a way to keep up with technological development. *Trifork Labs* currently has 25 active startups, and the Company's strong financial position with a current ND/EBITDA of 2.1x allows for further acquisitions.

IMPROVED
MARGINS
EXPECTED FROM
ANNUAL
RECURRING
REVENUE

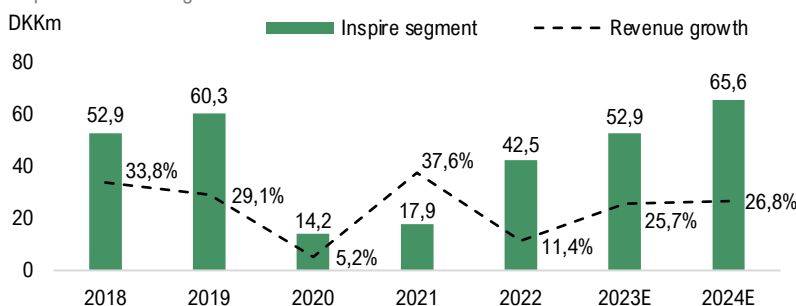
Increasing Customers Estimated to Drive Revenue

REVENUE
ESTIMATED TO
GROW AT 21.1%
CAGR

Trifork is divided into three vertical business areas: *FinTech*, *Digital Health*, and *Smart Building* and three horizontal business areas: *Smart Enterprise*, *Cyber Protection* and *Cloud Operations*. The vertical business areas targets financial institutions, healthcare, and real estate markets. The horizontal business areas operate in the vertical markets as well as others. The Company's most prominent business area is *Smart Enterprise* which, as of 2022, constituted 45.6% of the Company's total revenue. This business area creates enterprise software and AI solutions that make customers' businesses more efficient, and it is also the second fastest-growing area after *Cyber Protection*, with a CAGR of 28.4% between 2018 and 2022. *Cyber Protection* brings solutions to protect customers from malicious cyber threats, for example by criminal organizations. The *Inspire* segment's purpose in the business model is not to generate revenue, however, it is a key process that drives the Company's revenue from acquiring new customers by reaching out through the Company's own conferences, workshops and the GOTO YouTube channel. Therefore, the *Inspire* segment's purpose is to impact all business areas positively by providing new customers. Analyst Group estimates that the development of the *Inspire* segment is estimated to generate a total revenue CAGR of 24.1% between 2022 and 2024.

Inspire segment expected to increase total revenue with a 21.1% CAGR.

Inspire and revenue growth



Source: Analyst Group's estimates, the Company

Business areas	Share of total revenue	Revenue CAGR
	2022	2018-2022
FinTech	12.5%	16.5%
Digital Health	10.5%	14.6%
Smart Building	3.4%	14.5%
Smart Enterprise	45.6%	28.4%
Cloud Operations	16.2%	13.8%
Cyber Protection	8.4%	50.9%

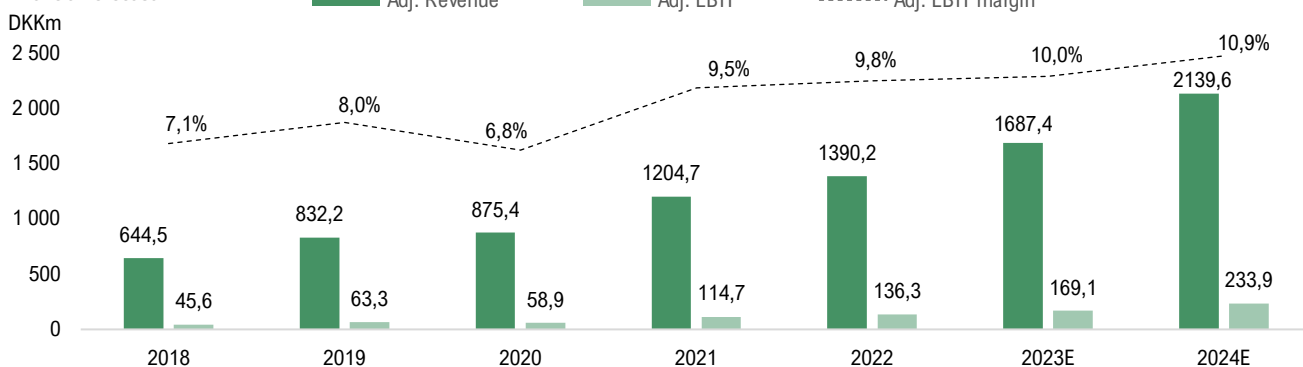
Investments in the Aftermarket Segment Expected to Improve EBIT Margin

EBIT MARGIN
EXPECTED TO
REACH 10.9% IN
2024

To provide a fair image of historical performance, Analyst Group adjusts for one-time expenditures, such as the disposal of the company *Dawn Health A/S* in 2021, which increased the revenue by 14.4% that particular year. Trifork has shifted its focus to the aftermarket segment by investing more resources in developing existing software, product-related services and other recurring revenue streams. Investments in the aftermarket segment is expected to positively impact the EBIT margin in 2023. In the aftermarket segment, the Company is estimated to capitalize on existing software instead of constantly creating new, which is estimated to decrease the COGS from an average of 21.4% of total revenue between 2019-2021 to 17.6% of total revenue in 2024. The aftermarket segment, in 2022, has shown an adjusted EBITDA margin of 19% compared to the total adjusted EBITDA margin of 17.1%, displaying the difference in profitability between the segments. In turn, the expansion of the aftermarket segment is estimated to increase the EBIT margin to 10.9% in 2024, amounting to an increase of EBIT from DKK 136.3m to DKK 233.1m in 2024.

Decreasing COGS enables EBIT margin to reach 10.9%.

Financial forecast



Analyst Group's estimates

Valuation

DKK 201.0 IN A BASE SCENARIO

A relative valuation has been performed to determine the value of Trifork. When selecting comparable companies, similar-sized IT and software companies that are profitable with growing revenues are considered the key qualities. An EV/EBIT multiple has been chosen to adjust for difference in capital structure. According to the valuation, Trifork is trading at 15.2x EV/EBIT for 2024, representing a 11.6% discount compared to the peer average of 17.3x EV/EBIT 2024. However, Analyst Group believes that, due to the Company's higher estimated growth rate and lower EBIT margin in 2024, Trifork should be trading at the peer average of 17.3x EV/EBIT.

Trifork is undervalued compared to its peers.

Comparable companies	MarketCap	Enterprise Value	Revenue CAGR	EBIT margin	EV/EBIT
	DKKm	DKKm	2021-2024E	2024E	2024E
Value	2,112.1	1,869.5	11.2%	13.8%	13.7x
Esi Group	3,461.0	3,496.9	3.1%	16.6%	18.7x
Cint Group	1,951.7	2,372.1	39.4%	8.0%	14.8x
Sidetrade	1,425.0	1,388.6	14.3%	14.8%	27.5x
Secunet Security	10,608.1	10,742.8	10.2%	15.2%	21.4x
PSI Software	3,345.6	3,200.5	6.9%	11.3%	10.4x
Average	4,000.8	4,044.6	14.2%	13.3%	17.3x
Median	2,835.5	3,004.6	10.7%	14.3%	17.0x
Trifork	3,013.1	3,541.0	21.1%	10.9%	15.5x

Source: Bloomberg

Base scenario

In a Base scenario Analyst Group estimates that the total revenue will increase with a CAGR of 24.1% between 2021-2024 in part to the developed *Inspire* segment attracting new customers, reaching a total revenue of DKK 2,139.6m in 2024. Analyst Group estimates the growth to be driven by a strong underlying market growth while Trifork are estimated to grow faster than the market through offering the next generation technology from a successful R&D department. The investments in the more profitable aftermarket segment is estimated to increase the EBIT margin from 9.8% in 2022 to 10.9% in 2024, which corresponds to an increase of EBIT from DKK 136.3m in 2022 to DKK 233.1m in 2024. A target EV/EBIT multiple of 17.3x on the 2024 years EBIT of DKK 233.1m implies an enterprise value of DKK 4,032.6m and a market cap of DKK 3,969.4m, corresponding to a motivated share price of DKK 201.

DKK 278.0 IN A BULL SCENARIO

DKK 145.3 IN A BEAR SCENARIO

Bull scenario

The following is a selection of potential value drivers from a Bull scenario:

- An increase of customers from the developed *Inspire* segment enables the Company's revenue to grow with a CAGR of 27.5% until 2024.
- Investments in the *Run* segment create operational leverage, decreasing COGS from 18.5% of total revenue in 2021 to 16.7% of total revenue in 2024.
- Decreasing COGS enables the EBIT margin to reach 14% by 2024, corresponding to an EBIT of DKK 317.3m.

With an 17.5x EV/EBIT multiple applied to the Bull scenario's EBIT 2024 implies a share price of DKK 278.

Bear scenario

The following is a selection of potential factors from a Bear scenario:

- A decrease of new customers due to a recession, where companies reduce their investments in new software.
- Trifork's revenue grows with a CAGR of 10% without an increase from the *Inspire* or *Run* segments.
- Due to the Company's failed investments in the aftermarket segment, the EBIT margin only increases to 10.2% in 2024.

With a 17.1x EV/EBIT multiple applied to the Bear scenario's EBIT 2024 implies a share price of DKK 145.3.

Base scenario (adj) DKKm	2019	2020	2021	2022	2023E	2024E
Revenue	832.2	875.4	1,204.7	1,390.2	1,687.4	2,139.6
Cost of goods & services purchased	-205.2	-169.5	-218.8	-279.4	-316.4	-376.3
Gross profit	627.0	705.9	986.4	1110.8	1,371.1	1,763.4
Gross profit margin	75.3%	80.6%	81.9%	79.9%	81.3%	82.4%
Other operating expenses	-92.9	-93.7	-130.7	-155.7	-189.2	-240.7
Personnel costs	-415.7	-477.9	-653.4	-728.6	-884.3	-1,122.0
Depreciation & Amortization	-55.1	-74.7	-87.7	-90.1	-132.6	-167.6
EBIT	63.2	59.6	114.6	136.3	164.9	233.1
EBIT margin	7.6%	6.8%	9.5%	9.8%	10.0%	10.9%
Financial income	78.6	78.2	39.3	50.7	59.9	61.1
Financial expenses	-7.7	-11.3	-31.5	-21.6	-36.5	-40.2
EBT	134.0	126.4	122.4	165.4	188.3	254.0
Income tax expense	-10.4	-17.8	-29.5	-30.5	-47.8	-62.6
Net income	123.7	108.7	92.9	134.8	140.5	191.4
Net profit margin	14.9%	12.4%	7.7%	9.7%	8.6%	8.9%
Bull scenario (adj) DKKm	2019	2020	2021	2022	2023E	2024E
Total revenue	832.2	875.4	1,204.7	1,390.2	1,773.0	2,261.1
Cost of goods & services purchased	-205.2	-169.5	-218.2	-279.4	-311.2	-377.1
Gross profit	627.0	705.9	986.4	1,110.8	1,461.7	1,884.0
Gross profit margin	75.3%	80.6%	81.9%	79.9%	82.4%	83.3%
Other operating expenses	-92.9	-93.7	-130.7	-155.7	-189.2	-228.5
Personnel costs	-415.7	-477.9	-653.4	-728.6	-917.1	-1,169.7
Depreciation & Amortization	-55.1	-74.7	-87.7	-90.1	-132.2	-168.5
EBIT	63.2	59.6	15.4	136.3	223.3	317.3
EBIT margin	7.6%	6.8%	9.5%	9.8%	12.6%	14.0%
Financial income	78.6	78.2	39.3	50.7	59.9	61.1
Financial expenses	-7.7	-11.3	-31.5	-21.6	-36.5	-40.2
EBT	134.0	126.4	122.4	165.4	246.6	338.2
Income tax expense	-10.4	-17.8	-29.5	-30.5	-47.8	-62.6
Net income	123.7	108.7	92.9	134.8	198.9	275.6
Net profit margin	14.9%	12.4%	7.7%	9.7%	11.2%	12.1%
Bear scenario (adj) DKKm	2019	2020	2021	2022	2023E	2024E
Total revenue	832.2	875.4	1,204.7	1,390.2	1,529.2	1,682.1
Cost of goods & services purchased	-205.2	-169.5	-218.2	-279.4	-290.5	-319.6
Gross profit	627.0	705.9	986.4	1,110.8	1,238.6	1,362.5
Gross profit margin	75.3%	80.6%	81.9%	79.9%	81.0%	81.0%
Other operating expenses	-92.9	-93.7	-130.7	-155.7	-171.7	-188.9
Personnel costs	-415.7	-477.9	-653.4	-728.6	-791.0	-870.2
Depreciation & Amortization	-55.1	-74.7	-87.7	-90.1	-120.0	-132.0
EBIT	63.2	59.6	15.4	136.3	155.9	171.5
EBIT margin	7.6%	6.8%	9.5%	9.8%	10.2%	10.2%
Financial income	78.6	78.2	39.3	50.7	59.9	61.1
Financial expenses	-7.7	-11.3	-31.5	-21.6	-36.5	-40.2
EBT	134.0	126.4	122.4	165.4	179.3	192.4
Income tax expense	-10.4	-17.8	-29.5	-30.5	-47.8	-62.6
Net income	123.7	108.7	92.9	134.8	131.5	129.8
Net profit margin	14.9%	12.4%	7.7%	9.7%	8.6%	7.6%

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Other

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The analyst does not own shares in the Company.

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