



nexcom.

NEXCOM

INVESTMENT CASE



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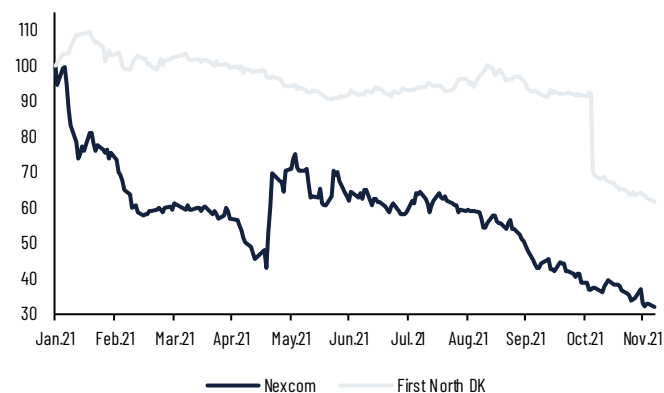
NEXCOM

Nexcom is a Software-as-a-Service (SaaS) company that develops and provides software solutions for automation and optimization of customer service functions in large B2C companies. Nexcom was listed at Nasdaq First North in January 2021.

Ticker: NEXCOM

Share price (DKK): 3.75

Market capitalization (DKK): 40,874,269



KEY FINANCIALS (DKKm)

	2020	2021E	2022E	2023E
Revenue	10.5*	14-15.2	21-26	36-44
EBITDA	2.5	-9.1	1.6	9.0

*Including RevealCX (DKK 7.2m excluding RevealCX)

INVESTMENT CASE

- **Nexcom is a SaaS company developing and providing software platforms for optimization of customer service**, i.e. help B2C companies to increase efficiency of customer service and at the same time improve quality of customer service, reducing costs and increasing loyalty.
- **Many customer service centres face challenges** such as **i)** errors from manual processes, **ii)** high employee turnover rate leading to loss of knowledge and **iii)** complex processes with many different customer interactions. Nexcom solves the challenges by automate manual work flows, help improve employees' customer performance by monitoring customer conversations and use AI and machine learning to assist the correct answer.
- **High market growth rates of 15-30%** are supported by 2-3 times efficiency gains (industry standards) and higher employee turnover rate leading to loss of knowledge which increase the demand for operating with a less experienced staff in customer service functions.
- **Long customer relationships and no churn in many years shows high stickiness, and customers across 7 countries in Europe and the US serving 40,000 users and supporting 23 languages demonstrates global scalability.** Customer portfolio includes well-known large companies such as Nuuday, Telenor, and Groupon.
- **Downgraded revenue expectation is now DKK 14-15.2m in 2021 corresponding to growth rates between 33-45% including M&A.** Nexcom provides no ARR (Annual Recurring Revenue) guidance, however, the company expects to maintain ARR share of 50-70% implying an ARR of approx. DKK 7-10m in 2021. Going forward, Nexcom expects a total revenue in the range of DKK 36-44m in 2023.
- **Based on revenue guidance in 2021, Nexcom trades to a revenue multiple (P/S) of 2.8x. In comparison with the Danish SaaS sector trading at 10.7x ARR (ARR is used as a proxy for revenue), Nexcom trades significant below the SaaS sector.** Under the assumption that ARR constitutes 55% of the total revenue in 2021, Nexcom trades at 5.1x ARR.

KEY INVESTMENT REASONS

- Proven software solutions with many large customers and long customer relationships which demonstrates high stickiness
- Contract lengths of up to 3 years and a SaaS business model in RevealCX ensure recurring revenue with high visibility
- The customer service industry has large budgets to invest into digital solutions that optimize customer and sales functions

KEY INVESTMENT RISKS

- With a new established organization and many new employees, Nexcom faces natural challenges which could affect sales
- Sales process is long (8-12 months) due to large contracts which can lead to further delays in new contracts and downgrades
- A capital increase within the next 6-12 months may be necessary to fuel the growth strategy based on current cash position

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SELECTED RISK FACTORS AFFECTING THE INVESTMENT CASE

We have identified 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 Nexcom 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.

Product development: Nexcom develops platforms to their customers with the eTray platform, i.e. Nexcom is dependent on being able to continue developing the platforms according to customers' needs and be in an attractive position in the market. If Nexcom fails in continuing to be able to develop and optimize the platform, Nexcom's financial position may be affected negatively following loss of customers. Additionally, Nexcom is developing an AI module for RevealCX in collaboration with a major global customer, which is expected to be launched in Asia at some point. If Nexcom fails in getting the development of the AI module done, or the customer rejects to implement and use the AI module, Nexcom's financial position may be affected negative.

IT security: Nexcom operates a cloud-based platform with RevealCX, which means that Nexcom is dependent on customers always being able to access the platform, and the platform must always be up and running. If the platform is unavailable due to cyberattacks, customers may change to other platforms. Thus, like other SaaS companies, there is a risk of a cyber attack that will affect Nexcom's reputation and financials.

Key employees: As a scale-up company, Nexcom has invested significantly in the organization over the last year. In the medium to long term, however, Nexcom needs to continuously hire new employees to achieve long-term ambitions. Likewise, Nexcom is dependent on key employees to develop its growth. If one or more key employees leave Nexcom, this may have a negative impact on operations and Nexcom's financial position.

Financing: Nexcom has a loan from Sydbank of DKK 5.0m and a loan from Vækstfonden of DKK 5.4m. In addition, Nexcom has an overdraft facility with Sydbank of DKK 0.5m. Therefore, Sydbank and Vækstfonden have a security of DKK 6.3m in a large part of the company's assets. If Nexcom does not meet its obligations, there is a risk that the company need to renegotiate its debt. Recently, Nexcom also took a short-term loan of DKK 7m from Formue Nord as more liquidity than expected is tied in working capital. The loan is expected to be paid back or re-financed before June 2022. To fuel the growth strategy, there is a risk of a future capital increase within the next 6-12 months.

Currency: Nexcom reports in DKK, while income and expenses are in different currencies due to the global operation. Therefore, Nexcom is exposed to several different currency risks, and currency fluctuations could both have a positive or negative impact on reported revenue and earnings.

NEXCOM - IN BRIEF

A new Nexcom was formed in 2020 from M&A - main solutions are today workflow management solution eTray and quality monitoring solution RevealCX

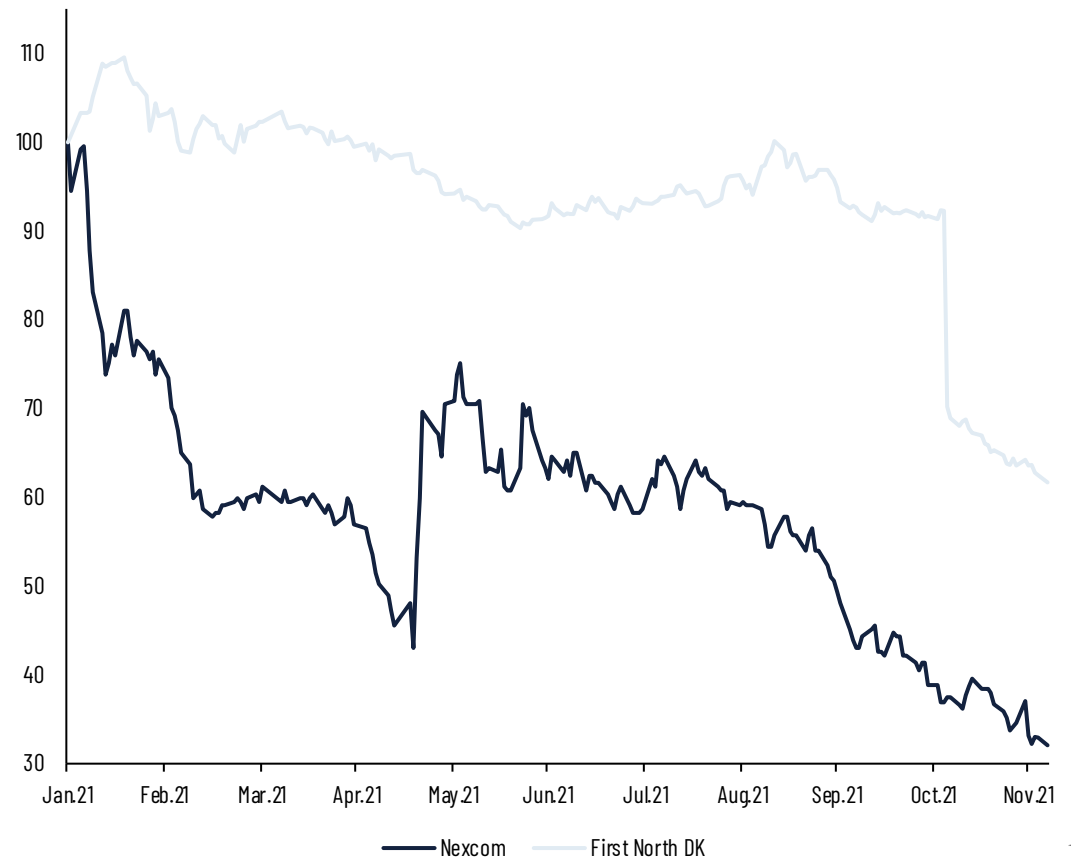
Overview: Nexcom is a Software-as-a-Service (SaaS) company that provides platforms for the customer service sector. Nexcom, as we know today, was established in 2020 as a result of mergers and acquisitions. Before the mergers and acquisitions, Nexcom was originally a company founded in 1997 providing the workflow management software solution, eTray, as well as the AI platform, Nextgen AI. In 2020, the SaaS company, Heyware, was merged into Nexcom. Heyware's product was Userinsights, a solution for quality monitoring in large customer service functions. Heyware was originally established in 2017 by vice-chairman of Nexcom, Peter Hauge Jensen. He became CEO of Nexcom after the merger, when the owners of Nexcom exited. In September 2020, Nexcom acquired RevealCX as a carve out from the American consultancy company, COPC Inc. RevealCX is now the branded name of the company's SaaS solution for monitoring the quality of customer service centres. As a result of the mergers and acquisitions, Nexcom now provides eTray and RevealCX as the main products.

Customers: Nexcom serves 13 customers with activities across 11 countries and 40,000 users globally. Customers include well-known B2C companies such as Groupon, Nuuday, Telenor, OpenNet, and Telia. Users are located in North America, Europe, and Asia, and Nexcom's customers are typically signing long contracts, e.g. Groupon, which has extended its agreement by 3 additional years in Q3 2021.

Go-to-market strategy: Overall, Nexcom sells software solutions through direct sales and indirect sales. With the company's own sales force located at offices in Copenhagen and New York, customers are targeted in both Europe and North America. The merger of Heyware and Nexcom also implied that Nexcom had cross-sell opportunities for existing customers which are targeted through the company's own sales representatives. Nexcom also has resellers. With the acquisition of RevealCX from COPC Inc., Nexcom was granted exclusive access to a large part of the larger companies in COPC Inc.'s customer portfolio.

Share information: Nexcom was listed on Nasdaq First North in Denmark in January 2021 with an offer price per share of DKK 11.85. The company raised DKK 29m before costs from 2,722 investors. As of 7 December 2021, Nexcom's market value is DKK 40,874,269. The share trades at DKK 3.75.

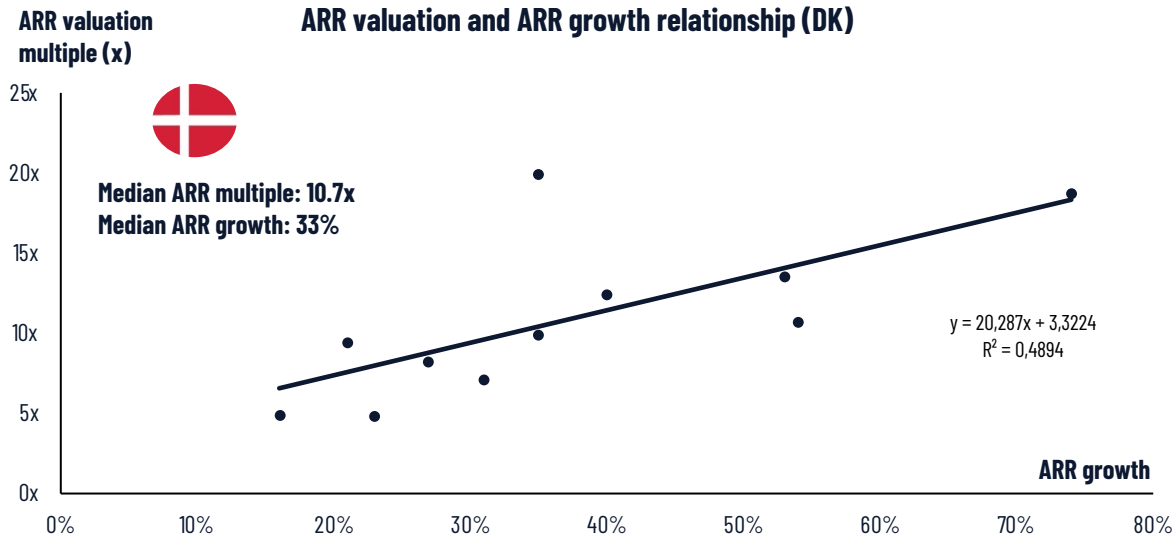
Indexed share price development (Index 100 = offer price DKK 11.85)



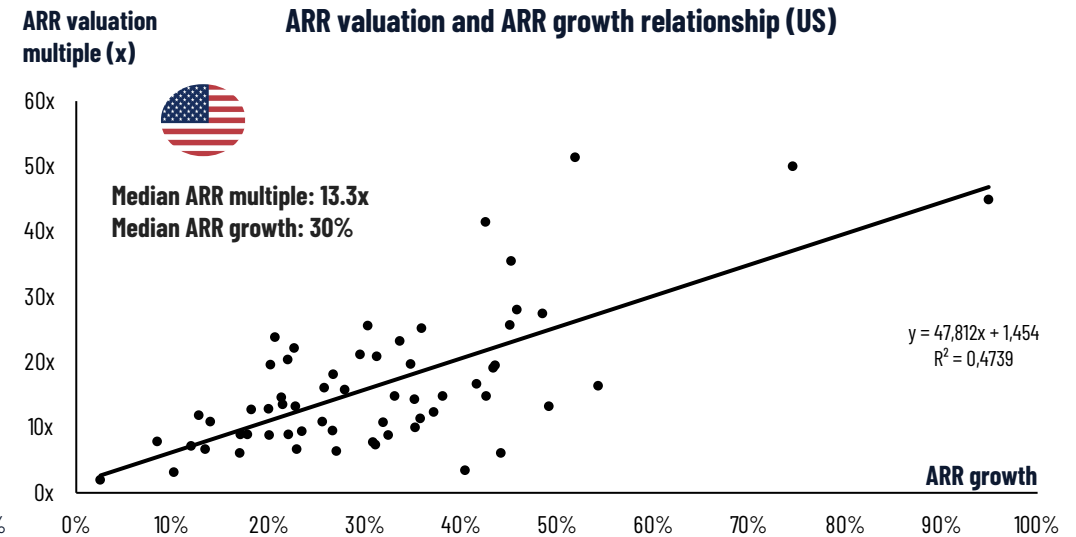
VALUATION PERSPECTIVES

Nexcom trades at a sales multiple of 2.8x sales (2021E) based on estimation from Nexcom's own revenue guidance - no full year organic growth rates are reported yet

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 November 2021, the median ARR valuation multiple is 13.3x ARR in United States and 10.7x 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. We do not have Nexcom's organic growth rates and reported ARR, i.e. we do not incorporate Nexcom. Other factors such as company size, technological level, etc. should also be included in the assessment.



Plot of relationship between historical ARR growth rate and ARR valuation (The SaaS HCA Index DK, 30 November 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 November 2021). Companies without ARR growth data and Agrify Corporation (growth of 1455%) are excluded. Source: SaaS Capital Index.

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	2020A	2021E	2022E	2023E
Revenue valuation multiple	3.9x	2.8x	1.7x	1.0x
ARR valuation multiple*	7.1x	5.1x	3.2x	1.9x

Based on Nexcom's market capitalization 7 December 2021, realized revenue in 2020 (including RevealCX) and Nexcom's own guidance from 2021-2023. *ARR = 55% of revenue.

COMMENTS ON VALUATION

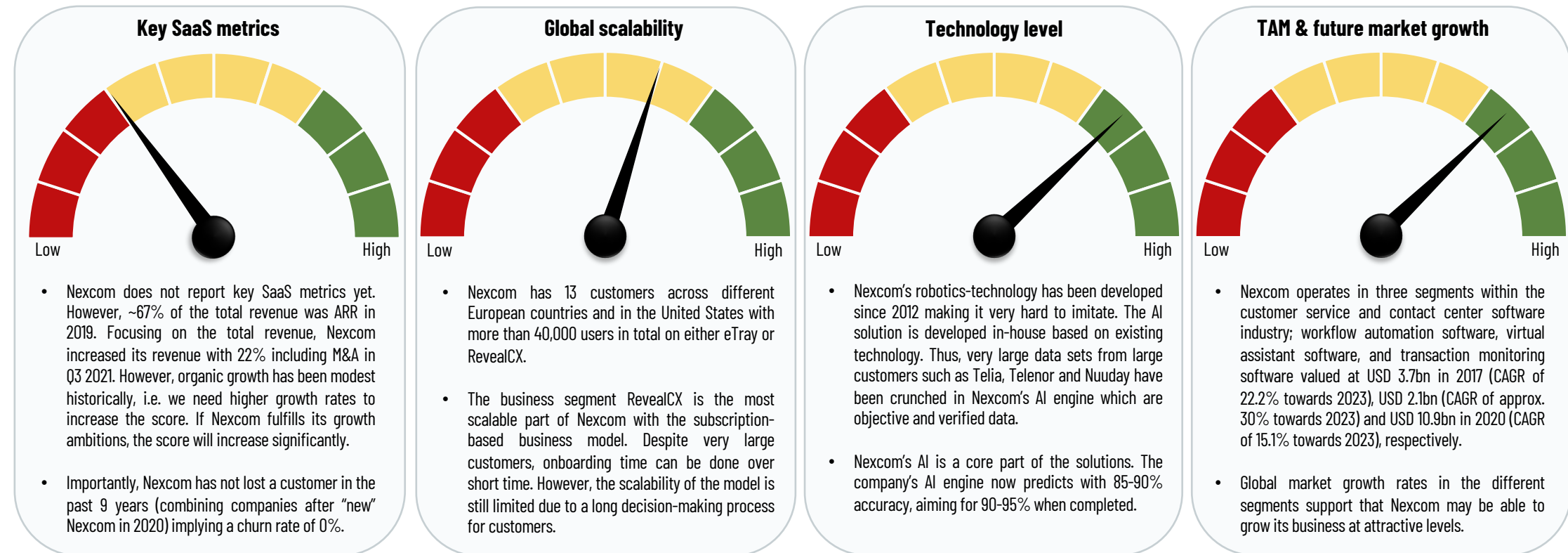
- Nexcom trades at low multiples relative to other SaaS companies under the assumption of approx. 55% of revenue is ARR. This is partly explained by low organic growth rates
- There is a large upside potential in Nexcom, if the company manages to achieve its own growth ambitions

SaaS ASSESSMENT OF NEXCOM

How does Nexcom 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 Nexcom 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. Nexcom'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 in terms of e.g. AI and **4) Total addressable market (TAM) and future market growth**, i.e. how big is the market and future growth rates.



SOLUTIONS AND BUSINESS MODEL

Nexcom's main solutions are the scalable software solution RevealCX and the more customized and expensive eTray

Solutions: Nexcom provides customer service solutions for large B2C companies within telecommunication, insurance, energy, and property management handling many customer contacts. The solutions ensure that companies can automate and optimize their interaction with end-users at low cost. Overall, Nexcom has two main products called eTray and RevealCX. Additionally, Nexcom provides an additional AI product called Nextgen AI for RevealCX which uses AI and machine learning in real time to assist customer service employees. An example is that an end-user wants to move from one address to another with its broadband. Ultimately, AI-technology can listen to all conversations and automatic fill out the customer's address and make sure that the right technician is allocated to the right address of the customer.

eTray: eTray is a workflow management software for processing and automation of workflows and tasks. The solution is developed to streamline customer service centers and increase quality at the same time. All written inquiries such as e-mails, SMS, contracts etc. are distributed to relevant employees which streamline workflows or resolved by the platform itself through self service. eTray stores all historical customer cases in one case which means that using the solution reduces the work pressure and errors in the customer service center. The workforce management software can be integrated with the customer's IT systems e.g., CRM and ERP systems, however, eTray is implemented and customized for each company which limits the scalability of this solution. On eTray, there is approx. 12,500 users and a total of 80m cases.

RevealCX: RevealCX is in its nature more scalable than eTray because the solution is cloud-based and more standardized. RevealCX is developed for quality monitoring, and the solution is used in larger customer service centers to optimize and increase effectiveness in companies' customer contact. Userinsights, which was acquired from Heyware in 2020, has been merged into RevealCX. Similar to RevealCX, the software solution identifies errors during the customer contact. RevealCX is the regular SaaS business Nexcom with annual recurring revenue (ARR) which is expected to constitute 67% of the total revenue in 2023. On RevealCX, there is 28,000 registered users and 2.5m monitored transactions.

Business model: Nexcom's primary business model with RevealCX is subscription-based measured by ARR which consists of approx. 50% of the total revenue year-to-date in 2021. Other revenue sources are consultancy services in relation to implementation and customized features for customers using the eTray platform. Since implementation costs are one-time fees, and eTray constitute a significant share of the total revenue, Nexcom will not be a 100% ARR-driven business based on its current product portfolio.

In connection with the implementation of Nexcom's products, Nexcom also has development tasks which are one-time fees. With special needs customized for companies' systems, Nexcom develops the system on an hourly basis.

Subscription-based payments on RevealCX are made quarterly, semi-annually, and/or yearly. With upfront payments for one year at a time, Nexcom's cash flow will be affected immediately from new contracts. This is a clear advantage for Nexcom in its current growth phase investing significant amounts in sales- and marketing activities. For instance, the large American e-commerce marketplace company, Groupon, recently extended its contract on RevealCX with three years. This implies that Nexcom has strong visibility over the revenue stream.

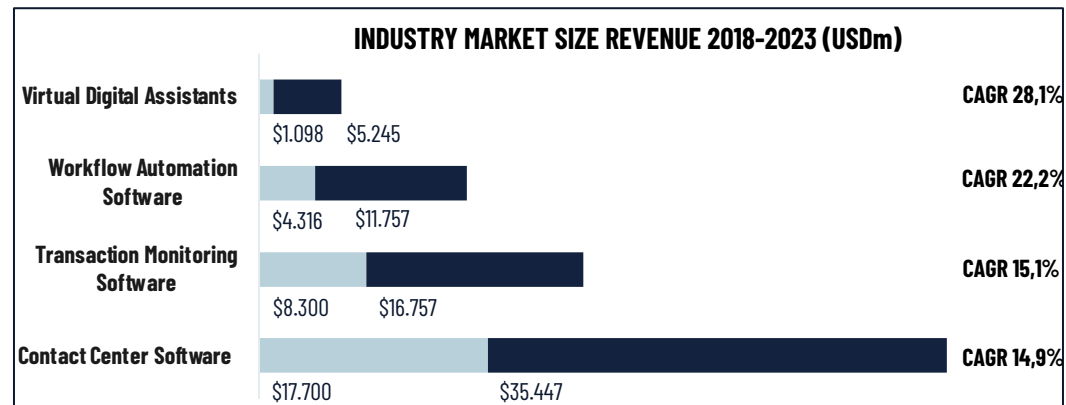
Nexcom expects that the business model with licensing agreements will grow in the coming years as more customers are using Nexcom's subscription-based product. As a result, the ARR share of total revenue is expected to grow going forward.

MARKET AND COMPETITION

Nexcom taps into fast-growing segments; Virtual Digital Assistants, Workflow Automation Software and Transaction Monitoring Software

Market: Nexcom's customers are primarily large companies in the telecommunication sector, insurance sector, and energy sector, Nexcom has developed platforms that fit into these markets by automating workflow and create quality assurance. Overall, Nexcom operates in three sub-segments which are workflow automation software, virtual assistant software, and transaction monitoring software.

Several underlying global market trends drive the market development of workflow automation systems, transaction monitoring, and the market for virtual digital assistants. The underlying driving forces for Nexcom are cloud computing, new regulatives and omnichannel, which will help drive Nexcom's growth and internationalization in the future. Additionally, digital transformation will continue implying that older systems is expected to be replaced by new and smarter solutions. Moreover, high employee turnover rate leading to loss of knowledge in customer service functions can be avoided with smart digital solutions.



Source: BBC Research and Nexcom's company description

Competition: Nexcom's competitive situation is characterized by both large and small competitors. All competitors offer software platforms, which means that companies compete on a global level. Overall, Nexcom differentiates itself from large players by being a software provider with narrower focus and a cheaper price compared to larger companies with more comprehensive solutions.

The competitive landscape is divided into two main categories: AI-controlled solutions within customer service which is the use of robots in work processes and solutions for quality management of customer service. Overall, the market has consolidated over the last years. Several major competitors include Cisco, Five9 and Genesys, however, such platforms are more comprehensive and transform the whole customer service platform for companies.

Cisco: Cisco is global company listed in the United States that has a number of subsidiaries within different product categories, also many solutions that are non-related to Nexcom's solutions. Cisco develops and offers products for the communications and information technology (IT) industries in all markets.

Five9: Five9 is a listed company in the United States that offers a cloud-based software for contact centre. Five9's platform helps customers manage customer service functions, sales functions and marketing functions. This summer Zoom Video Communications made a takeover bid on Five9 for USD 14.7 billion, yet, the deal fell apart in September.

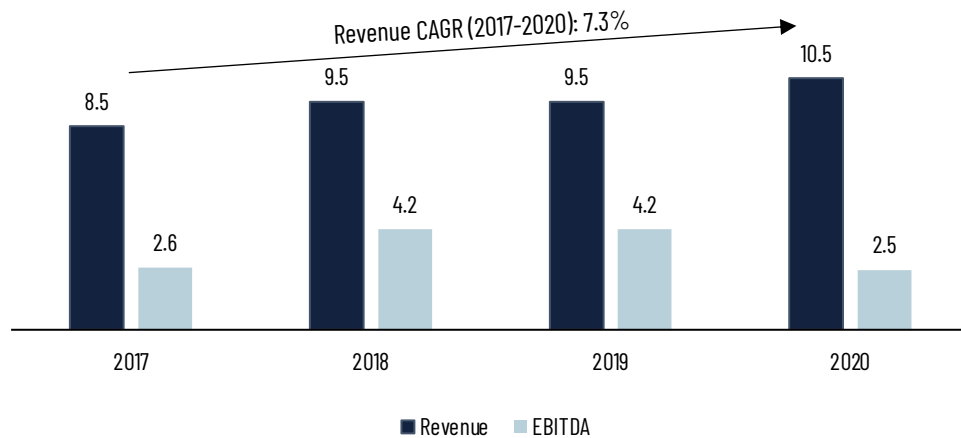
Genesys: Genesys Telecommunications Laboratories is a private company based in United States that sells different solutions for mid- and large companies with larger customer service functions.

FINANCIALS AND AMBITIONS

Historical positive EBITDA results are replaced by an ambitious growth strategy towards 2023

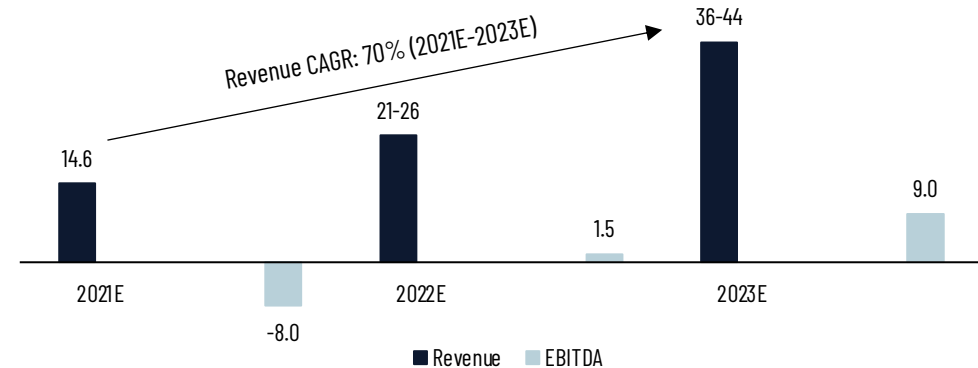
Historical financial performance: With Nexcom's new company structure in 2020 following the merger of Heyware and the "old" Nexcom combined with the acquisition of RevealCX from CIPC Inc., we have limited historical information of the company as it is today. In the IPO document from January 2021, the company provided proforma reports from 2017 to 2020 if the company was as it is today. In this period, the revenue growth rate has been modest at approx. 7% yearly. However, the company had positive results from the operations (EBITDA) and EBITDA margins of approx. 45% in 2018 and 2019.

Historical numbers show that Nexcom has been able to grow and improve operational profitability (EBITDA) from 2017 to 2019 despite limited investments and resources. Yet, management reports that all customers have been maintained over the past 9 years when combining all products in Nexcom's current company structure. This demonstrates proven solutions with high customer retention, and the customer portfolio with solid reference customers is an important foundation for Nexcom to increase growth rates going forward.



Q3 2021 and ambitions: Nexcom reported revenue of DKK 7.725m for the first 9 months of 2021 corresponding to a growth rate of 39% y-o-y including M&A activities. In 2021, lockdowns from COVID-19 and low unemployment in the software sector have affected Nexcom's recruiting process, also affecting the sales pipeline in 2021 and 2022. Consequently, revenue guidance for 2021 is DKK 14-15.2m for 2021 (previously DKK 16.7m). However, Nexcom's Q4 must be strong of approx. DKK 6m to achieve this guidance. Management explains this with seasonality, i.e. Nexcom's sales of eTray for the enterprise segment is highest in December. Nevertheless, there is a risk of a potential downgrade in relation to that. EBITDA is expected to be between DKK -8.3m and DKK -9.9m (previously DKK -8m) in 2021.

Looking into 2022, Nexcom has downgraded its revenue guidance from DKK 29.3m to DKK 21-26m. Long-term guidance from IPO growth strategy is maintained, i.e. Nexcom expects to grow revenue to DKK 36-44m in 2023, and EBITDA of DKK 9m in 2023. To achieve the revenue guidance in 2023, Nexcom expects to achieve 45 customers by the end of 2023 from currently 13 customers.



MANAGEMENT TEAM, MEMBERS OF THE BOARD OF DIRECTORS AND MAJOR SHAREHOLDERS

Experienced management team within customer service functions and software development

Rolf Gordon Adamson
CEO



CEO Rolf Gordon Adamson has previously been part of the Executive Board at YouSee as Senior Vice President of TDC Group. He has held different roles in customer service and director positions at executive level. He has been CEO of Nexcom since August 2020 where until then was Chairman of the Board. He owns 2,759,692 shares corresponding to 25.3% of Nexcom's share capital.

Iain Ironside
CTO



CTO Iain Ironside has 15 years of experience at the management consulting company, COPC. He has previously been Head of Projects and Quality for the software company Venture. Since September 2020, he has been Senior Vice President and Head of Products at Nexcom.

Henrik Flintso
CFO



CFO Henrik Flintso has extensive experience in the role of CFO, having been part of organisations as Carl Bro Gruppen and Albatros Travel. He also has experience as CFO from foreign companies in Danish branches. Furthermore, he has extensive knowledge of the SaaS business model through his experience within the private investment field.

Gena Speakmon
CCO



CCO Gena Speakmon has previously been a COPC consultant specializing in quality process re-engineering and product management. She has previously succeeded as Senior Product Lead in developing a successful sale of a quality SaaS product.

Josefine Harder Jensen
CMO



CMO Josefine Harder Jensen has previously worked with sales and commercial expertise at YouSee. She has extensive experience in international operations from the financial sector and has been based in Asia for several years.

Thomas Honoré
Chairman



Chairman Thomas Honoré was CEO of the listed IT company Columbus for many years. He has previously held many different leadership positions. As Chairman of the Board at Nexcom, he helps the company to keep the strategic direction with his expertise in global growth.

Peter Hauge Jensen
Vice-chairman



Vice-chairman Peter Hauge Jensen has extensive experience in the customer service centre and established Heyware in 2017 which was merged with Nexcom in 2020. He has been CEO of Nexcom from March 2019 to August 2020, and he was CFO until Dec 1st 2021. He is also chairman of the board of Unisteel. He owns 2,671,612 shares corresponding to 24.5% of Nexcom's share capital.

Torjus Gylstorff
Board member



Board member Torjus Gylstorff is the Head of the international tech company, Thales. He has previously been VP of Symantec and CEO of Norman Data Defense Systems. He has competencies in global sales and business development which he contributes to Nexcom.

Pia Riise
Board member



Board member Pia Riise has previously held senior management positions as CFO in international companies. She has extensive international experience from Europe and Asia, which she contributes to Nexcom, including finance, compliance, and general management.

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