

VALUE CREATORS

FORTNOX

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CONNECTING INVESTORS AND COMPANIES.

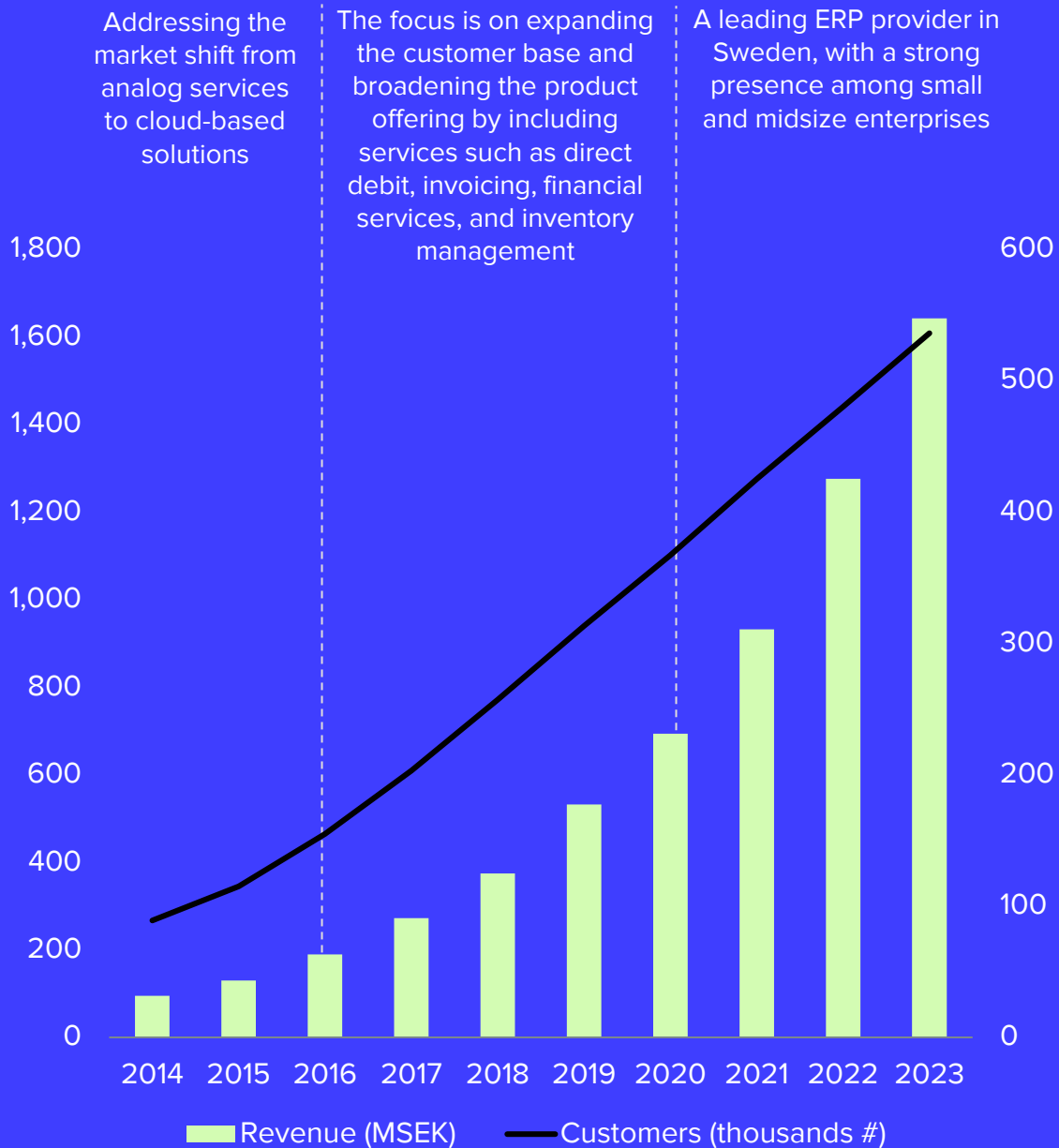
VALUE CREATORS CONCEPT

- In the Value Creators concept, we highlight companies that have created substantial shareholder value
- The reports do not include forecasts; they are based solely on historical data and key figures derived from it
- We evaluate companies based on the following indicators:
 - Revenue development
 - Operating profit development and profitability (%)
 - Return on capital (%)
 - Cash flow generated from operations
 - Share price development and historical valuations
 - Data is primarily sourced from Bloomberg
- We look at the long-term development and all figures are presented with the time series 2014-2023
- The reports do not constitute investment recommendations



FORTNOX IN BRIEF

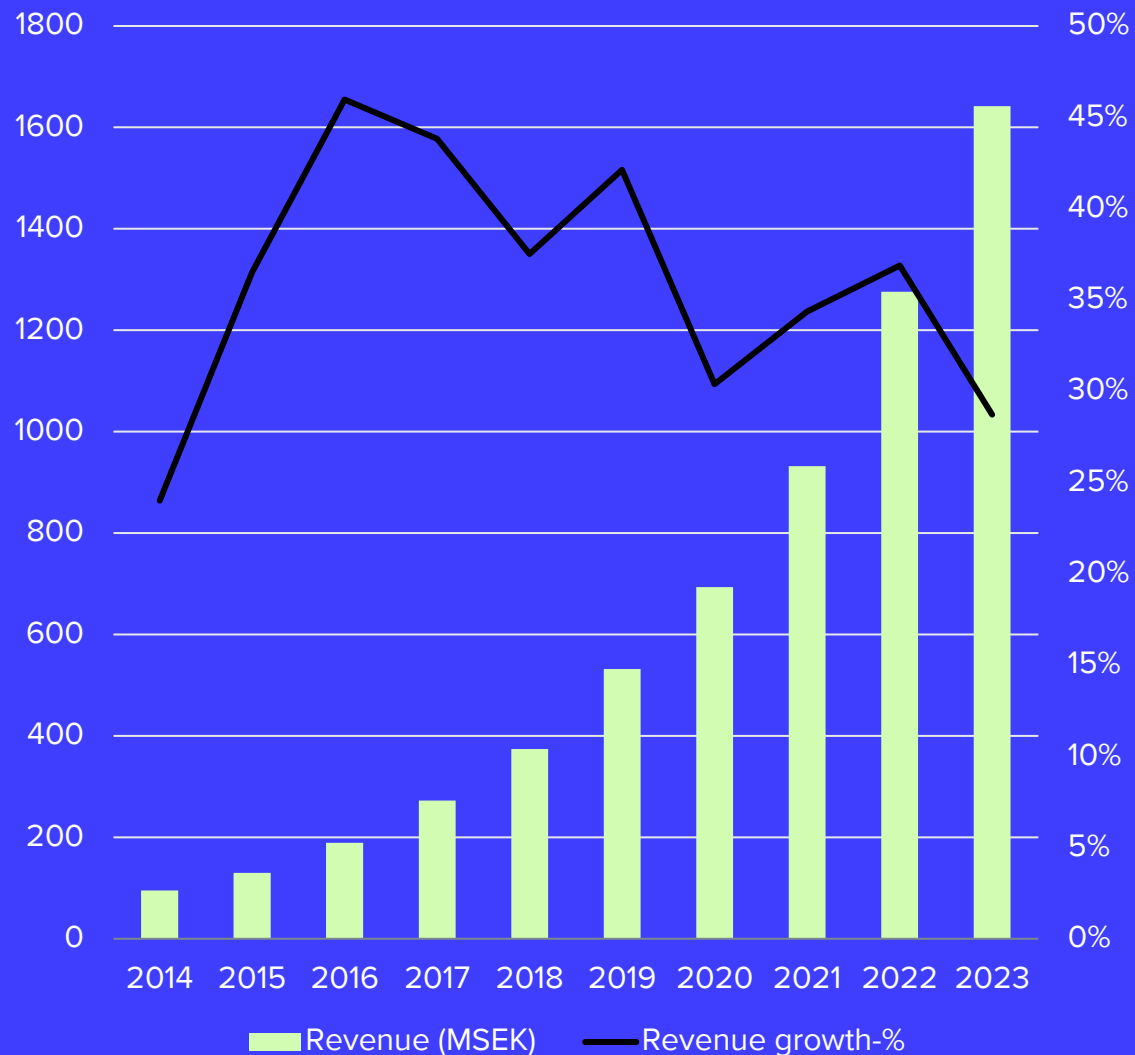
TIMELINE



- Fortnox, best known for its cloud-based accounting software, is a leading ERP provider for small and midsize enterprises in Sweden
- **2001-2010:** The early years were challenging, marked by losses and an unsuccessful international expansion
- **2011-2019:** The company's profitable growth takes off, driven by an expanded product offering, rapidly growing market share and strong margins
- **2020-2023:** Fortnox also focuses on growth through acquisitions, completing five during this period to further expand its product offering



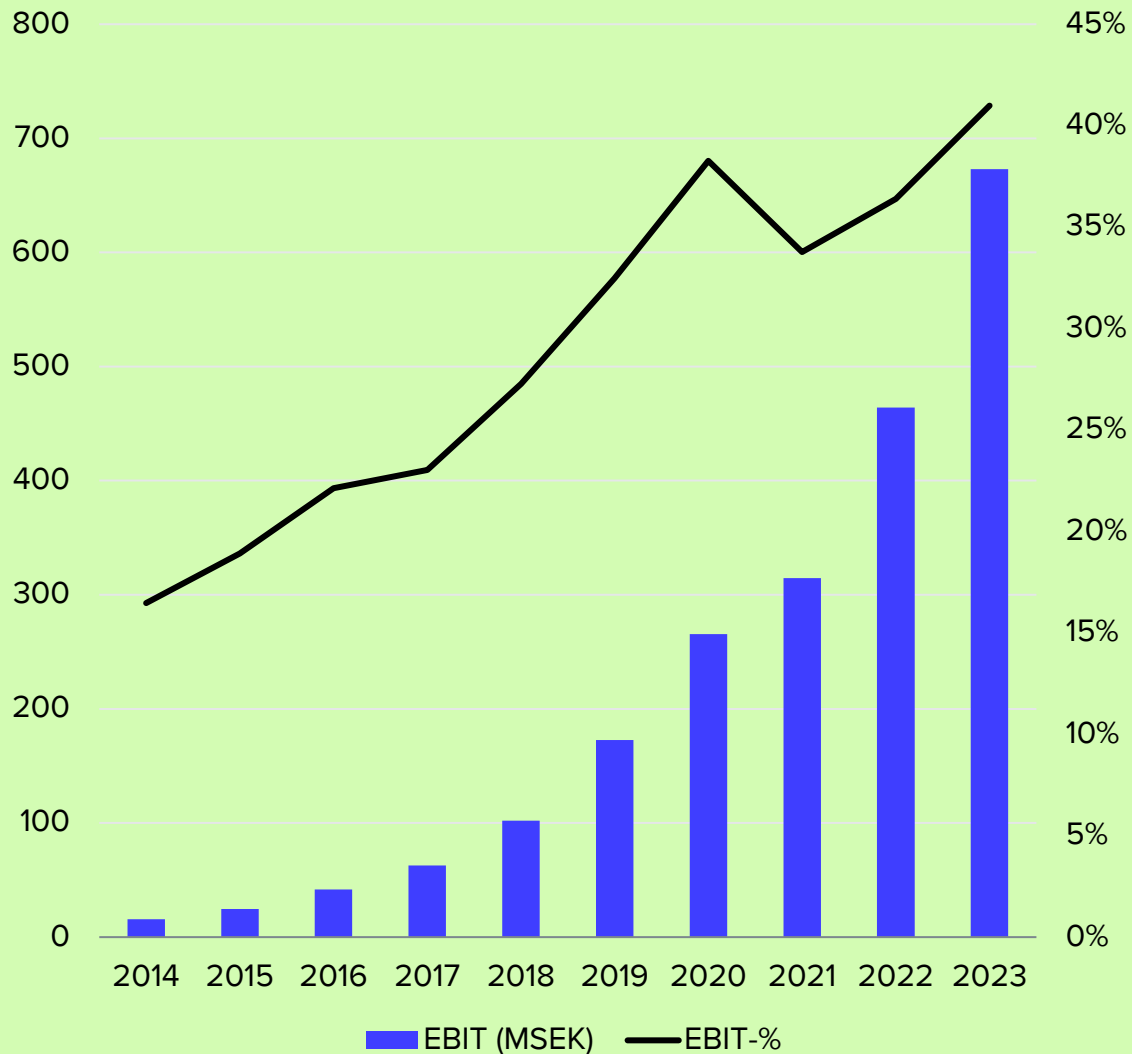
REVENUE GROWTH: 37% CAGR



- Fortnox has achieved a compound annual revenue growth of 37% over the past decade
- The company's extensive product portfolio, which includes accounting and billing services, payment solutions and financial services, has been a key driver of this growth
- While customer growth has historically accounted for most of the revenue growth, average revenue per customer (ARPC) has played an increasingly important role in recent years



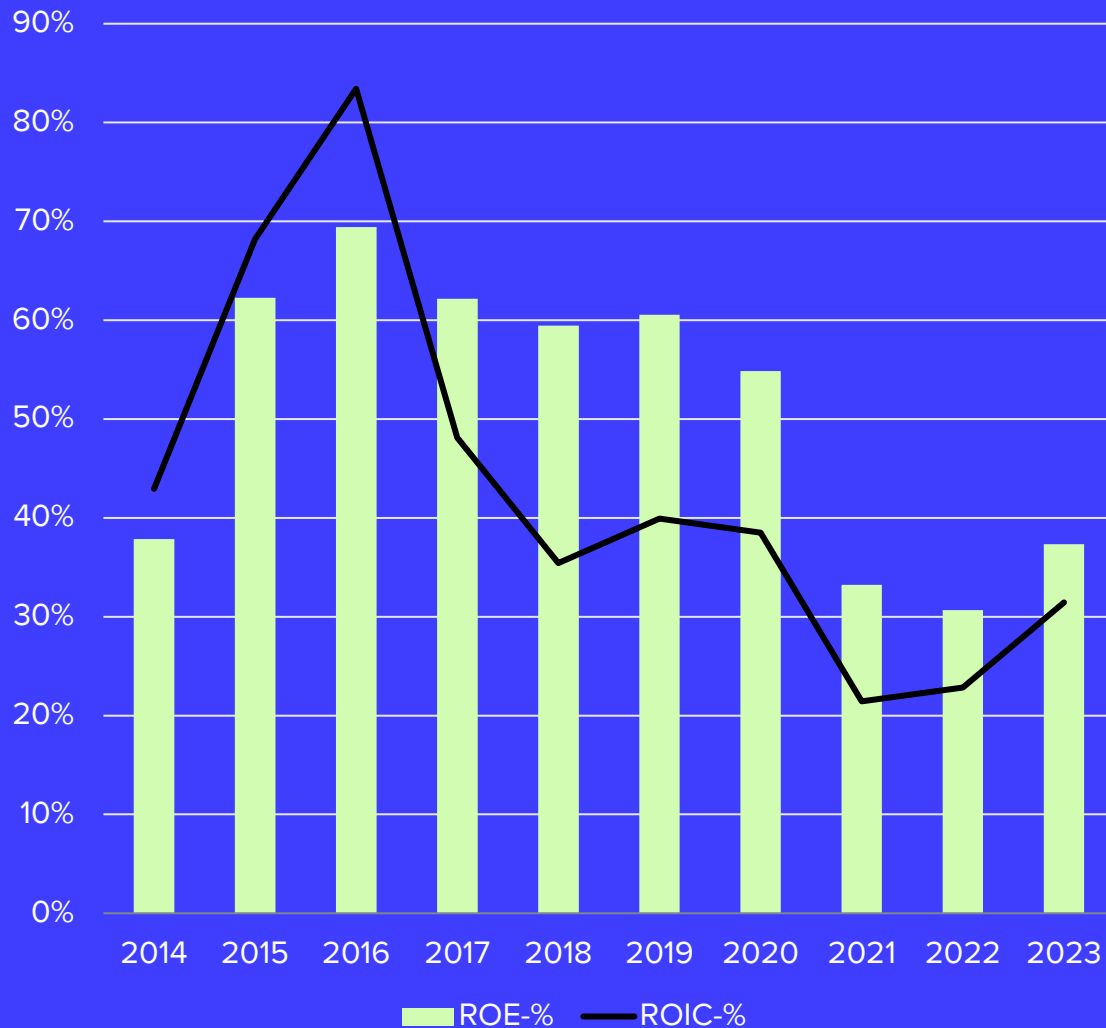
OPERATING PROFIT GROWTH: 52% CAGR



- Fortnox's operating profit has grown at a faster rate than its revenue, resulting in increased operating margins
- The company's scalable business model is demonstrated by a significant margin improvement, with EBIT-% increasing from 17% in 2014 to 41% in 2023
- Profitability scales effectively due to high gross margins (over 90%), although continued growth has required investments in both the organization and product development as the product portfolio expands
- Over the past decade, Fortnox has consistently outperformed the Rule of 40*, with an average score of 65%



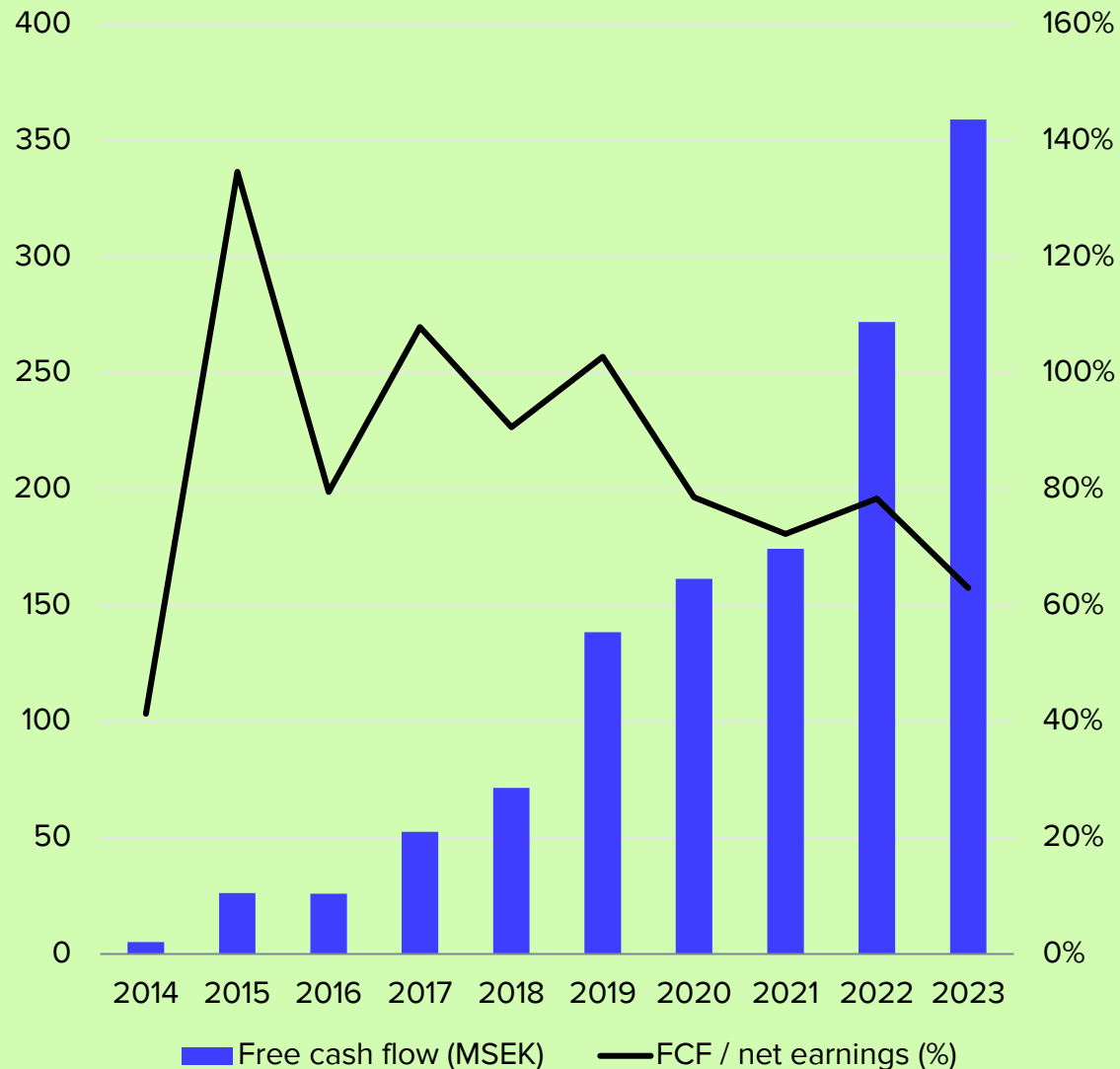
RETURN ON EQUITY AVERAGE: 51%



- Return on equity (ROE): 51% (average during the period)
- Return on invested capital (ROIC): 43% (average for the period)
- Return on new invested capital (RONIC) for the full period: 31%
- Historically, Fortnox has maintained exceptionally high returns on capital. However, these figures have declined slightly, in part due to investments in acquisitions that have expanded the company's balance sheet
- Despite this, the business does not require significant ongoing investments, as the major development costs for the platform have already been incurred



FREE CASH FLOW GROWTH: 60% CAGR



- Despite the investments in growth, the company's profitability remains strong, and it generates solid free cash flow
- The majority of capital expenditures consists of capitalized development costs, resulting in a lower free cash flow to net income ratio (average 85%)
- Additionally, Fortnox has increasingly tied up cash in working capital over the past few years, primarily due to its expanding lending operations, which has negatively impacted cash conversion
- Note that CAGR for the period is raised somewhat by weak 2014 starting point and very strong 2023



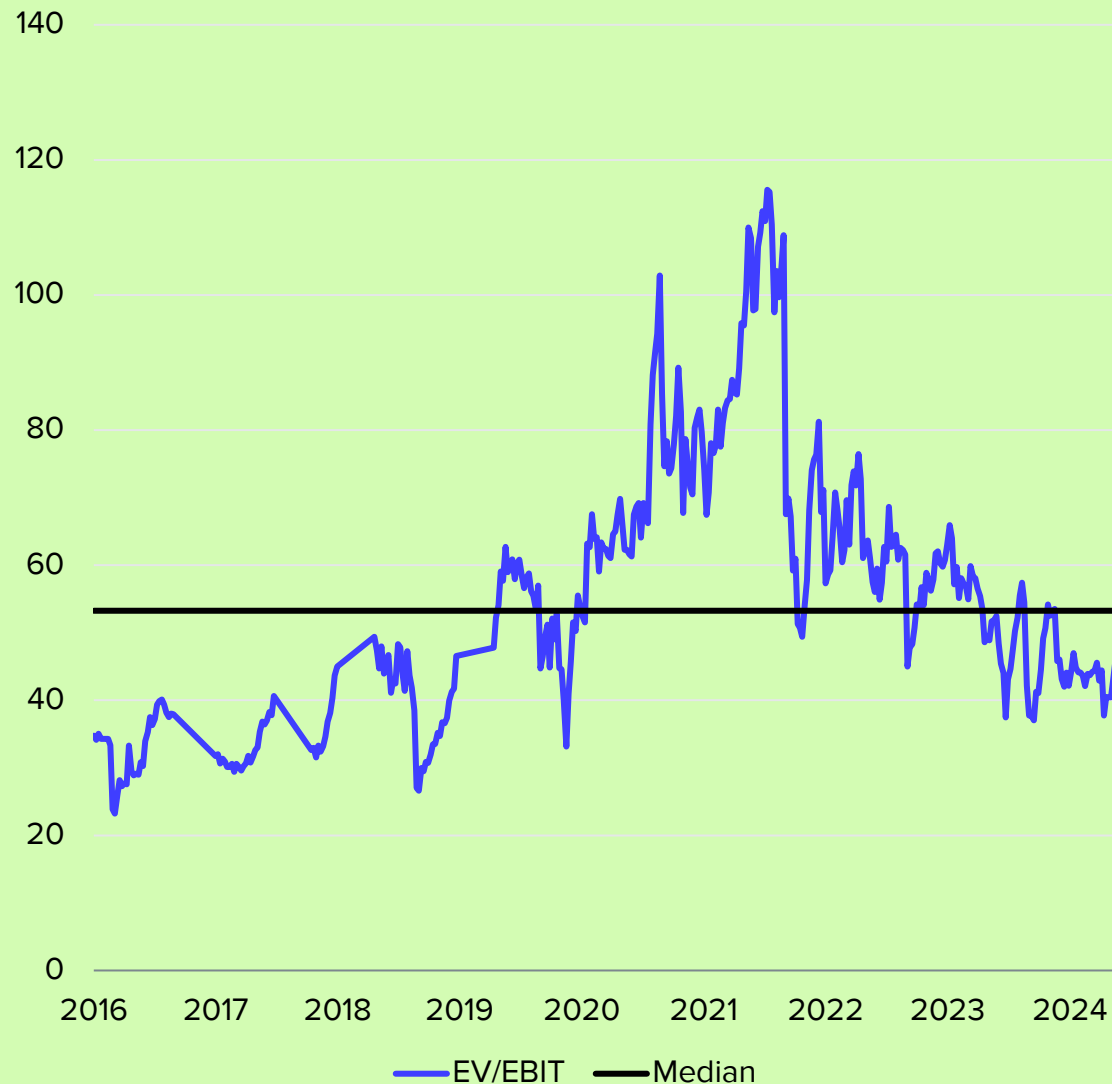
SHARE PRICE RETURN ~50 % (CAGR, 2014->)



- Since early 2014, Fortnox's share price has increased by approximately 7,285%, reaching 66.1 SEK as of September 19, 2024
- The share price has increased by an average of approximately 49% per year, which is in line with the company's earnings growth
- Additionally, Fortnox has on average distributed around 30% of its profits as dividends, resulting in a total return of approximately 7,743% over the period
- The annualized total return for this period is 50%



HISTORICAL VALUATION



- Fortnox has historically been highly valued, with significant valuation volatility.
- The average EV/EBIT multiple has been approximately 55x, while the median is around 53x
- The data presented in the graph comes from Bloomberg and was collected on September 19, 2024. This key figure compares the current enterprise value (EV) with the Bloomberg consensus forecast for the current year's EBIT. Estimates prior to 2016 were not available.
- We do not express an opinion on the current valuation of the company in this report



KEY FACTORS BEHIND THE SUCCESS?*

- A leading ERP provider with a dominant position among small and midsize enterprises in Sweden
- Fortnox has successfully expanded its product portfolio, creating opportunities for up-selling and cross-selling to increase average revenue per customer
- The company's products involve high switching costs
- Fortnox has a strong track record of profitable growth and high returns on capital

* According to Inderes



METHODOLOGY

WHY WE USE SELECTED KPI'S

- Revenue growth indicates demand for the company's product or service
- Profitability, as measured by operating profit margin, reflects factors such as pricing power, business model effectiveness and operational efficiency
- Return on capital, when combined with revenue growth and profitability metrics, indicates capital efficiency and value creation relative to the cost of capital (e.g., WACC)
- Free cash flow demonstrates the ability of the company and its business model to generate essential cash flows, which are critical to determining the overall value of the company
- Share price development typically reflects the company's ability to create long-term shareholder value
- Together, these metrics provide a comprehensive view of the quality of the business, especially when analyzed over time

NOTES ON THE KEY FIGURES

This report is based on Bloomberg data on revenue, EBIT, ROE-%, ROIC-%, share price and valuation multiples (such as EV/EBIT). However, we have made our own calculations of RONIC-% for the full period and free cash flow generated from operations. The calculation methods used are set out below.

RONIC-% (FOR THE ENTIRE PERIOD)

RONIC is calculated as the ratio of the change in operating income NOPAT T+1 - NOPAT T+0 to the change in invested capital ICT+1 - ICT+0. In practice, this tells the investor how much new capital the company has had to invest new capital in its business to achieve operational profit growth.

$$RONIC = \frac{NOPAT_1 - NOPAT_0}{IC_1 - IC_0}$$

Since we calculate the RONIC-% for the entire 10-year period, it reflects the average return on new invested capital over the entire period.

Free cash flow generated by the business

Basic calculation is: net cash flow from operations - net cash flow from investments adjusted for acquisitions and divestitures - IFRS16 rental liabilities in the net cash flow from financing. Sometimes additional corrections are needed to get the right picture, but we aim to keep figures comparable between companies.

The calculation method particularly reflects the ability of the business to generate cash flow. It does not take a position on capital allocation, but management's ability to allocate capital is reflected in other figures, particularly over the longer term.



THANKS!



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