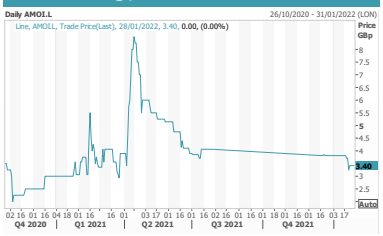
HARDMAN&CO.

31 January 2022

Technology



Source: Refinitiv

Market data

EPIC/TKR	**AMOI**
Price (p)	**3.40**
12m High (p)	11.00
12m Low (p)	0.04
Shares (m)	157.0
Mkt. cap (£m)	5.3
EV (£m)	4.3
Free Float	100%
Country of listing	UK
Market	LSE

Description

In December 2021, in a reverse takeover transaction, Anemoi International acquired id4, a specialist provider of technology solutions to small- and mid-sized financial institutions to meet regulatory requirements (RegTech), id4 was founded in Switzerland in 2019 to address the including Know Your Customer (KYC), Anti-Money Laundering (AML) and customer digital onboarding opportunities.

Company information

Exec Chairman	Duncan Soukup
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ANEMOI INTERNATIONAL

Initiating Coverage: Next Generation RegTech

Anemoi International Ltd. (Anemoi) has acquired id4, a Swiss-based, young but fast-growing developer of RegTech software solutions for small- and mid-sized financial institutions. With an advanced modular product platform and a No-Code development approach, which allows the software to be configured by non-programmers, id4 is experiencing strong rates of customer adoption. Key customers include private banks and asset managers in Switzerland, id4's home market. Sales expansion into the UK is underway. Our valuation analysis suggests an implied fair value for Anemoi of £10.8m vs. the current market cap of £5.3m.

- **Acquisition of id4:** In mid-December 2021, Anemoi completed the reverse takeover of id4, a specialist vendor of regulatory technology (RegTech) solutions to small- and mid-sized financial institutions. Anemoi was a cash shell, incorporated in the British Virgin Islands in May 2020.

- **Modular SaaS solutions:** id4's target customers include regulated financial institutions such as brokers, IFAs, asset managers, private banks, insurance companies and law firms. Sold on a software-as-a-service (SaaS) basis, id4's customer lifecycle management (CLM) products are sold in scalable modules.

- **Strong market growth:** RegTech end-markets are experiencing exceptional growth, secular in nature, as financial institutions across the size spectrum react to an intensifying regulatory burden. The global RegTech addressable market is expected to grow three- to five-fold by 2025, to between $16bn and $30bn.

- **Favourable response:** A key element of the investment case is the positive market response to id4's product launches (three wins of two-year contracts in 2021), and high-profile industry awards. As part of the transaction, Anemoi raised c.£1.8m net of expenses, to be deployed primarily on sales & marketing.

- **Strong growth in prospect:** id4's revenue scalability is potentially high, reflecting multiple potential growth drivers in the form of client acquisition stemming from existing and new functionality, especially advanced areas such as artificial intelligence, and geographical expansion.

- **Investment summary:** The private company valuation environment for fintech businesses remains buoyant, reflecting the immense scale of fintech end-markets globally. At present, Anemoi's diminutive £5.3m market capitalisation may prove to be inconsistent with the healthy rate of customer acquisition, a relatively benign competitive landscape in the small institution segment, and its large revenue opportunity. Our DCF analysis suggests an implied fair EV of £11.8m and an implied fair equity value of £10.8m (6.9p per share).

Financial summary and valuation

Year-end Dec (£m)	2021E	2022E	2023E	2024E
Revenue	149,983	231,280	615,050	1,305,177
Gross profit	94,173	176,099	471,327	1,043,409
Gross margin	63%	76%	77%	80%
Adj. EBITDA	-414,727	-445,601	-511,308	309,657
Adj. EBITDA margin	-761%	-193%	-83%	24%
Net income	-506,927	-497,101	-573,058	216,777
EPS (p)	-0.32	-0.32	-0.36	0.14
EV/revenue (x)	28.5	18.5	7.0	3.3
EV/EBITDA (x)	-10.3	-9.6	-8.4	13.8
P/E (x)	nm	nm	nm	24.6

Source: Hardman & Co Research

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Investment highlights

In December 2021, in a reverse takeover transaction, Anemoi acquired id4, a specialist provider of technology solutions to small- and mid-sized financial institutions to meet regulatory requirements (RegTech), including Know Your Customer (KYC)/Anti-Money Laundering (AML) applications. Although a relative newcomer to the industry, id4's highly innovative, easy-to-use solutions are already seeing strong rates of adoption. Significant contracts have been secured, and the pipeline continues to grow. The regulatory drivers of demand are emphatic, with financial institutions across the size spectrum grappling with a growing KYC and AML compliance burden. Today, the company's focus is on the Swiss market, but plans to enter the UK are well advanced, with other markets set to follow.

- **Founded as a specialist RegTech vendor**: id4 was founded in Switzerland in 2019 to address the AML/KYC and digital onboarding opportunity. From the outset, the id4 suite of applications was designed to be sold off-the-shelf, with potential clients able to engage in trials online. The No-Code development approach to the user experience means that applications can be deployed without further IT development, and workflows and interfaces can be fully customised by non-IT professionals.

- **Strong regulatory demand drivers:** id4's end-markets are experiencing particularly strong growth, as financial institutions across the size spectrum react to an intensifying regulatory burden. At the same time, these institutions are being compelled to launch multi-channel customer service capabilities and improving efficiencies through automation in the face of competitive pressures. Market forecasts suggest that the addressable market will expand three- to five-fold between 2019 and 2025, to between c.$16bn and $30bn.

- **KYC and AML are critical concepts in the financial services industry:** KYC and AML are at the heart of the regulatory structures imposed upon financial institutions in every jurisdiction around the globe. As noted, KYC means "Know Your Customer", and refers to the process of identifying and verifying a client's identity, not only when opening a financial account but usually also on an ongoing basis. AML means "Anti-Money Laundering", and refers to laws, regulations and procedures designed to reduce financial crime, and prevent funds from criminal activities being treated as legitimate income. All financial institutions are required to have comprehensive tools in place to meet regulatory requirements, including ongoing certifications and reports.

- **McKinsey study found KYC and AML backlogs:** McKinsey highlighted, in a 2019 study, that many financial institutions were sitting on KYC and AML customer due diligence backlogs, despite penalties imposed by regulators at that stage having exceeded $30bn. Financial institutions are prioritising addressing inadequate customer onboarding and KYC processes. An important attribute of id4 in this regard is the depth of relevant knowledge and experience that is brought by the management team, which has extensive experience of working in senior roles at investment and retail banks, and in wealth management.

- **SaaS (Software-as-a-Service) pricing model:** It is noteworthy that id4 recognises that some of its potential customers may still prefer on-premise application delivery or, at least, the retention of sensitive client data within the corporate firewall. It has ensured that these scenarios are catered for within its standard product offerings. The id4 software delivery model can, therefore, be either on-premise or fully hosted in the Cloud. Regardless of the delivery method, the pricing model adopted by the company is SaaS, whereby clients

pay on a monthly or quarterly recurring basis. As the platform functionality broadens and the scope of the client deployments expands, the associated contract values are expected to increase significantly.

- **Focused on small- and mid-sized institutions:** Recognising that this segment is under-served, id4 is squarely focused on primarily targeting the requirements of smaller financial institutions. The products are fully modular, so that clients can commence their id4 journey with a module that meets their specific initial requirements. This is a cost-effective formula that avoids the prolonged decision-making associated with large, inflexible software platform sales. The benefits can be seen in the favourable rate of client acquisition for the KYC and AML products to date from a standing start.

- **id4 roadmap encompasses advanced functionality:** id4 has engaged with sophisticated private banks at an early stage, creating scope to instil depth of functionality into their platforms and create highly referenceable deployments. At the same time, the company's roadmap is ambitious, and includes Artificial Intelligence (AI) and Robotic Process Automation (RPA). For example, the id4 core process engine offers extensive connectivity with third-party applications and platforms. In the RPA space, id4 is making strong strides in developing its platform to leverage AI to accelerate process efficiency on an automated basis (central to the Hyperautomation theme that we discuss in this report). The modularity of these offerings means that customers are able to push the button on testing or live adoption of advanced functions when customers are ready.

- **Growth outlook is favourable:** id4 remains at a relatively early stage in its revenue generation, but the combination of a growing base of successful reference deployments, a strong pipeline of opportunities and impressive industry recognition in the form of awards suggests a solid growth trajectory ahead. An important element of the growth story will be the planned geographical expansion into additional markets. The UK will be next, followed by Benelux and, eventually, the US. However, our forecasts at this stage do not take account of the international opportunity to any material extent.

Anemoi: financial summary in local currency

Year-end Dec (CHF)	FY 2020	FY 2021E	FY 2022E	FY 2023E	FY 2024E
Recurring revenue	10,300	83,483	135,870	485,700	1,065,120
Recurring add-on revenue	0	31,000	18,990	62,205	133,425
Set-up fees	42,100	35,500	60,800	104,000	230,400
Change requests	0	-	36,000	36,000	36,000
Third-party fees	0	0	-20,381	-72,855	-159,768
Total net revenue	**52,400**	**149,983**	**231,280**	**615,050**	**1,305,177**
Total cost of sales	-11,039	-55,810	-55,180	-143,723	-261,768
Gross profit	**41,361**	**94,173**	**176,099**	**471,327**	**1,043,409**
Gross margin	*79%*	*63%*	*76%*	*77%*	*80%*
Total operational expenses	-440,079	-508,900	-621,700	-982,635	-733,752
EBITDA	**-398,718**	**-414,727**	**-445,601**	**-511,308**	**309,657**
EBITDA margin	*-761%*	*-277%*	*-193%*	*-83%*	*24%*
Depreciation & amortisation	0	-52,500	-64,000	-78,000	-91,500
EBIT	**-398,718**	**-467,227**	**-509,601**	**-589,308**	**218,157**
EBIT margin	*-761%*	*-312%*	*-220%*	*-96%*	*17%*

Source: Company data, Hardman & Co Research

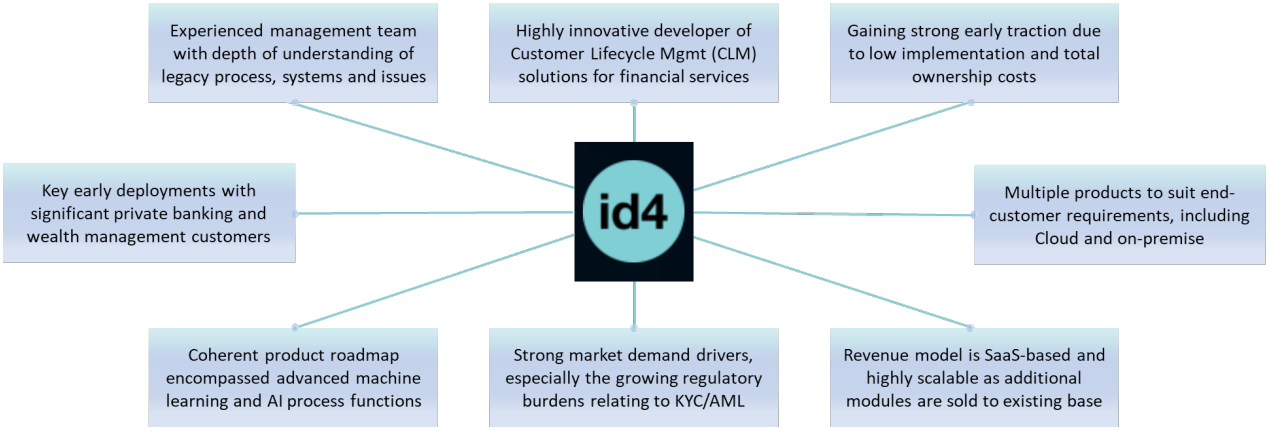
Next-generation RegTech

Introducing id4

Specialist provider of technology solutions to small- and mid-sized financial institutions

id4 is a specialist provider of technology solutions to small- and mid-sized financial institutions to meet regulatory technology (RegTech) requirements, including Know Your Customer (KYC)/Anti-Money Laundering (AML) applications. id4's product capabilities go beyond compliance into customer lifecycle management (CLM), also a high growth area, as wealth managers, stockbrokers and private banks pursue more efficient and effective mechanisms to seek out and win new customers, and maintain engagement through the duration of the customer relationship. Id4 was incorporated in the city of Lucerne, Lucerne Canton, Switzerland, in April 2019, to address the growing requirement for financial institutions to meet AML and KYC regulatory requirements and to onboard clients digitally. For smaller financial services providers, the cost reduction benefits of more efficient compliance and customer onboarding platforms are welcome in the face of intensifying regulatory pressure and competitive margin pressures. The company won its first client in June 2019 (Lemania Pension Hub for a client onboarding module) and was then acquired by Thalassa Holdings in November 2019.

Introducing id4



Source: Hardman & Co Research

Anemoi International

Anemoi was incorporated on 6 May 2020 in the British Virgin Islands as a cash shell targeting the acquisition of a business that met at least a subset of the following criteria: (i) proprietary disruptive technology; (ii) strong growth potential; (iii) exposure to expanding markets; and (iv) ownership of strategically valuable technology and/or intellectual and or real assets. Anemoi listed on the main list of the London Stock Exchange in October 2020, since when its only activity has been a search for a suitable acquisition target. The consideration for id4 was £5,333,333 in Anemoi shares.

Multi-channel RegTech process automation

Focus on automation and digitalisation of RegTech processes

Central to id4's Software-as-a-Service (SaaS) offerings is the focus on automation and digitalisation of processes that were previously undertaken manually, resulting in inefficiencies and errors. Anyone who has gone through a bank account opening process with a traditional institution may be familiar with the repeated requests for additional information and the lack of visibility on progress with the application. Customer expectations have become far more demanding than in the past, and, today, financial services providers are expected to engage seamlessly across channels, whether online chat, mobile apps, telephone or in-person. Unfortunately,

legacy systems often stand in the way of an optimal customer experience, creating siloes of account data and other information. id4's solutions seek to deliver an integrated view of each client across all contact channels.

McKinsey highlighted, in a 2019 study, that many financial institutions were sitting on KYC and AML customer due diligence backlogs, despite penalties imposed by regulators at that stage having exceeded $30bn. The following was McKinsey's explanation for this backlog:

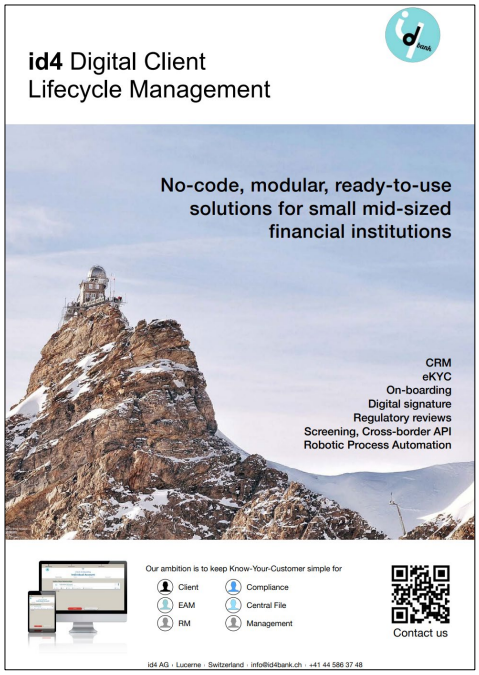
> *Why? Firstly, because of the scale of the task. Collecting, validating and continually updating data for millions of customers is time-consuming, and frequently changing requirements mean that approaches to KYC need to be rethought. In addition, there are plenty of inefficiencies in the process, which remains largely manual to this day. Previously recorded information is buried in various paper or electronic files, proving hard to access and aggregate. Queries ping-pong back and forth between customers, frontline and back-office staff. Customer insights and lessons learned during due diligence aren't taken into account in monitoring activities or when setting controls.*

Multi-channel process automation

Fully modular products developed in conjunction with customers, and designed to be sold off-the-shelf

The issues highlighted by McKinsey, noted above, are precisely some of the factors that culminated in the launch of id4, which was set up with a view to developing digital solutions to clear backlogs, and create integrated visibility of customers' data across their activities with the financial institution. Notably, id4 software solutions are also developed in conjunction with customers, an approach that allows for an enhanced feature set to be developed and integrated into standard products, in turn reducing the company's development costs. From the outset, the id4 suite of applications was designed to be sold off-the-shelf, with potential clients able to engage in trials online. The products are fully modular, so that clients can commence their id4 journey with a module that meets their specific initial requirements.

id4: example of company advertisement



Source: Company data

As we discuss later, the company has a No-Code approach to the user experience, so that the applications can be deployed without further IT development, and workflows and interfaces can be fully customised by non-IT professionals without the need for programming. From an implementation cost perspective, these benefits typically deliver substantial savings compared with traditional offerings in the CLM segment. The marketing messages from the company are entirely consistent with the product attributes and are communicated in a simple and straightforward fashion – as exemplified by the advertisement below.

Well-received product launches

Straightforward to deploy, while workflows and processes can be amended by non-programmers

Central to the id4 design philosophy is a focus on straightforward deployment and low total cost of ownership. The No-Code approach means that non-programmers are able to amend workflows, fields and processes on an ongoing basis. The company has achieved several deployments at significant private banks and wealth managers in the Swiss market. The wealth management industry response to the company's product launches has been favourable. In 2020, the company won the Best Compliance Solution Award at the WealthBriefing Swiss Awards and was named the Most Innovative Fintech Solution at the WealthBriefing Swiss Awards 2021. id4 was also nominated as one of the RegTech 100 in 2020, highlighting the company as a recognised and significant vendor in the global fintech community. These are all positive indicators with respect to id4's future position in the industry.

id4: industry awards to date

Source: Company data

Cloud or on-premise deployments

All deployments are on SaaS basis, with payments on a recurring monthly or quarterly basis

id4 offers either standardised software, which is purchased by clients off-the-shelf without customisation, or bespoke software solutions, where id4 customises and adapts the software functionality and workflows to meet specific customer requirements. In each case, the software delivery model can be on-premise or fully hosted in the Cloud. Regardless of the delivery method, the pricing model adopted by the company is SaaS, whereby clients pay on a monthly or quarterly recurring basis. There is no minimum contract period for the standardised offerings, while, for the customised deployments with more sophisticated institutions, id4 has a minimum contract period of three years, with annual renewals thereafter. The company has not experienced any churn to date.

Secular growth drivers

End-market growth is strong, driven by dramatic increases in the regulatory burden faced by financial institutions

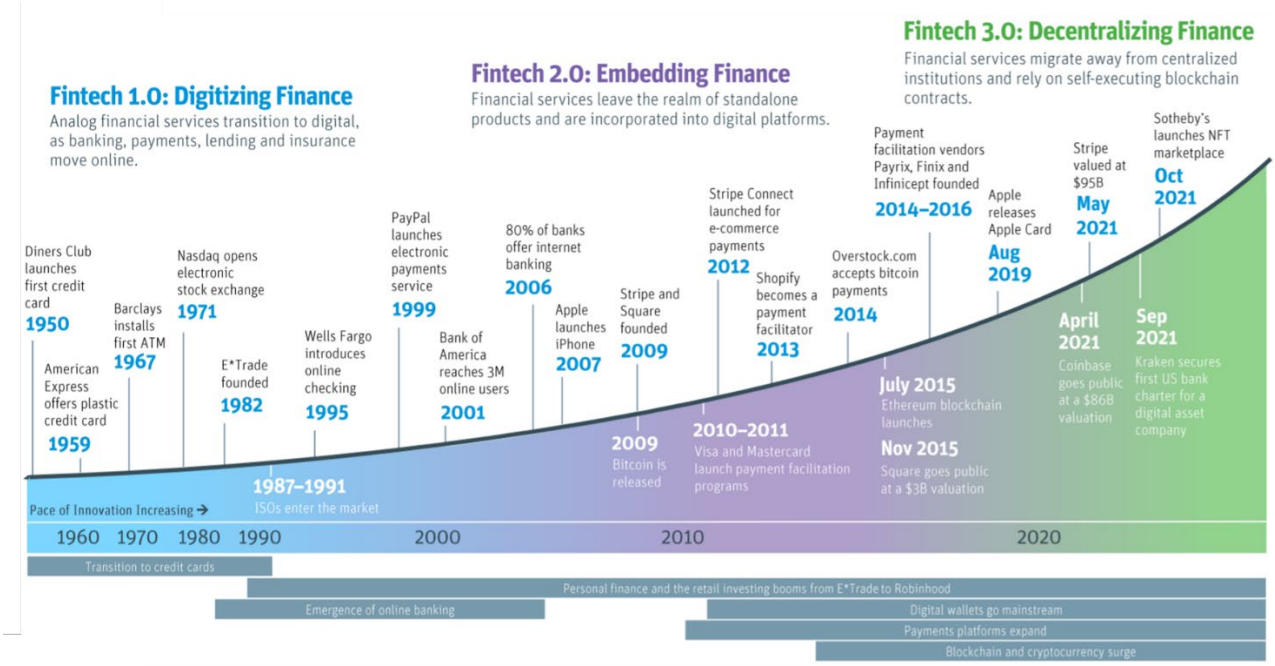
The RegTech sector is experiencing rapid growth, driven partly by dramatic increases in the regulatory burden faced by financial institutions, which, for some of the smaller wealth managers and private banks, is compelling investment into lower-cost solutions, particularly as they respond to their own industry margin pressures. Regulators are demanding timely and increasingly frequent KYC and AML reporting, with an increasing number of penalties being imposed for non-compliance. Definitions of the RegTech market vary depending on whether services activities are included and how the technology aspect is categorised. Nonetheless, market forecasts suggest that the addressable market will expand by three- to five-fold between 2019 and 2025, to between c.$16bn and $30bn. While this is a wide

range, the direction of travel is clear, and the very substantial market growth is also evident. From a SaaS market growth perspective, very few financial services providers would seek to implement an IT upgrade agenda that is not Cloud-centric. There is no doubt that achieving the requisite level of flexibility and multi-channel capability is critical.

Fintech segment trends

The pace of change in the technology infrastructure of the financial services industry is in many senses unprecedented. Fundamental shifts continue to take place centred around digitalisation and decentralisation, creating pressures at both ends of the size spectrum. Large legacy banks and insurance companies continue to struggle to overcome the constraints of siloed legacy platforms. Meanwhile, smaller institutions are seeking to scale their infrastructure in a cost-efficient fashion to keep with customer expectations and meet regulatory requirements.

Silicon Valley Bank State of Fintech Report 2021 – Evolution of Fintech



Source: Silicon Valley Bank

id4-specific medium-term growth opportunities

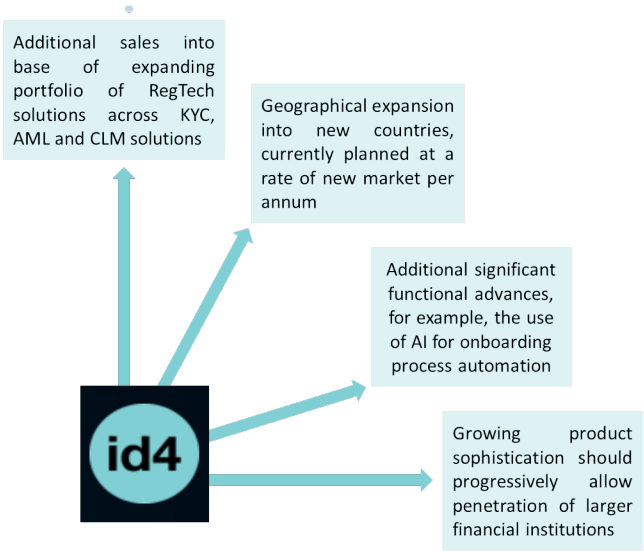
Beyond the secular market growth drivers, we identify three key id4-specific opportunities to enhance growth rates:

- **Expanding breadth of functionality:** The product development focus is on adding functionality within the CLM sphere, building on the high level of customer acceptance for the KYC and AML modules. As the platform functionality broadens and the scope of the client deployments expand, the associated contract values are expected to increase significantly. For example, the monthly price for a basic standalone identification and verification solution is CHF500 per month. This could rise to CHF8,000 per month for a full CLM deployment.

- **Market entry into additional countries:** From a geographical perspective, the initial focus was on the Swiss market, which, at the end of 2019, was home to

over 3,500 independent Asset Managers[1] and 246 banks across a range of size, business model, ownership structure and regional orientation. Included in this number are four major banks, 24 cantonal banks, 43 stock exchange banks, one Raiffeisenbank and 60 regional and savings banks[2]. A central feature of id4's expansion roadmap is growth of the company's presence beyond Switzerland, where the company is headquartered. The company is currently preparing to enter the UK market, with additional European markets and the US on its radar. These intentions are reflected in the current solid progress being made on hiring quota-carrying salespeople in the new markets. Our financial forecasts are in line with an expectation of consistent execution in new markets, with revenue growth in future years considerably assisted by the expansion into around one new market p.a. between 2022 and 2024.

id4: growth enhancement opportunities over the next three to five years



Source: Hardman & Co Research

- **Productisation of advanced technologies:** id4 is also in the process of developing a number of advanced solutions using artificial intelligence (AI), in particular, in the area of Robotic Process Automation (RPA), for which the id4 platform has been integrated with UIPath, the largest global vendor of RPA solutions. The company announced, in June 2021, that the first integrated RPA solution, in conjunction with UIPath (the largest global RPA vendor)), had been delivered to a private bank based in Geneva. The outcomes to date have been highly positive, with examples of repetitive workflow-based tasks, which took more than a day manually, being compressed to timescales of just minutes using software-based robots.

Fragmentation

id4's low-cost and simple implementation approach well suited to providers

Fragmentation is a growing feature of the wealth management segment, which creates a beneficial dynamic for id4, given its SaaS delivery model for its Cloud-centric solutions. As we discussed earlier in the section on the company's technology portfolio, id4 is focused squarely on smaller- and mid-sized wealth managers and private banks, which are ideal candidates for adoption of, and migration to, next-generation Cloud-based architectures. Even smaller providers in the wealth management segment need to ensure full compliance with all KYC and AML

[1] https://www.finma.ch/en/~/media/finma/dokumente/bewilligungstraeger/pdf/flvervt.pdf?la=en
[2] Source: European Banking Federation (December 2020 update)

regulations, making id4's low cost and simple implementation approach well suited to their requirements.

Hardman & Co identifies fintech factors for success

Global fintech industry experiencing prolonged boom

The global fintech industry is experiencing a prolonged boom, with a number of relatively young companies achieving unicorn status (i.e. valuations in excess of $1bn). The recent stock market listing of Wise, a global forex platform, fuelled the excitement, as it achieved a valuation in excess of £10bn. But not all fintech companies achieve the same levels of success – for a variety of execution and end-market reasons. Accordingly, in a later section of this report, we dwell on some of the key criteria that we identify as critical for success, which we believe investors should bear in mind when evaluating fintech investment opportunities. These include i) a granular understanding of the existing processes of financial institutions in the segment they are seeking to address, ii) co-development of products, with extensive input from motivated early customers, iii) Cloud-native applications consistent with the digital transformation agendas of essentially all financial institutions, iv) ease of use, which is a source of advantage when selling technology to SMEs in any industry, v) modular platforms, allowing customers to purchase the specific functionality required and slot it into their existing platforms, albeit with some integration effort still being required, and vi) a product roadmap that goes beyond the "usual", encompassing advanced technologies, such as AI, which may bring step changes in both functionality and the resulting benefits to customer organisations.

KYC and AML explained

KYC and AML are critical concepts in financial services industry

KYC and AML are critical concepts in the financial services industry, and are at the heart of the regulatory structures imposed upon financial institutions in every jurisdiction around the globe.

- **As noted, KYC means "Know Your Customer",** and refers to the process of identifying and verifying a client's identity, not only when opening a financial account but usually also on an ongoing basis.

  The three components of KYC include:

  a) Customer Identification Program (CIP): to check that the customers are real and that they are who they say they are;

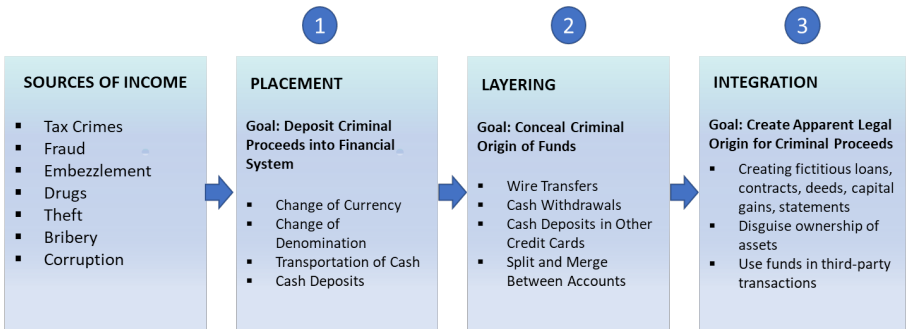
  b) Customer Due Diligence (CDD): to assess the customer's level of risk, including reviewing the beneficial owners of a company; and

  c) continuous monitoring: to check client transaction patterns and report suspicious activity on an ongoing basis.

  The onus is on banks, wealth managers and other providers of financial services to ensure that the customer really exists, using a variety of verification methods, such as face verification, biometrics, ID cards and documents, such as utility bills, as proof of address. The primary aim of the KYC rules is to try to prevent illegal activity, such as money laundering, financing of terrorist activities, and bribery and corruption. The fines for not implementing and following adequate KYC processes are substantial.

- **Again, as noted, AML means "Anti-Money Laundering",** and refers to laws, regulations and procedures designed to reduce financial crime, and prevent funds from criminal activities being treated as legitimate income. The typical stages in the money laundering process are set out in the chart below. The increasingly onerous rules imposed by regulators are seeking to prevent illegal funding of activities, such as terrorism. There is inevitably a close relationship between the KYC and AML processes. Again, the penalties on financial institutions for non-compliance and/or inadequate procedures are potentially severe.

Three stages of money laundering process

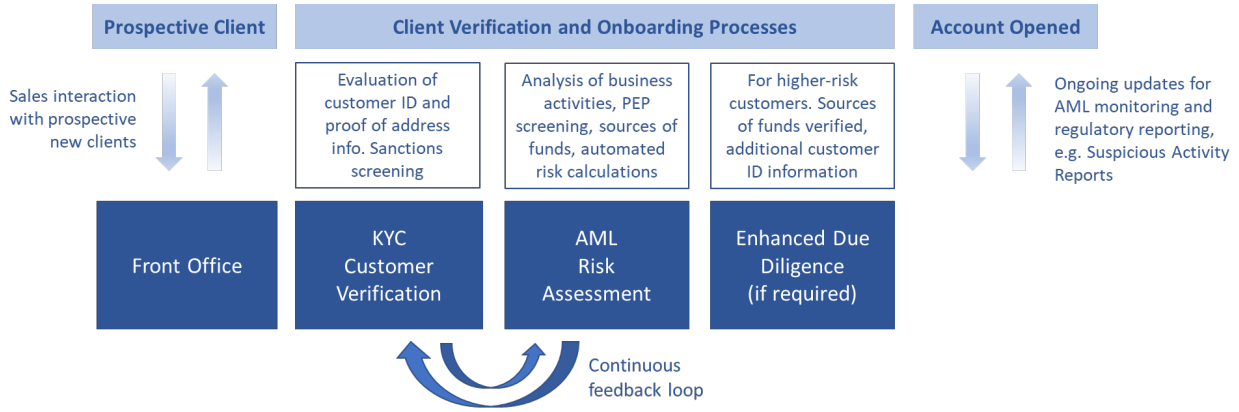


Source: Compliance Alert, Hardman & Co Research

The schematic below sets out a generic perspective of KYC and AML compliance processes, commencing with the initial discussion with a prospective client by the front office, through the onboarding process, including Enhanced Due Diligence, where this is deemed to be warranted following the initial checks, to the final account opening stage. It is important to note that the financial institution has an

obligation to engage in ongoing monitoring to flag any suspicious transactions in the form of Suspicious Activity Reports.

KYC and AML process steps



Source: Hardman & Co Research

Reputation is everything

Any reputational issues for financial institutions could create liquidity constraints and financial losses

For financial institutions, reputation is a critical aspect of their businesses. Any hint of trouble or impropriety may lead to a client exodus, creating liquidity constraints and financial losses. There are examples of asset managers, where outflows compounded, resulting in assets being frozen and investors receiving only a proportion of their investment holdings. While the financial penalties for breaching regulations are material, the greater potential impact is on reputation. Customers of wealth managers and private banks are highly sensitive to this issue, and it is perhaps no surprise, therefore, to see the strong demand that id4 has seen to date in its domestic Swiss market from these types of institutions.

Regulations

Financial services customers subject to raft of regulations

id4 is in the RegTech segment, helping its target customers in the financial services marketplace deal with the raft of regulations to which they are subject. The past few years have seen the introduction by the EU of several major initiatives to bolster AML success rates, and a regular flow of future directives and initiatives are expected.

The Fifth Anti-Money Laundering Directive (5AMLD) came into force in European legislation in July 2018, with all EU countries required to adopt the directives into their domestic legal frameworks by January 2020. The regulations require regulated entities to maintain complete and up-to-date KYC records and beneficial ownership information. Notably, under 5AMLD, the regulatory authorities may gain access to beneficial ownership information regarding trusts. There are major potential advantages to 5AMLD, as it gives financial services providers access to a unified digital marketplace in Europe, with over 500m consumers.

Only six months after 5AMLD, the EU announced the introduction of the Sixth Anti-Money Laundering Directive (6AMLD), with all European countries required to adopt the directive by December 2020. The list of criminal offences relating to money laundering was expanded substantially. The expansion and potential severity of the compliance regime introduced under 6AMLD are proving to be a trigger for financial services companies to review their compliance monitoring resources, with a particular focus on volumes of higher-risk transaction flows.

Key risks

Key person risk

id4 is heavily dependent on its two founders, Sébastien Lalande and Emmanuel Nay. Mr Lalande is principally responsible for overseeing the technical development of id4's technology platform and solutions, while Mr Nay is responsible for overseeing the sales and implementation of the solutions at client organisations. The departure from id4 of either of these individuals could exert a significant adverse impact on the near-term performance of the company.

Platform availability

The id4 platform is commonly delivered on a hosted basis, such that the software runs on servers in a data-centre environment under the control of id4. The end-client accesses the applications and functionality through a browser or locally installed interface. Interruptions to service, whether due directly to operational issues at id4 or elsewhere in the technology infrastructure value, could result in liabilities for id4 and/or reputational impact.

Dependency on third-party technology

id4 uses a number of third-party products within its platform and workflows. There can be no certainty or guarantee that the vendors of these specialist products will not substantially increase their pricing structures or seek to adversely affect the availability of these products to id4, or limit id4's access to functions within future releases of their products.

Competition

There are several competitors operating across the financial services software industry, which offer competing products for KYC/AML and CLM, mainly to larger institutions. id4 is seeking to offer a lower-cost, easy-to-use alternative to the traditional vendors, where implementation costs and product complexity may be high.

COVID-19

The pandemic continues to exert an adverse impact on business communities around the world, and contractual decision-making has undoubtedly been interrupted for a considerable period of time. An ongoing impact on new client acquisition rates of id4 cannot be ruled out. Any such impact could have a meaningful effect on the reported financial performance of id4.

Geographical expansion

A stated objective for the company is to expand into additional markets beyond Switzerland, commencing with the UK and then moving on to other European markets. While there are clear parallels between the end-customer markets and regulatory requirements in the UK, for example, and Switzerland, there will be a need for incremental product development and marketing, which could disrupt the profitability profile of the business if revenue in the new markets deviates from management budgets.

id4 products and technologies

Primary product categories

There are essentially two categories of product, each delivered differently:

CLM application targeted to be ready by end-2021

- **A standardised solution**, which is sold off-the-shelf. The product can be trialled online, and sales cycles are typically relatively short. id4 aims to release one significant update p.a. This is a Cloud-based product, with minimal cancellation notice periods and fees.

- **Customised solutions for larger clients**, where there may be specific considerations with respect to client data processing and retention, client onboarding processes, etc. This product category can be delivered either through the Cloud or implemented on-premise. These tailored offerings typically have a minimum three-year contract period, renewable annually thereafter.

The schematic below sets out the core product solutions and modules. The full CLM application remains under development, and is targeted to be ready by the end of 3Q22. Our revenue model broadly uses these product categories.

id4: key product modules

ID&V	CDD	AML	Client Space	CLM

Electronic Identification & customer Verification
• Capture customer id data
• Document upload (e.g. passport)
• Document verification
• Biometric customer identification
• Multi-tenant cloud solution
Options
• Electronic signature
• Data export (csv, xml)
• PEP and Sanction screening
• Single tenant cloud solution
	Client Due Diligence data repository solution
	• ID&V functionalities
	• KYC profiling
	  ○ Wealth composition
	  ○ Origin of wealth
	  ○ Document corroboration
	Options
	• Task list & notification
	• Data import (csv, xml)
	• Contract detail
		AML KYC compliance solution
		• CDD functionalities
		• Standard doc. generation (A, T, K)
		• FCC risk automated calculation
		• Manual screening result repository
		• AML checklist & evidences
		Options
		• Batch screening
		• List of evidence requirements
			Client onboarding & remote account opening solution
			• AML functionalities
			• Specific doc. generation
			• Investment profile
			Options
			• Investor classification calc.
			• Product filtered at investor risk level
			• US person indicia & calc.
			• End customer access
			• Auto client profile processing
			• Auto cleaning of client profile
			• Link to external application
				Customized CLM solutions
				• Client Space functionalities
				• Self-Service solution configuration
				Options
				• Client onboarding process
				• Periodical and event driven KYC Change of circumstance Recertification remediation Off-boarding process
				• Cross-border & product check
				• Dashboard & SLA
				• Suspicious Activity Report

Source: Company data

Core functionality

Automation processes and data management at heart of id4 platform

Automation of processes and data management are at the heart of the id4 platform, with a particular focus on KYC and AML. Manual onboarding and certification processes are replaced by automated workflows. All paper forms (e.g. application forms, questionnaires, risk assessment forms) are digitalised and presented as online forms. The comprehensive workflows embedded in the products ensure that all relevant questions are posed to potential new clients during the onboarding process. id4's experience to date has been that client firms have used the implementation process to undertake a recertification of existing clients, as their data is being migrated to the id4 platform.

The module functions can be summarised as follows:

ID&V: Identification and Validation contains everything to capture the client's identification including online ID and electronic signature, including identification screens and fields, online identification, snapshot, e-sign, upload file, white label/single-tenant.

CDD: goes one step further by adding Client Due Diligence information such as KYC profile and Tasks management such as KYC Review.

AML: Anti-Money Laundering adds pre-configuration for various SRO Self-Regulatory Organisations (i.e. VQF) with AMLA Checklist, AMLA document generation, FCC Risk calculation and integrated Screening capabilities.

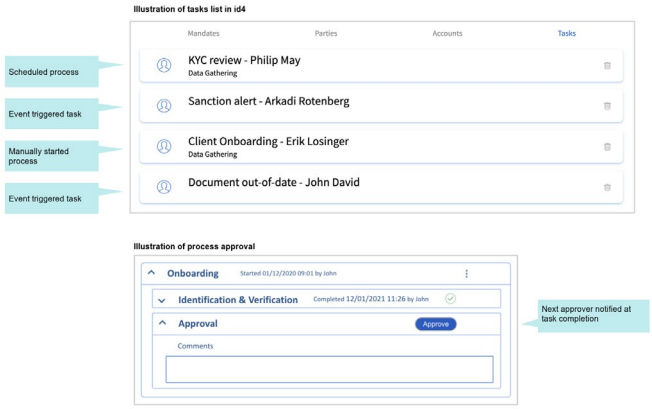
Client Space: adds further processes for onboarding, KYC review, missing or outdated documents as well as dynamic document and booklet generation customised by parametrization to match those used within the organisation.

Trustee Management: combines all those features; however, with a set of screen, fields, and processes specifically suited for trustee management activities.

Full CLM: a complete Client Lifecycle Management product, including all features and all ecosystem fully integrated.

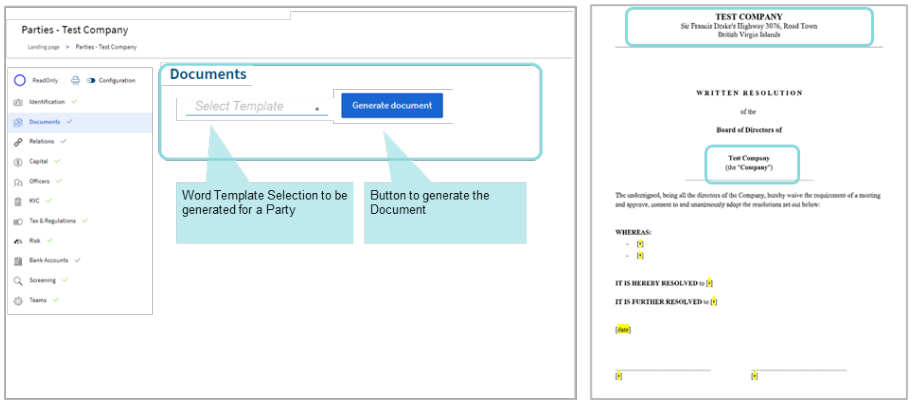
The user interfaces are designed to be simple and highly intuitive for all users. The workflows are intended to replicate and automate existing manual processes, as per the screenshot examples below.

id4 screenshot: task notification list



Source: Company data

id4 screenshot: document templates



Source: Company data

id4 screenshot: risk calculation fields and manual override

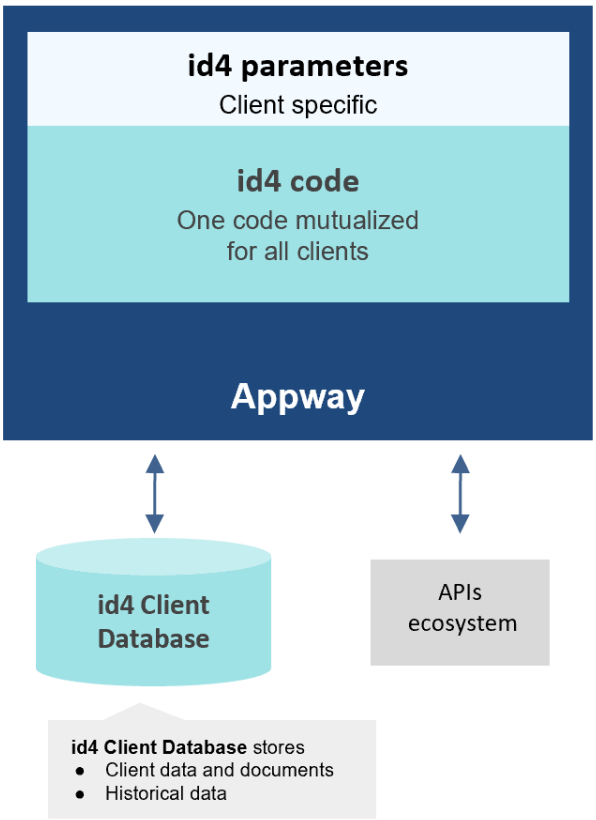
Source: Company data

No-Code technology

Flexibility and lower costs of updating and amending workflows

id4 has built its products to be used on a No-Code basis, allowing programmers and non-programmers to create application software through graphical user interfaces and configuration, instead of through traditional computer coding. From the perspective of the smaller institutions that id4 is targeting, this offers potentially significant advantages in terms of the flexibility and lower costs of updating and amending application workflows, as dedicated programmers are not required. While some legacy platform vendors are seeking to launch Low-Code offerings into the market, id4 contends that these will remain less compelling than its graphical user interfaces, which are designed to be simple to use for smaller financial institutions with fewer internal IT resources.

id4: No-Code development platform



id4 parameters define both the business content and the behaviour of id4 code through business rules, screen templates, document templates, process & task templates.

id4 code calculates
- The business rules (e.g. risk, list of documents, US indicia)
- The screens, tasks and document content
- The assignment of process/task/client data/functionality to users.

Appway framework provides
- UI components (responsive, login, homepage)
- Process engine (task, role, audit trail)
- Connection with a growing ecosystem (3rd party, RPA, back-ends)
- Encryption and user management (role, client access).

Source: Company data

Appway

Appway offers connectivity with third-party applications and platforms

Today, id4's solution set utilises the Appway platform. The id4 application code resides on the company's own servers, with Application Programming Interfaces (APIs) providing connectivity to the Appway platform. The Appway process engine, in turn, offers connectivity with third-party applications and platforms; for example, in the Robotic Process Automation (RPA) space.

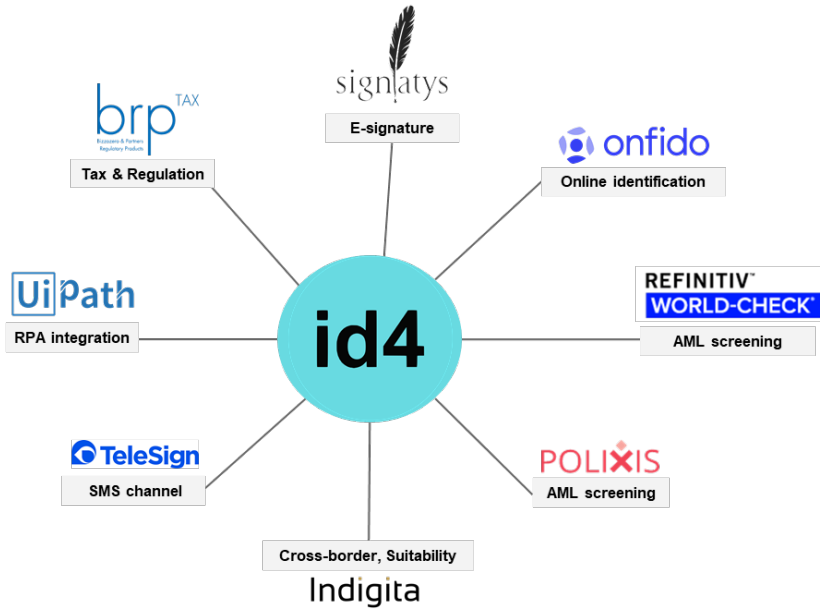
Appway is itself a vendor of CLM technologies, but it focuses on tier 1 and tier 2 financial institutions, as well as providing consulting services to deliver bespoke solutions to these larger firms. There does not appear to be an overlap at present, given id4's focus on small- and mid-sized financial institutions.

Integrations with third-party vendors

Integration with id4 platform valuable for providers

In a busy fintech landscape, specialist providers have emerged for most nuances of the RegTech landscape. Sensibly, id4 has opted to license and/or partner with a number of the leading providers for applications and components where integration into the id4 platform is valuable for the latter's customers. Examples are set out in the schematic below. For example, within the CLM platform, the e-signature aspect is delivered in conjunction with Signatys. We discuss the RPA initiatives elsewhere in this report – these are delivered on the platform of UIPath, which is the largest RPA vendor worldwide.

Id4: integrations with leading vendors of specialist applications



Source: Markets and Markets Analysis

Fintech factors for success

Hardman & Co has identified six specific factors for fintech success

The fintech segment of the global technology sector has been in a state of excitement for a number of years now, as venture capital (VC) and private equity (PE) investors have pumped in funding in search of future unicorns. As noted, the 2021 stock market listing of Wise, a global forex platform, fuelled the excitement, as it achieved a valuation in excess of £10bn. In this section, we consider some of the key criteria for success, identifying six specific factors that we believe investors should bear in mind when evaluating fintech investment opportunities (indeed, these factors would apply equally to other verticals). We look at each factor with regard to id4 and how it is positioned.

id4's management team has granular knowledge of existing processes in financial institutions

- **Legacy understanding:** The fintech vendor must have existing *granular knowledge* of the current processes of financial institutions in the segment they are seeking to address and the weaknesses of how things are done today. It is only then that real improvements can be delivered. An important attribute of id4 in this regard is the depth of relevant experience that is brought by the management team, which has extensive experience of working in senior roles at investment and retail banks, and in wealth management.

id4's engagement with large private banks will help to instil depth of functionality into the platform

- **Co-development with motivated customers:** Many of the most successful fintech vendors have formed early relationships with customers seeking to access third-party vendors, but with their specific requirements baked into the platform. One good example is Fidessa (formerly known as RoyalBlue), which went from a startup to becoming the dominant vendor of sell-side equity trading systems globally. Its starting point was to win a contract with Merrill Lynch in London (which had acquired Smith New Court Stockbrokers). They worked together to create a particularly comprehensive functionality set, which Fidessa incorporated into its standard platform available to other customers. The resulting ability for Fidessa to seamlessly meet the requirements of other banks created an exceptionally strong adoption curve for the business. Banks realised that their operations in the US and elsewhere would benefit from Fidessa's platform, creating a path to global expansion. id4 has similarly engaged with large private banks at an early stage, creating scope to instil depth of functionality into their platforms and create highly referenceable deployments.

id4 solutions can be deployed in the Cloud or on-premise

- **Cloud-based applications:** Almost all fintech vendors are developing their applications on a Cloud-native basis, typically on Amazon Web Services (AWS) or Microsoft Azure. There are fundamental advantages that arise from the Cloud. These include i) flexibility to scale compute, as required, without lead times or upfront expenditures, ii) data collection and aggregation resources on a large scale, including open-source data lakes for analysis, iii) access to AI tools and analytics, as required, to develop advanced functionality, iv) agility with respect to testing and launching of new features, and v) higher levels of security than would generally be achievable on a standalone basis. It is noteworthy that id4 recognises that some of its potential customers may be wedded to the notion of on-premise application delivery or, at least, the retention of sensitive client data on-premise. It has ensured that these scenarios are catered for within its standard product offerings.

No-Code development approach allows smaller financial institutions to easily configure workflows on an ongoing basis

- **Ease of use:** A source of advantage when selling technology to SMEs in any industry is the ease of use of the applications. Dedicated IT resources can be scarce in smaller enterprises, and are often geared towards basic desktop and other infrastructure support. An important trend in the technology sector has been towards No-Code solutions, where user interfaces are designed to be highly intuitive, allowing workflows to be configured on an ongoing basis by individuals within the business who do not have specific programming skills. These individuals may, for example, be business analysts. The complexity is essentially hidden from view, so that changes to fields and processes can be made without intimidation. Central to the id4 proposition is its No-Code development approach, which is well-aligned with its target segments of smaller and mid-sized wealth managers and private banks.

id4's platform constructed on an entirely modular and open basis

- **Modular platform:** Legacy software was generally sold on a monolithic basis, which meant that entire platforms were sold in one go, involving a major task in terms of implementation and migration of data. This total systems replacement approach was understandably relatively unpalatable and often resulted in standalone systems being procured from point solutions vendors, which led to multiple technology siloes. Over time, the inevitable inefficiencies and inconveniences of the silo approach gave way to the development of modular platforms, so that customer organisations were able to purchase the specific functionality required and slot it into their existing platforms, albeit with some integration effort still being required. The Cloud era has moved things forward considerably, characterised by open interfaces and pre-integration between applications available out of the box. id4's platform is constructed on an entirely modular and open basis, consistent with its focus on low-cost and low-complexity implementation.

In the RPA space, id4 making strong strides in developing its platform to leverage AI to accelerate process efficiency on an automated basis

- **Roadmap and advanced functionality:** This category, to some extent, ties together many of the key points above. Much of the development roadmap of any software vendor, especially in specialist segments such as financial services, should be defined by customer requirements. This is particularly the case where vendors are able to form close development partnerships with key customers. At the same time, the vendor roadmap should encompass best-in-class industry developments, which, in many cases, the end-customer may not know much about. McKinsey's recommendation to financial institutions is to "adopt a planning and vendor selection approach that goes beyond the usual". In this regard, id4 should fare well. For example, the id4 core process engine offers extensive connectivity with third-party applications and platforms. In the RPA space, id4 is making strong strides in developing its platform to leverage AI to accelerate process efficiency on an automated basis (central to the Hyperautomation theme that we discuss in this report). The modularity of these offerings means that customers are able to push the button on testing or live adoption of these advanced functions when the customers are ready.

Market growth forecasts

RegTech market expected to grow substantially over next decade

There does not appear to be much doubt in the minds of market analysts focused on the RegTech subsegment of the fintech universe of companies – RegTech is expected to grow substantially over the next decade, maintaining a double-digit compound annual growth rate (CAGR). In the next section, we discuss, in more detail, the drivers of this strong growth trajectory, but, in summary, these are:

- The RegTech sector is experiencing rapid growth, driven partly by dramatic increases in the regulatory burden faced by financial institutions, which, for some of the smaller wealth managers and private banks, is compelling investment into lower-cost solutions, particularly as they respond to their own industry pressures of pressure on margins.
- The demand from regulators for more timely and increasingly frequent KYC and AML reporting, with an increasing number of penalties being imposed for non-compliance.
- From a SaaS market growth perspective, very few financial services providers would seek to implement an IT upgrade agenda that is not Cloud-centric. There is no doubt that achieving the requisite level of flexibility and multi-channel capabilities that end-consumers are demanding requires deployments in the Cloud. This is reflected in the strong growth in SaaS revenue expected globally.

RegTech and SaaS market growth forecasts

Juniper Research

Global RegTech spending to increase from $18bn in 2018 to $116bn by 2023E. 40% of global compliance spending expected to be in the RegTech segment.

Markets and Markets

The global RegTech market is expected to grow from $6bn in 2020 to $16bn by 2025E, representing a CAGR of 20% over this period.

Facts & Factors

The global RegTech market was worth $5.3bn in 2019 and will grow to $33bn by 2026, representing a CAGR of 21% over this period.

Allied Market Research

The global RegTech market was valued at $5.5bn in 2019 and is projected to reach $28bn by 2027, equating to a CAGR of 22% over this period.

Gartner

The global market for technology enabling Hyperautomation will expand to $597bn in 2022 from $482bn in 2020, in turn resulting in 30% reductions in opex.

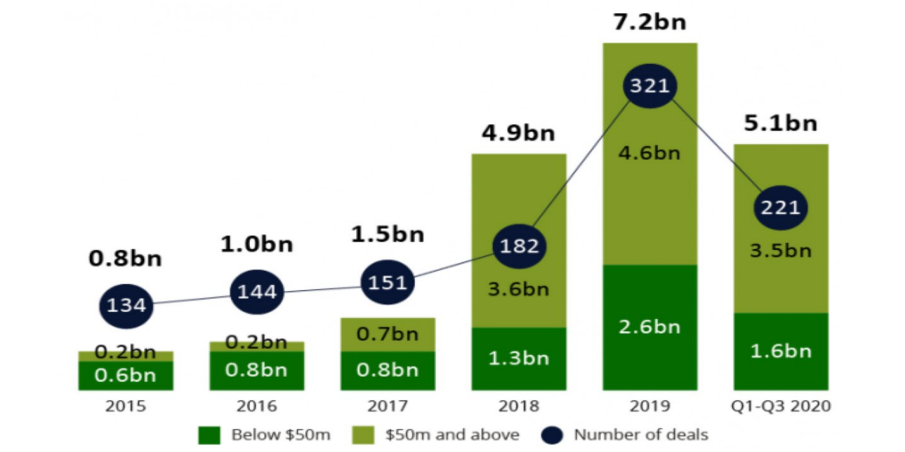
Gartner

The global software-as-a-service (SaaS) market is forecast to reach $145bn by 2022 from $103bn in 2020, equivalent to a CAGR of 19%.

Source: Various

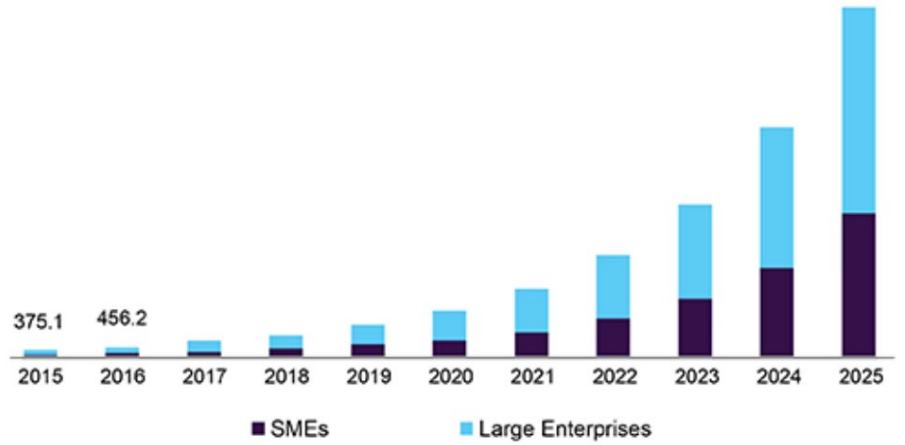
Definitions of the RegTech market vary depending on whether services activities are included and how the technology aspect is categorised. Nonetheless, market forecasts suggest that the addressable market will expand by three- to five-fold between 2019 and 2025, to between c.$16bn and $30bn. While this is a wide range, the direction of travel is clear, and the very substantial market growth is also evident. The charts below confirm strong activity levels around the world and substantial inflows of investment into the RegTech vendor constituents.

Global RegTech investment, 2015 to 1Q-3Q 2020



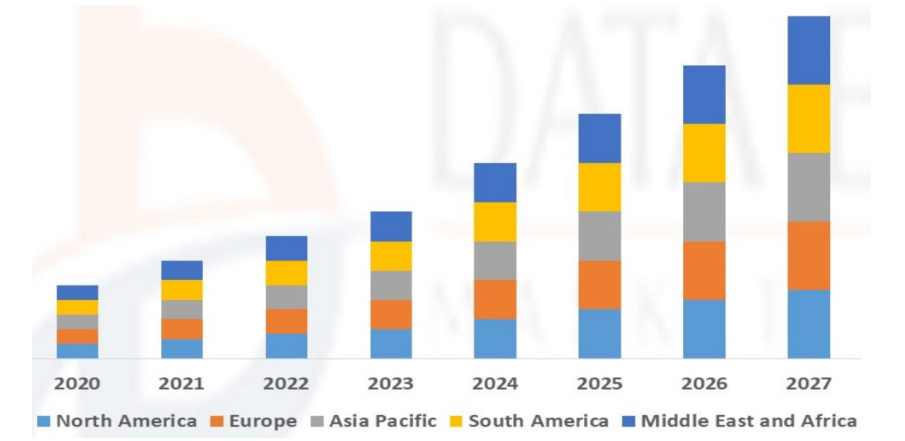
Source: FinTech Global

US RegTech market forecast by size, 2015-25E



Source: GrandView Research

Global RegTech market forecast, 2020-27E



Source: Data Bridge

Demand drivers

Secular themes

id4 benefiting from multiple secular growth drivers

From a market positioning perspective, id4 is benefiting from multiple secular trends, in turn a function of management's deep understanding of trends within the wealth management and private banking market segments. The drivers include a combination of defensive factors, with financial institutions seeking to combat and offset competitive pressures and regulatory burdens at manageable cost, and the need to invest in multi-channel capabilities and interfaces to enhance the customer experience and retain customer relationships.

The table below describes four of the most prominent secular drivers at work in favour of id4's shorter- and longer-term growth prospects.

id4: secular demand themes

1. Regulation
Private banks and wealth managers are expected to maintain high levels of scrutiny from an AML and KYC perspective, given their clients are likely to be at the riskier end of the spectrum in terms of source of funds and potential political exposure. The pressure from regulators has been intensifying in recent years, reflected in the scale of the fines imposed for inadequate KYC and AML procedures and processes. For these types of financial institutions, reputation is critical and they are responding by upgrading systems to ensure demonstrable focus on identifying risks.
2. Digital transformation/multi-channel
Two significant and potentially interrelated trends here. The wealth management industry has, for some time, been dealing with challenges such as evolving business models, fintech disruption, client expectations of online self-service and access to real-time portfolio analytics, increasingly sophisticated chatbots and revenue/margin compression pressures. Traditional human-centric service delivery models are no longer sufficient, forcing wealth managers and private banks to invest in multi-channel solutions.
3. Automation
Within the digital transformation sphere, an important element is automation of business processes, particularly those that are relatively standardised and repetitive in nature. Software robots can be programmed to undertake these processes, with human involvement required only to process exceptions. Gartner refers to multiple automation initiatives coming together as Hyperautomation, where robotic process automation, low-code development and AI, for example, come together to accelerate digital transformation plans.
4. Real-time analytics
Big data, together with analytics and machine learning, allow data processing to be significantly accelerated. Regulatory reports can be generated much faster and potential breaches of anti-money laundering rules can be flagged in near real-time. When combined with automation of processes, financial institutions can readily demonstrate that they have implemented suitable technology capabilities to identify any inappropriate transactions.

Source: Hardman & Co

Competitive landscape

Hundreds of innovative fintech companies globally, but RegTech highly specialised

At first glance, the fintech arena might appear to be rather crowded, with hundreds of ostensibly innovative companies vying for airtime with banks, asset managers and other financial institutions. There are certainly hundreds of RegTech-focused companies around the world at varying stages of development. However, by its very nature, RegTech is highly specialised, as, typically, these innovative new vendors are seeking to displace existing workflows and systems with updated approaches that bring benefits to the financial institutions. These benefits may be enhanced productivity, greater accuracy, reduced fraud and other financial losses, and new functionality reducing time to market for new product launches, etc. For specific segments, such as wealth management, the competitive landscape may be narrower, but that is not to say that competition is at all benign.

id4 focused on smaller financial institutions, whereas main competitors targeting larger institutions

The RegTech segment includes many credible vendors. However, most vendors are focused on the larger banks. There also remains a degree of geographical division, as compliance with local requirements can be highly complex. Examples of vendors that are noteworthy in the CLM segment for banking and wealth management are Fenergo, Appway and Pega. However, each of these companies is not focused specifically on the requirements of smaller financial institutions, which is a different ballgame in terms of implementation timescales, costs of deployment, licensing, and ongoing maintenance and process amendment costs. id4's competitive positioning dovetails nicely under the target segments by size of these industry players.

Fenergo

Fenergo is a leading global provider of digital client lifecycle and regulatory compliance technologies. It offers similar products to id4 but focuses on large-scale financial institutions. 32 of the total 50 banks worldwide are noted to be Fenergo customers, which contrasts with id4's focus on small- and mid-sized financial institutions. The company is headquartered in Dublin, Ireland, and is majority-owned by Insight Venture Partners, a global investments firm. In 2020, Fenergo raised $80m in funding from DXC Technology, a leading global IT services provider, and ABN Amro Ventures.

Appway

Appway is a leading vendor of software to wealth managers, with 10 of the top 25 wealth managers stated to be customers. The underlying Appway platform is available to third-party application developers on a licensed basis, and id4 started life on this platform, leveraging its APIs and extensive connectivity to other functionality providers. Appway's own products in the CLM segment would potentially overlap with those of id4, but the target markets are quite different, with Appway focusing on the large end of the wealth management market. The company is headquartered in Switzerland, and is owned by private equity.

Pega

Pega's target verticals encompass most major industry sectors. However, the company is well regarded in the financial services CLM segment, and it cites its customer base as including 40 leading banks worldwide. The platform covers client onboarding, KYC processes, and automation of client journeys. It is noteworthy that Pega cites its rapid implementation methodology as allowing clients to deploy in as little as three months. This confirms the company's focus on large-scale financial institutions, where some of the implementation challenge will include the backlogs that we discussed earlier in this report.

Management bios

Duncan Soukup – Executive Chairman

Mr Soukup is the founder and Executive Chairman of Thalassa Holdings Ltd and has more than 20 years of investment experience. Having worked in investment banking for 10 years (1984-94), latterly with Bear Stearns as managing director in charge of the company's non-US equity business, Mr Soukup set up his own investment management business in 1994. Acquisitor plc, a company of which Mr Soukup was a director, was admitted to trading on the AIM in January 2000. In 2002, 90% of the assets of Acquisitor plc were moved to Acquisitor Holdings Ltd (Bermuda), and Acquisitor plc was left as an investing company, which then acquired Tinopolis plc, a leading UK independent TV production company. In 2006, Acquisitor Holdings Limited (Bermuda) merged with New York Holdings Ltd and Baltimore plc. Shortly thereafter, the combined group was acquired by Oryx International Limited, a Guernsey incorporated investment company.

Rémy Schimmel – Chief Operating Officer

Mr Schimmel is a seasoned finance professional with more than 20 years of experience in the financial services industry in London and in Zurich. Before joining id4 AG, Rémy was CFO of Coutts Private Bank, Zürich, and, most recently, CFO of Cembra Money Bank, Zürich, a consumer finance specialist listed on the Swiss stock exchange. Prior to this, Mr Schimmel held several senior positions in finance and technology at the NatWest Group and at Lloyds Banking Group in London between 2005 and 2016. Mr Schimmel has extensive experience in technology, general management, financial management, mergers and acquisitions, strategy and investor relations. He holds a master's in international trade from the University of Lyon, an MSc in Business Management from HEC Business School in Montreal, and is a Global Chartered Management Accountant with the Chartered Institute of Management Accountants.

Tim Donell – Chief Financial Officer

A certified chartered accountant, Mr Donell has more than 15 years' experience in finance, accounting and management roles within growth companies across travel, e-commerce and web technology, and has a demonstrated track record of developing and improving financial processes to drive business performance.

Gareth Edwards – Independent Non-Executive Director

Mr Edwards is a qualified solicitor, and has SMF 3 Executive Director approved status with the UK Financial Conduct Authority. As a former partner at international law firm Pinsent Masons LLP (which he left on 30 April 2017), Mr Edwards' expertise is in corporate legal matters. However, he also has extensive experience as an adviser to boards and CEOs at a range of public, private and entrepreneurial companies on their strategy and wider business and commercial issues. He has considerable international experience, particularly in China, the Middle East and the EU, where he was instrumental in expanding Pinsent Masons' offices in continental Europe and facilitating business development between its Asian, Middle Eastern and European offices.

Luca Tomasi – Independent Non-Executive Director

Mr Tomasi is a financial services industry professional with more than 28 years of experience, with a particular focus on business development and client management. Mr Tomasi has held senior executive positions at a number of international investment banks, including 17 years with HSBC (in Luxembourg), where he was responsible for its international services. During his career, he has worked in project assessments and management, audit remediation, and operational risk controls in Europe, Latin America and the Middle East. Mr Tomasi has extensive

knowledge and experience in strategy design and implementation, delivery of operational excellence projects, change management programmes, and first and second line of defence design and implementation. Mr Tomasi is a member of the Society of Trust and Estate Practitioners (a member since 1996, branch chairman from 2014-17 and a founder member in Luxembourg since 2003) and a fellow of the International Compliance Association, a certified AML specialist.

Sébastien Lalande – Co-Founder, Head of Product Development

Mr Lalande is the co-founder of id4. He has 25 years of experience in Private Banking, working directly with group management on global strategies, business development and core system implementations. He has led teams of more than 25 employees and internal budgets above CHF2m, with groupwide responsibilities. Mr Lalande has had management responsibilities in financial reporting, governance and strategic projects involving business and operations. More recently, Mr Lalande has been focusing on compliance-related activities, working with the compliance and legal teams of large Swiss private banks, defining their strategies and requirements for digital solutions in Client Lifecycle Management, with a particular focus on Anti Money Laundry & Customer Due Diligence regulations. This experience led him to create id4, addressing Client Lifecycle solutions with an innovative and efficient approach. Mr Lalande has a master's degree in mathematics (University of Paris 6 Pierre et Marie Curie-Jussieu), an engineering degree in telecommunications (Telecom Paris), and he graduated from a London Business School Leadership and talent academy programme.

Emmanuel Nay – Co-Founder and Head of Sales

Mr Nay is the co-founder of id4. He has over 23 years of experience in programme management and business development. After a decade developing digital and consultancy businesses, he joined the Swiss Offshore Private Banking domain, where he worked for four years to optimise banking processes for a local institution. Moving to a tier 1 international wealth manager, Mr Nay implemented complex and large international transformation projects involving multiple on- and off-shore teams. Since 2014, Mr Nay has developed his expertise in Client Lifecycle Management through numerous implementations of Client Onboarding and AML KYC solutions in Europe, Asia and the Americas. As a subject matter expert, Mr Nay has been involved in auditing CLM solutions and their development frameworks, and he has set up outsourced CLM development teams. Mr Nay holds an engineering degree from the ECAM of Lyon.

Financials

id4 is a Swiss company under the ownership of Anemoi International. Our underlying forecasts are struck in Swiss Francs (CHF), which we translate into Pounds Sterling (GBP) at a rate of £1:CHF1.25 throughout our forecasts and valuation analysis. For clarity, the financial tables are presented in both currencies, allowing the numbers to be compared, for example, with id4's statutory reporting in its home country.

The forecasts below focus on id4 as this is the only operating subsidiary of Anemoi at present. The Anemoi HQ element is included in the cost line, both operating and exceptional, the latter in 2021 comprising primarily the costs associated with the id4 reverse takeover transaction. From 2022 onwards, we factor in a modest head office cost base together with ongoing listing expenses.

Revenue

Client acquisition rates

Anticipated client additions in Client Space and CLM categories are key revenue driver during forecast period

In terms of new client acquisition, 20 clients are expected to be added in FY22, 39 in FY23 and 76 in FY24. Most of these new customer additions fall into the ID&V (Electronic Identification and Customer Verification), CDD and AML solutions categories, which will be sold off-the-shelf. Given the contractual value differentials, the anticipated client additions in the Client Space and CLM categories are a material revenue driver during the forecast period, where our forecasts anticipate a combined total of 23 clients across four geographical regions by end-2024, out of a total expected tally of 150 clients.

id4 forecasts: new client acquisition

New client additions

y/e Dec	2021	2022			2023			2024		
		H1	H2	FY	H1	H2	FY	H1	H2	FY
New Clients										
ID&V and CDD	2	3	10	13	12	13	25	16	28	44
AML	1	2	7	9	5	8	13	8	12	20
Client Space	2	0	2	2	1	2	3	3	4	7
CLM	1	0	1	1	0	2	2	2	3	5
	6	**5**	**20**	**25**	**18**	**25**	**43**	**29**	**47**	**76**

Cumulative client numbers

y/e Dec	End 2021	2022		2023		2024	
		H1	H2	H1	H2	H1	H2
Cumulative Clients							
ID&V and CDD	2	5	15	27	40	56	84
AML	1	3	10	15	23	31	43
Client Space	2	2	4	5	7	10	14
CLM	1	1	2	2	4	6	9
	6	**11**	**31**	**49**	**74**	**103**	**150**

Source: Hardman & Co Research, Company data

Revenue model

Based on the client acquisition rates described above, we move on to consider the components of the revenue model. We consider the revenue generation of id4 in three segments:

- **One-off setup revenue,** which is inherently non-recurring in nature. This can be sizeable for major deployments, but it will diminish relatively quickly as a proportion of id4's total revenue.
- **Core recurring revenue**, which is the cumulative revenue from the growing base of customer contracts, which have several years to run. As noted earlier, within this line, there are essentially four different products with varying monthly pricing. Client Space and CLM are expected, relatively quickly, to become the primary driver of growth in recurring revenue.
- **Recurring add-on revenue,** which are services that are delivered using third-party applications in areas such as online identity verification, screening for sanctions, and e-signatures for legally binding documents.

We do not assume any revenue from new clients in the fiscal period in which they are secured. Given that our model is based on half-yearly periods, this is a potentially overly conservative assumption, which understates revenue, particularly if the actual linearity of new client additions proves to be relatively consistent.

id4 forecasts: revenue

Revenue model (CHF)

Dec y/e (CHF)	FY'2020A	H1 2021	H2 2021	FY 2021	H1 2022	H2 2022	FY 2022	FY 2023	FY 2024
Recurring Revenue	10,300	37,483	46,000	83,483	56,580	79,290	135,870	485,700	1,065,120
Recurring Add-On Revenue	0	12,000	19,000	31,000	5,715	13,275	18,990	62,205	133,425
Setup Fees	42,100	16,000	19,500	35,500	3,800	57,000	60,800	104,000	230,400
Change Requests	0	-	-	-	18,000	18,000	36,000	36,000	36,000
Third-party fees	0	0	0	0	-8,487	-11,894	-20,381	-72,855	-159,768
Total Net Revenue	**52,400**	**65,483**	**84,500**	**149,983**	**75,608**	**155,672**	**231,280**	**615,050**	**1,305,177**

Revenue model (GBP)

Dec y/e (GBP)	FY'2020A	H1 2021	H2 2021	FY 2021	H1 2022	H2 2022	FY 2022	FY 2023	FY 2024
Recurring Revenue	8,240	29,986	36,800	66,786	45,264	63,432	108,696	388,560	852,096
Recurring Add-On Revenue	0	9,600	15,200	24,800	4,572	10,620	15,192	49,764	106,740
Setup Fees	33,680	12,800	15,600	28,400	3,040	45,600	48,640	83,200	184,320
Change Requests	0	0	0	0	14,400	14,400	28,800	28,800	28,800
Third-party fees	0	0	0	0	-6,790	-9,515	-16,304	-58,284	-127,814
Total Net Revenue	**41,920**	**52,386**	**67,600**	**119,986**	**60,486**	**124,537**	**185,024**	**492,040**	**1,044,142**

Source: Hardman & Co Research, Company data

id4 forecasts: revenue components (CHF)

y/e Dec	2022			2023			2024		
CHF	H1	H2	FY	H1	H2	FY	H1	H2	FY
One-Off Setup Revenue									
ID&V and CDD	1,800	6,000	7,800	7,200	7,800	15,000	9,600	16,800	26,400
AML	2,000	7,000	9,000	5,000	8,000	13,000	8,000	12,000	20,000
Client Space	0	24,000	24,000	12,000	24,000	36,000	36,000	48,000	84,000
CLM	0	20,000	20,000	0	40,000	40,000	40,000	60,000	100,000
	3,800	**57,000**	**60,800**	**24,200**	**79,800**	**104,000**	**93,600**	**136,800**	**230,400**

y/e Dec	2022			2023			2024		
CHF	H1	H2	FY	H1	H2	FY	H1	H2	FY
Recurring Add-on Revenue									
Online ID (Onfido)	1,215	3,159	4,374	6,156	9,477	15,633	13,527	19,278	32,805
E-signature (Signatys)	3,060	7,956	11,016	15,504	23,868	39,372	34,068	48,552	82,620
Screening (Polixis)	1,440	2,160	3,600	2,880	4,320	7,200	7,200	10,800	18,000
	5,715	**13,275**	**18,990**	**24,540**	**37,665**	**62,205**	**54,795**	**78,630**	**133,425**

y/e Dec	2022			2023			2024		
CHF	H1	H2	FY	H1	H2	FY	H1	H2	FY
Cumulative Customer Recurring Revenue									
ID&V and CDD	7,140	17,850	24,990	53,550	96,390	149,940	142,800	199,920	342,720
AML	6,000	18,000	24,000	60,000	90,000	150,000	138,000	186,000	324,000
Client Space	24,000	24,000	48,000	48,000	60,000	108,000	84,000	120,000	204,000
CLM	19,440	19,440	38,880	38,880	38,880	77,760	77,760	116,640	194,400
	56,580	**79,290**	**135,870**	**200,430**	**285,270**	**485,700**	**442,560**	**622,560**	**1,065,120**

Source: Hardman & Co Research, Company data

id4 forecasts: revenue components (GBP)

y/e Dec	2022			2023			2024		
GBP	H1	H2	FY	H1	H2	FY	H1	H2	FY
One-Off Setup Revenue									
ID&V and CDD	1,440	4,800	6,240	5,760	6,240	12,000	7,680	13,440	21,120
AML	1,600	5,600	7,200	4,000	6,400	10,400	6,400	9,600	16,000
Client Space	0	19,200	19,200	9,600	19,200	28,800	28,800	38,400	67,200
CLM	0	16,000	16,000	0	32,000	32,000	32,000	48,000	80,000
	3,040	**45,600**	**48,640**	**19,360**	**63,840**	**83,200**	**74,880**	**109,440**	**184,320**

y/e Dec	2022			2023			2024		
GBP	H1	H2	FY	H1	H2	FY	H1	H2	FY
Recurring Add-on Revenue									
Online ID (Onfido)	972	2,527	3,499	4,925	7,582	12,506	10,822	15,422	26,244
E-signature (Signatys)	2,448	6,365	8,813	12,403	19,094	31,498	27,254	38,842	66,096
Screening (Polixis)	1,152	1,728	2,880	2,304	3,456	5,760	5,760	8,640	14,400
	4,572	**10,620**	**15,192**	**19,632**	**30,132**	**49,764**	**43,836**	**62,904**	**106,740**

y/e Dec	2022			2023			2024		
GBP	H1	H2	FY	H1	H2	FY	H1	H2	FY
Cumulative Customer Recurring Revenue									
ID&V and CDD	5,712	14,280	19,992	42,840	77,112	119,952	114,240	159,936	274,176
AML	4,800	14,400	19,200	48,000	72,000	120,000	110,400	148,800	259,200
Client Space	19,200	19,200	38,400	38,400	48,000	86,400	67,200	96,000	163,200
CLM	15,552	15,552	31,104	31,104	31,104	62,208	62,208	93,312	155,520
	45,264	**63,432**	**108,696**	**160,344**	**228,216**	**388,560**	**354,048**	**498,048**	**852,096**

Source: Hardman & Co Research, Company data

Costs and profitability

Low-risk, low-cost approach to company's cost base is positive attribute

With respect to id4's cost of sales and operational expenses, a significant proportion are related directly to revenue. This includes fees to third-party technology providers, whether they are licensing fees for the Appway platform (on which some of the core product modules are built) or the fees payable for the add-on revenues. Similarly, the development resource is scalable, as it is configured on a man hours basis with developers located in Portugal.

As a rule, 90% of the software development costs are capitalised. The rest, 10%, relates to testing and training and is expensed as incurred. The amortisation of capitalised software development costs commenced in August 2021 following the go-live of the first three clients on the CLM platform. Capitalised software development costs will be amortised over five years.

The company takes a relatively low-risk, low-cost approach to its cost base, including utilising development resources in Portugal where day rates are attractive compared with other European locations. This is both for development of new software functionality and maintenance of existing modules.

This cost flexibility is a positive attribute when considered in the context of the potential impact of revenue variations from budgets on the company's profitability. On our conservative forecasts, we expect a gross margin of 80% in FY24E, accompanied by an EBIT margin of 17% in that year (breakeven at the EBIT level is anticipated in 2H24E).

The fixed-cost elements within the id4 operating model are relatively limited, primarily personnel costs, legal/professional expenses, rent and a portion of other administrative expenses, summing to approximately £220,000 in FY22, on our estimates.

The original Anemoi business features only in the costs section of the combined P&L. The operating expenses element is forecast to be c.£280,000 in FY22, while the costs of the reverse takeover transaction in 2H21 were c.£250,000.

Major shareholders

Anemoi International shareholders over 3% pre and post fundraising

Name of Shareholder	Ordinary Shares held immediately prior to Admission	% of issued existing issued Ordinary Share capital	Ordinary Shares held at Admission	% of issued Share capital at Admission (Note 1)
Lombard Odier Asset Management (Europe) Limited	8,000,000	22.22%	14,250,000	9.07%
Duncan Soukup	7,025,142	19.51%	7,052,142	4.47%
THAL Discretionary Trust	6,157,334	17.10%	6,157,334	3.92%
Apeiron Holdings (BVI) Ltd	-	-	56,000,000	35.66%
Danske Bank International SA Lux	-	-	20,000,000	12.74%
Sébastien Lalande	-	-	5,333,333	3.40%
Emmanuel Nay	-	-	5,333,333	3.40%

Note 1 – The holdings of substantial shareholders immediately following Admission are based on the following assumptions: (i) the Placing having occurred and the Placing Shares having been issued; and (ii) the issue of the Initial Consideration Shares. On Admission, the holders of the New Ordinary Shares will not have special voting rights and the Ordinary Shares owned by them will rank pari passu in all respects with the holders of the Existing Ordinary Shares.

Source: Anemoi Prospectus

Issuance of warrants to Thalassa Holdings

In recognition of Thalassa's upfront capital commitment by way of Thalassa's subscription of the ordinary shares, Anemoi executed a warrant instrument and, on Admission, issued to Thalassa 29,950,000 warrants. The exercise period for the warrants is five years from the date of Admission and the exercise price for the warrants is the subscription price of $0.04. Effective on its Admission, Anemoi granted Thalassa options entitling it to subscribe at par value for 1,800,000. The options have been granted for consideration of £1 and the exercise price for the options is the subscription price of $0.04. The exercise period for the options is five years from the date of Admission.

Thalassa has transferred all of the Thalassa warrants to the Anemoi Discretionary Trust for aggregate consideration of $345,000 payable to Thalassa on a deferred basis by the Anemoi Discretionary Trust. The warrants will be held on trust for the benefit of certain individuals connected to the company, including the id4 management team. Of the 29,950,000 warrants, 6,451,750 remain unallocated.

Profit and loss

Anemoi International profit and loss (CHF)

Dec y/e (CHF)	FY 2020A	H1 2021	H2 2021E	FY 2021E	H1 2022E	H2 2022E	FY 2022E	FY 2023E	FY 2024E
Recurring revenue	10,300	37,483	46,000	83,483	56,580	79,290	135,870	485,700	1,065,120
Recurring add-on revenue	0	12,000	19,000	31,000	5,715	13,275	18,990	62,205	133,425
Set-up fees	42,100	16,000	19,500	35,500	3,800	57,000	60,800	104,000	230,400
Change requests	0	-	-	-	18,000	18,000	36,000	36,000	36,000
Third-party fees	0	0	0	0	-8,487	-11,894	-20,381	-72,855	-159,768
Total net revenue	**52,400**	**65,483**	**84,500**	**149,983**	**75,608**	**155,672**	**231,280**	**615,050**	**1,305,177**
Cost of Sales									
Server & license	-4,878	-3,150	-4,650	-7,800	-2,268	-5,449	-7,717	-18,452	-39,155
Software development	-6,161	-11,160	-6,510	-17,670	-8,370	-8,370	-16,740	-27,900	-22,320
Software maintenance	0	0	-4,650	-4,650	0	-5,580	-5,580	-55,800	-111,600
Add-ons	0	-5,370	-7,720	-13,090	-3,715	-8,629	-12,344	-24,882	-73,384
Change requests	0	-3,000	-6,000	-9,000	-4,500	-4,500	-9,000	-12,600	-10,800
Other costs (legal)	0	-1,800	-1,800	-3,600	-1,900	-1,900	-3,800	-4,090	-4,509
Total cost of sales	**-11,039**	**-24,480**	**-31,330**	**-55,810**	**-20,753**	**-34,427**	**-55,180**	**-143,723**	**-261,768**
Gross profit	**41,361**	**41,003**	**53,170**	**94,173**	**54,855**	**121,244**	**176,099**	**471,327**	**1,043,409**
Gross margin	*79%*	*63%*	*63%*	*63%*	*73%*	*78%*	*76%*	*77%*	*80%*
Operational Expenses									
Personnel costs	-187,401	-105,650	-105,650	-211,300	-110,000	-110,000	-220,000	-550,000	-660,000
Legal & professional costs	-4,870	-3,000	-3,000	-6,000	-3,000	-3,000	-6,000	-6,458	-7,119
Rent	-18,000	-10,000	-10,000	-20,000	-12,000	-12,000	-24,000	-24,000	-27,478
Other admin costs	-19,808	-10,800	-10,800	-21,600	-9,500	-12,200	-21,700	-27,677	-39,155
Anemoi central expenses	-210,000	-115,000	-135,000	-250,000	-175,000	-175,000	-350,000	-374,500	-400,715
Total operational expenses	**-440,079**	**-244,450**	**-264,450**	**-508,900**	**-134,500**	**-137,200**	**-621,700**	**-982,635**	**-733,752**
EBITDA	**-398,718**	**-203,447**	**-211,280**	**-414,727**	**-79,645**	**-15,956**	**-445,601**	**-511,308**	**309,657**
EBITDA Margin	*-761%*	*-311%*	*-250%*	*-277%*	*-105%*	*-10%*	*-193%*	*-83%*	*24%*
Depreciation & amortisation	0	-17,500	-35,000	-52,500	-31,000	-33,000	-64,000	-78,000	-91,500
EBIT	**-398,718**	**-220,947**	**-246,280**	**-467,227**	**-110,645**	**-48,956**	**-509,601**	**-589,308**	**218,157**
EBIT Margin	*-761%*	*-337%*	*-291%*	*-312%*	*-146%*	*-31%*	*-220%*	*-96%*	*17%*
Exceptional costs	0	0	-318,399	-318,399	0	0	0	0	0
Net finance income	6,939	-18,250	-21,450	-39,700	8,500	4,000	12,500	16,250	21,125
Profit before tax	**-391,779**	**-239,197**	**-267,730**	**-506,927**	**-102,145**	**-44,956**	**-497,101**	**-573,058**	**239,282**
Taxation	-536	0	0	0	0	0	0	0	-22,505
Effective tax rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*9%*
Net income	**-392,315**	**-239,197**	**-267,730**	**-506,927**	**-102,145**	**-44,956**	**-497,101**	**-573,058**	**216,777**
EPS (cents)	-1.1	-0.7	-0.2	-0.3	-0.1	0.0	-0.3	-0.4	0.1
Shares in issue	35,999,999	35,999,999	157,041,665	157,041,665	157,041,665	157,041,665	157,041,665	157,041,665	157,041,665

Source: Company data, Hardman & Co Research

Anemoi International profit and loss (GBP)

Dec y/e (GBP)	FY 2020A	H1 2021	H2 2021E	FY 2021E	H1 2022E	H2 2022E	FY 2022E	FY 2023E	FY 2024E
Recurring revenue	8,240	29,986	36,800	66,786	45,264	63,432	108,696	388,560	852,096
Recurring add-on revenue	0	9,600	15,200	24,800	4,572	10,620	15,192	49,764	106,740
Set-up fees	33,680	12,800	15,600	28,400	3,040	45,600	48,640	83,200	184,320
Change requests	0	-	-	-	14,400	14,400	28,800	28,800	28,800
Third-party fees	0	0	0	0	-6,790	-9,515	-16,304	-58,284	-127,814
Total net revenue	**41,920**	**52,386**	**67,600**	**119,986**	**60,486**	**124,537**	**185,024**	**492,040**	**1,044,142**
Cost of Sales									
Server & license	-3,902	-2,520	-3,720	-6,240	-1,815	-4,359	-6,173	-14,761	-31,324
Software development	-4,929	-8,928	-5,208	-14,136	-6,696	-6,696	-13,392	-22,320	-17,856
Software maintenance	0	0	-3,720	-3,720	0	-4,464	-4,464	-44,640	-89,280
Add-ons	0	-4,296	-6,176	-10,472	-2,972	-6,903	-9,875	-19,906	-58,707
Change requests	0	-2,400	-4,800	-7,200	-3,600	-3,600	-7,200	-10,080	-8,640
Other costs (legal)	0	-1,440	-1,440	-2,880	-1,520	-1,520	-3,040	-3,272	-3,607
Total cost of sales	**-8,831**	**-19,584**	**-25,064**	**-44,648**	**-16,602**	**-27,542**	**-44,144**	**-114,979**	**-209,414**
Gross profit	**33,089**	**32,802**	**42,536**	**75,338**	**43,884**	**96,995**	**140,879**	**377,061**	**834,727**
Gross margin	*79%*	*63%*	*63%*	*63%*	*73%*	*78%*	*76%*	*77%*	*80%*
Operational Expenses									
Personnel costs	-149,921	-84,520	-84,520	-169,040	-88,000	-88,000	-176,000	-440,000	-528,000
Legal & professional costs	-3,896	-2,400	-2,400	-4,800	-2,400	-2,400	-4,800	-5,166	-5,696
Rent	-14,400	-8,000	-8,000	-16,000	-9,600	-9,600	-19,200	-19,200	-21,982
Other admin costs	-15,846	-8,640	-8,640	-17,280	-7,600	-9,760	-17,360	-22,142	-31,324
Anemoi central expenses	-168,000	-92,000	-108,000	-200,000	-140,000	-140,000	-280,000	-299,600	-320,572
Total operational expenses	**-352,063**	**-195,560**	**-211,560**	**-407,120**	**-107,600**	**-109,760**	**-497,360**	**-786,108**	**-587,002**
EBITDA	**-318,974**	**-162,758**	**-169,024**	**-331,782**	**-63,716**	**-12,765**	**-356,481**	**-409,046**	**247,725**
EBITDA Margin	*-761%*	*-311%*	*-250%*	*-277%*	*-105%*	*-10%*	*-193%*	*-83%*	*24%*
Depreciation & amortisation	0	-14,000	-28,000	-42,000	-24,800	-26,400	-51,200	-62,400	-73,200
EBIT	**-318,974**	**-176,758**	**-197,024**	**-373,782**	**-88,516**	**-39,165**	**-407,681**	**-471,446**	**174,525**
EBIT Margin	*-761%*	*-337%*	*-291%*	*-312%*	*-146%*	*-31%*	*-220%*	*-96%*	*17%*
Exceptional costs	0	0	-254,719	-254,719	0	0	0	0	0
Net finance income	5,551	-14,600	-17,160	-31,760	6,800	3,200	10,000	13,000	16,900
Profit before tax	**-313,423**	**-191,358**	**-214,184**	**-405,542**	**-81,716**	**-35,965**	**-397,681**	**-458,446**	**191,425**
Taxation	-428	0	0	0	0	0	0	0	-18,004
Effective tax rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*9%*
Net income	**-313,852**	**-191,358**	**-214,184**	**-405,542**	**-81,716**	**-35,965**	**-397,681**	**-458,446**	**173,422**
EPS (pence)	-0.9	-0.5	-0.1	-0.3	-0.1	0.0	-0.3	-0.3	0.1
Shares in issue	35,999,999	35,999,999	157,041,665	157,041,665	157,041,665	157,041,665	157,041,665	157,041,665	157,041,665

Source: Company data, Hardman & Co Research

Valuation

DCF analysis

Our DCF valuation analysis produces total equity value of £10.8m

The early-stage nature of id4 lends itself well to a DCF analysis, which allows the free cashflows that are expected to occur in future to be valued, giving the true or intrinsic value of the business. While it can be difficult to forecast future financial performance and free cashflows for an early-stage business such as id4, given the relative uncertainties around new client acquisition rates, focusing on conservative assumptions and inputs is one approach to navigating around these issues.

The capital asset pricing model (CAPM) is used to determine the company's cost of equity. The CAPM breaks down the return into two principal components: i) the returns on risk-free investments (government debt) – this is generally known as the risk-free rate (RFR); and ii) the additional return required to compensate for the uncertainty associated with investing in the company.

Cost of equity = RFR + B x (MRP + CRP) + SP

The latter component is further broken down into two parts: i) the return that the market will deliver as a whole over and above the risk-free rate – this is known as the market risk premium (MRP); and ii) the risk of the company relative to that of the market – this is known as the company's beta. This risk represents both the sensitivity of the underlying business (systemic business risk) to macro influences and the risk to equity investors from the capital structure of the company (financial risk). Additional risk premia will reflect country risk (CRP) and the specific risks of a geographical area, as well as the size of a company – the size premium (SP) is a consideration when evaluating early-stage companies with a limited financial record.

DCF inputs for Anemoi International

Input	Rate	Source
Risk-free rate	1.18%	Risk-free rate is 10-year gilt rate (from Bloomberg) on 2 January 2022
Beta	1.3%	Geometric mean of top 10th percentile of three-year beta from FactSet
Market risk premium	4.2%	Stern School of Business at New York University
Size and maturity premium	5,5%	Based on various market data sources
Country risk premium	0.0%	Stern School of Business at New York University
Discount rate	**12.1%**	**CAPM utilised for unleveraged discount rate: cost of equity = RFR + B x (MRP + CP) + SP**

Source: Hardman & Co Research

On 14 September 2021, the original id4 business merged with and into its parent company, Apeiron Holdings AG. Following the merger, Apeiron Holdings was renamed id4 AG. Following the merger, the amount due to Apeiron Holdings of £352,288 (CHF450,000) was extinguished. On 30 September 2021, £1,710,370 (CHF2,211,595) plus accrued interest of the loan from Thalassa to Apeiron Holdings AG and the original id4 business was capitalised as capital contributed under equity. As a consequence, our understanding is that the company currently has a net cash position of £1.06m.

We apply a terminal free cash growth rate of 3% and a long-term tax rate of 15%. As set out in the tables below, our DCF analysis produces an implied fair equity value of £10.8m (CHF13.5m).

Anemoi International: DCF valuation (CHF)

Key inputs	
Terminal FCF growth rate	3.0%
Long-term tax rate on EBIT	15.0%

Y/end December, CHF	2021	2022	2023	2024	2025	2026	2027	2028	2029	Terminal value
Revenues	**149,983**	**231,280**	**615,050**	**1,305,177**	**2,153,542**	**3,445,667**	**4,823,934**	**6,271,114**	**7,211,782**	
yoy growth	-	*54.2%*	*165.9%*	*112.2%*	*65.0%*	*60.0%*	*40.0%*	*30.0%*	*15.0%*	
EBIT	**-467,227**	**-509,601**	**-589,308**	**218,157**	**882,952**	**1,447,180**	**2,083,940**	**2,765,561**	**3,245,302**	
EBIT margin	*-311.5%*	*-220.3%*	*-95.8%*	*16.7%*	*41.0%*	*42.0%*	*43.2%*	*44.1%*	*45.0%*	
Depreciation & amortisation	52,500	64,000	78,000	91,500	96,075	100,879	105,923	111,219	116,780	
Adj. EBITDA	**-414,727**	**-445,601**	**-511,308**	**309,657**	**979,027**	**1,548,059**	**2,189,862**	**2,876,780**	**3,362,081**	
EBITDA margin	*-276.5%*	*-192.7%*	*-83.1%*	*23.7%*	*55.0%*	*54.0%*	*54.0%*	*55.0%*	*46.6%*	
Tax on EBIT	0	0	0	-32,724	-132,443	-217,077	-312,591	-414,834	-486,795	
Change in net working capital	3,000	4,626	12,301	26,104	43,071	68,913	96,479	125,422	144,236	
Cashflow from operations	**-411,727**	**-440,975**	**-499,007**	**303,037**	**889,655**	**1,399,895**	**1,973,750**	**2,587,368**	**3,019,522**	
Capex	-1,500	-2,313	-6,151	-13,052	-21,535	-34,457	-48,239	-62,711	-72,118	
Unlevered free cashflow	**-413,227**	**-443,288**	**-505,158**	**289,985**	**868,120**	**1,365,439**	**1,925,511**	**2,524,657**	**2,947,404**	**32,389,055**
Year	1	2	3	4	5	6	7	8	9	10
Discount factor	1.12	1.26	1.41	1.58	1.77	1.98	2.22	2.49	2.80	2.80
Present value	**-368,624**	**-352,756**	**-358,600**	**183,634**	**490,401**	**688,079**	**865,579**	**1,012,413**	**1,054,361**	**11,586,380**

Note: based on medium-term assumptions from 2025E onwards

Implied valuation metrics	CHF
Sum of 9-year cashflow	3,214,487
Terminal value	11,586,380
Value of the firm	14,800,867
Net funds	-1,325,000
Total equity value	**13,475,867**

Source: Hardman & Co Research

Anemoi International: DCF sensitivity (CHF)

CHF	10.6%	11.1%	11.6%	12.1%	12.6%	13.1%	13.6%
1.5%	15,378,861	14,062,365	12,888,361	11,836,285	10,889,292	10,033,456	9,257,167
2.0%	16,139,316	14,716,505	13,454,391	12,328,701	11,319,754	10,411,433	9,590,411
2.5%	16,993,655	15,446,707	**14,082,622**	**12,872,410**	**11,792,837**	10,825,068	9,953,676
3.0%	17,960,406	16,267,058	**14,783,903**	**13,475,867**	**12,315,199**	11,279,657	10,351,211
3.5%	19,063,320	17,195,350	**15,571,762**	**14,149,494**	**12,894,963**	11,781,600	10,788,106
4.0%	20,333,342	18,254,387	16,463,286	14,906,284	13,542,142	12,338,700	11,270,512
4.5%	21,811,564	19,473,884	17,480,378	15,762,653	14,269,220	12,960,580	11,805,929

Source: Hardman & Co Research

Anemoi International: DCF valuation (GBP)

Key inputs	
Terminal FCF growth rate	3.0%
Long-term tax rate on EBIT	15.0%

Y/end December, CHF	2021	2022	2023	2024	2025	2026	2027	2028	2029	Terminal value
Revenues	**119,986**	**185,024**	**492,040**	**1,044,142**	**1,722,834**	**2,756,534**	**3,859,147**	**5,016,892**	**5,769,425**	
yoy growth	-	*54.2%*	*165.9%*	*112.2%*	*20.0%*	*15.0%*	*12.0%*	*10.0%*	*3.0%*	
EBIT	**-373,782**	**-407,681**	**-471,446**	**174,525**	**706,362**	**1,157,744**	**1,667,152**	**2,212,449**	**2,596,241**	
EBIT margin	*-311.5%*	*-220.3%*	*-95.8%*	*16.7%*	*41.0%*	*42.0%*	*43.2%*	*44.1%*	*45.0%*	
Depreciation & amortisation	0	28,000	26,400	32,800	34,440	36,162	37,970	39,869	41,862	
Adj. EBITDA	**-331,782**	**-356,481**	**-409,046**	**247,725**	**783,222**	**1,238,447**	**1,751,890**	**2,301,424**	**2,689,665**	
EBITDA margin	*-276.5%*	*-192.7%*	*-83.1%*	*23.7%*	*55.0%*	*54.0%*	*54.0%*	*55.0%*	*46.6%*	
Tax on EBIT	0	0	0	-26,179	-105,954	-173,662	-250,073	-331,867	-389,436	
Change in net working capital	2,400	3,700	9,841	20,883	34,457	55,131	77,183	100,338	115,389	
Cashflow from operations	**-329,382**	**-352,780**	**-399,206**	**242,429**	**711,724**	**1,119,916**	**1,579,000**	**2,069,895**	**2,415,617**	
Capex	-1,200	-1,850	-4,920	-10,441	-17,228	-27,565	-38,591	-50,169	-57,694	
Unlevered free cashflow	**-330,582**	**-354,630**	**-404,126**	**231,988**	**694,496**	**1,092,351**	**1,540,409**	**2,019,726**	**2,357,923**	**25,911,244**
Year	1	2	3	4	5	6	7	8	9	10
Discount factor	1.12	1.26	1.41	1.58	1.77	1.98	2.22	2.49	2.80	2.80
Present value	**-294,899**	**-282,205**	**-286,880**	**146,907**	**392,321**	**550,463**	**692,463**	**809,930**	**843,488**	**9,269,104**

Note: based on medium-term assumptions from 2025E onwards

Implied valuation metrics	GBP
Sum of 9-year cashflow	2,571,590
Terminal value	9,269,104
Value of the firm	11,840,694
Net funds	-1,060,000
Total equity value	**10,780,694**

Source: Hardman & Co Research

Anemoi International: DCF sensitivity (GBP)

GBP	10.6%	11.1%	11.6%	12.1%	12.6%	13.1%	13.6%
1.5%	12,303,088	11,249,892	10,310,689	9,469,028	8,711,433	8,026,765	7,405,734
2.0%	12,911,453	11,773,204	10,763,513	9,862,960	9,055,803	8,329,147	7,672,328
2.5%	13,594,924	12,357,366	**11,266,098**	**10,297,928**	**9,434,270**	8,660,055	7,962,941
3.0%	14,368,325	13,013,646	**11,827,122**	**10,780,694**	**9,852,159**	9,023,726	8,280,969
3.5%	15,250,656	13,756,280	**12,457,410**	**11,319,595**	**10,315,971**	9,425,280	8,630,485
4.0%	16,266,674	14,603,510	13,170,629	11,925,027	10,833,714	9,870,960	9,016,409
4.5%	17,449,252	15,579,108	13,984,302	12,610,122	11,415,376	10,368,464	9,444,743

Source: Hardman & Co Research

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