

copyrightagent

Copyright Agent

INVESTMENT CASE



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HIGHLIGHTS



Copyright Agent is a leading Intellectual-Property-Rights-as-a-Service (IPRaaS) company providing an all-in-one solution that monitors and validates copyright on images and text on the internet. Copyright Agent has unique position on the market being the only company to handle the entire value chain and deliver a full-service solution from monitoring of images on the internet to handling payment of compensation from companies.



Today, more than 3 billion images are daily being shared in news feeds, social media, advertising etc., and about 85% of the images are shared without permission. The market for text protection is potentially larger with e.g. e-commerce companies using search engine optimization (SEO) to be on top of Google searches.



The business model is no cure, no pay meaning that Copyright Agent receives the total compensation and afterwards pays 50% of the compensation to owners of the copyright, **i.e. customers have a large incentive to cooperate with Copyright Agent.** Copyright Agent has 11 image agencies, including well-known Ritzau Scanpix, as customers across Denmark, Sweden, Norway, Finland, United Kingdom, the Netherlands, the Baltics and Germany.



In 2020, Copyright Agent's gross and net revenue was DKK 12.3m and DKK 5.6m, respectively, after increasing net revenue with ~44% despite being negatively affected by COVID-19 due to interrupted business procedures.



With a proven and scalable technology, Copyright Agent has built a strong presence with image agencies as customers. Now, the company is looking into several opportunities to scale up the organization and business. Copyright Agent is expected to grow net revenue with a CAGR of 84% towards 2023 driven by **1)** market expansion to new European markets through existing customers, **2)** new business opportunities including copyright protection of text, and **3)** new customer groups with a subscription-based (SaaS) model targeting industry associations, webshops, photographers etc.



The pre-money valuation is approx. DKK 100m. This corresponds to a **Price-to-Sales multiple (2021E) of 9.3x based on the midrange in Copyright Agent's 2021 revenue expectations.** In 2021, the company expects to grow net revenue with 92%.



The offering is DKK 25-30m with DKK 12.7m received in pre-subscription from 104 investors including board members and employees. Investors have pre-subscribed to the same price per share as the public price.

IPO INFORMATION

Market: Nasdaq First North Growth Market Denmark

Existing shares: 12,500,005

Offer price per share: DKK 8.00

Pre-money valuation: DKK ~100m

Post-money valuation: DKK ~125-130m

Size of the offering*: DKK 25-30m

Pre-subscription amount: DKK 12.7m (104 investors)

Subscription period: 16 June 2021 – 29 June 2021

Expected first day of trading: 7 July 2021

DISCLAIMER

HC Andersen Capital receives payment from Copyright Agent for a Digital IR/Corporate Visibility subscription agreement.

Kasper Lihn has no ownership in Copyright Agent and has no intention of subscribing to new shares in connection with the offering.

This is not a piece of advice to buy, not to buy, sell, or not to sell shares.

The material has been read by the company before publication.

HC Andersen Capital assumes no responsibility for correctness of the contents of the material.

SELECTED RISK FACTORS AND LOCK-UP AGREEMENTS

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

Share price development and the offering: The market price of the Copyright Agent share may vary negatively from the offer price per share depending on several factors including financial results varying from expectations, economic downturns, changes in expectations, changes in geopolitical conditions, and the risk of declining global stock markets. There is also a risk that the offering is withdrawn which can take place any time prior to the announcement of the result of the offering.

Competition risks: The market within monitoring of illegal use of images and text on the internet is relatively new. Only few competitors provide a full-service solution from monitoring the internet to handling of compensation from companies. However, there is a risk that new large international companies or new players are entering the market. The risk of more competition may have a negative affect on Copyright Agent's strategy, revenue and profitability.

Operational risks: There is a risk that Copyright Agent fails to achieve the financial expectations due to factors such as lower revenue, higher costs or larger operational depreciations and/or larger provisions than expected. This may be caused by external factors such as changes in the competitive landscape or an unfavorable development in the market. Additionally, Copyright Agent's current customers are larger international companies with relatively long sales processes of between 3-12 months including test phase and contract negotiation. If many sales processes are taking longer than expected, this may have a negative effect on the company's growth expectations.

Reputational risk: Copyright Agent can be involved in situations where copyright infringement can be unclear even though Copyright Agent has a clarifying approach for such situations. If this happens, Copyright Agent may be exposed to issues related to the company's reputation.

Liquidity risks: Copyright Agent's growth plan focuses on building up a strong organization and product portfolio to utilize the global potential. To fulfill and execute the strategy, Copyright Agent may need to raise more capital.

Financial risks: A large part of Copyright Agent's revenue is to foreign customers, i.e. revenue is distributed across different markets with different exchange rates. There is a risk that exchange fluctuations will be unfavorable for Copyright Agent in the future which may affect the expectations.

Sale of shares by major and existing shareholders: Large sales of shares by major shareholders or members from the Board of Directors and management team may affect the company's share price negatively and ability to raise additional capital in the future.

Lock-up agreements: Existing shareholders: HOCSE Holding ApS, Casper Blom ApS, Sasja Dalgaard Holding ApS, Tofte & Company ApS, Truly Global AG, employees, the management and board members have 12 months lock-up obligations. Aula Invest ApS has 12 months lock-up for 50% of the shares, and 6 months lock-up for the other 50% of the shares. The lock-up obligation for all existing shareholders starts from the first day of trading which is expected to be 7 July 2021. Locked-up shares represent 77.80% after the offering based on the maximum offering and 80.91% after the offering based on the minimum offering. After completion of the offering, current major shareholders own 66.87% of the company based on the maximum offering and 69.54% of the company based on the minimum offering.

COPYRIGHT AGENT - IN BRIEF / OFFERING DETAILS

Copyright Agent has developed a technology that helps image agencies, and the company is now ready to scale up the organization with proceeds from the offering

Copyright Agent was founded in 2016 with a **mission to protect original content from photographers and journalists**. To fulfill this mission, Copyright Agent has developed a cloud-based technology providing full transparency over digital assets on the internet such as images and text. By that, Copyright Agent currently helps journalists and photographers working for image agencies to receive a compensation from companies' improper use of content without permission.

Copyright Agent is fully operational with active customers in Denmark, Sweden, Norway, Finland, Germany and United Kingdom. The company has 22 employees (13 full-time employees and 9 part-time employees) working from Copenhagen with different nationalities speaking the local languages. Going forward, Copyright Agent is about to enter the Baltics, Poland, Belgium, the Netherlands, Scotland, Spain, Chile, Australia, and New Zealand.

With a **no cure no pay business model** within Intellectual-Property-Rights-as-a-Service (IPRaaS), photographers and journalists have clear incentives to work with Copyright Agent. Basically, Copyright Agent offers a comprehensive technology which monitors images on the internet. When content without permission is found, Copyright Agent also handles the case. **This implies that Copyright Agent receives 100% of the total compensation from counterparts, typically larger companies using images without permission, and owners of the copyright will afterwards receive 50% of the compensation.**

Customers are **11 image agencies including Ritzau Scanpix (DK)** which has been a part of Copyright Agent's development since the beginning. Additionally, Copyright Agent states in the company description that the company is currently negotiating 4 new contracts.

Copyright Agent expects to raise DKK 25-30m in the offering to **1) launch new products** including text recognition in the platform and a watermark technology in Q4 2021, **2) scale up the organization** to 43 employees 12 months after the IPO and **3) enter new markets** through its existing customers. These initiatives are expected to increase Copyright Agent's net revenue with a CAGR of 84% towards 2023.

104 investors have pre-subscribed in the offering. Existing board members and employees have also pre-subscribed in the offering to the same price as the public price of DKK 8.00.

Specifically, gross proceeds of between DKK 25-30m from the offering is expected to be allocated in the following way:

- **30% for sales and marketing:** Copyright Agent expects to increase its sales- and marketing activities significantly as the company enters new markets, and more products and services are launched.
- **30% for product development:** Development of the watermark-technology, a Software-as-a-Service (SaaS) model and several new features and services on the company's core functionality which will increase the automation and effectiveness.
- **40% for organization:** A stronger organization building up larger technical teams, a HR function, expanding customer support team and expanding the finance function including hiring a CFO.

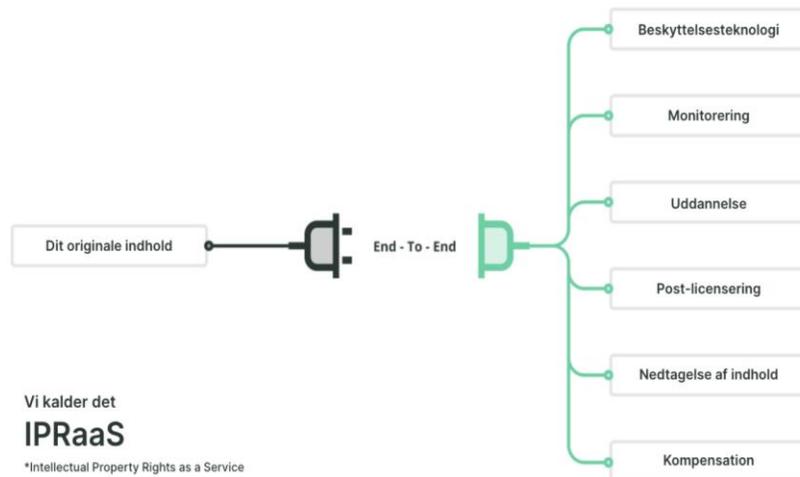
SOLUTION AND GO-TO-MARKET STRATEGY

Copyright Agent's technology monitors digital assets on the internet and helps image agencies to receive compensation for copyright infringements

More than 3 billion images are being shared every day on the internet with only 85% of the images being used without permission. Copyright Agent helps image agencies to monitor the enormous amount of digital assets which are being shared every day across the world. Furthermore, Copyright Agent ensures that originators are being compensated.

With a **full-service solution with its cloud-based technology**, Copyright Agent provides:

- **Full transparency** over digital assets on the internet
- An easy **opportunity to reprimand or remove potential bride** on the copyright
- A **professional partner educating the market** to understand how copyright material should be used correctly
- An opportunity to get **licensed and accredit assets** already being published on the internet without correct license
- A correct **compensation** for the improper use of the asset



Vi kalder det
IPRaaS

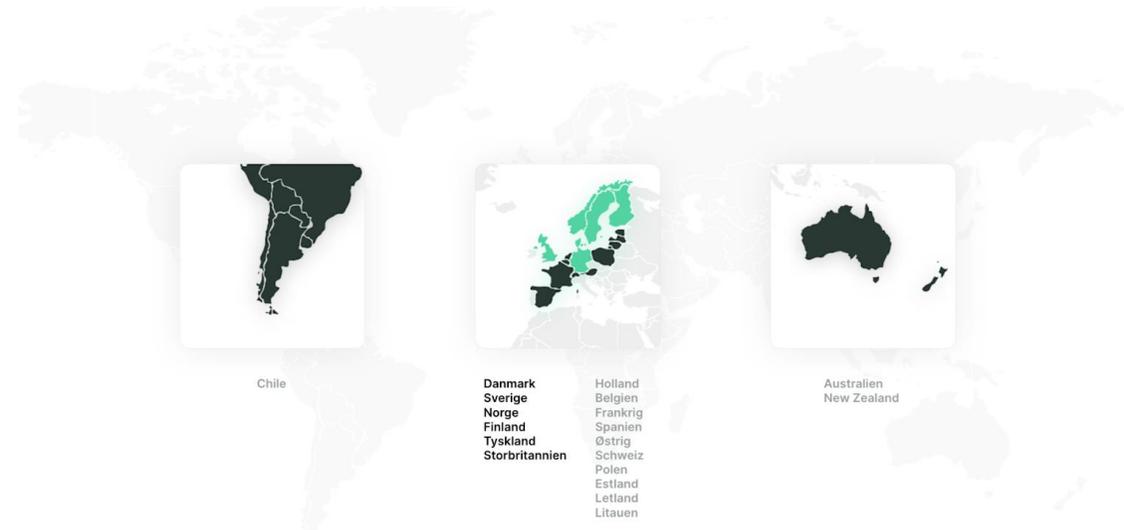
*Intellectual Property Rights as a Service

Copyright Agent's solution
Source: Copyright Agent's company description

Until now, Copyright Agent has focused on building up presence in the Scandinavian market before moving into other Western European countries. Going forward, Copyright Agent is on its way to enter the Baltics, Poland, Belgium, the Netherlands, Scotland, Spain, Chile, Australia and New Zealand using existing customers to enter new markets.

Copyright Agent has the advantage that their own customers are asking to expand the cooperation to new markets in Europe, i.e. **Copyright Agent enters a new market through image agencies that the company is already working with.**

After being established in the new market, Copyright Agent can easier target new customers with relatively low risk and a strong reference customer. To build up a network and local presence in new markets, the company sometimes choose to use local consultants which are active in the media industry.



Copyright Agent's markets
Source: Copyright Agent's company description

CURRENT BUSINESS MODEL AND FUTURE BUSINESS MODEL

Copyright Agent has a no cure, no pay business model with plans targeting new customer groups with a subscription-based business model

Currently, Copyright Agent has a simple **no cure, no pay business model** for enterprise customers which are image agencies. **First, Copyright Agent receives the total compensation**, which is based on a list price of the image added with a compensation for violating the copyright. Afterwards, owners of the copyright will receive 50% of the total compensation.

With this business model, incentives to work with Copyright Agent are very high. Customers are receiving payments every month from cases where Copyright Agent has identified infringement of the copyright. **Using a “glo-cal business model”, Copyright Agent is able to provide a localized end-to-end service in all markets with a scalable “plug and play” solution.**

Going forward, Copyright Agent is expected to launch SaaS products with a subscription-based business model to target smaller customers such as photographers and webshops. Copyright Agent’s future business model can be separated into the following segments with different pricing models and customer groups:

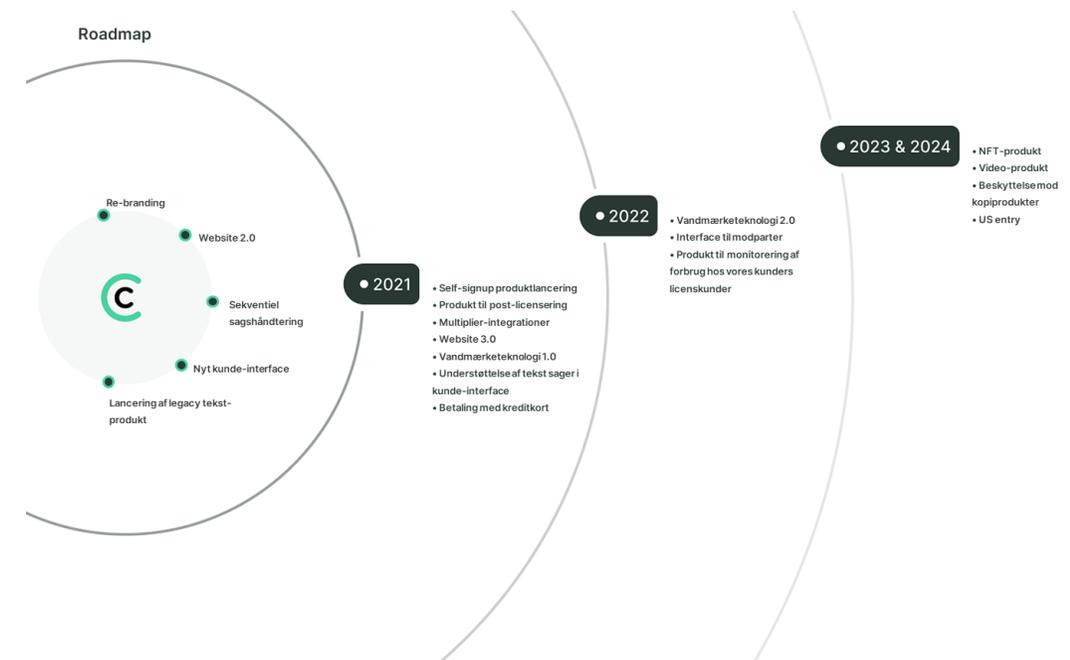
Enterprise: Enterprise customers are image agencies with a no cure, no pay business model. This is the existing business model currently serving 11 image agencies.

Multiplier: The multiplier segment is a new future segment for Copyright Agent targeting industry associations within photography. Customers are paying a small fee for using Copyright Agent’s technology on a subscription basis which ensures a recurring revenue. In relation to payment for the case handling, there is also a no cure, no pay model for this customer group.

SaaS segment: Additionally, smaller photographers or webshops running a webshop with original text and images are expected to be future customers using Copyright Agent on a subscription model.

Overall, there is a huge potential ahead of Copyright Agent with many opportunities after having built a strong solution with important customers. Now, the company is in a phase where Copyright Agent focuses on the core business for image agencies working on automation, optimization and user experience.

However, many changes are expected in the product portfolio over the coming years. In 2020, Copyright Agent acquired the text protection tool “Who Copied Me” implying that **Copyright Agent expects to provide a comprehensive “Protection Suite”** protecting both text and images going forward.



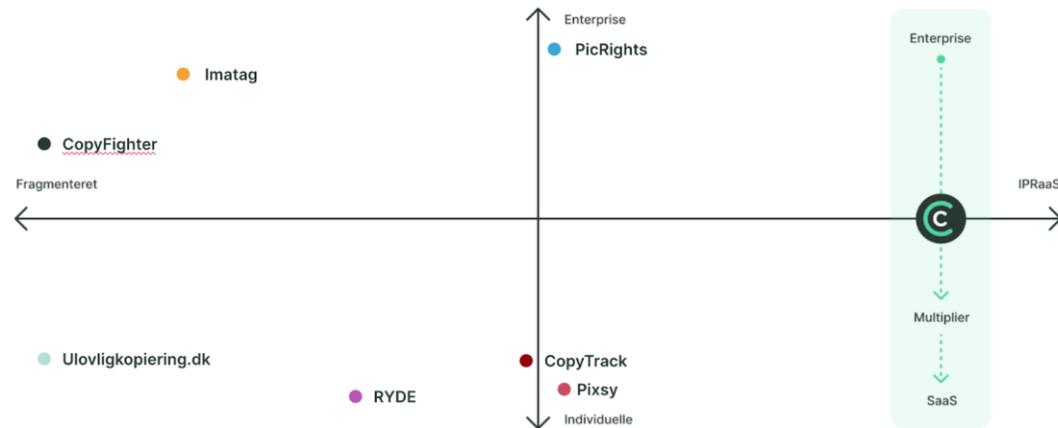
Copyright Agent’s product roadmap
Source: Copyright Agent’s company description

COMPETITION

Copyright Agent differentiates itself from competitors by having a full-service solution with one contact point

With Copyright Agent's full-service solution for owners of digital assets, Copyright Agent differentiates itself from the competitors by being the only company providing a comprehensive full-service solution with one contact point.

The market is relatively immature implying that technologies and business models are different among the competitors. In the overview of the competitive landscape from the company description, Copyright Agent has both included competitors for the market within protection of images and text.



Copyright Agent's competitive landscape
Source: Copyright Agent's company description

Copy protection of images: Within Copyright Agent's core business for copy protection of images, Copyright Agent has the following competitors:

- **Pixsy:** A global player focused on the SaaS market (e.g. photographers). The company is active on 35 markets. Pixsy provides a self-service product, however, the company has outsourced case handling in many countries.
- **CopyTrack:** A smaller player than Pixsy, however, also handling cases in-house with a free solution to its users in the SaaS segment, e.g. photographers. CopyTrack is one of few players with customers in China and Japan. Post-licensing is a large part of the business model, i.e. selling the right to use the image to counterparts after license breach.
- **PicRights:** PicRights is Copyright Agent's largest competitor for Enterprise customers and is active on more than 23 markets. Customers include Reuters, AP, AFP and PA images.
- **RYDE:** RYDE is based in Germany specializing in post-licensing of images.
- **Imatag:** Imatag is the market leader within invisible watermarking of images. The company works together with image agencies and some of Copyright Agent's competitors such as PicRights.

Copy protection of text: The market for copyright protection of text is potentially larger than the market for images. Copyright Agent's highest priority is the e-commerce market. According to Statista, the e-commerce market is expected to grow 10.5%, on average, the next four years. Copyright Agent has identified the following competitors:

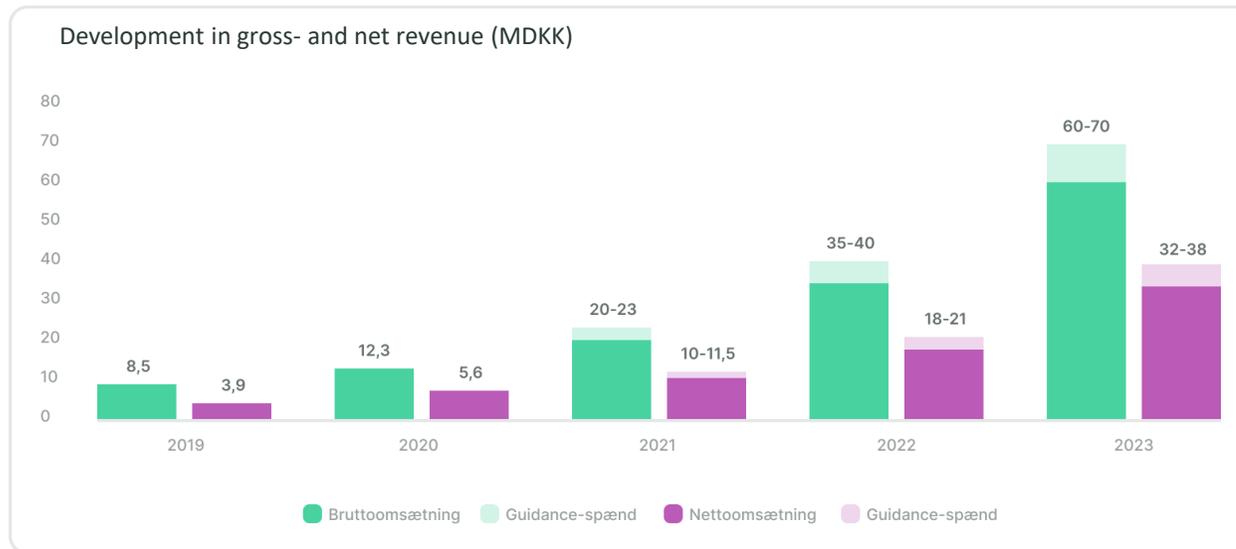
- **Ulovligkopiering.dk:** Ulovligkopiering.dk provides a product similar to Copyright Agent's basis product except of the case handling. The business model is based on a success fee and subscription, and the company only focuses on the Danish market.
- **Copyfighter:** Copyfighter is a new company specializing to help companies identifying illegal copies of copyright protected text from journalists.

FINANCIALS AND GROWTH AMBITIONS

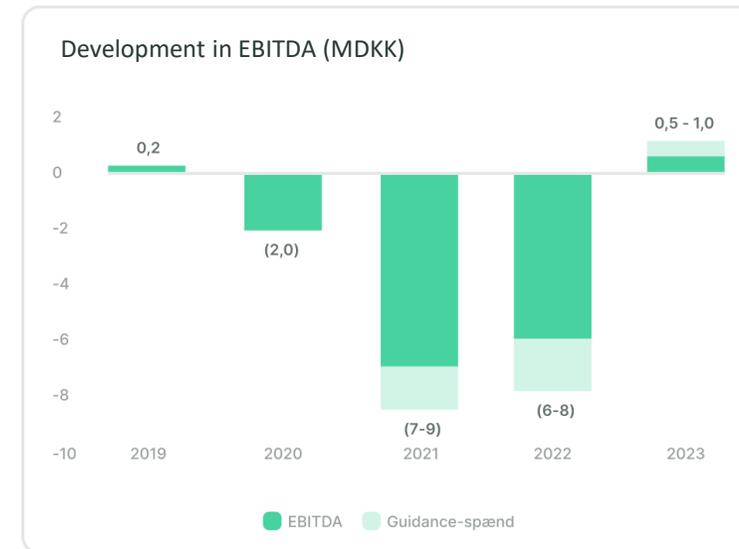
Copyright Agent expects to increase net revenue from DKK 5.6m in 2020 to DKK 32-38m in 2023 implying a CAGR of 84%

In 2020, Copyright Agent grew gross revenue with 45% to DKK 12.3m despite negative effects from COVID-19. For instance, some of the companies that violated the copyright protection were locked-down implying that Copyright Agent avoided to require compensation for these companies. Net revenue was DKK 5.6m, i.e. 46%, and not 50% of the gross revenue, since net revenue is not recognized before compensation is paid to Copyright Agent. **Looking ahead, the share of net revenue relative to the gross revenue is expected to increase from 46% in 2020 to 54% in 2023** because the SaaS products are expected to constitute an increasing part of the business going forward, i.e. 50% in 2021, 52% in 2022 and 54% in 2023. Specifically, net revenue is expected to increase with 92% in 2021, 81% in 2022 and 79% in 2023 based on midranges in the financial guidance.

Looking at profitability, **Copyright Agent has been able to achieve a small positive EBITDA in 2019.** However, the company is in a growth phase focusing on top line growth and scaling up the organization. This implies that Copyright Agent expects a negative EBITDA of DKK -9m to -7m in 2021 and DKK -8 to -6m in 2022 after a loss of DKK 2m in 2020. **In 2023, Copyright Agent expects to realize a small positive EBITDA of DKK 0.5-1.0m.**



Copyright Agent's realized revenue and expectations
Source: Copyright Agent's company description



Copyright Agent's realized EBITDA and expectations
Source: Copyright Agent's company description

VALUATION PERSPECTIVES

Copyright Agent is valued to a Price-to-Sales multiple of 9.3x (2021E) with an expected revenue growth of 92% in 2021

A large part of images on the internet is being used without permission again and again implying that **Copyright Agent's revenue becomes recurring which increases the visibility**. Going forward, a larger part of the business model will be a subscription-based model, i.e. Software-as-a-Service (SaaS) with photographers and journalists paying a monthly fee for using Copyright Agent's technology. For perspective, the US SaaS sector is valued to 14.5x ARR, however, we cannot forecast Copyright Agent's future ARR and compare it directly with the sector or other SaaS companies.

As mentioned in the competitive landscape overview, there are competitors with different characteristics in the market. **However, none of the companies or other close peers are listed**. Therefore, there is no direct comparable firm that can bring Copyright Agent's valuation into perspective.

For perspective, more than half of the newly listed companies on First North Denmark in 2020 and 2021 are traded to double-digit Price-to-Sales (2021E) multiples. Copyright Agent is valued to a pre-money 9.3x Price-to-Sales multiple (net revenue) for 2021E based on midrange in the company's financial guidance.

| | <u>2020A</u> | <u>2021E</u> | <u>2022E</u> | <u>2023E</u> | Comments on valuation |
|--|--------------|--------------|--------------|--------------|------------------------------|
| Price-to-Sales multiple (net revenue)* | 17.9x | 9.3x | 5.1x | 2.9x | |
| Expected growth (midrange) in net revenue | 44% | 92% | 81% | 79% | |

*Based on pre-money valuation of DKK 100m and midranges in financial guidance towards 2023.

MANAGEMENT TEAM AND MEMBERS OF THE BOARD OF DIRECTORS

CEO and founder Henrik Eggert is the largest shareholder in Copyright Agent, and board members have experience from Nasdaq First North listed companies

Henrik Eggert
CEO and founder



Kasper Jørgensen
CCO



Niels Hanberg
CTO



Thomas Bjerring
CPO



CEO and founder **Henrik Eggert** is educated in A.P. Møller as engineer and has an MBA from Henley Business School. After being management consultant for years, Henrik Eggert established a digital agency called Geist. In 2011, he sold the company to McCann Worldgroup. He is the largest shareholder with an ownership of 43.19% before the offering.

COO **Kasper Jørgensen** has 21 years experience in sales, marketing, digital strategy and management by Aller Media. He has an extensive knowledge of the industry after working with in Aller Media's image agency, All Over Press Denmark.

CTO **Niels Hanberg** has more than 10 years experience as developer and been Senior Software Developer and project leader in companies such as Telenor, CubeIT and Hopper before joining Copyright Agent.

CPO **Thomas Bjerring** has been co-founder and CPO in the fintech company, ERNIT. He and the ERNIT team received prizes for their job teaching children about money. Before that, Thomas was a Creative Technologist and Digital Project Leader in international advertising agencies.

Board member and interim CFO **Poul Oddershede** is serial entrepreneur with competences within law, finance, real estate and governance. He also has experience working with companies from early-stage to IPO. Currently, he works as an interim CFO until Copyright Agent has hired a new CFO which is expected to be within 6 months. Poul Oddershede owns 19.97% of the company before the offering. He has pre-subscribed for additional DKK 500,000.

Board member **Malene Lei Raben** is a lawyer specialized in copyright and has been leader over many years. Before being a self-employed consultant, Malene Lei Raben worked for TV2 Danmark.

Chairman **Henrik Richard Hasselbalch Busch** is an entrepreneur working with start-ups and management in leading companies within digital change and digital business models. He has pre-subscribed shares for DKK 250,000.

Board member **Casper Blom** has been entrepreneur since he was 12 years. He sold his first company when he was 22 years. Casper Blom owns 13.03% of the company before the offering.

Board member **Jakob Hansen** is CFO in Astralis and has extensive knowledge from a company listed on Nasdaq First North Denmark. He has pre-subscribed shares for DKK 150,000.

Poul Oddershede
Board member



Malene Lei Raben
Board member



Henrik Hasselbalch Busch
Chairman



Casper Blom
Board member



Jakob Hansen
Board member





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