

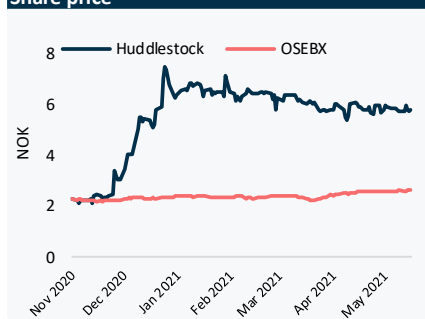
Huddlestock Fintech

BUY

Key share data

Sector	Technology
Reuters	HUDL.OL
Bloomberg	HUDL NO
Market Cap (NOKm)	678
Net debt (NOKm)	0
EV (NOKm)	678
Net debt / equity	1%
Issued shares (m)	119

Share price



Performance

	1m	3m	12m
HUDL	-6%	-13%	na
OSEBX	4%	6%	34%

Upcoming events

2Q21 report	August 26, 2021
3Q21 report	November 18, 2021
4Q21 report	January 20, 2022

Norne Securities is a market maker in the shares of Huddlestock Fintech

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Rising disrupter of wealth management and retail trading

We initiate coverage of Huddlestock Fintech (HUDL), a wealth technology company delivering innovative software-as-a-service (SaaS) solutions for wealth management and retail trading. We believe that Huddlestock is well-positioned to capitalize on the wealthtech trends with its unique end-to-end offering and technology validation through the partnership with BNP Paribas. Besides, the management's financial guidance is very impressive, and our estimates partly reflect that – due to the early stage of the company we only include already announced contracts, thus leaving plenty of room for further estimate increase. Still, the valuation implies significant upside to the current share price, thus we issue a Buy recommendation with a target price of NOK 9.0/sh. We note that it is a high-risk stock and identify NOK 7-12/sh valuation range as low/high scenarios.

Investment case

- Innovative technology facilitating the disruption of wealth management and retail trading.** The technology enables zero-cost trading as well as more efficient, digitalized, and personalized wealth management services with an easier access for a wider pool of end clients. The uniqueness of Huddlestock's solution is the complete integration – direct market access through liquidity providers, regulatory licence, and a platform for trading and wealth management.
- The business model is highly scalable and based on recurring revenues** from its two SaaS offerings (Apex for wealth management and Bedrock for trading) as well as on revenues from the newly acquired IT consultancy business. The company is set to realize economies of scale both in terms of costs and time spent on platform customization as the number of clients grows.
- Industry validation through a partnership with BNP Paribas.** The contract with BNP Paribas is a key milestone for a company, validating the company's innovative technology and providing significant revenue uplift. It also increases visibility in the industry and lowers client acquisition costs.
- The company has a **strong pipeline of contracts** for both Apex and Bedrock solutions, while the first product launches are expected already in 3Q21. We believe this might act as a trigger for the stock, proving the feasibility of the technology and ensuring first recurring revenues.
- Impressive financial guidance and strong upside potential.** Huddlestock has provided its budgeted financials for 2021-2024 which are based on already announced contracts. It includes expected revenues NOK 51m in 2021, with EBITDA of NOK 5.3m. Besides, the company has future guidance of 1-2 new Apex contracts per year and 4-6 new Bedrock contracts per year going forward. We note that our estimates are based only on announced agreements and are slightly more conservative than the management's, leaving plenty of room for further estimate increase.
- M&A activity.** The company has recently acquired a Swedish strategic consultancy company Visigon Nordic AB at an attractive valuation of EV/EBITDA of 6.0x. We believe this acquisition enables Huddlestock to break-even in 2Q21, while Visigon's team is expected to enhance Huddlestock's existing product offering and possibly attract some leading financial institutions in the Nordics to become clients of Huddlestock's SaaS offering. In addition to being an acquirer, we believe that the company's disruptive technology and scalable business model make Huddlestock an **attractive M&A target** for other industry players.

Company Profile

Huddlestock Fintech is a Norway-based fintech company delivering innovative software-as-a-service (SaaS) solutions for custody banks, asset managers, and retail trading platforms. The solutions allow customers to digitalize their wealth management and trading processes to lower costs and increase efficiency. The company's offering includes end-to-end wealth management solution Apex and white label trading solution Bedrock. Besides, following a recent acquisition of Visigon Nordic, strategic consultancy services are added to an overall Huddlestock's product portfolio. The company is headquartered in Stavanger and has local offices in Stockholm, Copenhagen, Oslo, Munich, Paris, and Kuala Lumpur.

Scalable business model based on recurring revenues

The business model is built on recurring revenues from both of its SaaS products as well as on revenues from newly added strategic consultancy services. The company has already signed a few contracts and LOIs, implying strong revenue potential going forward. We view the business model as highly scalable, while its product offering is in line with the major wealthtech trends.

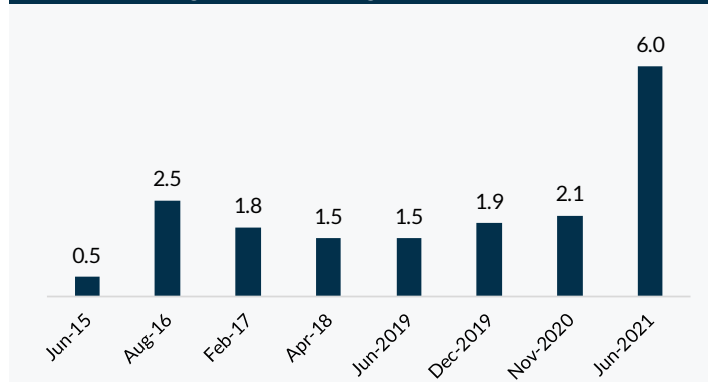
The contract with BNP Paribas – a key milestone for the company

The fintech company was established in 2015 and first operated as a B2C platform before reconsidering its strategy and moving its focus to the B2B market and introducing its B2B offering. What followed was the real turnaround for the company: in 4Q19 Huddlestock Fintech has signed a partnership with BNP Paribas in Germany to integrate Huddlestock's Apex software solution into the bank's Qinfen solution for their clients. The secured agreement with such a large industry player not only implies significant revenue growth going forward but also validates the company's innovative technology and reduces future client acquisition costs.

Norway's first listed fintech company

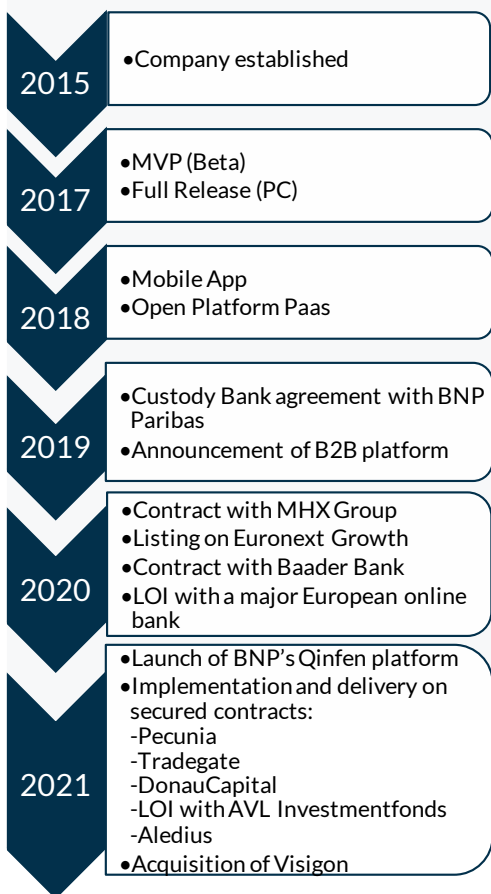
On November 26th, 2020, the company was listed on the Euronext Growth Market as Norway's first listed fintech company. It was yet another significant milestone for the company and gave additional financial flexibility following NOK 50m of investments already made since 2015. Huddlestock began trading at NOK 2.30/sh with a market capitalization of NOK 252m and since then the share price showed an impressive performance of +147% return implying a market cap of NOK 623m.

Share price during previous funding rounds, NOK/sh



Source: Huddlestock

Huddlestock History



Awards and achievements:





Acquisition of Visigon Nordic

On May 5th, 2021, Huddlestock Fintech announced the acquisition of the Swedish strategic consultancy company Visigon Nordic AB. The company's services include business analysis, software design, development, and project management. Visigon has around 20 expert consultants focusing on managing IT projects for financial services and has already shown an excellent track record. Overall, the acquisition improves the projected cash flows for Huddlestock, enables a faster onboarding of clients, and gives technical expertise that enhances Huddlestock's products, including the customization to the client. Finally, Visigon has a strong client base of some leading financial institutions primarily in Sweden and Denmark (eg. Nasdaq, Swedbank, SEB, Handelsbanken) which might be great potential clients for Huddlestock's existing solutions.

Some of Visigon's major clients:



An acquisition of Visigon implies that Huddlestock is likely to break-even by 2Q21 (Visigon made a profit in 2020). Furthermore, the company's revenues are now expected at NOK 51m in 2021, with EBITDA of NOK 5.3m. Initially, Visigon's consultancy business is likely to comprise a significant part of Huddlestock's revenues, but we expect the contribution to decrease to around 20% of revenues after ~3-4 years.

The acquisition of 100% of Visigon Nordic was agreed to be paid by 40% in shares and 60% in cash. The valuation implies Visigon's EV of NOK 56m under an EV/EBITDA of 6.0x and EV/Sales of 1.4x, based on 2020 results. To finance an acquisition, Huddlestock carried out a rights issue raising NOK 35m at a NOK 6.0/sh, which implies a ~4% average premium to the trading price during the subscription period. To minimize the risk, NOK 30m were already underwritten by a syndicate of core shareholders. We view the acquisition pricing as very attractive for Huddlestock, given that the median EV/EBITDA transaction multiple for IT consulting companies is around 10.5x (EY data), while the average estimated EPS uplift from acquisition is ~11% annually from 2021-2024.

Following the acquisition, two additional board members will be introduced from the Visigon's side. Also, the management team will be expanded by five new members: Chief Technology Officer, Chief Innovation Officer, Chief Strategy Officer, CEO Sweden, and CEO Denmark (more information in the appendix).



Apex

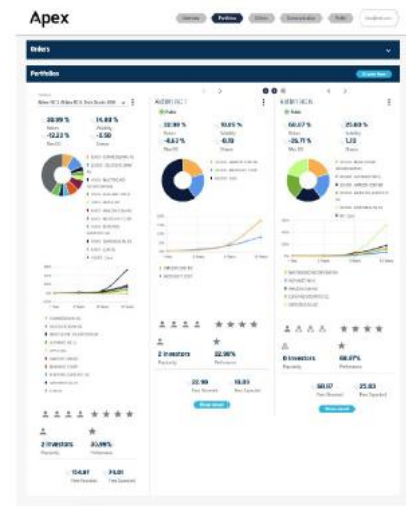
Overview

Apex is wealth management as a service solution for custody banks, wealth managers, and assets managers, that provides processes' digitalization, costs' reduction, and increased efficiency. An end-to-end platform offers Know Your Customer (KYC), client onboarding, communication, order execution, reporting, risk management, and portfolio management solutions. Complete product offering also includes a regulatory licence from BaFin. One of the key advantages of Apex is that it allows individual investors' portfolio customization and management at scale, enabling access to sophisticated, discretionary investment and savings products to retail clients, instead of consolidating individual investors into mutual funds.

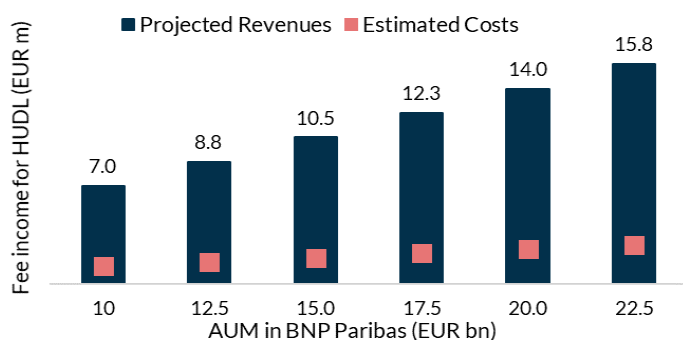
The revenue model is based on Assets Under Custody (AUC), where Huddlestock receives recurring fee income, determined by bps per AUC. We estimate this fee to be somewhere in the range between 5-25bps per AUC annually.

Contracts & LOIs:

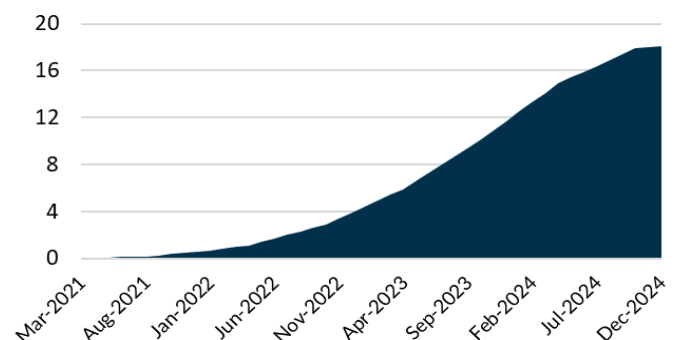
- In 2019, Huddlestock Fintech has signed a contract with BNP Paribas to digitalise the interaction between the bank's custody division, asset managers and the asset manager's clients through Qinfen by BNP Paribas by integrating Huddlestock's Apex software solution. The first stage of Qinfen based on Apex platform was launched on January 20, 2021. The second stage will be launched later this year and the company notes that so far the partnership is progressing in line with the expectations. Once Qinfen marketing starts, onboarded asset and wealth managers will be able to market their fund offering on the joint platform. It is expected that BNP Paribas Germany will add EUR 20bn in AUC on the platform in 4-5 years (we model that EUR 20bn in AUC will be reached by the end-2025). Although the figure looks impressive, it represents only ~2% of BNP Paribas AUC in Germany. Therefore, we believe this estimate is realistic and achievable. According to Huddlestock, EUR 20bn in AUC would translate into EUR 14m in potential revenues for Huddlestock. There are also additional benefits: BNP Paribas's infrastructure allows Huddlestock to offer its solution to a broad base of clients, while the validation from BNP lowers customers' acquisition costs.



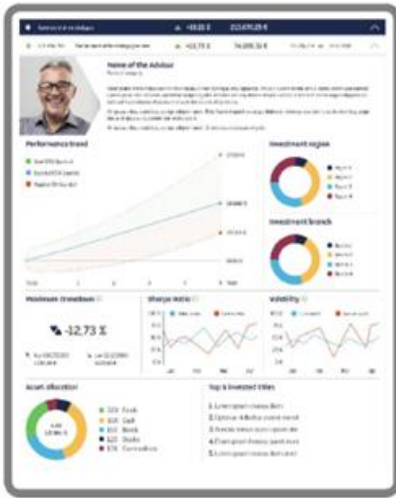
Annual revenues potential from BNP Paribas contract (EUR m)



BNP Paribas Estimated AUC path, EUR bn (base case)



Source: Huddlestock



- On February 3rd, 2021 Huddlestock signed a first agreement with an asset manager - Pecunia GmbH - for the Apex Platform solution through the Qinfen offering. Pecunia has more than EUR 200m (NOK +2bn) in AUM. The Apex solution will provide digital portfolio management and will serve as Pecunia's online distribution and internal management platform. This will allow Pecunia to retire its several legacy systems. The customization for Apex solution is finalised and it is expected to go live in July.
- The joint venture with MHX Group in Malaysia to offer BNP's Qinfen platform based on Apex solution in the Malaysian market. Huddlestock took a 30% stake in the JV and will receive upfront fees to cover customization costs. The platform will offer asset management products through BNP Paribas's Qinfen offering. Unfortunately, coronavirus pandemic delays the regulatory application of JV, but the customization offering for MHX continues to take place and is expected to be launched later this year. Huddlestock expects monthly revenues to amount to a minimum of EUR 10k per month for the first year which are based on % of AUC.

Bedrock

Overview

Bedrock is a trading in a box solution that allows clients to build and launch low-cost and efficient trading offering. The solution gives direct market access to BNP Paribas's, Tradegate's and Baader Bank's liquidity pools with more than 30,000 equity instruments and myriad fund products. As liquidity providers cannot act fast enough to integrate a trading platform directly, Huddlestock operates as a technology middleware solution between customers (online trading platforms) and the global liquidity providers, such as BNP Paribas, Tradegate or Baader Bank. As well, the platform can be adapted to other global, regional, or local liquidity pools, depending on the client's needs. The Bedrock solution allows to customize the trading platform, can provide cheaper trading costs for retail traders (users of the platform could in theory offer zero-cost trading), access to wide liquidity pools, detailed analytics, as well as regulatory approval. The onboarding process is the similar as in the Apex platform - clients become customers of Huddlestock Systems GmbH (a subsidiary of Huddlestock) and the liquidity provider, such as BNP Paribas. The Bedrock solution could be applicable to basically any company interested in setting up a trading platform, for example, an online bank, financial news portal or any other online player.

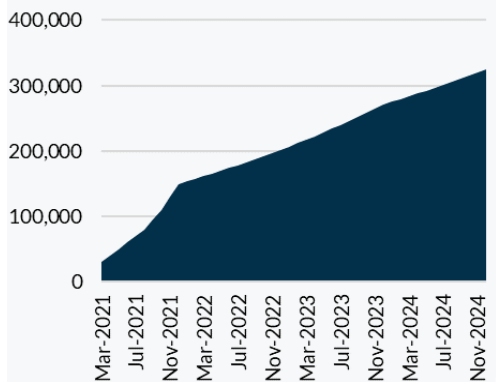
For Huddlestock trading connectivity contracts require little additional cost but have a major revenue potential. The revenue model is based on a fee per transaction on the platform. This net fee might vary depending on the client and based on our analysis, we estimate it to be at least ~EUR 1.00 per transaction. We also note that the fee is not dependent on the value of the trading ticket, therefore the fee income for Huddlestock is the same whether the client's ticket value is EUR 1,000 or EUR 10,000.

hddlestock
Bedrock

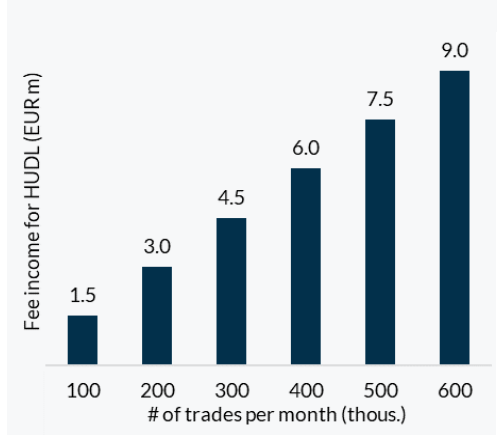




Baader Bank (estimated # of trades/month)



Revenue potential from Baader Bank



Source: Huddlestoc



Partnerships with liquidity providers

- The partnership with BNP Paribas gives Bedrock direct access to BNP Paribas global liquidity pool.
- In December, 2020, a partnership agreement was signed with Baader Bank, the liquidity provider on the German Gettex exchange. Through this partnership, Huddlestoc will be able to allow eligible clients to trade at zero commission in over 20,000 of financial instruments. Baader Bank is finalising customization and the launch is expected in 2Q21. This contract is expected to generate significant revenue potential, being the second largest contract after BNP Paribas.
- On February 12th, 2021, a partnership agreement was signed with Tradegate, a subsidiary of Deutsche Börse, specialising in executing orders for private investors. The partnership will use Huddlestoc's Bedrock B2B solution and will add more than 16,000 securities to the offering. The addition of Tradegate is highly complementary to the other liquidity providers in the Bedrock ecosystem. The agreement will allow Huddlestoc to add more clients to the Bedrock service and strengthen Huddlestoc's position in the European financial markets. TradeGate is finalising the solution's customization and it is expected to launch in 2Q21.

Contracts & LOIs:

- LOI signed in December 2020, with a major European online bank-as-a-service company to customize Bedrock solution and connect the bank and its clients to the BNP Paribas trading and wealth management platform. As part of the agreement, Huddlestoc will develop systems for asset management, including algorithmic driven asset allocation that are built around ESG principles and sustainable wealth management. The production is expected during 2021 when a firm contract will be signed.
- On February 3rd, 2021 Huddlestoc signed an agreement with DonauCapital, Germany's leading regulatory fintech umbrella. DonauCapital offers its clients access to ETF and CFD trading and is a leader within this segment in Germany. Huddlestoc's Bedrock solution is expected to widen DonauCapital's client offering by allowing to trade in single stocks, as well as, to add substantial depth to its ETF offering by tying up with Huddlestoc's other partners. This agreement is expected to generate significant new order flow through the Bedrock API solution, with the first clients expected in ~3Q21
- LOI signed on May 20th, 2021 with AVL Investmentfonds, one of the largest investment fund discounters in Germany, to launch a low-cost equity trading platform, utilizing Huddlestoc's Bedrock API solution. AVL Investment fonds has EUR 1.85bn (~NOK 20bn) in AUM, and more than 175.000 client accounts.
- An agreement with German fund manager Aledius GmbH was signed on May 27th, 2021. For Aledius, Huddlestoc will provide a full financial portfolio management license and trading infrastructure through the Bedrock solution, where Baader Bank is expected to be both the custodian and liquidity provider. Aledius will become a tied-agent through the use of Huddlestoc Systems GmbH's regulatory umbrella.

Market Overview

Huddlestock solutions are primarily targeted to custody banks, asset and wealth managers and retail trading venues. In this section we will review major market trends affecting those target groups and how Huddlestock's offering supports and facilitates the acceleration of some of those trends.

Custody services market

The custody services market consists of revenue generated by services provided by a custodian to investors. Custody services include the transaction and settlement, safekeeping and recording of marketable assets and cash. North America was the largest region in the custody services market in 2019, while Asia-Pacific is expected to be the fastest-growing region in the future.

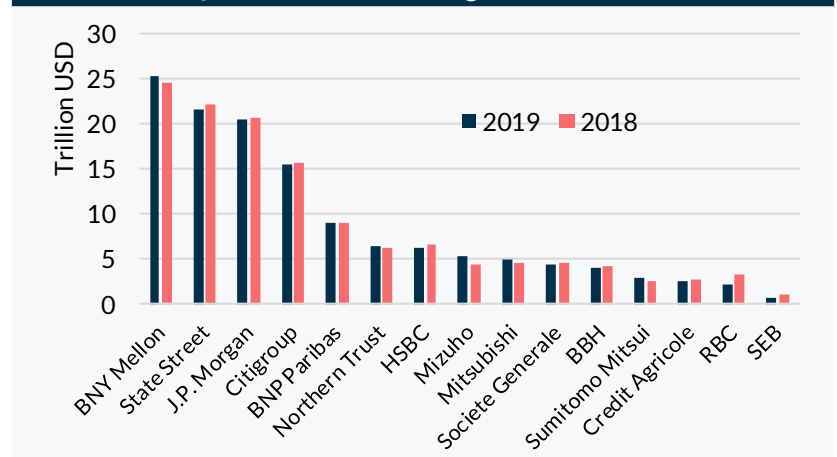
Weak market growth expected due to fierce price competition

The global custody services market size was USD 30.7bn in 2019 (5.8% CAGR 2015 – 2019) and it is expected to reach USD 34.6bn by 2023 (3.0% CAGR 2019 - 2023) (Jul 2020 [report](#), The Business Research Company). The growth is hindered by fierce price competition. Technological advancements allow custodians to offer lower prices for their services and extend the scope of custodian services. Therefore, we believe that intense competition should increase the demand for data-centric custodian banking platforms, and we find that there is a limited providers of similar solutions to Huddlestock's Apex platform.

High market concentration and continued consolidation expected

We observe the custody services market to be highly concentrated, with many small players increasingly outsourcing custody responsibilities from larger and more efficient custodian banks. For example, in 2019 the top ten competitors in the market made up to 53.97% of the total market (Jul 2020 [report](#), The Business Research Company). Despite that, there are still numerous smaller banks which provide custody services in addition to other banking services, on a global, regional, or local scale and try to remain competitive. Therefore, we believe those players would be interested in Huddlestock's Apex solution or a similar offering. Given high concentration and massive global market, that would translate into strong revenue growth potential for Huddlestock even in cases of relatively low market share.

Global Custody Assets Under Management



Source: Institutional Investor, Huddlestock

Major Players in Custodian Market



Key theme - automation and standardization

According to Huddlestock and some industry reports, the custody services industry is increasingly focused on using technology to improve efficiency, reduce costs for customers and improve the quality of service. Consequentially, the asset-centric model is expected to be augmented by a more data-centric, open platform method where the custodian will have access to services like automated reporting. Such automation and standardization features are expected to give significant advantage to early adopters. This is supportive for demand of Huddlestock's Apex solution.

Asset management market

Rising use of technology and fall of operations' costs

According to an [article](#) published on OliverWyman, in asset management industry, around 50% of middle and back-office costs are linked to human resources, and it is believed that increased adoption of automation will reduce the need for personnel and will likely push the figure to as low as 20% in leading firms. Bloomberg analysts share similar view towards the technologies' critical role in the industry, and the argument is further solidified by comments from asset managers themselves (BlackRock CEO says that there is a strong need for operational efficiencies, that will be hard to achieve for smaller players).

This is supportive to Huddlestock's offering, as it emphasizes the need for API-enabled infrastructure that would allow asset managers to delegate operational burden (ex. compliance checks, data analytics) to SaaS providers.

Increasing focus on client experience

Traditionally, asset managers try to retain and attract investors by offering superior returns or competitive costs. Currently, there is an increasing focus on offering better client experience, such as personalized portfolio solutions or tailored client engagement models.

According to BCG, asset management firms could also access more insights about their clients through digitization and by borrowing some of the existing customer-centric practices from consumer product companies. This could improve the understanding of what motivates clients to stick or to change the asset managers. In retail segment, asset management firms could use data analytics to create predictive algorithms that foresee client needs, suggest communications, and indicate any risks.

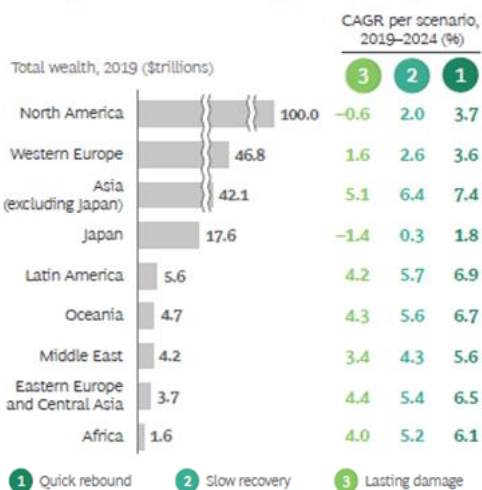
This trend is supportive to Huddlestock's offering, as the aforementioned data analytics require an ability to easily gather data, while the Huddlestock's connectivity solution is data-centric and allows various integrations.

Projected global wealth development

Projected global wealth development per scenario



Projected wealth development per region



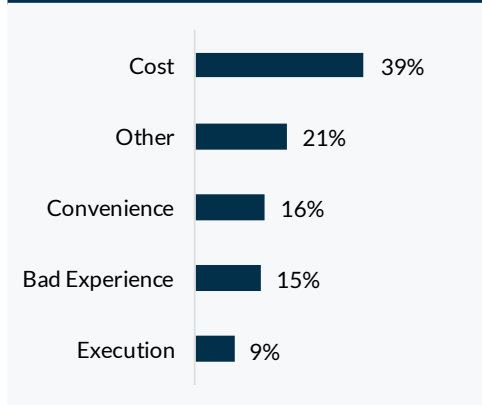
Source: Global Wealth Report 2020—BCG

Online brokerage market

Strong retail trading growth fuelled by stock market gamification

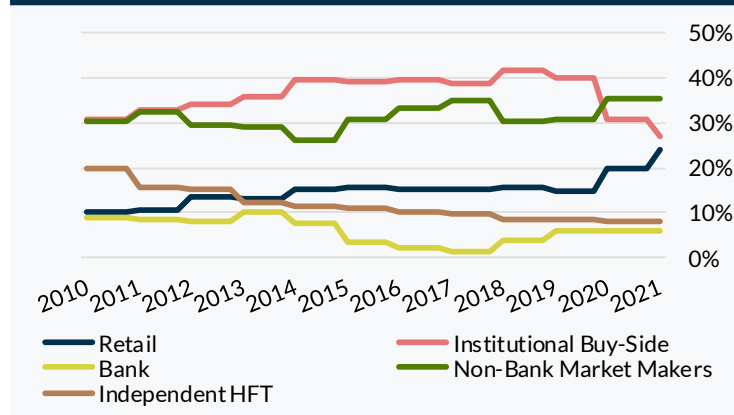
Online brokerage market has seen a significant surge in retail trading over the last year, fuelled by stay-at-home economy, emergence of low commission online brokers, and gamification of the stock market. Bloomberg analysts do not expect the active retail participation to cease and see a low probability of new regulations in the near term, suggesting further prosperity in online brokers' business. This may lead to new brokers entering the market, that are likely to use white label platform solutions, like Huddlestock's, to build their own offerings upon.

Why Investors Switch Brokers



Source: Investor's Business Daily, 2018

US Equity Volume by Market Participant



Source: Bloomberg

Room for new entrants despite prevalence of commission-free brokers

The emergence of Robinhood, Interactive Brokers Lite, Revolut and other similar commission-free brokerage services disrupts the traditional brokerage model and intensifies the competition. It becomes harder for traditional brokers to retain their clients, as the most common reason for switching is the trading cost. Also, this makes it more difficult for new brokers to enter the market, however, commission-free venues are often limited to U.S. equities - making room for broader competition, based on the breadth of tradable assets' universe. Also, some traditional brokerage firms that allow trading in broader asset classes are often difficult to use and are catered towards higher net worth clients.

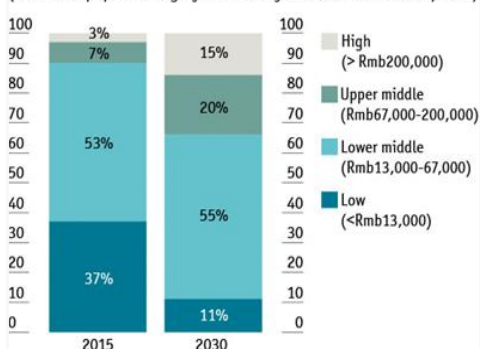
Such market situation is positive for Huddlestock's offering, as its trading connectivity solution offers 'all in one place' low-cost direct access to global markets, making it very attractive to new online entrants. The Bedrock solution disrupts the traditional market (which is based on a minimum fee per trade and % of trade value) by enabling zero-cost or low-cost brokerage model. In addition, Huddlestock has a regulatory licence which further strengthens the offering.

Strongest growth expected in Asia

Demand for online brokerage services often coincide with increasing proportion of affluent people, who are more willing to invest their spare savings. Currently, the strongest demand growth for equity brokerage services is expected in Asia and particularly in China. Notably, between 2015 and 2030, the proportion of affluent Chinese is expected to rise from

Income per capita distribution in China

Annual disposable income per capita distribution
(% of total population, grey income-adjusted, constant 2015 prices)



Source: The Economist Intelligence Unit

10% to 35% of the total population, representing a 3.5x increase (The Economist). This already has noticeable effect on local brokers like Futu Holdings - often referred to as the 'Robinhood' of China - that recorded triple-digit growth in 1Q21 and has plans to double down on international expansion ([Fortune](#)).

Huddlestock is capitalizing on this trend by setting up a joint venture with MHX Group in Malaysia which will allow to gain some exposure in Asia. The joint venture is expected to generate a certain bps per AUM.

Competition

Limited competition for a full end-to-end solution, but plentiful for its parts

We find that there is no comparable competitor that could offer a full end-to-end solution like Huddlestock's, however, there are many Fintech software providers that offer various parts related to trading and portfolio management business.

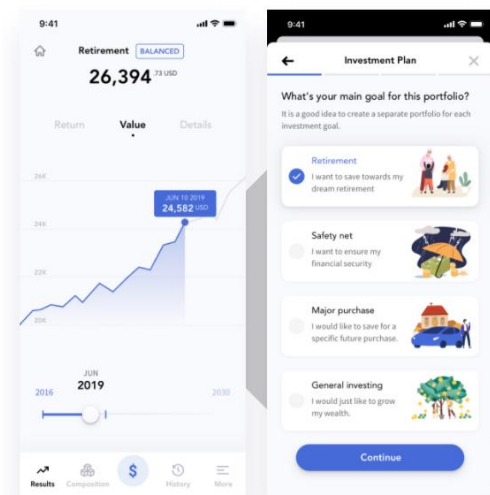
The uniqueness that Huddlestock's solution possesses is the complete integration – direct market access through liquidity providers, regulatory license and platforms for trading and wealth management. Nevertheless, this does not mean that Huddlestock will always be the preferred partner - many companies who wish to expand their offering to include equity trading can choose a provider that gives the white label trading platform, while working out the missing part of licenses or market access themselves or with other partners. One of the notable competitors is [InvestSuite](#) – a fintech company that offers a wide range of solutions related to wealth management. Although it does not offer a direct market access or any licenses, larger companies choose InvestSuite as a partner, while working out for the missing part themselves.

Similarly, there are plenty of white-label trading platform providers that offer a broad range of tradable asset universe, covering global stocks, FX, ETFs, cryptocurrencies, commodities, and some derivative products. The platforms are customizable, have their APIs, and can be tailored to customer needs. Yet, we see Huddlestock having a strong competitive advantage as it can offer a license and direct market access in addition to the platform.

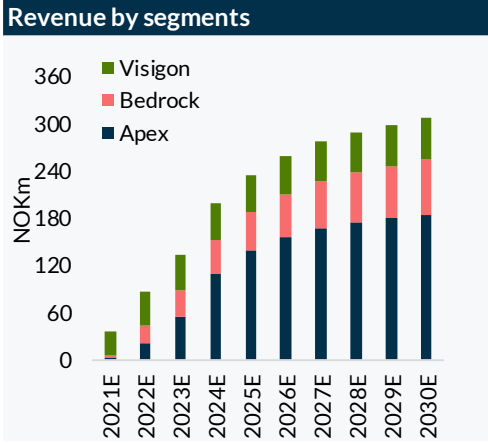
Some of the competitors offering white label trading platform solutions:



InvestSuite's robo advisor example:

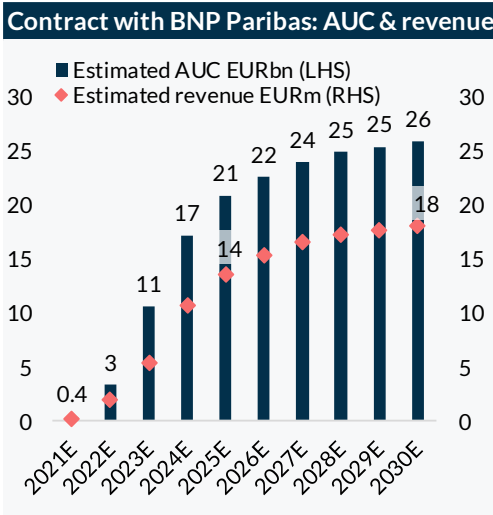


Estimates



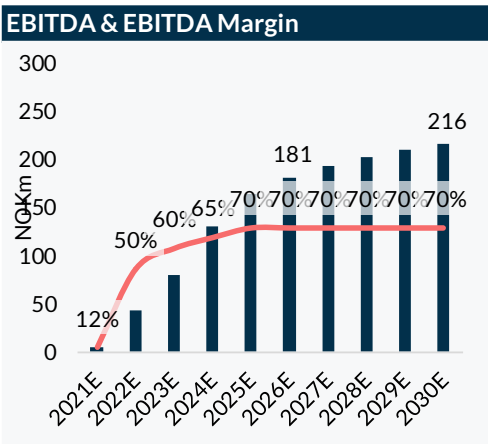
Revenue model and contract pipeline

For the custody bank solution **Apex**, Huddlestock charges a certain bps fee depending on the AUC/AUM on the platform. We expect this fee to be somewhere in the range between 5-25bps per AUC/AUM, depending on the client. According to Huddlestock, the company expects one to two Apex contracts per year going forward at a slightly lower size that the current estimate for Qinfen Paribas. We currently estimate the potential revenues from the Qinfen Paribas contract with BNP Paribas expected to reach EUR 20bn in AUC on the platform by end-2025, similarly to the company's guidance. As for the joint venture with MHX Group we estimate the launch to take place in 4Q21 and at first contribute ~NOK 0.3m in revenues per quarter followed by 2-3% quarterly growth.



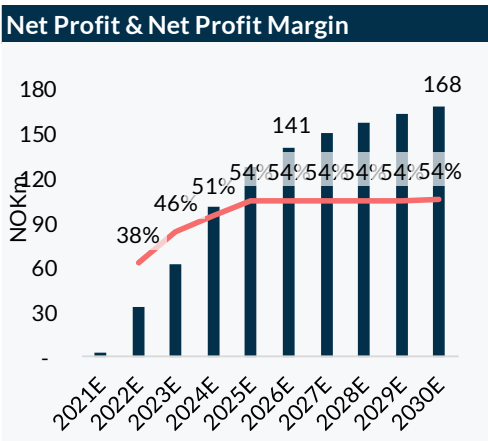
For the connectivity solution **Bedrock**, the company charges a fee per transaction on the platform. This fee might vary depending on the client and we estimate it to be at least EUR 1.00 per trading ticket. The company expects four to six Bedrock contracts per year going forward. In our model we currently include fee income from AVL Investmentfonds, Baader Bank, Donau Capital, Aledius and Tradegate Exchange. So far, we do not include any revenue uplift from a LOI with a large not yet disclosed European online bank until a firm agreement is signed and there is more visibility on potential number of transactions.

As for estimated revenue from the **Visigon** business, we model a relatively stable YoY revenue growth of 2-5% in 2022-2030. Initially, Visigon's consultancy business is likely to comprise a significant part of Huddlestock's revenues, but we expect the contribution to decrease to around 20% of revenues after ~3-4 years.



Cost estimates

Huddlestock has made public its financial forecasts till 2024, therefore for cost estimation we partly rely on the assumptions used by the company. OPEX as % of revenue are expected to decline gradually towards 30% by 2024 from ~80% at the end-2021 as the usage of the company's technology is seen to scale up at little additional cost. Therefore, in 2025 EBITDA margin is forecasted at impressive 70% and stable thereafter. The company's main expenses include payroll and software development costs. As for capital expenditure, company states that most of the investments are already implemented, thus we expect minimal capex going forward.



Source: Norne Securities, Huddlestock

Valuation

To arrive at a target price of NOK 9/sh we used DCF model with a WACC of 12.8%. We assume a relatively high beta of 1.8, which we believe is reasonable due to the higher risk of the stock (the company is still in its early stages with no substantial revenues yet). Still, we view our estimates on the conservative side, as we include only those contracts which were already secured by Huddlestok. Thus, we note that there is plenty of upside in our estimates if we include all the potential contract pipeline as expected by the company.

DCF model

NOKm	2Q-4Q 2021E	2022E	2023E	2024E	2025E	2026-2030E
Revenues	36	86	134	199	235	1,432
EBIT	6	42	80	129	164	999
Tax on EBIT	-1	-9	-18	-28	-36	-220
NOPLAT (+)	4	33	62	101	128	779
Depreciation & amortization (+)	0	1	1	1	1	3
Capital expenditure (-)	0	0	0	0	-1	-4
Change in working capital (- or +)	-8	9	13	10	8	-15
Free Cash Flow to the Firm	-3	42	75	111	136	764
NPV of FCFF	-3	34	54	70	77	302

WACC calculation	
Debt ratio	0.0%
Cost of debt (after tax)	nm
Risk free rate	2.0%
Beta	1.8
Market risk premium	6.0%
Cost of equity	12.8%
WACC	12.8%

Valuation, NOKm	
Net debt	-34
Minority interest	0
NPV cash flow	
2Q-4Q 2021E - 2030E	534
2031E -	506
Total NPV cash flow	1,040
Equity value	1,074
Value per share, NOK	9.01

Assumptions	
L.t. growth	2.5%
Tax rate	22%
# shares, m	119.3

**Adj. for NOK 35m equity issue

Sensitivity analysis						
NOK/share		L.t. growth rate				
		1.5%	2.0%	2.5%	3.0%	3.5%
WACC	11%	10.5	10.9	11.2	11.6	12.1
	12%	9.4	9.6	9.9	10.2	10.5
	13%	8.6	8.8	9.0	9.2	9.5
	14%	7.6	7.8	7.9	8.1	8.3
	15%	6.9	7.1	7.2	7.3	7.5

Sensitivity analysis (% Premium/Discount to Base case quarterly estimates)										
NOK/share		Revenue								
		-40.0%	-30.0%	-20.0%	-10.0%	0.0%	10.0%	20.0%	30.0%	40.0%
EBITDA margin	-10.0%p	4.7	5.5	6.3	7.0	7.8	8.5	9.3	10.0	10.8
	-7.5%p	4.9	5.7	6.5	7.3	8.1	8.9	9.7	10.4	11.2
	-5.0%p	5.1	5.9	6.7	7.6	8.4	9.2	10.0	10.9	11.7
	-2.5%p	5.3	6.1	7.0	7.8	8.7	9.5	10.4	11.3	12.1
	0.0%p	5.5	6.4	7.2	8.1	9.0	9.9	10.8	11.7	12.5
	2.5%p	5.7	6.6	7.5	8.4	9.3	10.2	11.1	12.1	13.0
	5.0%p	5.8	6.8	7.7	8.7	9.6	10.6	11.5	12.5	13.4
	7.5%p	6.0	7.0	8.0	9.0	9.9	10.9	11.9	12.9	13.8
	10.0%p	6.2	7.2	8.2	9.2	10.2	11.2	12.3	13.3	14.3

We calculate low case of NOK 6.7/sh and high case of NOK 11.5/sh

Annual financial data

Profit & Loss (NOKm)	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating revenues	-	0	36	86	134	199	235
Operating expenses	-6	-9	-32	-43	-53	-69	-70
EBITDA	-6	-8	4	43	80	130	164
Depreciation & amortization	-	-	-0	-1	-1	-1	-1
EBIT (adj)	-6	-8	4	42	80	129	164
Net interest & other financial effects	-0	0	-0	-0	-0	-0	-0
Pre-tax profit	-6	-8	4	42	80	129	164
Taxes	-	-	-1	-9	-18	-28	-36
Minority interest	-	-	-	-	-	-	-
Net profit	-9	-12	3	33	62	101	128
EPS rep. (NOK)	-0.12	-0.11	0.02	0.28	0.52	0.85	1.07
EPS adj. (NOK)	-0.08	-0.08	0.02	0.28	0.52	0.85	1.07
Margins							
Operating margin	na	nm	11%	49%	60%	65%	70%
ROE	na	-51%	9%	61%	61%	55%	43%
ROCE	-16%	-17%	5%	42%	53%	56%	47%
Tax rate	0%	0%	32%	22%	22%	22%	22%
Growth rates (YoY)							
Operating revenues	na	na	>100%	>100%	56%	49%	18%
EBIT (adj)	na	49%	-146%	>100%	88%	63%	27%
EPS (adj)	na	1%	-131%	>100%	88%	63%	27%

*Visigon figures are included from 2Q21

Cash flow (NOKm)	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating profit	-6	-8	4	42	80	129	164
Depreciation & amortization	-	-	0	1	1	1	1
Net financial assets	0	0	-	-	-	-	-
Other non-cash adjustments	-	-	-	-	-	-	-
Paid taxes	-	-	-1	-9	-18	-28	-36
Change in working capital	-5	2	-9	9	13	10	8
Cash flow from operating activities	-11	-7	-6	43	76	111	136
CAPEX	-11	-4	-	-0	-0	-0	-1
Other investments	1	-2	-1	-	-	-	-
Cash flow from investing activities	-10	-6	-1	-0	-0	-0	-1
Free cash flow	-21	-12	-7	42	75	111	136
Cash flow from financing activities	28	7	16	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
Cash flow for the period	7	-6	9	42	75	111	136

*Visigon figures are included from 2Q21

Balance sheet (NOKm)	2019	2020	2021E	2022E	2023E	2024E	2025E
Research and development	16	19	19	19	19	19	19
Licenses	5	46	46	45	45	45	45
Non-current assets	25	67	67	67	67	67	67
Accounts receivable	1	-	11	19	28	39	44
Other assets	1	1	13	13	13	13	13
Cash and cash equivalents	9	3	12	54	130	240	376
Current assets	11	4	37	87	171	292	433
Total assets	36	71	104	154	238	359	500
Shareholders equity	33	67	83	116	178	279	406
Liabilities at financial institutions	-	-	3	3	3	3	3
Other long term liabilities	2	0	0	0	0	0	0
Non-current liabilities	2	0	3	3	3	3	3
Accounts payable	1	1	6	10	17	18	20
Other current liabilities	0	3	13	26	40	60	70
Current liabilities	1	4	19	35	58	78	91
Total liabilities	3	4	21	38	60	80	93
Total liabilities and equity	36	71	104	154	238	359	500
Working capital	-0	-1	6	10	11	21	24
Net IB debt	-9	-3	-12	-54	-130	-240	-376
Capital employed	35	67	85	118	180	281	409
Net IB debt/equity	-27%	-4%	-15%	-47%	-73%	-86%	-93%
Equity/total assets	91%	94%	80%	75%	75%	78%	81%

*Visigon figures are included from 2Q21

Share data	2019	2020	2021E	2022E	2023E	2024E	2025E
Shares outstanding, year end (mill.)	75.309	109.669	119.302	119.302	119.302	119.302	119.302
Share price, year end (NOK)	na	4.00	5.68	5.68	5.68	5.68	5.68
Market cap (NOKm)	na	439	678	678	678	678	678
Enterprise value (NOKm)	na	436	666	623	548	437	302
EPS rep. (NOK)	-0.12	-0.11	0.02	0.28	0.52	0.85	1.07
EPS adj. (NOK)	-0.08	-0.08	0.02	0.28	0.52	0.85	1.07
DPS (NOK)	-	-	-	-	-	-	-

Valuation	2019	2020	2021E	2022E	2023E	2024E	2025E
EV/Sales	-	nm	18.4	7.3	4.1	2.2	1.3
EV/EBITDA	-	neg.	155.3	14.5	6.8	3.4	1.8
EV/EBIT (adj)	-	neg.	170.3	14.7	6.9	3.4	1.8
P/E (adj)	-	neg.	236.0	20.5	10.9	6.7	5.3
P/B (excl. goodwill)	-	20.7	18.3	9.6	5.1	2.9	1.9

Growth (YoY)	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenues	nm	nm	>100%	137%	56%	49%	18%
EBITDA	nm	nm	nm	>100%	87%	62%	26%

Margins	2019	2020	2021E	2022E	2023E	2024E	2025E
EBITDA	nm	nm	11.8 %	50.0 %	60.0 %	65.3 %	70.0 %
EBIT (adj)	nm	nm	10.8 %	49.4 %	59.6 %	65.0 %	69.8 %
Pre-tax profit	nm	nm	10.6 %	49.3 %	59.5 %	65.0 %	69.7 %
Net profit	nm	nm	7.2 %	38.5 %	46.4 %	50.7 %	54.4 %

Profitability	2019	2020	2021E	2022E	2023E	2024E	2025E
ROE	na	-51.4 %	8.9 %	61.5 %	61.1 %	55.1 %	42.9 %
ROCE	-16.5 %	-16.6 %	5.1 %	41.7 %	53.3 %	56.1 %	47.5 %
Dividend yield	-	-	-	-	-	-	-

Appendix 1: Management and Board

Management



John E. Skajem – *Group CEO*

John E. Skajem is the Chief Executive Officer of Huddlestock Fintech AS. John E. joined Huddlestock with a long carrier and experience from the financial industry. Over the years John E. has gained a thorough understanding of all aspects of the financial services industry. John E. has hands on experience from Investments Banks, Asset Managers to large global universal banks with management position while working in Chicago, NYC, London, Paris, and Oslo.



Peter van Kleef – *CEO of Germany*

Peter van Kleef is co-founder of Huddlestock Systems GmbH which developed Huddlestock's B2B platform for BNP Paribas. Peter has extensive experience in the asset management industry having initiated and supervised numerous large scale projects in the asset management and banking industry.



Nith Vegaya – *CEO APAC*

Nith is responsible for the business development and expansion in APAC. He holds a degree in B.Com (Accounting and Information Systems) from the University of New South Wales, Australia. He has worked in the Australian banking system and has spent 15 years in South East Asia founding startups and working in technology companies.



Cecilia Luras – *Strategy & Investor Relations*

Cecilia is responsible for Strategy and Investor Relations. She has a strong track record from leading global investment banks, with consistent rankings amongst the top 5 individuals with institutional investors in the banks and insurance sectors globally. She holds degrees from the University of Durham and University of St Andrews.



Gustav Ekeblad – *CTO*

Gustav is a co-founder of Visigon and has been Nordic Group CEO since 2011 He has a strong background from both the technical side as well and the consultancy side of the business and has studied Physical Engineering and Business at Uppsala University.



Said Aspen – *CIO*

Said Aspen is Co-founder of Visigon and graduated with a Master of Science Computer Engineering, from University of Linköping Said has been occupied with Technical solutions, implementations within the financial sector most of his carrier.



Petter Midtsian – *CEO Sweden*

Petter is a co-founder of Visigon with a M.Sc in Engineering and a B.Sc. in Business from Uppsala University. He has a strong background in consulting and the financial industry with experience from many banks and financial institutions in the Nordics.



Lars Stage Thomsen – *CEO Denmark*

Lars joined Visigon in 2017 and has been instrumental in growing the Danish business. Lars has a MSc degrees Economics from University of Southern Denmark. He has taken many relevant courses at Copenhagen Business School and from London School of Economics. He has also earned a CFA Charter. Lars has a broad experience from banks and financial institutions in Denmark.

Board of directors



Øyvind Hovland – Chairman

Øyvind is a serial entrepreneur with more than 20 years of experience in starting and scaling companies in various industries. Notably Cyviz AS – with offices globally, and Vision Io AS, a leading optic camera provider to the Oil and gas industry.



Murshid Ali – Board member

Murshid is an Executive Director and co-founder of Huddlestock. He is a PhD candidate in Economics, and holds a master’s degree from Grenoble Ecole de Management, and a degree from NTNU. He has almost a decade of experience as an entrepreneur, primarily within the energy and financial industry.



Per Øyvind Berge – Board member

Per Øyvind is an investor and entrepreneur in Norway, founding PXO, Quickflange and other successful companies. He has more than 20 years of experience from developing businesses and growing companies in various industries. He holds a Bachelor’s degree in Financial Management from BI Business School.



Gustav Ekeblad – Board member

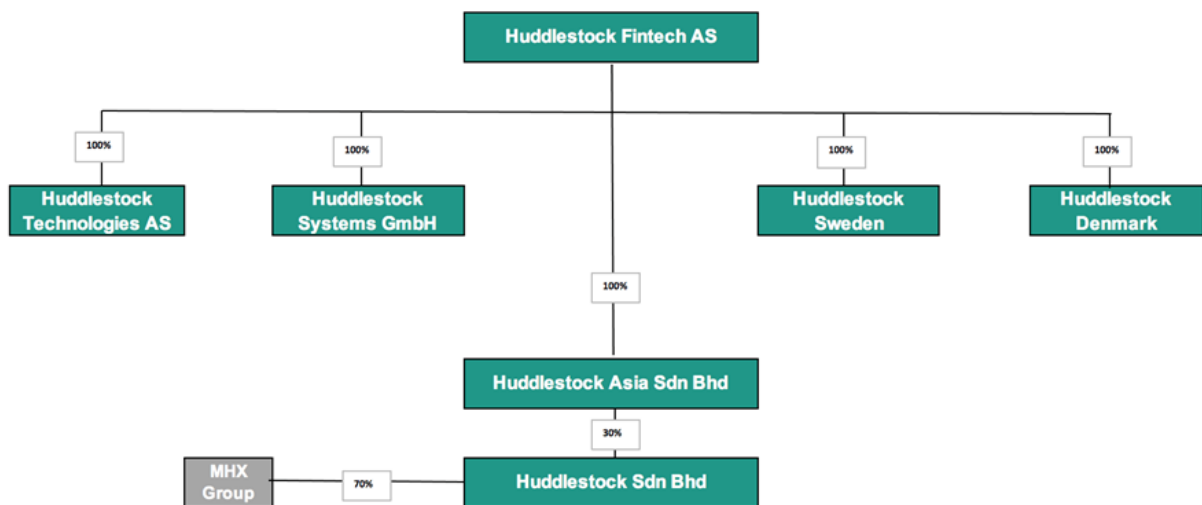
Gustav is a co-founder of Visigon and has been Nordic Group CEO since 2011. He has a strong background from both the technical side as well as the consultancy side of the business and has studied Physical Engineering and Business at Uppsala University.



Petter Midtsian – Board member

Petter is a co-founder of Visigon with a M.Sc in Engineering and a B.Sc. in Business from Uppsala University. He has a strong background in consulting and the financial industry with experience from many banks and financial institutions in the Nordics.

Company structure



Source: Huddlestock

Note: This is the organizational structure post the divestment of Dovre Forvaltning (which is currently pending a Central Bank of Lithuania approval of the purchaser).

Appendix 2: Shareholders

According to the table below, 81% of all company's shares are owned by Top 30 shareholders, while five of them are close to ~5% ownership mark. The largest shareholder is the CEO of Huddlestock Systems Peter Konrad van Kleef owning the ~20% of the shares through the Blue Oceans Enterprises Ltd. Vision Invest Stavanger, a company wholly owned by chairman Mr. Hovland, holds approximately 8% of the shares. As well, Mr Hovland owns 20% of Huddle AS, which owns 648,526 shares in the company. Further, Retropi Limited holds close to 7% of issued shares, followed by Berker Group, a company wholly owned by Huddlestock's board member Mr. Ali. Huddlestock notes that management and the Board of Director own ~ 40% of outstanding shares.

Top 30 Shareholders - updated 14/06/2021 (T+2)			
Investor	# of shares	% of total	Country
BLUE OCEAN ENTERPRISES LTD	21,333,746	19.5%	BEL
VISION INVEST STAVANGER AS	8,166,715	7.5%	NOR
RETROPI LIMITED	7,607,608	6.9%	GBR
BERKER GROUP AS	6,862,189	6.3%	NOR
GRUNNFJELLET AS	5,325,000	4.9%	NOR
GENTLE INVEST AS	4,092,900	3.7%	NOR
SAA INVEST AS	3,576,409	3.3%	NOR
E HOLDING AS	3,499,788	3.2%	NOR
SAAMAND AS	3,115,119	2.8%	NOR
STEIN HEGRE HOLDING AS	2,724,262	2.5%	NOR
HOGNAN INVEST AS	2,494,512	2.3%	NOR
GJEDREM AS	2,150,567	2.0%	NOR
VALINOR AS	1,563,852	1.4%	NOR
BILL INVEST AS	1,536,847	1.4%	NOR
GJEDREM HOLDING AS	1,420,160	1.3%	NOR
STOKK INVESTERING AS	1,315,790	1.2%	NOR
NORDNET LIVSFORSIKRING AS	1,249,096	1.1%	NOR
KJELL'S OCTOPUS INVEST AS	1,248,524	1.1%	NOR
SIRIUS AS	1,200,000	1.1%	NOR
PEBRIGA AS	1,129,541	1.0%	NOR
NORDEA BANK ABP	1,019,087	0.9%	DNK
SANDNES INVESTERING AS	1,000,000	0.9%	NOR
ALA AS	913,395	0.8%	NOR
HEDEN HOLDING AS	790,000	0.7%	NOR
KRISTIANS AND AS	723,192	0.7%	NOR
MIKE AS	666,666	0.6%	NOR
HUDDLE AS	648,526	0.6%	NOR
METRON GLOBAL INVEST AS	626,316	0.6%	NOR
K VAULE HOLDING AS	609,638	0.6%	NOR
SKAJEM JOHN EGIL	603,000	0.6%	NOR
Top 30 shareholders	89,212,445	81.3%	
Other	20,456,284	18.7%	
Total	109,668,729		

**Oslo Børs VPS Arena*

Recommendation, valuation, risk and sources

Recommendation and target price

Recommendation history for Huddlestock Fintech during the previous 12 months:

Date	Recommendation	Target price (NOK)
14/06/2021	BUY	9.00

Valuation

The target price is based on a rounded value of DCF.

Risks

The main risks to our target price and recommendation on Huddlestock Fintech:

- The company has **ambitious plans and goals** and our estimates partly reflect that. Failure for the company to reach those might affect our estimates and valuation negatively.
- **Termination of key partnership agreements with liquidity providers** – Huddlestock relies heavily on the partnership agreements with BNP Paribas, Baader Bank, Tradegate Exchange and others. Although the company continues to attract other partners and diversifies its pool of liquidity providers, termination of any partnership agreement might have an adverse effect on Huddlestock's revenue growth
- **Intense competition** – the competition among fintech companies is very high, therefore constant innovation of technology is key to maintain a competitive position and increase the market share
- **Slower than expected onboarding of clients** – although Huddlestock states that it is possible to onboard a client within 3 weeks, the process might get delayed due to the slower onboarding from the clients side, therefore cash flows would be received later than planned
- **Personnel risk:** to deliver on its impressive guidance Huddlestock has to attract and retain market-leading employees. Failure to hire the right people at the right time might delay achievement of strategic goals as well as hamper competitiveness.

Sources

The sources used in the preparation of this report were: Huddlestock Fintech, Bloomberg, Infront, Oslo Børs VPS Arena, Fortune, The Economist, BCG, EY, The Business Research Company, InvestSuite.

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RECOMMENDATION STRUCTURE

Norne Securities' general recommendations – Buy, Hold and Sell – are based on the expected absolute return on the financial instrument within the next 12 months, which equals to an upside to the target price, in combination with a risk profile. The target price represents the price level which the analyst expects the financial instrument to trade at within the coming 12 months. The table below shows the ranges of returns under different risk levels, based on which the recommendation is being determined:

Risk	Total return next 12 months (upside to target price)		
	Buy	Hold	Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 25%	5% - 25%	< 5%

Our risk assessments range from “high risk” to “medium risk” and “low risk” and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Share prices used in the report are as of market close on the last trading day if the report is being published before the stock market opening, or market price within 15 min. before the publication if the report is published during the trading hours of the Oslo Stock Exchange.

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Target prices may be based on one or several valuation methods, for instance, the discounted cash flow (DCF) analysis or applying “fair” pricing multiple(s) based on historical valuation or peer pricing level. Target price may not necessarily equal to the “fair value” of the financial instrument – certain discount or premium is possible due to various reasons, depending on the analyst’s view of what the price may be within the 12 months period. Norne Securities plans to update the recommendation based on the following events: the target price is achieved; new accounting figures are released; any significant news on the company or its industry is announced.

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POTENTIAL CONFLICTS OF INTEREST

Norne Securities AS is a market maker in the shares of Huddlestock Fintech.

This report has been presented to the issuer before dissemination for a check of factual information. Amendments of the report have been made following this.

Share holdings of Norne employees in Huddlestock Fintech:

Responsible analyst(s)	0
All Norne analysts	0
Other Norne employees	0
Norne Securities AS	0

The overview of share holdings is updated continuously. A list of total share holdings of the Norne Securities' employees and the date of last overview can be found on [Compliance | Norne Securities](#). Shareholdings that Norne Securities AS owns as a result of own-account trading that is part of its investment services operations (such as market making) are not included in the table above.

Distribution of Norne Securities' recommendations during three months up till March 31, 2021:

	Buy	Hold	Sell
Total recommendations	60	37	3
% of total	60%	37%	3%
Corporate clients*	26	11	1
% of corporate clients*	68%	29%	3%

* Includes publicly disclosed not immaterial investment banking services or issues of financial instruments where Norne Securities AS has been lead manager or co-lead manager, and market making clients during the 12 months prior to the overview date.

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