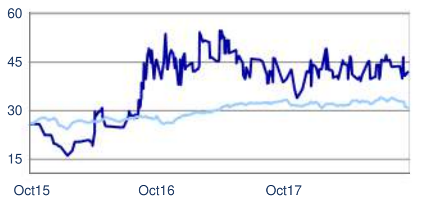
FastPassCorp

Telecom Equipment and IT
Denmark

KEY DATA

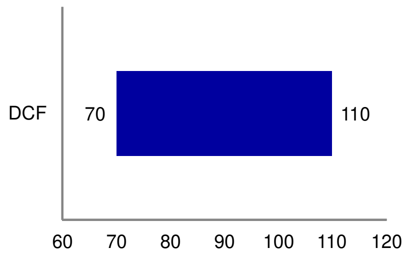
Stock country	Denmark
Bloomberg	FASTPC FN
Reuters	FASTPC.CO
Share price (close)	DKK 42.40
Free Float	55%
Market cap. (bn)	EUR 0.00/DKK 0.04
Website	www.fastpasscorp.com/
Next report date	

PERFORMANCE



Source: Thomson Reuters

VALUATION APPROACH, DKK/SHARE



Source: Nordea estimates

ESTIMATE CHANGES

Year	2018E	2019E	2020E
Sales	n.a.	n.a.	n.a.
EBIT (adj)	n.a.	n.a.	n.a.

Source: Nordea estimates

Nordea Markets - Analysts
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Associate

A hidden treasure waiting to be discovered

Through its password reset software, FastPass is exposed to IT security, one of the fastest-growing areas in IT. After years of investing in this software, demand from larger IT outsourcing firms is starting to gain momentum, validating its software while also unlocking attractive growth potential. FastPass targets revenue growth of 300-400% in the next five years. If it succeeds, the EBITDA margin should grow to an impressive 50%.

Targeting a blue ocean strategy

FastPass' competitors are larger, but they mainly focus on broader IT packages, whereas FastPass operates more as a niche, best-of-breed supplier. Its exposure is global though, as several larger IT service companies (MSPs) have incorporated FastPass into their software suite, partly to improve IT security, but also to automate IT helpdesks, making them more cost-efficient. On average, companies using FastPass' software are able to automate ~85% of calls to the IT helpdesk, compared with competing software at around 30-50%. With an estimated cost of USD 20 per call, the savings are substantial and payback equally short.

Ambitious growth target

FastPass has set ambitious 300-400% revenue growth and 50% EBITDA margin targets by 2020-21. While these may initially appear too bold, we perceive them as realistic, given how important IT security has become, the expanding distribution channel and the momentum FastPass is enjoying. New functionalities have the potential to create additional attractive growth in the existing customer base of more than one million users.

Cybersecurity to enjoy secular growth

Rising costs associated with security breaches and new regulatory requirements, such as GDPR, should bolster growth in the cybersecurity market. In our view, FastPass will benefit from this continued growth and increased spending in cybersecurity.

Valuation

We expect a highly interesting 12-18 months ahead. Now is the time for FastPass to execute on its strategy and harvest the potential. Based on our DCF model, our base-case scenario values FastPass at DKK 70-110 per share, while our positive scenario points to highly attractive valuation potential (DKK 130) and our negative scenario to DKK 35. Growth prospects are appealing and the dividend yield is already 5% with a low investment need.

SUMMARY TABLE - KEY FIGURES

DKKm	2014	2015	2016	2017	2018E	2019E	2020E
Total revenue	5	6	6	8	10	15	22
EBITDA (adj)	3	3	3	3	4	7	11
EBIT (adj)	1	2	1	1	2	4	6
EBIT (adj) margin	21.0%	25.0%	16.0%	16.0%	23.0%	27.0%	28.0%
EPS (adj)	0.96	1.78	4.57	1.01	2.10	3.68	5.60
EPS (adj) growth	32.6%	85.7%	157.2%	-77.8%	107.0%	75.2%	52.4%
DPS (ord)	0.00	0.00	2.00	2.00	2.01	2.02	2.80
EV/Sales	4.9	2.6	4.8	4.7	3.6	2.5	1.6
EV/EBIT (adj)	23.4	10.4	30.2	29.1	15.9	9.1	5.9
P/E (adj)	29.3	11.3	8.4	41.9	20.2	11.5	7.6
P/BV	4.2	2.4	2.9	3.1	3.1	2.7	2.2
Dividend yield (ord)	0.0%	0.0%	5.2%	4.7%	4.8%	4.8%	6.6%
FCF Yield bef acq & disp	-1.0%	9.1%	1.9%	-1.7%	2.4%	3.5%	6.7%
Net debt	2	0	0	1	1	2	1
Net debt/EBITDA	0.7	0.1	-0.1	0.2	0.3	0.3	0.1
ROIC after tax	11.5%	17.1%	9.0%	8.5%	14.3%	22.8%	30.1%

Source: Company data and Nordea estimates

Contents

Factors to consider when investing in FastPass

FastPass has strong products within the niche market of password self-service tools. After years of investing and fine-tuning its strategy, we believe FastPass is entering a harvesting period. Over the past year, the company has signed large, important, reputable customers, and we expect that its most important go-to-market channel, managed service providers (MSPs), will start rolling out FastPass to more clients, which should unlock considerable revenue growth. We expect FastPass' sales to increase at a CAGR of 43% in 2017-21. We expect its EBITDA margin to increase from 39% in 2017 to 50% in 2021, owing to the scalable nature of the business. Based on our estimates, our valuation indicates a fair value per share in the range of DKK 70-110.

We consider the following factors to be key when evaluating an investment in FastPass:

We believe FastPass is in the right niche and is poised to benefit from enterprises' increased spending on IT security

- FastPass operates within the password self-service segment, with a limited number of direct competitors.
- Its products are popular among large, recognised customers, such as DXC, CGI, Atos, Fujitsu; four large MSPs.
- FastPass' self-service password reset solution has a high adoption rate, as users use its product instead of calling their service desk. With an estimated cost per call to the service desk of USD 20, using FastPass' password solution offers a substantial saving and short payback period.
- Password self-service solutions were initially developed to automate password reset and handle general password requests, thereby improving efficiency within IT helpdesks. The combination of GDPR and growing focus on IT security adds to the reasons for implementing solutions such as FastPass.
- The company is launching new products, which we expect will see solid demand from customers.
- The company's high share of subscription-based revenue secures a steady and continuous revenue stream.

The main risks to consider are the following, in our view:

The most important risks are related to FastPass' dependence on MSPs and its limited window of opportunity

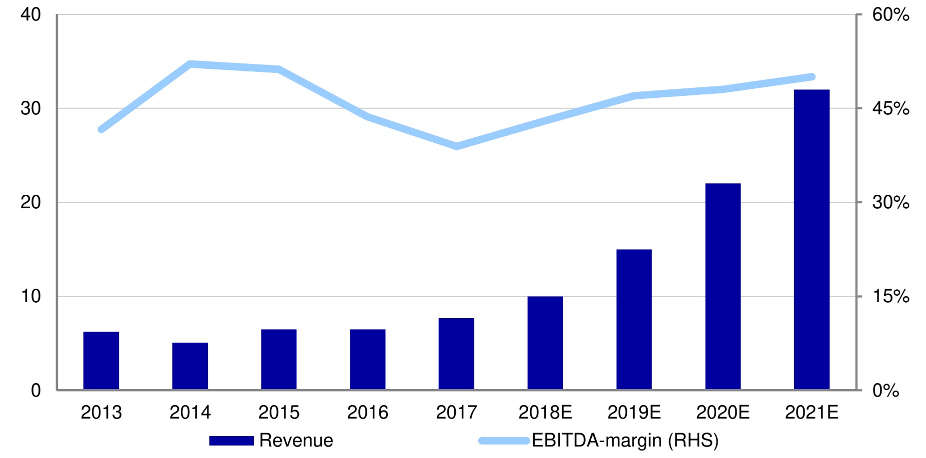
- FastPass is a niche product competing against large companies which provide full identity and access management services, including regulating access to several systems where administrators have the ability to control which users can view or modify a file. Thus, these companies work with much more than just passwords.
- FastPass is highly dependent on MSPs to achieve its growth expectations, as we expect MSPs to account for over 60% of revenue by 2021.
- Its window of opportunity is maybe limited to the next 12-24 months, so FastPass needs to act quickly.
- FastPass needs to scale up its sales force and number of developers to be able to increase sales and develop new products.
- There is high uncertainty regarding the success of new products.

High operating leverage

It is easy for the company to scale up its business

FastPass sells software subscriptions and has a high proportion of fixed costs. It is therefore easy for the company to scale up and grow its business without increasing its costs substantially. We expect its EBITDA margins to increase further in the years to come, driven by revenue growth. In addition to this, the company states it has a strong culture of cost consciousness, meaning that an increase in revenue is a prerequisite before the company will increase its cost base.

FASTPASS: REVENUE* AND EBITDA MARGIN, DKKm



**Revenue is Nordea's estimate*
Source: Company data and Nordea estimates

The business model implies a low churn rate among its clients

Low churn rate among its clients

The MSPs that have partnered up with FastPass will typically try selling/implementing FastPass at their IT outsourcing customers. As an outsourcing contract typically runs for three to five years, a partnership with a new MSP will initially generate revenue limited to when the MSP wins new clients, but the potential will increase when existing contracts are renewed. This business model implies a low churn rate among its clients.

Competing solutions have a much lower adoption rate

High adoption rate

For password self-service tools, the adoption rate is the key to success. The adoption rate is defined by how many users actually use the product when first installed. FastPass' adoption rate is 85%, whereas competing solutions have a much lower adoption rate, highlighted in a survey by SDI. For the 15% who do not use the self-service tools, FastPass is developing a new product, Facilitated Password Reset, which ensures that password-related calls to IT support desks are authentic.

GDPR has moved IT security to the top of the agenda

GDPR – a wake-up call

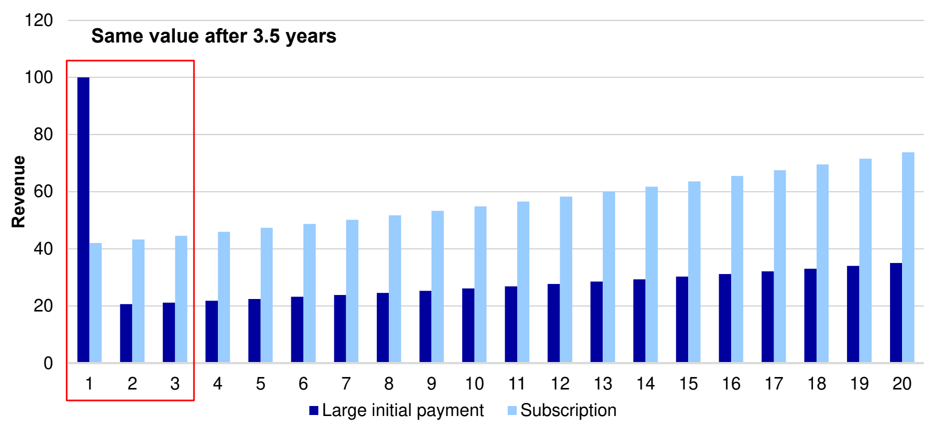
With the EU's General Data Protection Regulation (GDPR) and an increased number of cybersecurity attacks, large companies have become more aware of the importance of IT security. The increased focus on IT security is beneficial for FastPass, as its products decrease the risk of security breaches. According to a recent report by Verizon, 81% of all security breaches are caused by hackers leveraging stolen or weak passwords.

Its revenue model secures a steady, continuous revenue flow

A steady and continuous revenue model

In recent years, FastPass has moved from a licensing model with a high one-time licence fee and a small maintenance fee in the following years to a subscription fee model. This shift has a short-term negative revenue impact, but the accumulated revenue means FastPass breaks even after 3.5 years. As the average contract lasts for more than ten years, the subscription model is highly value-accretive and secures higher visibility and stability.

REVENUE FROM A NEW CUSTOMER (ILLUSTRATIVE)



Source: Nordea estimates

Valuation

Our DCF valuation indicates a fair value range of DKK 70-110 per share

Based on the assumption that the company can deliver in line with our expectations, we estimate a fair value range of DKK 70-110 per share based on variations in sales growth, EBIT margins and WACC (8.7%). Our positive case scenario points to a fair value of DKK 130 per share, whereas our negative scenario indicates a fair value of DKK 35. We derive our fair value from our fundamental DCF framework.

Risk factors

MSPs are critical for FastPass' performance

In 2017, MSPs accounted for ~30% of revenue and we expect this to increase to more than 60% in 2021. In addition to the greater dependence on MSPs, the company expects a large part of its increased revenue to come from signing new MSPs and from MSPs rolling out FastPass to its users; as such, MSPs are critical to FastPass' performance. If FastPass cannot live up to MSPs' standards, or if it loses one or several MSPs, its revenue would potentially be hit significantly. In addition, there is a risk of MSPs packaging FastPass in a suboptimal way either by not emphasising FastPass enough when meeting customers or by making FastPass too expensive.

New products still in development phase

FastPass is developing new products that have garnered interest among existing and potential new customers. Although there is great interest, the products are still in the development phase and launch has recently been postponed. It is uncertain how successful the new products will be after the launch; if they are less successful than FastPass expects, it will have a negative impact on sales expectations.

FastPass needs more sales people to target new customers

Even though FastPass has a high percentage of fixed costs, it will need more sales people to target new customers and more developers to develop and maintain its new products. If FastPass is too slow to increase its personnel, it could risk missing the MSP train.

Valuation

Using a fundamental DCF approach and applying a scenario analysis, we derive an equity value range of DKK 70-110 per share. This implies a mid-range 2021E EV/EBIT of 7.6x and a 2021E P/E of 10x. The base case is dependent on FastPass generating a 43% revenue CAGR during 2017-21E, which would be ~25 pp higher than the global password management market as forecast by Grand View Research. Using the median EV/sales multiple for IT companies of similar market cap, also listed on First North, we arrive at a fair value of DKK 92 per share.

Our valuation approach is based on a DCF framework

We rely on a fundamental DCF framework to value FastPass. In our view, a fundamental DCF model is the most appropriate method for estimating the value of FastPass for the following reasons:

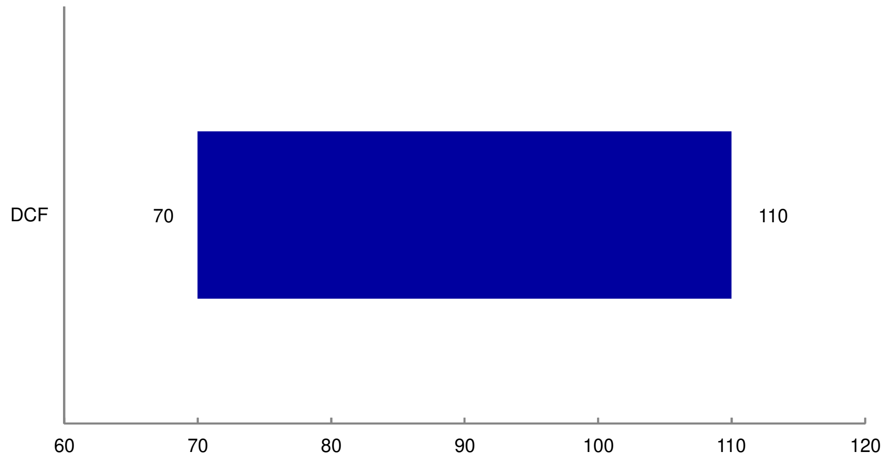
- FastPass operates in the niche segment of password self-service and does not have any direct listed competitors.
- The closest competitor (Okta) has a significantly larger market cap and offers a wide range of products. It is hence not truly comparable to FastPass.
- We expect FastPass to have high multi-year revenue growth, margin expansion, a high cash conversion ratio and an asset-light business model.

In summary, valuing FastPass based on the trading characteristics of other companies would fail to capture FastPass' true value accurately.

We derive a fair value range of DKK 70-110 per share, including a 30% discount

Based on the assumption that FastPass can deliver revenue growth and an operating profit margin in line with our expectations, we derive a fair value range of DKK 70-110 per share. The fair value range includes a 30% discount due to the low market capitalisation and liquidity in the stock, caused by its limited disclosure level.

FASTPASS: OUR VALUATION RANGE, DKK PER SHARE



Source: Nordea estimates

DCF valuation

The basic idea of DCF models is to determine the present value of free cash flows

One of the most common ways to value the attractiveness of an investment opportunity is with a discounted cash flow (DCF) model. The basic idea of DCF models is to determine the present value of free cash flows (FCF). The FCF is derived from a variety of assumptions about the firm's future financial performance, including revenue growth, profit margins and reinvestment needs. The company's FCF is discounted with an appropriate discount rate: the weighted average cost of capital (WACC). In fundamental terms, a DCF framework is built on three parts:

- Discounting the company’s free cash flow at WACC;
- Identifying the value of debt and other non-equity claims in the enterprise value;
- Deducting all claims to determine the value of the common equity.

We have developed three scenarios based upon the number of signed contracts with MSPs and the success rate of new products:

In the base scenario we see a 43% revenue CAGR 2017-21E

- **Base scenario:** Based upon the 2017-21E guidance provided by FastPass, we expect several new signed contracts with MSPs and a moderate launch of FastPass' new products. We see a 43% revenue CAGR 2017-21E and an EBITDA-margin of 50% in 2021E, in line with guidance. Our base scenario points to a value range of DKK 70-110 per share.

In the positive scenario we see a 50% revenue CAGR 2017-21E

- **Positive scenario:** We increase the number of signed MSPs up until 2021 and estimate a 60% revenue add-on from new products, which is at the high end of what FastPass expects from the launch. We see a 50% revenue CAGR 2017-21E, 7 pp higher than in the base scenario. All else being equal, our positive scenario equals a value of DKK 130 per share.

In the negative scenario we see a 15% revenue CAGR 2017-21E

- **Negative scenario:** Our negative scenario is based upon competitors starting to include a password solution similar to FastPass' self-service password solution, taking potential customers and market shares from FastPass. In addition, FastPass' new products will not be as successful as expected. In this case, the 2017E-21E revenue CAGR will be 15%, still at a healthy level compared to the cybersecurity market. The negative scenario points to a value of DKK 35 per share.

The table below shows the assumptions for each scenario. In the base scenario we expect FastPass to have 38 MSPs as customers in 2021 and a 40% revenue add-on from new products. These numbers are adjusted in both the positive and negative scenario. More information regarding the forecasts can be found in the Estimates section.

INPUTS FOR VALUATION SCENARIOS (2021)

		Base		Positive		Negative	
Size of MSP	**FastPass' number of MSPs in 2017**	**Number of MSPs**	**Add-on products**	**Number of MSPs**	**Add-on products**	**Number of MSPs**	**Add-on products**
Tier 1	4	8	40%	8	60%	7	20%
Tier 2	3	9	40%	10	60%	7	20%
Tier 3	3	10	40%	10	60%	8	20%
Tier 4	0	11	40%	15	60%	10	20%
Total	**10**	**38**		**43**		**32**	

Source: Company data and Nordea estimates

Valuation assumptions

In the table below, we set out the general DCF assumptions used in the base scenario.

We expect FastPass to have low- to medium pricing power. If the password solution becomes too expensive, the MSP may decide to develop the solution internally. Thus FastPass' revenue will be driven by quantity instead of price.

In the base scenario we estimate a 43% CAGR in 2017-21E and a 12% CAGR in 2017-48E. This corresponds to DKK 248m in revenue in 2048E. By way of comparison, the closest competitor, Okta, reported revenue of DKK 1.7bn in 2017. Thus, FastPass would still be a small player in the cybersecurity landscape when reaching steady growth.

We assume a converging ROIC-WACC spread

VALUATION ASSUMPTIONS

Averages and assumptions	2018-23	2024-28	2029-33	2034-38	2039-43	2044-48	LT
Sales growth, CAGR	36.3%	10.0%	7.5%	5.0%	2.0%	1.5%	-
EBIT-margin, excluding associates	29.0%	24.0%	18.0%	10.0%	8.0%	6.5%	-
Capex/depreciation, x	1.1	1.1	1.1	1.1	1.1	1.1	-
Capex/sales	22.0%	8.0%	6.0%	6.0%	4.0%	2.0%	-
NWC/sales	38.9%	38.9%	42.0%	45.0%	45.0%	45.0%	-
FCFF, CAGR	50.8%	20.8%	7.7%	-0.1%	1.8%	-2.5%	1.5%

Source: Nordea estimates

WACC

We use a WACC of 8.7% to value FastPass

We apply a WACC of 8.7% in our DCF model. Our WACC assumptions are outlined in the table below. As we estimate that equity will make up 100% of FastPass's target capital structure, the WACC will be highly sensitive to the beta (risk parameter). We estimate a beta of 1.3.

WACC COMPONENTS	
Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking asset beta	nm
Beta debt	0
Forward looking equity beta	1.3
Cost of equity	8.7%
Cost of debt	5%
Tax-rate used in WACC	23%
Equity weight	100%
WACC	**8.7%**

Source: Nordea estimates

Sensitivity analysis

A valuation is no better than its assumptions

To challenge the valuation, we conduct a sensitivity analysis. This examines the valuation's robustness when exposed to alternative assumptions to the main drivers. Below, we provide sensitivity matrices modelling variations in revenue growth, EBIT-margin and WACC.

We note that the derived DCF fair value is particularly sensitive to the WACC assumptions, implying that changes in the company's risk profile (beta) could significantly impact the fair value assessment in either direction.

Our DCF value with different WACC and sales growth assumptions

WACC VS SALES GROWTH, DKK

		WACC				
		6.7%	**7.7%**	**8.7%**	**9.7%**	**10.7%**
Δ Sales growth	**+2.0pp**	147	119	99	84	73
	+1.0pp	137	112	94	81	70
	0.0pp	128	106	90	78	68
	-1.0pp	120	101	86	75	66
	-2.0pp	114	96	83	72	64

Source: Nordea estimates

Our DCF value with different WACC and EBIT margin assumptions

WACC VS EBIT MARGIN, DKK

		WACC				
		6.7%	**7.7%**	**8.7%**	**9.7%**	**10.7%**
Δ EBIT margin	**+2.0pp**	153	125	105	89	77
	+1.0pp	141	116	97	84	73
	+0.0pp	128	106	90	78	68
	-1.0pp	116	97	83	72	63
	-2.0pp	103	87	75	66	58

Source: Nordea estimates

Our DCF value with varying sales growth rates and EBIT margins

SALES GROWTH VS EBIT MARGIN, DKK

		Sales growth change				
		-2.0pp	**-1.0pp**	**0.0pp**	**+1.0pp**	**+2.0pp**
Δ EBIT margin	**+2.0pp**	94	99	105	111	118
	+1.0pp	89	93	97	103	109
	0.0pp	83	86	90	94	99
	-1.0pp	77	80	83	86	90
	-2.0pp	71	73	75	78	80

Source: Nordea estimates

Comparing FastPass to other IT companies listed on First North

Comparing FastPass to other IT companies listed on First North, FastPass should be trading at DKK 92

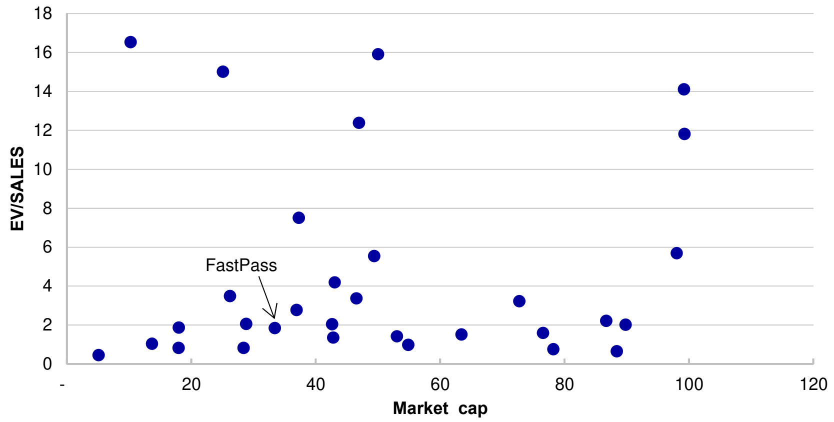
By looking at the market cap compared to EV/sales for IT companies listed on the Danish First North stock exchange, we can see how the market is valuing companies of similar size to FastPass. There are a total of 30 IT companies in the universe with a market cap of less than DKK 100m. Due to a lack of estimates, we use the last reported numbers to calculate the median EV/sales across the 30 IT companies. We derive a median EV/sales of 2.1x.

If we assume FastPass should be trading on par with its peers based on 2.1x last year's revenue, we can calculate the valuation potential. If we use our DKK 32m 2021E revenue estimate as our last reported revenue number, FastPass should be trading around DKK 92 per share, which is in the middle of the base scenario valuation range.

Comparing FastPass to the top half of the peer group, FastPass should be trading at DKK 235

Giving the attractive business model, growth outlook and above average EBITDA margin, we would, however, argue that FastPass should be trading at a premium to this peer group. The median EV/sales for the top half of the peer group is 5.7x, and based on that multiple, FastPass should be trading at DKK 235.

EV/SALES VS MARKET CAP FOR IT COMPANIES LISTED ON FIRST NORTH, DKKm



Source: Thomson Reuters and Nordea

Company overview

FastPass is a software company that provides password management solutions for large enterprises and IT service companies. FastPass automates the process of resetting passwords when they have expired or users have forgotten them. As the software eliminates password-related calls to IT service desks by enabling users to resolve the problem themselves, it increases IT security and improves IT helpdesk efficiency. The payback period on the investment is therefore relatively short. FastPass is typically deployed by large companies (5,000-plus employees) with complex IT infrastructures.

History

FastPass was founded in 2000

FastPass, formerly IT InterGroup A/S, was founded in 2000 as an IT service company focusing on identity and access management. The company engaged in large identity management projects, pre-studies and training. Since 2005, FastPass has provided password management solutions. In 2008, the consulting business was sold and since then FastPass has focused solely on password management and its software.

The company has survived a few challenging years

Owing to the financial crisis in 2008, FastPass struggled financially and the company was forced to take out a loan and issue bonds to survive. Until 2017, the company's main focus was survival, but once its financials improved at the end of 2016, focus shifted to enhancing its product offering with new modules, hiring new sales representatives and expanding its customer base. Even though FastPass is currently expanding, the company has a strong cost focus and a conservative investment and cost philosophy due to its history.

More than a million users worldwide

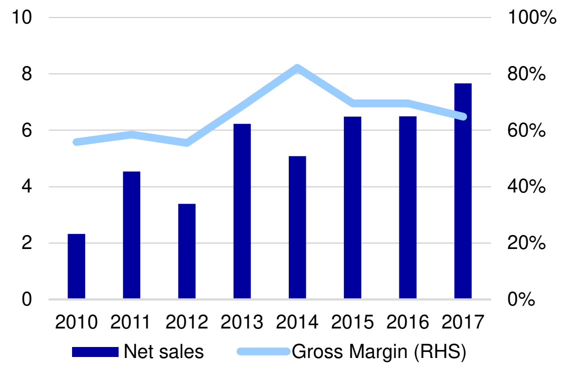
The company has more than a million users worldwide. It primarily targets large companies (with over 5,000 users), but its customer base ranges from small enterprises to large IT service companies (managed service providers).

NOTEWORTHY EVENTS

2000	FastPass was founded
2007	FastPass listed on First North
2008	Sold consulting department
2009	Won contract with Göteborg Stad with over 50,000 users
2009	Strategic decision of selling FastPass through partners to end-customers
2011	Number of user licences grew from 300,000 in 2010, to over 600,000 in 2011
2012	Won essential and prestigious orders from BBC in the UK and NRK in Norway
2013	Possible for users to change passwords from a smartphone or tablet
2013	FastPass Cloud established
2016	FastPass changes it standard contract from a large initial payment to a monthly subscription.
2017	Release new FastPass module FRP (FastPass Facilitated Password Reset)
2017	Won contract with a major European bank (anonymous)
2018	Order with a new international managed service provider

Source: Company data and Nordea

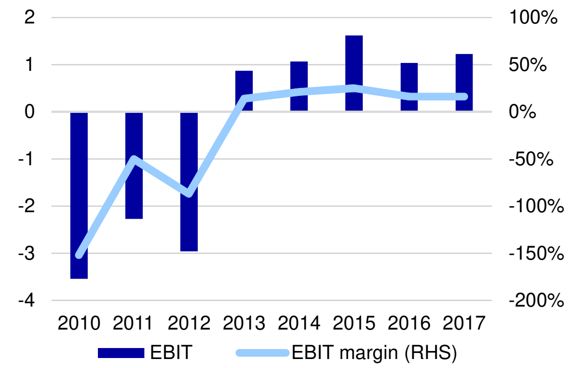
FASTPASS: NET SALES* AND GROSS MARGIN, DKKm



*Net sales is a Nordea estimate

Source: Company data and Nordea

FASTPASS: EBIT AND EBIT MARGIN, DKKm



Source: Company data and Nordea

Products

One software solution available in four different packages

FastPass provides password management solutions that enable password self-service. It has four different products, all of which feature the same software, but include different access levels and modules, depending on which the customer chooses. Since all of its products share the same core, FastPass only needs minimal development overheads to support multiple variations. The following four packages are available:

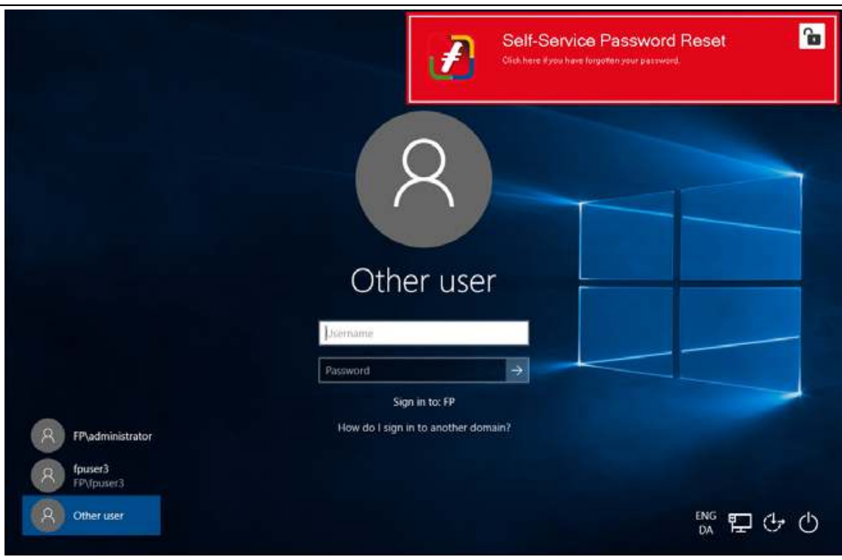
The products can be tailored to individual customer needs

- **FastPass Enterprise**: For companies with more than 10,000 employees. An advanced package with several options that can be tailored to suit a customer's needs and varying internal requirements.
- **FastPass Cloud**: For customers who do not wish to be responsible for operating the software. Normally customers operate FastPass themselves, but the cloud solution allows companies to pay FastPass to operate the software for them.
- **FastPass Flex**: For companies with fewer than 10,000 employees. A simple, basic and cheaper package that covers the most fundamental needs. Extra modules can be added to tailor the product where necessary, which creates an upsell opportunity for FastPass. The basic package includes password self-service for Windows Active directory, but it is possible to tailor it to support other systems such as SAP, Oracle and IBM. Again, this boosts FastPass' revenue.
- **FastPass MSP-version**: Its functionality is identical to FastPass' Enterprise product, although it allows for multi-tenant operation, meaning that many organisations can be supported by one operational FastPass. This helps reduce operational costs for MSPs compared with a situation where FastPass is installed on premise per customer.

FastPass consists of modules and is quick, easy and cheap to install

All FastPass products consist of modules, making them quick, easy and relatively cheap to install. The modules also make it possible to integrate FastPass into a company's existing infrastructure. The picture below gives an indication of FastPass' self-service password module and the "add-on" functionality.

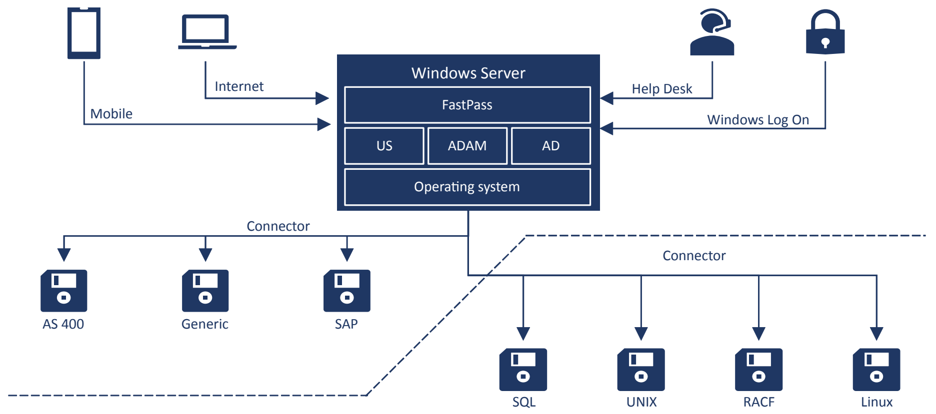
FASTPASS SELF-SERVICE PASSWORD RESET MODULE



Source: Company data and Nordea

The standard password management systems synchronises the same password to all affiliated systems and programmes. FastPass can be configured so the user can choose which password should be used in each individual system, giving it a competitive edge as it is easy to deliver, operate and support.

FASTPASS: PRODUCT OVERVIEW



Source: Company data and Nordea

Users reset passwords once a year on average

FastPass aims to automate the password-generation process as much as possible. On average, users need to reset their password once a year, which is costly and time-consuming and poses a potential security risk.

FastPass vs IAM solutions

Historically, password self-service has been an additional feature that is often given free of charge

Many companies receive password management as part of their identity and authentication management (IAM) solution. Large companies often provide IAM solutions and password management is only a small part of the total IAM package. In simple terms, IAM solutions help IT departments ensure that authorised workers have appropriate access to the resources they need at the right time, which is useful when onboarding new employees.

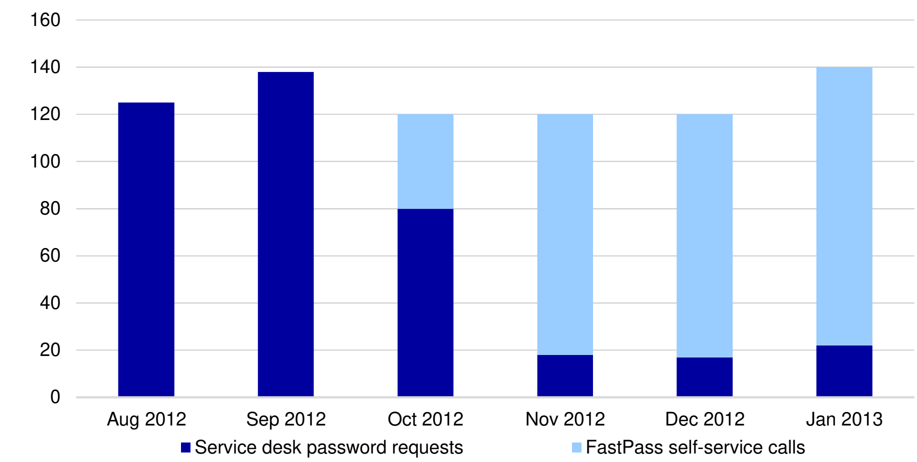
Historically, password self-service has been an additional feature that is often given free of charge. This means that the large companies providing IAM have not focused on developing their password self-service tools. As this area has not been a develop-ment focus for IAM companies, user acceptance has often been low. As a result, this is one way that password self-service companies prove their product's value.

Industry average is a 30-50% user acceptance rate, whereas FastPass can document 85% user acceptance

If users do not use the self-service tool and continue to contact the service desk, the self-service tool has limited value. The industry has a user acceptance rate of 30-50%, whereas FastPass can document an average user acceptance rate of over 85% for companies using FastPass. This is a significant increase in user acceptance. It leads to sizeable savings for FastPass' customers and a short payback period on the investment.

When the Danish municipality Varde Kommune implemented FastPass in 2012, password-related calls to its IT desk dropped by more than 80%. As each call can cost up to USD 20 per call, this led to significant cost reductions for Varde Kommune. In addition to this, the queue for IT support also became shorter.

PASSWORD-RELATED REQUESTS, THE DANISH MUNICIPALITY VARDE KOMMUNE



Source: Company data and Nordea

Another example of FastPass' high adoption rate can be seen with Fujitsu's customers. Fujitsu offers FastPass to its customers as part of its software package "Social Command Center". According to Fujitsu's documentation, the FastPass adoption rate was 90% among its customers.

CUSTOMER TESTIMONIALS

Customer	Testimonial
NNIT	It is important to us to deliver modern and simple solutions ... The cooperation with FastPass is yet another step in this direction
LMU	We have seen an 80% reduction in assisted password resets. We’re very satisfied with the product
Front Porch	About 90% use FastPass to reset their passwords. So we've seen a substantial reduction in calls to the help desk
SSSFT	We now have about 70% of all password resets and domain account unlocks completed through the self-service portal
Frederikshavn Kom.	FastPass handled 2,531 password calls, or more than 80% of the total passwords calls from all the users

Source: Company data and Nordea

Other functionalities

Special modules can force users to use FastPass

If users continue calling the IT help desk with password problems, FastPass has a module called "HelpDesk Client" which re-enrols the user securely in FastPass. In addition to this, FastPass also has a module called “forced enrolment client” where customers can force users to use FastPass and thereby ensure that employees use the self-service tools if they forget their passwords.

In addition to these modules, FastPass also offers the following functionalities: multi-system password reset, password synchronisation, remote PC password resetting, automatic user registration, a FastPass supplement for blind and visually impaired users and facilitated password reset.

A new product in the pipeline

New facilitated password reset module should boost sales

Going forward, the facilitated password reset module will be an important part of FastPass' growth plans. This module makes the manual password reset process, which the IT desk performs, even more secure. It is a new module that is not included in automatic updates, and so FastPass can generate additional sales from existing customers as well as new customers. Feedback from customers has been positive and no other companies offer a similar product, as we understand.

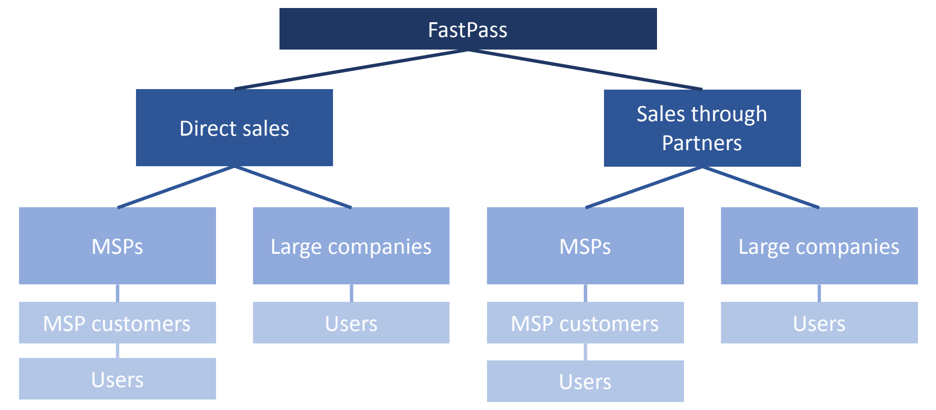
FastPass is expected to start selling the facilitated password reset module in the beginning of 2018, but this disappointingly has been postponed until the end of 2018 and the company expects this new product to boost revenue from 2019. According to FastPass, it has received positive feedback about the solution. This has also been confirmed by the UK partner.

Sales channels

Partners sell FastPass as part of their own software package

FastPass sells its products directly and through partners to large companies and MSPs.

FASTPASS: SALES CHANNELS



Source: Company data and Nordea

Its partners sell FastPass as part of their own product portfolios, either under the FastPass name or by using their own name for the FastPass software. The partners develop internal competencies, marketing plans and establish interest and awareness among customers. FastPass has determined that it typically takes six to nine months from the time that a company establishes a deal with one of its partners until the point when those partners achieve commercial success.

FastPass' number of partners is increasing. In 2017, the company gained new partners in Eastern Europe and Central and South America.

EXAMPLE OF FASTPASS' PARTNERS

Source: Company data and Nordea

Managed service providers

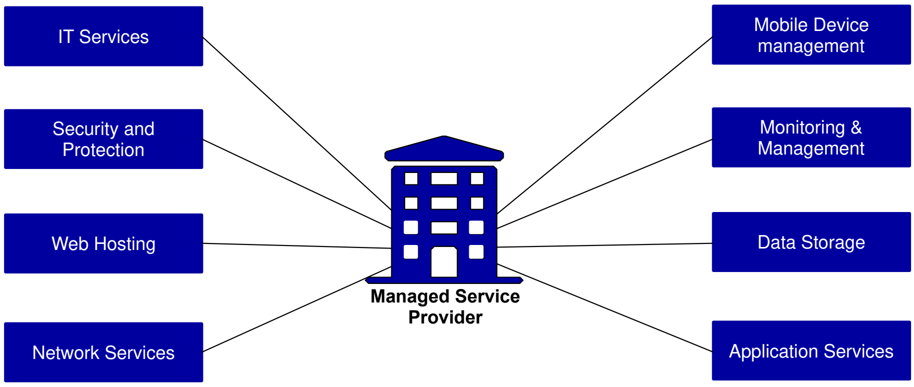
Signing a large MSP signals a high-quality product

MSPs offer IT outsourcing for large companies. The contracts that MSPs sign with their customers often last for a three to five year period and the contracts are renegotiated once the period is over.

Among the larger MSPs, FastPass has agreements with DXC, CDI, Atos, and Fujitsu. FastPass has also small- to mid-sized MSPs, including NNIT.

Larger MSPs are the core focus for FastPass due to their high focus on IT security and typically outsourced operations, but also as their client base covers larger corporations with a high number of employees.

AN EXAMPLE OF MSP SERVICES



Source: Company data and Nordea

It typically takes FastPass between six and 24 months to sign a new MSP. Once an MSP has signed a contract with FastPass, it starts pitching FastPass to some of the corporations it services (typically companies which are in the process of renegotiating their MSP agreement). If the company agrees to incorporate FastPass in its MSP agreement, FastPass will be rolled out to its users and the revenue will be split between FastPass and the MSP.

It is difficult to "get rid of" FastPass once customers sign an agreement

As MSP contracts are renegotiated every three to five year, it takes time before FastPass is rolled out to an MSP's customers, although this also means it is difficult to "get rid of" FastPass once customers sign an agreement.

When MSPs sign a contract with FastPass, the MSP gives an estimate of the number of users they expect will use FastPass, and FastPass offers a price (and potential discount) based on that number of users. If the MSP rolls out FastPass to the agreed number of users gets or more, the MSP gets the discounted price per user. If the MSP gets fewer users than agreed upon, the average price per user will increase.

CGI's goal is to have 100% of its customers using a self-service password solution

The FastPass solution can benefit both MSPs and their customers, by reducing costs and increasing efficiency. According to CGI, one of the MSPs using FastPass, without an automated password solution, the customer will call CGI for password resets and 15-20% of all calls to the IT helpdesk from the customer will be related to password tickets. Thus CGI prefers if the customer have a password solution – CGI's goal is to have 100% of its customers using a self-service password solution.

Customers

FastPass targets large companies

FastPass targets large companies with at least 2,000 employees. In 2016, it tried mass sales to smaller customers, which proved unfruitful. As a result, the company has chosen to continue to focus on MSPs and large customers, mainly through its partnerships.

Large enterprises often need tailor-made solutions

The ideal customer has more than 5,000 employees, as FastPass needs a user base of a certain size for its products to be beneficial. Large companies often have employees in different countries and its employees often have varying needs in terms of password management. Some teams will be satisfied with the basic solution, whereas other teams might handle confidential information and therefore require more extensive solutions. FastPass can solve these issues by tailoring its packages to meet the needs of individual users and various internal requirements.

A global company with an extensive international client portfolio

FastPass is a global company with an extensive international client portfolio. In addition to the customers mentioned below, it serves a number of other high-profile customers. Due to client confidentiality, however, FastPass is not allowed to publish their names. The company's largest market is the UK and this is also where the cloud service is most popular.

EXAMPLES OF FASTPASS CUSTOMERS

NRK, Helse Sør-Øst, Domestic & General, Sonoco, Sasol, Styrolution, UNOPS, Nyrstar, Pratt & Whitney, University Hospital of North Staffordshire NHS, Phoenix group, Department of Health, BBC, Rio Can, Argos, London Metropolitan University, COWI, TUI, Randers Kommune, SIG, Greve

Source: Company data and Nordea

Price Structure

When entering partnerships, FastPass offers its partners two price options:

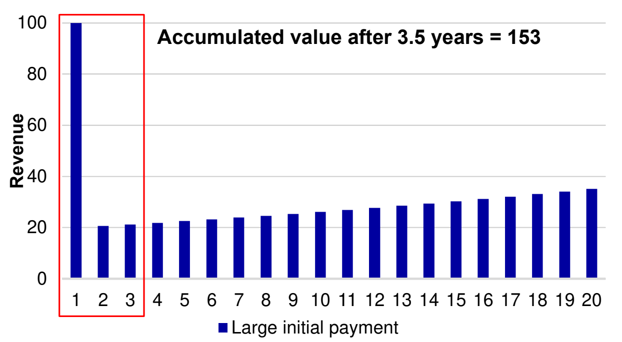
Partners can choose between a large initial payment or a monthly operating cost

1) A large initial payment and an annual maintenance fee of ~20% of the initial payment (Nordea estimate)

2) A subscription structure, either:

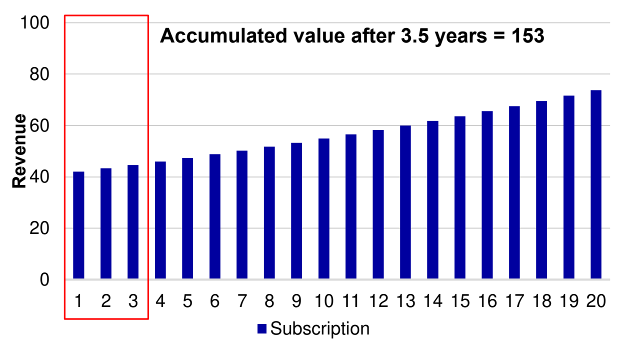
- Fixed (as a lease), or
- More flexible, based on functionality and number of users

REVENUE FROM LARGE INITIAL PAYMENT (EXAMPLE)



Source: Nordea estimates

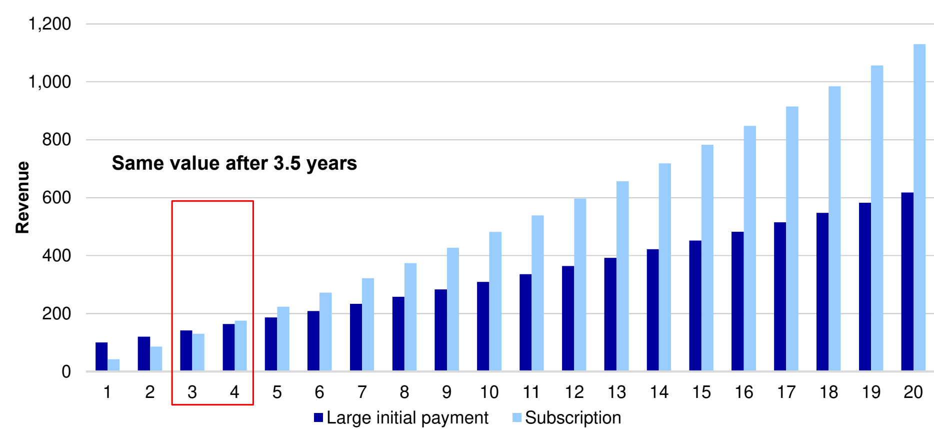
REVENUE FROM SUBSCRIPTION (EXAMPLE)



Source: Nordea estimates

~75% of sales are from monthly subscriptions, giving FastPass more value in the long term

ACCUMULATED REVENUE FOR THE LICENSING MODEL (EXAMPLE)



Source: Nordea estimates

Most sales are derived from subscriptions and the percentage of subscriptions was a positive surprise for FastPass in 2017, with an increase to ~75% of all sales, up from 70% in 2016. In the short term, these types of sales hurt revenue compared to the licensing model with a high initial licence fee, but as contracts last for several years, the positive effect shows up in revenue during subsequent years.

When calculating the NPV for subscription contracts and large initial payment contracts (assuming no costs and a discount rate of 8.7%), it is clear that the total value of a subscription-based contract is higher than an order based on a higher initial licence fee.

NPV FOR SUBSCRIPTION CONTRACT VS LARGE INITIAL PAYMENT CONTRACT (EXAMPLE)

Year	3.5	5	10	15
Subscription	118	153	228	254
Large Initial Payment	118	128	146	146
Additional value from subscription	0%	20%	56%	73%

Source: Nordea estimates

FastPass' contracts are inflation-linked, with minimum annual inflation of 3%, which adds to the positive effect of the monthly subscription structure.

Price also varies depending on customer order, market and partner

In addition to the two price options, the partnership price varies depending on the customer's order volume, the characteristics of the product, the market and the partner channel.

Strategy

Expanding the product offering to include more software...

In 2017, management announced a new strategic vision. Going forward, the company will expand its product offering to include more software than just password self-service solutions, although these products will be related to passwords and authentication. The expansion will be supported by an increase in sales and marketing efforts but management emphasised that these stronger ambitions should not expose the company to financial risks. In addition to an increased sales force, FastPass also wants to expand the knowledge of its new solutions through more web and social media activities. Management believes this will lead to more contact with interested companies and will give its strengthened sales force a tailwind from the get-go.

...and increasing its geographical footprint

FastPass' largest market is the UK and it is currently expanding into other countries, partly driven by the UK partner. The company has sales staff in the Nordic countries, Poland and the US. It expanded into Eastern Europe and Central and South America in 2017 through new partners. In addition to geographical expansion, the company has also added new products such as the Facilitated Password Reset module. The increased sales force and sales of new and existing products helps add momentum to its growth.

Company guidance

In addition to the strategic vision and geographical expansion, FastPass aims to boost sales by 300-400% and targets an EBITDA margin of at least 50% by 2020-21.

Executive management and board of directors

Finn Jensen at the helm...

Finn Jensen is the CEO of FastPass. He has extensive experience within IT from CEO and sales manager roles, as well as several board positions in the industry. Mr Jensen is also one of the major shareholders in FastPass.

...with Tommy Larsen as chair of the board

The chairman of the board is Tommy Larsen, who has held several board positions at software and real-estate companies. In addition, he has extensive sales experience.

BOARD OF DIRECTORS

Tommy Niels Vincentz Larsen	Jess Julin Ibsen	Nicolai Platzer
Position	**Position**	**Position**
Chairman of the board	Board member	Board member
Other appointments	**Other appointments**	**Other appointments**
CEO and Partner at Operator Systems A/S.	CEO at Itadel A/S.	Chairman of Dansk Finansvejledning ApS and Finansvejledning Consult-Nord ApS. Platzer also serves as Member of the board of Choconord ApS.
Previous background	**Previous background**	**Previous background**
Has held several board positions, primarily in software companies and in real-estate. Several years of experience within sales from senior roles at Lawson, Lindhard Computer Systems, Digital Equipment Corporation and Unisys.	Several years of experience within IT and technology from senior roles at NNIT A/S, TDC, CSC. Executive Vice President at TDC, Director Global Infrastructure Services at CSC Nordic, Various management positions at CSC and Division Manager System Integration at Bull Dk.	Experience within finance, management, optimizing capital and investments.
Education	**Education**	**Education**
B.Sc. In Economics and Business Administration (Ha.Almen) from Copenhagen Business School	M.Sc. in Industrial Engineering and Management from Technical University Denmark. B.Sc. in International Business from Copenhagen Business School. Postgraduate studies at INSEAD, Cornell University and Wharton Business School.	M.Sc. In Finance and Accounting (Cand.Merc.FIR) from Copenhagen Business School
No. of shares as of 01.10.2018	**No. of shares as of 01.10.2018**	**No. of shares as of 01.10.2018**
N/A	N/A	>20%

Source: Company data, LinkedIn, Bloomberg and Nordea

EXECUTIVE MANAGEMENT

Finn Jensen	Morten Andresen	Anders Meyer
Position	**Position**	**Position**
CEO	CTO	COO
Previous background	**Previous background**	**Previous background**
Has held several board positions in IT companies. Several years of experience within IT from CEO and sales manager roles.	N/A	N/A
Education	**Education**	**Education**
Bachelor of Business Administration from Aarhus University	N/A	N/A
No. of shares as of 01.10.2018	**No. of shares as of 01.10.2018**	**No. of shares as of 01.10.2018**
>20%	N/A	N/A

Source: Company data, LinkedIn, Bloomberg and Nordea

Shareholders

The company's two largest shareholders are Nicolai Platzer, a board member, and Finn Jensen, the CEO, who together hold almost half of the company.

SHAREHOLDER STRUCTURE AS OF 26 FEBRUARY 2016

Shareholder	Ownership
Nicolai Platzer, Board member	> 20%
Finn Jensen, CEO	> 20%
Kristian Klinge	> 5%
Other	< 55%
Total	**100%**

Source: Company data and Nordea

Market overview

We see a positive outlook for the cybersecurity market and, according to Grand View Research, the global password management market will reach USD 2bn by 2025, with a CAGR of ~18% from 2018 onwards. Rising costs associated with security breaches and new regulatory requirements, such as GDPR, have increased the focus on cybersecurity among corporations. In our view, FastPass will benefit from further growth and increased spending in the cybersecurity market. However, it is worth noting that the sector is also one of the highest valued due to the expected market growth.

Cybersecurity overview

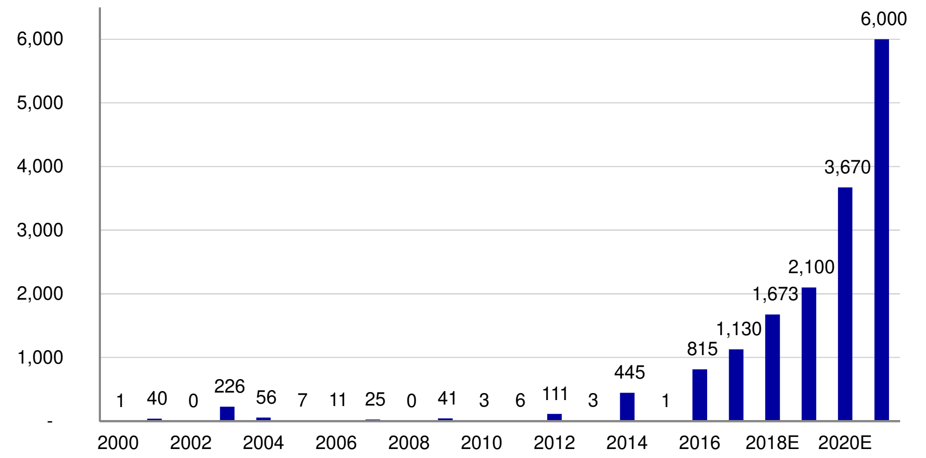
Increasingly, a company's most valuable asset is its data, making corporates vulnerable to cyberattacks

To compete in today's digital world, organisations are using a variety of technologies, everything from big data to the Internet of things (IoT). With these new technologies, it has become easier to transfer customer data, employee files and other sensitive information. As cyberattacks seem to be becoming progressively more prevalent and compliance rules and regulations such as GDPR are becoming increasingly complex, businesses must be able to secure their data. For instance, an organisation's failure to comply with the basic principles of GDPR may incur a fine of up to GBP 20m, or 4% of its total global revenue, whichever is greater. The headline risks associated with cyberattacks and the damage they cause to both a company's business and reputation are forcing CEOs to prioritise spending on cybersecurity. CEOs are asking: "How can we prevent it happening to us?" As a result, enterprises are investing in password management tools as their first line of account defence.

According to a market report by Cybersecurity Ventures and Thycotic, more than three billion passwords and user credentials were stolen in 2016. Cybercrime costs the global economy around USD 575bn per year, representing ~0.5% of the world's GDP. Given increasing connectivity, costs related to cybercrime are expected to double in the next six years. Cybersecurity Ventures predicts that cybercrime will cost the world around USD 6tn in 2021, which is a significant increase from today's level. In addition, President Trump has recently proposed allocating USD 15bn in spending to fund critical initiatives and research in the cybersecurity space, up from USD 14.4bn in 2018 and USD 13.1bn in 2017.

Cybercrime is costly to the economy; studies place the cost of cybercrime just below the cost of narcotics-related crime

ESTIMATED GLOBAL FINANCIAL IMPACT OF CYBERCRIME, USDbn



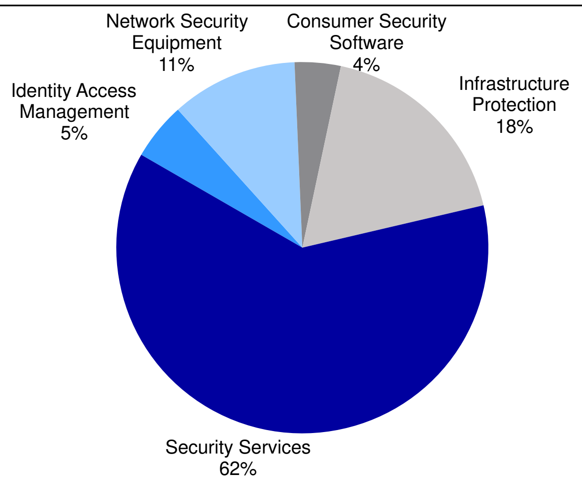
Source: KPMG and Nordea

Successful security breaches are increasing at an accelerating rate, up 40% from 2015 to 2016

Cyberattacks are creating growth opportunities for security software companies. IBM, Cisco, Accenture, Palo Alto Networks and Capgemini are some of the leading companies that have reported higher spending by their customers. Cybersecurity Ventures expects cybersecurity spending to rise 8% annually, reaching USD 133bn by 2021.

Even though spending on identity and access management (IAM) is limited compared with other areas of security spending, Gartner expects IAM to grow faster than the industry. However, according to Gartner, IAM will only account for 5% of total security spending in 2021, which indicates that it will remain only a small part of the cybersecurity market. IAM products authenticate users and allocate rights to individuals, preventing unauthorised access to systems and applications. With concern growing about data privacy related to GDPR, IAM solutions are in high demand. As the volume and value of digital assets grow, all else being equal, the yield on cybercrime and security increases. Password management is seen as being part of IAM, and thus we believe that FastPass is set to benefit from the expected growth in IAM.

TOTAL SECURITY SPENDING IN 2021E

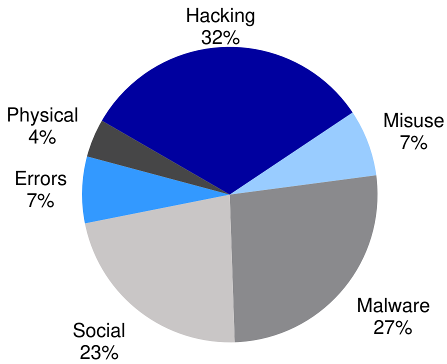


Source: Gartner and Nordea

More than 75% of security breaches were due to insider carelessness

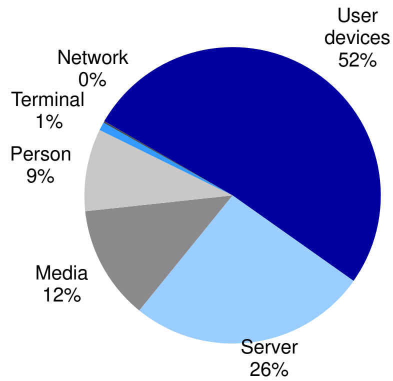
The rising risk of data theft has increased the demand for IT security, which has led to a sharp increase in the number of companies offering password management solutions. According to IBM, more than 75% of total data breaches in 2017 were due to insider carelessness. This includes use of shadow IT systems, improper patching of software, connecting to untrusted networks, and clicking on malicious attachments. A recent report by Verizon states that 81% of all security breaches were due to hacking where hackers leveraged stolen or weak passwords. User devices are the most vulnerable type of asset, representing 52% of all security incidents. Hence, there is a great need for secure passwords.

TYPE OF SECURITY BREACH



Source: KPMG and Nordea

SECURITY INCIDENTS PER TYPE OF ASSET

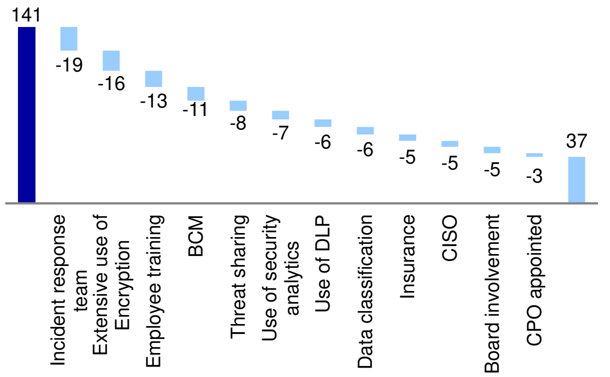


Source: KPMG and Nordea

Without a cybersecurity system in place, costs can increase by up to 49%

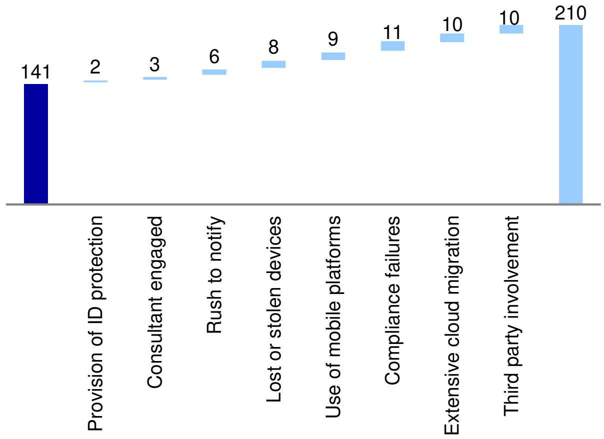
Companies can significantly reduce costs incurred from data breaches by having a cybersecurity solution. KPMG reports that on average 74% of total costs can be reduced by having a security system implemented. In contrast, if companies do not have a system in place, their cybersecurity costs can increase by up to 49%. This illustrates the importance of having a clear security policy. The chart to the right below shows how costs can escalate as companies rush to mitigate security breaches by engaging consultants, notifying stakeholders and involving third parties that can help them.

COST REDUCTION OF EACH STOLEN RECORD WITH CYBER SECURITY IMPLEMENTATION, ACTUAL USD



Source: KPMG and Nordea

COST INCREMENTATION OF EACH STOLEN RECORD WITHOUT CYBERSECURITY IMPLEMENTATION, ACTUAL USD

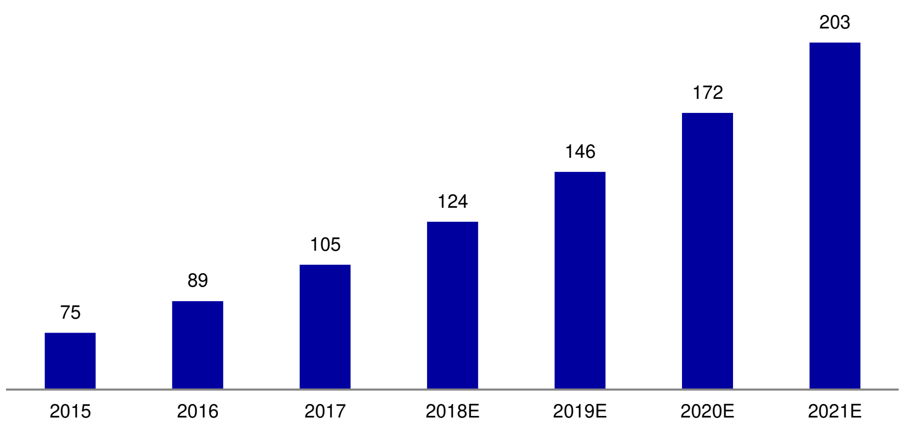


Source: KPMG and Nordea

The global password management market is estimated to grow at a CAGR of 17-19% in 2017-25

According to Cybersecurity Ventures, more than three billion user credentials and passwords were stolen in 2016, with 8.2 million passwords being stolen every day and approximately 95 passwords stolen every second. The total number of passwords in use worldwide is expected to grow to 300 billion by 2020. The global password management market amounted to USD 422m in 2016 and is, according to Grand View Research, expected to reach in excess of USD 2bn by 2025, which implies a CAGR of 18% during the forecast period. Accordingly, the global cybersecurity market is estimated to grow at a CAGR of 18% to reach USD 203bn by 2021. Desktops and laptops emerged as the largest access type segment in 2016 and the segment is estimated to contribute more than 35% of overall market revenue by 2025.

CYBERSECURITY MARKET SIZE, USDbn

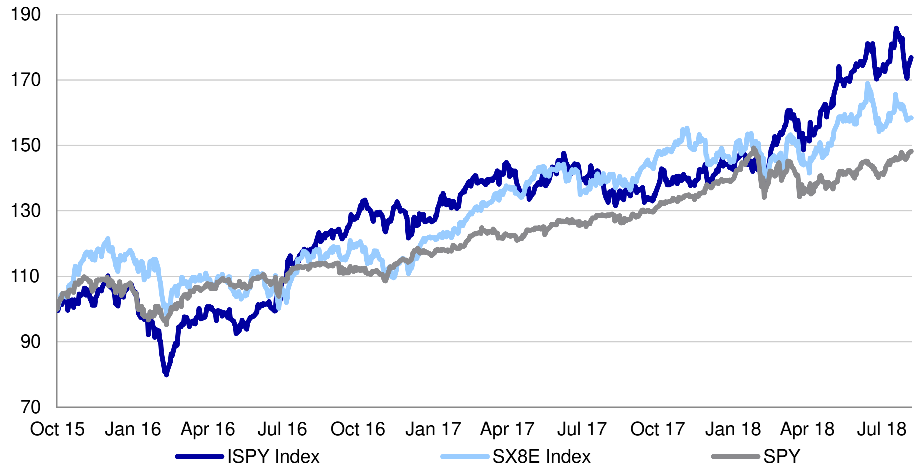


Source: KPMG and Nordea

The cybersecurity market has outperformed the general market

To get an overview of the performance of the cybersecurity market and to gauge investor sentiment, we can assess the performance of the ETF 'ISPY'. The ETF tracks companies engaged primarily in cybersecurity. The components in this index have a smaller market cap than those in the Nasdaq US Large Cap Tech Index, meaning the components are typically small and high-growth companies. When benchmarking the performance of the ISPY index against the general economy S&P 500 (SPY), it is evident to us that the cybersecurity market has outperformed the general market, especially since GDPR was implemented in May. ISPY has also outperformed the European technology index (SX8E index), albeit to a lesser extent.

BENCHMARK PERFORMANCE OF THE CYBERSECURITY MARKET



Source: Thomson Reuters and Nordea

Anti-virus product vendors are losing market share, while enterprise security-focused companies are gaining share

Despite strong market trends, a few security categories are shrinking. Companies' spending is shifting towards more advanced cloud security products and away from signature-based offerings. Signature-based offerings focus on databases of known malware and are less useful in detecting more sophisticated cyberattacks. Another category in decline is consumer anti-virus products. Vendors such as McAfee and Symantec are losing market share, while enterprise security-focused companies such as Cisco, Palo Alto Networks and Proofpoint are gaining share. FastPass is offering a cloud solution to its customers so that it can meet the increased demand for cloud solutions.

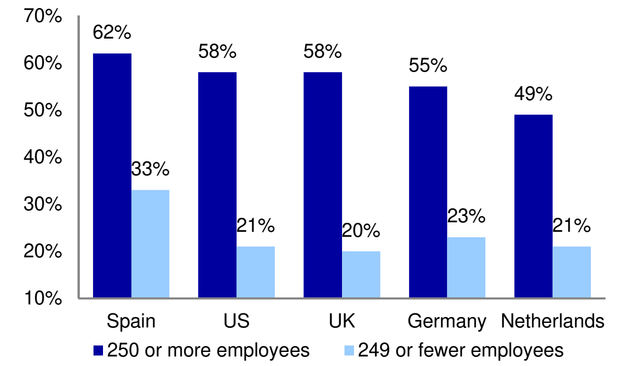
Market segmentation

Cyberattacks on small to mid-sized businesses are here to stay, as these companies represent easier targets for hackers

While breaches at global banks, government entities and other high-profile institutions receive the most attention, smaller businesses are increasingly being targeted. According to Microsoft, more than 20% of small to mid-sized businesses (SMB) have been hit by cybercrime, and Barclaycard research suggests that 48% of SMBs have experienced at least one cyberattack and 10% have been targeted more than once. The cyberattacks on SMBs are here to stay, as these companies are typically easier targets for hackers. Hiscox reports in its recent cyber readiness study that organisations with fewer than 250 employees devote a smaller proportion of their IT budgets to cybersecurity compared to large organisations. To avoid costly cyberattacks, SMBs are set to increase their spending on cybersecurity, fuelling growth in the cybersecurity market.

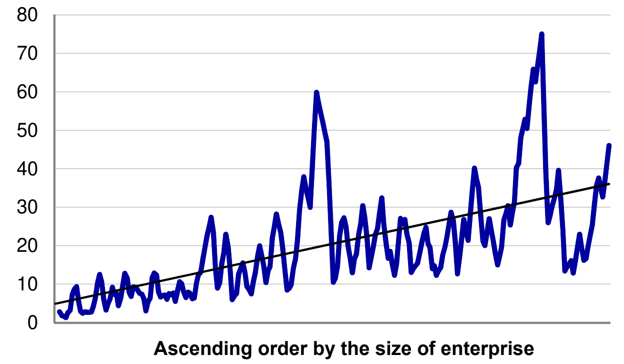
Financial institutions and the healthcare sector are the most exposed industries in terms of cyber risks. Security breaches in the finance and healthcare sectors can be costly and disastrous, resulting in higher operating costs, revenue losses and damage to reputation. However, the costs associated with cybercrime are positively correlated with the size of a company: the larger the company, the more expensive a data breach is. As mentioned in the company overview section, the ideal customer for FastPass has between 5,000 and 50,000 employees, and hence large companies are the main value driver for FastPass rather than SMBs.

CYBER INSURANCE BY ORGANISATION SIZE



Source: Hiscox and Nordea

COST OF CYBERCRIME BY ORGANISATION SIZE, USDm



Source: Accenture and Nordea

The market is dominated by US-based companies; China, Brazil and Russia only account for some 2.5% of the market

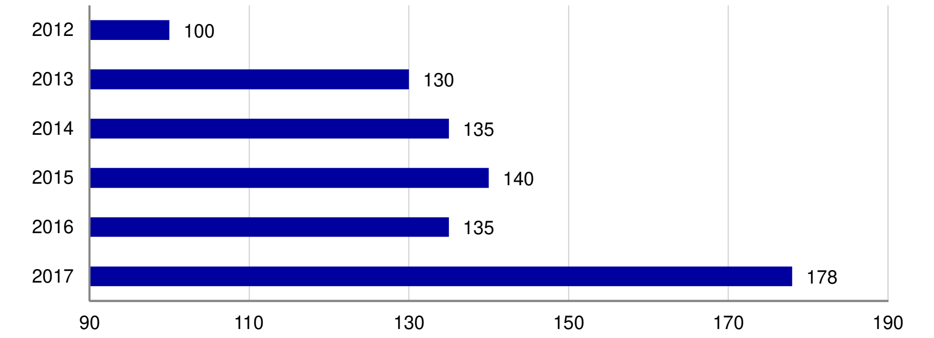
According to Grand View Research, North America has been the leading region in password management and accounted for over 38% of overall market revenue in 2016, owing to increasing applications of password management solutions across end-use industries. Other markets such as India, China and Japan have been experiencing strong economic growth due to a growing technology user base. The Asia-Pacific security market is expected to exhibit a CAGR of 21% from 2017-25E, a few percent more than the global market CAGR.

M&A activity

The global password management market is highly competitive and fairly concentrated. Application development and customised software are expected to be key parameters for maintaining competitiveness in the space. Hence, companies are merging or acquiring competitors in an attempt to diversify their product portfolios and gain market share. Global cybersecurity M&A volumes totalled EUR 19.4bn in 2017, an increase of 94% from 2015. In 2017, there were a total of 178 M&A deals and 326 financing transactions in the cybersecurity sector. The UK and Germany accounted for most of transactions in Europe, with the UK being the most intensive market.

CYBERSECURITY M&A VOLUME BY YEAR (NUMBER OF DEALS)

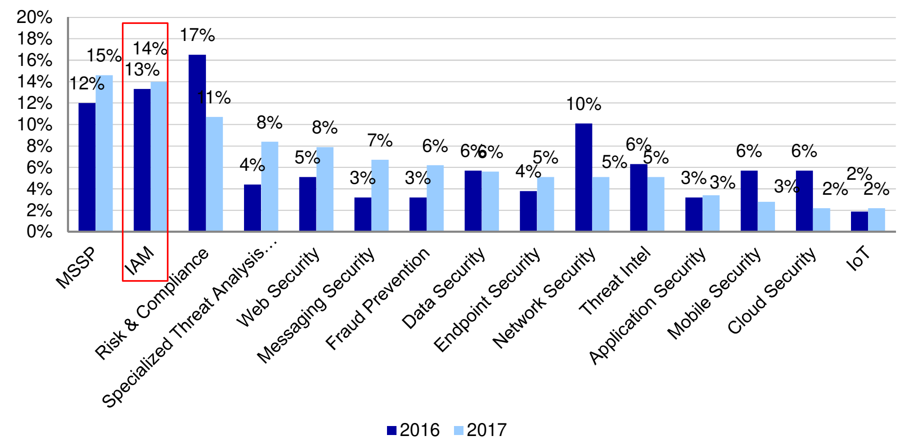
The global password management market experienced a large increase in M&A volumes in 2017



Source: IMAP and Nordea

Managed security services providers (MSSPs) were the most actively targeted group of cybersecurity companies in 2017, accounting for 15% of all transactions, up from 12% in 2016. The next biggest category of sellers was IAM providers, at 14% in 2017.

RELATIVE TRANSACTION VOLUME BY INDUSTRY SECTOR



Source: Capstone Headwaters and Nordea

With a liquid credit market and a large number of vendors, private equity (PE) is also playing a major role in the consolidation of the security market. Thoma Bravo, a leading private equity investment firm, recently purchased Barracuda Networks for USD 1.6bn, highlighting PE companies' growing interest in this market. Vista Equity Partners has also made a few deals in security, including Forcepoint and Ping Identity.

Private equity companies are entering the lucrative cybersecurity market and 2018 is on track to exceed the number of deals last year

RECENT PRIVATE EQUITY DEALS IN SECURITY

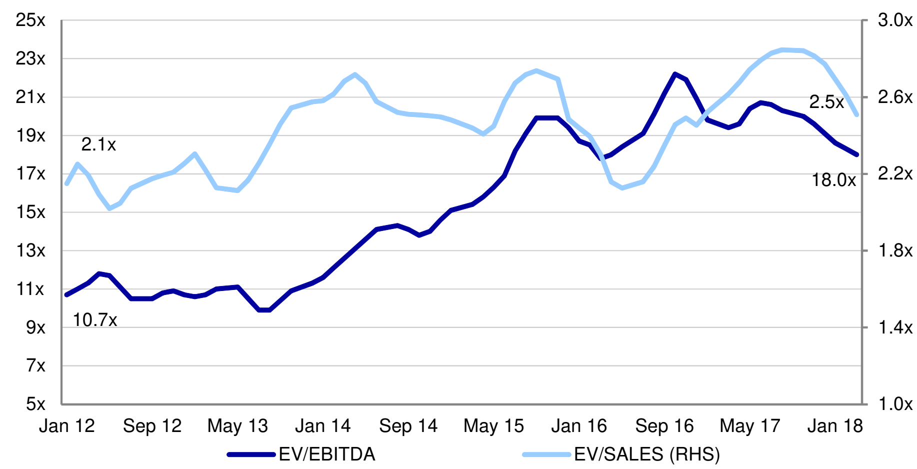
Acquirer	Target	Date
Thoma Bravo	Barracuda	2017
Thoma Bravo	Bomgar	2016
Thoma Bravo	Sailpoint	2014
Thoma Bravo	McAfee	2017
Thoma Bravo	Continuum	2017
Vista Equity Partners	Ping Identity	2016
Vista Equity Partners	Forecepoint	2015
Vista Equity Partners	Infoblox	2016
Vista Equity Partners	SecureLink	2017

Source: Thomson Reuters and Nordea

Despite valuation multiples normalising in 2017, the cybersecurity sector is one of the most expensive in terms of valuation. We attribute this to the expected market growth, regulatory requirements and increased customer demand. The rising transaction multiples can also be explained by targets now being larger and more mature companies, as opposed to smaller high-growth technology companies. In general, the high valuation levels are explained by the positive market outlook for the cybersecurity sector.

With the increasing interest in cybersecurity, the market is becoming more expensive from an investor perspective

HISTORICAL AVERAGE CYBERSECURITY MULTIPLES



Source: Capstone Headwaters and Nordea

GDPR will likely have an effect on M&A and PE activity in the cybersecurity market. According to research by Merrill Corporation, companies interested in making acquisitions must conduct a more rigorous due diligence process if they wish to avoid paying fees for GDPR. Understanding how a target collects, stores, uses and transfers personal data is vital in assessing the valuation and risk associated with a transaction.

GDPR and passwords

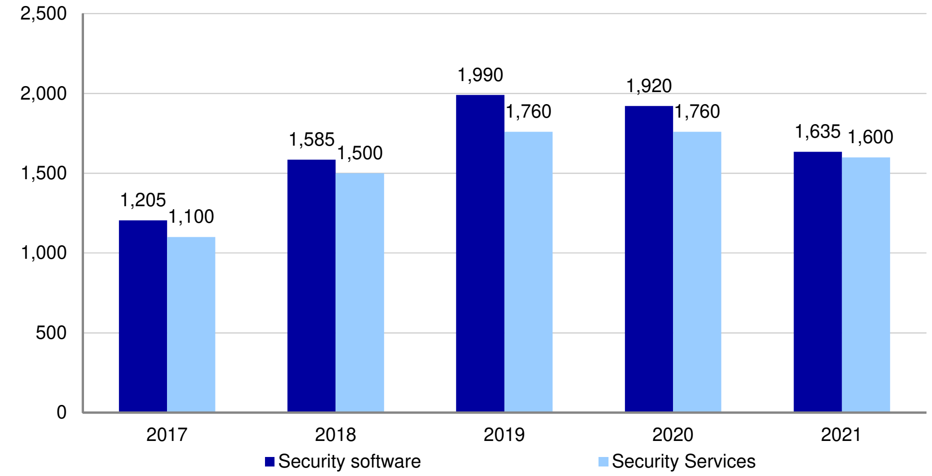
GDPR is considered the biggest change to data privacy laws in 20 years

GDPR is an EU law that came into effect in May 2018. The aim of the legislation is to increase privacy for EU citizens with regards to their personal data, thus handing back control to consumers. Prior to GDPR, each of the 28 EU member states were permitted to interpret the existing rules in their own way, making compliance across the region somewhat opaque.

By introducing GDPR, the EU set the standard, and also holds businesses responsible for security breaches. Many organisations are now up to speed on legal compliance with the regulation. However, the effort to achieve GDPR compliance has become one of the most time-consuming issues faced by organisations. According to a study by KPMG, 87% of respondents confirmed that GDPR was relevant for their organisation, and 73% of them agreed with the statement that GDPR puts a heavy burden on their organisation.

According to IDC, GDPR-driven investments in data security software and services are expected to peak at USD 3.7bn in 2019. In other words, GDPR is a revenue driver for cybersecurity companies.

GDPR IMPACT ON SECURITY AND SOFTWARE REVENUE IN WESTERN EUROPE, USDm



Source: IDC and Nordea

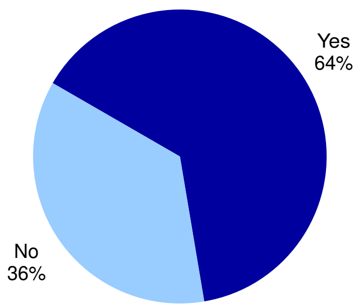
Relying on service desks to reset passwords can be risky in terms of GDPR

There is no explicit mention of password requirements in GDPR. However, companies need to show that they are taking a proactive approach to managing access to personal information. Compromised accounts or stolen credentials could be seen as a weakness in terms of GDPR compliance. Hence, how passwords are stored and reset is important. GDPR essentially forces companies to be able to demonstrate that password reset processes and procedures are secure. Thus, companies are now investing in secure 'self-service' reset systems instead of relying on a helpdesk involving a second person. According to SDI, service desks without a self-service solution face considerable security and authentication challenges. Almost 20% of IT service desks do not authenticate end-users when conducting password resets and 31% of service desks have no formal process or technology to support this end-user authentication for password resets.

When first implemented, the usage level of self-service passwords is low

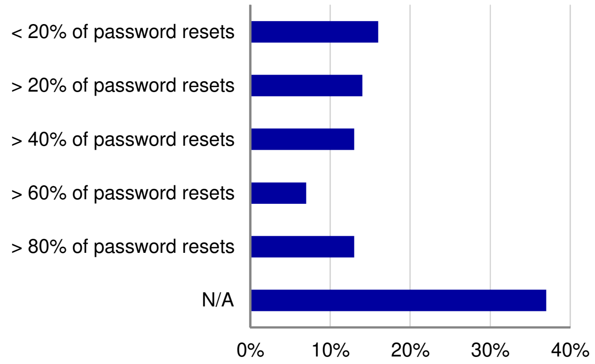
Self-service password systems can make use of two- or multi-factor authentication to check that the person requesting the reset is the actual owner of the account. 64% of the respondents in a survey by SDI use self-service passwords. However, the usage level is low. 68% of organisations see fewer than 60% of password resets handled via self-service, meaning most still rely on manual service desk operations. SDI highlights a lack of awareness and technical difficulties as reasons for the low adoption rate for self-service systems.

RESPONDENTS USING SELF-SERVICE PASSWORDS



Source: SDI and Nordea

ADOPTION RATE FOR SELF-SERVICE PASSWORD RESETS



Source: SDI and Nordea

It can be difficult to justify purchasing self-service password solutions from a ROI perspective

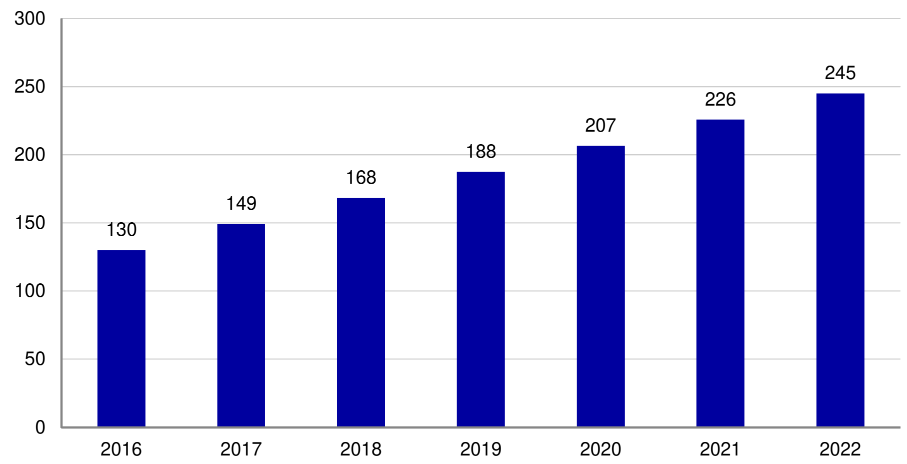
Even though self-service service password resets are compliant with GDPR, this solution faces several challenges. First, as highlighted, the usage rate after installation is low. Secondly, the solution is not directly linked to an improvement in ROI, especially not if employees keep calling the service desk. However, as noted by IDC, justifying it purely on a ROI basis misses the point, because it only considers cost and not the risk associated with a security breach. Lastly, secure password resets are only part of a holistic security system, meaning that other security solutions can be prioritised before the service desk is replaced with a self-service password solution.

The MSP market – trends, challenges and a dilemma

As mentioned in the company overview, FastPass targets both large enterprises and managed service providers (MSP). Going forward, MSPs' demand for FastPass' self-service password solution will most likely be the main value driver for FastPass' earnings. According to Market Research Future, the global MSP market is expected to reach a value of ~USD 245bn by the end of 2022, at a CAGR of 11% during 2016-22.

The MSP market is expected to grow at a CAGR of 11% during 2016-22

GLOBAL MANAGED SERVICES MARKET, USDbn



Source: Market Research Future and Nordea

Kaspersky Lab has carried out a survey of MSPs. The report focuses on the challenges that MSPs are facing and provides an insight into the MSP market.

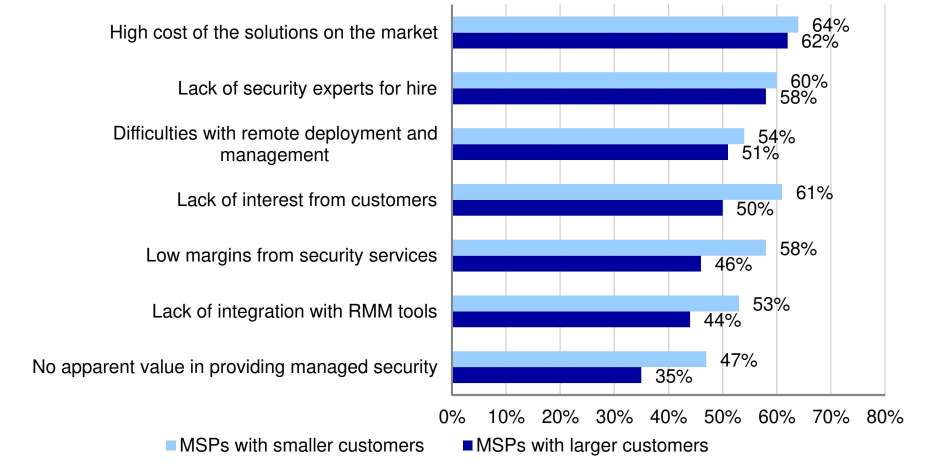
MSPs biggest obstacle is costs – cybersecurity offerings are simply too expensive

The survey highlights that when MSPs invest in cybersecurity, they face several obstacles. The biggest obstacle is costs – cybersecurity offerings are simply too expensive. MSPs are interested in cheap IT solutions that can automate their services. By employing automation, MSPs enable their technicians to use their time more efficiently and effectively. This increased productivity gives them the potential to grow their business and add more customers without taking on additional costs.

The level of customer satisfaction is the most important parameter of success for a MSP

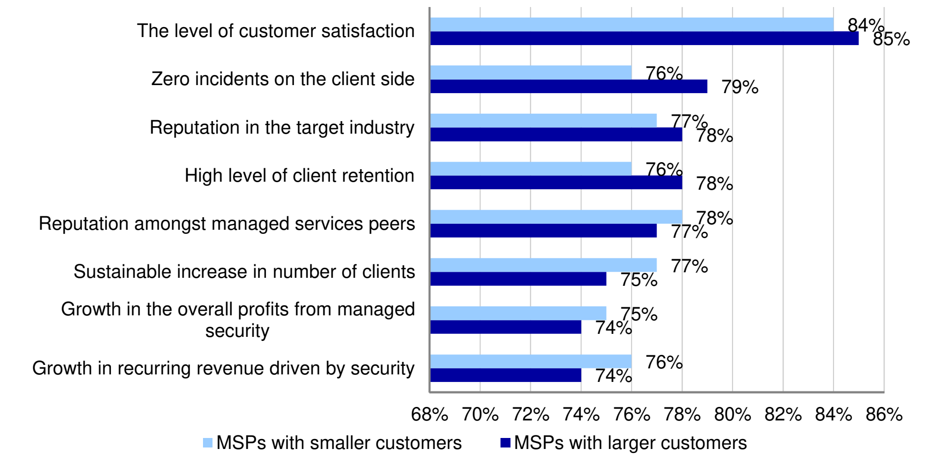
However, when looking at the most important indicators of success for a MSP, we see a dilemma. The level of customer satisfaction is the most important for a MSP. Thus, MSPs are interested in cheap IT solutions while at the same time wanting a high level of customer satisfaction. MSPs' customers are unlikely to be interested in an MSP that does not provide personalised customer service.

TOP MANAGED SECURITY CHALLENGES FACED BY MSP



Source: Kaspersky Lab and Nordea

THE MOST IMPORTANT INDICATORS OF SUCCESS FOR A MSP



Source: Kaspersky Lab and Nordea

Competition

FastPass operates in a niche segment – self-service password reset – and therefore does not have any direct peers. There are a few unlisted companies that can to some degree fulfil the same need in terms of efficient and secure self-service password resets. We regard Okta, Specops and ManageEngine as FastPass' closest competitors.

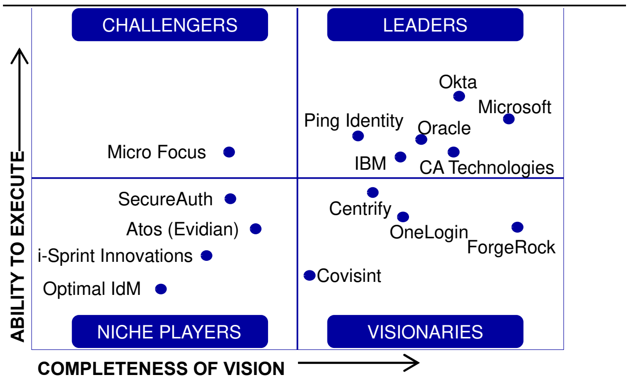
Identity and access management (IAM)

Password management is considered part of identity and access management (IAM), and thus FastPass' closest competitors can be found in the IAM segment.

FastPass operates within identity and access management

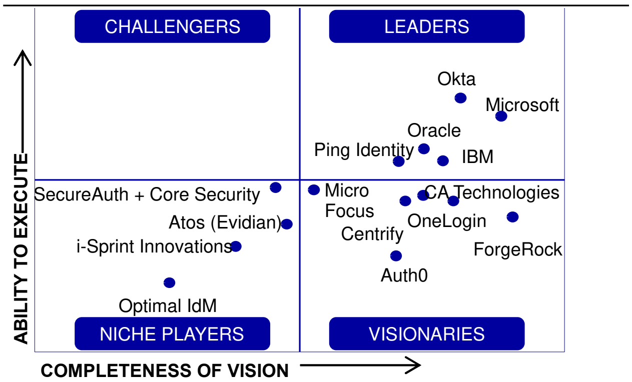
In June 2018, Gartner released its annual iteration of its 'Magic Quadrant' for access management (AM), whereby it evaluates the strengths and weaknesses of the AM companies that it considers to be the most significant in the market. Gartner defines AM as companies providing centralised authentication, single sign-on and authorisation enforcement for applications in multiple-use cases. Non-core functionalities such as identity administration and password resetting are also included.

MAGIC QUADRANT FOR ACCESS MANAGEMENT 2017



Source: Gartner and Nordea

MAGIC QUADRANT FOR ACCESS MANAGEMENT 2018



Source: Gartner and Nordea

Okta named leader for the second year in a row

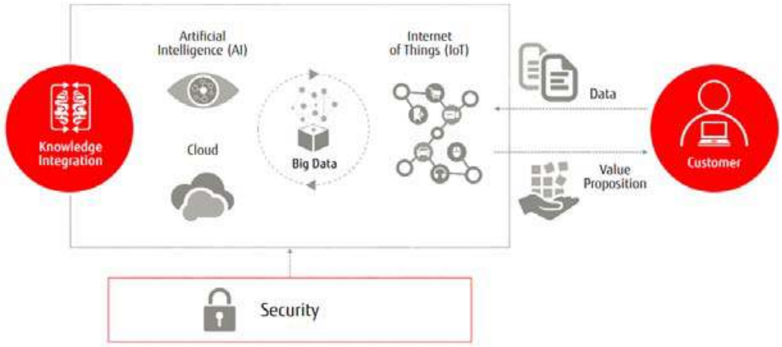
Okta was named a leader in the Gartner Magic Quadrant for AM for the second year in a row. The company received praise for its rapid implementation and service functionality. In 2017, the six leaders were Okta, Oracle, Microsoft, IBM, Ping Identity and CA Technologies. In 2018, most of companies returned to the Quadrant. The challengers' quadrant for 2018 is empty, which indicates that the AM market is maturing. FastPass is not included here as FastPass only focuses on passwords, which is perceived as a non-core functionality by Gartner.

All-in-one security suites

Most of FastPass' competitors are much larger than it is and offer a variety of products, with password management only forming part of a bigger security solution package. They offer all-in-one security suites for enterprises. The security suites are a threat to FastPass, as they can fulfil the same needs for a customer in terms of passwords, plus a lot more.

Fujitsu is one example of a company that offers a comprehensive suite of cybersecurity services. Fujitsu's suite encompasses networks, servers, software, mobile devices, cloud and the user population. The picture below shows how Fujitsu's portfolio provides security protection across the enterprise. The FastPass solution can only offer a fraction of this.

FUJITSU'S CYBERSECURITY SERVICES



Source: Fujitsu and Nordea

The closest peers to FastPass

Except for Okta, the identified peers below are mostly small scale firms with limited financial disclosure, which makes it difficult to assess their performance.

Okta (OKTA.O, USD 7.48bn)

okta

Okta is a US-based tech company specialising in providing secure connections between people and technologies for enterprises. The company's core product is related to onboarding. When companies hire new employees, Okta automatically takes care of providing the needed access to systems.

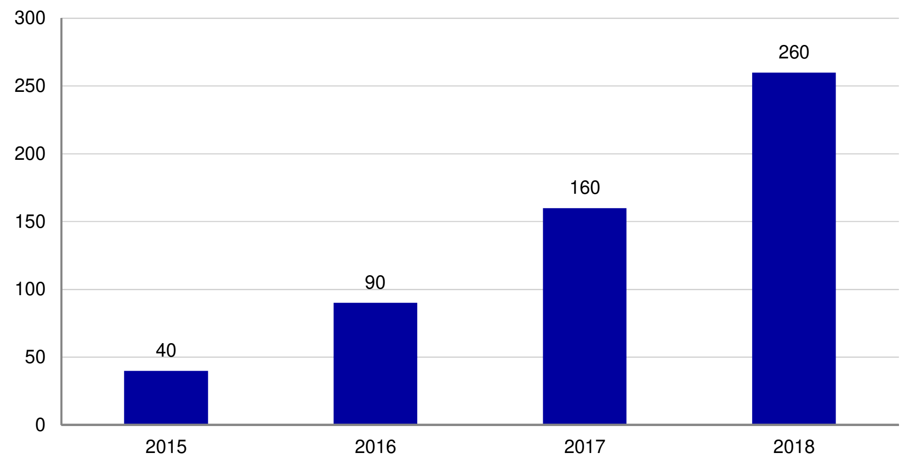
The company's cloud-based platform is used by customers to securely access a wide range of applications from a multitude of devices. The products include single sign-on and multi-factor authentication. According to the company, Okta's single sign-on solution can eliminate 50% of all login-related helpdesk calls.

Okta mostly sells its products directly to customers, but has recently started "Okta Solution Providers" where companies deliver Okta's services to their own customers – similar to MSPs' distribution of FastPass. This is a relatively new focus area for Okta, but the company highlights it as a growth driver.

Okta was founded in 2009 and is headquartered in California. At present, the company has over 5,500 software integrations, enabling it to meet most demands from its users. With over 4,000 customers such as Nordstrom and Slack, the company is a market leader. Its customers are predominantly small and medium-sized businesses in the US and internationally.

For the fiscal year 2018, OKTA reported total revenue of USD 260m, an increase of 62% y/y. Subscription revenue was USD 239m, an increase of 67% y/y. In the period 2015-18, OKTA has seen an 87% CAGR in revenue. The company highlights GDPR as a major growth driver for the company's IAM products.

OKTA: REPORTED REVENUE, USDm



Source: Company data and Nordea

Specops Software

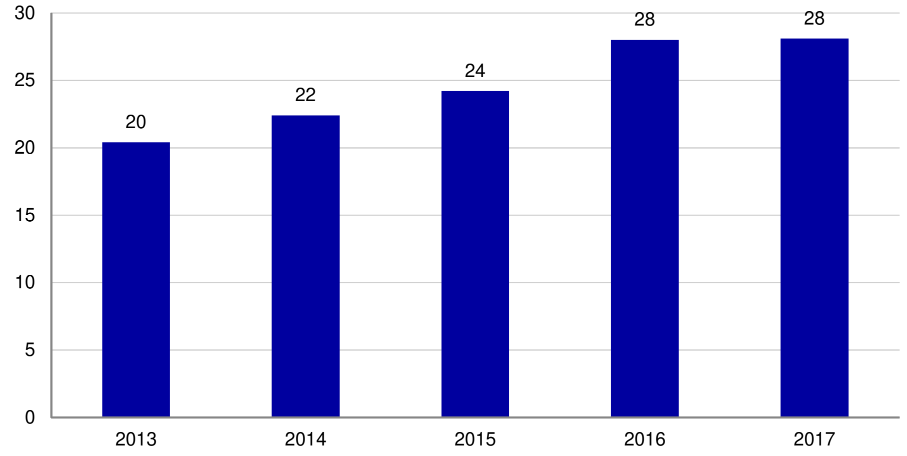
The Swedish company Specops Software develops unique password and desktop management products based on Microsoft technology. The company helps millions of users worldwide. The company's functionality makes it a close peer to FastPass' password solution.

With its Microsoft technology, Specops protects Office 365 users from security breaches. More specifically, it provides multi-factor authentication, single sign-on, real-time user provisioning and automated licensing in a single solution.

Recently Specops introduced a new product to the market, Specops Password Policy. The product prevents users from utilising high-risk passwords that have been leaked in data breaches. Another relevant product is Specops uReset, which enables users to unlock their accounts and reset their passwords easily and securely without taking up valuable IT resources.

Specops was founded in 2001 and is headquartered in Sweden with offices in the US, Canada and the UK. Specops serves organisations in more than 50 countries. The company has grown steadily over the years, although its revenue for 2017 was flat compared to 2016. The revenue CAGR in the period 2013-17 was 8%.

SPECOPS: SOFTWARE REVENUE, SEKm



Source: Company data and Nordea

ManageEngine

ManageEngine is the IT division of Zoho Corporation and is solely focused on IT management. From network and device management to security and service desk software, ManageEngine covers most of the IT spectrum.

ManageEngine offers more than 90 tools to help manage all aspects of IT operations. Its goal is to make IT simple while maximising functionality. With its wide range of IT tools, ManageEngine is a fast-growing alternative to traditional network management frameworks.

ManageEngine offers the product ADSelfService Plus, which allows users to perform self-service password resets. The product reduces the most critical password tickets, which consume a substantial amount of help-desk time. Users can manage their own passwords and also update their personal details. The program also provides security during password resets through multi-factor authentication techniques.

ManageEngine is headquartered in the US and the company has more than 45,000 customers worldwide. In total, 180,000 organisations across 190 countries trust ManageEngine to manage their IT and 60% of Fortune 500 companies use their products.

OneLogin

OneLogin is a cloud-based identity and access management solution that makes it safer for enterprises to use the applications they need on their devices. With OneLogin, customers can strengthen their security while limiting resources related to integration and authentication. Their platform can control access to applications hosted on-premises, at remote data centres and in private clouds.

OneLogin was founded in 2009 in San Francisco but was launched a year later due to issues related to its cloud technology. The company serves customers from a range of industries including technology, retail and financial services.

OneLogin's customers are primarily small to mid-sized businesses. In total, 2,000 companies across 44 countries use its product. OneLogin is a top contender in the market, and in 2017 was ranked the best access management provider by Gartner Peer Insights.

Ping Identity

Ping Identity provides cloud identity security solutions to customers worldwide. With its platform, customers can prevent security breaches without the need to change their existing infrastructure. The company is known for its identity management, multi-factor authentication and single sign-on tools. The platform has been proven across more than half of the companies on the Fortune 100 list.

The company was incorporated in 2001 and is headquartered in Denver, Colorado. It has a strategic partnership with SailPoint Technologies and its solutions are used by enterprises within the financial, public and healthcare sectors. With the partnership, Ping Identity has transitioned from a licence model to earning its revenue from subscription fees.

YubiCo

YubiCo's core invention is the pioneering YubiKey, which is a small USB key for online identification and authentication. With the YubiKey, the company differentiates itself from its competitors, as it does not require any software installation.

YubiCo was founded in Sweden in 2007 with the mission of making secure login easy and available to everyone. The company is located in seven countries, and its security keys have won the trust of such big names as Google and Facebook.

The company is privately held and backed by renowned Swedish and US investors. With a steady increase in the number of users across the globe, YubiCo has grown its profitability for the past six years. As of 2017, it had 70 employees and reported revenue of SEK 246m.

Historical financials

For the first few years of operation, FastPass' financials were under pressure. By 2016, the situation improved as the company became debt free and could start focusing on rapid sales growth. Its net sales are growing and with its high operating leverage, FastPass should be able to expand its EBITDA margin in the coming years with solid revenue growth.

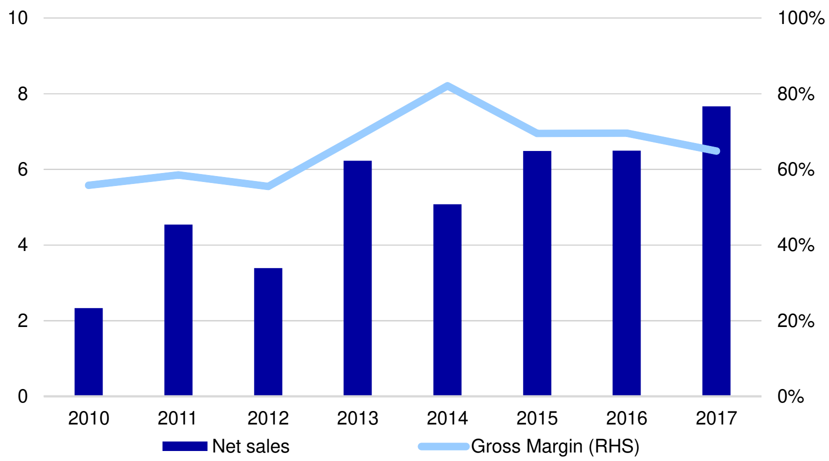
Company financials

Net sales increased at a CAGR of 19% in 2009-17

From 2009 to 2017 net sales steadily increased at a CAGR of 19%. In 2012, sales dropped due to challenging market conditions whereas in 2014, sales decreased as the company changed its standard price model to the subscription model. Prior to 2014, the standard price model was a large initial payment. The subscription model has a negative effect on revenue in the short term, although these contracts have a greater value in the long term. In 2016, net sales stayed flat, as the company signed new contracts that would only be recognised in the years to come.

The gross margin was negative in 2009, but since 2013 the gross margin has recovered and stayed within a healthy 60-80%.

FASTPASS: NET SALES* AND GROSS MARGIN, DKKm

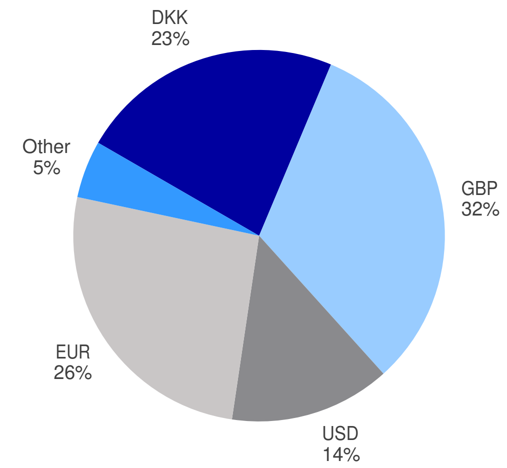


** Net sales are calculated based on EBIT margins, as the company does not report net sales*
Source: Company data and Nordea

FastPass is heavily exposed to the GBP and USD

FastPass has more than half of its sales in currencies other than DKK and EUR, leaving the company exposed to currency fluctuations, which according to its policy are not hedged. A large proportion of sales are in GBP and USD and FastPass was hit by the falling trend in these currencies throughout 2016 and 2017. Strong growth outside Denmark has reduced the DKK exposure from 33% to 23%.

FASTPASS: SALES PER CURRENCY, 2017



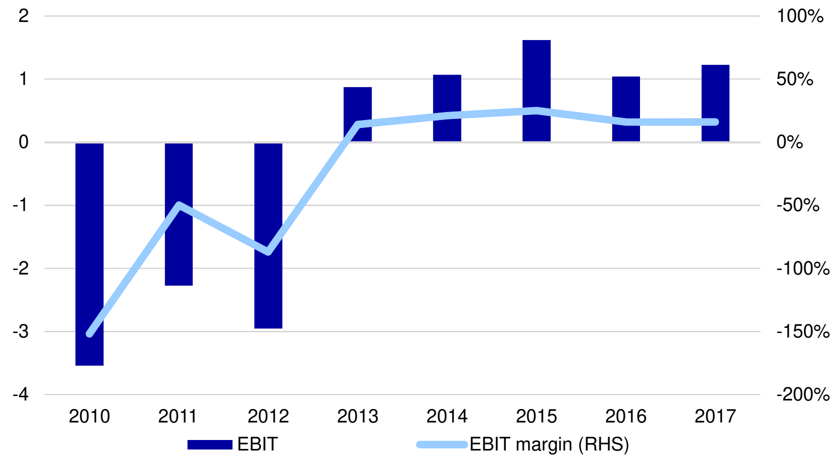
Source: Company data and Nordea

Since 2013, EBIT has increased at a CAGR of 9%

A flattish EBIT margin for the past five years

During the past five years, FastPass has had a positive but flattish EBIT. From 2009 until 2012, EBIT was negative, but driven by the improved gross profit and lower personnel costs, it turned positive in 2013. Since 2014, EBIT has stayed stable at around DKK 1m per year. From 2013 until 2017, the company had a flattish EBIT margin of ~18% as management invested in future growth opportunities rather than optimise profit.

FASTPASS: EBIT AND EBIT MARGIN, DKKm



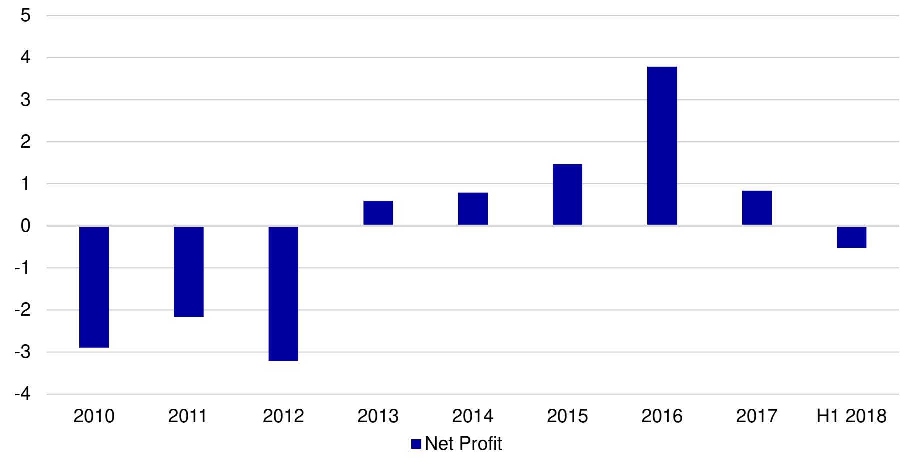
Source: Company data and Nordea

Net profit has been positive since 2013

Net profit has increased since 2009 and has been positive since 2013 (not considering H1 2018). However, FastPass' net profit in H1 2018 (DKK -0.5m) was lower than in H1 2017 (DKK 0.06m). This was mainly due to the higher costs for sales people and marketing, owing to investments in future revenue growth, as well as slightly lower revenues.

The company's new orders in H1 2018 were low compared with the overall expected number of new orders in 2018. The lower order intake in H1 2018 is, according to FastPass, due to timing, and it expects a pickup in activities in H2 2018, which will increase net profit for the year.

FASTPASS: NET PROFIT, DKKm



Source: Company data and Nordea

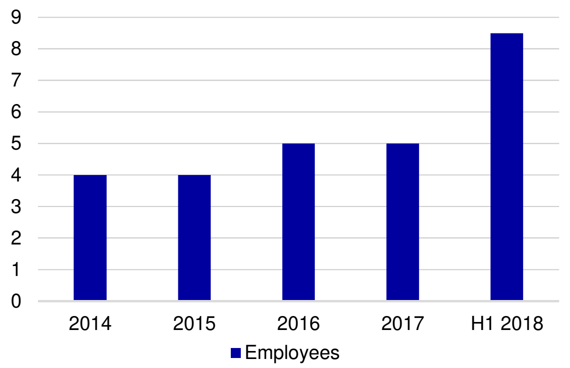
Employees

Small company with eight to nine employees – not including its consultants

FastPass is a small company with eight to nine employees, although the underlying business linked to the FastPass software is somewhat larger if we include the outsourced responsibility of non-core activities and the external consultants employed by MSPs and FastPass' partners.

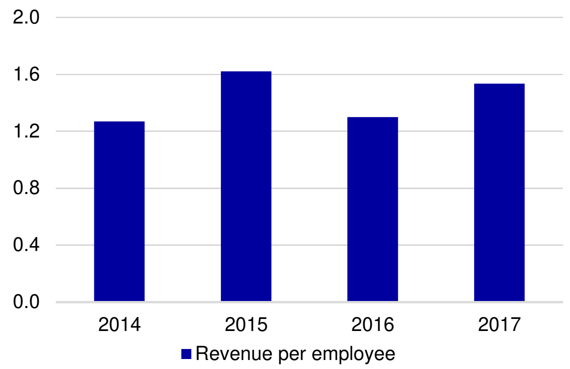
The company hired three to four new people in 2018 and the eight to nine employees now consist of the CEO, two to three developers, two working with projects and three sales staff. Its revenue per employee has been between DKK 1.3m and DKK 1.6m for the past four years. FastPass expects to increase its number of employees as a result of its expansion plans. Its partners, which are the main sellers of the FastPass password solution, are also hiring more employees and investing in future growth opportunities.

FASTPASS: NUMBER OF EMPLOYEES



Source: Company data and Nordea

FASTPASS: REVENUE PER EMPLOYEE, DKKm



Source: Company data and Nordea

Cost structure

FastPass has high operating leverage

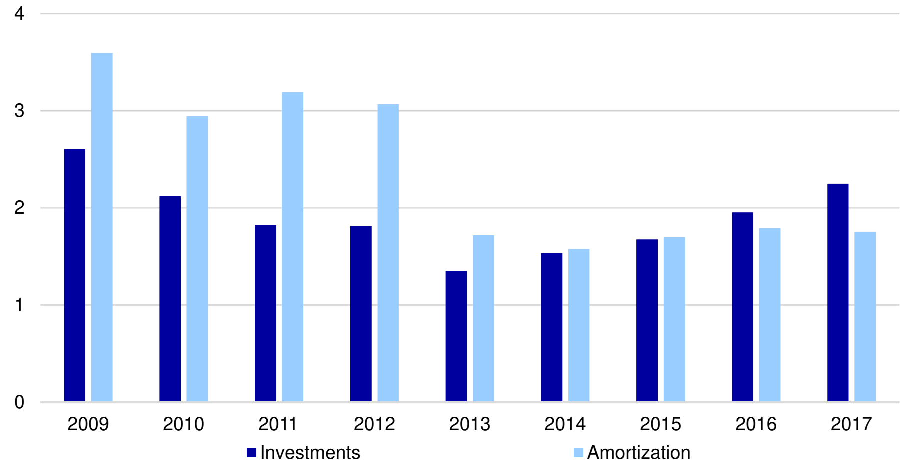
As a software company, FastPass is characterised by a high share of fixed costs, and consequently high operating leverage. This, in combination with the external implementation resources, means the company should be able to expand its EBITDA margin in the coming years.

The company capitalises its development costs

The company's production and development costs have increased in the past few years and, according to IFRS accounting rules, these costs are capitalised on the balance sheet until the product is commercialised. Since 2009, FastPass has invested DKK ~17m in the solution, which is now to be harvested.

In 2017, its investment was DKK 2.3m and during the past five years investments have increased at a CAGR of 14%, whereas amortisation has stabilised at around DKK 1.7m.

FASTPASS: CAPITALISED AND AMORTISED COSTS, DKKm



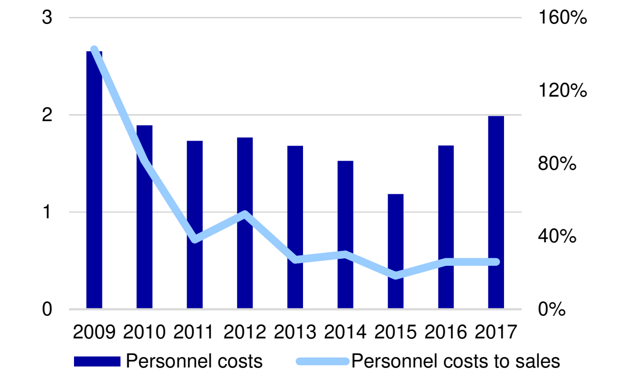
Source: Company data and Nordea

Personnel costs and other external costs are increasing

FastPass' personnel costs are largely salary and related costs, whereas its other external costs are rent, marketing, administration and First North costs. Since 2009, its personnel costs and other external costs had been flattish, although they have increased in the past few years due to investments.

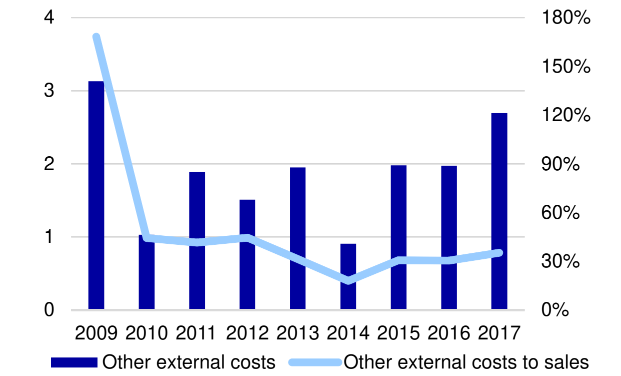
In 2017, other external costs increased to DKK 2.7m, a 36% rise from 2016. Despite the rise in personnel costs and other external costs over the past few years, the costs/sales ratio has not increased. FastPass has a cost-cautious focus, which means that an increase in revenue is a prerequisite before the cost base can be raised. Since 2013, personnel costs have stabilised as a proportion of sales at around 25% and other external costs have stabilised at around 30%.

FASTPASS: PERSONNEL COSTS, DKKm



Source: Company data and Nordea

FASTPASS: OTHER EXTERNAL COSTS, DKKm



Source: Company data and Nordea

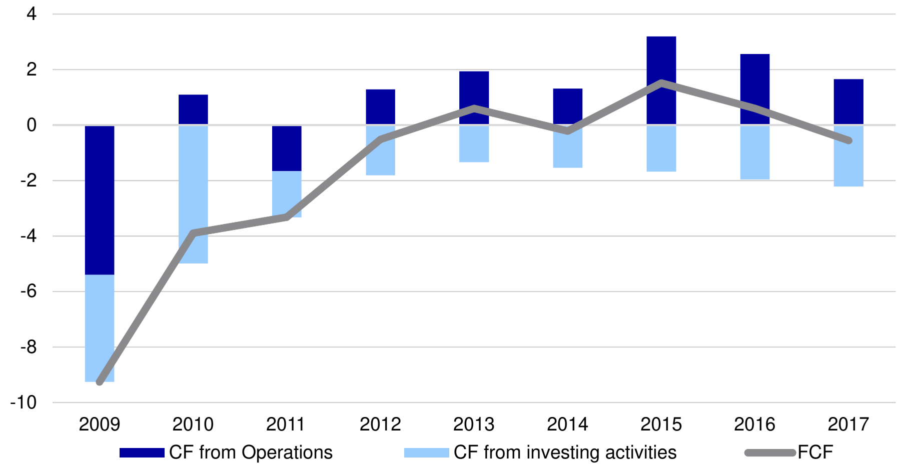
Cash flow items

Negative FCF in 2017 due to investment activities

Since 2012, FastPass' cash flow from operations has been positive, although it has been decreasing over the past three years. However, FCF has increased since the low point in 2009. The main reason for the negative free cash flow in 2017 was FastPass' investment activity in developing new products.

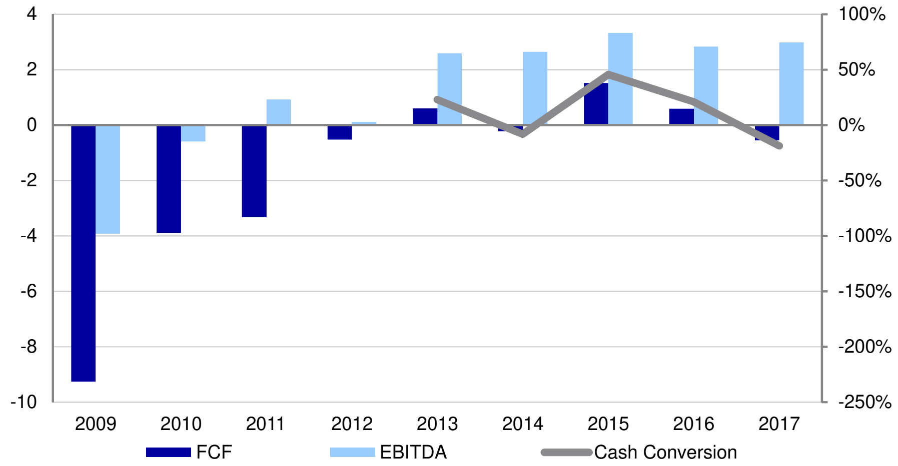
The company's cash conversion has been around zero since 2013. Its cash conversion decreased in 2016 and 2017 and turned slightly negative in 2017 due to increased investment activity.

FASTPASS: CASH FLOW, DKKm



Source: Company data and Nordea

FASTPASS: CASH CONVERSION, DKKm*



** Cash conversion for 2009-12 is excluded due to not meaningful figures*
Source: Company data and Nordea

Balance sheet

The balance sheet is growing

In 2017, the company's balance sheet amounted to DKK 16m and it has been growing since 2012. The majority of FastPass' orders take a subscription-based structure. Its contracts last for one year, meaning that if the company signs a new contract late in the year, most of the revenue will be added to the company's assets and will be moved to the P&L on a rolling basis throughout the following year.

Current assets are the largest part of the company's assets

FastPass' assets have mainly included current and intangible assets. Current assets have increased since 2012 and now account for 59% of the balance sheet.

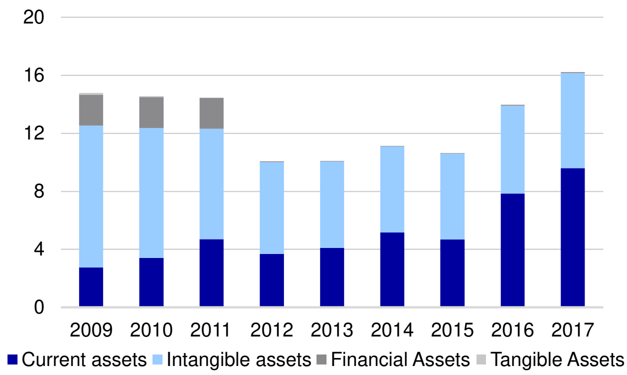
Shareholder equity is the largest part of total equity and liabilities

The company's liabilities have mainly been current liabilities and shareholder equity. FastPass had convertible bonds until 2010 and a loan until 2013. Both were paid back with the positive cash flow. Shareholder equity has increased since 2012 and now accounts for 70% of the balance sheet. In 2017, the AGM lowered the equity capital by reducing the value of the stocks from DKK 20 to DKK 5.

The company paid a dividend of DKK 2 in 2017

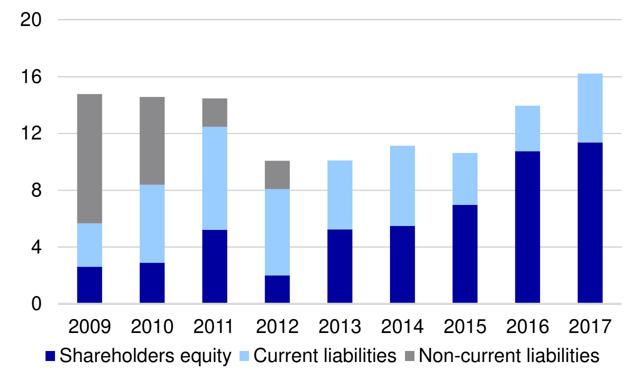
Secured by a sounder balance sheet after turning to a net profit, the company paid out a dividend of DKK 2 (~5% dividend yield) in 2017 and 2018.

FASTPASS: ASSETS, DKKm



Source: Company data and Nordea

FASTPASS: SHAREHOLDER EQUITY AND LIABILITIES, DKKm



Source: Company data and Nordea

Company guidance

FastPass has expected to increase revenue each year since 2014, and has achieved its goals each year

FastPass has published yearly expectations since 2014 and has achieved its goals each year. For 2018, the company expects to increase sales and marketing costs considerably and to keep product development costs below 2017 levels. It expects to grow revenue to cover the increased costs, although it anticipates net profit staying at 2017 levels. By 2021, its goal is to increase revenue 300-400% and to have an EBITDA margin of at least 50%.

COMPANY GUIDANCE

	2014	2015	2016	2017
Expectations for the year	The board expects revenue growth and improved net profits with a positive cash flow from operations	The board expects revenue growth and an improved net profits	The board expects revenue growth and an increase in net profits compared with the results from 2015	The board expects increased growth in revenue, while the profit before tax is expected to be at the same level as 2016
Achieved	Yes	Yes	Yes	Yes

Source: Company data and Nordea

Estimates: Huge growth potential

After several years of investments, we believe FastPass is about to enter a harvesting period. For 2017-21E, we estimate a revenue CAGR of 43%, aided by a combination of new contracts with MSPs, new products and more aggressive marketing. In 2021, we expect FastPass to achieve sales of DKK 32m, up 317% from 2017. We forecast EBITDA to improve from DKK 3m in 2017 to DKK 16m in 2021 and the EBITDA margin to be 50% thanks to EBITDA margin expansion of 11 pp, owing to the scalable nature of the business.

Time to execute and harvest

FastPass has the balance sheet and strategic focus to see strong revenue growth

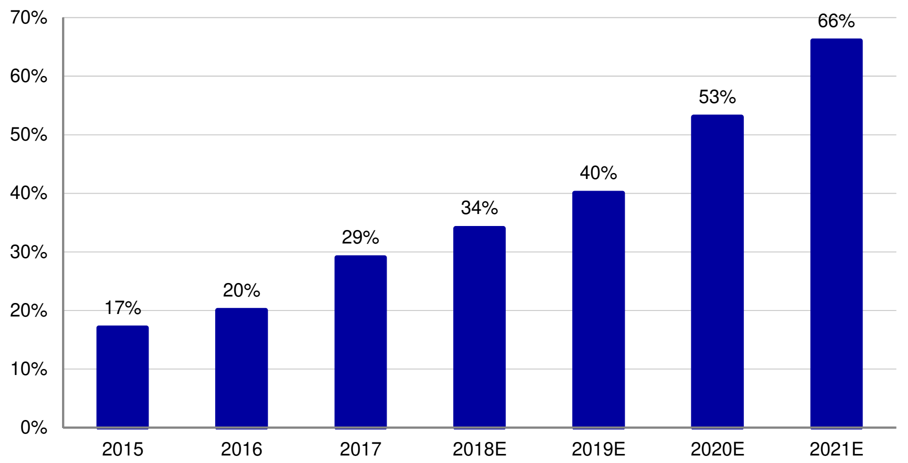
During 2012-16, FastPass focused on strengthening its capital structure by deleveraging and repaying its debt. With the current healthy capital structure and low debt levels, FastPass has the balance sheet and strategic focus to see strong revenue growth.

FastPass has concentrated on the MSP market for several years, and in 2017 the strategic focus paid off. With several new contracts signed, revenue increased 18% in 2017 y/y. FastPass now has agreements with four of the world's largest MSPs. In other words, FastPass' increased focus on MSPs has proven relatively successful.

In 2015, FastPass' business with MSPs accounted for 17% of its revenue. We forecast that it will be at least 66% by 2021, placing MSPs at the centre of FastPass' equity story.

MSPs will be the centre of FastPass' equity story

FASTPASS: MSP SHARE OF REVENUE



Source: Nordea estimates

What will drive FastPass revenue?

In the table below, we highlight the internal and external sources that we expect will drive FastPass' revenue, both in the short and long terms. We consider the external factors more important for FastPass than its ability to increase its internal resources.

New country manager in the US expands FastPass' geographical reach

FASTPASS: REVENUE GROWTH DRIVERS

INTERNAL	EXTERNAL
Nordics: New internal sales manager	Global MSPs as new customers
US: New country manager	MSPs using Fastpass' products in their distributed software package
Germany: Dedicated FastPass seller at local partner	Sales partners/distributors
Poland: Part-time sales manager	Target other accounts through smaller MSPs and sales partners
UK: New recruitment in progress	New products

Source: Company data and Nordea

Three revenue scenarios

We model three scenarios to forecast FastPass' revenue

We base our revenue forecasts on three scenarios. In each scenario, we estimate FastPass' revenue in 2021 based on changes in the following valuation parameters, highlighted in the table below. Any variations in the parameters will have a significant impact on its revenue.

FASTPASS: VALUATION PARAMETERS

VALUATION PARAMETER		
The number of new MSP customers	→	How many new MSPs can FastPass attract?
The size of the MSP	→	What size segment (1-4) does the MSP belong to?
The rollout from the MSP	→	To how many customers will the MSP distribute FastPass to?
New products	→	How successful will the launch of FastPass' new products be?

Source: Company data and Nordea

We group the MSPs that could be a potential customer for FastPass into four different segments. Each segment is based on the MSP's number of users. The number of users refers to how many customers the MSP currently has. We see the smallest amount of MSPs in tier 1 (30-40) as they have more than 500,000 users of their service. Accordingly, a large amount of MSPs have a maximum of 25,000 customers.

As illustrated in the far-right column of the table, FastPass currently has contracts with four tier 1s, three tier 2s, three tier 3s and no customers in tier 4.

FastPass currently has four large international MSPs as customers

MSP: SIZE SEGMENTS

Tier	Type of MSP	Number of MSPs	Number of users (1.000)	Customer at FastPass
1	Large international MSP	30-40	> 500	4
2	Large MSP	~200	100-500	3
3	Medium MSP	~1.000	25-100	3
4	Small MSP	~10.000	5-25	0

Source: Company data and Nordea estimates

To estimate the revenue in each scenario we have built a model that captures the mentioned valuation parameters and MSP segments.

Base revenue scenario

The table below shows the assumptions behind our revenue estimate for 2021. We forecast that by 2021, FastPass will have a total of 38 MSPs as customers, which is 28 more MSPs than today. Tier 1 MSPs will contribute the most to total revenue as they offer large-scale opportunities to FastPass, especially if the tier 1 MSP successfully rolls out FastPass to most of its customers.

Tier 1 MSPs will contribute the most as they offer FastPass large- scale opportunities

FASTPASS: BASE SCENARIO – REVENUE 2021, EUR

Size of MSP	Number of MSPs	User count/MSP	Total user count	SSPR rev/user	Total SSPR rev/Year	Add-on products	Total revenue
Tier 1	8	200,000	1,600,000	1.0	1,600,000	40%	2,240,000
Tier 2	9	75,000	675,000	1.5	1,012,500	40%	1,417,500
Tier 3	10	15,000	150,000	2.0	300,000	40%	420,000
Tier 4	11	5,000	55,000	2.5	137,500	40%	192,500
Totals	**38**		**2,480,000**		**3,050,000**		**4,270,000**

Source: Nordea estimates

For FastPass to reach eight tier 1 MSPs by 2021, it needs to sign one to two new MSPs every year for the next three years. We expect FastPass to meet this goal as it has gained traction and obtained testimonials from large MSPs that use FastPass' current self-service password reset product (SSPR).

FastPass has received positive feedback from customers on its new product...

In terms of new products, FastPass is launching its facilitated password reset module (FPR). We believe FPR has a high likelihood of succeeding as feedback from customers has been positive and there are no similar products on the market. We expect it will impact revenue from 2019. We estimate that new products will provide a 40% add-on to revenue, which is slightly below the expected 60% add-on from FastPass.

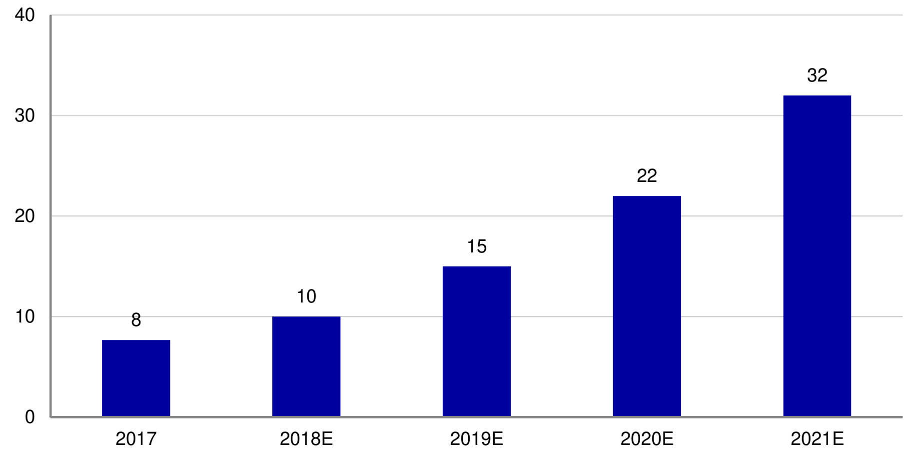
...however, growth will be limited by dividend payouts

FastPass is prioritising dividends to shareholders and profit over aggressive expansion of the organisation to capture future growth opportunities, limiting potential revenue growth. In addition, according to management, FastPass loses 7-8% of its customers every year. That said, the subscription contracts are adjusted for 3-4% inflation, which means the real number is actually 3-4% customers losses a year on average.

The base-case scenario yields revenue of DKK 32m in 2021, up from DKK 8m in 2017. With a 43% CAGR for 2017-21E, we believe FastPass will grow faster than the cybersecurity market. Considering FastPass' low market cap, high operating leverage, customer satisfaction and current customer base, we view this as realistic.

Base-case scenario assumes FastPass will grow faster than the market

FASTPASS: BASE SCENARIO – FORECAST REVENUE, DKKm



Source: Nordea estimates

Positive revenue scenario

In the positive scenario, we expect a 50% revenue CAGR in 2017-21E

Compared to the base scenario, we estimate that FastPass will be able to sign five more MSPs by 2021, more specifically four tier 4 MSPs and one tier 2 MSP. We increase the potential revenue add-on from new products to 60%, from 40% in the base-case scenario, which is in line with what FastPass expects. We expect management will be able to hire the necessary staff so FastPass does not miss the MSP train.

We increase the potential value creation from new products to 60%

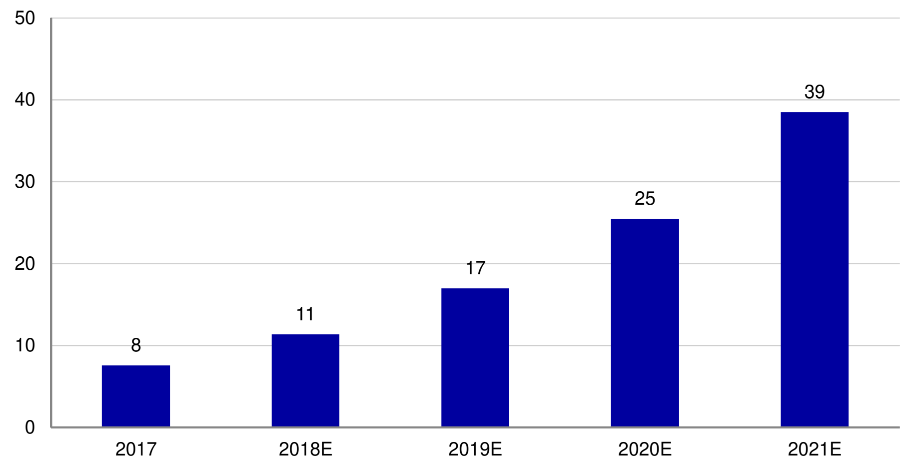
FASTPASS: POSITIVE SCENARIO – REVENUE 2021, EUR

Size of MSP	Number of MSPs	User count/MSP	Total user count	SSPR rev/user	Total SSPR rev/Year	Add-on products	Total revenue
Tier 1	8	200,000	1,600,000	1.0	1,600,000	60%	2,560,000
Tier 2	10	75,000	750,000	1.5	1,125,000	60%	1,800,000
Tier 3	10	15,000	150,000	2.0	300,000	60%	480,000
Tier 4	15	5,000	75,000	2.5	187,500	60%	300,000
Totals	**43**		**2,575,000**		**3,212,500**		**5,140,000**

Source: Nordea estimates

In the positive scenario, we see revenue of DKK 39m in 2021 and a 50% CAGR in 2017-21E.

FASTPASS: POSITIVE SCENARIO – FORECAST REVENUE, DKKm



Source: Nordea estimates

Negative revenue scenario

High revenue growth attracts competition

In the negative scenario, we see larger competitors starting to include something similar to FastPass' self-service password solution in their security packages, thereby making FastPass' solution less outstanding. This means that FastPass will not attract as many MSPs as in the base-case and positive scenario. We estimate that FastPass can onboard 32 MSPs by 2021, which is 22 more MSPs than currently. In terms of user count per MSP, we lower the number of users that MSPs will distribute FastPass to.

In addition, we model that the new products will not be as successful as estimated by FastPass. There is high uncertainty as to whether these products will be successful as they have not been launched yet. In the negative scenario, we estimate that new products will add 20% to revenue.

High uncertainty surrounding FastPass' new products

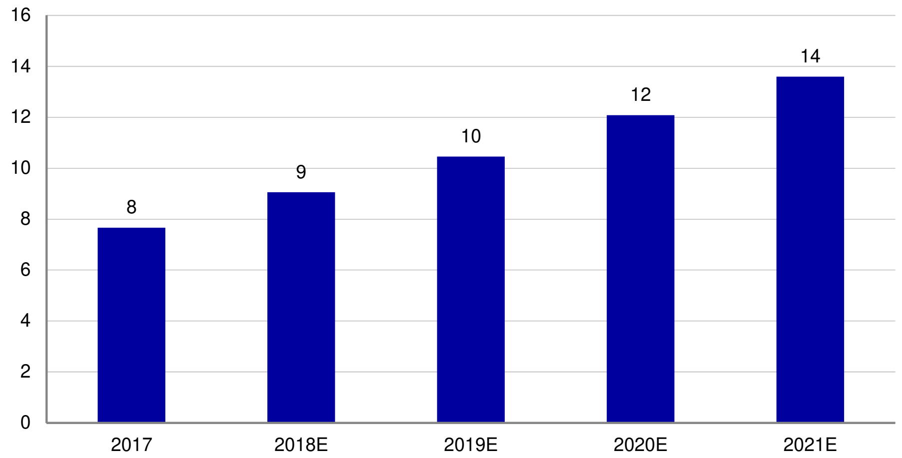
FASTPASS: NEGATIVE SCENARIO – REVENUE 2021, EUR

Size of MSP	Number of MSPs	User count/MSP	Total user count	SSPR rev/user	Total SSPR rev/Year	Add-on products	Total revenue
Tier 1	7	100,000	700,000	1.0	700,000	20%	840,000
Tier 2	7	50,000	350,000	1.5	525,000	20%	630,000
Tier 3	8	10,000	80,000	2.0	160,000	20%	192,000
Tier 4	10	5,000	50,000	2.5	125,000	20%	150,000
Totals	**32**		**1,180,000**		**1,510,000**		**1,812,000**

Source: Nordea estimates

In the negative scenario, we see revenue of DKK 14m in 2021 and a 15% CAGR in 2017-21E, slightly below the market growth rate for the cybersecurity market.

FASTPASS: NEGATIVE SCENARIO – FORECAST REVENUE, DKKm



Source: Nordea estimates

Higher profit margins

FastPass is very scalable, with high operational leverage and as its user base grows, margins will expand rapidly

We estimate that the 2017-21 revenue CAGR of 43% could result in an EBITDA increase from DKK 3m in 2017 to DKK 16m in 2021, implying an EBITDA margin of 50%, illustrating how well the business model scales. FastPass targets a 50% EBITDA margin by 2021.

We expect FastPass to meet its 50% EBITDA margin target in 2021

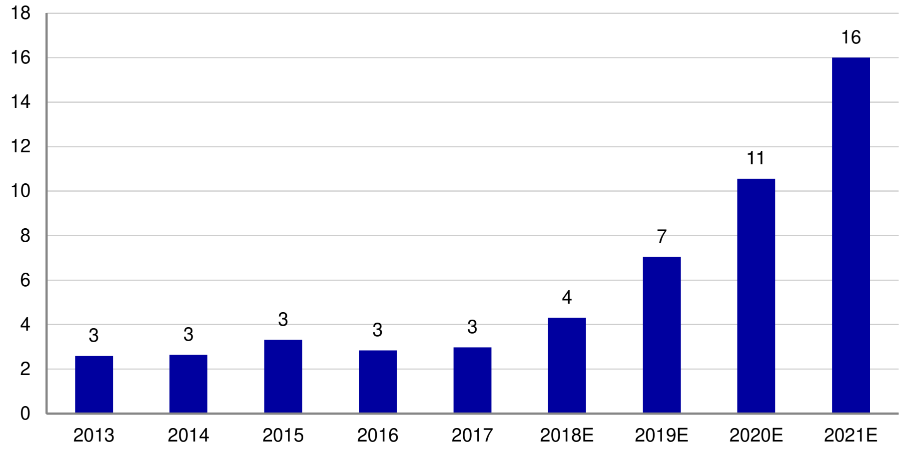
The margin boost and relatively high EBITDA margin are attributable to FastPass' operating leverage. A large portion of its costs are related to developers' salaries. FastPass' partners sell the software, hence the variable costs are outsourced to its partners. Thus, FastPass has more to gain from each additional sale as it does not have to increase costs to generate more sales. As a result, profit margins increase at a faster pace than sales. So, from a cost perspective, it does not matter if FastPass sells one unit or 1,000 units of its software product.

FastPass has outsourced its variable costs to its partners

We estimate 2017-21 EBITDA CAGR of 52%, 48 pp higher than the 2013-17 EBITDA CAGR and 9 pp higher than the revenue CAGR in 2017-21E, resulting in an EBITDA variability measure greater than 1.

We estimate EBITDA will grow at a CAGR of 52% in 2017-21E

EBITDA ESTIMATES, DKKm



Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors that we find relevant for FastPass. The purpose of this is not to provide a comprehensive picture of all of the risks that the company may face, but instead to highlight those we find most relevant. The main risks we see relate to MSP dependence, the success of new products and the company's ability to deliver cutting-edge solutions.

Dependency on MSPs

The company's expected growth is highly dependent on MSPs

FastPass expects its password self-service revenue growth to be driven by MSPs rolling out FastPass to their customers. If the rollout takes longer than planned or is not as extensive as expected, its revenue growth is likely to be less than the company anticipates. In addition, there is a risk of MSPs packaging FastPass in a suboptimal way either by not emphasising FastPass or by making FastPass too expensive.

If the company reaches its sales goal, MSPs will account for over 66% of its revenue

If FastPass reaches its revenue goal through MSP customers, MSPs will account for more than half of its revenue, leaving it highly dependent on MSPs. If the customer loses a small customer, it will affect the revenue slightly, but if it loses one or more large MSPs, it will have a significant effect on FastPass' revenue.

Success of new products

If new products are unsuccessful, this will have a negative effect on FastPass' growth expectations

In addition to boosting revenue through password self-service solutions, management expects new products to be a significant growth driver in the next few years. However, if new products are delayed or fail to function properly or interest from customers decreases or new competitors enter the same market, FastPass will likely not grow in line with management expectations.

Ability to deliver

The company's ability to deliver on client's needs is vital for future growth and success

FastPass has a limited window of opportunity and needs to be able to act quickly. To achieve its goals, FastPass must deliver on the requirements of MSPs. It must develop new products and tools tailored to the needs of MSPs. Additionally, it is important that FastPass ensure its products are implemented quickly and correctly to ensure high user acceptance, efficiency gains and new standards that guarantee IT security.

Rapidly increasing its employee base

FastPass needs to continue strengthening its sales and developer teams

FastPass targets rapid sales growth. Even though software companies have high fixed costs, they still need new developers and sales reps to target new potential customers and ensure satisfactory development of new products and support for existing solutions. If FastPass is too slow in increasing its staff base, it might miss out on growth opportunities and could risk losing existing and potential customers.

Key employees

The company depends on a small number of key employees

FastPass is dependent on a small number of key employees and it will have a negative impact on the company's performance if they decide to leave. Some key employees are tied to the company through financial incentives, while others are not.

Competition

If FastPass continues to grow and increase margins, competition might increase

FastPass operates within a niche market and with limited competition, although the competition comprises large companies providing full IAM services. If the company continues to grow and increase its margins, the market will become more attractive and other companies might enter the password self-service market. Increased competition will put pressure on the company's growth expectations and make it more difficult for it to reach its goal of 300-400% revenue growth by 2021.

In-house alternatives

There is also a risk that customers might develop similar tools in-house

In addition to competitors entering the market, FastPass also faces the risk of customers developing a similar tool in-house. If FastPass prices its products too high, customers might be tempted to develop password self-service solutions in-house, which will also constrain FastPass' growth.

No plans to hedge its FX exposure

Unhedged FX exposure

FastPass operates worldwide, although its headquarters is in Denmark and it reports in DKK. It has not hedged any of its FX exposure and does not plan to do so either. In 2017, ~50% of its revenue was in DKK and EUR. The company will continue to expand internationally and its FX exposure will therefore increase. By not hedging its FX exposure, the company's revenue is likely to fluctuate owing to FX movements.

FastPass' main product may become obsolete

A world beyond passwords

Most companies use passwords for access management. If this changes in the future and they move away from passwords to other solutions to secure access management, FastPass' main product would become obsolete.

Reported numbers and forecasts

INCOME STATEMENT											
DKKm	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Net revenue	**2**	**5**	**3**	**6**	**5**	**6**	**6**	**8**	**10**	**15**	**22**
Revenue growth	25.1%	95.1%	-25.2%	83.4%	-18.4%	27.7%	0.2%	18.0%	30.4%	50.0%	46.7%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	-1	1	0	3	3	3	3	3	4	7	11
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
EBITA	-1	1	0	3	3	3	3	3	4	7	11
Amortisation and impairments	-3	-3	-3	-2	-2	-2	-2	-2	-2	-3	-4
EBIT	-4	-2	-3	1	1	2	1	1	2	4	6
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	-1	0	0	0	0	0	0	0	0
Pre-tax profit	**-4**	**-3**	**-4**	**0**	**1**	**2**	**1**	**1**	**2**	**4**	**6**
Reported taxes	1	0	0	0	0	0	3	0	-1	-1	-1
Net profit from continued operations	-3	-2	-3	1	1	1	4	1	2	3	5
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-3	-2	-3	1	1	1	4	1	2	3	5
EPS	**-3.50**	**-2.61**	**-3.88**	**0.72**	**0.96**	**1.78**	**4.57**	**1.01**	**2.10**	**3.68**	**5.60**
DPS	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	2.01	2.02	2.80
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	2.01	2.02	2.80
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	-25.5%	20.3%	3.4%	41.6%	52.1%	51.2%	43.6%	38.9%	43.0%	47.0%	48.0%
EBITA	-25.5%	20.3%	3.4%	41.6%	52.1%	51.2%	43.6%	38.9%	43.0%	47.0%	48.0%
EBIT	-152.0%	-50.0%	-87.0%	14.0%	21.0%	25.0%	16.0%	16.0%	23.0%	27.0%	28.0%
Adjusted earnings											
EBITDA (adj)	-1	1	0	3	3	3	3	3	4	7	11
EBITA (adj)	-1	1	0	3	3	3	3	3	4	7	11
EBIT (adj)	-4	-2	-3	1	1	2	1	1	2	4	6
EPS (adj)	-3.50	-2.61	-3.88	0.72	0.96	1.78	4.57	1.01	2.10	3.68	5.60
Adjusted profit margins in percent											
EBITDA (adj)	-25.5%	20.3%	3.4%	41.6%	52.1%	51.2%	43.6%	38.9%	43.0%	47.0%	48.0%
EBITA (adj)	-25.5%	20.3%	3.4%	41.6%	52.1%	51.2%	43.6%	38.9%	43.0%	47.0%	48.0%
EBIT (adj)	-152.0%	-50.0%	-87.0%	14.0%	21.0%	25.0%	16.0%	16.0%	23.0%	27.0%	28.0%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	22.2%	22.7%	7.4%	17.7%	9.9%	24.2%	27.7%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	25.1%	91.4%	10.7%	21.7%	26.0%
EBIT	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	21.4%	30.6%	30.6%
EPS	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	23.8%	30.9%	25.8%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	-84.0%	-31.6%	-6.5%	5.9%	18.2%	20.3%	22.4%	24.2%
Average EBITDA margin	n.a.	n.a.	n.a.	-4.8%	26.3%	37.3%	41.6%	45.0%	45.0%	44.9%	45.3%

VALUATION RATIOS - ADJUSTED EARNINGS											
DKKm	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
P/E (adj)	n.m.	n.m.	n.m.	36.0	29.3	11.3	8.4	41.9	20.2	11.5	7.6
EV/EBITDA (adj)	n.m.	29.5	156.7	9.0	9.5	5.1	11.1	12.0	8.5	5.2	3.4
EV/EBITA (adj)	n.m.	29.5	156.7	9.0	9.5	5.1	11.1	12.0	8.5	5.2	3.4
EV/EBIT (adj)	n.m.	n.m.	n.m.	26.7	23.4	10.4	30.2	29.1	15.9	9.1	5.9

VALUATION RATIOS - REPORTED EARNINGS											
DKKm	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
P/E	n.m.	n.m.	n.m.	36.0	29.3	11.3	8.4	41.9	20.2	11.5	7.6
EV/Sales	8.4	6.0	5.4	3.7	4.9	2.6	4.8	4.7	3.6	2.5	1.6
EV/EBITDA	n.m.	29.5	156.7	9.0	9.5	5.1	11.1	12.0	8.5	5.2	3.4
EV/EBITA	n.m.	29.5	156.7	9.0	9.5	5.1	11.1	12.0	8.5	5.2	3.4
EV/EBIT	n.m.	n.m.	n.m.	26.7	23.4	10.4	30.2	29.1	15.9	9.1	5.9
Dividend yield (ord.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.2%	4.7%	4.8%	4.8%	6.6%
FCF yield	-35.9%	-16.5%	-3.9%	2.8%	-1.0%	9.1%	1.9%	-1.7%	2.4%	3.5%	6.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	43.8%	197.3%	96.0%	55.0%	50.0%

Source: Company data and Nordea estimates

BALANCE SHEET

DKKm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	9	8	6	6	6	6	6	7	7	7	7
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	9	8	6	6	6	6	6	7	7	7	7
of which goodwill	0	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	2	2	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	11	10	6	6	6	6	6	7	7	7	8
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	1	2	1	2	3	2	2	4	5	7	9
Other current assets	2	2	3	2	2	2	5	5	6	8	11
Cash and bank	0	0	0	0	0	0	0	0	0	0	1
Total current assets	3	5	4	4	5	5	8	10	11	15	21
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	**15**	**14**	**10**	**10**	**11**	**11**	**14**	**16**	**18**	**22**	**29**
Shareholders equity	3	5	2	5	5	7	11	11	11	13	16
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	3	5	2	5	5	7	11	11	11	13	16
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	6	2	2	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	6	2	2	0	0	0	0	0	0	0	0
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	1	0	0	0	0	0	0	0	1	1	1
Other current liabilities	2	2	3	3	3	3	3	4	5	7	10
Short term interest bearing debt	3	5	3	2	2	0	0	1	1	2	2
Total current liabilities	5	7	6	5	6	4	3	5	6	9	13
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**15**	**14**	**10**	**10**	**11**	**11**	**14**	**16**	**18**	**22**	**29**
Balance sheet and debt metrics											
Net debt	9	7	5	2	2	0	0	1	1	2	1
Working capital	0	2	1	1	1	1	4	5	6	8	9
Invested capital	12	12	7	7	7	7	10	12	13	15	17
Capital employed	9	7	4	5	5	7	11	11	11	13	16
ROE	-105.2%	-53.4%	-88.9%	16.5%	14.8%	23.6%	42.7%	7.6%	15.2%	25.1%	32.4%
ROIC	-22.1%	-15.0%	-24.3%	9.7%	11.5%	17.1%	9.0%	8.5%	14.3%	22.8%	30.1%
ROCE	-39.0%	-31.5%	-73.8%	16.6%	19.4%	23.3%	9.7%	10.8%	20.1%	31.6%	39.0%
Net debt/EBITDA	-14.6	7.1	42.6	0.7	0.7	0.1	-0.1	0.2	0.3	0.3	0.1
Interest coverage	-4.1	-5.8	-5.1	1.8	9.0	19.6	12.0	8.4	54.7	43.0	46.9
Equity ratio	19.9%	36.1%	19.9%	51.8%	49.4%	65.6%	77.1%	70.1%	64.1%	57.6%	55.0%
Net gearing	300.0%	125.0%	246.6%	32.7%	32.9%	4.2%	-2.8%	4.7%	11.8%	13.9%	7.0%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

DKKm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA (adj) for associates	**-1**	**1**	**0**	**3**	**3**	**3**	**3**	**3**	**4**	**7**	**11**
Paid taxes	1	0	0	0	0	0	3	0	-1	-1	-1
Net financials	1	0	1	0	0	0	0	0	0	0	0
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	0	0	0	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	-4	-1	-1	-1	0	0	-3	0	0	0	0
Funds from operations (FFO)	**-3**	**1**	**0**	**3**	**3**	**3**	**3**	**3**	**4**	**6**	**9**
Change in NWC	1	-2	2	-1	-1	0	0	-1	-1	-2	-2
Cash flow from operations (CFO)	**-2**	**-2**	**1**	**2**	**1**	**3**	**3**	**2**	**3**	**5**	**7**
Capital expenditure	-2	-2	-2	-1	-2	-2	-2	-2	-2	-3	-5
Free cash flow before A&D	**-4**	**-3**	**-1**	**1**	**0**	**2**	**1**	**-1**	**1**	**1**	**2**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	-4	-3	-1	1	0	2	1	-1	1	1	2
Dividends paid	0	0	0	0	0	0	0	-2	-2	-2	-2
Equity issues / buybacks	0	0	0	0	0	0	0	0	0	0	0
Net change in debt	0	0	0	0	0	0	0	0	1	1	0
Other financing adjustments	0	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	3	3	1	-1	0	-2	0	2	0	0	0
Change in cash	-1	0	0	0	0	0	0	0	0	0	1
Cash flow metrics											
Capex/D&A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capex/Sales	-88.7%	-38.7%	-53.2%	-21.5%	-30.3%	-25.8%	-30.3%	-29.4%	-22.0%	-22.0%	-22.0%
Key information											
Share price year end (/current)	13	25	16	26	28	20	38	43	42	42	42
Market cap.	11	21	13	22	23	17	32	35	35	35	35
Enterprise value	19	27	18	23	25	17	31	36	36	37	36
Diluted no. of shares, year-end (m)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8

Source: Company data and Nordea estimates

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Completion Date

22 Oct 2018, 03:32 CET

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