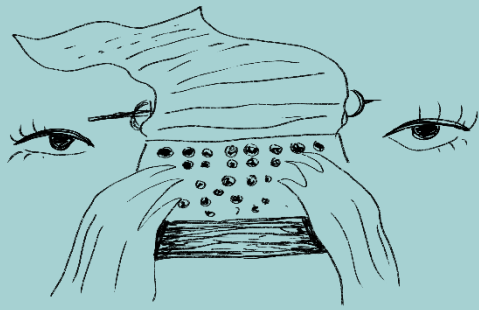




Audientes

At the middle of an exciting inflection point



2022-10-07

Audientes A/S is a Danish technology company specializing in smart, self-fitting and affordable hearing aids. Audientes' product portfolio currently consists of two products - Ven and Companion. Ven is available for purchase in the Indian market, both online and in retail distributors, and will be introduced in the US and to other markets in the coming years.

Audientes' mission is to help the approximately 500 million people globally suffering from disabling hearing loss who either cannot afford to buy one of the very expensive hearing aids on the market, or who do not currently have access to a solution to their hearing loss.

Given the strong management, that the first data points after entering commercial phase look promising and a very large market to penetrate, we have a positive view on the company as an investment case.

Key Stats

CEO	Steen Thygesen
Ticker	AUDNTS
Stock Exchange	Spotlight
Stock Price	4.70 DKK
Market Cap	43.9 MDKK
Insider Ownership	~35%

Analyst

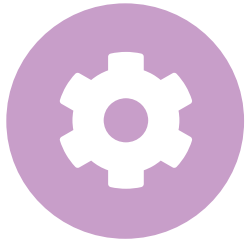
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Key Insights



Opportunity

A rapid rise in hearing loss globally due to increased noise exposure from, for instance, use of music played loudly in ears and working environments. WHO (2021) predicts 630 million people globally to have disabling hearing loss by 2030 and 900 million by 2050.



Skin in the game

One key figure that we find very compelling is that the founder of Audientes, Hossein Jelveh, is operationally active as the CTO and the largest shareholder in the company. Moreover, the CEO Steen Thygesen is the third largest shareholder. These findings are critical for our positive view on the company as an investment case.



Strategy

We believe the broad distribution network with ~350 point of sale destinations all over India entails a moat to the overall business operations since this entails a barrier to entry for new competitors. Also, we assume that Audientes can use ecommerce as a conduit to familiarize itself with new markets before fully entering.

The interest for Ven in India is growing and we have established a strong footing there. Overall operations are progressing very well and market acceptance for Ven has been in line with expectations from previous market trials and partner discussions.

- CEO Steen Thygesen

Investment case

- Enormous market opportunity
- Founder-led
- Skin in the game
- Strong management
- Compelling distribution and growth strategies
- Clear value proposition that is easy to understand
- Innovative product that fills a clear gap on the market

Background

In connection with Audientes' IPO in September 2020, the Company was in the late stages of research and development of its initial product - the smart and user-friendly hearing aid solution, Ven. Audientes deployed some of the capital raised through the IPO to hire more staff to finish the development of Ven. From the beginning of 2021, Audientes has increased sales and marketing activities to pave the way for a launch of Ven in India. As a result of these efforts, Audientes has created a vast distribution network consisting of >80 wholesales collaboration partners, making Ven available at ~500 points of sale all over India.

This means that the Company have taken a lot of upfront costs related to the development of the products, and by establishing the broad distribution network in India. Thus, we believe this will allow Audientes to operate with a lower cost base in the future and allow for more spending on marketing activities.

The sales of Ven began in March 2022 and reached sales of ~1 MDKK during its first quarter (Q2'22) as a commercialized product. Audientes has also established an online sales platform and a logistics platform as well as related processes for this. Thus, the company is located at a very exciting inflection point which entails both opportunities and challenges.

Audientes Today

Audientes is in a position where we believe their primary focus will be the expansion of the distribution network in India to increase sales of their main product Ven. A key factor to increase sales in both existing and future markets is the sales and marketing efforts since most customers in emerging markets are not educated when it comes to the value proposition of Audientes' product offering. This includes increased efforts in both B2B and B2C sales channels. The Company has communicated that new markets might be the US and Brazil, Asian markets such as Japan and Philippines, and Europe.

Audientes will, following the planned FDA-approval in the US, make other markets accessible creating a solid base for further sales expansion of Audientes products. The FDA-approval model in the US is similar to how other markets structure their approval process. Moreover, Audientes will continue its development efforts for another product called Companion. This product has a similar value proposition to Ven, with some minor differences, due to be able to avoid falling under certain regulatory compliance requirements.

Products

Audientes has two products. One that has already entered commercial phase and one in development stage. Below we explain how the products work and their value proposition.

Ven

Audientes' hearing aid solution Ven is a self-fitting, binaural (both ears) hearing aid intended for people with mild- to severe hearing loss in one or both ears. Ven has a built-in, industry gold-standard hearing test and Bluetooth capabilities.

The Company's mission with the product is to help the large number of people who suffer from disabling hearing loss and who either cannot afford one of the very expensive traditional hearing aids available on the market. With this as a basis, the primary focus is on emerging markets where the need for this value proposition is the largest.

The WHO (2021) assesses that the number of people suffering from disabling hearing loss and who will be without a solution to their hearing loss will amount to 711 million by 2050. We believe this huge market opportunity exists due to several components:

- Lack of audiologists/hearing experts
- High purchase price
- High usage price (the price of batteries)
- Expensive process with many sessions for setting and fine-tuning the hearing aids
- Some products can damage hearing and therefore are not a remedy
- Stigmatization of people with hearing impairments

Ven has been developed with many of these aspects in mind. Audientes thus wants to disrupt the industry by offering hearing aids with no need for repeated visits to an audiologist or hearing clinic for adjustments and fine-tuning.

Audientes' hearing aid is digital and self-fitting via the device itself or the free-of-charge app developed by the Company. Users will therefore be able to calibrate the hearing aid themselves without the assistance of a hearing expert or hearing clinic, which makes set-up and maintenance significantly easier than traditional hearing aids.

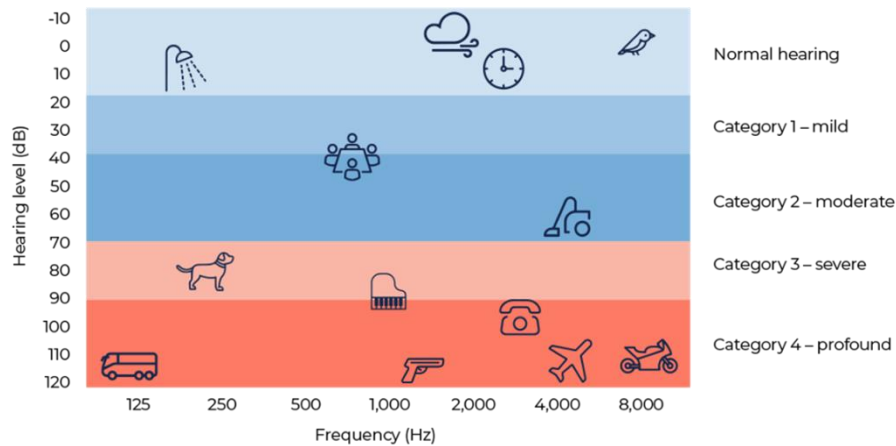
Audientes has thus transferred some of the aligned responsibility to the customer while allowing the customer to customize the solution on their own, with the help of Audientes' expertise that is provided digitally through the app. We think this is a smart way of combining increased customer satisfaction while also creating better unit economics. Ven has predominantly been developed with the following focus points in mind.

- Addresses moderate to severe hearing loss (disabling hearing loss)
- Self-fitting (no need for a hearing expert/clinic)
- Data-based optimization for continuous improvement of performance
- High quality (digital with 24-bit audio) at a competitive price
- Compelling design (like regular "earphones")

Addresses moderate to severe hearing loss

Ven is designed to reduce peoples' hearing loss within the 26 dB to 80 dB range. Disabling hearing loss is defined as a hearing loss for the best ear of more than 40dB. Ven can, for example, help people who have difficulty hearing what is being said in gatherings as well as people who can only hear/understand words shouted into their ears.

Categories of hearing loss



Self-fitting

Central to Ven is the self-fitting feature. The self-administered hearing test with automatic calibration means that Ven is ready for use within minutes, which eliminates the need for an audiologist both for setup and for adjustments.

As previously mentioned, we believe this increases customer satisfaction while eliminating one intermediary, allowing Audientes to sell at a more competitive price or to run the business with stronger margins - all else being equal.

Data-based optimization

Audientes' cloud platform will enable the storage of hearing test data (audiograms), analyses, and extends customer relations, sales, and support. Through the app, the cloud platform collects valuable hearing test data from consumers, their settings, and usage patterns. It can provide Audientes with objective information on how hearing aids are used and the different listening situations that users are exposed to daily. The data also provides a good way to identify topics for advice, product improvements, and ways to adapt the programming of the hearing aids to best meet the needs of each customer's lifestyle.

Thus, the platform will be able to generate and provide advice as well as suggestions on how users should use their hearing aid for further benefit by giving ideas on how to use the hearing aid for music streaming, or how to fine tune. All data is managed by Audientes in accordance with applicable law (GDPR et al.). This is also something we believe enhances the user experience since it allows Audientes' to provide better customer service.

High quality and competitive price

Ven is based on digital 24-bit sound processing. It has the same structure as other certified quality hearing aids and meets the same industry standards as for hearing aids. Ven is developed and designed with both a competitive retail price and competitive operating costs in mind. The maximum recommended retail price for Ven is approximately 400 USD and thus in the level 15-20 percent of a set of the classic quality hearing aids. The basis of comparison is up to the intermediate category for classic quality hearing aids costing up to approximately 3,000 USD per pair.

The self-fitting function is an essential high-quality element in Ven; another is the form factor. Classic hearing aids are being developed in the direction of increasingly smaller devices for placement inside or behind the ear. This entails high production costs and narrow functionality. Ven has classic hearing aid functions, as well as an "earbud design" e.g., sports and music headsets, making it possible to accommodate more functions in the product - such as the Bluetooth feature. Ven can be produced using components that have a relatively low price compared to the special components on which the classic hearing aids are based. The downside with the larger product is that it might not be so appealing to potential customers that cares a lot for their looks.

Ven is developed with rechargeable batteries which reduces the Company's negative environmental impact. The battery in Ven typically requires charging after two days of normal use (8-12 hours a day), depending on how frequently the Bluetooth feature is used to listen to music or tv-sound.

Design

Ven is designed as a common but discreet Bluetooth headset to meet a variety of usability requirements. The product consists of two "earbuds", which collect sound with a microphone and reproduce the sound with speakers. The collected sound is processed digitally via the main unit in the neckband, which sends the individually amplified signal to the two earbuds. At the other end of the neck strap, the battery part is located, which ensures balance and retention of the neck strap. The neckband is designed so that it can be hidden under clothing so that the visual parts of the hearing aid resemble a headset used for music use, sports, and office environments.



Companion

Companion is a binaural, digital hearable device with ergonomically designed earphones and rechargeable batteries. Companion is a tool for people who want or need to enhance their hearing with individually tailored speech amplification, or who simply want a headset-solution optimized for a range of hearing profiles to improve the experience of music and audio streaming and phone calls.

Companion is a “consumer electronic”/non-medical device, fundamentally based on the Ven design but will as a non-medical product not be subject to the comprehensive medical device regulation required for market introduction in many countries. Hence, Companion is intended to “open sales” in most markets worldwide for Audientes. We expect Companion to be available in Q4 2022 in global ecommerce channels via *Audientes.com* and other retailers.

Business Model

Audientes’ business model is based on developing and selling products to enhance hearing health globally. The sales process is both executed through selling via distributions networks and direct to consumer, both online and offline. The Company focuses on markets where millions of people in the middle class do not have access to high quality hearing aids due to the aforementioned factors. Audientes will expand further in India through different sales channels, including optical shops, pharmacies, and hearing clinics, as well as online sales. The mix of direct sales and collaboration with strategic partners will most likely speed up market access and sales execution. This will enable Audientes’ partners to build a new business or expand their current involvement within hearing healthcare.

We believe partnerships with regional distributors are the key component in the sales and distribution strategy. This will ensure Audientes’ presence in professionally staffed sales outlets, where the Company will educate staff on Audientes’ hearing aids, so they can better sell and give customers service on how to use the product. Audientes currently has >80 wholesale collaboration partners in India with >500 points of sales all over India offering Ven.

Audientes possess the perk of being able to use ecommerce as a conduit to familiarize itself with each market and the market demand before fully entering it. Once Audientes has increased understanding of the local market mechanisms and consumer interest in the Company’s products, Audientes will assess whether to continue the ecommerce sales with a local shop or B2C partner-based setup or begin to also engage the B2B channels with distributors and retail outlets to reach more customers and drive market penetration, or a combination of both.

Market Opportunity

Approximately 1.5 billion live with some degree of hearing loss globally, a number that could grow to 2.5 billion by 2050 due to a growing and ageing population (World Report on hearing 2021). Most of these are people residing in low- and middle-income countries with a few numbers of hearing clinics and audiologists per capita.

Of these 1.5 billion people suffering from hearing loss, approximately 430 million people had so-called disabling hearing loss in 2019 (World Report on hearing 2021). A breakdown of this category shows that barely 10 percent stem from high-income countries such as North America, Europe, Japan, Australia, and New Zealand. Moreover, roughly 14 percent stem from Africa, nine percent from Latin America, seven percent from Central and Eastern Europe with the remaining 60 percent stemming from Asia, with China and India holding the dominant share.

With a population of 1.3 billion, India possesses the largest population in the South Asian region. Furthermore, India has a substantial economic growth, a rapidly growing middle class as well as a low density of hearing clinics and audiologists. Therefore, India appears as the obvious market to penetrate for Audientes. There are over 75 million people in India who suffer from disabling hearing loss, and over 160 million with mild hearing loss (World Report on hearing 2021). Audientes has tested and adapted Ven in India since 2017 and the Company estimates that the market in India consists of at least 25 million potential Ven consumers.

America also presents a massive opportunity for Audientes with over 217 million people currently living with hearing loss at various levels. By 2050 that number is estimated to rise to 322 million. In the US alone, the number of people who could benefit from wearing a hearing aid is approximately 28 million. In 2021, hearing aid sales in the US amounted to approximately 4.73 million sold units, making it the world's largest hearing aid market (Strom, 2022).

Competition

There are several manufacturers of different products that compete with Audientes. The market for hearing aids is fragmented and consists of many players. Audientes' customer segment is typically people with category 2 - 3 hearing loss (moderate to a severe hearing loss), who need an affordable and accessible product. The competitors are therefore basically considered to be new players such as Eargo, iHear, and Nuheara, all of whom have products that do not need a consultation at a hearing clinic. Some of the existing actors like Signia and Jabra (GN) are also going with OTC products, particularly in the earbuds formfactor which seems to be using normal hearing aid technology in a new formfactor. However, products from these manufacturers are technically very different (e.g., different forms/shapes and sizes) and solve the task of remedying hearing loss in different ways.

Counter Thesis

The risks to any investment thesis generally boil down to events and circumstances that would materially change the trajectory of future free cash flow generation and returns on invested capital. This ultimately depends on whether the business has a sustainable competitive advantage. For

Audientes, its competitive advantage is a great customer experience and its competitive price offering. Moreover, we believe the broad distribution network entails a moat to the overall business operations for Audientes since this requires a lot of sales and marketing activities to create, which in turn entails a barrier to entry for new competitors.

Audientes operates in a competitive market characterized by global competition, rapid technological development, and sometimes regulatory requirements. The Company assesses that there is currently no product on the market that corresponds to Ven. On the other hand, there are companies that manufacture and sell products with similar functions and to the same target groups, regardless of the differences between the products.

Competitors can also adapt their technology to resemble Audientes and in the long run develop products that prove to be better than the Company's, which could have a significant negative impact on the Company's operations, financial position, and results. The main risk we see tied to this is that increased competition may put pressure on Audientes' selling price - since Audientes do not possess particularly meaningful economies of scale or network effects.

Generally, for hardware producing companies, we believe it requires more time and investments to create *word of mouth* and brand awareness due to the lack of scalability, which early in such a company's S-curve usually requires more marketing efforts in relation to sales generated. Also, we want to highlight the risk of inflation and component shortage. We believe inflation will affect Audientes in more ways than one. First, durable goods such as hearing aid solutions should be hit relatively more compared to other types of goods since we believe most people classify the value proposition as a *nice to have* rather than a *need to have* - which could force Audientes' to a lower selling price. Second, we believe Audientes production is getting more expensive due to inflation since the Company mainly produces hardware.

Lastly, we want to highlight that Audientes' operations are exposed to currency risks. A large part of the company's operating costs is in DKK, while revenues are largely generated in INR. Changes in currency could therefore have a negative impact on Audientes' earnings and financials.

Certification and approvals

The Ven family of hearing health solutions are intended to be sold worldwide. In many markets FDA and CE/MDR approvals are necessary for Audientes' products to be marketed under the "hearing aid" nomenclature. In such markets and in accordance with applicable law, the Company intends to start by marketing it as a "Hearing Instrument" or "Assistive Listening Device" (ALD), or similar designation that is valid in that market. Once the approvals are obtained, expected in 2023 and 2024 respectively, Ven can be marketed as a hearing aid. Until such time as these approvals is obtained, or if they are not obtained, or in the long run not deemed relevant, Audientes will instead work with alternative channels and markets appropriate for its products.

Shareholders

The Company's largest owners (Jelveh Holding ApS and Stig Due) together hold approximately 33 percent of the shares and voting rights in the Company. Jelveh Holding ApS is wholly owned by Audientes' founder and CTO Hossein Jelveh, owning approximately 24 percent of votes and capital in Audientes.

We are very satisfied with the amount of insider ownership and that the founder is still operationally active as CTO and the largest shareholder. Furthermore, we also interpret it as positively that the institutional ownership is low. Usually, this indicates that the company does not have a sufficiently large market capitalization or trading liquidity yet to be a potential investment for larger institutional players. But when the company crosses that threshold (usually a market cap of ~500 MDKK), the share price usually advances due to trading flows based on economic theory, that there are then more buyers than sellers, which leads to increased share price via multiple expansion.

One could also argue that it would be better for Audientes to have more institutional investor as shareholders, since such owners could also contribute with operational expertise. However, looking at the bigger picture, we are satisfied with the expertise found in the management and the board.

Largest Shareholders

*Jelveh Holding ApS (CTO & Founder)	24.12%
Stig Due	8.74%
KJJ Invest ApS	4.42%
Niels Fogh-Andersen	1.66%
Listom ApS	1.28%
*Steen Thygesen (CEO)	1.21%
*Povl-André Bendz (Chairman)	0.3%
Other shareholders	58.27%

* = *Insider*

Insider ownership = ~35%



Management

Audientes is currently in the process of expanding its organization from a small research & development focused organization to a fast-growing company at a global scale. The management team currently consists of CEO Steen Thygesen and CTO Hossein Jelveh. Additionally, Audientes have a team of six persons in various positions: CMO, Head of Wholesale (global), Head of operations, Head of Ecommerce, Head of UX, Country Head India, and Head of Program Management. At the date of this analysis the total number of employees in the Company amounts to 10 and the number of employees in the Indian subsidiary amounts to 7. Audientes has a top management that we believe is strong and sufficient.

Steen Thygesen (CEO)

Education: MBA from London Business School, UK and a B.Sc. in Electrical Engineering from Copenhagen University College, Denmark.

Steen Thygesen has held executive positions within strategy, sales, and management in technology companies such as Star, Nokia Denmark A/S, Microsoft, Symbian PLC, Psion Software PLC and TDC (TEMANET, a Telecom Denmark & Maersk Data joint venture). In addition, Steen Thygesen was CEO of the commercial foundation Specialisterne Foundation, which is the owner of the socio-economic company, Specialisterne ApS, where he was responsible for establishment and scaling operations in 15 countries. Steen Thygesen has been associated with Strand Consult as an industry expert since 2009 and is currently CEO of EOLAS ApS, a family-owned company in which he has a 20 percent ownership interest. There is limited activity in EOLAS ApS and Steen Thygesen works predominantly for Audientes. Until 2018, Steen Thygesen was a member of the Company's Board of Directors.



Shareholding in the Company: Steen Thygesen owns 112,790 shares and 920,000 warrants privately in Audientes.

Hossein Jelveh (CTO & Founder)

Education: B.Sc. in Electrical Engineering from the Technical University of Denmark.

Hossein Jelveh founded Audientes in 2014. He has worked in product R&D for over 30 years and has broad experience in the hearing aid industry, the wireless industry, and the small mobile/medical device domain, as well as 20+ years of SW development experience. Hossein Jelveh started his career at Nokia in 1997 as a software engineer and later Test Manager. In 2012, he founded the company Jelveh Medical Device, developing hearing aids and established Audientes in 2014.



Shareholding in the Company: Hossein Jelveh owns 2,255,010 shares in the Company through fully controlled holding company Jelveh Holding ApS. Privately, he owns 270,000 warrants in the Company.

Board of Directors

Audientes Board of Directors comprises five members and is headed by Chairman Povl-André Bendz, who is also one of the largest shareholders in the company. We believe Audientes board has several of the competencies required to take Audientes to the next level. However, some of the board members are pretty new in their roles. We usually find it compelling if a board has been with the company for a long time since it indicates that the board are long-term oriented in their commitment. Anyhow, this fact does not have to be net negative. If we turn the coin, we view it as positive that Povl-André is one of the largest shareholders and that the rest of the boards owns warrants.

Povl-André Bendz (Chairman since 2020)

Povl-André Bendz has a long commercial and financial management experience within life science companies and has founded several companies. He holds several board positions, including as chairman of 2cureX AB since 2017, which is admitted to trading on Nasdaq First North Growth Market Sweden. Through board and director positions in several companies, including Upfront Chromatography A/S, DELTA and IctalCare A/S, Povl-André Bendz has built up a solid knowledge of a broad spectrum of industries and sectors with a main emphasis on life science.



Other ongoing assignments: Povl-André Bendz is chairman of the board of 2cureX AB, 2cureX A/S, IMATRA Holding S.A. and member of the board of Seahouse Capital ApS and Thornæs Destilleri ApS. He is CEO of Seahouse Capital ApS, managing director of Agilco ApS, Bizziac ApS, Bizziac Accounting ApS and Holdinselskabet af 1. oktober 2018 ApS. In addition, Povl-André Bendz is the full responsible participant in Tyr & Co.

Shareholding in the Company: Povl-André Bendz owns 26,012 shares and 70,000 warrants in Audientes privately.

Gitte Jürgens (Board member since 2020)

Education: Market economist and completed a board education, CBS Executive, in 2019.

Gitte Jürgens holds more than 20 years of leadership experience within life sciences industries where she has worked with strategic and commercial business development. Gitte has been the CEO of UV Clinical and has also held positions that include CFO, COO and supply chain manager at pharmaceutical companies Meda and Mylan. In these roles, she has participated in several international M&A transactions.



Other ongoing assignments: Board member at Danish Shareholder Association and Danish Business Angels (DanBAN).

Shareholding in the Company: Gitte Jürgens owns 2,777 shares and 35,000 warrants in Audientes privately.

Peter Røpke (Board member since 2021)

Education: M.Sc. in Electrical, Electronics and Communications Engineering from Danish Technical University, Denmark.

Peter Røpke is currently President and CEO of RTX A/S, a Nasdaq Main Market mid-cap company listed on Nasdaq Nordic that designs and develops wireless communication products across a wide range of applications. Peter Røpke holds extensive experience in product and technology development, manufacturing, and consumer electronics. Peter has previously held senior positions at Flügger A/S, Grundfos Management A/S and Nokia Corporation.



Other ongoing assignments: CEO of RTX A/S and a member of the Board of Directors at DEIF A/S.

Shareholding in the Company: Peter Røpke owns no shares and 35,000 warrants in Audientes privately.

Frank Vium (Board member since 2022)

Education: Bachelor's in Business Administration and Diploma in Financial and Management Accounting from Copenhagen Business School.

Frank Vium is a commercial executive with 25 years' experience in driving growth and transformation in technology-led companies. Frank Vium has held international leadership positions in Business Development, Product Management, Sales- and Customer Success, and has led large teams across Europe, China, US, and the Nordics. He has a strong global market understanding from working across Europe and the US and with emerging markets.



Other ongoing assignments: Chairman of the Board at AddPro AB (Sweden) and a member of the Steering Committee Danoffice IT ApS (Denmark). Frank is also the Chairman of the Board of Directors of MediaGeneration A/S, a small company associated with his family. In the private sphere, he is Chairman of the Board of Espergærde Badelaug (association) and member of the Board of Espergærde Havn (Self-governing Institution).

Shareholding in the Company: Frank Vium owns no shares and 35,000 warrants in Audientes.

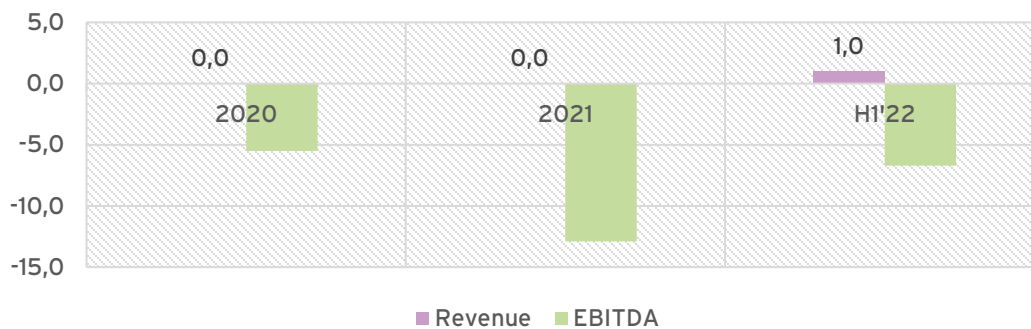
Balance sheet

Equity at the end of the last quarter (Q2'22), amounted to 16.8 DKK (33.3), which gives an equity/assets ratio of 57%. At the end of the same period, Audientes' cash position amounted to 3.7 MDKK. With the current burn rate, which we believe will continue for some time even though the Company now has entered commercial phase, we see a need for another capital raise or debt funding.

Financials

Given that the company is as young as it is, we do not have much history to look at. The financial performance historically does not say very much either, as the company has just entered the commercial phase.

Revenue and EBITDA



Financial Goals

Audientes aims to have revenues of 9 - 12 MDKK during the financial year 2022. Furthermore, the Company's objective is to have a sales growth in the medium to long term in the range of 70 - 80 percent annually. We do not know exactly what Audientes means by "medium to long term", but the Company have an objective to sell over 250 000 devices per year in five years. Therefore, we assume their goal is to have a sales growth of 70 - 80 percent per year for the coming five years.

Valuation

We break down our valuation by taking multiples into consideration and present our value as a potential CAGR for the share price by applying an exit multiple for 2025. The purpose of this is to demonstrate a scenario that we think is reasonable, both regarding the future financial performance and the potential investment return.

Market cap.	41,7 MDKK
Net debt/cash	5
EV	47
Share Price	4,70
Shares out	9349010

	2021	2022E	2023E	2024E	2025E
Revenue (MDKK)	n/a	7	16	25	35
% y/y		n/a	128,6%	56,3%	40,0%
Gross Profit		2,0	5,4	9	13,0
*margin		28,6%	33,8%	36,00%	37,1%
% y/y			170,0%	66,7%	44,4%
EBITDA		-9	-1	2	4,5
*margin		-128,6%	-6,3%	8,0%	12,9%
% y/y			-88,9%	-300,0%	125,0%

EV / X

	Sales	GP	EBITDA
2021	n/a	n/a	n/a
2022E	6,7	23,4	-5,2
2023E	2,9	8,6	-46,7
2024E	1,9	5,2	23,4
2025E	1,3	3,6	10,4

	Exit multiple	
	Sales	EBITDA
2025E	2.5	15
Weight	50%	50%

	Valuation		
	Sales	EBITDA	Total
2025E	35	34	69

	Potential Return		
	Factor	Percent	CAGR
2025E	1,65	65%	13%

	Margin of safety 30%		
	Factor	Percent	CAGR
2025E	1,15	15%	4%

Sensitivity Analysis 2025E

		Exit multiple (EBITDA)				
		9x	12x	15x	18x	21x
-15%	3,8	34	46	57	69	80
-10%	4,1	36	49	61	73	85
-5%	4,3	38	51	64	77	90
0%	4,5	41	54	68	81	95
5%	4,7	43	57	71	85	99
10%	5,0	45	59	74	89	104
15%	5,2	47	62	78	93	109

Summary

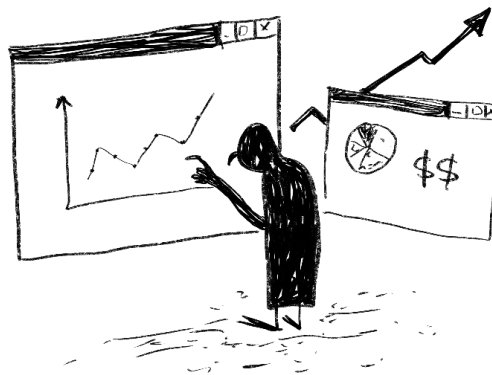
We view both the company and the investment case as compelling. We believe the attractive investment case mainly is attributable to the list of owners, where Hossein Jelveh stands out as the largest shareholder while also being the founder and the CTO of the Company.

As previously mentioned, the valuation has come down to what we consider to be an attractive level. This has probably happened due to several reasons such as the war in Europe, high inflation, increased interest rates and hawkish communication from Central Banks all over the world. We assume the Company currently trades at ~10x EBITDA 2025E, which you can see in our model at page 15. With an exit multiple of 15x, we see a substantial potential upside for the stock price. We believe that the stock can perform above an average index return per year during the coming years.

Moreover, we believe the Company is in the middle of an exciting and very important inflection point. Audientes have just started to conduct sales, which means we possess very little data points to use in terms of simulating the future of Audientes financial performance. That being said, investors should know that our assumptions and estimates could materially change just in a quarter or two when we have access to more data for Audientes as a company in commercial phase.

Another reason for why we like Audientes as an investment case is that the Company have taken a lot of upfront costs related to the development of the products, and by establishing the broad distribution network in India. Thus, this will allow the Company to operate with a lower cost base in the future and allow for more spending on marketing activities.

The primary risks we see are 1) that Audientes have problems regarding penetrating the market and therefore in turn must spend a lot on sales and marketing in relation to sales, pushing down the margins, and 2) increased competition which could make Audientes' products more commoditized which in turn leads to margin compression and changes the trajectory of future free cash flow generation and returns on invested capital.



Disclaimer

No one at Kalqyl owns shares in customer companies, including Audientes, due to a possible conflict of interest. Nothing you read on Kalqyl.se should be seen as investment advice, and what is presented in the analysis may be incorrect. The analysis is independent but funded.

Sources

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