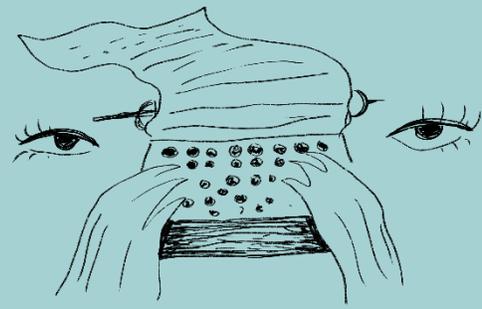




Audientes

Q3'22 & Rights issue



Audientes' s revenues for Q3'22 did not meet our initial expectations but was in line with the revised guidance that was announced on November 14, 2022.

The quarter in numbers:

- Sales revenue amounted to 2 MDKK (0)
- Sales revenue YTD surpassed 3 MDKK
- EBITDA amounted to -1,804 MDKK (-3,177)
- Earnings per share for the quarter amounted to -0,40 (-0,31)

During the quarter, Audientes expanded its network of collaboration partners, and the company have implemented cost savings in response to the guidance revision presented earlier this year.

The company now expects total sales for 2022E to be 3,5-5 MDKK, and EBITDA to be -10-12 MDKK. Audientes also aims to have a sales growth of 50-60% annually in the medium to long term.

In addition to releasing its Q3 financial report, the company announced that its pre-emptive rights issue, which closed on December 15, 2022, was fully subscribed. With this the company raised approximately 12 MDKK.

Key stats

Stock Exchange	Spotlight
Ticker	AUDNTS
CEO	Steen Thygesen
Share Price	0,634 DKK
Number of shares outstanding	28 747 024
Market Cap	18,1 MDKK
Enterprise Value	26,2 MDKK



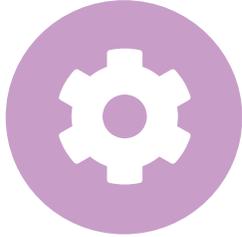
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Key Insights



New product launch

The sale of Audientes' product, Ven, is currently underway in India. In 2023, the company will launch its new product, Companion, which will be available for purchase in the US and European markets.



Record sales

The company has an ambitious growth goal and Q3'22 was a record quarter in terms of sales.



Rights issue completed

Along with releasing its Q3 financial report, the company announced that its pre-emptive rights issue, which ended on December 15, 2022, was fully subscribed, and generated approximately 12 MDKK.

“We are happy to conclude this large interest in Audientes' current operations and outlook, as well as for our fully subscribed Rights Issue.”.

- CEO Steen Thygesen

Investment case

- Innovative and exciting product
- Huge market opportunity with over 400+ million globally suffering from disabling hearing loss
- Compelling distribution and growth strategies, with sales beginning to increase
- Expansion on existing and new markets
- Founder-led
- Compelling distribution and growth strategies
- Clear value proposition and easy to understand

Q3'22

Audientes is a Danish hearing health company that is committed to making high-quality, self-fitting hearing aids accessible and affordable for all individuals with disabling hearing loss. Its initial product, Ven, has recently launched on the Indian market, and the company is focusing on promoting and selling the product there. Audientes is also in the process of developing a new hearing aid product called Companion, which it plans to introduce in early 2023.

During the third quarter of 2022, Audientes generated a record 2.2 MDKK in revenue from their Indian business through hearing health retail channels. For the first nine months of 2022, the company surpassed 3.2 MDKK in total revenue. During the quarter, Audientes has significantly expanded its network of collaboration partners, now working with more than 80 professional hearing clinics. This has resulted in an increase in the number of accessible points of sale to over 500. The company will continue to pursue growth on the Indian market through its partnerships and has dedicated resources to training and supporting its existing partners¹.

In November 2022, Audientes revised its revenue projections for the full year of 2022. The primary cause for this is because of delays in anticipated sales and the commercial release of Companion. It is now projected to be available in the US and Europe in the beginning of 2023. Another reason is inflation, which has led to a change in market sentiment. In response, the company implemented cost-saving measures during the quarter. As a result, Audientes now expects to generate revenues of 3.5-5 MDKK and an EBITDA of -10 to -12 MDKK for the year 2022.

The market for Audientes products is vast, with approximately 430 million people worldwide suffering from disabling hearing loss by the company's own estimates². If the company can capture only a fraction of this market, the financial potential can be significant. We believe that the company's record revenues this quarter is a positive indicator of the product's potential success in this regard. However, if the launch of Companion is further delayed and the company is unable to effectively market and sell Ven on existing markets, we believe the prospects for the company and its stock look grim in the short to medium term.

¹ Audientes Q3 financial report 2022

² Audientes pre-emptive rights issue 2022 prospect

Pre-emptive rights issue

On December 20, 2022, Audientes announced that its pre-emptive rights issue had been fully subscribed and had raised approximately 12 MDKK after costs. The company also announced a directed issue to compensate the guarantors.

10 MDKK will be utilized to support the company's future growth plans, including expanding the marketing and sales of its products, Ven in India and Companion in the US, Europe, and Japan. The funds will also be allocated towards product development, operational expenses, and general administrative costs, as visualized in the chart at the conclusion of this analysis. Additionally, 2 MDKK of the proceedings will be used to improve the company's balance sheet by paying off outstanding debt.

During the period from March 27th to April 13th, 2023, warrants for Series TO 1 will be issued to the investors who participated in the initial rights issue. These warrants give the investors the option to purchase additional shares in the company for seventy percent of the average volume-weighted price of the share during 12 days before the exercise period begins. If all the warrants are exercised, Audientes will receive an additional 9.3 MDKK in funding, after transaction costs. The proceeds from this exercise will be used in a similar manner as the funds from the initial rights issue, with some slight adjustments in allocation (Also visualized in the chart at the conclusion of the analysis).

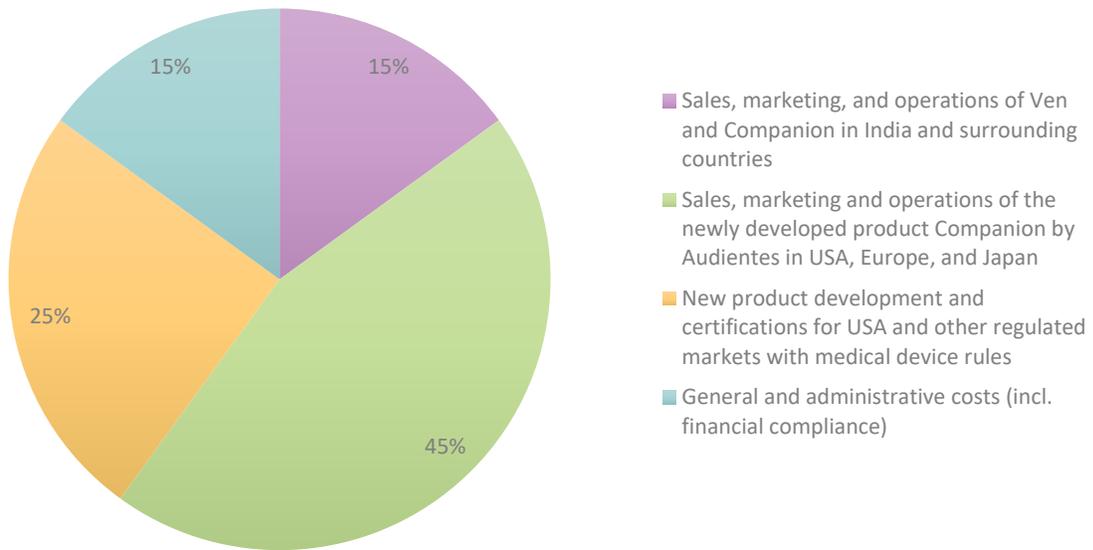
With the initial rights issue the company issued 18,698,020 shares. In addition, the directed issue to the guarantors increased the number of shares by 699 994, bringing the total amount of shares to 28 747 024 today. Furthermore, total warrants issued will be 9 349 010 for the initial issue, and 349 997 for the directed issue, totaling 9 699 007. If all warrants are exercised, they will be converted to 1 share in the company. If all warrants are exercised, this will bring the number of shares outstanding after the period to 38 446 031^{3 4}.

We are positive to the fact that the initial rights issue was fully subscribed, particularly given the challenging market conditions. It is worth noting that other unprofitable companies in the early stages of their growth journey have had difficulty raising capital recently, making Audientes' success in this regard impressive. Based on the board of directors' estimates, the capital raised from the rights issue and potential exercise of the warrants should be sufficient to meet the company's capital needs until the end of 2023. However, due to Audientes' expansion plans and the potential for launching its products in new markets, it is possible that additional capital may be required in Q3 2023 or thereafter. The exact amount of capital needed at that time is difficult for us to predict and will depend on various factors such as global sales growth. This means that there is a risk that the company may have to raise additional capital soon, potentially through another rights issue which would cause further dilution.

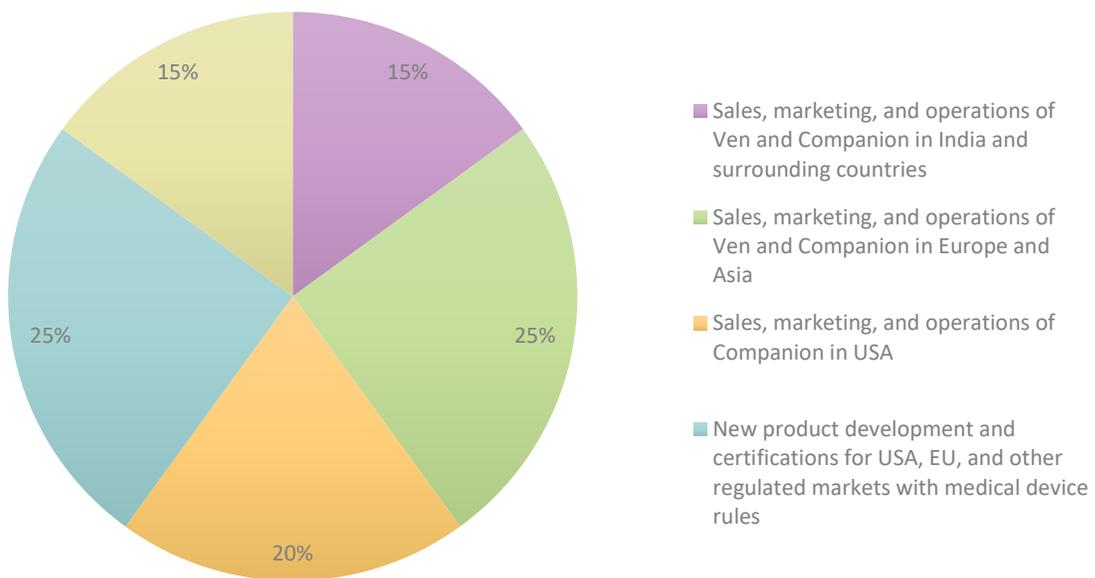
³ Press release from Audientes, Company announcement no. 33-2022

⁴ Audientes pre-emptive rights issue 2022 prospect

Use of proceeds from the initial part of the rights issue



Use of proceeds from TO1, if its fully subscribed



Valuation

In light of the Q3 report, we have revised down our estimates for 2022 based on the company's updated guidance. It is more challenging to make projections beyond 2022, but we estimate that the company will achieve profitability in 2024 and experience growth in EBITDA thereafter. This is based on the assumption that sales of Ven in India, and Companion in other markets will pick up. It is important to note that these estimates come with a high level of uncertainty and the actual results could be better or worse than our projections. Since we do not know if all warrants will be exercised, we have used the NOSH as of today for our projections.

To value the company, we present our value as a projected compound annual growth rate for the share price using an EBITDA exit multiple for 2025. This serves to demonstrate a scenario that we believe is possible based on our expectations for the company's future financial performance and the potential return on investment for shareholders.

Shares outstanding	28 747 024
Share price	0,63 DKK
Market cap	18,10 MDKK
Net cash/Net debt	8,1 MDKK
Enterprise value	26,20 MDKK

(MDKK)	2021	2022E	2023E	2024E	2025E
Revenue	0,0	4,0	12,0	20,0	29,0
% y-o-y		400,0%	200,0%	66,7%	45,0%
<i>EV/S</i>		<i>6,6</i>	<i>2,2</i>	<i>1,3</i>	<i>0,9</i>
Gross Profit		-4,0	4,0	7,0	11,0
% y-o-y		44,0%	200,0%	75,0%	57,1%
<i>Gross margin</i>		<i>neg</i>	<i>33,3%</i>	<i>35,0%</i>	<i>37,9%</i>
<i>EV/GP</i>		<i>-6,6</i>	<i>6,6</i>	<i>3,7</i>	<i>2,4</i>
EBITDA		-11,0	-9,0	2,0	4,5
% y-o-y		14,7%	-18,2%	-122,2%	125,0%
<i>EBITDA-margin</i>		<i>neg</i>	<i>neg</i>	<i>10,0%</i>	<i>15,5%</i>
<i>EV/EBITDA</i>		<i>-2,4</i>	<i>-2,9</i>	<i>13,1</i>	<i>5,8</i>

Valuation				
	Multiple	EBITDA 2025E	Market cap (MDKK)	Share price (kr)
2025E	10	4,5	45	1,565379428
Säkerhetsmarginal (30%)	10	3,15	31,5	1,0957656

Potential return						
Main scenario				Margin of safety (30%)		
	Factor	Percent	CAGR	Factor	Percent	CAGR
2026E	2,486188	148,6%	25,57%	1,740331	74,0%	14,86%

Sensitivity Analysis						
	Main scenario 2026E			Margin of safety (30%)		
EBITDAx	Market cap (MDKK)	Share price (kr)	Change %	Market cap (MDKK)	Share price (kr)	Change %
5	22,50	0,783	24,31%	15,75	0,548	-12,98%
7	31,50	1,096	74,03%	22,05	0,767	21,82%
<u>10</u>	<u>45,00</u>	<u>1,565</u>	<u>148,62%</u>	<u>31,50</u>	<u>1,096</u>	<u>74,03%</u>
15	67,50	2,348	272,93%	47,25	1,644	161,05%
20	90,00	3,131	397,24%	63,00	2,192	248,07%

Starting point

1. NOSH before rights issue 9 349 010

Issuances 2022

2. New shares, fully subscribed rights issue 18 698 020

3. New shares, directed issue to guarantors 699 994

4. Sum: 19 398 014

5. Total 28 747 024

Warrants 2023

6. If max TO-Initial rights issue 9 349 010

7. If max TO-directed issue to guarantors 349 997

8. Sum 9 699 007

9. Total NOSH after initial rights issue, directed issue and TO 38 446 031

Risks

- Further delays in the launch of Companion
- Additional rights issues will result in further dilution for shareholders
- Persistent high inflation putting pressure on consumers
- Regulatory risks when expanding into new markets

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