INVESTOR RELATIONS | CHANGE OF REVENUE RECOGNITION

How Risk Intelligence's change of accounting principles to full periodisation impacts financial figures

RiskIntelligence

riskintelligence.eu

CEO statement, February 2023

Improving SaaS market benchmarking and financial transparency

“The decision to change to full periodisation has been underway for some time, but it will immediately improve how we present the company to investors and how investors are able to compare the company to peers in the market.

It will have some short-term negative implications on results as revenue and thereby growth will be moved from 2022 into 2023 and 2023 into 2024 etc, but as we are able to explain that these are due to technical reporting requirements and not to changed business fundamentals, I believe the change will be seen as positive.”

RiskIntelligence

CEO, Hans Tino Hansen

The change:

Full periodisation of revenue recognition

1. Risk Intelligence’s subscription-based licenses constitute appx. 90% of total revenue
2. Full 12-month periodisation is a SaaS industry benchmark
3. The change improves financial transparency and investors’ ability to compare Risk Intelligence to market peers
4. The change will affect growth figures for 2022, 2023, etc.

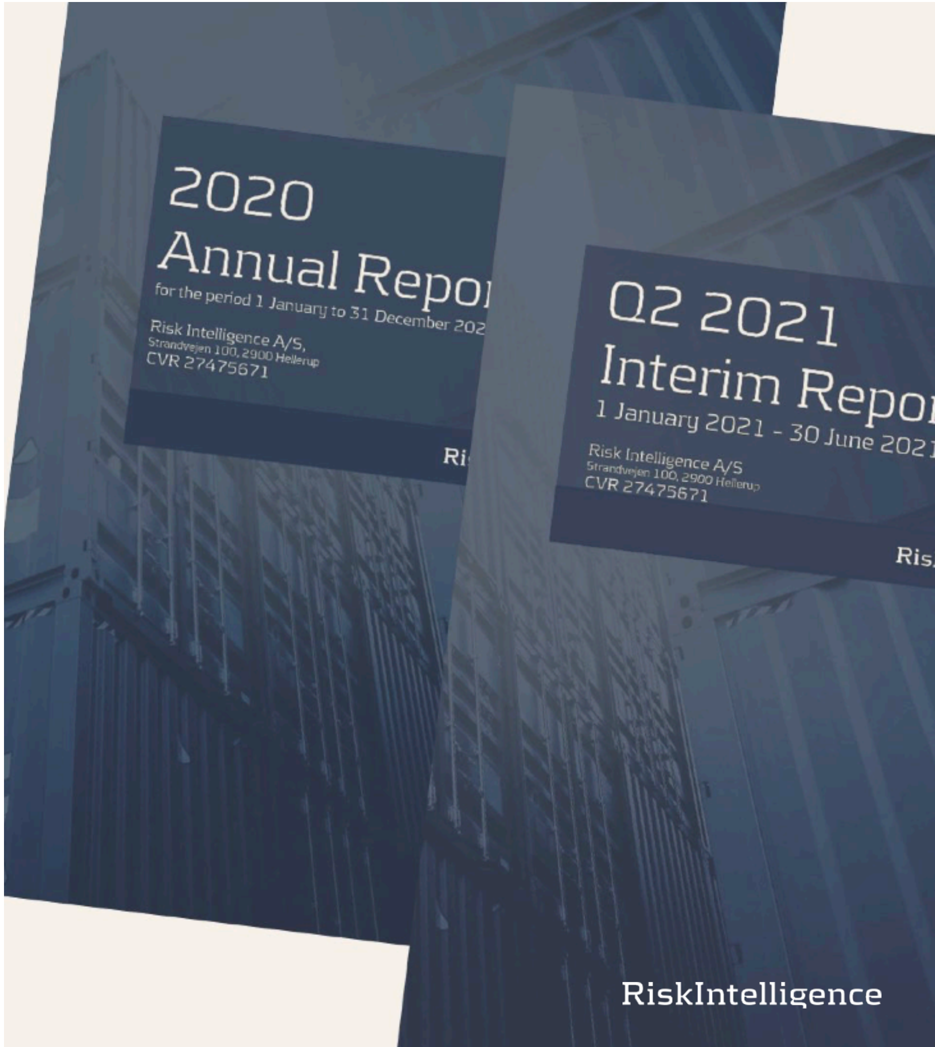
Introduction

1: Changing revenue recognition to full periodisation

The Board of Directors of Risk Intelligence has had an ongoing discussion about changing the revenue recognition from date of invoicing to full periodisation for subscription-based licenses, which constitute about 90% of total revenue.

The Board of Directors has therefore decided to follow the requirement from Deloitte to change the revenue recognition to full periodisation starting with 2022.

The new revenue recognition has revenue recognised over the subscription period of 12 months.



Background

2: New auditors and standardisation of accounting principles

As part of the Company's internationalisation Deloitte was elected as the new auditor for Risk Intelligence at the Annual General Meeting in 2022.

The new standardised accounting principles will create more transparency and align the income model with the SaaS standards.

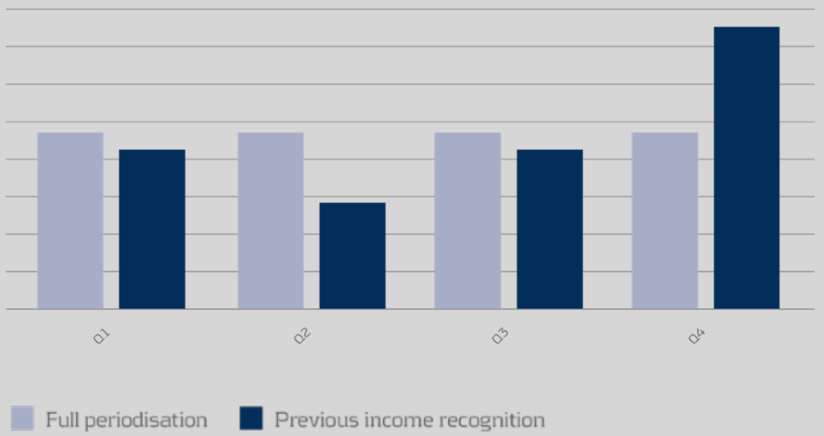
The change will provide a much improved basis for comparison with market peers.

Revenue recognition

3: Transparency and even growth

As an example, the previously uneven distribution of revenue across quarters will be replaced by a more even distribution leading to easier understanding of key Risk Intelligence quarterly and annual figures and growth.

Distribution of revenue by quarters, example



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Impact on growth

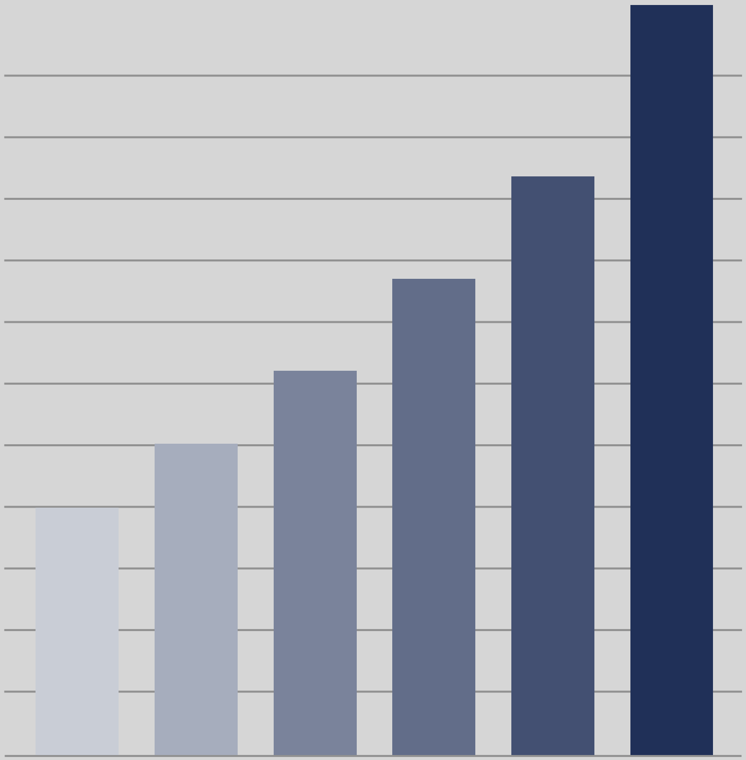
4: Increasing growth from 20% to 30%

Risk Intelligence has delivered appx. 20% annual average growth since 2018 and aims to increase this to 30% as part of the new 2025 Strategy.

Growth will have an impact from the change of revenue recognition as a larger part of invoiced revenue will be distributed to the following year. For Risk Intelligence the impact on growth is larger compared to most other SaaS companies since 66% of recurring revenue has been invoiced in the second half of the year.

In a growth scenario, recognised revenue during the year will be less than the Annual Recurring Revenue (ARR).

Average annual growth rising from 20% to 30%



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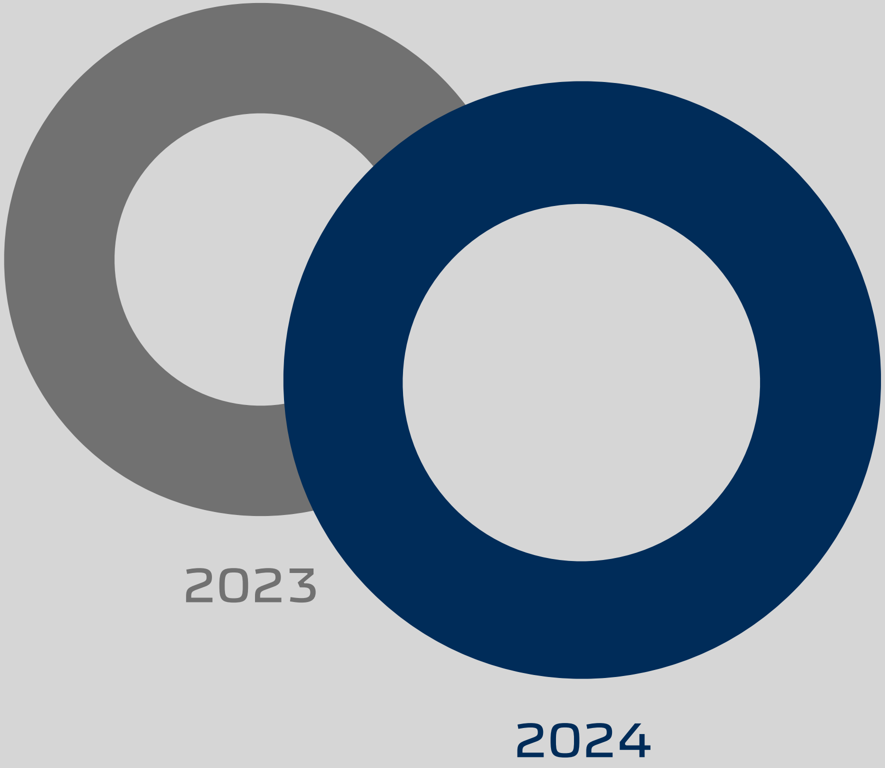
Impact on profit and equity

5: Recurring revenue distributed to 2024

The change to the way revenue is recognised will affect the target of achieving profit by 2023 as per the 2025 Strategy. This comes as a result of the revenue distribution from 2023 to 2024.

As a result, the target has been revised to achieving positive EBITDA in 2023 and profit in 2024, rather than positive net profit in 2023.

The years 2020 and 2021 has been redefined according to the new accounting principles and the subsequent increase in negative result has had an impact on equity.



No impact on liquidity

6: Recurring revenue distributed to 2024

Due to the Company's unchanged business model where licenses are invoiced 12 months up front, the strong and increasing cashflow from revenue and liquidity will not be impacted by change to revenue recognition.

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No impact on clients and partners

7: No commercial impact of the change

Since the change being made affects only accounting principles, it will not have any impact on Risk Intelligence's clients and partners and subsequently it will have no commercial impact.

Improvement for the market

8: Compliance with SaaS standards

The overall impact for investors will be increased transparency and improved basis for comparison between quarters during and between years.

The change of accounting principles will lead to improved compliance with market standards for SaaS companies.

Risk Intelligence Investor Relations

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