

Release no. 10/2020

## Interim Management Statement Q1 2020

# Acceptable results in Q1 despite operating in COVID-19 unknown territory

Columbus continued the positive development from 2019 into the first two months of 2020 with growth in revenue. However, in March realities changed and the COVID-19 crisis has affected the results for Q1. Columbus are implementing measures to deal with the situation and has full attention on the wellbeing of employees while serving customers digitally.

In Q1 2020, Columbus delivered growth of 6% amounting to revenues of DKK 510m. EBITDA decreased by 12% amounting to DKK 53m and earnings before tax amounted to DKK 28m. Outlook for 2020 and long-term guidance will be released when having a better insight into the impact and temporary market slowdown.

In accordance with the regulations for listed companies' submission of interim statements, Columbus A/S hereby submits the interim management statement for the period 01.01.2020-31.03.2020 (3 months).

### Growth of 6%

Revenue in Q1 2020 amounted to DKK 510m (Q1 2019: DKK 482m), corresponding to an increase of 6% compared to the same period last year. Organically, Columbus grew by 2% (isolated for the acquired Advania Business Solutions in Norway).

EBITDA decreased by 12% to DKK 53m primarily due to onboarding of 190 new employees as part of Columbus growth strategy as well as an increase in bad debt provision. Earnings before tax amounted to DKK 28m, corresponding

to a decrease of 21%. Revenue and EBITDA are not significantly impacted by currency fluctuations.

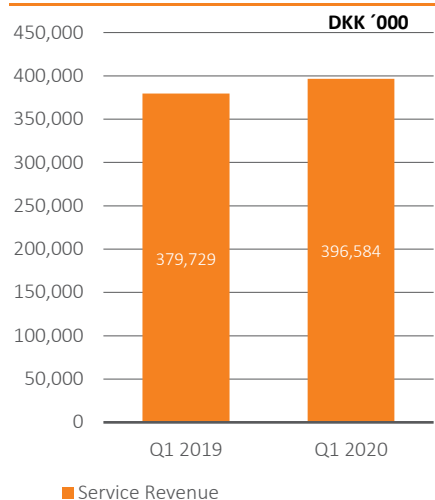
2020 started off with a positive continuation of 2019 with overall revenue growth, despite a decline in our US business unit. In general, all Columbus' business units came off to a good start where especially Dynamics Sweden and Columbus Care showed strong progress.

*"We had a positive start to the year with strong progress overall. I am content that we delivered growth despite a radical change in our business environment. We have managed to rapidly adapt our business to the changing situation, and I want to thank our employees for*

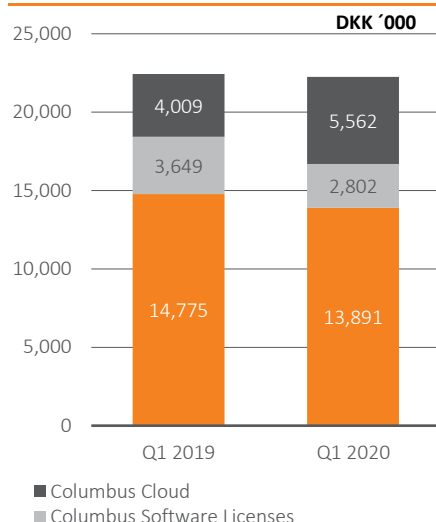
*showing leadership in this difficult situation as well as our customers for their commitment. We foresee a challenging 2020, however I am confident that we will get through this crisis together,"* says Thomas Honoré, CEO & President in Columbus.

In the beginning of March, we started to see the impact of the global outbreak of the COVID-19 materializing with customers holding back investments or postponing ongoing projects. Especially our retail segment has been negatively affected due to the close down of societies. Retailers with an omnichannel setup are not as badly hit because they can move part of their business online, which in some cases has led to increased demand for digital commerce or analytics services.

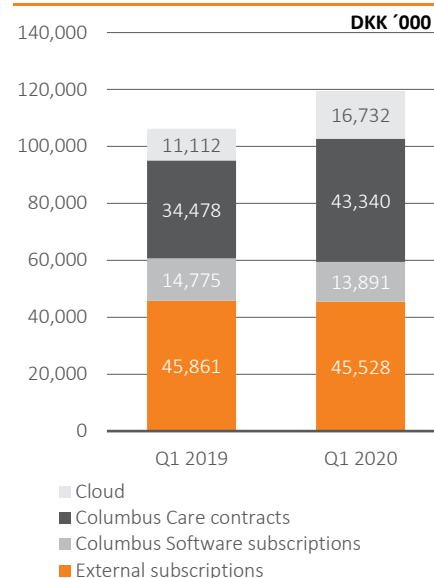
**Development in service revenue**



**Development in sale of Columbus Software**



**Development in recurring revenue**



As expected, the food segment has experienced a hectic period with increased demand which in some cases has driven increased demand for digitalization, however in other cases the customers have postponed projects due to lack of resources.

Overall, Columbus expects to see a substantial, short-term negative impact on customer demand in the coming period.

According to local government regulations and lockdowns, Columbus has taken steps to ensure the health and safety of our employees, customers and partners while continuing to serve our customers 100% digitally. As we write the Q1 report, all Columbus employees are working remotely from home with full operation capacity globally.

As a leading digitalization company, we have broad experience serving our customers digitally, and we are experiencing a very positive interaction with customers and employees in between in adjusting to remote working routines.

We are able to deliver digitally from early engagement discussions to project initiation, implementation and application management. We are currently in close connection with our customers to help them continue their operation during this period.

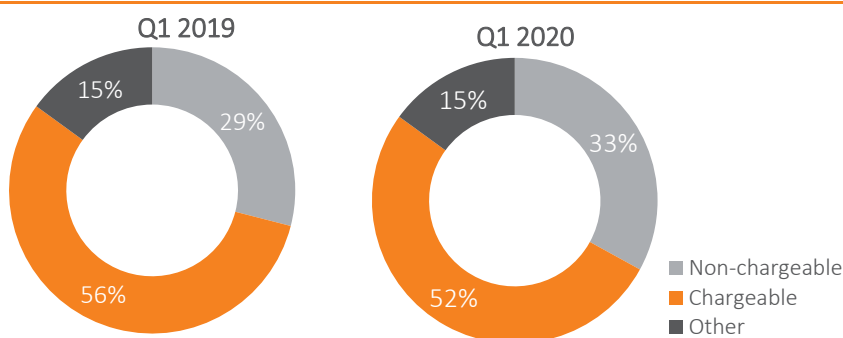
**Growth in Columbus Services**

The revenue from **Columbus Services** business increased by 4%. Organic growth is 2%. The main contributor to the growth is the increased sale of Columbus Care services and a general progress in the services business.

Chargeable hours constituted 52% in Q1 compared to 56% in Q1 2019. The decline is primarily due the adjustment to remote working setup in the beginning of March and is also affected by the postponement or cancellation of projects due to COVID-19 situation. Furthermore, the decline is affected by the onboarding of people.

Despite the decline in chargeable hours, the services business delivered overall growth and progress.

**Development in the consultancy business**



### Growth in Recurring Revenue

The sale of **cloud services** grew by 51% due to the increasing conversion to cloud-based solutions. In addition, the sale of **Columbus Care** services grew by 26%.

**Recurring revenue** increased from DKK 106m to DKK 119m, a growth of 12%, which can be explained by good progress in sale of Columbus Care and Cloud. The recurring revenue constituted 23% of the total revenue in Q1 (Q1 2019: 22%).

### Columbus Software same level as last year

The revenue from **Columbus Software** business is at the same level as last year, amounting to DKK 22m.

Columbus Cloud grew by 39%, while sales of Columbus licenses decreased by 23% due to the cloud conversion. Maintenance declined by 6%.

### Progress in 9 Doors to Digital Leadership®

In Q1 we launched a Cloud Factory initiative, where we partnered with Microsoft to conduct an assessment and migrate more large accounts to the cloud. When businesses started seeing the aftereffects of the COVID-19 pandemic, Columbus worked proactively to identify offerings that would help businesses keep their lights on.

In line with our commitment to the UN Sustainability Goals, we also launched new offerings on energy and waste management, route optimization, and sustainable operations that will help our customers run more sustainable operations.

### Risk management

In order to address the short-term uncertainty, we have initiated a Business Continuity Plan to mitigate risk and keep our business in good health during this challenging period.

Columbus has executed capacity adjustments across business units to address the temporary decline in demand. In addition, we are closely monitoring the resource allocation and increasing global sourcing. We have also applied different COVID-19 aid packages around the world to minimize the business impact.

As announced in February, the Executive Board and the Board of Directors have reduced their salaries by 30% for the remaining of 2020. In addition, we have announced a global hiring freeze and other measures.

On the sales and marketing side, we have initiated a range of activities to drive growth despite a changed business structure. We have launched a comprehensive catalogue of services to support our customers in these unusual times that can help them operate remotely and keep their business safe and running, and we are executing global digital marketing campaigns with good traction.

### Expectations for 2020

In the first two months of 2020, we have seen a general growth in our business. Now, realities have changed radically. Due to the current market uncertainty caused by the COVID-19, we expect a negative impact on our business and financial performance in the coming quarters.

Given the rapid day-to-day developments in our main markets, we are currently unable to accurately assess the magnitude of this short-term impact, including the duration of the expected temporary market contraction.

As stated in company release no. 6, 2020, we have therefore decided not to announce the expectations for 2020 and our long-term guidance until we have a better insight into the impact on our business.

As the situation normalizes, we expect to start picking up in a growing market.

We do expect that the conversion from on-premise solutions to cloud will be growing significantly over the next five years and we also expect digitalization efforts to pick up when the world is settling and returning to more normal modus. However, it is still unclear when and how the investment appetite will fully return.

Columbus is already well positioned and at the forefront in the market within cloud (e.g. Dynamics 365, M3 Cloud Suite) with a well-developed global delivery setup specialized in upgrading customer to a cloud solution

In 2020, cloud will be a prioritized growth opportunity for Columbus, thus helping our customers in the migration to cloud with the up- and cross sell the 9 Doors to Digital Leadership® it entails.

In addition, our focus will be to leverage the opportunities to up- and cross sell the 9 Doors to Digital Leadership® services to the installed customer base.

**Investor presentation**

Columbus' Executive Board will present the results for 2020 at a conference call today at 14:00 CET.

Please use the following dial-in numbers:

Denmark: +45 32720417

UK/international: +44 (0) 2071 928338

US: +1 646 741 3167

Conference ID: 5258489

It is also possible to follow the online webcast via this link: <https://edge.media-server.com/mmc/p/pxuepg8i>

A recorded version of the presentation will be available on the website after the webcast has concluded:

<https://edge.media-server.com/mmc/p/pxuepg8i>

**Latest developments**

No events or transactions with a material effect on the company's financial position have occurred since the balance sheet date.

DKK '000	YTD 2020	YTD 2019	2019
Columbus Software licenses	2,802	3,649	38,449
Columbus Software subscriptions	13,891	14,775	55,527
Columbus Cloud	5,562	4,009	24,002
External licenses	27,224	17,020	75,153
External subscriptions	45,528	45,861	200,588
External cloud	11,170	7,102	35,511
Services	396,584	379,729	1,468,533
Other	7,350	10,328	33,921
<b>Total net revenue</b>	<b>510,111</b>	<b>482,473</b>	<b>1,931,684</b>
EBITDA before share-based payment	54,505	61,467	243,540
Share-based payment	-1,216	-998	-5,470
<b>EBITDA</b>	<b>53,289</b>	<b>60,469</b>	<b>238,070</b>

Ib Kunøe  
Chairman  
Columbus A/S

Thomas Honoré  
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Columbus A/S

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## Income statement

DKK '000	YTD 2020	YTD 2019	2019
Net revenue	510,111	482,473	1,931,684
External project costs	-101,983	-95,827	-437,107
<b>Gross profit</b>	<b>408,128</b>	<b>386,646</b>	<b>1,494,577</b>
Staff expenses and remuneration	-301,325	-283,935	-1,136,911
Other external costs	-52,302	-41,739	-192,567
Other operating income	14	497	78,474
Other operating costs	-10	-2	-33
<b>EBITDA before share-based payment</b>	<b>54,505</b>	<b>61,467</b>	<b>243,540</b>
Share-based payment	-1,216	-998	-5,470
<b>EBITDA</b>	<b>53,289</b>	<b>60,469</b>	<b>238,070</b>
Depreciation, amortization and impairment	-23,522	-22,092	-178,882
<b>Operating profit (EBIT)</b>	<b>29,767</b>	<b>38,377</b>	<b>59,188</b>
Financial income	544	760	590
Financial expenses	-1,972	-3,411	-11,042
<b>Profit before tax</b>	<b>28,339</b>	<b>35,726</b>	<b>48,736</b>

## Balance sheet

DKK '000	YTD 2020	YTD 2019	2019
<b>ASSETS</b>			
Goodwill	833,786	935,109	845,774
Customer base	54,221	60,871	50,933
Other intangible assets	10,012	6,289	10,565
Development projects finalized	72,569	71,985	78,852
Development projects in progress	13,813	9,767	6,066
Property, plant and equipment	11,694	23,811	12,248
Right-of-use assets	98,991	101,052	85,927
Deferred tax assets	27,981	22,031	26,737
Other receivables	7,660	7,493	7,466
<b>Total non-current assets</b>	<b>1,130,726</b>	<b>1,238,407</b>	<b>1,124,568</b>
Inventories	0	66	0
Trade receivables	287,477	334,499	307,231
Contract assets	34,899	38,879	28,605
Corporate tax receivables	7,338	7,659	1,360
Deferred tax assets	4,878	7,595	2,812
Other receivables	8,619	19,640	16,564
Prepayments	23,923	23,836	26,113
<b>Receivables</b>	<b>367,134</b>	<b>432,108</b>	<b>382,685</b>
Cash	118,746	114,085	147,264
<b>Total current assets</b>	<b>485,880</b>	<b>546,258</b>	<b>529,949</b>
<b>TOTAL ASSETS</b>	<b>1,616,606</b>	<b>1,784,665</b>	<b>1,654,517</b>

## Balance sheet

DKK '000	YTD 2020	YTD 2019	2019
<b>EQUITY AND LIABILITIES</b>			
Share capital	155,778	155,778	155,778
Reserves on foreign currency translation	-84,587	-26,475	-40,365
Retained profit	584,531	558,071	549,941
<b>Group shareholders' equity</b>	<b>655,722</b>	<b>687,374</b>	<b>665,354</b>
Minority interests	2,924	3,281	3,126
<b>Equity</b>	<b>658,646</b>	<b>690,655</b>	<b>668,480</b>
Deferred tax	22,085	20,040	26,296
Other provisions	40,716	14,825	28,635
Contingent consideration	0	219,508	157,850
Debt to credit institutions	169,708	183,230	176,000
Lease liability right-of-use assets	74,460	70,602	58,911
<b>Non-current liabilities</b>	<b>306,969</b>	<b>508,205</b>	<b>447,692</b>
Debt to credit institutions	2,750	13,738	0
Contingent consideration	161,037	87,156	0
Contract liabilities	18,489	25,798	17,727
Trade payables	59,937	75,312	85,618
Corporate tax payables	12,567	5,582	5,127
Other Payables	283,122	263,276	314,141
Accruals	79,446	79,327	82,872
Lease liability right-of-use assets	33,643	35,616	32,860
<b>Current liabilities</b>	<b>650,991</b>	<b>585,805</b>	<b>538,345</b>
<b>Total liabilities</b>	<b>957,960</b>	<b>1,094,010</b>	<b>986,037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,616,606</b>	<b>1,784,665</b>	<b>1,654,517</b>

## Segment data

In order to support decisions about allocation of resources and assessment of performance of the segments, the Group's internal reporting to the Board of Directors of the Parent Company is based on the following grouping of operating segments:

Strategic business areas	Description	Geographical segment
ISV (Independent Software Vendor)	Development and sale of industry-specific software within Columbus' three focus industries: Retail, food and manufacturing	No specific area
		Western Europe
		Eastern Europe
Consultancy	Sale, implementation and service of standard business systems.	North America

Information about the Group's segments is stated below.

DKK '000	ISV	Consultancy			HQ, GDC and Eliminations	Total
		Western Europe	Eastern Europe	North America		
<b>YTD 2020</b>						
Columbus Software licenses	1,689	889	254	301	-331	2,802
Columbus Software subscriptions	11,221	4,530	280	1,287	-3,427	13,891
Columbus cloud	4,748	1,696	359	0	-1,241	5,562
External licenses	738	16,189	3,255	6,039	1,003	27,224
External subscriptions	2,422	20,281	4,197	20,174	-1,546	45,528
External cloud	520	4,738	381	4,678	853	11,170
Services	16,907	326,567	27,867	37,712	-12,469	396,584
Other	391	7,176	201	587	-1,005	7,350
<b>Total net revenue</b>	<b>38,636</b>	<b>382,066</b>	<b>36,794</b>	<b>70,778</b>	<b>-18,163</b>	<b>510,111</b>
Gross profit	33,032	300,199	29,029	44,026	1,842	408,128
EBITDA	17,500	45,924	2,009	1,187	-13,331	53,289

DKK '000	ISV	Consultancy			HQ, GDC and Eliminations	Total
		Western Europe	Eastern Europe	North America		
<b>YTD 2019</b>						
Columbus Software licenses	2,624	1,369	128	390	-862	3,649
Columbus Software subscriptions	12,412	4,213	208	1,282	-3,340	14,775
Columbus cloud	3,102	1,787	118	0	-998	4,009
External licenses	624	10,051	2,360	4,575	-590	17,020
External subscriptions	1,963	19,968	3,515	21,705	-1,290	45,861
External cloud	504	2,599	199	3,800	0	7,102
Services	13,221	306,024	25,506	44,531	-9,553	379,729
Other	236	9,282	435	1,101	-726	10,328
<b>Total net revenue</b>	<b>34,686</b>	<b>355,293</b>	<b>32,469</b>	<b>77,384</b>	<b>-17,359</b>	<b>482,473</b>
Gross profit	30,759	273,728	26,447	49,952	5,760	386,646
EBITDA	15,506	50,845	2,589	1,202	-9,673	60,469