

Release no. 20/2019

## Interim Management Statement Q3 2019

# Columbus delivers organic growth and strong EBITDA in Q3

In the first three quarters of 2019 Columbus delivered an organic revenue growth of 3% and an increase in EBITDA of 48%. The revenue growth is primarily driven by Commerce, Columbus Care, M3 and increased sale of cloud services. Columbus maintains guidance for the year.

In accordance with the regulations for listed companies' submission of interim statements, Columbus A/S hereby submits the interim management statement for the period 01.01.2019-30.09.2019 (9 months).

### Organic growth of 3%

Revenue in Q3 YTD 2019 amounted to DKK 1,400m (Q3 YTD 2018: DKK 1,382m), corresponding to an increase of 1% compared to the same period last year. Isolated for the SAP ERP Business and Columbus Latvia divested in 2018 (constituting DKK 19.8m), Columbus delivered an organic growth of 3%.

In general, all Columbus' business units delivered growth in Q3 YTD, where especially Columbus Care, Commerce and Columbus M3 business units showed strong progress with double-digit growth.

The sale of cloud services continued to show strong growth due to the increasing conversion to cloud-based solutions.

EBITDA increased from DKK 112m to DKK 165m, a growth of 48%.

Adjusted for the IFRS16 effect, EBITDA increased by 19% to DKK 133m. EBITDA is positively affected by other operating income and negatively affected by a provision for a customer engagement.

The result before tax increased by 42% to DKK 94m. Revenue and EBITDA were not significantly impacted by currency fluctuations.

In Q3 isolated, revenue grew by 5% driven by 6% growth in the services business. We see organic growth in all our business units, except Columbus US and Columbus Norway.

### Progress in the services business

In Q3 YTD, the service revenue increased by 4% organically (without the divested SAP ERP business). Reported growth is 2%. The increase in the service revenue was primarily driven by increased sale of

Columbus Care services and a general progress in the services business where especially the business areas M3 and Commerce showed strong progress.

Chargeable hours constituted 52% in Q3 YTD (2018: 54%). The decline is primarily caused by lower efficiency in Russia and UK.

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

### Cloud sales increased by 54%

Columbus Software declined by 10% in Q3 YTD. The sale of perpetual license declined by 44% and subscriptions declined by 5%.

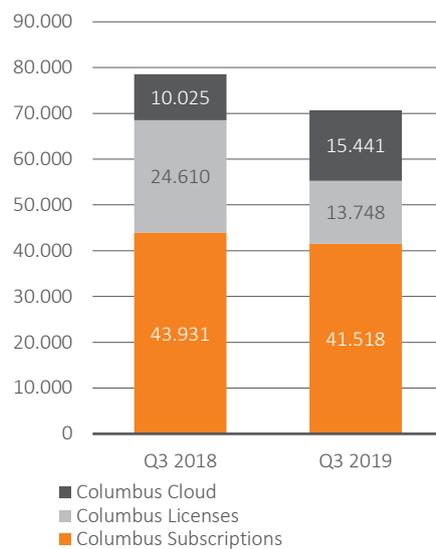
Sale of Columbus Cloud increased by 54% which is a strong progress.

We expect to pick up the software sales in Q4 due to a strong pipeline and some large deals in process.

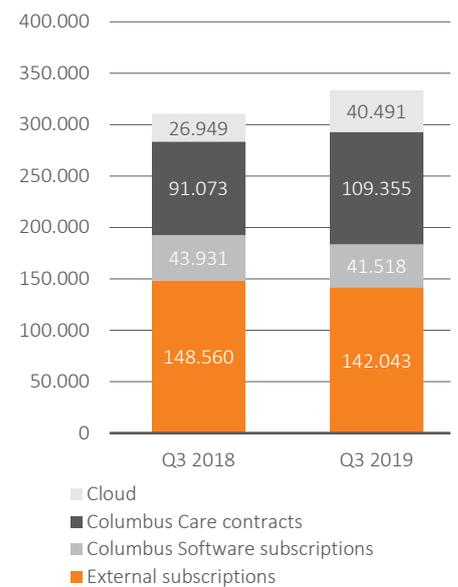
**Development in service revenue**



**Development in sale of Columbus Software**



**Development in recurring revenue**



**Recovery of Columbus US according to plan**

We are in the process of a turnaround led by our new CEO Chris Alagna. The turnaround will address sales and marketing execution, delivery organization and digital leadership offerings. We expect to see declining revenue continuing for the rest of 2019 with positive revenue and EBITDA growth during 2020.

**Challenging customer engagement**

Columbus Norway is challenged by a customer engagement, which was part of the acquisition of iStone. The development in the project means that we have made necessary provisions in order to complete the project. In addition, we have further strengthened the staffing and management of the project.

**Columbus UK maintains momentum despite the Brexit uncertainty**

Despite the Brexit uncertainty the UK business unit maintains their strong market position and with a strong Q3 delivering 4% growth, Columbus UK is back in positive growth. In local currency the growth was 5% in Q3.

**Progress in 9 Doors to Digital Leadership**

The sale of the new business areas continues to deliver growth, where especially Analytics & Business Insight, M3 services and Customer Experience show strong growth numbers.

During Q3, we launched more services addressing industry specific business pain points.

**Progress in the sale of Columbus Cloud**

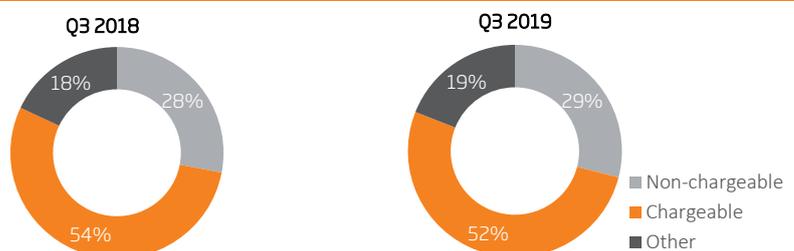
The sale of Columbus Cloud continued to show good progress. In Q3 YTD Columbus Cloud delivered a total revenue growth of 54%.

In Q3 YTD, we increased our cloud contract value by 78%. As the sale of cloud subscriptions is recognized on an ongoing basis instead of upfront at the time of sale and delivery, we are not able to fully recognize the revenue.

However, cloud sales will bring revenue going forward, ensuring a growth in recurring revenue.



**Development in the consultancy business**



### Columbus Care and cloud drive growth in recurring revenue

In Q3 YTD 2019 recurring revenue increased by 7% and constituted 24% of the total revenue. The progress was driven by a considerable increase in sale of Columbus Care contracts of 20% as well as an increase in total cloud revenue of 50%.

### Columbus maintains the announced expectations to 2019

- Revenue in the level of DKK 2bn
- EBITDA in the level of DKK 240m
- Columbus Software revenue in the level of DKK 110m
- 10% dividend on nominal share capital

### Latest developments

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

"I am very satisfied with the announced results, as we have delivered organic growth and strong EBITDA growth. Overall, we see strong growth across our Business Units and in our new business areas within the 9 Doors to Digital Leadership with new growth opportunities for us to pursue", says CEO and President in Columbus, Thomas Honoré.

### Investor presentation

Columbus' Executive Board will present the results for Q3 2019 at a conference call today at 13:00 CET.

Please use the following dial-in numbers:

Denmark: +45 32 72 04 17

UK/International: +44 (0) 844 481 9752

USA: +1 6467413167

Conference ID: 9489276

It is also possible to follow the online webcast via this link: <https://edge.media-server.com/mmc/p/3qjqvrs4>

A recorded version of the presentation will be available on the website after the webcast has concluded:  
[www.columbusglobal.com](http://www.columbusglobal.com).

DKK '000	YTD 2019	YTD 2018	2018
Columbus Software licenses	13,748	24,610	29,373
Columbus Software subscriptions	41,518	43,931	57,949
Columbus Cloud	15,441	10,025	15,547
External licenses	51,967	52,449	74,029
External subscriptions	142,043	148,560	206,658
External cloud	25,050	16,924	24,095
Services	1,083,428	1,063,261	1,432,109
Other	26,779	22,074	35,492
<b>Total net revenue</b>	<b>1,399,974</b>	<b>1,381,834</b>	<b>1,875,252</b>
EBITDA before share-based payment	167,849	119,019	181,183
Share-based payment	-2,995	-7,392	-9,774
<b>EBITDA</b>	<b>164,854</b>	<b>111,627</b>	<b>171,409</b>

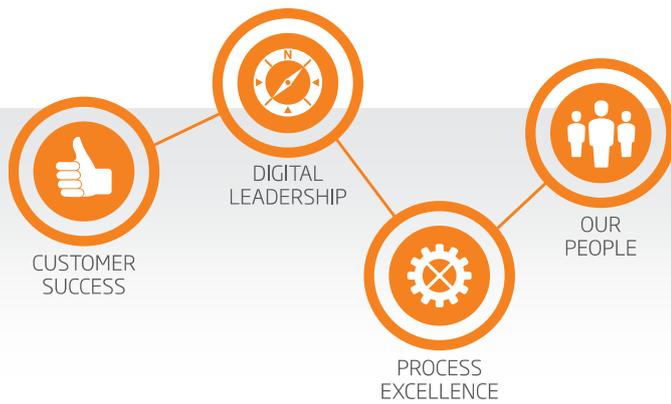
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## Columbus' Columbus2020 strategy – towards growth

Based on Columbus' strengthened position, as a result of successful execution of the Columbus<sup>15</sup> strategy, the company launched a growth strategy in March. The strategy is named Columbus2020 and consists of four interconnected strategic elements.



### Customer Success – Taking care of our customers for life

Columbus' fundamental goal is to take care of our customers for life. Columbus aims to be widely recognized as a strategic business partner that enhances our customer's success by improving the value realization of

their ERP investments and by leading them in the digital transformation of their business. This means that Columbus will intensify the focus on creating a unique customer experience and increase customer

satisfaction from the customer meet Columbus for the first time to delivering unique solutions, high quality services and streamlined project delivery and support 24/7.



### Digital Leadership – Accelerate business innovation

Columbus helps our customers in the digital transformation of their business. With Digital Leadership Columbus has two focus areas. Firstly, Columbus will continue to strengthen our leadership position within ERP by investing in new companies, applications,

methodologies and business processes that optimizes and improves the implementation of ERP-solutions. Secondly, Columbus will establish a leadership position within Digital Transformation. Many companies are about to or in the process of transforming their

business in order to succeed in the digital economy. Columbus will develop solutions and services within cloud, mobile, social, analytics and Internet of Things that help companies take advantage of the digital opportunities.



### Process Excellence – Quality in everything we do

In Columbus, we constantly strive to optimize and streamline our business operations in order to achieve strong sales excellence and deliver projects, services and support of high

quality to our customers. Our goal is to create the best customer experience in the industry. The focal point is quality in everything we do – from the initial contact with customers,

over sales and design of the business solution to the implementation process and lifetime support. This means an intense focus on optimizing and streamlining our processes globally.



### Our People – Attract, develop and retain the best people

Columbus' greatest asset is our employees and therefore it is crucial that we attract and retain the best people in the industry. We want to attract highly skilled people by

providing challenging career opportunities, attractive working conditions and professional and personal growth. Columbus want to create a customer culture, where

meeting the customers' expectations sets the direction in everything we do. This means that Columbus always strives to deliver projects on time, within budget and at the highest quality.

## Income statement

DKK '000	YTD 2019	YTD 2018	2018
Net revenue	1,399,975	1,381,834	1,875,252
External project costs	-334,099	-293,225	-391,276
<b>Gross profit</b>	<b>1,065,876</b>	<b>1,088,609</b>	<b>1,483,976</b>
Staff expenses and remuneration	-837,843	-813,397	-1,091,192
Other external costs	-132,842	-160,812	-220,048
Other operating income <sup>1</sup>	72,686	4,619	8,472
Other operating costs	-27	0	-25
<b>EBITDA before share-based payment</b>	<b>167,849</b>	<b>119,019</b>	<b>181,183</b>
Share-based payment	-2,995	-7,392	-9,774
<b>EBITDA</b>	<b>164,854</b>	<b>111,627</b>	<b>171,409</b>
Depreciation, amortization and impairment <sup>2</sup>	-66,523	-51,717	-63,893
<b>Operating profit (EBIT)</b>	<b>98,331</b>	<b>59,910</b>	<b>107,516</b>
Financial income	2,135	9,102	13,663
Financial expenses	-6,351	-2,786	-5,738
<b>Profit before tax</b>	<b>94,115</b>	<b>66,226</b>	<b>115,441</b>

- 1) Other operating income is related to an expected reduction in contingent consideration debt related to the acquisitions of HiGH Software and iStone.
- 2) Depreciation, amortization and impairment contain depreciations of right-of-use assets in the amount of DKK 28.2m.
- 3) Financial expenses include interest expenses of right-of-use assets in the amount of DKK 3.5m.

## Balance sheet

DKK '000	YTD 2019	YTD 2018	2018
<b>ASSETS</b>			
Goodwill	929,404	896,959	933,872
Customer base	53,617	67,403	64,350
Other intangible assets	8,143	1,750	6,661
Development projects finalized	56,723	65,744	67,480
Development projects in progress	26,481	10,068	11,723
Property, plant and equipment	22,935	25,142	24,190
Right-of-use assets	85,964	0	0
Deferred tax assets	26,929	21,344	24,389
Other receivables	7,485	7,009	8,289
<b>Total non-current assets</b>	<b>1,217,682</b>	<b>1,095,418</b>	<b>1,140,954</b>
Inventories	0	7	5
Trade receivables	268,086	260,394	316,111
Contract assets	31,093	26,750	25,317
Corporate tax receivables	8,978	6,468	1,278
Deferred tax assets	7,595	3,532	4,521
Other receivables	15,218	9,753	11,327
Prepayments	24,981	33,202	25,136
<b>Receivables</b>	<b>355,951</b>	<b>340,099</b>	<b>383,690</b>
Cash	101,181	83,086	108,909
<b>Total current assets</b>	<b>457,132</b>	<b>423,192</b>	<b>492,604</b>
<b>TOTAL ASSETS</b>	<b>1,674,814</b>	<b>1,518,610</b>	<b>1,633,558</b>

## Balance sheet

DKK '000	YTD 2019	YTD 2018	2018
<b>EQUITY AND LIABILITIES</b>			
Share capital	155,778	152,234	152,234
Reserves on foreign currency translation	-53,303	-45,468	-44,503
Retained profit	613,079	485,557	528,608
<b>Group shareholders' equity</b>	<b>715,554</b>	<b>592,323</b>	<b>636,339</b>
Minority interests	2,609	3,743	3,381
<b>Equity</b>	<b>718,163</b>	<b>596,066</b>	<b>639,720</b>
Deferred tax	21,337	27,120	25,016
Other provisions	42,710	0	12,015
Contingent consideration	143,250	225,968	227,259
Debt to credit institutions	182,484	184,608	184,270
Lease liability right-of-use assets	59,058	0	0
<b>Non-current liabilities</b>	<b>448,839</b>	<b>437,696</b>	<b>448,560</b>
Debt to credit institutions	23,423	6,857	7,494
Contract liabilities	24,564	17,766	30,745
Trade payables	71,097	64,382	105,585
Corporate tax payables	5,212	4,365	4,514
Other Payables	293,332	325,512	323,734
Accruals	57,344	65,966	73,206
Lease liability right-of-use assets	32,840	0	0
<b>Current liabilities</b>	<b>507,812</b>	<b>484,848</b>	<b>545,278</b>
<b>Total liabilities</b>	<b>956,651</b>	<b>922,544</b>	<b>993,838</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,674,814</b>	<b>1,518,610</b>	<b>1,633,558</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
Consultancy	Sale, implementation and service of standard business systems.	Western Europe Eastern Europe 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 2019</b>						
Columbus Software licenses	10,191	2,718	2,633	1,062	-2,856	13,748
Columbus Software subscriptions	35,632	11,259	1,022	4,051	-10,446	41,518
Columbus cloud	13,165	5,174	465	153	-3,516	15,441
External licenses	1,564	30,142	7,360	14,933	-2,032	51,967
External subscriptions	7,914	60,242	12,676	65,294	-4,083	142,043
External cloud	1,797	11,163	688	11,721	-319	25,050
Services	41,429	861,776	78,377	130,553	-28,707	1,083,428
Other	1,813	24,119	722	2,538	-2,413	26,779
<b>Total net revenue</b>	<b>113,505</b>	<b>1,006,593</b>	<b>103,943</b>	<b>230,305</b>	<b>-54,372</b>	<b>1,399,975</b>
Gross profit	97,055	722,171	83,066	147,829	15,755	1,065,876
EBITDA	46,491	130,411	9,722	4,915	-26,685	164,854

DKK '000	ISV	Consultancy			HQ, GDC and Eliminations	Total
		Western Europe	Eastern Europe	North America		
<b>YTD 2018</b>						
Columbus Software licenses	18,876	7,510	2,990	1,918	-6,684	24,610
Columbus Software subscriptions	39,986	11,764	1,072	3,520	-12,411	43,931
Columbus cloud	8,855	3,304	160	26	-2,320	10,025
External licenses	1,813	30,568	3,902	17,344	-1,178	52,449
External subscriptions	6,409	62,161	13,177	70,410	-3,597	148,560
External cloud	577	6,568	317	9,475	-13	16,924
Services	42,922	813,013	72,934	158,167	-23,775	1,063,261
Other	583	17,635	1,631	3,554	-1,329	22,074
<b>Total net revenue</b>	<b>120,021</b>	<b>952,523</b>	<b>96,183</b>	<b>264,414</b>	<b>-51,307</b>	<b>1,381,834</b>
Gross profit	104,923	720,975	76,505	177,012	9,194	1,088,609
EBITDA	47,799	72,668	7,957	16,949	-33,746	111,627