

Release no. 2/2019

## Company announcement

# Columbus delivered 54% growth in revenue in 2018

In 2018, Columbus progressed with the integration of iStone and HiGH Software while launching a new innovative solution and services portfolio. Revenue grew by 54% to DKK 1.9bn and EBITDA\* increased by 22% amounting to DKK 181m.

Columbus A/S has today published the Annual Report 2018, cf. release no. 1/2019.

In 2018 Columbus delivered a revenue of DKK 1.9bn, and EBITDA\* of DKK 181m, corresponding to an increase of 54% and 22%, respectively, compared to 2017. The result after tax increased by 1% to DKK 97m.

The revenue growth was primarily driven by the acquisitions of iStone and HiGH Software and secondly by the increased sale of Columbus Software.

The increase in EBITDA\* was primarily due to the mentioned acquisitions, cost reduction in the US business and the increase in sale of Columbus Software.

Based on the result for the year and cash flow, the Board of Directors proposes that the General Meeting adopts a dividend payment of 10% of the nominal share capital.

### Management initiatives in 2018

- Execution of the Columbus2020 strategy
- Grow organically
- Integration of iStone
- Integration of HiGH Software
- Recovery of the US business

### Execution of Columbus2020: Investment for growth

2018 was the year of innovation in Columbus. Under the framework of 9 Doors to Digital Leadership® (our new service catalogue). Columbus has

extended its core traditional ERP competence to address the customers' entire business challenges, thus enabling us to expand our customer base and reach out to new markets.

In 2018, Columbus released the first five of the 9 Doors to Digital Leadership®, comprising Analytics & Business Insight, Customer Experience, ERP services and Columbus Care Application and Infrastructure Management.

We have invested significantly in strengthening our global delivery capacity within these new services, thus expanding our Global Delivery Center, which now has 300 employees. This team leads the development and implementation of the 9 Doors to Digital Leadership® on a global scale.

The 9 Doors to Digital Leadership® will be the major organic growth engine in 2019 and beyond.

### Successful integration of iStone and HiGH Software

Columbus has successfully executed the first phase of the 3-year integration plan for iStone, which has confirmed the expected synergies in relation to markets, customers, solution portfolio, organization and delivery capacity. iStone delivered strong results, especially growing the Commerce, Infor M3 and Application Management businesses. HiGH Software has successfully been fully integrated in Columbus, and the DynaRent and DynaLease solutions are integrated into Columbus' product portfolio and have shown strong growth in 2018.

### Recovery of the US business

As expected, Columbus' US Business Unit continued to face challenges during 2018. Therefore, we saw an overall revenue decline of 13% in local currency compared to last year. However, as the overall cost level has been adjusted, and as we did not face any significant losses on projects like in 2017, the US business was able to increase EBITDA by 166%. The management continues to have thorough focus on improving revenue and margins.

### Financial statements for 2018

The revenue increased by 54% to DKK 1.9bn in 2018. In local currency revenue increased by 56%. Revenue is in the lower end of our expectations.

EBITDA\* increased by 22% to DKK 181m and is impacted by a non-recurring income of DKK 6.5m. In local currency, EBITDA\* increased by 24%.

The revenue from Columbus' services business increased by 74% to DKK 1.4bn. The billing rate of service hours increased from 52% to 54%.

The revenue from Columbus Software increased by 24% to DKK 103m (2017: DKK 83m). This development is in line with our expectations.

External license revenue declined by 22% to DKK 74m despite acquisitions. External Cloud revenue grew by 161% to DKK 24m, but has not grown enough to offset the decline in perpetual licenses sales.

Recurring revenue increased from DKK 338m to DKK 426m, an increase of 26%. The increase is due to a good progress in sale of Columbus Care, Cloud and the acquisitions. The recurring revenue constituted 23% of the total revenue compared to 28% in 2017.

The decrease is primarily due to the acquisition of iStone as iStone had less recurring revenue compared to Columbus. The development is in line with our expectations.

EBITDA after share-based payment increased by 17% to DKK 171m (2017: DKK 146m). Profit after tax increased by 1% to DKK 97m (2017 DKK 96m) and is considered satisfactory.

### Expectations for 2019

Columbus' main goal for 2019 is to achieve organic growth through selling the 9 Doors to Digital Leadership®. We will continue to have a strong focus on developing and selling our ERP services and solutions while extending our portfolio with new solutions.

### Management priorities for 2019

- Execute the Columbus2020 strategy
- Integration of iStone
- Grow organically with the 9 Doors to Digital Leadership®

- Recovery of the US Business

### IFRS 16 impact

IFRS 16 "Leasing" is expected to have an impact on EBITDA of DKK 36m. This will impact the expected EBITDA margin by 1.7 percentage points. Profit before taxes will be slightly negatively impacted by DKK -0.2m. The guidance for 2019 and onwards is including the IFRS 16 impact.

### Specific targets for 2019

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

Expected integration cost of DKK 5-10m in relation to integration of iStone and HiGH Software is included in the expectations to EBITDA in 2019.

### Updated long-term targets for 2021

Columbus has updated the long-term guidance for the next three years.

The ambition is to grow the business organically at a compounded average growth rate of 3-5% each year.

In 2018 Columbus realized an EBITDA of DKK 171.4, a margin of 9.1%. Adjusted for the IFRS 16 impact, the EBITDA margin was realized at 10.8% in 2018.

Columbus strives to reach an EBITDA margin of 13% in 2021.

"We are satisfied with the results for 2018, where we delivered increase in revenue and EBITDA while realizing several growth initiatives to fuel for continued growth", says Thomas Honoré, CEO in Columbus.

\*EBITDA before share-based payment

### Investor presentation

Columbus' Executive Board will present the results for 2018 at a conference call today at 13:00 CET.

Please use the following dial-in numbers:

Denmark: +45 32720417

UK/international: +44 (0) 2071 928338

US: +1 646 741 3167

Conference ID: 9368978

It is also possible to follow the online webcast via this link:

<https://edge.media-server.com/m6/p/fhu9pseg>

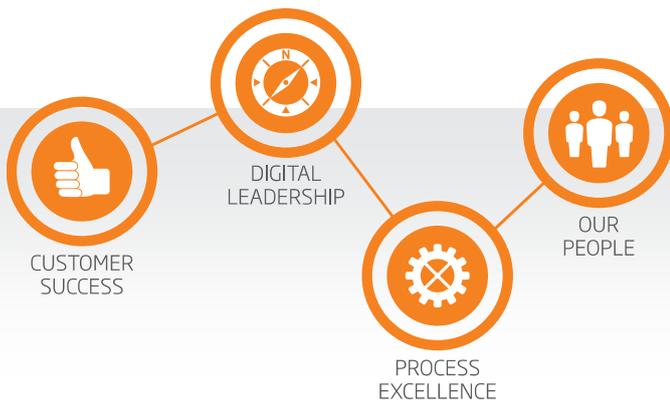
A recorded version of the presentation will be available on the website after the webcast has concluded:  
[www. columbusglobal.com](http://www.columbusglobal.com).

Ib Kunøe  
Chairman  
Columbus A/S

Thomas Honoré  
CEO & President  
Columbus A/S

For further information, please contact:  
CEO & President, Thomas Honoré: +45 70 20 50 00

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## Columbus' Columbus2020 strategy – towards growth

Based on Columbus' strengthened position, as a result of successful execution of the Columbus15 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, and 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 customer's 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.