

Release no. 4/2018

## Company announcement

# Columbus delivered growth in result after tax of 18% in 2018

*Successful execution of the Columbus2020 strategy with a revenue of DKK 1.2bn, a growth of 2%. EBITDA increased by 3% to DKK 149m, and result after tax increased by 18% to DKK 96m.*

Columbus A/S has today published the Annual Report 2017, cf. release no. 3/2018.

In 2017 Columbus delivered a revenue of DKK 1.2bn, and EBITDA\* amounted to DKK 149m, corresponding to an increase of 2% and 3%, respectively, compared to 2016. The result after tax increased by 18% to DKK 96m.

The revenue growth was primarily driven by the emerging cloud business, growth in the services business and acquisitions made in 2016 and 2017.

The increase in EBITDA\* was primarily due to growth in profitability in the services business, which increased by 19%, but was negatively affected by the development in Columbus' business in the US.

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 2017

- Execution of the Columbus2020 strategy
- Execute cloud transition plan
- Acquisitions:
  - Tridea Partners
  - Offer to buy iStone AB
- Recovery initiatives for Columbus US

### Successful execution of Columbus2020

Columbus continued the execution of Columbus2020 as planned. In 2017 Columbus focused particularly on improving customer success and customer loyalty, and during the year the number of loyal customers increased considerably.

In 2017, Columbus launched a range of new services within Application Management and Infrastructure Management, which means that Columbus is now able to support the customers' entire applications and IT infrastructure.

### Cloud market leaders

During 2017, Columbus converted the Company's software portfolio into cloud-based solutions and developed new services to support the customers running their applications in the cloud. Today, Columbus is among the market leaders in implementing business application projects in the cloud.

### Acquisition of iStone

On 30 November, Columbus announced an offer to acquire the Swedish IT services company iStone with 600 employees. The acquisition was completed 2 January 2018. The acquisition will grow Columbus' revenue by approx. 50% and position Columbus as market leader within digital transformation in the Nordic region as well as increase global reach significantly.

### Challenges in Columbus US

During first half of 2017, Columbus' business in the US faced market challenges that led to declining sales. The challenge with the US market has continued through Q4 and we experienced sales execution below expectations and unexpected losses on customer engagements of DKK 4m. Overall the challenges in the US business had a negative impact on revenue of approximately DKK 70 million and a negative impact on EBITDA of approximately DKK 31m. During 2017, the US business has adjusted the cost level in order to compensate for the reduced revenue.

### Financial statements for 2017

The revenue increased by 2% to DKK 1.2bn in 2017. In local currency revenue increased by 3%. EBITDA Error! Bookmark not defined. increased by 3% to DKK 149m. Revenue is in the lower end of the announced expectations.

The revenue from Columbus' services business increased by 3% to DKK 823m. Service EBITDA increased by 19% to DKK 109m which is in the lower end of the announced expectations.

The revenue from Columbus Software decreased by 9% to DKK 83m (2016: 91m). The decrease is due to the cloud conversion, as license sales decreased by 37%. However, sale of subscriptions increased by 7% and own cloud revenue increased by 216% to DKK 6.2m. This development is in line with expectations.

Recurring revenue increased from 25% of total revenue to 28%. The increase is primarily due to an increase in sale of Columbus Care which grew by 43% and growth in the sale of cloud based solutions. The development is in line with the announced expectations.

EBITDA after share-based payment increased by 6% to DKK 146m compared to 2016 (DKK 139m). Profit after tax increased by 18% to DKK 96m (2016 DKK 82m) and is considered satisfactory.

### Expectations for 2018

2018 will be focused on growing the business organically with retained profitability while ensuring a successful integration of iStone and other acquisitions. Management will also have high focus on getting the US business back on track.

### Specific targets for 2018:

- Revenue in the level of DKK 2bn
- EBITDA\* in the level of DKK 200m
- Columbus Software in the level of DKK 90m
- 10% dividend on nominal share capital

Expected integration and restructuring costs of DKK 10-15m in relation to the integration of iStone and HiGH Software are included in the expectations to EBITDA\* for 2018.

### Columbus increases expectations to acquisition price and contribution from the iStone acquisition

At the time of announcement of the iStone acquisition, Columbus expected iStone to deliver revenue in the level of SEK 800m (DKK 600m) and an EBITDA in the level of SEK 41m (DKK 31m) i 2017.

Due to a high activity level and a good final sprint, iStone ended the year better than expected. Thus, the preliminary unaudited financial statements for 2017 for iStone show a revenue of SEK 830m (DKK 623m) and an EBITDA of SEK 56m (DKK 42m).

At closing on 2 January 2018, the total acquisition price for iStone was expected to amount to between SEK 430m (DKK 323m) and SEK 570m (DKK 428m), of which SEK 230m (DKK 173m) was paid at closing. Based on the preliminary result for 2017 and adjusted expectations for 2018, the total acquisition price is expected to increase to between SEK 514m (DKK 386) and SEK 682m (DKK 512m). The increased acquisition price will be paid over the next three years and is expected to be financed by liquidity from operations.

As a consequence of the final sprint and subsequent momentum, iStone is expected to deliver revenue in the level of SEK 840m (DKK 630m) and an EBITDA in the level of SEK 60m (DKK in 45m) in 2018.

### Updated long-term guidance

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

With the acquisition of iStone and HiGH Software Columbus has taken a large step in reaching the financial goals for 2020. With the acquisition of iStone the

Company's focus will be to grow the business organically. The ambition is to grow the business at a compounded average growth rate of 3-5% each year. If Columbus makes any acquisitions during the period, expectations will be adjusted accordingly.

In 2017 Columbus realized an EBITDA margin of 12%. With the acquisition of iStone, the EBITDA margin for 2018 is expected to be in the level of 10%. Columbus maintains long-term guidance of 11% EBITDA margin towards 2020.

"We are satisfied with the result for 2017 where we grew our business while developing and selling a range of new cloud-based solutions helping our customers in the digital transformation. The result has shown that Columbus can deliver on our vision about growth and innovation in a rapidly changing market", says CEO & President in Columbus, Thomas Honoré.

### **Investor presentation**

Columbus' Executive Board will present the results for 2017 at a conference call today at 13:00CET.

Please use the following dial-in numbers:

Denmark: +45 35 15 81 21

UK/international: +44 (0) 330 336 9411

US: +1 323 994 2083

Conference ID 1227866

It is also possible to follow the online webcast via this link: [edge.media-server.com/m6/p/u6fejqs3](https://edge.media-server.com/m6/p/u6fejqs3)

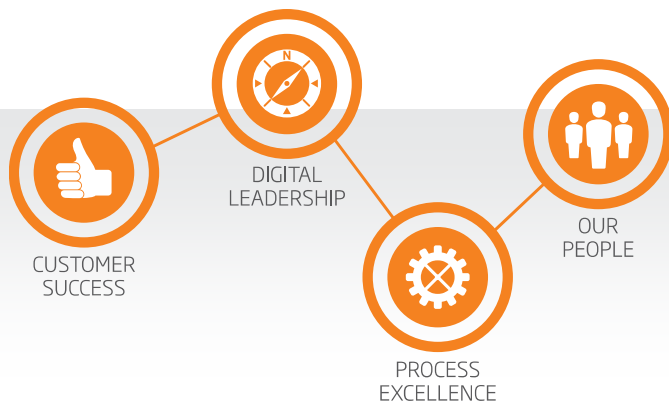
A recorded version of the presentation will be available on the website after the webcast has concluded:  
[www.columbusglobal.com](http://www.columbusglobal.com).

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

# Columbus® | 2020



## 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,

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.