

Release no. 6/2020

Company announcement

2019 results in line with guidance – COVID-19 measures implemented

Columbus achieved 2019 results in line with guidance even though the US business did not perform satisfactorily. The positive development continued in the first two months of 2020; however, realities have changed and implementation of measures to deal with the COVID-19 situation has Columbus' full attention for the wellbeing of employees and customers.

In 2019, Columbus delivered organic growth of 4% amounting to revenues of DKK 1,932m*. EBITDA grew by 15% adjusted for the IFRS 16 effect (39% without adjustment), and Earnings Before Tax amounted to DKK 49m after write down of goodwill of DKK 90m. Outlook for 2020 and long-term guidance will be released when having a better insight into the impact and temporary market slowdown.

Columbus A/S has today published the Annual Report 2019, cf. release no. 5/2020.

In 2019, Columbus delivered a revenue of DKK 1,932m, corresponding to an increase of 4%*. EBITDA increased from DKK 171m to DKK 238m, including IFRS 16 effect of DKK 41m (39%). Adjusted for IFRS 16 effect, EBITDA has increased by 15%.

The earnings before tax amounted to DKK 49m, corresponding to a decrease of 58% compared to 2018.

Compared to guidance for the year:

- Revenue in the level of DKK 2bn
- EBITDA in the level of DKK 240m

The guidance on revenue and EBITDA were met. However, the write down of goodwill in the US was not satisfactory.

“We are content with the results for 2019, where we delivered increase in revenue and EBITDA while succeeding in integrating former iStone, delivering strong growth in new business areas and increasing cloud and recurring revenue.

We foresee a challenging first half of 2020 due to the uncertainty caused by the coronavirus, however we are fully focused on adapting our business and commercial activities to the changing situation, while maintaining our ability to service our customers in the best way possible”, says Thomas Honoré, CEO & President in Columbus.

COVID-19 causes short-term negative impact

Until end of February, our business has shown a good start to the year with overall revenue growth, despite a continued decline in our US business unit.

Since the outbreak of the coronavirus, we are starting to see that our customers are holding back investments due to a temporary production or sales decrease or even shutdown as a direct consequence of the coronavirus.

Columbus expects to see a substantial, short-term negative impact on customer demand which is already starting to materialize in some of our markets.

Columbus has taken steps to ensure the health and safety of our employees, customers and partners while continuing to serve our customers best possible.

As a leading digitalization company, we have broad experience serving our customers digitally. 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.

US market

Our US business had a difficult year in 2019. In Q3 a turnaround process was initiated with a new CEO on board. The market focus in the turnaround plan is to accelerate the transition of customers' business application to cloud business application. With the turnaround plan we assumed that both Revenue and EBITDA should pick up during 2020. We realized in the beginning of March 2020 that the assumed turnaround will be a longer journey than initially assumed, escalated by the COVID-19 situation. As a result of the delay in turnaround the carrying value of recognized

goodwill related to US is impaired by DKK 90m.

The write down will have a negative effect in the profit after tax, which amounts to DKK 21m.

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.

Dividend

In addition, given the current uncertainty, we have decided to suspend the dividend policy to ensure the strongest possible liquidity position of the company.

2019 result in line with guidance

The revenue increased by 3% to DKK 1,932m. Organic growth is 4%.

The revenue from **Columbus Services** business increased by 3% to DKK 1,469m.

The revenue from **Columbus Software** increased by 15% to DKK 118m, which is very satisfying.

The sale of cloud grew by 50% due to the increasing conversion to cloud-based solutions. In addition, the sale of **Columbus Care** services grew by 24%.

Recurring revenue increased from DKK 426m to DKK 466m, which can be explained by good progress in sale of Columbus Care and cloud. The recurring revenue constituted 24% of the total revenue compared to 23% in 2018.

EBITDA increased from DKK 171m to DKK 238m, a growth of 39%. Adjusted for IFRS 16, the increase is 15%.

Earnings before tax decreased by 58% to DKK 49m. The decrease is caused by

the write down of goodwill of DKK 90m in Columbus US.

The Group's balance sheet amounts to DKK 1,655m and the equity to DKK 668m.

Management Initiatives in 2019

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

Progress in new business areas within the 9 Doors to Digital Leadership® as well as iStone integration according to plan. However, recovery of our US business unit is taking longer than expected.

Growth in 9 Doors to Digital Leadership®

The sale within new business areas continued to grow in 2019, where especially Analytics & Business Insights, M3 services, Customer Experience and Columbus Care (Application Management) delivered progress. We developed more services and solutions, thus launching the entire 9 Doors to Digital Leadership® portfolio.

In addition, we have ramped up our global delivery capacity to accelerate the development of the new portfolio, strengthened our customer lead generation and increased our global delivery capacity within 9 Doors to Digital Leadership®.

Successful integration of former iStone

Columbus has successfully completed the second year of the three-year integration period and expects to finalize the integration according to plan.

We continue to see strong synergies and value of the acquisition in relation to markets, customers, solution portfolio, organization and delivery

capacity. The former iStone units delivered strong results, especially growing the M3, Dynamics Sweden and Application Management businesses.

Expectations for 2020

In the first two months of 2020, we have seen a general growth in our business. Our financial performance has been in line with our expectations

Now realities have changed radically. Due to the current market uncertainty caused by the coronavirus, we expect a negative impact on our business and financial performance in the coming months.

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.

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.

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 2019 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: 1059854

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

<https://edge.media-server.com/mmc/p/7g25nfst>

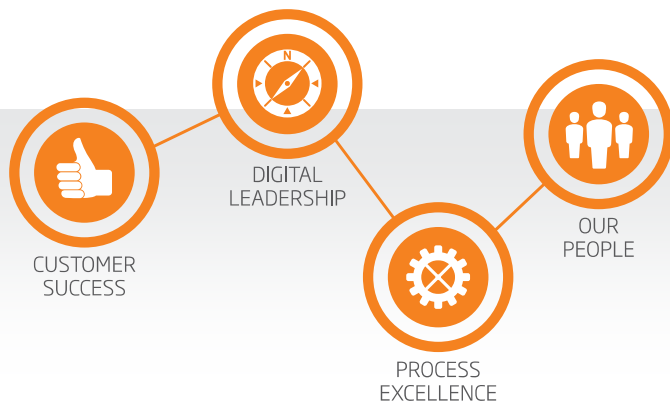
A recorded version of the presentation will be available on the website after the webcast has concluded: [www. Columbusglobal.com](http://www.Columbusglobal.com).

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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.