

# Capital Markets Day

22 March 2018, at 14:00 – 16:00

ABG Sundal Collier



This presentation and related comments contain forward-looking statements. Such statements are subject to many uncertainties and risks, as various factors of which several are beyond Columbus A/S' control, may cause that the actual development and results differ materially from the expectations.

# Welcome & Opening remarks

**iStone.**  
A **Columbus** Company

**Columbus** | Once you  
know how...



# Today's agenda

## **Agenda:**

- Welcome & Opening remarks
- 2017 highlights & Market conditions
- Presentation of iStone
- Strategic rationale for the acquisition
- Stronger Together integration plan
- Financial Guidance
- Questions

## **Speaker:**

Ib Kunøe, Chairman of the Board  
Thomas Honoré, CEO  
Markus Jakobson, MD, iStone Sweden  
Thomas Honoré, CEO  
Thomas Honoré, CEO  
Hans Henrik Thrane, CFO



2017 highlights & Market conditions

# Highlights 2017

## Revenue

**2% growth**

amounting to DKK 1,219m

## EBITDA\*

**3% growth**

amounting to DKK 149m

## Service EBITDA

**19% growth**

amounting to DKK 109m

## Columbus Software

**9% decline**

amounting to DKK 83m

## Profit after tax

**18% growth**

amounting to DKK 96m

## Acquisitions

**Tridea Partners  
Offer to buy iStone**

# Columbus by the numbers



**8,600**

Business applications implementations



**28 years**

of business



**45**

countries with clients running our business applications & services



**1,700,000**

hours of consultancy every year



**50+**

award winning solutions



**4,200**

Customers world-wide



**2,000** employees across 18 countries



**1.8bn**

DKK Market Cap in 2017



**24/7**

global support

# Growth drivers

- Globalization
- Digital transformation
- Customer experience
- Compliance management and risk management
- Mergers and acquisitions
- Secure, sustainable and transparent
- Reduce cost and manage assets

“Columbus is operating in the market for digital transformation, where our customers are investing in business solutions in order to stay profitable, compliant, competitive and relevant.”







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Presentation of iStone

# iStone company facts

**iStone is an Nordic IT corporation with more than 600 employees in 12 countries:**

- Leading within business applications and commerce in Sweden and Norway
- Founded in 2006 with HQ in Stockholm
- Is partly created through acquisitions and has on this basis 236 shareholders
- Represented in the following countries: Sweden, Norway, Denmark, US, UK, Germany, Switzerland, Czech Republic, Spain, Poland, Chile and China.

**iStone.**  
A Columbus® Company

# 5 separate business areas

<b>M3</b>	Among the largest Global Alliance Partner of Infor M3	SECO, Höganäs, Elkem, Sandvik, SKF, IKEA, Lantmännen, TMHE,
<b>Dynamics AX</b>	Leading Microsoft ERP provider in Sweden	SDC, NCC, Trelleborg, Lekolar, Blenta, Biotage, Eton
<b>Commerce</b>	Leader of customized e-commerce solutions in the Nordic market	Maersk Container Industry, Pågen, Lindex, IKEA, H&M, Vinmonopolet
<b>SAP</b>	Implementation of SAP	Sandvik, Försvarsmakten, H&M, Fora AB, Samsung Electronics, Volvo car
<b>AMS</b>	Managed support services within M3, Dynamics and SAP, + 140 customers	Sandvik, Elekta, Elkem, Addtech, TMHE

## Perfect fit with Columbus

- Value proposition
- Industry segments
- Geographically
- Technology
- Culturally
- Size

*“Columbus helps ambitious companies worldwide transform their businesses for the digital age”*

*“iStone creates digital solutions to future-proof your business”*

*”Both companies:  
“Taking care of customers for life”*

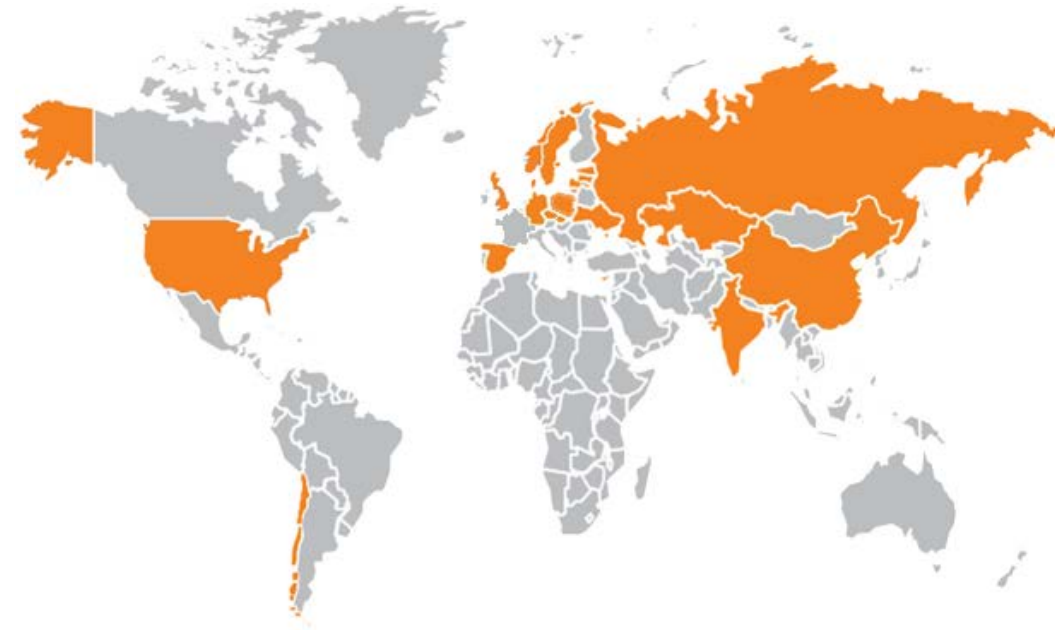




Strategic rationale for the acquisition

# Strategic rationale: Stronger together

- Create a market leading position in the Nordic region
- Extend our solution portfolio with additional technology platforms and solutions
- Strong industry fit within manufacturing and retail, distribution and food
- Realize financial synergies
- Increase global delivery and reach



# Market leader in the Nordic region

- Leading in ERP, Commerce and Application Management in the Nordic region
- Strong presence in Sweden, Norway, Denmark and Baltics with 1,000 consultants
- Columbus to enter Sweden
- Strong footprint in Norway with combined iStone and Columbus business
- Extend the customer base with Commerce offerings



# Strengthening our industry focus

- Joint deep industry focus within manufacturing, retail, distribution and food
- Clear market leader in manufacturing
- Application Management platform expertise in Dynamics, SAP and M3
- Industry process knowledge and industry software

	Columbus	iStone
Food	✓	✓
Retail	✓	✓
Manufacturing	✓	✓
Distribution	✓	✓
Equipment	✗	✓
Fashion	✗	✓
Forestry	✗	✓





# Broader technology competencies

- Additional ERP-platform
  - Offer application solutions on a wider application platform, Infor M3
  - Create a global Infor M3 leader
- Global leader in MS Dynamics
- Great potential to up-sell Columbus Software and Columbus Care

	<b>Columbus</b>	<b>iStone</b>
CRM	Microsoft Columbus	Microsoft SAP Infor M3 Microsoft
BI	Columbus	SAP QlikView Microsoft
ERP	Microsoft Columbus	SAP Infor M3 Infor M3
SCM	Columbus	Optimity
E-Com	Columbus	Intershop EPI, Lithium, Inriver, Hybris

## Expected financial synergies

- Combined back-office, shared service center and marketing
- Accelerate growth by leveraging Columbus Global Delivery Capacity, potential 100-150 FTE's by 2020
- Increase Columbus Software sales
- Synchronize and streamline procedures, processes and methods
- Expand iStone's Commerce business
- Increase EBITDA margin over the next three years





Stronger Together integration plan

# Stronger Together program objectives

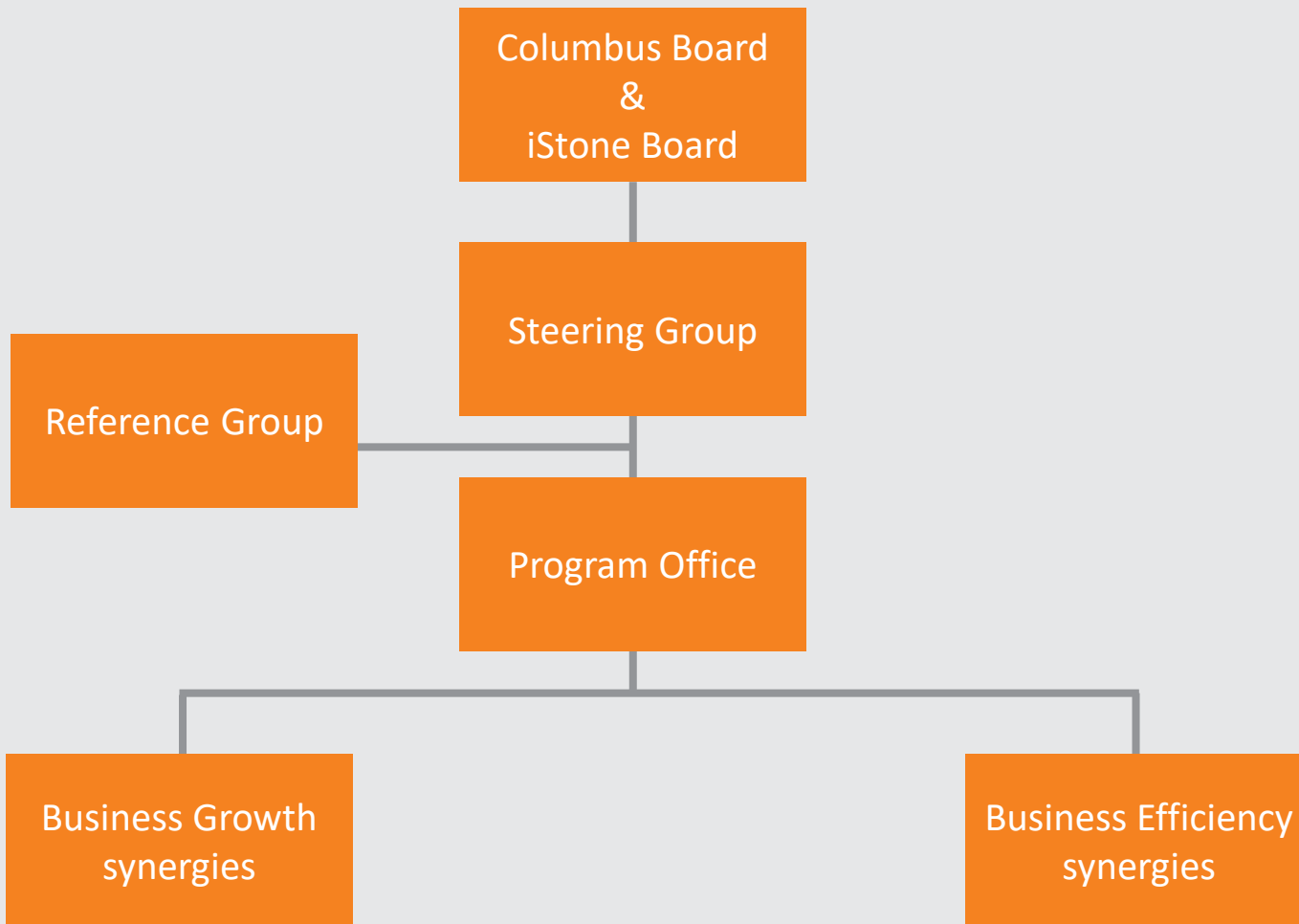
By **1 January 2021** Columbus and iStone should operate as 100% one company:

- One brand
- Realizing financial synergies
- Utilizing Columbus Global Delivery Center
- Common governance and Risk Management policy
- Common culture and company jargon ("Felles känslor")
- Common IT infrastructure and business applications
- Process Excellence with common processes across value streams
- Common HR cycle, including common contract and compensation models
- Organized alignment and simplifying legal structure
- One Dynamics organization in Norway
- One common HQ – virtually across countries



Objectives will be reviewed and approved by Columbus Board and iStone Board

# Governance structure & Key initiatives



**Business Growth synergies:**

- Sell more Columbus Software & Columbus Care to Dynamics customers
- Expand commerce to Columbus markets
- Expand M3 business globally

**Business Efficiency synergies:**

- Leverage Columbus GDC setup
- Headquarter simplification & shared services
- Synchronize methods and tools (PE)



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Financial Guidance

# Expected cost price of iStone

- Adjusted expectations for iStone in 2017:
  - Revenue in the level of SEK 830m up from SEK 800m
  - EBITDA in the level of SEK 56m up from SEK 41m
- Total acquisition price is adjusted:
  - SEK 514m – SEK 682m  
(adjusted from SEK 430m – SEK 570m)
- The acquisition is structured by:
  - Initially acquisition of 51% of the shares
    - Enterprise Value SEK 230m
    - Financed with bank loan
  - Successive acquisition of the remaining 49% in 2018, 2019 and 2020
    - Average EBITDA multiple of 11 – works as an EBITDA dependent Earn Out
    - Financed with cash flow from operations

# Expected cost price of iStone

	2018	2019	2020	2021	Total Earn Out
Earn Out payment		97.980.000	114.963.200	154.808.400	<b>367.751.600</b>
Adjusted Enterprise value cf. 2017 to be paid 2019-2020		28.053.333	28.053.333	28.053.333	<b>84.160.000</b>
Total payment on EV i SEK	230.000.000	126.033.333	143.016.533	182.861.733	<b>681.911.600</b>
<b>Total payment in SEK</b>					
<b>Currency Hedge SEK/DKK (00)</b>	75,8	73,2	73,0	72,9	
<b>Payment DKK 2018</b>	174.248.000				<b>174.248.000</b>
<b>Earn Out Debt DKK</b>		92.256.400	104.402.069	133.306.204	<b>329.964.673</b>
<b>Anticipated Cash generated SEK 75% af EBITDA</b>	45.000.000	48.000.000	59.250.000		<b>152.250.000</b>



# Capital Structure

	31.12.2017	28.02.2018
Capitalized SW	75.666	86.581
<b>Goodwill</b>	<b>439.342</b>	<b>919.082</b>
<b>Customer Base</b>	<b>27.674</b>	<b>75.882</b>
Tangible fixed AssetsFixed assets	12.645	25.832
<b>Total Fixed assets</b>	<b>555.327</b>	<b>1.107.377</b>
Short term assets	208.203	376.477
Cash	88.235	104.501
<b>Total assets</b>	<b>851.765</b>	<b>1.588.355</b>
Equity	552.145	560.103
Deffered Tax	15.124	29.825
<b>Earn Out Debt</b>	<b>17.104</b>	<b>398.117</b>
Debt Bank	607	183.643
<b>Total Long Term Liabilities</b>	<b>32.835</b>	<b>611.585</b>
Bank - line of credit	8.810	27.861
Other Current Liabilities	257.975	388.806
<b>Total Liabilities</b>	<b>851.765</b>	<b>1.588.355</b>
<b>Solvency</b>	<b>65%</b>	<b>35%</b>



# Financial guidance for 2018

**Revenue**, in the range of

**DKK 2bn**

Corresponding to a growth of 64%

**EBITDA\***, in the range of

**DKK 200m**

Corresponding to a growth of 35%

**Software revenue**, in the range of

**DKK 90m**

**Dividend**

**10% dividend**

on nominal share capital

Short-term guidance



# Long-term guidance for 2020

## Revenue

**3-5% growth**

average per year organically

## Recurring revenue

**25%**

of total revenue in 2020

## EBITDA\*

**11%**

EBITDA margin

## Dividend

**10% pay-out**

of nominal value each year



Long-term guidance

# Composition of 2018 guidance

	Revenue DKKm	EBITDA* DKKm	EBITDA margin
Columbus 2017	1219	148.5	12.2%
Non-recurring	-	6.8	
	1219	141.7	11.6%
Organic growth 8%	100	15.3	
Columbus organic	1319	157	11.9%
High Software	51	8	15.7%
iStone	630	45	7.1%
	2,000	210	10.5%
Integration cost (DKK 10-15m)	-	-10	
	2,000	200	10.0%

# Questions





**Columbus**<sup>®</sup> | Once you  
know how...