

Release no. 13/2016

## Interim Management Statement Q1 2016

# Columbus delivered a good start to the year with 15% revenue growth

In accordance with the regulations for listed companies' submission of interim statements, Columbus A/S hereby submits the interim management statement for the period 01.01.2016-31.03.2016 (3 months).

### **Strong growth driven by the services business**

Revenue in Q1 2016 amounted to DKK 275m (2015: DKK 240m), corresponding to an increase of 15% compared to the same period last year. EBITDA<sup>1</sup> amounted to DKK 26m (2015: DKK 14m), corresponding to an increase of 85%.

The revenue growth is primarily affected by acquisitions made in 2015 and 2016. Besides, we see a solid growth in the services business, mainly in Columbus' US business.

The increase in EBITDA is partly driven by the effect of acquisitions, and partly by a significant growth in the profitability in the services business.

The improvement of the profitability is partly driven by considerable cost reductions in Norway and partly by a significant improvement in chargeable hours in both Norway and the US.

The development in Norway and the US is in line with expectations and is a result of the recovery plans initiated by the Group in 2015.

### **Financial value drivers (KPI's)**

In connection with Columbus' new five-year strategy, the Group has determined three value drivers, which reflect the new strategic direction. The value drivers measure the development in relation to significant success criteria for future growth and value creation.

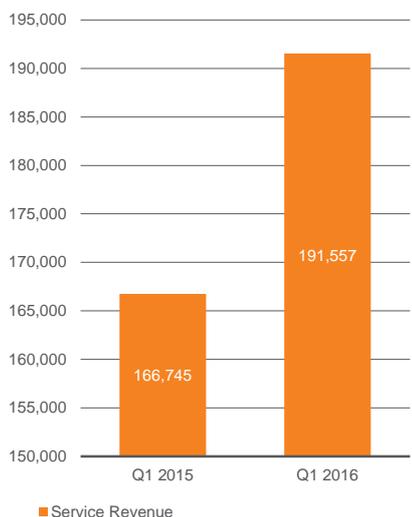
Value drivers:

#### ***1. Improve profitability in the services business***

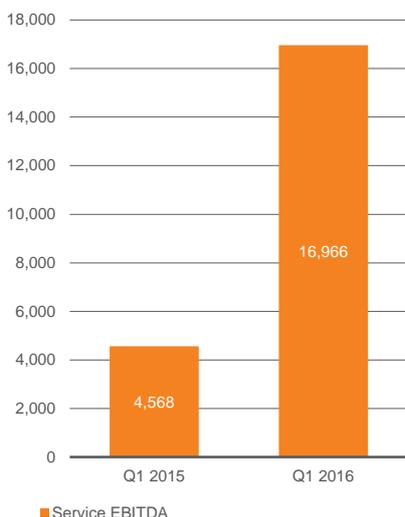
Columbus' services business is the largest revenue contributor in the Group. Columbus aims to deliver higher productivity and quality in the services business to optimize delivery, minimize risk and control cost. The value driver "Service EBITDA" reflects the achievement of this target.

In Q1 2016 the service EBITDA increased from DKK 4.6m to DKK 17.0m, corresponding to an increase of DKK 12.4m. The main reason for this improvement is an increase in chargeable hours from 56% to 60%. The increase primarily comes from the US and Norway, and from the 2015 acquisitions and the acquisition of Systemhosting on 1 February 2016.

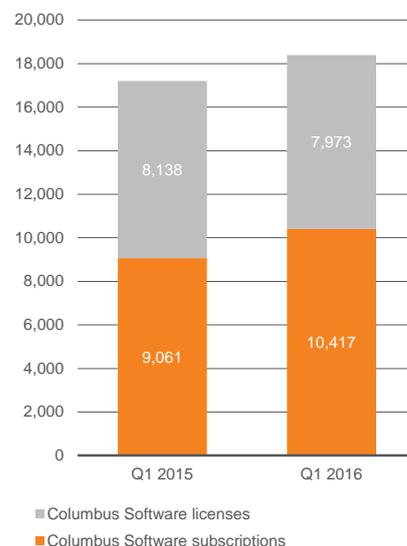
**Development in service revenue**



**Development in service EBITDA**



**Development in sale of Columbus Software**



**2. Scaling of own software sales**

Columbus Software generates high earnings while creating high value for customers. We aim to grow our software sales within Columbus Software licenses, subscriptions and cloud solutions.

In Q1 2016 the sale of Columbus Software increased by 7%. The revenue from Columbus Software subscriptions increased by 15%. Considering the strong sale of Columbus Software in Q1 2015, the development is satisfactory and in line with expectations.

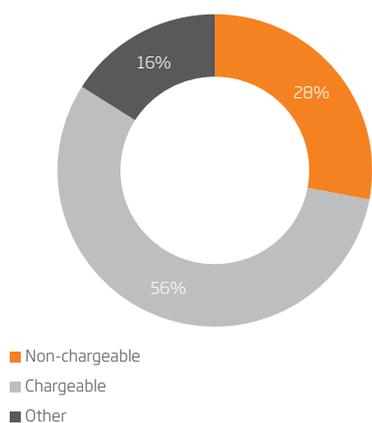
**3. Growth in recurring revenue**

Columbus expects to grow the recurring revenue as this creates more stability in the business. The recurring and predictable revenue consists of Columbus Software subscriptions, third party software subscriptions, cloud revenue and ColumbusCare contracts.

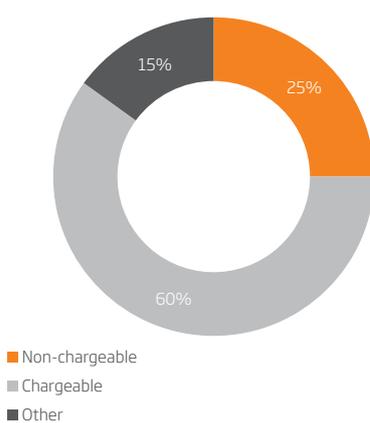
These revenue categories support a positive development in the customer relations, where Columbus becomes the strategic business partner.

Recurring revenue increased by 18%, primarily affected by acquisitions. The proportion of the total revenue is 23% and is at the same level as in Q1 2015. The development is in line with expectations.

**Development in the consultancy business**

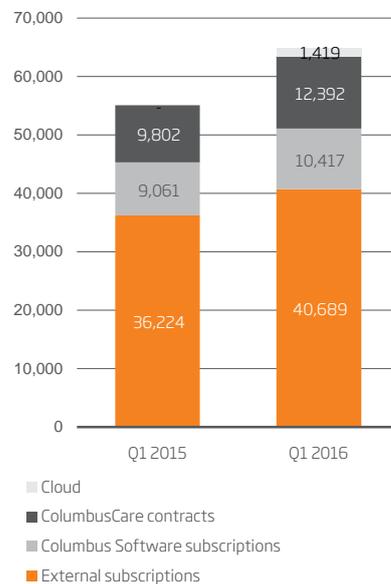


Q1 2015



Q1 2016

**Development in recurring revenue**



DKK '000	Q1 2016	Q1 2015	2015
Columbus licenses	7,973	8,138	52,251
Columbus subscriptions	10,417	9,061	44,530
External licenses	18,210	14,910	107,525
External subscriptions	42,108	36,224	184,524
Consultancy	191,557	166,745	715,545
Other	5,065	4,774	19,068
Total net revenue	275,331	239,852	1,123,443
EBITDA before share-based payment	25,908	14,000	105,225
Share-based payment	-546	-315	-1,362
EBITDA	25,362	13,685	103,863

### Columbus maintains expectations to 2016

Columbus maintains the announced expectations to 2016 and thus expects revenues in the level of DKK 1.2bn and EBITDA<sup>1</sup> in the level of DKK 120m.

### Latest developments

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

Ib Kunøe  
Chairman of the Board  
Columbus A/S

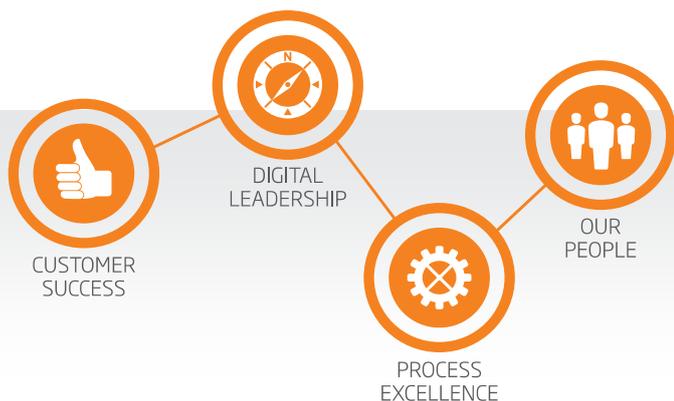
Thomas Honoré  
CEO & President  
Columbus A/S

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### Translation

In the event of any inconsistency between this document and the Danish language version, the Danish language version shall be the governing version.

# 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 help 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

exceeding 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	Q1 2016	Q1 2015	2015
Net revenue	275,331	239,852	1,123,443
External project costs	-52,677	-50,684	-274,962
<b>Gross profit</b>	<b>222,654</b>	<b>189,168</b>	<b>848,481</b>
Staff expenses and remuneration	-160,439	-143,788	-606,755
Other external costs	-36,223	-33,404	-150,013
Other operating income	0	2,082	13,549
Other operating costs	-84	-57	-37
<b>EBITDA before share-based payment</b>	<b>25,908</b>	<b>14,000</b>	<b>105,225</b>
Share-based payment	-546	-315	-1,362
<b>EBITDA</b>	<b>25,362</b>	<b>13,685</b>	<b>103,863</b>
Depreciation	-7,501	-6,000	-29,020
<b>Operating profit (EBIT)</b>	<b>17,861</b>	<b>7,685</b>	<b>74,843</b>
Financial income	90	13,543	9,183
Financial expense	-1,754	-75	-626
<b>Pre-tax earnings</b>	<b>16,197</b>	<b>21,153</b>	<b>83,400</b>

### Financial income and expenses

Financial income and expenses primarily concerns exchange rate adjustments in relation to group receivables and monetary items.

## Balance sheet

DKK '000	Q1 2016	Q1 2015	2015
ASSETS			
Goodwill	339,962	279,145	319,249
Other intangible assets	29,977	20,390	21,604
Development projects finalized	55,781	41,873	56,996
Development projects in progress	5,319	6,620	2,065
<b>Intangible assets</b>	<b>431,039</b>	<b>348,029</b>	<b>399,914</b>
Leasehold improvements	123	135	96
Property, plant and operating equipment	16,170	10,880	12,535
<b>Tangible assets</b>	<b>16,293</b>	<b>11,015</b>	<b>12,631</b>
Deferred tax assets	18,581	12,256	18,951
<b>Total long-term assets</b>	<b>465,913</b>	<b>371,300</b>	<b>431,496</b>
Inventories	1,228	317	1,303
Trade receivables	119,950	155,825	141,710
Contract work in progress	17,858	13,092	11,546
Corporate tax receivables	346	4,475	333
Deferred tax assets	7,500	7,500	7,500
Other receivables	10,368	11,266	12,058
Prepayments	10,622	8,023	9,542
<b>Receivables</b>	<b>166,644</b>	<b>200,180</b>	<b>182,689</b>
Cash	52,333	39,566	82,294
<b>Total short-term assets</b>	<b>220,205</b>	<b>240,063</b>	<b>266,285</b>
<b>TOTAL ASSETS</b>	<b>686,118</b>	<b>611,363</b>	<b>697,781</b>

## Balance sheet

DKK '000	Q1 2016	Q1 2015	2015
<b>EQUITY AND LIABILITIES</b>			
Share capital	142,123	137,831	142,123
Reserves on foreign currency translation	-16,302	-9,553	-11,006
Retained profit	270,400	220,147	255,062
Group shareholder equity	396,221	348,425	386,179
Minority interests	2,791	4,665	2,573
<b>Equity</b>	<b>399,012</b>	<b>353,090</b>	<b>388,752</b>
Deferred tax	6,436	309	6,454
Provisions	13,049	17,461	13,876
<b>Non-current liabilities</b>	<b>19,485</b>	<b>17,770</b>	<b>20,330</b>
Debt to credit institutions	1,302	858	420
Client prepayments	30,077	28,068	43,374
Trade payables	43,080	47,715	68,270
Corporate tax payables	9,528	5,977	10,601
Other liabilities	151,660	132,017	138,723
Accruals	31,974	25,868	27,311
<b>Current liabilities</b>	<b>267,621</b>	<b>240,503</b>	<b>288,699</b>
<b>Total liabilities</b>	<b>287,106</b>	<b>258,273</b>	<b>309,029</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>686,118</b>	<b>611,363</b>	<b>697,781</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
		Western Europe
		Eastern Europe
Consultancy	Sale and implementation of standard business systems.	North America

Information about the Group's segment is stated below.

DKK '000	Consultancy					Total
	ISV	Western Europe	Eastern Europe	North America	HQ, GDC and Eliminations	
Q1 2016						
Columbus licenses	6,678	2,157	378	417	-1,657	7,973
Columbus subscriptions	9,107	2,758	321	1,078	-2,847	10,417
External licenses	0	5,140	2,119	10,964	-13	18,210
External subscriptions	0	15,104	4,807	22,284	-87	42,108
Consultancy	3,869	109,570	20,998	63,389	-6,269	191,557
Other	196	2,330	409	2,082	49	5,066
Total net revenue	19,850	137,059	29,032	100,214	-10,824	275,331
Gross earnings	18,976	105,945	23,011	67,480	7,242	222,654
EBITDA	9,696	13,934	2,427	5,278	-5,973	25,362

DKK '000	Consultancy					Total
	ISV	Western Europe	Eastern Europe	North America	HQ, GDC and Eliminations	
Q1 2015						
	0					
Columbus licenses	5,436	4,477	770	743	-3,288	8,138
Columbus subscriptions	7,725	2,765	383	735	-2,547	9,061
External licenses	0	5,944	1,129	8,282	-445	14,910
External subscriptions	-93	15,343	4,376	16,598	0	36,224
Consultancy	5,107	97,101	23,201	46,080	-4,744	166,745
Other	261	2,199	235	2,038	41	4,774
Total net revenue	18,436	127,829	30,094	74,476	-10,983	239,852
Gross earnings	15,883	97,780	23,933	48,032	3,540	189,168
EBITDA	9,649	8,309	2,099	969	-7,341	13,685