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Columbus delivers 37% growth in earnings in 2016

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Columbus A/S has today published the Annual Report 2016, cf. release no. 5/2017.

In 2016, Columbus delivered a revenue of DKK 1,193m, and EBITDA* amounted to DKK 144m., corresponding to increases of 6% and 37% respectively compared to 2015. The net result for the year increased by 25% to DKK 81.5m.

The revenue growth was primarily driven by a solid growth in the services business and acquisitions made in 2015 and 2016.

The increase in EBITDA* was primarily due to a significant growth in profitability in the services business and secondly due to the effect of the acquisitions made in 2015 and 2016. EBITDA* was also impacted by a non-recurring extraordinary income of DKK 5,6m.

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

A solid start of the Columbus2020 strategy

In March 2016, Columbus announced the company's new five-year strategy Columbus2020. The ambition is to be a leading global value provider of digital business solutions in selected industries.

Columbus continues the optimizing and streamlining of the business to improve customer success and to improve profitability, while investing in new innovative business applications that will drive growth and further strengthen the company's market position.

Cloud transition — a market condition

The shift towards cloud-based solutions started some years ago, however, the cloud transition accelerated in 2016.

This creates significant business opportunities for Columbus, as we together with our partners, can offer complete and compelling industry-based business applications running in the cloud, however, short-term the cloud conversion will cause a decline in revenue and earnings (see below).

Financial value drivers (KPI's) show an upward trend

In connection with Columbus' 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

In 2016 Service Revenue increased by 11% and the Service EBITDA increased from DKK 40m to DKK 91m, an increase of 131%. The main reason for this improvement was an increase in chargeable hours from 55% to 58%, with the greatest progress coming from Columbus Norway and Columbus US.

Acquisitions are also an important contributor to the improved Service EBITDA.

2. Scaling of own software sales

In 2016, Columbus Software decreased by 6% to DKK 91m (2015: DKK 97m). The decline is due to a 15% decline in Columbus Software license sales, while Columbus software subscriptions increased by 5%, due to a strong license sale in 2015. The main reason for the decreasing sale of licenses is that the expected cloud conversion is taking place faster than anticipated. The decline in license sale in 2016 is also due to a very strong sale in 2015.

3. Growth in recurring revenue

In 2016, recurring revenue increased by 11%, primarily affected by the acquisition of the cloud and hosting company SystemHosting A/S, which Columbus acquired in February. The proportion of recurring revenue constitutes 25% of the total revenue in 2016.

Acquisitions in 2016 create critical mass

In February, Columbus acquired SystemHosting A/S, a leading Danish cloud and hosting company with 29 employees and more than 300 customers. In July, Columbus acquired the US consultancy Client Strategy Group, LLC, recognized for their specialized competencies and solutions within ERP. The company has 19 employees. In December, Columbus acquired the UK services company Cambridge Online Systems Ltd, which is a leading IT services and cloud company with a substantial market share within ERP, CRM and cloud. The company has 71 employees.

The integration of the these companies is progressing as planned.

Expectations to 2017 — the progress continues

The expectations for 2017 are summarized below:

- | Revenue in the level of DKK 1.35bn
- | EBITDA* in the level of DKK 150m
- | Columbus Software revenue in the level of DKK 80m
- | Service EBITDA of DKK 140m
- | 10% dividend on nominal share capital

The cloud transition will have impact on revenue and EBITDA for Columbus in 2017 because revenue is recognized over time with the consumption instead of up front payment as with perpetual licenses. Short term revenue will decrease, but in the longer run the impact is expected to be positive.

Columbus expects that the total impact on revenue in 2017 will be in the level of DKK

-40m. The impact on EBITDA is expected to be in the level of DKK -25m.

Columbus increases long-term expectations to EBITDA* margin until 2019

Columbus has updated the long-term expectation to the Company's growth and earnings. Columbus expects to deliver an average revenue growth of 10% per year until 2019. The long-term expectation to EBITDA* margin is increased from 10% to 11%.

"We are satisfied with the results that we achieved in 2016, and first of all, these results show that our strategy is well received by our customers. We help our customers digitally transforming their businesses and take care of customers' needs from initiation of the projects to lifetime support", says Thomas Honoré, CEO & President in Columbus.

*EBITDA before share-based payment

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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