

Release no. 22/2017

## Interim Management Statement Q3 2017

# Columbus delivers 11% growth in EBITDA\*

*In the first three quarters of 2017 Columbus delivers revenue growth of 6% and increases EBITDA\* by 11%. The growth in EBITDA is driven by strong product sales.*

In accordance with the regulations for listed companies' submission of interim statements, Columbus A/S hereby submits the interim management statement for the period 01.01.2017-30.09.2017 (9 months).

### EBITDA growth driven by product sales

Revenue in Q3 YTD 2017 amounted to DKK 907m (2016: DKK 855m), corresponding to an increase of 6% compared to the same period last year.

The revenue growth is driven by an increase in product sales of 5% and progress in the services business of 7%.

EBITDA\* amounted to DKK 97.3m (2016: DKK 87.6m), corresponding to an increase of 11% compared to the same period last year. Consequently, the EBITDA margin increased to 10.7% (2016: 10.2%).

The increase in EBITDA\* is also driven by increased earnings in the services business and in product sales. Product sales have led to a number of larger projects, higher earnings and higher margin on sale of products.

The net result before tax increased by 4% to DKK 61.2m. The result is negatively affected by financial expense of DKK 5.1m compared to DKK 1.3m in the same period 2016. This increase primarily concerns exchange rate adjustments in relation to group receivables.

### General progress in the services business

Service EBITDA in Q3 YTD 2017 increased by 7%, from DKK 60.9m to DKK 65.1m.

The growth in earnings is driven by a general high activity level in the services business as well as increased utilization of Columbus' Global Delivery Center.

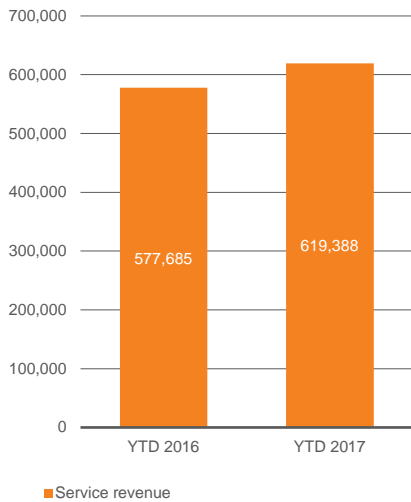
### Expectations to 2017

- Revenue in the level of DKK 1.35bn
- EBITDA\* in the level of DKK 150m
- Service EBITDA in the level of DKK 120m
- Columbus Software revenue in the level of DKK 80m
- 10% dividend on nominal share capital

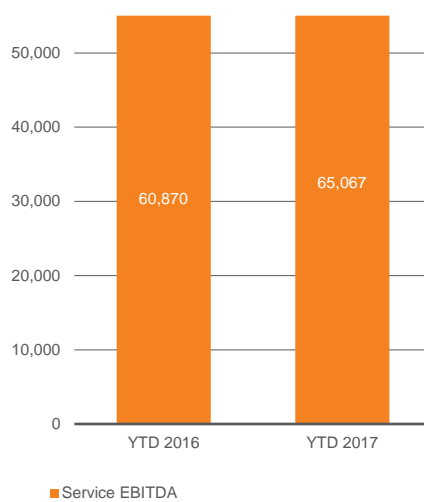
However, Service EBITDA is negatively affected by continued challenges in Columbus' SMB business in the US.

The US SMB market has been affected by a change in technology, leading to a hesitant market. This temporary challenge has caused a decrease in revenue of DKK 36m and a decrease in EBITDA\* of DKK 19m. Further, the US SMB business was impacted by a loss of DKK 4m on customer engagements in H1 2017.

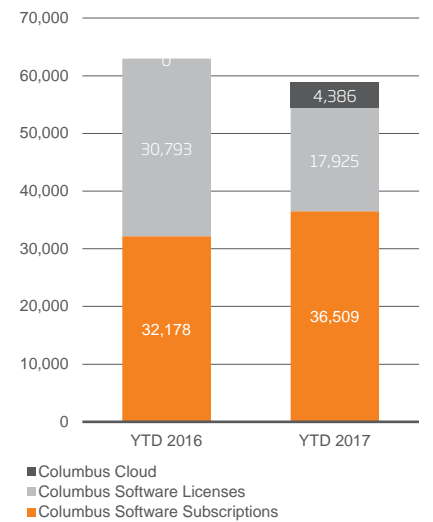
**Development in service revenue**



**Development in Service EBITDA**



**Development in sale of Columbus Software**



The market hesitation is expected to continue in Q4, but with an adjusted cost level in the US SMB business earnings are expected to improve in Q4. Besides, a positive development in the US SMB market is expected in 2018.

Chargeable hours declined from 56% to 52% in the first three quarters of the year compared to the same period in 2016. The decline is primarily caused by a decrease in chargeable hours in the US SMB business due to the above-mentioned market challenges.

The challenges in the US market resulted in a lower Service EBITDA than expected.

**Columbus Software as expected**

In Q3 YTD 2017 the sale of Columbus Software decreased by 7%. Sale of subscriptions increased by 27% due to a satisfactory renewal rate. However, license sales decreased by 42% due to the cloud conversion. Own cloud revenue showed good progress and constituted DKK 4.4m.

The sale of Columbus Software developed according to plan.

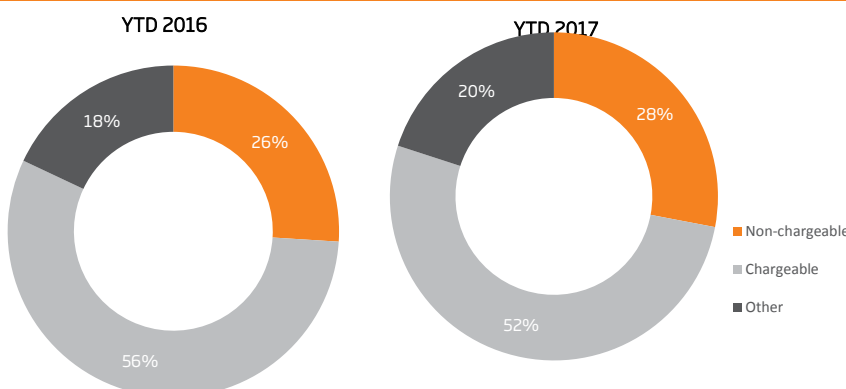
**ColumbusCare and cloud drive growth in recurring revenue**

In Q3 YTD 2017 recurring revenue increased by 18%. The increase is driven

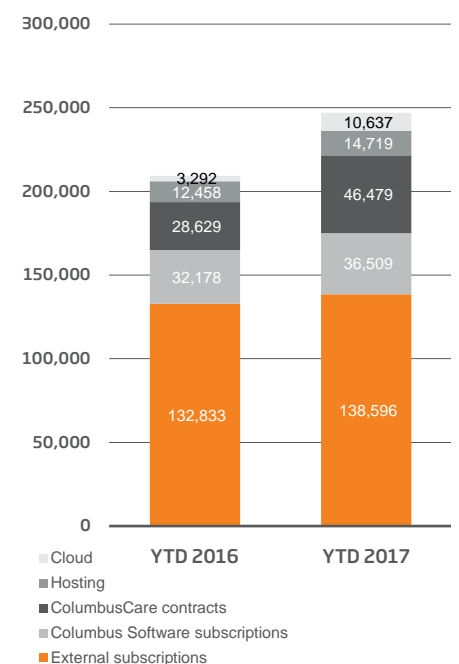
by considerable growth in sale of ColumbusCare contracts, which increased significantly by 62% while the total cloud revenue grew by 223%.

Recurring revenue constituted 27.2% of total revenue (Q3 YTD 2016: 24.5%).

**Development in the consultancy business**



**Development in recurring revenue**



DKK '000	YTD 2017	YTD 2016	2016
Columbus Software licenses	17,925	30,793	44,187
Columbus Software subscriptions	40,895	32,178	46,876
External licenses	69,599	61,655	86,495
External subscriptions	144,848	136,126	195,164
Services	619,388	577,685	796,401
Other	14,086	17,058	23,584
<b>Total net revenue</b>	<b>906,741</b>	<b>855,495</b>	<b>1,192,707</b>
EBITDA before share-based payment	97,346	87,632	144,070
Share-based payment	-1,737	-3,399	-5,524
<b>EBITDA</b>	<b>95,609</b>	<b>84,233</b>	<b>138,546</b>

### Expectations to 2017

Columbus maintains the announced expectations to EBITDA\* in the level of DKK 150m, as higher product sales are expected which will compensate for the reduced Service EBITDA.

Expectations to 2017:

- Revenue in the level of DKK 1.35bn
- EBITDA\* in the level of DKK 150m
- Service EBITDA in the level of DKK 120m
- Columbus Software revenue in the level of DKK 80m
- 10% dividend on nominal share capital

As a consequence of the situation in the US described above, the expectations to Service EBITDA are adjusted to the level of DKK 120m.

\* EBITDA before share-based payment

### Latest developments

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

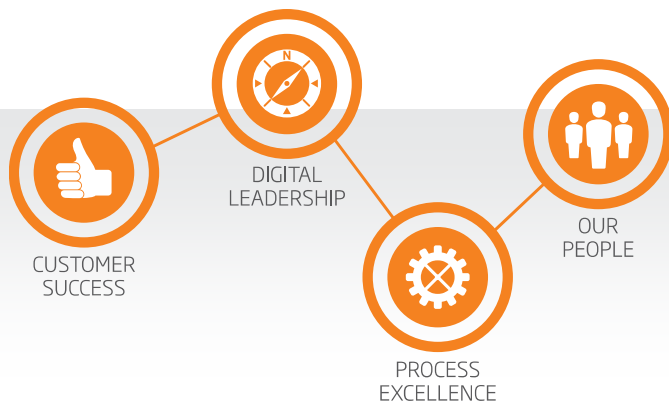
"I am satisfied with the total result for the first three quarters. We see progress in our product sales and at the same time we continue the growth in our ColumbusCare and cloud businesses. We expect that the market hesitation in the US will continue in Q4, but with an adjusted cost level in Columbus' US SMB business, we expect improved earnings. Besides, we expect a positive development in the US SMB market in 2018", says Thomas Honoré, CEO & President in Columbus A/S.

Ib Kunøe  
Chairman  
Columbus A/S

Thomas Honoré  
CEO & President  
Columbus A/S

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# Columbus® | 2020



## Columbus' Columbus2020 strategy - towards growth

Based on Columbus' strengthened position, as a result of successful execution of the Columbus<sup>15</sup> strategy, the company launched a growth strategy in March. The strategy is named Columbus<sup>2020</sup> 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.

## Income statement

DKK '000	YTD 2017	YTD 2016	2016
Net revenue	906,741	855,495	1,192,707
External project costs	-193,355	-183,258	-264,601
<b>Gross profit</b>	<b>713,386</b>	<b>672,237</b>	<b>928,106</b>
Staff expenses and remuneration	-505,577	-468,738	-631,675
Other external costs	-110,494	-116,064	-158,982
Other operating income	53	546	6,685
Other operating costs	-22	-349	-64
<b>EBITDA before share-based payment</b>	<b>97,346</b>	<b>87,632</b>	<b>144,070</b>
Share-based payment	-1,737	-3,399	-5,524
<b>EBITDA</b>	<b>95,609</b>	<b>84,233</b>	<b>138,546</b>
Depreciation	-29,356	-24,051	-33,275
<b>Operating profit (EBIT)</b>	<b>66,253</b>	<b>60,182</b>	<b>105,271</b>
Financial income	83	106	2,674
Financial expense	-5,137	-1,396	-642
<b>Profit before tax</b>	<b>61,199</b>	<b>58,892</b>	<b>107,303</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	YTD 2017	YTD 2016	2016
<b>ASSETS</b>			
Goodwill	442,710	379,687	415,152
Customer base	29,427	28,769	30,562
License rights	9	0	17
Development projects finalized	58,518	52,906	59,354
Development projects in progress	13,495	12,210	8,491
Property, plant and equipment	13,695	15,821	17,142
Deferred tax assets	21,786	17,592	17,053
<b>Total non-current assets</b>	<b>579,639</b>	<b>506,985</b>	<b>547,771</b>
Inventories	163	328	205
Trade receivables	136,867	113,700	151,475
Contract work in progress	8,713	9,357	8,994
Corporate tax receivables	6,473	1,552	11,531
Deferred tax assets	3,108	7,500	7,500
Other receivables	8,414	13,240	8,155
Prepayments	10,706	8,063	7,206
<b>Receivables</b>	<b>174,281</b>	<b>153,412</b>	<b>194,861</b>
Cash	65,192	73,152	94,669
<b>Total current assets</b>	<b>239,636</b>	<b>226,892</b>	<b>289,735</b>
<b>TOTAL ASSETS</b>	<b>819,275</b>	<b>733,877</b>	<b>837,506</b>

## Balance sheet

DKK '000	YTD 2017	YTD 2016	2016
<b>EQUITY AND LIABILITIES</b>			
Share capital	149,832	145,247	145,247
Reserves on foreign currency translation	-25,346	-14,585	-6,475
Retained profit	385,873	295,332	331,041
<b>Group shareholders equity</b>	<b>510,359</b>	<b>425,994</b>	<b>469,813</b>
Minority interests	3,134	1,844	1,774
<b>Equity</b>	<b>513,493</b>	<b>427,838</b>	<b>471,587</b>
Deferred tax	12,691	6,436	10,614
Provisions	11,579	19,652	11,532
<b>Non-current liabilities</b>	<b>24,270</b>	<b>26,088</b>	<b>22,146</b>
Debt to credit institutions	18,978	27,551	29,091
Client prepayments	18,488	32,150	33,645
Trade payables	45,057	38,823	66,211
Corporate tax payables	17,351	11,455	24,177
Other liabilities	134,813	133,893	157,228
Accruals	46,825	36,079	33,421
<b>Current liabilities</b>	<b>281,512</b>	<b>279,951</b>	<b>343,773</b>
<b>Total liabilities</b>	<b>305,782</b>	<b>306,039</b>	<b>365,919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>819,275</b>	<b>733,877</b>	<b>837,506</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, implementation and service of standard business systems.	North America

Information about the Group's segments is stated below.

DKK '000	ISV	Consultancy			HQ, GDC and Eliminations	Total
		Western Europe	Eastern Europe	North America		
<b>YTD 2017</b>						
Columbus Software licenses	14,350	7,563	1,859	1,416	-7,263	17,925
Columbus Software subscriptions	36,358	11,918	951	4,203	-12,535	40,895
External licenses	0	29,157	11,594	29,008	-160	69,599
External subscriptions	0	50,780	17,018	77,456	-406	144,848
Services	12,735	337,573	71,298	210,416	-12,634	619,388
Other	352	6,567	1,514	6,379	-726	14,086
<b>Total net revenue</b>	<b>63,795</b>	<b>443,558</b>	<b>104,234</b>	<b>328,878</b>	<b>-33,724</b>	<b>906,741</b>
Gross profit	54,756	334,756	78,225	224,562	21,087	713,386
EBITDA	30,612	63,838	8,778	6,563	-14,182	95,609

DKK '000	ISV	Consultancy			HQ, GDC and Eliminations	Total
		Western Europe	Eastern Europe	North America		
<b>YTD 2016</b>						
Columbus Software licenses	25,080	10,605	1,774	2,910	-9,576	30,793
Columbus Software subscriptions	27,521	10,126	907	5,091	-11,467	32,178
External licenses	0	18,833	6,466	36,806	-450	61,655
External subscriptions	0	48,066	15,102	73,758	-800	136,126
Services	10,485	334,306	65,549	186,941	-19,596	577,685
Other	850	7,852	1,300	6,833	223	17,058
<b>Total net revenue</b>	<b>63,936</b>	<b>429,788</b>	<b>91,098</b>	<b>312,339</b>	<b>-41,666</b>	<b>855,495</b>
Gross profit	56,283	326,277	70,294	205,716	13,667	672,237
EBITDA	30,431	59,537	6,285	18,395	-30,415	84,233