



Sikri Holding AS – Interim Financial report

Q3 – 2020

Sikri – in brief

1 A strong ARR platform with market leading software for the public sector

2 Renewed commercial strategy with strong organic growth opportunities

3 A highly fragmented market offers ample inorganic growth opportunities

4 Attractive end market with solid margins, long contracts and customer need for digitalization

5 Key owners with a proven track record for growth, M&A and value creation

Sikri – background, ambitions and financial aspirations

- Sikri was formally established as an entity in 2020, while the history dates back more than 20 years
- Sikri is positioned as one of the key software players delivering essential solutions to the public sector market
- The public sector market is expected to see substantial growth in the next few years due to increased investments in digitalization
- Sikri is a market leader within multi-tenant cloud-based solutions
- Highly fragmented universe of public sector software players offers significant M&A opportunities
- Ambition for Sikri to become the #1 Software provider to public sector in the Nordics

Financial aspirations

15-25% p.a. organic revenue growth

25% p.a. revenue growth from M&A

Aspirations for revenue of MNOK [~500] and EBITDA of MNOK [~150] within [2025], based on organic growth

M&A activity may drive total revenues to BNOK [>1] within [2025]

Q3 highlights

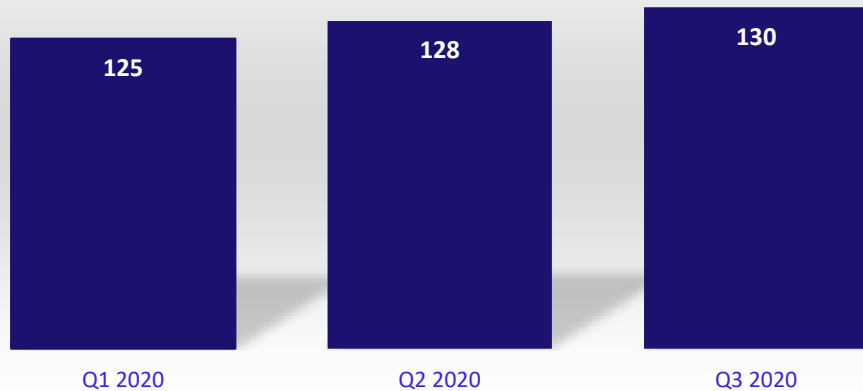
Q3 highlights based on proforma figures (as Sikri Holding whole period)

TNOK	Q1 2020	Q2 2020	Q3 2020	YTD 2020
Operating income	49,643	46,584	45,394	141,621
Gross margin	47,001	44,610	41,559	133,170
EBITDA	16,537	14,473	9,776	40,786
EBIT (operating profit)	10,973	4,629	1,818	17,420
Gross margin (%)	95%	96%	92%	94%
EBITDA (%)	33%	31%	22%	29%

- Q3 financial results in line with management expectations
- Operating income slightly down from Q2, in line with seasonal variations (summer vacation affects consulting business)
- Revenue mix and seasonality led to a drop in gross margin
- Profitability also affected by seasonality, resulting in EBITDA margin of 22% for the quarter and 29% YTD
- Capitalized costs of MNOK 17.4, MNOK 15.8 and MNOK 14.5 in 2018, 2019 and YTD 2020, respectively

Delivering on the plan

Proforma annual recurring revenue (MNOK)



- Annual recurring revenue (ARR) above 60% of total revenues with ambition of increased growth as the new organization gets up to speed
- Recent acquisitions – PixEdit and Augment – have been implemented successfully
- Win-rate at 70% – more than doubled since beginning of the year
- Doubling of sales force by year-end on track

Business Review

Cloud platform

The new Elements Cloud platform on Azure Kubernetes Service (AKS) is ready. Since this summer Sikri has been a pilot and using it for our archiving production.

Migration of our customers to the AKS platform is a high priority to ensure more efficient deliveries and we have now (since Q3) migrated 4 municipalities successfully.

We plan to migrate 1 to 4 customers weekly, until we are no longer dependent on existing TietoEVERY platform, thereby only using one Cloud platform and reducing costs. Estimated time of completion is 01.01.2021.

Innovation agreement with Viken fylkeskommune

Viken fylkeskommune has signed an agreement with Sikri, aimed at utilizing artificial intelligence in a secure and safe manner. The project is titled “Machine learning in the document center” and is aimed at improving user experience and increase efficiency for the archivists. For Sikri this will contribute to broadening our organic product portfolio.

Starting to deliver on DevOps strategy

Sikri is introducing canary releases. A **canary release** is a software testing technique used to reduce the risk of introducing a new software version into production by gradually rolling out the change to a small subgroup of users, before rolling it out to the entire platform/infrastructure.

A practical example of our DevOps methodology is the introduction of a new component for PDF converting to two customers in Cloud for confirmation, with subsequent roll-out to all customers. This is work in progress, estimated 50% finished summer 2021.

Our DevOps methodology will enable us to deliver faster, improve quality and lead to more stable solutions.



Photo: Marius Fält-Vannum

Events after Q3 2020 – closing of acquisition



Successful closing of acquisition of
Sureway AS and WhatifAS on October
12, 2020

- Annual revenue 2020 approx. NOK 11 million, EBITDA margin approx. 27%
- 12 FTEs; 4 employees Harstad, 1 Oslo, 7 developers Sri Lanka
- 170 Customers in the municipality, health and power industry. 5% Churn
- With this acquisition, we bring the risk management area in Sikri to the Cloud
- Improves Sikri's product portfolio with cloud-based compliance and risk management solutions that integrates with Sikri's Elements platform
- There is an increased focus on – and demand for – compliance tools in connection with the adaption of the new GDPR regulations, fitting well with these acquisitions
- Transaction EV NOK 21,5 million, with additional NOK 5 million compensation for the companies' consolidated net cash position
- Transaction model: 1/3 EV plus NOK 5 million in cash, 1/3 seller's credit and 1/3 shares in Siri @share price NOK 115

Financial review - figures

Q3 actual figures

TNOK	Q1 2020	Q2 2020	Q3 2020	YTD 2020
Operating income	15,245	44,172	45,394	104,811
Gross margin	13,858	41,973	41,559	97,390
EBITDA	5,038	12,695	9,776	27,509
EBIT (operating profit)	3,175	5,533	1,818	10,526
Cash flow from operating activities	59,399	11,750	-2,237	68,912
Cash and cash equivalents end of period	45,469	33,642	132,786	132,786
Gross margin (%)	91%	95%	92%	93%
EBITDA (%)	33%	29%	22%	26%

Reported Q1(20) incorporates only 1 month of operations as Sikri AS was formally taken over by Sikri Holding AS March 1, 2020. PixEdit and Augment are incorporated from May 1, 2020.

Proforma revenue YTD is MNOK 141,6, and 2019 full year revenue for all entities combined was MNOK 175,5.

Sikri's consolidated revenue was MNOK 45,4 in Q3 2020. Consolidated revenue YTD Q3 was MNOK 104,8. 95% of the revenue comes from domestic customers.

Gross margin was 92% in Q2 2020 and 93% YTD 2020. Cost of goods sold are related to direct sales costs.

Personnel expenses amounted to MNOK 25,4 in Q2 2020 (56% of revenue). Sikri had 115 employees at the end of Q3 2020, up from 98 at the start of the year (figures include employees added through acquisitions).

Other operating expenses amounted to MNOK 6,4 (14% of revenue). Costs for operating platform (Cloud, support system, etc.) comprise close to 50% of other operating expenses.

EBITDA was MNOK 9,8 in Q3-2020 and MNOK 27,5 YTD Q3 (29% of revenue).

Sikri had **depreciation and amortization** costs of MNOK 8 in Q3 2020.

Net financial expense was MNOK 1,3 in Q3 2020.

Profit before tax was MNOK 0,5 for Q3 2020.

Financial review

Financial position

Sikri's total assets at the end of Q3 2020 were MNOK 406,6.

Intangible assets amounted to MNOK 245,8, and total receivables were MNOK 25 at the end of Q3 2020.

Cash and cash equivalents amounted to MNOK 132,8, up from MNOK 33,6 at the end of Q2 2020.

Sikri's total liabilities were MNOK 169,3 at the end of Q3 2020, reduced from MNOK 239,2 due to repayment of debt and a seasonal reduction of pre-invoicing to clients. Current liabilities amounted to MNOK 71,8 at the end of Q3 2020.

Long term liabilities were MNOK 97,5 at the end of the quarter.

Sikri had total equity of MNOK 237,3 at the end of Q3 2020 and the equity ratio was 58%.

Cash flow

Sikri had a positive cash flow from operating activities of MNOK 68,9 YTD Q3.

Cash flow from investing activities was negative with MNOK 265,9 YTD Q3 mainly due to the acquisition of Sikri AS and PixEdit AS. Normal maintenance and capital expenditure activities going forward, excluding M&A, should be in the area of MNOK 5 per quarter.

Cash flow from financing activities was MNOK 329,7 in YTD 2020.

The share capital of Sikri Holding AS was, pr September 30, 2020 1.474.153,70, divided on 14.741.537 shares.

In total Sikri had a net increase in cash and cash equivalents of MNOK 99,1 from Q2 to Q3, increasing the cash and cash equivalents to MNOK 132,8 at the end of Q3 2020.

Responsibility statement by the Board and CEO

The Board and CEO have considered and approved the condensed set of financial statements for the period 1 January to 30 September 2020. We confirm to the best of our knowledge that the condensed set of financial statements for the above-mentioned period has been prepared in accordance with NGAAP (Norwegian Generally Accepted Accounting Principles), and they present a true and fair view of the Group's assets, liabilities, financial position, and overall result for the period viewed in in their entirety. Furthermore, we declare that the interim management report gives a fair overview of any significant events that arose during the above-mentioned period and their effect on the financial report, and that it gives a correct view of any significant related parties' transactions, principal risks and uncertainties faced by the Group.

Lysaker, 4th November 2020

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Chairman of the Board

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Nicolay Moulin
CEO

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Preben Rasch-Olsen
Board Member

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Fredrik Cappelen
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Torbjørn G. Krøvel
Board member

Consolidated statement of profit and loss

TNOK	Q1 2020	Q2 2020	Q3 2020	YTD 2020
Revenue	15,245	44,172	45,394	104,811
Cost of goods	1,387	2,199	3,835	7,421
Gross profit	13,858	41,973	41,559	97,390
Personell expenses	7,195	23,059	25,371	55,625
Other operating expenses	1,625	6,219	6,412	14,256
EBITDA	5,038	12,695	9,776	27,509
Depreciations	1,863	7,162	7,958	16,983
EBIT	3,175	5,533	1,818	10,526
Net financial expenses	681	1,059	1,286	3,026
EBT	2,494	4,474	533	7,501
Tax	536	1,299	570	2,404
Post-tax profits	1,958	3,175	-37	5,097
Earnings per share				
Basic earnings per share	0.49	0.39	0	0.42
Dilluted earnings per share	na	0.38	0	0.41

Consolidated statement of financial position

TNOK	Q1 2020	Q2 2020	Q3 2020
ASSETS			
Ingtangible assets	166,054	164,881	164,303
Goodwill	0	80,890	78,833
Deferred tax	56	2,635	2,635
Total Ingtangible assets	166,110	248,406	245,771
Property, plant and eq	2,835	3,012	3,031
Total tangible assets	2,835	3,012	3,031
Financial assets	110	60	60
Total financial assets	110	60	60
Account receivables	35,502	33,974	16,452
Other receiables	5,365	13,251	8,532
Total receivables	40,867	47,225	24,984
Cash and cash equivalents	45,469	33,642	132,786
Total current assets	86,336	80,867	157,770
TOTAL ASSETS	255,391	332,345	406,632

TNOK	Q1 2020	Q2 2020	Q3 2020
EQUITY AND LIABILITIES			
Share capital	1,200	1,235	1,474
Premium fund	58,200	75,665	230,745
Paid in equity	0	11,096	0
Retained earnings	1,959	5,133	5,097
Total equity	61,359	93,129	237,316
Long term liabilities to financial institutions	80,000	105,000	97,500
Other long-term liabilities	0	0	0
Total long-term liabilities	80,000	105,000	97,500
Accounts Payable	2,698	5,530	4,413
Taxes payable	2,036	4,131	4,700
Public duties payable	21,904	15,172	9,350
Short term debt to credit institutions	17,421	30,000	0
Other short-term debt	69,973	79,383	53,353
Total current liabilities	114,032	134,216	71,816
TOTAL EQUITY AND LIABILITIES	255,391	332,345	406,632

Consolidated statement of changes in equity

TNOK	Total share capital	Share premium	Other equity	Total equity
Balance at January 1st 2020	30	0	0	30
Profit or loss for period			5,097	5,097
Contribution of equity net	1,444	230,745		232,189
Balance at Sept 30th, 2020				237,316

Consolidated statement of cash flows

TNOK	Q1-2020	Q2-2020	Q3-2020	YTD Q3-2020
Profit before tax	2,494	4,474	533	7,501
Tax payable	0	0	0	0
Depreciation & amortization	1,863	7,162	7,958	16,983
Cash earnings	4,357	11,636	8,490	24,484
Change in working capital	55,042	114	-10,727	44,428
Other	0	0	0	0
Cash flow from operations	59,399	11,750	-2,237	68,912
Capex	170,751	89,752	5,342	265,845
Free cash flow	-111,352	-78,002	-7,579	-196,933
Proceeds from asset sale	0	0	0	0
Cash flow after investment activities	-111,352	-78,002	-7,579	-196,933
Dividend	0	0	0	0
Equity issues	59,370	28,596	144,223	232,189
Debt financing	97,421	37,579	-37,500	97,500
Cash flow from financing	156,791	66,175	106,723	329,689
Net increase in cash and cash equivalents	45,439	-11,827	99,144	132,756
Cash and cash equivalents start of period	30	45,469	33,642	30
Cash and cash equivalents end of period	45,469	33,642	132,786	132,786

Notes

Note 1. General

Sikri Holding AS is the parent company in the Sikri Group. The Group includes the parent company Sikri Holding and its wholly owned subsidiary Sikri AS, which have the wholly owned subsidiaries PixEdit AS and Augment AS. The Group`s head office is located at Vollsveien 4a, 1366 LYSAKER, Norway.

Sikri Holding AS is listed on Merkur Market at Oslo Stock Exchange under the ticker SIKRI-ME.

The consolidated condensed interim financial statements comprise the financial statements of the Parent Company and its subsidiaries as of 30 September 2020.

The condensed interim financial statements are unaudited.

Note 2. Basis of preparation

The condensed interim financial statements for the three months period ending on the 30th of September has been prepared in accordance with IAS 34 Interim Financial reporting. This quarterly report does not include the complete set of accounting principles and disclosures. The Group has not adopted any new standards, interpretations or amendments issued but not yet effective.

Rounding differences may occur.

Notes

Note 3. Revenue and segment information

The Group has one segment, sale of software services. The market for Sikri's software and services is currently mainly domestic. The Management Group is responsible for allocating resources and assessing performance as well as making strategic decisions.

Information about major customers

The Group conducts its sales directly and through channel partners. No customer or channel partner represents more than 10% of the Group's revenue.

Information about share of recurring revenue from own products

Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring in nature. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licenses, perpetual software-licenses and project-based professional services, such as a customer-specific proof-of-concept project or installation project, are considered non-recurring. YTD 2020, more than 60% of revenue was recurring.

Appendix

Abbreviations

The following terms are used by the Group in the definition of APMs in this Report:

EBITDA: Profit/(loss) for the period before net financial items, income tax expense, depreciation and amortization.

EBITDA-margin: EBITDA in percentage of revenue.

Share of recurring revenues: Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring in nature. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licenses, perpetual software-licenses and project-based professional services, such as a customer-specific proof-of-concept project or installation projects, are considered non-recurring.

Contracted Annual Recurring Revenue (ARR): Annualized sales from all active subscriptions/contracts and ordered subscriptions with a future start date where the subscription is time-limited and recurring in nature.

Shareholders as of September 30, 2020

The 10 largest shareholders in Sikri Holding as of September 30, 2020:

Rank	Holding	Stake	Investor ID	Name
1	7,211,273	48.92%	924820829	KCM HOLDING AS
2	1,872,818	12.70%	924538422	CARUCEL N59 AS
2	1,872,818	12.70%	924538414	N59 INDUSTRIER AS
4	519,059	3.52%	200326415	State Street Bank and Trust Comp
5	385,000	2.61%	201102634	Skandinaviska Enskilda Banken AB
6	298,154	2.02%	981705637	VERDIPAPIRFONDET DNB SMB
7	245,000	1.66%	924759496	EIRIKDENHARDBALNE AS
7	245,000	1.66%	992766328	MØLLE INVEST AS
9	207,485	1.41%	815611942	VERDIPAPIRFONDET FONDSFINANS NOR
10	195,990	1.33%	201078911	Skandinaviska Enskilda Banken AB