

# Half year report

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H1 2020



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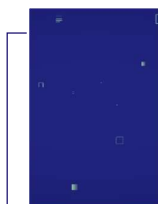
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# Sikri in brief

- 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 core software 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
- With new ownership, combined with a clear market message, Sikri expects a notable increase in organic revenue growth
- 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

## H1 in brief



### Delivering on the plan

- Implementation of acquisitions of PixEdit and Augment is proceeding according to schedule, and will be completed during Q3
- As part of the strategy to accelerate growth, Sikri planned for a listing on Merkur Market at Oslo Stock Exchange in Q2, and executed a successful listing in Q3
- Q2 has shown a 2,4 % growth<sup>1</sup> in the subscription base compared to Q1, measured in Annual Recurring Revenue (ARR), last twelve months (LTM)
- EBITDA-rate of 30%

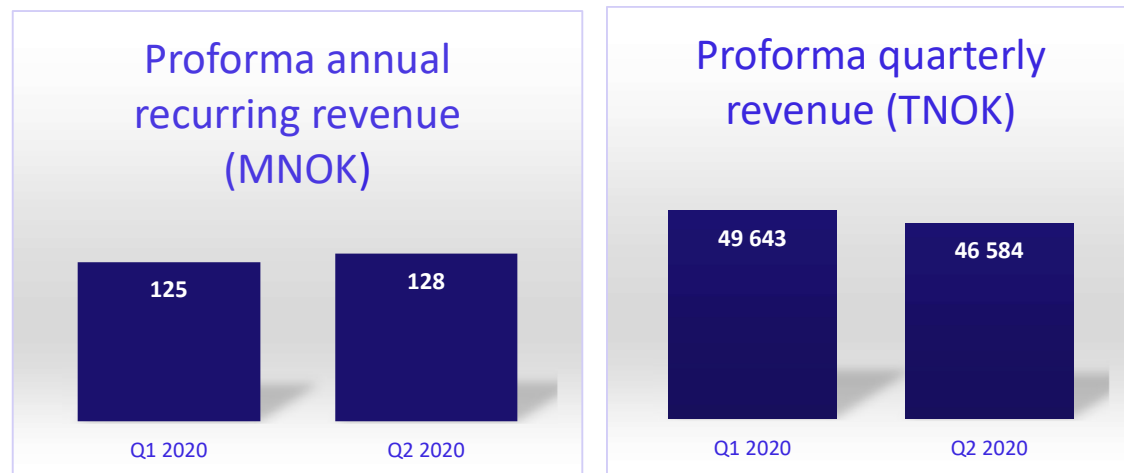
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<sup>1</sup> Proforma figures, as current «Sikri Holding»

- Growth in sales force to support medium-term growth, expected to be more than doubled by year end
- Employee share purchase program has been successfully implemented and received, with a subscription rate of more than 60%

## H1 in brief – based on proforma figures\*

(\*as Sikri Holding whole period)



## H1 highlights based on proforma figures\*

(as Sikri Holding whole period)

TNOK	Q1 2020	Q2 2020	H1 2020
Operating income	49 643	46 584	96 227
Gross margin	47 001	44 610	91 611
EBITDA	16 537	14 473	31 010
EBIT (operating profit)	10 973	4 629	15 602
Gross margin (%)	95 %	96 %	95 %
EBITDA (%)	33 %	31 %	32 %

# Operational review

The second quarter of 2020 was a highly eventful and positive quarter for Sikri, with continued growth. The acquisitions of Pix Edit AS and Augment AS were completed, and implementation was started (expected to be completed Q3)

Win rate on public bids has been significantly higher in 2020 than in previous years, due to the focus on customer management and sales processes. The annual recurring revenue (ARR) is growing quarter by quarter due to new contracts with high(er) total contract value (TCV). More than 25 new contracts have been signed in the first half year of 2020, on core solutions like eByggesak, Elements Cloud and long-term consulting and services contracts.

Elements Sak/Arkiv is a Case, Records and Document management system that is based on the Norwegian Archive Standard (Noark). Elements multitenant solution now running on a public Microsoft AKS platform, and is container based. The migration process from TietoEVERY platform to AKS platform starts in September this year. The pilot was established in June.

## Market and products

Our acquisition strategy has in Q2 led to the onboarding of the companies Augment and PixEdit. The technology that these companies represent, with artificial intelligence and data capturing, has made available a new add-in to Elements Sak/Arkiv to skim personal information. For us, this is a proof of concept that the solutions that are added through acquisitions have direct effects on existing customer base.

Shortly before our annual customer conference was to be held, the country was hit by COVID-19. The academic content was swiftly moved to digital platforms; digital meetings, webinars and online courses. During Q2, we have arranged an array of webinars and online courses with several hundred registered participants.

## IPO and capital raise plan

As part of the strategy to accelerate growth, the company started a process in Q2 for an IPO and listing on Merkur Market at the Oslo Stock Exchange. The listing was later successfully executed on July 15th. The company raised NOK 150 million in the IPO process.



## Sales momentum

During H1 the group has signed more than 25 new contracts with customers. Sikri is also involved in several tenders for solutions to potential customers. Our market knowledge, close customer dialogue and market monitoring has given us direct invitation to customer cases, and we are bidding on all potential deals that fit our service and product portfolio.

The sale and implementation of the eByggesak runs as planned.

## Building brand awareness

Sikri use Inbound marketing as methodology approach. Search engine optimization is one of the techniques and the result in Q2 shows an increased interest in Sikri related keywords.

Content marketing and social media marketing is based on the customer journey and to build loyalty to keep existing customers. This is key both to ensure ARR growth and new sales, as sales are mainly generated by existing customer base. During H1 we have received 775 new contacts in our database.

# Financial review

## H1 highlights (actual figures)

**The subsidiaries Sikri AS, PixEdit AS and Augment AS are consolidated from time of control/acquisition date, March 1<sup>st</sup> and May 1<sup>st</sup>, respectively.**

TNOK	Q1 2020	Q2 2020	YTD 2020
Operating income	15 245	44 172	59 417
Gross margin	13 858	41 973	55 831
EBITDA	5 038	12 695	17 733
EBIT (operating profit)	3 175	5 533	8 708
Cash flow from operating activities	59 399	11 750	71 149
Cash and cash equivalents end of period	45 469	33 642	33 642
Gross margin (%)	91 %	95 %	94 %
EBITDA (%)	33 %	29 %	30 %



Sikris consolidated revenue was NOK 44 million in Q2-2020. Q2 figures include PixEdit and Augment from May 1st. Consolidated revenue YTD Q2 was NOK 59 million.

EBITDA was NOK 12,7 million in Q2-2020 and NOK 17,7 million YTD Q2.

95% of the revenue comes from domestic customers.

Sikri's gross margin was 95% in Q2 2020 and YTD 2020 was 94%. Cost of goods sold are related to direct sales costs.

Personnel expenses amounted to NOK 23 million in Q2 2020 (52% of revenue). Sikri had 112 employees at the end of Q2 2020, up from 98 at the start of the year (figures include employees added through acquisitions).

Other operating expenses amounted to NOK 6 million (13% of revenue) in Q2 2020.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to NOK 12,7 million in Q2 2020 (29% of revenue).

Sikri had depreciation and amortization costs of NOK 7 million in Q2 2020.

Net financial expense was NOK 1 million in Q2 2020.

Profit before tax was NOK 4,5 million for Q2 2020, and after tax NOK 3,2 million.



## First half

Total revenue in the first half of 2020 was NOK 59 million (proforma revenue at NOK 96 million).

Gross margin was 94% in the first half of 2020 with cost of goods amounting to NOK 3,6 million.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to NOK 17,7 million in the first half of 2020 (30% of revenue).

EBIT for the first half of 2020 amounted to NOK 8,7 million.

## Financial position

Sikri's total assets at the end of Q2 2020 was NOK 332 million.

Intangible assets amounted to NOK 248 million. Total receivables were NOK 47 million at the end of Q2 2020.

Cash and cash equivalents amounted to NOK 33,6 million, up from NOK 30 thousand at the start of 2020.

Sikri had total liabilities of NOK 239 million at the end of Q2 2020. Current liabilities amounted to NOK 134 million at the end of Q2 2020. Long term liabilities were NOK 105 million at the end of the quarter.

Sikri had a total equity of NOK 93 million at the end of Q2 2020. The equity ratio was 28% at the end of Q2 2020.

## Cash Flow

Sikri had a positive cash flow from operating activities of NOK 71 million in the first half of 2020.

Cash flow from investing activities was negative with NOK 260 million YTD 2020.

Cash flow from financing activities was NOK 222 million in YTD 2020.

The share capital of Sikri Holding AS is 1.235.000, divided on 12.350.000 shares.

In total Sikri had a net increase in cash and cash equivalents of NOK 33,6 million in the first half of 2020 taking the cash and cash equivalents to NOK 33,6 million at the end of Q2 2020.

## Outlook and events after end of H1 2020

As part of the strategy to accelerate growth, Sikri executed a successful listing on Merkur Market at Oslo Stock Exchange on July 15<sup>th</sup>, 2020.

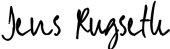
In order to accelerate growth Sikri intends to invest the proceeds into increasing the company's sales and marketing presence as well as R&D capabilities. Sikri has a clear M&A strategy and intends to facilitate a consolidation of the its market.

In line with this strategy, Sikri signed a term sheet for the acquisitions of Sureway AS and Whatif AS in August, enabling us to deliver cloud-based compliance and risk management solutions.

Sikri will strengthen its product offering across existing and new products. The key enabler for this is strengthening is the Sikri team, and Sikri will continue to hire new employees throughout the year.

Sikri H1 Report 2020


Lysaker, 9<sup>th</sup> September, 2020


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Board Member

## Consolidated statement of profit and loss

<b>TNOK</b>	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>H1 2020</b>
Revenue	15 245	44 172	<b>59 417</b>
Cost of goods	1 387	2 199	<b>3 586</b>
Gross profit	13 858	41 973	<b>55 831</b>
Personell expenses	7 195	23 059	<b>30 254</b>
Other operating expenses	1 625	6 219	<b>7 844</b>
<b>EBITDA</b>	<b>5 038</b>	<b>12 695</b>	<b>17 733</b>
Depreciations	1 863	7 162	<b>9 025</b>
<b>EBIT</b>	<b>3 175</b>	<b>5 533</b>	<b>8 708</b>
Net financial expenses	681	1 059	<b>1 740</b>
<b>EBT</b>	<b>2 494</b>	<b>4 474</b>	<b>6 968</b>
Tax	536	1 299	<b>1 835</b>
<b>Post-tax profits</b>	<b>1 958</b>	<b>3 175</b>	<b>5 133</b>
<b>Earnings per share</b>			
Basic earnings per share	0,49	0,39	<b>0,42</b>
Diluted earnings per share	n/a	0,38	<b>0,42</b>

## Consolidated statement of financial position

TNOK	Q1 2020	H1 2020	2019
<b>ASSETS</b>			
Intangible assets	166 054	164 881	0
Goodwill	0	80 890	0
Deferred tax	56	2 635	0
<b>Total Intangible assets</b>	<b>166 110</b>	<b>248 406</b>	<b>0</b>
Property, plant and eq	2 835	3 012	0
<b>Total tangible assets</b>	<b>2 835</b>	<b>3 012</b>	<b>0</b>
Financial assets	110	60	0
<b>Total financial assets</b>	<b>110</b>	<b>60</b>	<b>0</b>
Account receivables	35 502	33 974	0
Other receivables	5 365	13 251	0
<b>Total receivables</b>	<b>40 867</b>	<b>47 225</b>	<b>0</b>
Cash and cash equivalents	45 469	33 642	30
<b>Total current assets</b>	<b>86 336</b>	<b>80 867</b>	<b>30</b>
<b>TOTAL ASSETS</b>	<b>255 391</b>	<b>332 345</b>	<b>30</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1 200	1 235	30
Premium fund	58 200	75 665	0
Paid in equity	0	11 096	0
Retained earnings	1 959	5 133	0
<b>Total equity</b>	<b>61 359</b>	<b>93 129</b>	<b>30</b>
Long term liabilities to financial institutions	80 000	105 000	0
Other long-term liabilities	0	0	0
<b>Total long-term liabilities</b>	<b>80 000</b>	<b>105 000</b>	<b>0</b>
Accounts Payable	2 698	5 530	0
Taxes payable	2 036	4 131	0
Public duties payable	21 904	15 172	0
Short term debt to credit institutions	17 421	30 000	0
Other short-term debt	69 973	79 383	0
<b>Total current liabilities</b>	<b>114 032</b>	<b>134 216</b>	<b>0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>255 391</b>	<b>332 345</b>	<b>30</b>

## Consolidated statement of changes in equity

<b>TNOK</b>	<b>Total share capital</b>	<b>Share premium</b>	<b>Other equity</b>	<b>Total equity</b>
Balance at January 1st 2020	30	0	0	30
Profit or loss for period			5 133	5 133
Contribution of equity net	1 205	75 665		76 870
Paid in capital			11 096	11 096
<b>Balance at June 30th 2020</b>				<b>93 129</b>

## Consolidated statement of cash flows

<b>TNOK</b>	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>H1 2020</b>
Profit before tax	2 494	4 474	6 968
Tax payable	0		
Depreciation & amortization	1 863	7 162	9 025
<b>Cash earnings</b>	<b>4 357</b>	<b>11 636</b>	<b>15 993</b>
Change in working capital	55 042	114	55 156
Other	0	0	0
<b>Cash flow from operations</b>	<b>59 399</b>	<b>11 750</b>	<b>71 149</b>
Capex	170 751	89 752	260 503
Free cash flow	-111 352	-78 002	-189 354
Proceeds from asset sale	0	0	0
<b>Cash flow after investment activities</b>	<b>-111 352</b>	<b>-78 002</b>	<b>-189 354</b>
Dividend	0	0	0
Equity issues	59 370	28 596	87 966
Debt financing	97 421	37 579	135 000
<b>Cash flow from financing</b>	<b>156 791</b>	<b>66 175</b>	<b>222 966</b>
<b>Net increase in cash and cash equivalents</b>	<b>45 439</b>	<b>-11 827</b>	<b>33 612</b>
Cash and cash equivalents start of period	30	45 469	30
<b>Cash and cash equivalents end of period</b>	<b>45 469</b>	<b>33 642</b>	<b>33 642</b>

## 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 June 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 June 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.

### 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. For H1 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.