

Interim report January–March 2019



Vitec in brief

Vertical markets

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software aimed at various niche markets. This entails tailoring our offering to the unique needs and requirements of companies operating within specific sectors, to enable the management and development of their business operations.

Standardized products

Our standardized products are cost-efficient for our customers, as they allow for the assimilation of industry-wide developments and upgrades. This enables us to provide our customers with the optimal conditions to develop and future-proof their operations.

Recurring revenues

Our business model is based on a high percentage of recurring revenues, which makes us less susceptible to temporary declines in individual companies, while creating conditions conducive to a long-term approach.

Growth by acquisition

Vitec has an explicit acquisitions-based growth strategy with a sharp focus on profitability and stable cash flows. Our focus on strong cash flows creates the financial prerequisites for continued acquisition-driven growth.



Continued growth and strong cash flow

Summary of interim period, January–March 2019

- Net sales SEK 279 million (222)
- Profit after net financial items SEK 33.4 million (25.1)
- Operating margin: 12.9% (12.3)
- Earnings per share before dilution SEK 0.80 (0.66)
- Cash flow from operating activities SEK 182.4 million (112.9)
- Acquisition of Avoine Oy

CEO's comments

The year is off to a great start. Growth was over 25 percent, largely due to continued growth in recurring revenues. Profit further increased, somewhat faster, and underlying cash flow generating profit increased the most.

We made one acquisition during the first quarter, Avoine Oy, whose product is aimed at sports clubs and labor unions in Finland. Avoine adds 21 new employees to the Group, with offices in Helsinki and Tampere.

Vitec currently has 19 business units, each with its own management and responsibility for profit. Each unit has a working chairman of the board from the Group who works closely with the Business Unit President. The working chairman of the board, who has the title of Vice President Operations (VPO), provides support, sets requirements and is responsible for ensuring benefit to the Group in our otherwise vertical organization. All units have identical questions to address and with the participation of the VPO, previous experience can rapidly be communicated and leveraged. The operation is thereby governed in a decentralized model (19 business units), where the operational power is always close to the customer, while retaining our common culture, business model and view of leadership to create a Vitec that endures over time.

Our presence in 19 different customer markets also means that we achieve considerable risk diversification.

Our financial position is solid and we are well prepared for future acquisitions and for continued acquisition-based growth. Supported by our acquisition of well-established companies and a high and increasing percentage of recurring revenues, Vitec will stay its course – to be a vertical software company with excellent risk diversification, as well as sustainable and profitable growth.



Lars Stenlund, CEO

Group financial information

Net sales and earnings

January–March 2019

Revenues

Net sales for the period totaled SEK 279.0 million (222.4), corresponding to a 25% increase. The improvement was mainly attributable to acquisitions. Recurring revenues for the period rose 27% from the year-earlier period and totaled SEK 206.9 million (163.0), corresponding to 74.1% (73.3) of net sales. License revenues declined 18% year-on-year, totaling SEK 6.3 million (7.6). Service revenues increased 19% from the year-earlier period, totaling SEK 44.6 million (37.6). Other revenues rose 50% to a total of SEK 21.3 million (14.2).

The acquired company, Avoine Oy, which was consolidated as of March 5, contributed SEK 2.6 million in net sales during the period.

Earnings

Operating profit amounted to SEK 35.9 M (27.3), with an operating margin of 12.9% (12.3). Profit after tax for the period amounted to SEK 25.8 million (19.8). Earnings per share before dilution totaled SEK 0.80 (0.66).

Liquidity and financial position

The Group's cash and cash equivalents, including current investments at the end of the period, totaled SEK 129.4 million (60.4). In addition to cash and cash equivalents, Vitec had overdraft facilities of SEK 20 million and SEK 271.5 million in unutilized portions of the credit facility.

During the period, SEK 54.8 million of the credit facility was utilized to finance acquisitions and SEK 279.3 million pertaining to previous acquisitions was repaid to the credit facility. Amortization of bank loans amounted to SEK 1.1 million. Cash flow from operating activities was SEK 182.4 million (112.9). Investments totaled to SEK 34.0 million in capitalized work, SEK 0.4 million in other intangible assets and SEK 6.8 million in property, plant and equipment. The acquisition of Avoine Oy generated SEK 45.0 million in product rights, brands, customer agreements and goodwill.

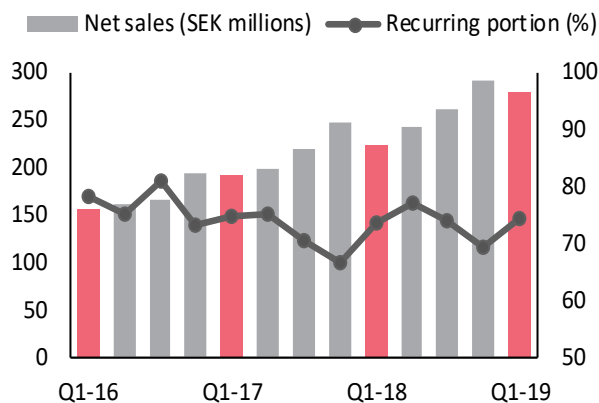
At March 31, 2019, interest-bearing liabilities totaled SEK 290.1 million (368.4) and comprised SEK 284.5 million (337.8) in non-current interest-bearing liabilities and SEK 5.6 million (30.6) in current interest-bearing liabilities.

Other long-term liabilities increased by SEK 57.6 million since December 31, 2018 as an effect of the introduction of IFRS 16 Leasing. Property, plant and equipment increased by SEK 57.4 million.

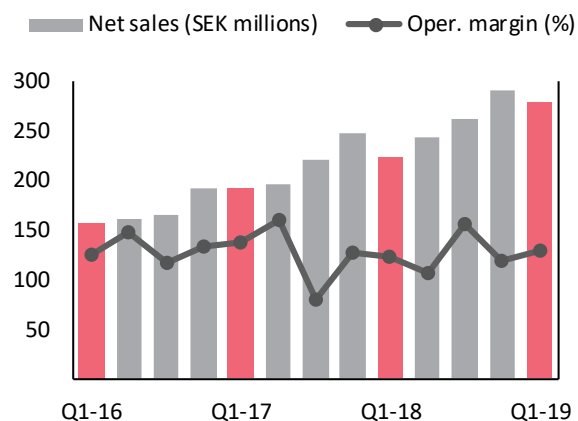
Equity attributable to Vitec's shareholders totaled SEK 711.8 million (438.4). The equity/assets ratio was 44% (36). Dividends of SEK 1.20 per share were proposed to the Annual General Meeting in April, totaling SEK 38.8 million.

Graphs group

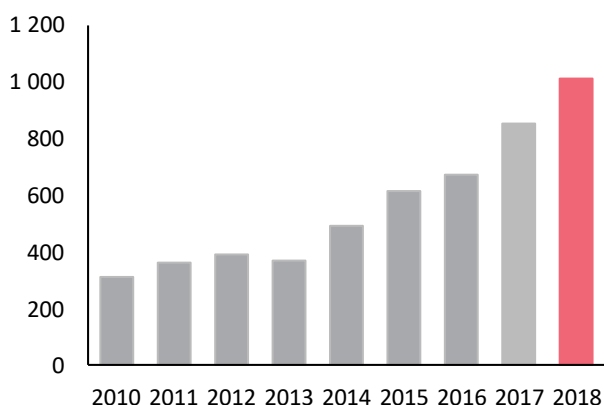
Net sales and portion of recurring revenues



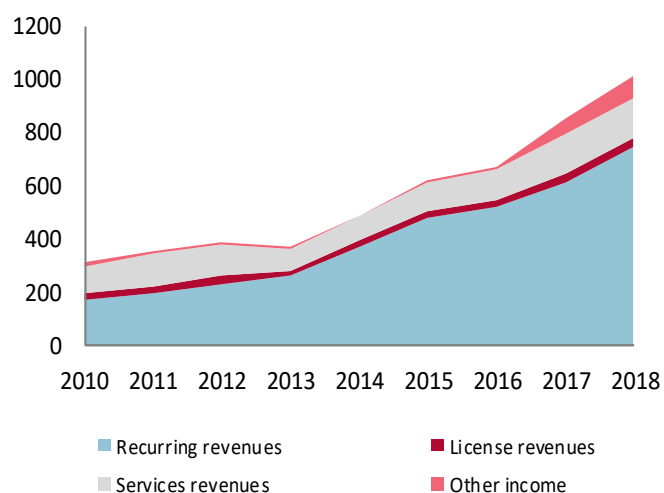
Net sales and operating margin



Net sales (SEK million)



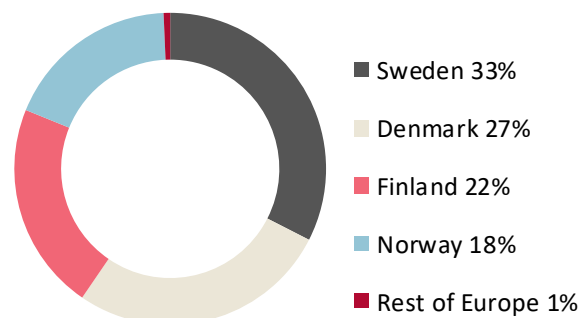
Revenue distribution (SEK million)



Acquired Net sales (SEK million)



Net sales by market January-March



Significant events during the period



March 5: Vitec acquired Avoine OY

Vitec strengthened its position in the Nordic Vertical Software market through the acquisition of all shares in the Finnish software company, Avoine Oy. Its product is aimed at sports clubs and labor unions in Finland. The company reported sales of SEK 29.4 million, with an adjusted EBITDA of SEK 6.3 million for the 2018 financial year. A cash payment will be transacted on the date of the takeover. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date.

Significant events after the the period



April 4: Olle Backman new CFO of Vitec Software Group

Olle Backman is the new Chief Financial Officer (CFO) of Vitec. Olle has extensive experience and most recently held the position of CEO and President of Eitech AB, as well as CFO of a large business area within Vinci Energies Norden, the listed French group that acquired Eitech in 2018.

Operations, January–March 2019

All segments increased their profits and sales, compared with the same period in 2018. Net sales rose by a total of 25%. Profits rose in five of seven segments, compared with January–March 2018. Operating profit before acquisition-related costs improved by 38% and recurring revenues rose 27% compared with the corresponding period in 2018. In March, software company Avoine Oy was acquired, with products aimed at sports clubs and labor unions in Finland. The company is part of Vitec's Education & Health segment. We can conclude that we have had a solid start to 2019. The improvement in earnings is not due to any specific major event, but rather is the result of small and steady improvements across the board. Just the way we want it!

Auto

Profits and sales rose in the Auto segment, compared with the corresponding period in 2018. In Finland and Norway, efforts to update our products continue, and will do so throughout 2019. The business situation is favorable in Finland, where we continued to add new customers during the period. In Denmark and Norway, where the market situation has been somewhat calmer, we increased our local sales efforts during the quarter. Recurring revenues rose 13%, compared with the corresponding period in 2018.

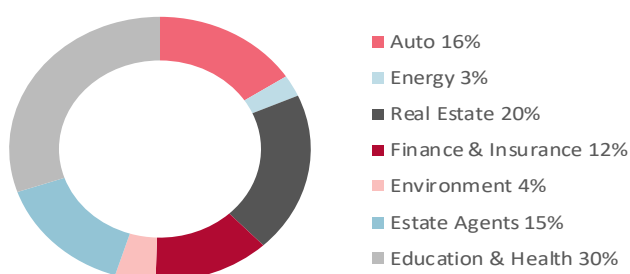
Energy

Profits and sales rose in the Energy segment, compared with the corresponding period in 2018. The Energy segment, which has had stable organic growth for many years, continued on the same path at the beginning of 2019. We are still more active outside the Nordic countries since the Energy segment has products that are also internationally viable. During the first quarter we held major customer events in Croatia and France. Recurring revenues rose 10%, compared with the corresponding period in 2018.

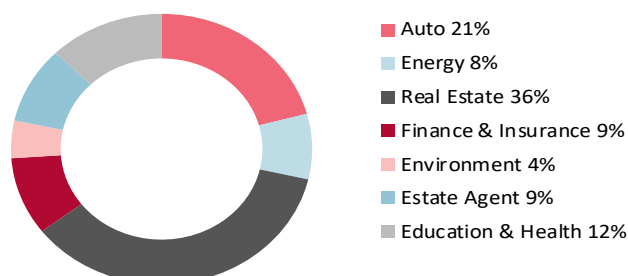
Real Estate

Profits and sales rose in the Real Estate segment, compared with the corresponding period in 2018. We are pleased to report that customers continue to choose us as their supplier both in Norway and Sweden. The startup process for new customers has been streamlined in recent years and we can complete more installations in less time. As a result, customers gain access to our product faster, and we use fewer resources for each installation. Demand has been strong in Sweden for some time and it is therefore particularly rewarding that business in Norway has picked up after an calm period on the Norwegian market. Recurring revenues rose 19%, compared with the corresponding period in 2018.

Net sales January–March 2019



Operating profit January–March 2019



Finance & Insurance

Profits declined in the Finance & Insurance segment, compared with the corresponding period in 2018. In Denmark and Sweden, we completed several business deals during the period. In Denmark we see signals that the market is starting to ease off compared with the slow end of 2018. Recurring revenues rose 8%, compared with the corresponding period in 2018.

Environment

The Environment segment increased its profits and sales, compared with the corresponding period in 2018. The segment increased its focus on sales in recent months and we can already see positive effects. Recurring revenues gained 12%, compared with the corresponding period in 2018.

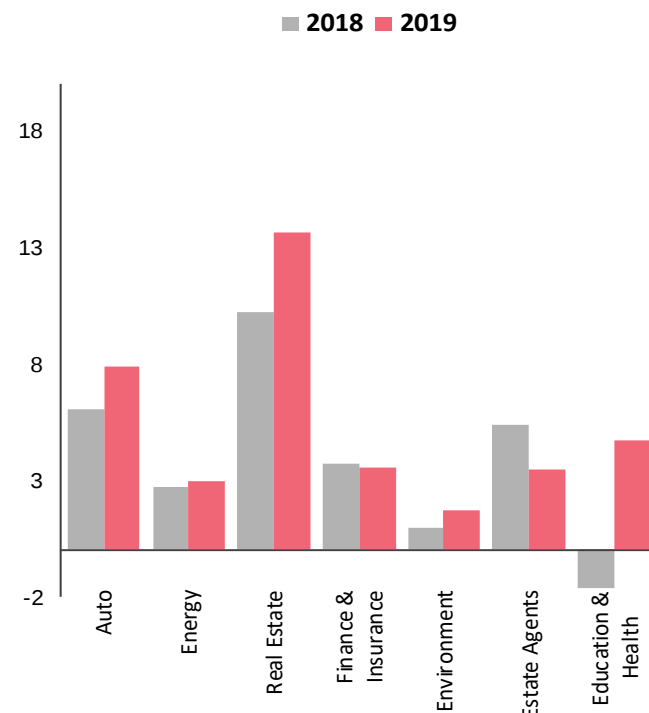
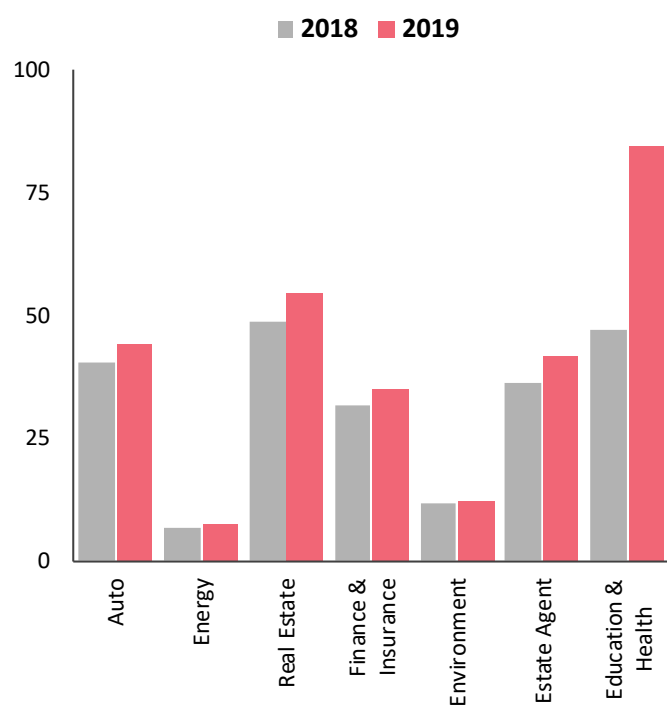
Estate Agents

Profits declined in the Estate Agents segment, compared with the corresponding period in 2018. We have had a slight increase in the cost of goods and some temporary external consultants that have had a negative impact on earnings. In Norway the implementation of the estate agent software Next is underway for Eiendomsmegler 1. In Sweden, we have had two product lines for several years and we are now in the final phase of helping the last customers to move over to our new cloud-based software. We expect that this project will be completed before the summer of 2019. During the period we embarked on a roadshow and visited 15 locations in Sweden, where we met a large number of estate agents to provide user training in the new software. Recurring revenues gained 20%, compared with the corresponding period in 2018.

Education & Health

The Education & Health segment increased its profits and sales, compared with the corresponding period in 2018. The Education & Health segment changed considerably over the past year, when several new business units were added. Cito added products for Danish pharmacies, Agrando added products for church operations in Norway and Sweden, while Smart Visitor System added products for leisure facilities in Sweden. We began 2019 in the same way. On March 5 the software company Avoine was acquired, with products for sports clubs and labor unions. The products are modern and are delivered exclusively online according to the Software as a Service model. Recurring revenues gained 85%, compared with the corresponding period in 2018.

Sales, January–March 2019, (in SEK millions)

Profit/Loss, January–March 2019, (in SEK millions)
before acquisition-related costs

	Auto		Energy		Real Estate		Finance & Insurance		Environment		Estate Agent		Education & Health	
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Recurring revenues	38,2	33,7	5,3	4,8	34,5	29,0	30,4	28,2	10,0	8,9	36,1	30,2	52,4	28,3
License revenues	1,1	1,2	0,0	0,0	1,5	1,6	0,0	0,0	0,2	0,9	0,2	0,0	3,3	3,9
Services revenues	3,7	4,0	1,9	1,6	18,6	18,2	4,2	3,3	1,5	1,4	5,2	6,0	9,4	3,0
Other revenues	0,9	1,3	0,2	0,1	0,1	0,0	0,1	0,1	0,4	0,4	0,1	0,1	19,3	11,9
Net sales	43,9	40,2	7,3	6,6	54,6	48,8	34,8	31,7	12,1	11,6	41,6	36,3	84,4	47,0
Percentage of recurring revenues in net sales	87%	84%	72%	74%	63%	59%	87%	89%	82%	77%	87%	83%	62%	60%
Operating profit*	7,9	6,0	3,0	2,7	13,6	10,2	3,5	3,7	1,7	1,0	3,5	5,4	4,7	-1,7
Operating margin	18%	15%	40%	41%	25%	21%	10%	12%	14%	9%	8%	15%	6%	-4%

*The segment's operating profit is presented before acquisition-related costs

Risks and uncertainties

Material risks and uncertainties are described in the administration report of the of the 2018 Annual Report under “Risks and uncertainties” on pages 34-35, in Note 1, under the section, Assessments and estimates on pages 60-61, and in Note 11 “Financial risks and the management of such risks” on pages 93-95. No material changes have occurred since then.

Parent Company

Net sales totaled SEK 24.2 million (21.8) and essentially comprised invoicing to subsidiaries for services rendered. Profit after tax was SEK -9.5 million (-18.4). Parent Company earnings were charged with unrealized foreign-exchange losses totaling SEK -13.1 million. The Parent Company is generally exposed to the same risks and uncertainties as the Group; refer to the above section, Risks and uncertainties.

Related-party transactions

No significant related-party transactions occurred in the Group or Parent Company during the period.

Condensed consolidated statement of comprehensive income

	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
OPERATING REVENUES			
Recurring revenues	206 856	163 000	743 856
License revenues	6 283	7 644	34 988
Service revenues	44 581	37 587	148 700
Other revenues	21 258	14 186	89 219
NET SALES	278 978	222 417	1 016 763
Capitalized development costs	34 037	30 082	127 549
Reversal of supplementary purchase consideration	-	2 332	6 402
TOTAL REVENUES	313 015	254 831	1 150 714
OPERATING EXPENSES			
Goods for resale	-18 007	-11 662	-68 695
Subcontractors and subscriptions	-28 609	-24 241	-110 515
Other external expenses	-34 437	-33 345	-152 526
Personnel expenses	-146 732	-121 538	-526 367
Depreciation of property, plant and equipment	-10 101	-3 869	-16 411
Amortization of intangible fixed assets	-37 575	-30 607	-135 650
Impairment of intangible fixed assets	-	-2 332	-6 402
Unrealized exchange-rate gains/losses (net)	209	62	-647
TOTAL EXPENSES	-275 252	-227 532	-1 017 213
OPERATING PROFIT BEFORE ACQUISITION-RELATED COSTS	37 763	27 299	133 501
Acquisition-related costs	-1 876	-	-5 129
OPERATING PROFIT AFTER ACQUISITION-RELATED COSTS	35 887	27 299	128 372
Financial income	494	70	289
Financial expenses	-3 028	-2 301	-11 886
TOTAL FINANCIAL ITEMS	-2 534	-2 231	-11 597
PROFIT AFTER FINANCIAL ITEMS	33 353	25 068	116 775
Tax	-7 591	-5 264	-19 855
NET PROFIT FOR THE PERIOD	25 762	19 804	96 920
OTHER COMPREHENSIVE INCOME, ITEMS THAT MAY BE RECLASSIFIED IN PROFIT OR LOSS			
Restatement of net investments in foreign operations and hedge accounting of the same	16 366	20 469	12 443
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	16 366	20 469	12 443
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	42 128	40 273	109 363
PROFIT FOR THE PERIOD ATTRIBUTABLE TO			
-Parent Company shareholders	25 762	19 804	96 920
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO			
-Parent Company shareholders	42 128	40 273	109 363
EARNINGS PER SHARE			
-Before dilution (SEK)	0,80	0,66	3,23
-After dilution (SEK)	0,79	0,66	3,22
Average number of shares	32 338 900	29 838 900	30 016 982
Number of shares after dilution	32 773 505	30 213 419	30 436 771

Segment data

SEGMENT	External net sales (SEK million)			Operating profit before acquisition related costs (SEK million)		
	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Auto	43,9	40,2	170,3	7,9	6,0	28,3
Energy	7,3	6,6	26,0	3,0	2,7	9,3
Real Estate	54,6	48,8	206,3	13,6	10,2	44,3
Finance & Insurance	34,8	31,7	132,2	3,5	3,7	12,7
Environment	12,1	11,6	45,9	1,7	1,0	5,5
Estate Agent	41,6	36,3	155,4	3,5	5,4	23,9
Education & Health	84,4	47,0	278,3	4,7	-1,7	9,5
Shared	0,1	0,3	2,2	-	-	-
Vitec Group	279,0	222,4	1 016,8	37,8	27,3	133,5
Acquisition-related costs				-1,9	0,0	-5,1
Operating profit after acquisition-related costs				35,9	27,3	128,4
Total financial expenses				-2,5	-2,2	-11,6
Profit after financial expenses				33,4	25,1	116,8

Vitec is a Nordic software company with customers located mainly in Sweden, Denmark, Finland and Norway, as well as a number of customers located in other parts of the world. Our sales, distributed by country, is presented on the diagrams on page 5.

Sales consist of the revenue groups presented in profit or loss: recurring revenues, license revenues, service revenues and other revenues. These revenues in turn consist of performance obligations.

Our performance obligations comprise support, maintenance and upgrades, temporary usufruct and operations, perpetual usufruct, services, information services, third-party usufruct, third-party maintenance and other. Of the recurring revenues, SEK 101.3 million (76.4) pertain to support, maintenance and upgrades, SEK 69.5 million (54.0) to fixed-period usufruct and operation, SEK 32.4 million (25.0) to information services and SEK 3.3 million to (4.6) third-party maintenance. License revenues comprised SEK 6.2 million (7.6) in perpetual usufruct.

Our most frequent contract types pertain to cloud SaaS, subscriptions, sales of licenses with traditional support and maintenance agreements, services for sale and information services. Contractual periods span from one month to one year and, in some cases even longer. Our recurring revenues are recognized using a flat distribution across the contractual period, upon the customer gaining control of the service and the fulfillment of performance obligations. Our licenses are recognized at a given date, our service revenues are recognized on a continuous basis upon the delivery of the services and the customer obtaining control and benefits.

Condensed consolidated statement of financial position

SEK thousands	2019-03-31	2018-03-31	2018-12-31
ASSETS			
FIXED ASSETS			
<i>Intangibles fixed assets</i>	1 196 029	976 298	1 130 983
<i>Property, plant and equipment</i>	101 175	41 876	39 788
<i>Financial fixed assets</i>	980	1 870	947
<i>Deferred tax assets</i>	8 151	6 917	8 243
TOTAL FIXED ASSETS	1 306 335	1 026 961	1 179 961
CURRENT ASSETS			
<i>Inventories</i>	5 559	4 688	5 302
<i>Current receivables</i>	174 077	134 128	255 083
<i>Current investments</i>	47	46	46
<i>Cash and cash equivalents</i>	129 309	60 345	235 256
TOTAL CURRENT ASSETS	308 992	199 207	495 687
TOTAL ASSETS	1 615 327	1 226 168	1 675 648
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Equity attributable to Parent Company shareholders</i>	711 757	438 437	669 628
<i>Long-term interest-bearing liabilities</i>	284 517	337 779	503 633
<i>Deferred tax liabilities</i>	154 607	133 668	152 887
<i>Other long-term liabilities</i>	63 461	12 035	5 837
TOTAL LONG-TERM LIABILITIES	502 584	483 482	662 357
<i>Payables</i>	33 793	21 920	39 910
<i>Short-term interest-bearing liabilities</i>	5 633	30 620	5 620
<i>Other short-term liabilities</i>	90 235	43 115	85 195
<i>Accrued expenses</i>	110 996	73 090	77 831
<i>Prepaid recurring revenues</i>	160 328	135 504	135 107
TOTAL SHORT-TERM LIABILITIES	400 985	304 249	343 663
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 615 327	1 226 168	1 675 648

Condensed consolidated statement of changes in equity

SEK thousands	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Opening balance	669 628	398 164	398 164
New share issue and issuing costs*	-	-	194 924
Dividends paid	-	-	-32 823
Total comprehensive income	42 129	40 273	109 363
CLOSING BALANCE	711 757	438 437	669 628

*Nyemissionsbeloppet redovisas netto efter emissionskostnader om 2 576 tkr.

Condensed consolidated statement of cash flow

SEK thousands	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
OPERATING ACTIVITIES			
Operating profit	35 888	27 299	128 373
<i>Adjustments for non-cash items</i>			
Other operating revenues	-	-2 332	-6 402
Depreciation/Amortization and impairment losses	47 675	36 809	158 463
Unrealised foreign exchange gains/losses	-209	-62	647
	83 354	61 714	281 081
Interest received	494	70	289
Interest paid	-2 326	-2 063	-10 675
Income tax paid	-9 780	-10 331	-30 218
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	71 742	49 390	240 477
<i>Changes in working capital</i>			
Increase/Decrease in inventories	-257	-1 069	115
Increase/Decrease in accounts receivable	100 665	91 823	-18 982
Increase/Decrease in operating receivables	-16 375	-20 814	-21 543
Increase/Decrease in accounts payable	-6 182	-9 982	3 807
Increase/Decrease in operating liabilities	32 840	3 514	-6 755
CASH FLOW FROM OPERATING ACTIVITIES	182 433	112 862	197 119
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net*	-18 633	-24 316	-134 285
Purchase of intangible fixed assets and capitalized development costs	-34 448	-30 163	-128 289
Purchase of property, plant and equipment	-6 794	-5 646	-14 346
CASH FLOW FROM INVESTING ACTIVITIES	-59 875	-60 125	-276 920
FINANCING ACTIVITIES			
Dividends to Parent Company shareholders	-	-	-32 823
Borrowings	54 768	-	181 928
Repayment of loans	-280 553	-53 438	-90 023
New share issue	-	-	194 924
CASH FLOW FROM FINANCING ACTIVITIES	-225 785	-53 438	254 006
CASH FLOW FOR THE PERIOD	-103 227	-701	174 205
OPENING CASH AND CASH EQUIVALENTS, INCLUDING CURRENT INVESTMENTS	235 302	57 968	57 968
Exchange-rate differences in cash and cash equivalents	-2 719	3 124	3 129
CASH AND CASH EQUIVALENTS INCLUDING CURRENT INVESTMENTS AT END OF PERIOD**	129 356	60 391	235 302

*Payment pertaining to the acquisition of a subsidiary during the period, comprising Avoine Oy. Net cash flow was SEK 18.6 million. The acquisition pertained to all shares outstanding in their entirety and entailed the gain of controlling influence.

Payment relating to acquisitions of subsidiaries in 2018 comprising final settlement of SEK 22.9 million was paid for supplementary purchase considerations pertaining to Futursoft Oy and SEK 1.4 million for Fox Publish AS. The payments did not entail any changes to controlling influence or the total number of shares held.

**Cash and cash equivalents are defined as funds exposed to an insignificant risk of fluctuations in value, and which are easily convertible to cash at a known amount. Current investments comprise funds that are convertible to cash at a known amount within one bank day.

Parent company income statement, condensed

SEK thousands	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Operating revenues	24 219	21 782	63 389
Operating expenses	-20 411	-17 972	-75 732
Unrealized exchange-rate gains/losses (net)	-13 145	-25 040	-16 574
OPERATING PROFIT/LOSS	-9 337	-21 230	-28 917
Profit/loss from financial investments			
Income from participation in Group companies	-	-	77 599
Interest income	13	35	437
Interest expenses	-2 539	-2 410	-11 817
PROFIT AFTER FINANCIAL ITEMS	-11 862	-23 605	37 302
Appropriations	-	-	28 481
PROFIT BEFORE TAX	-11 862	-23 605	65 783
Tax	2 363	5 193	2 874
NET PROFIT FOR THE PERIOD	-9 499	-18 412	68 657

Profit/Loss for the period corresponds to total comprehensive income.

Condensed balance sheet, Parent Company

SEK thousands	2019-03-31	2018-03-31	2018-12-31
ASSETS			
FIXED ASSETS			
<i>Intangible fixed assets</i>	2 110	3 010	2 419
<i>Property, plant and equipment</i>	11 712	11 633	11 290
<i>Financial fixed assets</i>	1 241 316	970 347	1 189 019
TOTAL FIXED ASSETS	1 255 138	984 990	1 202 728
CURRENT ASSETS			
<i>Current receivables</i>	122 130	91 811	98 710
<i>Cash and cash equivalents</i>	108 884	55 138	222 908
TOTAL CURRENT ASSETS	231 014	146 949	321 618
TOTAL ASSETS	1 486 151	1 131 939	1 524 346
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>	574 732	329 868	584 231
<i>Untaxed reserves</i>	2 448	2 429	2 448
<i>Non-current liabilities</i>	284 517	337 512	503 537
<i>Current liabilities</i>	624 454	462 130	434 130
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 486 151	1 131 939	1 524 346

Supplementary disclosures

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with the Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities. Of the new standards, amendments and interpretations of existing standards that have come into force in 2019, only IFRS 16 Leasing has had any impact on the Group's financial position or financial statements. Otherwise, the accounting policies and methods of calculation remain unchanged, in comparison with the description provided in the 2018 Annual Report.

IFRS 16 Leasing comes into force on January 1, 2019. The new standard entails the elimination of any differences between operational and financial leasing. Leasing agreements exceeding 12 months are to be recognized in the balance sheet. The standard impacts how we recognize future lease agreements pertaining to premises.

Our lease agreements are recognized as assets and liabilities in the consolidated statement of financial position. Instead of leasing expenses, depreciation and interest expenses are recognized in the consolidated statement of comprehensive income. We apply the new standard by using the modified retrospective approach, for which reason comparative data are not restated. Outstanding leases as of January 1, 2019, are reported in accordance with the new standard.

The effect at the balance-sheet date is an increase of SEK 57.6 million in other non-current liabilities and an increase of SEK 57.4 million in property, plant and equipment. In the statement of comprehensive income, SEK 6.4 million is recognized as depreciation for property, plant and equipment and SEK 6.7 million as reduced other external expenses. Financial expenses are SEK 0.4 million.

Taxes

Current tax for the period amounted to SEK 6.3 million (6.0). Deferred tax totaled SEK 1.3 million (-0.7)

Investments

Investments totaled SEK 34.0 million for capitalized development costs, SEK 0.4 million for other intangible fixed assets and SEK 6.8 million for property, plant and equipment. The acquisition of Avoine Oy generated SEK 45.0 million in product rights, brands, customer agreements and goodwill.

Interest-bearing liabilities

Non-current interest-bearing liabilities comprised bank loans of SEK 244.4 million, as well as convertible debentures totaling SEK 40.1 million. Current interest-bearing liabilities comprised bank loans of SEK 5.6 million. The terms and conditions of the company's credit agreement with the bank comprises restrictions, known as covenants. The Group has fulfilled the terms and conditions in their entirety during the period.

Convertible debentures

Convertible debentures are included under non-current interest-bearing liabilities:

- loan 1707 (non-current liability, convertible, acquisition of MV Nordic) SEK 19.8 million. The duration of the loan is from July 6, 2017 – June 30, 2020. The interest rate is based on Stibor 180 (Stockholm Interbank Offered Rate). The conversion price is SEK 85.00. Conversion may be exercised from January 1, 2019 to June 30, 2020, upon which the share capital may increase by no more than SEK 23,432. Full conversion would entail a dilution of approximately 0.8% of the capital and 0.4% of the votes.
- loan 1801 (non-current liability, convertible program, employees). SEK 20.3 million. The duration of the loan is from January 1, 2018 to December 31, 2020. The interest rate is based on Stibor 180 (Stockholm Interbank Offered Rate). The conversion price is SEK 104.00. Conversion may be exercised between November 1 and November 30, 2020, upon which the share capital may increase by no more than SEK 20,029. Full conversion would entail a dilution of approximately 0.7% of the capital and 0.3% of the votes.

Financial instruments

IFRS 9 Financial instruments came into force in 2018 and deals with the recognition of financial liabilities and assets. Vitec applies the new standard. The standard comprises other measurement categories for financial assets and a new model for impairment testing. The primary impact of the standard pertains to a partially new process with respect to loan losses. Vitec has applied the transition prospectively. Having taken into account historical bad-debt losses over a business cycle, we can state that the new standard does not materially impact the consolidated financial statements.

Classification and measurement

Financial instruments are recognized initially at cost corresponding to the instrument's fair value plus transaction costs. A financial instrument is classified at initial recognition based on, among other factors, the purpose for which the instrument was acquired. Vitec has financial instruments under the categories, "loans and accounts receivable," "financial liabilities at fair value" and "financial liabilities measured at amortized cost."

Financial liabilities measured at fair value

In accordance with IFRS 7, the fair value of each financial asset and financial liability must be disclosed, regardless of whether they are recognized in the balance sheet. Vitec deems the fair value of the financial assets/liabilities to be close to the recognized carrying amount.

All of our financial instruments that are subject to measurement at fair value are classified as level 3 and pertain to supplementary purchase considerations in conjunction with acquisitions.

Recurring measurements at fair value, at March 31, 2019

	Level 1	level 2	Level 3	Carrying amount
Supplementary purchase consideration Cito IT A/S			9 773	9 773
Supplementary purchase consideration Avoine Oy			5 211	5 211
Total			14 984	14 984

Acquisitions

Acquisition of Avoine Oy

On March 5, Vitec acquired all shares and voting rights of the Finnish software company, Avoine Oy. Its product is aimed at sports clubs and labor unions in Finland. The application is delivered as Software as a Service (SaaS).

The company was consolidated as of the acquisition date. The goodwill item is not tax deductible and is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. At March 31, acquisition-related costs totaled SEK 1.9 million and were recognized as other external costs in the statement of comprehensive income. From the acquisition date up to and including March 31, revenues in the acquired company totaled SEK 2.6 million and profit before tax totaled SEK 1.0 million. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 5.3 million in sales and SEK 1.0 million in loss before tax.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. These comprise brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

The expensed portion of the contingent consideration will be subject to an EBITDA improvement at December 31, 2019 and is measured at maximum outcome.

Preliminary acquisition plan (SEK thousands)	Avoine Oy	Fair value adjustment	Fair value recognized in the Group
Brands	-	743	743
Product rights	-	3 167	3 167
Customer agreements	-	10 834	10 834
Intangible fixed assets	1 334	-	1 334
Property, plant and equipment	572	-	572
Non-current receivables	1 058	-	1 058
Current receivables	2 258	-	2 258
Cash and cash equivalents	25 552	-	25 552
Deferred tax liabilities	-	-2 949	-2 949
Current liabilities	-18 016	-	-18 016
Net identifiable assets and liabilities	12 759	11 796	24 555
Consolidated goodwill			30 214
Total			54 768
Consolidated acquisition costs			54 768
Calculation of net cash outflow			Fair value
Consolidated acquisition costs			-54 768
Expensed portion of purchase consideration			5 292
Expensed portion of contingent purchase consideration			5 292
Acquired cash and cash equivalents			25 552
Net cash outflow			-18 633

Signatures

Umeå, April 10, 2019

Lars Stenlund (CEO)



Board of Directors: Kaj Sandart, Anna Valtonen, Crister Stjernfelt, Birgitta Johansson-Hedberg and Jan Friedman.

Information

Publication

This information is information that Vitec Software Group AB (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 13:00 CET April 10, 2019.

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Financial information

Our website, vitecsoftware.com, is the premier IR information channel, where we publish financial information immediately upon release.

You may also contact us:

By e-mail: ir@vitec.se

By post: Investor Relations, Tvistevägen 47 A, SE-907 29 Umeå, Sweden

By telephone: +46 (0)90-15 49 00

Vitec's 2018 Annual Report is available in Swedish at vitecsoftware.com.

Financial calendar

Jul 11, 2019 January–June 2019 (≈ 08:30 hrs CET)

Oct 17, 2019 January–September 2019 (≈ 08:30 hrs CET)

Feb 13, 2020 January–December 2019 (≈ 08:30 hrs CET)

This English version of the report is a translation of the original Swedish version; in the event of variances, the Swedish version shall take precedence over the English translation.

The auditors have not audited this report.

Corporate registration

Vitec Software Group AB (publ), corp. reg. no. 556258-4804

Definitions of key figures

This interim report refers to several financial measurements that are not defined under IFRS, known as “alternative performance measures,” in accordance with ESMA’s guidelines. These measurements provide senior management and investors with significant information for analyzing trends in the company’s business operations. Alternative performance measures are not always comparable with measurements used by other companies. They are intended to complement, not replace, financial measurements presented in accordance with IFRS. The key figures presented on the final page of this report are defined as follows:

Non-IFRS key figures	Definition	Description of usage
Recurring revenues	Recurring contractual revenues with no direct relationship between our work efforts and the contractual price. The contractual amount is usually billed in advance and the revenues are recognized during the contract’s term.	<i>A key figure for the management of operational activities.</i>
Percentage of recurring revenues in net sales	Recurring revenues in relation to net sales.	<i>A key figure for the management of operational activities.</i>
Growth	The trend of the company’s net sales in relation to corresponding year-earlier period.	<i>Used to monitor the company’s sales trend.</i>
Growth in recurring revenues	Trend in recurring revenues in relation to the corresponding year-earlier period.	<i>A key indicator for the management of operational activities.</i>
Organic growth in recurring revenues	Development of the company’s recurring revenues, excluding acquired companies during the period, in relation to the corresponding year-earlier period.	<i>Used to monitor the company’s sales trend.</i>
Earnings growth attributable to Parent Company shareholders	The trend of the company’s profit/loss after tax compared with the corresponding year-earlier period.	<i>Used to monitor the company’s earnings trend.</i>
Profit margin	Profit after tax for the period, in relation to net sales.	<i>Used to monitor the company’s earnings trend.</i>
Operating margin	Operating profit in relation to net sales.	<i>Used to monitor the company’s earnings trend.</i>
EBITDA	Earnings before interest, tax, depreciation and amortization for the period.	<i>Indicates the company’s operating profit/loss before depreciation/amortization and interest.</i>
Equity/assets ratio	Shareholders’ equity, including equity attributable to non-controlling interests as a percentage of total assets.	<i>This measurement is an indicator of the company’s financial stability.</i>
Equity/assets ratio after full conversion	Shareholders’ equity and convertible debentures as a percentage of total assets.	<i>This measurement is an indicator of the company’s financial stability.</i>
Debt/equity ratio	Average debt in relation to average shareholders’ equity and non-controlling interests.	<i>This measurement is an indicator of the company’s financial stability.</i>
Average shareholders’ equity	The average between shareholders’ equity for the period attributable to Parent Company shareholders and shareholders’ equity for the preceding period attributable to Parent Company shareholders.	<i>An underlying measurement on which the calculation of other key figures is based.</i>
Return on capital employed	Profit after net financial items plus interest expenses, as a percentage of average capital employed. Capital employed is defined as total assets less interest-free liabilities and deferred tax.	<i>This measurement indicates the company’s profitability in relation to externally financed capital and shareholders’ equity.</i>
Return on equity	Reported profit/loss after tax in relation to average equity attributable to Parent Company shareholders.	<i>This metric is an indicator of the company’s profitability and measures the return on shareholders’ equity.</i>
Sales per employee	Net sales in relation to the average number of employees.	<i>Used to assess the company’s efficiency.</i>
Value added per employee	Operating profit/loss plus depreciation/amortization and personnel expenses in relation to average number of employees.	<i>Used to assess the company’s efficiency.</i>
Personnel expenses per employee	Personnel expenses in relation to average number of employees.	<i>A key figure used to measure efficiency in operations.</i>
Average number of employees	The average number of employees in the Group during the period.	<i>An underlying measurement on which the calculation of other key figures is based.</i>
AES (Adjusted equity per share)	Shareholders’ equity attributable to Parent Company shareholders, in relation to the number of shares issued at the balance-sheet date.	<i>This measurement indicates the equity per share at the balance-sheet date</i>
Cash flow per share	Cash flow from operating activities before changes in working capital, in relation to the average number of shares.	<i>Used to monitor the company’s trend in cash flow per share.</i>
Average number of shares after dilution	The average number of shares during the period plus the number of shares added following the full conversion of convertibles.	<i>An underlying measurement on which the calculation of other key figures is based.</i>

IFRS key figures	Definition	Description of usage
Earnings per share	Profit after tax attributable to Parent Company shareholders, in relation to the average number of shares during the period.	<i>IFRS key figure</i>
Earnings per share after dilution	Profit after tax attributable to Parent Company shareholders, plus interest expenses pertaining to convertible debentures, in relation to the average number of shares after dilution.	<i>IFRS key figure</i>

Segment descriptions

Vitec develops and delivers software aimed at various niche markets. Some of our software products comprise complete enterprise systems, while others provide support for specific aspects of our customers' operations. We report our operations under seven segments.

Auto

Vitec's Auto segment includes our software for the automotive industry and machinery sector in Denmark, Finland, Norway and Sweden. Our products support work processes, such as vehicle sales, vehicle service centers, tire storage and the distribution of auto components. The Auto segment includes Vitec Autodata AS, Vitec Datamann A/S, Vitec Infoeasy AS and Futursoft Oy.

Energy

The Energy segment includes our advanced forecasting systems for electricity traders, as well as calculation and mapping systems for owners of electricity and district-heating grids. This segment comprises Vitec Energy AB.

Real Estate

Vitec offers complete enterprise systems for the construction and real estate sectors in Norway and Sweden, covering aspects such as project reporting, leasing, sales, customer service, accounting, technical property management and energy-consumption monitoring. This segment includes Vitec Förvaltningssystem AB, Vitec Fastighetssystem AB, Vitec Capifast AB, Vitec Software AB, Vitec Plania AS and Vitec PP7 AB. Vitec PP7 AB's operations were consolidated as of April 9, 2018.

Finance & Insurance

The Finance & Insurance segment includes our software for banks, financial institutions and insurance companies in Denmark, Norway and Sweden. The segment comprises Vitec Capitex AB, the Vitec Aloc A/S Group and Vitec Nice AS.

Environment

The Environment segment includes our software for private and municipal waste-and-resource processing in Finland. The products are used to manage the entire chain, from the weighing of waste and driving schedules, to invoicing, accounting and reporting. The segment includes operations that were previously under the Media segment. The segment comprises Tietomitta Oy and 3L Media AB.

Estate Agents

The Estate Agents segment includes our software for real estate agents in Norway and Sweden. Our products support estate agents at every step of their business process, from the registration of an object, to marketing, viewing, bidding, sale and contract. The segment comprises Vitec Mäklarsystem AB, Capitex AB, Vitec Megler AS, Vitec Megler AB and ADservice Scandinavia AB.

Education & Health

The Education & Health segment was expanded with three new operations in 2018, through the acquisition of the companies, Agrando AS, Cito IT A/S and Smart Visitor System AB. Agrando develops applications for churching operations in the Nordic region, with its primary markets comprising Norway and Sweden. Cito develops applications for the pharmacy market in Denmark. Its main product is an enterprise system for managing the entire chain of the Danish pharmacy workflow. Our company, Smart Visitor System, develops specific software for municipal leisure and cultural departments in Norway and Sweden.

This segment comprises applications designed for individuals with reading and writing difficulties, and are used by public and private education companies in Denmark, Norway and Sweden.

It also comprises applications for healthcare companies in Finland, which are wholly web-based enterprise systems used by district healthcare centers, hospitals, physiotherapy and rehabilitation facilities, as well as occupational health services and public organizations. In 2019 the segment was expanded with an additional business in conjunction with the acquisition of Avoine Oy. Avoine's product is aimed at sports clubs and labor unions in Finland.

The segment includes AcuVitec Oy, Avoine Oy, the Vitec Agrando AS Group, Vitec Cito A/S, the Vitec MV A/S Group and Vitec Smart Visitor System AB. Vitec Agrando AS's operations were consolidated as of April 19, 2018. Vitec Cito A/S's operations were consolidated as of May 31, 2018. Vitec Smart Visitor System AB's operations were consolidated as of November 6, 2018 and Avoine Oy's operations were consolidated as of March 5, 2019.

Key figures

		2019 jan-mars	2018 jan-mars	2018 jan-dec
Net sales	(SEK 000s)	278 978	222 417	1 016 763
Auto	(SEK 000s)	43 923	40 220	170 311
Energy	(SEK 000s)	7 345	6 577	26 031
Real Estate	(SEK 000s)	54 633	48 800	206 326
Finance & Insurance	(SEK 000s)	34 818	31 695	132 207
Environment	(SEK 000s)	12 130	11 562	45 941
Estate Agent	(SEK 000s)	41 586	36 277	155 407
Eduation & Health	(SEK 000s)	84 403	46 971	278 323
Shared	(SEK 000s)	140	314	2 218
Growth	(%)	25%	16%	19%
Profit after financial items	(SEK 000s)	33 353	25 068	116 775
Profit after tax	(SEK 000s)	25 762	19 804	96 920
Profit after tax attributable to the Parent Company shareholders	(SEK 000s)	25 762	19 804	96 920
Earnings growth attributable to the Parent Company shareholder	(%)	30%	5%	22%
Profit margin	(%)	9%	9%	10%
Operating margin	(%)	13%	12%	13%
Balance-sheet total	(tkr)	1 615 327	1 226 168	1 675 648
Equity/assets ratio	(%)	44%	36%	40%
Equity/assets ratio after full conversion	(%)	46%	39%	42%
Debt/equity ratio	(multiple)	1,47	1,93	1,75
Return on capital employed	(%)	15%	14%	13%
Return on equity	(%)	18%	20%	18%
Sales per employee	(SEK 000s)	430	396	1 658
Value added per employee	(SEK 000s)	355	326	1 316
Personnel expenses per employee	(SEK 000s)	226	216	858
Average number of employees	(persons)	649	562	613
Adjusted equity per share (AES)	(SEK)	22,01	14,69	20,71
Earnings per share	(SEK)	0,80	0,66	3,23
Earnings per share after dilution	(SEK)	0,79	0,66	3,22
Dividend paid per share	(SEK)	-	-	1,10
Cash flow per share	(SEK)	2,22	1,66	8,01
Basis of computation				
Earnings from calculation of earnings per share	(SEK 000s)	25 762	19 804	96 920
Cash flow from calculation of cash flow per share	(SEK 000s)	71 742	49 390	240 477
Average number of shares (weighted)	(share)	32 338 900	29 838 900	30 016 982
Average number of shares after dilution	(share)	32 773 505	30 213 419	30 436 771
No. of shares issued at balance-sheet date	(share)	32 338 900	29 838 900	32 338 900
Share price at close of the respective period	(SEK)	92,00	83,60	77,60

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software aimed at various niche markets. Vitec grows through acquisitions of well-managed and established software companies. The Group's overall processes, combined with the in-depth knowledge of our employees regarding our customers' local markets, creates the conditions for improvement and continuous innovation. Our 650 employees are located in Denmark, Finland, Norway and Sweden. Vitec is listed on the Nasdaq Stockholm and had sales of SEK 1017 million in 2018. Read more about us at www.vitecsoftware.com.