

# Company presentation

20 August 2020

# Disclaimer

This Presentation includes and is based on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ from the projected results. These statements and this Presentation are based on current expectations, estimates and projections about global economic conditions and the economic conditions of the regions and industries that comprise major markets for the businesses of Arendals Fossekompani ASA and its subsidiaries and affiliates («AFK Group»), including Volue AS and its subsidiaries and affiliates («Volue»). These expectations, estimates and projections are generally identifiable by statements containing words such as «expects», «believes», «estimates» or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for either the AFK Group or Volue, energy price development, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time in the Presentation. Although the AFK Group and Volue believe that the expectations as presented in this Presentation are based upon reasonable assumptions, there can be made no assurance that those expectations will be achieved or that the actual results will be as set out in the Presentation. Neither the AFK Group nor Volue are making any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the Presentation, and neither the AFK Group nor Volue, including any of its directors, officers or employees will have any liability to you or any other persons resulting from the use of the Presentation.



# Value in brief: A leading supplier of software and technology solutions for the energy, power grid and infrastructure markets

## Brief overview of Value

### Value in numbers



**2,000 customers**  
in 44 countries



**50 years in**  
green-tech



**3rd largest**  
software company  
in Norway



**NOK 818m in**  
revenues (2019)



**More than 30**  
offices in 9  
countries



**500 employees**

### Key target markets



**Energy**  
production and  
trading



**Energy**  
distribution



**Water and**  
wastewater



**Construction**



**Industrial IoT**

## What Value offer



**Integrated technology spanning the entire clean energy value chain**



**One-stop shop for optimised business-critical systems driving profitability**



**Streamlined delivery model and hands-on service offering**



**Future-proof technical platform that is robust to changing regulatory regimes and market needs**



**Plug-and-play solution reducing technical complexity through fewer integrations and optimised architecture**



**Leading R&D capabilities with continuous innovation of core product offerings**

# Volue serves three market segments



## Energy Production & Trading



*Help customers master the energy transition by enabling wall-to-wall digitalisation of the green energy value chain*

LTM sales	NOK 435m
ARR share	64%



## Power Grid & Flexibility



*Enable power distributors to support electrification of society by unlocking flexibility and digital management of the power grid*

LTM sales	NOK 231m
ARR shares	66%



## Infrastructure

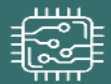
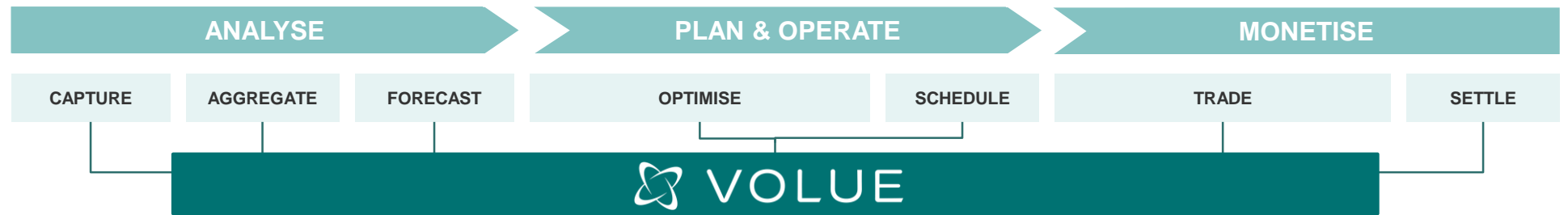


*Deliver flexible capabilities for digital water management and help automate processes and machines for the construction industry*

LTM sales	NOK 185m
ARR share	65%

# One-stop-shop with leading competencies and capabilities across the clean energy value chain

## End-to-end coverage in the clean energy value chain



### Industrial IoT

- Leading market position for sensor technology and data acquisition in Norway
- Long and proven track record in the renewable energy business
- Scalable delivery model



### Infrastructure, Energy solutions and Power distribution

- Leading provider of business critical software platform
- Dominant market position in the Nordics with strong customer ties
- Strong position with European tier-1 customers
- Leading R&D environment



### Analytics

- Strong European position for forecasting and analytics
- Successful SaaS cloud-based delivery model
- Highly competent IT and R&D team
- Proven ability to scale in Europe



### Portfolio management

- Market leader since de-regulation of the power industry in the 1990's
- Highly competitive outsourcing partner for trading activities
- In-depth market and regulatory competence
- Operational insight into customer needs / requirements




# Value's integrated offering well received in the marketplace, recent major contract awards sign of step-change in customer adoption of new digital solutions

## Example 1 – Significant strategic contract with Enel

Customer	Timing
	Q4 2019
Value's offering	Customer benefits and rationale
Multi asset/multi market optimisation of all Enel's production facilities in Italy	Increase top line through optimisation of production and trading

## Example 2 – Significant strategic contract with EnBW

Customer	Timing
	Q3 2020
Value's offering	Customer benefits and rationale
Automation of power and gas trading and scheduling solutions	Flexibility to scale, compliance with market regulation and increase top line



Place Value as the market leader in Energy Production & Trading



Major pull towards SaaS offerings



# Large international client base a testament to Volue's high-quality service offering

## High-quality offering with a strong value proposition



Value-add from improved operational efficiency resulting in high customer stickiness with low churn



Increasing share of SaaS as customers seek flexible, dynamic and efficient solutions



Short lead times require customers to move away from on-premise solutions towards dynamic cloud-based models

## International, blue chip customer base

### International players

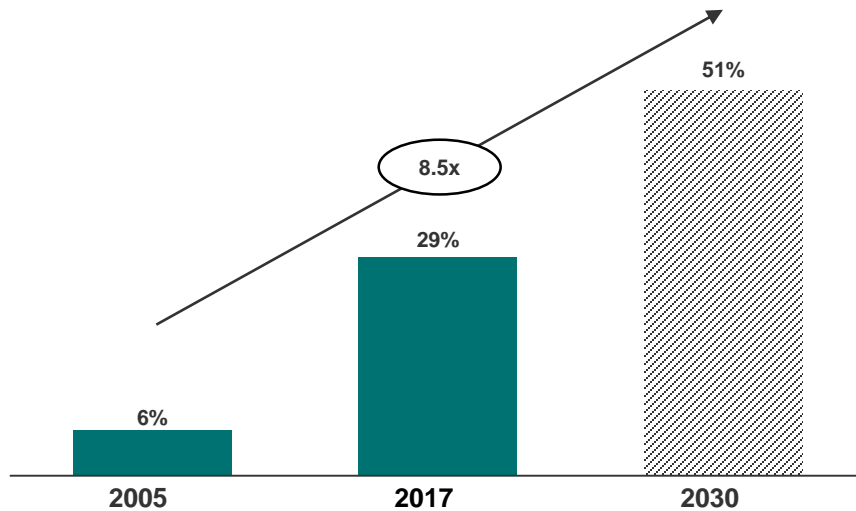


### National players



# Complexity of EU power trading increases with accelerating trading volumes and more non-controllable power capacity

## Non-controllable power capacity becoming majority in Europe



Sun & wind are not controllable production sources, with production changing in seconds and low predictability - only c. 30% of capacity on average utilized

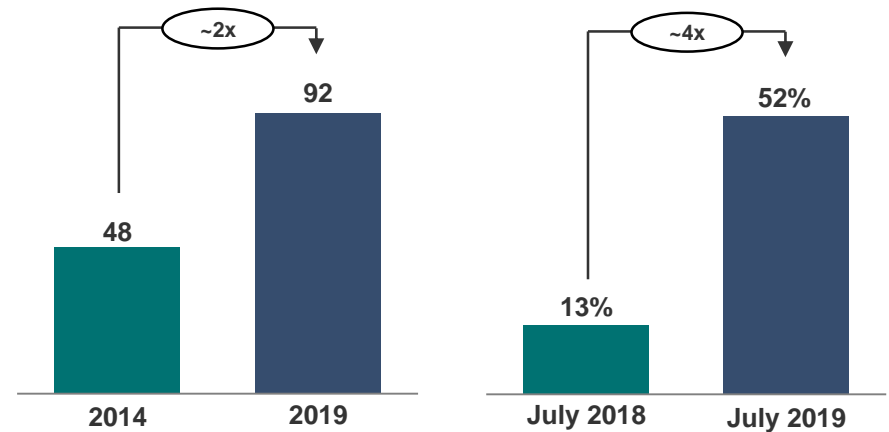


Physical markets; few and expensive storage or switch-off alternatives to delivery to the grid

## Intra-day power trading volumes accelerating, increasingly based on algo-traders

Figures in GW, traded volumes on EPEX Intraday

Share of API traded volume, Nord Pool Intraday



Intraday trading close to doubled since 2014 and is expected to continue growing – though still only making up 17% of trading volumes



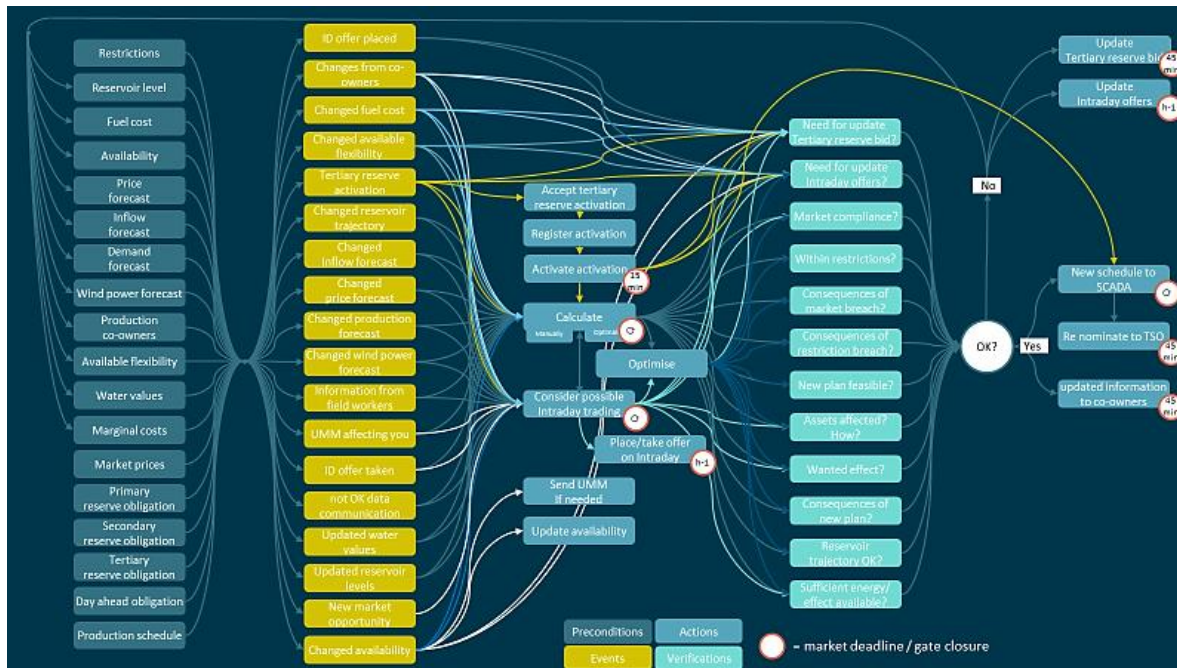
Algorithmic trading gaining traction in an increasingly high speed and data intensive environment, now comprising >50% of volumes





# Producers must evaluate a large number of decision factors every 15 minutes (5 minutes), to re-position through trading

## The producer's new reality – highly complex routines requiring state-of-the-art systems



## Complex process to model for optimisation

- On-premise hardware/software and complex integration of 20+ software and data packages
- Need to evaluate large number of factors in real-time:
  - Price forecasts by market and country from next minutes to months
  - Water, wind, sun and temperatures
  - Storage capacity
  - Production asset optimisation
- Often manual elements in linking operations, trading and external/internal data

**Completely new architecture needed for faster optimisation**

In response, market participants are transforming its organisations, business models and technology systems

### Changing landscape



Higher pace of operations



Increased complexity of “asset” base and trading options



Continuous optimisation – need for direct market access linked with operations



Exponential growth in flows of information

Profitability of industrial commodity companies depends on ability to adapt in real-time to market movements

### Levers to stay competitive

Data access & processing capabilities

Infrastructure to support big data and analytics crucial to facilitate profitability and reduce risk

Optimisation

Efficient combined optimisation of assets and market positions necessary to stay competitive

Trading capabilities

Real-time trading essential for value creation: algorithmic trading and 24/7 operation are key levers

Consolidation and scale

Consolidation of highly fragmented market to build scale and one-stop-shop offering

Trading is becoming a stronger competitive differentiator for companies – and is higher on the corporate agenda



# Supportive market trends affecting Volue across all industry verticals

## Key market trends

	<b>Increasing ESG focus and the green shift</b>	<ul style="list-style-type: none"><li>▪ Stakeholders across society increasingly focus on ESG issues</li><li>▪ Transition to renewable energy and electrification of societies</li></ul>
	<b>Changing market regulations</b>	<ul style="list-style-type: none"><li>▪ Changing market regulations result in higher time resolution for trading which leads to a greater need for trading automation</li></ul>
	<b>Cyber security</b>	<ul style="list-style-type: none"><li>▪ Cyber security becoming a key concern amongst all public and private players, increases expectations to Volue operations and product offerings</li></ul>
	<b>Changing market structures</b>	<ul style="list-style-type: none"><li>▪ Highly fragmented market with significant opportunities for larger players to drive consolidation to improve scale and product offering at attractive multiples</li><li>▪ Fewer but bigger customers with more purchasing power expected</li></ul>
	<b>Big data and digitalisation</b>	<ul style="list-style-type: none"><li>▪ Amount of data and operational complexity increases</li><li>▪ Access to data and efficient, automated solutions is critical for growth and competitiveness</li></ul>
	<b>Large infrastructure investments</b>	<ul style="list-style-type: none"><li>▪ Customers across Volue's addressable markets are experiencing large infrastructure investments, driven by ageing infrastructure, new market requirements or governmental investment strategies</li></ul>

# Value's ambition is to provide an industrial platform for sustainable energy and robust infrastructure construction & management

Value's customer offering focuses on delivering customer value through four key elements



## Customer profit

Optimising customer profit by developing a future proof technology platform with automated decision support system



## Flexibility

Provide customers flexibility by offering *wall-to-wall digitalisation of business processes* with openness to third-party solutions



## SaaS

Offering robust, scalable and repeatable Software as a Service solutions



## Increased sustainability

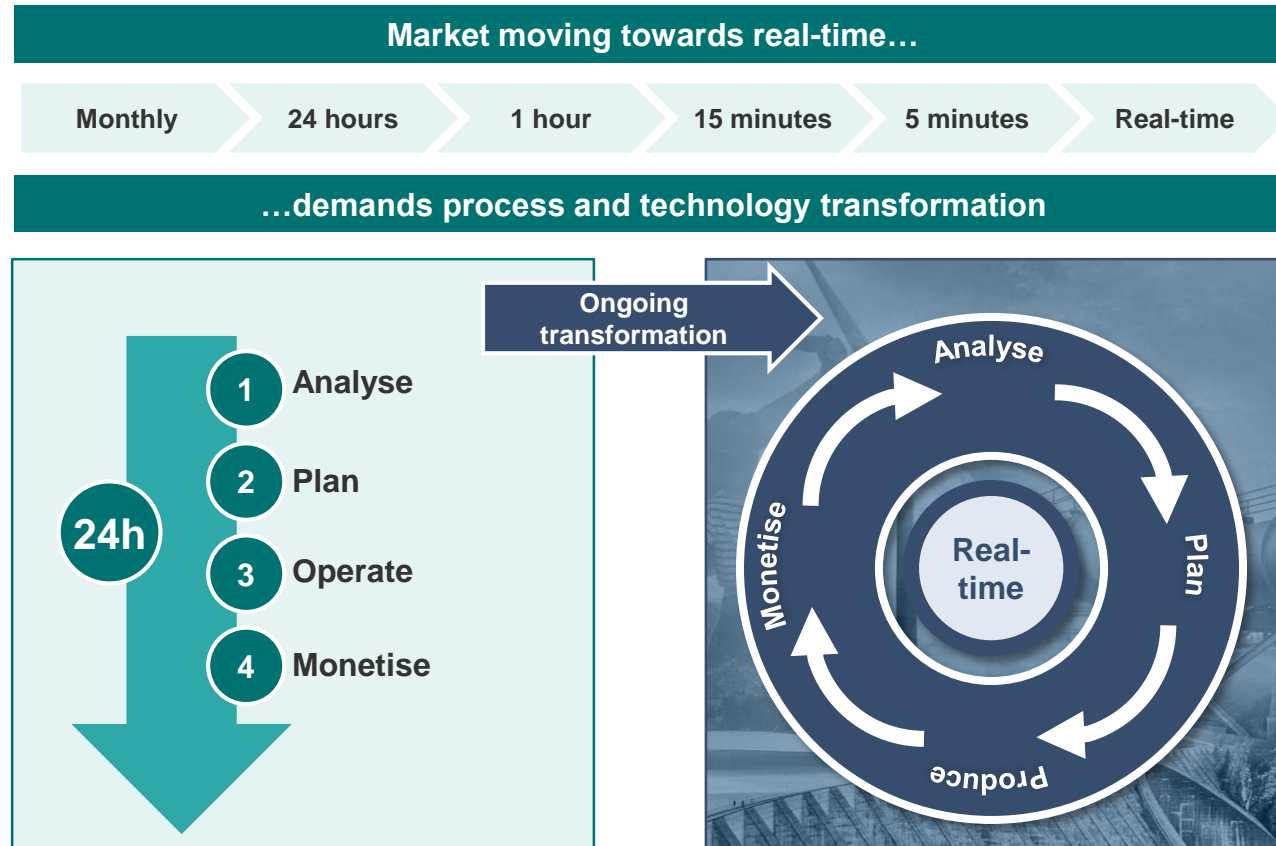
Offering IT solutions for a greener and more sustainable future



# Energy markets are moving towards real-time – increasing the complexity and need for digital optimisation solutions

## Key rationale for establishing Value

## Comments



- Changes in the energy sector is a key rationale behind the creation of Value
- Increased share of non-regulated production, electrification of society combined with market harmonisation is driving new technology needs
- Digitalisation across the entire value chain is opening new areas of value realisation for those able to seize the opportunities

# Volue's digital solutions, from sensors to trading, enabling transition to 15 minutes markets, and eventually real-time

## Optimising production positions and pricing

1

### Trading

- ✓ Outsourcing partner of trading activities
- ✓ Transforming to algo-trading as market increasingly trade in seconds

2

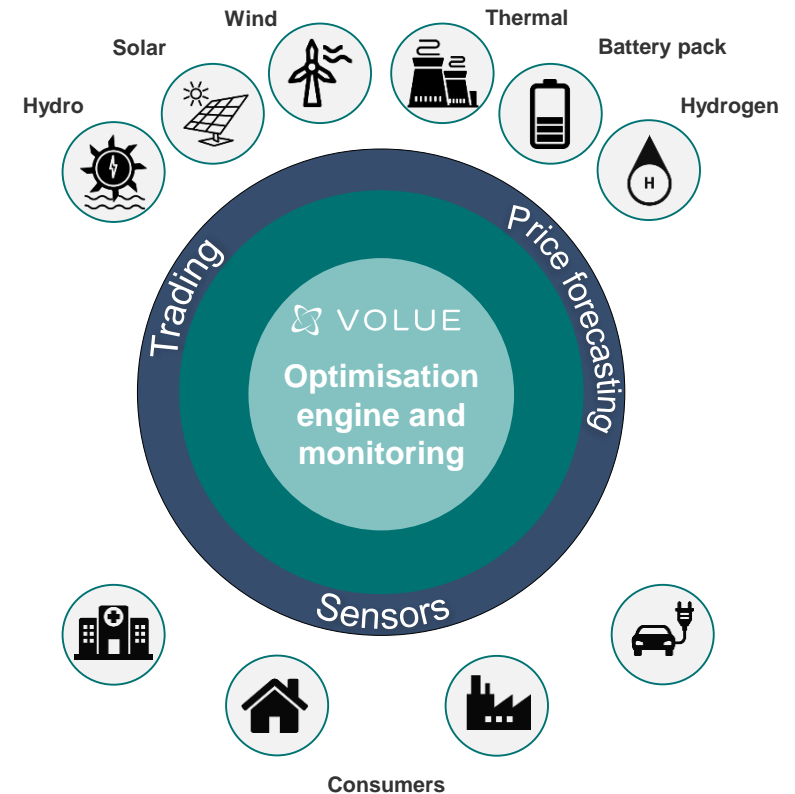
### Price forecasting

- ✓ Delivering price forecasts ranging from years to minutes
- ✓ Big data analytics to improve forecasting

3

### Sensors

- ✓ Data capturing and formatting
- ✓ Water, snow, wind, temperature, sun etc. HW devices and SW to format and relay data

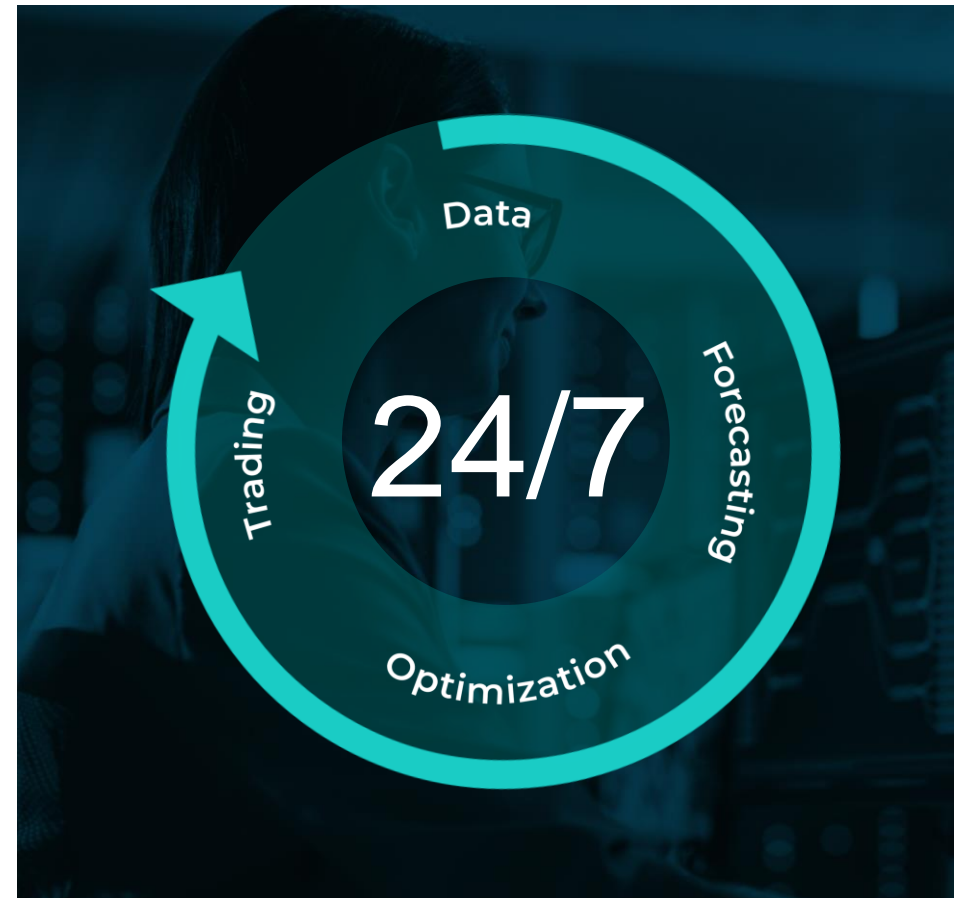


## Example offering: Production Planning as a Service

### Profit optimisation by:

- 1 Advanced optimisation service 24/7
- 2 Maintenance Planning Service
- 3 Access to participation in multiple markets
- 4 Algo-trading

- Many customers want to maintain focus on the core activities of being an energy producer
- For decades we have helped our customers optimise their portfolio of assets and monetise energy production
- With an integrated cloud platform and a centralised 24/7 team, Volue will grow market footprint by increasing the value of customer partnerships





# Revenue growth and margins strengthening in H1 2020 despite Covid-19, supportive of Volue's ambitious mid to long-term targets

## Financial performance and targets

Key metrics (NOKm)	H1 2019	H1 2020 <sup>1</sup>	2019A	LTM <sup>1</sup>	Mid to long-term financial ambitions
Revenue	409	443	818	852	
EBITDA	60	85	103	128	
EBIT	29	50	38	59	
ARR growth (%)	12%	15%	15%	9%	
Revenue growth (%)	2%	8%	2%	7%	15% p.a.
EBITDA margin (%)	14%	19%	13%	15%	25-30%
ARR % of revenue	61%	63%	62%	65%	75-80%

## Key highlights

- Revenue growth of 8% year-to-date, despite Covid-19
- Annual recurring revenue (ARR) at 63% of total revenue in H1 2020
- 15% growth in ARR year-to-date based on H1 2020 figures
- H1 2020 EBITDA margin of 19%, including adjustment for R&D capex

1) In 2020, Volue decided to capitalise R&D-related capex in order to harmonise its accounting principles. This impacts the comparability between the 2019 and 2020 figures as presented herein

## Key takeaways

- 1 **Renewable energy and green transition triggering need for digitalisation and increased requirements for system uptime, security and performance**
- 2 **Value uniquely positioned with integrated offering and business critical software across energy asset and operations value-chain**
- 3 **Recent contract wins and customer response to the creation of consolidated group underpinning Value's differentiation**
- 4 **Value's leading market position and well-defined SaaS roadmap coupled with high customer stickiness facilitate high growth in ARR and margin expansion**

