

# FINANCIAL REPORT

Q3 2018

agillic



## Jesper Valentin, CEO of Agillic, summarises the third quarter of 2018:

“ Agillic continued its growth according to plan, and we are satisfied with the progress we made in the third quarter of 2018 and re-affirm our full-year expectations to 2018. We increased our Annual Recurring Revenue (ARR) – the main value indicator of the company – by 79% compared to last year, and we generated a positive EBITDA from our existing client business. We have signed agreements with clients with significant potentials, such as TDC, Jyske Bank and Amedia. Furthermore, we have formed strategic partnerships that will help us realise our continued growth.

## Financial highlights

- Revenue in Q3 2018 amounted to DKK 10.1 million, which corresponds to an increase of 39% compared to the same period in 2017; revenue in Q1-Q3 2018 amounted to DKK 29.1 million, corresponding to a 72% increase compared to the same period in 2017.
- Gross profit in Q3 2018 amounted to DKK 7.9 million, which corresponds to an increase of 21% compared to the same period in 2017; while gross profit in Q1-Q3 2018 amounted to DKK 21.7 million, corresponding to an increase of 53% compared to same period in 2017.
- In Q3 2018, EBITDA amounted to DKK -2.7 million, and EBITDA in Q1-Q3 2018 amounted to DKK -8.7 million.
- At the end of Q3 2018, cash position amounted to DKK 15.6 million (DKK 23.9 million, inclusive of trade receivables, trade payables and other short-term payables).

## Expectations for the full-year 2018

- Due to a strong pipeline Agillic is confident that expectations for the full-year 2018 of an increase in year-end 2018 Annual Recurring Revenue (ARR) to DKK 40-50 million, corresponding to a 40-50% increase compared to year-end 2017, along with an EBITDA of DKK -5 to -10 million are met.

## Key Performance Indicators

- At the end of Q3 2018 Annual Recurring Revenue (ARR) amounted to DKK 41.9 million, which corresponds to a 79% increase compared to 30 September 2017 and 26% compared to 31 December 2017.
- In Q3 2018, ARR increased with DKK 3.2 million compared to Q2 2018, while the increase compared to the end of 2017 amounted to DKK 8.7 million.

## Exposition of Annual Recurring Revenue

Annual Recurring Revenue (ARR) is the annualised value of subscriptions and transactions at the end of the actual reporting period. ARR is a key figure for valuing performance for SaaS (Software as a Service) companies. For a further exposition of Agillic's Annual Recurring Revenue (ARR), please refer to Note 1, Appendix 1 (ARR general description) and Appendix 2 (Agillic's historical ARR development).



## Highlights of the third quarter 2018

- New UK sales force signed the first client
- TDC, Jyske Bank and Amedia were among the new clients in the Nordics
- Agillic formed strategic partnerships with e.g. IMPACT Extend, Intermail, CoolGray and Lifted
- The company hired core competencies in Sales, R&D and Support to ensure the competitive position of our product as a state-of-the-art AI-powered marketing automation solution, including Kim Elsass as Head of Global Partner Programs.

## Financial Key Figures

DKK million	Q3 2018	Q3 2017	Change	Q1-Q3 2018	Q1-Q3 2017	Change
Net revenue <sup>1</sup>	10.1	7.2	39%	29.1	16.9	72%
Gross profit 1 <sup>2</sup>	7.9	6.5	21%	21.7	14.2	53%
Gross profit 1 margin	78%	90%		75%	84%	
EBITDA	-2.7	1.4	-	-8.7	-0.9	925%
Net profit	-4.6	0.5	-	-14.6	-2.9	404%
Cash position	15.6	0.2	6188%	15.6	0.2	6188%
Cash position (adjusted) <sup>3</sup>	23.9	2.1	1030%	23.9	2.1	1030%
Annual Recurring Revenue (ARR) <sup>4</sup>	41.9	23.4	79%	41.9	23.4	79%
Net increase/decrease in ARR	3.2	-0.3	-	8.7	2.6	235%

<sup>1</sup> Net revenue is recognized at the time of the invoicing

<sup>2</sup> Gross profit 1 is net revenue less direct costs

<sup>3</sup> Current cash position inclusive of trade receivables, trade payables and other short-term payables

<sup>4</sup> Annual Recurring Revenue (ARR), i.e. the annualized value of subscription agreements and transactions at the end of the actual reporting period



## Overall comments

Agillic's main strategic objectives are expansion and internationalisation, and we are on track with our projected growth scenario. We continue to take advantage of the opportunities in a growing market, including taking market share, and we are grooming the organisation for further international expansion. We are particularly satisfied to see our investment in the UK salesforce starting to generate results, and we have signed an agreement with a strategically vital client in the energy sector. Having the right people on board is key to success, and we continue to fuel the organisation with core competencies to ensure the competitive position of our product as a state-of-the-art AI-powered omnichannel marketing automation solution.

In Q3 2018, we started to see the effect of the 2018-hires as well as our investment in marketing activities, partnerships and in the sales organisation. We succeeded in winning new clients, and their subscriptions and transactions contribute to the steadily growing Annual Recurring Revenue (ARR) constituting the foundation of Agillic's business model.

In line with our strategy, the positive EBITDA generated from existing clients as well as funds raised from the IPO were invested in acquiring new business. This generated a planned negative EBITDA of DKK -2.7 million in Q3 2018.

The DKK 3.2 million increase in Annual Recurring Revenue (ARR) in Q3 2018, compared to the end of Q2 2018, was driven by an increased value of subscriptions, but was as expected partly counteracted by a decrease in the value of transactions, i.e. the value of communication being executed via the Agillic marketing automation software platform. The reason for the expected negative contribution from transactions was mainly the summer holiday season where our clients traditionally have a reduced communication with their customers – a pattern seen every year. The decrease in ARR-value of transactions is historically compensated by a high-performing Q4 where we expect the value of transactions to increase due to especially Black Friday and Christmas.

In conclusion, we are very satisfied with our achievements in Q3 2018 and the overall performance of Agillic's business.

## Webcast

Agillic will host a webcast on November 7, 2018, at 3.00 pm CET on the financial report for Q3 2018. Please visit [www.agillic.com/investor](http://www.agillic.com/investor) for registration and presentation slides.

CEO Jesper Valentin and CFO Christian Tange will present the Q3 2018 results and highlights.

## Further information

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## Financial update

	2018	2017		2018	2017		2017
DKK million	Q3	Q3	Change	Q1-Q3	Q1-Q3	Change	FY
Net revenue	10.1	7.2	39%	29.1	16.9	72%	29.6
Gross profit 1 <sup>1</sup>	7.9	6.5	21%	21.7	14.2	53%	25.2
Gross profit 1 margin	78%	90%		75%	84%		85%
EBITDA	-2.7	1.4	-	-8.7	-0.9	925%	4.0
Net profit after tax	-4.6	0.5	-	-14.6	-2.9	403%	-4.7
Cash	15.6	0.2	6189%	15.6	0.2	6189%	0.0
Cash (adjusted) <sup>2</sup>	23.9	2.1	1030%	23.9	2.1	1030%	11.0
Full-time-equivalent employees (end of period)	45	27	67%	45	27	67%	25
Earnings per share (DKK)	-0.58	-	-	-1.82	-	-	-0.64
Number of shares, weighted average	7,990,934	-	-	7,990,934	-	-	7,313,216
Share price (the period's last day of trading, DKK)	35.30	-	-	35.30	-	-	-

<sup>1</sup> Net revenue less direct costs

<sup>2</sup> Current cash position inclusive of trade receivables, trade payables and other short-term payables

Revenue amounted to DKK 10.1 million in Q3 2018, an increase of 39% compared to Q3 2017. The growth in revenue was generated from both increased sales of subscriptions as well as increased sales of client transactions performed on Agillic's marketing automation software platform. The increase in sales of subscriptions came from both increased sales to existing clients and sales to new clients.

Revenue in Q1-Q3 2018 amounted to DKK 29.1 million, an increase of 72% compared to Q1-Q3 2017. Again, the growth came from increased sales of transactions, subscriptions to existing clients, and subscriptions to new clients. Hence, Agillic continued to deliver revenue growth both from existing clients and new clients.

In Q3 2018, gross profit 1 amounted to DKK 7.9 million, an increase of 21% compared to Q3 2017, resulting in a gross profit 1 margin of 78% (90% in Q3 2017). In Q1-Q3 2018, gross profit 1 amounted to DKK 21.7 million, an increase of 53% compared to Q1-Q3 2017, resulting in a gross profit 1 margin of 75% (84% in Q1-Q3 2017).

In 2017, gross profit 1 was extraordinarily high as a DKK 2.5 million accrual was released during the year (please refer to Annual report 2017, financial note 1, page 14). When adjusting for the released accrual, gross profit 1 margin in Q3 2018 decreased 4% - points compared to the adjusted gross profit 1 margin in Q3 2017. The main reason for the decrease was an increasing part of revenue in Q3 2018 coming from transactions that generally have a lower gross profit 1 margin than subscriptions.

In Q1-Q3 2018 gross profit 1 margin increased 2% - points compared to an adjusted gross profit 1 margin in Q1-Q3 2017.



In Q3 2018, Agillic continued investing in acquiring new clients. EBITDA from existing clients created a positive EBITDA. In line with Agillic's strategy, this positive EBITDA together with funds raised at the IPO (Initial Public Offering) in March 2018 was invested in acquiring new clients. This generated a planned negative EBITDA in Q3 2018 of DKK -2,7 million compared to an EBITDA of DKK 0.5 million in Q3 2017.

In Q1-Q3 2018, EBITDA from existing clients also generated a positive EBITDA which was invested in acquiring new clients generating a planned negative EBITDA in Q1-Q3 2018 of DKK -8.7 million. In Q1-Q3 2017, EBITDA amounted to DKK -0.9 million. The decrease in EBITDA was mainly due to increased employee costs as Agillic has hired a number of key employees in sales, marketing and R&D as part of its expansion plans. The number of full-time-equivalent employees increased from 27 in Q3 2017 to 45 at the end of Q3 2018.

Revenue has historically been higher in Q4 than in other quarters. In 2016, 38% of revenue was generated in Q4, while in 2017, 43% of revenue was generated in Q4. The company expects a similar seasonality in 2018 revenue.

Cash end of Q3 2018 amounted to DKK 15.6 million. Adjusted for trade receivables and trade payables cash end of Q3 2018 was DKK 23.9 million.

## Annual Recurring Revenue (ARR)

DKK 000	Q3 2018	Q2 2018		Q3 2017		FY 2017	
Annual Recurring Revenue (ARR)	41,941	38,760		23,379		33,218	
Q3 2018 ARR compared to earlier periods		3,181	8%	18,561	79%	8,722	26%

Agillic continued to grow Annual Recurring Revenue (ARR) in Q3 2018. At the end of Q3 2018 Annual Recurring Revenue (ARR) amounted to DKK 41.9 million, corresponding to an increase of 79% compared to the end of Q3 2017, an increase of 26% compared to the end of 2017 and an increase of 8% compared to the end of Q2 2018.

The growth was driven by an increase in subscriptions and transactions, where the increase in subscriptions was coming from both existing clients and new clients.

The DKK 3.2 million increase in Annual Recurring Revenue (ARR) in Q3 2018 compared to Q2 2018 was driven by increased subscriptions coming from both existing clients and new clients. The increase in Annual Recurring Revenue (ARR) from subscriptions was partly counteracted by a decrease in Annual Recurring Revenue (ARR) from client transactions.

The decrease in Annual Recurring Revenue (ARR) from client transactions that was seen in Q3 2018 compared to Q2 2018 is expected to be offset by an increase in Annual Recurring Revenue (ARR) from client transaction in Q4 2018.

In FY 2016, Annual Recurring Revenue (ARR) increased DKK 8.5 million compared to FY 2015 whereof DKK 4.2 million, corresponding to 49% of the total increase, was generated in Q4 2016. In FY 2017, Annual Recurring Revenue (ARR) increased DKK 12.4 million compared to FY 2016 whereof DKK 9.8 million, corresponding to 79% of the total increase was generated in Q4 2017.



## Expectations for the full-year 2018

In 2018, Agillic expects the development in Annual Recurring Revenue (ARR) to follow the same trend as in 2016 and 2017, where the majority of subscriptions are either signed or increased in Q4 as well as the expected increase in transactions in Q4.

On this background, Agillic maintains its earlier announced expectations for the full-year 2018 of an increase in year-end 2018 Annual Recurring Revenue (ARR) to DKK 46-50 million, corresponding to a 40-50% increase compared to year-end 2017. This assumes that Agillic will increase Annual Recurring Revenue (ARR) in Q4 2018 with DKK 4-8 million, corresponding to 34-47% of the total increase in 2018.

Finally, Agillic continues to expect an EBITDA for the full-year 2018 of DKK -5 to -10 million.

## Information concerning risks and uncertainties

Risks and uncertainties have not changed compared to the conditions mentioned in the company description, prepared in connection with Agillic's shares being listed on Nasdaq First North Copenhagen. The company description is available on [www.agillic.com](http://www.agillic.com).

The quarterly report is approved by the board of directors, Copenhagen, 7 November 2018.

**Johnny Henriksen**  
Chairman of the Board

**Casper Moltke-Leth**

**Jesper Lohmann**

**Mikael Konnerup**

**Peter Elbek**

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## Dates for the publication of financial information

Full-year report 2018	13 February 2019
Annual report 2018	28 February 2019
Annual general meeting	28 Marts 2019
Q1 2019 report	2 May 2019
Half-year 2019 report	14 August 2019
Q3 2019 report	30 October 2019

According to the Nasdaq First North rulebook of 3 January 2018, Agillic is only liable for sending out half year reports and year-end reports. However, the company has chosen to also send out a quarterly report for the first and third quarter.

## About Agillic

Agillic is a Danish software company. Our marketing automation software helps marketers to maximise the use of data, and translate these into relevant and personalised communication, establishing strong relations between people and brands. Our marketing automation software platform uses AI (Artificial Intelligence) to analyse data and to enhance the business value of customer communication. By combining data-driven customer insights with the ability to execute personalised 1:1 communication, we provide our clients with a head start in the battle of winning markets and customers. We do that for clients such as Banco Santander, Egmont Publishing, Matas, Vita and Storytel. Agillic's shares are listed on Nasdaq Copenhagen First North under the ticker symbol "AGILC". For more information, please visit [www.agillic.com](http://www.agillic.com).





## INCOME STATEMENT

DKK 000	Note	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 FY
Net revenue		10,061	7,230	29,050	16,906	29,641
Direct costs		-2,202	-713	-7,345	-2,736	-4,449
<b>Gross profit 1</b>		<b>7,859</b>	<b>6,517</b>	<b>21,705</b>	<b>14,170</b>	<b>25,191</b>
Other external costs		-2,898	-1,696	-9,142	-5,620	-7,357
<b>Gross profit 2</b>		<b>4,962</b>	<b>4,821</b>	<b>12,563</b>	<b>8,550</b>	<b>17,834</b>
Staff costs		-8,880	-4,698	-25,068	-13,116	-18,745
Capitalized staff costs		1,253	1,238	3,772	3,714	4,952
<b>EBITDA</b>		<b>-2,666</b>	<b>1,361</b>	<b>-8,733</b>	<b>-852</b>	<b>4,041</b>
Depreciation and impairment losses of tangible and intangible assets		-725	-537	-2,051	-1,084	-1,621
<b>EBIT</b>		<b>-3,391</b>	<b>824</b>	<b>-10,784</b>	<b>-1,936</b>	<b>2,420</b>
Income from subsidiaries		-939	0	-2,807	0	-1,716
Other financial income		0	0	0	0	90
Other financial costs		-317	-372	-982	-959	-1,727
<b>Profit before tax</b>		<b>-4,647</b>	<b>452</b>	<b>-14,572</b>	<b>-2,894</b>	<b>-934</b>
Tax on profit for the period		0	0	0	0	-3,725
<b>NET PROFIT</b>		<b>-4,647</b>	<b>452</b>	<b>-14,572</b>	<b>-2,894</b>	<b>-4,658</b>

## EARNINGS PER SHARE

DKK	Note	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 FY
Earnings per share		-0.58	-	-1.82	-	-0.64
Number of shares, weighted average		7,990,934	-	7,990,934	-	7,313,216



## BALANCE SHEET

DKK 000	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>ASSETS</b>				
Development projects		16,127	13,232	13,941
Goodwill		1,816	0	0
<b>Total intangible assets</b>		<b>17,942</b>	<b>13,232</b>	<b>13,941</b>
Fixtures and equipment		43	78	69
Software		0	23	0
<b>Total tangible assets</b>		<b>43</b>	<b>101</b>	<b>69</b>
Investment in subsidiaries		0	0	0
Investment in associates		0	0	0
<b>Total financial assets</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fixed assets</b>		<b>17,985</b>	<b>13,332</b>	<b>14,010</b>
Trade receivables		12,046	4,677	14,384
Receivables from subsidiaries		2,406	3,226	2,384
Deferred tax assets		5,000	10,000	5,000
Other receivables		246	559	0
Prepayments		861	18	0
<b>Total receivables</b>		<b>20,559</b>	<b>18,480</b>	<b>21,768</b>
<b>Cash</b>		<b>15,593</b>	<b>248</b>	<b>40</b>
<b>Total current assets</b>		<b>36,152</b>	<b>18,727</b>	<b>21,808</b>
<b>TOTAL ASSETS</b>		<b>54,138</b>	<b>32,060</b>	<b>35,818</b>



<b>BALANCE SHEET</b>				
<b>DKK 000</b>	<b>Note</b>	<b>30 Sep 2018</b>	<b>30 Sep 2017</b>	<b>31 Dec 2017</b>
<b>LIABILITIES</b>				
Share capital		829	235	723
Equity method reserve		0	0	0
Reserve for development costs		12,816	8,975	9,921
Retained earnings		14,449	2,592	-606
<b>Total equity</b>		<b>28,094</b>	<b>11,803</b>	<b>10,038</b>
Debt to credit institutions		9,011	13,000	13,000
<b>Total long-term liabilities</b>		<b>9,011</b>	<b>13,000</b>	<b>13,000</b>
Short-term debt to credit institutions		3,443	2,547	3,479
Trade payables		2,549	1,513	1,442
Other payables		6,489	2,575	3,940
Prepayment from customers		3,919	0	3,919
Accrual		634	621	0
<b>Total short-term liabilities</b>		<b>17,033</b>	<b>7,257</b>	<b>12,780</b>
<b>Total liabilities</b>		<b>26,044</b>	<b>20,257</b>	<b>25,780</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,138</b>	<b>32,060</b>	<b>35,818</b>

<b>CHANGES IN EQUITY</b>				
<b>DKK 000</b>	<b>Note</b>	<b>30 Sep 2018</b>	<b>30 Sep 2017</b>	<b>31 Dec 2017</b>
Share capital		723	235	235
Equity method reserve		0	0	0
Reserve for development costs		9,921	5,846	5,846
Retained earnings		-606	8,616	8,616
<b>Total equity, beginning</b>		<b>10,038</b>	<b>14,697</b>	<b>14,697</b>
Capital increase		106	0	488
Transferred to reserve for development costs		3,772	3,129	4,952
Depreciations reserve for development costs		-877	0	-877
Income from subsidiaries - negative reserve		-2,807	0	-1,716
Equalisation negative reserve		2,807	0	1,716
Retained earnings		15,055	-6,024	-9,222
<b>Total equity, end</b>		<b>28,094</b>	<b>11,803</b>	<b>10,038</b>



## CASH FLOW STATEMENT

DKK 000	Note	2018	2017	2018	2017	2017
		Q3	Q3	Q1-Q3	Q1-Q3	FY
Net profit		-4,647	452	-14,572	-2,894	-4,658
Adjustment of tax on profit for the period		0	0	0	0	3,725
Adjustment of financial costs and similar costs		317	372	982	959	1,727
Adjustment of financial income and similar income		0	0	0	0	-90
Adjustment of income from subsidiaries		939	0	2,807	0	1,711
Depreciations and impairment losses		725	537	2,051	1,084	1,621
Change in operating capital		-2,150	-2,423	5,520	323	-4,217
<b>Total</b>		<b>-4,816</b>	<b>-1,062</b>	<b>-3,213</b>	<b>-529</b>	<b>-181</b>
Financial income received		0	0	0	0	90
Financial costs paid		-317	-372	-982	-959	-1,727
Other adjustments		0	0	0	0	1,275
<b>Cash flow from operating activities</b>		<b>-5,133</b>	<b>-1,434</b>	<b>-4,195</b>	<b>-1,488</b>	<b>-543</b>
Loans and advances		-1,568	-102	-2,828	-686	-1,555
Acquisition of intangible and tangible assets		-1,253	-1,215	-6,026	-3,737	-4,952
<b>Cash flow from investing activities</b>		<b>-2,821</b>	<b>-1,317</b>	<b>-8,854</b>	<b>-4,422</b>	<b>-6,507</b>
Issuance of shares		0	0	32,627	0	0
Borrowing/repayment (-) long-term debt		-2,580	2,000	-3,989	2,500	2,500
Borrowing/repayment (-) short-term debt		2,015	379	-37	2,537	3,469
<b>Cash flow from financing activities</b>		<b>-565</b>	<b>2,379</b>	<b>28,602</b>	<b>5,037</b>	<b>5,969</b>
<b>Change in cash position</b>		<b>-8,518</b>	<b>-373</b>	<b>15,553</b>	<b>-873</b>	<b>-1,081</b>
Cash position, beginning		24,111	621	40	1,121	1,121
<b>TOTAL CASH POSITION, END</b>		<b>15,593</b>	<b>248</b>	<b>15,593</b>	<b>248</b>	<b>40</b>



## Note 1 Accounting principles

This report has been prepared in accordance with the Danish Financial Statements Act's provisions for accounting class B, with the addition of individual provisions for accounting class C. In general, the report follows the principles described in the latest financial statement.

For the sake of clarity, the accounting principles are clarified regarding the recognition criteria for the revenue. The company provides individual key figures that are not covered by the Danish Financial Statements Act, and these are clarified.

### Consulting services, transaction revenues

The net revenue is recognised in the income statement, when delivery and risk transfer to the buyer have occurred by the end of the quarter.

### Subscriptions

Net revenue regarding subscriptions are recognised in the income statement when entering into a binding agreement in which the subscription revenue is invoiced according to normal payment conditions, and the risk transfer for the buyer has occurred by the end of the quarter. Recognition requires that the use of the subscriptions are not subject to ongoing upgrades and maintenance in order for the client to use the subscription in accordance with the agreement, and that the conditions for recognition at the time of entering into the agreement and billing are thus fulfilled. Should the subscription run over a period of several years, one year at a time is included.

### Annual Recurring Revenue

Annual Recurring Revenue (ARR) is the value of subscriptions at a given date, including transaction-based use, entered into with the company and converted to a monthly value multiplied by 12.

New subscriptions are included in ARR at the time of entering into the binding agreement, which would typically occur at the time of signing the agreement.

For changes to existing subscriptions, ARR is included at the time that the change enters into force.

Subscriptions that are terminated or not renewed are reduced on ARR at the time that the agreement ceases to exist.

Subscriptions are typically entered into with an irrevocable period of 12-36 months. Inclusion of ARR is conducted in the following manner:

For 12 month subscriptions, ARR is included as 1 times the value of the agreement.

For 24 month subscriptions, ARR is included as  $\frac{1}{2}$  times the value of the agreement.

For 36 month subscriptions, ARR is included as  $\frac{1}{3}$  times the value of the agreement.

Monthly subscriptions are included in ARR as 12x the actual monthly value of the subscription (MRR).

In addition to the value of subscriptions, the clients' transaction-based subscription use, including e-mail and SMS transactions, are also included in ARR.

The value of ARR from transaction-based use is calculated as the latest quarter's actual transaction-based use multiplied by 4.



From quarter to quarter, ARR is calculated as the value from the last day of the most recent quarter's ARR adjusted for changes until the last day of the current quarter.

The following elements are included in the calculation of the changes in ARR:

- + Additional sales to existing clients (subscription-based upgrades/additional services)
  - + Agreed upon price adjustments to existing subscriptions
  - + New sales of subscriptions
  - + The change (+/-) in transaction use derived from the subscriptions
  - Termination or downgrading of subscriptions
- 
- = Change in ARR

ARR is calculated in Danish Kroner. When entering into a agreement in a foreign currency, a currency conversion is conducted at the time of entering into the agreement.



## Appendix 1

### Annual Recurring Revenue (ARR) – general definition and description

Annual Recurring Revenue (ARR) is one of the key figures and value drivers when looking at the performance of a Software as a Service (SaaS) company as Agillic, because it is the foundation for evaluating the potential recurring revenue a SaaS company can generate in the future.

A SaaS company is defined as a company that delivers access to a centrally hosted software models on subscription.

In general, Annual Recurring Revenue (ARR) expresses the revenue from subscriptions the SaaS company can generate in a 12 months period from its portfolio of current client agreements. Annual Recurring Revenue (ARR) is important because it expresses the recurring value of the company's subscriptions, and as long as these subscriptions are not churned they will continue to generate revenue year after year.

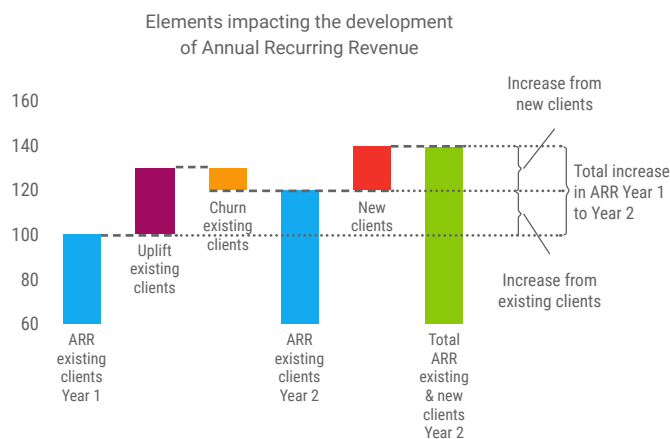
This also means that if the SaaS company's Annual Recurring Revenue (ARR) is increasing, the revenue that will be generated year after year is increasing.

Annual Recurring Revenue (ARR) will in general increase when the SaaS company's subscriptions with existing clients are uplifted and when the company sells new subscriptions. Similarly, Annual Recurring Revenue (ARR) will decrease when subscriptions are churned, i.e. not prolonged. Hence, as long as the total value-increase from existing subscriptions and new agreements exceeds the value of the agreements churned, Annual Recurring Revenue (ARR) will increase and the revenue generated year after year will increase.

The increase in Annual Recurring Revenue (ARR) from year 1 to year 2 can be summarised as follows:

- + Annual Recurring Revenue (ARR) end of year 1 (value of all existing client agreements)
- + increase in subscriptions and transactions from existing clients
- churn of existing clients
- + agreements with new clients

= Annual Recurring Revenue (ARR) end of year 2



As long as the SaaS company can continue to increase its Annual Recurring Revenue (ARR) there is – in theory – no limit for the accumulated future revenue. That said, all agreements are expected to churn at some point of time but as long as the value increase exceeds the value of churned agreements total Annual Recurring Revenue will increase.

Finally, equity analysts often apply a multiple to Annual Recurring Revenue (ARR) in order to estimate a valuation of stock exchange listed SaaS companies.



## Appendix 2

### Historic development in Agillic's Annual Recurring Revenue (ARR)

Agillic's Annual Recurring Revenue (ARR) consists of revenue from subscriptions and revenue from transactions processed via Agillic's marketing automation software platform. Agillic's Annual Recurring Revenue (ARR) thus consists of revenue generated from 12 months subscriptions for using Agillic's marketing automation software platform and revenue generated from processing 12 months of client transactions via Agillic's marketing automation software platform.

DKK million	2016		2017		2018	
	ARR	Change	ARR	Change	ARR	Change
ARR from clients active at the beging of the year	12.3		20.8		33.2	
ARR increase existing clients	2.7	22%	4.7	23%		
ARR from new clients	5.8		7.7			
<b>ARR all clients at the end of the year</b>	<b>20.8</b>	<b>69%</b>	<b>33.2</b>	<b>60%</b>	<b>46-50</b>	<b>40-50%</b>

In 2015, Annual Recurring Revenue (ARR) from existing agreements amounted to DKK 12.3 million. During 2016, the majority of these agreements were uplifted and despite some agreements were churned, Annual Recurring revenue (ARR) from these agreements increased with 22% from DKK 12.3 million to DKK 15.0 million, i.e. already existing clients buying more services with Agillic.

In addition to the increase in Annual Recurring Revenue (ARR) from existing agreements, Agillic signed new agreements in 2016 with Annual Recurring Revenue (ARR) amounting to DKK 5.8 million.

Annual Recurring Revenue (ARR) thus increased both due to an increase in Annual Recurring Revenue (ARR) from existing 2015-agreements and in Annual Recurring Revenue (ARR) from new agreements. Summarising the value of the agreements active in 2015 and agreements signed in 2016, Annual Recurring Revenue (ARR) increased with 69% from 2015 to 2016 from DKK 12.3 million to DKK 20.8 million.

In 2017, Annual Recurring Revenue (ARR) of the 2015- and 2016-agreements increased further with 23% from DKK 20.8 million to DKK 25.5 million. In addition to this Agillic signed new contracts with Annual Recurring Revenue (ARR) of DKK 7.7 million. Summarising all agreements active in 2017, Annual Recurring Revenue (ARR) increased with 60% from 2016 to 2017 from DKK 20.8 million to DKK 33.2 million.

In 2018 the DKK 33.2 million Annual Recurring Revenue (ARR) is expected to continue growing with 40-50% increasing Annual Recurring Revenue (ARR) end of 2018 to DKK 46-50 million.

Agillic historical development in Annual Recurring Revenue (ARR)

