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# INTERIM REPORT Q3 2015

STABLE PROGRESS IN SEASONALLY SLOW QUARTER

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October 22, 2015

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## STABLE PROGRESS IN SEASONALLY SLOW QUARTER

### JULY–SEPTEMBER 2015 (THIRD QUARTER)

- License revenue amounted to SKr 141 million (Q3 '14: SKr 132 million), in line with the previous year, currency adjusted.
- Maintenance revenue was SKr 293 million (Q3 '14: SKr 258 million), an improvement of 8 percent currency adjusted.
- Consulting revenue amounted to SKr 335 million (Q3 '14: SKr 336 million), a decrease of 4 percent currency adjusted.
- Net revenue totaled SKr 772 million (Q3 '14: SKr 728 million), an improvement of 1 percent currency adjusted.
- Adjusted EBITDA was SKr 87 million (Q3 '14: SKr 95 million). EBIT amounted to SKr 65 million (Q3 '14: SKr 63 million).
- Cash flow after investments was SKr -1 million (Q3 '14: SKr 9 million).
- Earnings per share after full dilution was SKr 1.78 (Q3 '14: SKr 1.62).

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## STABLE PROGRESS IN SEASONALLY SLOW QUARTER

### JANUARY–SEPTEMBER 2015 (NINE MONTHS)

- License revenue amounted to SKr 437 million (YTD '14: SKr 373 million), an increase of 8 percent currency adjusted.
- Maintenance revenue was SKr 871 million (YTD '14: SKr 763 million), an improvement of 5 percent currency adjusted.
- Consulting revenue was SKr 1,105 million (YTD '14: SKr 1,025 million), an increase of 1 percent currency adjusted.
- Net revenue totaled SKr 2,421 million (YTD '14: SKr 2,167 million), an improvement of 4 percent currency adjusted.
- Adjusted EBITDA was SKr 246 million (YTD '14: SKr 230 million). EBIT amounted to SKr 180 million (YTD '14: SKr 158 million).
- Cash flow after investments was SKr 63 million (YTD '14: SKr 172 million).
- Earnings per share after full dilution was SKr 5.11 (YTD '14: SKr 4.13).

# PRODUCT GROWTH

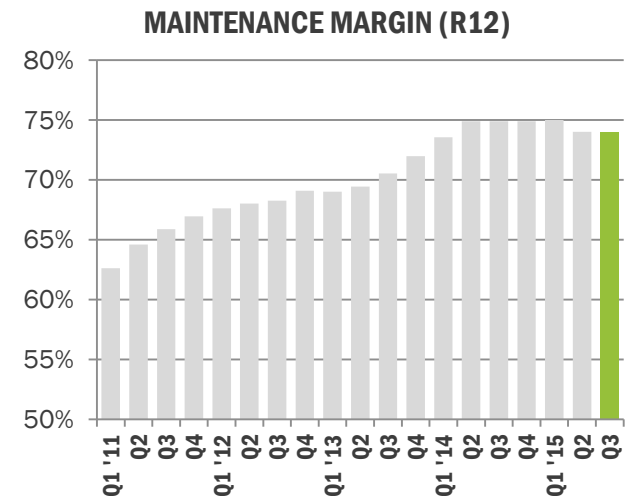
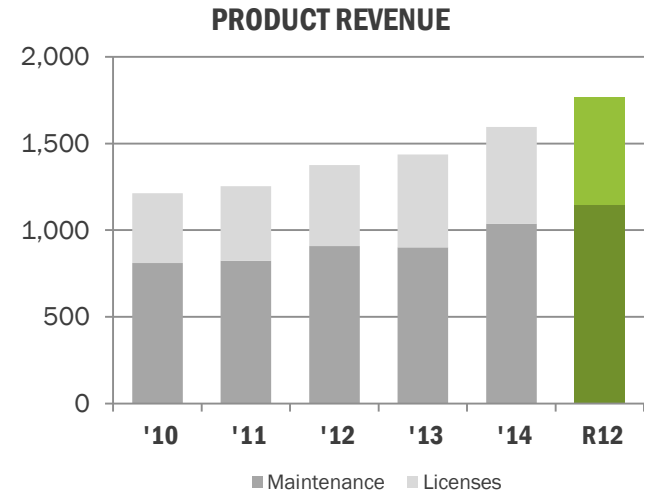
## GOOD PERFORMANCE IN TARGET MARKETS

### LICENSE SALES

- Winning highly competitive sales to new customers in our target markets.
- Declining contribution of troubled sectors such as oil and gas or offshore marine and those geographies reliant on commodity export.
- Applications 9 strengthens the appeal of IFS.

### MAINTENANCE REVENUE

- Strong loyalty of customers who, by extending their use of IFS Applications, will continue to contribute to the future growth.
- ‘Churn’ in the customer base remains very low.



# CONSULTING REVENUE

## AN EVOLVING BUSINESS

### CONSULTING REVENUE

- As a trend, product revenue is set to grow faster than consulting revenue.
- Larger proportion of services being delivered from the partner ecosystem.
- Over time, customers will increasingly contract with partners, resulting in a slow down in the growth of IFS delivered services revenue.

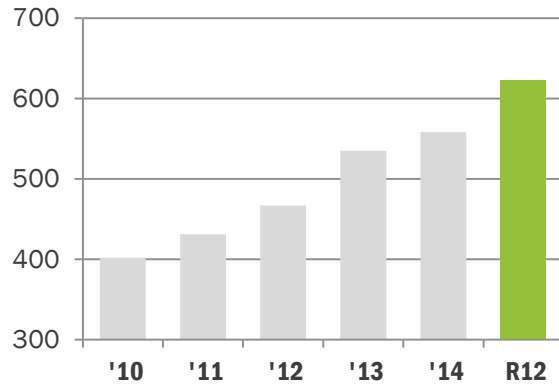
### PARTNER PROGRAM—INCREASING MOMENTUM

- Offer customer choice and greater global reach for international projects.
- Create go-to-market alliances and thereby increase market penetration.
- Offer greater business scalability and better manage peaks in demand.
- Increase in the R12 consulting margin to 21 percent (Q3 '14: 18 percent).

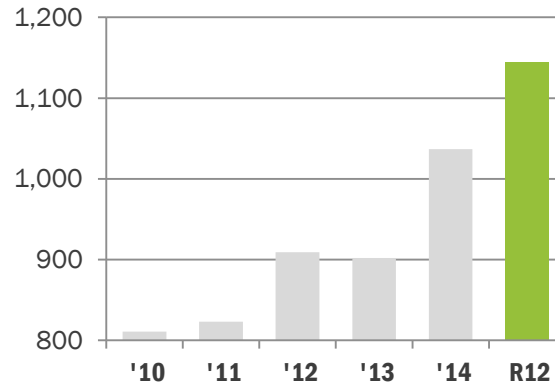
# FINANCIAL OVERVIEW

## A GROWING BUSINESS

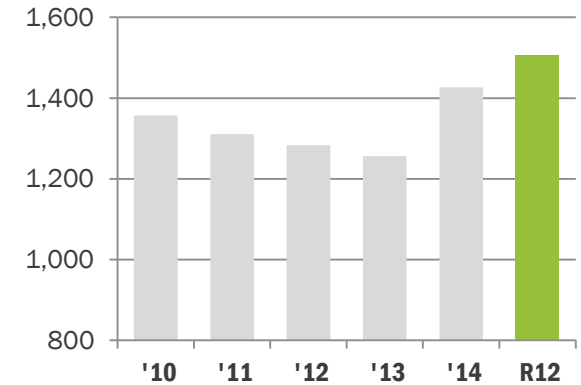
LICENSES



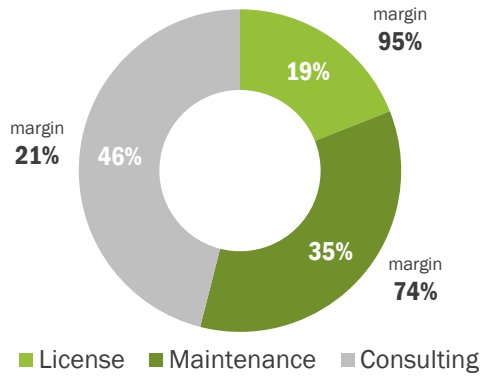
MAINTENANCE



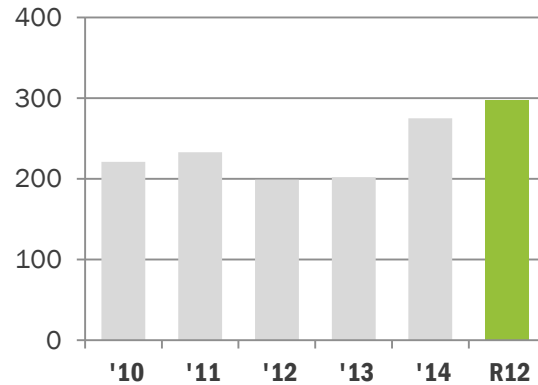
CONSULTING



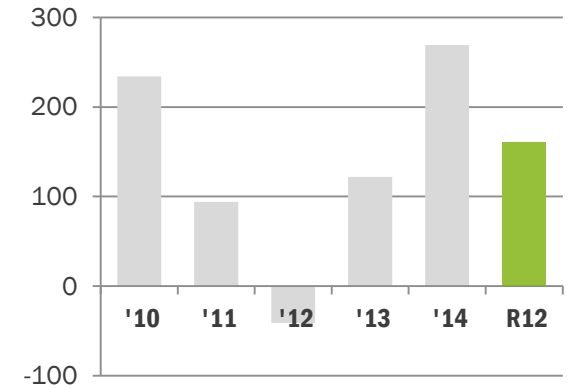
REVENUE MIX R12



EBIT



CASH FLOW AFTER INVESTMENTS



# MARKET AND PRODUCT UPDATE

## THIRD QUARTER

### **IFS PARTNER NETWORK CONTINUES TO GROW**

RigServ joined the IFS Partner Network as a referral and services partner focusing on the North American oil and gas industry. RigServ is a supply chain and technology consulting company that offers best-in-class solutions to leading offshore companies.

### **IFS NAMED AS THE “CHALLENGER” IN GARTNER’S MAGIC QUADRANT**

IFS was named as the only challenger in the Gartner Magic Quadrant for Energy and Utilities Enterprise Asset Management. IFS attributes this position to its significant growth in sectors such as power generation and oil & gas.

### **MARKET OUTLOOK—THE ANALYSTS’ VIEW**

Industry analysts have revised their estimates for overall enterprise software demand slightly downwards. For 2015, industry analyst firms such as Gartner expect the ERP market’s development to be positive, with a growth in software revenue in the 6 percent range.



# ACQUISITION OF VISIONWAVES

## A LEADER IN OPERATIONAL INTELLIGENCE

### ADDS FURTHER BREADTH TO IFS'S OFFERING

- Founded in 2000 in the Netherlands; strong presence in North America and the Middle-East.
- Blue-chip customers worldwide in aerospace & defense, energy & utilities, engineering, finance, healthcare, mining, service providers, and transportation.
- Partners: Cap Gemini, Microsoft, and Serco.
- Previously a strategic partner of IFS with proven record of successful implementations.
- Recognized by top industry analysts as a leader in *operational intelligence*.



**IFS + VisionWaves helps boost business process performance and accelerate strategy realization in a truly integrated and optimized way.**

# THE STRATEGY CONTINUES

TO BE THE INTELLIGENT ALTERNATIVE

## INVEST IN A STRATEGY TO:

- Deliver global projects on time and on budget with a lower TCO.
- Focus on specific sectors that see sustained long-term investment.
- Work close with customers, to share ideas and have an 'open' customer-centric R&D organization.
- Have an 'open' technology that seeks to enable customers to benefit from new innovations and not aim to achieve 'lock-in.'
- Grow the business organically and profitably; using the cash generated to undertake complimentary M&A.



# CUSTOMER WINS IN Q3 2015

## Aerospace and Defense



TAE

## Automotive



Mianyang Fulin Precision



Toyota Lanka

## Construction and Contracting



Barnhart Crane & Rigging Co.



CMC-TNRSP



Heerema Fabrication Group



JK Williams Group

## Energy and Utilities



Jacopa



Svenska Kraftnät

## High Tech



Teledyne Oil & Gas



Tomra Sorting

## Industrial Manufacturing



Alyaf Industrial Co.



Bemis Manufacturing Company



BRC Industrial (Saudi)



Durham Manufacturing



Gislaved Gummi



Lakeside Process Controls



Saueressig



Shawcor



South Asia Textile Industries Lanka



Vitkovice Steel

## Oil and Gas



Songa Offshore

## Process Manufacturing



Synergy Health

## Retail and Wholesale



Gosiger Holdings

## Service Providers



Avinor



Grey Matter



J Tomlinson



Turner & Co (Glasgow)

## Other



Evry Norge



Technogroup IT-Service

# CUSTOMER WINS IN THE PAST 12 MONTHS

<b>Aerospace and Defense</b>		Mostostal Zabrze	Trüb	South Asia Textile Industries	Kanes Foods	Lassila & Tikanoja
Advanced Integration	MWH Treatment	Young Innovations	Stolle Machinery Company	Legacy Pharmaceuticals	Loomis Sverige	Loomis Sverige
Babcock Marine Division	NG Bailey Group	<b>Industrial Manufacturing</b>		Superior Graphite Company	Marabu	PHS Group
BAE Systems	Serimax Holdings	Aludium Transformación de	Tatsuno Engineering &	Omega Protein	Omega Protein	Reliance Home Comfort
KVG Stade	Systra	Alyaf Industrial Co.	Tensco Corporation	Oxford Biomedica	Oxford Biomedica	Sporveien Oslo
Norwegian Armed Forces	<b>Energy and Utilities</b>		Tomra	Prince Minerals	Prince Minerals	SSI Services
Portsmouth Aviation	Caruna	AOA Apparatebau Gauting	Vegum	Probiotics International	Probiotics International	Turner & Co (Glasgow)
Saab	Chesapeake Utilities	Avanco	Vítkovice Steel	Richardson International	Richardson International	United Subcontractors
TAE	CYPC Jinsha River Hydropower	Baier + Köppel	V-Zug	Rovese	Rovese	Wilhelmsen Ships Service
Thai Aviation Industries Co.	Hafslund	Bemis Manufacturing	WNA	Swedish Orphan Biovitrum	Swedish Orphan Biovitrum	<b>Other</b>
<b>Asset Intensive</b>		BRC Industrial (Saudi)	Zeon Advanced Polymix Co.	Synergy Health	Synergy Health	Beijing Mass Transit Railway
BillerudKorsnäs	Jacopa	CC Höganäs Byggkeramik	<b>Oil and Gas</b>		William Grant & Sons	Cumfin
Forest-Papír	Jönköping Energi	CSIC Haizhuang Windpower	British Engines	Wolf Minerals (UK)	Wolf Minerals (UK)	Evry
Holmen	JSC Energo-Pro	Dankotowa Porcelain	BW Offshore Norway	<b>Retail and Wholesale</b>		Savex Computers
SCA Graphic Sundsvall	Mørenett	Dopag Dosierttechnik und	Ceona Services	Gina Tricot	Gina Tricot	SEFI Transmission
<b>Automotive</b>		Durham Manufacturing	Interwell	Gosiger Holdings	Gosiger Holdings	SII - Société pour
CalsonicKansei North	Nordmøre Energiverk	Gislaved Gummi	Maersk Drilling Services	Ingram Micro Mobility	Ingram Micro Mobility	Technogroup IT-Service
Huf Hülsbeck & Fürst	PGNIG Termika	Hypnos	Maersk Supply Service	Midcounties Co-operative	Midcounties Co-operative	Tiga Pilar Sejahtera Food
Mianyang Fulin Precision	SDIC Qinzhou Electric Power	Jamestown Metal Marine	Mermaid Marine Australia	Oriflame Cosmetics	Oriflame Cosmetics	Toronto Transit Commission
Runner Group	Statnett	Kaman RWG Germany	Rosenberg WorleyParsons	Sanitec Europe	Sanitec Europe	Tribunal de Justiça RJ
Schlemmer	Svenska Kraftnät	Lakeside Process Controls	Shawcor	Swedish Orphan Biovitrum	Swedish Orphan Biovitrum	
Shiloh Industries	TrønderEnergi Kraft	Loram Maintenance of Way	Songa Offshore	Systembolaget	Systembolaget	
Toyota Lanka	<b>High Tech</b>		Yinson Holdings Berhad	UBM Group	UBM Group	
Volvo Lastvagnar	BHE Bonn Hungary	Moelven Industrier	<b>Process Manufacturing</b>		<b>Service Providers</b>	
Volvohandeln Utvecklings AB	Fr. Sauter	Munters Europe	Açotubo	Advanced Technology	Advanced Technology	
<b>Construction and Contracting</b>		Nidec Minster Corporation	American Iron & Metal	Associations (Homeside)	Associations (Homeside)	
AIC Steel	H2O Innovation	Nordson Medical (formerly)	Cisbio Bioassays	Avinor	Avinor	
Barnhart Crane & Rigging Co.	Habia Cable	OSMA-Aufzüge	Diamond Pet Foods	Dataprev	Dataprev	
CMC-TNRSP	Integrated Microwave	PIPE Sistemas Tubulares	EP Minerals	Eitel Networks Infranet	Eitel Networks Infranet	
Heerema Fabrication Group	NEC Corporation	Polypipe	Evotec (UK)	Grey Matter	Grey Matter	
JK Williams Group	Sierra Wireless	Robertson Fuel System	Grecian Delight Foods	J Tomlinson	J Tomlinson	
LKS Ingeniería	Sunbelt Transformer	Saueressig	Isofarma Industrial	JEOL USA	JEOL USA	
	Teledyne Oil & Gas	Shapes Precision				
	Terumo Cardiovascular	Shawcor				
	Tomra Sorting					

# STRONG UNDERLYING BUSINESS

HIGHLY-COMPETITIVE CONTRACTS IN TARGET SECTORS

## LARGE DEFENSE CONTRACTOR

AEROSPACE & DEFENSE

UNITED STATES



A major contractor working for the U.S. DoD chose IFS Applications for another of its divisions. The total value of the deal is estimated at US\$ 30 million over the next ten years.

## ENVIRONMENTAL SERVICES COMPANY

SERVICE PROVIDER

SWEDEN



A Stockholm-based provider of environmental services chose to upgrade to IFS Applications 9 in an agreement worth approximately SKr 35 million.

# FINANCIAL OVERVIEW

SKr million	3RD QUARTER		OCTOBER-SEPTEMBER	
	2015	2014	2014/15	2013/14
<b>Net revenue</b>	<b>772</b>	<b>728</b>	<b>3,288</b>	<b>2,949</b>
of which Licenses	141	132	622	580
Maintenance and support	293	258	1,145	997
Consulting	335	336	1,507	1,362
<b>Gross earnings</b>	<b>407</b>	<b>374</b>	<b>1,757</b>	<b>1,526</b>
of which Licenses	136	119	593	524
Maintenance and support	220	195	844	750
Consulting	50	60	318	251
<b>EBIT</b>	<b>65</b>	<b>63</b>	<b>297</b>	<b>320</b>
<b>EBIT margin</b>	<b>8%</b>	<b>9%</b>	<b>9%</b>	<b>11%</b>
<b>Earnings before tax</b>	<b>59</b>	<b>54</b>	<b>293</b>	<b>299</b>
<b>Earnings for the period</b>	<b>44</b>	<b>41</b>	<b>238</b>	<b>230</b>
<b>Cash flow after investments</b>	<b>-1</b>	<b>9</b>	<b>160</b>	<b>246</b>

# CASH FLOW

GROUP	3RD QUARTER		OCTOBER-SEPTEMBER	
	2015	2014	2014/15	2013/14
SKr million				
<b>Cash flow before change in working capital</b>	<b>112</b>	<b>116</b>	<b>512</b>	<b>450</b>
Change in working capital	51	-58	0	81
<b>Cash flow from current operations</b>	<b>163</b>	<b>58</b>	<b>512</b>	<b>531</b>
Cash flow from investments	-164	-49	-352	-285
<b>Cash flow after investments</b>	<b>-1</b>	<b>9</b>	<b>160</b>	<b>246</b>
Cash flow from financing	35	-10	-118	-105
<b>Cash flow for the period</b>	<b>34</b>	<b>-1</b>	<b>42</b>	<b>141</b>
Cash and equivalents, beginning of period	408	370	379	226
Exchange differences in cash and equivalent	-5	10	16	12
<b>Cash and equivalents, end of the period</b>	<b>437</b>	<b>379</b>	<b>437</b>	<b>379</b>

# OUTLOOK



**FOR 2015, IFS EXPECTS  
GOOD GROWTH IN BOTH  
LICENSE REVENUE AND EBIT.**





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