

# ABAX GROUP AS

## Q3 2020 Report



# ABAX

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## CEO UPDATE Q3 2020

- Q3 2020 saw a further improvement of the business from a good Q2 for Abax. The month of July is normally a quiet month, and was the same this year, with a slight growth in new subscriptions and a reduction in customers terminating their service. August and September saw a large jump in activity, and we believe that from September our new customer acquisition is mostly back to normal. Overall, we see a good performance in all markets, with UK and Poland making good transaction progress. In the UK, we continue to develop our joint offering in the insurance market with Zego, a fast growing Insuretech business, providing pay as you go insurance to most of the sharing economy in the UK and EU.
- Q3 also proved the need for telematics consolidation. We announced our first acquisition in 2020, RAM Track & Trace, operating in Belgium and the Netherlands. With the opening of the Belgian market for Abax, we expect to further expand our already strong position in the Benelux. Ram Track & Trace has customers in Abax' core segments such as Disitribution and Construction & Field Service and will continue to serve customers on their platform in addition to introducing Abax as a brand into the Belgian market.
- We also completed the acquisition of Automile, which was announced on 13<sup>th</sup> October. Automile has operations in Sweden, Norway and the US, adding 87.000 subscriptions to the Abax network. With their clear number two position in Sweden, behind Abax, we have secured a very strong market presence in Sweden.
- Finally, through Q3, we announced our new software platform with the commercial launch scheduled for November. The launch of 'Abax Access' will give our 366.000 subscriber base, a set of new and innovative additional services to track their vehicles, machines and any size asset, all in one easy-to-use interface.
- We remain confident of a strong close to the year, despite the increasing spread of the COVID-19 virus.

*Luuk Seuf*



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# ORGANISATIONAL HIGHLIGHTS Q3 2020

## ABAX acquires Nordic leader Automile



ABAX released on 13<sup>th</sup> October that they entered into a definitive agreement to acquire Automile, a Nordic leader in telematics and internet of things (IoT) services.

Automile has 87.000 subscribers to its core service, with customers in Sweden, Norway, the rest of Europe and the U.S.

Together we will form a leading European SaaS telematics company with over 366.000 subscriptions in Europe and the U.S.

The transaction was completed shortly after the deal announcement.

## ABAX expands Partner Support with a new API Integration Leader



As customers place greater demands on using Telematics data, ABAX has responded by strengthening our capability to help our partners integrate to our platform. Our goal is for our customers to use the data we collect within any relevant application.

After the summer, ABAX announced that they will strengthen their integration capabilities based on the new Abax Platform, with the hiring of an API Integration Manager.

We are happy to announce that Bjørn Brustad takes the role as Partner Integration Manager. He comes from 24SevenOffice where he was involved in establishing their Nordic expansion.

## Products & Innovations

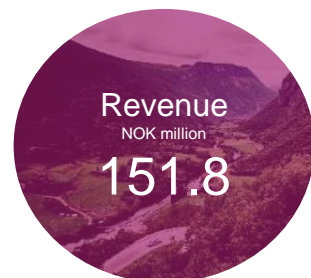


In Q3, ABAX published the new Abax Open Platform with completely new Software and supporting Hardware. The new platform will allow customers to connect any asset in the field with ease and have a single single-on to control all assets in an easy to use interface.

Accompanying the platform release, Abax announced a set of new innovative features, including updated, market leading user interfaces and apps, as well as the possibility to use your mobile phone to detect and collect sensor data within buildings, allowing our customers to ensure tools are not forgotten at work sites.

# FINANCIAL RESULTS Q3 2020 (1/3)

## Financial Highlights



- **Revenue** of NOK 151.8m for Q3 increased by 4% from Q2, largely contributed by the acquisition of RAM Track & Trace in the Netherlands and Belgium.
- **Adj. pro-forma EBITDA** of NOK 56.1m in Q3 is NOK 2.9m above Q1 and NOK 1.9m above Q2 normalised for holiday pay.<sup>1</sup>
- **Adj. Cash Flow** from operations stands at NOK (1.5)m. Net working capital is negatively affected by seasonality with a decrease in invoiced amounts in July and August (holidays Nordics), while revenue is recognized linearly due to our recurring base of subscriptions. This results in a combined negative effect on accrued – not invoiced amount in Q3 leading to a negative cash effect of net working capital change, coupled with increased inventory as a result of the RAM acquisition (NOK 4m). Lastly, Abax paid NOK 7m of delayed taxes in Q3 which were postponed from Q1/Q2 due to COVID-19 regulatory agreements.
- **Gross Margin** stands at 91%. Gross margin for Abax excluding RAM was 93%, up +1pp from last quarter. RAM recognize their telematics box cost as COGS rather than CAPEX, negatively affecting the gross margin. From January 2021, RAM will align with the rest of the Group and capitalize box cost.
- **Adj. pro-forma EBITDA margin** stands at 37%. Excluding RAM, adj. pro-forma EBITDA margin was 38%, +1pp above Q1 and +1pp versus Q2, normalised for holiday pay.
- **New subscription sales** for the quarter is 10.800 subscriptions (including cross/up sell), 2% higher than Q2, despite the effect of COVID-19 and seasonality.
- **Number of subscriptions** in our portfolio increased by ~24.000 (+9%) from Q2 2020, including ca. 20.000 subscriptions from RAM.

Note: Financials are pro-forma for revenue recognition change to SaaS revenue recognition on 01.01.2020. All financials are presented as if Abax had always had SaaS revenue recognition

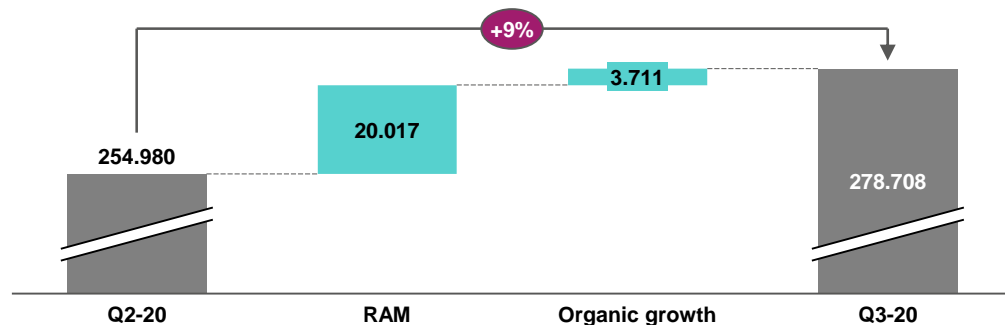
1) Q2 was affected by holiday pay which increased EBITDA with NOK 17m. Normalised for the holiday effect in June, EBITDA for Q2 would be NOK 54.2m.

# FINANCIAL RESULTS Q3 2020 (2/3)

FURTHER ORGANIC GROWTH COUPLED WITH THE ACQUISITION OF RAM HAS BOOSTED GROWTH IN SUBSCRIPTIONS AND REVENUE. CONTINUED COST VIGILANCE HAS RESULTED IN CONTINUED STRONG EBITDA PERFORMANCE IN Q3 2020.

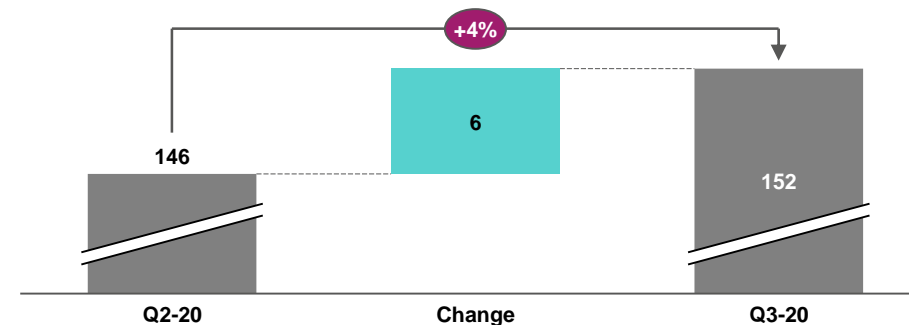
## Subscription base bridge

Subscriptions (000s)



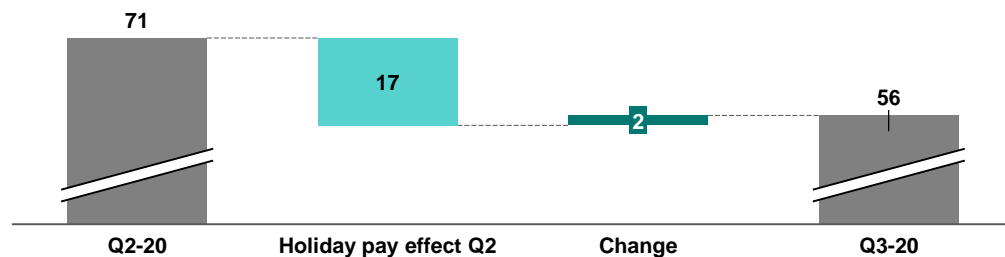
## Revenue bridge

NOKm



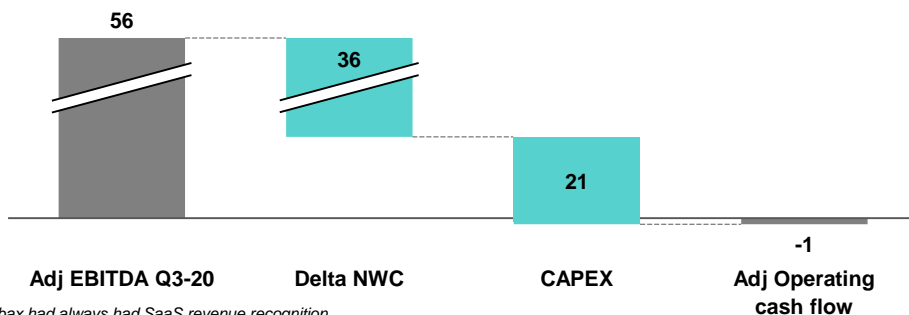
## Adjusted pro-forma EBITDA bridge

NOKm



## Adj. Operating Cash Flow bridge

NOKm



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# FINANCIAL RESULTS Q3 2020 (3/3)

## Revenue By Country

Revenue for Q3 2020 shows a 5% increase compared to Q3 2019 (excluding RAM Track & Trace) with significant growth in Sweden of 13% YoY. The remaining geographies grew on average by 3.5%.

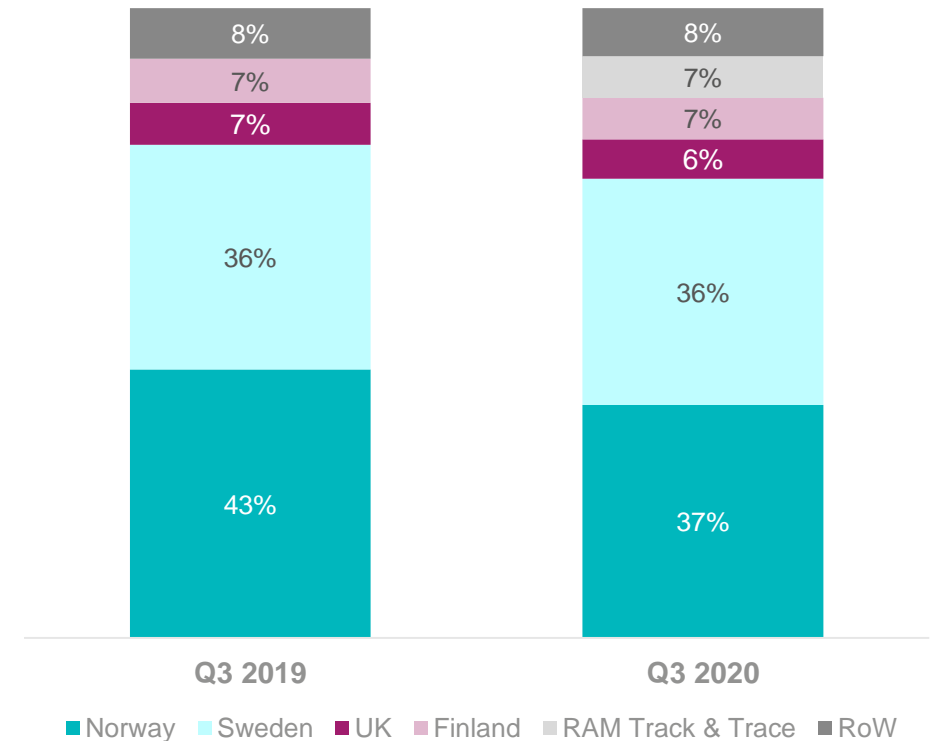
## Significant Events

During Q3, Abax Group AS acquired full ownership of RAM Track and Trace, resulting in the addition of ~20.000 subscriptions to our base. There were no further significant events.

## COVID-19 Implications on the business

Whilst it is still too early to predict the effect of COVID-19 on the wider economy, Abax continues to support its customers with connectivity of assets. During the COVID-19 crisis, the leadership team held daily emergency meetings and launched various initiatives to keep the business on track. Amongst others, this included: (i) an increased focus on sales through TeamViewer, an online remote communication tool; (ii) marketing and sales messages focusing on efficiency opportunities for customers; (iii) utilizing furlough schemes and tax and rent deferral options; (iv) further cost reduction measurements; and (v) the acceleration of eCommerce automation. In addition, ABAX cooperated with Norwegian municipalities to reduce the spread of COVID-19 by tracking the movement of vehicles and drivers who might have been in contact with individuals infected with COVID-19.

Geographical Revenue split Q3 2020 vs Q3 2019





# INCOME STATEMENT

ABAX Group AS – Consolidated pro-forma financials under NGAAP and SaaS revenue recognition

Commentary

NOKm	2019 IP	Delta	2019A	2020 – Q1	2020 – Q2	2020 – Q3
<b>Revenue</b>	<b>558</b>	-	<b>558</b>	<b>145</b>	<b>146</b>	<b>152</b>
COGS	(31)	-	(31)	(11)	(11)	(14)
<b>Gross profit</b>	<b>528</b>	-	<b>528</b>	<b>134</b>	<b>134</b>	<b>138</b>
Personnel cost sales	(89)	2	(92)	(27)	(20)	(23)
Other sales fixed cost	(21)	-	(21)	(6)	(4)	(3)
Personnel cost marketing	(15)	-	(15)	(2)	(1)	(1)
Other marketing fixed cost	(12)	-	(12)	(3)	(2)	(3)
Other administrative personnel cost	(107)	-	(107)	(25)	(16)	(30)
Other administrative fixed cost	(80)	(2)	(78)	(19)	(20)	(21)
<b>Total operating expenses</b>	<b>(323)</b>	-	<b>(323)</b>	<b>(81)</b>	<b>(63)</b>	<b>(82)</b>
<b>Adjusted pro-forma EBITDA</b>	<b>204</b>	-	<b>204</b>	<b>53</b>	<b>71</b>	<b>56</b>
NRI	(19)	(11)	(30)	(8)	(7)	(8)
Depreciation	(4)	-	(4)	(1)	(1)	(1)
Organisation transition expenses	(28)	28	-	-	-	-
<b>EBITA</b>	<b>154</b>	<b>17</b>	<b>171</b>	<b>45</b>	<b>64</b>	<b>47</b>
Amortisation	(249)	-	(249)	(55)	(59)	(57)
<b>EBIT</b>	<b>(96)</b>	<b>17</b>	<b>(78)</b>	<b>(11)</b>	<b>5</b>	<b>(10)</b>
Net Financial results	(40)	-	(40)	21	(41)	(18)
<b>Income before tax</b>	<b>(135)</b>	<b>17</b>	<b>(118)</b>	<b>11</b>	<b>(36)</b>	<b>(28)</b>
Tax	-	31	<b>31</b>	-	-	(0)
<b>Net Income</b>	<b>(135)</b>	<b>49</b>	<b>(86)</b>	<b>11</b>	<b>(36)</b>	<b>(28)</b>

- Revenue increased by ~ NOK 6m from Q2 2020 towards Q3 2020, largely contributed by the acquisition of RAM. Excluding RAM, revenue has been stable despite COVID-19
- Total operating expenses increased in Q3 as a result of the RAM acquisition (NOK 4m). Payroll cost in Q2 include seasonality effects from holiday pay in June resulting in NOK 17m lower payroll costs (Q2)
- Adj. PF EBITDA 2020 in Q3 2020 increased by +14% (from NOK 49m to NOK 56m) vs Q3 2019
- NRI consist of legal/acquisition costs treated as exceptional as they do not relate to the general operation of ABAX Group AS on a day to day basis



Note: Financials are pro-forma for revenue recognition change to SaaS revenue recognition on 01.01.2020. All financials are presented as if Abax had always had SaaS revenue recognition – 2019 figures audited; 2020 figures non-audited  
RAM financials included from date of acquisition 1<sup>st</sup> of August

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# BALANCE SHEET

ABAX Group AS – Consolidated pro-forma financials under NGAAP and SaaS revenue recognition

Commentary

NOKm	2019 IP	Delta	2019A <sup>1</sup>	2020 – Q1	2020 – Q2	2020 – Q3
Intangible assets	1 918	-	1 918	1 906	1 870	1 897
Tangible assets	134	-	134	131	119	125
Financial assets	1	1	2	1	2	3
<b>Total fixed assets</b>	<b>2 053</b>	<b>1</b>	<b>2 054</b>	<b>2 039</b>	<b>1 990</b>	<b>2 025</b>
Inventory	9	-	9	8	9	12
Accounts receivables	61	(1)	60	65	56	67
Other receivables	90	14	104	83	88	92
Prepaid expenses and accrued income	217	(115)	102	75	61	54
Cash	47	-	47	114	476	406
<b>Total current assets</b>	<b>423</b>	<b>(101)</b>	<b>322</b>	<b>345</b>	<b>690</b>	<b>630</b>
<b>Total assets</b>	<b>2 476</b>	<b>(101)</b>	<b>2 375</b>	<b>2 384</b>	<b>2 680</b>	<b>2 655</b>
<b>Total equity</b>	<b>978</b>	<b>9</b>	<b>987</b>	<b>987</b>	<b>981</b>	<b>931</b>
Deferred tax liabilities	317	(32)	284	287	286	287
Long term liabilities	584	8	591	649	1 017	1 015
<b>Total non-current liabilities</b>	<b>900</b>	<b>(24)</b>	<b>876</b>	<b>936</b>	<b>1 303</b>	<b>1 302</b>
Accounts payable	39	-	39	27	37	21
Tax payable	(5)	6	1	(2)	(4)	(2)
Other current liabilities	379	(91)	288	283	267	302
Deferred income and accrued expenses	184	-	184	154	96	101
<b>Total current liabilities</b>	<b>597</b>	<b>(85)</b>	<b>512</b>	<b>461</b>	<b>397</b>	<b>422</b>
<b>Total equity and liabilities</b>	<b>2 476</b>	<b>(101)</b>	<b>2 375</b>	<b>2 384</b>	<b>2 680</b>	<b>2 655</b>

- Equity Ratio of 35% in Q3 2020 compares to 37% in Q2 2020
- Leverage ratio of Q3 – LTM stands at 2.59x
  - Debt: NOK 1,000m (Interest bearing debt)
  - Cash: NOK 405.6m
  - Q3 2020 LTM EBITDA: NOK 229.7m
- Combined inventory level is up by NOK 3m in Q3, however NOK 4m are included from RAM. Inventory excluding RAM would have been NOK 8m, NOK 1m down from last quarter



Note: Financials are pro-forma for revenue recognition change to SaaS revenue recognition on 01.01.2020. All financials are presented as if Abax had always had SaaS revenue recognition – 2019 figures audited; 2020 figures non-audited  
RAM financials included from date of acquisition 1<sup>st</sup> of August

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# CAPEX, NWC AND CASH FLOW

ABAX Group AS – Consolidated pro-forma financials under NGAAP and SaaS revenue recognition

Commentary

NOKm	2019 IP	Delta	2019A <sup>1</sup>	2020 – Q1	2020 – Q2	2020 – Q3
Capex	3	-	3	1	2	0
Capitalised R&D	61	-	61	16	19	14
Capitalised device cost	42	-	42	7	6	7
<b>Capex and capitalised R&amp;D</b>	<b>107</b>	<b>-</b>	<b>107</b>	<b>24</b>	<b>27</b>	<b>21</b>
<i>As % of sales</i>						
Capex	1%	1%	1%	1%	1%	0%
Capitalised device cost	11%	11%	11%	11%	13%	9%
Capitalised sales commission	8%	9%	8%	5%	4%	5%
<b>Capex and capitalised R&amp;D</b>	<b>19%</b>	<b>21%</b>	<b>19%</b>	<b>17%</b>	<b>18%</b>	<b>14%</b>

NOKm	2019 IP	Delta	2019A	2020 – Q1	2020 – Q2	2020 – Q3
<b>Delta Net Working Capital</b>	<b>45</b>	<b>(25)</b>	<b>20</b>	<b>(0)</b>	<b>(18)</b>	<b>(36)</b>
<i>Delta Net Working Capital % of sales</i>	8%	n.a.	4%	(0%)	(12%)	(24%)

NOKm	2019 IP	Delta	2019A	2020 – Q1	2020 – Q2	2020 – Q3
<b>Adjusted pro-forma EBITDA</b>	<b>204</b>	<b>-</b>	<b>204</b>	<b>53</b>	<b>71</b>	<b>56</b>
Capex	(3)	-	(3)	(1)	(2)	(0)
Capitalised R&D	(61)	-	(61)	(16)	(19)	(14)
Capitalised device cost	(42)	-	(42)	(7)	(6)	(7)
Deferred sales commission	(6)	-	(6)	-	-	-
Change in Net Working Capital	45	(25)	20	(0)	(18)	(36)
<b>Adjusted Operating Cash Flow</b>	<b>136</b>	<b>(25)</b>	<b>111</b>	<b>29</b>	<b>27</b>	<b>(1)</b>
NRI	(19)	(11)	(30)	(8)	(7)	(8)
Organisation transition expenses	(28)	28	-	-	-	-
<b>Reported Operating Cash Flow</b>	<b>89</b>	<b>(8)</b>	<b>81</b>	<b>21</b>	<b>20</b>	<b>(10)</b>
Proceeds from intangible assets	17	-	17	-	-	-
Purchase of shares and investments in subsidiaries	(13)	-	(13)	-	-	(38)
Tax paid	2	-	2	(3)	(2)	(2)
Net financial items	(40)	1	(39)	(5)	(14)	(20)
Repayment of borrowings	(27)	-	(27)	-	(625)	-
Proceeds from loans and borrowings	-	-	-	66	1 000	-
Other cash flow items	(15)	8	(7)	(13)	(16)	(2)
<b>Change in Cash</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>67</b>	<b>363</b>	<b>(71)</b>
Cash beginning of period	31	-	31	47	114	476
<b>Cash end of period</b>	<b>47</b>	<b>-</b>	<b>47</b>	<b>114</b>	<b>476</b>	<b>406</b>
<i>Adjusted cash conversion (% of adjusted PF EBITDA)</i>	66%	(12%)	54%	54%	38%	-3%
<i>Reported cash conversion (% of reported PF EBITDA)</i>	56%	(9%)	47%	46%	31%	-20%

- CAPEX and capitalised R&D decreased by NOK 6m from Q2 towards Q3 2020, mainly as we finalized investments and due to efficiencies in product development
- The negative cash effect from change in NWC in Q3 is composed of three main elements:
  - Seasonality and timing effects from July and August with lower sales and also lower invoiced amounts (holiday Nordics) compared to the rest of the year. The seasonality decrease in invoicing leads to a negative effect on accrued – not invoiced amounts which is a part of the NWC
  - RAM inventory (NOK 4m) included in Q3 which had a negative effect on NWC
  - Deferred tax payments (NOK 7m) from Q1/Q2 initiated by COVID-19 related agreements by authorities, are fully settled now in Q3 per regulatory guidelines
- Purchase of shares of NOK 38m refers to the acquisition of RAM Track & Trace based in the Netherlands and Belgium
- Net financial items include NOK 17m of bond interest payments in Q3

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RAM financials included from date of acquisition 1<sup>st</sup> of August



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# AUTOMILE OVERVIEW

## At A Glance

- Founded in 2014 and headquartered in Stockholm, Automile is a Nordic leader in telematics and internet of things (IoT) services
- 87,000 subscriptions over 14,000 customers
- Presence in Sweden, Norway, the rest of Europe and the United States
- Complementary product portfolio: on top of the core telematics technology, Automile will bring new product features to ABAX
- Diversified customer base with no customer concentration
- Similar to ABAX, Automile has a subscription business model, which provides strong forward visibility
- 32 talented FTEs

**Box  
(Vehicle)**

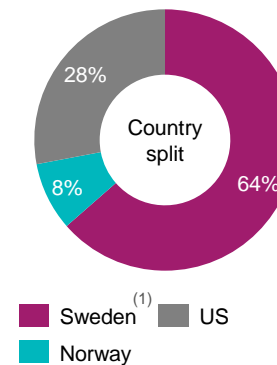
**Asset  
Tracker  
(Equipment)**



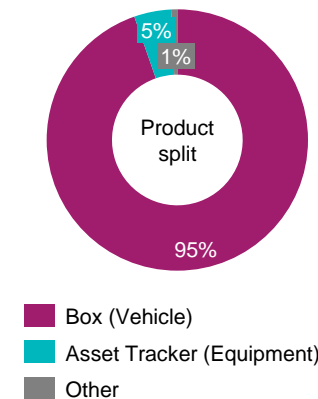
## Financial Overview<sup>(1)</sup>



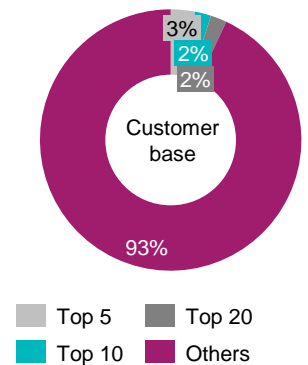
### Geographical revenue split



### Product revenue split



### Diversified Customer base



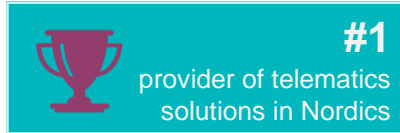
<sup>(1)</sup> Revenue and Adj. EBITDA are YTD to Sept 2020. Revenue splits are as per 2019. A small portion of the Sweden revenue came from rest of Europe, via partners

<sup>(2)</sup> Automile's adjusted EBITDA is before any capitalisation of research & development expense (to be adjusted in the ABAX Q4-20 report based on a review of their projects) as well as any synergy.

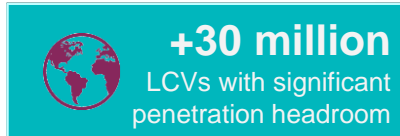
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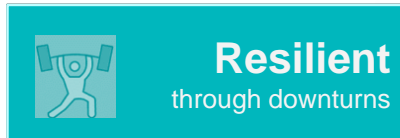
# STRATEGIC RATIONALE



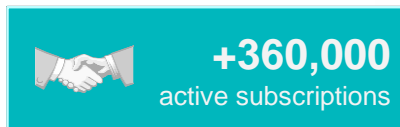
**Consolidate leadership in the Nordic region and become the largest independent telematics platform in Europe**



**Large addressable market with rising penetration of telematics technology adoption from 20% in 2019 to over 30% in 4 years**



**SaaS subscription business model provides strong visibility of revenue. Both ABAX and Automile have grown through Covid-19**



**Diversified subscription base with multi-year contracts. Over 44,000 customers with no customer concentration**



**Actionable cost synergies, cross-sell additional product features, digital go-to-market know-how to ABAX**

# FUNDING OF THE TRANSACTION – A MIX OF CASH AND EQUITY

- Draw-down of the Net Acquisition Proceeds, raised from the Nordic Bond issuance in June
- Meaningful roll-over from Automile shareholders
- Additional equity investments from ABAX shareholders, led by Investcorp