

Q2 2021

Quarterly Report Q2 2021
Ørn Software Holding AS



Ørn
Software

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Letter from the CEO

The second quarter of 2021 was another strong quarter for Ørn Software, with revenue growth of 93 percent compared to the same period last year, and an adjusted EBITDA of NOK 8.5 million. Including the acquisitions of Landax and Rapal, our current annual recurring revenues (ARR) are NOK 205 million, 186 percent higher than one year earlier.

Sten-Roger Karlsen
CEO



The development is a clear sign that we are on track towards our 2025 ambitions. The development is driven by both organic growth and through acquisitions, and during the second quarter we announced two acquisitions: Landax (Norway) and Rapal (Finland). These highly attractive additions to our portfolio are perfectly aligned with our M&A priorities: Increasing our ARR, broadening our product offering and growing our geographical footprint. Cross sales and synergies on product and technology development across our portfolio is an important part of Ørn Software's growth story. In Q2, we have continued our work to enhance our sales capacity to leverage the broad product portfolio and potential for cross sales.

We are confident that the two newly acquired companies is a good fit for Ørn Software.

Whereas Landax brings a unique position within the quality management space, perfectly complementing Ørn Software's existing portfolio, the acquisition of Rapal represents Ørn's first step into Finland. Even more importantly, Rapal brings a portfolio of best-in-class solutions for lease, space, and workplace management. The post-Covid situation will require completely new systems for workplace analytics and smart office solution in order to maintain attractive and cost-efficient office spaces.

All our products have one thing in common: The capability to provide customers with improved insight through data-driven operations and contribute to increased efficiency and reduced cost by adapting digital tools in their businesses. Fundamental growth drivers are strong, as businesses continue to chase efficiency through digitization. The Nordic market is currently estimated at NOK 12 billion, of which only around NOK 2.6 billion is currently being served. As a leading player with a pure Software-as-a-Service, we are well positioned to grow fast in the long term, and our ambition is to be recognized as a European leader within SaaS for real estate and industrial management.

With the strong internal and external growth drivers, we are happy to announce an upgrade of our 2025 revenue growth ambition as a result of the acquisitions we have made in 2021. We currently target to grow our ARR organically to NOK 430 million, compared to the previous goal of NOK 300 million. This means that the implied target for organic growth rate remains unchanged. The long-term ambition of EBITDA margin higher than 40 percent remains firm.

With the successful capital raise and listing of Ørn Software's shares on Euronext Growth in Oslo in March 2021, the financial platform to deliver on both organic and M&A driven growth is in place. Now, we look forward to continuing to provide The Big Picture.

Sten-Roger Karlsen
CEO

Ørn Software – The Big Picture

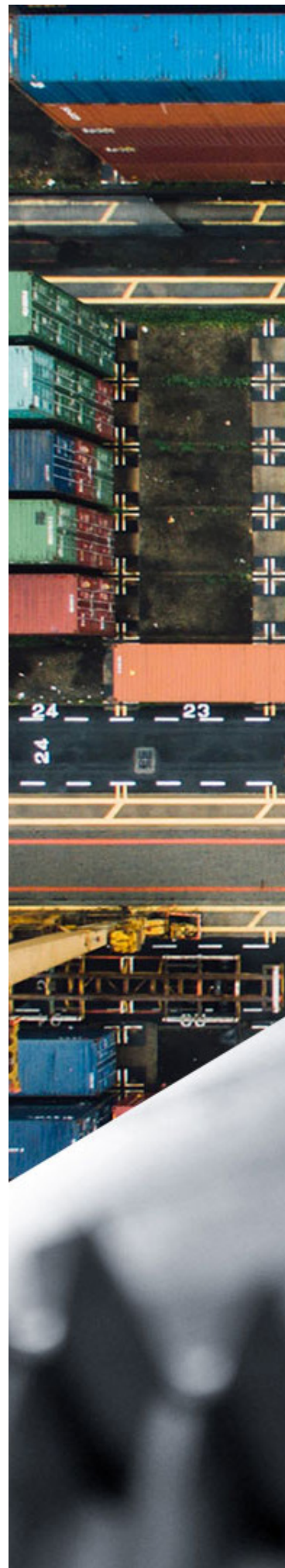
Most companies have fixed assets that need to be efficiently managed. Most companies need to continuously improve its efficiency to stay competitive. Implementing digital tools that are easy to use and simplify workflows, is an important part of meeting this growing need in asset-heavy industries.

Ørn Software provides industry-leading digital asset management tools, to help users improve its efficiency and become more competitive. Ørn is focused on streamlining business processes, and this is done by collecting useful data, and by digitizing and automizing complex and resource intensive workflows. Ørn's solutions encourage human interaction and data sharing across disciplines, functions, and departments. Seeing the big picture is key to achieving operational success and reduced environmental footprint.

Data is captured from SCADA systems, IoT, sensors and meters, and other systems are connected through APIs, to provide a real-time image and continuously enriching the solutions with valuable data. The solutions enable the users to make tactical, strategical, and operational decisions based on live data and historical trends. Consequently, Ørn's customers achieve reduced cost, increased uptime, extended asset lifetime, reduced environmental footprint and regulatory compliance.

The end user is equipped with mobile tools to handle day-to-day field work as efficiently as possible, while management has access to analytics and administration tools. Ørn's customers get an insight into all the details, while still having a complete overview.

Ørn provides its customers with THE BIG PICTURE





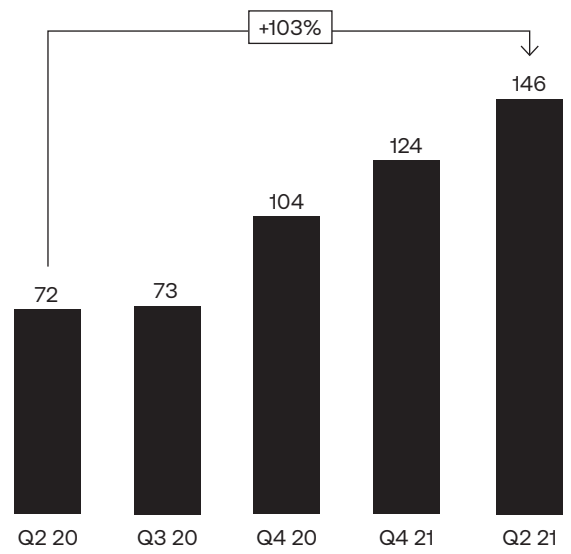
Q2 2021 in Brief

- ARR NOK 145.5 million at the end of the quarter, a growth of +103% since Q2 2020
- Q2 2021 revenue NOK 37.8 million (+93% Y/Y)
- Adjusted EBITDA margin 22.4% (25.6% in Q2 2020)
- Acquisition of Landax closed in Q2, bringing NOK 21.2 million of ARR and 543 new customers
- Focus on integration of acquired companies and building sales capacity to accelerate new sales and cross sales
- Subsequent event
 - Acquisition of Rapal signed in June 2021 (closed in July), bringing additional NOK 58.9 million of ARR (new total ARR NOK 205 million) and 250 new customers

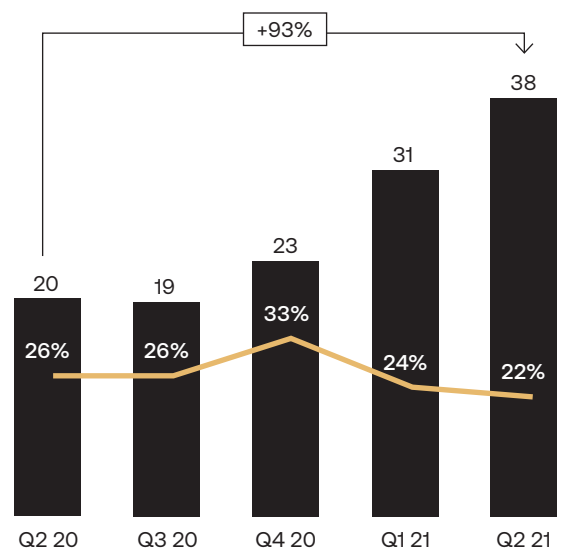
	Q2 2021	Q2 2020	Change	FY 2020
ARR	145.5	71.8	103%	107.1
Revenue	37.8	19.6	93%	81.9
EBITDA adjusted	8.5	5.0	69%	21.5
EBITDA adjusted margin	22.4%	25.6%		26.3%
Net retention rate	98.5%	96.1%		109.5%
Churn	2.1%	0.1%		3.7%
Number of customers	1 746	459	280%	1 022

Key figures

ANNUAL RECURRING REVENUE (ARR)



REVENUE AND EBITDA ADJUSTED MARGIN



Operational Development

At the end of Q2 2021 Ørn Software had a customer base generating Annual Recurring Revenue (ARR) of NOK 145.5 million, which was 103 percent higher than at the end of Q2 2020. During Q2, Ørn Software increased its ARR with 21.2 million, driven by the acquisition of Landax and continued organic growth affected by new sales, net upsell and price optimizations.

Churn rate in Q2 2021 was at 2.1 percent, compared to 0.1 percent in Q2 2020. The churn was affected by one specific Swedish customer ending its use of Ørn's services. Adjusted for this, the churn was 0.8 percent. In the first half-year, churn was 5.2 percent. Adjusted for the shortfall of the Swedish customer, churn was 2.2 percent.

The net retention rate was 98.5 percent in Q2, compared to 96.1 percent in Q2 2020. The relatively lower net retention rate for this quarter is mainly due to the fact that the second quarter is seasonally soft when it comes to new sales and that price increases normally are imposed in Q1. In addition, the net retention rate is negatively impacted by a correction of ARR as of Q4 2020 of NOK -2.7 million. In the first half-year, net retention rate was 97.6 percent. Adjusted for the impact of the Q4 2020 ARR adjustment, net retention rate was 100.6 percent.

Number of customers has increased from 459 at the end of Q2 2020 and 1,022 at year end 2020 to 1,746 at the end of Q2 2021, primarily driven by M&A activities, but also to some extent new sales.

Ørn is continuing to invest in product development. As the product portfolio is growing through acquisitions, the initiative for establishing one common technology platform becomes increasingly important. The common platform will simplify deployment and shorten time to market for new features, as well as providing the customers with increased flexibility in terms of selecting the exact functionality they need.

Additionally, Ørn Software has during Q4 2020 and first half-year 2021 increased its sales capacity through recruitment of additional sales personnel, with the objective to increase new sales and cross-sale going forward.

Post-merger integration processes related to the companies acquired at the end of 2020 and in 2021 are in progress and going as planned. The initial focus is to address low threshold synergies on the organizational and operational side, as well as to exploit the short-term commercial potential. In addition, it is important to unite the R&D initiatives in the group and adjust product strategies and roadmaps.

Segment Real Estate Management

	Q2 2021	Q2 2020	Change	FY 2020
ARR	80.7	46.4	74%	65.3
Revenue	24.1	12.7	89%	53.3
Net retention rate	98.1%	94.6%		107.8%
Churn	2.5%	0%		2.0%
Number of customers	439	162	171%	335

At the end of Q1 2021, the segment ARR was NOK 80.7 million, a growth of 74 percent Y/Y. The growth reflects the acquisitions made in 2020 and 2021, as well as a positive development in new sale and upsell.

During Q2, ARR declined 0.5 million, negatively impacted with NOK 1.6 million by one specific Swedish customer that churned during the quarter. The customer came with the Avector acquisition in January 2020, and at the time of the transaction, Ørn Software was aware that the customer would churn in the near future. Adjusted for this, ARR grew with NOK 1.1 million, which was entirely organic growth. Churn in the quarter was 2.5 percent, and adjusted for the departed Swedish customer, churn was 0.6 percent. Net retention rate in Q2 2021 was 98.1 percent.

In Q4 2020 and first half-year 2021, the focus has been to build a strong sales force within this segment. As a result, the new sale and cross-selling activity is increased, and it is expected that this will start to materialize in increased organic growth in the second half of 2021.

Operating revenue in the segment was NOK 24.1 million, a growth of 89 percent compared to Q2 2020.

Segment Industrial Maintenance & Quality Control

	Q2 2021	Q2 2020	Change	FY 2020
ARR	49.8	25.5	95%	26.7
Revenue	10.0	6.5	54%	26.9
Net retention rate	99.2%	98.9%		112.6%
Churn	2.1%	0.2%		7.0%
Number of customers	851	297	186%	301

At the end of Q2 2021, the segment ARR was NOK 49.8 million, a growth of 95 percent Y/Y. During Q2, the ARR grew with NOK 22.0 million, in particular driven by the acquisition of Landax, in addition to new sale and upselling. Churn was limited at 2.1 percent in the quarter.

The position within quality control was significantly strengthened by the acquisition of Landax in Q2, bringing 21.2 million in ARR and 543 new customers. Quality control and Industrial maintenance processes are a good match, and Landax represents highly attractive offering for Ørn's existing customers, and vice versa.

We also experience that the combination of Industrial Maintenance (View Maintenance) and Quality Control (InControl) is very well received in the aquaculture industry.

Operating revenue in the segment was NOK 10.0 million, a growth of 54 percent compared to Q2 2020. Landax was consolidated as of 1st June 2021.

Segment Energy & Sustainability Management

	Q2 2021	Q2 2020	Change	FY 2020
ARR	15.0	-	NA	15.0
Revenue	3.6	-	NA	-
Net retention rate	99.1%	-		-
Churn	0%	-		-
Number of customers	456			460

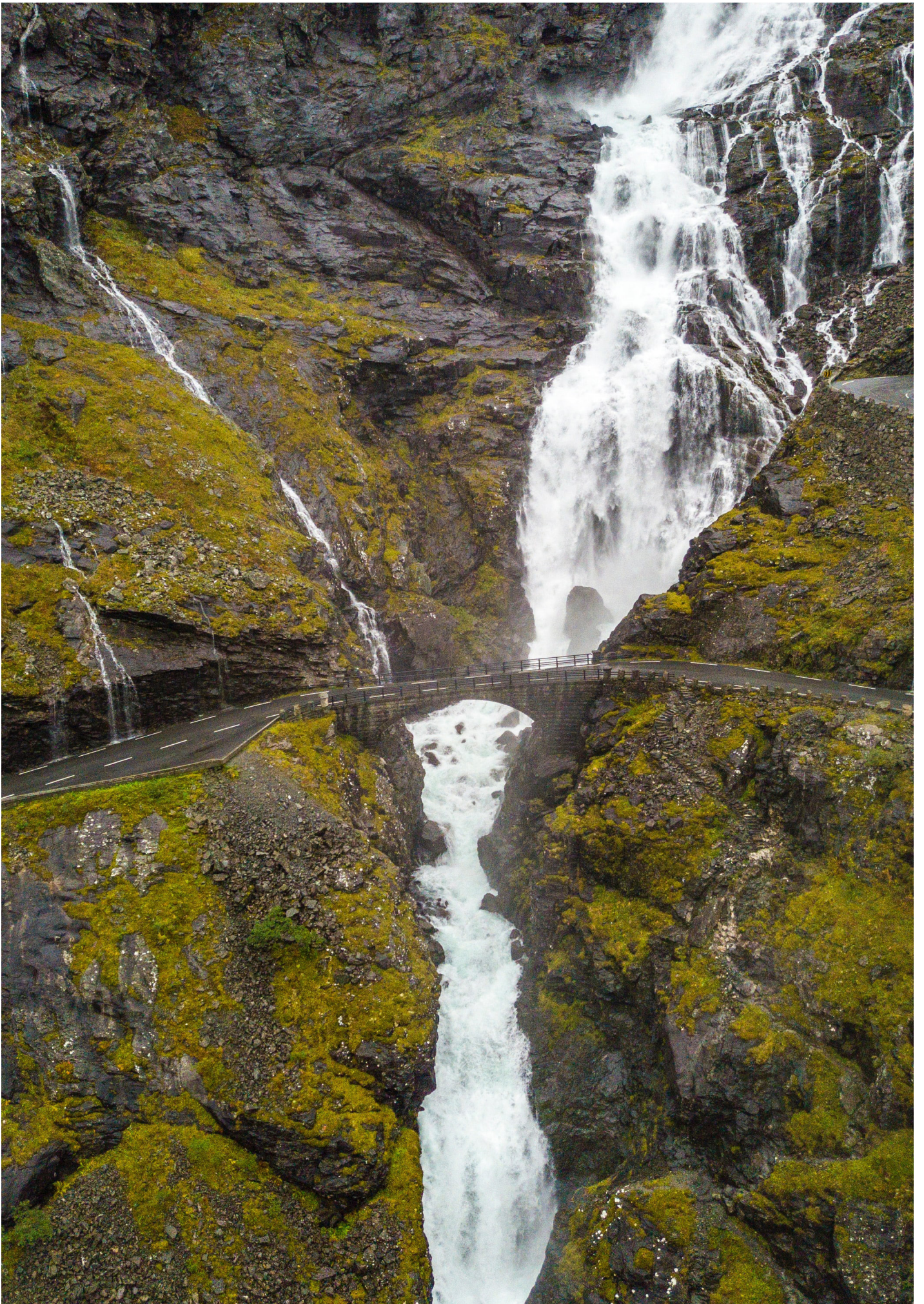
The segment consists of Entro IT, which was acquired in December 2020.

At the end of Q2 2021, the segment ARR was NOK 15.0 million. In the same quarter in 2020, the segment had no operations.

During Q2, the ARR declined with NOK 0.2 million, with a net retention rate of 99 percent and no churn.

The segment Energy & Sustainability Management is new to Ørn as of the end of 2020. Sales reps that have been hired during the first half of 2021 are currently ramping up activity. It is expected that the new sale gradually will start picking up. The overall market for Energy & Sustainability Management solutions is expected to increase rapidly over the coming years, e.g. due to the introduction of the new EU Taxonomy framework.

Operating revenue in the segment was NOK 3.6 million.



Financial Review

Historical Group P&L	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2-21
Recurring revenue	17 984	17 623	17 157	18 631	27 325	32 330
Non-recurring revenue	2 022	1 978	2 144	4 387	3 882	5 443
Total revenue	20 006	19 601	19 301	23 017	31 207	37 773
COGS	-1 180	-1 621	-1 793	-1 306	-1 722	-3 684
Total OPEX	-14 931	-12 956	-12 571	-17 694	-37 709	-27 482
EBITDA	3 895	5 023	4 937	4 018	-8 224	6 608
<i>Margin (%)</i>	19 %	26 %	26 %	17 %	-26 %	17 %
Special items				3 652	15 703	1 870
Adjusted EBITDA	3 895	5 023	4 937	7 670	7 479	8 478
<i>Margin (%)</i>	19 %	26 %	26 %	33 %	24 %	22 %
Depreciation and amortisation	-4 807	-5 280	-5 271	-5 913	-9 142	-11 912
Reported EBIT	-912	-256	-334	-1 896	-17 366	-5 305
Net financial income	-507	-299	-250	-1 627	5 921	-8 422
Reported profit/loss before tax	-1 418	-556	-584	-3 523	-11 445	-13 727
Tax	421	421	421	422	2 747	3 295
Net income/loss	-997	-135	-163	-3 101	-8 698	-10 433

Ørn Software Holding's consolidated revenues were NOK 37.8 million in Q2 2021. This was a growth of 93 percent compared to the same period in 2020. In the first half-year 2021 revenue was NOK 69.0 million, a growth of 74 percent compared to the same period in 2020. The revenue growth was primarily driven by the acquisitions of MainManager, Entro IT, Facilit and Landax. The group's organic revenue growth in the first half-year was 6 percent compared to the first half-year 2020, driven by upsales and price optimization.

The gross profit margin of the group was 90 percent in Q2 2021, compared to 92 percent in Q2 2020. In the first half-year 2021, gross margin was 92 percent, compared to 93 percent in the first half-year 2020. Facilit, which was acquired in Q1 2021 and Entro IT, acquired in Q4 2020, have lower gross margin than the rest of the group, thus impacting negatively on the overall gross margin. The lower gross margin for these companies relates to hired customer support services which are classified as cost of goods.

The Group's EBITDA, adjusted for special items related to the acquisitions and IPO, was NOK 8.5 million, an increase of 69 percent compared to the same quarter in 2020. EBITDA adjusted margin was 22.4 percent in Q2 2021, compared to 25.6 percent in the same quarter in 2020. In the first half-year 2021, adjusted EBITDA was NOK 16.0 million, compared to 8.9 million in the first half-year 2020. The adjusted EBITDA margin was 22.5 percent in the first half-year 2020, which increased to 23.1 percent in the first half-year 2021.

Reported EBITDA, which includes special items related to the IPO of NOK 1.9 million, was NOK 6.6 million in Q2 (5.0 million in Q2 2020). In the first half-year, the reported EBITDA loss of NOK 1.6 million was affected by special items of NOK 17.6 million. In the first half-year 2020, reported EBITDA was NOK 8.9 million.

Depreciations and amortizations were NOK -11.9 million in Q2 2021 compared to NOK -5.3 million in Q2 2020. In the first half-year 2021 depreciations and amortizations were NOK -21.0 million compared to NOK -10.1 million in the same period in 2020, reflecting increased activity in the group and the acquisitions.

Reported EBIT was NOK -13.7 million in Q2 2021 and NOK -25.2 million in the first half-year 2021, affected negatively by the special items related to the IPO mentioned above.

Net financial income in Q2 2021 was NOK -8.4 million, reflecting interest expenses of NOK 3.5 million currency effects of NOK -4.7 million related to the related to the company's debt denominated in SEK. In the first half-year 2021, net financial income was NOK -2.5 million, reflecting interest expenses of NOK 6.6 million currency effects of net NOK +4.3 million related to the related to the company's debt denominated in SEK.

Reported tax in the first half-year 2021 was positive with NOK 6.0 million, as a result of a calculated tax income at 24 percent of EBIT at NOK -25.2 million in first half-year 2021. Net income of NOK -19.1 million at the end of June 2021 (NOK -1.1 million in the first half-year 2020). In Q2 2021 in isolation, Net income was NOK -10.4 million (NOK -0.1 million in Q2 2020).

Cash flow

Cash flow from operating activities in Q2 2021 before change in net working capital was NOK 9.4 million, NOK -47.0 million after change in working capital of NOK -56.4 million. Q2 is seasonally weak in terms of operating cash flow since a large part of customers are invoiced on an annual or half-yearly basis in Q1. Also, there was negative cash flow related to IPO expenses in Q2. In the first half-year 2021 cash flow from operating activities was NOK -18.9 million.

Cash flow from investing activities was NOK -74.7 million in Q2 21, driven by the acquisition of Landax NOK -69.7 million and capex of NOK -5.0 million related to software development. In Q1 21 it was NOK -52.0 million driven by the acquisition of Facilit NOK -43.0 million and capex of NOK -9.0 million.

Net cash flow from financing activities was NOK 5.0 million in Q2 2021 related to a new loan from Innovation Norway according to an innovation project in the Energy & Sustainability Management segment. Net cash from financing activities in first half-year of 2021 was NOK 53.2 million from long term debt (NOK 45.2 million in Q1 2021 related to the acquisition of Facilit) and net NOK 229.0 million from share issue (gross NOK 250 million in capital raise reduced with IPO cost of NOK 21 million).

Total cash at end of June 2021 was NOK 201.9 million.

Financial position as at 30 June 2021

Following the equity capital raise of gross NOK 250 million ahead of the IPO in March 2021, Ørn Software has a robust balance sheet and is well capitalized to deliver on the stated growth ambitions.

Total assets amounted to NOK 579.6 million (264.7 million at the end of 2020). Total current assets amounted to 220.9 million (83.2 million at the end of 2020), primarily driven by increased cash as a result of the equity capital raise. Cash and cash equivalents amounted to NOK 201.9 million (65.3 million at the end of 2020).

Non-current assets increased to 358.7 million (181.4 million at the end of 2020). The change was predominantly related to intangible assets, which increased to NOK 356.9 million (179.7 million at the end of 2020), driven by the acquisitions of Facilit and Landax (please refer to note 6) and reallocation of PPA values from R&D and goodwill to customer contract (please refer to note 5).

Total liabilities were at 280.4 million (NOK 186.1 million at the end of 2020). Current liabilities increased to NOK 87.0 million (NOK 61.0 million at the end of 2020). Non-current liabilities increased to NOK 164.0 million (NOK 116.6 million at the end of 2020).

Share information

At the end of Q2 2021 Ørn Software had 85,942,968 shares. There was no change in number of shares during Q2 2021. Average number of shares in first half-year 2021 was 74,586,365. The private placement in connection with the IPO in Q2 2021 implied the issuance of 23,892,497 shares. The EGM granted approval to the Board to increase the share capital with approximately 20 percent 21 of May.

The company was listed on Euronext Growth 29 March 2021. The company had 203 shareholders at the end of the first half-year 2021, with the 20 largest shareholders holding 89 percent of the shares.

An overview of the 20 largest shareholders is available on the company web site.

Risk factors

Risk factors are described in the Information document prepared in connection with the listing on Euronext Growth, published 29 March.

Outlook

Ørn Software is a leading software company with digital solutions for industry and real estate management in the Nordic market. Through organic growth and targeted acquisitions, the company has significant growth ambitions both in the Nordic region and in Europe.

The market potential in the Nordic region is estimated at NOK 12 billion. By 2025, Ørn Software is targeting ARR of NOK 430 million based on organic growth. This is lifted from the previously communicated target of NOK 300 million as a result of the acquisitions made in 2021. M&A driven growth comes in addition to this.

Ørn Software's business model, which is based on providing Software as a Service, is highly scalable. The company will increasingly move services over to shared platforms which, will add to the scalability. Along with the revenue growth the company targets an EBITDA margin enhancement up to at least 40 percent by 2025.

During Q4 2020 and the first half-year 2021, Ørn Software has added resources within sales and marketing, which is expected to increase the growth contribution from new sales during the second half-year of 2021 compared to the first half-year.

The company continues its active search for additional M&A objects and expects to close additional acquisitions during the coming year.

Financial calendar

Quarterly reporting:

- Q3 2021: 19 November 2021
- Q4 2021: 4 March 2022

Declaration by the board of directors and CEO

We hereby confirm that, to the best of our knowledge, that the interim financial statements for the period from 1 January to 30 June 2021 have been prepared in accordance with NGAAP, and that the information in the financial statements gives a true and fair view of the group's assets, liabilities, financial position and profit or loss taken as a whole.

We also confirm that, to the best of our knowledge, the interim report for the first half gives a true and fair view of important events in the accounting period and their influence on the interim report for the first half, as well as the principal risks and uncertainties facing the business in the next accounting period.

The Board of Ørn Software Holding AS
Trondheim, 2 September 2021

sign

Joar Welde
Chairman

Erik Fjellvær Hagen

Anne Lise Waal

Berit Lid Scharff

Terje Wibe

Sten-Roger Karlsen
CEO

Marø Havbruk

“We would not have been able to make the world’s best salmon without InControl.”

Øyvind Mjønerud, Marø Havbruk



Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Income

	Note	H1 - 2021 01.01-30.06 Unaudited	H1 - 2020 01.01-30.06 Unaudited	Q2 - 2021 01.04-30.06 Unaudited	Q2 - 2020 01.04-30.06 Unaudited	FY 2020 01.01-31.12 Audited
NGAAP - All amounts in NOK thousand						
Operating revenues and operating costs						
Total Operating Income	3	68 981	39 607	37 773	19 601	81 925
Cost of goods		5 406	2 801	3 684	1 621	5 900
Salaries		41 762	19 267	19 690	8 801	41 815
Depreciation and amortisation		21 055	10 086	11 912	5 280	21 271
Other operating costs		23 429	8 621	7 792	4 155	16 338
Total OPEX		91 652	40 775	43 078	19 857	85 323
Operating profit		-22 671	-1 168	-5 305	-256	-3 398
Financial income and financial costs						
Other financial income		9 664		432		760
Other interest expenses		-6 640	-806	-3 490	-299	-2 300
Other financial cost		-5 525		-5 365		-1 144
Result of financial items		-2 501	-806	-8 422	-299	-2 683
Reported EBIT		-25 172	-1 974	-13 727	-556	-6 081
Tax		6 041	842	3 295	421	1 685
Net income		-19 131	-1 132	-10 433	-135	-4 396

Consolidated Statement of Financial Position

ASSETS	Note	H1 - 2021 30.06.2021	H1 - 2020 30.06.2020	FY 2020 31.12.2020
NGAAP - All amounts in NOK thousand		Unaudited	Audited	Audited
Non-current assets				
Intangible assets				
R&D	5,6	83 492	56 573	113 619
Customer relationship	5,6	169 999	0	0
Deferred tax assets		0	1 713	0
Goodwill	5,6	103 409	20 992	66 050
Total intangible assets		356 901	79 278	179 669
Tangible assets				
Property, plant and equipment		1 738	1 126	1 740
Total tangible assets		1 738	1 126	1 740
Financial assets				
Investment in shares		35	30	34
Long-term receivables		0	167	0
Total financial fixed assets		35	197	34
Total non-current assets		358 673	80 600	181 443
Current assets				
Receivables				
Trade receivable		12 711	4 126	9 148
Other current assets		6 301	1 385	8 781
Total receivables		19 012	5 511	17 929
Investments				
Cash and cash equivalents		201 888	6 219	65 289
Total current assets		220 900	11 730	83 218
Total assets		579 573	92 331	264 660

Consolidated Statement of Financial Position cont.

Equity and liabilities	Note	H1 - 2021 30.06.2021	H1 - 2020 30.06.2020	FY 2020 31.12.2020
NGAAP - All amounts in NOK thousand		Unaudited	Audited	Audited
Paid-in capital				
Share capital		8 594	4 847	6 075
Share premium		358 151	65 148	104 965
Other equity		1 143	89	879
Total paid-in equity		367 888	70 084	111 919
Earned equity				
Other equity		-68 738	-30 876	-33 346
Total earned equity		-68 738	-30 876	-33 346
Total equity	4	299 150	39 207	78 573
Liabilities				
Provision for liabilities				
Deferred tax	5,6	29 524	0	8 581
Other provisions for liabilities		0	0	0
Total provisions for liabilities		29 524	0	8 581
Other long-term debt				
Non-current interest-bearing debt	8	163 916	28 539	116 554
Other non-current liabilities		0	0	0
Total non-current liabilities		163 916	28 539	116 554
Short-term liabilities				
Convertible loans	7	21 700	0	5 580
Accounts payable		7 517	2 352	5 930
Payable tax		490	0	63
Public duties payable		10 649	4 182	5 878
Other current financial liabilities	7	46 626	18 050	43 502
Total current liabilities		86 982	24 584	60 953
Total liabilities		280 423	53 123	186 087
Total equity and liabilities		579 573	92 331	264 660

Condensed Consolidated Cash Flow Statement

	H1 - 2021	Q2 - 2021	Q1 - 2021	FY 2020
	01.01-30.06	01.04-30.06	01.01-31.03	01.01-31.12
NGAAP - All amounts in NOK thousand	Unaudited	Unaudited	Unaudited	Audited
Operating activities				
Profit/loss before tax	-25 172	-13 727	-11 445	-6 081
Depreciation and amortisation	21 055	11 912	9 142	21 271
Change in net working capital	-13 620	-56 417	42 797	10 390
Other non-cash items	-1 149	11 274	-12 423	437
Net cash flows from operating activities	-18 887	-46 958	28 071	26 016
Development of software and other intangible assets	-14 070	-4 984	-9 085	-27 087
Net Acquisitions	-112 620	-69 662	-42 958	-75 723
Net cash flows from investing activities	-126 690	-74 647	-52 043	-102 810
Net proceeds from long term debt	53 189	5 000	48 189	98 661
Net proceeds from share issue	228 987	0	228 987	41 102
Net cash flows from financing activities	282 176	4 999	277 176	139 763
Cash and cash equivalents at the beginning of the period	65 289	318 493	65 289	2 320
Net change in cash and cash equivalents	136 599	-116 605	253 204	62 970
Cash and cash equivalents at the end of the period	201 888	201 888	318 493	65 289

E.g. gains/(losses) on cash and cash equivalents have been allocated to other non-cash items (cash flows from operating activities).





Skistar

“Maintenance provides working ski lifts and satisfied customers.”

Arnstein Akre,
Maintenance Supervisor Skistar

Explanatory Notes to the Consolidated Financial Statements

Note 1 – General information

About Ørn Software

Ørn Software, listed on Euronext Growth as of March 2021, is a Nordic provider of SaaS solutions enabling efficient operations and maintenance across a wide range of asset-heavy industries, including real estate, manufacturing, food & beverages, and aquaculture. The Group's software provides customers with improved insight through data-driven operations and contributes to increased efficiency and reduced costs through digitalization of rental processes, data-driven maintenance scheduling and energy optimization.

All of the above contribute to the lengthening of property and equipment lifespan, a key component of Ørn Software's value proposition. Furthermore, the Group's offering enables customers to reduce their environmental footprint and provides digital tools to meet reporting and regulatory requirements.

Close to 2,000 companies and 280,000 users use Ørn Software's different SaaS-offerings every day, including a number of the biggest industrial and property management firms in the country.

Read more at www.ornsoftware.com

As of the 30st of June 2021, the consolidated financial statements of Ørn Software Holding AS consist of the following subsidiaries and granddaughters:

Ørn Software Holding AS, parent company

- Ørn Software AS, daughter
- Ørn Software AB (formerly View Software Sweden AB), granddaughter
- Örn Software Ehf group (formerly MainManager Ehf group), granddaughter
- Entro IT AS group, granddaughter
- Facility Management AS group (Facilit), granddaughter
- Landax AS, granddaughter

Facilit had acquired the company Senix AS before we acquired Facilit 8th March 2021. The other companies that is a part of the group have changed their name during the first quarter of 2021. Landax AS was acquired at 8th June 2021.

Note 2 – Basis of preparation

The financial statements are prepared in accordance with NGAAP and there are no changes in the accounting principles since the annual accounts for 2020. Reference is therefore made to the note of principles in the annual accounts for 2020.

Note 3 – Revenue

The company's revenues consist primarily of revenues related to "Software-as-a-Solution" services. Revenue recognition takes place on a straight-line basis in accordance with the underlying agreement, a large part of the company's agreements is recurring.

NGAAP - All amounts in NOK thousand	H1 - 2021 Unaudited	H1 - 2020 Unaudited	Q2 - 2021 Unaudited	Q2 - 2020 Unaudited	FY 2020 Audited
Real Estate Management					
Recurring	37 123	23 226	20 247	11 336	45 878
Non-recurring revenue	7 346	2 704	3 817	1 412	7 388
Total revenue	44 469	25 930	24 064	12 748	53 267
Industrial Maintenance & Quality Control					
Recurring	15 404	11 987	8 661	6 010	24 634
Non-recurring revenue	1 665	1 189	1 312	519	2 268
Total revenue	17 068	13 176	9 973	6 529	26 902
Energy & Sustainability Management					
Recurring	7 128	0	3 422	0	0
Non-recurring revenue	226	0	226	0	0
Total revenue	7 355	0	3 649	0	0
Other income	88	502	88	325	1 757
Total Operating Income					
Recurring	59 656	35 213	32 330	17 346	70 513
Non-recurring revenue (incl. other income)	9 325	4 395	5 443	2 255	11 413
Total Operating Income	68 981	39 607	37 773	19 601	81 925

Note 4 – Equity

NGAAP - All amounts in NOK thousand	paid in equity			retained losses	
	Share capital	Share premium	Other equity	Other equity	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Equity as at 31.12.2020 (audited)	6 075	104 965	879	-33 346	78 573
Capital increase when converting debt	130	5 450			5 580
Capital increase by cash deposit	2 389	247 736		-16 155	233 970
Option scheme for management			193		193
Result in period				-8 698	-8 698
Currency differences regarding equity				-258	-258
Equity as at 31.03.2021 (unaudited)	8 594	358 151	1 071	-58 457	309 360
Capital increase by cash deposit				-296	-296
Option scheme for management			71		71
Result in period				-10 433	-10 433
Currency differences regarding equity				448	448
Equity as at 31.06.2021 (unaudited)	8 594	358 151	1 143	-68 738	299 150

On the 25th of March, the company issued 23,892,497 shares, resulting in a net capital increase of NOK 250,125,291.23. Transaction costs (net of taxes) was NOK 16,451,113.10.

On the 14th of May, an extraordinary general meeting approved and granted an authorization to the Board of Director's to increase the company's share capital by up to NOK 1,718,859.40 corresponding to approximately 20% of the Company's current share capital (valid until 14th May 2023). The authorization effectively replaced the former authorization. Such authorization provides the Board of Directors flexibility to finance further growth.

Note 5 – Intangible assets

	R&D Unaudited	Customer relationship Unaudited	Goodwil Unaudited	TOTAL Unaudited
NGAAP - All amounts in NOK thousand				
Acquisition cost 31.12.2020	176 880	0	76 501	253 381
Reclassification preliminary PPA	-44 985	72 609	-21 547	6 077
Additions through acquisition (Facilit Management)	5 300	42 304	11 158	58 762
Additions through acquisition (Landax)	8 500	59 459	51 538	119 496
Additions	14 478	0	0	14 478
Acquisition cost 30.06.2021	160 173	174 372	117 650	452 195
Accumulated depreciation 31.12.2020	63 427	0	10 451	73 879
Depreciation from acquisitions (Facilit Management)	300	42	0	342
Depreciation from acquisitions (Landax)	500	0	0	500
Translation differences	3	0	0	3
Period's depreciation	12 451	4 330	3 790	20 571
Accumulated depreciation 30.06.2021	76 681	4 372	14 241	95 294
Book value 30.06.2021	83 492	169 999	103 409	356 901

At the end of December 2020, the Company acquired Örn Software Ehf group (earlier MainManager Ehf group) and Entro IT AS, a preliminary purchase allocation (“PPA”) was made. During the first quarter of 2021, the company updated the PPA resulting in a reclassification, no changes to the total figures, however a reclassification were made between R&D, Goodwill and customer relationship, resulting in additional technical deferred tax, which will not become payable. For additions related to business combinations in 2021, see note 6.

Note 6 – Business Combinations

Ørn Software acquired Facility Management AS (Facilit) on March 8, 2021. Facilit was established in 1999 and had a turnover of NOK 17 million in 2020. The company has 12 employees in Tromsø and Tønsberg and 174 customers. Facilit develops software for facility management, with customers in many industries across Norway and will strengthen our segment in Real Estate Management. The acquisition gives Ørn Software a 39 percent market share of the Norwegian facility management market. Globally, this is a rapidly expanding business area, and even better systems for sustainable management, operations, maintenance and development of property will be required in the future.

The acquisition-date fair value of the total consideration transferred was NOK 48.4 million in cash. Transaction cost of NOK 1.2 million were expensed and are activated as a part of the purchasing price. Facilit has contributed NOK 5.6 million of revenue and NOK 1.4 million to net profit before tax in H1 2021 (March until June).

Note 6 – Business Combinations cont.

Purchase Price Allocation (PPA)	Facility Management
	31.03.2020
NGAAP – All amounts in NOK thousand	Unaudited
R&D	5 000
Customer relationship	42 260
Property, plant and equipment	325
Deferred tax	0
Other long term receivables	
Total non-current assets	47 585
Current assets	
Trade and other receivables	346
Cash and cash equivalents	8 712
Total current assets	9 058
Total assets	56 643
Non-current liabilities	
Deferred tax arising from business combination	-9 835
Non-current provisions and other liabilities	-285
Total non-current liabilities	-10 120
Current liabilities	
Trade and other payables	-558
Current provisions and other liabilities	-8 694
Total current liabilities	-9 252
Total liabilities	-19 372
Total identifiable net assets at fair value	37 270
Settled in cash	48 429
Seller's credit	
Goodwill arising on acquisition	11 158
R&D allocation	3 818
Deferred tax on R&D	-840
Customer relationship allocation	40 886
Deferred tax on customer relationship	-8 995
Total allocation	46 027

Further, Landax AS were acquired on June 8, 2021. Landax was established in 1990. At the end of 2020, Landax had an annual recurring revenue (ARR) of NOK 18.9 million. 2020 revenue was NOK 30.8 million. This represented an organic growth in ARR of 29 percent compared to 2019. Landax has a unique position within the Quality Management space, and its platform offers an impressive width in functionality that perfectly complements our existing portfolio perfectly. Landax represents an offering that is highly attractive for Ørn's existing customers, and vice versa. The acquisition adds 540 new customers to Ørn Software's portfolio, including a range of large companies within Norwegian retail, logistics and industry. The acquisition also provides Ørn with 11 highly skilled employees in Norway, and a development team in Poland. Although Landax' main market is Norway, its platform supports multiple languages and is ready to be introduced outside the country.

The acquisition-date fair value of the total consideration transferred was NOK 86.8 million in cash and NOK 21.7 million in shares (seller's credit, not yet converted). Transaction cost of NOK 0.9 million were expensed and are activated as a part of the purchasing price. Landax has contributed NOK 2.6 million of revenue and NOK 1.3 million to net profit before tax in H1 2021 (just June).

Purchase Price Allocation (PPA)	Landax
	31.05.2021
NGAAP - All amounts in NOK thousand	Unaudited
R&D	8 000
Customer relationship	59 459
Property, plant and equipment	48
Deferred tax	0
Other long-term receivable	0
Total non-current assets	67 506
Current assets	
Trade and other receivables	1 717
Cash and cash equivalents	18 083
Total current assets	19 801
Total assets	87 307
Non-current liabilities	
Deferred tax arising from business combination	-14 387
Non-current provisions and other liabilities	-1 139
Total non-current liabilities	-15 526
Current liabilities	
Trade and other payables	-1 710
Current provisions and other liabilities	-12 162
Total current liabilities	-13 872
Total liabilities	-29 399
Total identifiable net assets at fair value	57 908
Settled in cash	87 746
Sellers's credit	21 700
Goodwill arising on acquisition	51 538
R&D allocation	5 937
Deferred tax on R&D	-1 306
Customer relationship allocation	59 459
Deferred tax on customer relationship	-13 081
Total allocation	102 546

R&D from the acquisition is depreciated over 5 years. Customer contracts are depreciated over 12 years. Goodwill is amortized over 8 years.

Note 7 – Other current financial liabilities

The convertible loan amounting to NOK 21.7 million was issued as part of the acquisition of Landax (see note 6). The loan is in process to be settled with shares.

The group has a total of NOK 46.6 million in other current financial liabilities at the end of June. Prepaid income from customers is NOK 35.7 million of this amount.

Note 8 Funding – Cash and Interest-bearing debt

The group has a solid cash position at the end of June which amounts to NOK 202 million. The Group is funded through a SEK 500 million nominated facility loan agreement with Ture Invest AB. As of 30 June 2021, SEK 161.1 million is drawn on the facility loan. The acquisition of Facilit was financed with a new tap issue from Ture Invest AB of NOK 48.4 million. According to an innovation project, Ørn has a debt to Innovation Norway of NOK 4.7 million at the end of June 2021. The total book value of the interest-bearing debt is NOK 163.9.

The Group complies with all financial covenants (see note 5 in the annual accounts of 2020). The notes shall be repaid in bullet repayment on the maturity date, 19 November 2024. Based on undrawn facilities and the cash position, the Group is funded for further growth.

Note 9 – Subsequent events

June 25 2021 - Ørn Software signed an agreement to acquire the Finnish Real Estate Software-as-a-Service (SaaS) company Rapal, thus expanding into Finland. Rapal's offering is highly complementary to Ørn's real estate platform, with best-in-class solutions for lease, space, and workplace management. Rapal's Smart office solution meets the post-Covid demands perfectly, empowering companies to ensure a safe return to a more dynamic and flexible workplace. The acquisition adds 250 new customers to Ørn Software's portfolio, including not only real estate companies, but also real estate tenants and architectural offices. The acquisition also provides Ørn with 70 highly skilled employees in Espoo, Finland, and a subsidiary in San Francisco. The US business is primarily focused on workplace analytics and smart office solutions, giving consultants and architects access to tools used in the design phase of building projects to optimize space utilization.

At the end of 2020, Rapal had an annual recurring revenue (ARR) of NOK 59 million. 2020 revenue was NOK 85 million. The 2020 EBITDA was NOK 18 million (NOK 14 million in 2019).

The transaction is based on an enterprise value of NOK 374 million. The transaction will be settled with a combination of cash, Ørn Software shares (accounting for approximately 20 percent of the purchase price payable) and a deferred earn-out payment (accounting for approximately 7 percent of the purchase price) payable if the conditions for the earn-out payment are satisfied. The acquisition of Rapal was financed with a new tap issue from Ture Invest AB of EUR 24 million. The Ørn Software shares will be issued pursuant to the Board authorization. Ørn will also be liable to pay Finnish transfer tax upon closing of the transaction. The transaction was closed on 9th July 2021. Additional information according to this transaction and the new tap issue from Ture will be included in the Q3 reporting.

Alternative performance measures

Alternative performance measures (“APM”) are used by the Group to provide a better understanding of the Group’s underlying financial performance for the period. Annual recurring revenue (ARR) and adjusted EBITDA is also used by Management to drive performance in terms of target setting.

Each of the following APMs have been defined by the Group as follows:

- Adjusted EBITDA is defined as EBITDA adjusted for material items which are not regarded as part of underlying business performance for the period, such as costs related to acquisitions and divestments, restructuring costs and rebranding, as well as other material effects of a special nature.
- Annual recurring revenue is defined as at each point in time the annual value of contracted license revenue, that are considered recurring by nature, although the contract includes termination clauses that enable the customers, with a certain notification period, to terminate the customer agreement.
- Net Retention is the overall impact on the revenue generation from your existing customers.
- Churn rate is the rate at which your existing customers quit using your product in a given time period.

Adjusted EBITDA – Special Items

The company has defined certain operating cost items as special items, which combined had a negative effect of NOK 15.7 million in the first quarter 2021, and NOK 1.8 million in second quarter 2021. NOK 6.9 million regarding salaries in Q1 and NOK 1.4 million in Q2 and mainly reflect change in employer’s contribution to the option scheme bonuses and bonuses related to acquisition. NOK 8.8 million regarding other operating cost in Q1 and NOK 0.5 million in Q2 and are related to IPO fees for commercial, financial and legal support. Similar items affected salaries and operating costs negatively by NOK 3.6 million in the last quarter of 2020. There were no similar items affected first or second quarter 2020.

