

DIVIO



YEAR-END REPORT 2019

January – December 2019

Company no. 559077-0730

Divio Technologies made significant investments in the development of PaaS and CMP platforms during 2019. Divio has transformed from a development-focused to a sales-focused company and implemented an enterprise sales strategy. The overall MRR increased by 49% compared to the previous year, and there is an expanding pipeline of prospects.

Summary of the year-end report

For the period 2019-07-01 – 2019-12-31

- Total revenue amounted to 8,250 (12,388) KSEK
- Revenue from Subscriptions and Professional Services amounted to 5,983 (7,758) KSEK
- Operating loss for the period -10,891 (-4,120) KSEK
- Earnings before tax for the period -9,471 (-4,489) KSEK

For the period 2019-01-01 – 2019-12-31

- Total revenue amounted to 16,354 (18,444) KSEK
- Revenue from Subscriptions and Professional Services amounted to 11,851 (11,237) KSEK
- Operating loss for the year -21,033 (-14,212) KSEK
- Earnings before tax for the year -19,578 (-14,589) KSEK
- Cash flow from operating activities -21,238 (-3,008) KSEK

Significant events during the period

- Initiated the transition from a development to a sales-focused company
- Made a significant change in company strategy towards enterprise sales
- Strengthened the management team in October with the recruitment of a sales-driven CEO
- Made major investments in the platform, adding functionality and broadening the customer base
- Listed on Nasdaq First North Growing Markets

Important events after the period

- Rights Issue in March – preparing for strategic investments in sales
- Recruited two outstanding enterprise sales professionals
- Launched self-service cloud shifting functionality

Rights Issue

- Divio Technologies AB, listed on Nasdaq First North, announced that the company's Board of Directors, subject to approval of the extraordinary general meeting, proposes a rights issue of approximately SEK 17.6 million.
- The rights issue will secure investment in building up the sales organization, meeting increased demand for Divio's services and continuing to develop new business opportunities.
- An Extraordinary General Meeting will be held on 11 March 2020 for approval of the new share issue. The terms of the share issue mean that two existing shares give the right to subscribe for one new share at the subscription price of 0:80 SEK. The issue is guaranteed up to 15 MSEK by external investors.

Key indicators	Jul – Dec 2019	2019
Subscription revenue KSEK	5,802 (2,955)	9,765 (4,951)
Professional services KSEK	182 (4,802)	2,086 (6,286)
Earnings per share SEK	-0,35	-0,45
Cash and cash equivalents KSEK	5,948 (5,571)	5,948 (5,571)



CEO Comments

I had the pleasure to join Divio in mid-October and, together with the management team, started to implement the new sales strategy. We began building a new sales organisation with straight forward messages, clearer offer and outreach sales that is harmonizing with our marketing and communication strategy.

The first half of the year started off strongly with a distinct growth in the order backlog and several new customers of various sizes including Village Capital, NSC, Global, Gateley, Kunsthaus Zürich and many more were onboarded. During the year we increased our Monthly Recurring Revenue (MRR) by 49% but with a tendency to plan out towards the end of the year. Smaller and medium-sized companies in combination with additional sales accounted for much of the growth in the number of customers and MRR during the earlier part of the year. Ahe slowdown in growth appears in the period in which we implemented the necessary and important changes in the strategy.

Our new strategy is to focus on direct sales to large enterprise companies with good long-term revenue potential and significantly longer sales cycles. For sales activities targeting small-to-medium-sized enterprises (SMEs) with shorter sales cycles, we are increasing our cooperation with selected partners. Our partners will primarily manage SME customers in the future. We therefore invested significant sales time in onboarding and training for partners during the last quarter.

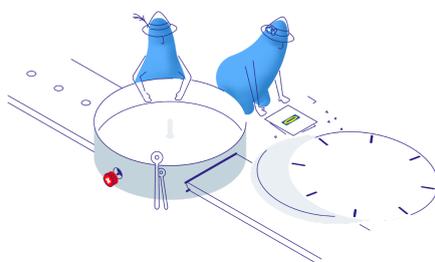
The second half of 2019 was a busy time for the engineering team, as we invested heavily in the platform and made some significant enhancements. These include a new backup and recovery system that makes the process straightforward and stress-free. Enhancements to the interface and control panel give an even better user experience. And by adding support for new technologies such as Node.js, we have broadened our customer base.

An important development in 2019 was being able to reference our largest customer: Fidelity International, a global investment management company. This is an important step in external sales communication for a company such as Divio, with a relatively new service offering. A proven track record reinforces security and trust, which are crucial in all customer dialogues.

Interest in the Divio platform increased significantly towards the end of 2019, and we have now laid the foundations for a strong increase in sales. We have high expectations for 2020.

Our employees, partners and third parties closely related to the company have worked hard and did a fantastic job in 2019. I am confident that our efforts will bear fruit in 2020, and we will continue to focus on sales and growth.

Jon Levin
CEO



Financial information and other comments

For the period July-December 2019

Revenue

Revenues for the second half of the year amounted to 8,250 (12,388) KSEK, which is a decrease of -33%. The company is shifting from services to a subscription revenue-based company. Income from subscriptions have increased by 96% and income from services decreased by 96%. Capitalized development expenses also decreased by 48% which is in line with the company strategy.

Operating profit and loss

Operating loss for the second half of the year amounted to -10,891 (-4,120) KSEK, which is an increase of the loss by 164%. This is explained by increased operational costs linked to management, new employees and process of listing the company on the First North Growth Market. Capitalized software development expenses are decreasing in comparison to the same period last year due to the shift from development to sales.

For the period January-December 2019

Revenue

Revenues for the full year amounted to 16,354 (18,444) KSEK, which is a decrease of 11% in comparison to previous year. The decrease is due to less capitalized software development expenses in the current year. There is a substantial shift from professional service revenues to recurring subscription revenues in comparison to 2018, an increase of 49%.

Operating profit and loss

Operating loss for the year amounted to -21,033 (-14,212) KSEK, which is an increase of 48%. This is due to the increase of employees, advisory costs related to the listing process and decrease in capitalized software development expenses when the company is moving into a more commercialized oriented organisation.

Cash flow from operating activities

Total cash flow for the full year 2019 was 253 (-5,142) KSEK. Cash flow from operating activities was -21,238 (-3,008) KSEK. Explained above as increased costs in operations and decreased current liabilities.

Cash flow from investing activities

Cash flow from investing activities was -4,974 (8,150) KSEK. This is mainly capitalized software development expenses in the company.

Cash flow from financing activities

Cash flow from financing activities was 26,465 (0) KSEK. Mainly due to proceeds from new share issue.

Accounting principles and other information

Divio Technologies Group and Parent Company accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1 (K3).

Group Structure per December 31, 2019

The Divio Group is comprised of the parent company Divio Technologies AB (publ), in Sweden with org. no. 559077-0730 and the wholly owned subsidiary Divio AG in Switzerland, and its wholly owned subsidiary Divio INC in the United States. The Group's operating activities are conducted mainly in Divio AG, with transfer pricing setup at arm's length for intragroup services. The Group operates in one segment, offering cloud management software subscriptions.

Risks and uncertainties

Divio is a relatively young software development group. The company launched its first commercial cloud software products in 2017 and still has a limited level of revenue. It is therefore not yet possible to draw long-term conclusions about market acceptance of the products or to predict clear trends regarding sales and earnings for the company.

Divio is dependent upon being able to enter into licensing and partnership agreements and upon several permits, remuneration systems and associated laws, regulations, decisions by government authorities and practice (which can all change, outside of Divio's control).

Divio is also dependent on intellectual property rights which are difficult to protect via registration. Ensuring that technical platforms are highly reliable and able to ensure reliability in the company's information management and protection against breaches and leaks is another factor which is crucial for the Company's future development.

Until a stable level of earnings and/or significant growth of subscriptions with subsequent prepayment inflows is reached, and as long as product development continues, Divio will need capital contributions from external sources. No adverse material changes in the perception of risks and uncertainties have occurred during the second half of 2019.

For further information, see Risk factors in the 2019 Company Description, available on www.divio.com.

Shares

Divio Technologies AB (publ) is traded on Nasdaq First North since December 18, 2019 under the stock ticker DIVIO B. The number of shares as per December 31, where 43,989,186 shares, whereof 750,000 series A with 10x voting right. Average during June to December was 41,523,866 shares, following the rights issue of 4,930,640 series B shares in November 2019.

Warrants

Divio Technologies AB (publ) has three active series of Warrants per closing date. During the period Series C was issued, as part of the November rights issue. If all warrants are exercised this would lead to a dilution of 40,51% in Divio Technologies AB (publ), which would increase share capital by 1,782,214 SEK and add up to 61,500,050 SEK in equity capital.

Warrant Series	Duration	Strike	Expiry	Investors	Employees	Total Warrants	Possible Share issue	Dilution if exercised
Series A	2018/2022	9.30 SEK (1:1)	2020-05-31	1,666,500	-	1,666,500	1,666,500	3.79%
Series B	2019/2022	3.00 SEK (2:1)	2022-04-15	14,450,000	8,000,000	22,450,000	11,225,000	11.21%
Series C	2019/2020	2.50 SEK (2:1)	2020-06-15	9,861,280	-	9,861,280	4,930,650	25.52%

Upcoming financial reports

7 May 2020	Annual Report 2019
29 May 2020	Annual General Meeting in Stockholm
28 Aug 2020	Half-year report (1 January - 30 June 2020)

Financial reports will be made publicly available on the company's website www.divio.com on the date of publication.

Dividend

No dividend to shareholders is proposed.

Statement of assurance

This report has been adopted by the Board of Directors of Divio Technologies AB (publ) on March 6, 2020. Composition of the Board currently: Gustav Martner, Chairman, with fellow members of the Board: Christian Bertschy, Måns Danielson and Behzad Ardakani.

The Board and the CEO, Jon Levin, certify that this year-end report provides a fair assessment of the Parent company and Group's activities, financial position and profits as well describes material risks and uncertainties.

Auditor

This report has not been reviewed by the company's auditors.

Certified advisor

FNCA Sweden AB is the certified advisor of the company.

Definitions

Subscriptions revenue

-Customers pay a monthly subscription fee MRR (Monthly Recurring Revenue) for Divios platform

Professional services

-Revenue origin from customized projects

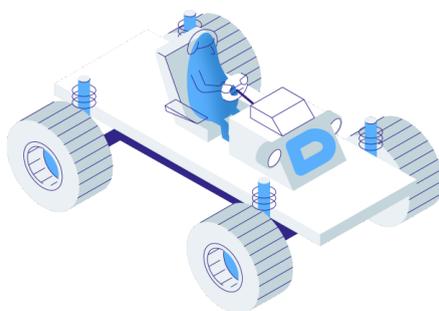
Earnings per share

-Is calculated as a company's profit divided by the outstanding shares of its common stock

Income statement Group, summarized

KSEK

	2019	2018	2019 Jul - Dec	2018 Jul - Dec
Profit and loss				
Net revenue	11,851	11,237	5,983	7,758
Capitalised development expenses	4,456	6,818	2,220	4,241
Other revenue	48	389	48	389
Total revenue	16,354	18,444	8,250	12,388
Cost of goods sold	-2,301	-3,968	-1,249	-2,000
Other external costs	-12,237	-9,111	-6,170	-4,549
Personnel	-18,864	-14,798	-9,766	-7,460
Depreciation / Amortization	-3,985	-4,780	-1,956	-2,499
Other operating costs	0	0	0	0
Operating profit	-21,033	-14,212	-10,891	-4,120
Net financial items	1,455	-377	1,420	-369
Allocations	0	0		
Earning before tax	-19,578	-14,589	-9,471	-4,489
Taxes	-106	-145	-28	-108
Profit (loss) for the period	-19,684	-14,734	-9,499	-4,597



Balance sheet Group, summarized

KSEK		
Assets	2019-12-31	2018-12-31
Fixed assets		
<i>Intangible fixed assets</i>		
Capitalised development expenses	12,776	11,615
Other intangible fixed assets	95	125
Total intangible fixed assets	12,871	11,740
<i>Tangible fixed assets</i>		
Equipment	84	187
Total tangible fixed assets	84	187
Financial assets		
Other financial assets	335	410
Total financial assets	335	410
Total fixed assets	13,290	12,336
Current assets		
Trade receivables	557	815
Other current receivables	663	811
Total current assets	1,220	1,626
Cash and cash equivalents	5,948	5,571
Total assets	20,457	19,534
KSEK		
Equity and liabilities	2019-12-31	2018-12-31
<i>Equity</i>		
Share capital	4,393	1,411
Other equity	29,815	20,492
This year's profit (loss)	-19,684	-14,734
Total equity	14,524	7,169
Provisions	-	36
<i>Non-current liabilities</i>		
Other liabilities	-	2,185
Total non-current liabilities	-	2,185
<i>Current liabilities</i>		
Bank overdraft	1,476	3,823
Trade payables	523	939
Other current liabilities	3,934	5,382
Total current liabilities	5,933	10,144
Total Equity and liabilities	20,457	19,534

Cash flow statement Group, summarized

KSEK	2019	2018
Cash flow from operating activities		
Result after financial items	-19,578	-14,212
Adj for non-cash items	2,288	4,780
Changes in current assets	406	180
Changes in current liabilities	-4,354	6,243
Cash flow from operating activities	-21,238	-3,008
Cash flow from investing activities		
Capitalized development expenses	-5,049	-6,818
Changes in financial assets	75	-
Effect of reverse acquisition	-	15,206
Investments in other fixed intangible assets	-	-150
Investments in other fixed tangible assets	-	-88
Cash flow from investing activities	-4,974	8,150
Cash flow from financing activities		
Rights issue	28,650	-
Repayment of loans	-2,185	-
Cash flow from financing activities	26,465	0
Total cash flow for the period	253	5,142
Cash at the beginning of the period	5,571	460
Exchange rate differences	124	-30
Cash at the end of the period	5,948	5,571

Change in equity Group, summarized

(Values in KSEK)	2019
Equity at the beginning of the period	7 169
New share issue	28 651
Currency translation differences	-1 612
Profit (loss)	-19 684
Equity at the end of the period	14 524

Income statement Parent company, summarized

KSEK	2019	2018
Profit and loss		
Net revenue	6,867	3,839
Total revenue	6,867	3,839
Other external costs	-2,369	-2,095
Personnel	-4,669	-1,547
Depreciation / Amortization	-30	-25
Other operating costs	0	0
Operating profit	-201	172
Net financial items	-8	464
Allocations	164	-164
Earning before tax	-45	472
Taxes	0	-109
Profit (loss) for the period	-45	363

Balance sheet Parent company, summarized

KSEK	2019-12-31	2018-12-31
Assets		
Fixed assets		
Intangible fixed assets		
Other immaterial fixed assets	95	125
Total Immaterial fixed assets	95	125
Financial assets		
Shares in Group companies	60,268	20,500
Total financial assets	60,268	20,500
Total fixed assets	60,363	20,625
Current assets		
Trade receivables	889	4,303
Current financial receivables from group companies	7,000	15,000
Other current receivables	217	83
Total current assets	8,106	19,386
Cash and cash equivalents	1,925	874
Total assets	70,394	40,885

KSEK	2019-12-31	2018-12-31
Equity and liabilities		
Equity		
Share capital	4,399	1,411
Share premiums	63,909	38,246
Retained profits (losses)	363	0
This year's profit (loss)	-45	363
Total equity	68,626	40,020
Provisions	-	164
Current liabilities		
Trade payables	483	75
Current liabilities to group companies	-	-
Other current liabilities	1,285	626
Total current liabilities	1,768	701
Total Equity and liabilities	70,394	40,885