VOLUE

Investor Presentation

October 2020

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Today's presenters

Trond Straume
CEO

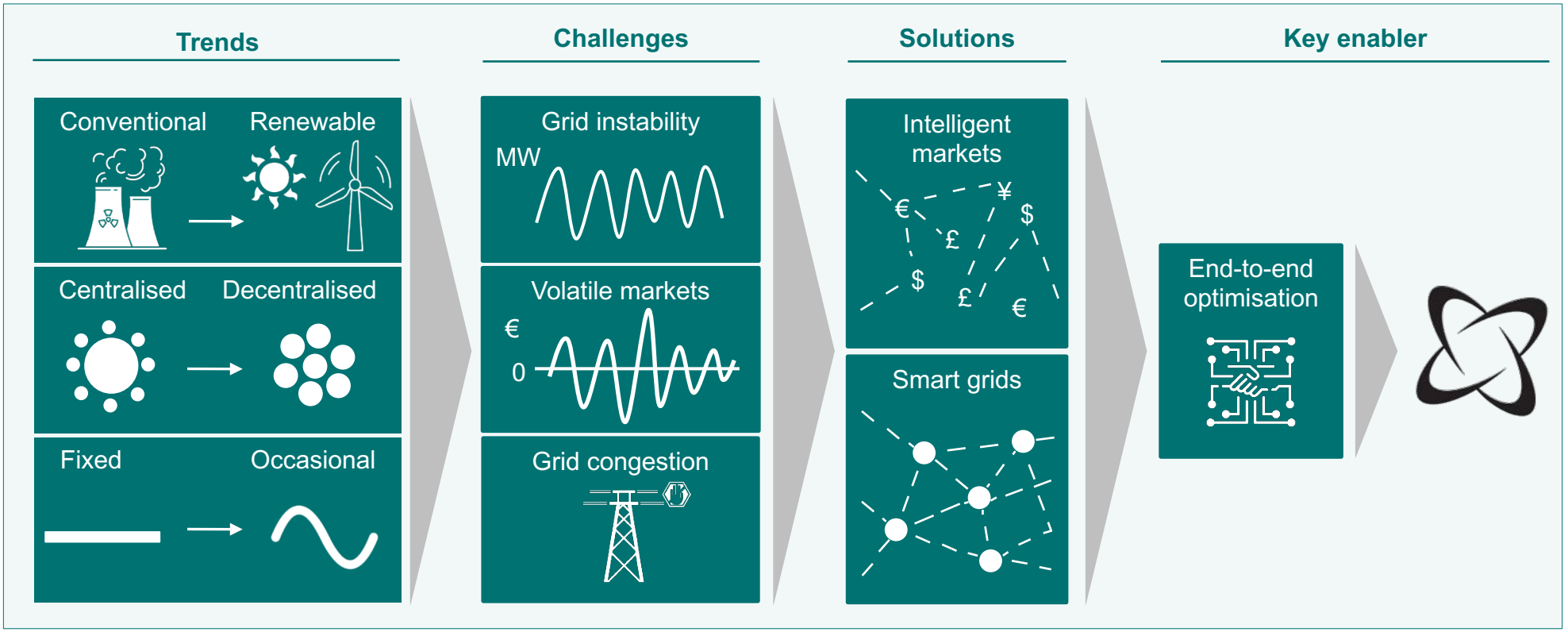
Arnstein Kjesbu
CFO

Volue - Realising the future of energy

https://vimeo.com/455734115?ref=em-v-share

Cleaner energy pressuring the infrastructure

Volue's business-critical digital solutions enable the green shift



Certainty for future oriented investment in green tech

Volue has a clear ESG strategy

Volue's service offering is classified as an enabling activity, accelerating the green transition of other businesses and economic activities

"Data driven solutions for data collection, transmission and modelling for GHG emissions reductions-related information plays an important enabling role" (EU Taxonomy, Data-driven solutions)

A key part of Volue`s strategy is to enable the power producers and distributors of today to successfully manage the green transition[1]

Source: EY

1) Volue is an ICT company classified under NACE code 62, which activities are covered by the EU Taxonomy

Volue in brief: A leading supplier of software and technology solutions for the energy, power grid and infrastructure markets

Brief overview of Volue

Volue in numbers

- 2,000 customers in 44 countries
- 50 years in green-tech
- One of the largest software companies in Norway
- NOK 818m in revenues (2019)
- 22% EBITDA margin (2019)
- More than 30 offices in 9 countries
- 500 employees

Key target markets

- Energy production and trading
- Energy distribution
- Water and wastewater
- Construction
- Industrial IoT

What Volue offer

- **Software suite built on deep domain knowledge for the entire clean energy value chain**
- **Market leading access to data required to optimise operation and trading in the complex future energy markets**
- **Strong and trusted relationship with 2,000 customers in the Nordics and Europe**

Volue is active in three segments

Energy

Help customers master the energy transition by enabling end-to-end optimisation of the green energy value chain

LTM sales (% of total)	NOK 437m (51%)
Recurring revenue share (2019)	66%
Degree of EU Taxonomy alignment	HIGH

Power Grid

Enable power distributors to support electrification of society by unlocking flexibility and digital management of the power grid

LTM sales (% of total)	NOK 231m (27%)
Recurring revenue share (2019)	61%
Degree of EU Taxonomy alignment	HIGH

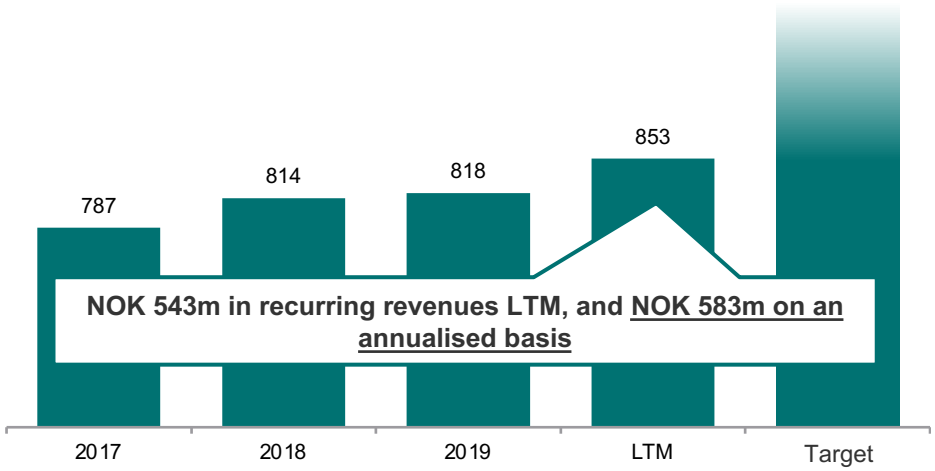
Infrastructure

Deliver flexible capabilities for digital water management and help automate processes and machines for the construction industry

LTM sales (% of total)	NOK 185m (22%)
Recurring revenue share (2019)	59%
Degree of EU Taxonomy alignment	HIGH

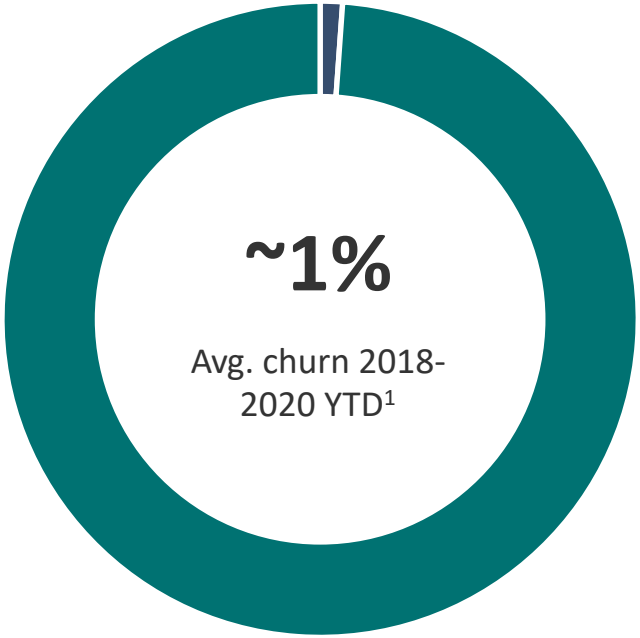
Step change in revenue growth and highly sticky customer base

Step change in revenue growth expected



	2017	2018	2019	LTM	Target
Adjusted EBITDA margin	14%	22%	21%		Towards 30%
Recurring revenue growth	-	11%	13%		
Recurring revenue share	57%	63%	65%		Towards 80%
SaaS growth	-	20%	23%		
SaaS share	10%	12%	15%		>50%

~0 customer relations lost due to replacement

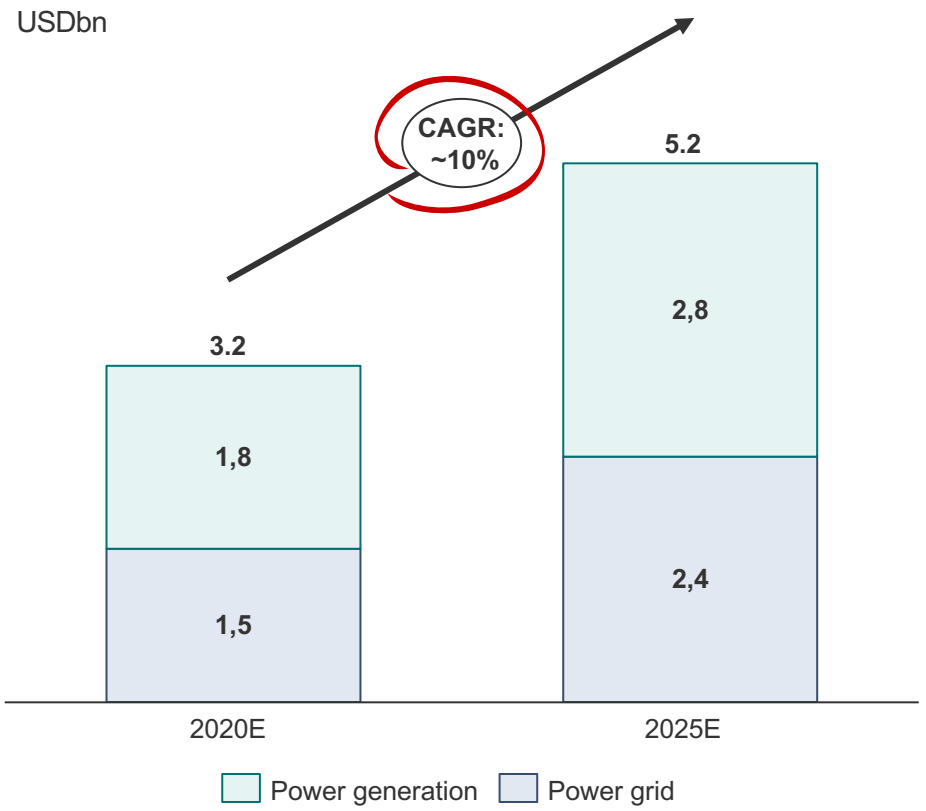


Price increases being addressed, but delicately to maintain customers

1) Cancelled yearly value of recurring revenue divided by revenue. Mergers and bankruptcies the main churn generators

Software spending from the power sector to reach USD 5bn by 2025 (60% up vs. today), fuelled by the green energy shift

10% growth in global power sector software spending p.a.[1]



Growth drivers

Increased renewable capacity and shifting wholesale market dynamics, resulting in increased power market complexity

Solutions within advanced analytics, artificial intelligence and optimisation growing the most

Expected growth in power software spending, requires additional hardware, implementation and services, driving total digitalisation costs to 2x power software spending

Europe is at the forefront of power digitalisation, with 25% share of global spending

Source: Bloomberg New Energy Finance
1) Does not include coal and geothermal

Investment highlights

4 **Strong platform for growth:** Accelerating recurring revenue and SaaS growth with scale effects driving margin expansion – additional growth potential through M&A

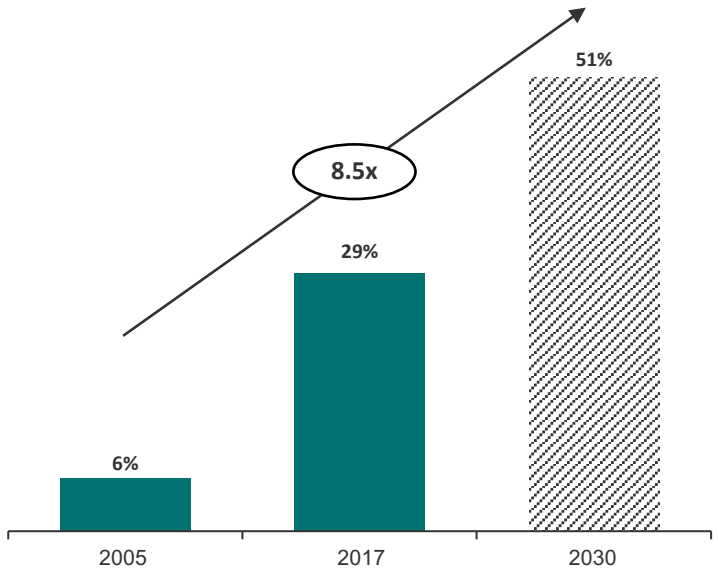
3 **Integrated SaaS offering:** Full end-to-end coverage throughout the value chain, deemed highly attractive for customers requiring dynamic and cloud-based software solutions

2 **Unique market position:** Strong customer relationships with the leading European energy companies, with a demonstrated ability to create value for customers

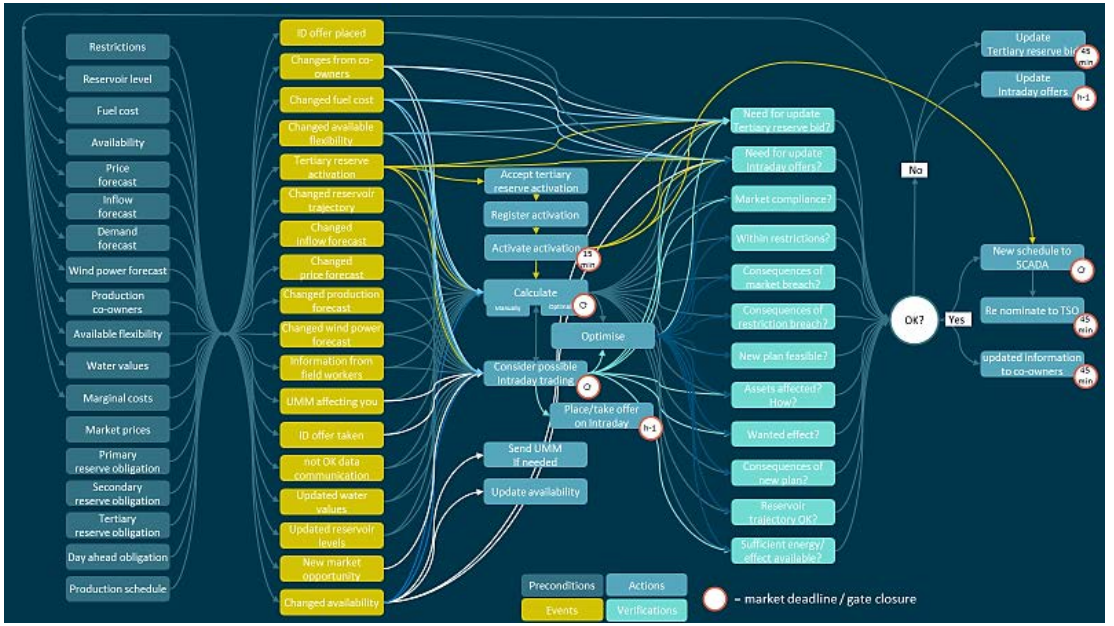
1 **Favourable macro backdrop:** Transition towards green, non-controllable energy sources increases complexity and volatility, and hence the need for advanced software solutions

Growing share of green, non-controllable power sources increases the complexity in the European energy markets

Non-controllable power capacity becoming majority in Europe…



…making the process to optimise production and trading exponentially more complex



Increase in non-controllable production sources, with production changing in seconds

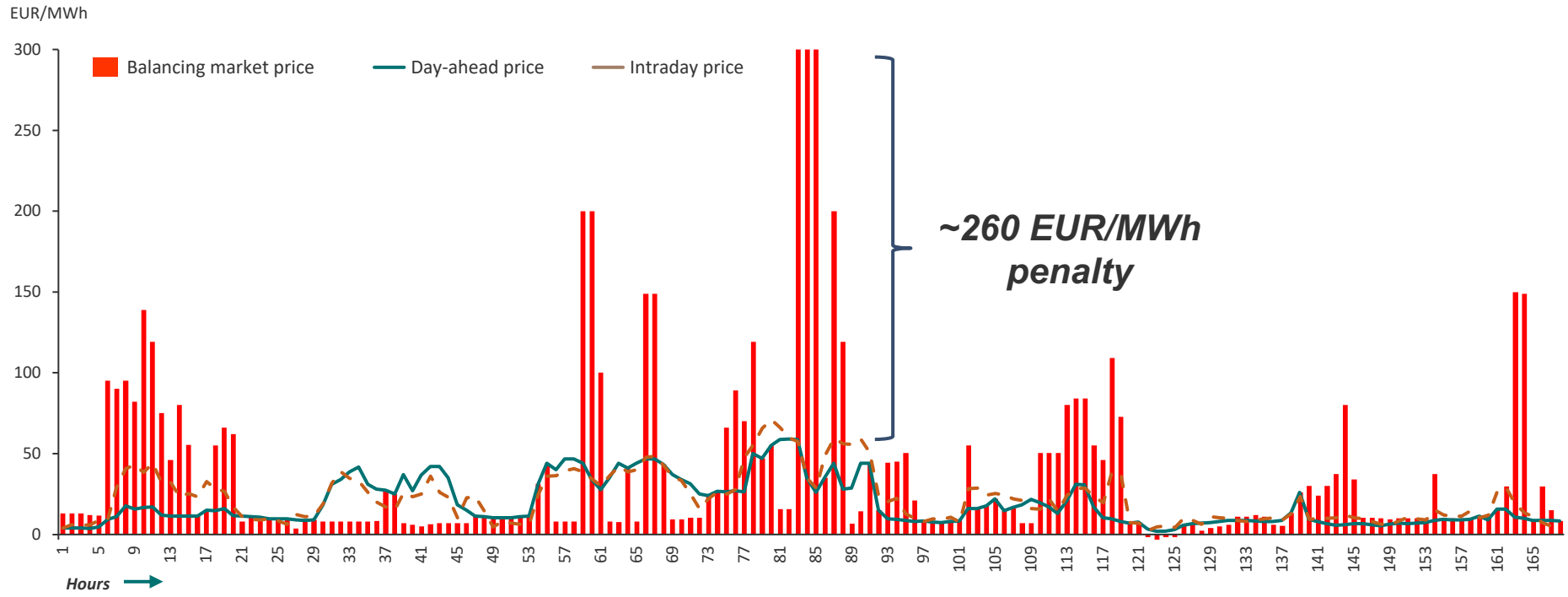
Few and expensive storage or switch-off alternatives

Real time decision making requires new software tools

Source: Arkwright

Example from the new reality: Penalties paid in the balancing market can be extreme if failing to re-position in the intra-day market

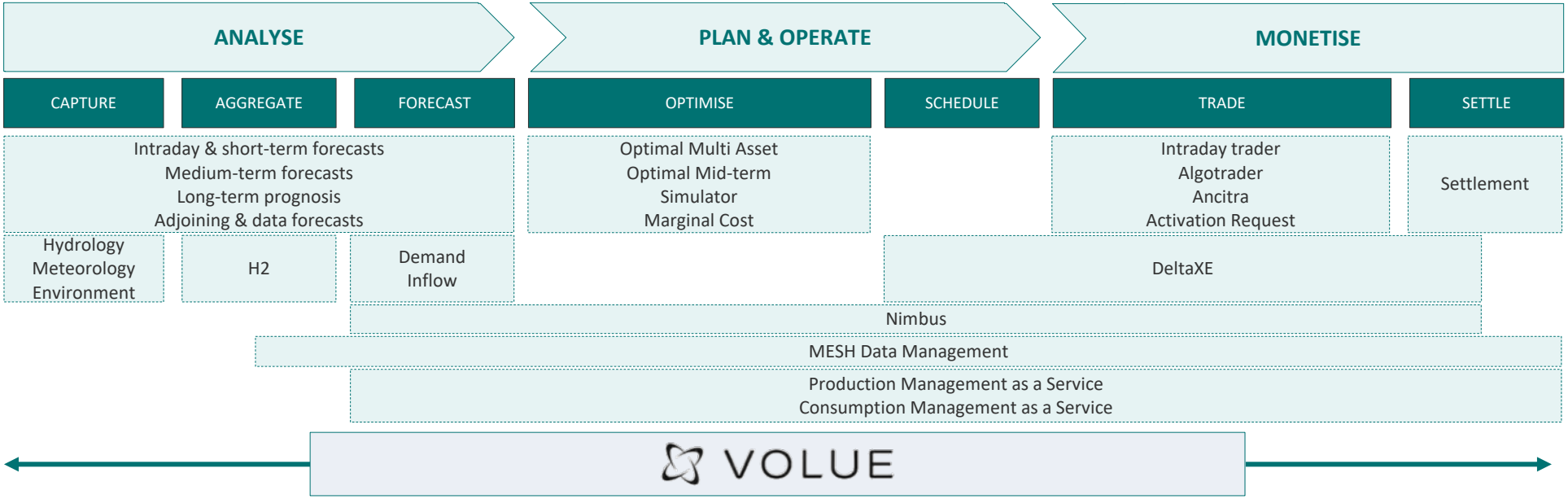
Example: Market prices in Finland, week 8 2020



Shift towards real time = increased volatility

Volue offers a comprehensive product and service portfolio, covering all aspects of the clean energy value chain

End-to-end coverage[1]



- **Significantly simplifying access and interaction for all actors**
- **All services mentioned above are mainly delivered on a cloud platform, underlining the SaaS transformation as well underway**
- **Addressing the shared customer segment across Volue's business units - opens significant cross-sales opportunities**

1) Selected services from Volue system already delivered on a cloud platform

Large international client base a testament to Volue's high-quality offering

Recent significant strategic contract wins

Multinational Italian electric utility company serving over 70 million customers

Q4 2019

German electric utility company serving more than 5 million costumers

Q3 2020

Significant value creation potential demonstrated for customers adopting *business-critical* solutions from Volue

Strong value creation for customers…

Example 1: Large Utility

Quantitative results

5%	EUR40m
Increased revenue	Increased revenue

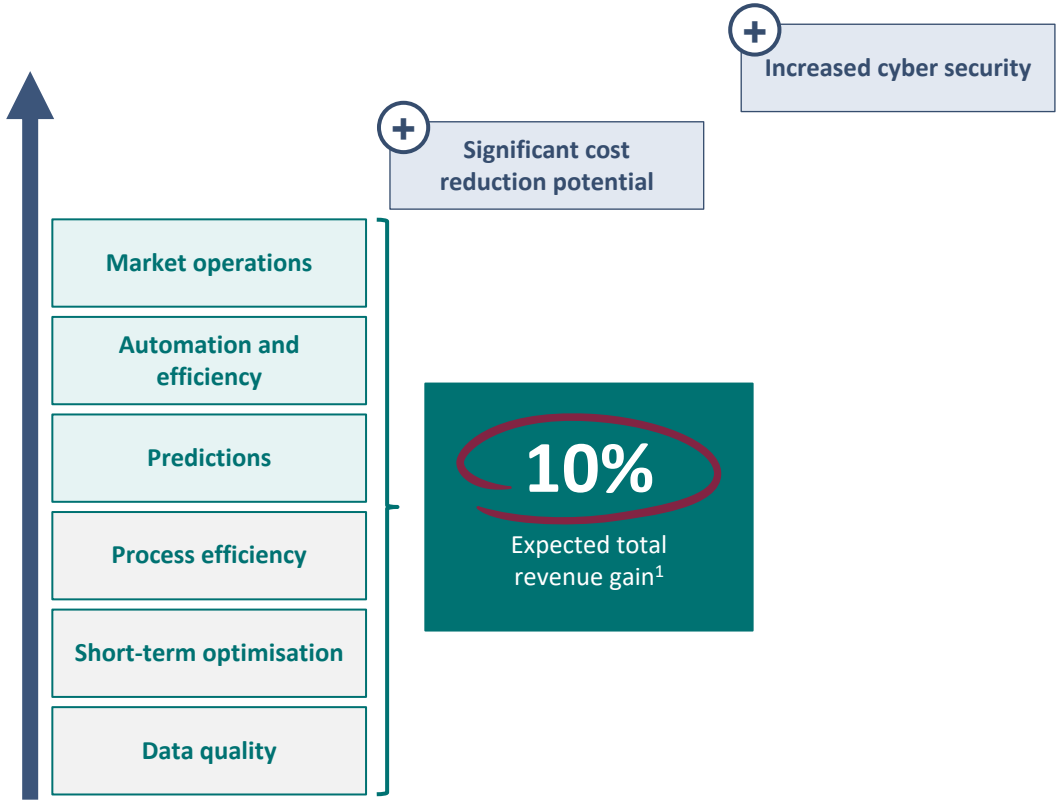
Example 2: Small Utility

Quantitative results

~3%	3 months
Increased revenue	Investment payback time

…set to increase from the integrated Volue platform

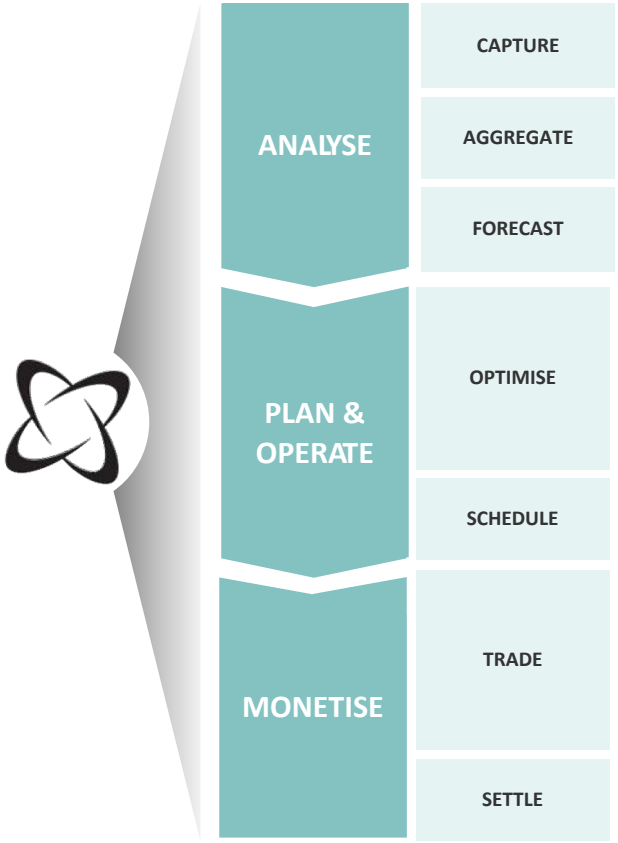
Customer profit potential



1) Revenue gain for customers up to 5% pre-Volue establishment. Given the benefits from Volue's wall-to-wall offering, this gain is expected to increase by additional 5 percentage points

Integrated SaaS offering covering the whole value chain

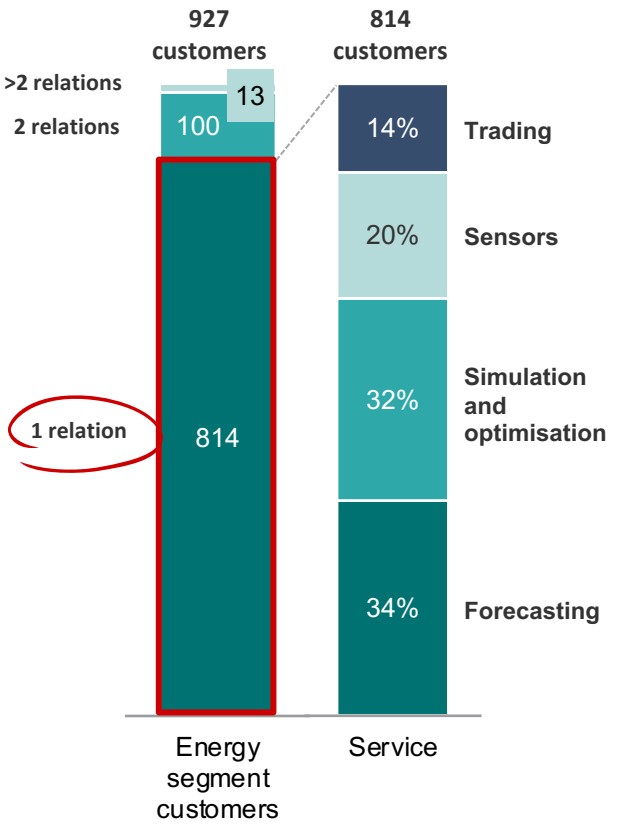
Integrated wall-to-wall coverage



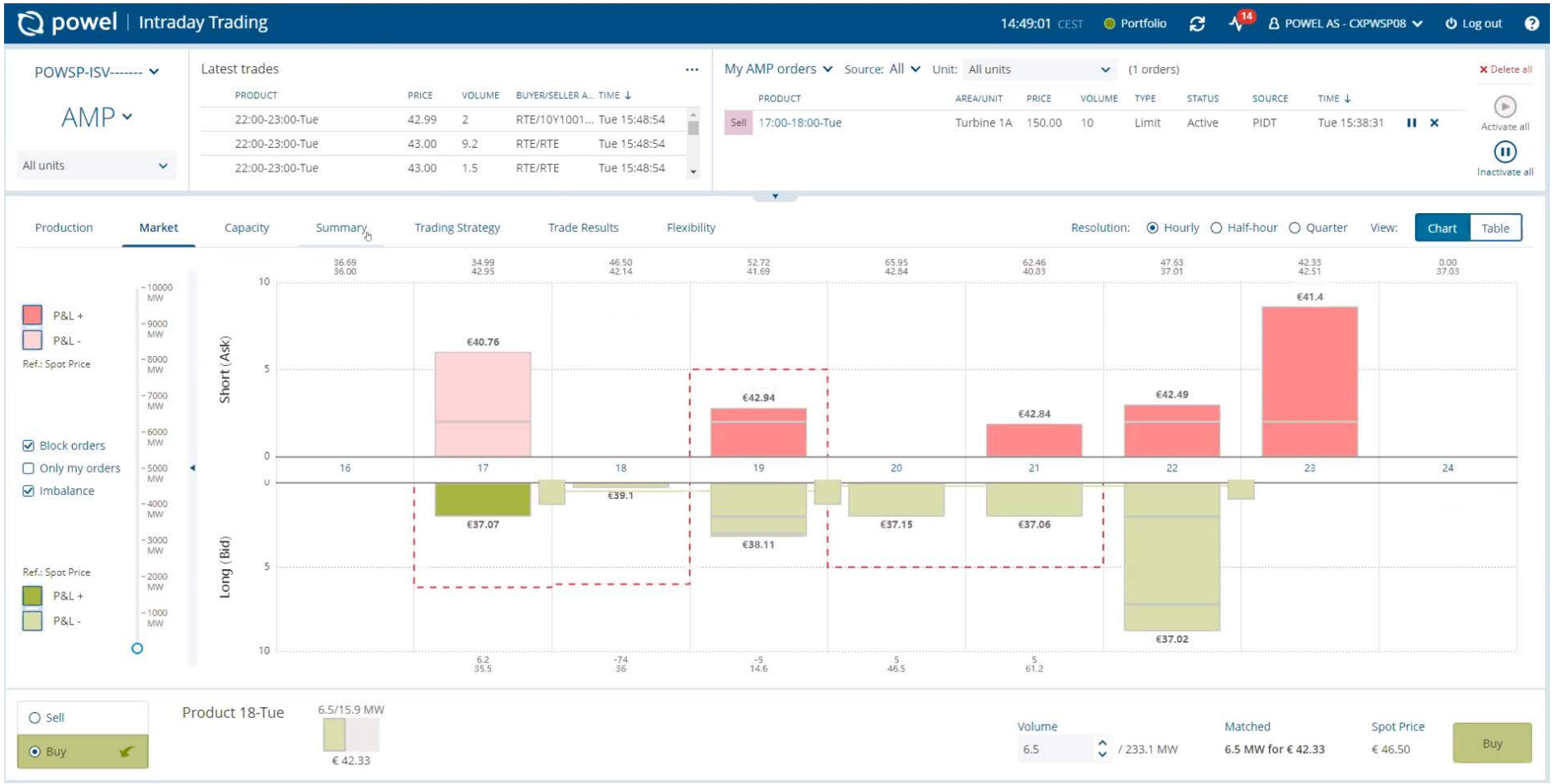
Dynamic SaaS model

- **Dynamic markets require dynamic code - too complex to handle on premise**
- **Customers seeking flexible and efficient solutions**
- **Customers span the entire value chain – seeking integrated offerings from one provider**

Significant cross-selling potential

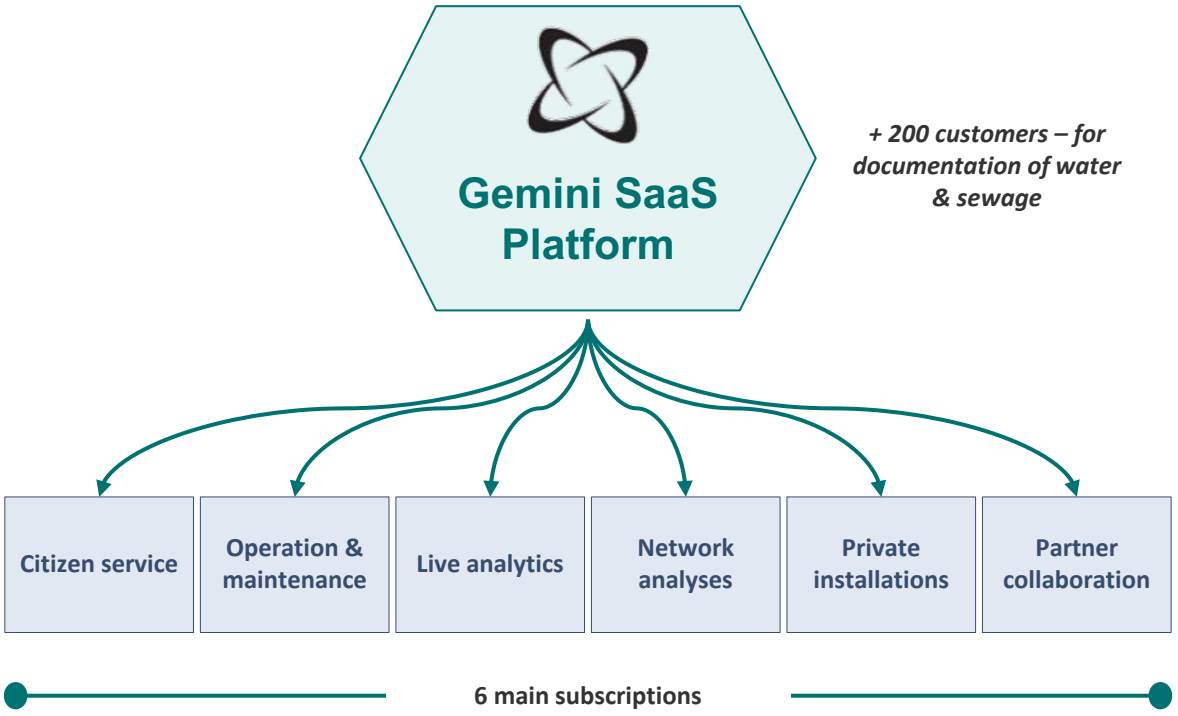


Real-life example – Volue trading platform

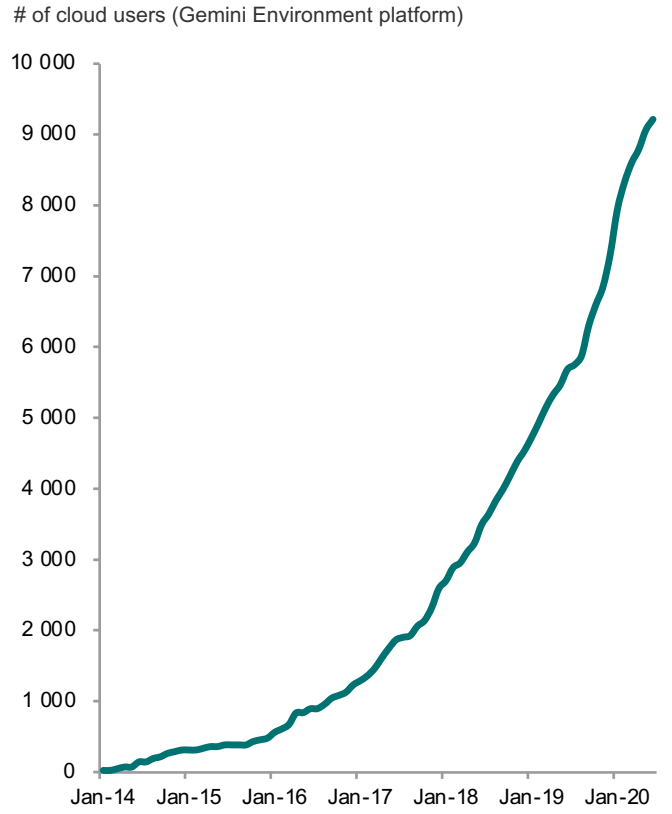


Volue's successful Gemini SaaS platform illustrates the potential from the transition towards a cloud-based model

Gemini Environmental platform has transferred all services to cloud…

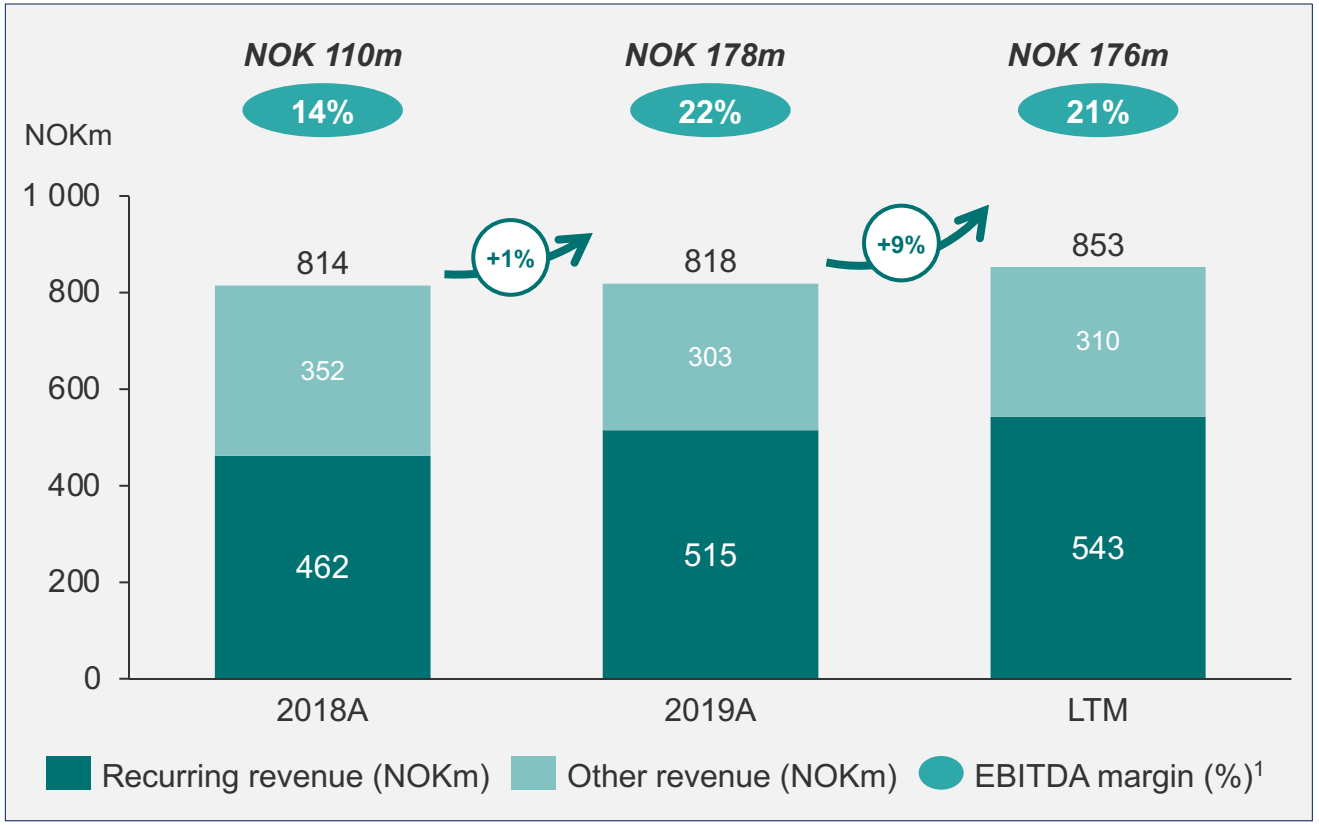


…now with ~10,000 cloud users



Step change in growth LTM, margins substantially improved since 2018

Revenue and EBITDA margin[1]



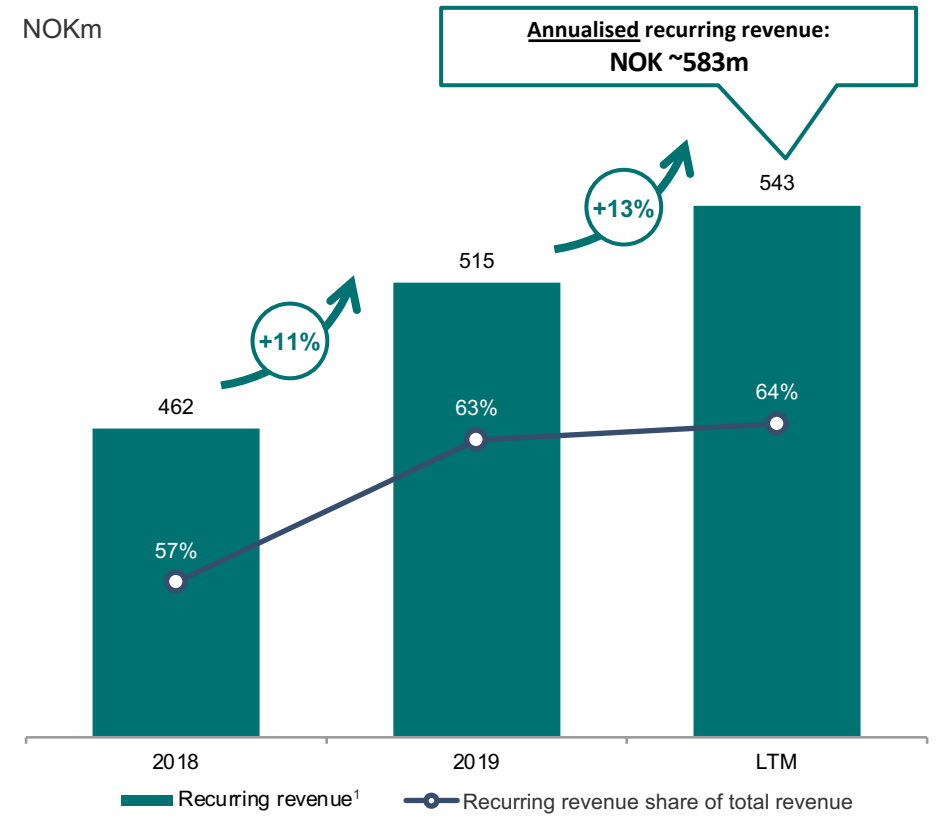
Comments

- 9% top line growth mainly driven by increase in recurring revenue base
  - 13% LTM recurring revenue growth
  - Recurring revenue growth driven by European expansion in energy segments and continued strong growth for Infrastructure
- Strong increase in EBITDA margin in 2019 on the back of restructuring and turnaround in 2018
- EBITDA margin maintained above 20% LTM despite substantial strategic ramp-up of cost base and investments to drive future growth

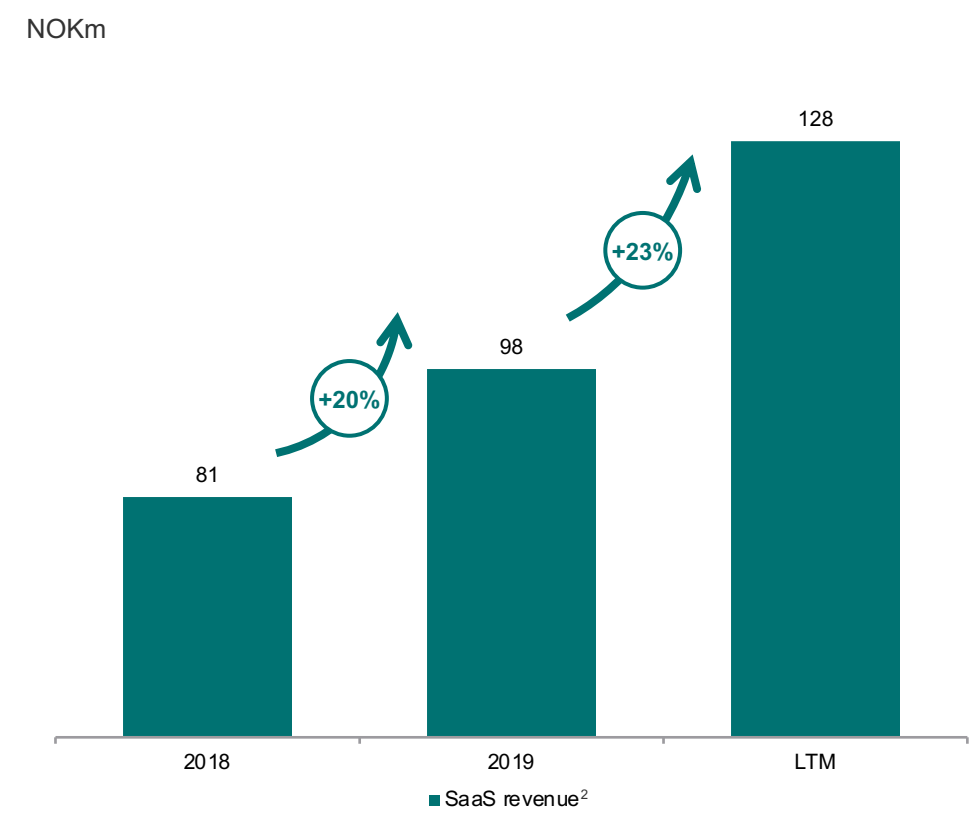
1) EBITDA adjusted for non-recurring items

Accelerating shift towards SaaS and recurring revenue

Double digit recurring revenue growth



SaaS growth: >20% and accelerating



1) Recurring revenues is defined as revenue from subscriptions over a year
2) SaaS revenue is defined as revenue from software hosted by Volue and distributed through web applications

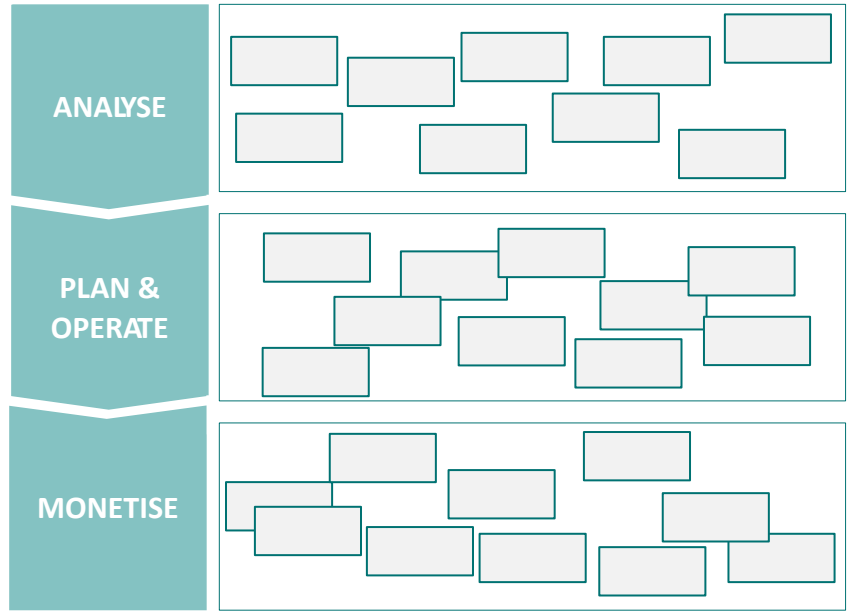
Potential listing considered to fund accelerating growth and enable M&A

Mid to long term ambitions

Revenue growth	**~15%** organic revenue growth per year
% recurring revenues	Towards **80%** of total revenues
% SaaS revenues	**>50%** of total revenues
Adj. EBITDA margin %	Towards **30%** adj. EBITDA margin

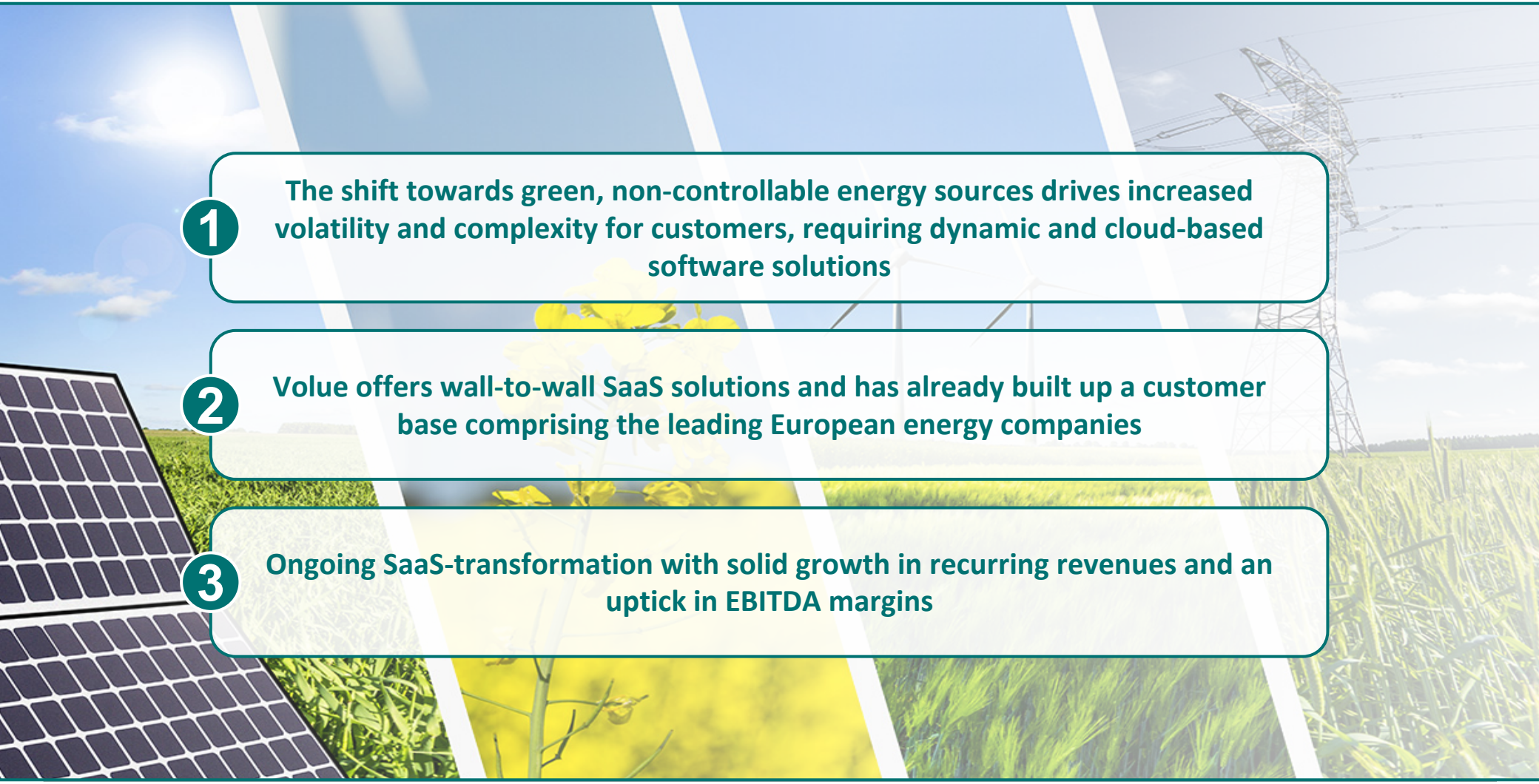
M&A strategy

Highly fragmented market – Volue aims to pursue consolidation



Ambitions to act as a consolidator and engage in bolt-on transactions on a recurring basis as well as pursue larger strategic options in a more opportunistic manner

Key takeaways



1. **The shift towards green, non-controllable energy sources drives increased volatility and complexity for customers, requiring dynamic and cloud-based software solutions**

2. **Volue offers wall-to-wall SaaS solutions and has already built up a customer base comprising the leading European energy companies**

3. **Ongoing SaaS-transformation with solid growth in recurring revenues and an uptick in EBITDA margins**

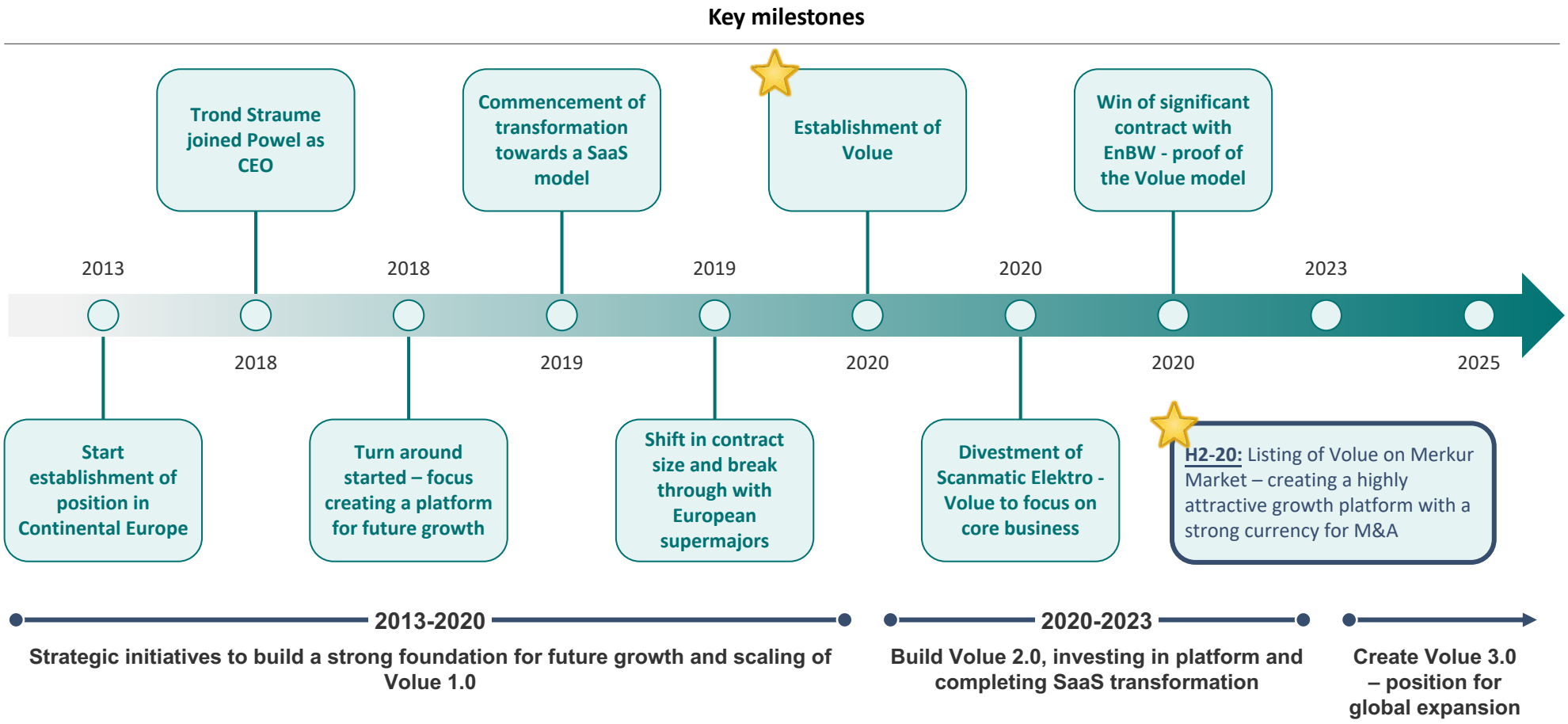
Q&A

VOLUE

Appendix

Financial and operational information

Volue is rapidly becoming a global green tech leader



Group P&L and KPIs

Group financial performance[1]

Key metrics (NOKm)	2018A	2019A	LTM	H1 2019	H1 2020
Revenue	**814**	**818**	**853**	**409**	**444**
Growth (%)	-	*1%*	*9%*	-	*8%*
COGS	129	135	142	51	65
Gross profit	**685**	**684**	**711**	**359**	**379**
Gross margin (%)	*84%*	*84%*	*82%*	*88%*	*85%*
Personnel expenses (excl. capitalised R&D)	425	363	405	202	220
Other OPEX	150	143	130	60	66
Adjusted EBITDA	**110**	**178**	**176**	**97**	**93**
Adjusted EBITDA margin (%)	*14%*	*22%*	*21%*	*24%*	*21%*
Non-recurring items	26	34	35	12	13
EBITDA	**85**	**143**	**141**	**85**	**80**
Depreciation and amortisation	46	49	47	35	33
EBIT	**39**	**95**	**94**	**50**	**47**
EBIT margin (%)	*5%*	*12%*	*10%*	*12%*	*11%*
Recurring revenue growth (%)	**-**	**11%**	**13%**	**7%**	**11%**
Recurring revenue (% of revenue)	**57%**	**63%**	**65%**	**61%**	**63%**
SaaS revenue growth (%)	**-**	**20%**	**23%**	**22%**	**27%**
SaaS revenue (% of revenue)	**10%**	**12%**	**15%**	**13%**	**15%**
R&D CAPEX (NOKm)	**74**	**84**	**85**	**42**	**41**
R&D CAPEX (% of revenue)	**9%**	**10%**	**10%**	**10%**	**9%**

Comments

- Revenue growth boosted by SaaS roll-out, SaaS increasing from 10% of revenue in 2018 to 15% LTM
  - Limited impact from Covid-19 with good order intake and growth in H1 2020
  - Growth driven by European expansion in energy segments and continued strong growth for Infrastructure segment
- Growth momentum maintained with major recent contract wins with large industry players shifting from on premise to SaaS-based solutions
  - Seasonal slow-down typically seen in Q3 due to July-August holiday season impacting comparability between quarters
- Stable EBITDA margin in H1 2020 vs. 2019
  - Personnel + other OPEX growing in line with revenue, scale advantages will boost margin levels substantially going forward
  - R&D capitalisation stable around ~10%

1) See page 34 for further information about corporate structure and minority interests

Pro-forma balance sheet

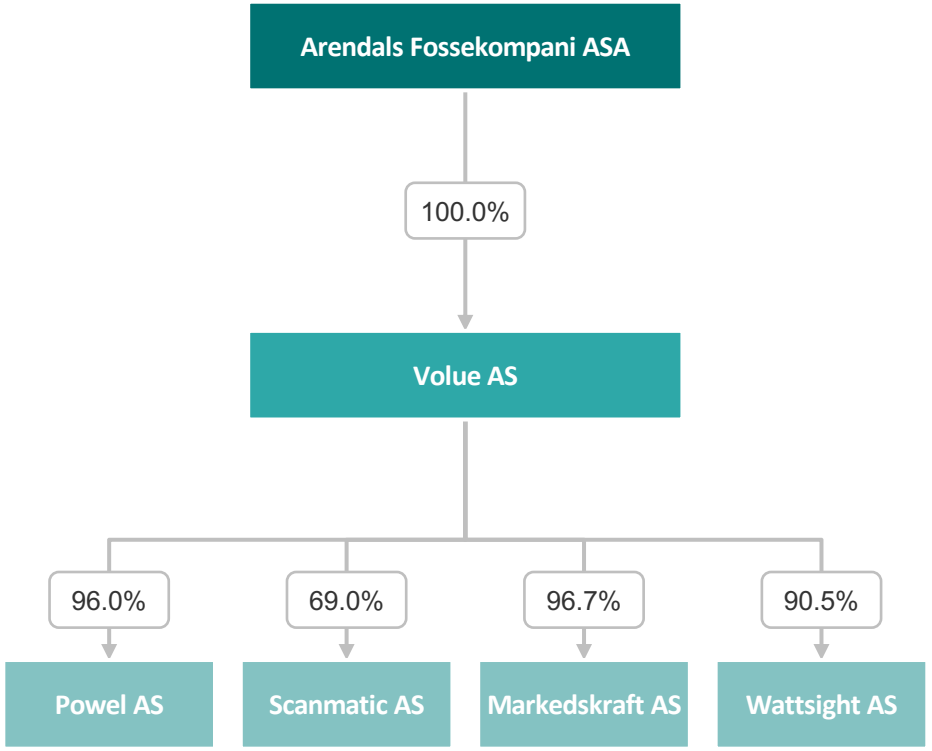
Pro-forma balance sheet

Assets (NOKm)	31 Dec 2018	31 Dec 2019	30 Jun 2020
R&D	75	82	87
Patents and trademarks	1	0	0
Customer contracts	4	1	0
Licenses & software	8	9	9
Goodwill	94	95	95
Deferred tax assets	7	4	4
Property and buildings	72	64	128
Fixtures and fittings	16	17	2
Right of use	8	61	0
Investments in subsidiaries	0	0	0
Investments in related companies	0	0	0
Financial investments	1	0	0
Pensions	21	19	15
Long-term receivables	17	53	30
Total non-current assets	**327**	**405**	**371**
Inventories	12	9	15
Accounts receivable	221	174	129
Work in progress	35	36	33
Other receivables	64	54	70
Other financial instruments	0	10	10
Cash and cash equivalents	185	238	325
Total current assets	**518**	**522**	**581**
Total assets	**845**	**927**	**951**

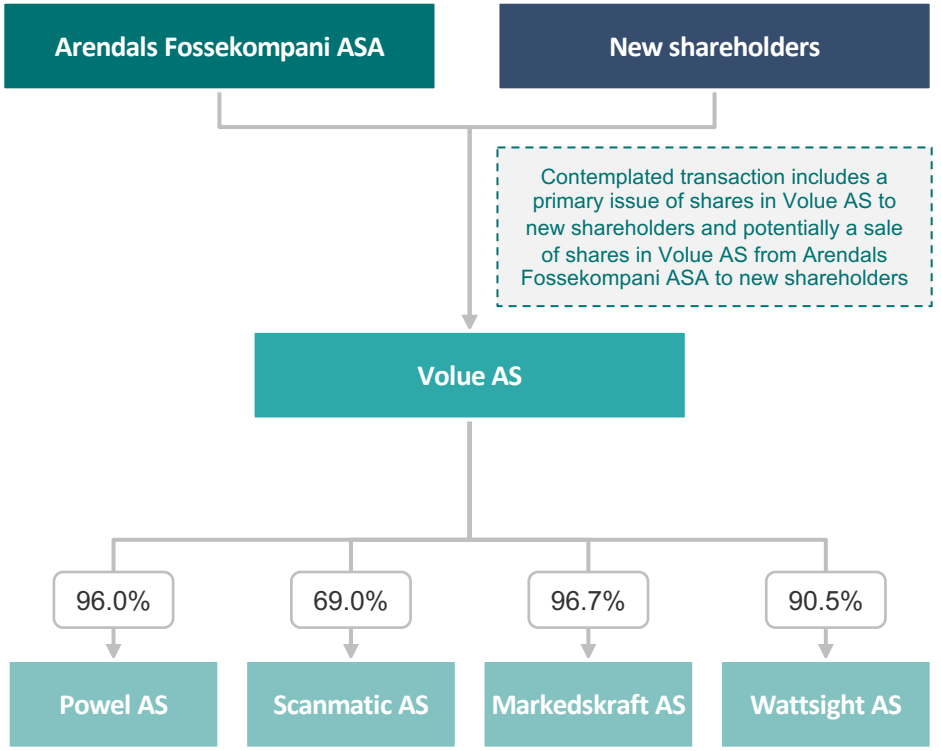
Equity & liabilities (NOKm)	31 Dec 2018	31 Dec 2019	30 Jun 2020
Share capital	47	52	52
Share premium reserve	22	55	28
Other equity	0	0	171
Holdings of own shares	0	0	0
Retained equity	177	176	55
Minority interests	0	0	0
Total equity	**247**	**283**	**306**
Pension obligations	9	8	8
Deferred tax liabilities	5	4	11
Leasing obligations	60	52	106
Other long-term debt	9	67	0
Total non-current liabilities	**83**	**132**	**126**
Accounts payable	131	121	20
Tax payable	2	9	3
Public fees & taxes	62	32	90
Short-term debt to financial institutions	99	69	2
Prepayments	32	31	147
Other short-term debt	188	250	258
Total current liabilities	**514**	**512**	**519**
Total equity & liabilities	**845**	**927**	**951**

Transaction overview

Organisation structure, pre transaction[1]



Organisation structure, post transaction[1,2,3]

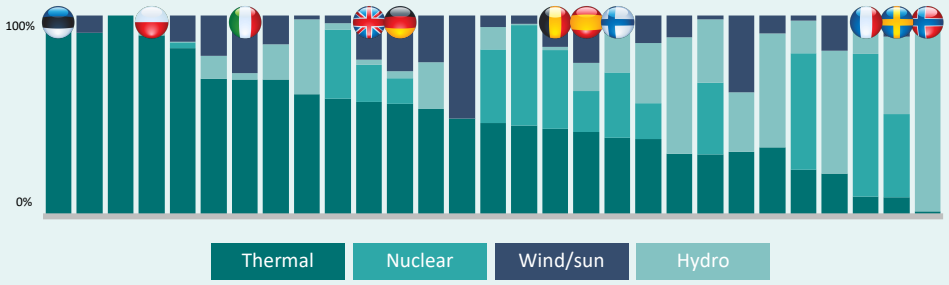


1) Volue minority interest with a total book value of NOK ~261m as of 30 June 2020; 2) The company may consider making an offer to acquire parts of or the whole minority share in Powel, Scanmatic, Markedskraft and/or Wattsight as well as to acquire other targets, potentially paying partially or fully in Volue shares, which would reduce the percentage of ownership of Arendals Fossekompani and new shareholders. Moreover, minorities in the subsidiaries where Volue has >90% ownership have the legal right to demand that Volue acquires their shares and Volue has received demands from certain minority shareholders under these rules that Volue acquire their shares; 3) The company is planning to introduce an incentive programs for management which could result in issuance of new shares in Volue AS, resulting in a dilution effect for Arendals Fossekompani and new shareholder

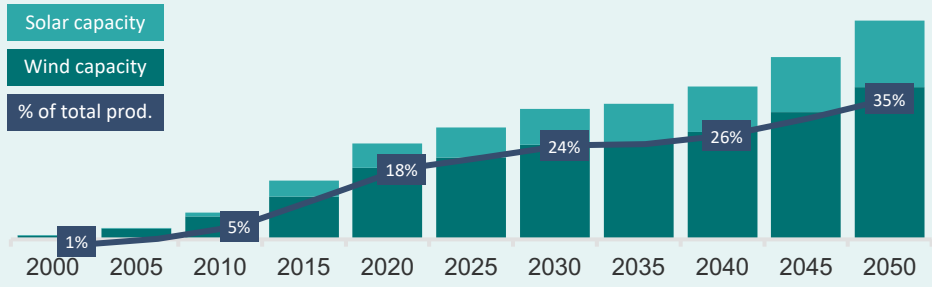
Volue operates in the highly fragmented and complex European energy market

Electricity production throughout Europe is complex, fragmented and leads to significant price discrepancies

Diversified electricity production per source generates high trading needs[1]

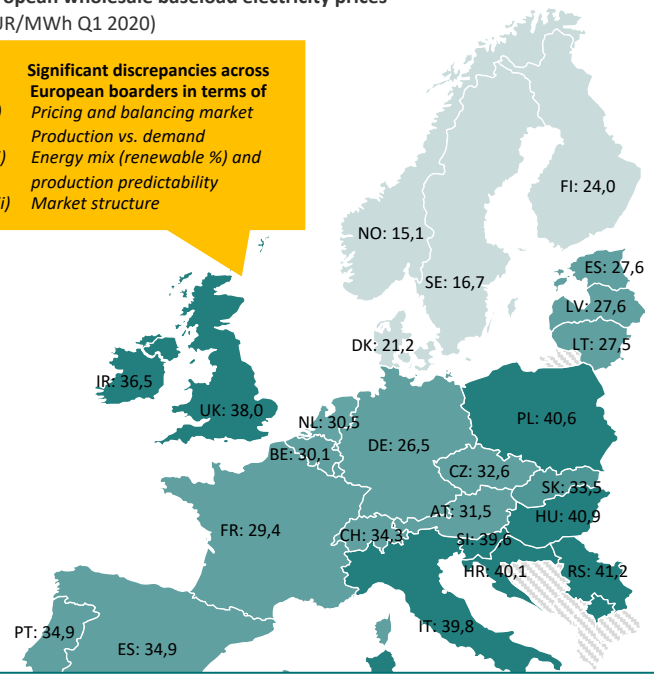


Renewable energy production capacity will consist of more unpredictable production[2]

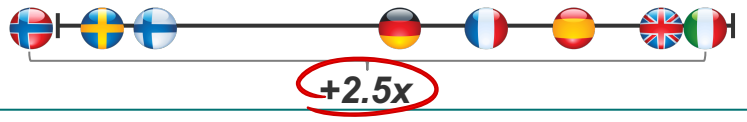


European wholesale baseload electricity prices
(EUR/MWh Q1 2020)

Significant discrepancies across European boarders in terms of
i) Pricing and balancing market Production vs. demand
ii) Energy mix (renewable %) and production predictability
iii) Market structure



Pricing scale (EUR/MWh)



Source: European commission, Wattsight
1) Domestic electricity production per source 2018, Eurostat 2018
2) Renewable energy production capacity from the EU Reference Scenario 2016 "Energy, transport and GHG emissions trends to 2050"

Highly experienced management team and organisation with strong track record

Highly competent management…

Trond Straume
CEO

Arnstein Kjesbu
CFO

Vigleik Takle
CCO

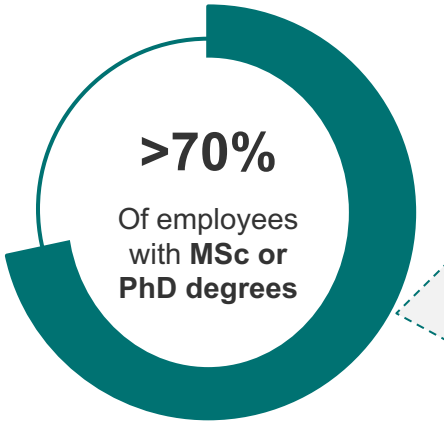
Kevin Gjerstad
CTO

Ingeborg Gjærum
CSO & Organisational development

Selected experience

EY, telenor, AVEVA, KONGSBERG, Statkraft, Microsoft

…and a highly skilled organisation



~350
Employees with MSc degrees

~20
Employees with PhD degrees

- ✓ Highly skilled organisation with competence built over decades in the power industry
- ✓ Competence profiles spread throughout the organisation