



Axiell in the world

ANNUAL REPORT 2019

axiell

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Axiell 2019

**Axiell is a global company active at the cross section of the IT and culture sector.
We ensure that past and present knowledge merges with the future.**

Axiell in brief

Axiell Group is a Swedish company delivering innovative IT solutions for more than 10 300 cultural institutions globally – for libraries, archives, museums and schools.

The company is divided into five business areas: Axiell Public Library & Education, Axiell ALM, Axiell RVR, Axiell Media and Axiell Services.

Axiell Group, headquartered in Lund, Sweden, is one of the largest companies in the sectors it operates in – with more than 320 employees and offices in 15 countries.

KEY FIGURES	2019	2019 (excl. IFRS 16)	2018	2017	2016	2015
NET SALES	542	542	462	505	511	486
OPERATING INCOME	585	585	493	535	542	509
EBITDA	74	56	29	41	39	53
NO. OF EMPLOYEES	322	322	274	285	297	284





VISION

Axiell Group is the most innovative, reliable partner for archives, libraries, museums, schools and authorities globally in their mission to build the inclusive knowledge society.

Axiell offers services and solutions which are easy and efficient to use and make a difference in how our customers can serve and engage the citizens of the world.

2019 in brief – organic growth and fine tuning

Axiell Group and its subsidiaries develop, maintain and sell technologically advanced and innovative solutions to public and special libraries, school libraries, schools, publishers, archives, museums and authorities. The Group offers products and services for public libraries, schools, archives, museums and organizations.

During the year, Axiell Group AB's legal and operational structure went through several changes, with a focus on continuing to simplify and optimize this structure. A main part of it was the organization of our five business areas; Axiell Public Library & Education, Axiell ALM, Axiell RVR, Axiell Media and Axiell Services.

Axiell Public Library & Education is a total provider of IT solutions and services for libraries in the Nordic countries, UK, Germany and Switzerland, primarily public and school libraries. The plan is to establish operations in new geographical markets, with focus on Europe and North America.

Axiell Archives Libraries and Museums (ALM) is the leading global provider of IT solutions for archives and museums. We have made it our job to lead the digitization of these services by lowering the threshold and create high accessibility and attractiveness.

The organic growth within Axiell ALM continues. Both through our existing customer base and through new museums and archives converting to

one of our systems. Among these, the New Zealand State Archives has chosen to collaborate with Axiell on a large, multi-year project that will make the country's national treasures accessible.

Within Axiell RVR, we sell solutions for handling personal data to countries that are or have been a part of the commonwealth. These solutions handle registration and archiving of life events, such as births and marriages.

The growth in Axiell Media continued to accelerate. Not least through an underlying growth for e-books and audio books. In 2019, we signed agreements with 50% of the Finnish libraries, and the Biblio app now has over 300,000 active users. In 2020, we will pursue activities to expand the market share further.

During 2019, Axiell Services have operated three public libraries in Nacka municipality. Visits increased by 8.4 % and purchases of books, e-media and film by 43 %.

To broaden our offering, we are actively working to find partners within the area of technology and service. We have also initiated an ISO certification process (ISO 27001)

Fine tuning and balancing

Our investments focus on innovation and the development of cloud based software.

These significant actions have been balanced by reducing costs in established markets and in software platforms.

Well positioned for growth

Each of Axiell's business areas are well positioned for profitable growth. Within Axiell Public Library & Education - through the cloud-based products Quria and Welib - there is a clear potential for geographical expansion.

Axiell ALM continue their organic growth and our products within Axiell RVR show a very positive development.

Within Axiell Media, the Swedish market for audio and e-books is growing, while we at the same time have entered the Finnish market – with planned activities to push beyond the 50 % market share.

Axiell Services is considered to have good opportunities to operate more public libraries as well as to develop concepts within “library production”.

Future-oriented focus







In a digital world, security issues are becoming increasingly more important. As a leading player in our business areas, we continuously improve and evaluate our software offer.

To act proactively and counteract digital challenges, Axiell has a future-oriented focus and a number of defined initiatives:

- 1) Digitalization
- 2) Customer focus in R&D
- 3) Cloud products
- 4) Cost efficiency

What we do

During the period 2015 to 2019, we invested approximately 200 MSEK in product development, of which a substantial part in the development of Quria®. The outcome is a more focused and scalable portfolio of core products.

	SCALABLE PRODUCT	VALUE ADDED APPLICATIONS	E2E MEDIA APPLICATION
PUBLIC LIBRARY		<ul style="list-style-type: none">• Axiell Arena• Axiell Library Guide• Axiell eHUB	 Axiell Biblio
ALM		<ul style="list-style-type: none">• Axiell DAMS• Axiell Move• Axiell Go• Axiell FLOW	 ELIB
EDUCATION		<ul style="list-style-type: none">• ElibU• Create• Publish• Review• Lånekiosk	 Axiell Publico
RVR	VITA VITALWARE	<ul style="list-style-type: none">• Civil, company, land	
BENEFITS	<div><ul style="list-style-type: none">• Focused and scalable portfolio of core products.• Faster expansion and improved EBITDA margins due to cloud products.</div> <div><ul style="list-style-type: none">• Opportunities for additional sale.• Increase value of core products for customers.• Improved EBITDA margins.</div>		

How we do it

As forefront runners of innovation and product development, we can use our expertise in both technology and the sectors we work with to:



Support and strengthen libraries' new role in society



Make collections available and easier to access for more people worldwide



Contribute to digitizing of schools by providing digital libraries



Make the work at institutions easier and more flexible



Provide cost-efficient and easy to use software



A good year

2019 was a good year for Axiell. Our investments in product and market development worked and we have seen that our customers appreciate what we do. This is the result of a strong business culture and a genuine commitment from all our co-workers. Our activity level has, as usual, been very high – from software development to project delivery, support, business development and sales. We have seen a continued organic growth paired with strategic acquisitions, which strengthen us as a company and partner. In conclusion, 2019 was Axiell's year.

One reason for this year's financial result is the efficiency program that we launched in 2017. It has had its planned effect on our operational cost structure. This work will continue in the future, where administrative limitation, workflow and decisions closer to the customers are prioritized areas.

In 2019 we undertook a number of investments in our infrastructure which created better conditions to deliver qualitative and stable services to our customers. This strengthens our long-term relations with our customers and therefore the profitability in what we deliver.

Axiell Services was established in 2018 after a successful win of a tender for the management of three libraries (in Nacka Municipality, Stockholm). This was a new business area for Axiell. By taking full responsibility to manage the libraries we establish a better understanding and nurture future product development with valuable knowledge on how to improve library services in a digital world.

A major focal point during the year was the further development, launch and marketing of Axiell Quria®, our new product for public libraries throughout the world. Quria® is a cloud-based Library Services Platform (LSP), based on our in-depth knowledge of public libraries. It is a concept that takes public libraries into the digital world and creates better conditions to serve their users in a more effective way.

We participated in – and won – several large tenders during the year, and the future looks very promising. New clients have flooded in, with the most notable growth occurring in Europe and North America.

Our position within Public Library & Education as well as Archives and Museum markets is solid and

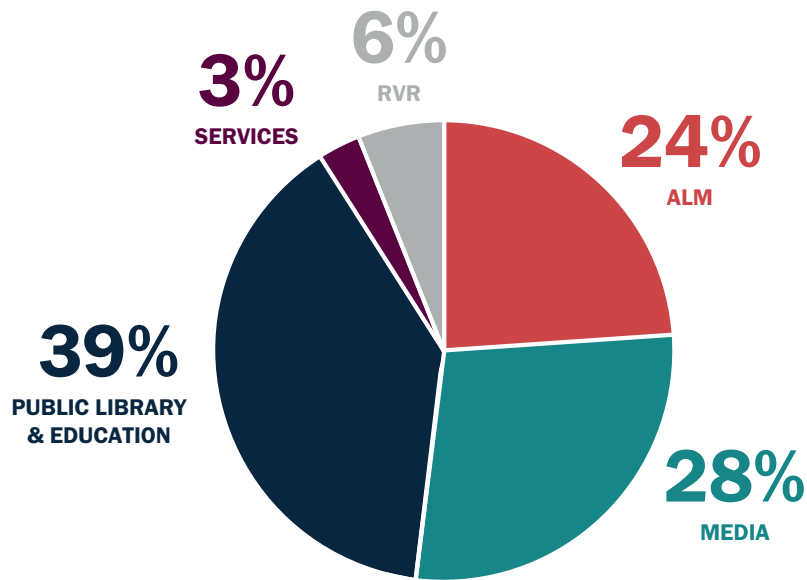
strong. For coming years our focus and objectives are to launch new software in new geographical markets and continue our organic growth.

During the year we increased our presence in Norway, where a number of municipalities have chosen to implement Quria®. In January, we acquired the Norwegian company Bibliotekenes IT-Senter AS, a former main competitor on the Nordic Public-, Special- and School library markets. This acquisition will boost our Norwegian business activities for Quria®, Welib and Arena.

From an R&D perspective we have shifted focus. R&D and Product Management for our Axiell Public Library & Education and Axiell ALM activities are now centralized into one organization. The goal is to establish one single tech platform and to improve cost efficiency and product development time to market.

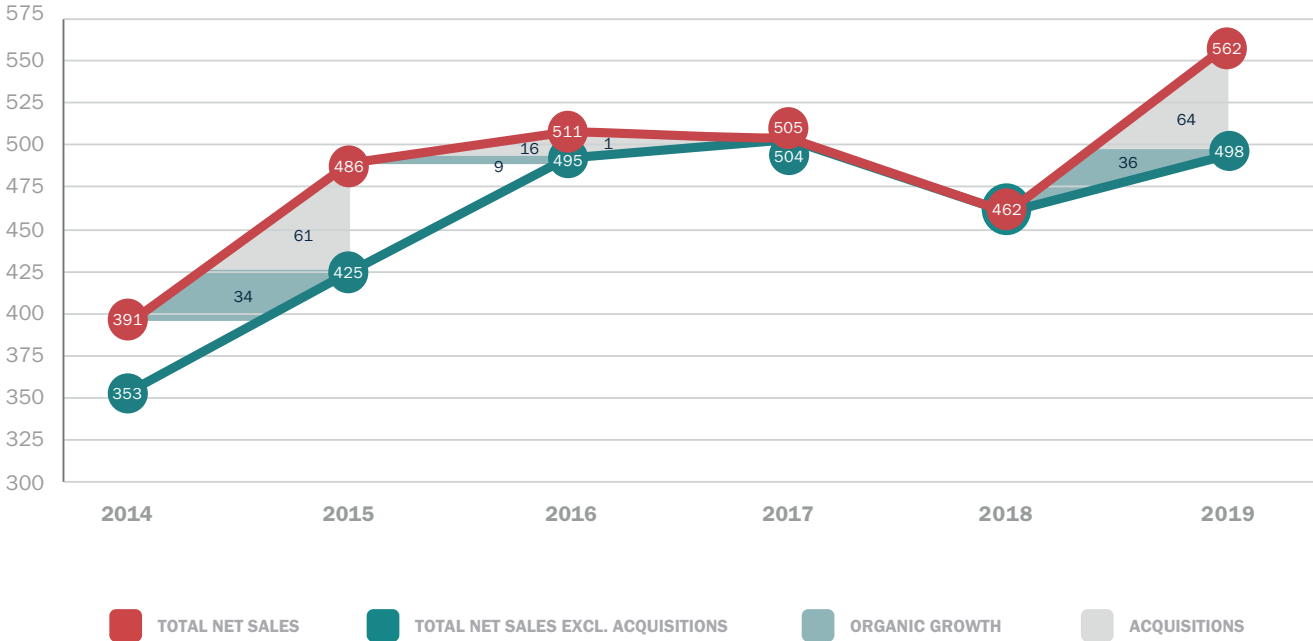
The cooperation between Axiell Media and Axiell Public Library & Education has been successful. This has leveraged individual products into one concept including Digital Pedagogics, School Library and e-media. The market has responded positively, and we foresee continued growth during coming years.

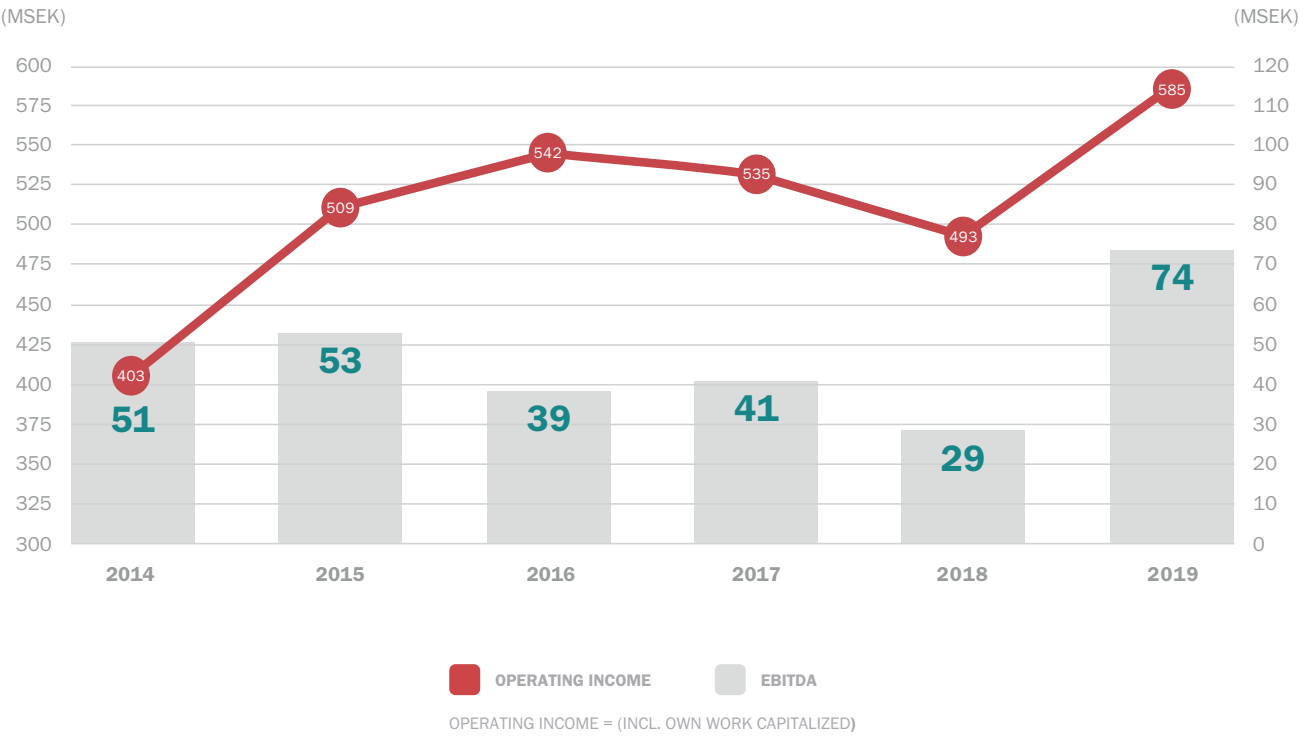
We hope the organic growth we saw during 2019 continues despite the current world state. The first quarter of 2020 has been developing in the same positive way for Axiell. This shows that what we are doing is right and of importance, and that now, more than ever, we focus on digitalization. There is a need for the digital presence which we create for our clients.



KEY FIGURES

	2019	2019	2018	2017	2016	2015
		(excl. IFRS 16)				
PROFIT MARGIN	13%	10%	6%	8%	8%	11%
RETURN ON ASSETS	8%	9%	5%	7%	6%	13%
RETURN ON EQUITY	24%	24%	13%	21%	20%	33%
LIQUID RATIO	64%	67%	69%	74%	78%	85%
EQUITY RATIO	35%	38%	36%	35%	33%	40%





Income Statement

AXIELL GROUP CONSOLIDATED

SEKm	2019	2018
OPERATING INCOME		
Net sales	562,1	462,1
Own work capitalised	19,4	25,4
Other operating income	3,1	5,0
Total operating income	584,6	492,5
OPERATING EXPENSES		
Cost of goods sold	-167,6	-151,7
Staff costs	-272,8	-236,6
Other external costs	-70,5	-75,2
Depreciation and amortization	-31,9	-11,1
Total operating expenses	-542,8	-474,6
Operating profit	41,8	17,9
Financial items	-3,0	-0,9
Profit after financial items	38,8	17,0
Tax expense for the year	-8,0	-4,8
Net profit for the year	30,8	12,2
EBITDA	73,7	29,0

EBITDA 2019 has a positive effect of 17,3 MSEK compared to if the figures were presented without IFRS 16

Balance Sheet

AXIELL GROUP CONSOLIDATED		
SEKm	31/12/2019	31/12/2018
ASSETS		
Fixed assets		
INTANGIBLE ASSETS		
Capitalised development costs	101,5	86,7
Trademarks	10,5	12,3
Software	0,3	1,6
Goodwill	165,0	117,6
Other intangible assets	5,0	5,3
Total intangible assets	282,3	223,5
TANGIBLE ASSETS		
Land and buildings	34,3	-
Leasehold improvements	2,1	2,1
Equipment	13,8	3,7
Total tangible assets	50,2	5,8
FINANCIAL ASSETS		
Deferred tax assets	10,6	10,9
Other non-current receivables	2,7	1,2
Total financial assets	13,3	12,1
Total fixed assets	345,8	241,4



Balance Sheet

SEKm	31/12/2019	31/12/2018
CURRENT ASSETS		
INVENTORIES, ETC.		
Finished products and goods for resale	0,6	0,6
Total inventories	0,6	0,6
CURRENT RECEIVABLES		
Accounts receivable	91,4	87,4
Current tax assets	2,5	4,3
Other receivables	11,8	14,3
Prepaid expenses and accrued income	56,0	52,2
Total current receivables	161,7	158,2
Cash and cash equivalents	34,3	22,1
Total current assets	196,6	180,9
TOTAL ASSETS	542,4	422,3



Balance Sheet

AXIELL GROUP CONSOLIDATED		
SEKm	31/12/2019	31/12/2018
EQUITY CAPITAL AND LIABILITIES		
EQUITY CAPITAL		
Share capital (3,910,000 shares)	2,2	2,2
Reserves	7,3	4,4
Retained earnings including profit for the year	165,2	134,2
Total equity	174,7	140,8
NON-CURRENT LIABILITIES		
Liabilities to credit institutions	20,9	8,7
Other liabilities	38,2	11,2
Total non-current liabilities	59,1	19,9
CURRENT LIABILITIES		
Liabilities to credit institutions	89,4	76,7
Credit facility	4,1	3,9
Accounts payable	22,4	25,9
Other liabilities	49,1	22,4
Accrued expenses and deferred income	143,6	132,7
Total current liabilities	308,6	261,6
Total liabilities	367,7	281,5
TOTAL EQUITY CAPITAL AND LIABILITIES	542,4	422,3

As of January 2019 the right-of-use assets and the corresponding lease liabilities are included in the Land and buildings and equipment and long-term and short-term Other liabilities respectively. Comparative figures have not been restated.

Statement of Changes in Equity

	Share capital	Reserves	Retained earnings	Total equity
SEKm				
Opening Balance 2018-01-01	2,2	0,2	127,0	129,4
Profit for the year			12,2	12,2
Other comprehensive income		4,2		4,2
Total comprehensive income for 2018		4,2	12,2	16,4
Transactions with owners				
Dividends			-5,0	-5,0
Total transactions with owners	0,0	0,0	-5,0	-5,0
Closing Balance 2018-12-31	2,2	4,4	134,2	140,8
Adjustment for IFRS 16 transition			0,2	0,2
Adjusted Opening Balance 2019-01-01	2,2	4,4	134,4	141,0
Profit for the year			30,8	30,8
Other comprehensive income		2,9		2,9
Total comprehensive income for 2019		2,9	30,8	33,7
Closing Balance 2019-12-31	2,2	7,3	165,2	174,7

Total equity is attributable to the owners of the Parent Company.



Cash Flow Statement

AXIELL GROUP CONSOLIDATED

SEKm	01/01/2019 31/12/2019	01/01/2018 31/12/2018
OPERATING ACTIVITIES		
Operating profit	41,8	17,9
Adjustments for non-cash items, etc.	30,8	12,2
Interest received	0,8	1,5
Interest paid	-3,8	-2,4
Income tax paid	-6,6	-8,6
Cash flow from operating activities prior to changes in working capital	63,0	20,6
<i>Changes in working capital:</i>		
Changes in inventory	0,0	0,2
Changes in trade debtors and other receivables	1,1	18,2
Changes in trade creditors and other liabilities	-5,1	-13,0
Net cash flow from operating activities	59,0	26,0
INVESTMENT ACTIVITIES		
Acquisition of shares in subsidiaries after deductions for liquid assets	-35,3	-
Acquisition of intangible assets	-19,7	-24,9
Acquisition of tangible assets	-1,7	-0,7
Acquisition of financial assets	0,0	-1,1
Change in financial assets	0,2	0,6
Cash flow from investment activities	-56,5	-26,1

Cash Flow Statement

SEKm	01/01/2019 31/12/2019	01/01/2018 31/12/2018
FINANCING ACTIVITIES		
Dividends paid	-	-5,0
Borrowings	17,8	-
Repayment of debt	-21,5	-8,1
Change in bank overdraft facilities	12,7	14,3
Cash flow from financing activities	9,0	1,2
Cash flow of the year		
Liquid assets at the beginning of the year	22,1	20,5
Exchange rate difference in liquid assets	0,7	0,5
Liquid assets at year's end	34,3	22,1

Board of Directors



Mats Hentzel
(Chairman)



Joel Sommerfeldt
(CEO)



Gösta Johannesson



Stein Kleppstö



Annikki Schaeferdiek

Management Team



Joel Sommerfeldt



Jenny Poncin



Ann Melaerts



Elisabet Thylander



Marie Flackerup



Eva Houltzén



Maria Wasing



Fredrik Paulsson



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