



HOUSE OF CONTROL



**INTERIM REPORT
Q3 2020 & FIRST NINE MONTHS 2020**

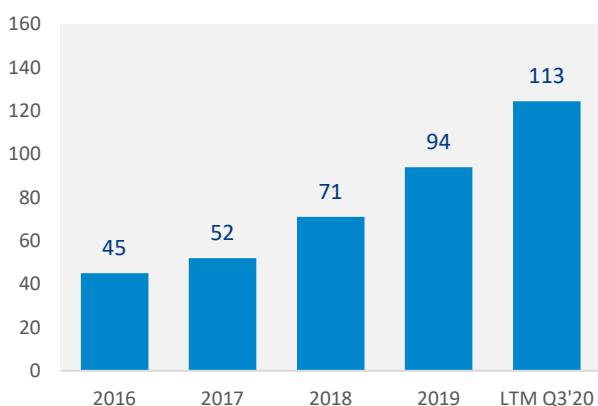
House of Control – The Commercial Value Management Company

House of Control is the leading Nordic SaaS company for commercial value management solutions. Branding itself as The CFO’s best friend™, the company’s product vision is to provide financial control and facilitate optimisation of business processes. The main product is the proprietary Complete Control™ solution for operational and financial contract management, on which the company offers a broad suite of specialised add-on solutions. House of Control expanded its scope into enterprise business processes with the acquisition of DinERP in 2020, offering solutions for purchasing processes, supplier and B2B business communication, and travel, time, and expense management. House of Control will continue to expand its offering of valuable commercial management software both organically and through acquisitions.

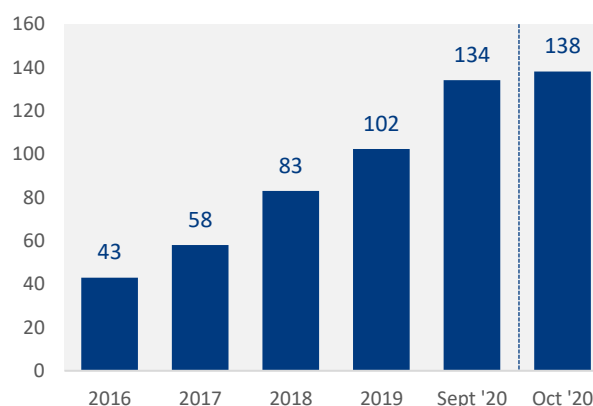
- * Best-of-breed horizontal software for CFOs across the Nordics
- * Large and underpenetrated market opportunity with limited direct competition
- * Scalable subscription-based model with high recurring revenue
- * Consistent organic growth supported by M&A
- * Organic growth levers in increased penetration, upselling in existing portfolio and new products and services
- * Multiple M&A opportunities for European expansion



Revenue last 12 months (NOKm)



ARR (NOKm)



Third quarter and first nine months 2020

Continued strong revenue and ARR growth

- Reported revenue +42% to NOK 33.3 million in Q3 (23.4) and +27% to NOK 87.1 million YTD (68.3)
- Organic revenue growth of 19% from Q3 2019 and 20% from the first nine months of 2019
- Annual recurring revenue (ARR) of NOK 134 million at the end of September, +38% year-on-year
- EBITDA NOK 2.6 million in Q3 (-0.5) and NOK 9.4 million YTD (-4.7)
- Broadened scope into business process solutions with acquisition of DinERP in July
- Proforma revenue of NOK 101.5 million and EBITDA of 16.0 million YTD
- Strengthened capital base with NOK 350 million share issue and listing on Merkur Markets in October

Figures in brackets relate to the same period of the year before. Organic growth excludes companies acquired over the past year.

Key figures

NGAAP accounting standard, NOK ('000)	Q3 2019	Q3 2020	%	YTD 2019	YTD 2020	%	2019
Recurring revenue	22 548	31 117	38 %	64 446	83 009	29 %	88 527
Other revenue	865	2 212		3 907	4 138		5 314
Total revenue	23 413	33 330	42 %	68 352	87 148	27 %	93 841
Operating costs	-23 891	-30 777		-73 062	-77 785		100 121
EBITDA	-478	2 553		-4 710	9 362		-6 280
EBITDA-margin	-2 %	8 %		-7 %	11 %		-7%
Depreciation & Amortization	-2 333	-8 459		-6 040	-14 823		-8 836
Operating profit/loss, EBIT	-2 811	-5 906		-10 750	-5 461		-15 116
Net financial items	-934	-4 007		-2 231	-11 007		-4 227
Profit/loss before tax	-3 745	-9 913		-12 982	-16 468		-19 343
NOKm	Q3 2019	Q3 2020	%	YTD 2019	YTD 2020	%	2019
Annual recurring revenue, ARR	97	134	38%	97	134	38%	102
New customers, ARR	5	4		15	12		20
Net retention, %	100%	100%		101%	98%		103%

Note: In accordance with NGAAP, intangible assets from acquisitions are amortized over a period of five years. This affects the results for the company as intangible assets related to acquisitions represent a significant part of assets on the balance sheet.

Message from the CEO

Continued organic growth

House of Control has continued its growth journey in 2020, with solid organic revenue growth and the acquisition of DinERP in July. Revenue was up 27% year-on-year for the first nine months, and ARR increased by 38% year-on-year to NOK 134 million at the end of September.

2020 is a special year for us as for many other companies, with Covid-19 having a profound impact on the way we work and interact with both existing and potential new customers. However, monthly sales rebounded to record levels in June after an initial slowdown in March-April.

Digital sales open for increased efficiency, and we have seen good momentum also into the fourth quarter. We set another monthly sales record in October, which lifted ARR to NOK 138 million, and maintain high prospecting and sales activity.

Completing our first acquisition

After 15 years of organic growth, we made our first acquisition in July 2020. By welcoming DinERP to the family, we broaden our scope into the enterprise resource planning market with solutions for e-commerce and invoice management, supplier and B2B communication solutions, and travel, time and expense management.

The combination of the companies significantly strengthens our technology development capabilities and our innovative power as we prepare for European expansion in the years to come.

Strengthening the capital base to fuel further growth

We continue to see large growth opportunities in the commercial value management market going forward, driven by customers' need to improve efficiency and cost control in a world with more B2B outsourcing and increasing compliance and governance requirements.

We are very well positioned to leverage these market forces, with our Complete Control platform and an increasing number of value-adding modules for areas such as IFRS 16 compliance

and ESG reporting. We currently sell 21 different supplementary modules on top of Complete Control, in addition to the business process solutions that DinERP brought to the table. We will continue to broaden our portfolio with innovative new offering also going forward.

This offers huge growth opportunities from increased penetration in the existing markets, and upselling to existing customers will also be a key growth driver over the next 12-18 months.

In the years ahead, we believe there is a potential for 30% annual organic ARR growth, and to reach an ARR of NOK 500 million in 2025. With increasing scale and high operational leverage, this will enable a shift in EBITDA margins towards 40% in the same time period.

This strong and profitable growth outlook will require capital, and we were very pleased to secure around NOK 350 million in new equity capital gross in connection with our listing at the Merkur Market in October. This provides the funds necessary for us to expand into the larger European market and continue our growth journey at full speed also going forward.

“We see potential for 30% annual organic growth in the years to come, and to reach an ARR of NOK 500 million in 2025”

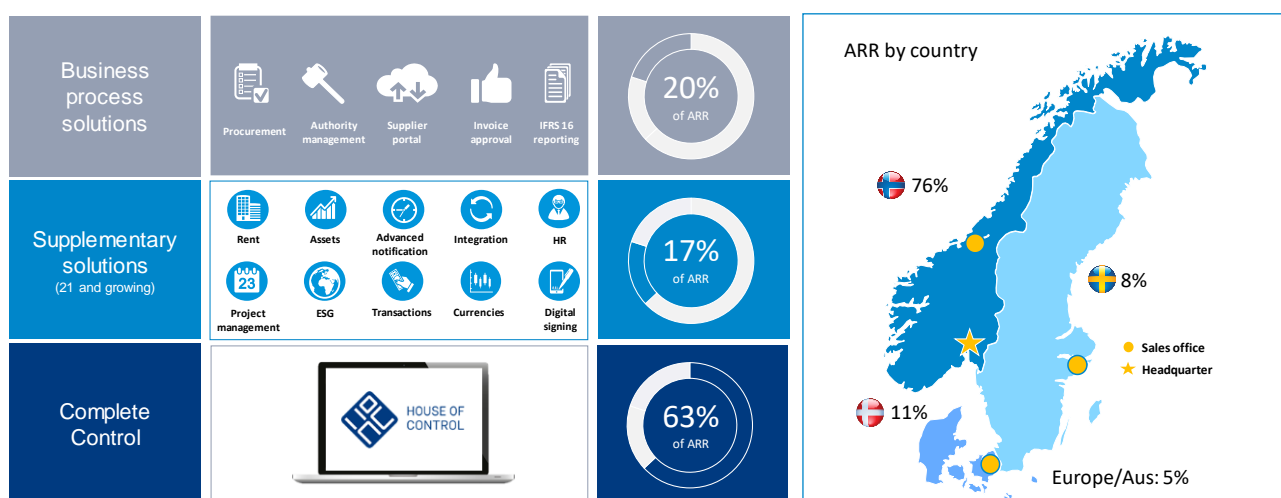


CEO Lasse Sten, House of Control

Operational review

House of Control develops and sells software as a service (SaaS) solutions, mainly through pre-paid recurring subscriber licenses. The main solution, Complete Control, is a tool for contract and assets management, including the contracts' financial implications for accounting, budgeting and reporting. The company also provides 21 supplementary solutions and add-ons, including project management tools, ESG reporting, currency and transaction modules, digital signing, and HR management. These tools enable customers to protect revenue, cut cost, save time and reduce business risk and dependency on key personnel. In 2020, House of Control acquired DinERP which develops and sells SaaS applications for users of the global enterprise planning system IFS. This extends the scope into business process solutions such as purchasing, supplier communications, as well as travel, time and expense management. The company's main operations are in Scandinavia, with users in around 40 countries.

Business overview by market and customer type



Source: Company data

Continued ARR growth

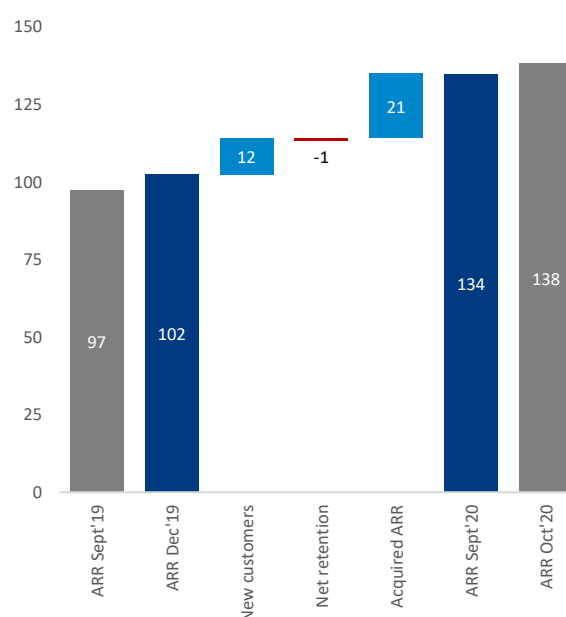
House of Control has continued to add to its annual recurring revenue (ARR) base over the past year, with a total ARR increase of 38% from NOK 97 million at the end of the third quarter 2019 to NOK 134 million at the end of the third quarter 2020.

The Norwegian operation accounted for 76% of ARR, and Denmark and Sweden for 11% and 8%, respectively, and Europe and Australia making up the remaining 5%.

Looking at the development through the first nine months of 2020, ARR increased by NOK 32 million, of which the acquisition of DinERP accounted for NOK 21 million. ARR from sales to new customers amounted to NOK 12 million, whereas net retention was 98% or NOK -1 million in the period.

Organic growth was negatively affected by Covid-19 in March and April. Sales to new customers dropped as many of the scheduled sales meetings were cancelled. Some potential customers were reluctant to enter contracts due to the uncertain times, and the company also saw increasing churn because some customers were cutting cost across the board when the pandemic first hit.

ARR development, NOK million



Source: Company data

We responded rapidly to the challenge with a successful transition to new, digital meeting solutions and sales tools, and the initial churn declined as customers soon realised that the need for financial and operational control increased even further as a result of the higher uncertainty.

Interest in the products and services increased as the summer approached, and sales to new customers hit all-time-high in June. The company has seen good momentum also into the fourth quarter. Sales once again hit record levels and lifted total ARR to NOK 138 million at the end of October, with the company maintaining a high prospecting and sales activity.

Product innovation

Expanding and improving Complete Control

The 5th generation of House of Control's main Software-as-a-Service solution, Complete Control, was launched in an upgraded version in late 2019. This set the scene for 2020, with a sharp focus on converting customers from the 4th generation and improving the usability of the new version.

Highlights included:

- 93 percent of all customers are currently running on the newest version.
- Search and filtering as well as reporting have been improved based on customer requirements.
- Introduced Open APIs, enabling seamless integration with the users' business systems.
- Single Sign-On (SSO) has made login more secure and user-friendly.
- Complete Control have been made available in German and Finnish.
- New module helps financial institutions comply with new EU (EBA) law that requires central registers of all contracts with sub-service fintech providers.
- AI assisted registration of central contract meta data, greatly improving registration efficiency.
- The IFRS 16 and Finance Lease solutions have been further developed and made more versatile for larger corporations with several accounting standards. Also, a new set of training videos have been launched.
- Digital Signature has been deeper integrated with Complete Control. "Handwritten" signing can now be used when standard electric ID is not available.

Expanding the scope into ERP

In July, House of Control acquired DinERP and broadened its scope into the enterprise resource planning market. DinERP's software solutions simplify and improve companies' use of the global ERP system IFS, including solutions for e-commerce and invoice management, supplier and B2B communication solutions, and travel, time and expense management.

The acquisition enables House of Control to offer an increasing range of business process solutions to all its customers, spanning areas such as procurement, authority management, supplier portals, invoice approvals, and IFRS 16 reporting. New products will work with all ERP systems, thus not limited to IFS users.

The integration activities are on track, and the broadening of House of Control's modular offering holds a significant opportunity to increase share of wallet across the entire customer base.

The company is already working on transferring acquired IP into new products on the Complete Control platform, to be able to offer new, standardized high-end enterprise solutions to its existing customers. At the same time, it is working to address the enterprise market with targeted Complete Control 5 offerings.

DinERP has fewer but larger customers than legacy House of Control, with close to 10x the average ARR per customer. DinERP added ARR of NOK 21 million to the portfolio at the time of acquisition, which continued to increase by 4% during the third quarter.

Overall, House of Control believes the acquisition almost doubles the total addressable market in the Nordic region.

Financial review

Results for the third quarter and first nine months 2020

Profit and Loss account (unaudited)

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	YTD 2019	YTD 2020
Recurring revenue	20 215	21 682	22 548	20 293	25 587	26 306	31 097	64 446	83 009
Other revenue	1 626	1 417	865	1 965	1 003	923	2 212	3 907	4 138
Total revenue	21 841	23 099	23 413	25 489	26 590	27 228	33 330	68 352	87 148
Operating cost	-25 590	-23 581	-23 891	-27 059	-28 097	-18 911	-30 777	-73 062	-77 785
EBITDA	-3 749	-482	-478	-1 571	-1 508	8 317	2 553	-4 710	9 362
EBITDA-margin	-17 %	-2 %	-2 %	-7 %	-6 %	31 %	8 %	-7 %	11 %
Depreciation & Amortization	-1 868	-1 839	-2 333	-2 795	-3 132	-3 231	-8 459	-6 040	-14 823
Operating profit/loss, EBIT	-5 618	-2 321	-2 811	-4 366	-4 640	5 086	-5 906	-10 750	-5 461
Net financial items	-619	-679	-934	-1 995	-3 100	-3 900	-4 007	-2 231	-11 007
Profit/loss before tax	-6 236	-3 000	-3 745	-6 361	-7 740	1 185	-9 913	-12 982	-16 468

The financial accounts have been prepared in accordance with NGAAP. Figures in brackets relate to the corresponding periods in 2019.

Revenue

House of Control continued its growth journey in the third quarter 2020, reporting 42% year-on-year revenue growth to NOK 33.3 million. Growth was supported by the acquisition of DinERP in July 2020 and the organic revenue growth was 19% from the third quarter last year.

Revenue for the first nine months 2020 increased by 27% to NOK 87.1 million, with 20% organic growth.

Recurring revenue amounted to NOK 31.1 million in the third quarter and NOK 83.0 million in the first months, corresponding to 93% and 95% of total revenue, respectively.

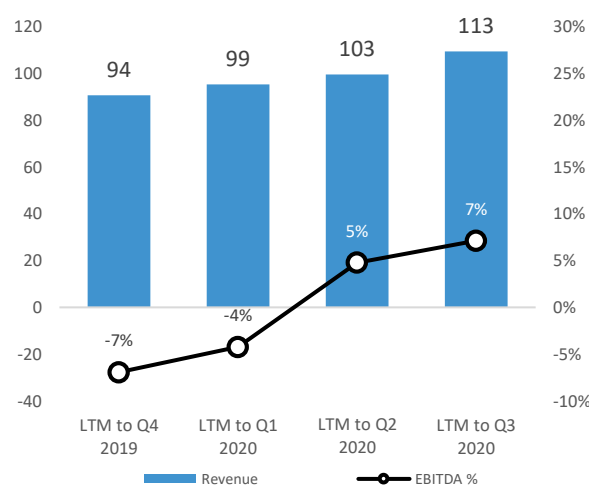
DinERP has a lower share of recurring revenue than the legacy business in House of Control, which had a stable recurring revenue ratio of 97% for both the third quarter and first nine months.

Operating costs

Operating costs amounted to NOK 30.8 million in the third quarter (23.9). NOK 5.0 million of this related to DinERP, which was consolidated with effect from 1 July. The cost increase from the second quarter is mainly explained by the acquisition of DinERP and the positive effect of holiday pay in June.

For the first nine months operating costs amounted to NOK 77.8 million (73.1), including DinERP. On an organic basis the cost base hence declined in the period. This mainly reflects significantly lower travel costs as the salesforce successfully

Revenue & EBITDA-margin last 12 months (NOKm)



Source: Company data

switched to videoconferencing and digital sales tools due to Covid-19. Digital meetings will continue to play a key role and is expected to further increase our sales efficiency going forward.

Salaries is are by far the main cost component, accounting for 77% of operating costs in the third quarter and 75% for the first nine months.

EBITDA and Operating profit

Reported EBITDA was NOK 2.6 million in the third quarter 2020 and the EBITDA-margin 8%. This compares to a negative EBITDA of NOK 0.5 million and an EBITDA-margin -2% in the third quarter last year.

Excluding DinERP the EBITDA was NOK 2.1 million in the third quarter (-0.5) and NOK 8.9 million for the first nine months 2020 (-4.7).

Due to cost variation across the quarters, the company believes the margin development is best assessed over longer time periods. EBITDA for the first nine months 2020 was NOK 9.4 million (-4.7), with an EBITDA-margin 11% (-7%).

Depreciation and amortization increased to NOK 8.5 million in the third quarter (2.3) and NOK 14.8 million for the first nine months (6.0). NOK 4.7 million of the increase reflects the acquisition of DinERP, with the remainder explained by increased product development.

Note that intangible assets from acquisitions are amortized over a period of five years according to NGAAP, as opposed to IRFS where these assets would not be amortized.

Including these amortizations, the operating loss (EBIT) was NOK 5.9 million in the third quarter, compared to a loss of NOK 2.8 million in the third quarter last year.

For the first nine months the company reported a negative EBIT of NOK 5.5 million, compared to an operating loss of NOK 10.8 million for the same period last year.

Net financials

Net financial cost was NOK 4.0 million in the third quarter 2020 (0.9), and NOK 11.0 million for the first nine months (2.2).

Results

Loss before tax was NOK 9.9 million in the third quarter 2020 (3.8), and NOK 16.5 million for the first nine months (13.0).

Proforma figures for the first nine months 2020

On a proforma basis, including DinERP for the entire first nine months 2020, House of Control had proforma revenue of NOK 101.5 million and proforma EBITDA of NOK 16.0 million for the first nine months. Proforma EBITDA-margin was 16% for the first nine months 2020.

Cash flow and Financial position

Cash flow from operating activities

Net cash flow from operating activities was a negative NOK 9.7 million in the third quarter and a negative NOK 21.2 million for the first nine months 2020. This mainly reflects increased net working capital for both periods.

For the full year 2019, the company generated a positive net cash flow from operations of NOK 3.5 million, supported by a positive net working capital development.

Cash flow from investing activities

Cash flow from investing activities was a negative NOK 50.5 million in the third quarter and a negative NOK 62.9 million for the first nine months. This includes both capital expenditures and capitalization of commissions.

For the full year 2019, the cash flow from investing activities was a negative NOK 12.6 million.

Free cash flow was hence NOK -60.3 million for the third quarter and NOK -84.2 million for the first nine months, compared to NOK -9.1 million for the full year 2019.

Cash flow from financing activities

Cash flow from financing activities was NOK 44.8 million for the third quarter and NOK 45.3 million for the first nine months, mainly in the form of new long-term loans.

For the full year 2019, cash flow from financing activities was NOK 78.3 million.

Cash and cash equivalents hence decreased by NOK 15.5 million in the third quarter and by NOK 38.9 million in the first nine months, to NOK 42.7 million at the end of September 2020. After the end of the reporting period, the company raised approximately NOK 350 million in new equity, which strengthened the cash position significantly.

Financial position

Figures in brackets refer to restated year-end 2019 figures

Assets

Total non-current assets amounted to NOK 129.2 million at the end of the first nine months 2020 (51.8). This almost in entirety reflects intangible assets, with software platforms and excess value allocated to technology and customers as the main elements. The increase from year-end 2019 mainly reflects the acquisition of DinERP.

Current assets amounted to NOK 38.9 million at the end of the first nine months (34.2). Trade receivables amounted to NOK 11.4 million (5.9), and other short-term receivables to NOK 27.3 million (28.0). Cash and cash equivalents amounted to NOK 42.7 million (81.6).

Equity and liabilities

House of Control had total equity of NOK 34.9 million (-0.3) of a total balance of NOK 210.9 million (167.6), corresponding to an equity ratio of 17% at the end of the first nine months 2020.

At the beginning of the fourth quarter, the company carried out a private placement raising NOK 350 million in new equity through issuance of 16.7 million shares at a subscription price of NOK 21 per share. Including these shares which were registered in October, the company has 56.9 million shares outstanding.

Total liabilities amounted to NOK 176.0 million at the end of the first nine months (167.9), of which NOK 77.1 million in current liabilities (90.7) and NOK 98.9 million in non-current liabilities (77.2). The latter mainly reflects long-term borrowings of NOK 97.0 million (75.3).

Share information

At the end of the first nine months 2020, House of Control had 40.3 million shares. This was increased to 56.9 million upon the issuance of 16.7 million new shares on 7 October in connection with the listing of the company on Merkur Markets on.

The new shares were subscribed at NOK 21 per share, generating gross proceeds of approximately NOK 350 million. Existing shareholders also sold 14.3 million existing shares in connection with the listing.

The shares have traded between NOK 13.90 and NOK 19.00 per share, with an average daily trading volume of approximately 243,000 shares excluding the first day of trading.

The company has approximately 282 shareholders, with the 20 largest shareholders holding in excess of 80% of the shares.

20 largest shareholders November 2020

	# of shares	%
Viking Venture 7 AS	10 372 500	18.2 %
Goldman Sachs (Nominee)	7 644 111	13.4 %
Bjørk Invest AS	2 943 950	5.0 %
J.P. Morgan Bank (Nominee)	2 666 782	4.7 %
Dunvik AS	2 484 000	4.4 %
Danske Bank A/S (Nominee)	2 380 952	4.2 %
State Street Bank (Nominee)	2 380 952	4.2 %
DinERP Holding AS	2 307 450	4.1 %
Viking Venture 8 AS	2 247 400	4.0 %
Viking Venture 7B AS	1 401 700	2.5 %
J.P. Morgan Bank Lux. (Nominee)	1 367 877	2.4 %
Morgan Stanley & Co LLC (Nominee)	1 183 492	2.1 %
Verdipapirfondet DNB SMB	1 085 181	1.9 %
The Northern Trust (Nominee)	1 001 214	1.8 %
J.P. Morgan Bank, Ireland (Nominee)	968 835	1.7 %
Danske Bank A/S (Nominee)	900 000	1.6 %
Goldman Sachs Intl. (Nominee)	868 410	1.5 %
DB London, Inv. Serv. (Nominee)	600 000	1.1 %
Bank of New York Mellon (Nominee)	558 912	1.0 %
Clearstream Banking S.A. (Nominee)	552 000	1.0 %
Total top-20	45 915 718	80.7%
Other shareholders	10 997 482	19.3%
Total	56 913 200	100.0%

Outlook

House of Control has established a leading position in the Nordic commercial value management market with its offering of subscription-based software-as-a-service (SaaS) solutions, and in July broadened its scope within business process solutions with the acquisition of DinERP.

The company grew its ARR by 38% year-on-year to NOK 134 million at the end of September. The company saw good momentum into the fourth quarter and grew ARR further to NOK 138 million by the end of October.

House of Control will continue to expand its software offering for commercial value management and business process solutions both organically and through acquisitions.

The company has presented bold ambitions to lift organic growth to an average 30% annually over the coming five-year period, which corresponds with a revenue ambition of NOK 500 million in 2025, excluding acquisitions.

House of Control believes it will increase sales to new customers in large and untapped commercial value management and business process solutions markets both in the Nordics and Europe, and that continued innovation and upselling and cross-selling opportunities will enable the company to raise the long-term net retention level to 110%.

With higher scale the company expects the high operational leverage to allow for a long-term EBITDA-margin of 40%.

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 September 2020 have been prepared in accordance to 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 Directors of House of Control Group AS
Oslo 10 November 2020

Erik Fjellvær Hagen
Chairman of the Board

Jostein Vik
Board Member

Thorstein Berg
Board Member

Marius Haabeth
Board Member

Øyvind Robert Thorsen
Board Member

Lasse Sten
CEO

Consolidated financial statements

Statement of profit or loss, NGAAP for the periods ending 30 September

	Q3 2020 01.07-30.09 Unaudited	Q3 2019 01.07-30.09 Unaudited	YTD 2020 01.01-30.09 Unaudited	YTD 2019 01.01-30.09 Unaudited
<i>NGAAP, All amounts in NOK</i>				
OPERATING REVENUES AND EXPENSES				
Recurring revenue	31 184	22 548	83 076	64 446
Other operating revenues	2 146	865	4 071	3 907
Total operating revenues	33 330	23 413	87 148	68 352
Salaries	23 743	16 576	58 347	47 358
Other operating expenses	7 033	7 314	19 438	25 704
Total operating expenses	30 777	23 891	77 785	73 062
Operating profit/loss before depreciation	2 553	-478	9 362	-4 710
Depreciation and amortization	8 459	2 333	14 823	6 040
Operating profit/loss	-5 906	-2 811	-5 461	-10 750
Net financial items	-4 007	-934	-11 007	-2 231
Profit/loss before tax	-9 913	-3 745	-16 468	-12 982

Statement of financial position

ASSETS	30.09.2020	31.12.2019
<i>All amounts in NOK</i>	Unaudited	Audited
Non-current assets		
Deferred tax assets	-1 252	0
Other intangible assets	129 146	50 952
Total intangible assets	127 894	50 952
Property, plant and equipment	1 133	727
Other non-current assets	193	161
Total non-current assets	129 219	51 840
Current assets		
Inventories	219	219
Trade receivables	11 404	5 935
Other short-term receivables	27 285	28 014
Current assets	38 908	34 168
Cash and cash equivalents	42 734	81 609
TOTAL ASSETS	210 862	167 617
EQUITY AND LIABILITIES		
Equity		
Share capital	8 050	6 409
Other equity	26 826	-6 713
Total equity	34 876	-304
Liabilities		
Long-term borrowings	96 965	75 306
Deferred tax liabilities	1 884	1 884
Total non-current liabilities	98 850	77 190
Trade payables	4 407	4 282
Public duties payable	4 012	9 598
Prepayments from customers	58 300	63 913
Other current debt	10 417	12 938
Total current liabilities	77 136	90 730
Total liabilities	175 986	167 920
TOTAL EQUITY AND LIABILITIES	210 862	167 617

Cash Flow Statement

for the period ending 30 September and FY 2019

	Q3 2020 01.07-30.09 Unaudited	YTD 2020 01.01-30.09 Unaudited	FY 2019 01.01-31.12 Audited
<i>All amounts in NOK</i>			
Operating activities			
Profit/loss before tax	-9 912	-16 468	-28 280
Depreciation and impairment	8 459	14 823	15 541
Change in net working capital	-8 628	-21 713	16 025
Other non-cash items	342	2 171	217
Net cash flows from operating activities	-9 739	-21 185	3 503
Net cash flows from investing activities	-50 526	-62 980	-12 628
Free cash flow	-60 265	-84 165	-9 125
Net cash flows from financing activities	44 823	45 298	78 300
Cash and cash equivalents at the beginning of the period	58 184	81 609	12 434
Net change in cash and cash equivalents	-15 442	-38 867	69 175
Cash and cash equivalents at the end of the period	42 742	42 742	81 609

Fx gains/(losses) on cash and cash equivalents have been allocated to cash flow from operations