

DIVIO

Interim Report Q3 2023

Divio Technologies AB (publ)
Company no. 559077-0730

“Divio Technologies AB (publ) increases subscription revenues by 12% and ends the quarter with a strong cash balance of 21 MSEK”

- Jon Levin, CEO

SUMMARY OF THE REPORT

Third quarter: 1 JUL 2023 TO 30 SEP 2023

- Subscription revenue increased by approximately 12% to KSEK 4,821 (4,288)
- MRR in September was KUSD 151 (141)
- EBIT was KSEK -3,618 (-2,321)
- EPS before dilution was SEK -0.02 (-0.03)
- Cash position was KSEK 20,783 (3,920)

Year to Date: 1 JAN 2023 TO 30 SEP 2023

- Subscription revenue increased by approximately 14% to KSEK 13,637 (11,916)
- EBIT was KSEK -10,423 (-7,936)
- EPS before dilution was SEK -0.06 (-0.09)

SIGNIFICANT EVENTS (Third quarter)

- Prepayment of 21 MSEK received during the quarter
- Fredrik Hansson recruited as CPO
- New Enterprise client in the financial sector signed
- Payment from warrants of 4 MSEK minus costs received (87.5% participation) and shares have been issued

SIGNIFICANT EVENTS (Year to Date)

- The funds from the issue of units was received in January and the bridge loan was repaid. Funds from warrants also received in the period totalling 15 MSEK before costs.
- Increased lead generation and renewal of largest client with a 2.5 year agreement
- Strengthening the team by recruitment of sales and engineering resources

SIGNIFICANT EVENTS AFTER THE QUARTER

- No significant events

KSEK	Third quarter (3 months)			Year to date (9 months)		
	2023	2022	%	2023	2022	%
Key Financials						
Subscription revenue	4,821	4,288	12%	13,637	11,916	14%
Professional services revenue	133	206	-36%	1,087	1,613	-33%
Net sales	4,953	4,495	10%	14,724	13,530	9%
Total revenue	6,778	5,729	18%	19,059	16,994	12%
Costs	-8,852	-6,680	-33%	-25,009	-20,907	-20%
EBITDA	-2,075	-951	-118%	-5,949	-3,913	-52%
Dep / Am	-1,543	-1,370	-13%	-4,473	-4,023	-11%
EBIT	-3,618	-2,321	-56%	-10,423	-7,936	-31%
MRR (KUSD)	151	141	7%			
Cash position	20,783	3,920	430%			

CEO COMMENTS

I am delighted to share with you the latest developments and achievements at Divio. It has been an exciting and productive period, and I want to express my gratitude to our dedicated team, partners, and stakeholders for their unwavering support and commitment.

Successful Capital Raise through Warrants

Our recent efforts to secure additional funding through the subscription of warrants have proven to be successful. We have successfully raised 15 MSEK before costs from the unit issue and warrants. This influx of capital not only strengthens our financial position but also positions us to seize new opportunities and further enhance our operations. It underscores our commitment to strategic growth and building strong partnerships for expansion.

Impressive Sales Growth

Our sales team has continued to excel, resulting in an 12% increase in our sales figures and we are right now on an all time high MRR and we continue to grow. This accomplishment highlights their relentless dedication and commitment to delivering exceptional products and services to our valued clients. We are working diligently to improve our sales engine and strategy to convert our increased sales pipeline into signed deals and achieve our ambitious goals for the upcoming quarters. We are also glad to further improve the collaboration with AWS and have many potential conversations in the pipe based on this partnership.

Welcoming a New Chief Product Officer (CPO)

I am pleased to announce the addition of a new Chief Product Officer to our team. Our new CPO, Fredrik Hansson, brings a wealth of experience and expertise to our leadership. Fredrik will play a pivotal role in shaping our product development strategy and driving innovation across the organization. We are confident that this addition will contribute significantly to the continued excellence of our platform, existing customers increasing their usage and increased attractiveness to potential customers, contributing to increased sales and success.

Client Prepayment Received

We have received a prepayment from one of our valued clients, further strengthening our financial position and enhancing our cash flow. This payment is a testament to the trust and confidence our clients have in our

offerings, and we remain committed to delivering exceptional value to them.

Comprehensive strategic deep dive

We have spent a lot of time on extensive strategic work through deep diving into both historical data and future scenarios in order to create a clear plan for how to increase growth and reach break-even. This work was reinforced by research within our CTO's Executive MBA program. We are excited to implement the strategies outlined in this plan to achieve our financial goals.

Welcoming New Client Novogradac

We are thrilled to welcome among others our new client, Novogradac, to our growing list of customers. This partnership is significant as it not only expands our client base but also leads to a substantial increase in Monthly Recurring Revenue (MRR). Novogradac is an important client with high growth potential, high demands on compliance and security, and we are well-prepared to meet their needs. Apart from Novogradac, we have on-boarded and developed cooperations with other new customers, existing clients and partners.

In conclusion, these achievements and developments reflect the dedication and hard work of our entire team. We remain committed to pursuing excellence in all aspects of our business and are enthusiastic about the future prospects of Divio. Together as a team, backed up by our excellent investors, we will continue to work diligently to achieve our ambitious goals and drive our company to new heights.

Thank you for your dedication and commitment.
Sincerely, Jon Levin, CEO



FINANCIAL- AND ADDITIONAL INFORMATION

Third quarter: 1 JUL 2023 TO 30 SEP 2023

REVENUE

Net sales were KSEK 4,953 (4,495), which is a 10% increase compared with the same period last year. This is a result of a 12% growth in subscription revenues (from KSEK 4,288 to 4,821) and a slight decline in professional services. Capitalised development expenses increased slightly compared to the same period last year due to increased development efforts.

MRR at the end of the month of Sep 2023 was KUSD 151 (141), an increase of 7% compared to the same quarter last year (see graph below). The increase can be mainly explained by a net increase in subscription revenues. The MRR is not an average, but rather the actual MRR at the end of the period.

OPERATING PROFIT AND LOSS

Operating loss (EBIT) for the third quarter increased compared to previous year amounting to KSEK -3,618 (-2,321) EBITDA loss increased from KSEK -951 to -2,075 mainly because of increased personnel costs as the company was investing in new resources.

TOTAL CASH FLOW AND CASH FLOW FROM OPERATING ACTIVITIES

Total cash flow for Q3 2023 was KSEK 17,251 (-4,203) Cash flow from operating activities was KSEK 14,523 (-2,988).

CASH FLOW FROM INVESTING AND FINANCING ACTIVITIES

Cash flow from investing activities was KSEK -2,275 (-1,216) which is capitalised development expenses. Cash flow from financing activities relates to share issues of KSEK 5,004 (0).

Year to Date: 1 JAN 2023 TO 30 SEP 2023

REVENUE

Net Sales were KSEK 14,724 (13,530), which is a 9% increase compared with the same period last year, driven by increased subscription revenues (up 14% compared to the first three quarters of 2022) but offset by less professional services. Capitalised development expenses increased slightly compared to the same period last year totalling KSEK 4,362 (3,438).

OPERATING PROFIT AND LOSS

Operating loss for the first nine months was KSEK -10,423 (-7,936). EBITDA loss increased from KSEK -3,913 to -5,949.

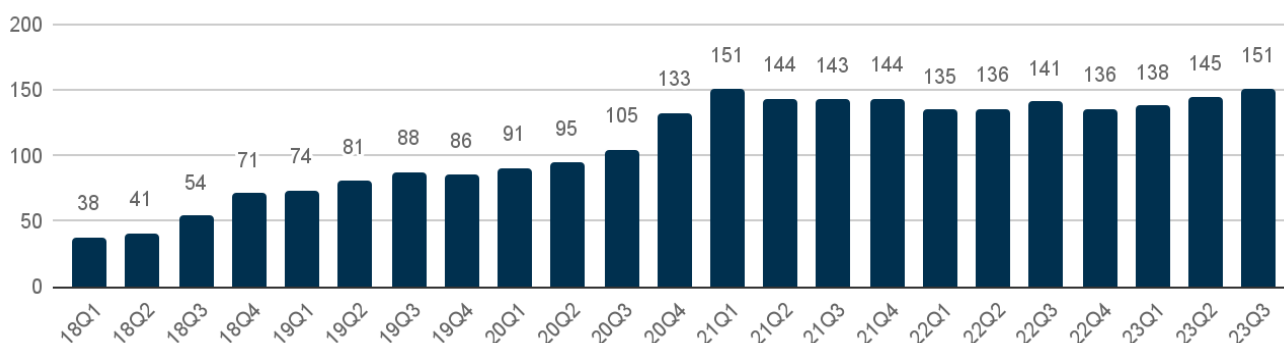
TOTAL CASH FLOW AND CASH FLOW FROM OPERATING ACTIVITIES

Total cash flow for the first nine months 2023 was KSEK 18,229 (-5,508) Cash flow from operating activities was KSEK 13,377 (-2,048).

CASH FLOW FROM INVESTING AND FINANCING ACTIVITIES

Cash flow from investing activities was KSEK -5,467 (-3,460) which is mainly capitalised development expenses. Cash flow from financing activities was KSEK 10,318 (0) which is the capital raise payout and repayment of bridge loan in January 2023 and the funds from the warrant exercise in July.

MRR Development (KUSD)



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). The accounting principles are unchanged compared to the Annual Report 2022. The quarterly reports are not audited but the company's auditors.

GROUP STRUCTURE PER 30 SEP 2023

The Divio Group is comprised of the parent company Divio Technologies AB (publ) in Sweden, with org. no. 559077-0730, the wholly owned subsidiary Divio AG in Switzerland, and its wholly owned subsidiary Divio INC in the US. The Group's operating activities are conducted mainly within Divio AG, with a transfer pricing setup according to the arm's length principle for intragroup services.

RISKS AND UNCERTAINTIES

Divio is a relatively new software development group. The company launched its first commercial cloud software products in 2017. Its revenue levels are increasing but do not yet exceed costs. The fact that the company has over 500 paying customers, and very low churn, is a clear signal of the need for the product, but it is still too early to draw long-term conclusions about market acceptance or to accurately forecast sales and earnings for the company.

Divio is dependent on licensing and partnership agreements, as well as permits, remuneration systems and associated laws, regulations, decisions by government authorities and practice, all of which are beyond Divio's control.

Divio is also dependent on intellectual property rights that are difficult to protect via registration. Other crucial factors for future development are Divio's ability to ensure the reliability of technical platforms and the company's information management, and to protect against security breaches.

In 2020 and 2021 Divio achieved considerable cost savings that reduced the need for external capital. Early

in 2021, Divio raised equity to continue investing in growth and performance until an even more stable level of earnings and/or significant growth in subscriptions and prepayment revenues is reached. Divio raised new equity of MSEK 9.9 before expenses in Q4 2022 and an additional MSEK 4.1 in Q2 2023. Divio also extended the contract with its largest customer in June resulting in an upfront payment of 21 MSEK which was received in Q3 2023. The requirement for external capital to meet needs is considered to be low unless the company decides to invest in further growth that is not covered by existing equity. For further information, see "Risk Factors" in the 2019 Company Description, available on www.divio.com.

SHARES

Divio Technologies AB (publ) has been traded on Nasdaq First North since 18 December 2019, under the stock ticker DIVIO B. The number of shares as per 30 Sep 2023 was 186,190,114 of which 750,000 were series A shares with 10x voting rights. The average number of shares in the period July to September was 186,190,114 before dilution. This is including the shares from the warrants per below for the entire period.

73,135,930 new shares were issued in January 2023 as a result of the capital raise and another 27,431,104 was issued in July 2023 from exercise of warrants.

WARRANTS

Divio Technologies AB (publ) has one active series of warrants per closing date.

The option program "Incentive Program 2021/2024" was issued to four key employees in 2021. These have been recalculated to take the new share issue in January into consideration as well as the new shares from July.

Warrant Series	Duration	Strike	Expiry	Investors	Employees	Total warrants	Possible share issue
Incentive program 2021/2024	2021/2024	3.36 (1:1.30)	2024-09-30	-	700,000	700,000	908,324

	Third quarter (3M)		Year to date (9M)		FY (12M)
	2023	2022	2023	2022	2022
Number of shares					
Shares at end of period BD	186,190,114	85,623,080	186,190,114	85,623,080	85,623,080
Shares at end of period AD	186,890,114	86,323,080	186,890,114	86,323,080	86,323,080
Average number of shares BD	186,190,114	85,623,080	164,753,974	85,623,080	85,623,080
Average number of shares AD	186,890,114	86,323,080	182,721,244	91,614,191	90,291,413

BD = Before Dilution, AD = After Dilution.

INCOME STATEMENT GROUP, SUMMARISED

KSEK	Third quarter (3 months)		Year to Date (9 months)		FY (12m)
	2023	2022	2023	2022	2022
Profit and loss					
Subscription revenues	4,821	4,288	13,637	11,916	16,290
Professional services	133	206	1,087	1,613	2,551
Capitalised development	1,851	1,235	4,362	3,438	4,563
Other revenue	-27	0	-27	27	11
Total revenue	6,778	5,729	19,059	16,994	23,415
Cost of goods sold	-1,777	-1,643	-5,356	-5,912	-8,214
Other external costs	-1,245	-1,263	-4,721	-3,861	-5,190
Personnel	-5,830	-3,774	-14,931	-11,134	-14,921
Depreciation / Amortization	-1,543	-1,370	-4,473	-4,023	-5,489
Other operating costs	0	0	0	0	0
Operating profit	-3,618	-2,321	-10,423	-7,936	-10,399
Net financial items	-812	-93	616	-121	1,351
Earning before tax	-4,430	-2,413	-9,806	-8,056	-9,048
Taxes on earnings	-4	0	-25	6	-23
Profit for the period	-4,434	-2,413	-9,832	-8,050	-9,070
EPS before dilution (SEK)	-0.02	-0.03	-0.06	-0.09	-0.11
EPS after dilution (SEK)	-	-	-	-	-

BALANCE SHEET GROUP, SUMMARISED (part 1 of 2)

	Third quarter (End of Period)		FY (EoP)
	2023	2022	2022
KSEK			
Assets			
Subscribed for but not paid in capital	-	-	8,801
Fixed assets			
<i>Immaterial fixed assets</i>			
Activated development	15,587	13,781	13,629
Other immaterial fixed assets	0	13	5
Total Immaterial fixed assets	15,587	13,793	22,435
<i>Material fixed assets</i>			
Equipment	243	92	127
Total material fixed assets	243	92	127
<i>Financial assets</i>			
Other financial assets	13	0	13
Total financial assets	13	0	13
Total fixed assets	15,842	13,885	22,575
<i>Current assets</i>			
Trade receivables	746	130	938
Other current receivables	702	288	886
Total current assets	1,448	418	1,824
Cash and cash equivalents	20,783	3,920	2,057
Total assets	38,074	18,223	26,456

BALANCE SHEET GROUP, SUMMARISED (part 2 of 2)

	Third quarter (End of period)		FY (EoP)
	2023	2022	2022
KSEK			
Equity and liabilities			
<i>Equity</i>			
Ongoing equity raise	-	-	7,314
Share capital	18,619	8,562	8,562
Share premiums	95,202	92,941	94,395
Retained profits (losses)	-92,559	-81,490	-83,127
This year's profit (loss)	-9,832	-8,050	-9,070
Total equity	11,430	11,963	18,074
<i>Non-current liabilities</i>			
Reserves	0	0	0
Total non-current liabilities	0	0	0
<i>Current liabilities</i>			
Trade payables	2,658	896	3,384
Other current liabilities	23,985	5,364	4,998
Total current liabilities	26,644	6,260	8,382
Total equity and liabilities	38,074	18,223	26,456

CASH FLOW GROUP, SUMMARISED

	Third quarter (3 months)		Year to Date (9 months)		FY (12m)
	2023	2022	2023	2022	2022
KSEK					
Cash flow					
Cash flow from operating activities					
Result after financial items	-4,433	-2,413	-9,832	-8,050	-9,070
Adj for non-cash items	1,682	622	6,733	4,143	12,448
Changes in current assets	18,446	266	-3,042	4,939	-5,125
Changes in current liabilities	-1,172	-1,463	19,518	-3,080	-3,050
Cash flow from operating activities	14,523	-2,988	13,377	-2,048	-4,797
Cash flow from investing activities					
Activated development costs	-2,272	-1,308	-5,498	-3,511	-4,677
Changes in financial assets	-4	13	31	51	56
Investments in other fixed tangible assets	0	79			0
Cash flow from investing activities	-2,275	-1,216	-5,467	-3,460	-4,621
Cash flow from financing activities					
Rights issue	5,004	-	12,318	-	-
Proceeds from debt issuance		-		-	2,000
Repayment of loans		-	-2,000	-	-
Cash flow from financing activities	5,004	-	10,318	-	2,000
Total cash flow for the period	17,251	-4,203	18,229	-5,507	-7,419
Cash at the beginning of the period	3,151	7,953	2,057	9,287	9,287
Exchange rate differences	382	171	498	141	189
Cash at the end of the period	20,784	3,920	20,783	3,920	2,057

CHANGE IN EQUITY GROUP, SUMMARISED

	Third quarter (3 months)		Year to Date (9 months)		FY (12m)
	2023	2022	2023	2022	2022
KSEK					
Change in equity					
Equity at the beginning of the period	15,785	14,044	18,074	18,752	18,752
Subscribed for but not paid in capital	-	-	-	-	8,801
New share issue	-	-	3,550	-	-
Currency translation differences	79	332	-362	1,262	-409
Profit (loss)	-4,434	-2,413	-9,832	-8,050	-9,070
Equity at the end of the period	11,430	11,963	11,430	11,963	18,074

INCOME STATEMENT PARENT COMPANY, SUMMARISED

	Third quarter (3 months)		Year to Date (9 months)		FY (12m)
	2023	2022	2023	2022	2022
KSEK					
Profit and loss					
Revenue	2,455	1,407	4,032	5,193	6,594
Total revenue	2,455	1,407	4,032	5,193	6,594
Other external costs	-757	-486	-1,304	-1,787	-2,145
Personnel	-1,580	-1,000	-2,582	-3,187	-3,998
Depreciation / Amortization	-18	-8	-5	-23	-30
Other operating costs	0	0	0	0	0
Operating profit	101	-87	141	197	421
Net financial items	24	2	-18	5	-256
Earnings before tax	125	-84	123	202	165
Taxes on earnings	0	0	0	0	-29
Profit for the period	125	-84	123	202	135

BALANCE SHEET PARENT COMPANY, SUMMARISED

(part 1 of 2)

	Third quarter (End of Period)		FY (EoP)
	2023	2022	2022
KSEK			
Assets			
Subscribed but not paid for capital	-	-	8,801
Fixed assets			
<i>Immaterial fixed assets</i>			
Other immaterial fixed assets	0	13	5
Total immaterial fixed assets	0	13	8,806
<i>Financial assets</i>			
Shares in group companies	60,268	60,268	60,268
Non-current financial receivables from group companies	22,367	9,508	16,367
Other financial assets	13	13	13
Total financial assets	82,648	69,789	76,648
Total fixed assets	82,648	69,802	85,454
<i>Current assets</i>			
Current financial receivables from group companies	6,839	5,166	2,808
Other current receivables	397	266	381
Total current assets	7,237	5,432	3,188
Cash and cash equivalents	880	2,874	354
Total assets	90,765	78,108	88,996

BALANCE SHEET PARENT COMPANY, SUMMARISED

(part 2 of 2)

	Third quarter (End of Period)		FY (EoP)
	2023	2022	2022
KSEK			
Equity and liabilities			
<i>Equity</i>			
Ongoing equity raise	-	-	7,314
Share capital	18,619	8,562	8,562
Share premiums	95,202	92,941	94,395
Retained profits (losses)	-25,268	-25,403	-25,403
This year's profit (loss)	123	202	135
Total equity	88,676	76,302	85,003
<i>Current liabilities</i>			
Trade payables	185	210	220
Other current liabilities	1,904	1,597	3,773
Total current liabilities	2,089	1,807	3,993
Total equity and liabilities	90,765	78,108	88,996

OTHER INFORMATION

UPCOMING FINANCIAL REPORTS

14 Feb 2024

Full Year and Q4 Report (1 Oct - 31 Dec)

15 May 2024

Interim Report Q1 (1 Jan - 31 Mar)

7 Jun 2024

Annual General Meeting in Stockholm

15 Aug 2024

Interim Report Q2 (1 Apr - 30 Jun)

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

STATEMENT OF ASSURANCE

This report was adopted by the Board of Directors of Divio Technologies AB (publ) on 15 Nov 2023. The Board currently consists of Leif Liljebrunn, Christian Bertschy, Niklas Köresaar and Anette Ringnér.

AUDITOR

This report has not been reviewed by the company's auditors. Mazars is the auditor for 2023.

CERTIFIED ADVISOR

FNCA Sweden AB is the certified advisor of the company.

DEFINITIONS

Subscription revenue

Revenue from customers that pay a monthly subscription fee (monthly recurring revenue, MRR see below) for Divio's platform.

Professional services

Revenues from customised projects

Earnings per share

Calculated as profit divided by the average number of outstanding shares of common stock.

MRR

Monthly recurring revenue, the monthly rate of revenue generated from recurring subscription services provided to customers. This value is excluding any set-up fees or one-time fees, and is measured as of the last month of the reporting period.