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Formpipe sells consulting business in Denmark

Formpipe signs agreement with KMD A/S on the sale of its consulting business for customer-specific solutions for Danish authorities. Formpipe thereby follows its strategy to streamline its business to a product company, with consulting and delivery capacity specifically related to the company's proprietary software.

In 2014 this part of the company's business contributed around 10% of net sales and showed a profitability in line with the business in general. In the latest quarterly report Formpipe stated that these revenues will be cut by half on an annual basis due to a lost framework agreement for the largest customer in the area, and a general price pressure regarding rates for this kind of consulting services which further reduces revenue and margins going forward.

“Since we lost our largest client - who accounted for half of the turnover regarding customer-specific solutions – it became challenging to run this business profitable. A reduced volume has a very direct impact on margins in a smaller consulting organization, not having the ability to effectively plan and allocate resources between a wider range of other projects” says Christian Sundin, CEO of Formpipe.

Historically, this area have experienced both volatile sales and profitability. Selling this part of the business creates more predictable and steady revenues and costs, which is more in line with the company's other business.

“I am confident that KMD will be an excellent partner for our current consulting customers and a good employer for our consultants. Formpipe and KMD will cooperate regarding the transition of our customers, ensuring continuity from the customers' perspective. This is a good deal for all parties; our customers, our staff and our shareholders”, Christian Sundin continues.

The initial purchase price amounts to DKK 3.2 DKK million. An additional payment of up to DKK 3.5 million, will fall out based on a few specific objectives for the business in 2016. The divested business includes employees and existing customer contracts and the transition to KMD takes place immediately. With this transaction, there will remain no revenues or costs to Formpipe regarding this area.



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About Formpipe

Formpipe develops ECM products and solutions for structuring information and supplies them to major companies, authorities and organisations. ECM products help organisations to capture, manage and distribute information, and to place it in context. The company's software helps improve efficiency, cut costs and reduce risk exposure. Formpipe was founded in 2004 and has offices in Sweden, Denmark, United Kingdom, The Netherlands and USA. The Formpipe share is listed on NASDAQ Stockholm.

About KMD A/S

The majority of the company's business revolves around software development, when creating and delivering IT solutions for local government, central government and private markets. With locations in Copenhagen, Aarhus, Odense and Aalborg, KMD is one of Denmark's largest IT companies. KMD employs more than 3,000 employees and generated revenues of DKK 4.8 billion in 2014.

This is a translation of the original Swedish version. In the event of any discrepancies between the two versions, the original Swedish version shall take precedence.