PROACT

Summary Q3 2019

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AGENDA

- Proact & the market
- Special highlights
- Key figures
- Summary

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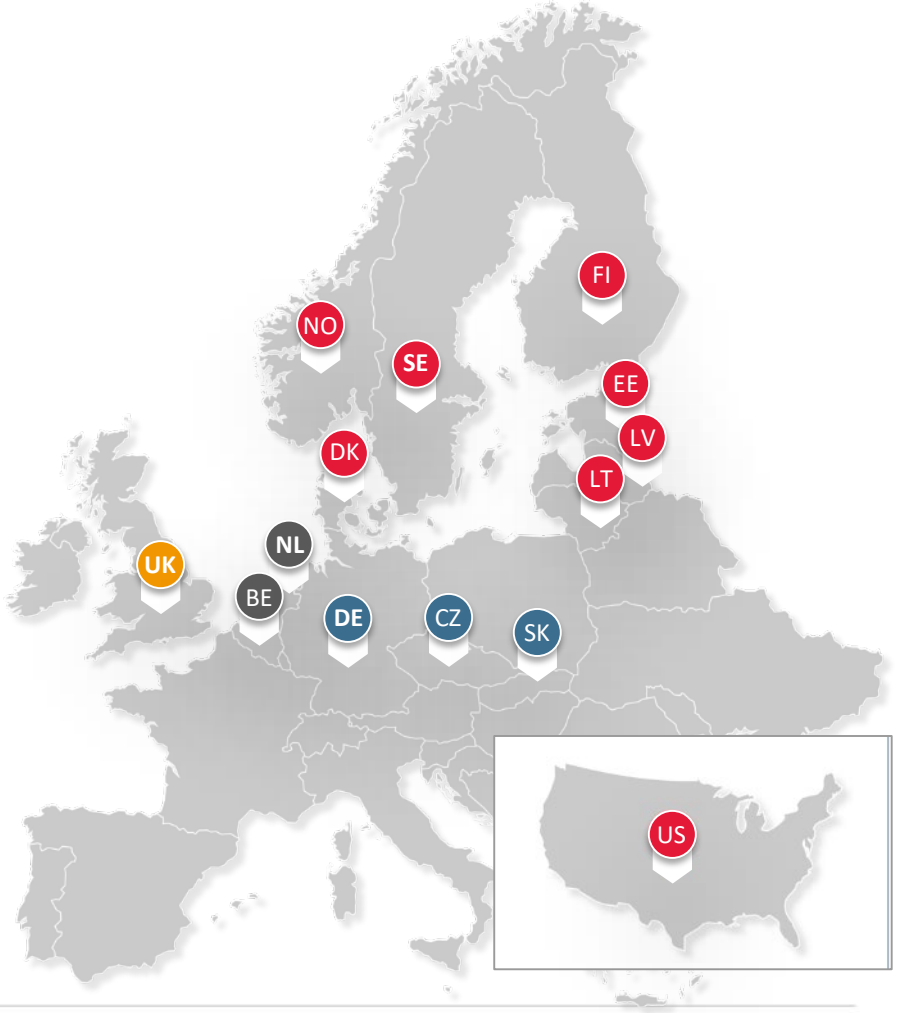
About Proact

- Founded in 1994
- System and hybrid cloud specialist
- 3 600 MSEK turnover
- Over 1000 employees at 37 offices
- HQ in Stockholm, Sweden
- Four BU:s with service delivery hubs



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Operating in a **market** where customers…

- … experience higher business expectations to support growth
- … need to focus more on generating business value
- … need to focus more on innovation and speed-of-change
- … experience stronger business control of IT budgets
- … increasing spend outside the IT-organization

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Leading to new **CIO priorities**

- Generate business value and revenue
- Manage the speed of change
- Modernizing datacenter
- Integrating hybrid cloud deployment models
- Ensuring security and information in complex environments

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How **Proact** leverage on market developments

- Grow addressable market through portfolio development and innovation
- Expand customer presence through business-driven IT
- Leverage being a trusted advisor in Hybrid Cloud and information-centric solutions
- Accelerate growth through acquisitions in core markets

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PeopleWare acquisition: doubling our presence in NL & BE

- Since 2003 / 220 employees / locations in NL & BE
- Strong within the mid-sized enterprise segment
- Core focus = outsourcing, cloud infrastructure and consultancy
- Award winning for its customer centricity (1st in Giarte)
- Strong Microsoft technology expertise

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PeopleWare acquisition: doubling our presence in NL & BE

- Will be integrated with Proact = 340 employees in 4 offices
- Good cultural fit
- Good strategic fit with complementary capabilities and services
- Great cross & upselling opportunities
- Supports our M&A agenda to accelerate growth and broaden portfolio

IT Service provider

People Ware

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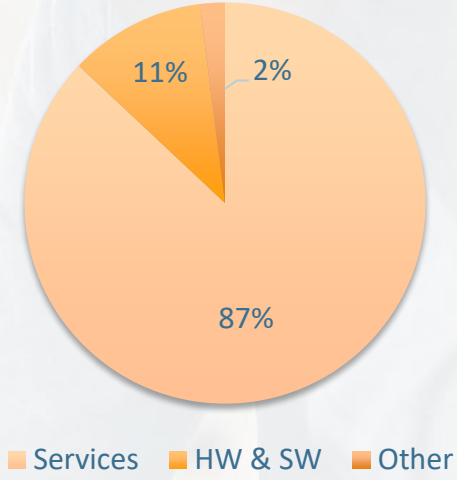
PeopleWare acquisition

- Purchase price = EUR 17 million
- Yearly revenue = EUR 28 million
- High recurring revenue mix of ~50%
- EBITA = ~7%



IT Service provider

People Ware

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Numbers for Q3

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Key Q3 Messages

Accelerated growth **+280 MSEK**

Cloud Revenue **+15%**

Cloud Services total contract value **87 MSEK**

Revenue Decline **-3%**

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Income Statement Q3 2019

TOTAL REVENUE	
GROWTH	MSEK
-3%	701

SYSTEM SALES	
GROWTH	MSEK
-7%	415

SERVICES SALES	
GROWTH	MSEK
+3%	285

Adj. EBITA		
GROWTH	MSEK	%
-19%	36.9	5.3%

Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	%
-20%	30.0	4.3%

(MSEK)	Jul-Sep 2019	Jul-Sep 2018
System Sales	415.0	447.4
Services	285.3	277.1
Other	0.4	0.0
Revenue	**700.7**	**724.6**
Products and services	-527.2	-542.0
Gross profit	**173.6**	**182.5**
Gross margin	*24.8%*	*25.2%*
Sales and marketing	-89.0	-92.1
Administration	-54.3	-53.1
Operating profit	**30.3**	**37.3**
Financial net	-0.3	0.1
Profit before tax	**30.0**	**37.4**
Margin	*4.3%*	*5.2%*
Tax	-5.8	-9.7
Profit after tax	**24.2**	**27.8**
Net margin	*3.5%*	*3.8%*

	Jul-Sep 2019		Jul-Sep 2018	
EBITDA	70.2	10.0%	52.9	7.3%
EBITA	36.9	5.3%	45.3	6.3%
EBIT	30.3	4.3%	37.3	5.2%

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Income Statement January - September 2019

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
+3%	2,417	+4%	1,567	+1%	849

Adj. EBITA			Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	%	GROWTH	MSEK	%
-20%	116.8	4.8%	-17%	99.3	4.1%

(MSEK)	Jan-Sep 2019	Jan-Sep 2018
System Sales	1,567.1	1,503.7
Services	848.7	843.7
Other	1.1	3.3
Revenue	**2,416.9**	**2,350.7**
Products and services	-1,860.2	-1,774.2
Gross profit	**556.7**	**576.5**
Gross margin	*23.0%*	*24.5%*
Sales and marketing	-285.1	-292.2
Administration	-174.8	-162.9
Items affecting comparability	-11.1	-2.6
Divestment of subsidiary	-9.1	-
Operating profit	**76.5**	**118.8**
Financial net	2.5	-1.3
Profit before tax	**79.0**	**117.5**
Margin	*3.3%*	*5.0%*
Tax	-20.4	-29.3
Profit after tax	**58.6**	**88.3**
Net margin	*2.4%*	*3.8%*

	Jan-Sep 2019		Jan-Sep 2018	
EBITDA	192.9	8.0%	165.3	7.0%
EBITA	96.6	4.0%	142.8	6.1%
EBIT	76.5	3.2%	118.8	5.1%

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Income Statement Rolling 12 months

TOTAL REVENUE	
GROWTH	MSEK
+4%	3,384

SYSTEM SALES	
GROWTH	MSEK
+6%	2,238

SERVICES SALES	
GROWTH	MSEK
+1%	1,144

Adj. EBITA		
GROWTH	MSEK	%
-10%	174.5	5.2%

Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	%
-11%	149.6	4.4%

(MSEK)	Oct-Sep 2019	Oct-Sep 2018
System Sales	2,238.0	2,104.5
Services	1,143.8	1,133.7
Other	2.1	4.6
Revenue	**3,383.9**	**3,242.8**
Products and services	-2,611.5	-2,454.0
Gross profit	**772.4**	**788.9**
Gross margin	*22.8%*	*24.3%*
Sales and marketing	-395.4	-399.0
Administration	-234.6	-223.7
Items affecting comparability	-11.1	-2.6
Divestement of subsidiary	-9.1	-
Operating profit	**122.2**	**163.6**
Financial net	7.1	1.2
Profit before tax	**129.4**	**164.7**
Margin	*3.8%*	*5.1%*
Tax	-31.7	-40.7
Profit after tax	**97.6**	**124.1**
Net margin	*2.9%*	*3.8%*

	Oct-Sep 2019		Oct-Sep 2018	
EBITDA	258.7	7.6%	226.4	7.0%
EBITA	154.3	4.6%	196.3	6.1%
EBIT	122.2	3.6%	163.6	5.0%

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Revenue & EBITA in Q3 per Business Unit

- Positive development in Cloud business with 15% growth to 123 MSEK
- Strong growth of 30% in Nordics with stable gross margins with good impact on EBITA
- Cloud revenues increased 12% in UK with lower total revenues driven by decline in systems sales and corresponding services. Brexit is impacting.
- An improved situation in West compare to Q2 but still a decline in systems and corresponding services. Cloud revenues increased by 19%.
- A service revenue increase with 15% in East, total revenue down due to decline in system sales

	2019 July - September			2018 July - September		
(MSEK)	Revenue	EBITA	Net margin	Revenue	EBITA	Net margin
Nordics	356	23.5	6.6%	274	8.1	3.0%
UK	133	8.3	6.2%	181	14.1	7.8%
West	177	5.2	2.9%	235	20.0	8.5%
East	38	3.2	8.4%	43	4.3	10.1%
Proact Finance	18	0.3	1.5%	18	0.1	0.8%
Other	-21	-3.6		-26	-1.3	
Group	**701**	**36.9**	**5.3%**	**725**	**45.3**	**6.3%**

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Revenue & EBITA January-September per Business Unit

- Revenue growth in Nordics YTD of 17%, improved EBITA margin due strong system sales
- Margin improvements in UK delivering flat EBITA on somewhat declining revenues. Cloud revenues increased by 15%.
- Improved situation in West since Q2, revenue still down with 10% YoY. Cloud revenues increased by 24%.
- Positive revenue and EBITA development in East
- One-time cost for restructuring of 11.1 MSEK in Q1 and 9.1 MSEK for divestment of Spain in Q2.
- Adjusted EBITA margin of 4.8% (6.2%)

	2019 January - September			2018 January – September		
(MSEK)	Revenue	EBITA	Net margin	Revenue	EBITA	Net margin
Nordics	1,208	59.1	4.9%	1,032	47.9	4.6%
UK	422	28.2	6.7%	498	34.6	7.0%
West	657	15.5	2.4%	730	55.5	7.6%
East	143	12.5	8.7%	110	10.8	9.8%
Proact Finance	79	-0.1	Neg.	76	0.1	0.1%
Other	-92	1.6		-95	-3.5	
Items affecting comparability	-	-20.2		-	-2.6	
Group	**2,417**	**96.6**	**4.0%**	**2,351**	**142.8**	**6.1%**

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Cash flow in Q3

- Negative change in working capital -39 (-11) MSEK but still +27 MSEK on 12 months rolling
- Fixed assets; Proact Finance -5 MSEK
- Repayment of Leasing Liabilities; IFRS16
- No change in bank loans/overdraft facilities
- Strong cash position of 217 MSEK

Liquid Funds June 30, 2019		**219**
Cash-flow from current operations		44
Current operations	*83*	
Change in working capital	*-39*	
Cash-flow from investment activities		-24
Fixed assets	*-25*	
Other	*1*	
Cash-flow from financial activities		-25
Repayments on Leasing Liabilities	*-25*	
Change in liquid funds		-5
Currency translation difference in liquid funds		3
Liquid Funds September 30, 2019		**217**

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Cash flow January-September 2019

- Negative change in working capital -66 (-59) MSEK but still +27 MSEK on 12 months rolling
- Fixed assets; Proact Finance -38 MSEK
- Repayment of Leasing Liabilities; IFRS16
- Dividend; 4.15 SEK (3.75) per share, 38 MSEK
- No change in bank loans/overdraft facilities
- Strong cash position of 217 MSEK

Liquid Funds December 31, 2018		**270**
Cash-flow from current operations		121
Current operations	*186*	
Change in working capital	*-66*	
Cash-flow from investment activities		-78
Fixed assets	*-72*	
Divestment of subsidiary	*-7*	
Other	*1*	
Cash-flow from financial activities		-113
Repayments on Leasing Liabilities	*-73*	
Dividend	*-38*	
Other	*-2*	
Change in liquid funds		-70
Currency translation difference in liquid funds		17
Liquid Funds September 30, 2019		**217**

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Balance sheet

- Solidity of 23% including a negative impact from IFRS 16 of 262 MSEK, will drop due to acquisition of PeopleWare
- Cash position of 217 MSEK
- Unutilized overdrafts of 249 MSEK for daily operations
- Net debt of 163 MSEK including a negative impact from IFRS 16 of 262 MSEK
- Unutilized three-year revolving credit facility of 150 MSEK after the acquisition of PeopleWare

(MSEK)	2019 Sep 30	2018 Dec 31	2018 Sep 30
Total Assets	2,251	2,213	1,915
whereof Goodwill	*409*	*393*	*399*
whereof Intangible fixed assets	*55*	*70*	*81*
whereof Accounts receivables	*351*	*613*	*452*
Equity	510	470	439
Solidity	23%	21%	23%
Cash and bank deposits	217	270	166
Bank loan, overdraft facilities	-118	-113	-159
Net cash (+) / Net debt (-) excl. financial leasing	99	156	6
Financial leasing	-262	-14	-
Net cash (+) / Net debt (-) incl. financial leasing	-163	142	6
Bank overdraft facilities, unutilized	249	240	188
Bank overdraft facilities, total	255	245	241

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH	
TARGET	OUTCOME
>10%	+4%

3 384 MSEK, +300 MSEK from PeopleWare

EBITA MARGIN	
TARGET	OUTCOME*
8%	5.2%

Adjusted for one-time costs

NET DEBT/EBITDA	
TARGET	OUTCOME
<2	0.63

IFRS16 impact of 262 MSEK

ROCE	
TARGET	OUTCOME
>25%	17%

Impacted by IFRS 16 and one-time costs

DIVIDEND	
TARGET	OUTCOME
25-35%	30%

4.15 (3.75) SEK per share

*Adjusted for items affecting comparability

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Summary

- Market opportunities remain positive
- Some improvements in Business Unit West
- Positive cloud development
- Strengthening presence in NL and BE via acquisition of PeopleWare