PROACT

Summary Q4 2019

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AGENDA

- About Proact
- Quarter in brief
- Our value-add in the market
- Key figures
- Summary

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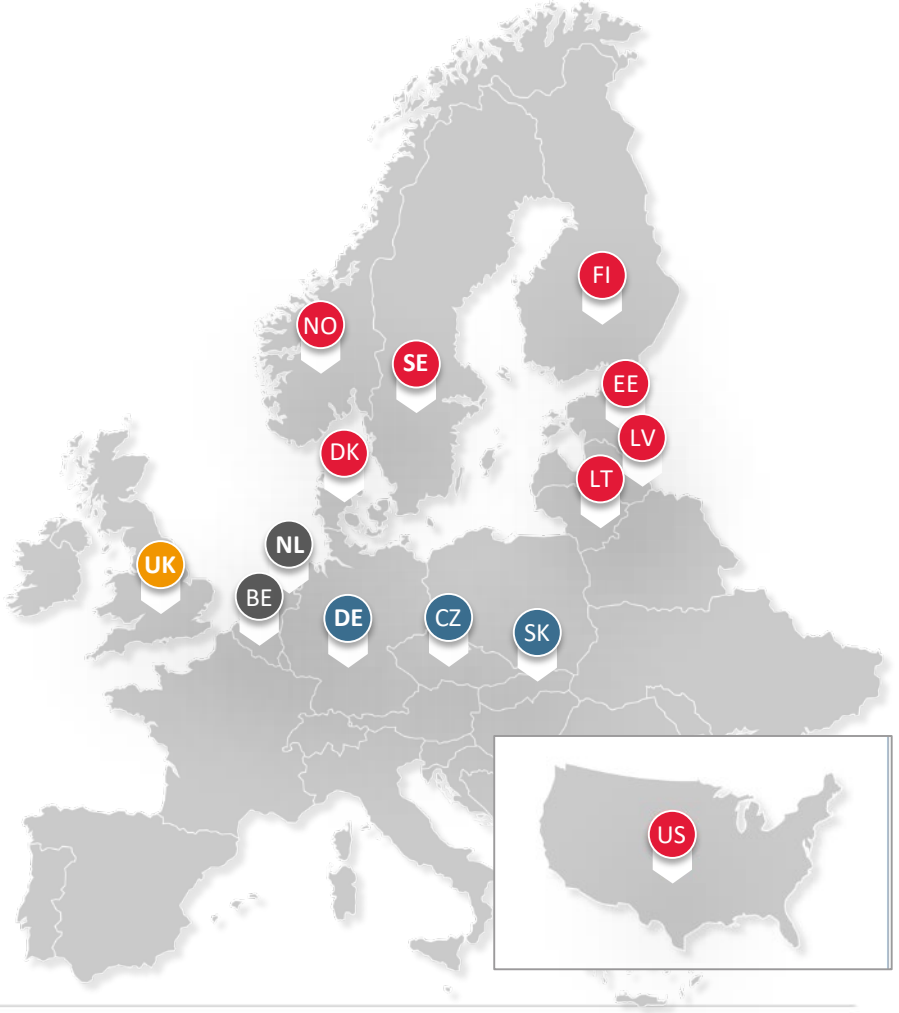
About Proact

- Founded in 1994
- System and multi-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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Quarter in brief

- – Not reaching expectations
- – EBITA: 48.8 MSEK
- – Challenges in BU WEST
- – Margin pressure in BU UK

+ Cloud business growth: 16%
+ New cloud contract value: 97 MSEK
+ PeopleWare integration
+ EBITA growth in BU Nordics

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MARKET **OVERVIEW**

Market **developments:**

- Market is growing
- Multi-cloud is the new normal
- IT is hard
- New opportunities and new buyers

Our **business opportunity:**

- Thought leader & trusted advisor for our customers

58%
sees IT as a business enabler

57%
sees business innovation as a top priority

x3.8
“wallet share” for IT projects in the business

66%
of Proact customers will use hybrid models

57%
of all IT investments ROI is owned by business management

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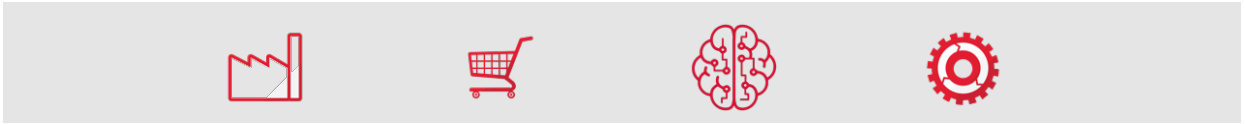
OUR DIFFERENTIATED **VALUE**



We advice on	We store	We connect	We protect	We bring value
your data strategy	your data	your data	your data	to your data

CONSULTING

SOLUTIONS

SUPPORT

MANAGED SERVICES

ON PREMISE

PRIVATE CLOUD

PUBLIC CLOUD

We **understand** our customer's business

We are **specialists**

Relevant **portfolio** of products and services

Freedom of **choice**

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New Offering Case Study: Infrastructure for AI

ÖREBRO UNIVERSITET

> We offer the platform for AI projects – the benefits lie in timesaving's and results

Johan Calmblad
Account Manager @ Proact

- Örebro University is a hub for Artificial Intelligence (AI) development in Sweden, with fifty AI researchers working with developing solutions and platforms within AI, robotics and autonomous systems. The university is heavily involved in the extensive European Commission's initiative AI4EU with focus to support the AI development and projects within science and research.
- Proact will deliver the infrastructure to support the complex calculations in AI development. It is the first installation of its kind in Sweden, based on ONTAP AI (NetApp + Nvidia DGX) reference architecture based on supercomputers with graphic processing units and cloud connected storage.

✓ A central AI solution to be used by >10 scientific projects

✓ Timesaving's for high-end computing

✓ Scalable solution that lead to quick results

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Numbers for Q4

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Key Q4 Messages

Accelerated growth **280 MSEK**

Cloud Revenue **+48%**

Cloud Services total contract value **97 MSEK**

EBITA decline **48 MSEK**

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Income Statement Q4 2019

TOTAL REVENUE	
GROWTH	MSEK
+2%	991

SYSTEM SALES	
GROWTH	MSEK
-5%	636

SERVICES SALES	
GROWTH	MSEK
+20%	354

Adj. EBITA		
GROWTH	MSEK	%
-15%	48.8	4.9%

Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	%
-32%	34.0	3.4%

(MSEK)	Oct-Dec 2019	Oct-Dec 2018
System Sales	635.9	670.9
Services	354.4	295.2
Other	0.6	0.9
Revenue	**991.0**	**967.0**
Products and services	-759.0	-751.3
Gross profit	**231.9**	**215.7**
Gross margin	*23.4%*	*22.3%*
Sales and marketing	-120.8	-110.2
Administration	-71.0	-59.8
Items affecting comparability	-11.3	-
Operating profit	**28.9**	**45.7**
Financial net	-6.2	4.7
Profit before tax	**22.7**	**50.3**
Margin	*2.3%*	*5.2%*
Tax	-1.1	-11.3
Profit after tax	**21.6**	**39.0**
Net margin	*2.2%*	*4.0%*

	Oct-Dec 2019		Oct-Dec 2018	
EBITDA	78.9	8.0%	65.8	6.8%
EBITA	37.6	3.8%	57.7	6.0%
EBIT	28.9	2.9%	45.7	4.7%

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Income Statement January - December 2019

TOTAL REVENUE	
GROWTH	MSEK
+3%	3,408

SYSTEM SALES	
GROWTH	MSEK
+1%	2,203

SERVICES SALES	
GROWTH	MSEK
+6%	1,203

Adj. EBITA		
GROWTH	MSEK	%
-18%	165.6	4.9%

Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	%
-27%	124.1	3.6%

(MSEK)	Jan-Dec 2019	Jan-Dec 2018
System Sales	2,203.1	2,174.6
Services	1,203.0	1,138.9
Other	1.8	4.2
Revenue	**3,407.9**	**3,317.7**
Products and services	-2,619.2	-2,525.5
Gross profit	**788.6**	**792.2**
Gross margin	*23.1*	*23.9%*
Sales and marketing	-406.0	-402.4
Administration	-245.8	-222.7
Items affecting comparability	-22.4	-2.6
Divestment of subsidiary	-9.1	-
Operating profit	**105.4**	**164.5**
Financial net	-3.7	3.3
Profit before tax	**101.7**	**167.8**
Margin	*3.0%*	*5.1%*
Tax	-21.5	-40.6
Profit after tax	**80.2**	**127.3**
Net margin	*2.4%*	*3.8%*

	Jan-Dec 2019		Jan-Dec 2018	
EBITDA	271.7	8.0%	231.1	7.0%
EBITA	134.2	3.9%	200.5	6.0%
EBIT	105.4	3.1%	164.5	5.0%

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Revenue & EBITA in Q4 per Business Unit

- Positive development in Cloud business with 48% growth to 164 MSEK, organic growth of 16%
- In Nordics revenue decreased by 6%, adjusted EBITA increased by 56% and the EBITA margin was 7.2%
- In UK revenue increased by 8%, despite Brexit. Declined system margins impacted EBITA negatively. Cloud service revenue increased by 21%. EBITA margin was 4.2%.
- In West the revenue increased by 27%, organic growth was 3%. PeopleWare according to plan. Lower system margins in NL impacted EBITA negatively. Germany improved since Q2/Q3, cost reductions with positive impact from Q1 2020.
- In East service revenue increased by 9%, total revenue down due to decline in system sales
- Adjusted EBITA margin of 4.9 (6.0) %

	2019 October - December			2018 October - December		
(MSEK)	Revenue	EBITA	Net margin	Revenue	EBITA	Net margin
Nordics	507	36.5	7.2%	538	23.3	4.3%
UK	143	6.1	4.2%	132	11.6	8.7%
West	302	7.0	2.3%	238	16.3	6.8%
East	59	3.2	5.4%	69	5.3	7.8%
Proact Finance	19	-1.6	Neg.	21	0.2	1.2%
Other	-39	-2.3		-31	1.0	
Items affecting comparability	-	-11.3		-	-	
Group	**991**	**37.6**	**3.8%**	**967**	**57.7**	**6.0%**

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Revenue & EBITA January-December per Business Unit

- Revenue growth in Nordics YTD of 9%, improved EBITA margin due strong system sales
- In UK EBITA margin decreased from 7.3% to 6.1% mainly due to decrease in revenues from system sales and related services. Cloud revenues increased by 16%
- West still a challenge even with some recovery in Germany. Decrease in system revenue YoY, -11%, in combination with lower margins. Cloud revenues increased by 53%, organic increase by 26%
- In East revenues increased by 13% and EBITA was nearly unchanged
- Adjusted EBITA margin of 4.9% (6.1%)

	2019 January -December			2018 January –December		
(MSEK)	Revenue	EBITA	Net margin	Revenue	EBITA	Net margin
Nordics	1,715	95.6	5.6%	1,570	71.2	4.5%
UK	565	34.3	6.1%	630	46.2	7.3%
West	959	22.4	2.3%	967	71.8	7.4%
East	202	15.6	7.7%	179	16.1	9.0%
Proact Finance	97	-1.7	Neg.	97	0.3	0.3%
Other	-131	-0.5		-125	-2.5	
Items affecting comparability	-	-31.5		-	-2.6	
Group	**3,408**	**134.2**	**3.9%**	**3,318**	**200.5**	**6.0%**

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Cash flow in Q4

- Positive change in working capital 128 (-39) MSEK after a strong sprint in Nordics
- Fixed assets; Proact Finance -10 MSEK
- Acquisition; PeopleWare -108 MSEK
- Repayment of Leasing Liabilities; -30 MSEK, IFRS16
- Change in bank loans/overdraft facilities +118 MSEK
- Strong cash position of 373 MSEK

Liquid Funds September 30, 2019		**217**
Cash-flow from current operations		209
Current operations	*81*	
Change in working capital	*128*	
Cash-flow from investment activities		-129
Fixed assets	*-22*	
Acquisition	*-108*	
Other	*+1*	
Cash-flow from financial activities		85
Changes in bank loans and overdraft facilities	*+118*	
Repayments on Leasing Liabilities	*-30*	
Other	*-3*	
Change in liquid funds		165
Currency translation difference in liquid funds		-9
Liquid Funds December 31, 2019		**373**

PROACT

Cash flow January-December 2019

- Positive change in working capital 63 (34) MSEK
- Fixed assets; Proact Finance -48 MSEK
- Repayment of Leasing Liabilities; -103 MSEK, IFRS16
- Acquisition; PeopleWare -108 MSEK
- Change in bank loans/overdraft facilities +118 MSEK
- Strong cash position of 373 MSEK

- Dividend; 4.15 SEK (3.75) per share, 38 MSEK
  - Recommended dividend unchanged, 4.15 SEK per share, 38 MSEK.

Liquid Funds December 31, 2018		**270**
Cash-flow from current operations		330
Current operations	*267*	
Change in working capital	*63*	
Cash-flow from investment activities		-206
Fixed assets	*-94*	
Divestment of subsidiary	*-7*	
Acquisition	*-108*	
Other	*+3*	
Cash-flow from financial activities		-28
Changes in bank loans and overdraft facilities	*+118*	
Repayments on Leasing Liabilities	*-103*	
Dividend	*-38*	
Other	*-5*	
Change in liquid funds		96
Currency translation difference in liquid funds		7
Liquid Funds December 31, 2019		**373**

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Balance sheet

- Solidity of 18% including a negative impact from IFRS 16 of 302 MSEK, dropped due to acquisition of PeopleWare
- Cash position of 373 MSEK
- Unutilized overdrafts of 253 MSEK for daily operations
- Net debt of 161 MSEK including a negative impact from IFRS 16 of 302 MSEK
- Unutilized three-year revolving credit facility of 150 MSEK after the acquisition of PeopleWare

(MSEK)	2019 Dec 31	2018 Dec 31
Total Assets	2,877	2,213
whereof Goodwill	*516*	*393*
whereof Intangible fixed assets	*93*	*70*
whereof Accounts receivables	*613*	*613*
Equity	526	470
Solidity	18%	21%
Cash and bank deposits	373	270
Bank loan, overdraft facilities	-231	-113
Net cash (+) / Net debt (-) excl. financial leasing	142	156
Financial leasing	-302	-14
Net cash (+) / Net debt (-) incl. financial leasing	-161	142
Bank overdraft facilities, unutilized	253	240
Bank overdraft facilities, total	253	245

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH		
TARGET	OUTCOME	
>10%	+3%	3 407 MSEK, incl. 63 MSEK from PeopleWare

EBITA MARGIN		
TARGET	OUTCOME*	
8%	4.9%	Adjusted for one-time costs

NET DEBT/EBITDA		
TARGET	OUTCOME	
<2	0.59	IFRS16 impact of 302 MSEK

ROCE		
TARGET	OUTCOME	
>25%	13%	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
- Challenges in BU West
- Positive cloud development and strong Nordics
- PeopleWare integration is according to plan