PROACT

Summary Q2 2021
July 14, 2021

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PROACT

Agenda

- Proact introduction
- Proact's market
- Key developments
- Financial results
- Summary

Jonas Hasselberg
CEO and President

Linda Höljö
CFO

Who is **Proact**

1994 Almost 3 decades of helping customers drive business value and growth – through IT

4,000 Medium and large enterprise customers across Europe

350 Million-euro turnover with stable finances. Listed on Nasdaq Stockholm since 1999

1,000 Employees with industry-leading skills & expertise across our business

PROACT

Specialist in IT Infrastructure for managing Data and Information

We advise on your data strategy

We store your data

We connect your data

We protect & secure your data

We help you drive value through your data

CONSULTING

MANAGED SERVICES

HARDWARE & SOFTWARE

TECHNICAL SUPPORT

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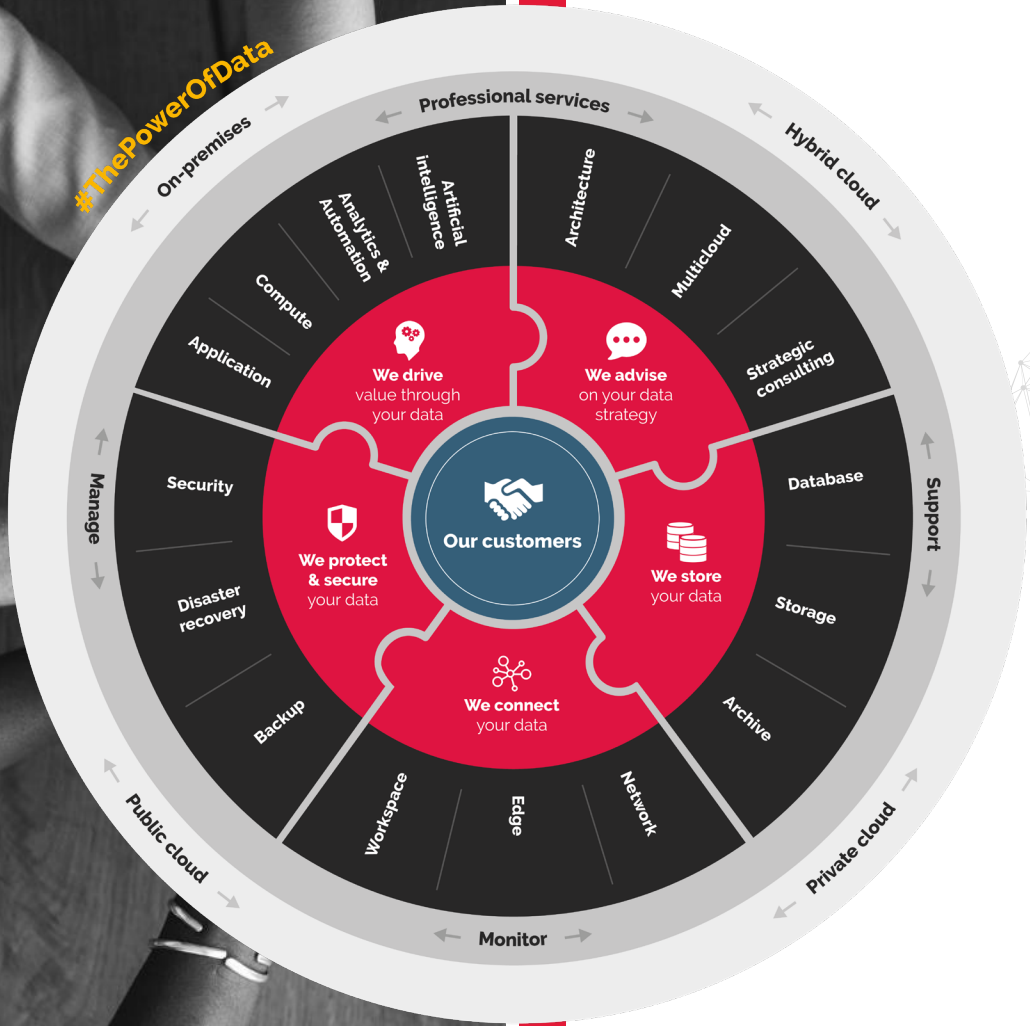
#ThePowerOfData



Value through **our propositions**

#ThePowerOfData

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Our deployment models enable delivery to you **anywhere**

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Businesses across all industries are in a state of transformation.
Data is the key to this transformation.

CIOs agenda

- Accelerate business **digitalisation**
- Generate more business value and **enable business innovation** through IT
- Increase **flexibility, speed** and **availability**
- Ensure **cost-efficiency**
- Ensure data **security** and compliance

IT managers agenda

- Integrate and build **multicloud** environments
  - Integrating on-prem and cloud services
- Drive tech harmonisation and **modernisation**
- Managing and connecting data at the **Edge**
- Building platforms for **Ai and analytics**
- **Next gen infra** (e.g. container applications)

Covid-19 impact

- IT-investments connected to managing covid-19 is decreasing
- Some caution on new strategic investments given uncertainties
- New demands to further invest in
  - Digitalisation and automation
  - Discovering of new security threats faster
  - Increasing IT-capabilities for long-term remote working

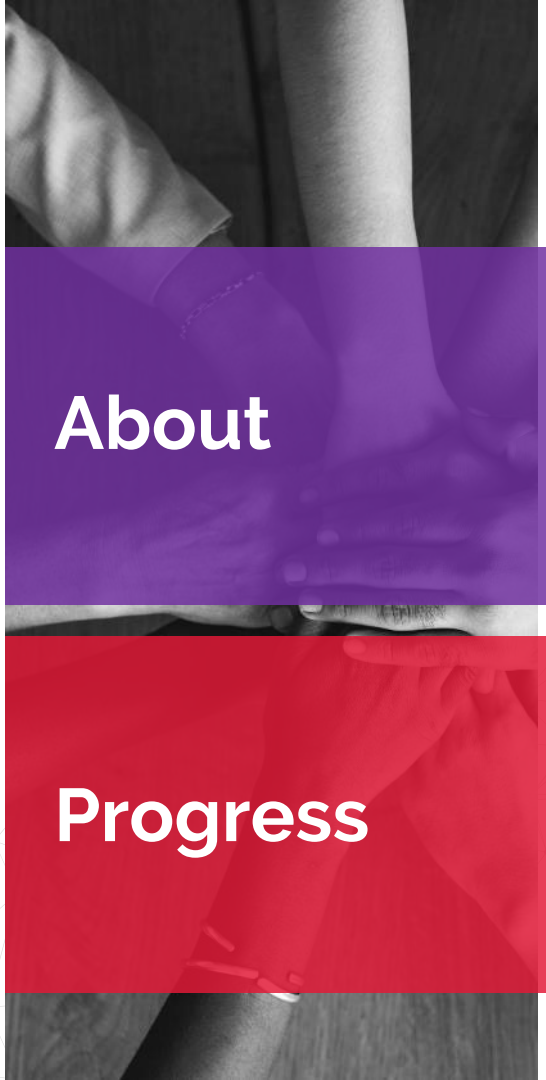
Quarter in brief

- \+ 2% up in Services revenue
- \+ GM increasing to 22.7% (21.7%)
- \+ SG&A decreasing by -3%
- \+ Strategic acquisition of Conoa

- – Revenue down 11% to 878 (987) MSEK
- – EBITA margin declined to 5.2% (5.7%)
- – 19% down in System revenue
- – Covid-19 uncertainties

Key developments in Q2

- **Sales cycles have been prolonged** during 2021 while opportunities and customer activity remain high
- **Semiconductor shortages** have impacted deliveries from main partners and vendors in Q2
- **Integration of Conoa on track** with good progress on cross- and up-sell as well as co-development of offerings
- Integration of **Cetus ahead of plan** with positive commercial synergies



Acquisition of Conoa AB

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About

- Founded in 2012
- 30 employees in Stockholm, Sweden
- Fast revenue growth over past 5+ years in enterprise segment
- Strong capabilities in cloud-native development platforms
- Strong partnership with Mirantis, Red Hat, Rancher etc

Progress

- Good progress in integration project
- High demand for Conoa's specialist consulting services
- Engaging joint customer base to drive cross- and up-sell
- Co-development of services offering ongoing
- Conoa contributes with approximately 22 MSEK of Revenue and 3 MSEK of Adjusted EBITA in Q2

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Accelerated strategy by acquisitions

IT Service provider
People Ware
Powered by dedication

October 2019
- Acquisition of **Peopleware** in the Amsterdam
- 220 employees
- Experts in cloud-based workspace solutions

cetus

October 2020
- Acquisition of **Cetus Solutions** in Manchester
- 47 employees
- Experts in hybrid cloud solutions

conoa

April 2021
- Acquisition of **Conoa** in Stockholm
- 30 employees
- Experts in cloud-native development platforms

Financial **development**

Income Statement – Highlights Q2 2021

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
-11%	878	-19%	507	2%	370

Adj. EBITA			Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
-18%	46.0	5.2%	-12%	35.1	4.0%

Revenue development

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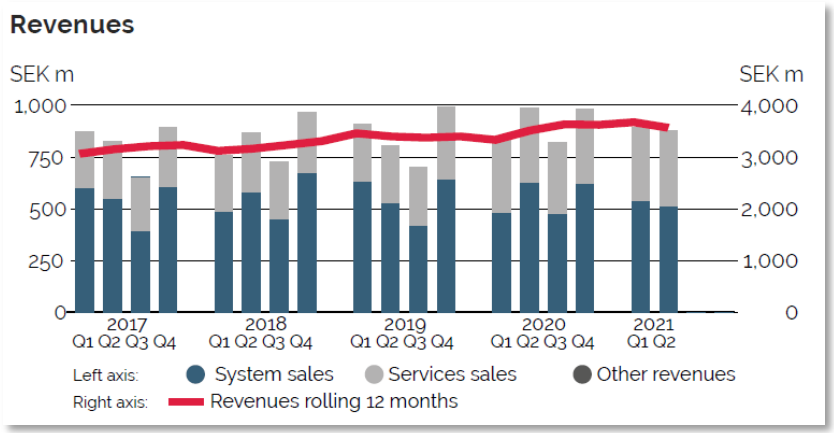
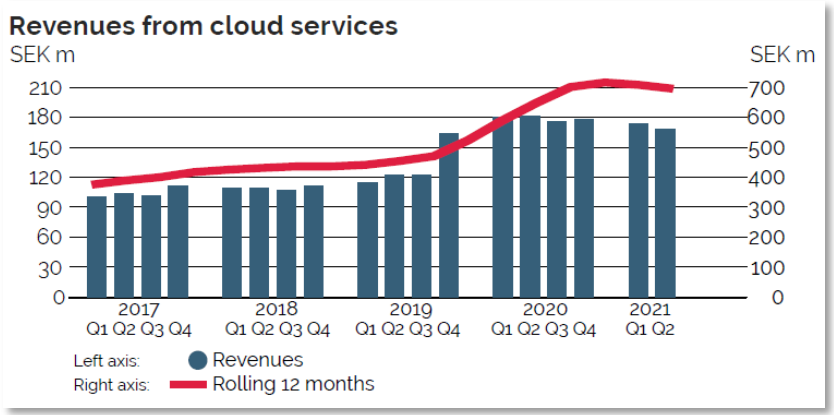
Key developments in the second quarter

- Revenue growth -11%
  - -14% organically
  - Acquisitions contributing +5% and currency effects by -2%
  - R12 months growth of 2% (5% in services, -1% in systems)
- Services increase of 2%
  - -1% organically
  - Support services growth of 8% (organic growth 5%)
  - Consulting services increase of 19% (organic growth -2%), with Conoa and Cetus contributing
  - Cloud revenue decline of 7% (organic growth -4 %) as a result of previously lower TCV and longer onboarding times of new contracts
- Systems decrease of 19%
  - -21% organically
  - Strong growth in UK, challenging in other Business Units, with slow decision making and prolonged delivery lead times
- New cloud contracts of SEK 72 (77) million





Profitability development

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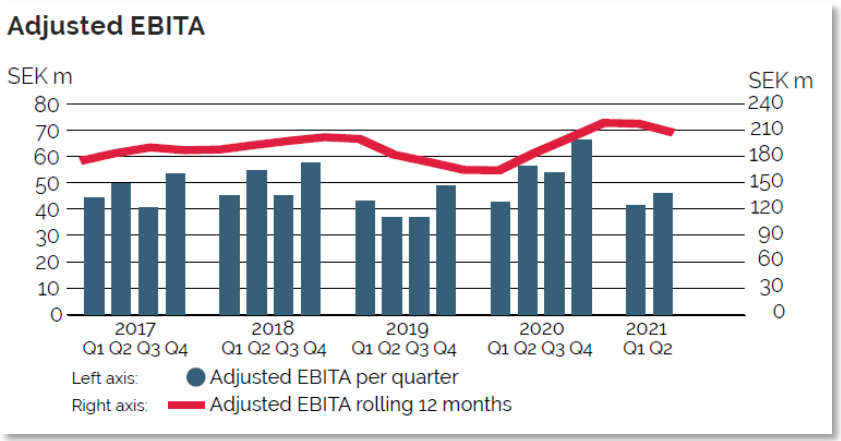
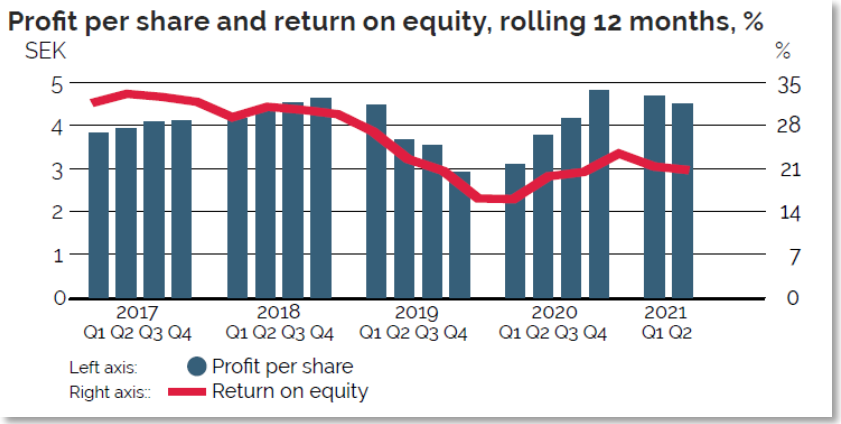
Key developments in the second quarter

- Adjusted EBITA of SEK 46.0 (56.3) million
  - Decline by 18%
  - Margin of 5.2 (5.7)%
- Gross margin increasing, primarily in Systems
  - Cost control
  - Favourable pricing development
- SG&A costs reducing by 8% for comparable units
  - 2020 cost savings program
  - Cost control
- EPS declining
  - Lower EBIT
  - Less negative financial net Q2 2021 than Q2 2020, primarily due to negative FX effects last year





BU Nordics & Baltics

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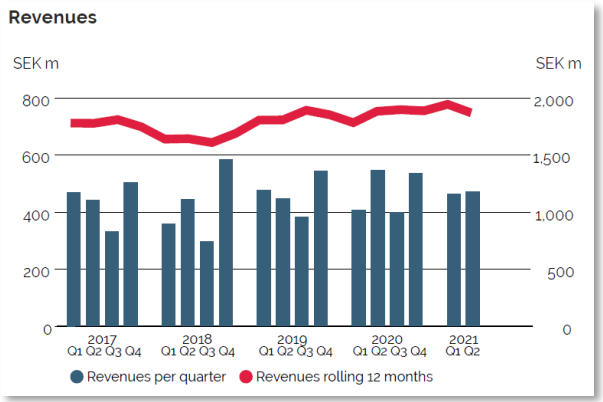
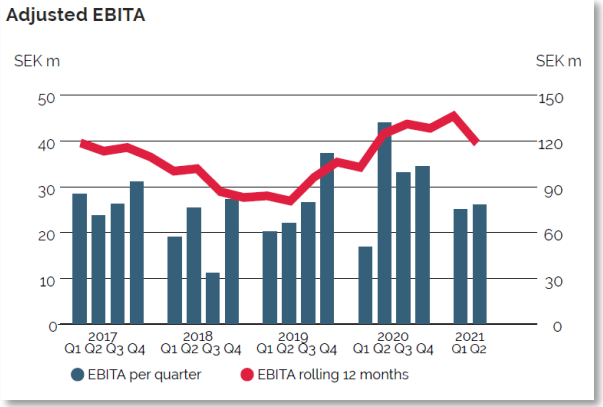
Key developments in the second quarter

- Revenue decline 14%
  - Systems -22% (organic -24%)
  - Services +12% (organic +4%), with increase in all services but mainly consulting +29%
  - Conoa acquisition contributing by SEK 22 million, primarily within consulting services
  - Sweden and Norway primary contributors to decline in systems revenue

- EBITA margin declining to 5.5 (8.0)%
  - EBITA of SEK 26.0 (44.0) million
  - Decreased EBITA due to lower revenues





BU UK

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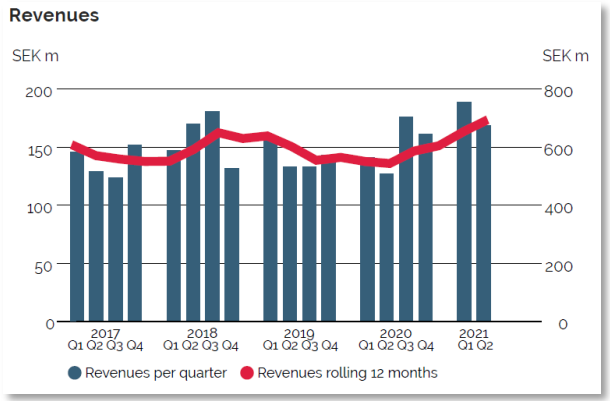
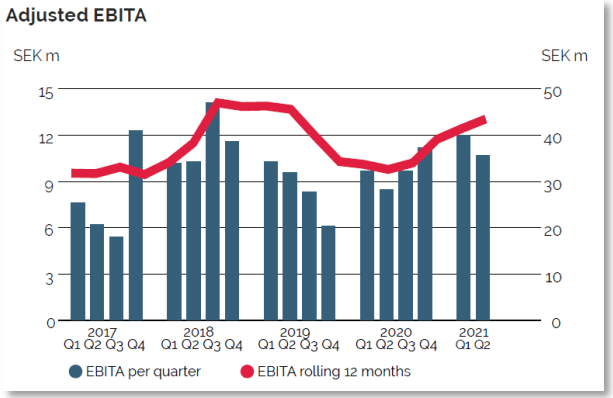
Key developments in the second quarter

- Revenue growth 33% (18% organically)
  - Systems 65%
  - Services 9%
  - Cetus acquisition contributing by SEK 22 million
  - Strong systems growth organically of 43%

- EBITA margin decreasing to 6.3% (6.7)%
  - EBITA of SEK 10.7 (8.5) million
  - Increased EBITA due to strong revenue growth, partly offset by slightly lower gross margins and increased SG&A

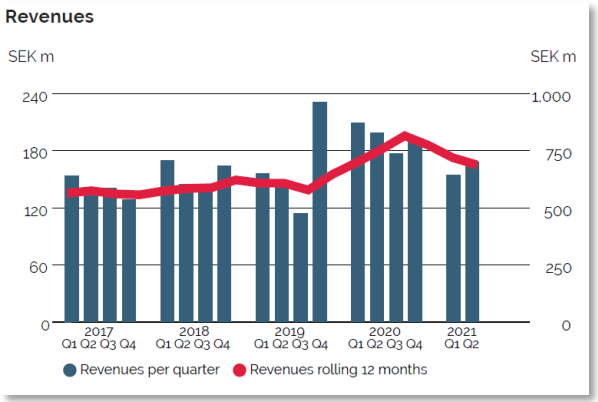


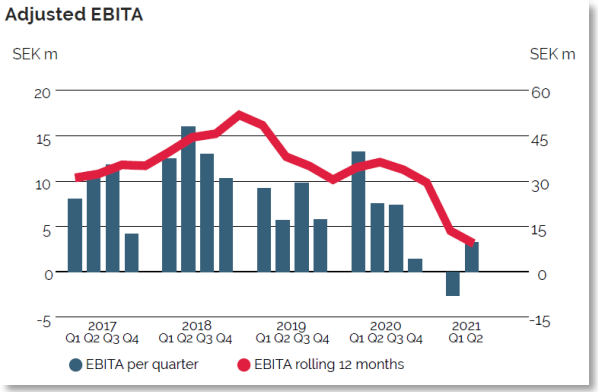


BU West

Key developments in the second quarter

- Revenue declined by 16%
  - Organic decline 11%
  - Systems -29%
  - Services -8%
  - Continued pressure on revenues, in particular systems, but improving from Q1
- EBITA margin decreasing to 1.9 (3.7)%
  - EBITA of SEK 3.3 (7.5) million
  - Negative impact of reduced revenues
  - Action program starting to generate results with improving gross margins





BU Central

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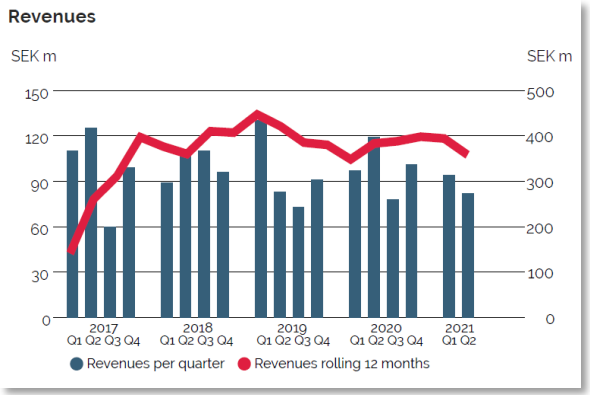
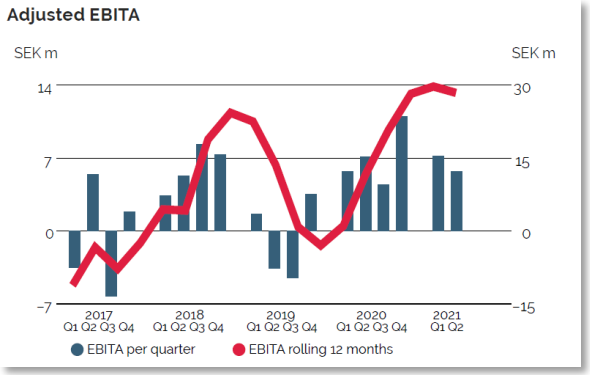
Key developments in the second quarter

- Revenue declined by 31%
  - Systems -42%
  - Services -6%
  - Slow decision making at customers impacting

- EBITA margin increasing to 7.0 (6.0)%
  - EBITA of SEK 5.7 (7.1) million
  - Organically reduced SG&A costs of 20% contributing to positive margin development despite revenue decline





Cash flow in Q2

- Positive cash-flow from current operations before change in working capital
- Positive change in working capital is mainly related to a decrease in accounts receivable of SEK 176 million.
- Cash flow from investment activities primarily related to acquisition of subsidiary (Conoa).
- Investment in fixed assets SEK -10 million; Proact Finance SEK -2 million.
- Cash flow from financial activities primarily related to increase in bank loans SEK 40 million, dividend SEK -41 million and repayment of Leasing Liabilities SEK -30 million.
- Strong cash position of 500 MSEK

Liquid Funds March 31, 2020		**393**
Cash-flow from current operations		247
Current operations	*71*	
Change in working capital	*176*	
Cash-flow from investment activities		-92
Fixed assets	*-10*	
Acquisition of subsidiary	*-84*	
Other	*2*	
Cash-flow from financial activities		-40
Repayments on Leasing Liabilities	*-30*	
Changes in bank loans and overdraft facilities	*40*	
Dividend to parent company´s shareholders	*-41*	
Payment of deferred purchase price subsidiary	*-8*	
Other	*-1*	
Change in liquid funds		115
Currency translation difference in liquid funds		-8
Liquid Funds June 30, 2021		**500**

Cash flow January-June 2021

- Positive cash flow from current operations before change in working capital
- Positive change in working capital mainly related to decrease in accounts receivable of SEK 90 million
- Investment in fixed assets -20 MSEK; Proact Finance -4 MSEK
- Cash flow from financial activities primarily related to increase in bank loans SEK 40 million, dividend SEK -41 million and repayment of Leasing Liabilities SEK -60 million.
- Strong cash position of 500 MSEK

Liquid Funds December 31, 2020		**468**
Cash-flow from current operations		191
Current operations	*145*	
Change in working capital	*46*	
Cash-flow from investment activities		-101
Fixed assets	*-20*	
Acquisition of subsidiary	*-84*	
Other	*3*	
Cash-flow from financial activities		-71
Repayments on Leasing Liabilities	*-60*	
Changes in bank loans and overdraft facilities	*40*	
Dividend	*-41*	
Payment of deferred purchase price subsidiary	*-8*	
Other	*-2*	
Change in liquid funds		19
Currency translation difference in liquid funds		13
Liquid Funds June 30, 2021		**500**

Balance sheet

- Equity ratio of 21%
- Cash position of 500 MSEK
- Net cash of 26 MSEK, increased since Dec 2020 by 4 MSEK.
- Unutilized overdrafts of 158 MSEK for daily operations
- Unutilized portion of three-year revolving credit facility of 95 MSEK

(MSEK)	2021 Jun 30	2020 Dec 31	2020 Jun 30
Total Assets	3,043	2,924	2,888
whereof Goodwill	*647*	*552*	*507*
whereof Intangible fixed assets	*132*	*112*	*77*
whereof Accounts receivables	*471*	*541*	*582*
Equity	632	605	568
Equity ratio	*21%*	*21%*	*20%*
Cash and bank deposits	500	468	389
Bank loan, overdraft facilities	-257	-212	-230
Net cash (+) / Net debt (-) excl. leasing liabilities	243	256	159
Leasing liabilities	-217	-234	-266
Net cash (+) / Net debt (-) incl. leasing liabilities	26	22	-108
Bank overdraft facilities, unutilized	158	198	245
Bank overdraft facilities, total	158	198	245

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	2%	SEK 3,575 million in sales rolling 12 months

EBITA MARGIN

TARGET	OUTCOME*	
8%	5.8%	Gap to target remains

NET DEBT/EBITDA

TARGET	OUTCOME	
<2	-0.07	Remains significantly better than target

ROCE

TARGET	OUTCOME	
>25%	15.6%	Impacted by IFRS 16 and acquisitions

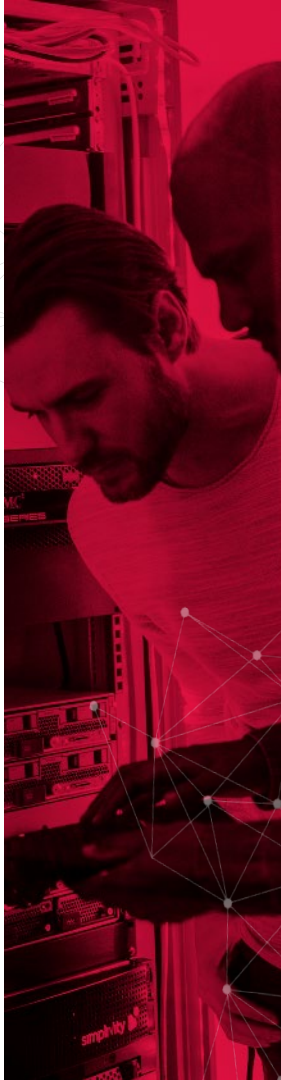
DIVIDEND

TARGET	OUTCOME**	
25-35%	31%	4.50 (2.50) SEK per share

* Adjusted for items affecting comparability
** Dividend for financial year 2020 paid in May 2021

Summary

- Decline in Systems sales driven by longer sales cycles
- Growth in Services revenue
- Improvement in Gross Margin and good cost control



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Thank you
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