PROACT

Summary Q4 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

1,100 Employees with industry-leading skills & expertise across our business

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

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The three defining trends in the market

- Focus on digital **transformation** and business **innovation** through IT
- Increase speed, flexibility and availability through **multicloud**
- Ensure cyber **security** and data compliance

Corona impact

- More business leaders involved in IT as a strategic focus area
- Areas around connectivity and security accelerated with remote working

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

#ThePowerOfData

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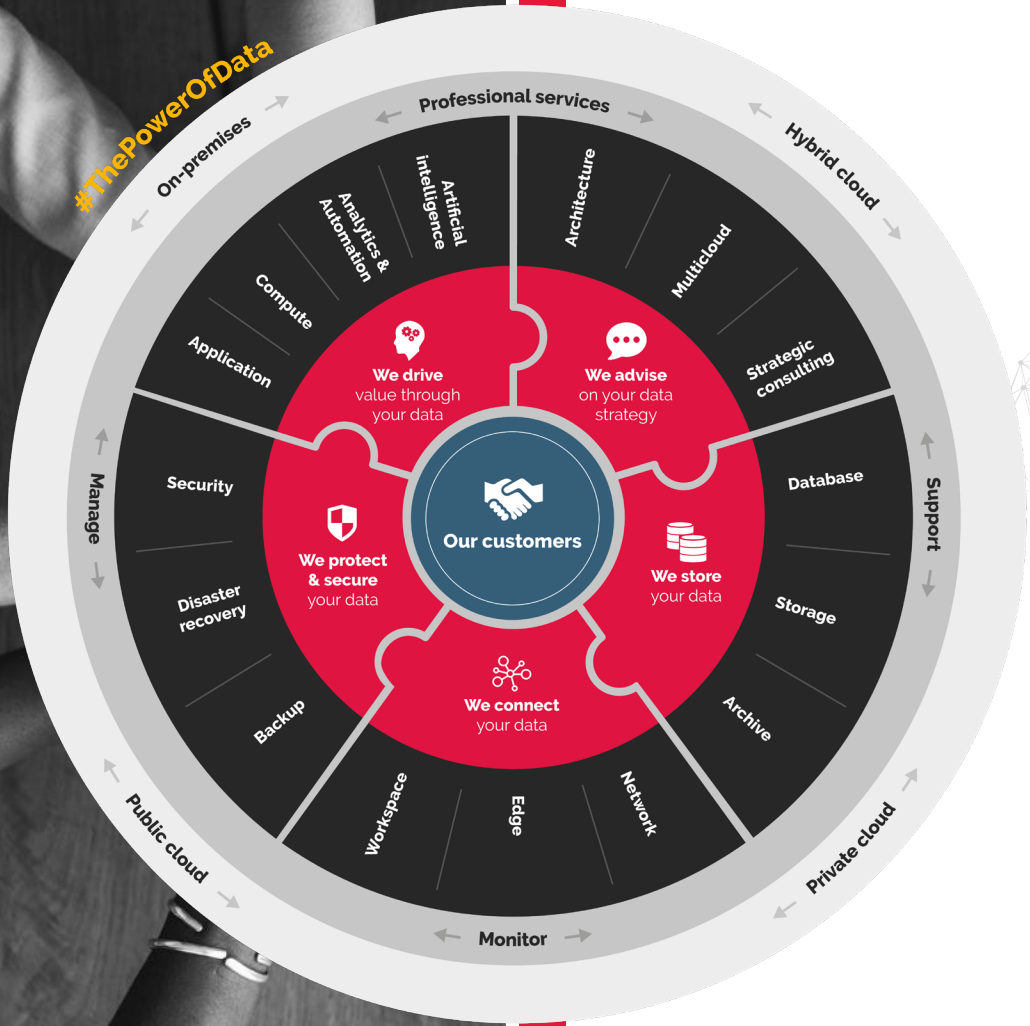
Value to customers via our **propositions**



#ThePowerOfData

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

Quarter in brief

- \+ 17% up in Services revenue
- \+ Record TCV with growth of 23%
- \+ Acquisition of ahd
- – Delivery delays from chip shortage
- – 16% down in Systems revenue
- – EBITA % decreased to 6.0% (6.8%)

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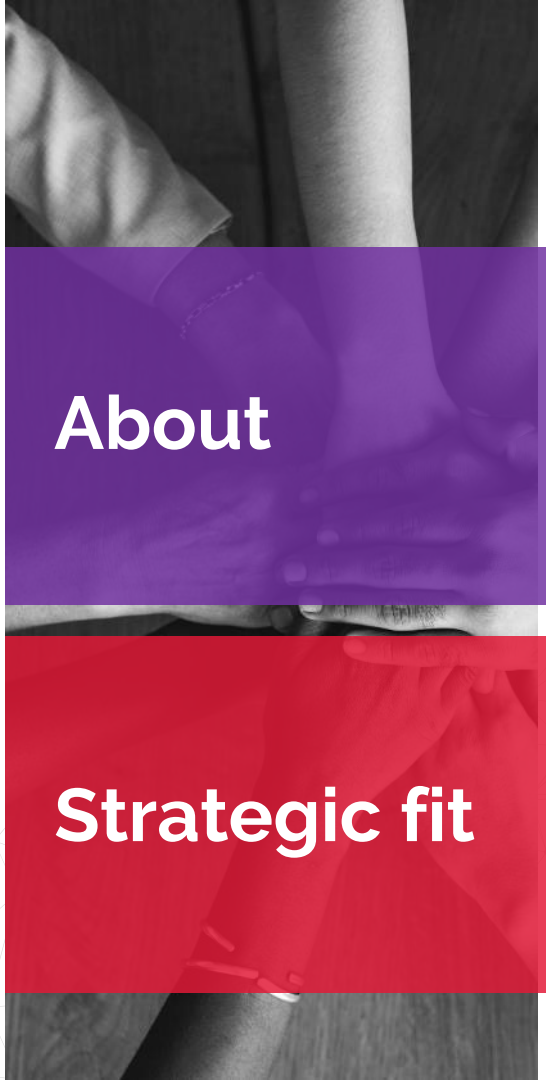
Semiconductor Shortages

- Global **shortage of semiconductors** since 2020 as result of Pandemic, trade conflicts, Suez incident & severe weather
- Large number of industries impacted leading to price increases, long lead-times and shortage of products
- Major manufacturers, including Intel and TSMC, expect **incremental improvements during 2022**
- Impact on Proact during 2021 was limited during Q1—Q3, with a rapid increase in shortage and delays during Q4, with an estimated negative revenue impact of **approximately 200 MSEK in Q4**
- Extended delivery times **remain during start of 2022**



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Acquisition of ahd Gmbh & Co. KG

About

- Founded 30+ years ago
- 120 employees in western area of Germany (office down-town Dortmund and HQ in Ense 40km east of Dortmund)
- Managed cloud service company with >50% recurring MCS services
- Datacentres in Frankfurt
- 300 customers
- Strong capabilities in managed multicloud solutions

Strategic fit

- Strong within medium to enterprise segment
- Same values and business cultures
- Following our managed services strategy on multicloud, consultancy and transformation
- Very mature in automatisation of their delivery processes
- Synergies in portfolio and geographical expansion
- Positive revenue and EBITA margin contribution

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Acquisition of ahd Gmbh & Co. KG

Financials

- Purchase price: €26,2 M cash-free, debt-free
- Multiple: 9x EBITA
- Yearly revenue: €30M
- EBITA margin: 10%

Key developments in Q4

- **Cetus rebranded & Conoa integration on track** with good progress on cross- and up-sell as well as co-development of offerings
- Proact delivers **infrastructure for AI** to Region Västra Götaland
- Winner of Dell Technologies awards for **Customer Experience** and **Data Center Sales** in Northern and Central Europe
- Proact named **Career Company of the Year 2022** for excellent development opportunities and skills development

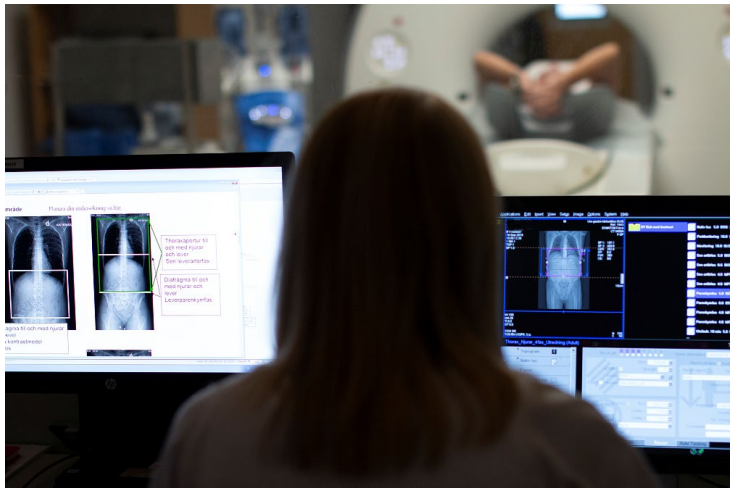
AI and machine learning part of the ordinary IT delivery

Region Västra Götaland (VGR)

VGR has defined AI and machine learning as a strategic focus within the region. Proact's specialists and high-performance AI infrastructure solutions enables VGR to get started and achieve faster results with AI and machine learning. They can be highly innovative but also better meet current needs of healthcare, culture, public transport and regional development.

Benefits:

- Added capacity and faster results with new AI and machine learning capabilities
- Enabling strategic objectives around innovation for the region, while even better meeting the needs from the users
- Easier and more secure handling of data protection and privacy when personal data is used for calculations



Cyber Security: LOG4J Vulnerability

- A widely used Apache utility was found to have a critical Zero Day vulnerability
- The security hole allowed a remote attacker to run any code, such as ransomware
- Affecting hundreds of products and millions of systems across the World*
- Among the single biggest, most critical vulnerability of the last decade
- Proact assigned ~100 technicians to secure Proact and Customer systems, in a race against time before attackers could establish access into our customers' systems
- Within a week, Proact successfully secured thousands of systems
- The severity of the vulnerability is now down-graded and risks managed

*Source: Tenable

Financial **development**

Income Statement – Highlights Q4 2021

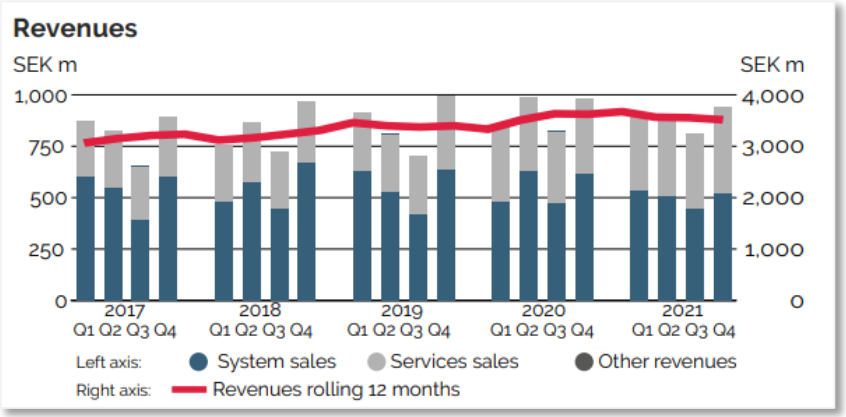
TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
-4%	942	-16%	516	17%	425

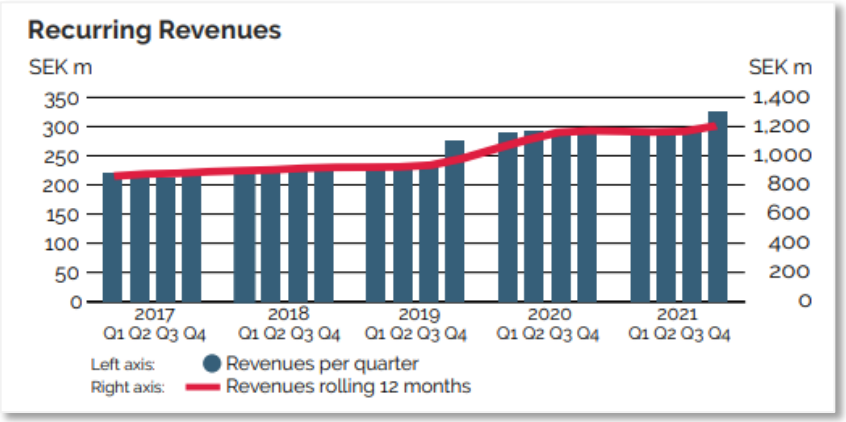
Adj. EBITA			Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
-14%	56.9	6.0%	-26%	37.4	4.0%

Revenue development

Key developments in the fourth quarter

- Revenue growth -4%
  - -14% organically
  - Acquisitions contributing +9% and currency effects 0%
- New cloud contracts of SEK 177 (142) million
- Services growth of 17% (+4% organically)
  - Cloud revenue increase of 16%, positively impacted by acquisition of ahd
  - Support services growth of 8%, with good organic growth
  - Consulting services growth of 31% with Conoa contributing significantly, but organically also good growth
- Recurring revenues growing by 13% (3% organically) to an annualized level of 1 307 MSEK
- Systems decrease of 16% (-24% organically)
  - Organic decline of 33% in UK, 21% in NOBA, 22% in Central and 17% in West
  - Semiconductor shortages impacting December deliveries by 150 – 250 MSEK



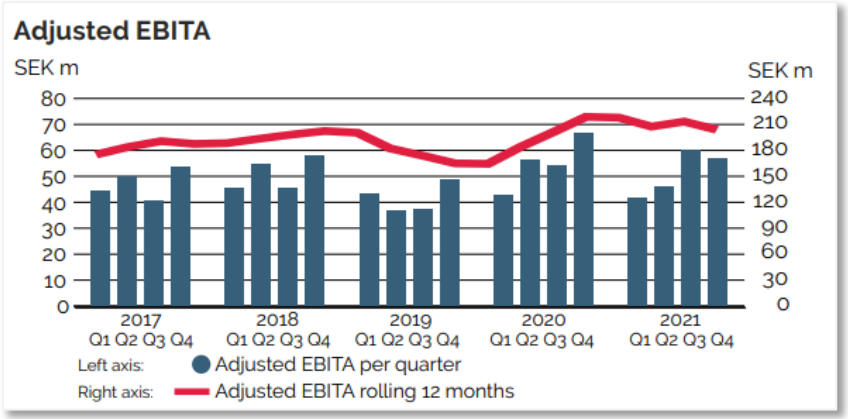


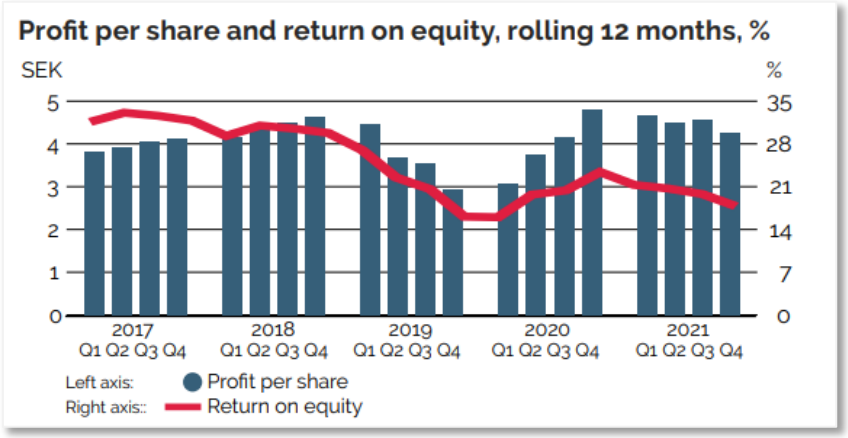
Profitability development

PROACT

Key developments in the fourth quarter

- Adjusted EBITA of SEK 56.9 (66.4) million
  - Decrease by 14%
  - Margin of 6.0 (6.8)%
- Gross margin unchanged
  - Favourable mix and good development in services
  - Slightly lower gross margin in systems
- SG&A costs decreased by 9% for comparable units
  - Continued good cost control
  - Lower commissions and similar sales costs
- EPS decreasing compared to previous year
  - Decrease due to decline in EBIT





BU Nordics & Baltics

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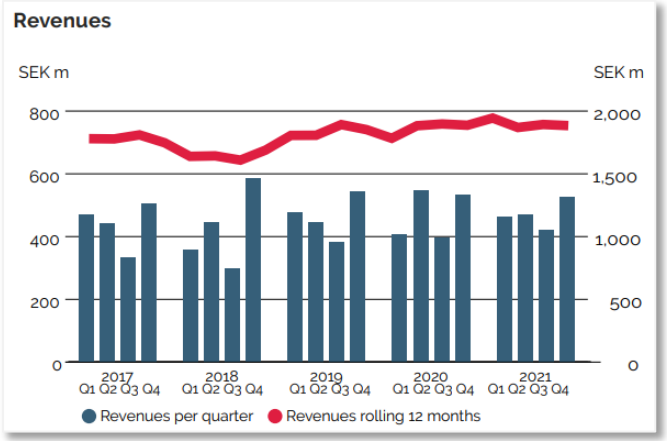
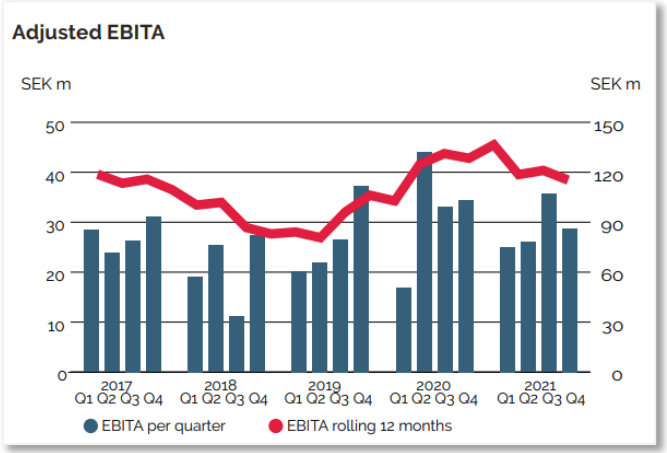
Key developments in the fourth quarter

- Revenue growth -2% (-14% organically)
  - Systems -9% (organic -21%)
  - Services +18% (organic +7%), with increase in all services but mainly consulting services +35%
  - Conoa acquisition contributing by SEK 62 million, within systems and consulting services
  - Systems revenue declining in all countries, primarily as a result of delays related to semiconductor shortages

- EBITA margin decreasing to 5.5 (6.4)%
  - EBITA of SEK 28.7 (34.5) million
  - Decrease in EBITA as a result of lower revenues





BU UK

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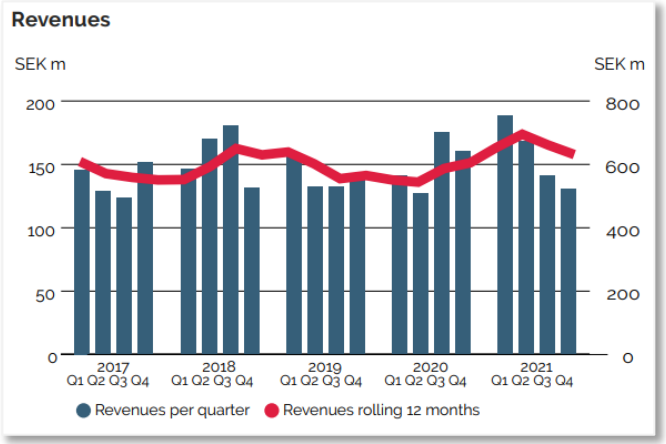
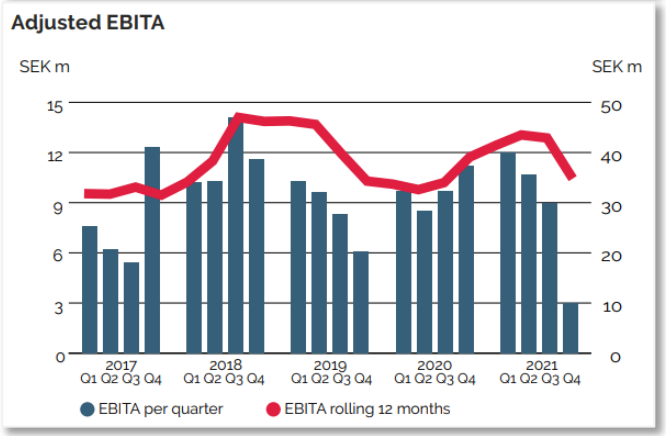
Key developments in the fourth quarter

- Revenue decline 19% (-16% organically)
  - Systems -42%
  - Services 8%
  - Decline in systems revenues organically of 33%, while services growing by 4% organically, with consulting revenues particularly strong
  - Impact by semiconductor shortages as well as long decision cycles

- EBITA margin decreasing to 2.3% (7.0)%
  - EBITA of SEK 3.0 (11.2) million
  - Decreased EBITA due to lower revenues



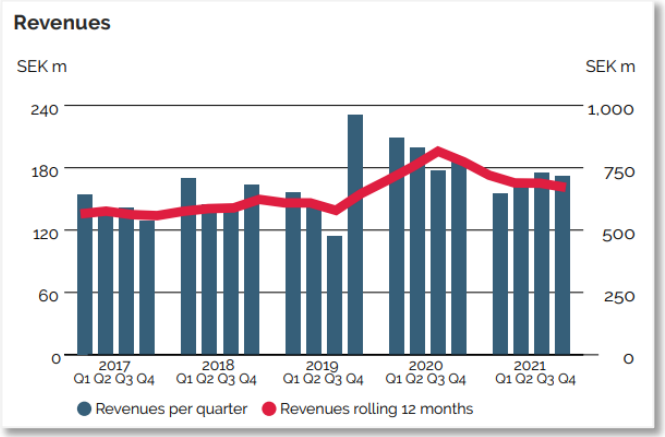


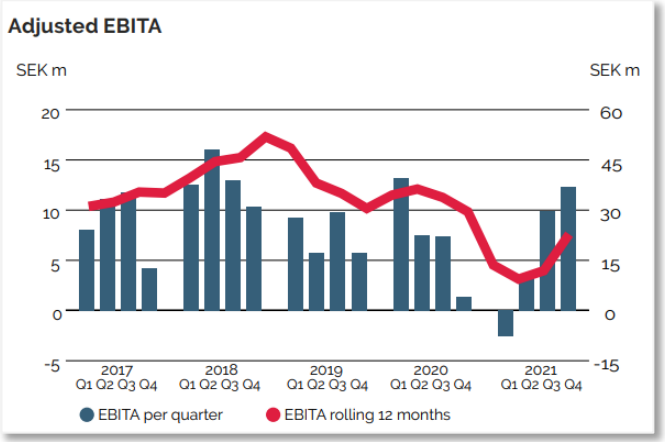
BU West

Key developments in the fourth quarter

- Revenue declined by 9%
  - Organic growth -8%
  - Systems -18%
  - Services -6%
  - Impact from semiconductor shortages, and low volume of new cloud service contracts

- EBITA margin increasing to 12.3 (1.4)%
  - EBITA of SEK 7.1 (0.8) million
  - Action program implemented earlier in 2021 now resulting in better gross margins and lower SG&A



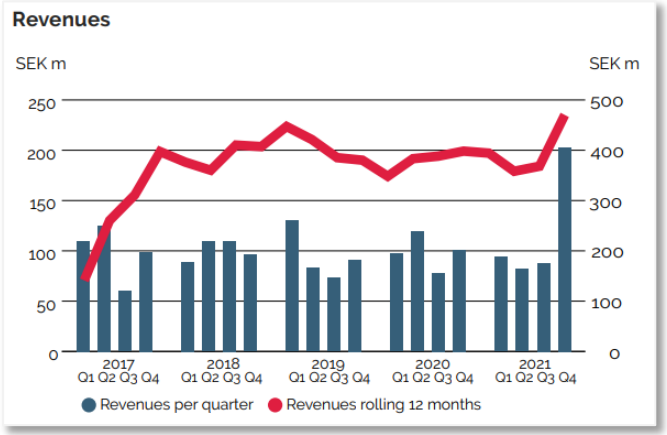


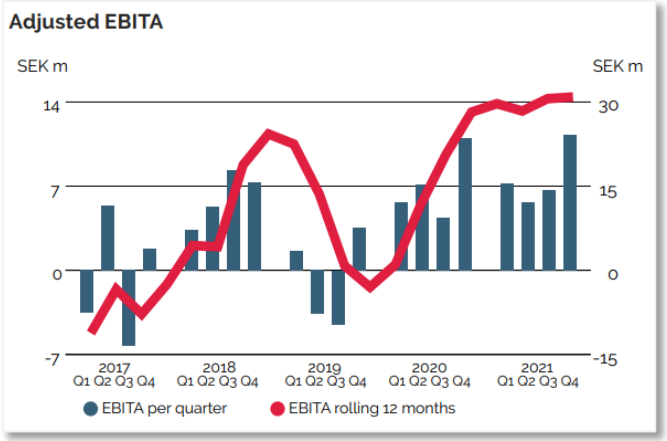
BU Central

Key developments in the fourth quarter

- Revenue growth by 23% (organic -16%)
  - Systems -8%
  - Services 76%
  - ahd consolidated for 2 months, contributing by 39 MSEK in revenues
  - Delays due to semiconductor shortages impacting revenues negatively

- EBITA margin decreasing to 9.1 (10.9)%
  - EBITA of SEK 11.3 (11.0) million
  - ahd contributing positively, whereas reduced revenues and gross margins partly offsetting





Cash flow in Q4

- Positive cash-flow from current operations before change in working capital
- Positive change in working capital is mainly related to an increase in accounts payables partly offset by an increase in accounts receivables
- Investment in fixed assets SEK -18 million; Proact Finance SEK -6 million.
- Cash flow from financial activities primarily related to increase in bank loans SEK 222 million for the acquisition of ahd, and repayment of Leasing Liabilities SEK -32 million.
- Strong cash position of 464 MSEK

Liquid Funds September 30, 2021		**321**
Cash-flow from current operations		255
Current operations	*112*	
Change in working capital	*143*	
Cash-flow from investment activities		-293
Fixed assets	*-18*	
Acquisition of subsidiary	*-275*	
Other		
Cash-flow from financial activities		174
Repayments on Leasing Liabilities	*-32*	
Changes in bank loans and overdraft facilities	*222*	
Payment deferred purchase sum	*-22*	
Other	*6*	
Change in liquid funds		136
Currency translation difference in liquid funds		7
Liquid Funds December 31, 2021		**464**

Cash flow Jan-Dec 2021

- Positive cash flow from current operations after change in working capital
- Small negative change in working capital where payables decreasing more than receivables
- Investment in fixed assets -50 MSEK; Proact Finance -16 MSEK
- Acquisition of Conoa in April, ahd in October
- Cash flow from financial activities primarily related to increase in bank loans SEK 262 million, dividend SEK -41 million and repayment of Leasing Liabilities SEK -122 million.
- Strong cash position of 464 MSEK

Liquid Funds December 31, 2020		**468**
Cash-flow from current operations		304
Current operations	*354*	
Change in working capital	*-50*	
Cash-flow from investment activities		-405
Fixed assets	*-50*	
Acquisition of subsidiary	*-359*	
Other	*4*	
Cash-flow from financial activities		75
Repayments on Leasing Liabilities	*-122*	
Changes in bank loans and overdraft facilities	*262*	
Dividend	*-41*	
Payment deferred purchase sum	*-22*	
Other	*-2*	
Change in liquid funds		-26
Currency translation difference in liquid funds		22
Liquid Funds December 31, 2021		**464**

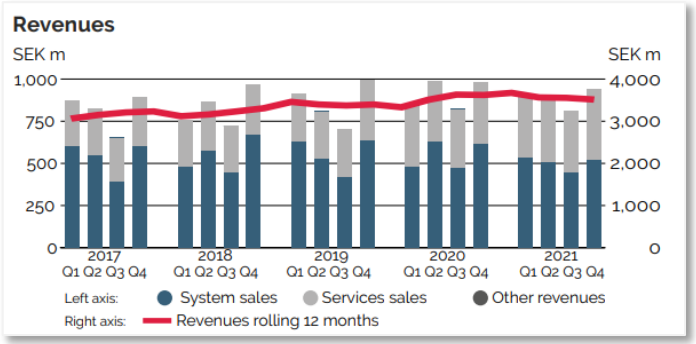
Balance sheet

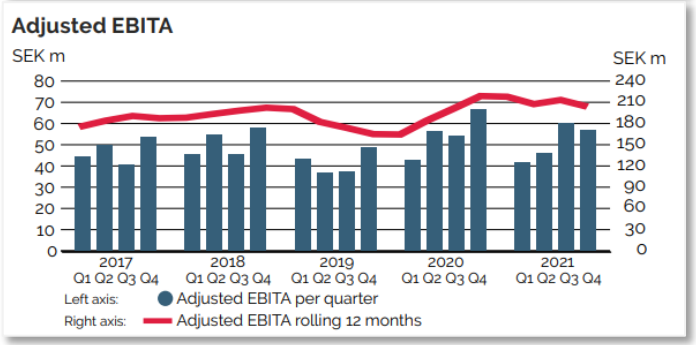
- Equity ratio of 21%
- Cash position of 464 MSEK
- Net debt, including leasing liabilities, of 261 MSEK, increased since Dec 2020 by 283 MSEK.
- Unutilized overdrafts of 158 MSEK for daily operations
- Unutilized portion of three-year revolving credit facility of 116 MSEK

(MSEK)	2021 Dec 31	2020 Dec 31
Total Assets	3,395	2,924
whereof Goodwill	*821*	*552*
whereof Intangible fixed assets	*225*	*112*
whereof Accounts receivables	*545*	*541*
Equity	714	605
Equity ratio	*21%*	*21%*
Cash and bank deposits	464	468
Bank loan, overdraft facilities	-484	-212
Net cash (+) / Net debt (-) excl. leasing liabilities	-20	256
Leasing liabilities	-241	-234
Net cash (+) / Net debt (-) incl. leasing liabilities	-261	22
Bank overdraft facilities, unutilized	158	198
Bank overdraft facilities, total	158	198

Full year overview

- Full year revenue decline of 3% (-8% organically)
- Systems revenues declining by 9%
  - Semiconductor shortages in Q4 have impact
- Services revenues increasing by 6%
  - Recurring revenues growing by 3%
  - Cloud services growing by 1%
  - Consulting revenues growing by 16%
- EBITA declining by 7%
  - EBITA margin for the year at 5.8% (6.0%)
  - Improving gross margins
  - Organically reducing SG&A
  - Negative impact from revenue decline
- Strategic milestones during 2021
  - Strong customer satisfaction with NPS of 44
  - Acquisition of Conoa in Sweden
  - Acquisition of ahd in Germany
  - Awarded several partner and quality prizes
  - Launch of multi-cloud solution for disaster recovery
  - Implementation of LogicMonitor's platform for AIOps





FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	-3%	SEK 3,525 million in sales rolling 12 months

EBITA MARGIN

TARGET	OUTCOME*	
8%	5.8%	Large impact of lower revenues

NET DEBT/EBITDA

TARGET	OUTCOME	
<2	0.75	Remains significantly better than target

ROCE

TARGET	OUTCOME	
>25%	13.4%	Impacted by IFRS 16 and acquisitions

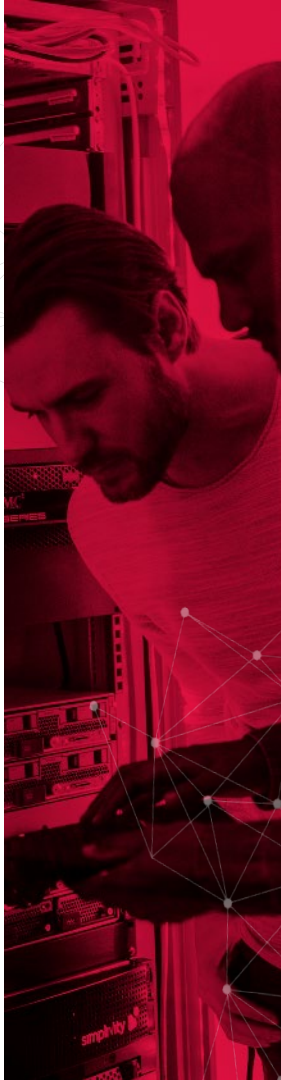
DIVIDEND

TARGET	OUTCOME**	
25-35%	35%	1.50 (1.50) SEK per share

* Adjusted for items affecting comparability
** Dividend proposed for financial year 2021

Summary

- Significant negative impact on Systems deliveries from semiconductor shortage
- Record closing of cloud contracts with TCV of 177 MSEK
- Good underlying demand and backlog into 2022
- Acquisition of ahd in German market



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Thank you
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