PROACT

# Summary Q1 2022
# April 26, 2022


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# 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

## Market dynamics

- Semiconductor shortages remain a challenge, with light in tunnel for 2H 2022
- Ukraine war increase the global uncertainty and acceleration of inflation

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# 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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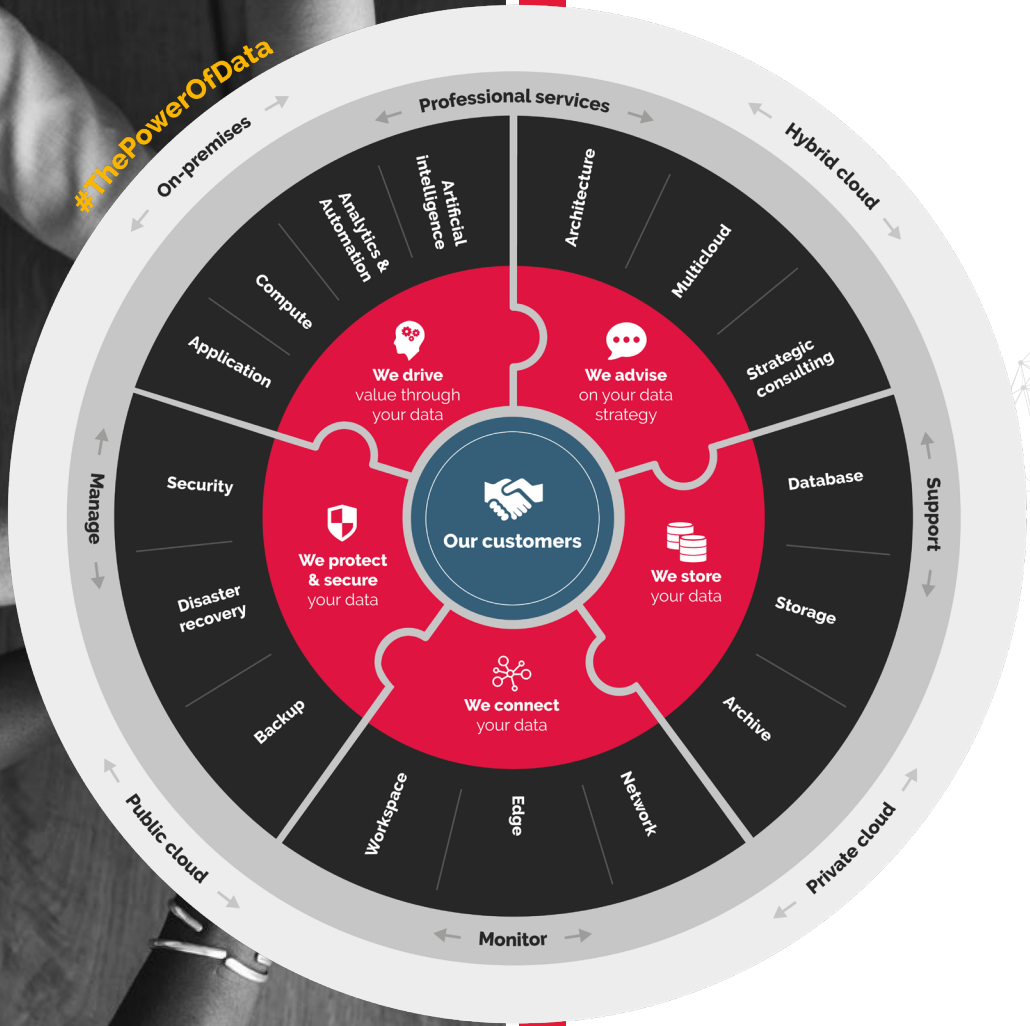
# Value to customers via our **propositions**



#ThePowerOfData

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Our multi-cloud model enable delivery to you **anywhere**

# Quarter 1 in brief

- \+ 19% Revenue growth, 5% organic
- \+ TCV growth of 56% to 122 (78) MSEK
- \+ 21% ARR growth to 1 384 MSEK
- \+ EBITA growth of 26% to 52.5 MSEK

- – Delivery delays from chip shortage
- – Uncertainties related to war in Ukraine

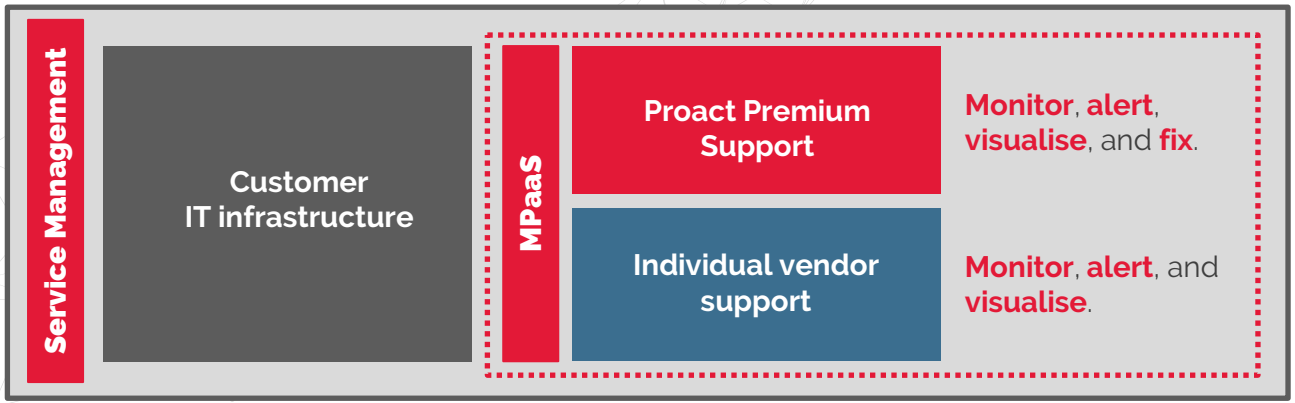
# Key developments in Q1

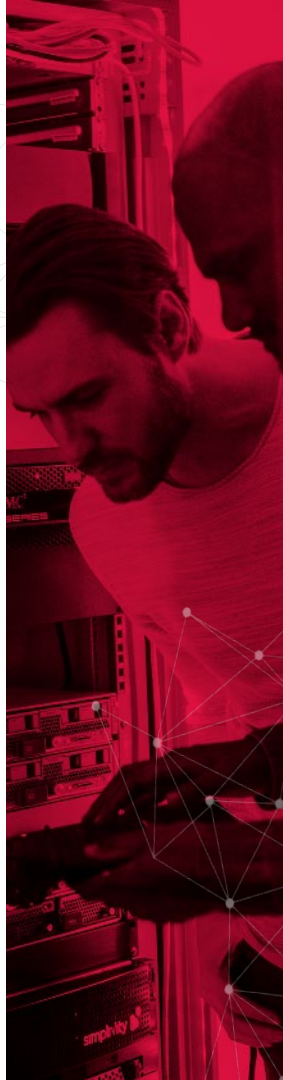
- Proact awarded 2 data centre framework agreements for **Swedish public sector** (Kammarkollegiet)
- HOYNG ROKH MONEGIER chooses Proact as IT partner for **modern workspace and infrastructure** cloud solutions
- Bates Wells **enables new ways of working** by selecting Proact as IT partner
- Proact and Conoa recognised with **four wins** at NetApp Sweden awards
- **Rebranding of ahd** initiated – ahd, a Proact company

Broadening our portfolio

# Monitoring of entire IT-infrastructure

- Expanding our portfolio with **Monitoring Platform as a Service**, a single pane of glass solution to monitor entire IT environments
- New AiOps functionalities



Broadening our portfolio

# AI and machine learning is growing

AI and machine learning as a strategic focus at many of our customers. Proact's specialists and high-performance AI infrastructure solutions enables faster results, smarter decisions, and optimized operations. We see particular growth for the healthcare, public, and educational sectors.

**Customer examples:**

- VGR (Västra Götalands Regionen)
- Örebro University
- Turku University of applied sciences

# Financial **development**

# Income Statement – Highlights Q1 2022

| TOTAL REVENUE | | SYSTEM SALES | | SERVICES SALES | |
|---|---|---|---|---|---|
| GROWTH | MSEK | GROWTH | MSEK | GROWTH | MSEK |
| 19% | 1,065 | 15% | 614 | 26% | 451 |

| Adj. EBITA | | | Adj. PROFIT BEFORE TAX | | |
|---|---|---|---|---|---|
| GROWTH | MSEK | Margin | GROWTH | MSEK | Margin |
| 26% | 52.5 | 4.9% | 22% | 37.5 | 3.5% |

# Revenue development

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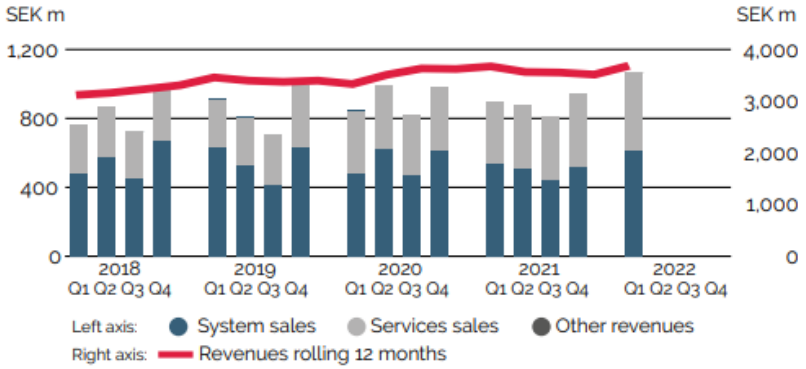
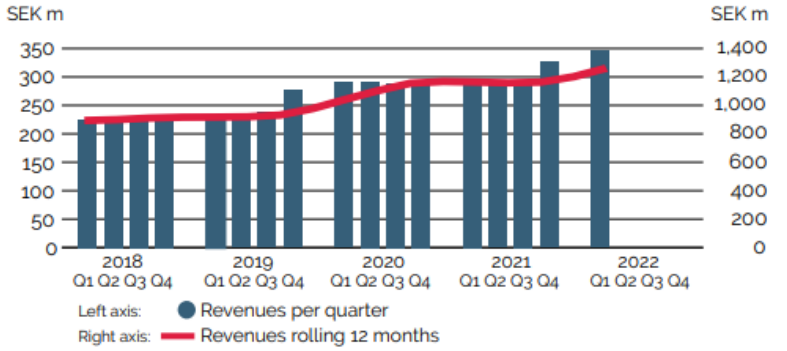
**Key developments in the first quarter**

- Revenue growth 19%
  - 5% organically
  - Acquisitions contributing +10% and currency effects 4%
- New cloud contracts of SEK 122 million (78)
- Services growth of 26% (+5% organically)
  - Cloud revenue increase of 31%, positively impacted by acquisition of ahd, with good organic growth
  - Support services growth of 6%
  - Consulting services growth of 46% with Conoa contributing significantly, but organically also good growth
- Recurring revenues growing by 21% (3% organically) to an annualized level of SEK 1,384 million
- Systems increase of 15% (5% organically)
  - Organic growth in all BUs except NOBA
  - Semiconductor shortages continue to impact deliveries with strong order backlog into Q2

**Revenues**




**Recurring Revenues**



# Profitability development

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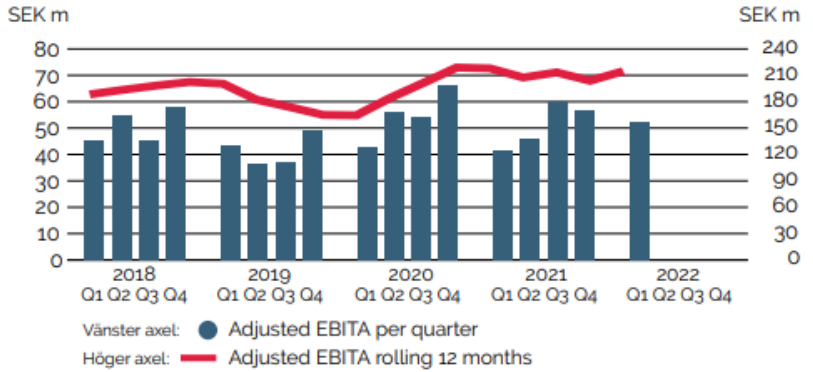
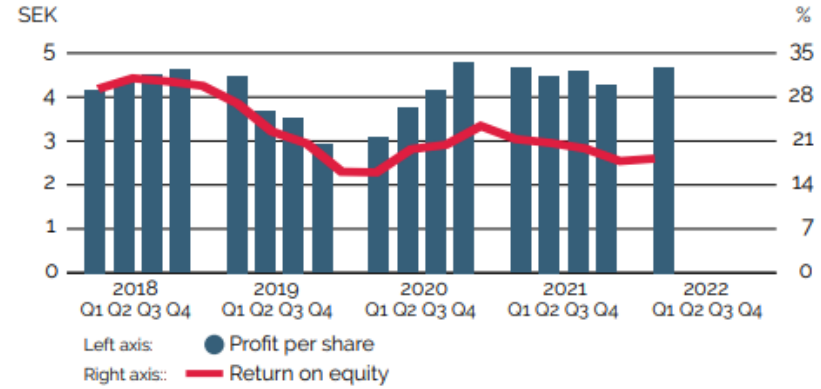
**Key developments in the first quarter**

- Adjusted EBITA of SEK 52.5 million (41.6)
  - Increase by 26%
  - Margin of 4.9% (4.7)
- Gross margin decreased
  - Investments in customer quality, efficiency and product development for services
  - Lower margins in some larger systems deals
- SG&A costs decreased by 2% for comparable units
  - Continued good cost control
- EPS increasing compared to previous year
  - Increased due to growth in EBIT

**Adjusted EBITA**




**Profit per share and return on equity, rolling 12 months, %**



# BU Nordics & Baltics

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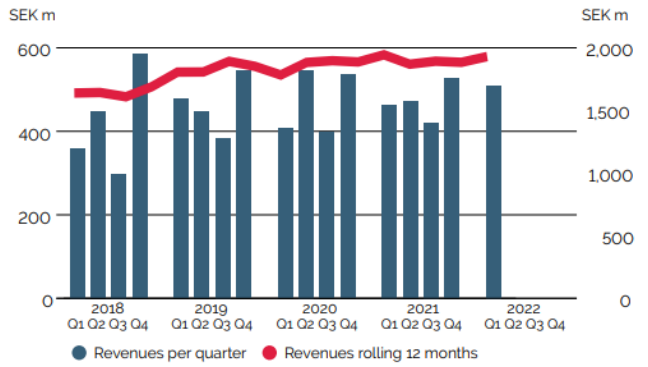
**Key developments in the first quarter**

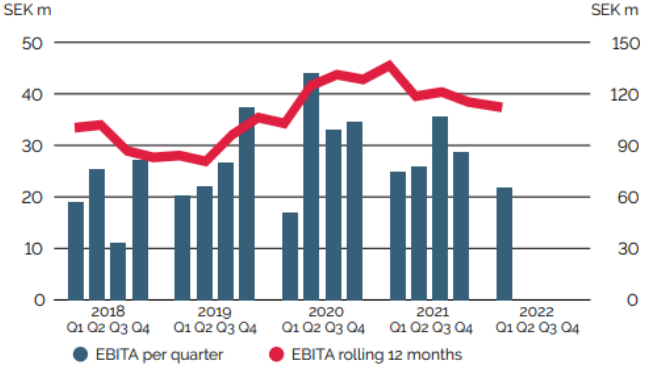
- Revenue growth 10% (2% organically)
  - Systems 5% (organic 0%)
  - Services 23% (organic 9%), with increase in all services but mainly consulting services 73%
  - Conoa acquisition contributing by SEK 25 million, primarily to consulting services
  - Significant backlog of Systems deliveries going into Q2

- EBITA margin decreasing to 4.3% (5.4)
  - EBITA of SEK 21.8 million (25.0)
  - Focus on customer satisfaction and efficiency in Service operations impacting gross margins negatively

**Revenues**




**Adjusted EBITA**



# BU UK

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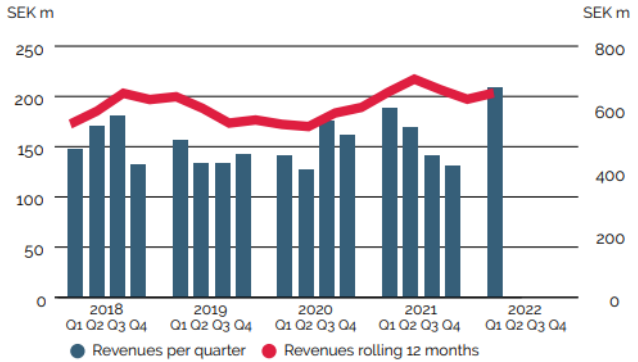
**Key developments in the first quarter**

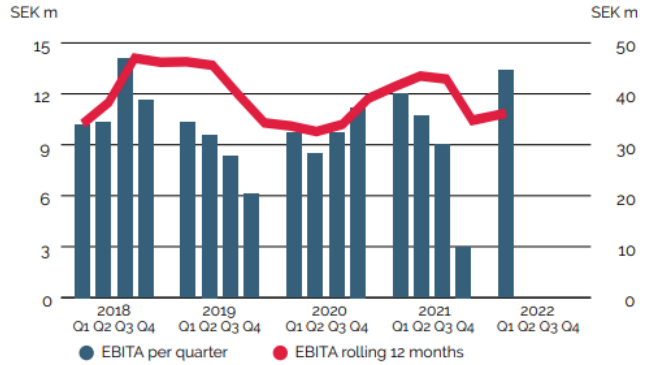
- Revenue growth 10% (2% organically)
  - Systems 13% (organically 4%)
  - Services 7% (organically -1%)
  - Consulting strong, while support negatively impacted by lower systems sales in 2021
  - Higher demand in system sales, still impact from supply chain delays

- EBITA margin increasing to 6.4% (6.3)
  - EBITA of SEK 13.4 million (12.0)
  - Higher revenues and good cost control

**Revenues**




**Adjusted EBITA**



# BU West

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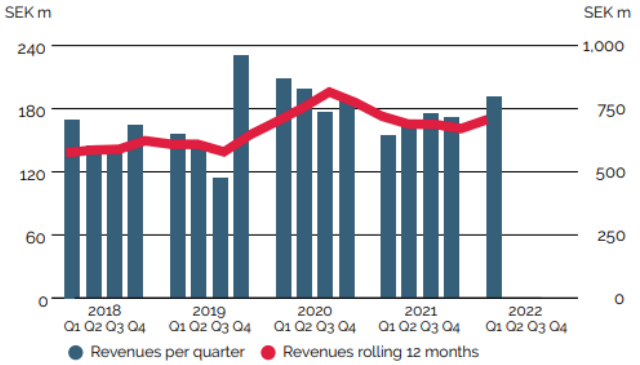
**Key developments in the first quarter**

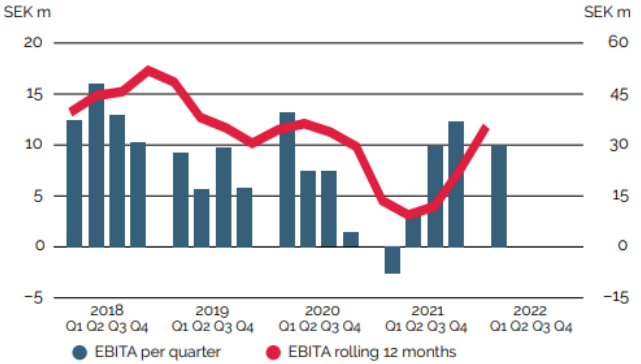
- Revenue growth by 23%
  - Organic growth 19%
  - Systems 57% (52% organically)
  - Services 14% (10% organically)
  - Systems revenues improving from low levels in 2021
  - Strong demand for consulting services and good development of cloud services, including strong TCV

- EBITA margin increasing to 5.3%(-1.7)
  - EBITA of SEK 10.0 million (-2.6)
  - Good revenue growth, higher gross margins and good cost control

**Revenues**




**Adjusted EBITA**



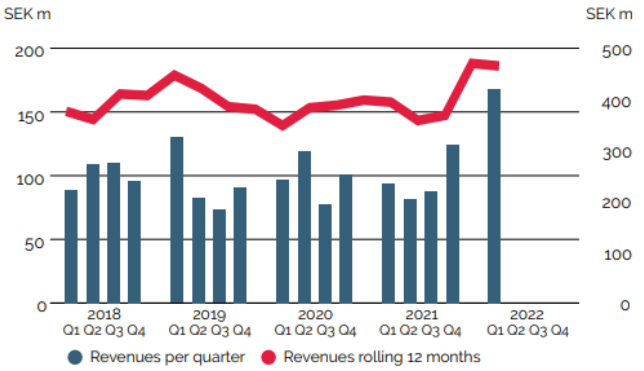
# BU Central

**Key developments in the first quarter**

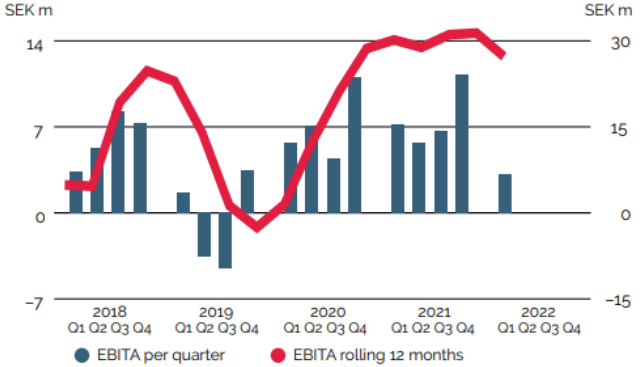
- Revenue growth by 79% (organic 3%)
  - Systems 47% (organically 6%)
  - Services 138% (organically -1%)
  - ahd contributing by 67 MSEK in revenues
  - Low level of new cloud contracts in 2021 had a negative effect on cloud revenues
  - Good demand of consulting services

- EBITA margin decreasing to 1.8% (7.7)
  - EBITA of SEK 3.1 million (7.2)
  - Lower gross margins in both systems and services
  - Focus on quality improvements in services
  - ahd negatively affected by delays due to semiconductor shortages

**Revenues**




**Adjusted EBITA**



# Cash flow in first quarter

- Positive cash-flow from current operations before change in working capital
- Negative change in working capital is mainly related to an increase in accounts receivables partly offset by an increase in accounts payables
- Investment in fixed assets SEK -10 million; Proact Finance SEK -5 million.
- Cash flow from financial activities primarily related to decrease in bank loans SEK -50 million and repayment of Leasing Liabilities SEK -33 million.
- Strong cash position of SEK 418 million

| | | |
|---|---|---|
| **Liquid Funds December 31, 2021** | | **464** |
| Cash-flow from current operations | | 38 |
| *Current operations* | *94* | |
| *Change in working capital* | *-56* | |
| Cash-flow from investment activities | | -9 |
| *Fixed assets* | *-10* | |
| *Other* | *1* | |
| Cash-flow from financial activities | | -83 |
| *Repayments on Leasing Liabilities* | *-33* | |
| *Changes in bank loans and overdraft facilities* | *-50* | |
| Change in liquid funds | | -54 |
| Currency translation difference in liquid funds | | 8 |
| **Liquid Funds March 31, 2022** | | **418** |

# Balance sheet

- Equity ratio of 22%
- Cash position of SEK 418 million
- Net debt, including leasing liabilities, of SEK 248 million, increased since March 2021 by SEK 180 million, used for acquisitions.
- Unutilized overdrafts of SEK 158 million for daily operations
- Unutilized portion of three-year revolving credit facility of SEK 164 million

| (MSEK) | 2022 Mar 31 | 2021 Mar 31 |
|---|---|---|
| Total Assets | 3,508 | 3,068 |
| *whereof Goodwill* | *826* | *573* |
| *whereof Intangible fixed assets* | *216* | *110* |
| *whereof Accounts receivables* | *660* | *645* |
| Equity | 758 | 656 |
| *Equity ratio* | *22%* | *21%* |
| Cash and bank deposits | 418 | 393 |
| Bank loan, overdraft facilities | -436 | -216 |
| Net cash (+) / Net debt (-) excl. leasing liabilities | -18 | 177 |
| Leasing liabilities | -230 | -245 |
| Net cash (+) / Net debt (-) incl. leasing liabilities | -248 | -68 |
| Bank overdraft facilities, unutilized | 158 | 158 |
| Bank overdraft facilities, total | 158 | 158 |

# FINANCIAL GOALS

Rolling 12 months

## SALES GROWTH

| TARGET | OUTCOME | |
|---|---|---|
| >10% | 0.3% | SEK 3,696 million in sales rolling 12 months |

## EBITA MARGIN

| TARGET | OUTCOME* | |
|---|---|---|
| 8% | 5.8% | Impacted by GM and delivery delays |

## NET DEBT/ADJ EBITDA

| TARGET | OUTCOME | |
|---|---|---|
| <2 | 0.67 | Remains significantly better than target |

## ROCE

| TARGET | OUTCOME | |
|---|---|---|
| >25% | 13.7% | Impacted by recent acquisitions |

## DIVIDEND

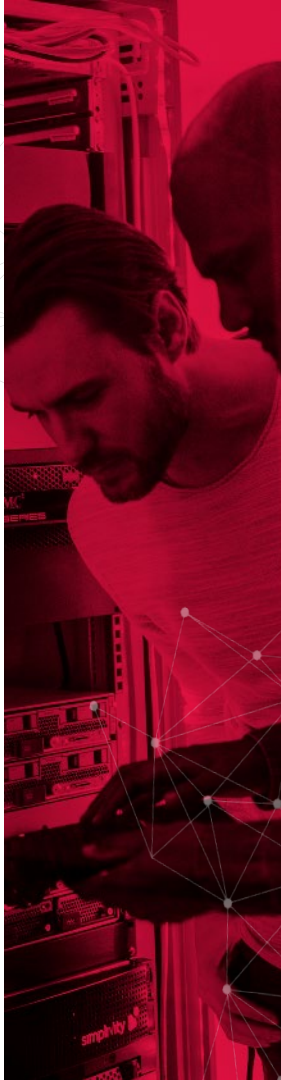
| TARGET | OUTCOME** | |
|---|---|---|
| 25-35% | 35% | 1.50 (1.50) SEK per share |

* Adjusted for items affecting comparability

** Dividend proposed for financial year 2021

# Summary

- Strong revenue growth, both due to acquisitions and organically
- High demand for managed cloud services, with strong growth in Annualized Recurring Revenue (ARR)
- Good systems growth, with good underlying demand and strong backlog into Q2
- Profitability improvement from last year



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Thank you
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