PROACT

Summary Q2 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

4,000 Million SEK turnover with stable finances. Listed on Nasdaq Stockholm since 1999

1,200 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
- Ukraine war increases the global uncertainty
- Risk of macro impact from inflation

#ThePowerOfData

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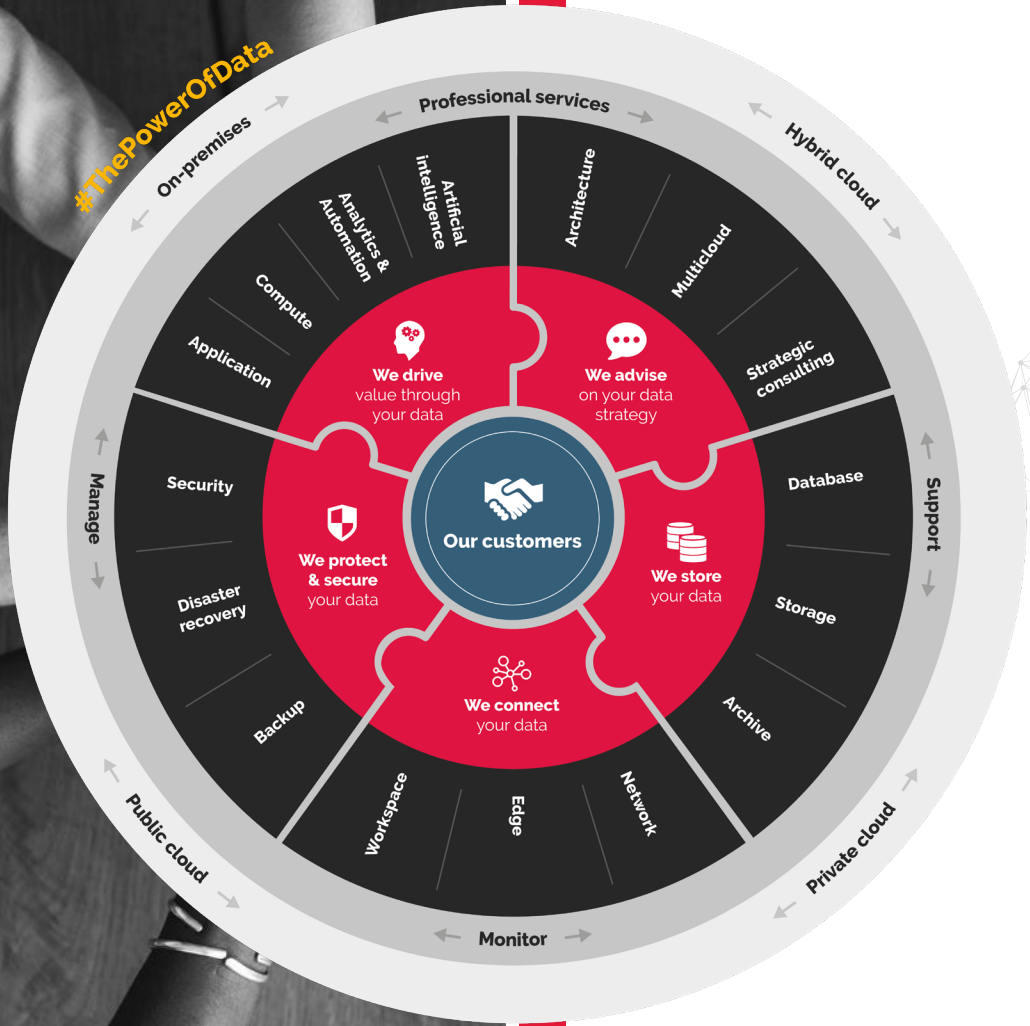
Value to customers via our **propositions**



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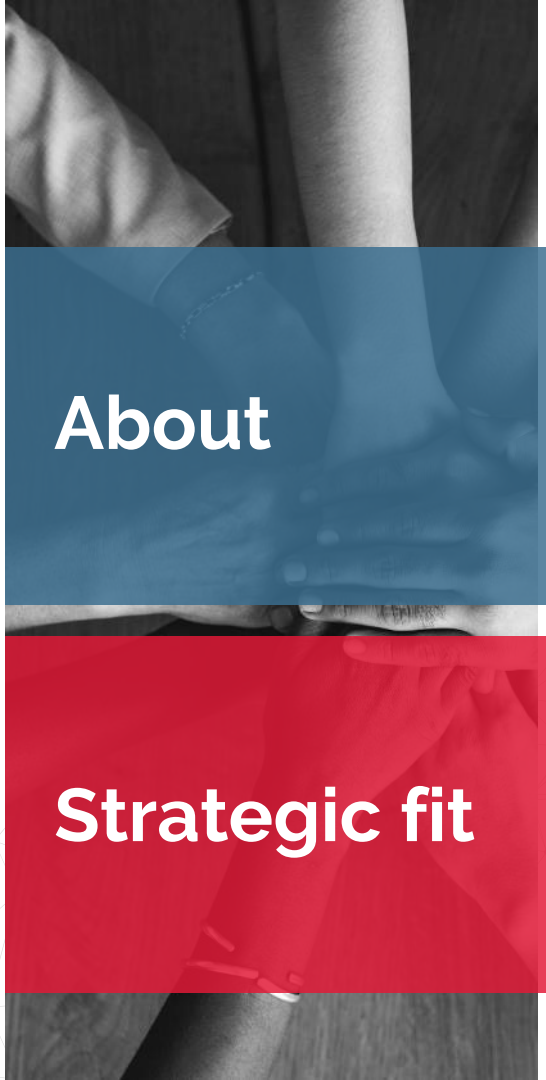
Our multi-cloud model enable delivery to you **anywhere**

Quarter 2 in brief

- \+ 31% Revenue growth, 21% organic
- \+ TCV growth to 141 (72) MSEK
- \+ 23% ARR growth to 1 413 MSEK
- \+ EBITA growth of 78% to 82.1 MSEK
- \+ Acquisition of sepago GmbH in DE

- – Gross margin pressure in NOBA
- – Market uncertainties remain



About

Strategic fit

sepago

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Acquisition of sepago GmbH

- Founded 20 years ago
- 85 employees in Cologne, Hamburg and Munich
- 100 enterprise and public customers
- Cloud consulting: Strategy, workplace, infrastructure, security
- Microsoft gold partner, Citrix platinum advisor

- Strategic public cloud and transformation consulting
- Strong within medium to enterprise segment
- Same values and business cultures
- High degree of public cloud, modern workplace, modern infrastructure and security expertise
- Systematic approach to cloud-centric digital transformation
- Complementary locations in western Germany

Financials

sepago

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Acquisition of sepago GmbH

- Purchase price: 12 MEUR cash-free, debt-free
- Earn-out: 4 MEUR over 2.5 years
- Multiple: 5-6x EBITA
- Yearly revenue: 15 MEUR
- EBITA margin: >10 %

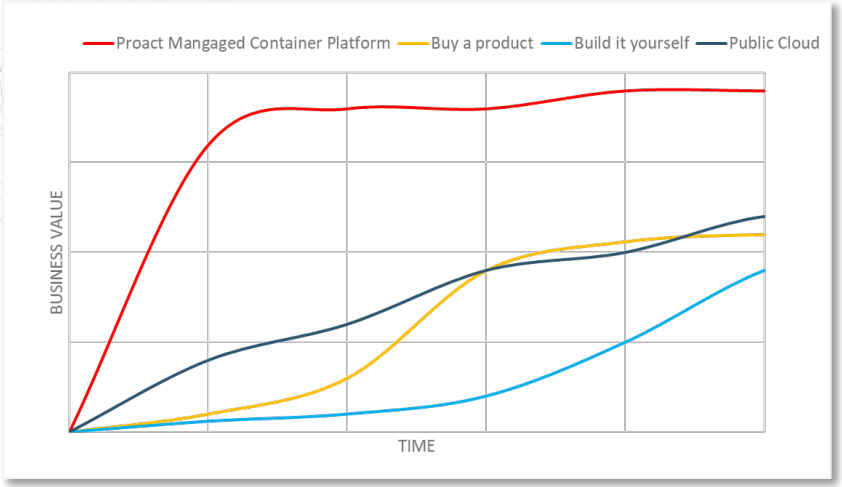
Key developments in Q2

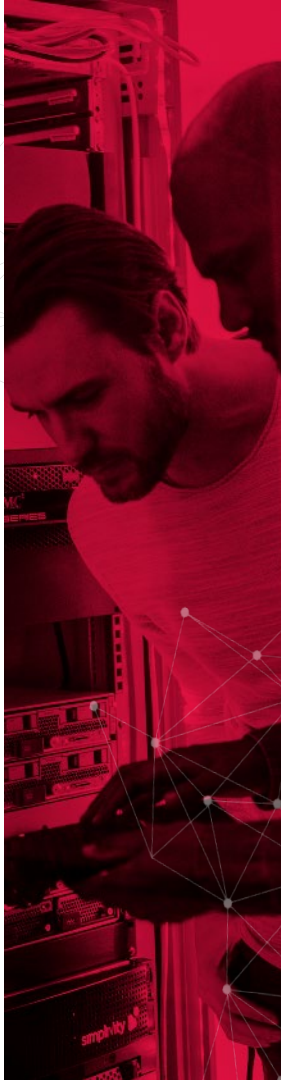
- As one of only five partners in Europe, Proact reaches the in Azure Advanced Specialization for Networking Services.
- Proact launches new cloud service (PMCP) for modern DevOps-based software development
- Proact launches new networking services with software-defined managed services package SD-Connect
- Proact stays on top in 2022 Radar Supplier Quality survey of the Swedish IT market
- Conoa recognised as Partner of the Year award with key vendor Mirantis

Broadening our cloud portfolio

Proact Managed Container Platform

- State of the art and unique Container-as-a-service in the market
- Customers get access to platform, complete software stack, deployment consultancy and support
- Service allows customers to focus on core business development
- Speed up time-to-market for customer applications
- Certified according to market standards
- Productized from Conoa acquisition

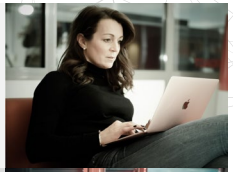




Broadening our cloud portfolio

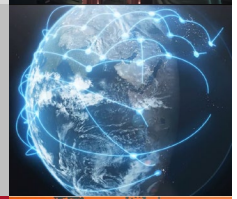
SD-Connect – enabling edge computing

SD-WiFi – connecting people in the office



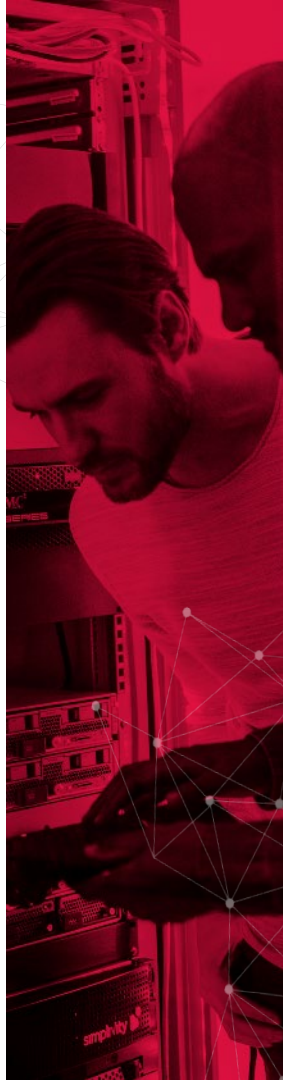
SD-LAN – connecting devices in the office or DC

SD-WAN – connecting the Edge to the Cloud



Software Defined multi-cloud connectivity:

- Quick to deploy, simple to manage, fast to revenue
- AI optimizing existing networking infrastructure



Financial **development**

Income Statement – Highlights Q2 2022

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
31%	1,154	39%	706	21%	447

Adj. EBITA			Adj. PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
78%	82,1	7.1%	90%	64.7	5.6%

Revenue development

Key developments in the second quarter

- Revenue growth 31%
  - 21% organically
  - Acquisitions contributing 7% and currency effects 3%

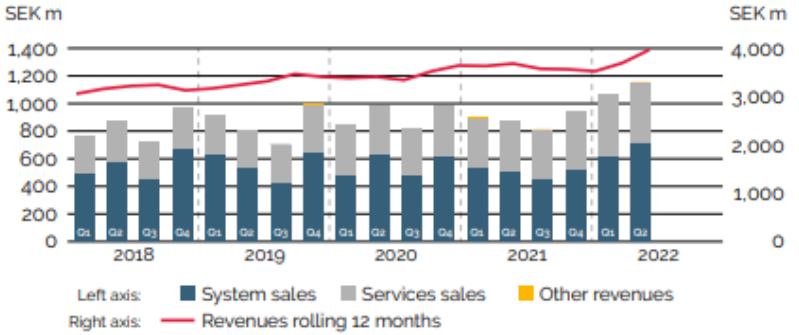
- New cloud contracts of SEK 141 million (72)

- Services growth of 21% (6% organically)
  - Cloud revenue increase of 36%, positively impacted by acquisition of ahd, as well as good organic growth
  - Support services growth of 5%
  - Consulting services growth of 13% with acquisitions contributing, but also good organic growth in all BUs

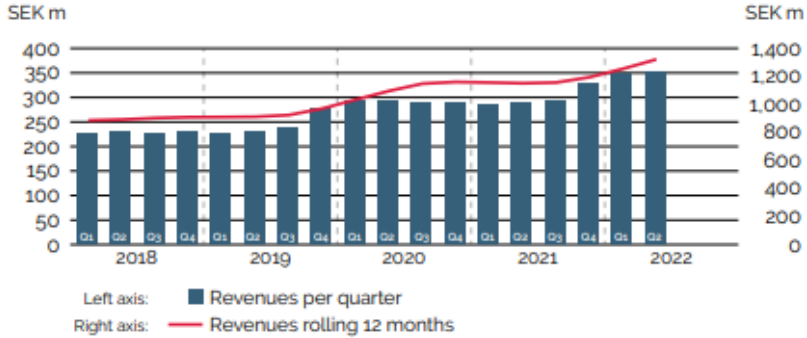
- Recurring revenues growing by 23% (6% organically) to an annualized level of SEK 1,413 million

- Systems increase of 39% (33% organically)
  - Good underlying demand, with organic growth in all BUs except UK
  - Delivery delays still impacting, with slightly lower backlog
  - Some larger deals delivered in the quarter

Revenues



Recurring Revenues

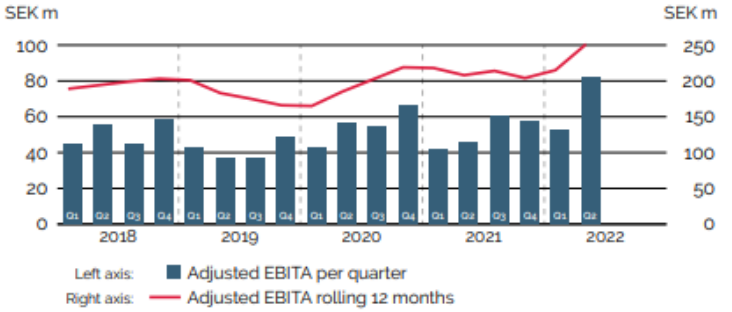


Profitability development

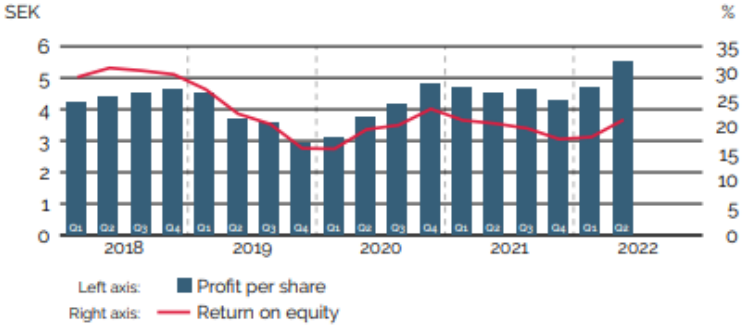
Key developments in the second quarter

- Adjusted EBITA of SEK 82.1 million (46.0)
  - Increase by 79%
  - Margin of 7.1% (5.2)
- Gross margin decreased slightly
  - Increasing margins in systems
  - Decreasing margins in services, in particular in BU NOBA
- SG&A costs increased by 6% for comparable units
  - Continued cost control
  - Some increases in travel and entertainment as well as other sales related costs
- 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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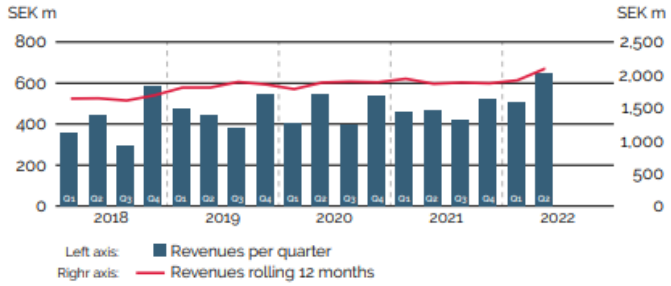
Key developments in the second quarter

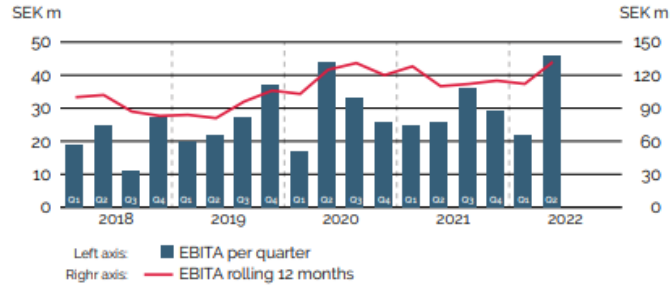
- Revenue growth 38% (36% organically)
  - Systems 53% (organic 51%)
  - Services 8% (organic 5%), with increase in all services but mainly cloud services 14%
  - Strong demand for systems and services, including strong TCV development
  - Several larger systems deals delivered in the quarter

- EBITA margin increasing to 7.1% (5.5)
  - EBITA of SEK 46.1 million (26.0)
  - Increasing as a result of the revenue growth
  - Gross margins in services weak, and action programme initiated

Revenues



Adjusted EBITA



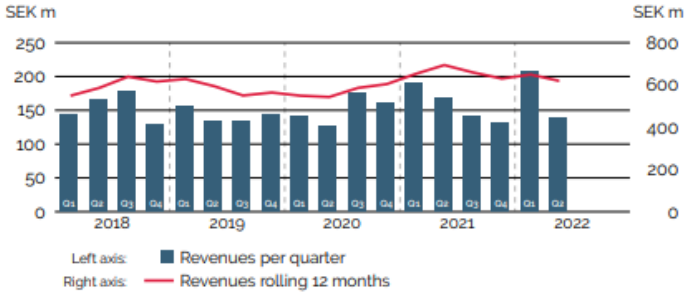
BU UK

Key developments in the second quarter

- Revenue decreased with 18% (-22% organically)
  - Systems -40% (organically -42%)
  - Services increased 8% (organically 2%)
  - Growth in cloud services and consulting, while support negatively impacted by lower systems sales earlier
  - High impact of delivery delays on systems revenues, with increasing delivery backlog

- EBITA margin increasing to 3.9% (6.3)
  - EBITA of SEK 5.5 million (10.7)
  - Decrease in revenues but still good cost control

Revenues



Adjusted EBITA

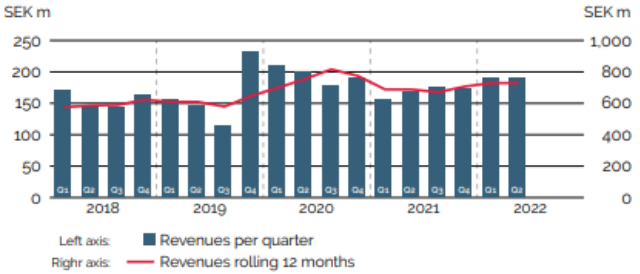
BU West

Key developments in the second quarter

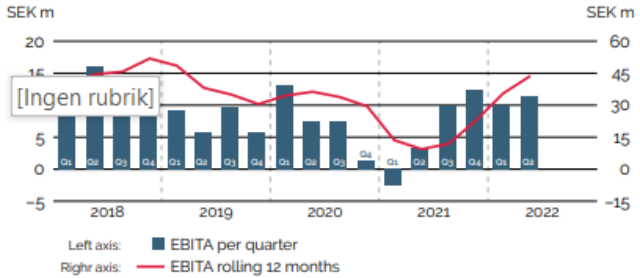
- Revenue growth by 13%
  - Organic growth 10%
  - Systems 5% (1% organically)
  - Services 17% (13% organically)
  - Low growth in Systems sales with Proact's market transforming to increased demand for services
  - Strong demand for all services, especially for cloud services, including strong TCV

- EBITA margin increasing to 6.0% (1.9)
  - EBITA of SEK 11.5 million (3.3)
  - Good revenue growth and higher gross margins

Revenues



Adjusted EBITA



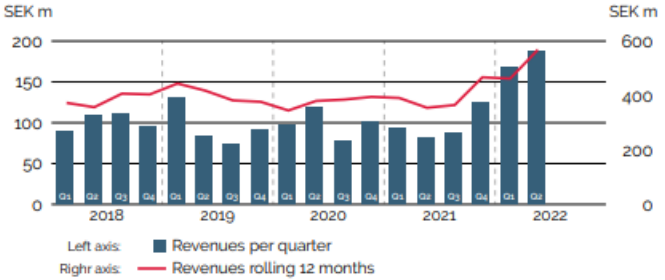
BU Central

Key developments in the second quarter

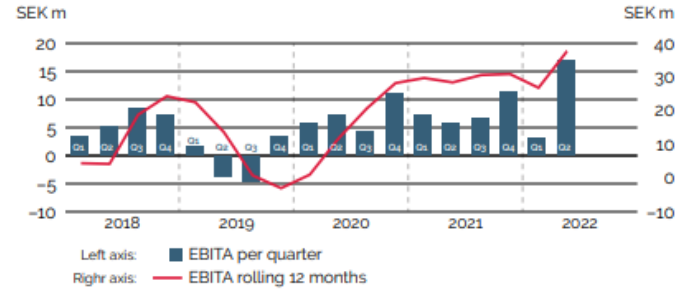
- Revenue growth by 131% (organic 46%)
  - Systems 130% (organically 78%)
  - Services 135% (organically 4%)
  - ahd contributing by 64 MSEK in revenues
  - Strong organic systems growth from a weak quarter last year
  - Healthy demand leading to growth in support and consulting services
  - Low level of new cloud contracts in 2021 had a negative effect on organic cloud revenues

- EBITA margin increasing to 8.8% (7.0)
  - EBITA of SEK 16,6 million (5.7)
  - Positive contribution from organic revenue growth and ahd acquisition, as well as low selling and administration costs

Revenues



Adjusted EBITA



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 receivables
- Investment in fixed assets SEK -8 million; Proact Finance SEK -3 million.
- Cash flow from financial activities:
  - Repayment of leasing liabilities SEK -28 million
  - Dividend of SEK -41 million
  - Increase of RCF to finance sepago acquisition of 56 MSEK (paid out in July)
- Strong cash position of SEK 528 million, with EUR 11.4 million paid out in July for sepago acquisition

Liquid Funds March 31, 2022		**418**
Cash-flow from current operations		130
Current operations	*107*	
Change in working capital	*23*	
Cash-flow from investment activities		-14
Fixed assets	*-8*	
Other	*-6*	
Cash-flow from financing activities		-13
Repayments of leasing liabilities	*-28*	
Changes in bank loans and overdraft facilities	*56*	
Dividends	*-41*	
Change in liquid funds		103
Currency translation difference in liquid funds		7
Liquid Funds June 30, 2022		**528**

Cash flow January – June 2022

- Positive cash-flow from current operations before change in working capital
- Negative change in working capital is mainly related to increased receivables partly offset by an increase in payables.
- Investment in fixed assets SEK -18 million; Proact Finance SEK -8 million.
- Cash flow from financial activities primarily related to repayment of leasing liabilities SEK -61 million and dividends of SEK -41 million
- Strong cash position of SEK 528 million, of which EUR 11.4 million was paid out for the sepago acquisition in July

Liquid Funds December 31, 2021		**464**
Cash-flow from current operations		168
Current operations	*201*	
Change in working capital	*-33*	
Cash-flow from investment activities		-23
Fixed assets	-18	
Other	-5	
Cash-flow from financing activities		-96
Repayments of leasing liabilities	-61	
Changes in bank loans and overdraft facilities	6	
Dividends	-41	
Change in liquid funds		49
Currency translation difference in liquid funds		15
Liquid Funds June 30, 2022		**528**

Balance sheet

- Equity ratio of 22%
- Cash position of SEK 528 million
- Net debt, including leasing liabilities, of SEK 198 million, increased since June 2021 by SEK 224 million, as a result of acquisitions
- Unutilized overdrafts of SEK 159 million for daily operations
- Unutilized portion of three-year revolving credit facility of SEK 100 million

(MSEK)	2022 Jun 30	2021 Dec 31	2021 Jun 30
Total Assets	3,626	3,395	3,043
whereof Goodwill	*844*	*821*	*647*
whereof Intangible fixed assets	*211*	*225*	*132*
whereof Accounts receivables	*600*	*545*	*471*
Equity	784	714	632
Equity ratio	*22%*	*21%*	*21%*
Cash and bank deposits	528	464	500
Bank loan, overdraft facilities	-502	-484	-257
Net cash (+) / Net debt (-) excl. leasing liabilities	26	-20	243
Leasing liabilities	-224	-241	-217
Net cash (+) / Net debt (-) incl. leasing liabilities	-198	-261	26
Bank overdraft facilities, unutilized	159	158	158
Bank overdraft facilities, total	159	158	158

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME
>10%	11.1%

SEK 3,971 million in sales rolling 12 months

EBITA MARGIN

TARGET	OUTCOME*
8%	6.3%

Increase from 5.8% for 2021

NET DEBT/EBITDA

TARGET	OUTCOME*
<2	0.49

Remains significantly better than target

ROCE

TARGET	OUTCOME
>25%	16.1%

Increase from 13.4% for 2021

DIVIDEND

TARGET	OUTCOME**
25-35%	35%

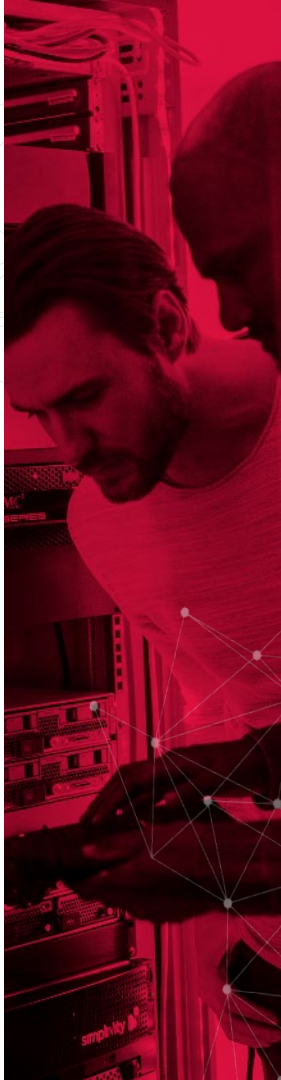
1.50 (1.50) SEK per share

* Adjusted for items affecting comparability

** Dividend for financial year 2021 paid in May 2022

Summary

- Strong revenue growth organically and through acquisitions
- High demand for managed cloud services and strong growth in Annualized Recurring Revenue (ARR)
- Strategic public cloud acquisition of sepago in Germany
- Improvements in profitability



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Thank you
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