PROACT

Summary Q3 2022
October 25, 2022

Jonas Hasselberg

CEO and President

jonas.hasselberg@proact.eu

Linda Höljö

CFO

linda.holjo@proact.eu

www.proact.eu

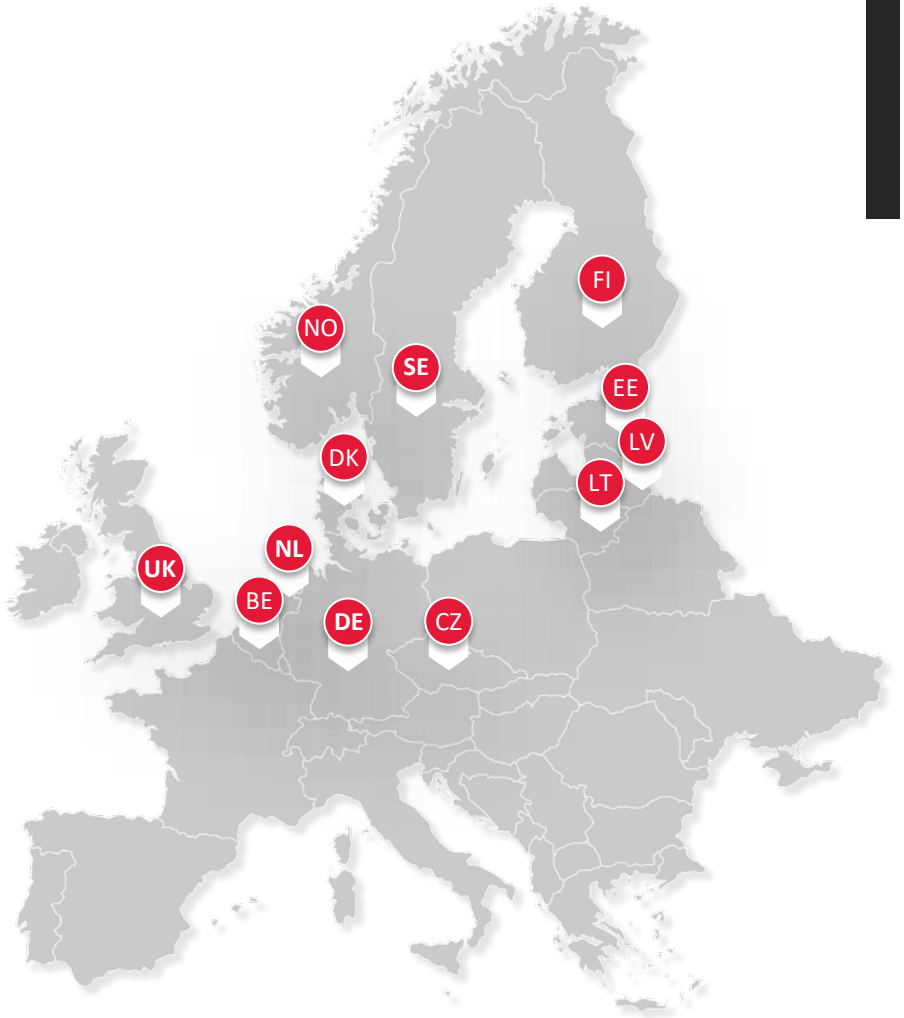
PROACT

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

4 250 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.

PROACT

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

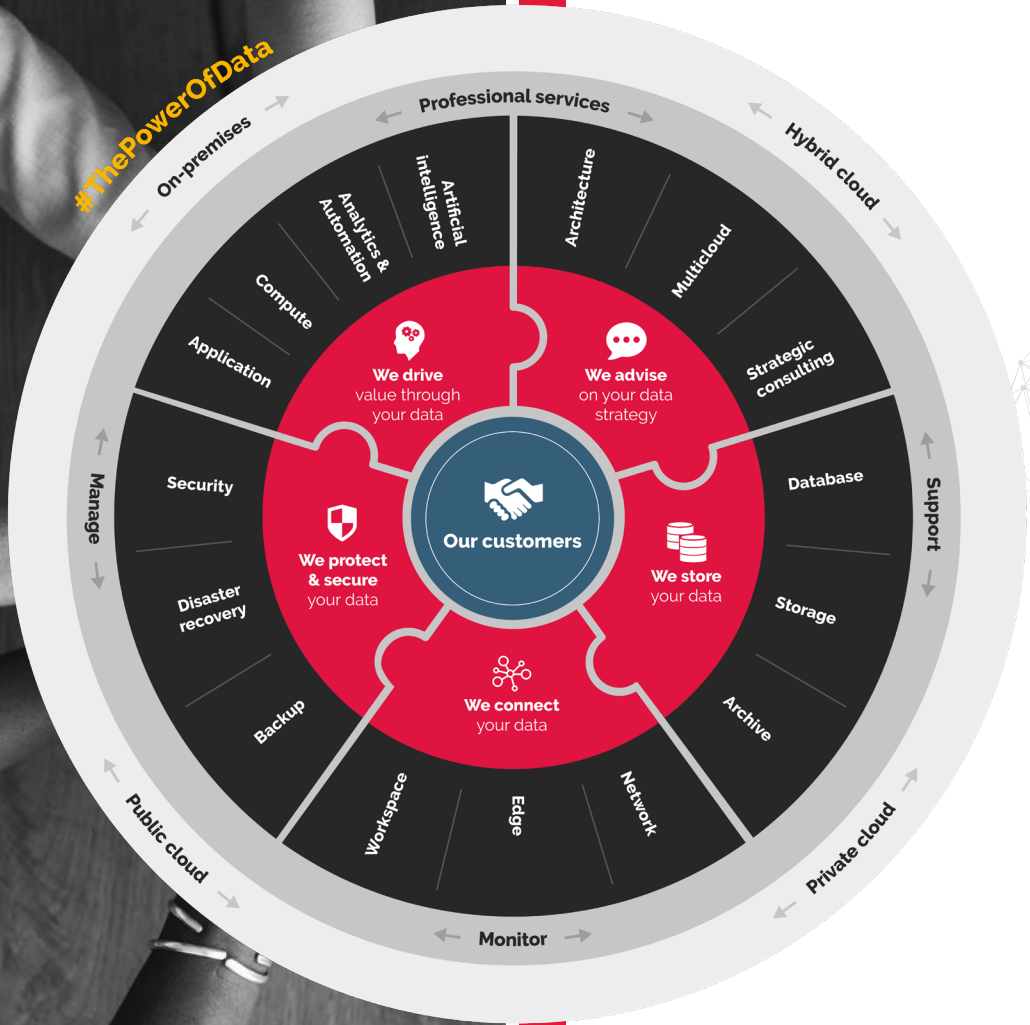
Market dynamics

- Semiconductor shortages normalizing
- Risk of macro impact from war, inflation and recession

#ThePowerOfData

PROACT

Value to customers via our propositions



#ThePowerOfData

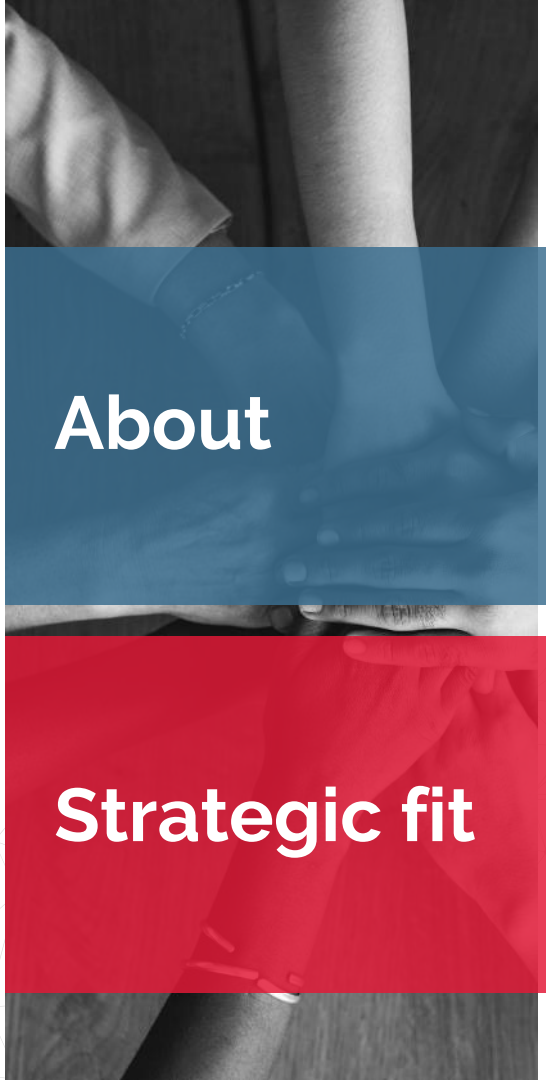
PROACT

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

Quarter 3 in brief

- \+ 36% Revenue growth, 21% organic
- \+ TCV growth to 158 (75) MSEK
- \+ 26% ARR growth to 1 479 MSEK
- \+ EBITA growth of 31% to 78.3 MSEK
- \+ Acquisition of sepago GmbH in DE

- – Low-margin Systems one-time deals
- – Market uncertainties continue



PROACT

sepago

Acquisition of sepago GmbH

About

- 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 fit

- 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

PROACT

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 %

PROACT

Key developments in Q3

- Named one of Sweden's 10 best companies for young talent
- Proact has, in multiple categories, received top scores in the Giarte IT Xperience Monitor assessment
- Proact's Container-as-a-Service Platform earns Certified Kubernetes® status

PROACT

Financial **development**

Income Statement – Highlights Q3 2022

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
36%	1 099	42%	629	28%	469

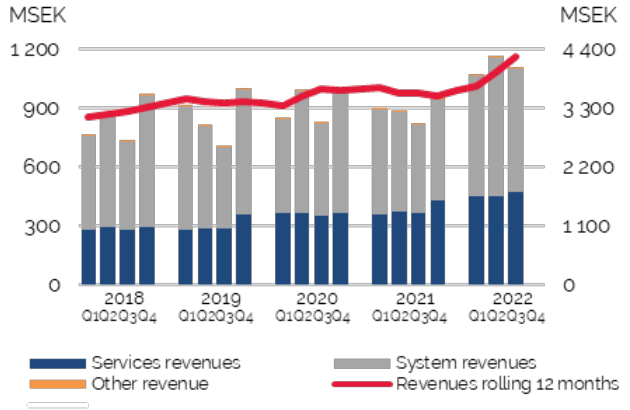
Adj. EBITA			PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
31%	78.3	7.1%	13%	56.1	5.1%

Revenue development

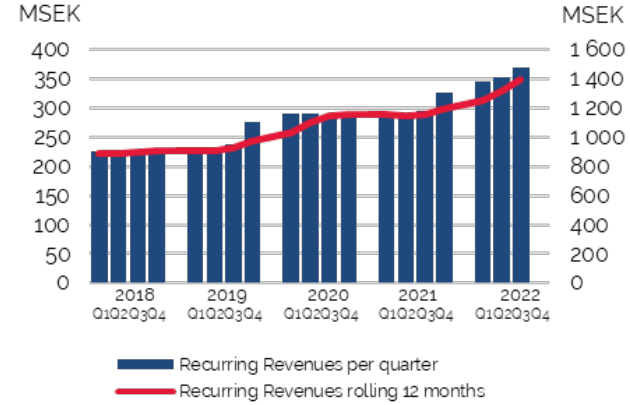
Key developments in the third quarter

- Revenue growth 36%
  - 21% organically
  - Acquisitions contributing 10% and currency effects 4%
- New cloud contracts of SEK 158 million (75)
- Services growth of 28% (6% organically)
  - Cloud revenue increase of 34%, positively impacted by acquisition of ahd, as well as good organic growth
  - Support services growth of 13%
  - Consulting services growth of 37% with sepago contributing, but also healthy organic growth
- Recurring revenues growing by 26% (6% organically) to an annualized level of SEK 1 479 million
- Systems increase of 42% (34% organically)
  - Good underlying demand, with organic growth in most of the BUs
  - Delivery of systems from backlog, but backlog still larger than normal

Revenues



Recurring Revenues

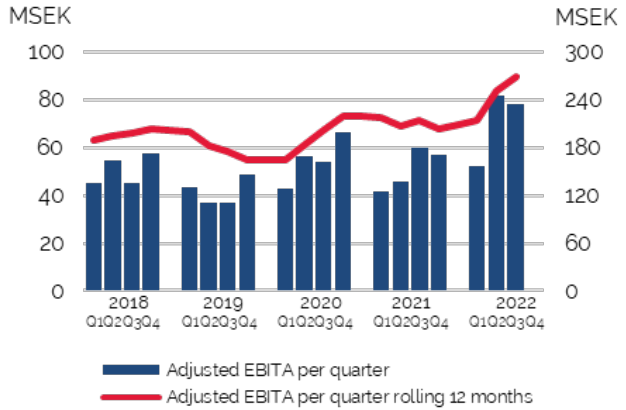


Profitability development

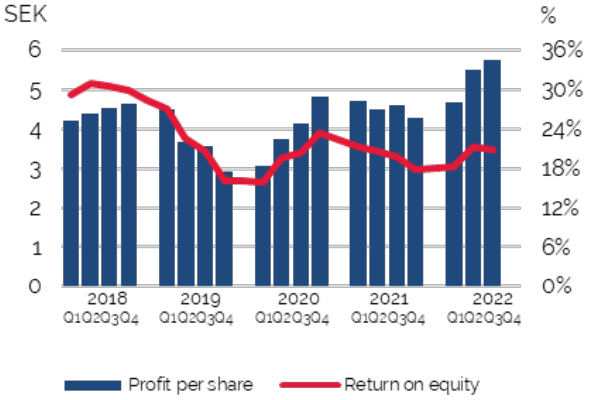
Key developments in the third quarter

- Adjusted EBITA of SEK 78.3 million (59.8)
  - Increase by 31%
  - Margin of 7.1% (7.4)
- Gross margin decreased somewhat
  - Lower margins primarily systems
  - Last year's systems margin on a relatively high level
- 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 12 months, %



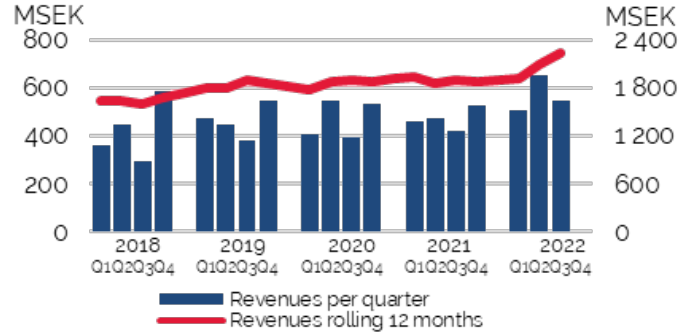
BU Nordics & Baltics

Key developments in the third quarter

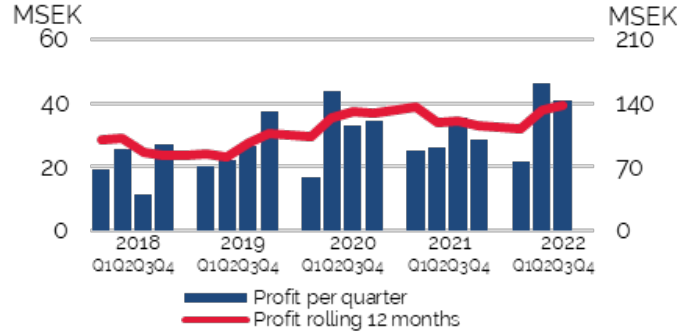
- Revenue growth 29% (31% organically)
  - Systems 42% (organic 47%)
  - Services 7% (organic 3%), with largest increase in support services
  - Strong systems market in majority of countries, and some delivery of backlog

- EBITA margin decreasing to 7.5% (8.5)
  - EBITA of SEK 40.8 million (35.6)
  - EBITA increasing as a result of the revenue growth
  - EBITA margin decrease due to lower gross margin within the System business

Revenues



Adjusted EBITA



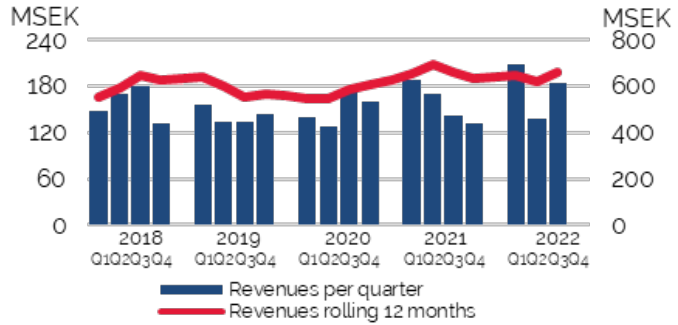
BU UK

Key developments in the third quarter

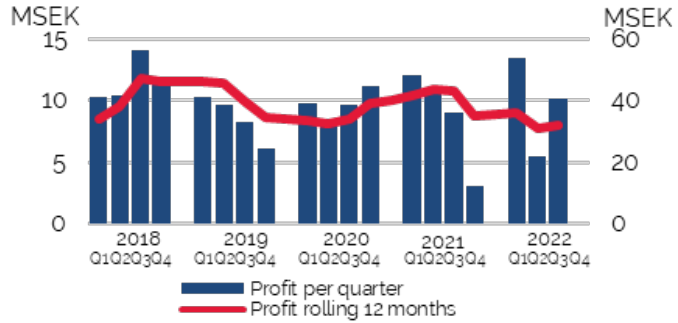
- Revenue increased with 30% (25% organically)
  - Systems increased 75% (organically 68%)
  - Services decreased 2% (organically -5%)
  - Growth in cloud services, while support negatively impacted by earlier weaker systems sales

- EBITA margin decreasing to 5.6% (6.4)
  - EBITA of SEK 10.2 million (9.0)
  - Increase in revenues impacting positively, but decrease in margin due to lower gross margins

Revenues



Adjusted EBITA



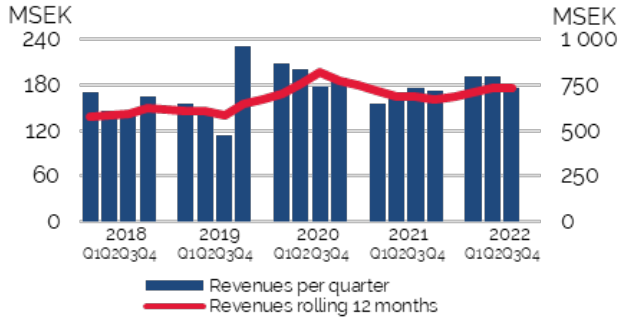
BU West

Key developments in the third quarter

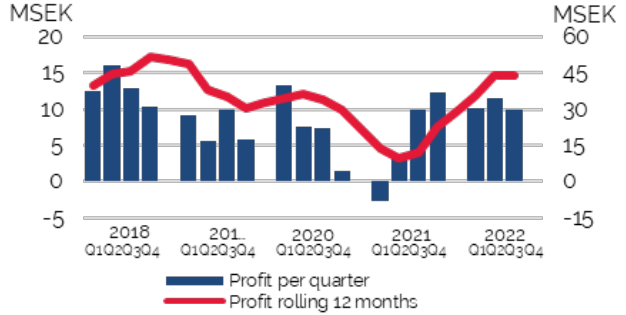
- Revenues unchanged
  - Organic decrease 4%
  - Systems decreasing 29% (-32% organically)
  - Services increasing 13% (9% organically)
  - Low growth in Systems sales with Proact's market transforming to increased demand for services
  - Strong demand for all services

- EBITA margin was 5.6% (5.6)
  - EBITA of SEK 9.8 million (9.9)
  - Gross margins and SG&A relatively unchanged

Revenues



Adjusted EBITA



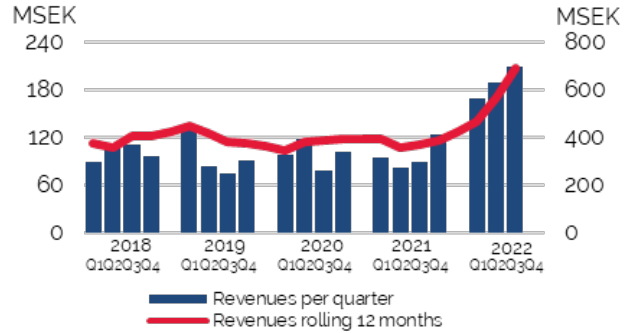
BU Central

Key developments in the third quarter

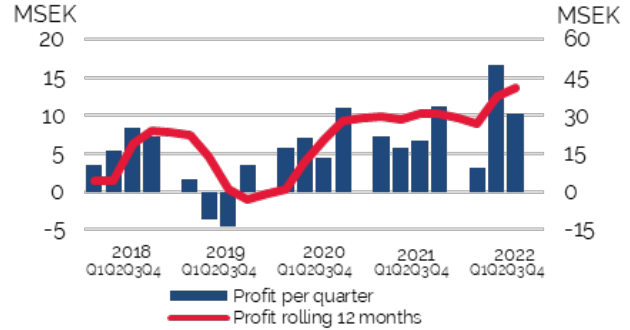
- Revenue growth by 136% (organic 12%)
  - Systems 94% (organically 17%)
  - Services 207% (organically 7%)
  - ahd contributing with 78 MSEK in revenues and sepago with 27 MSEK
  - Strong organic systems growth with several large deals delivered during the quarter
  - Healthy demand leading to organic growth in support and consulting services

- EBITA margin decreasing to 4.9% (7.6)
  - EBITA of SEK 10.2 million (6.7)
  - Positive contribution from ahd and sepago
  - EBITA margin decreased due to some system deals with lower margins as well as impact of integration costs

Revenues



Adjusted EBITA



Cash flow in Q3

- Positive cash-flow from current operations before change in working capital
- Negative change in working capital is mainly related to decreased accounts payables.
- Investment in fixed assets SEK -9 million; Proact Finance SEK -2 million.
- Acquisition of sepago impacting SEK -115 million
- Cash flow from financial activities:
  - Repayment of leasing liabilities SEK -29 million
- Strong cash position of SEK 285 million

Liquid Funds June 30, 2022		**528**
Cash-flow from current operations		-78
Current operations	*108*	
Change in working capital	*-186*	
Cash-flow from investment activities		-132
Fixed assets	*-9*	
Acquisitions of subsidiaries	*-115*	
Other	*-8*	
Cash-flow from financing activities		-35
Repayments of leasing liabilities	*-38*	
Other	*3*	
Change in liquid funds		240
Currency translation difference in liquid funds		3
Liquid Funds September 30, 2022		**285**

Cash flow January – September 2022

- Positive cash-flow from current operations before change in working capital
- Negative change in working capital is mainly related to increased receivables
- Investment in fixed assets SEK -26 million; Proact Finance SEK -10 million.
- Cash flow from acquisitions of subsidiaries primarily related to sepago
- Cash flow from financial activities SEK -131 million
  - Repayment of leasing liabilities SEK -99 million
  - Dividends of SEK -41 million
- Strong cash position of SEK 285 million

Liquid Funds December 31, 2021		**464**
Cash-flow from current operations		89
Current operations	*309*	
Change in working capital	*-219*	
Cash-flow from investment activities		-155
Fixed assets	-26	
Acquisitions of subsidiaries	-128	
Other	-1	
Cash-flow from financing activities		-131
Repayments of leasing liabilities	-99	
Other	9	
Dividends	-41	
Change in liquid funds		161
Currency translation difference in liquid funds		18
Liquid Funds September 30, 2022		**285**

Balance sheet

- Equity ratio of 23%
- Cash position of SEK 285 million
- Net debt, including leasing liabilities, of SEK 483 million, increased since September 2021 by SEK 323 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 94 million

(MSEK)	2022 Sep 30	2021 Dec 31	2021 Sep 30
Total Assets	3,682	3,395	2,768
whereof Goodwill	*991*	*821*	*650*
whereof Intangible fixed assets	*253*	*225*	*126*
whereof Accounts receivables	*596*	*545*	*425*
Equity	841	674	632
Equity ratio	*23%*	*24%*	*21%*
Cash and bank deposits	285	464	321
Bank loan, overdraft facilities	-507	-484	-257
Net cash (+) / Net debt (-) excl. leasing liabilities	-222	-20	64
Leasing liabilities	-261	-241	-223
Net cash (+) / Net debt (-) incl. leasing liabilities	-483	-261	-160
Bank overdraft facilities, unutilized	159	158	158
Bank overdraft facilities, total	159	158	158

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	19.5%	SEK 4 259 million in sales rolling 12 months

EBITA MARGIN

TARGET	OUTCOME*	
8%	6.3%	Increase from 5.8% FY2021

NET DEBT/EBITDA

TARGET	OUTCOME*	
<2	1.13	Remains better than target

ROCE

TARGET	OUTCOME	
>25%	15.9%	Increase from 13.4% FY2021

DIVIDEND

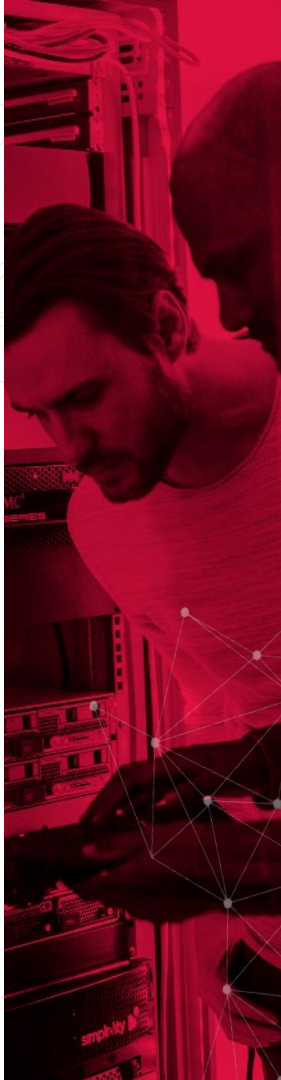
TARGET	OUTCOME**	
25-35%	35%	1.50 (1.50) SEK per share

* Adjusted for items affecting comparability

** Dividend for financial year 2021 paid in May 2022

Summary

- Strong revenue and profit growth organically and through acquisitions
- Strategic public cloud acquisition of sepago in Germany
- High demand for managed cloud services and strong growth in Annualized Recurring Revenue (ARR)
- Market uncertainties with inflation and economic down-turn



PROACT
Thank you
www.proact.eu