PROACT

Summary Q4 2022
February 9, 2023

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PROACT

Agenda

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

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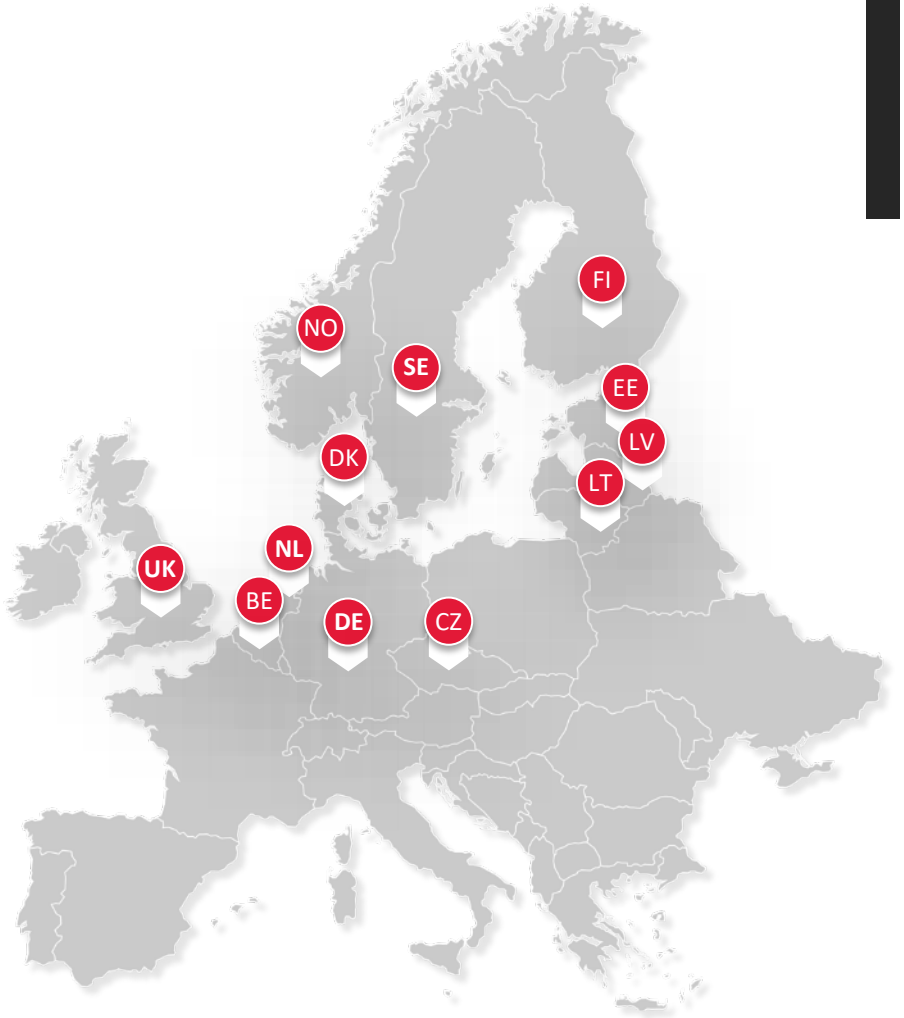
CEO and President

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

4 750 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 four defining trends in the market

- Business: Focus on digital transformation and business innovation through IT
- Technology: The use of hybrid cloud to increase speed, flexibility and availability
- Security: Ensure cybersecurity and data compliance
- Sustainability: IT as enabler of business's sustainability goals

Market dynamics

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

#ThePowerOfData

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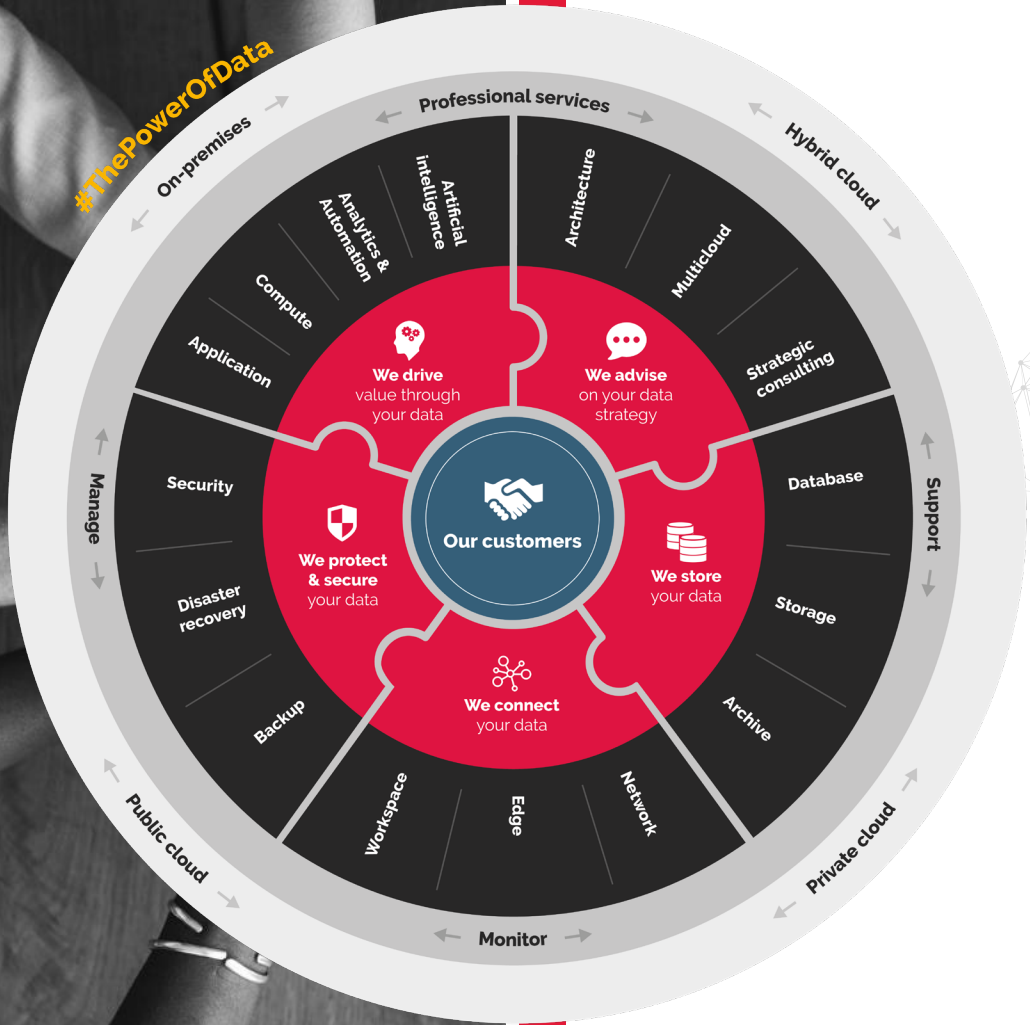
Value to customers via our propositions



#ThePowerOfData

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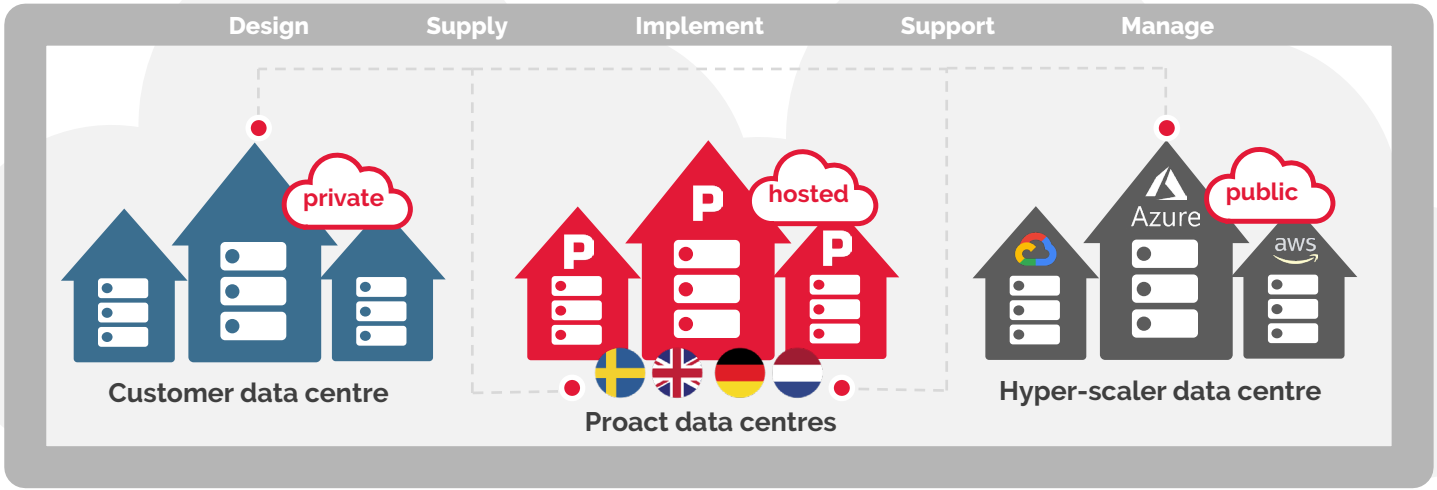
Our **hybrid-cloud** model enables delivery to you anywhere


Design
Supply
Implement
Support
Manage
private
Customer data centre
P
P
P
hosted
Proact data centres
Azure
aws
public
Hyper-scaler data centre

Azure
Customer data centre
Proact data centres
Hyper-scaler data centre

canopius

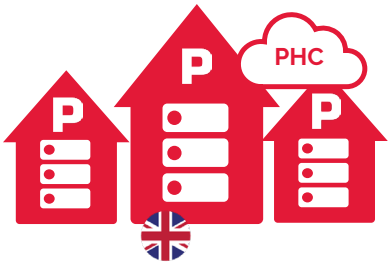
Customer data centre

Proact data centres

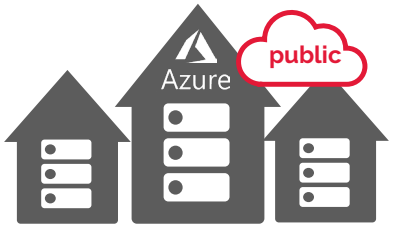
Hyper-scaler data centre

canopius

Customer data centre

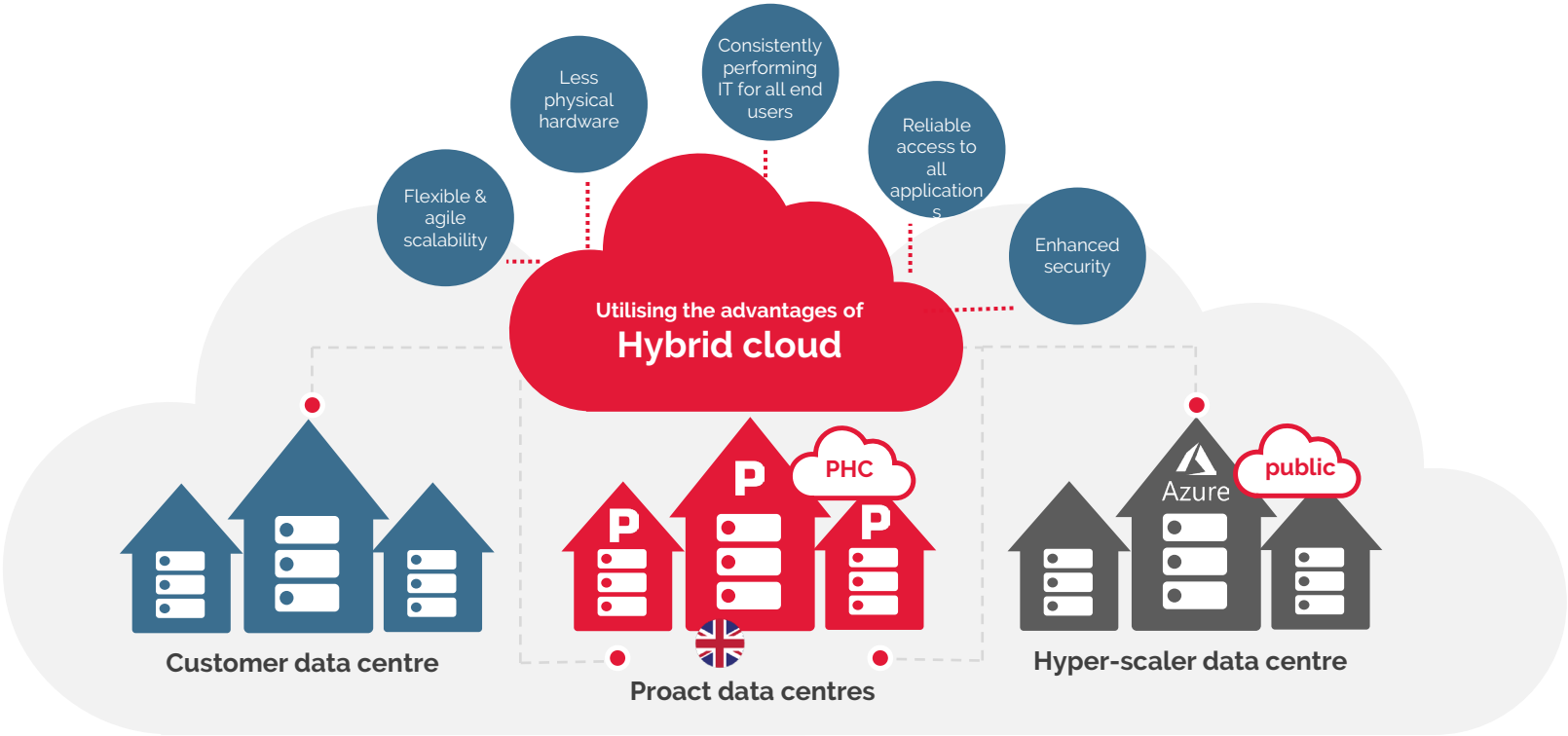


Proact data centres



Hyper-scaler data centre

canopius


Less physical hardware
Consistently performing IT for all end users
Reliable access to all applications
Flexible & agile scalability
Enhanced security
Utilising the advantages of
Hybrid cloud
PHC
Azure
public
Customer data centre
Proact data centres
Hyper-scaler data centre

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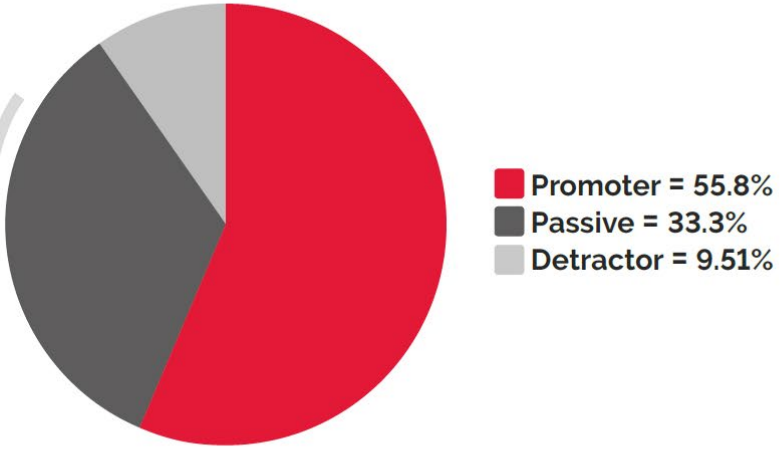
Customer satisfaction is strong

Net Promotor Score

46

Overall NPS



New Headoffice in Frösundavik, Solna

Quarter 4 in brief

- \+ 53% Revenue growth, 40% organic
- \+ 19% ARR growth to 1 552 MSEK
- \+ EBITA margin of 7.1% (6.0)
- \+ EBITA growth of 80% to 102.2 MSEK

- – TCV decline to 142 (177) MSEK
- – Market uncertainties continue
- – Inflation impacting services margins

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Financial **development**

Income Statement – Highlights Q4 2022

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
53%	1,440	77%	913	23%	522

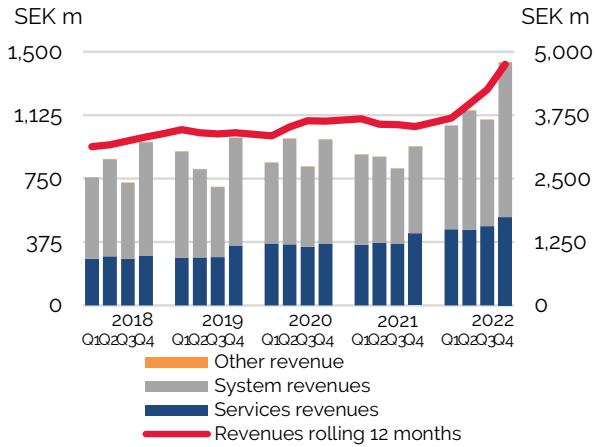
Adj. EBITA			PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
80%	102.2	7.1%	130%	86.0	6.0%

Revenue development

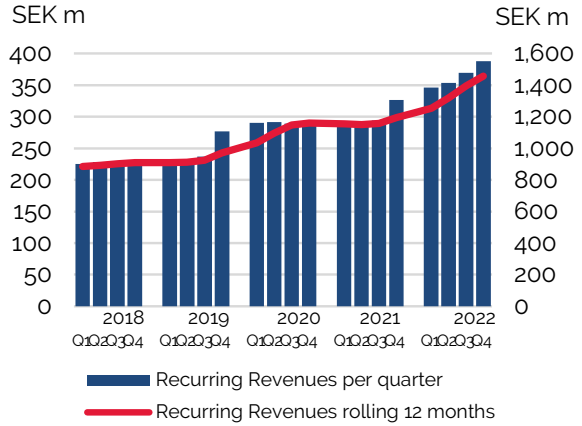
Key developments in the fourth quarter

- Revenue growth 53%
  - 40% organically
  - High demand and normalized delivery times
  - Acquisitions contributing 7% and currency effects 6%
- New cloud contracts of SEK 142 million (177)
- Services growth of 23% (8% organically)
  - Cloud revenue increase of 21%, positively impacted by acquisition of ahd, as well as good organic growth
  - Support services growth of 15%
  - Consulting services growth of 36% with sepago contributing, but also healthy organic growth
- Recurring revenues growing by 19% (6% organically) to an annualized level of SEK 1,552 million
- Systems increase of 77% (65% organically)
  - Good underlying demand, with organic growth in all of the BUs
  - Normalised delivery times and catch up from covid years

Revenues



Recurring Revenues

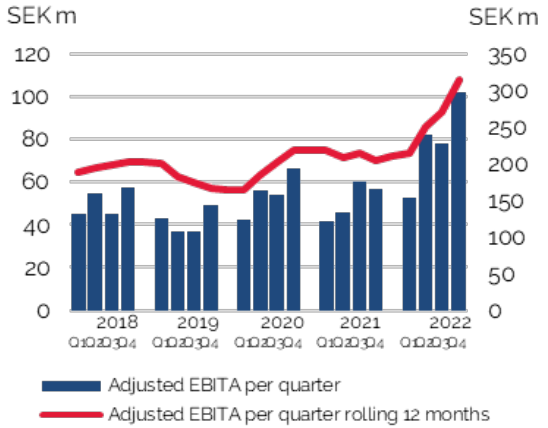


Profitability development

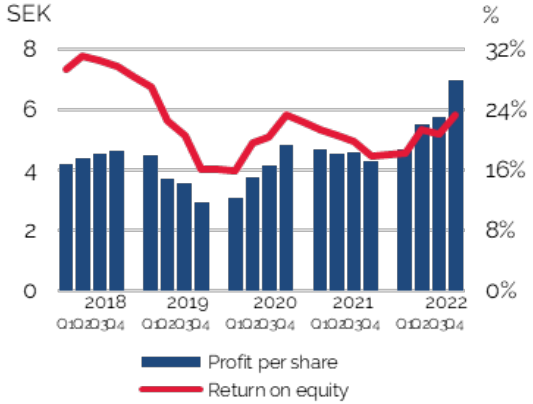
Key developments in the fourth quarter

- Adjusted EBITA of SEK 102.2 million (56.9)
  - Increase by 80%
  - Margin of 7.1% (6.0)
- Gross margin essentially unchanged
  - Increased margins for systems
  - Decreased margins for services, due to cost inflation and increased proportion of subcontractors
- SG&A costs increased organically by 28% for comparable units
  - Primarily linked to increased sales related costs due to the increased sales as well as inflation driven cost increases
- EPS increasing significantly compared to previous year
  - Increased due to growth in EBIT

Adjusted EBITA



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



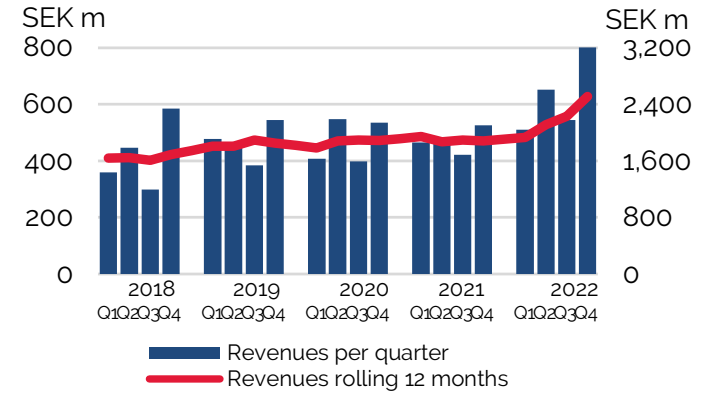
BU Nordics & Baltics

Key developments in the fourth quarter

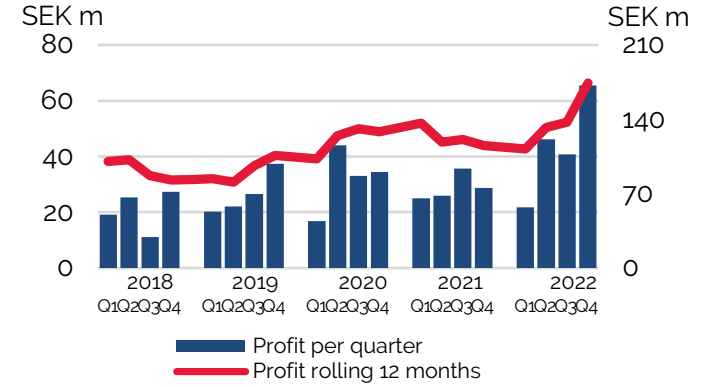
- Revenue growth 52% (49% organically)
  - Systems 68% (organically 64%)
  - Services 18% (organically 14%), with good growth in support services and consulting services
  - Strong systems market in majority of countries, and normalized delivery times

- EBITA margin increasing to 8.2% (5.5)
  - EBITA of SEK 65.4 million (28.7)
  - EBITA and margin increasing as a result of the revenue growth

Revenues



Adjusted EBITA



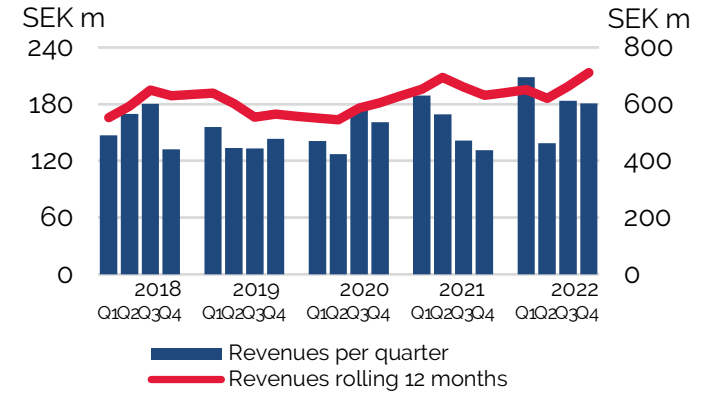
BU UK

Key developments in the fourth quarter

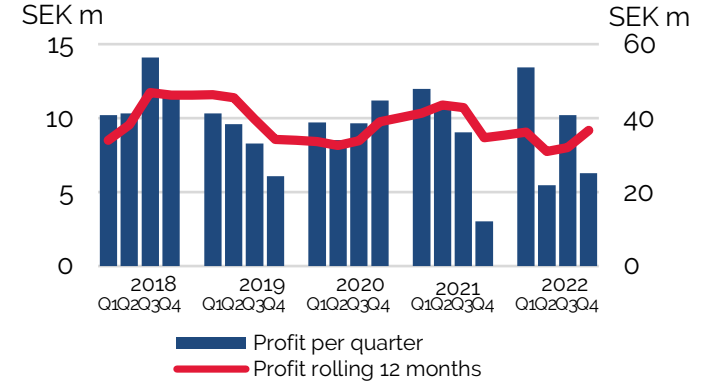
- Revenue increased with 38% (31% organically)
  - Systems increased 84% (organically 75%) with normalized delivery times
  - Services increased 9% (organically 3%)
  - Good growth in cloud services and consulting services, while support negatively impacted by earlier weaker systems sales

- EBITA margin increasing to 3.5% (2.3)
  - EBITA of SEK 6.3 million (3.0)
  - Increase in revenues impacting positively, partly offset by lower services gross margins

Revenues



Adjusted EBITA



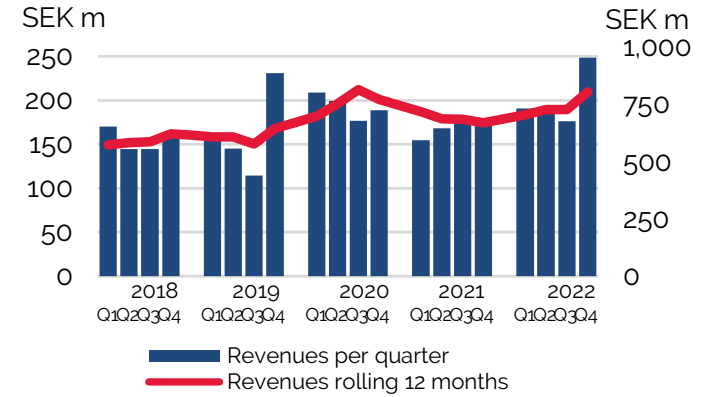
BU West

Key developments in the fourth quarter

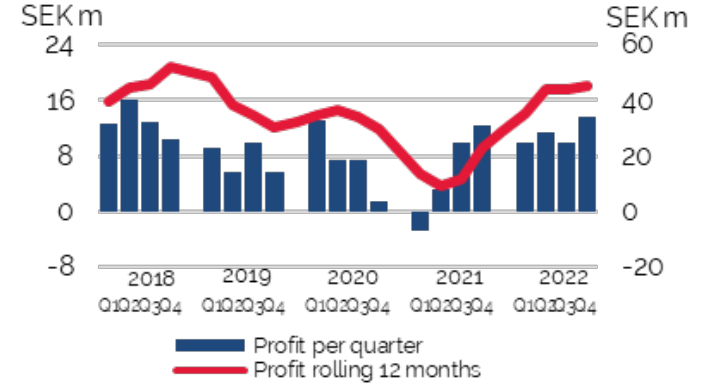
- Revenue growth 44% (35% organically)
  - Systems increasing 131% (117% organically)
  - Services increasing 16% (7% organically)
  - A number of large deals were delivered during the quarter after several quarters with low system revenues
  - Strong demand for all services, and especially cloud services

- EBITA margin was 5.5% (7.1)
  - EBITA of SEK 13.7 million (12.3)
  - Decreasing gross margins and increased SG&A impacting margins negatively

Revenues



Adjusted EBITA



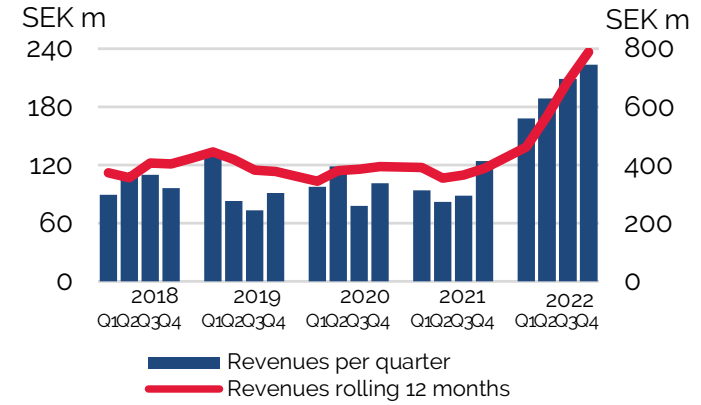
BU Central

Key developments in the fourth quarter

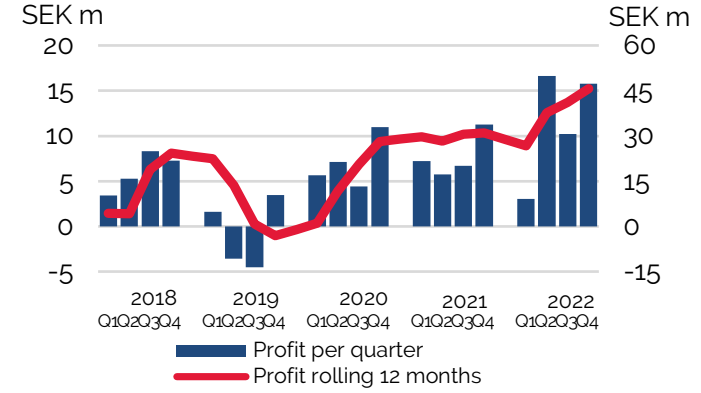
- Revenue growth by 80% (organic 16%)
  - Systems 93% (organically 27%)
  - Services 71% (organically 7%)
  - Acquisitions of ahd (Nov 2021) and sepago (Jul 2022) contributing to revenues
  - Strong organic systems growth with several large deals delivered during the quarter
  - Healthy demand leading to organic growth in support and consulting services

- EBITA margin decreasing to 7.1% (9.1)
  - EBITA of SEK 15.8 million (11.3)
  - Positive contribution from ahd and sepago
  - EBITA margin decreased due to lower gross margins and increased SG&A costs

Revenues



Adjusted EBITA



Cash flow in Q4

- Positive cash-flow from current operations before change in working capital
- Positive change in working capital is mainly related to increased accounts payables and operating payables, partly offset by increased accounts receivables.
- Investment in fixed assets SEK -13 million; Proact Finance SEK -7 million.
- Cash flow from acquisitions of subsidiaries related to payout of deferred payments for earlier acquisitions
- Cash flow from financial activities:
  - Repayment of leasing liabilities SEK -32 million
  - Repayment of bank loans SEK -71 million
- Strong cash position of SEK 506 million

Liquid Funds September 30, 2022		**285**
Cash-flow from current operations		353
Current operations	*154*	
Change in working capital	*199*	
Cash-flow from investment activities		-39
Fixed assets	*-13*	
Acquisitions of subsidiaries	*-27*	
Other	*1*	
Cash-flow from financing activities		-105
Repayments of leasing liabilities	*-32*	
Repayments of bank loans	*-71*	
Other	*-2*	
Change in liquid funds		209
Currency translation difference in liquid funds		11
Liquid Funds December 31, 2022		**506**

Cash flow January – December 2022

- Positive cash-flow from current operations before change in working capital
- Small changes in working capital during the year with increasing payable offsetting increasing receivables
- Investment in fixed assets SEK -36 million; Proact Finance SEK -17 million.
- Cash flow from acquisitions of subsidiaries primarily related to sepago
- Cash flow from financial activities SEK -236 million
  - Repayment of leasing liabilities SEK -133 million
  - Repayment of bank loans SEK -62 million
  - Dividends of SEK -41 million
- Strong cash position of SEK 506 million

Liquid Funds December 31, 2021		**464**
Cash-flow from current operations		443
Current operations	*464*	
Change in working capital	*-21*	
Cash-flow from investment activities		-195
Fixed assets	-39	
Acquisitions of subsidiaries	-153	
Other	-3	
Cash-flow from financing activities		-236
Repayments of leasing liabilities	-133	
Repayments of bank loans	-62	
Dividends	-41	
Change in liquid funds		12
Currency translation difference in liquid funds		30
Liquid Funds December 31, 2022		**506**

Balance sheet

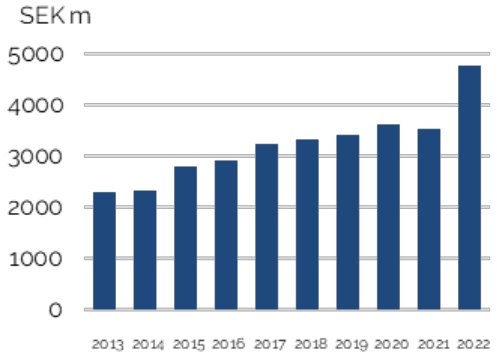
- Equity ratio of 22%
- Cash position of SEK 506 million
- Net debt, including leasing liabilities of SEK 291 million, decreased since December 2021 by SEK 34 million, as a result of strong cash flow generation in the year covering pay-outs for acquisitions and dividends
- Unutilized overdrafts of SEK 159 million for daily operations
- Unutilized portion of three-year revolving credit facility of SEK 159 million

(MSEK)	2022 Dec 31	2021 Dec 31
Total Assets	4,242	3,395
whereof Goodwill	*984*	*821*
whereof Intangible fixed assets	*231*	*225*
whereof Accounts receivables	*850*	*545*
Equity	923	714
Equity ratio	*22%*	*21%*
Cash and bank deposits	506	464
Bank loan, overdraft facilities	-441	-484
Net cash (+) / Net debt (-) excl. leasing liabilities	64	-20
Leasing liabilities	-291	-241
Net cash (+) / Net debt (-) incl. leasing liabilities	-227	-261
Bank overdraft facilities, unutilized	159	158
Bank overdraft facilities, total	159	158

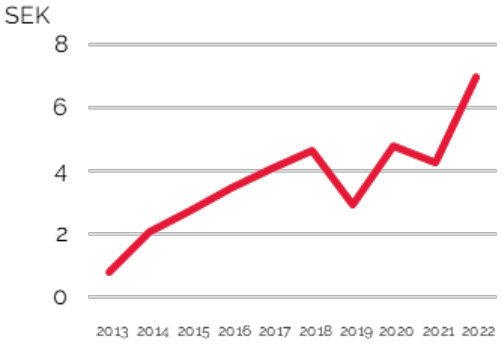
Full year overview

- Full year revenue increasing by 35% (23% organically)
- Systems revenues increasing by 43% (35% organically)
  - Good demand with catch up after covid 19
  - Normalization of delivery times
- Services revenues increasing by 24% (6% organically)
  - Recurring revenues growing by 22%
  - Cloud services growing by 30%
  - Consulting revenues growing by 33%
- EBITA increasing by 54%
  - EBITA margin for the year at 6.6% (5.8%)
  - Declining gross margins impacted by inflation and increased proportion of subcontractors
  - SG&A organically increasing by 10%
- Strategic milestones during 2022
  - Acquisition of sepago in Germany
  - Strong customer satisfaction with NPS of 46
  - Awarded several partner and quality prizes
  - Launch of Networking, Monitoring and Container as a Service

Revenues – 10-year development



EPS – 10-year development



FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	34.9%	SEK 4 757 million in sales for the year

EBITA MARGIN

TARGET	OUTCOME*	
8%	6.6%	Increase from 5.8% FY2021

NET DEBT/EBITDA

TARGET	OUTCOME*	
<2	0.48	Significantly better than target

ROCE

TARGET	OUTCOME	
>20%	17.2%	Increase from 13.4% FY2021; updated target

DIVIDEND

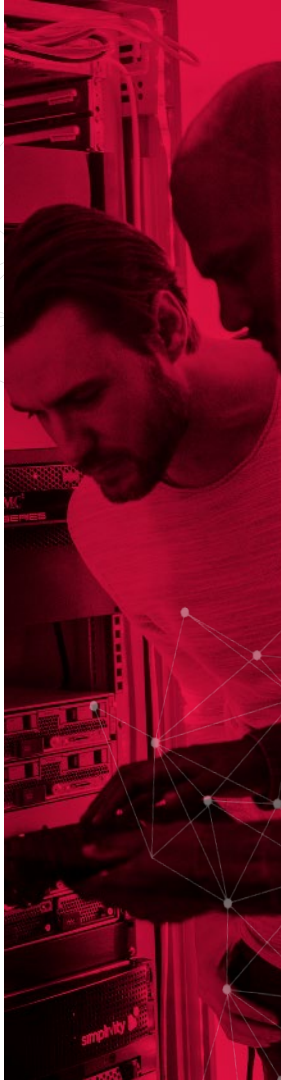
TARGET	OUTCOME**	
25-35%	27%	1.85 (1.50) SEK per share

* Adjusted for items affecting comparability

** Dividend proposed for the financial year 2022

Summary

- Strong total and organic revenue and profit growth
- Strong growth in Annualized Recurring Revenue (ARR)
  - 1 552 MSEK in Q4 vs 1 477 in Q3
- Proposed dividend of 1.85 (1.50) SEK per share



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Thank you
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