PROACT

Summary Q1 2023
May 4, 2023

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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

4 900 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 four defining growth 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

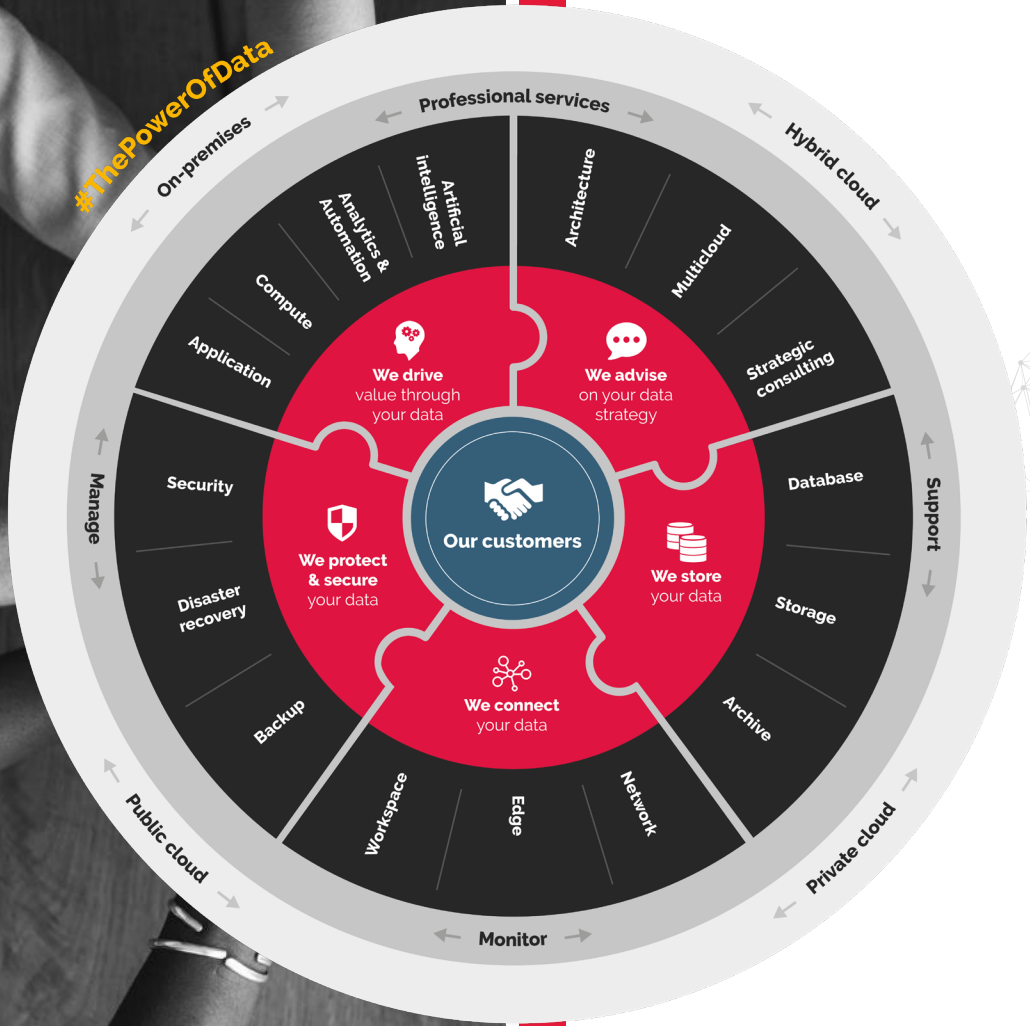
Market dynamics

- Macro impact from inflation and recession

#ThePowerOfData

PROACT

Value to customers via our **propositions**



#ThePowerOfData

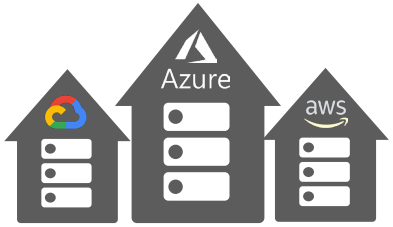
PROACT

Our **hybrid-cloud** model enables the best of the cloud worlds

The infrastructure sits in one of **three** places

Customer data centre

Proact data centres

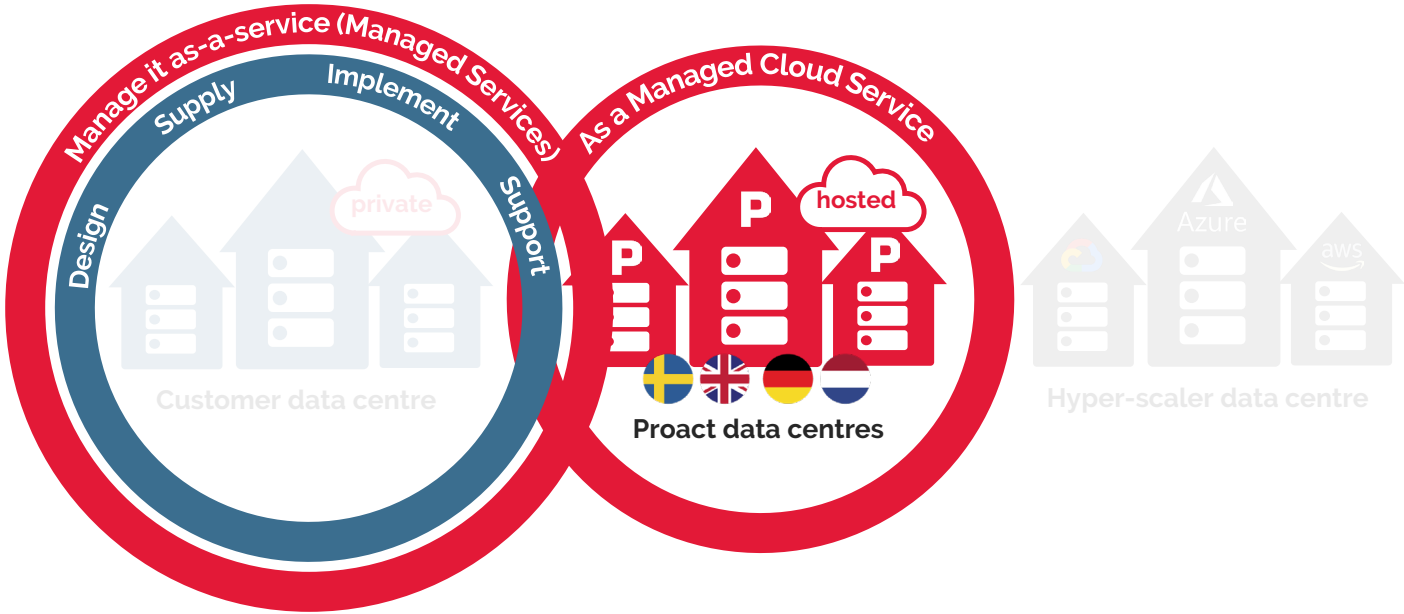


Hyper-scaler data centre

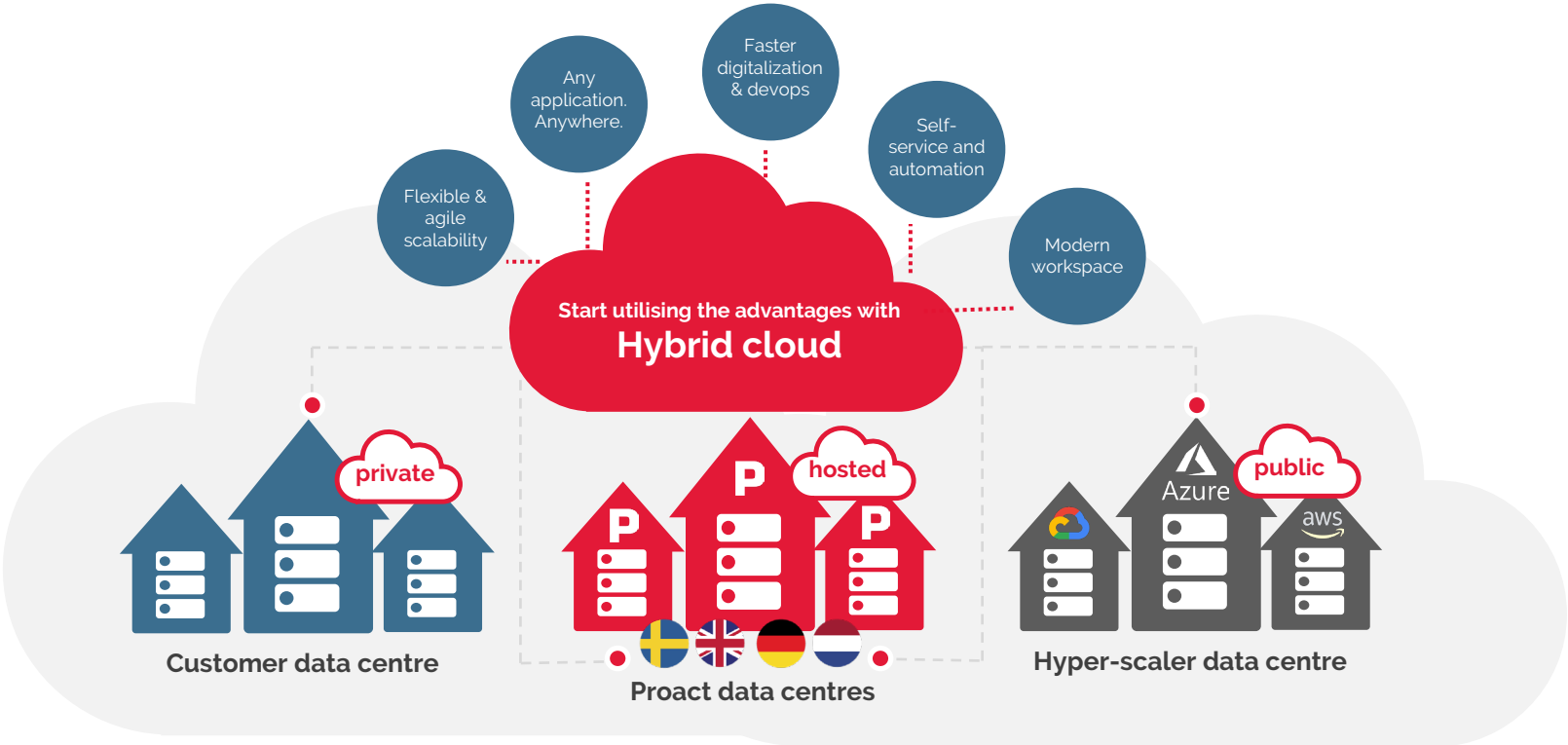
As a Managed Cloud Service
Design
Supply
Implement
Support
private
Customer data centre

P
P
P
Proact data centres

Azure
aws
Hyper-scaler data centre


Manage it as-a-service (Managed Services)
Design
Supply
Implement
Support
private
Customer data centre
As a Managed Cloud Service
P
P
P
hosted
Proact data centres
Azure
aws
Hyper-scaler data centre

private
Customer data centre
As a Managed Cloud Service
hosted
Proact data centres
aged Services
Professional Services
public
Azure
aws
Hyper-scaler data centre



#ThePowerOfData

Quarter 1 in brief

- \+ 15% Revenue growth, 8% organic
- \+ EBITA growth of 8.5% to 56.8 MSEK
- \+ 15% ARR growth to 1,596 MSEK
- \+ Stable gross margins at 21.7% (20.9%)

- – TCV at 117 (122) MSEK
- – Inflation impact on COGS and SG&A
- – Cost-program initiated

Awards & partners

Financial **development**

Income Statement – Highlights Q1 2023

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
15%	1,220	14%	699	15%	519

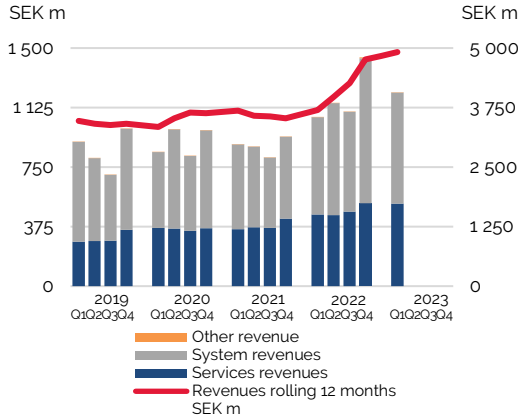
Adj. EBITA			PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
8.5%	56.8	4.7%	0%	37.3	3.1%

Revenue development

Key developments in the first quarter

- Revenue growth 15% (8% organically)
  - Continued good demand
  - Acquisitions contributing 3% and currency effects 4%
- New cloud contracts of SEK 117 million (122)
- Services growth of 15% (6% organically)
  - Cloud revenue increase of 15%, 8% organically, as a result of contracts won during the past quarters
  - Support services growth of 15%, connected to strong systems sales
  - Consulting services growth of 36% with sepago contributing, organic decline
  - Service revenue accounted for 43% (42) of total revenue
- Recurring revenues growing by 15% (8% organically) to an annualized level of SEK 1,596 million
- Systems increase of 14% (10% organically)
  - Good underlying demand, with organic growth in all BUs except UK

Revenues



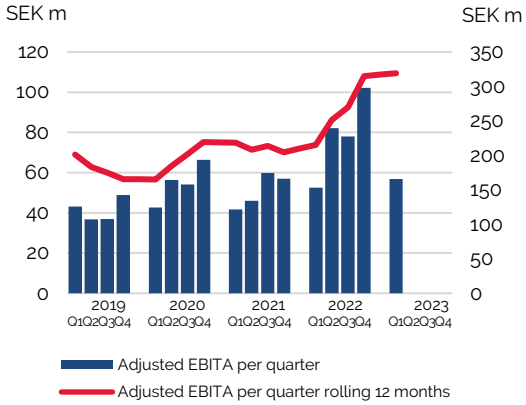
Recurring Revenues

Profitability development

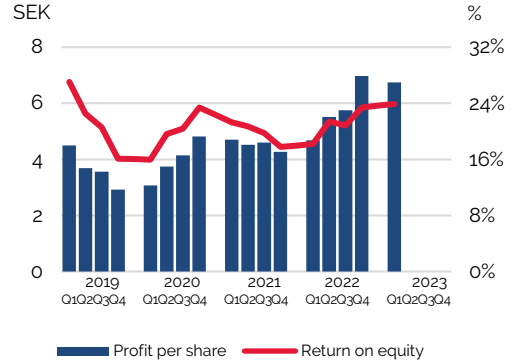
Key developments in the first quarter

- Adjusted EBITA of SEK 56.8 million (52.5)
  - Increase by 8.5%
  - Margin of 4.7% (4.9)
- Gross margin slightly increased
  - Increased margins for systems
  - Unchanged margins for services, with efficiencies offsetting cost inflation
- SG&A costs increased organically by 15% for comparable units
  - Primarily linked to inflation driven cost increases and increased sales related costs due to the higher revenues
- EPS decreasing compared to previous year
  - Increased EBITA offset by increased amortizations, interest costs and higher tax rate

Adjusted EBITA



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



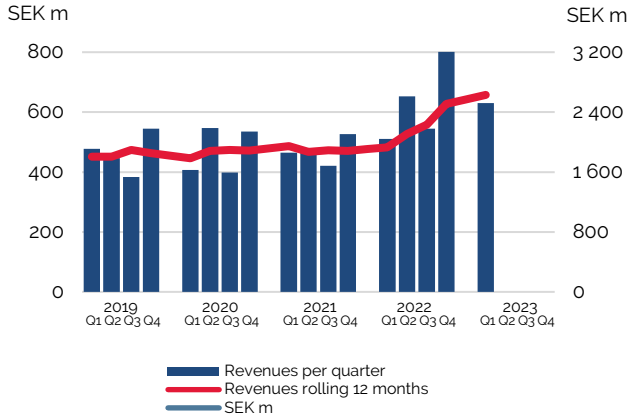
BU Nordics & Baltics

Key developments in the first quarter

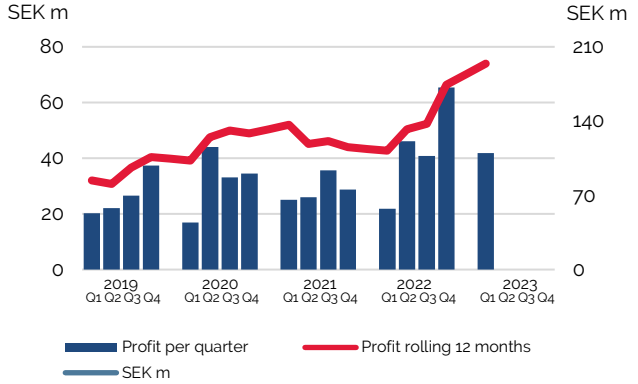
- Revenue growth 24% (22% organically)
  - Systems 27% (organically 25%)
  - Strong systems market primarily in Sweden and Denmark, with continued high demand.
  - Services 16% (organically 14%), with good growth in support services and cloud services

- EBITA margin increasing to 6.6% (4.3)
  - EBITA of SEK 41.8 million (21.8)
  - EBITA and margin increasing as a result of the revenue growth, with increased gross margins partly offset by increased sales costs

Revenues



Adjusted EBITA



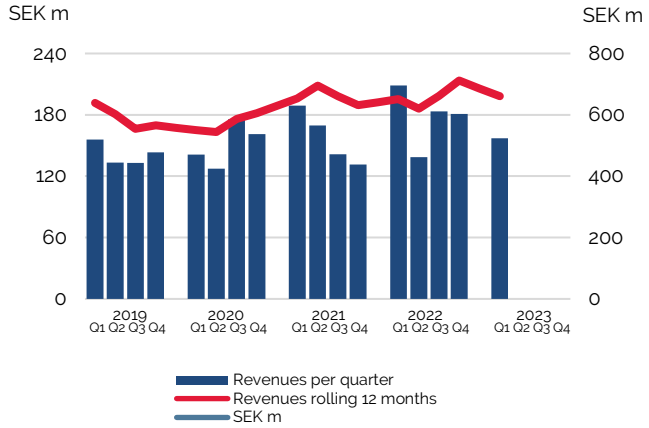
BU UK

Key developments in the first quarter

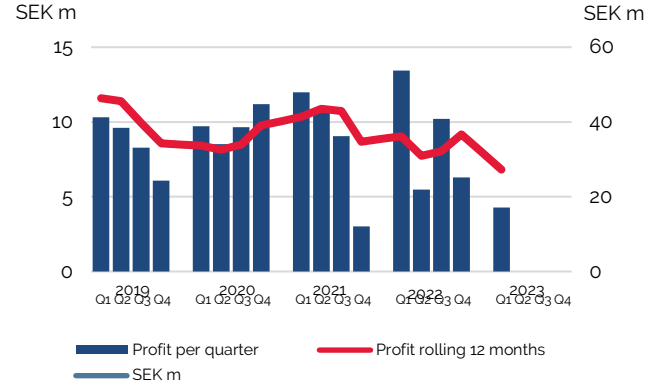
- Revenue decreased with 25% (25% organically)
  - Systems decreased 45% (organically 45%) primarily due to longer sales cycles
  - Services increased 5% (organically 4%)
  - Growth in cloud services and consulting services, while support negatively impacted by earlier weaker systems sales and changed product mix

- EBITA margin decreasing to 2.7% (6.4)
  - EBITA of SEK 4.3 million (13.4)
  - Decrease in revenues impacting negatively, partly offset by lower sales and administration costs

Revenues



Adjusted EBITA



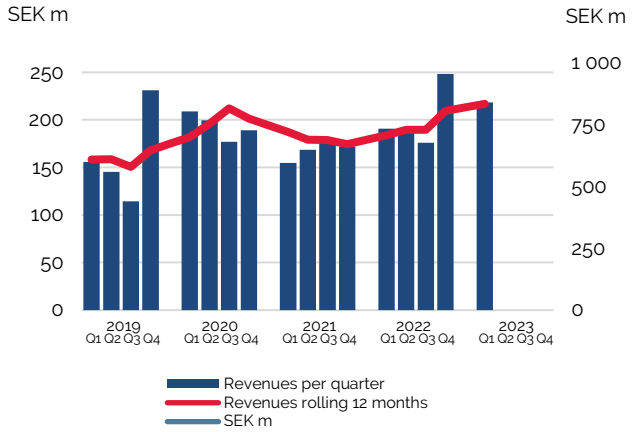
BU West

Key developments in the first quarter

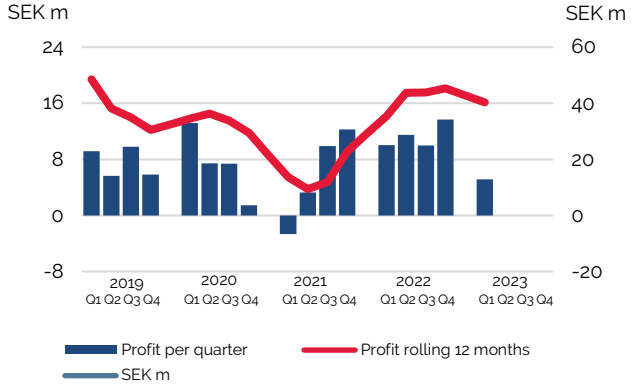
- Revenue growth 14% (7% organically)
  - Systems increasing 29% (20% organically) with continued good demand
  - Services increasing 9% (2% organically)
  - Support services and cloud services showing high growth, while consulting revenues decreasing primarily due to lack of staff

- EBITA margin was 2.4% (5.3)
  - EBITA of SEK 5.1 million (10,0)
  - Decreasing gross margins and increased SG&A impacting margins negatively, largely due to cost inflation

Revenues



Adjusted EBITA



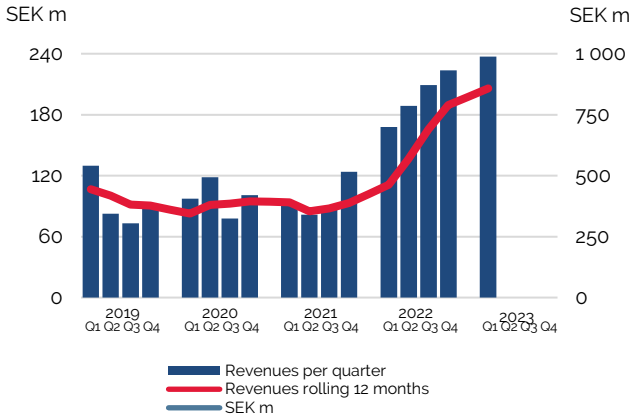
BU Central

Key developments in the first quarter

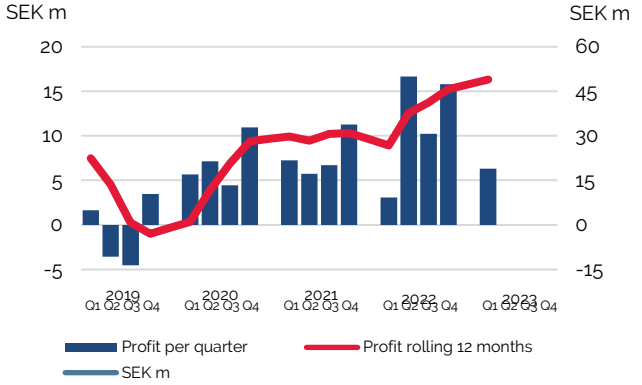
- Revenue growth by 41% (organically 16%)
  - Systems 38% (organically 24%)
  - Services 43% (organically 6%)
  - Acquisitions of sepago (Jul 2022) contributing to revenues
  - Strong organic systems growth with several large deals delivered during the quarter
  - Strong organic growth in support services, connected to strong systems sales, while consulting services decreasing organically

- EBITA margin increasing to 2.7% (1.8)
  - EBITA of SEK 6.3 million (3.1)
  - Positive contribution from increased revenues and increased gross margins, while increased sales and administration costs impacted negatively

Revenues



Adjusted EBITA



Cash flow in Q1

- Positive cash-flow from current operations before change in working capital
- Negative change in working capital is mainly related to decreased accounts payables and operating payables, partly offset by decreased operating receivables.
- Investment in fixed assets SEK -15 million
- Cash flow from acquisitions of subsidiaries related to buy out of minority in Czech
- Cash flow from financing activities:
  - Repayment of leasing liabilities SEK -16 million
- Strong cash position of SEK 501 million

Liquid Funds December 31, 2022		**506**
Cash-flow from current operations		30
Current operations	*90*	
Change in working capital	*-60*	
Cash-flow from investment activities		-24
Fixed assets	*-15*	
Acquisitions of subsidiaries	*-8*	
Other	*1*	
Cash-flow from financing activities		-9
Repayments of leasing liabilities	*-16*	
Changes in bank loans and overdraft facilities	*8*	
Other	*-1*	
Change in liquid funds		-3
Currency translation difference in liquid funds		-2
Liquid Funds March 31, 2023		**501**

Balance sheet

- Equity ratio of 24%
- Cash position of SEK 501 million
- Net debt, including leasing liabilities of SEK 249 million, inline with March 2022, as a result of strong cash flow generation covering pay-outs for acquisitions and dividends
- Unutilized overdrafts of SEK 164 million for daily operations
- Unutilized portion of three-year revolving credit facility of SEK 147 million

(MSEK)	2023 Mar 31	2022 Mar 31
Total Assets	3,977	3,508
whereof Goodwill	*995*	*826*
whereof Intangible fixed assets	*220*	*216*
whereof Accounts receivables	*608*	*660*
Equity	951	758
Equity ratio	*24%*	*22%*
Cash and bank deposits	501	418
Bank loan, overdraft facilities	-454	-436
Net cash (+) / Net debt (-) excl. leasing liabilities	47	-18
Leasing liabilities	-297	-230
Net cash (+) / Net debt (-) incl. leasing liabilities	-249	-247
Bank overdraft facilities, unutilized	164	158
Bank overdraft facilities, total	164	158

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	32.9%	SEK 4 913 million in sales rolling 12 months

EBITA MARGIN

TARGET	OUTCOME*	
8%	6.5%	Minor decrease from 6.6% FY2022

NET DEBT/EBITDA

TARGET	OUTCOME*	
<2	0.51	Significantly better than target

ROCE

TARGET	OUTCOME	
>20%	17.3%	In line with FY2022 (17.2)

DIVIDEND

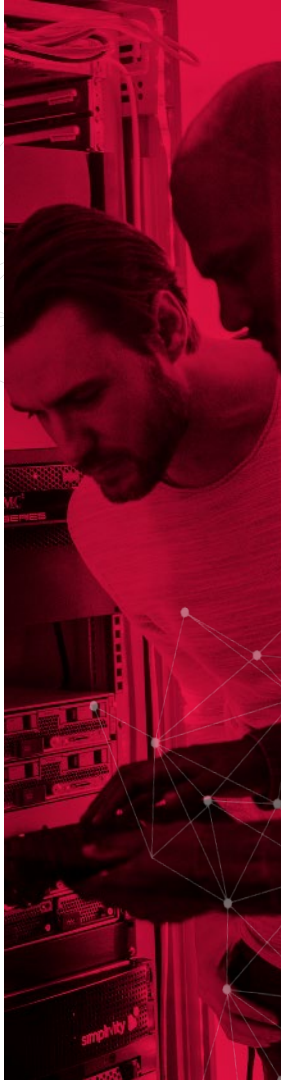
TARGET	OUTCOME**	
25-35%	27%	1.85 (1.50) SEK per share

* Adjusted for items affecting comparability

** Dividend proposed for the financial year 2022

Summary

- Continued high total and organic revenue growth
- Continued growth in Annualized Recurring Revenue (ARR) to 1,596 MSEK
  - 1,384 MSEK in Q1 2022
  - 1,552 MSEK in Q4 2022
- Cost program initiated to increase efficiency



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Thank you
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