PROACT

Summary Q2 2023
July 14, 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

5 000 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 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

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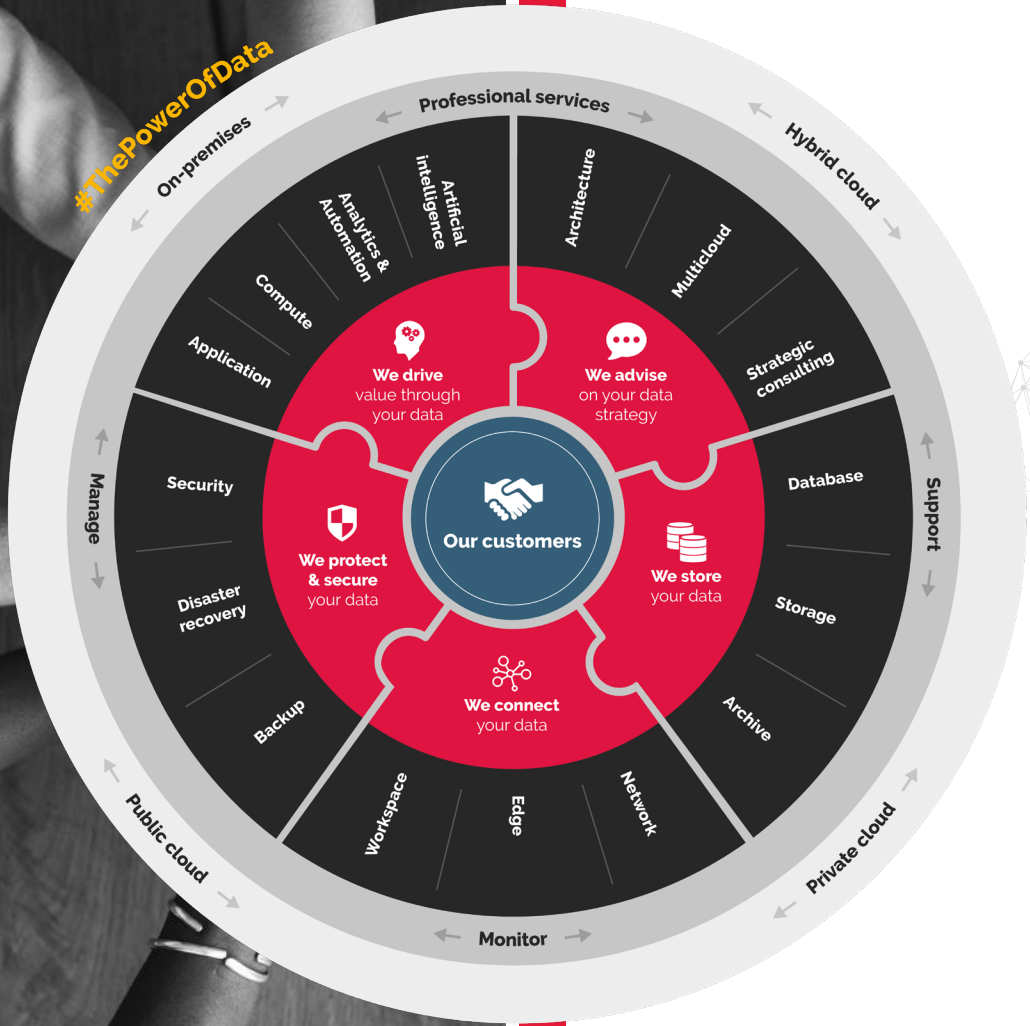
Value to customers via our **propositions**



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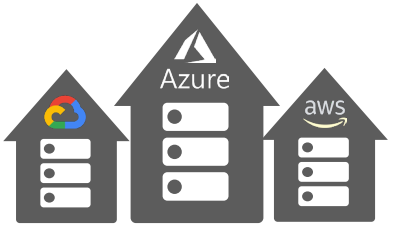
Our **hybrid-cloud** model enables the best of the cloud worlds

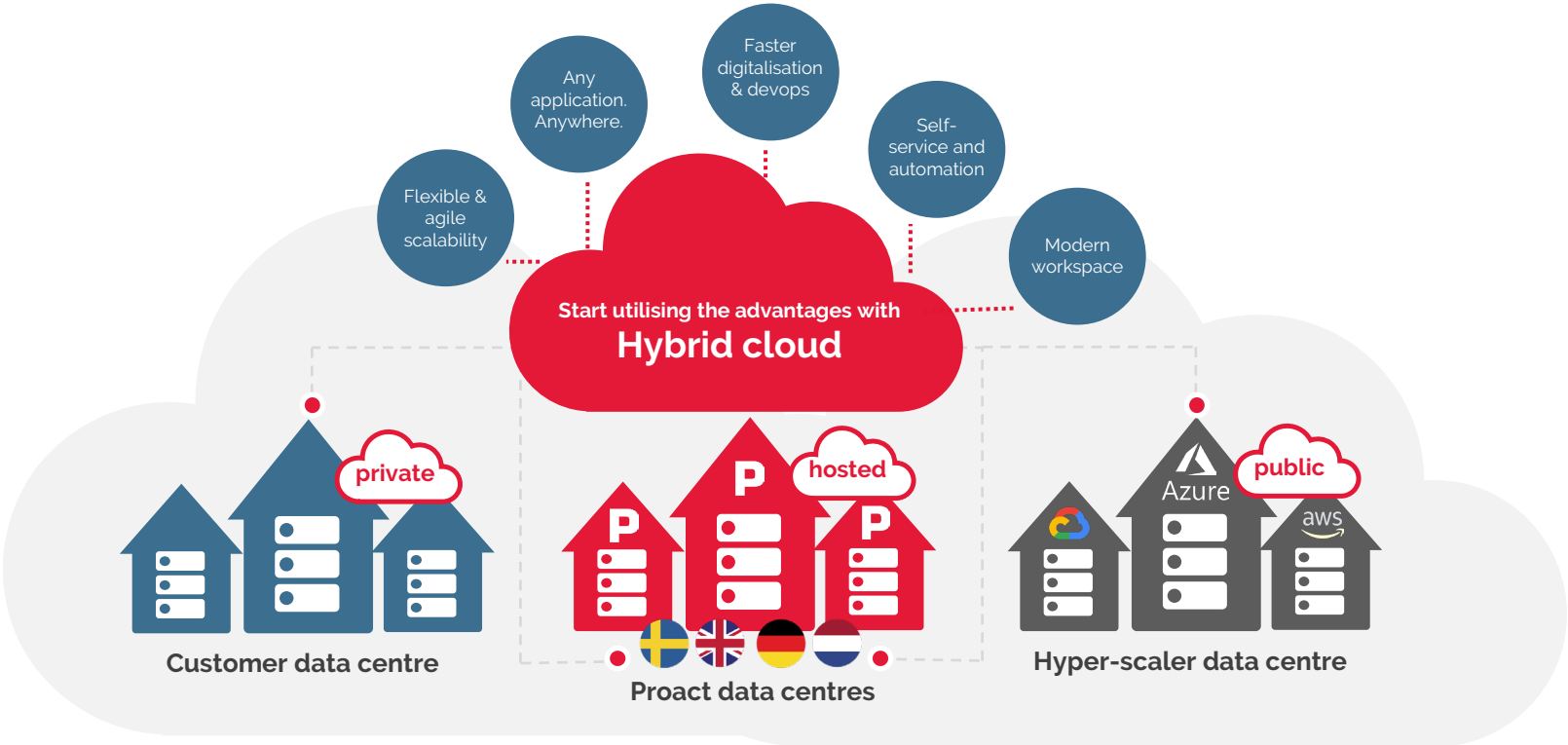
The infrastructure sits in one of **three** places

Customer data centre

Proact data centres



Hyper-scaler data centre



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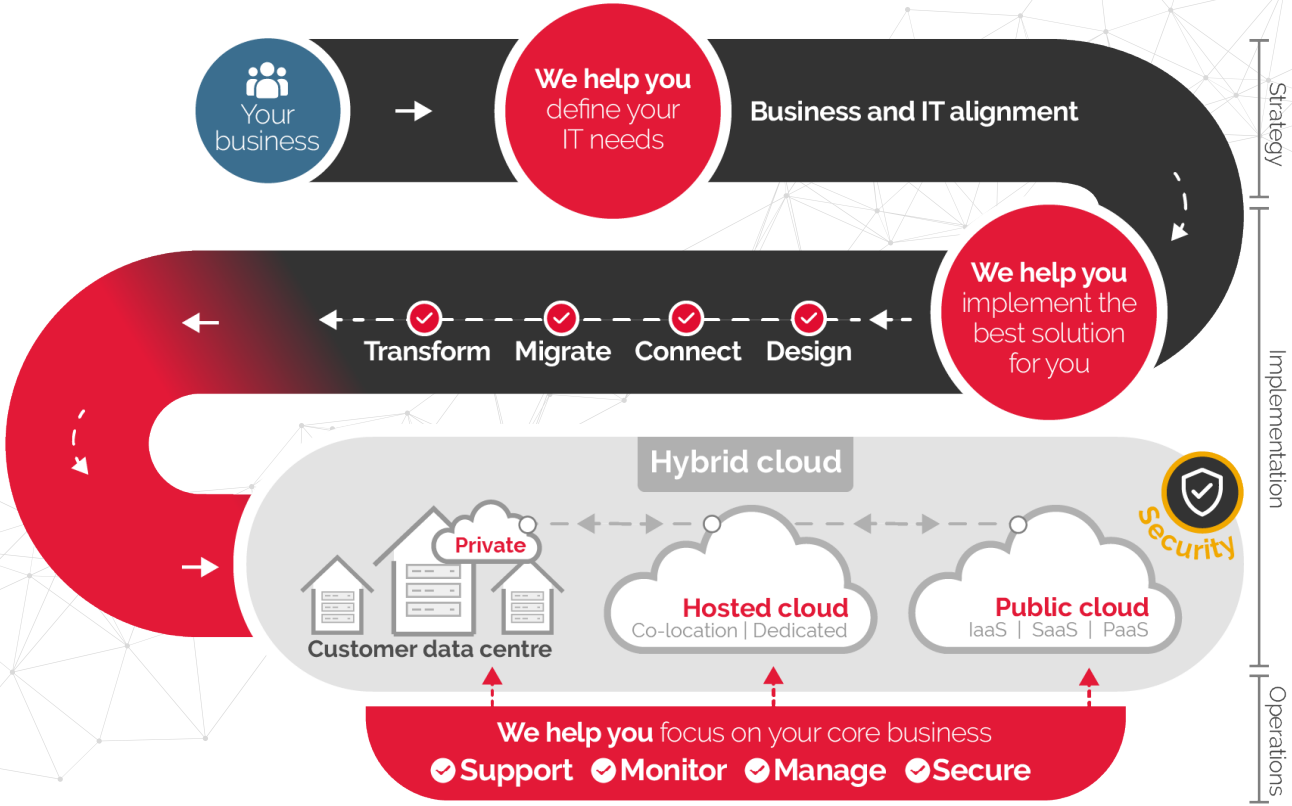
The hybrid cloud journey



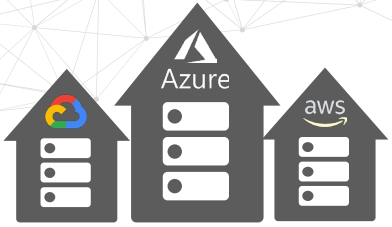
Strong hybrid cloud offerings

Customer data centre

- Storage
- Networking
- Compute
- Service Management

Proact data centres

- Proact Hybrid Cloud
- Proact Managed Containers
- Immutable Storage
- Next Gen Firewall
- Detection & Response



Hyper-scaler data centre

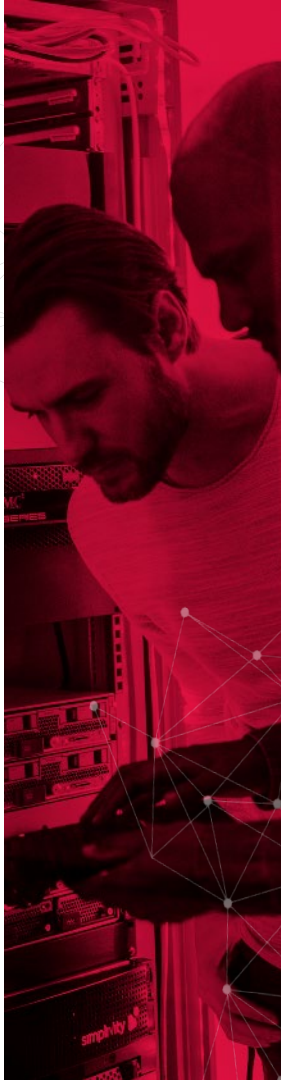
- CloudOps 4 Azure
- CloudOps 4 Workspace
- CloudOps 4 Virtual Workspace
- CloudOps 4 Sentinel

Quarter 2 in brief

- \+ 4% revenue growth
- \+ 19% ARR growth to 1,679 MSEK
- \+ Stable gross margins at 22.6% (22.3%)
- \+ Cost efficiency program implemented
- – TCV at 116 (141) MSEK
- – EBITA decline of -0.9% to 81.4 MSEK
- – 2% organic revenue decline

Cost efficiency program

- Program implemented in Q1 and Q2
  - Majority of activities executed
  - Total restructuring costs of 19.6 MSEK, recognised in Q2
  - In-year savings of 45 – 50 MSEK, mainly in Q3 and Q4
- Going into 2024 with a lower cost base of ca 60 MSEK
- Cost reductions offsetting inflationary cost increases and enable investments in strategic areas



Financial **development**

Income Statement – Highlights Q2 2023

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
4%	1,202	-6%	663	20%	537

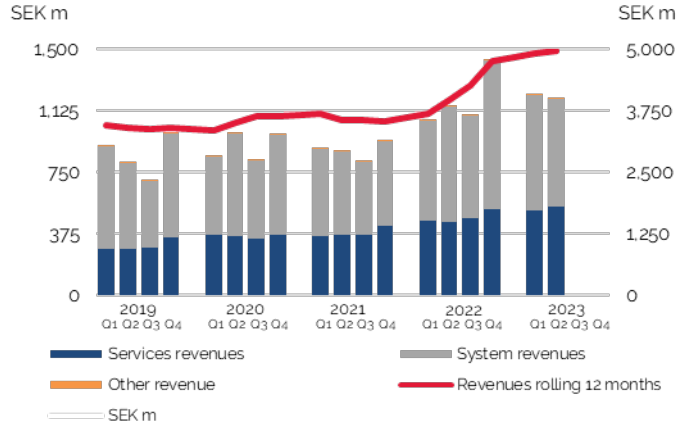
Adj. EBITA			PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
-0.9%	81.4	6.8%	-47%	34.4	2.9%

Revenue development

Key developments in the second quarter

- Revenue growth 4% (-2% organically)
  - Strong comparison quarter
  - A few markets with slowing demand
  - Acquisitions contributing 2% and currency effects 4%
- New cloud contracts of SEK 116 million (141)
- Services growth of 20% (9% organically)
  - Cloud revenue increase of 19% (8% organically) due to contracts won
  - Support services growth of 19%, connected to strong systems sales in previous quarters
  - Consulting services growth of 25% with sepago contributing, some organic growth in NOBA and Central
  - Service revenue accounted for 45% (39) of total revenue
- Recurring revenues growing by 19% (10% organically) to an annualised level of SEK 1,679 million
- Systems decrease with 6% (9% organically)
  - Strong comparison quarter
  - Some markets impacted by macroeconomic uncertainties

Revenues



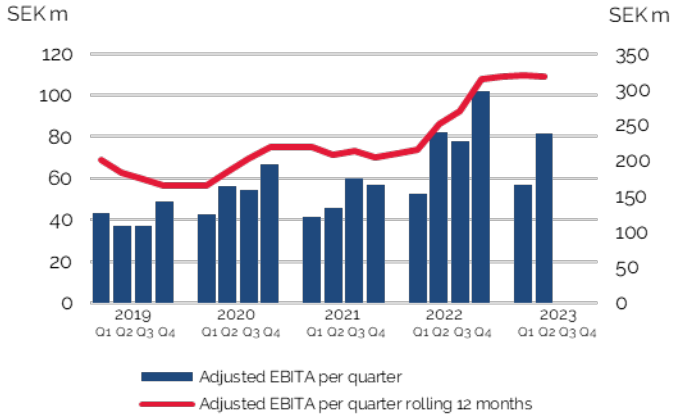
Recurring Revenues

Profitability development

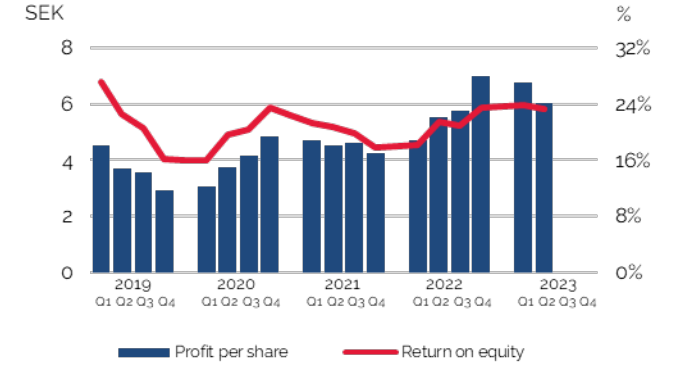
Key developments in the second quarter

- Adjusted EBITA of SEK 81,4 million (82,1)
  - Decrease by 1%
  - Margin of 6.8% (7.1)
- Gross margin slightly increased
  - Unchanged margins for systems
  - Slightly increased margins for services, with efficiencies and price increases offsetting cost inflation
- SG&A costs increased organically by 2% for comparable units
  - Impact from cost inflation and growth in sales related costs
  - Limited impact from cost efficiency program so far
- EPS decreasing compared to previous year
  - Non recurring items and increased financial costs impacting negatively

Adjusted EBITA



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



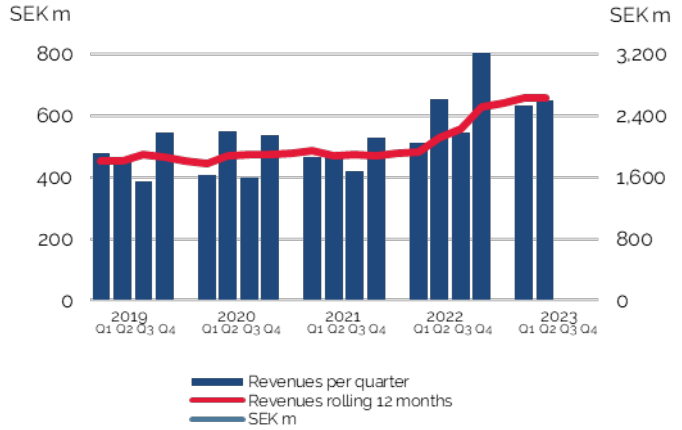
BU Nordics & Baltics

Key developments in the second quarter

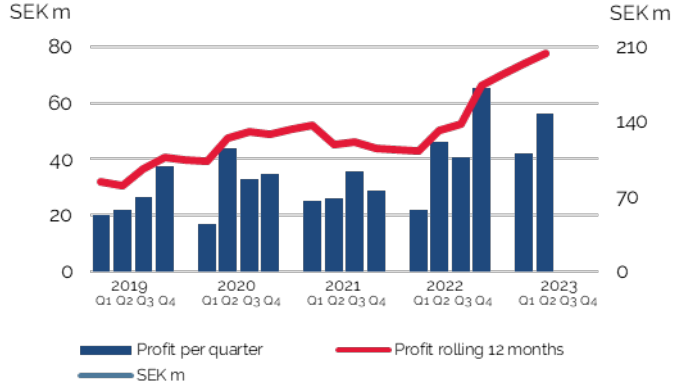
- Revenue decreased 0.5% (2% organically)
  - Systems decreased 7% (organically 8%), primarily due to strong comparison quarter
  - Services increased 17% (organically 15%), with good growth in all areas

- EBITA margin increasing to 8.7% (7.1)
  - EBITA of SEK 56.2 million (46.1)
  - Increase primarily due to lower sales and administration expenses

Revenues



Adjusted EBITA



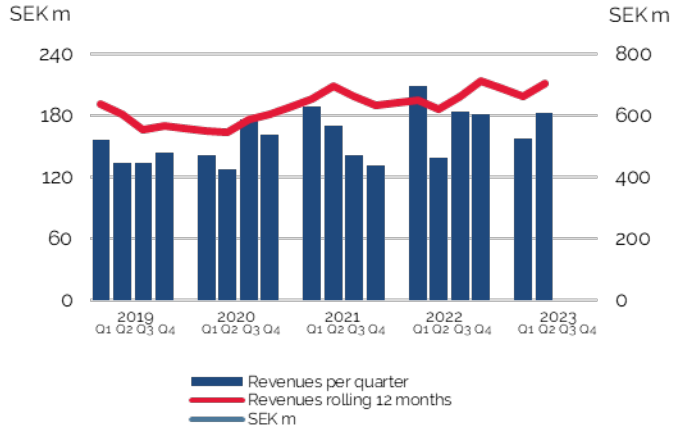
BU UK

Key developments in the second quarter

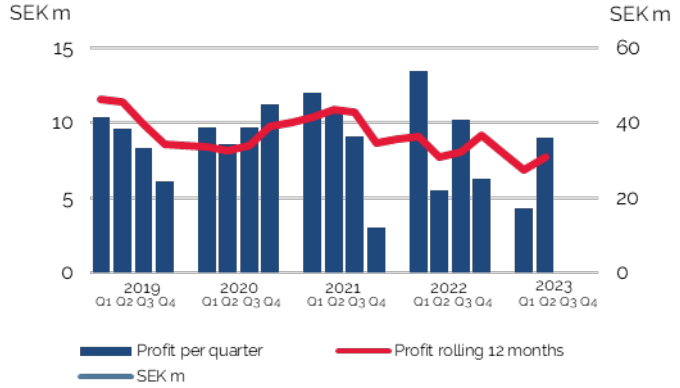
- Revenue increased with 32% (24% organically)
  - Systems increased 57% (organically 48%) primarily due to weak comparison quarter
  - Services increased 15% (organically 9%)
  - Growth in cloud services due to previously won contracts
  - Consulting services decreased due to somewhat lower demand

- EBITA margin increasing to 4.9% (3.9)
  - EBITA of SEK 9.0 million (5.5)
  - Increase in revenues impacting positively, partly offset by higher sales and administration expenses

Revenues



Adjusted EBITA



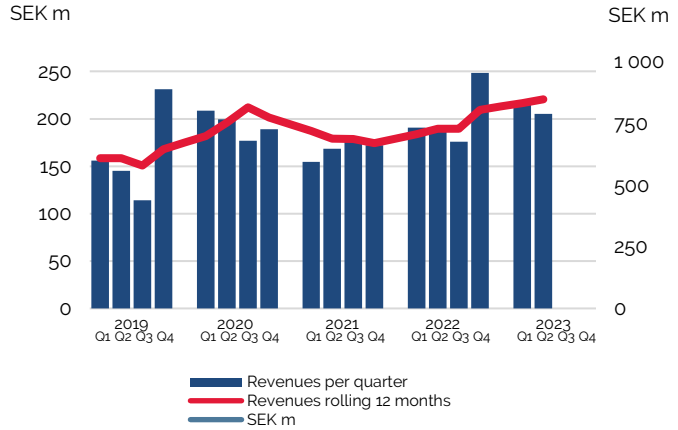
BU West

Key developments in the second quarter

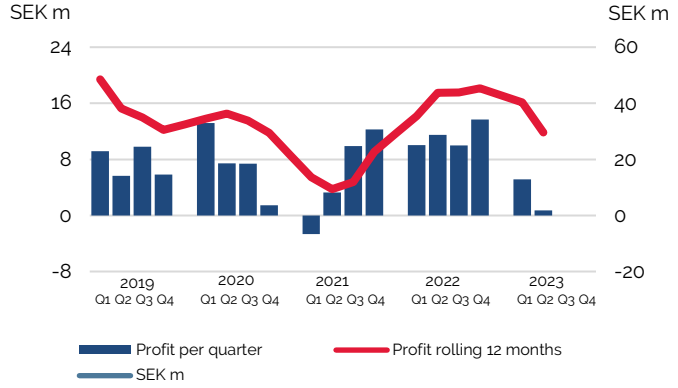
- Revenue growth 8% (2% organic decrease)
  - Systems decreased 3% (11% organically) due to a slightly slower market
  - Services increasing 12% (2% organically)
  - Support services showing good growth due to new won contracts, while consulting revenues decreasing primarily due to lack of staff and lower demand in a few areas

- EBITA margin was 0.3% (6.0)
  - EBITA of SEK 0.7 million (11.5)
  - Decreasing gross margins and increased SG&A impacting margins negatively, largely due to cost inflation and dependency on external staff

Revenues



Adjusted EBITA



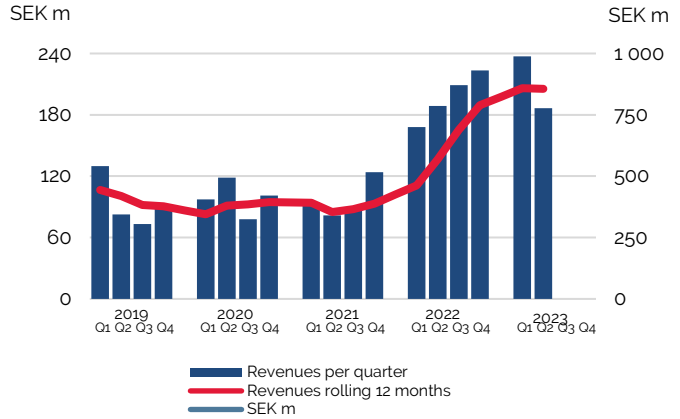
BU Central

Key developments in the second quarter

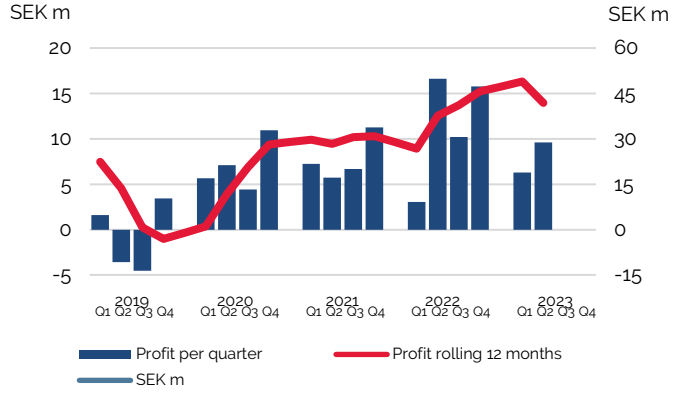
- Revenue decrease by 1% (organically -22%)
  - Systems -37% (organically -47%)
  - Services growth of 49% (organically +13%)
  - Acquisition of sepago (Jul 2022) contributing to revenues
  - Slower systems market due to macroeconomics
  - Good organic growth, especially in support services and consulting services

- EBITA margin decreasing to 5.1% (8.8)
  - EBITA of SEK 9.6 million (16.6)
  - Negative contribution from organically decreasing revenues combined with organically somewhat increasing sales and administration expenses

Revenues



Adjusted EBITA



Cash flow in Q2

- Positive cash-flow from current operations before change in working capital
- Positive change in working capital
  - Increased accounts payables and operating payables
  - Partly offset by increased operating receivables
- Investment in fixed assets SEK -9 million
- Cash flow from financing activities:
  - Repayment of leasing liabilities SEK -33 million
  - Dividend of SEK -51 million
  - Repayments of loans SEK -109 million
- Strong cash position of SEK 443 million

Liquid Funds March 31, 2023		**501**
Cash-flow from current operations		129
Current operations	*86*	
Change in working capital	*43*	
Cash-flow from investment activities		-9
Fixed assets	*-9*	
Acquisitions of subsidiaries	*0*	
Other	*0*	
Cash-flow from financing activities		-197
Repayments of leasing liabilities	*-33*	
Changes in bank loans and overdraft facilities	*-109*	
Dividend	*-51*	
Other	*-4*	
Change in liquid funds		-78
Currency translation difference in liquid funds		19
Liquid Funds June 30, 2023		**443**

Cash flow January – June 2023

PROACT

- Positive cash-flow from current operations before change in working capital
- Small negative change in working capital
- Investment in fixed assets SEK -24 million
- Cash flow from financing activities:
  - Repayment of leasing liabilities SEK -49 million
  - Dividend SEK -51 million
  - Repayments of bank loans of SEK -101 million
- Strong cash position of SEK 443 million

Liquid Funds Dec 31, 2022		**506**
Cash-flow from current operations		159
Current operations	*176*	
Change in working capital	*-17*	
Cash-flow from investment activities		-33
Fixed assets	*-24*	
Acquisitions of subsidiaries	*-8*	
Other	*-1*	
Cash-flow from financing activities		-207
Repayments of leasing liabilities	*-49*	
Changes in bank loans and overdraft facilities	*-101*	
Dividend	*-51*	
Other	*-6*	
Change in liquid funds		-81
Currency translation difference in liquid funds		17
Liquid Funds June 30, 2023		**443**

Balance sheet

- Equity ratio of 23%
- Cash position of SEK 443 million
- Net debt, including leasing liabilities of SEK 199 million, in line with June 2022
    - Strong cash flow generation financing acquisitions and dividends
- Unutilised overdrafts of SEK 155 million for daily operations
- Unutilised portion of three-year revolving credit facility of SEK 241 million
- After close of the quarter, facility extended to five years in total, and additional facility of EUR 20 million signed

(MSEK)	2023 Jun 30	2022 Dec 31	2022 Jun 30
Total Assets	4,159	4,242	3,626
whereof Goodwill	*1,037*	*984*	*844*
whereof Intangible fixed assets	*215*	*231*	*211*
whereof Accounts receivables	*656*	*850*	*600*
Equity	966	923	784
Equity ratio	*23%*	*22%*	*22%*
Cash and bank deposits	443	506	528
Bank loan, overdraft facilities	-362	-441	-502
Net cash (+) / Net debt (-) excl. leasing liabilities	81	64	26
Leasing liabilities	-280	-291	-224
Net cash (+) / Net debt (-) incl. leasing liabilities	-199	-227	-198
Bank overdraft facilities, unutilised	155	159	159
Bank overdraft facilities, total	155	159	159

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	24,9%	SEK 4 961 million in sales rolling 12 months

EBITA MARGIN

TARGET	OUTCOME*	
8%	6.4%	Minor decrease from 6.6% FY2022

NET DEBT/EBITDA

TARGET	OUTCOME*	
<2	0.41	Significantly better than target

ROCE

TARGET	OUTCOME	
>20%	16.2%	Decreased from FY2022 (17.2) due to NRI

DIVIDEND

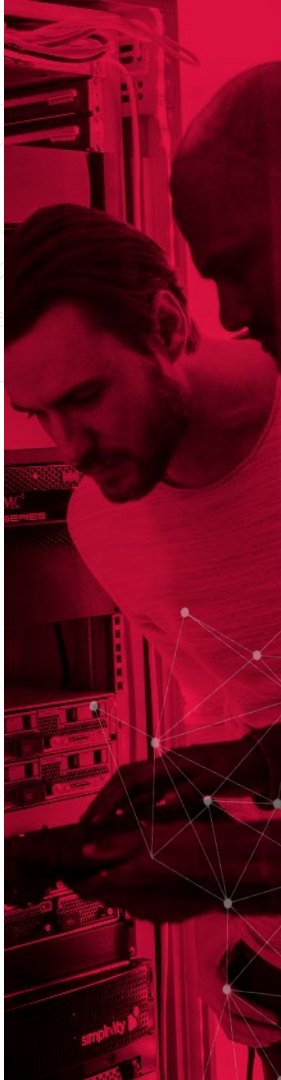
TARGET	OUTCOME**	
25-35%	27%	1.85 (1.50) SEK per share

* Adjusted for items affecting comparability

** Dividend distributed during second quarter 2023 for the financial year 2022

Summary

- Cost efficiency program implemented, positioning Proact well for coming quarters
- Strong services growth
- Continued growth in Annualised Recurring Revenue (ARR) to 1,679 MSEK
  - 1,413 MSEK in Q2 2022
  - 1,552 MSEK in Q4 2022



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Thank you
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