PROACT

Summary Q3 2023
October 27, 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.

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 economic down-turn

#ThePowerOfData

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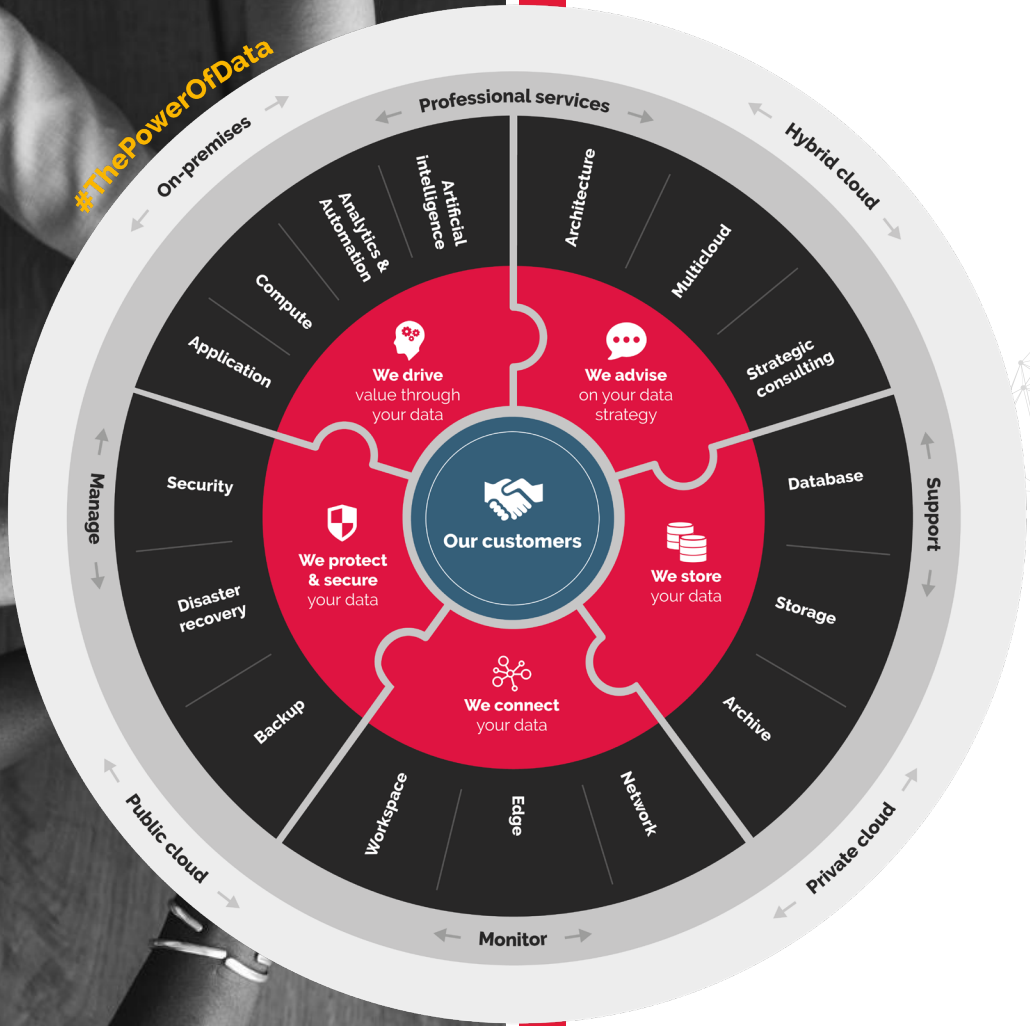
Value to customers via our **propositions**



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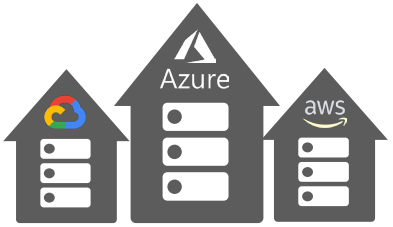
Our **hybrid-cloud** model enables the best of the cloud worlds

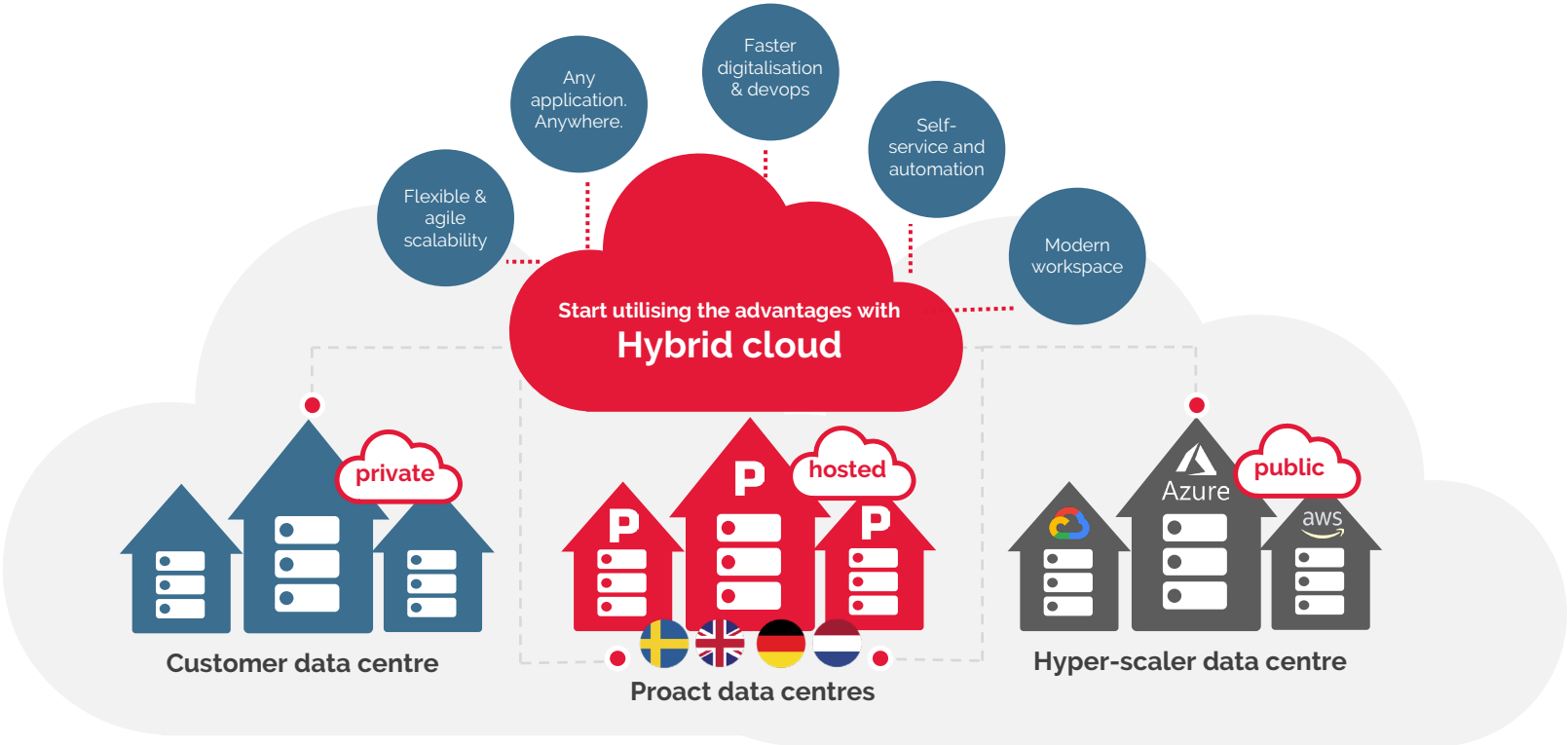
The infrastructure sits in one of **three** places

Customer data centre

Proact data centres



Hyper-scaler data centre



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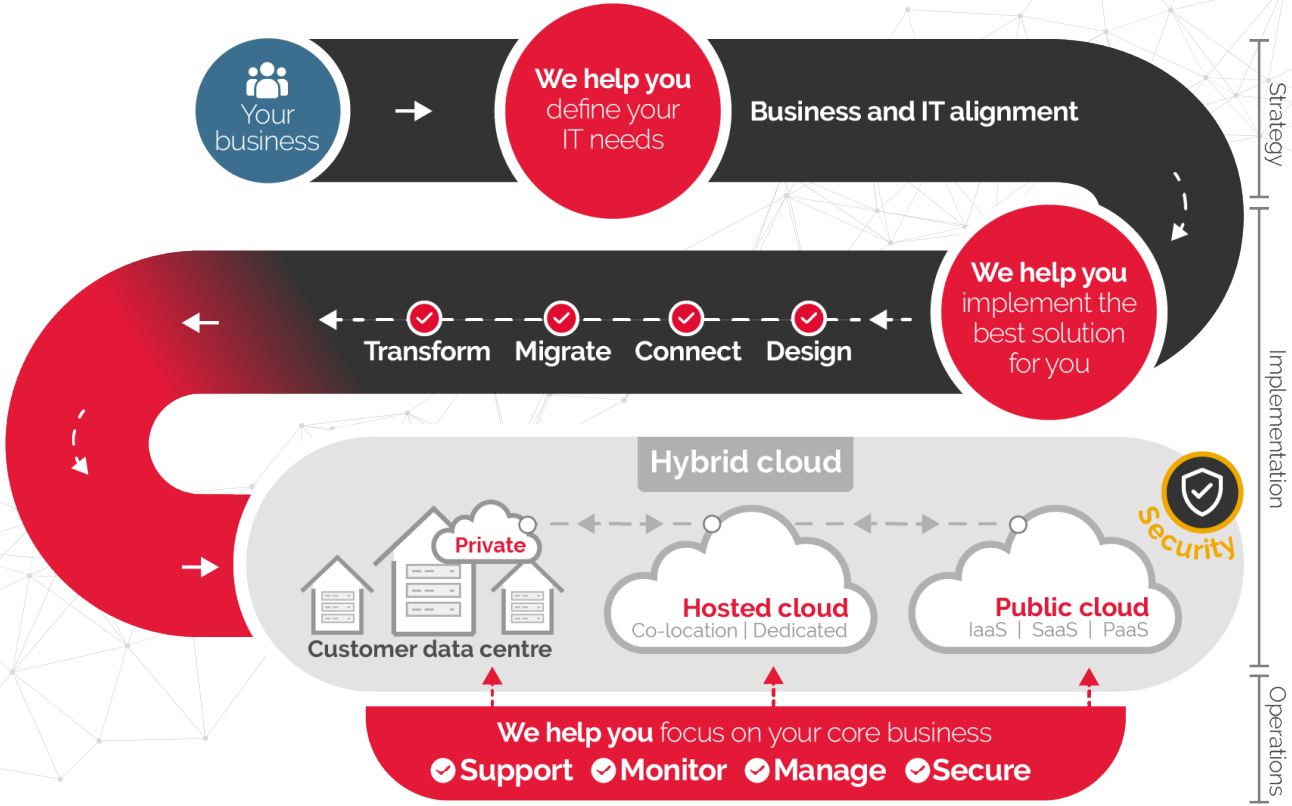
The hybrid cloud journey



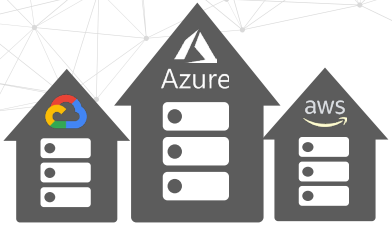
Strong hybrid cloud offerings

Customer data centre

- Storage
- Networking
- Compute
- Service Management

Proact data centres

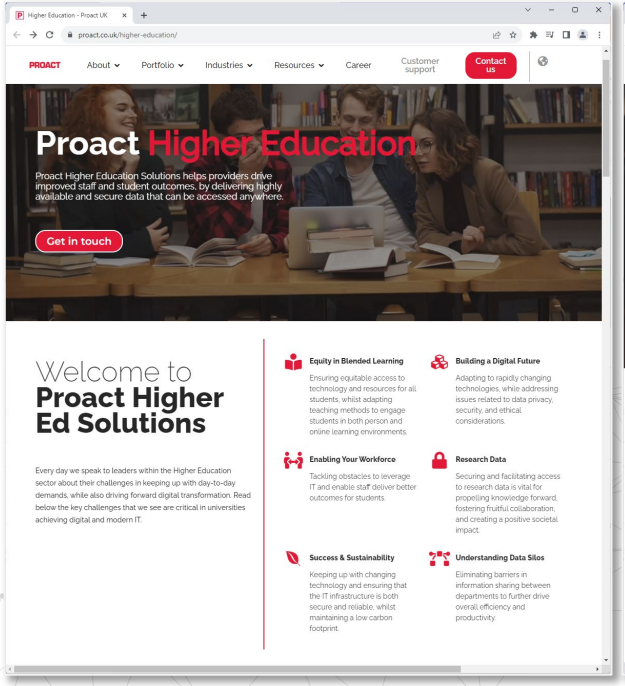
- Proact Hybrid Cloud
- Proact Managed Containers
- Immutable Storage
- Next Gen Firewall
- Detection & Response

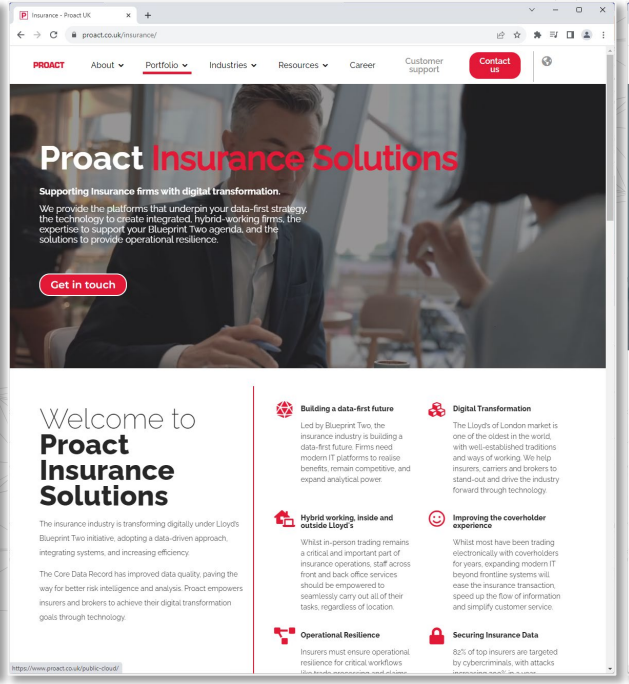


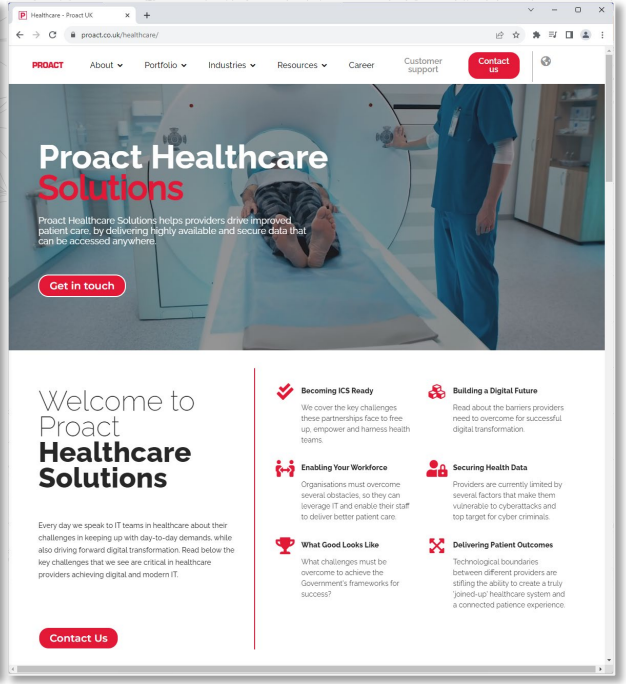
Hyper-scaler data centre

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

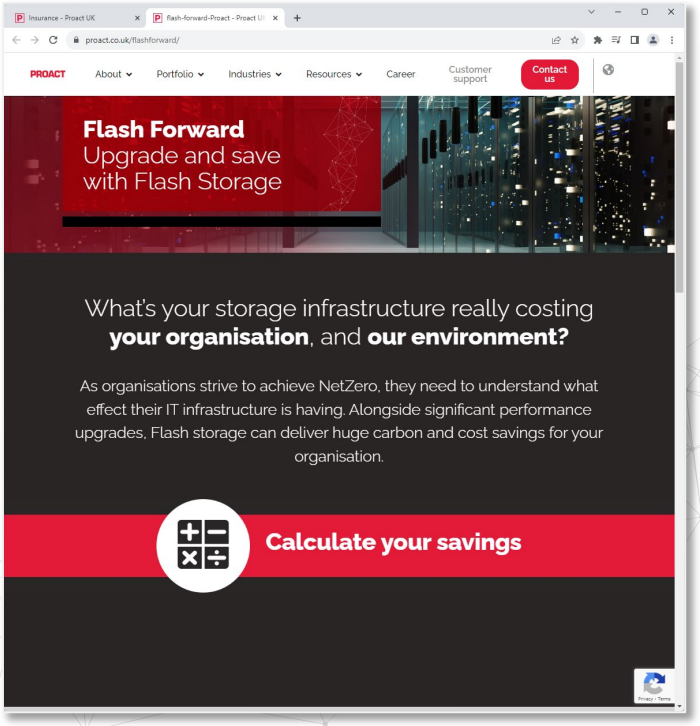
Launching Industry Solutions

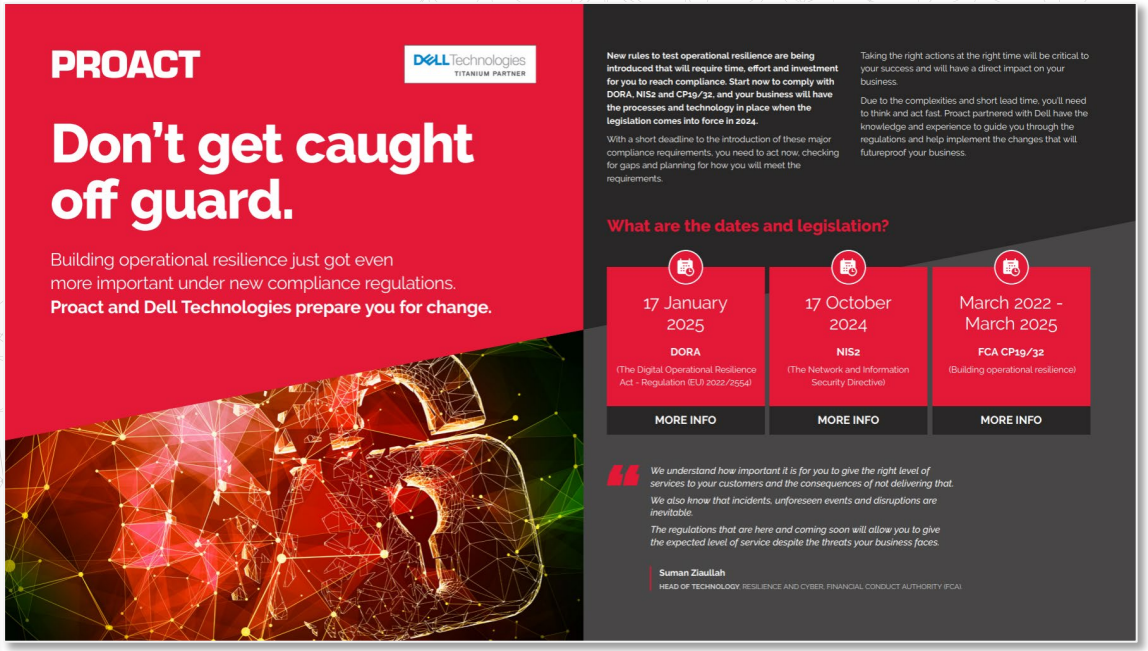






Supporting Sustainability and Resilience





Key developments in Q3

- Cost program executed as per plan with improved Gross Margins and lower Sales & Administration costs
- Named one of Sweden's 10 best companies for young talent, again
- For two consecutive years, Proact Sweden wins the top three categories at NetApp's annual Partner Award event.
- Maria Gomez appointed new Business Unit Director Central, joining January 2024
- Åsa Regen Jansson appointed Interim CFO from January 1, 2024

Quarter 3 in brief

- \+ 7% organic service revenue growth
- \+ 18% ARR growth to 1,747 MSEK
- \+ Increased gross margins 23.5% (22.5%)
- \+ Cost efficiency program showing results

- – TCV at 119* (158) MSEK
- – EBITA decline of -7% to 72.8 MSEK
- – 3% revenue decline

*excluding new or extended contracts with variable commitments

Financial **development**

Income Statement – Highlights Q3 2023

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
-3%	1,065	-17%	524	15%	541

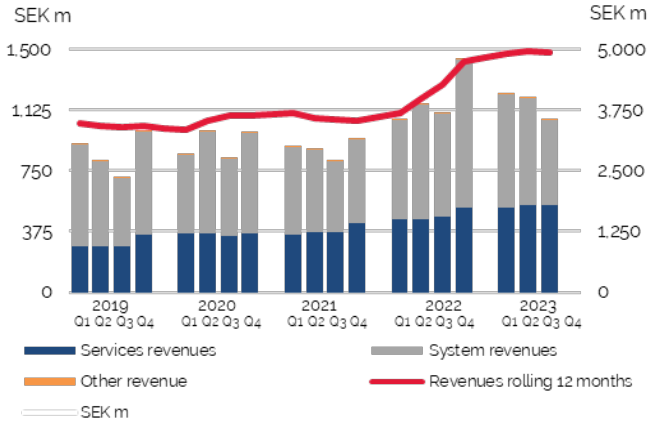
Adj. EBITA			PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
-7%	72.8	6.8%	14%	63.7	6.0%

Revenue development

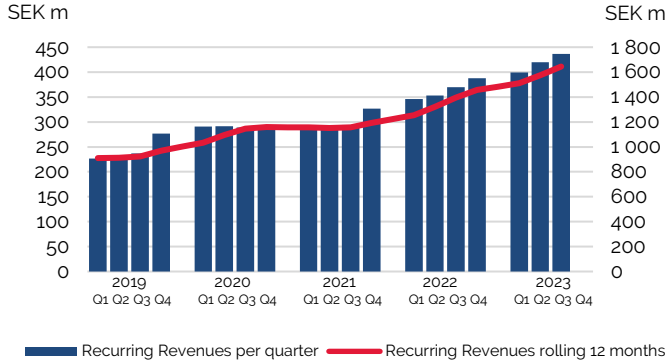
Key developments in the third quarter

- Revenue growth -3% (-8% organically)
  - Strong comparison quarter
  - Some markets with longer sales cycles and impact from macroeconomic uncertainty
  - Acquisitions contributing -0,4% (sale of Proact Lithuania) and currency effects 6%
- New cloud contracts of SEK 119 million (158)
- Services growth of 15% (7% organically)
  - Cloud revenue increase of 18% (8% organically) due to contracts won
  - Support services growth of 18%, connected to strong systems sales in previous quarters
  - Consulting services growth of 5% with organic decline connected to lower systems sales and fewer consultants
  - Service revenue accounted for 51% (43) of total revenue
- Recurring revenues growing by 18% (9% organically) to an annualized level of SEK 1,747 million
- Systems decrease with 17% (-20% organically)
  - Strong comparison quarter with delivery of backlog

Revenues



Recurring Revenues

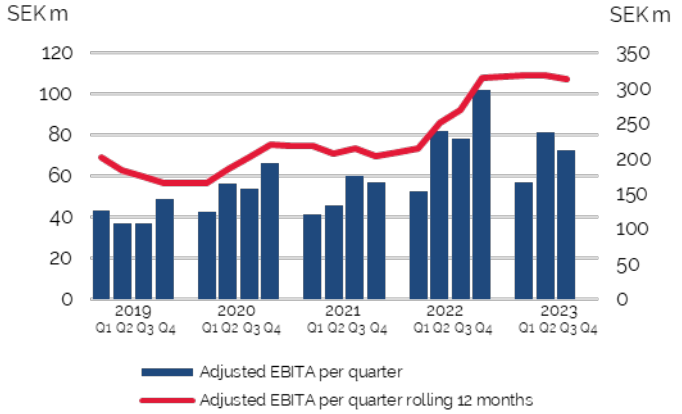


Profitability development

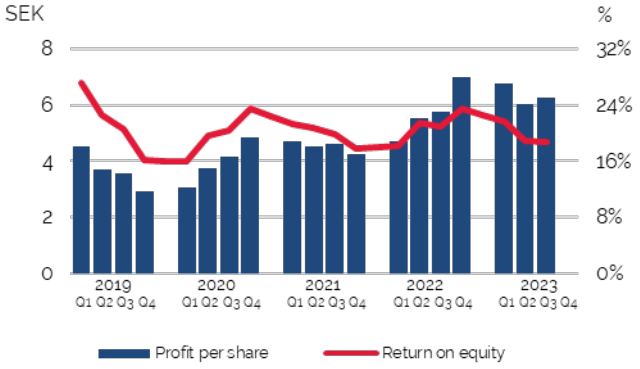
Key developments in the third quarter

- Adjusted EBITA of SEK 72,8 million (78,3)
  - Decrease of 7%
  - Margin of 6.8% (7.1)
- Gross margin increased
  - Increase both for systems and services
  - Service margins impacted positively by cost program and earlier efficiency measures
- SG&A costs decreased organically by 1% for comparable units
  - Negative impact from cost inflation and growth in sales related costs offset by cost program savings
- EPS increasing compared to previous year
  - Partial write-down of earn-out related to sepago acquisition in financial net and profit from sale of Proact Lithuania (booked as non-recurring items) impacting positively

Adjusted EBITA



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



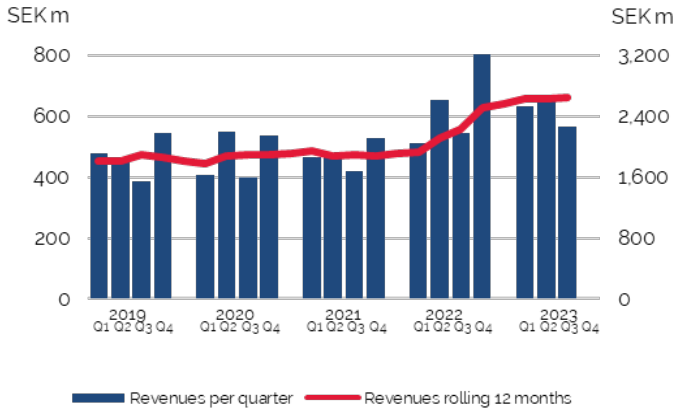
BU Nordics & Baltics

Key developments in the third quarter

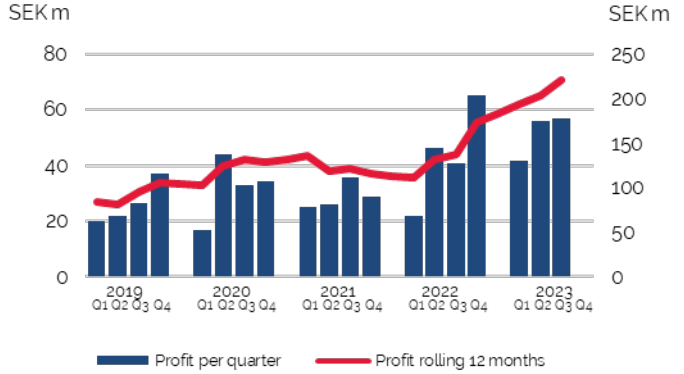
- Revenue increased 3.5% (2% organically)
  - Systems decreased 2% (organically 3%), primarily due to strong comparison quarter
  - Services increased 17% (organically 14%), with good growth in all areas

- EBITA margin increasing to 10.1% (7.5)
  - EBITA of SEK 57.1 million (40.8)
  - Increase primarily due to higher revenues and improved gross margins

Revenues



Adjusted EBITA



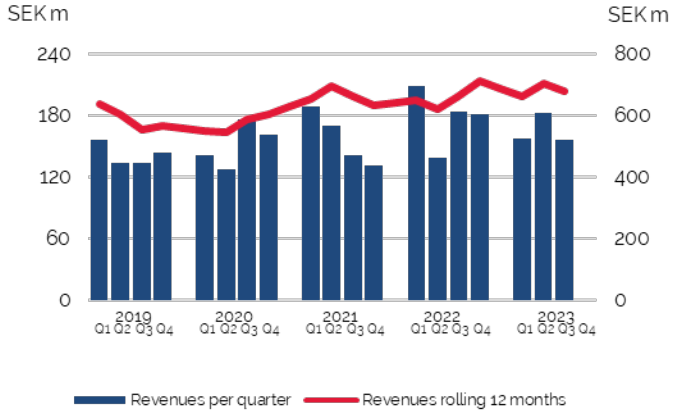
BU UK

Key developments in the third quarter

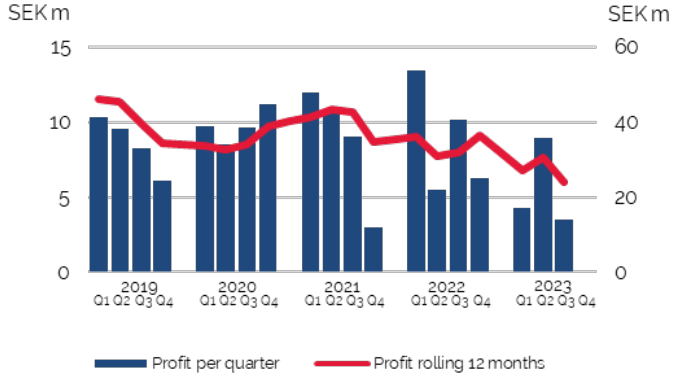
- Revenue decreased with 15% (24% organically)
  - Systems decreased 45% (organically 51%) due to strong comparison quarter and longer sales cycles
  - Services increased 24% (organically 11%)
  - Growth in cloud services due to previously won contracts
  - Consulting services decreased connected to low systems sales

- EBITA margin decreasing to 2.2% (5.6)
  - EBITA of SEK 3.5 million (10.2)
  - Decrease in revenues impacting negatively, partly offset by higher gross margins and lower sales and administration expenses

Revenues



Adjusted EBITA



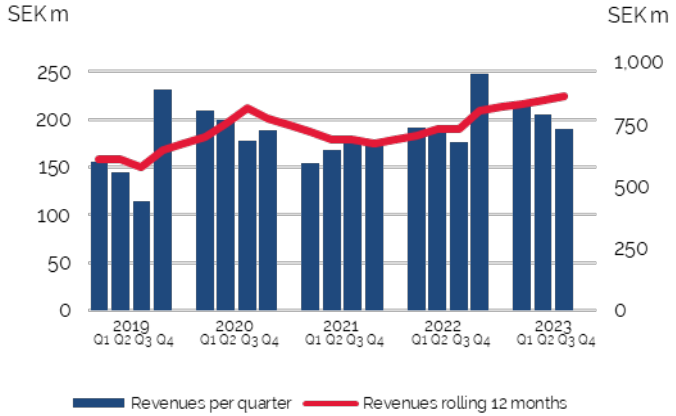
BU West

Key developments in the third quarter

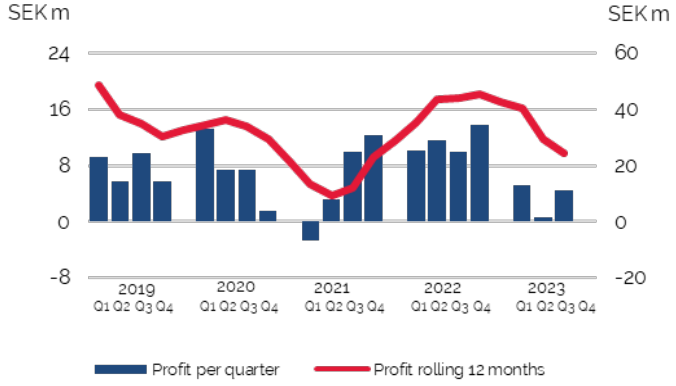
- Revenue growth 7.5% (3% organic decrease)
  - Systems decreased 12.5% (22% organically)
  - Services increasing 13% (2% organically)
  - Support services showing good growth due to won contracts, while consulting revenues decreasing primarily due to lack of staff and lower demand in a few areas

- EBITA margin was 2.3% (5.6)
  - EBITA of SEK 4.4 million (9.8)
  - Decreasing gross margins and increased SG&A impacting margins negatively, largely due to cost inflation and dependency on external staff, not fully offset by implemented cost savings

Revenues



Adjusted EBITA



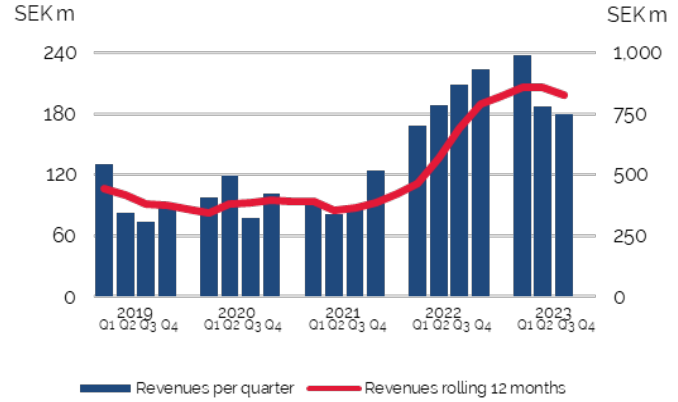
BU Central

Key developments in the third quarter

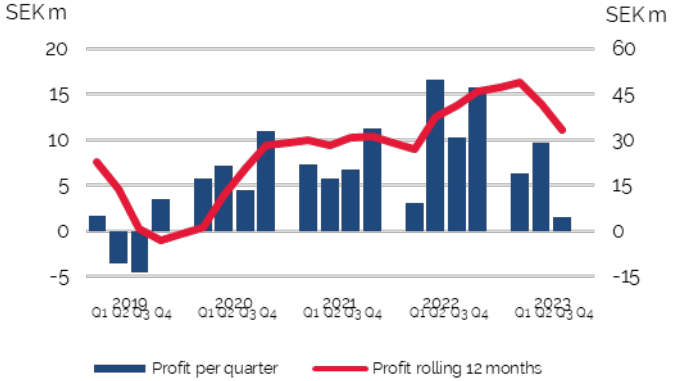
- Revenue decrease by 14% (organically 23%)
  - Systems -41% (organically 47%)
  - Services growth of 13% (organically +2%)
  - Slower systems market due to macroeconomic uncertainty and prolonged sales cycles
  - Organic growth in services, especially in support services, while consulting revenues declining due to fewer consultants employed

- EBITA margin decreasing to 0.8% (4.9)
  - EBITA of SEK 1.5 million (10.2)
  - Negative contribution from decreasing revenues not fully offset by organically lower sales and administration expenses

Revenues



Adjusted EBITA



Cash flow in Q3

PROACT

- Positive cash-flow from current operations before change in working capital
- Positive change in working capital
  - Reduced receivables, partly offset by reduced payables
- Investment in fixed assets SEK -7 million
- Cash flow from financing activities:
  - Repayment of leasing liabilities SEK -31 million
  - Repayments of loans SEK -98 million
- Strong cash position of SEK 429 million

Liquid Funds June 30, 2023		**443**
Cash-flow from current operations		133
Current operations	*103*	
Change in working capital	*29*	
Cash-flow from investment activities		-7
Fixed assets	*-7*	
Acquisitions of subsidiaries	*0*	
Other	*0*	
Cash-flow from financing activities		-130
Repayments of leasing liabilities	*-31*	
Changes in bank loans and overdraft facilities	*-98*	
Other	*-1*	
Change in liquid funds		-5
Currency translation difference in liquid funds		-9
Liquid Funds September 30, 2023		**429**

Cash flow January – September 2023

PROACT

- Positive cash-flow from current operations before change in working capital
- Small positive change in working capital
- Investment in fixed assets SEK -32 million
- Cash flow from financing activities:
  - Repayment of leasing liabilities SEK -80 million
  - Dividend SEK -51 million
  - Repayments of bank loans of SEK -199 million
- Strong cash position of SEK 429 million

Liquid Funds Dec 31, 2022		**506**
Cash-flow from current operations		292
Current operations	*280*	
Change in working capital	*12*	
Cash-flow from investment activities		-40
Fixed assets	*-32*	
Acquisitions of subsidiaries	*-8*	
Cash-flow from financing activities		-337
Repayments of leasing liabilities	*-80*	
Changes in bank loans and overdraft facilities	*-199*	
Dividend	*-51*	
Other	*-7*	
Change in liquid funds		-86
Currency translation difference in liquid funds		9
Liquid Funds September 30, 2023		**429**

Balance sheet

- Equity ratio of 27%
- Cash position of SEK 429 million
- Net debt, including leasing liabilities of SEK 82 million
- Strong cash flow generation financing acquisitions and dividends
- Unutilised overdrafts of SEK 155 million for daily operations
- New credit facility in place with Svensk Exportkredit of EUR 20 million
- Unutilised portion of three-year revolving credit facility of SEK 575 million

(MSEK)	2023 Sep 30	2022 Dec 31	2022 Sep 30
Total Assets	3,753	4,242	3,682
whereof Goodwill	*1,014*	*984*	*991*
whereof Intangible fixed assets	*197*	*231*	*253*
whereof Accounts receivables	*461*	*850*	*596*
Equity	994	923	841
Equity ratio	*27%*	*22%*	*23%*
Cash and bank deposits	429	506	285
Bank loan, overdraft facilities	-256	-441	-507
Net cash (+) / Net debt (-) excl. leasing liabilities	173	64	-222
Leasing liabilities	-255	-291	-261
Net cash (+) / Net debt (-) incl. leasing liabilities	-82	-227	-484
Bank overdraft facilities, unutilised	155	159	159
Bank overdraft facilities, total	155	159	159

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	15.7%	SEK 4 927 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	0.17	Significantly better than target

ROCE

TARGET	OUTCOME	
>20%	16.5%	Decreased from FY2022 (17.2) due to NRI

DIVIDEND

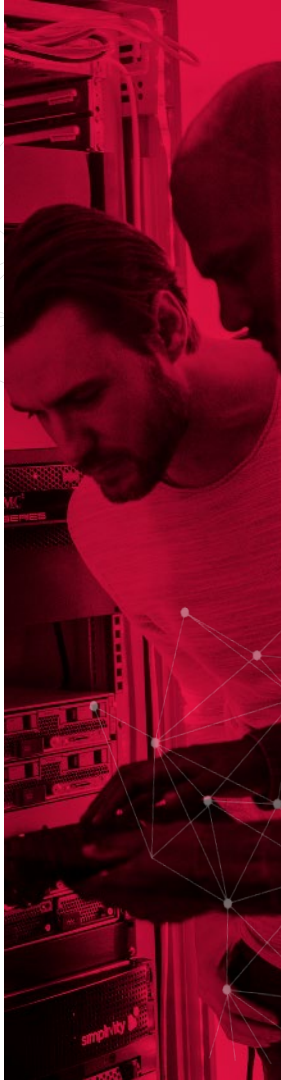
TARGET	OUTCOME**	
25-35%	27%	1.85 (1.50) SEK per share

* Adjusted for items affecting comparability

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

Summary

- Strong services growth
- Continued growth in Annualised Recurring Revenue (ARR) to 1,747 MSEK
  - 1,479 MSEK in Q3 2022
  - 1,679 MSEK in Q2 2023
- Results from cost efficiency program visible in gross margins and SG&A positioning Proact well for coming quarters



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Thank you
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