PROACT

Summary Q4 2023
February 8, 2024

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PROACT

Agenda

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

Jonas Hasselberg
CEO and President

Åsa Regen Jansson
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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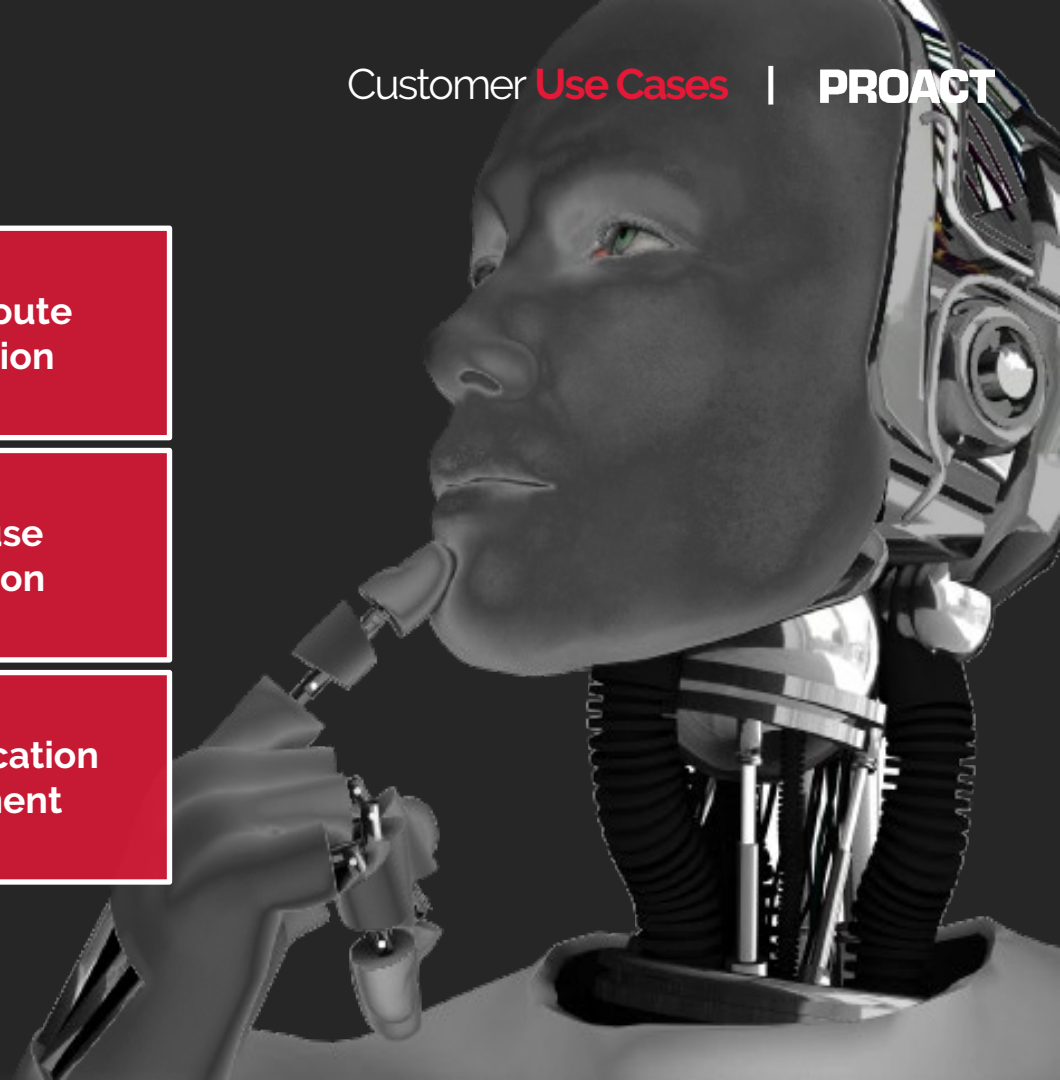
The four defining growth trends in the market

- 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 economic down-turn

Digital Patient Records	Delivery Route Optimisation
AI Redaction	Warehouse Automation
Remote X-ray Analysis	Rapid Application Development



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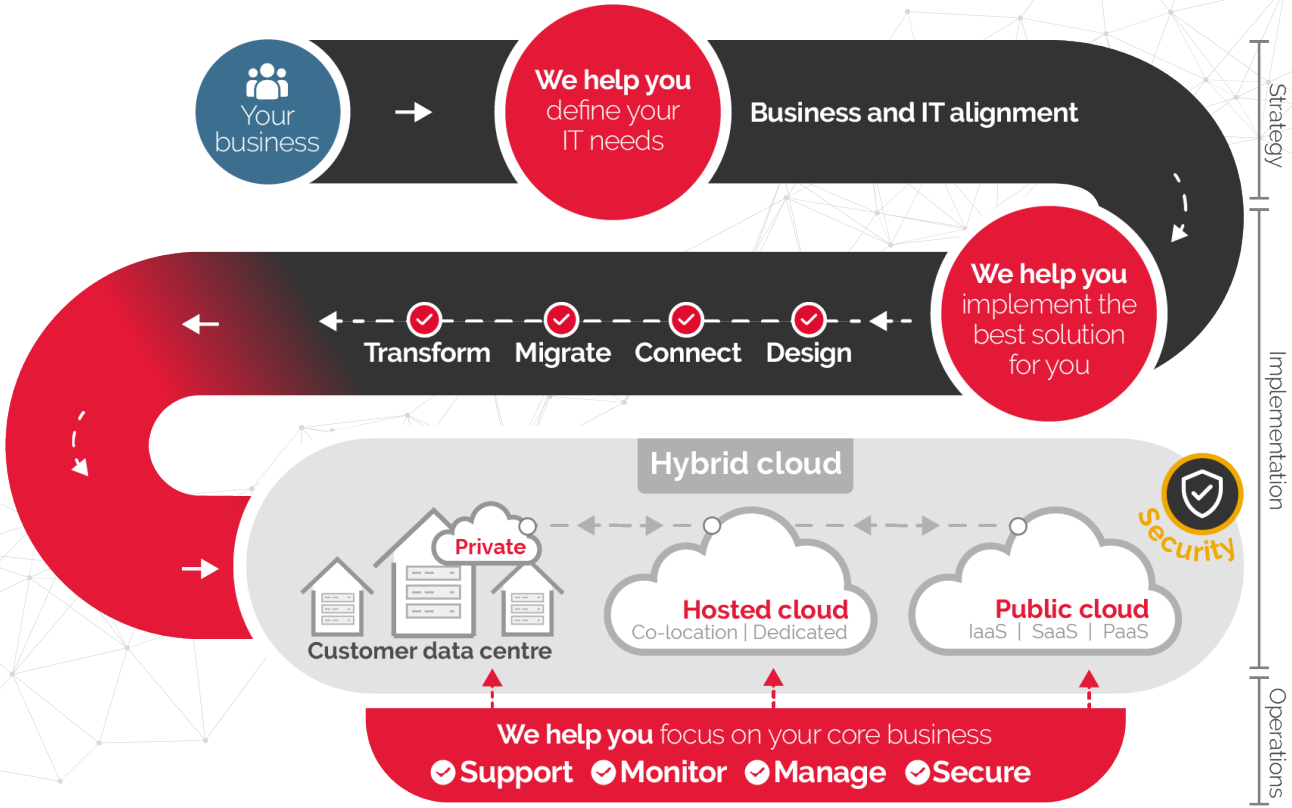
The hybrid cloud journey



#ThePowerOfData

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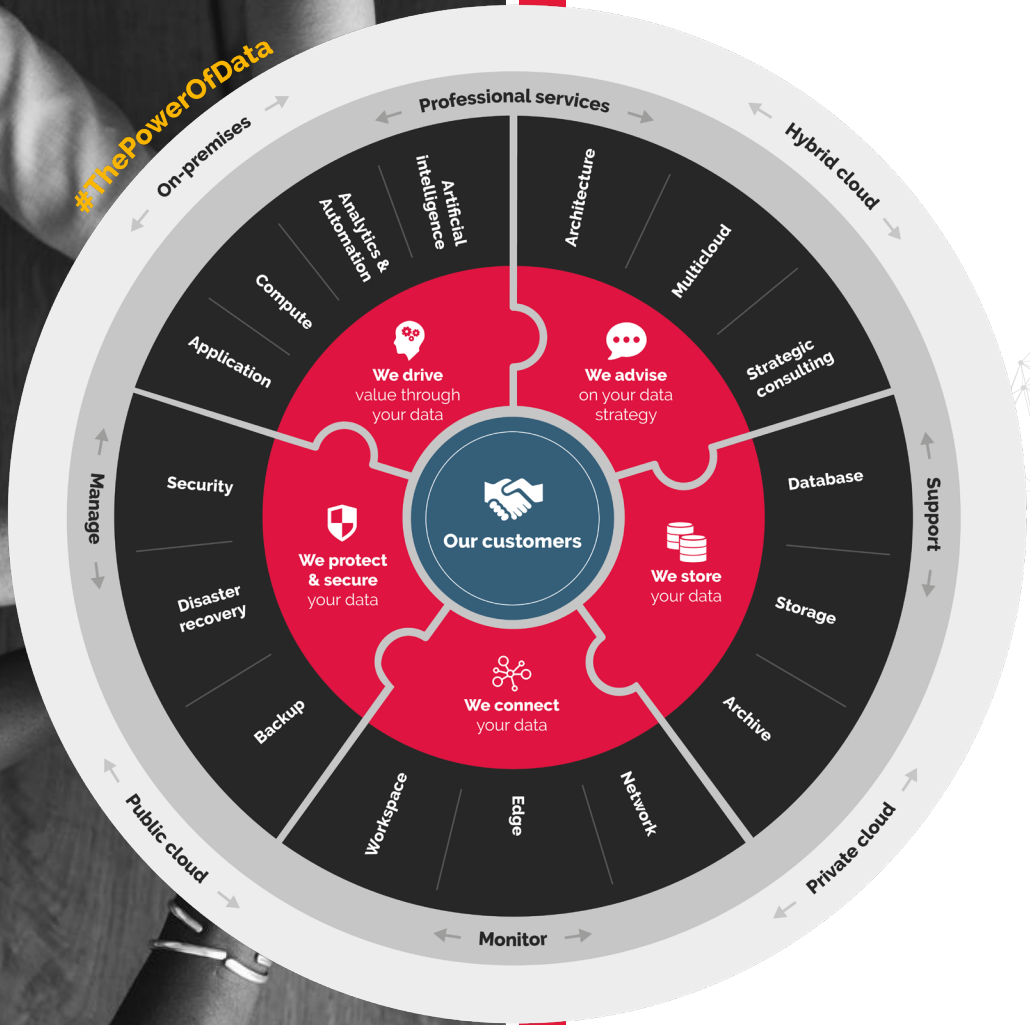
Value to customers via our propositions



#ThePowerOfData

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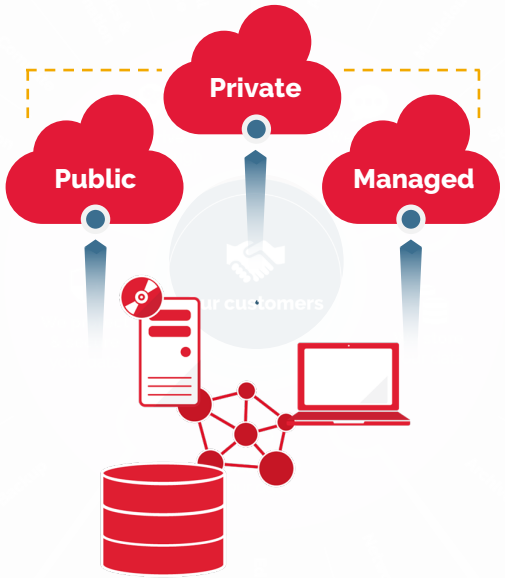


On-premises

Hybrid cloud

Public cloud

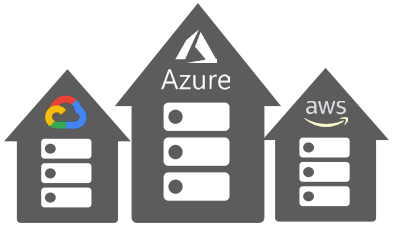
Private cloud

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

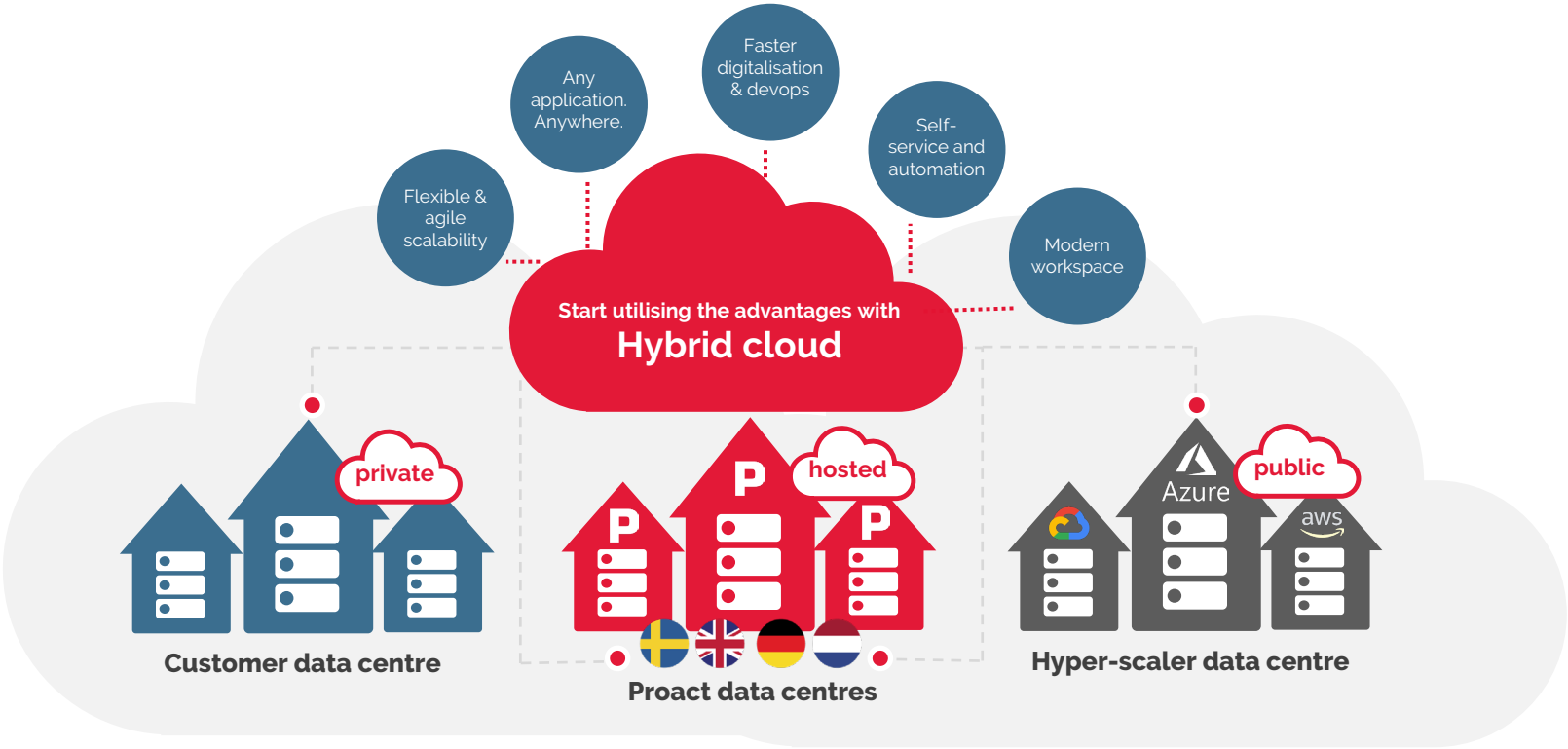
The infrastructure sits in one of **three** places

Customer data centre

Proact data centres



Hyper-scaler data centre



#ThePowerOfData

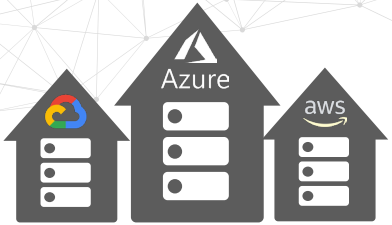
Strong hybrid cloud offerings

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

PROACT

Standardised and local **Managed Services**

Best-in-class security, processes and tools

- 24/7 helpdesk and standby specialists
- ISO certified
- ServiceNow customer tooling
- Available across Proact markets

Four (4) main delivery HUBs across Europe

- Wide range of standardised and highly flexible bespoke services
- Available across Proact markets

Security Operations Centers

- Resources
- Skills
- Technology
- 24/7 coverage

PROACT

Specialist in IT Infrastructure for managing Data and Information

We advise on your data strategy

We store your data

We connect your data

We protect & secure your data

We help you drive value through your data

CONSULTING

MANAGED SERVICES

HARDWARE & SOFTWARE

TECHNICAL SUPPORT

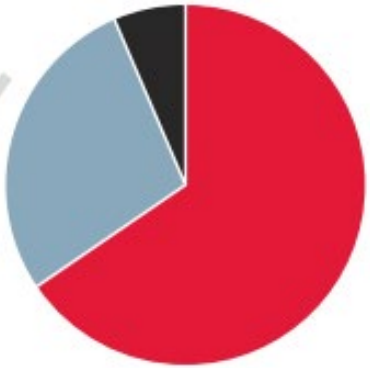
PROACT

Strong Customer Loyalty

Customer NPS

59

Overall NPS



Based on 418 responses

- Promoters = 65%
- Passives = 28%
- Detractors = 6%

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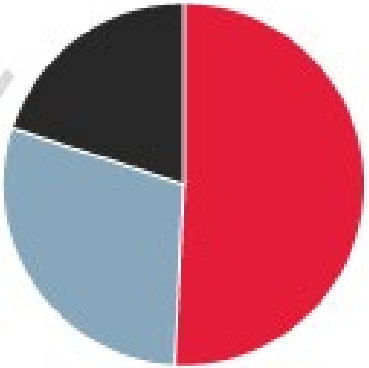
Strong Employee Loyalty

Employee NPS

Based on 990 responses

31

Overall ENPS



- Promoters = 51%
- Passives = 29%
- Detractors = 20%

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Key developments in Q4

- Strong fourth quarter with good development in the service business driven by support and cloud services
- Cost program finalised as per plan with impact on COGS and Sales & Administration costs
- Recognised for strong focus on data protection and awarded Excellence in Security 2023 by Dell
- Accredited as Microsoft Azure VMware specialist
- Noora Jayasekara appointed new CFO joining mid Q2, 2024

Quarter 4 in brief

- \+ 5% service revenue growth
- \+ 13% ARR growth to 1,748 MSEK
- \+ TCV at 197 (142) MSEK
- \+ Cost efficiency program concluded
- \+ Strong cash position

- – -5.6% revenue decline
- – EBITA decline of -11% to 91.1 MSEK

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Financial **development**

Income Statement – Highlights Q4 2023

TOTAL REVENUE		SYSTEM SALES		SERVICES SALES	
GROWTH	MSEK	GROWTH	MSEK	GROWTH	MSEK
-5.6%	1,360	-11%	812	5%	547

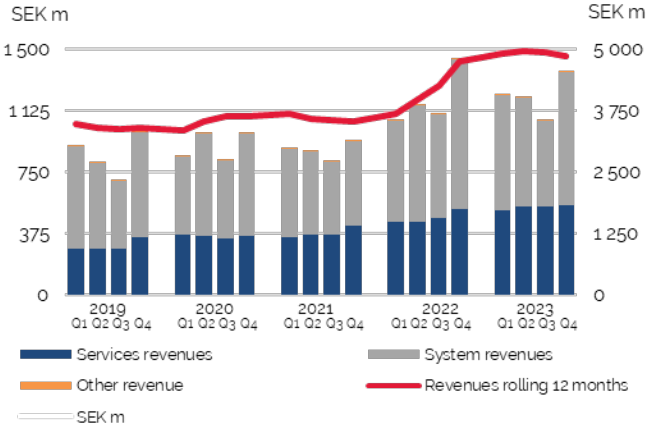
Adj. EBITA			PROFIT BEFORE TAX		
GROWTH	MSEK	Margin	GROWTH	MSEK	Margin
-11%	91.1	6.7%	-4%	82.6	6.1%

Revenue development

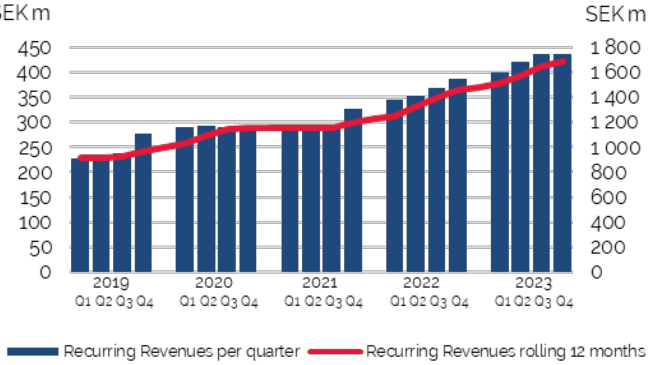
Key developments in the fourth quarter

- Revenue decreased with 5.6% (-6.9% organically)
  - Strong comparison quarter 4, 2022
  - Longer sales cycles from macroeconomic uncertainty
  - Acquisitions contributing -0,4% (sale of Proact Lithuania) and currency effects 1.8%
- New cloud contracts of SEK 197 million (142)
- Services growth of 5% (2% organically)
  - Cloud revenue increase of 13% (8% organically)
  - Support services growth of 13% related to Systems sales contracts and strong growth last 12 months
  - Consulting services decrease of 18% with organic decline of 20% connected to lower systems sales in the quarter and weaker market
  - Service revenue accounted for 40% (36) of total revenue
- Recurring revenues growing by 13% (9% organically) to an annualised level of SEK 1,748 (1,552) million
- Systems decrease with 11% (-11% organically)
  - Strong comparison quarter with delivery of backlog from previous periods

Revenues



Recurring Revenues



Profitability development

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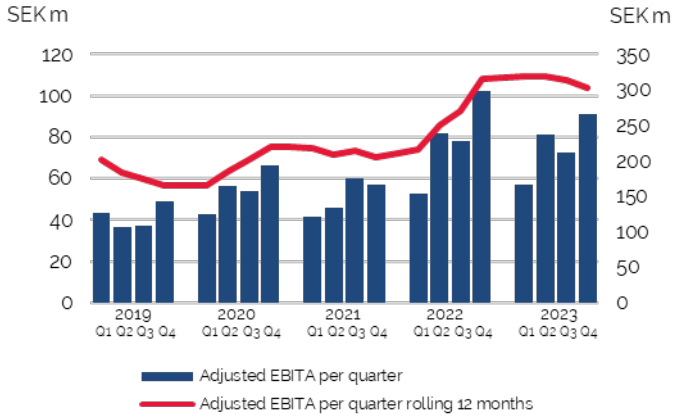
Key developments in the fourth quarter

- Adjusted EBITA of SEK 91 million (102)
  - Decrease of 11%
  - Margin of 6.7% (7.1)
- Gross margin 22.2% (22.5%)
  - Slight decrease yoy due to somewhat lower Systems margin
  - Improved Service margins impacted positively by cost program and earlier efficiency measures
- SG&A costs decreased organically by 6% for comparable units
  - Negative impact from cost inflation and growth in sales related costs largely offset by underlying savings
  - Cost efficiency program launched in Q2 on target
- EPS increasing slightly compared to previous year
  - Financial net improved from lower interest cost

Adjusted EBITA



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

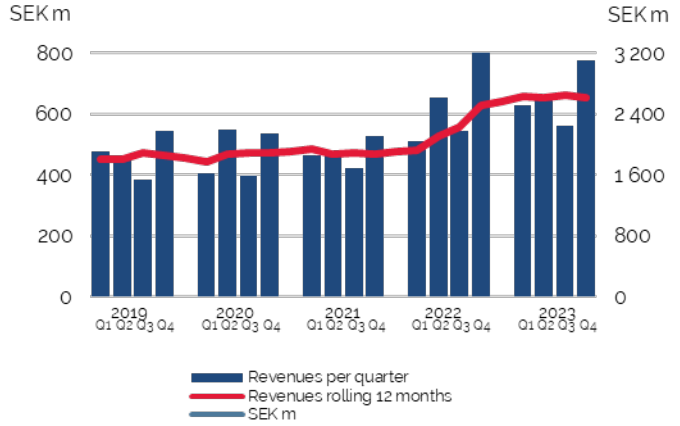
BU Nordics & Baltics

Key developments in the fourth quarter

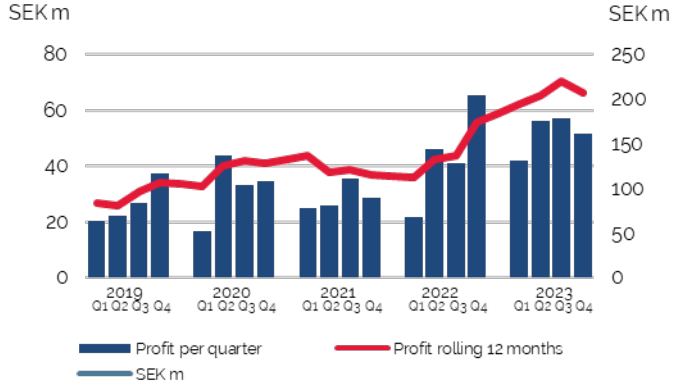
- Revenue decreased 3% (-2% organically)
  - Systems decreased 6% (-5% organically), primarily due to strong comparison quarter
  - Services increased 7% (8% organically), with good growth in cloud service contracts

- EBITA margin decreasing to 6.7% (8.2)
  - EBITA of SEK 51.8 million (65.4)
  - Decrease primarily due to lower system revenues

Revenues



Adjusted EBITA

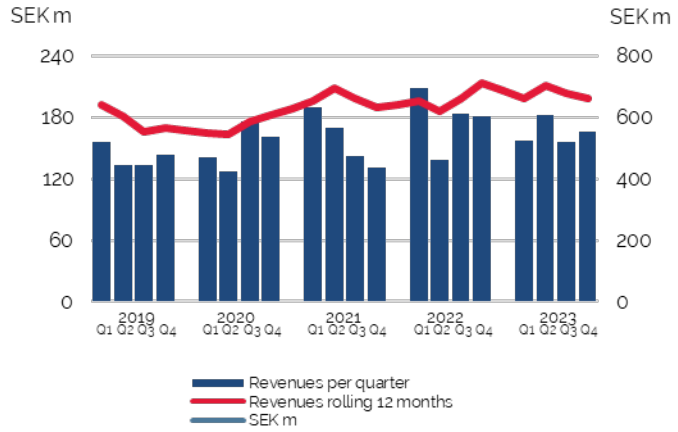


BU UK

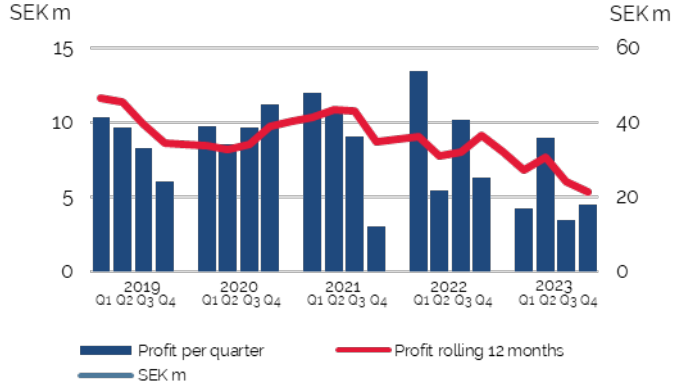
Key developments in the fourth quarter

- Revenue decreased with 8% (-13% organically)
  - Systems decreased 21% (organically -25%) due to strong comparison quarter and longer sales cycles
  - Services increased 6% (organically 0.5%) with good growth in support and cloud services
  - Consulting revenue decreased connected to low systems sales
- EBITA margin decreasing to 2.7% (3.5)
  - EBITA of SEK 4.5 million (6.3)
  - Decrease in revenues impacting negatively, partly offset by higher gross margins and lower sales and administration expenses

Revenues



Adjusted EBITA

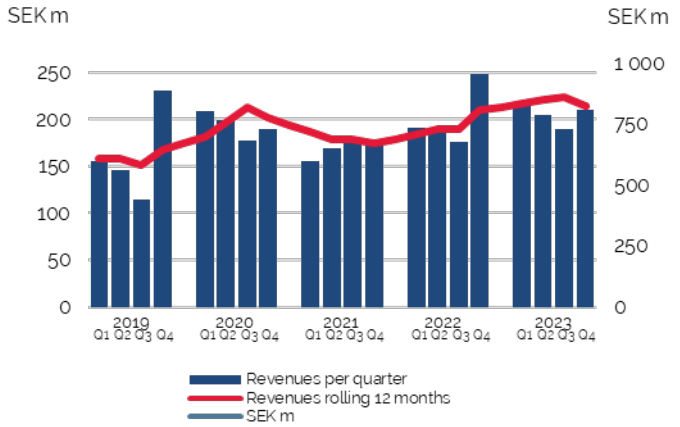


BU West

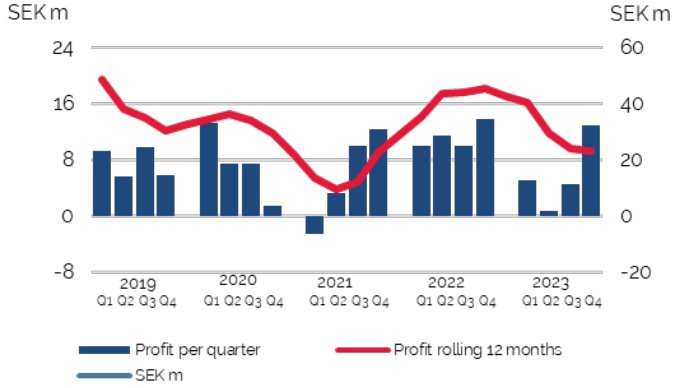
Key developments in the fourth quarter

- Revenue decrease 15% (19% organic decrease)
  - Systems decreased 49% -(52% organically)
  - Services increasing 7% (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 6.2% (5.5)
  - EBITA of SEK 12.9 million (13.7)
  - Improved margin driven by growth in service business

Revenues



Adjusted EBITA

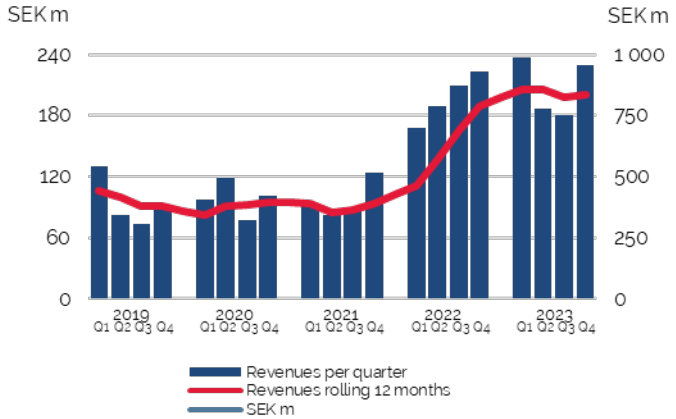


BU Central

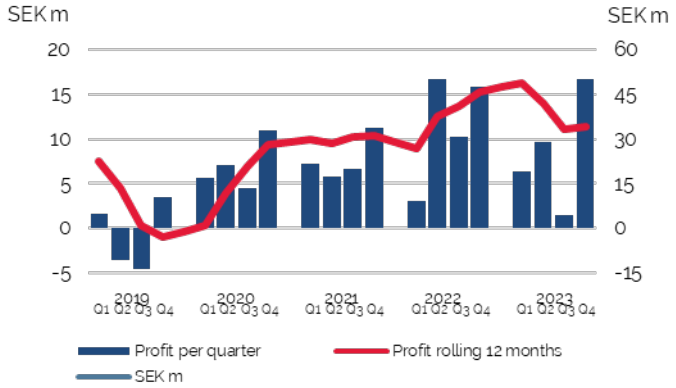
Key developments in the third quarter

- Revenue increase by 2.7% (organically decrease 2%)
  - Systems 4% (organically 1%)
  - Services growth of 1% (organically -3.5%)
  - Good underlying demand for support services are offset by lower consulting revenue
- EBITA margin increasing to 7.2% (7.1)
  - EBITA of SEK 16.6 million (15.8)
  - Positively affected by the increased revenues, in combination with lower sales- and administration expenses.

Revenues



Adjusted EBITA



Cash flow in Q4

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Cash flow development

- Positive cash-flow from current operations before change in working capital of SEK 148 million in
- Positive change in working capital SEK 93 million
  - Higher accounts receivables offset by increase in payables
- Investment in fixed assets of SEK -13 million
- Cash flow from financing activities SEK -93 million
  - Repayment of leasing liabilities SEK -38 million
  - Repayments of loans SEK -25 million
  - Share buy back SEK -20 million

- Strong cash position of SEK 548m

Liquid Funds September 30, 2023		**429**
Cash-flow from current operations		241
Current operations	*148*	
Change in working capital	*93*	
Cash-flow from investment activities		-12
Fixed assets	*-13*	
Acquisitions of subsidiaries	*0*	
Other	*1*	
Cash-flow from financing activities		-93
Repayments of leasing liabilities	*-38*	
Changes in bank loans and overdraft facilities	*-25*	
Other	*-30*	
Change in liquid funds		135
Currency translation difference in liquid funds		-17
Liquid Funds December 31, 2023		**548**

Cash flow January – December 2023

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- Positive cash-flow from current operations before change in working capital
- Positive change in working capital
- Investment in fixed assets SEK -44 million
- Cash flow from financing activities SEK -430 million
  - Repayment of leasing liabilities SEK -118 million
  - Repayments of bank loans of SEK -224 million
  - Dividend SEK -51 million
  - Share buy back -SEK 20m
- Strong cash position of SEK 548 million

Liquid Funds December 31, 2022		**506**
Cash-flow from current operations		532
Current operations	*427*	
Change in working capital	*105*	
Cash-flow from investment activities		-52
Fixed assets	*-44*	
Acquisitions of subsidiaries	*-8*	
Cash-flow from financing activities		-430
Repayments of leasing liabilities	*-118*	
Changes in bank loans and overdraft facilities	*-224*	
Dividend	*-51*	
Other	*-37*	
Change in liquid funds		50
Currency translation difference in liquid funds		-8
Liquid Funds December 31, 2023		**548**

Balance sheet

- Equity ratio of 25%
- Cash position of SEK 548 million
- Net cash, including leasing liabilities, of SEK 80 million
- Strong cash flow generation enabling dividends and acquisitions
- 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 600 million

(MSEK)	2023 Dec 31	2022 Dec 31
Total Assets	4,044	4,242
whereof Goodwill	*984*	*984*
whereof Intangible fixed assets	*177*	*231*
whereof Accounts receivables	*718*	*850*
Equity	1,009	923
Equity ratio	*25%*	*22%*
Cash and bank deposits	548	506
Bank loan, overdraft facilities	-222	-441
Net cash (+) / Net debt (-) excl. leasing liabilities	326	64
Leasing liabilities	-246	-291
Net cash (+) / Net debt (-) incl. leasing liabilities	80	-227
Bank overdraft facilities, unutilised	155	159
Bank overdraft facilities, total	155	159

FINANCIAL GOALS

Rolling 12 months

SALES GROWTH

TARGET	OUTCOME	
>10%	1.9%	SEK 4 847 million

EBITA MARGIN

TARGET	OUTCOME*	
8%	6.2%	Behind FY2022 6.6%

NET DEBT/EBITDA

TARGET	OUTCOME*	
<2	-0.17	Significantly better than target

ROCE

TARGET	OUTCOME	
>20%	16.3%	Decreased from FY2022 (17.2) due to NRI

DIVIDEND

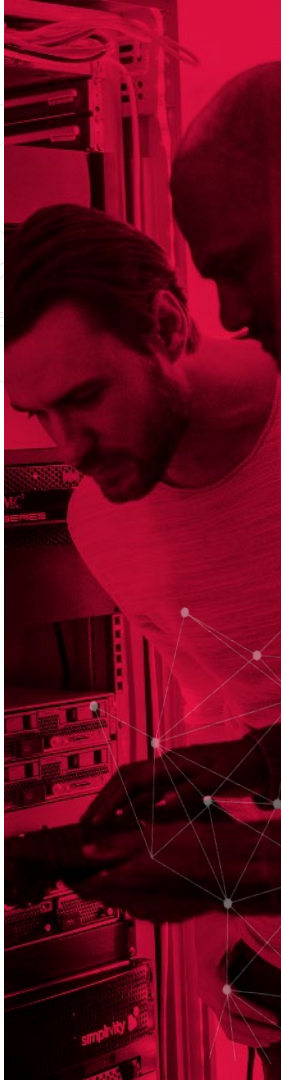
TARGET	OUTCOME**	
25-35%	32%	2.00 (1.85) SEK per share

* Adjusted for items affecting comparability

** Dividend proposed for the financial year 2023

Summary

- Cloud revenue increase of 13% and record TCV
- Strong growth in Annualised Recurring Revenue (ARR) to 1,748 MSEK
  - 1,552 MSEK in Q4 2022
  - 1,747 MSEK in Q3 2023
- Competitive offering and great customer satisfaction



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Thank you
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