Proact IT Group

Quarterly presentation

Q1 2024

7 May 2024

Agenda

- Proact introduction
- Proact's market
- Quarterly highlights
- Financial results
- Summary

Jonas Hasselberg
CEO and President

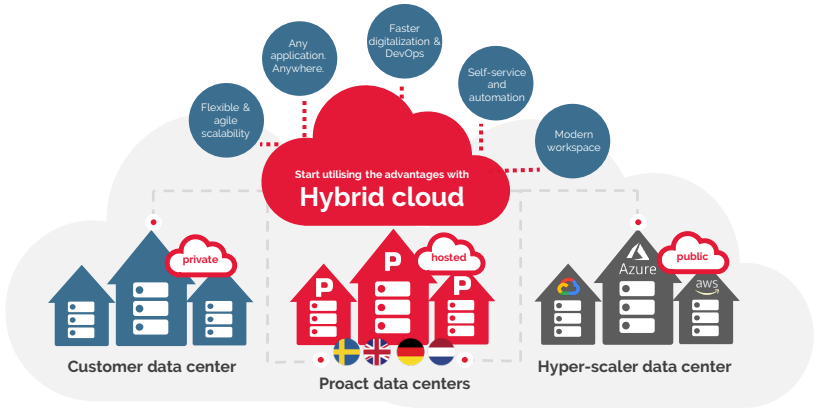
Åsa Regen Jansson
CFO

Proact is a leading IT expert helping customers secure business critical data via world-class hybrid cloud solutions

Proact introduction

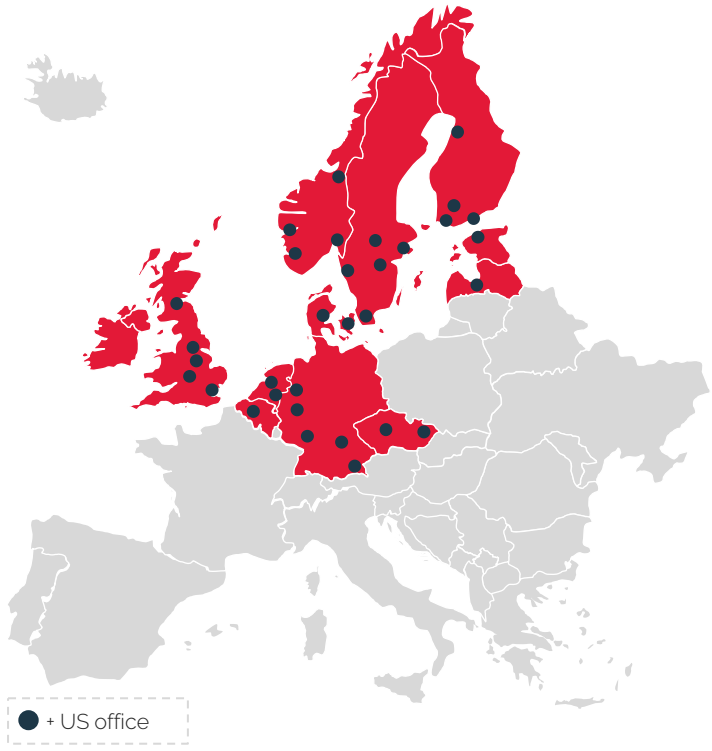
Proact in brief

- Founded in 1994, Proact has secured business critical data & pushed the limits of technology while delivering business agility for 3 decades
- Serving 4,000 medium and large enterprise customers across Europe
- SEK ~4,850 million turnover with stable finances
- Listed on Nasdaq Stockholm since 1999
- ~1,200 Employees with industry-leading skills & expertise across our business
- We support our customers at every step of their data journey. Our flexible deployment models enable delivery anywhere

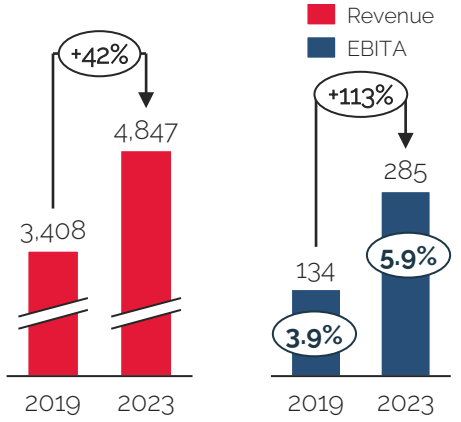


Deployment models

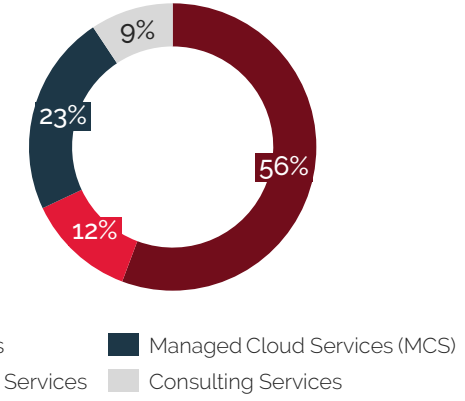
Geographical footprint



Revenue and EBITA development (SEKm)



Revenue split, 2023

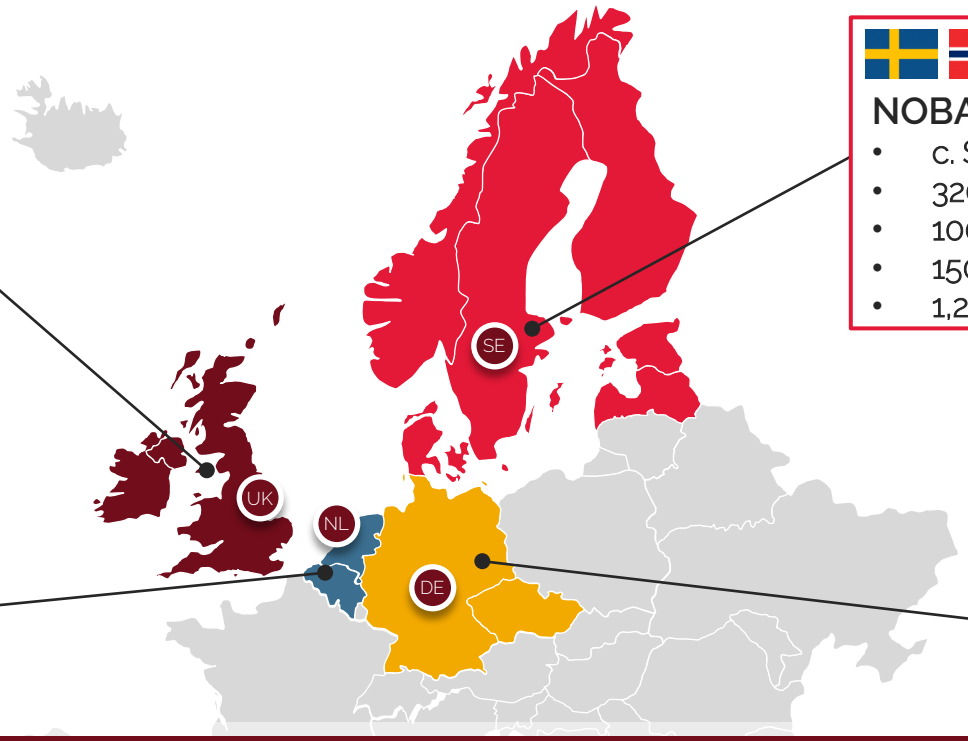


Proact is present in Northern Europe distributed across 4 Business Units; Hybrid cloud services through our 4 main delivery HUBs

Proact geographical presence and business units

UK
- c. SEK 660m revenue
- 250 employees
- 70+ Sales employees
- 100 Cloud experts
- 1,300 customers

West
- c. SEK 820m revenue
- 300 employees
- 45 Sales employees
- 220 Cloud experts
- 800 customers



NOBA
- c. SEK 2,620m revenue
- 320 employees
- 100+ Sales employees
- 150 Cloud experts
- 1,200 customers

Central
- c. SEK 830m revenue
- 250 employees
- 60 Sales employees
- 140 Cloud experts
- 700 customers

+ US office

Delivery success factors

Europe-based delivery HUBS
- 4 main delivery HUBs across Europe
- Managing customer data and infrastructure, regardless deployment (on-prem, private cloud, public cloud, hybrid combinations)

Standardized and local
- Proximity to our customers with local expert skills
- Wide range of standardized and highly flexible bespoke services

Best-in-class security, processes and tools
- 24/7 helpdesk, cloud and security specialists
- ServiceNow customer tooling
- ISO certified

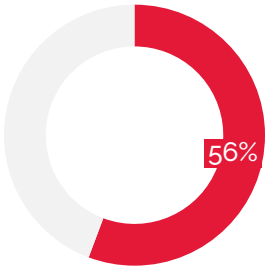
Note: Figures are estimates; Revenue incl. internal sales; No. of employees reflect FTEs

Delivery hub

We offer best-in-class services; Our broad offering enable us to support our customers wherever they are in their cloud journey

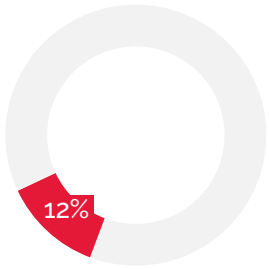
Proact offering

Revenue streams[1]



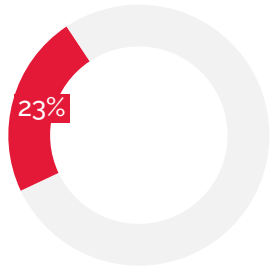
Systems

Independent provider and value-added reseller of hardware and software, and system architectured solution



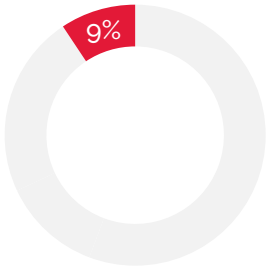
Support services

Premium support for the Systems business (high attach rate of c. 70% to system sales)



Managed Cloud Services

Wide range of services, such as Infrastructure as a Service (IaaS), Platform as a Service (PaaS), Storage and Security, as well as modern platforms based on Kubernetes



Consulting services

Broad spectrum of services from strategic consulting services and solution architect design to installation (incl. Kubernetes and Public cloud transformation services)

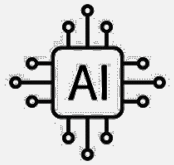
Selected expert skills (non-exhaustive)

Cybersecurity solutions

Proact has two 24/7 Security Operations Centers (SOCs) that protect Proact and customer infrastructure all day, every day

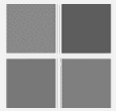
Cloud Native services

Through our Conoa brand, we help companies build the cloud native, container and Kubernetes infrastructure incl. Server as a Code and DevOps services



AI infrastructure

Proact can support customers on their AI journey, offering modern solutions that enable automation and innovation.



Microsoft consulting

Strong consulting expertise, supporting with digital transformation services based on "cloud-first" technologies from Microsoft Azure and Microsoft 365

1. % of revenue 2023

Proact is well-positioned in an attractive growing market, with trends such as Cybersecurity and AI driving the demand for data and IT solutions

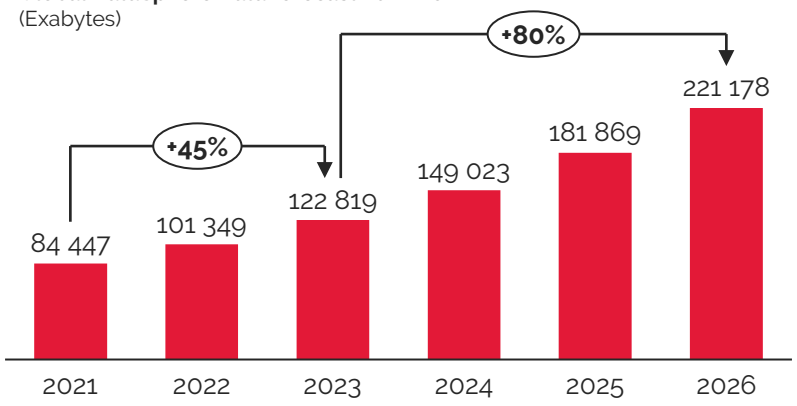
Market trends and development

Strong drivers and favourable trends

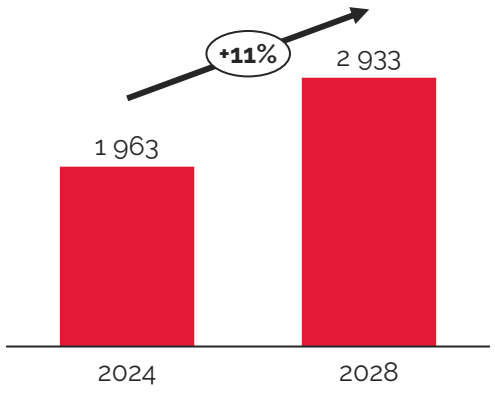
- Digital transformation, AI and ML
- Information security
- Sustainability and Regulation
- Hybrid cloud adoption
- Increased demand for Data Storage

Large and fast-growing data volumes…

Global DataSphere Data forecast 2021-26
(Exabytes)



…complemented by a strong Cybersecurity market growing double digits…(SEKb)



…and supporting market statistics

+40% p.a.
AI and GenAI revenue growth 2022-32

~USD 14 trillon
Global cost of cybercrime in 2028, rising from USD 9 trillion in 2024

Resilient market
Limited impact by recession

Cloud as a business necessity by 2028
Shift from being a technology disruptor

Sources: Gartner; Bloomberg; Statista; IDC WW Global DataSphere and Global StorageSphere

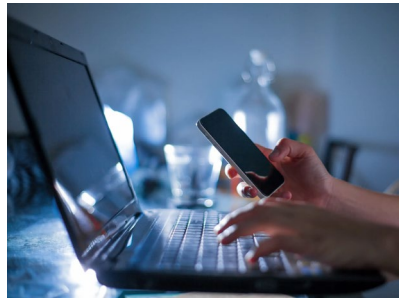
We provide mission-critical services to customers across all industry verticals

Selected Proact customer's mission-critical use cases

Digital Patient Records

Delivery Route Optimization

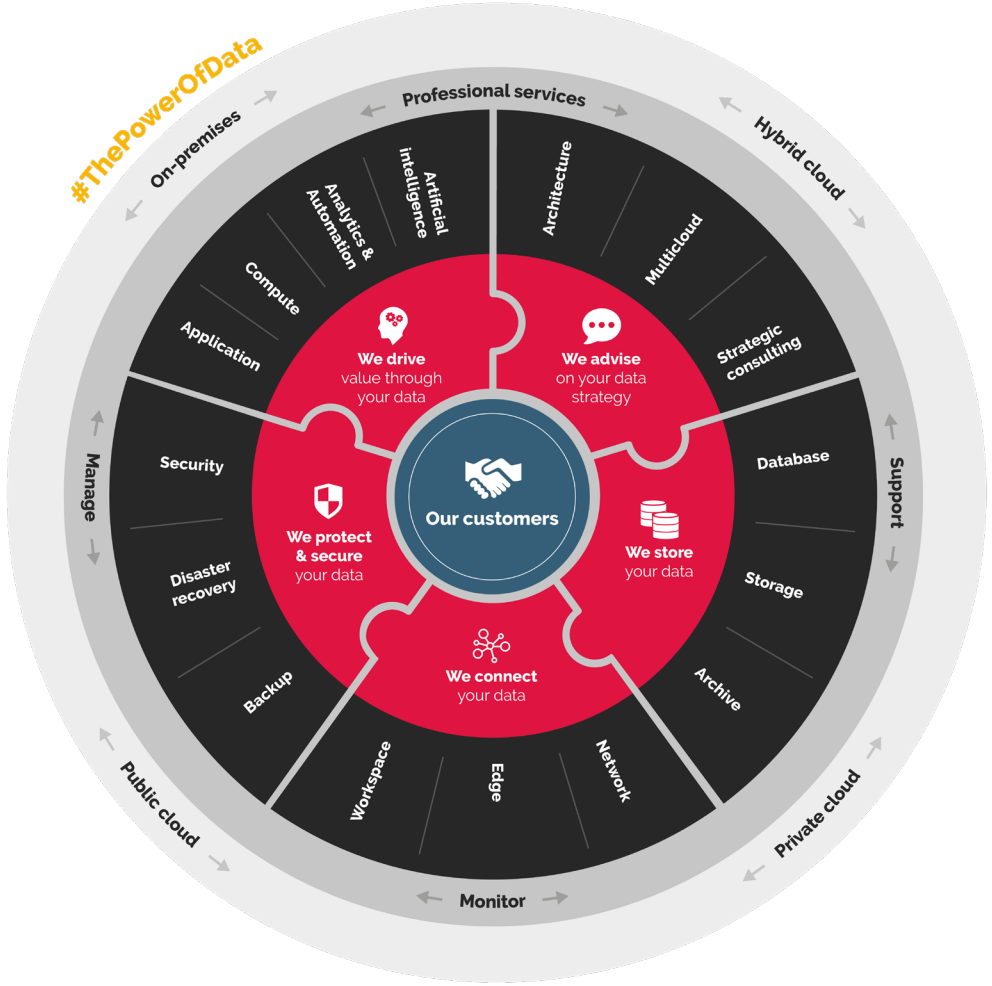
SaaS



AI Automated Redaction

Rapid Application Development

Cyber protection and Disaster Recovery



2024 Q1 Highlights

Quarterly highlights

- **Strong profitability growth** driven by growth in the service business and improved gross margins
- Further buy-back of own shares supported by a **positive cash generation and strong balance sheet**
- Continuous **build up of recurring revenues** with a strong intake in new cloud service contracts
- **Expanding security services** with Arctic Wolf in the Nordic markets
- Accredited **Microsoft Cloud security specialist**
- First partner to deliver **NetApp Data Protection and Security Assessment** service
- **Premier partner of Broadcom** recognising value-adding collaboration with VMware

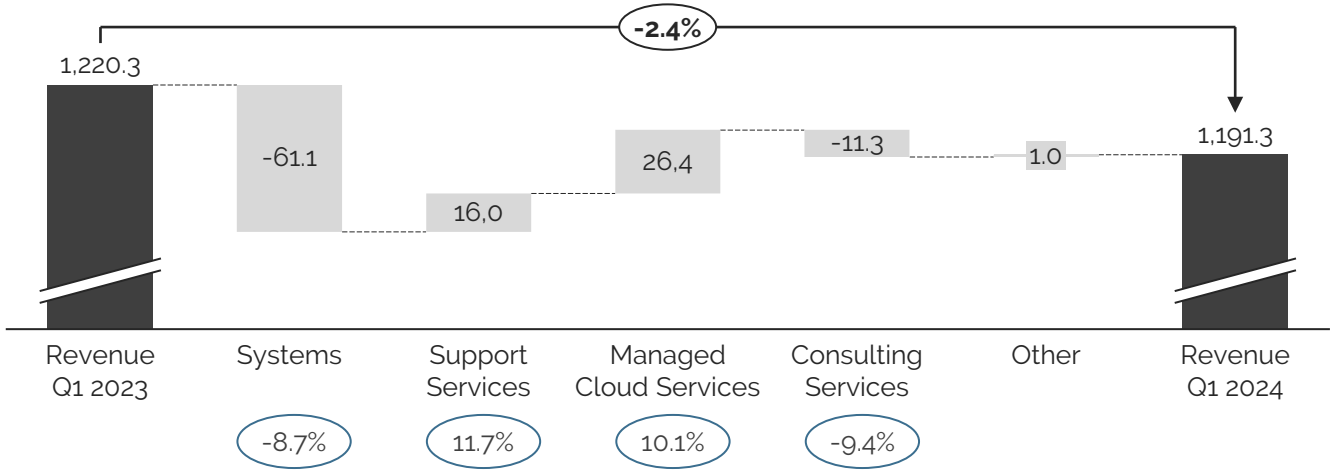
Revenue **SEK 1,191m** (-2.4%)	Annualized recurring revenue **SEK 1,766m** (+10.6%)
System sales **SEK 638m** (-8.7%)	Service sales **SEK 551m** (+6.0%)
Adj. EBITA **SEK 94.5m** (+66.4%)	EBITA margin **7.9%**
Cash flow from operations **SEK 104m** (30m)	Intake of new Cloud service contracts **SEK 183m** (117m)

Q1 revenue of SEK 1.191m, -2.4% from a strong comparative quarter but with healthy underlying growth

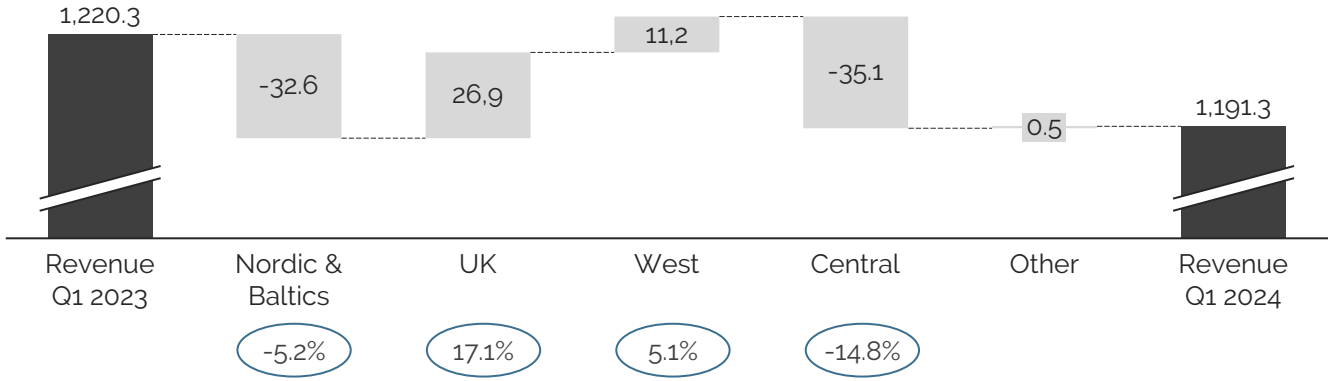
Revenue development, 2023 Q1 – 2024 Q1

- Total revenue decreased -2.4% and -2.8% organically
- System sales SEK 638m (-8.7%), down mainly from a strong comparative quarter
- Revenue from Service business SEK 551m (+6%) driven by support and managed cloud services
- Growth in Business Unit UK and West and healthy underlying development in Nordic & Baltics
- Business Unit Central affected by more challenged market conditions, although there are signs of recovery and a growing pipeline

Revenue by revenue stream (SEKm)



Revenue by Busines unit (SEKm)

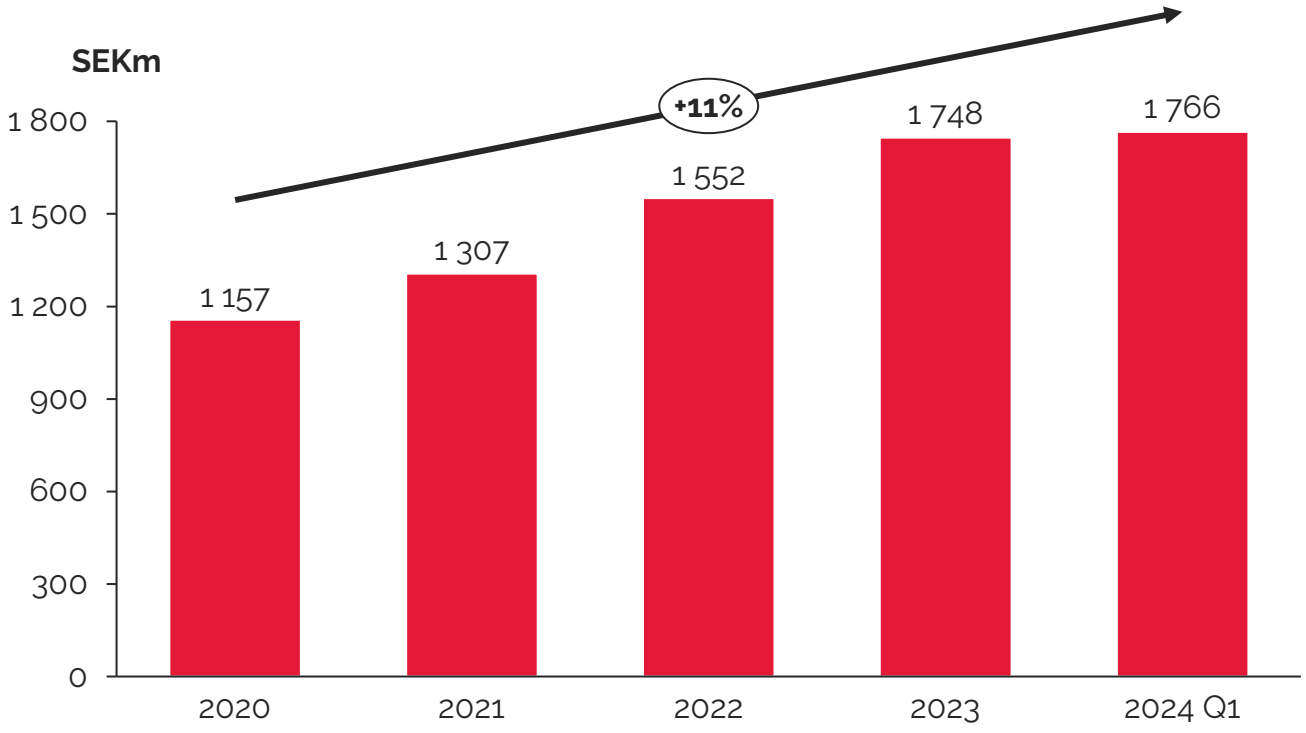


Revenue development per revenue stream / Business Unit

Note: Other incl. currency adjustments

Growing share of recurring revenues at a 11% CAGR from 2020-2024 Q1, currently making up more than 1/3 of total revenue

Annualized recurring revenue development, 2019-2023

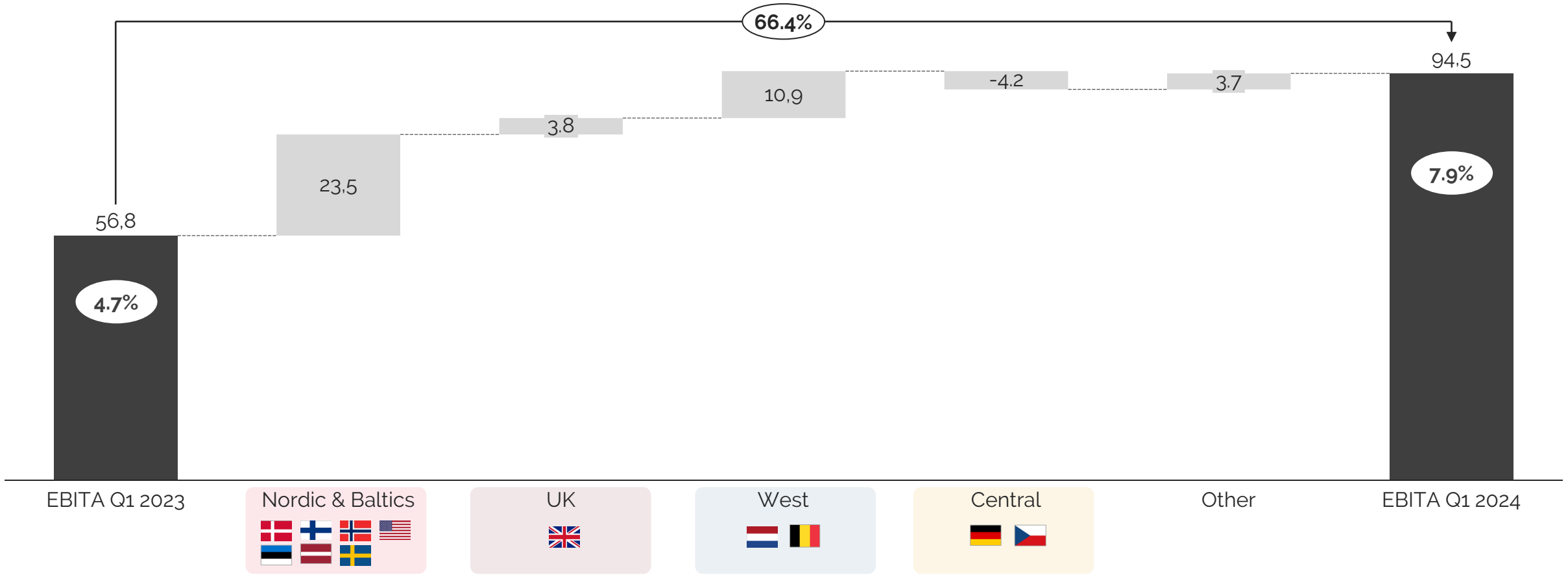


	2020	2021	2022	2023	2024 Q1
ARR as % of total	32%	37%	33%	36%	n.a.

- Sizeable Annualized Recurring Revenue (ARR), making up more than 1/3 of total revenue
- ARR + 10.6% compared to Q1 2023
- Growing share of recurring revenues at 11% CAGR from 2020-2024 Q1
- Healthy build up with new cloud service contract amounting to SEK 183m added in the quarter

Exceptional EBITA development +66% compared to last year, with Nordic & Baltics being the largest contributor

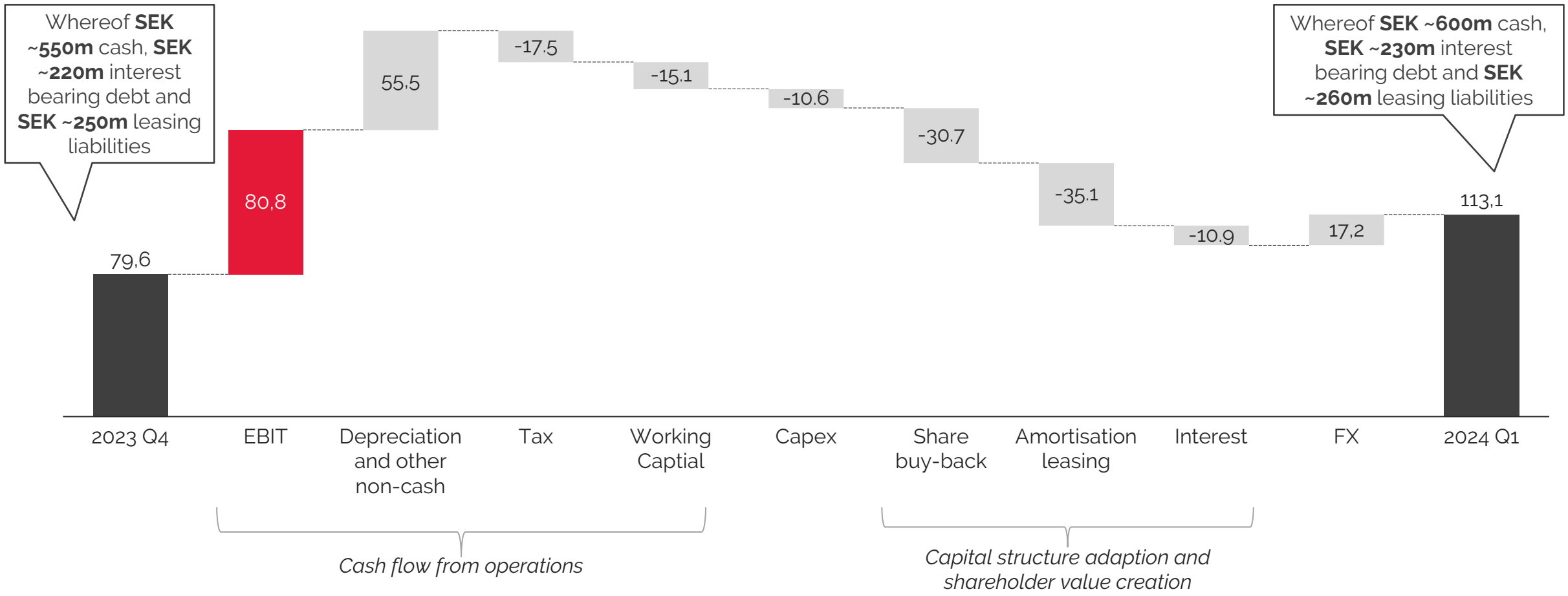
EBITA development, 2023 Q1 – 2024 Q1



Note: Other incl. currency adjustments

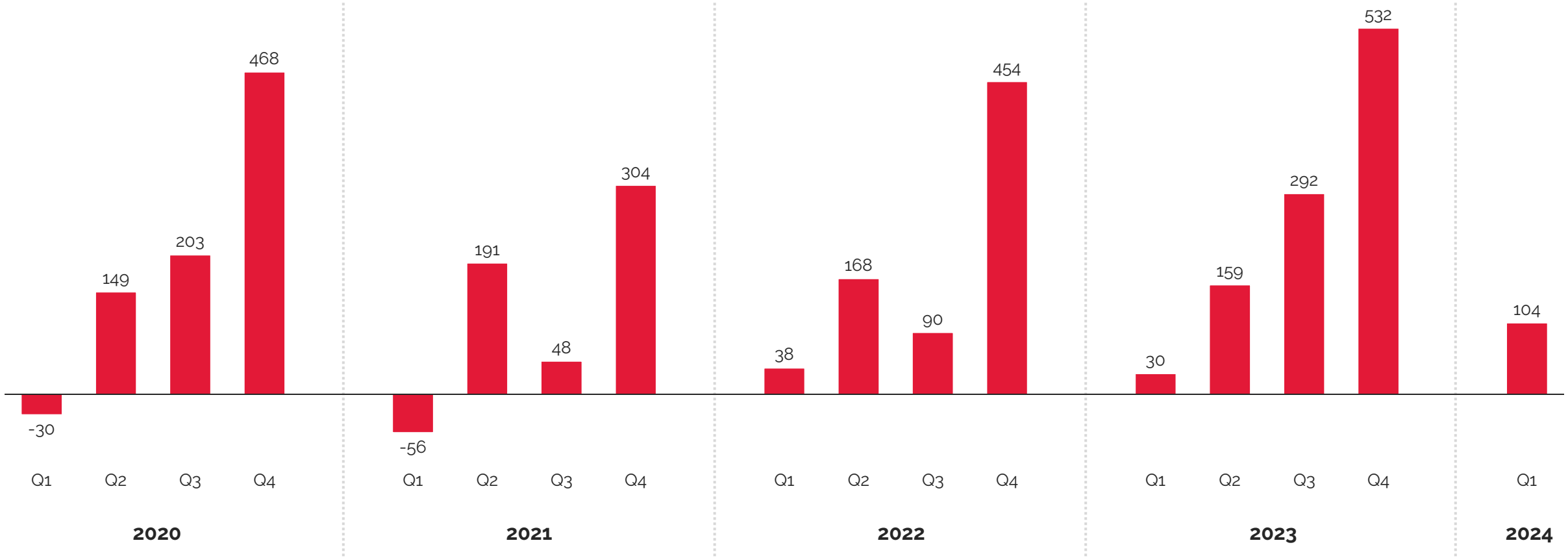
Net cash position following a strong development, from SEK ~80m last quarter to SEK 113m 2024 Q1

Net debt development, Q1 2024 vs Q4 2023 (SEKm)



Positive cash flow generation from operations, enabling investments as well as dividend

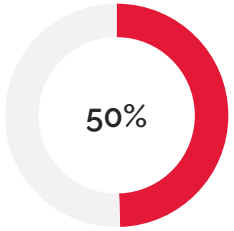
Cash generation, accumulated per year, 2020-2024 Q1 (SEKm)



Strong EBITA margin uplift of +4.3 p.p. in Nordic & Baltics compared to last year

Business Unit deep-dive: Nordic & Baltics

Nordic & Baltics

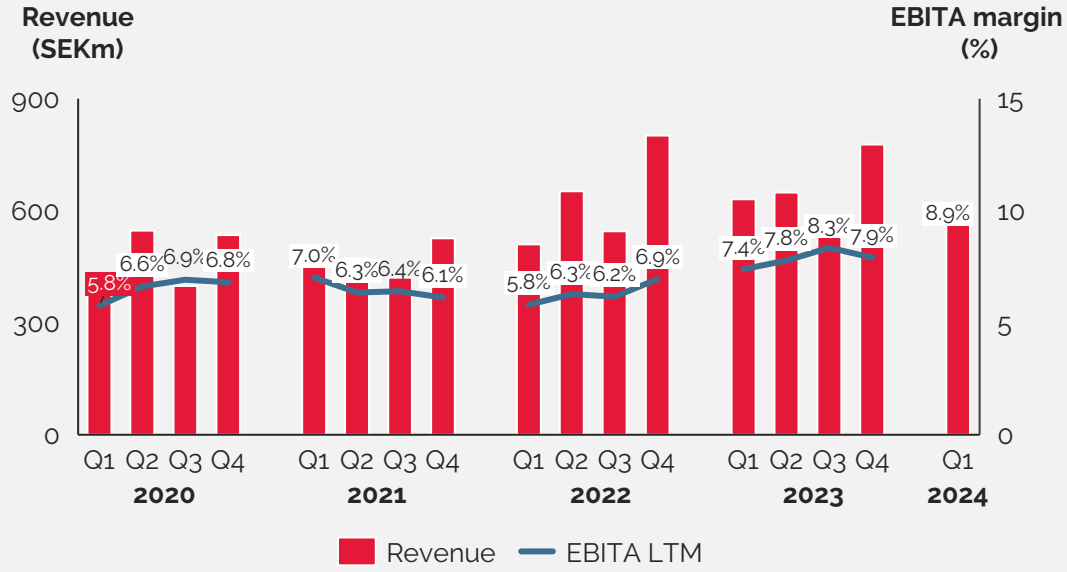


Share of total revenue[1]

- Denmark, Estonia, Finland, Latvia, Norway, Sweden and the US
- ~320 employees

Financial development

SEKm	Q1 2024	Q1 2023	Change (%)
Revenue	598	630	-5.2%
EBITA	65	42	56.2%
EBITA margin (%)	10.9%	6.6%	4.3 p.p.



Comments

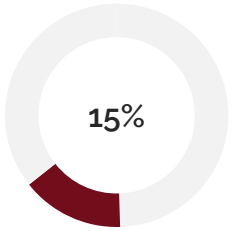
- Total revenue SEK 598m, a decrease of -5.2% and -4.5% organically YoY driven by lower system sales
- Revenue from system business declined 11.7% and 11.2% on an organic basis, mainly from strong comparatives
- Service business revenue grew 9.9% and 11.1% organically, driven by support- and managed cloud services
- High margin system sales in the quarter and improved service business margins from growth in combination with lower costs.
- EBITA SEK 65m (+56%) and an EBITA margin of 10.9%

1. % of revenue 2023

Strengthened financials in UK, with revenue growth of c. 17% and significant EBITA improvement compared to a weak Q1 in 2023

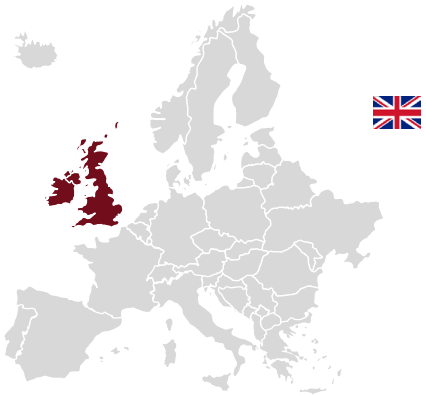
Business Unit deep-dive: UK

UK



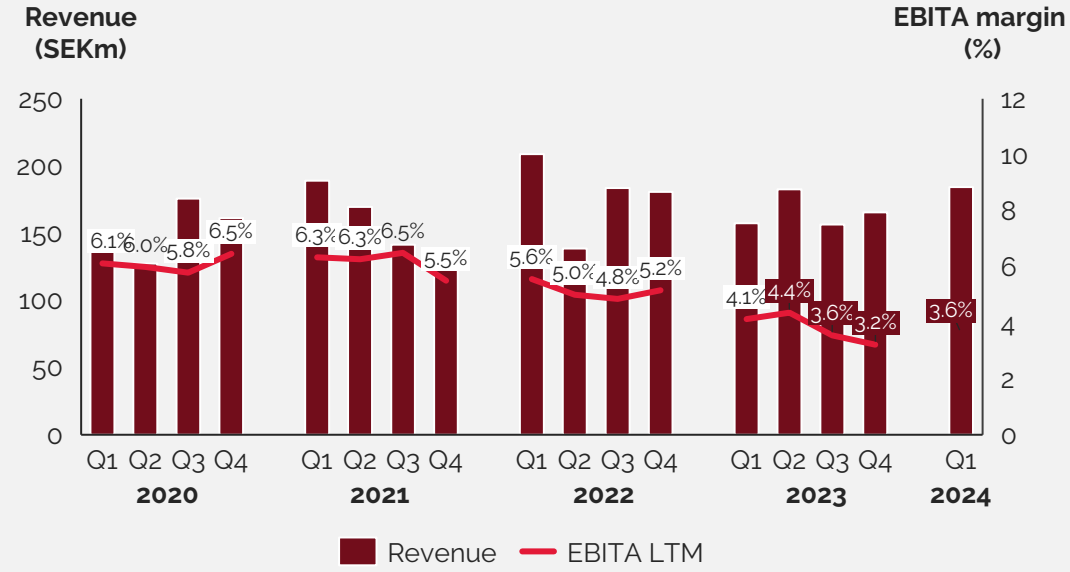
Share of total revenue[1]

- United Kingdom
- ~250 employees



Financial development

SEKm	Q1 2024	Q1 2023	Change (%)
Revenue	184	157	17.1%
EBITA	8	4	89.2%
EBITA margin (%)	4.4%	2.7%	1.7 p.p.



Comments

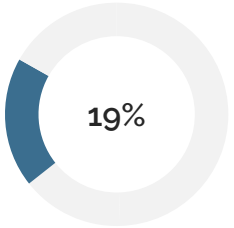
- Total revenue SEK 184m growing 17% and 12.5% organically
- System business increase of +28% and 24% on an organic basis, driven by improved demand
- Service business increase of 8.0% and 4% organically driven by support- and managed cloud services partly offset by lower consulting revenue
- EBITA margin expansion driven by revenue growth and higher gross margin in services
- EBITA SEK 8m (+89%) and an EBITA margin of 4.4%

1. % of revenue 2023

Significant EBITA growth in West, growing from 2.4% margin in Q1 2023 to 7.0% in 2024

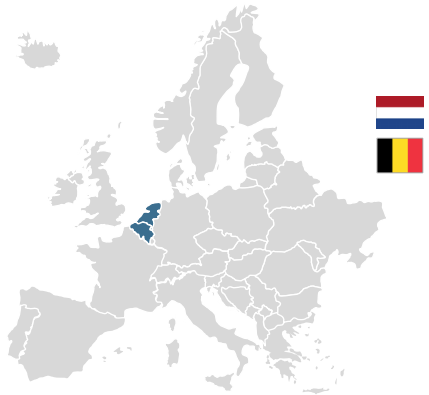
Business Unit deep-dive: West

West



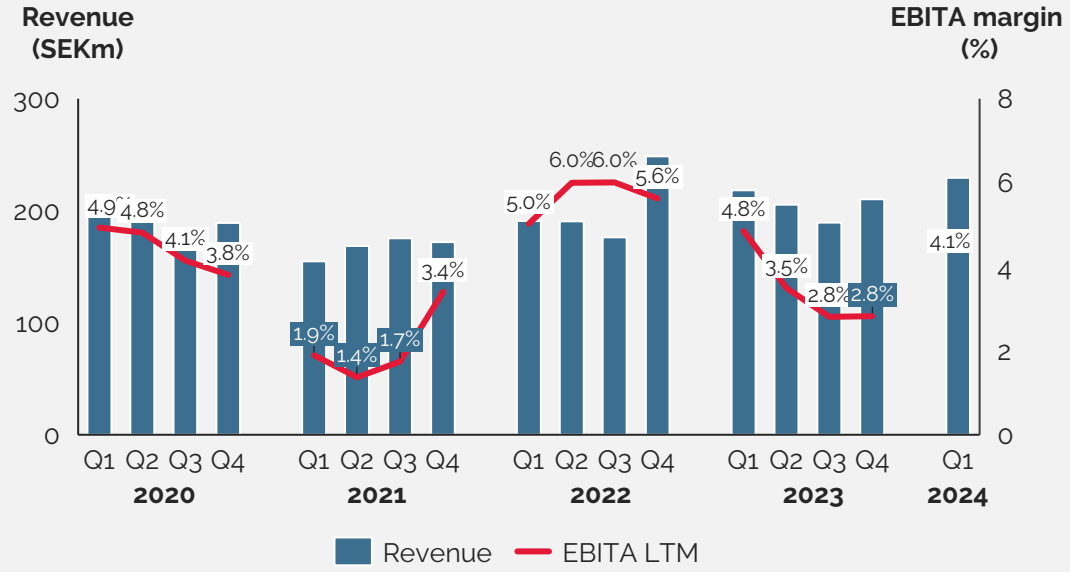
Share of total revenue[1]

- The Netherlands and Belgium
- ~300 employees



Financial development

SEKm	Q1 2024	Q1 2023	Change (%)
Revenue	229	218	5.1%
EBITA	16	5	212.3%
EBITA margin (%)	7.0%	2.4%	4.6 p.p.



Comments

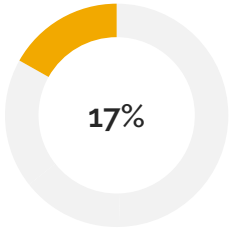
- Total revenue SEK 229m growing 5% and 4% organically
- System business increase +8% and 7% on an organic basis, following a continued healthy demand
- Service business increase of 4% and 3% organically, mainly driven by cloud services whereas consulting revenues decrease due to resources challenges
- EBITA growth driven by increased revenue and improved gross margins in the service business
- EBITA SEK 16m and an EBITA margin of 7.0%

1. % of revenue 2023

Weak performance in Central, reflecting a slow German market during the first quarter 2024, along with changes is management

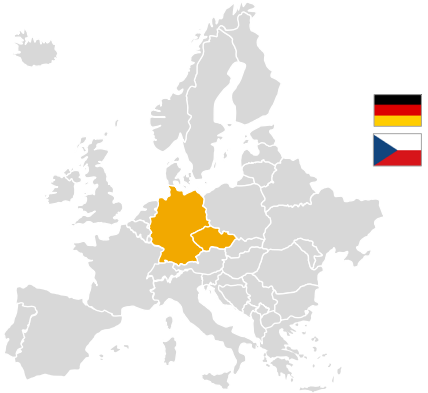
Business Unit deep-dive: Central

Central



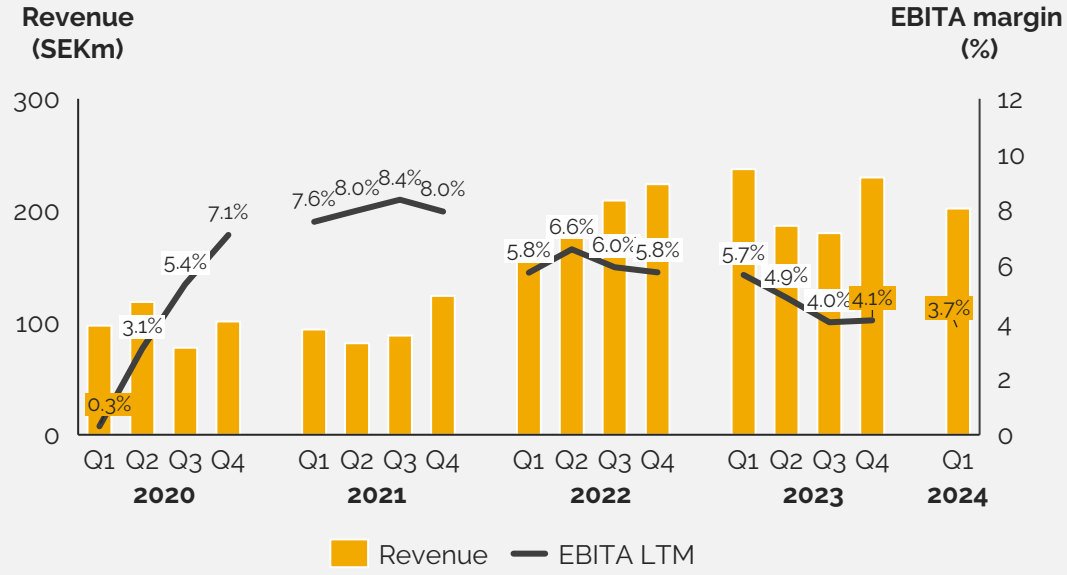
Share of total revenue[1]

- Germany and Czechia
- ~250 employees



Financial development

SEKm	Q1 2024	Q1 2023	Change (%)
Revenue	202	237	-14.8%
EBITA	2	6	-66.8%
EBITA margin (%)	1.0%	2.7%	-1.7 p.p.



Comments

- Total revenue SEK 202m, a decrease of -15%
- System business decreased -28% in reported numbers and organically, partly from a strong comparative quarter and from continued challenging market conditions
- Service business down -0.9% and -1.6% on an organic basis where growth in support- and cloud services were offset by the decrease in consulting revenue
- EBITA decrease driven by lower revenue which could not be fully compensated by a higher gross margin and lower sales- and administration costs
- EBITA SEK 2m and an EBITA margin of 1.0%

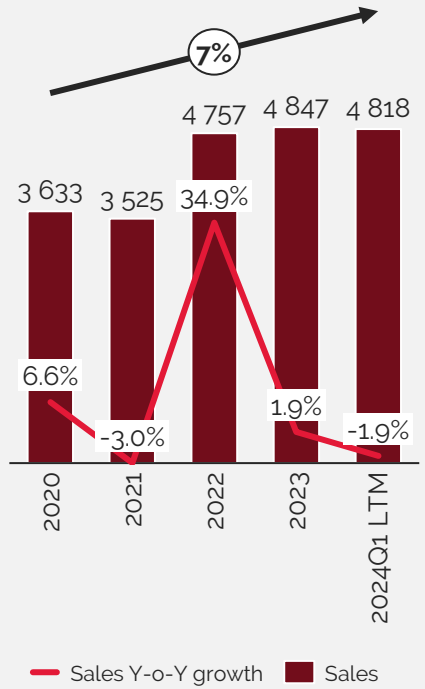
Good performance against long-term financial targets; Especially strong leverage position

Financial development and long-term financial targets

Sales

Sales growth per annum

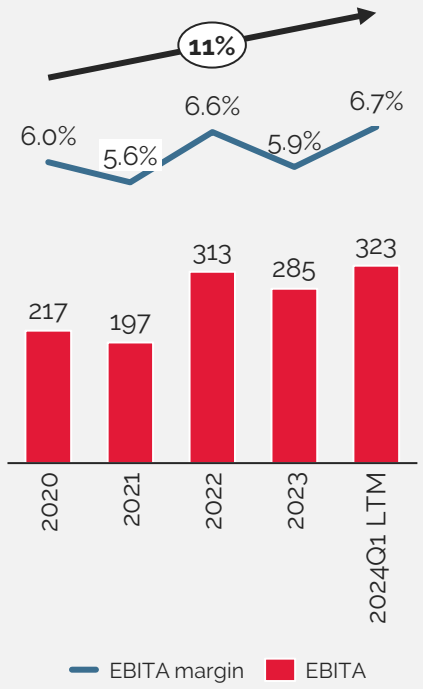
10%



EBITA

EBITA margin

8%



Leverage

Net debt / EBITA

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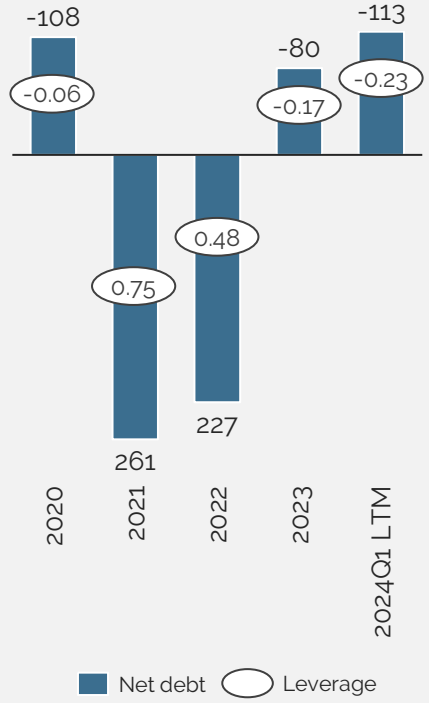
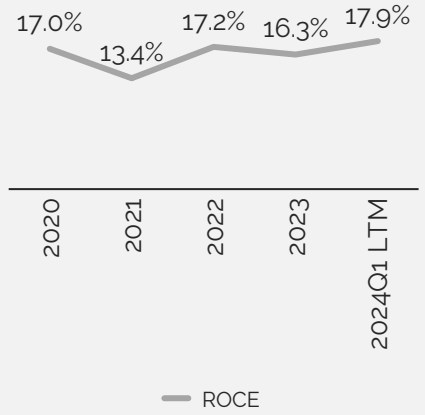


ROCE

Return on capital employed

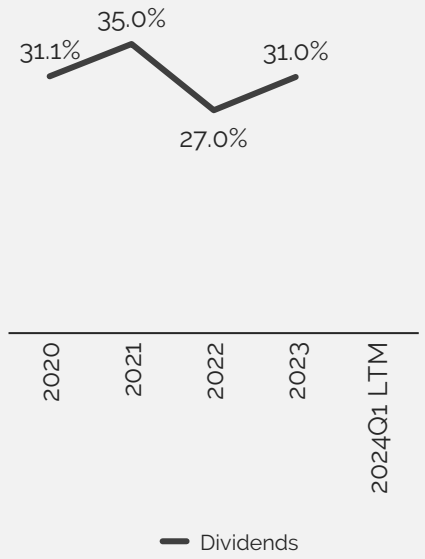
20%



Dividends

Dividends as share of profit after tax

25-35%



Summary

- Record first quarter with strong profitability growth of 66%
- Continuous build up of recurring revenues with a strong intake in new cloud service contracts
- Market improvement partly driven by Artificial Intelligence and Cybersecurity