Proact IT Group

Quarterly presentation

Q2 2024

12 July 2024

Agenda

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

Jonas Hasselberg
CEO and President

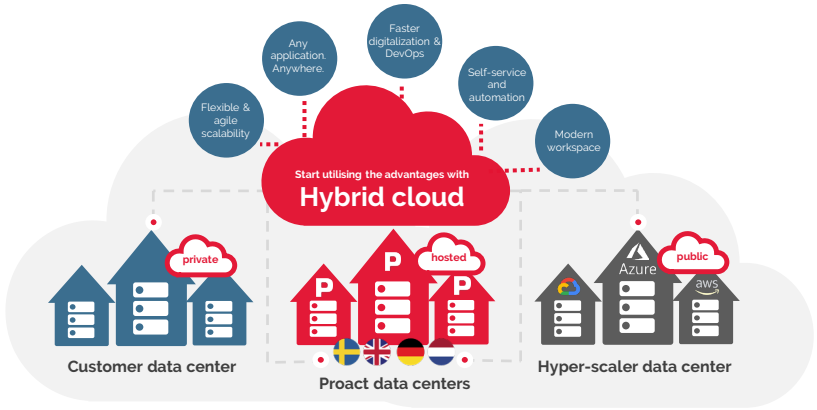
Noora Jayasekara
CFO

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

Proact introduction

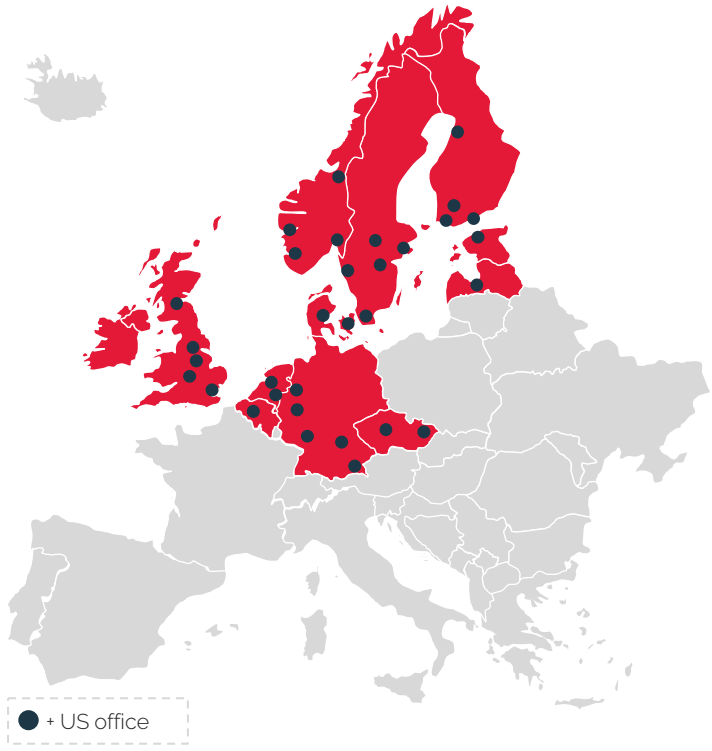
Proact in brief

- 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

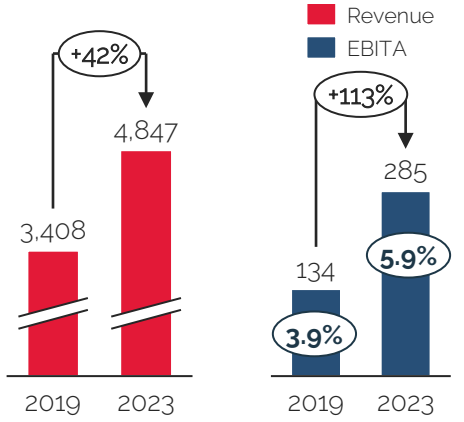


Deployment models

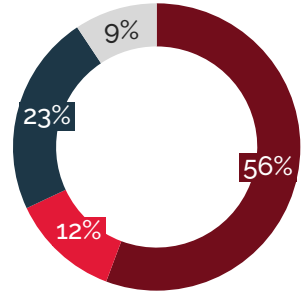
Geographical footprint



Revenue and EBITA development (SEKm)



Revenue split, 2023



Proact office

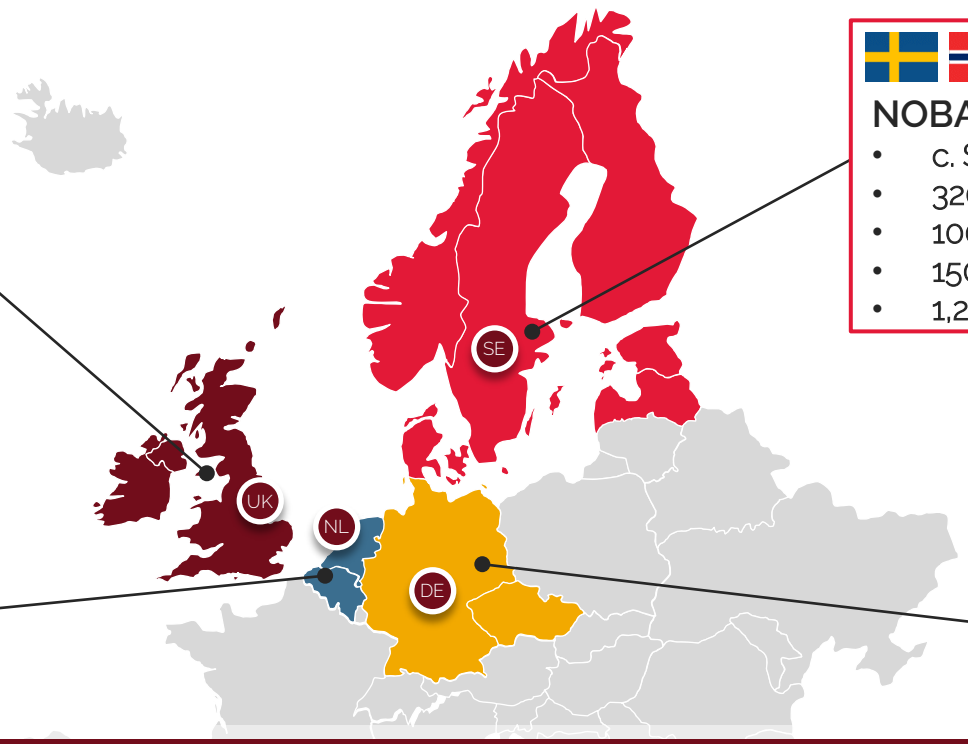
Systems
Managed Cloud Services (MCS)
Support Services
Consulting Services

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

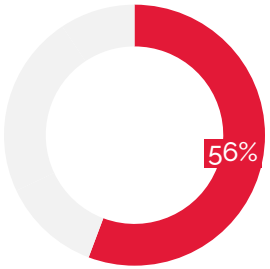
Delivery hub

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

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

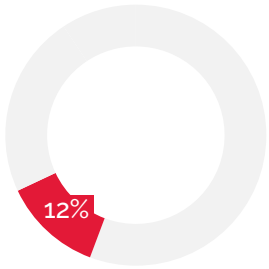
Proact offering

Revenue streams[1]



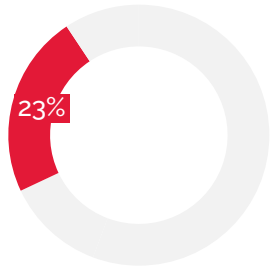
Systems

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



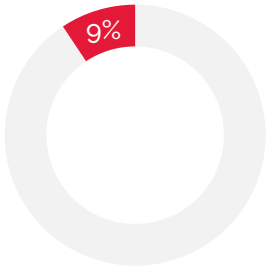
Support services

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)

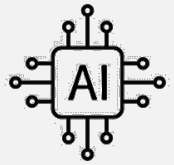
Selected expert skills (non-exhaustive)

Cybersecurity solutions

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

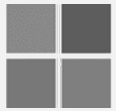
Cloud Native services

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

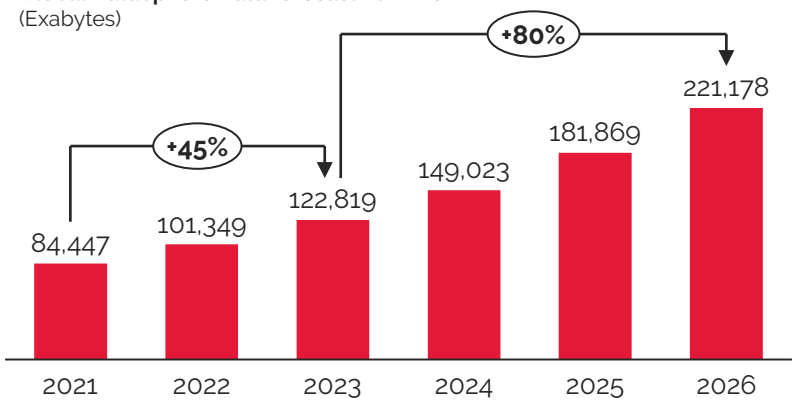
Market trends and development

Strong drivers and favourable trends

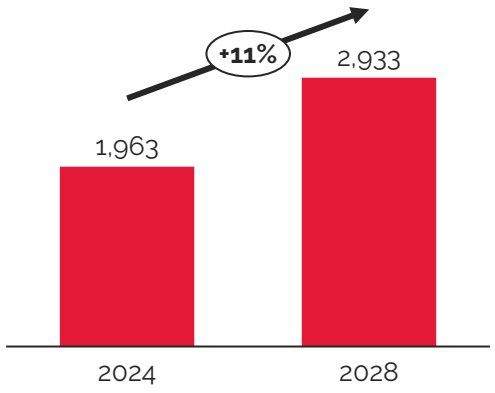
- Digital transformation, AI and ML
- Information security
- Sustainability and Regulation
- Hybrid cloud adoption
- Increased demand for Data Storage

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

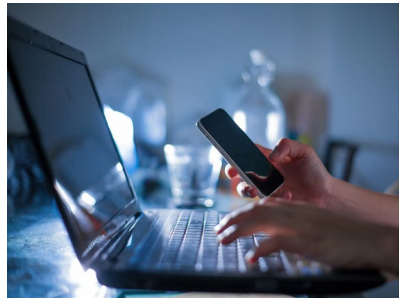
We provide mission-critical services to customers across all industry verticals

Selected Proact customer's mission-critical use cases

Digital Patient Records

Delivery Route Optimization

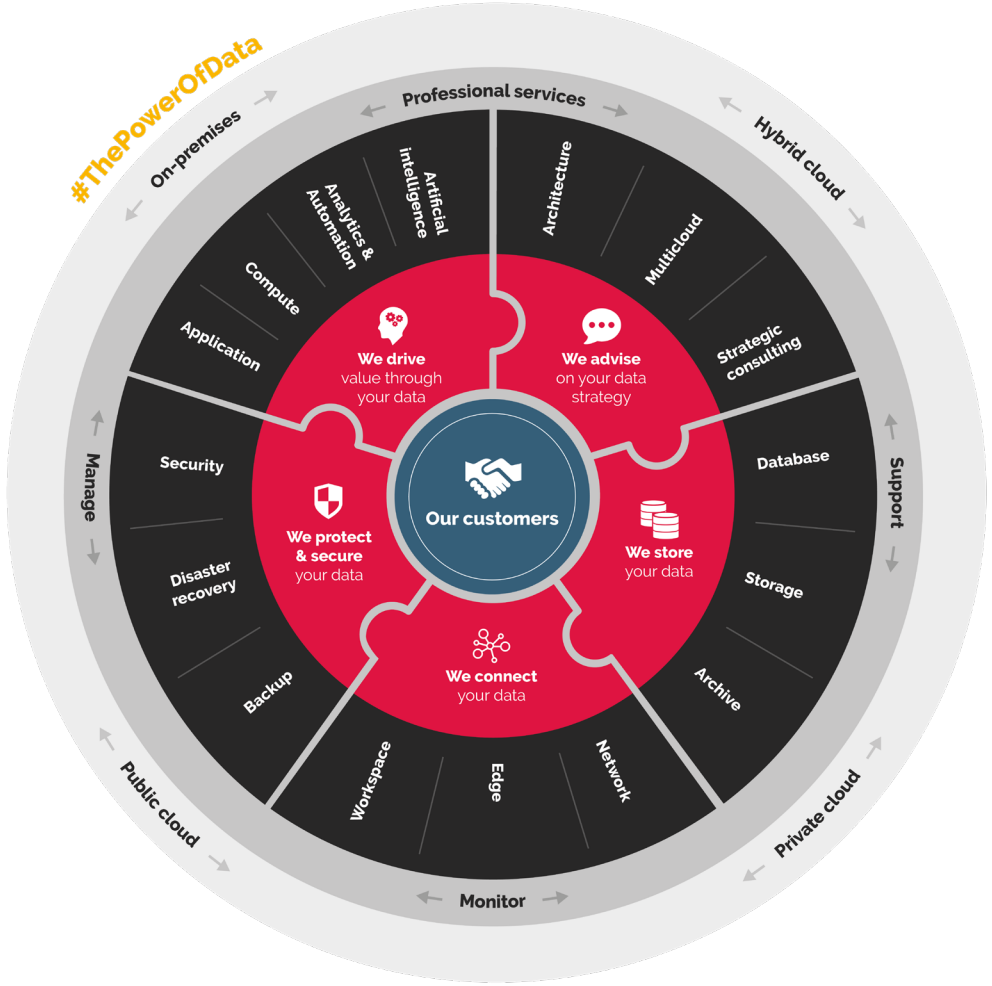
SaaS



AI Automated Redaction

Rapid Application Development

Cyber protection and Disaster Recovery



2024 Q2 Highlights

Quarterly highlights

- Solid growth, good profitability and a strong cash flow in Q2
- Positive cash generation and strong balance sheet after payout of dividend and share buy-backs.
- New share buy-back program initiated after AGM in May
- Macro economics improving and continued demand for digitalization, cyber protection and AI
- Services business continues to develop positively thanks to a good increase in sales of cloud and support services
- New incident response and recovery cyber services launched
- Proact becomes the world's first partner to NetApp to deliver their new security services

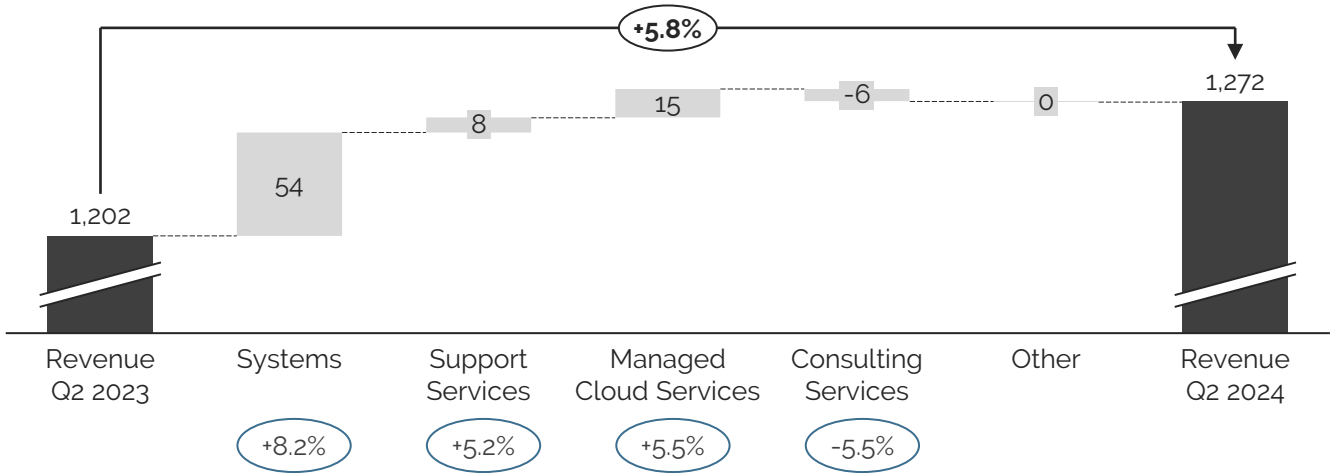
Revenue **1,272 SEKm** **(+5.8%)**	Annualized recurring revenue **1,771 SEKm** **(+5.4%)**
System sales **717 SEKm** **(+8.2%)**	Service sales **554 SEKm** **(+3.1%)**
Adj. EBITA **96.7 SEKm** **(+18.8%)**	EBITA margin **7.6%** **(+0.8 p.p.)**
Cash flow from operations **130 SEKm** **(129m)**	Intake of new Cloud service contracts **134 SEKm** **(116m)**

Q2 revenue of 1.272 SEKm, +5.8% primarily driven by Central

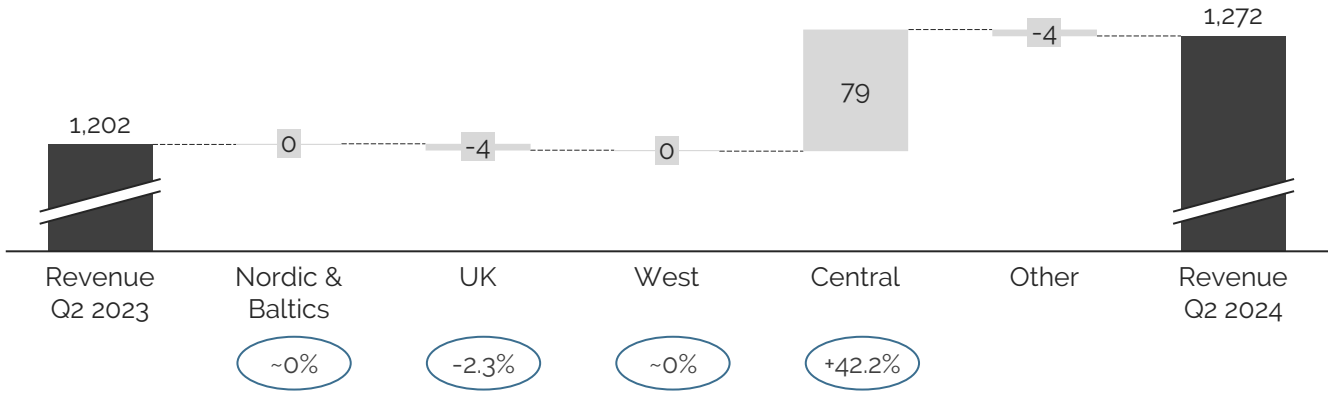
Revenue development, 2023 Q2 – 2024 Q2

- Total revenue increased +5.8% and +5.5% organically
- System sales increased with 717 SEKm (+8.2%), primarily due to continued good demands for systems solutions
- Revenue from Service business increased with 554 SEKm (+3.1%) driven by support and managed cloud services
- Growth in Business Unit Central while other Business Units remain stable

Revenue by revenue stream (SEKm)



Revenue by Busines unit (SEKm)

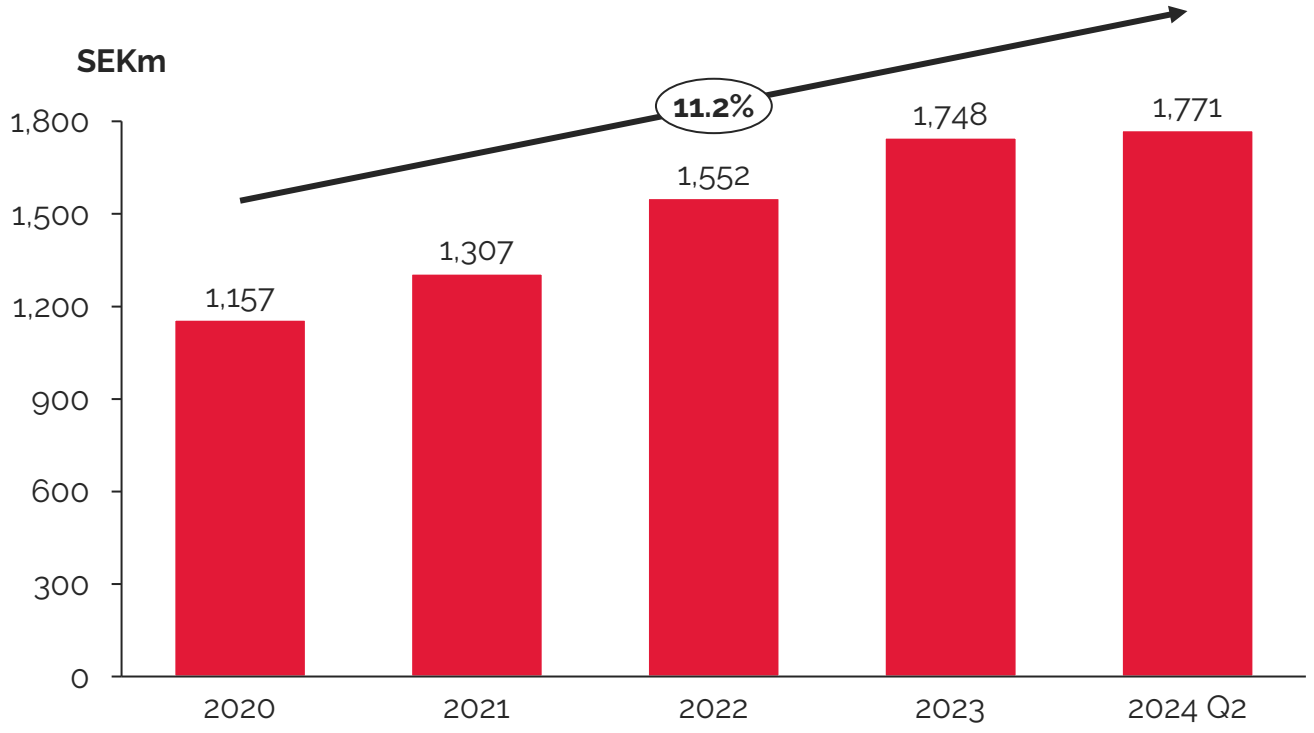


Revenue development per revenue stream / Business Unit

Note: Other incl. currency adjustments

Growing share of recurring revenues at a 11.2% CAGR from 2020-2024 Q2, currently making up 36% of total revenue

Annualized recurring revenue development, 2019-2024 Q2

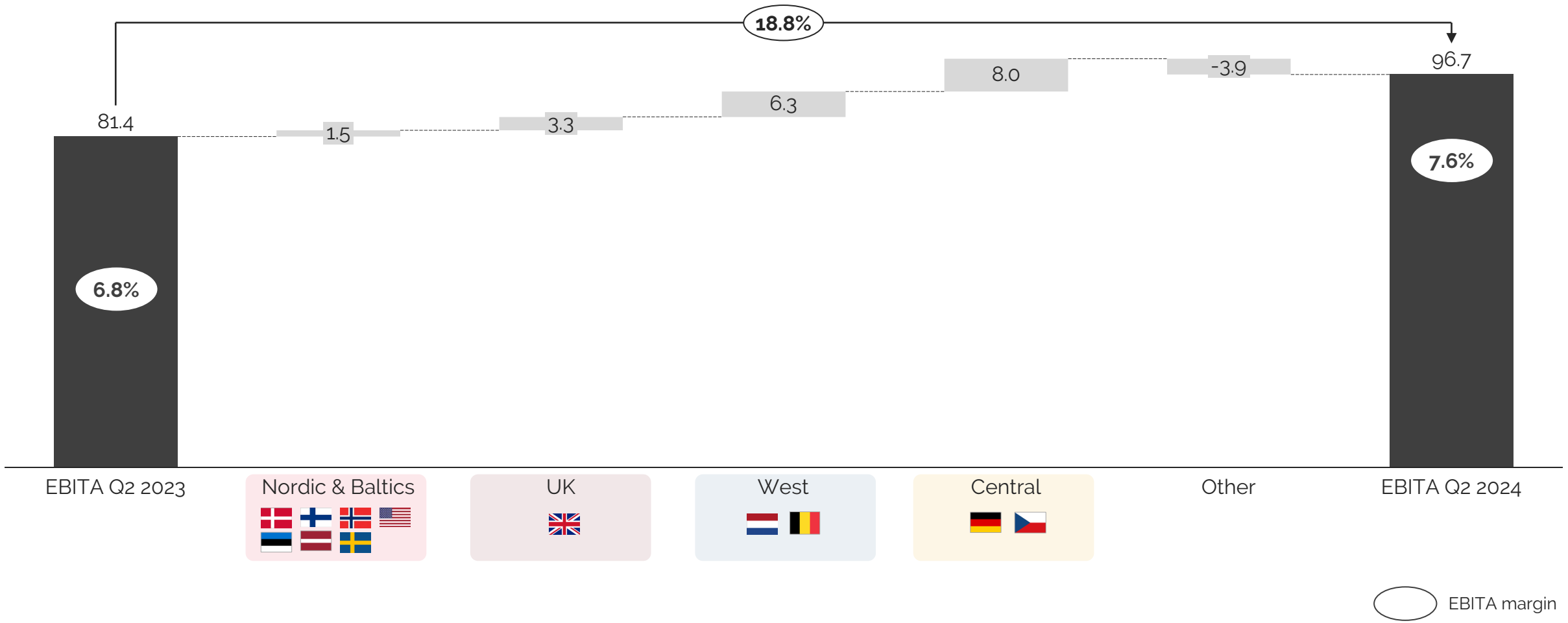


ARR as % of total	32%	37%	33%	36%	36%

- ARR grew by 5.4% compared to 2023 Q2, a relative slowdown rate as compared to historic development driven by lower order intake of cloud services in mid 2023
- Healthy build up with new cloud service contracts amounting to 134 SEKm added in the quarter (116m)

Good EBITA development +18.8% compared to last year, with West and Central being the largest contributors

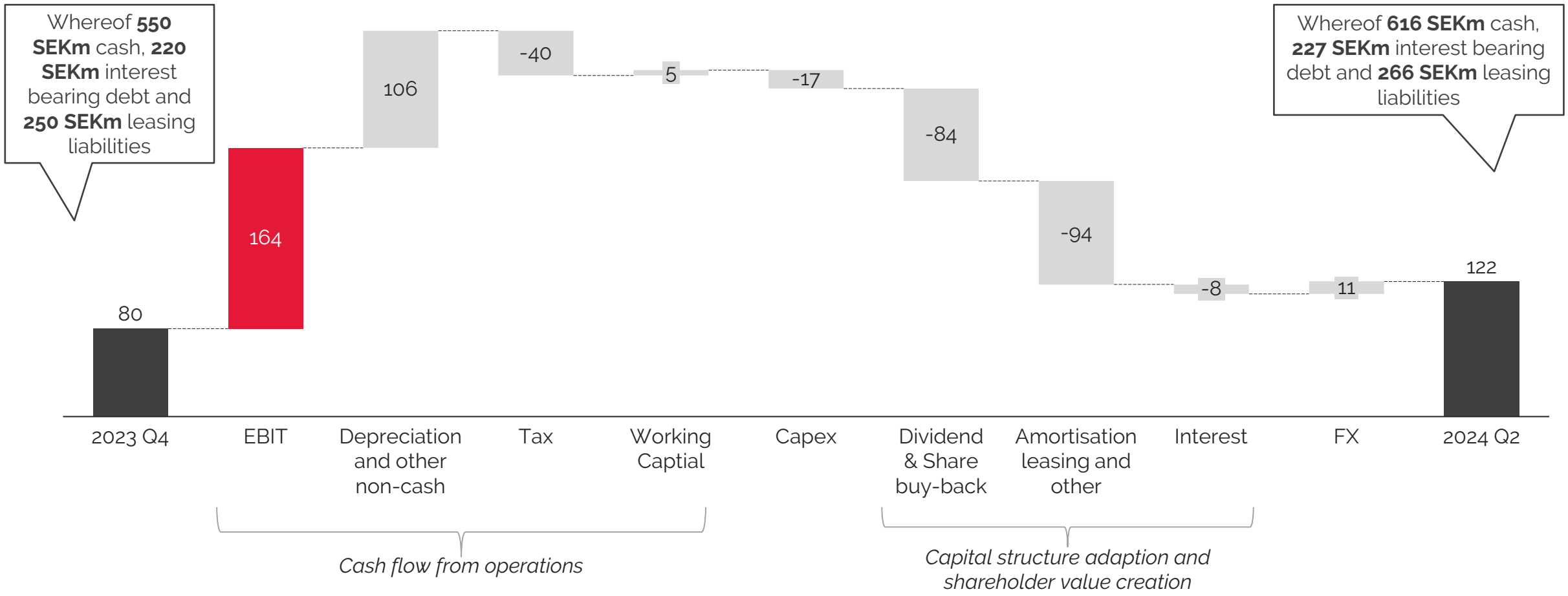
EBITA development, 2023 Q2 – 2024 Q2



Note: Other incl. currency adjustments

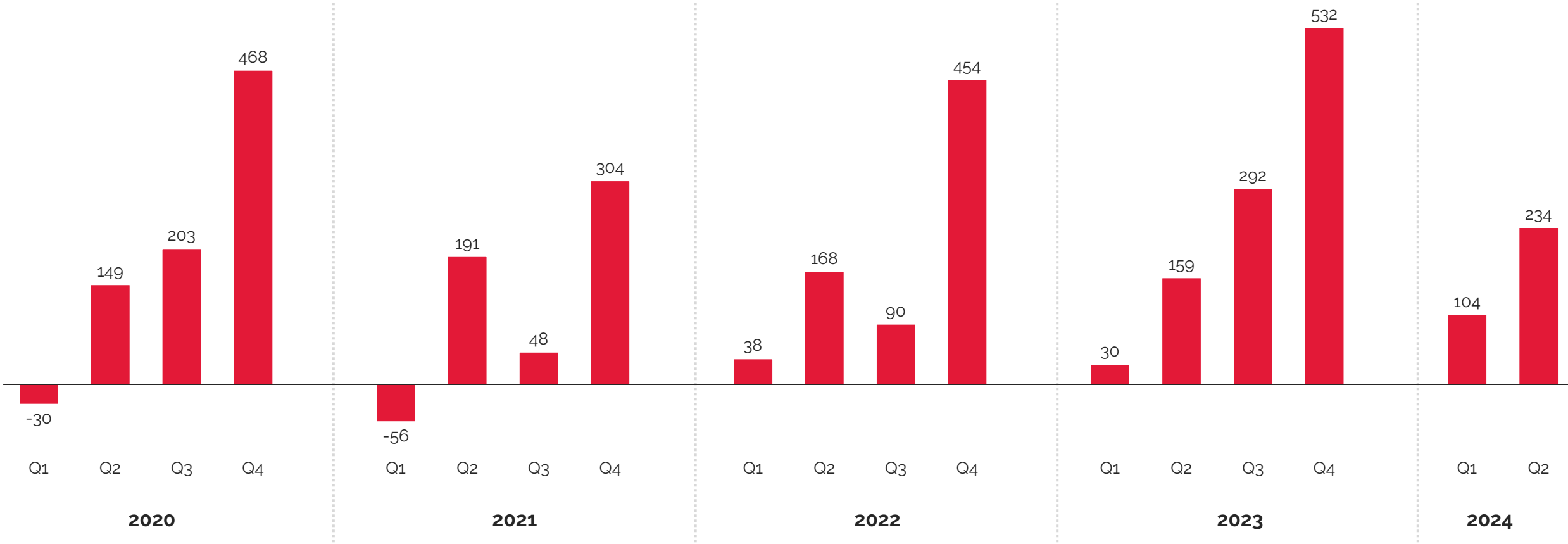
Net cash increased after dividend and share buy-back following a strong development, from 80 SEKm last December to 122 SEKm end of Q2 2024

Net debt development, Q2 2024 vs Q4 2023 (SEKm)



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

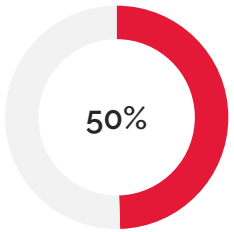
Cash generation, accumulated per year, 2020-2024 Q2 (SEKm)



Continued strong EBITA margin in Nordic & Baltic

Business Unit deep-dive: Nordic & Baltics

Nordic & Baltics

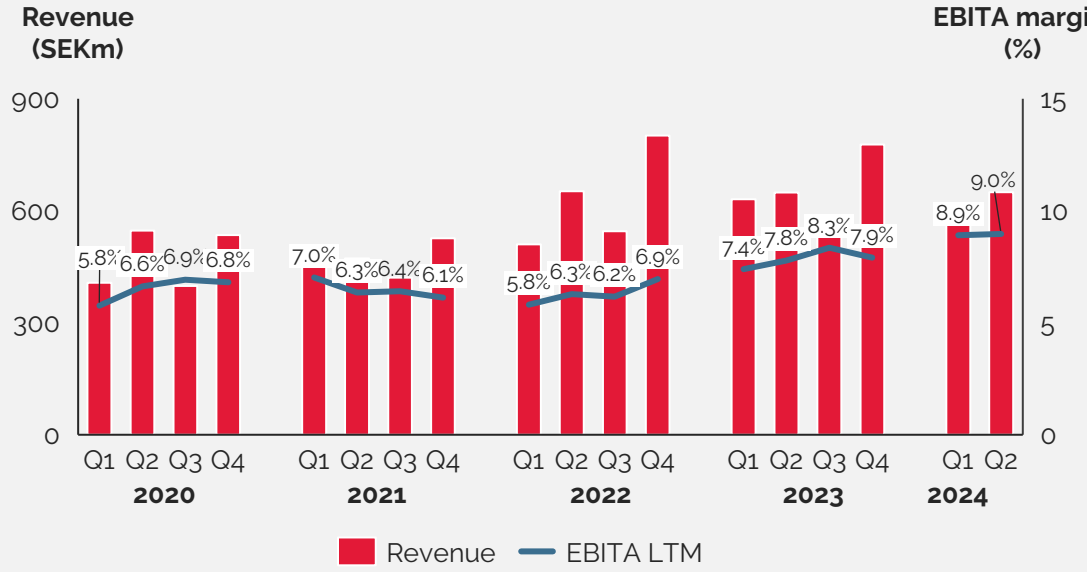


Share of total revenue[1]

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

Financial development

SEKm	Q2 2024	Q2 2023	Change (%)
Revenue	649	649	~0%
EBITA	58	56	2.7%
EBITA margin (%)	8.9%	8.7%	0.2 p.p.



Comments

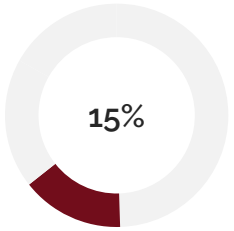
- Total revenue unchanged, up +0.3% organically
- Revenue from system business declined -3.5% and -3.6% on an organic basis, mainly from strong comparatives
- Service business revenue grew +8.7% and +9.5% organically, with good growth in support- and managed cloud services
- EBITA-margin increased somewhat to 8.9%

1. % of revenue 2023

Strengthened EBITA-margin in UK

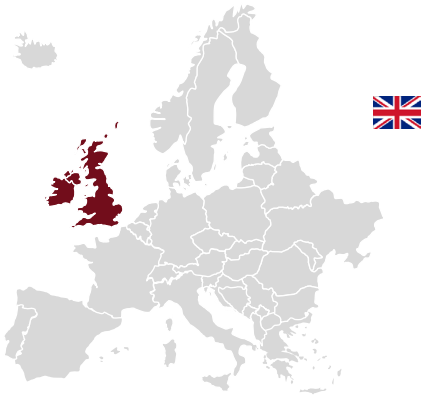
Business Unit deep-dive: UK

UK



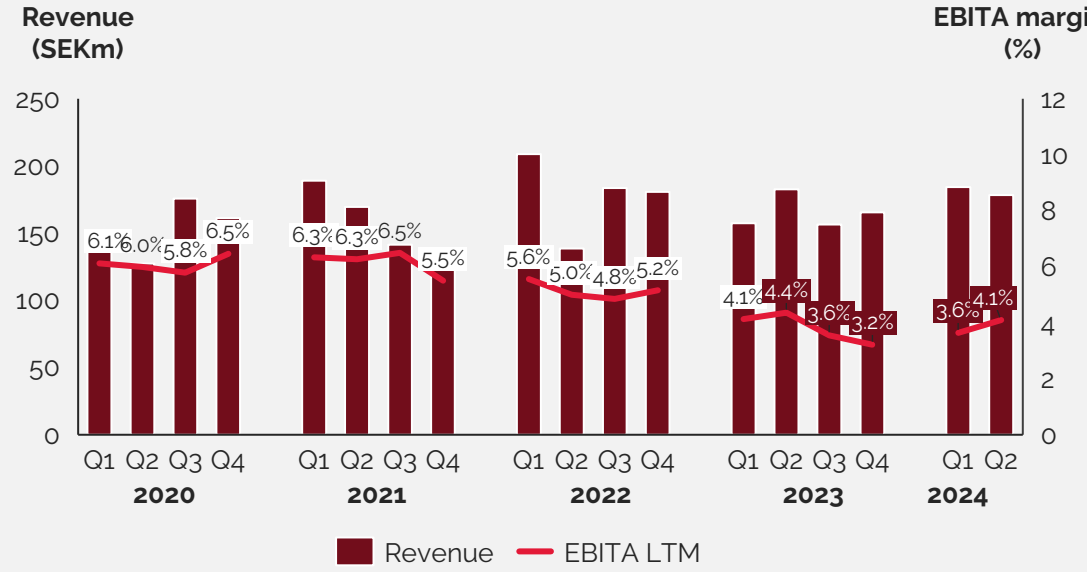
Share of total revenue[1]

- United Kingdom
- ~250 employees



Financial development

SEKm	Q2 2024	Q2 2023	Change (%)
Revenue	178	183	-2.3%
EBITA	12	9	36.5%
EBITA margin (%)	6.9%	4.9%	2.0 p.p.



Comments

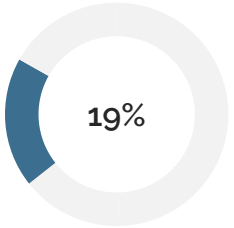
- Total revenue decreased -2.3% and -4.7% organically
- System business decreased of -2.4% and -4.7% on an organic basis, to some extent due to longer sales cycles
- Service business decreased of -2.3% and -4.6% organically
- Both EBITA and EBITA margin increased due to higher gross margins.

1. % of revenue 2023

Strengthened EBITA-margin also in West with further room for improvement

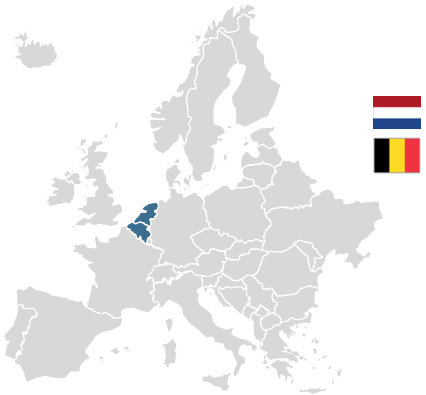
Business Unit deep-dive: West

West



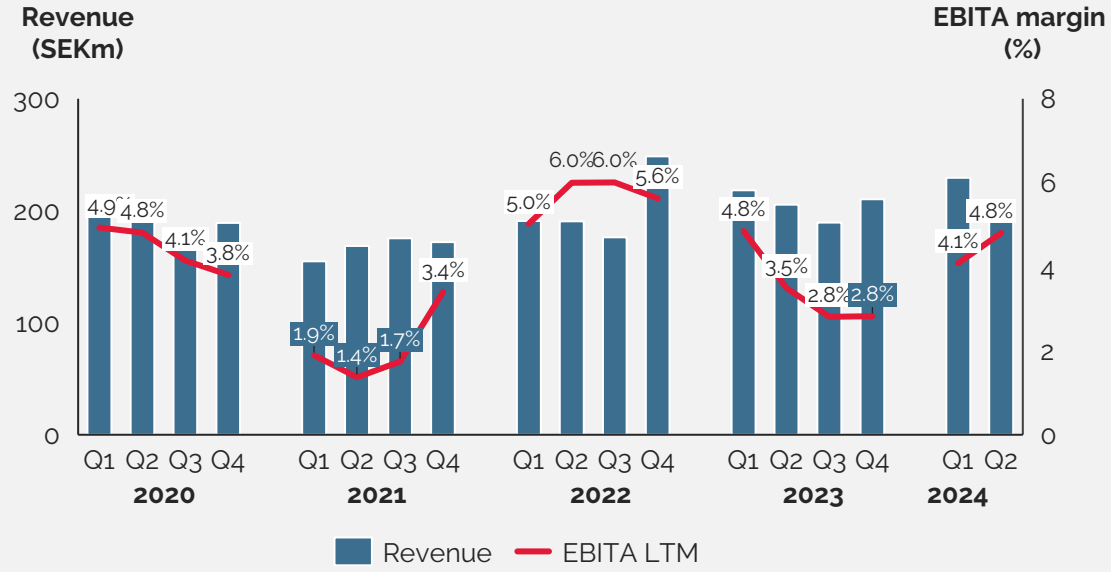
Share of total revenue[1]

- The Netherlands and Belgium
- ~300 employees



Financial development

SEKm	Q2 2024	Q2 2023	Change (%)
Revenue	205	205	-0.2%
EBITA	7	1	899.4%
EBITA margin (%)	3.4%	0.3%	3.1 p.p.



Comments

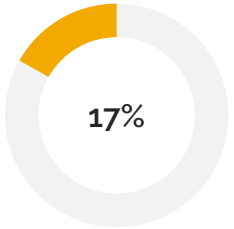
- Total revenue unchanged and down -0.7% organically
- System business decreased -14.8% and -15.1% on an organic basis
- Service business increase of +4.6% and +4.2% organically, were consulting and cloud services showing good growth.
- EBITA and EBITA margin increased as a result of higher gross margins

1. % of revenue 2023

Strong revenue growth in Central due to System business

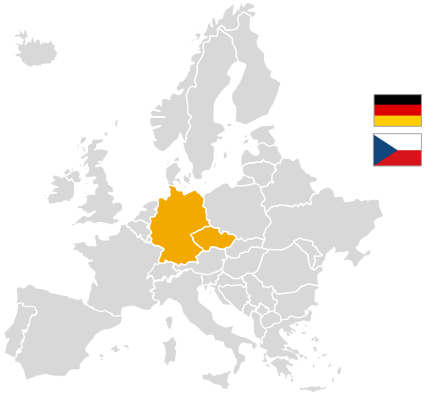
Business Unit deep-dive: Central

Central



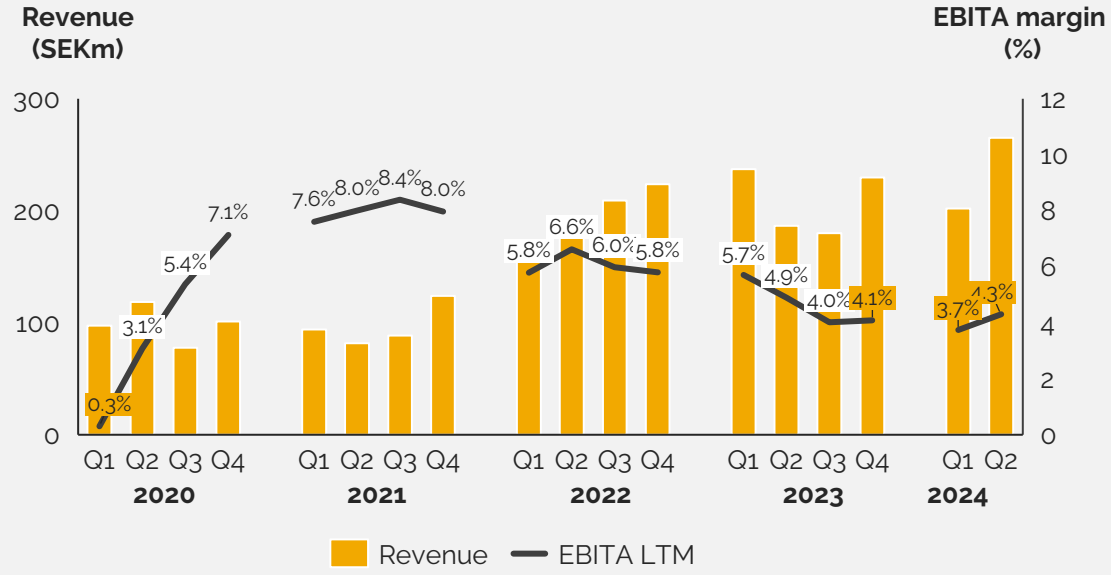
Share of total revenue[1]

- Germany and Czechia
- ~250 employees



Financial development

SEKm	Q2 2024	Q2 2023	Change (%)
Revenue	265	187	42.2%
EBITA	18	10	83.7%
EBITA margin (%)	6.6%	5.1%	1.5 p.p.



Comments

- Total revenue increased +42.2% and +42.0 organically
- System business increased +118.2% in reported numbers and organically, due to some larger deals in the current quarter and a weak comparison period.
- Service business down -2.7% and -3.1% on an organic basis
- EBITA and the EBITA margin were primarily affected positively by the increased revenues.

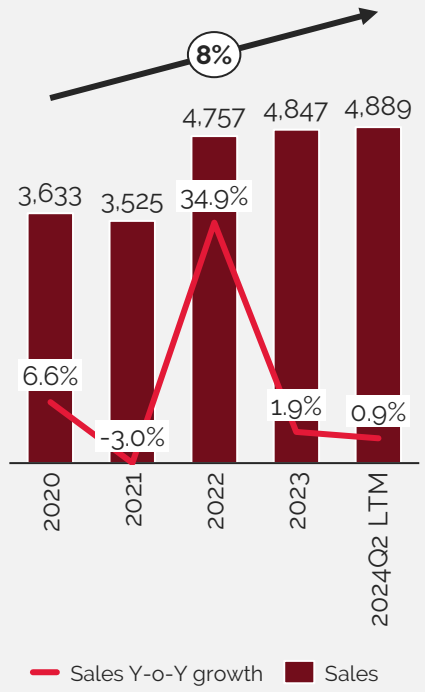
Good performance against long-term financial targets; Especially strong leverage position

Financial development and long-term financial targets

Sales

Sales growth per annum

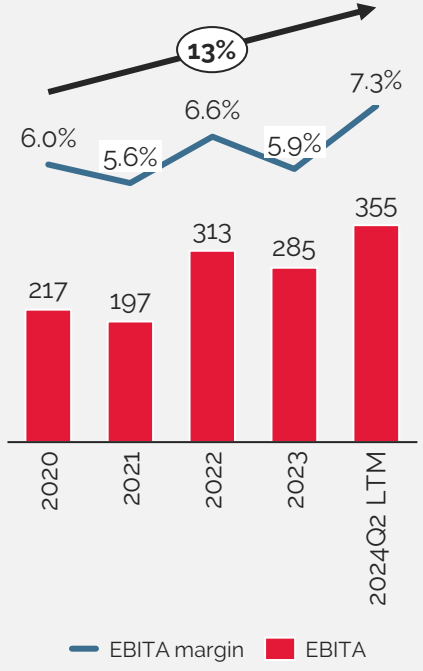
10%



EBITA

EBITA margin

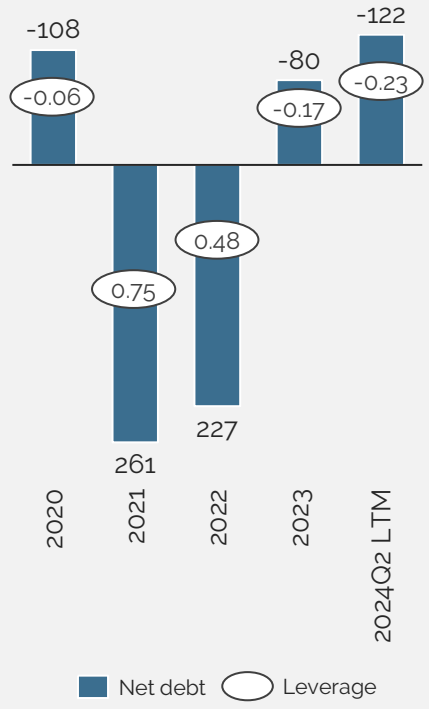
8%



Leverage

Net debt / EBITA

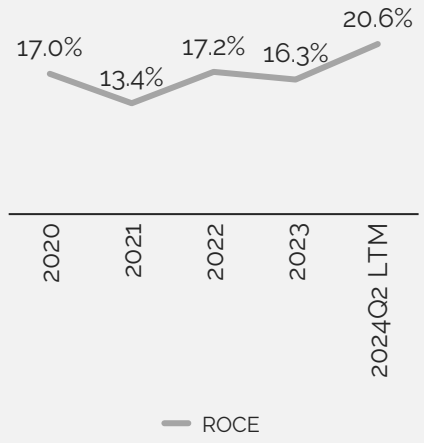
<2 x



ROCE

Return on capital employed

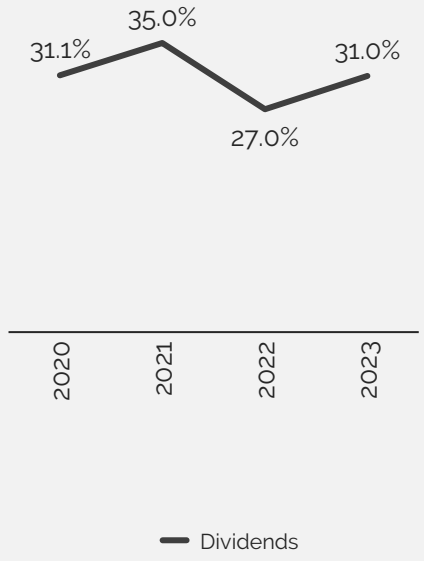
20%



Dividends

Dividends as share of profit after tax

25-35%



Summary

- Q2 revenue of 1.272 SEKm, up 5.8%
- Good EBITA development +18.8% compared to last year landing at 97 SEKm
- Solid financial position and strong cash flow
- We are positive about the market development and our ability to meet customer needs in hybrid cloud solutions, security and AI

PROACT 30 YEAR ANNIVERSARY

Thank you