Proact IT Group

Quarterly presentation

Q3 2024

25 October 2024

Agenda

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

Jonas Hasselberg
CEO and President

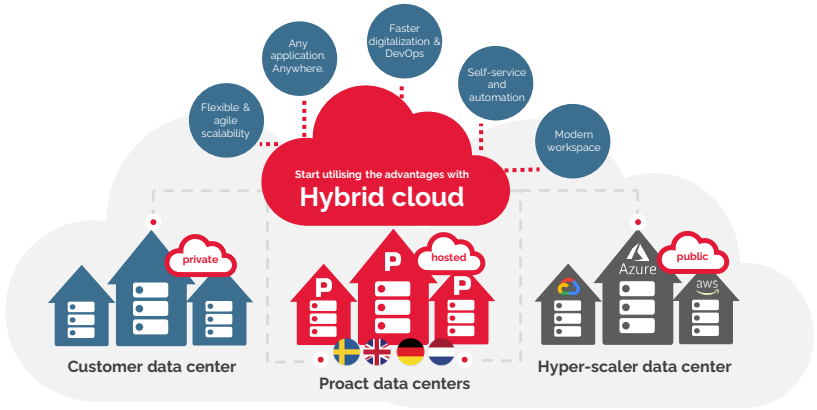
Noora Jayasekara
CFO

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

Proact introduction

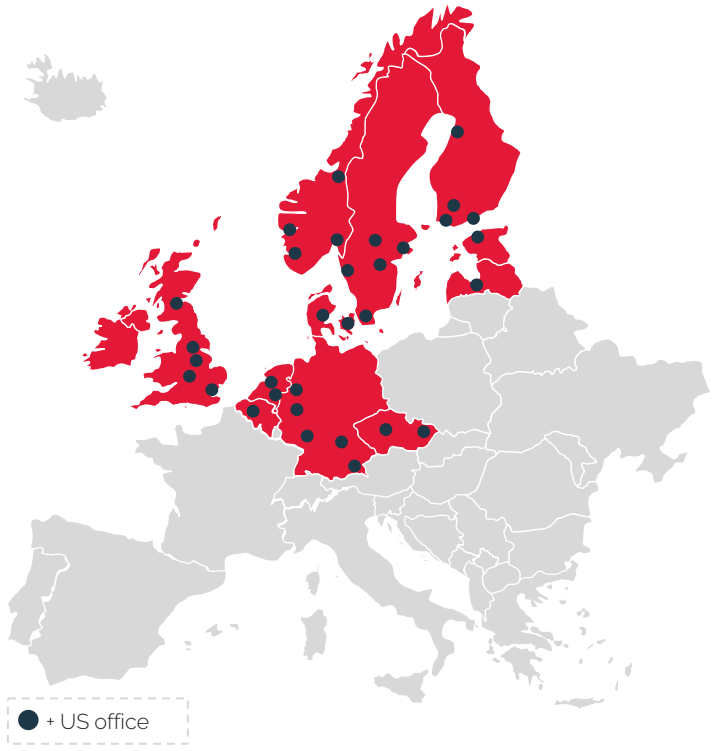
Proact in brief

- 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

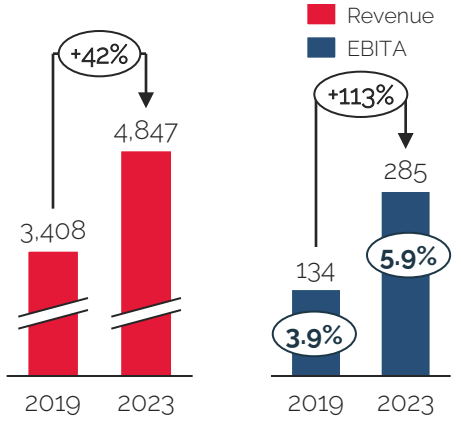


Deployment models

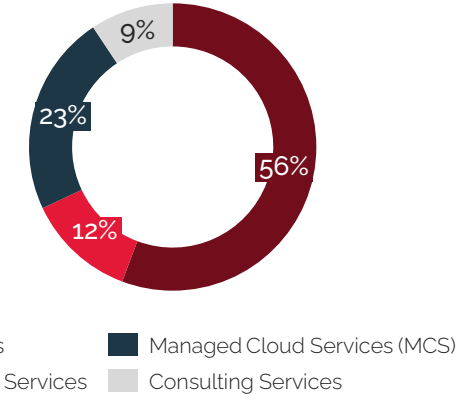
Geographical footprint



Revenue and EBITA development (SEKm)



Revenue split, 2023

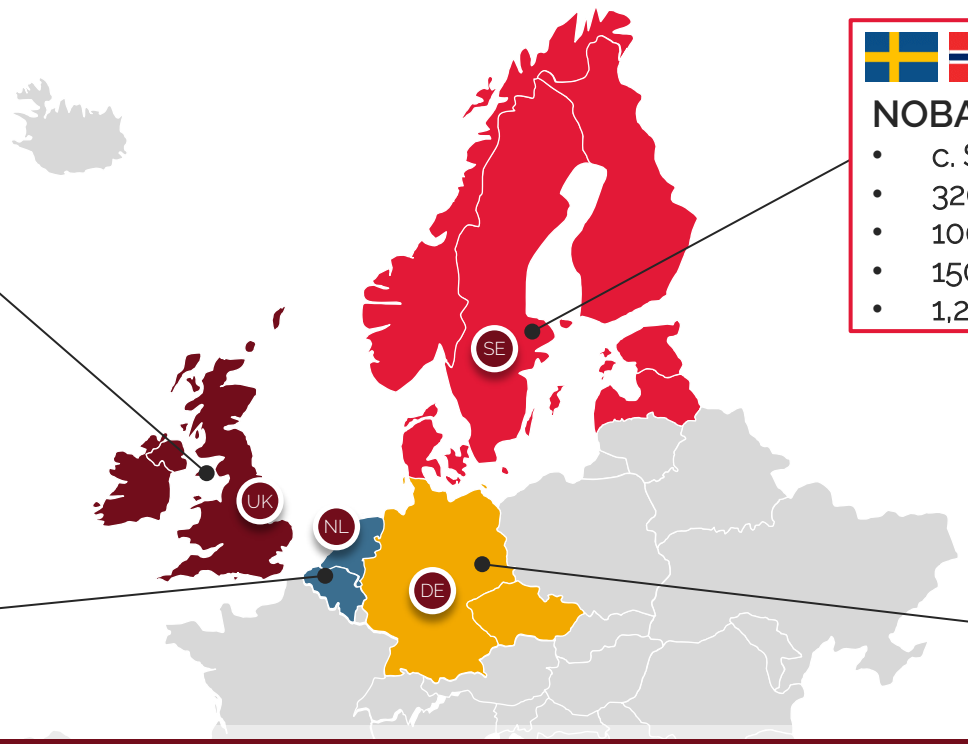


Proact is present in Northern Europe distributed across 4 Business Units; Hybrid cloud services through our 4 main delivery HUBs

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

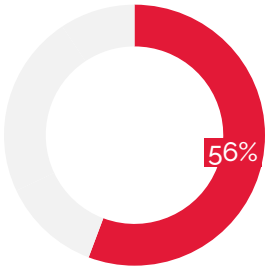
Delivery hub

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

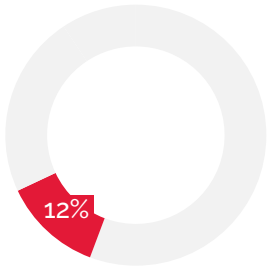
Proact offering

Revenue streams[1]



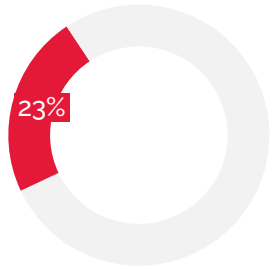
Systems

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



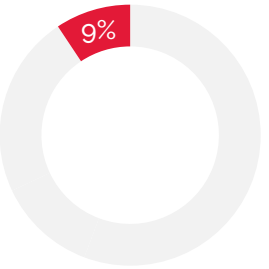
Support services

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)

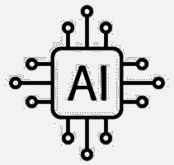
Selected expert skills (non-exhaustive)

Cybersecurity solutions

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

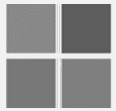
Cloud Native services

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
30
Children's Hospital
PROACT
30 YEAR AWARDS

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

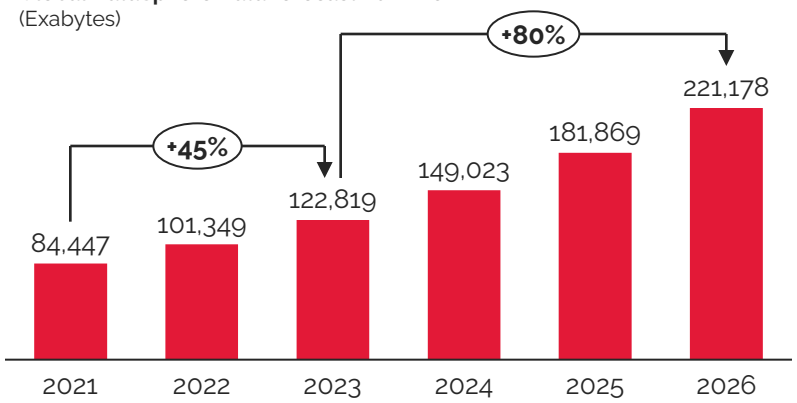
Market trends and development

Strong drivers and favourable trends

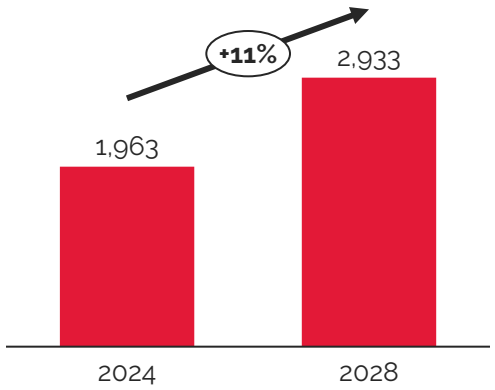
- Digital transformation, AI and ML
- Information security
- Sustainability and Regulation
- Hybrid cloud adoption
- Increased demand for Data Storage

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

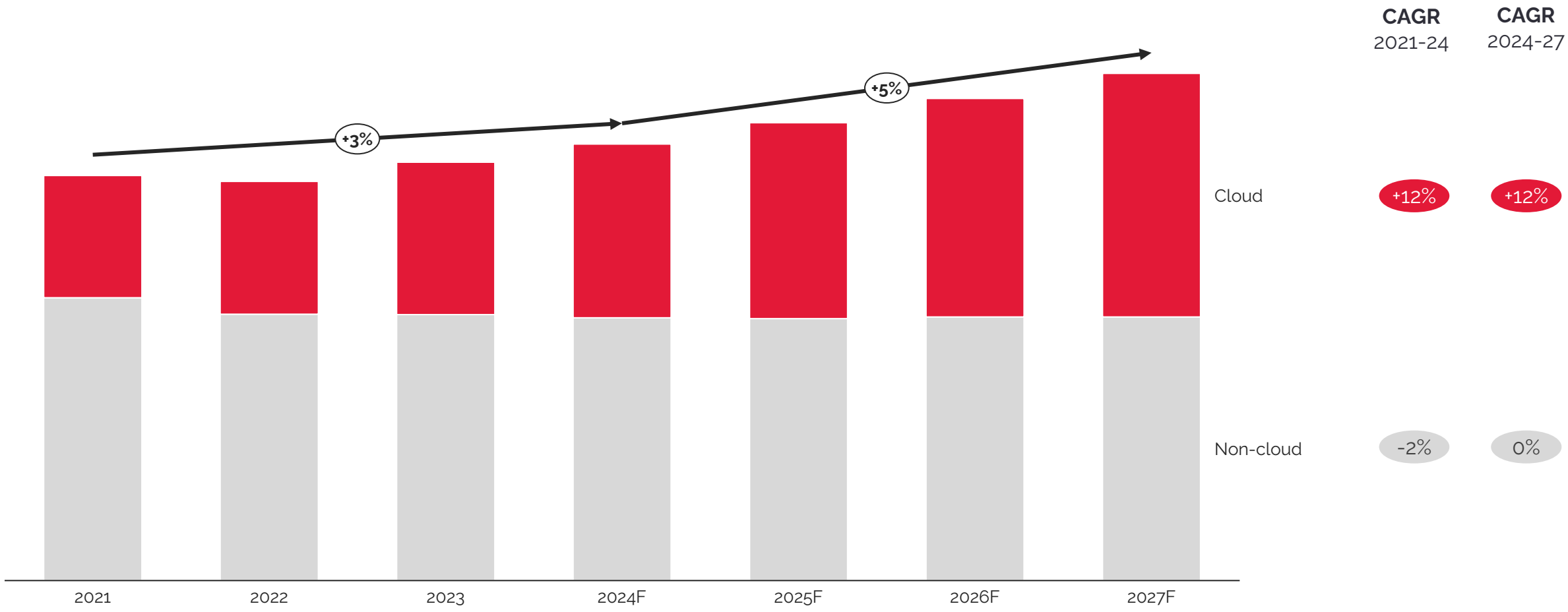
Resilient market
Limited impact by recession

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 act on an increasingly growing market, with strong growth driving from cloud adoption anticipated in the years ahead

Systems and services market size, SE, NL, UK, DE



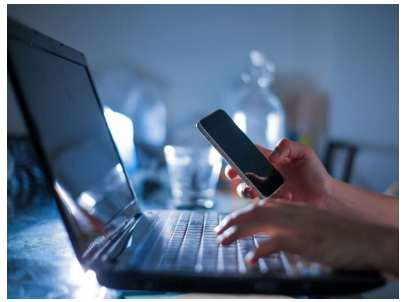
We provide mission-critical services to customers across all industry verticals

Selected Proact customer's mission-critical use cases

Digital Patient Records

Delivery Route Optimization

SaaS

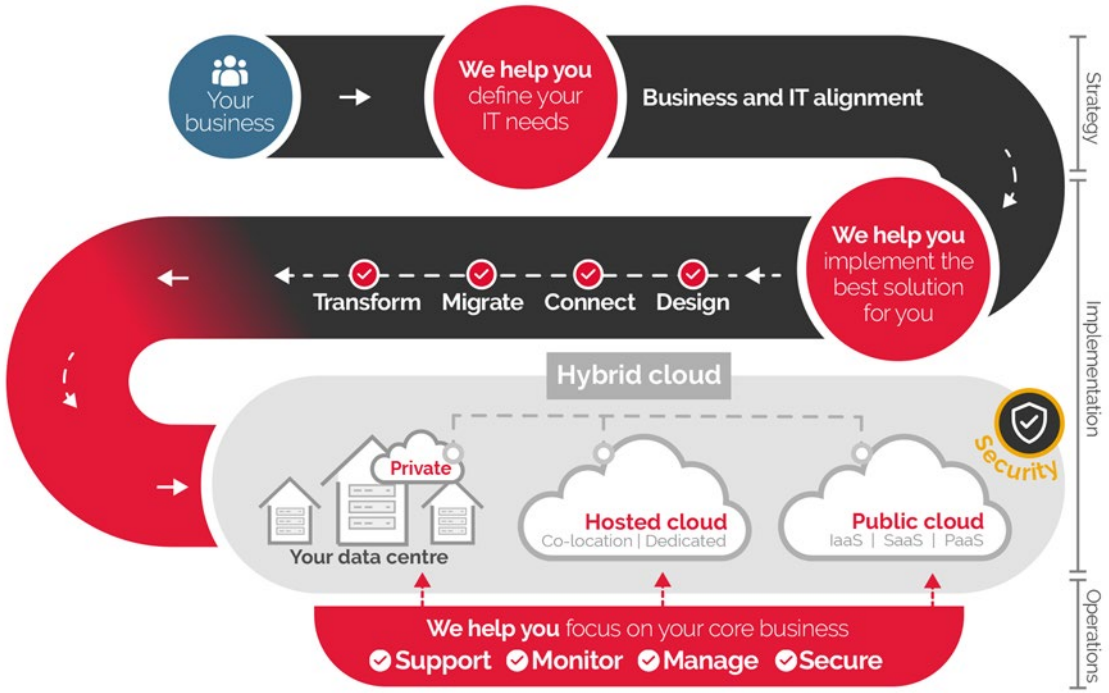


AI Automated Redaction

Rapid Application Development

Cyber protection and Disaster Recovery

Guiding customer's on their journey to cloud



2024 Q3 Highlights

Quarterly highlights

- Strong organic growth, increased profitability and a stable cash flow in Q3
- Positive cash generation and strong balance sheet after new share buy-back program initialized in Q3
- Macro economics continue to be challenging but continued demand for digitalization, cyber protection and AI
- System business continue to develop positively
- Services business experience negative growth due to lower consulting revenue and extended sales cycles of cloud services
- New standardized customer offerings in Q3 includes AI-enabled Platform-as-a-Service, Sovereign Cloud, Proact Cleanroom
- Proact celebrated 30-years anniversary which has affected primarily administration cost with ca -9 SEKm

Revenue **1,133 SEKm** **(+6.3%)**	Annualized recurring revenue **1,704 SEKm** **(-2.4%)**
System sales **616 SEKm** **(+17.6%)**	Service sales **515 SEKm** **(-4.7%)**
Adj. EBITA **79.3 SEKm** **(+8.9%)**	EBITA margin **7.0%** **(+0.2 p.p.)**
Cash flow from operations **83 SEKm** **(132m)**	Intake of new Cloud service contracts **102 SEKm** **(119m)**

New cloud services to address evolving needs of our customers

AI Enabled Platform-as-a-Service

Enable flexible access to high-performing AI compute platform

- AI enabled high-availability cloud service
- Nvidia based hardware and software components for Gen AI workloads
- Tried-and-true architecture and operations
- Local deployment in core European markets
- Security hardened design and operations

Sovereign Cloud Platform-as-a-Service

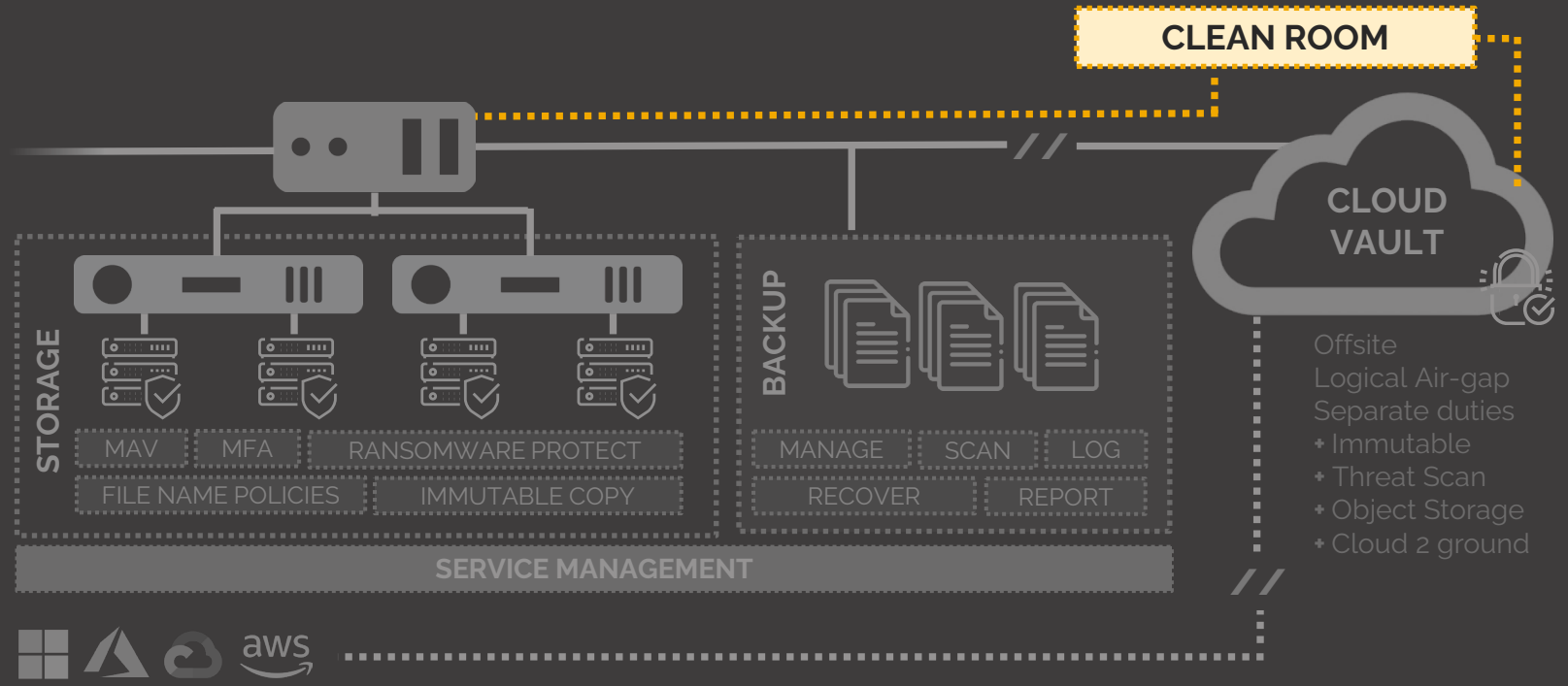
Enable legal and jurisdictional compliance & protection of sensitive applications and data

- Cloud consumption model with scalability, programmability and self-service
- Available for classic and cloud-native workloads
- Deployments and operations in local jurisdiction and geographies
- High availability and data protection
- Security hardened design and operations

Cleanroom | Validate and test before recovery

PROACT

Cleanroom recovery uses a malware-free cloud environment to ensure clean recovery. This identifies and remediates threats before restoring data, so you can get back up and running securely.

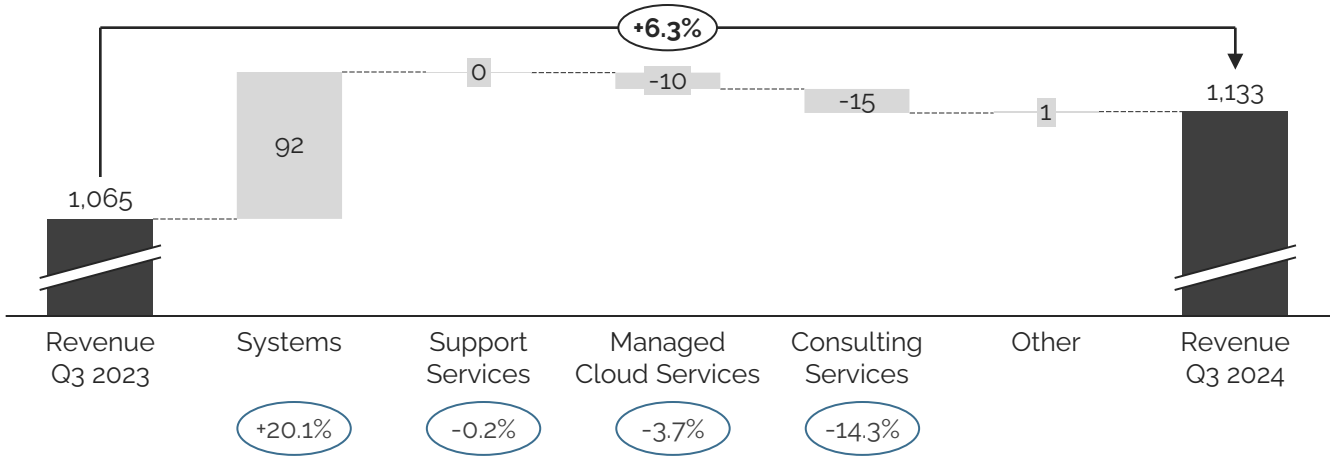


Q3 revenue of 1.133 SEKm, +6.3% primarily driven by Central

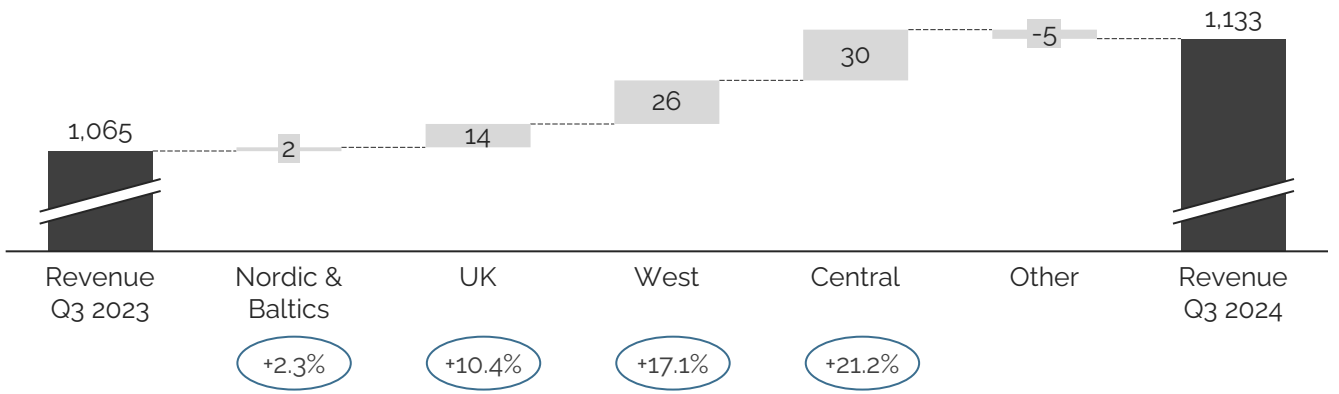
Revenue development, 2023 Q3 – 2024 Q3

- Total revenue increased +6.3% whereof +8.8% organically
- System sales increased with +92 SEKm (organically +20.1%), primarily due to continued good demands for systems solutions
- Revenue from Service business decreased with -26 SEKm (organically -2.3%)
- Significant growth in revenue in Business Units West & Central

Revenue by revenue stream (SEKm)



Revenue by Busines unit (SEKm)

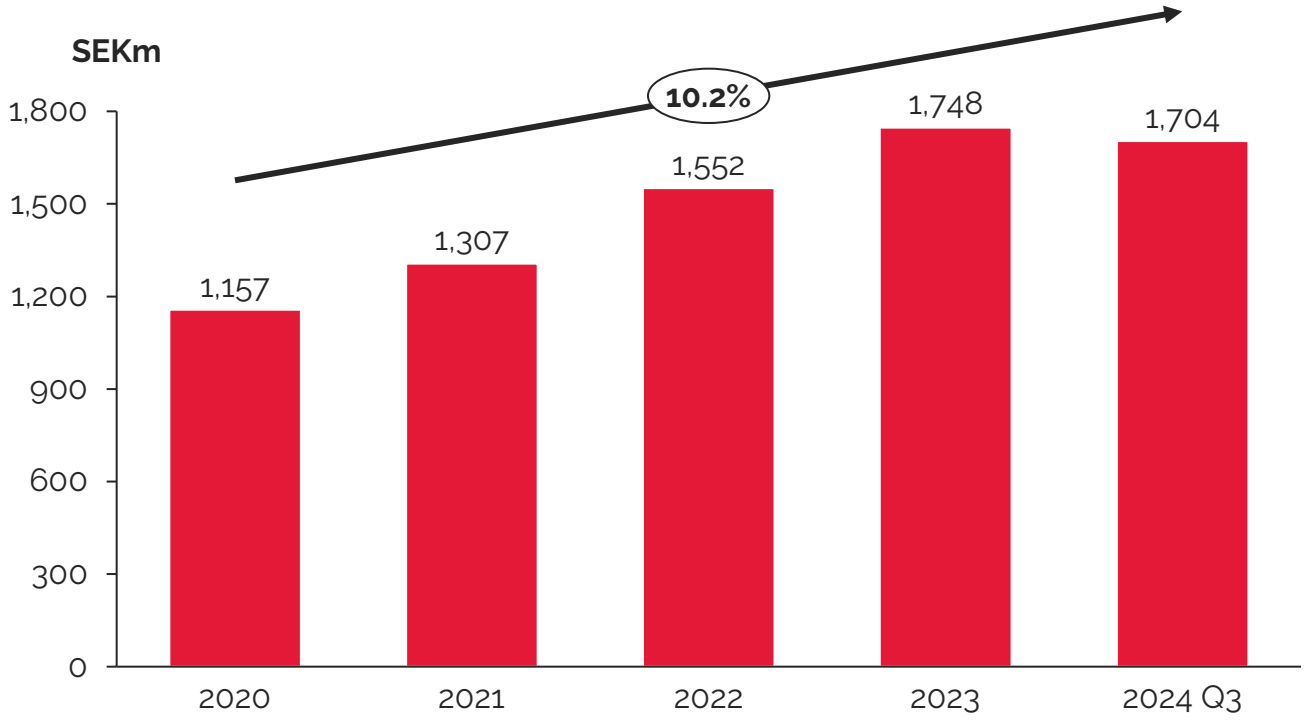


Revenue development per revenue stream / Business Unit

Note: Other incl. currency adjustments

Growing share of recurring revenues at a 10.2% CAGR from 2020-2024 Q3, currently making up 38% of total revenue

Annualized recurring revenue development, 2019-2024 Q3

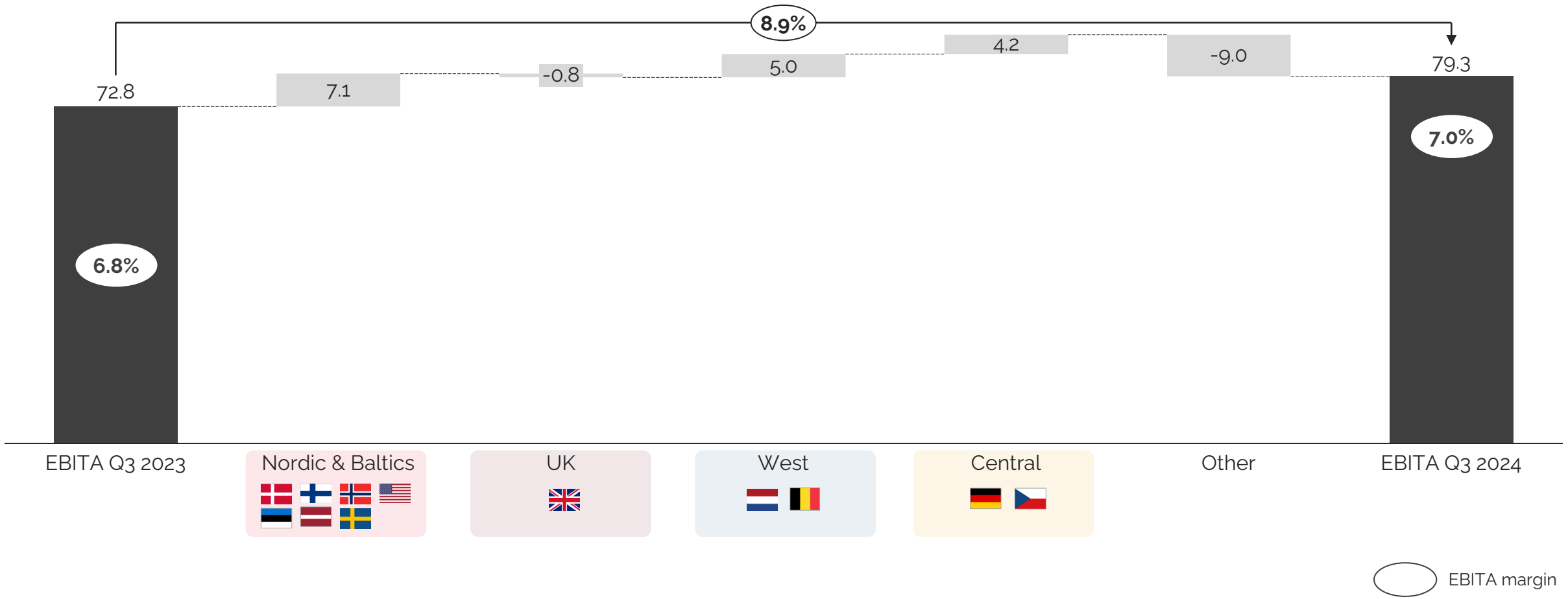


	2020	2021	2022	2023	2024 Q3
ARR as % of total	32%	37%	33%	36%	38%

- ARR declined -2.4% in reported numbers, but unchanged organically, compared to 2023 Q3
- New cloud service contracts amounted to 102 SEKm in the quarter (119m)

Decent EBITA development +8.9% compared to last year, with NOBA and West being the largest contributors

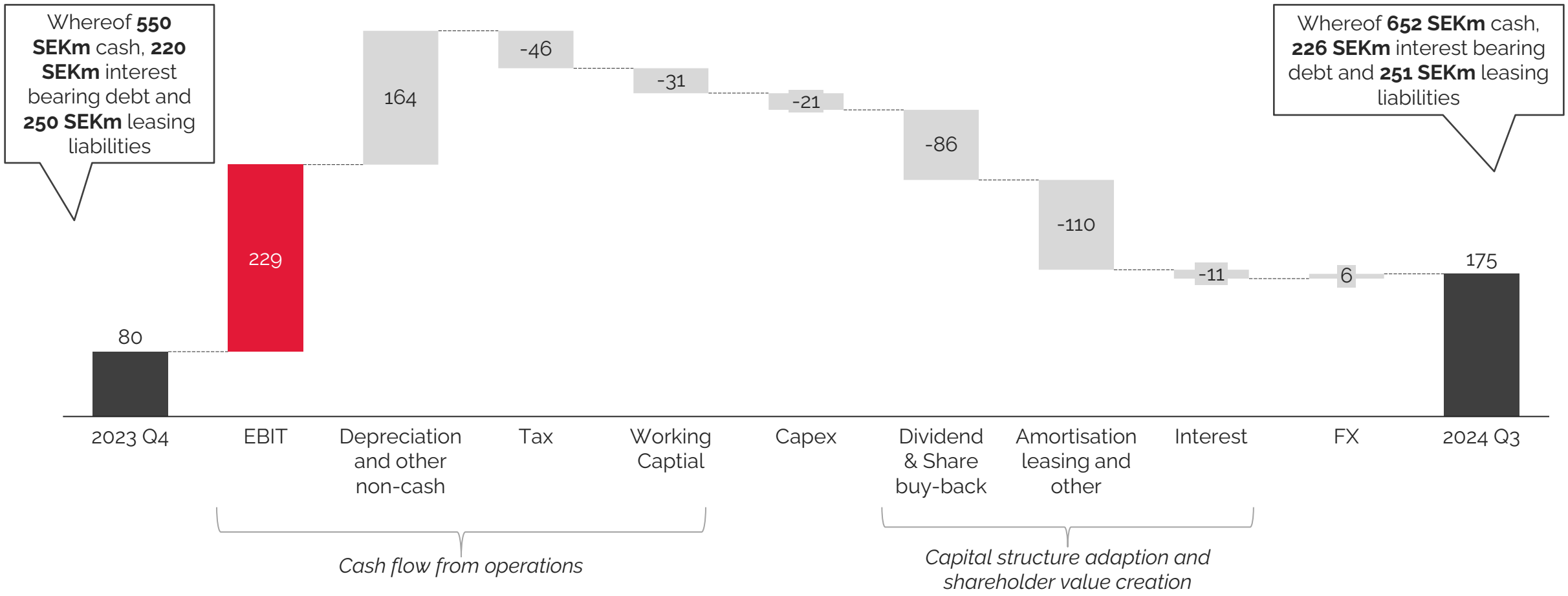
EBITA development, 2023 Q3 – 2024 Q3



Note: Other incl. currency adjustments

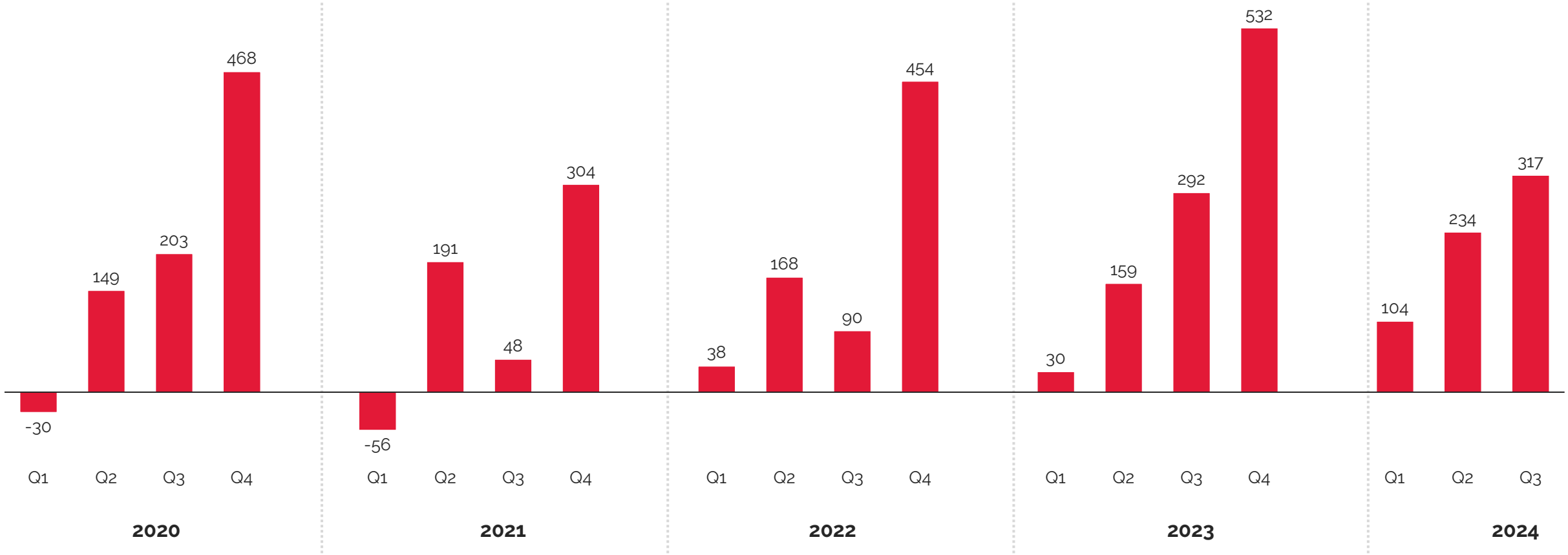
Net cash increased to 175 SEKm end of Q3 2024 from 80 SEKm last December after dividend and share buy-back

Net cash development Q4 2023 vs Q3 2024 (SEKm)



Positive cash flow generation from operations increased compared to previous year

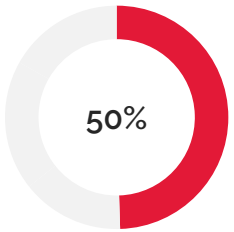
Cash generation, accumulated per year, 2020-2024 Q3 (SEKm)



Continued strong EBITA margin in Nordic & Baltic

Business Unit deep-dive: Nordic & Baltics

Nordic & Baltics

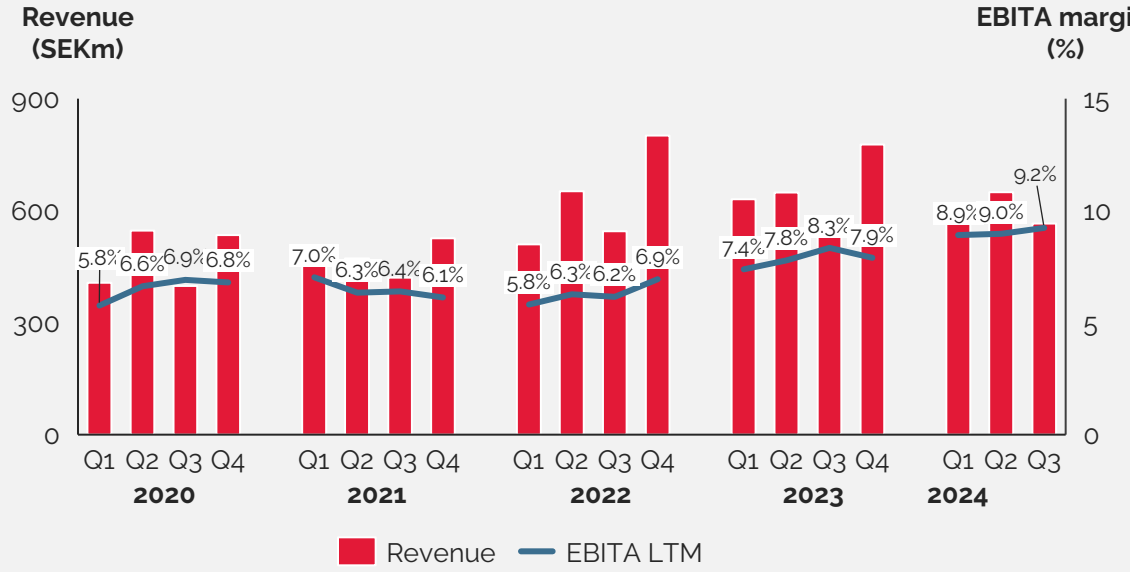


Share of total revenue[1]

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

Financial development

SEKm	Q3 2024	Q3 2023	Change (%)
Revenue	566	563	+0.4%
EBITA	64	57	+12.4%
EBITA margin (%)	11.3%	10.1%	+1.2 p.p.



Comments

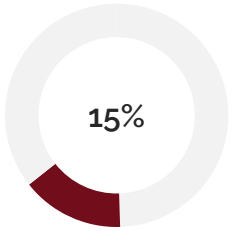
- Total revenue up +0.4% and +2.3% organically
- Revenue from system business declined -1.2% but increased +0.5% on an organic basis
- Service business revenue grew +3.5% and +6.0% organically, with good growth in support services
- EBITA-margin increased to 11.3% driven by and increased gross margin

1. % of revenue 2023

Strong system sales in UK compensate for decline in Customer Support

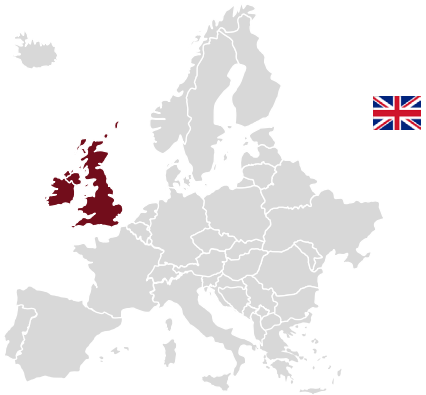
Business Unit deep-dive: UK

UK



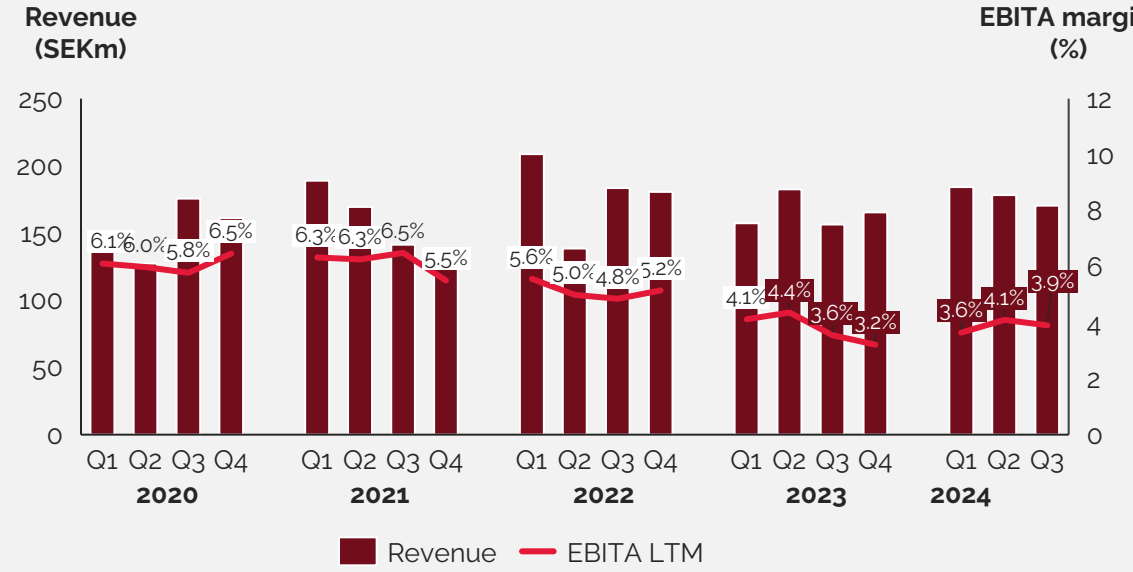
Share of total revenue[1]

- United Kingdom
- ~250 employees



Financial development

SEKm	Q3 2024	Q3 2023	Change (%)
Revenue	170	156	8.9%
EBITA	3	3	-23.3%
EBITA margin (%)	1.6%	2.2%	-0.6 p.p.



Comments

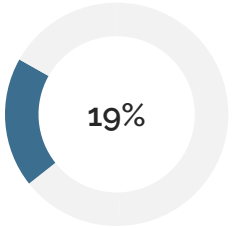
- Total revenue increased +8.9% and +10.4% organically
- System business increased +39.3% and +41.3% on an organic basis, driven by lower support revenue partially countered by cloud and consultancy services
- Service business decreased of -8.1% and -6.9% organically
- Both EBITA and EBITA margin decreased due to lower gross margin

1. % of revenue 2023

Strengthened EBITA-margin in West with further room for improvement

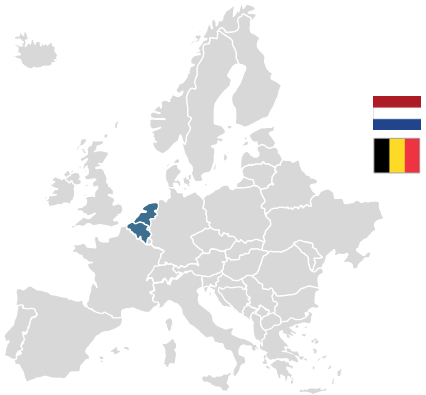
Business Unit deep-dive: West

West



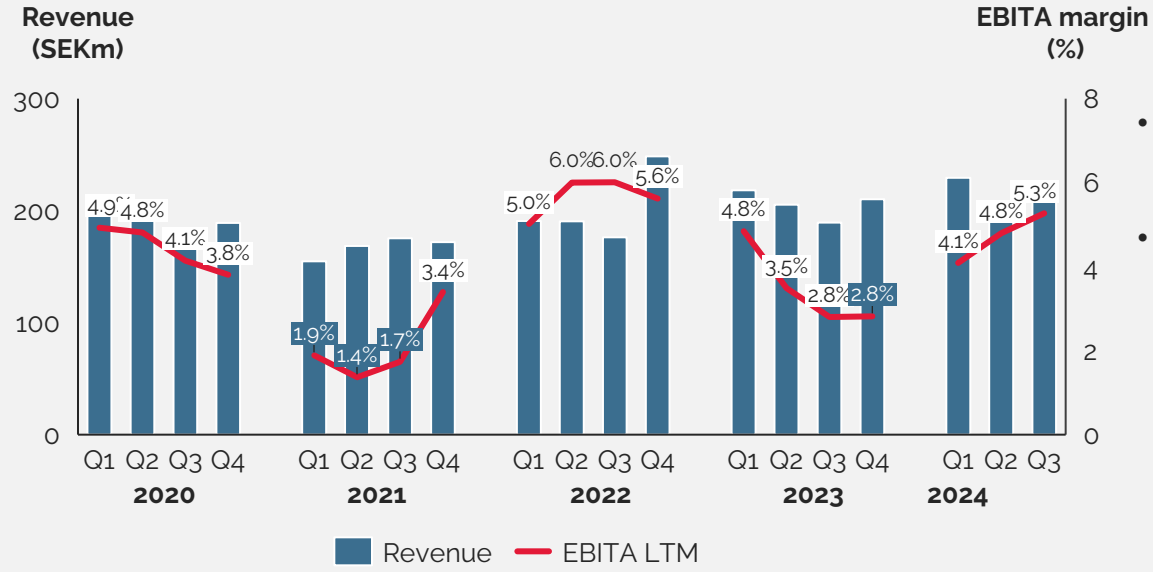
Share of total revenue[1]

- The Netherlands and Belgium
- ~300 employees



Financial development

SEKm	Q3 2024	Q3 2023	Change (%)
Revenue	216	189	13.8%
EBITA	9	4	114.4%
EBITA margin (%)	4.4%	2.3%	2.1 p.p.



Comments

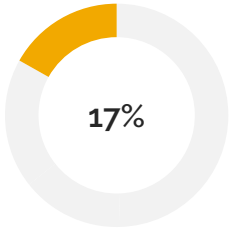
- Total revenue increased +13.8% and +17.1% organically
- System business increased +98.4% and +103.4% on an organic basis due to a weak comparable period
- Service business decreased -4.4% and -1.5% organically
- EBITA and EBITA margin increased driven by lower expenditure

1. % of revenue 2023

Strong revenue growth in Central due to System business

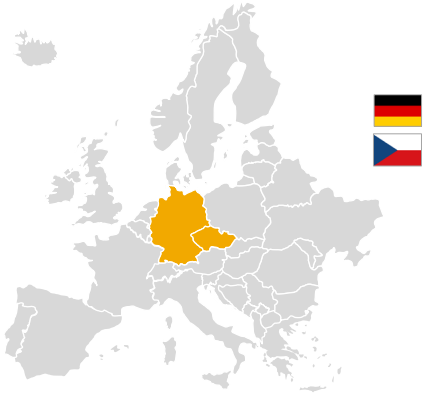
Business Unit deep-dive: Central

Central



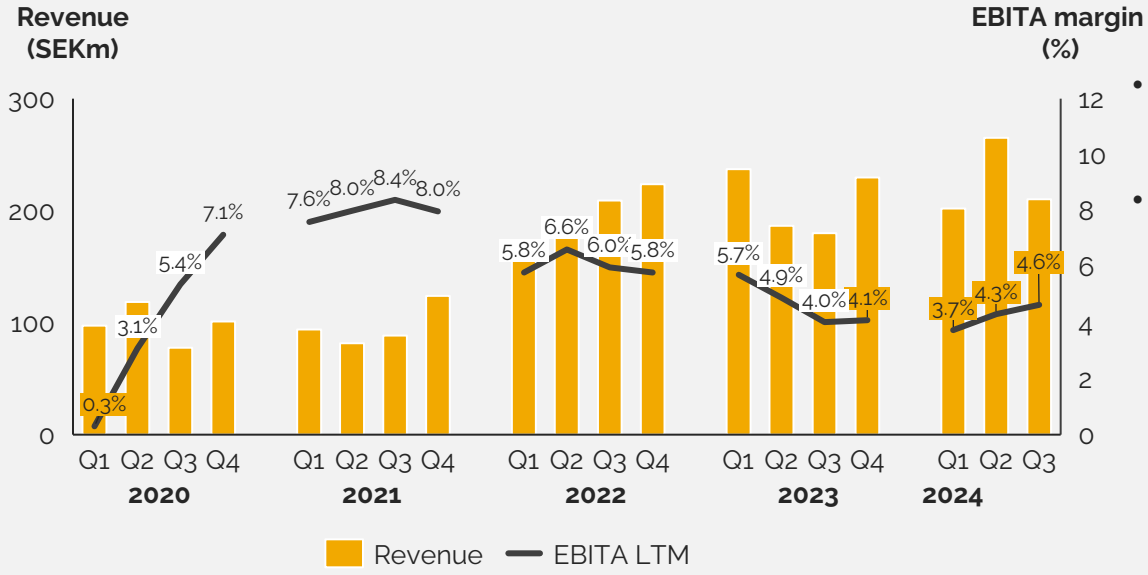
Share of total revenue[1]

- Germany and Czechia
- ~250 employees



Financial development

SEKm	Q3 2024	Q3 2023	Change (%)
Revenue	210	180	16.9%
EBITA	6	1	277.5%
EBITA margin (%)	2.7%	0.8%	1.9 p.p.



Comments

- Total revenue increased +16.9% and +21.2 organically
- System business increased +68.6% and +75.7% organically, due to some larger deals in the quarter and a weak comparison period
- Service business down -10.8% and -8.1% on an organic basis
- EBITA and the EBITA margin were primarily affected positively by the increased revenues

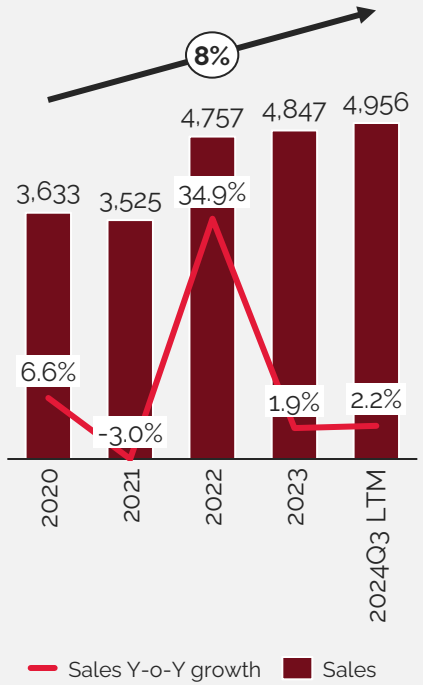
Good progress against long-term financial targets + strong leverage position

Financial development and long-term financial targets

Sales

Sales growth per annum

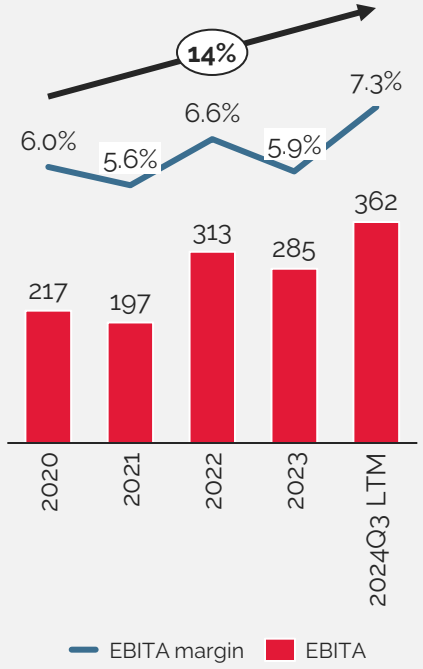
10%



EBITA

EBITA margin

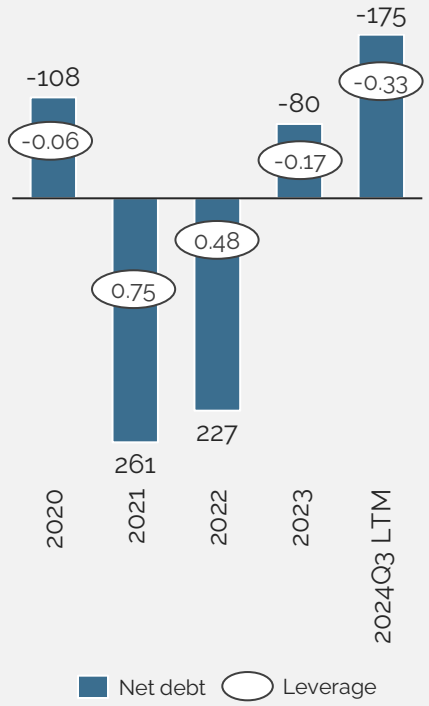
8%



Leverage

Net debt / EBITA

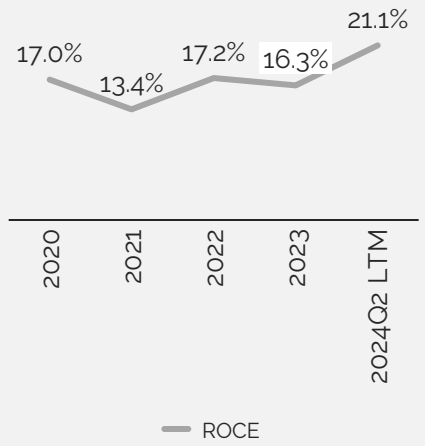
<2 x



ROCE

Return on capital employed

20%



Dividends

Dividends as share of profit after tax

25-35%

Summary

- Q3 revenue of 1.133 SEKm, up 6.5%
- Good EBITA development +8.9% compared to last year landing at 79 SEKm
- Solid financial position and strong cash flow
- We are positive about the market development and our ability to meet increasing customer needs in hybrid cloud solutions, security and AI

PROACT 30 YEAR ANNIVERSARY

Thank you