

SpareBank MARKETS



IT SERVICES

19 February, 2021

ITE (Neutral tp NOK13): Attractive earnings growth profile offset by 21e P/E of ~20.5x for now

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MARKETS 

Attractive earnings growth profile offset by 21e P/E of ~20.5x for now

We reiterate our Neutral rec. and NOK13 target price based on limited 2021/2022 estimates

We reiterate our Neutral rec. despite potential for revenue growth, margin expansion and dividends, as we find this reflected in the premium multiple to peers. Indeed, while core digital services gross profit grew 14% (12.1% YTD) from among other access to the worlds 4th largest IT pool with # of employees end-of period up 13 QoQ (63 YoY), this revenue stream make up ~80% of revenues. Data center transformation (~20% of revenues) continue to weight on EBIT margins (2.9% margin YTD vs. blended EBIT margin of 10.1%), meaning gradual margin improvement with transformation to cloud that will accelerate next 6-12 months (99% of revenues will come from core digital business as of 4Q21). Coupled with trailing 12m FCFE per share of ~NOK0.8, consistent high distribution is also sustainable (NOK0.75 this year). However, when peers with similar 2021 EBIT margins and just slightly lower 2020-2022 revenue CAGR trades at '21e P/E of 19x, we argue ITE at 20.5x reflect the abovementioned investment case for now.

Only minor estimate changes to 2021e and 2022e

Limited ESP estimate changes despite higher sales from expected datacenter transition costs

ITE NOKm	Historical figures			New Estimates			Old Estimates			Delta (%)		
	2017	2018	2019	2020	2021	2022	2020	2021	2022	2020	2021	2022
Revenues	475	531	560	619	668	725	619	650	710	0%	3%	2%
Expenses	-415	-467	-468	-514	-550	-590	-514	-535	-582	0%	3%	1%
EBITDA	60	64	92	105	117	136	105	115	128	0%	2%	6%
EBITDA-margin	12.6%	12.0%	16.4%	17.0%	17.5%	18.7%	17.0%	17.7%	18.0%			
DA&I	-20	-21	-36	-46	-49	-55	-46	-45	-50	0%	8%	11%
EBIT	39	43	56	59	68	80	59	69	78	0%	-2%	3%
EBIT-margin	8.3%	8.1%	10.0%	9.5%	10.2%	11.1%	9.5%	10.7%	11.0%			
Pre-tax profit	38	41	54	58	68	80	58	69	78	0%	-2%	3%
Tax & Minorities	-9	-10	-12	-14	-15	-18	-14	-15	-17	0%	-1%	4%
Net income	30	31	42	44	53	63	44	54	61	0%	-3%	2%
EPS	0.4	0.4	0.5	0.5	0.6	0.8	0.5	0.7	0.8	0%	-3%	2%
Revenue break-down	302	335	373	420	460	506	420	449	499	0%	2%	2%
Services revenues own consultants	129	135	143	155	162	171	155	162	170	0%	1%	1%
Subscriptions	22	39	29	26	26	29	26	23	25	0%	14%	14%
3-party services revenue	21	22	15	18	18	19	18	16	17	0%	16%	16%
KPI's												
CFO	50	57	80	102	108	125	102	105	118	0%	3%	6%
Capex	-19	-21	-19	-17	-27	-22	-17	-23	-25	0%	16%	-11%
NIBD	-53	-51	-18	-29	-70	-128	-29	-103	-163	0%	-32%	-22%

Investment case

Framework – what are we looking for?

We are looking for four concrete value drivers to create shareholder values

- 1. Revenue growth**
- 2. Margin expansion**
- 3. Dividends (on top on profitable growth to be reinvested and harvest compound interests)**
- 4. Multiple expansion**

Attractive earnings growth profile offset by 21e P/E of ~20.5x

We reiterate our Neutral rec. and NOK13 target price based on limited 2021/2022 estimates

Itera is a specialist in creating digital business...

...positioned with a platform approach and a hybrid delivery model...

...which is a demonstrated and world-wide recognizable sourcing model...

...where Itera tap into the worlds #4 largest IT pool after US, India & Russia...

...positioning the company for further profitable high single-digit growth...

...that is supported by high exposure to strong growth industry verticals

1. Revenue growth

The ongoing hybrid model roll-out with an increasing nearshore ratio...

...and continued datacenter transformation will support margin expansion

2. Margin expansion

The business model set the scene for continued high cash conversion...

...and consistent high dividend distribution on top of sustainable growth

3. Dividends

Peers trades at 2021 P/E of ~19x and EV/EBIT of ~15.5x,...

...multiples in the industry is explained by EBIT margin...

...and as ITE delivers median margins with transformation/sales mix upside...

...we reiterate our Neutral rec., and NOK13 tp. on limited 2021 estimate changes

4. Multiples

Itera is a specialist in creating digital business...

+550 employees, 8 offices, strong customer portfolio and hybrid delivery model

SPECIALISTS IN CREATING DIGITAL BUSINESS



500+
PEOPLE



20
COUNTRIES



8
OFFICES

TOP 25 MOST INNOVATIVE COMPANY

- Award across all industries in Norway last 4 years

CUSTOMER EXPERIENCE PROVIDER OF THE YEAR 2018

- Award by Global Sourcing Association

HIGH SCALABILITY OF DIGITAL TALENTS

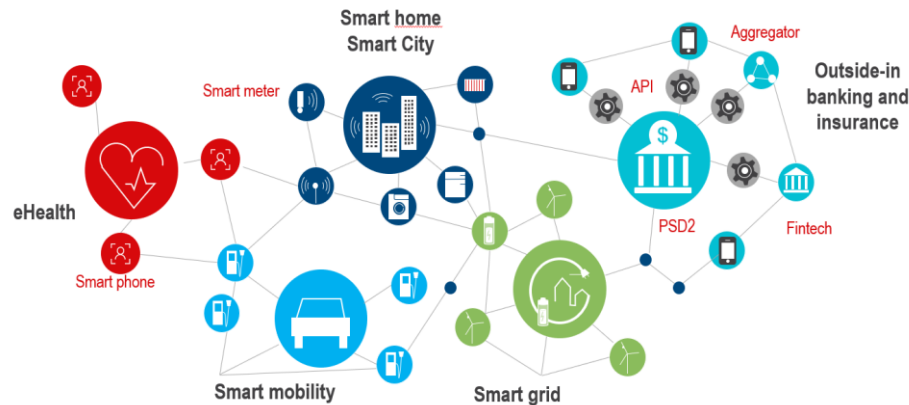
- Global #4 IT pool
- Global #2 quality



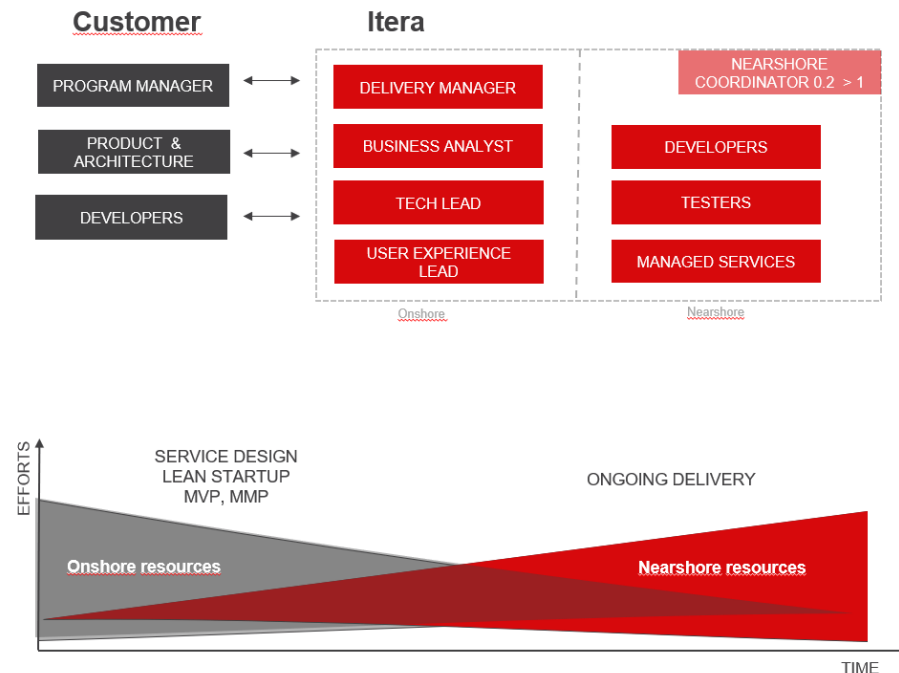
...positioned with a platform approach and a hybrid delivery model...

Itera can point to 12 years of seamless nearshoring with first nearshore office opened in 2008

The platform economy



Hybrid delivery model with specialized teams



...which is a demonstrated and world-wide recognizable sourcing model...

Itera won “the customer experience provider of the year 2018”

Minister of Trade of Norway site visit in Kiev

Itera helps to resolve the lack of digital talents in the Nordics while the talents remain in their home country

–*Torbjørn Røe Isaksen, Minister of Trade of Norway, visiting Itera office in Kiev in September*

Global sourcing association summit 2018

Itera is amongst the best sourcing providers in the world by winning The Customer Experience Provider of the Year 2018

Global Sourcing Association Summit 2018



Næringsministeren roser Iteras bruk av østeuropeisk arbeidskraft: – Bidrar til å bøte på manglende digital kompetanse i Norge

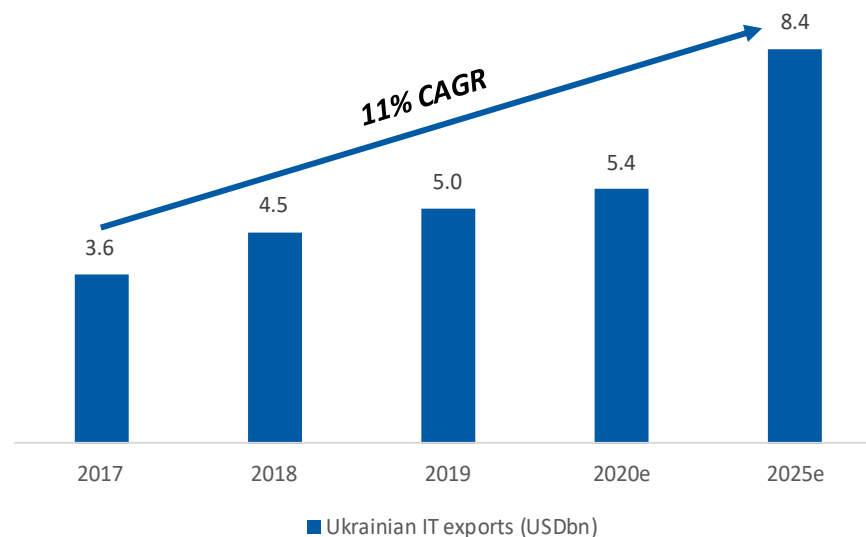
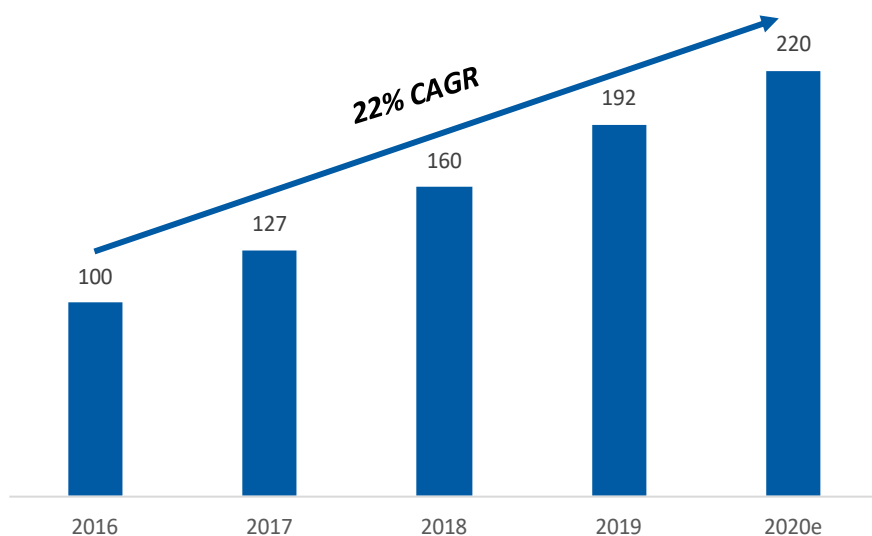


...where Itera tap into the worlds #4 largest IT pool after US, India & Russia...

In addition, Ukraine and Belarus as a region is ranked #2 globally on quality of the labor pool

Ukrainian tech talent pool growth ('000 of people)

Ukraine is largest exporter of IT services in Europe

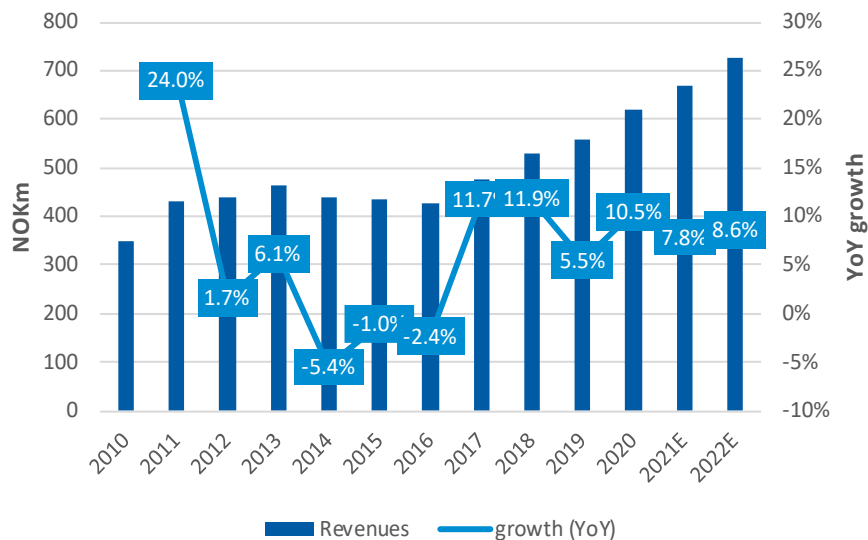


...positioning the company for further profitable high single-digit growth...

Itera has the last 3y demonstrated and is currently experiencing strong operational momentum

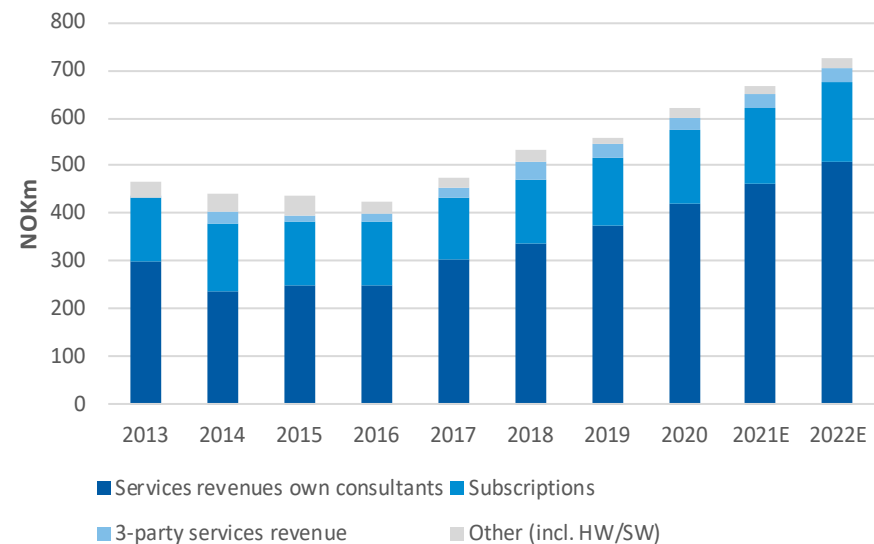
Revenues and revenue growth history

- 2014: Ukrainian revolution and closed down Lviv office.
- 2015: Sold the data center operation in Sweden in the middle of 2015.
- 2016: stopped the Swedish consultancy business.



Revenue split per segment

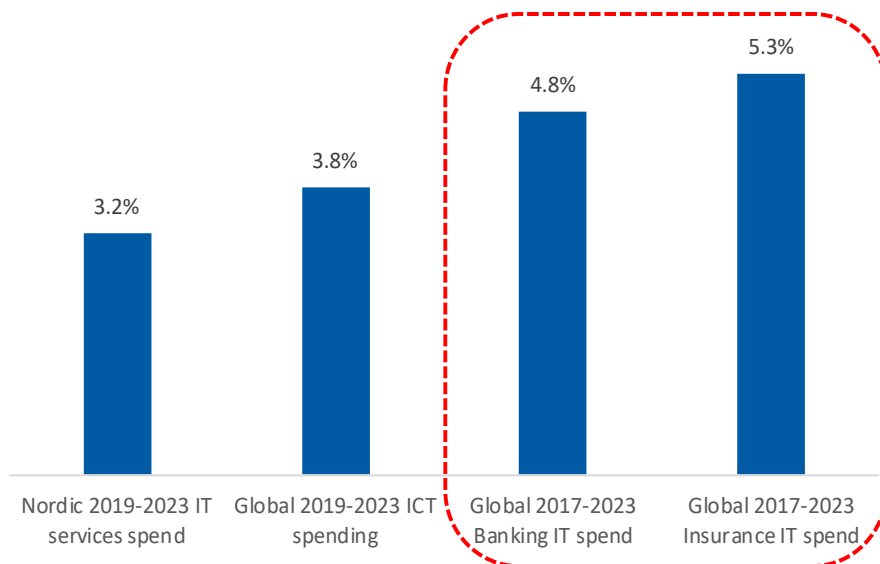
- Services revenues = classic consultancy revenues (time & material).
- Subscriptions = primarily data center operations (low margin).
- 3-party services revenue = consultancy sub-contractors.



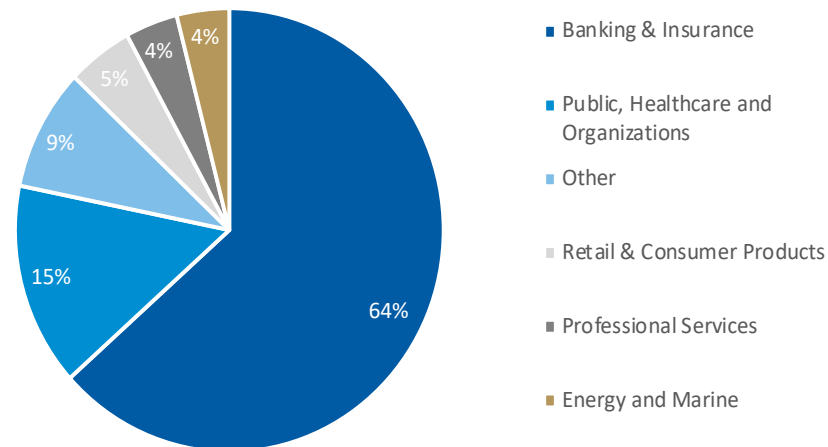
...that is supported by high exposure to strong growth industry verticals

64% of sales in Itera stem from Banking & Insurance, which is expected to outgrow the market

Comparison of different market CAGR's



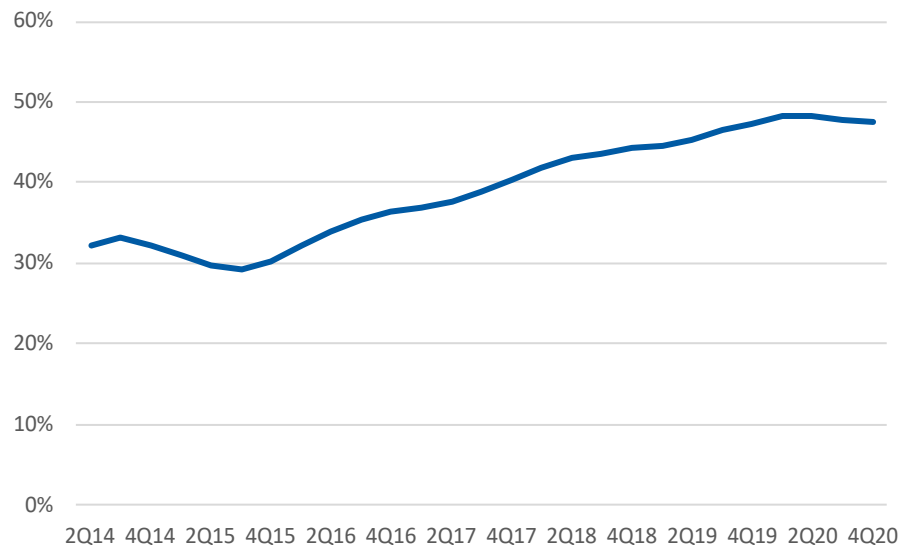
Revenue by industry in Itera



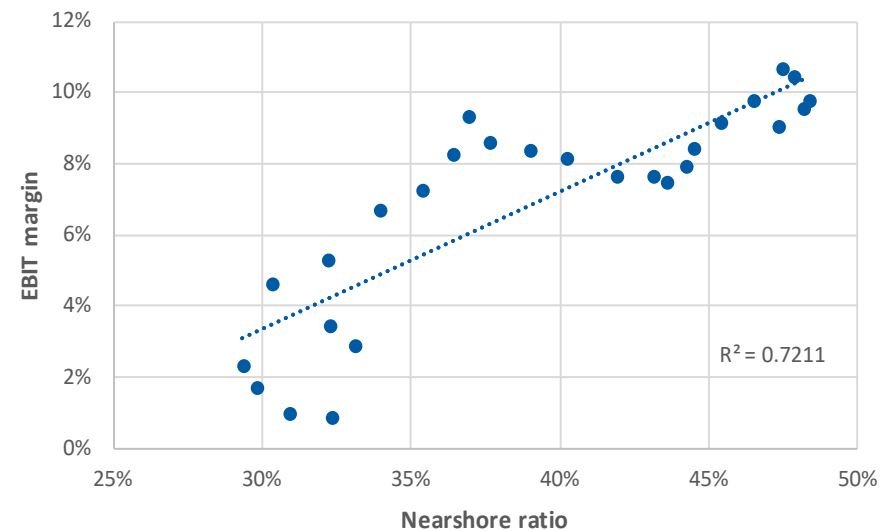
The ongoing hybrid model roll-out with an increasing nearshore ratio...

Target is for the nearshore ratio to be in excess of 50%, meaning further EBIT margin potential

Trailing 12m nearshore ratio (% of staff nearshore)



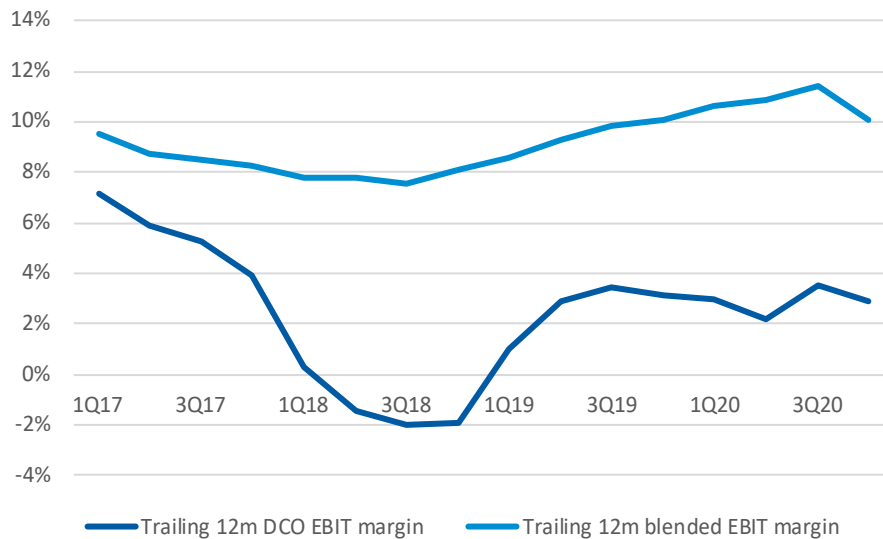
EBIT margin vs. nearshore ratio



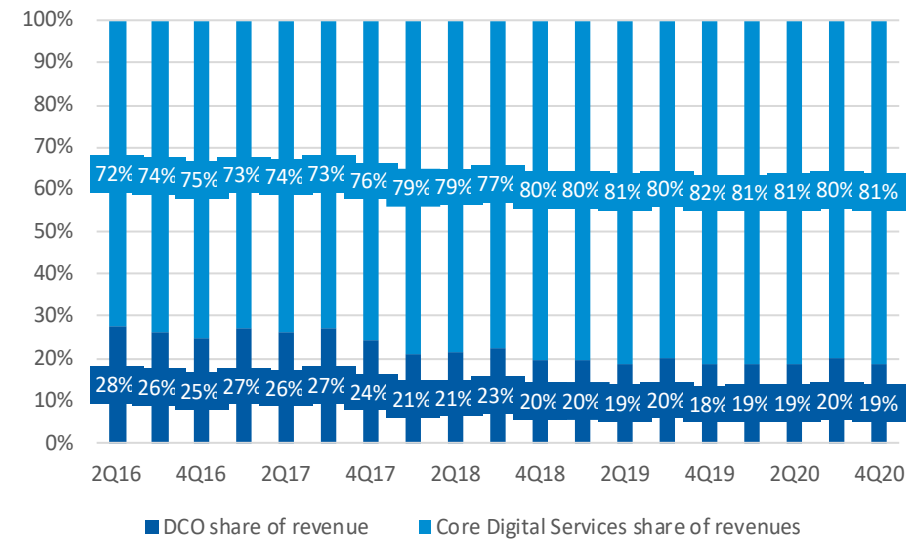
...and continued datacenter transformation will support margin expansion

DCO operation is dilutive on margins and growth, and workload expected fully moved in 2022

EBIT margin DCO vs. blended ITE margin



Revenue split per business unit

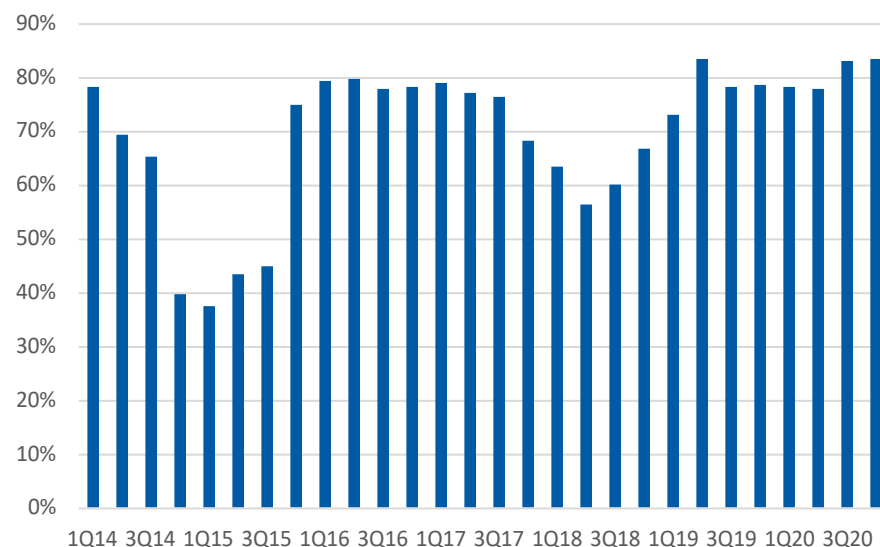


The business model set the scene for continued high cash conversion...

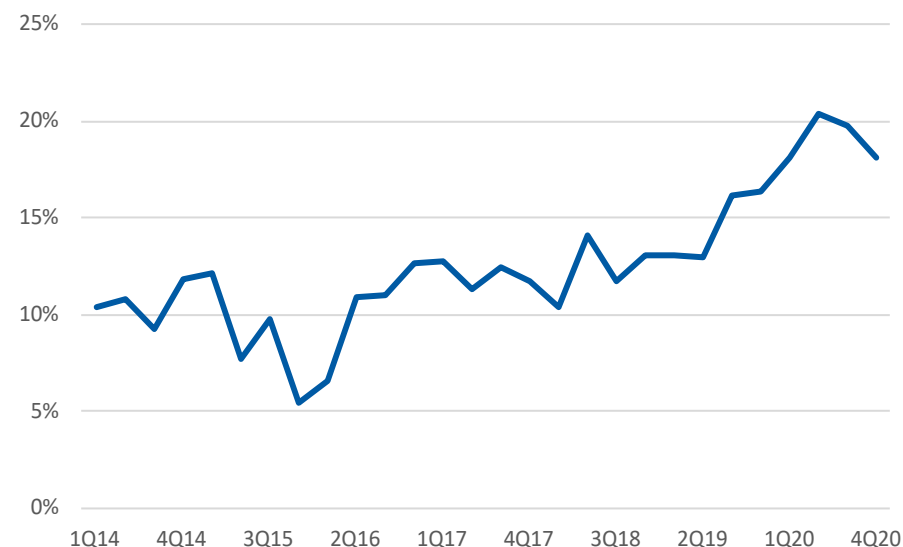
Norm. cash conversion is ~80% and DCO is capex heavy, i.e. transformation improve cash flow

T12m cash conversion (EBITDA-capex/EBITDA)

- 2014: Cash conversion dropped to 54% due to issues with the Ukrainian revolution and close of Lviv office (opened office in Slovakia).
- 2017: Abnormal high capitalized R&D from Handelsbanken 7y agreement.
- 2018/2019: High fixed capex related to new offices in Kiev.

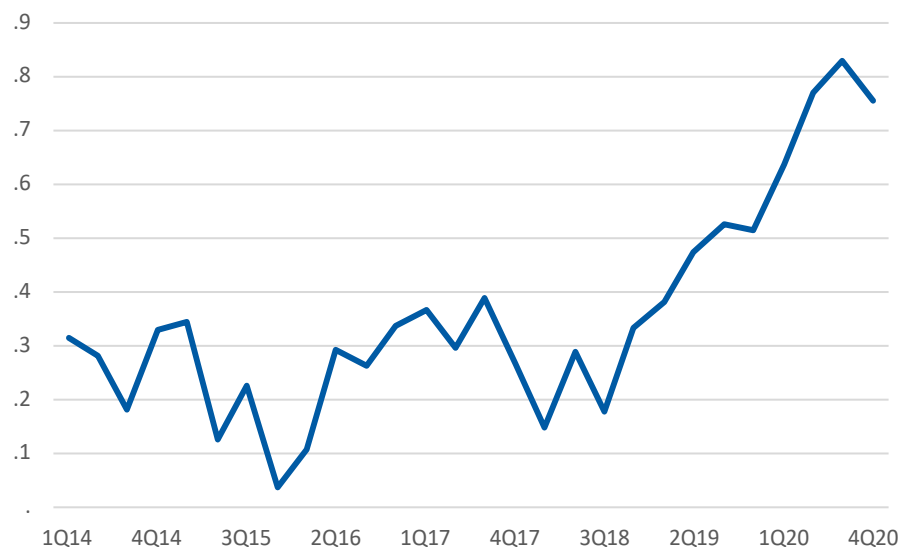


Trailing 12m FCF margin



...and consistent high dividend distribution on top of sustainable growth

Trailing 12m FCFE per share (NOK)



Shareholder distribution history



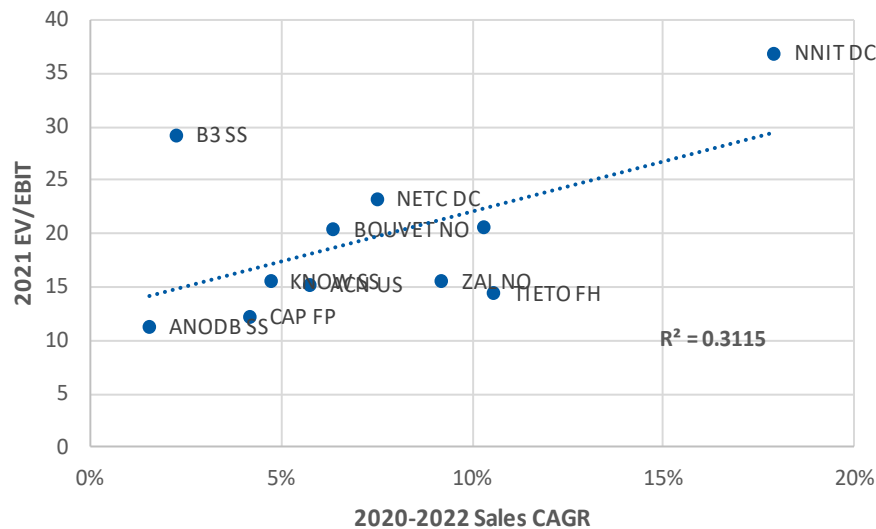
Peers trades at 2021 P/E of ~19x and EV/EBIT of ~15.5x,...

Peer Group	Share price performance			EV/EBITDA				EV/EBIT				P/E				P/B		Div yield (%)			EV/Sales			
	1m	3m	6m	2020	2021	2022	5Y avg.	2020	2021	2022	5Y avg.	2020	2021	2022	5Y avg.	2019	5Y avg.	2020	2021	2022	2020	2021	2022	5Y avg.
B3 CONSULTING GROUP AB	(2%)	(4%)	(2%)	6.5x	6.2x	5.7x	8.6x	10.0x	9.6x	8.4x	10.4x	12.2x	11.8x	10.2x	14.1x	3.7x	4.3x	5.05	5.05	5.96	0.56x	0.55x	0.53x	0.78x
ADDNODE GROUP AB	(8%)	6%	31%	19.1x	16.9x	16.1x	11.1x	36.4x	29.2x	27.3x	18.3x	26.7x	25.2x	23.8x	19.4x	6.0x	3.2x	0.91	1.07	1.21	2.18x	2.16x	2.08x	1.22x
TIETOEVRY OYJ	(3%)	10%	9%	8.3x	8.3x	7.7x	9.4x	11.7x	11.4x	10.9x	12.8x	12.4x	12.1x	11.1x	12.9x	3.8x	3.2x	4.87	5.49	5.55	1.46x	1.46x	1.42x	1.32x
KNOW IT AB	(5%)	3%	50%	13.6x	11.5x	10.4x	9.1x	17.4x	14.4x	12.8x	10.4x	21.8x	18.4x	17.0x	13.0x	4.5x	2.4x	1.91	2.41	2.63	1.60x	1.38x	1.31x	0.98x
NNIT A/S	(5%)	(11%)	(20%)	8.3x	7.2x	6.5x	8.9x	21.1x	15.5x	13.3x	15.0x	23.9x	19.2x	15.2x	16.5x	2.4x	3.4x	2.39	2.94	3.32	1.12x	1.08x	1.02x	1.44x
NETCOMPANY GROUP AS	(6%)	12%	25%	37.1x	31.8x	26.1x	21.5x	46.9x	36.9x	29.4x	25.1x	52.5x	44.1x	35.5x	29.4x	13.6x	6.5x	0.27	0.67	0.82	10.24x	8.72x	7.37x	6.04x
ACCENTURE PLC-CL A	1%	6%	10%	20.2x	18.4x	17.1x	13.9x	25.3x	23.3x	21.4x	16.3x	33.4x	31.0x	28.4x	21.8x	12.6x	8.1x	1.22	1.36	1.46	3.74x	3.47x	3.23x	2.42x
CAPGEMINI SE	12%	21%	24%	12.2x	11.5x	10.7x	9.4x	16.1x	15.3x	13.7x	11.8x	21.8x	18.6x	16.4x	14.8x	2.9x	2.0x	1.18	1.43	1.61	1.87x	1.75x	1.67x	1.35x
SOPRA STERIA GROUP	6%	19%	6%	8.7x	7.8x	6.9x	7.9x	15.9x	12.2x	10.3x	10.2x	19.4x	14.4x	12.3x	11.9x	2.1x	1.7x	1.11	1.51	1.77	0.90x	0.86x	0.83x	0.79x
WEBSTEP ASA	18%	17%	33%	11.2x	10.1x	9.1x	9.3x	14.0x	12.6x	11.1x	10.6x	16.8x	15.0x	13.3x	11.0x	n.a.	n.a.	6.02	6.20	6.77	1.16x	1.10x	1.04x	1.06x
BOUVET ASA	2%	6%	21%	17.5x	16.5x	14.9x	11.7x	21.7x	20.6x	18.3x	14.2x	29.0x	27.4x	24.6x	17.5x	21.6x	10.6x	3.41	3.31	3.64	2.83x	2.57x	2.33x	1.42x
ZALARIS ASA	15%	33%	46%	11.7x	9.6x	8.9x	9.1x	37.1x	20.4x	17.4x	16.2x	n.a.	25.9x	19.8x	161.4x	n.a.	5.2x	0.43	1.71	2.57	1.82x	1.71x	1.61x	1.38x
ITERA ASA	(4%)	3%	(11%)	9.9x	9.4x	8.4x	8.0x	15.9x	15.6x	13.8x	13.0x	20.8x	20.2x	17.7x	15.8x	n.a.	n.a.	n.a.	n.a.	n.a.	1.79x	1.66x	1.52x	1.11x
Median	(2%)	6%	21%	11.7x	10.1x	9.1x	9.3x	17.4x	15.5x	13.7x	13.0x	21.8x	19.2x	17.0x	15.8x	4.2x	3.4x	1.6	2.1	2.6	1.79x	1.66x	1.52x	1.32x

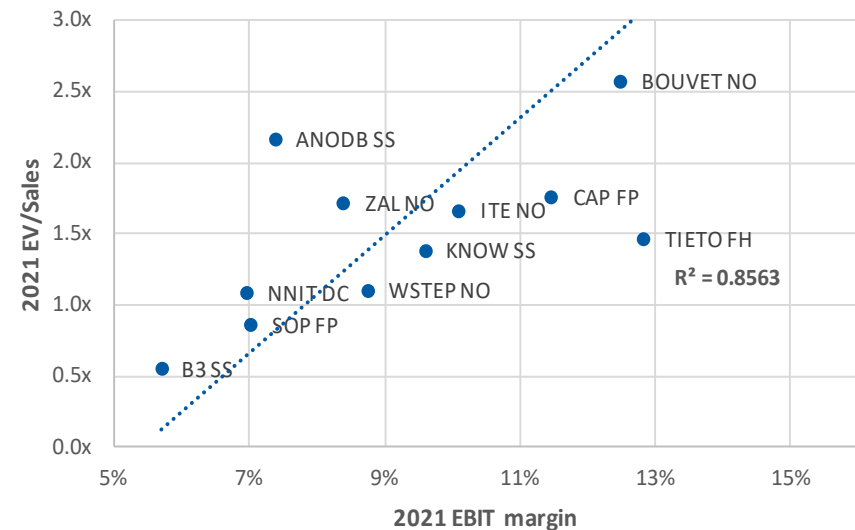
...multiples in the industry is explained by EBIT margin and growth...

EV/Sales has high correlation with EBIT margins

2021 EV/EBIT vs. 2020-2022 Sales CAGR



2021 EV/Sales vs. 2021 EBIT margin

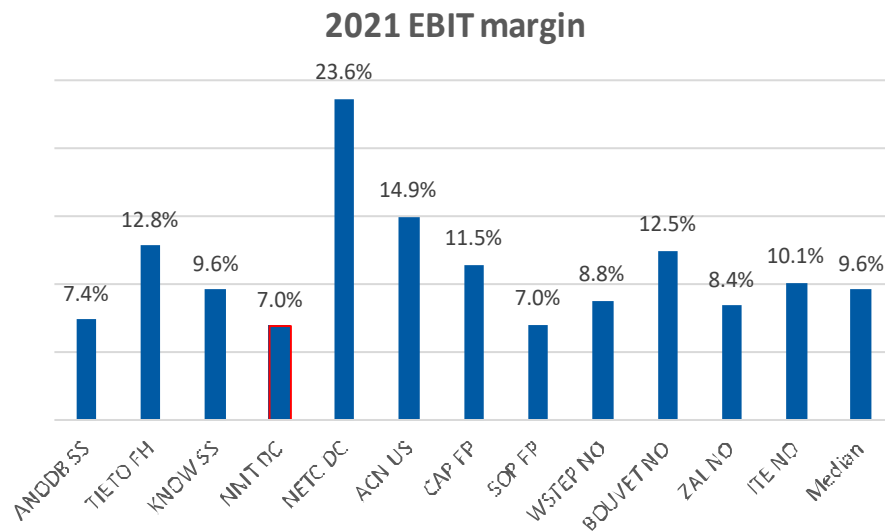


...ITE delivers slightly above peers with transformation/sales mix upside...

EBIT and growth slightly above median peers, respectively

2021 EBIT margin

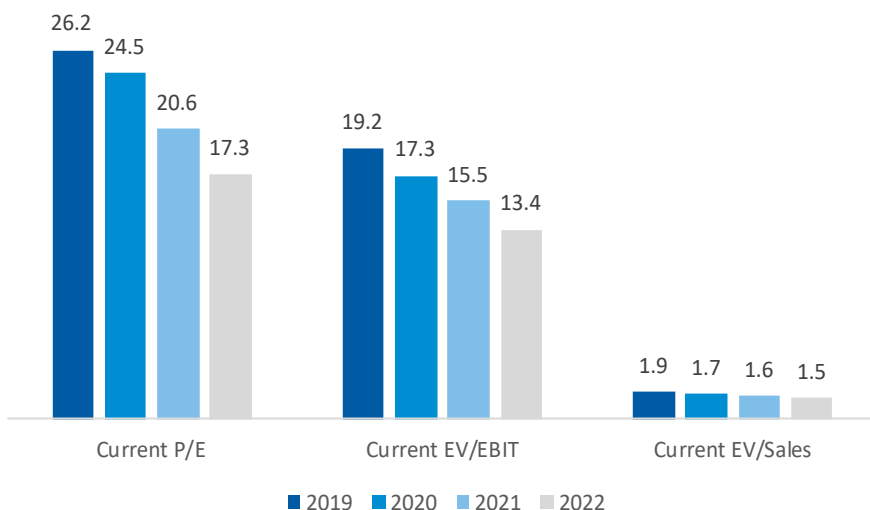
2019-2021e revenue CAGR



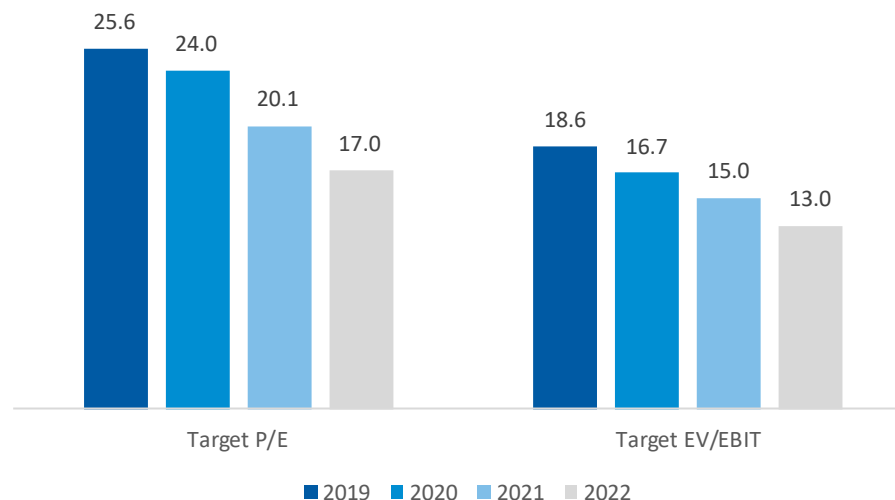
...hence, we reiterate our Neutral rec. and NOK13 target price

Our target price corresponding to 21e P/E of ~20x, slightly above median peers at ~19x

Current multiples

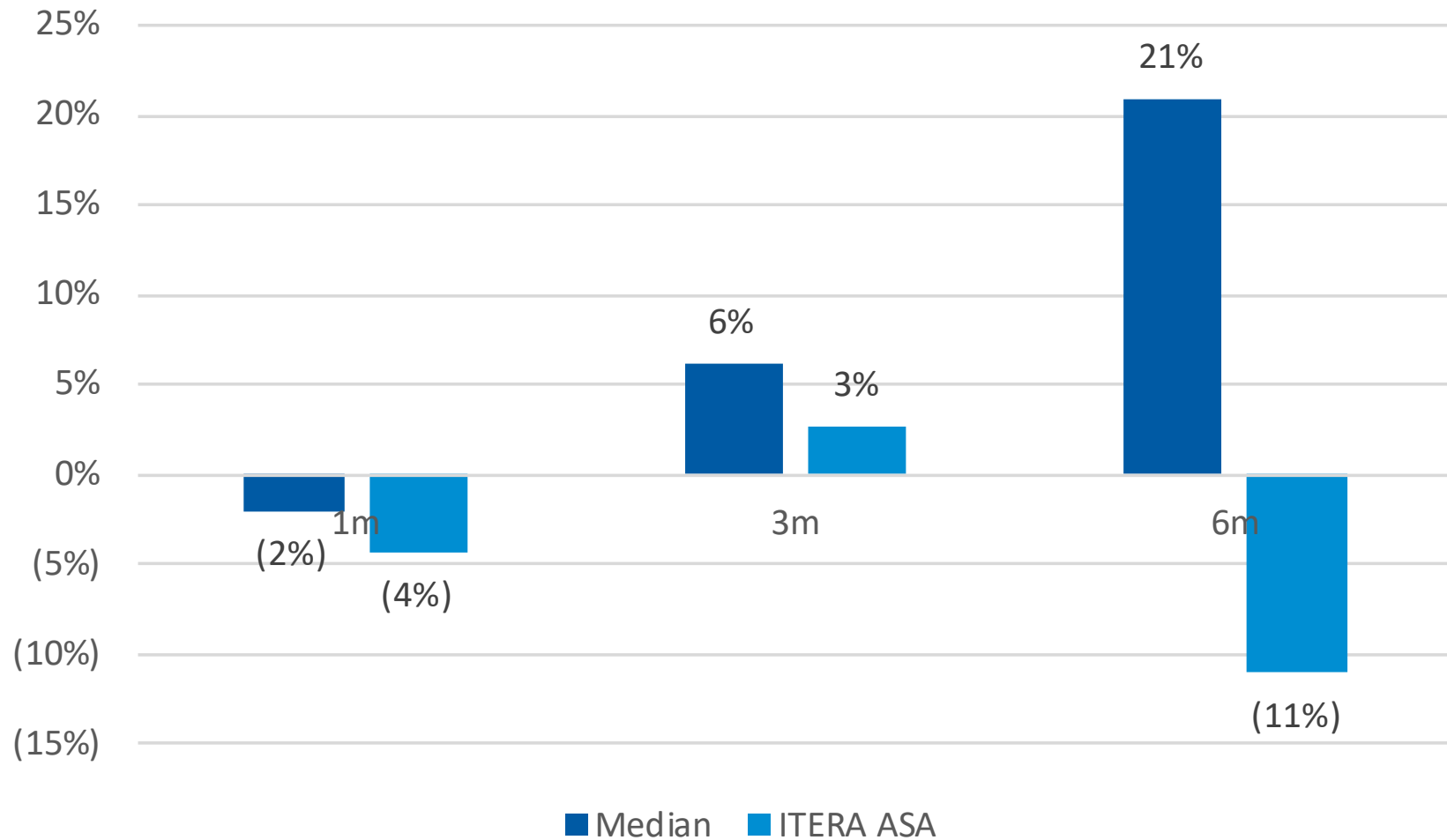


Multiples on target



Share price performance

Last month, three months and six months share price performance in local currency



Estimates

Estimates

Income statement (c30)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Revenues	347.6	431.1	438.3	465.2	439.8	435.4	425.1	475.0	531.3	560.3	619.1	667.6	725.3
growth (YoY)		24.0%	1.7%	6.1%	-5.4%	-1.0%	-2.4%	11.7%	11.9%	5.5%	10.5%	7.8%	8.6%
growth (QoQ)													
Cost of sales	68.2	91.0	80.2	90.6	75.9	70.4	63.9	73.4	87.3	77.3	75.5	81.4	88.5
Gross profit	279.4	340.1	358.1	374.6	363.9	365.0	361.3	401.7	444.0	483.0	543.6	586.2	636.8
gross margin	80.4%	78.9%	81.7%	80.5%	82.7%	83.8%	85.0%	84.6%	83.6%	86.2%	87.8%	87.8%	87.8%
change (YoY)		-1.5pp	+2.8pp	-1.2pp	+2.2pp	+1.1pp	+1.1pp	-0.4pp	-1.0pp	+2.6pp	+1.6pp	+0.0pp	-0.0pp
Opex	266.5	325.8	332.1	330.7	338.7	324.5	305.7	342.0	380.1	391.0	438.5	469.1	501.2
growth YoY		22%	2%	0%	2%	-4%	-6%	12%	11%	3%	12%	7%	7%
Personell expenses	228.9	274.4	281.9	279.4	289.4	273.4	263.3	294.3	327.8	348.3	392.4	423.2	459.8
in % of sales	65.8%	63.6%	64.3%	60.1%	65.8%	62.8%	61.9%	62.0%	61.7%	62.2%	63.4%	63.4%	63.4%
Other	37.7	51.5	50.2	51.3	49.3	51.1	42.3	47.7	52.3	42.7	46.0	45.9	41.4
in % of sales	11%	12%	11%	11%	11%	12%	10%	10%	10%	8%	7%	7%	6%
EBITDA	12.9	14.2	25.9	43.9	25.2	40.5	55.6	59.7	64.0	92.0	105.1	117.1	135.6
EBITDA margin	3.7%	3.3%	5.9%	9.4%	5.7%	9.3%	13.1%	12.6%	12.0%	16.4%	17.0%	17.5%	18.7%
D&A	13.2	15.9	18.6	21.4	21.4	20.4	19.8	20.3	21.1	35.8	42.5	49.2	55.1
<i>Fixed asset split</i>													
<i>Intangible asset split</i>													
D&A in % of sales	3.8%	3.7%	4.2%	4.6%	4.9%	4.7%	4.7%	4.3%	4.0%	6.4%	6.9%	7.4%	7.6%
EBIT (adj.)	(0.3)	(1.7)	7.3	22.5	3.8	20.1	35.8	39.3	42.8	56.2	62.6	69.9	80.5
EBIT (adj.) margin	-0.1%	-0.4%	1.7%	4.8%	0.9%	4.6%	8.4%	8.3%	8.1%	10.0%	10.1%	10.5%	11.1%
Non-recurring items				-	3.7	1.4	1.6	-	-	-	3.8	2.0	-
EBIT	(0.3)	(1.7)	7.3	22.5	0.2	18.8	34.1	39.3	42.8	56.2	58.8	67.9	80.5
EBIT margin	0%	0%	2%	4.8%	0.0%	4.3%	8.0%	8.3%	8.1%	10.0%	9.5%	10.2%	11.1%
Other financial income				0.4	1.5	4.5	0.9	0.7	1.2	2.5	6.4	-	-
Other financial expenses				2.5	3.2	3.6	2.2	1.7	2.6	5.1	7.2	-	-
PTP	0.5	(2.3)	6.8	20.4	(1.6)	19.7	32.8	38.3	41.4	53.6	58.0	67.9	80.5
Taxes	(0.4)	(1.8)	1.9	4.6	3.3	6.6	7.5	8.7	10.0	12.0	13.6	14.9	17.7
tax-rate	-72%	77%	28%	22.7%	28.0%	33.8%	22.8%	22.7%	24.0%	22.4%	23.4%	22.0%	22.0%
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	0.9	(0.5)	4.9	15.8	(4.9)	13.0	25.3	29.6	31.5	41.6	44.4	53.0	62.8
Adjustments	-	-	-	-	3.7	1.4	1.6	-	-	-	3.8	2.0	-
Net income (adj.)	0.9	(0.5)	4.9	15.8	(1.2)	14.4	27.0	29.6	31.5	41.6	48.2	55.0	62.8
EPS	0.01	(0.01)	0.06	0.19	(0.06)	0.16	0.31	0.36	0.38	0.51	0.54	0.65	0.77
EPS (adj.)	0.01	(0.01)	0.06	0.19	(0.01)	0.17	0.33	0.36	0.38	0.51	0.59	0.67	0.77

Estimates

Revenue breakdown	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Services revenues own consultants				297.7	238.0	249.0	250.9	302.3	335.2	373.1	420.5	460.4	506.4
growth YoY							1%	20%	11%	11%	13%	9%	10%
Subscriptions				135.3	139.2	134.4	131.4	129.2	134.9	143.4	154.7	162.5	170.6
growth YoY							-2%	-2%	4%	6%	8%	5%	5%
3-party services revenue				0.6	27.9	12.9	15.4	22.1	39.1	28.7	26.3	26.3	28.9
change (YoY)							19%	43%	77%	-27%	-8%	0%	10%
Other (incl. HW/SW)				31.5	34.7	39.1	27.3	21.4	22.2	15.1	17.6	18.4	19.4
change (YoY)							-30%	-22%	4%	-32%	16%	5%	5%
Total				465.2	439.8	435.4	425.1	475.0	531.3	560.3	619.1	667.6	725.3
change (YoY)					-5.4%	-1.0%	-2.4%	11.7%	11.9%	5.5%	10.5%	7.8%	8.6%
check				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

KPI	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Employees at end of period				460	445	400	395	491	486	505	569		
Employees in average				440	460	421	380	443	488	494	538		
Book-to-bill													
Share of revenues from top 10					46%	44%	48%	52%	59%	55%	53%		
Nearshore ratio				28%	32%	30%	36%	40%	44%	47%	47%		

Estimates

Balance sheet (c110)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Deferred tax assets	11.2	12.8	12.4	9.1	5.8	2.5	2.9	3.0	3.6	2.9	4.9	4.9	4.9
Other intangible assets	19.3	24.0	20.4	17.2	15.9	15.3	15.6	22.3	23.0	21.9	24.2	16.2	7.0
Fixed assets	16.5	23.6	26.7	27.9	26.9	30.0	27.2	21.2	23.5	36.0	20.3	5.8	(17.6)
Right-of-use assets										40.8	33.4	33.4	33.4
Total non-current assets	46.9	60.4	59.5	54.2	48.6	47.8	45.7	46.5	50.1	101.6	82.8	60.3	27.7
Work in progress	-	-	-	15.7	12.2	9.5	14.3	15.8	4.2	0.7	1.2	1.3	1.4
Accounts receivable	65.2	84.6	82.9	69.7	61.6	66.6	55.9	54.0	52.3	57.1	67.3	72.5	78.8
Contract assets	-	-	-	-	-	-	-	-	16.4	11.6	6.9	7.4	8.0
Other receivables	3.8	1.9	6.1	12.6	17.2	22.9	22.0	21.2	14.5	17.2	11.9	12.8	13.9
Cash and cash equivalents	40.1	20.9	28.8	68.0	67.2	68.4	71.1	59.9	55.3	53.1	54.4	87.1	137.0
Total current assets	109.1	107.4	117.8	165.9	158.3	167.3	163.4	150.9	142.7	139.7	141.6	181.2	239.2
TOTAL ASSETS	156.1	167.8	177.3	220.1	206.9	215.1	209.1	197.5	192.7	241.2	224.4	241.5	266.9
Share capital	-	-	-	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity	77.0	67.2	72.4	56.2	33.5	16.7	4.7	(3.7)	(8.9)	20.3	(38.8)	(38.8)	(38.8)
Net income for the period	-	-	-	6.1	(4.3)	13.1	25.0	29.6	31.5	1.4	48.2	60.4	78.4
Total equity	77.0	67.2	72.4	86.9	53.9	54.4	54.3	50.6	47.2	46.4	34.0	46.2	64.2
Other provisions and liabilities	-	-	-	-	-	-	-	-	0.9	1.1	0.7	0.7	0.7
Non-current interest-bearing liabilities	-	8.7	11.9	15.8	16.0	22.5	20.3	6.8	4.7	35.6	25.0	17.0	9.0
Total non-current liabilities	-	8.7	11.9	15.8	16.0	22.5	20.3	6.8	5.6	36.7	25.7	17.7	9.7
Accounts payable	18.6	15.3	18.0	27.2	27.2	24.8	24.4	20.7	23.9	23.8	23.2	25.0	27.1
Tax payable	-	-	-	0.2	0.0	3.2	8.1	8.5	7.6	10.9	13.1	14.1	15.3
Public duties payable	-	-	-	24.6	30.8	29.3	29.9	33.0	33.1	32.8	37.7	40.6	44.1
Contract liabilities	-	-	-	-	-	-	-	-	9.7	21.3	14.1	15.2	16.6
Other short-term liabilities	60.5	76.6	74.9	65.4	78.9	80.9	72.0	77.7	65.5	69.4	76.7	82.7	89.9
Total current liabilities	79.1	91.8	93.0	117.3	137.0	138.2	134.5	140.0	139.9	158.2	164.7	177.6	193.0
Total liabilities	79.1	100.6	104.9	133.2	153.0	160.7	154.8	146.8	145.5	194.9	190.4	195.3	202.7
TOTAL EQUITY AND LIABILITIES	156.1	167.8	177.3	220.1	206.9	215.1	209.1	197.5	192.7	241.2	224.4	241.5	266.9
Auto check balance	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok

Estimates

Cashflow statement (c170)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Profit before taxes	14.6	(2.3)	6.8	20.4	(1.6)	19.7	32.8	38.3	41.4	53.6	61.7	67.9	80.5
Profit from sale of subsidiary	-	-	-	-	-	(2.3)	(0.5)	-	-	-	-	-	-
Income taxes paid	-	-	-	(1.2)	(0.7)	(0.3)	(3.0)	(8.7)	(9.8)	(10.0)	(9.4)	(14.9)	(17.7)
Tap/gevinst ved salg av anleggsmidler	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	13.6	15.9	18.6	21.4	21.4	20.4	19.8	20.3	21.1	35.8	42.5	49.2	55.1
Change in work in progress	(9.7)	3.9	(4.4)	(6.7)	3.4	2.4	(5.3)	(1.5)	5.5	3.5	(0.5)	(0.1)	(0.1)
Change in accounts receivable	5.2	(23.7)	(2.2)	4.5	10.0	(12.1)	5.5	(14.4)	1.8	(4.8)	(10.2)	(5.3)	(6.3)
Change in accounts payable	(4.2)	(4.1)	2.6	9.5	0.1	(0.6)	2.8	(3.7)	3.2	(0.1)	(0.7)	1.8	2.2
Change in other accruals	(18.6)	24.1	1.6	7.5	13.7	(6.4)	(3.1)	18.7	(6.7)	3.9	15.1	9.6	11.4
Effect of changes in exchange rates	-	-	-	2.2	(0.5)	0.1	(0.4)	0.6	0.3	(1.8)	3.2	-	-
Net cash flow from operating activities	1.0	13.8	23.0	57.7	45.8	20.8	48.4	49.7	56.8	80.0	101.7	108.2	125.1
Payment from sale of fixed assets	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Investment in fixed assets	(6.7)	(19.5)	(11.9)	(5.1)	(6.1)	(2.9)	(5.3)	(6.0)	(12.5)	(11.9)	(10.0)	(18.1)	(13.1)
Investment in intangible assets	(7.6)	(7.0)	(5.6)	(3.6)	(5.6)	(6.7)	(6.2)	(13.4)	(8.1)	(6.9)	(7.0)	(8.7)	(9.4)
Receipt from sale of shares in other companies	-	-	-	-	-	10.9	0.0	-	-	-	-	-	-
Net payment from sale of subsidiary	-	-	-	-	-	-	(0.9)	-	-	-	-	-	-
Net cash flow from investing activities	(14.3)	(26.5)	(17.4)	(8.8)	(11.7)	1.3	(12.2)	(19.5)	(20.7)	(18.8)	(17.0)	(26.7)	(22.5)
Purchase of own shares	(1.3)	(0.3)	-	-	(0.1)	(0.5)	(3.6)	(1.6)	(22.6)	(0.1)	(18.8)	-	-
Sales of own shares	-	-	-	-	-	0.1	0.4	3.3	11.1	2.1	7.3	-	-
New borrowing	-	2.5	6.3	-	-	-	-	-	-	(10.0)	(14.6)	-	-
Borrowings repaid	-	(0.5)	(4.0)	(6.1)	(7.2)	(8.3)	(8.6)	(8.1)	(8.7)	(9.1)	(8.6)	(8.0)	(8.0)
Dividends paid to equity holders of Itera ASA	(16.5)	(8.2)	-	(4.9)	(28.8)	(12.3)	(21.9)	(35.1)	(20.5)	(44.7)	(48.6)	(40.8)	(44.8)
Net cash flow from financing activities	(17.8)	(6.5)	2.3	(11.1)	(36.0)	(21.0)	(33.7)	(41.5)	(40.7)	(61.8)	(83.4)	(48.8)	(52.8)
Effects of exchange rate changes on cash and cash equivalents	(0.5)	0.1	(0.0)	1.3	1.1	-	0.3	0.1	(0.0)	0.1	0.0	-	-
Net change in cash and cash equivalents	(31.5)	(19.2)	7.8	39.1	(0.8)	1.2	2.7	(11.2)	(4.6)	(0.5)	1.3	32.7	49.8
Cash and cash equivalents at the beginning of the period		40.1	20.9	28.8	68.0	67.2	68.4	71.1	59.9	55.3	53.1	54.4	87.1
Cash and cash equivalents at the end of the period	40.1	20.9	28.8	68.0	67.2	68.4	71.1	59.9	55.3	53.1	54.4	87.1	137.0

Appendix

Company overview

SPECIALISTS IN CREATING DIGITAL BUSINESS

**500+****PEOPLE****20****COUNTRIES****8****OFFICES**

TOP 25 MOST INNOVATIVE COMPANY

- Award across all industries in Norway last 4 years

CUSTOMER EXPERIENCE PROVIDER OF THE YEAR 2018

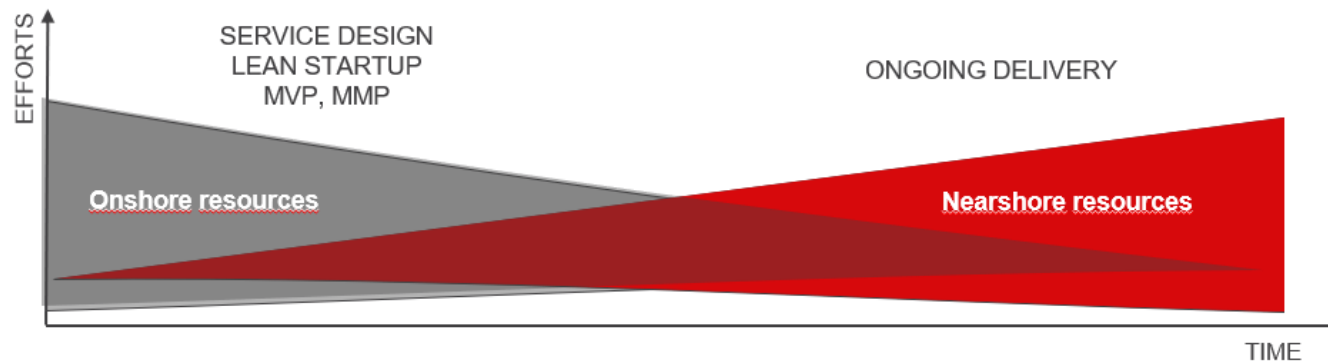
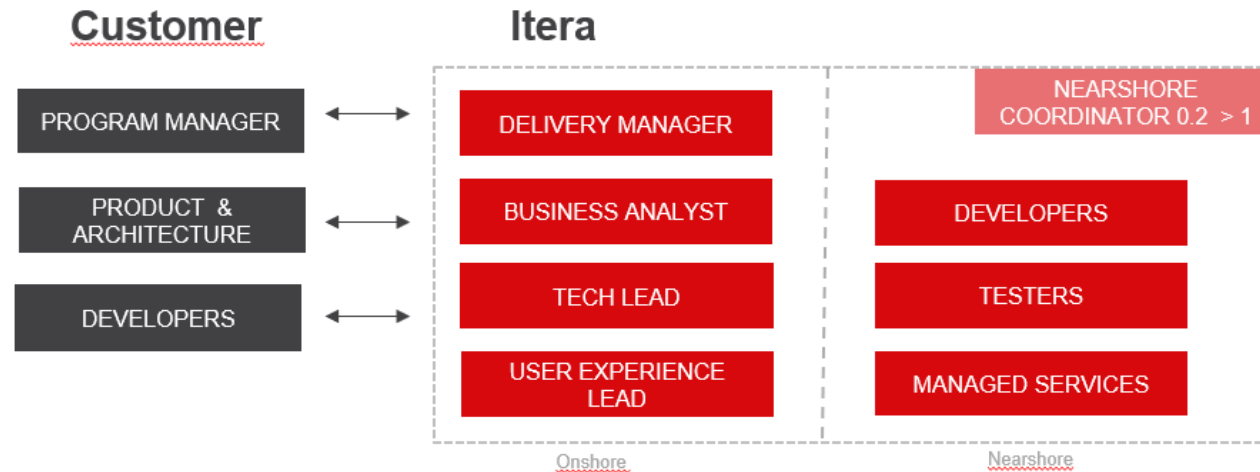
- Award by Global Sourcing Association

HIGH SCALABILITY OF DIGITAL TALENTS

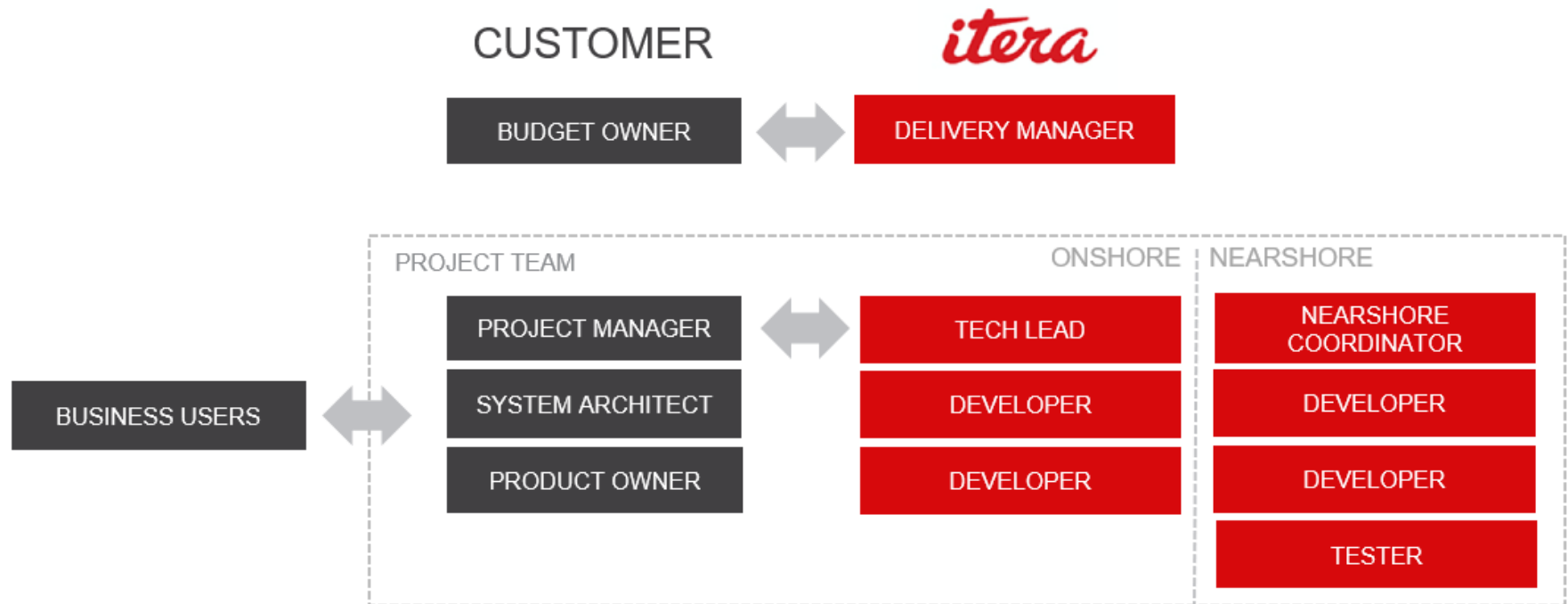
- Global #4 IT pool
- Global #2 quality



Hybrid delivery model with specialized teams

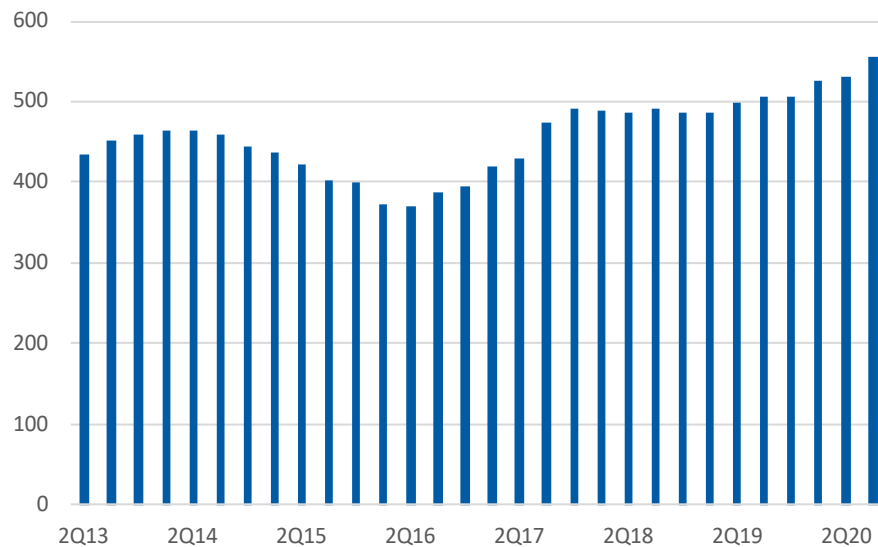


The typical team in a digital channel project

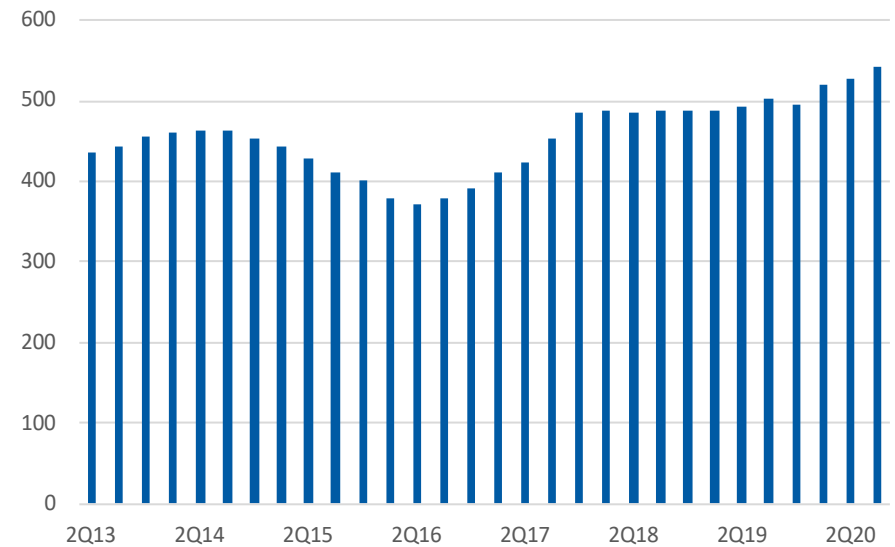


Number of employees

#of employees (quarter end)



#of employees (average)



Selected projects

Cognite realization partner

Itera is a strategic partner to Cognite in the transformation of heavy industries through our end-to-end services in creating digital business

- Several key engagements with large enterprises in the Oil & Gas and Utility industries
 - Smart Maintenance
 - Production optimisation
 - Digital worker
- Using Cognite Data Fusion Platform
 - Digital Twins, IoT and AI
- Itera is engaged as ONE Itera and hybrid delivery with high scalability of digital talents



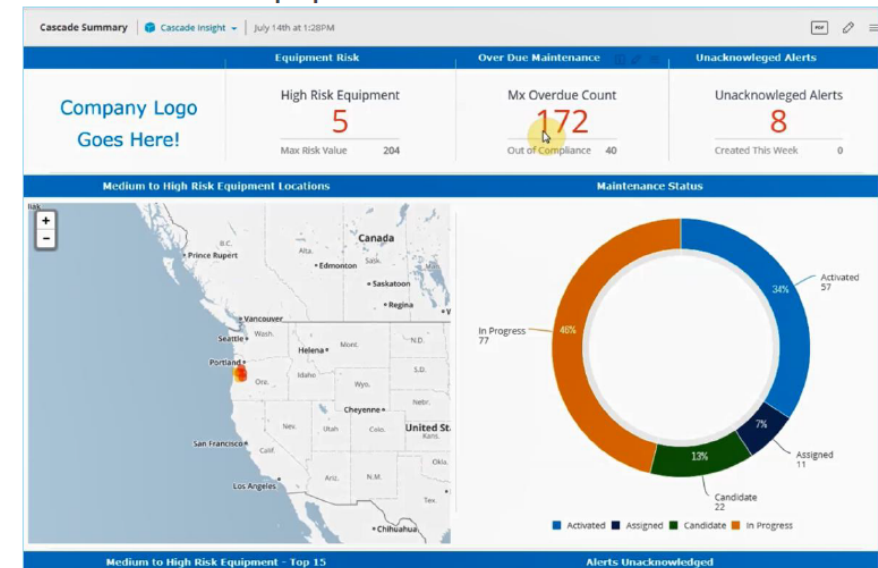
Selected projects

Utility asset management for electric grid on Microsoft Azure

Corvallis, Oregon

- Itera has become a key realization partner for DNV GL in assisting them to develop Cascade 2.0, a cloud ready utility asset management solution.
- Itera has been brought in to shorten the time to market for Cascade 2.0
- Itera is providing the following services to DNV GL – DevOps advisory, Test automation, Architecture advisory, development and testing.

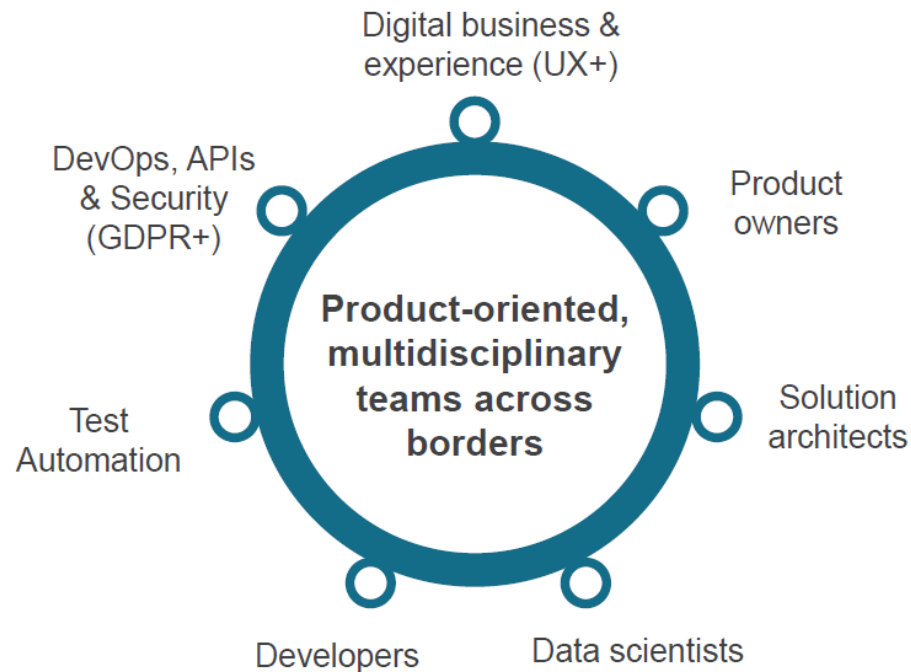
CASCADE – Utility asset management using data analytics and condition-based maintenance to maximize equipment lifetimes



Selected projects

One Itera at Kredinor

CONTINUOUS INNOVATION



- **Itera is a strategic partner for Kredinor's digitalisation program the next 4 years**
 - Itera is lead on all development for Kredinor, organised as DevOps teams
 - All new development will be in Azure with a full range of services
 - Using AI and analytics in Azure
 - Itera's Managed Cloud Services unit will implement Cloud Foundation, and manage all deliveries in Azure with advisory, cost and security management

Selected projects

Crime prevention for Loomis

- Together with the cash handling company Loomis, Itera has developed an Anti Money Laundering solution which is in use in Norway and Sweden
- The solution contributes to prevent crime as it automatically generates alerts in the event of unusual activity, e.g. if there is a change in the amount of cash that Loomis collects from a customer
- Itera provided a full range of services including frontend, backend, user experience, functional architecture and testing.



Selected projects

Digital assistant

HR HENRY

- Employees expect quick answers to questions related to their conditions of employment
- Many HR departments have to spend a lot of time to answer the same few, but most common questions
- HR Henry is a digital assistant based on artificial intelligence
- The assistant is fully trained and ready to help with all HR related issues in employment legislation – holidays, leave of absence, sick leave, welfare benefits and much more

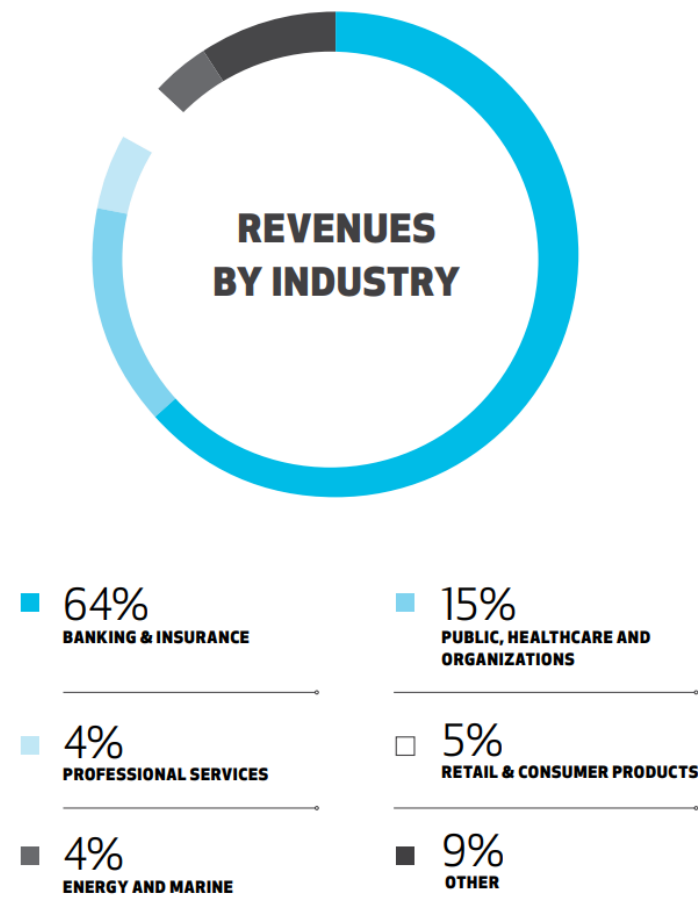


Well diversified customer base with large cap names

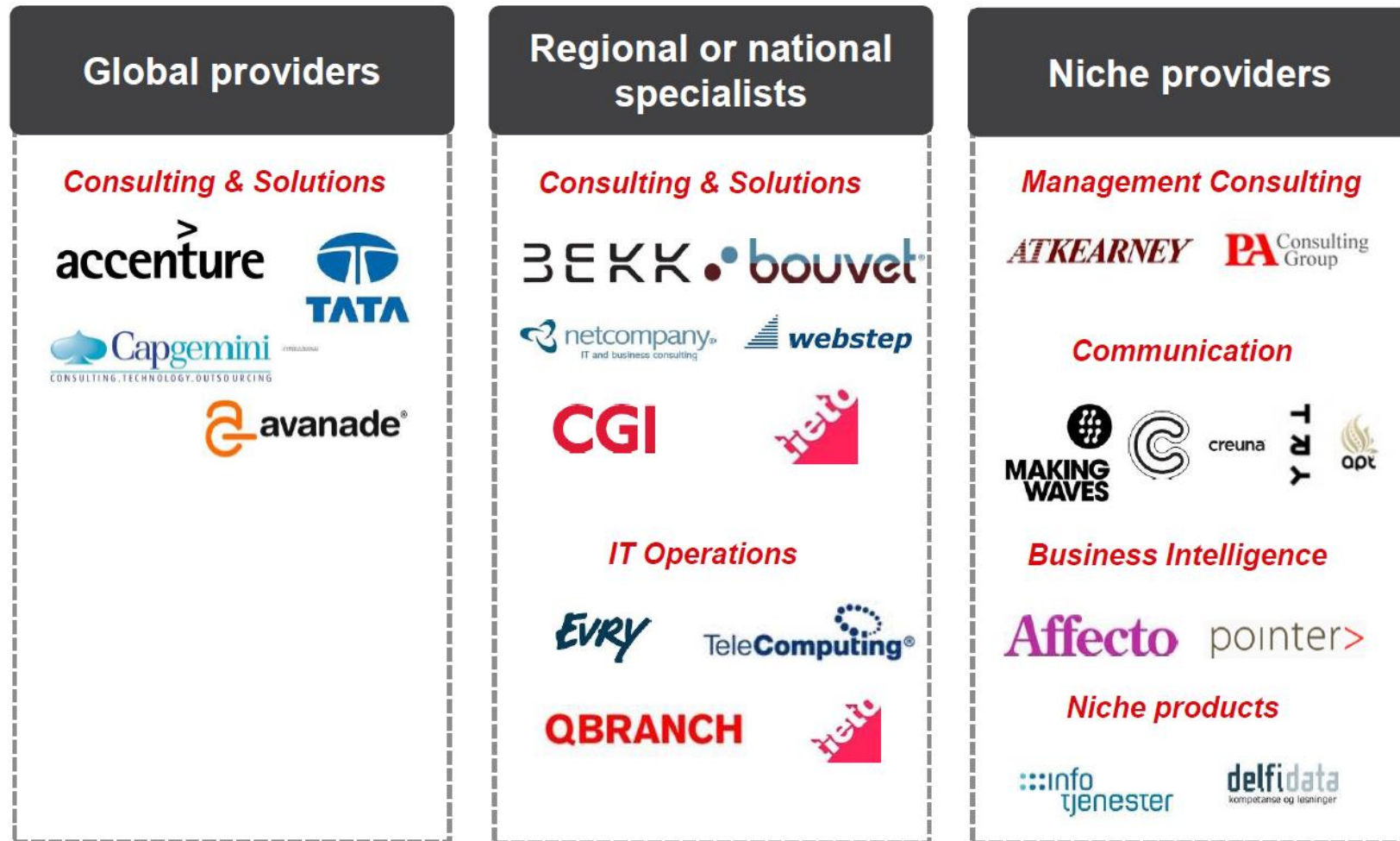
Customer examples



Revenue split by industry



Competitive landscape



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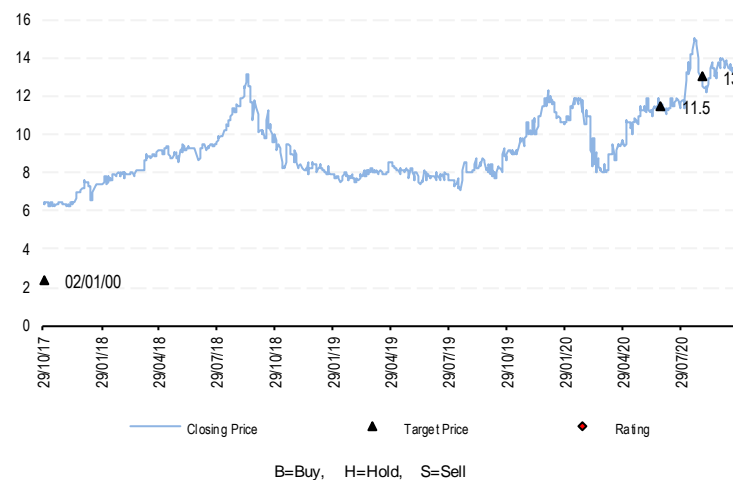
Previous company reports

For an overview of previous recommendations regarding the financial instruments or issuer subject to this report, consult the chart below:

IMPORTANT DISCLOSURES AND CERTIFICATIONS

3-Year Price, Target Price and Rating Change History Chart for ITE NO

ITE NO	Closing Price	Target Price	Rating
Date	Price	Price	Rating
26/06/2020	11.4	11.5	NEUTRAL
30/08/2020	13	13	NEUTRAL



IMPORTANT DISCLOSURES AND CERTIFICATIONS

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Current recommendations of the Research Department		
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Neutral	25.4%	14.0%
Sell	14.3%	0.0%
Total	100%	

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