

# Q2

## INTERIM REPORT 2020



# PRESENTERS AND AGENDA



**Arne Mjøs**  
Chief Executive  
Officer

Highlights of the quarter  
Business review



**Bent Hammer**  
Chief Financial  
Officer

Financial review  
Outlook

# HIGHLIGHTS OF THE SECOND QUARTER

**High growth and profitability in core digital business (81% of total)**

Gross profit growth of 8%

EBIT margin of 12.7% (11.1%)

**Total business**  
Revenue NOK 150.8 (143.3) million, up by 5% y-o-y

Gross profit NOK 131.6 (122.1) million, up by 8% y-o-y

EBIT of NOK 15.8 (13.9) million, 10.5% (9.7%) margin

**COVID-19**

Moderate impact from COVID-19

Increased competition but our position is strengthened due to our hybrid delivery model

**Grow people**

High productivity maintained with remote work

Number of employees increased by 31 last 12 months

Summer internships as planned with 31 master students

**Dividend**

Ordinary dividend for 2019 of NOK 0.20 paid out

Authorisation to distribute additional dividends later

# HIGHLIGHTS OF THE SECOND QUARTER

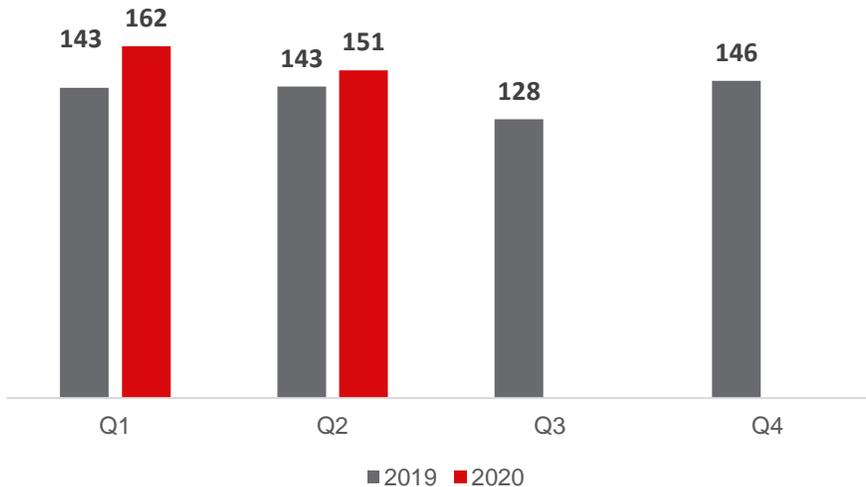
## Core digital business:

- Gross profit growth of 8.3% (12.6% in H1)
- EBIT margin of 12.7% (13.5% in H1)

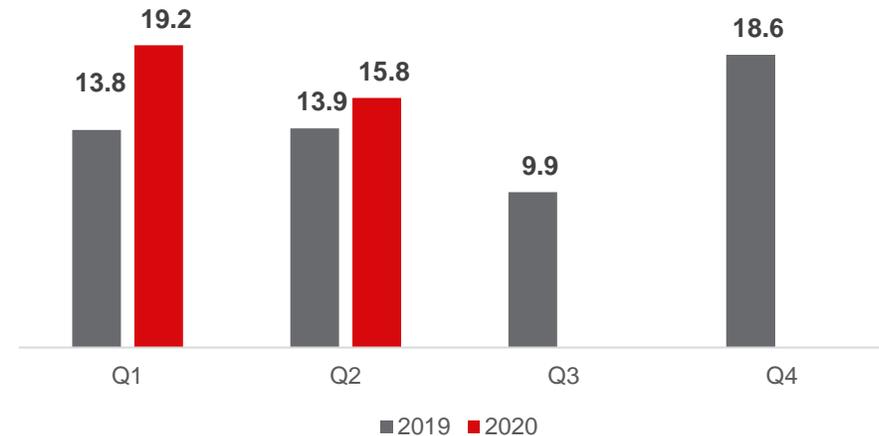
## Total business:

- Gross profit growth of 7.8% (11.5% in H1)
- EBIT margin of 10.5% (11.2% in H1)

## Revenues NOK million



## EBIT NOK million



A group of people in a meeting room, some standing and clapping, others sitting at tables, under a red overlay. The scene is dimly lit with a strong red color cast. In the foreground, several people are seated at tables, some looking towards the camera and others looking towards the background. In the background, a larger group of people is standing and clapping. The overall atmosphere is one of a celebratory or successful business meeting.

# Business review

# THE SPECIALIST IN CREATING SUSTAINABLE DIGITAL BUSINESS



WE UNDERSTAND THE  
**USER**  
New use cases

WE UNDERSTAND THE  
**BUSINESS**  
Data centric

WE UNDERSTAND THE  
**TECHNOLOGY**  
Artificial intelligence

WHY WE ARE HERE

# MAKE A DIFFERENCE

FOR OUR EMPLOYEES, OUR CUSTOMERS,  
THEIR CUSTOMERS AND SOCIETY AS A WHOLE

## HOW?

- ✓ Skilled people and multidisciplinary teams
- ✓ Platform first
- ✓ ONE Itera across borders
- ✓ Entrepreneurship and local ownership
- ✓ Sustainability focus

# EVOLVING OUR SUSTAINABLE BUSINESS

## 2019: The ambitions

- Developed sustainability strategy
- Prioritized United Nations (UN) sustainability goals
- Certified according to Nasdaq Environment, Social and Governance (ESG) initiatives
- Increasing engagement in strategic sustainability consulting

## 2020: The platforms

- Make creating sustainable digital business as our core position
- Implement relevant KPIs for selected three UN sustainable goals
- Signed UN Global Compact
- Established internal competence arena; Itera Sustainability Academy

## 2021->: Full realization

- New concepts and tools combining sustainability and digitalization
- Sustainability is central to our onboarding program
- Developing sustainable business is the new normal
- Itera is a key player in the post-pandemic shift to the green economy

# SUSTAINABLE ENGAGEMENTS

## Reducing cement's carbon footprint by extending service life time

- Today, the production of concrete accounts for 8 per cent of the global CO2 emissions.
- A new data driven solution extends critical infrastructure life time by combining bridge data, weather data and 3D data from ELOP scanner technology
- Sustainable gains include reduced CO2 emission, lower community costs and potential save lives



## The green transformation of oil & gas and its supply industry

- Oil & gas and its supply industry are committed to reduce carbon footprint and benefit from the rise of floating offshore wind power
- The green transition is accelerated with governments Covid-19 packages of measures
- Itera is involved in several projects through our Smart Energy initiatives



# SUMMER INTERNSHIPS AS PLANNED



- Itera did not reduce the intake of summer students despite Covid-19 challenges
- 31 students were engaged in five real customer projects
- New technology was utilized for a wide range of solutions and services
- Sustainable gains were realised through energy optimisation, better working life and sustainable resource utilisation

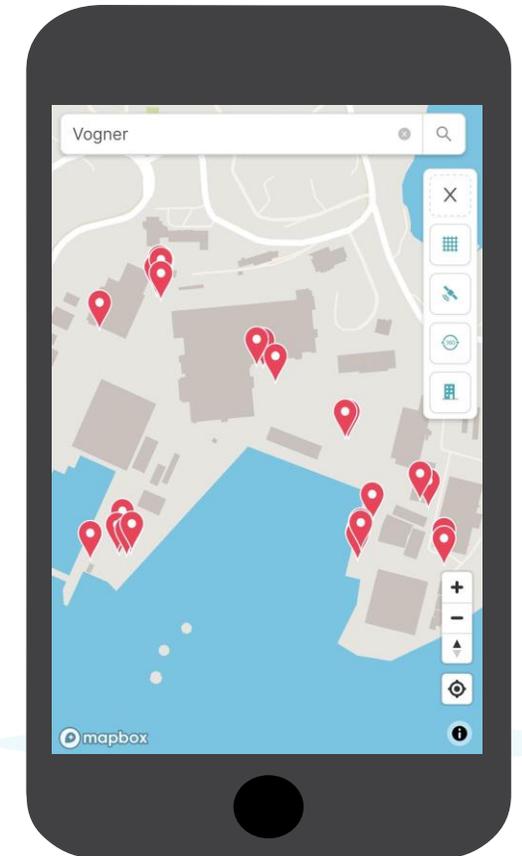
# VISUAL ASSET TRACKING AT KVAERNER

At Kvaerner’s production yards, thousands of assets such as wagons, production equipment and trucks are in continuous motion. This makes it challenging to have an overview of where the different assets are located at any time.

Some of Itera’s summer interns participated in the development of “Visual Asset Tracking”, a solution for tracking assets by utilising technologies like advanced robotics and machine learning.

Kvaerner employees can track assets through an app which shows a digital representation of the yard with an overview of updated locations on assets.

The solution has been delivered in collaboration with Cognite.



# BEST IN EUROPE, GLOBAL FINALIST



**PMO GLOBAL AWARDS | 2020** 

The best PMO in Europe is now one of the World PMO of the Year Award finalists, competing with Honduras (The Americas), the United Arab Emirates (Asia-Pacific) and South Africa (Africa) to be recognized as the best PMO in the World.

**2020 EUROPE PMO OF THE YEAR**

PMOAWARDS.ORG WORLD WINNER ANNOUCEMENT  
ON OCTOBER 29th

- Itera awarded the best project management office (PMO) in Europe by a jury of 420 judges from 110 countries.
- The award was based on a thorough evaluation of our delivery framework, methodology, routines and practices related to project management.
- As the winner of 2020 Europe PMO of the year, Itera is now one of the World PMO of the Year Award finalists.

# “TECHNOLOGIES DEMYSTIFIED”

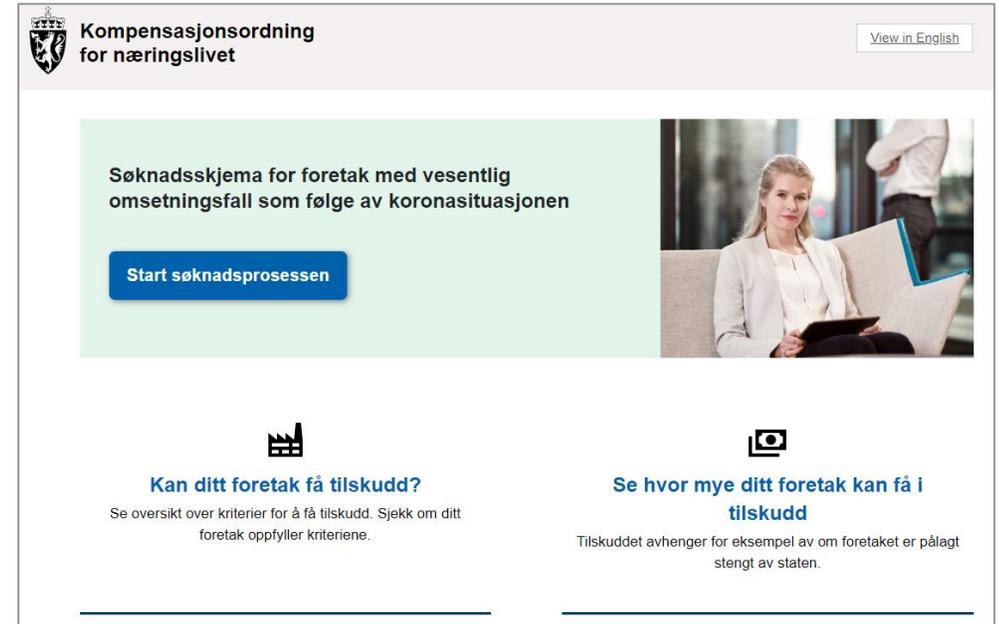


Webinar

## NÅR TID ER KRITISK!

Hvordan lykkes med digital samhandling og skytjenester

**itera** **DNB** **BITS** **Microsoft** **Skatteetaten**



Kompensasjonsordning for næringslivet [View in English](#)

Søknadsskjema for foretak med vesentlig omsetningsfall som følge av koronasituasjonen

[Start søknadsprosessen](#)

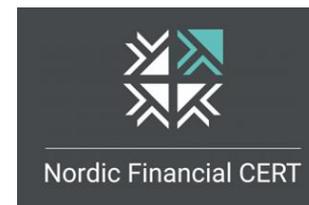
**Kan ditt foretak få tilskudd?**  
Se oversikt over kriterier for å få tilskudd. Sjekk om ditt foretak oppfyller kriteriene.

**Se hvor mye ditt foretak kan få i tilskudd**  
Tilskuddet avhenger for eksempel av om foretaket er pålagt stengt av staten.

- Webinar in June based on the experience with kompensasjonsordningen.no with 100+ participants
- Very strong line-up, with DNB, BITS, Microsoft and The Norwegian Tax Administration
- 8 more webinars are planned in 2H



## Order intake from selected new and existing customers



Book-to-bill ratio\*) of 0.8 in Q2 and 1.1 in H1 for core digital business

\*) The **book-to-bill ratio** is the ratio of orders received to the amount of revenue for a specific period for Itera units



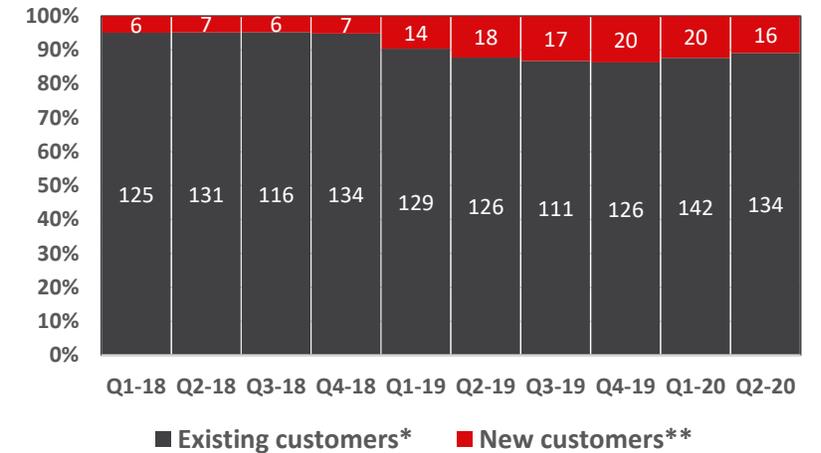
# STRATEGIC PARTNER FOR GJENSIDIGE

- During the second quarter, Itera was chosen as one of Gjensidige's strategic partners in digitalisation.
- Among the criteria for Gjensidige's choice of partner were competence, delivery model, flexibility, professionalism and the ability to reduce risk.
- The agreement has a duration of up to 5 years and covers Gjensidige's operations in the Nordic and Baltic countries.
- With this agreement, Itera is a central part of Gjensidige's digitalisation program. The agreement covers the entire breadth of Itera's service areas, including project management, architecture, design, development and testing.
- The agreement involves the continuation of a collaboration of more than 20 years.

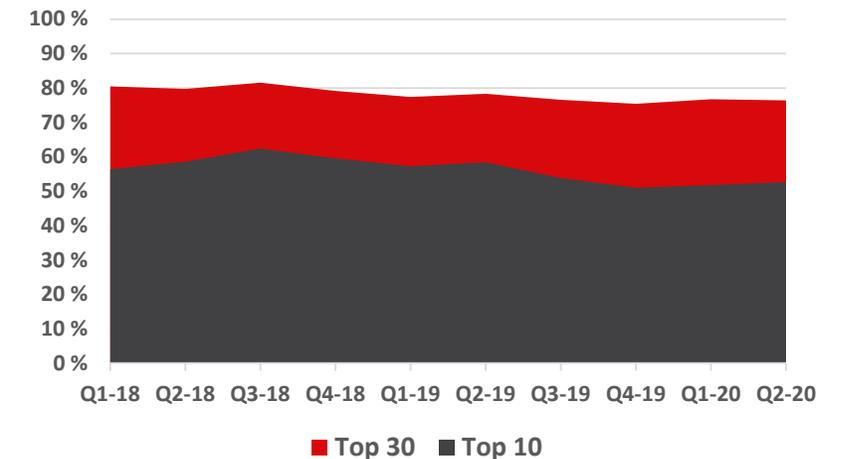
# CUSTOMER DEVELOPMENT

- New business
  - Existing customers accounted for 89.1% (87.7%) of revenues in Q2 2020
  - New customers won over the past year generated revenues of NOK 16.4 (17.6) million in Q2 2020
- Good visibility
  - Share of revenue from top 30 customers steady at 76%
  - High customer concentration signifies
    - Strategic relationships
    - Full range of services
    - Hybrid delivery across borders

Revenue customers split (in MNOK)



Largest customers' share of revenue

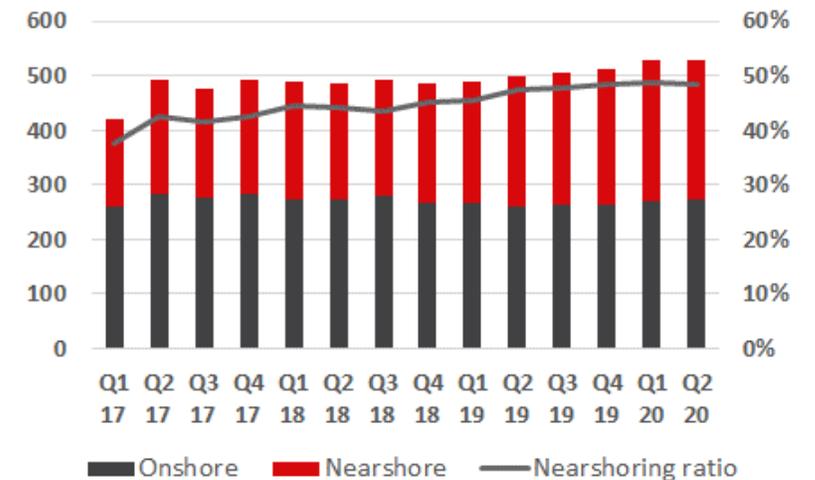


\* Existing customers defined as customers that were invoiced in the corresponding quarter last year  
 \*\* New customers defined as customers won since end of corresponding quarter last year

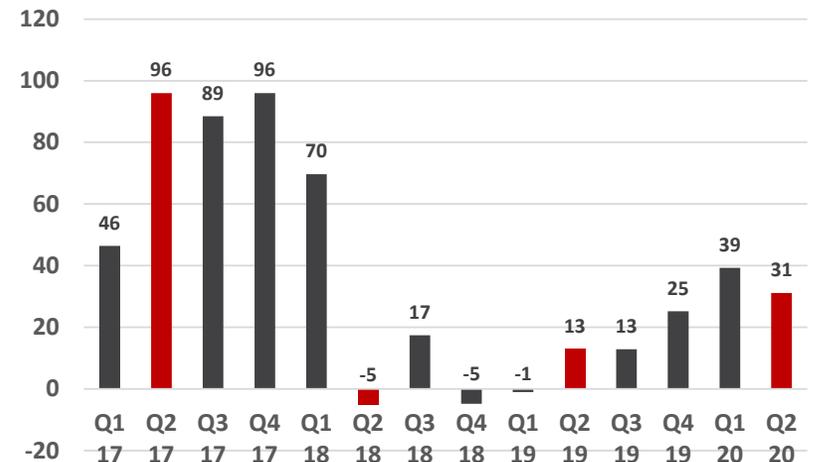
# SKILLED AND INNOVATIVE EMPLOYEES

- 530 employees at the end of the quarter
  - Up 3 from last quarter and 31 from same period last year
  - 6 quarters of sequential growth
- Nearshore ratio of 48% (48%)
  - Our hybrid delivery model of onshore and nearshore consultants are increasing our price competitiveness as well as providing a high degree of scalability through access to a very large resource pool

Number of employees end of quarter by shore



Year-over-year growth in no. of employees



# Financial review



# KEY FIGURES

	2020	2019	Change	2020	2019	Change	2019
NOK Million	<b>4-6</b>	4-6	%	<b>1-6</b>	1-6	%	FY
Sales revenue	<b>150.8</b>	143.3	5 %	<b>312.7</b>	286.1	9 %	560.3
Gross profit	<b>131.6</b>	122.1	8 %	<b>272.8</b>	244.7	11 %	483.0
Personnel expenses	<b>96.2</b>	87.9	9 %	<b>195.6</b>	178.2	10 %	348.3
Other opex	<b>9.6</b>	11.6	(18 %)	<b>22.0</b>	21.7	2 %	42.7
EBITDA	<b>25.8</b>	22.6	14 %	<b>55.1</b>	44.9	23 %	92.0
EBITDA margin	<b>17.1 %</b>	15.8 %	1.4 pts	<b>17.6 %</b>	15.7 %	1.9 pts	16.4 %
Depreciation	<b>10.0</b>	8.6	15 %	<b>20.0</b>	17.1	17 %	35.8
EBIT	<b>15.8</b>	13.9	14 %	<b>35.1</b>	27.8	26 %	56.2
EBIT margin	<b>10.5 %</b>	9.7 %	0.8 pts	<b>11.2 %</b>	9.7 %	1.5 pts	10.0 %
Net cash flow from operations	<b>40.2</b>	26.9	49 %	<b>47.7</b>	21.9	118 %	80.0
Cash and cash equivalents	<b>47.9</b>	44.1	9 %	<b>47.9</b>	44.1	9 %	53.1
Equity ratio	<b>18.6 %</b>	19.6 %	-1.1 pts	<b>18.6 %</b>	19.6 %	-1.1 pts	19.2 %
Employees at end of period	<b>530</b>	499	6 %	<b>530</b>	499	6 %	512
Employees in average	<b>529</b>	493	7 %	<b>524</b>	490	7 %	498

- Growth despite Covid-19 impact
- Cost savings mitigating impact and providing improved profitability
- Continued capacity growth
- Cash flow from operations seasonably strong, aided by government relief in terms of extended payment dates

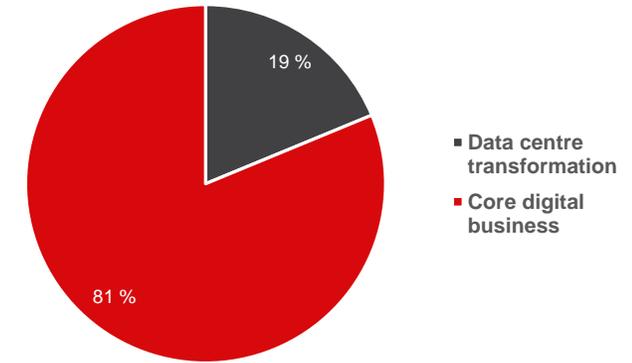
# BUSINESS SEGMENTS

Revenue growth	Q2	H1
Core digital business	5.2 %	10.0 %
Data centre transformation	5.5 %	6.3 %
<b>Total</b>	<b>5.2 %</b>	<b>9.3 %</b>

Gross profit growth	Q2	H1
Core digital business	8.3 %	12.6 %
Data centre transformation	4.5 %	4.2 %
<b>Total</b>	<b>7.8 %</b>	<b>11.5 %</b>

EBIT margin	Q2	H1
Core digital business	12.7 %	13.5 %
Data centre transformation	1.1 %	1.4 %
<b>Total</b>	<b>10.5 %</b>	<b>11.2 %</b>

Share of revenue



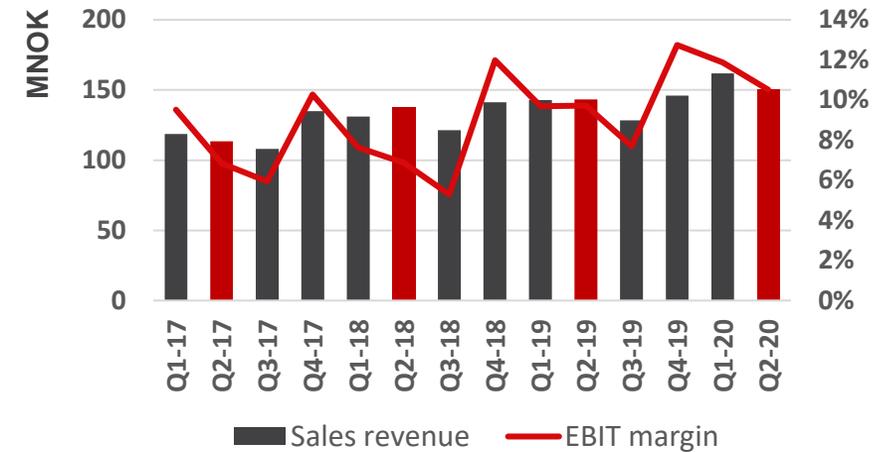
- Core digital business growing at high speed and profitability
- Traditional data centre operations under transformation to cloud services since our decision to move to cloud late 2018.
- The cloud market is growing at high speed and Itera's transformation will be accelerated next 6-12 months.

\*) The new managed cloud service offering has been included into core digital business after the initial investments in 2019. 2019 figures have been restated to new classification

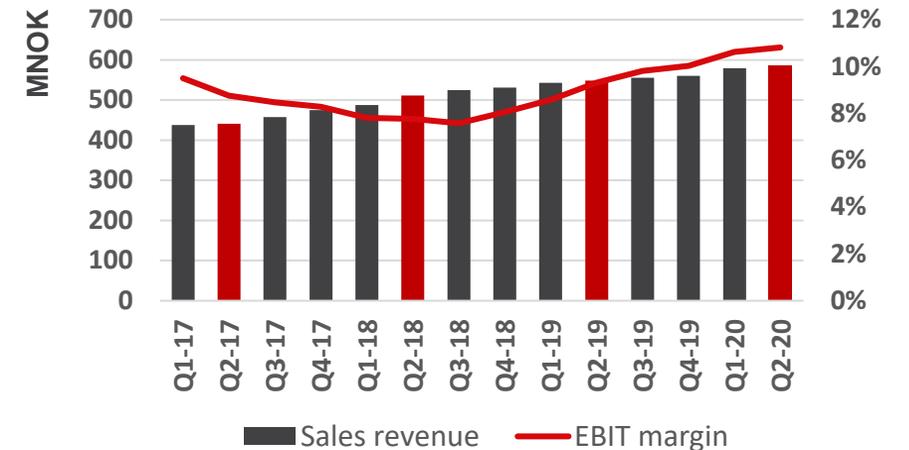
# REVENUE AND EARNINGS DEVELOPMENT

- Revenue increased by 5% to 151 MNOK and EBIT margin by 0.8 pts to 10.5%
- Last 12 months rolling revenue increased by 7% to 587 MNOK and EBIT by 24% to 63.5 MNOK. EBIT margin of 10.8% (9.3%)

Quarterly Revenue and EBIT margin



Last 12 months Revenue and EBIT margin



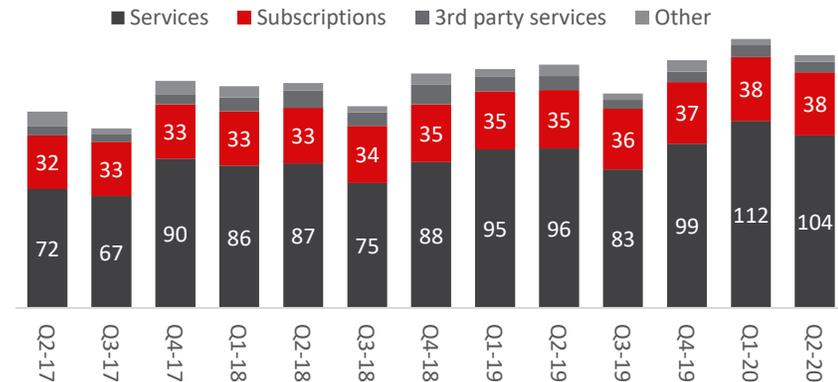
# REVENUE SPLIT

Revenue increased by 5% y-o-y

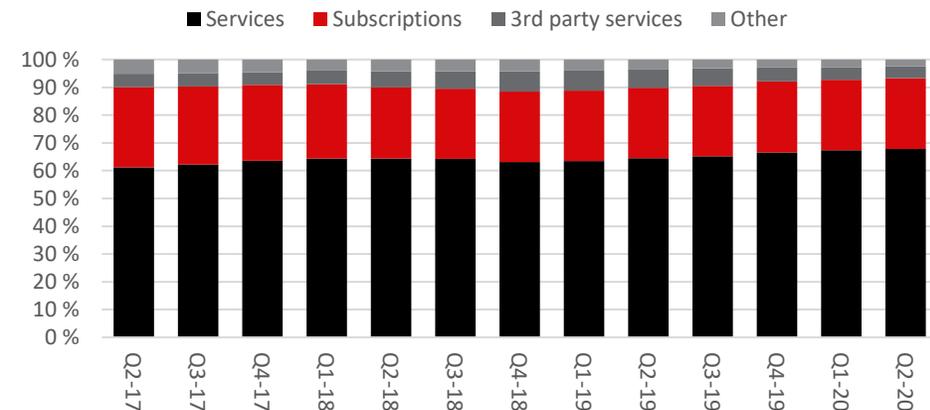
- Service revenues from own consultants increased by 8% to NOK 104 million
- Subscription revenue increased by 8% to NOK 38 million
- 3<sup>rd</sup> party service revenue decreased by 25% to NOK 6 million
- Other revenue, incl. HW/SW sales, decreased by 28% to NOK 3 million

Revenue split (quarterly figures)

NOK Million



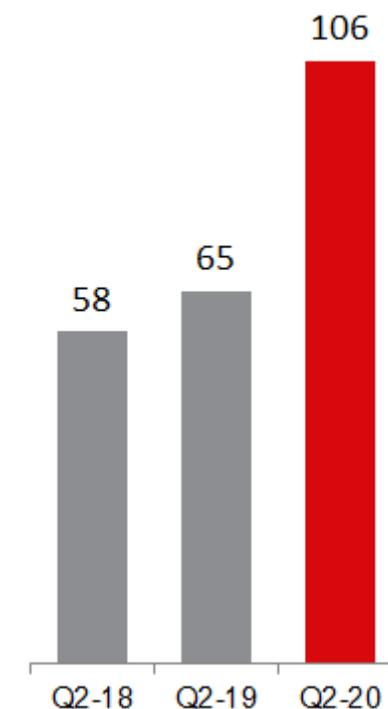
Revenue percentage split (rolling 12 months)



# STATEMENT OF CASH FLOW

NOK Million	2020 4-6	2019 4-6	2020 1-6	2019 1-6	2019 FY
Cash flow from operations (EBITDA)	25.8	22.6	55.1	44.9	92.0
Change in balance sheet items	14.4	4.4	(7.4)	(22.9)	(12.0)
<b>Net cash flow from operating activities</b>	<b>40.2</b>	<b>26.9</b>	<b>47.7</b>	<b>21.9</b>	<b>80.0</b>
<b>Net cash flow from investment activities</b>	<b>(3.9)</b>	<b>(8.0)</b>	<b>(7.7)</b>	<b>(5.4)</b>	<b>(18.8)</b>
Purchase of own shares	(18.2)	(22.6)	(18.8)	-	(0.1)
Sale of shares	2.3	2.9	2.3	2.1	2.1
Instalment of lease liabilities	(3.2)	(2.1)	(5.1)	(5.1)	(9.1)
External dividend paid	(16.3)	(20.5)	(16.3)	(20.2)	(44.7)
<b>Net cash flow from financing activities</b>	<b>(35.4)</b>	<b>(42.3)</b>	<b>(37.9)</b>	<b>(23.2)</b>	<b>(51.8)</b>
<b>Net change in bank deposits and cash</b>	<b>(2.8)</b>	<b>(28.7)</b>	<b>(5.2)</b>	<b>(11.2)</b>	<b>(2.2)</b>
<b>Bank deposits at the end of the period</b>	<b>47.9</b>	<b>44.1</b>	<b>47.9</b>	<b>44.1</b>	<b>53.1</b>
New borrowing related to leasing	1.3	0.2	1.9	3.3	11.5

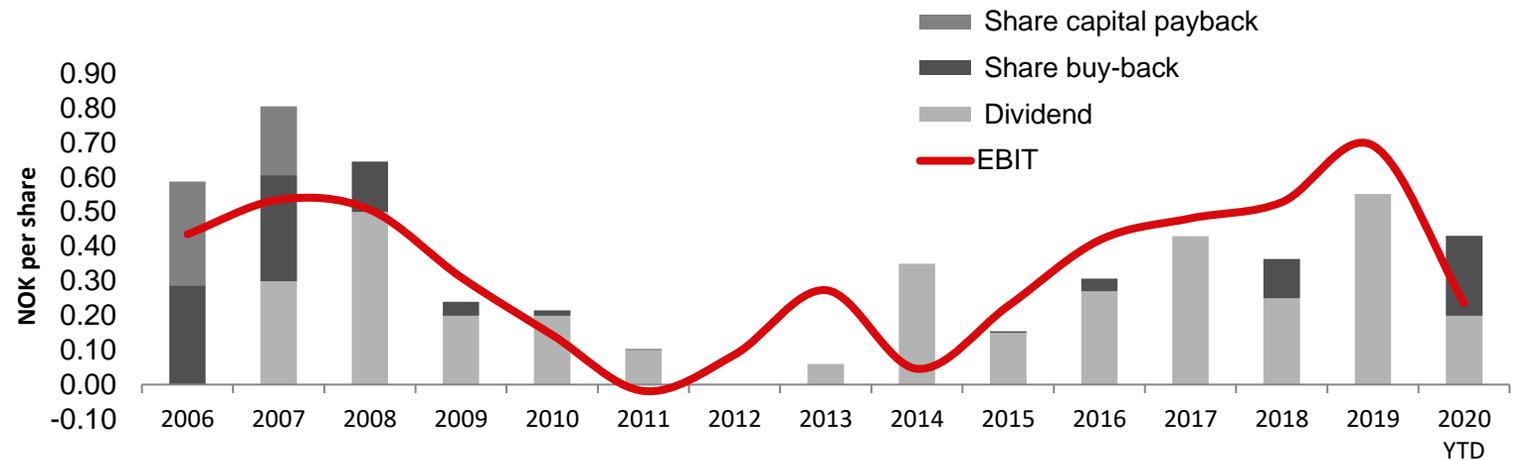
12 month rolling  
cash flow from operations  
(NOK Million)



- Cash flow from operations NOK 40.2 (26.9) million in Q2
- 12 month rolling cash flow from operations was NOK 106 million

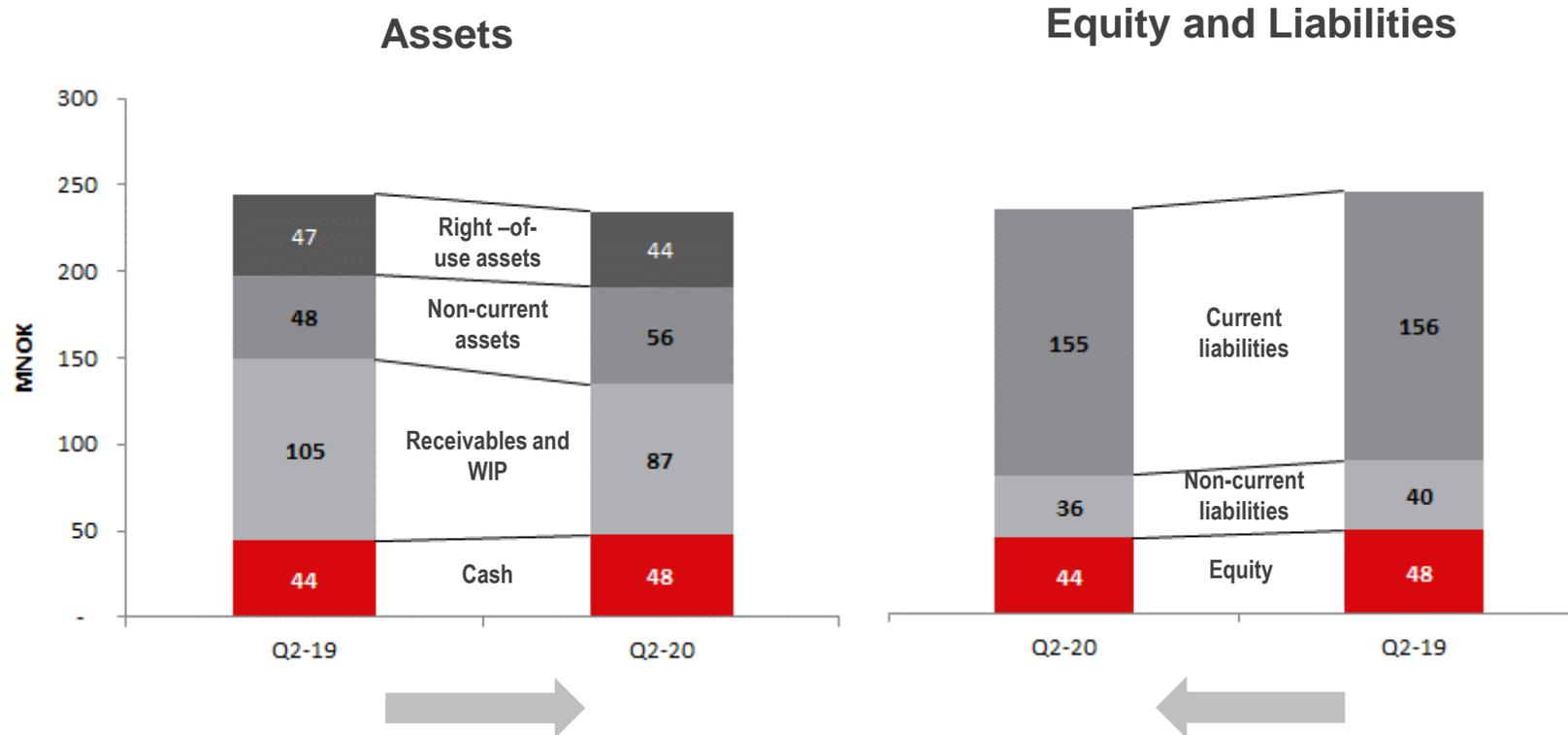


- An ordinary dividend of NOK 0.20 per share was paid on 4 June 2020
- Share price was NOK 11.55 at the end of Q2 2020, an increase of 48% (52% incl. dividends) from NOK 7.80 at the end of Q2 2019.
- Current holding of own shares is 1,691,594 shares, a net increase of 856,537 in the quarter
- Consistent high distribution of earnings



# STATEMENT OF FINANCIAL POSITION

- Equity ratio of 19% (20%) per 30 June (23% excl. IFRS 16 Leasing)
- Cash balance of MNOK 48 (MNOK 44)





# Outlook



- Recovery in many sectors with the re-openings in the Nordics, but still high global uncertainty due to Covid-19.
- Underlying attractive market with high demand for digitalisation in all Nordic markets.
- Itera well positioned to gain market shares through attractive hybrid delivery model
- Accelerating transformation of own data centres to the cloud with some potential one-offs and increased investments next 6-12 months.
- Profitable growth and cash flow are key focus areas
- Larger projects and customers expected to continue to increase revenue visibility, efficiency and scalability

Itera does not provide guidance to the market on future prospects.

# Q&A session

# TOP 20 SHARE- HOLDERS

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS*	28.35	NOR	23 297 854
2	OP CAPITAL AS	5.41	NOR	4 443 357
3	GIP AS	4.62	NOR	3 800 000
4	DnB NOR Bank ASA	4.08	NOR	3 350 000
5	EIKESTAD AS	4.03	NOR	3 310 000
6	SEPTIM CONSULTING AS	3.52	NOR	2 890 000
7	BOINVESTERING AS	3.21	NOR	2 640 000
8	GAMST INVEST AS	2.85	NOR	2 344 927
9	JØSYRA INVEST AS	2.68	NOR	2 200 000
10	MARXPIST INVEST AS	2.47	NOR	2 031 588
11	VERDIPAPIRFONDET STOREBRAND VEKST	2.00	NOR	1 641 189
12	ITERA ASA	1.59	NOR	1 305 136
13	FRAMAR INVEST AS	1.12	NOR	921 489
14	AANESTAD PANAGRI AS	1.10	NOR	900 000
15	HØGBERG	0.95	NOR	782 045
16	ALTEA PROPERTY DEVELOPMENT AS	0.85	NOR	700 000
17	JENSEN	0.79	NOR	652 800
18	NYVANG	0.77	DEN	630 000
19	GRØSLAND	0.74	NOR	610 000
20	MORTEN JOHNSEN HOLDING AS	0.73	NOR	600 000
<b>TOP 20</b>		<b>71.85</b>		<b>59 050 385</b>

\*Arne Mjøs Invest AS holds a future contract expiring 18 September 2020 on 3,350,000 shares at an average price of NOK 9.1427 per share. The total controlling interest of Arne Mjøs is thus 26,647,852 shares (32.4%).

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