

ITERA

Q3  
2021

*Make a difference*



# Agenda

1. Highlights of the Quarter
2. Business Review
3. Financial Review
4. Outlook
5. Q & A

**Arne Mjøs**  
CHIEF EXECUTIVE OFFICER



**Bent Hammer**  
CHIEF FINANCIAL OFFICER



01

Highlights

Q3 2021



# Q3 in brief

**27%**

Growth in core digital business

Attractive market driven by sustainability and digitalisation in all industries

Leveraging our 15 MNOK investments in world class Delivery Factory at Scale and Cloud Centre of Excellence

Largest provider of services to Cognite and Aize and gold sponsor of Ignite 2021

Successful summer internship projects for 27 master's students during the summer

**10%**

Operating margin in core digital business

Book-to-bill of 0.9 in Q3 and 1.1 last 12 months

Number of employees increased by 50 in Q3 and 103 last 12 months

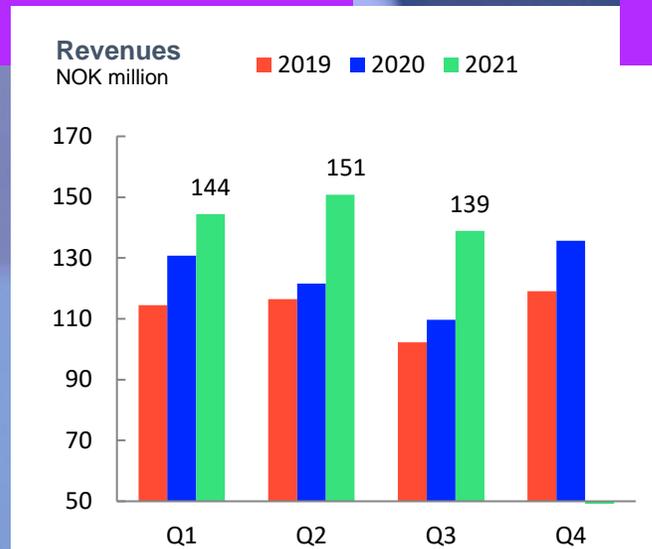
12 month rolling cash flow from operations of NOK 77 million

Additional dividend of NOK 0.10 per share

# Key figures core digital business

**27%**

Organic revenue growth



**21%**

Growth in number of employees



**10.4%**

Operating margin



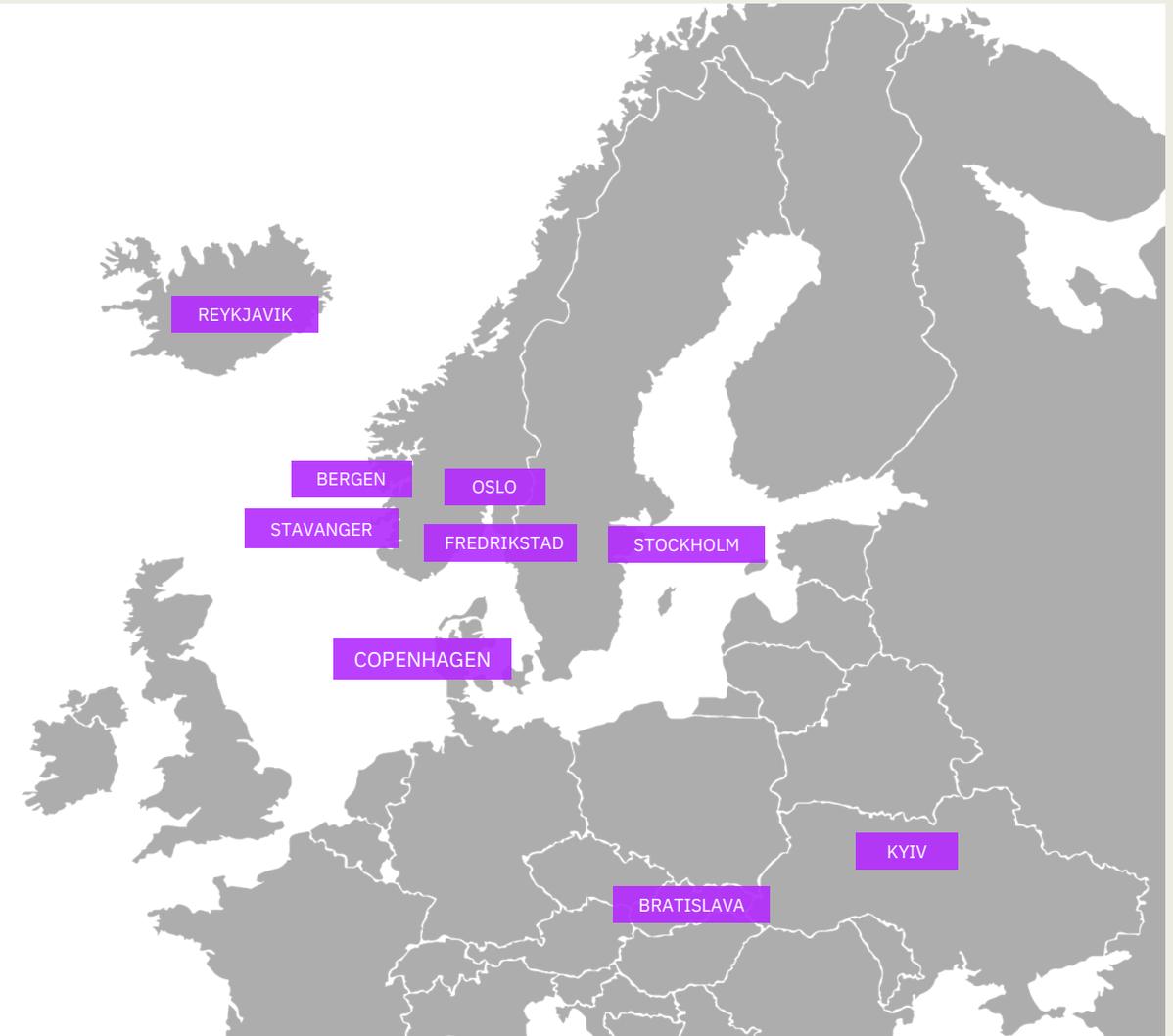
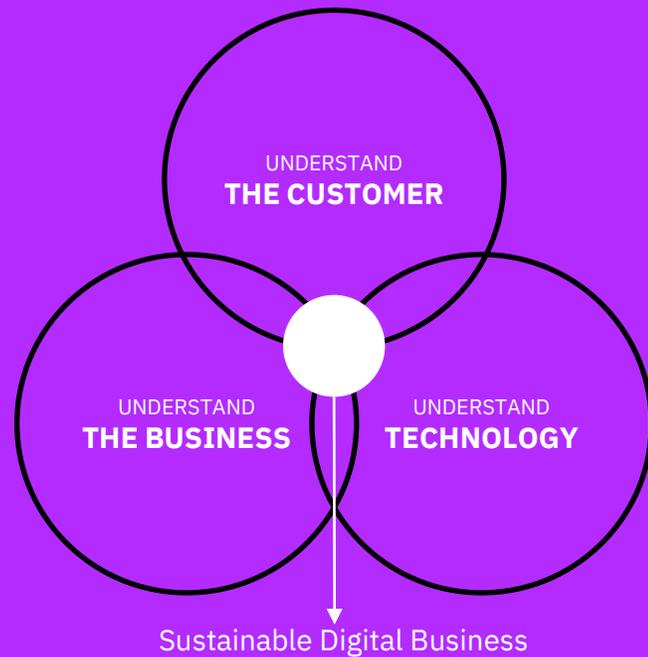
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# Business review



# Specialist in creating sustainable digital business

At Itera, we share a commitment to make a **positive difference in the world**. As a society, the most urgent challenge we face is how to live and work sustainably

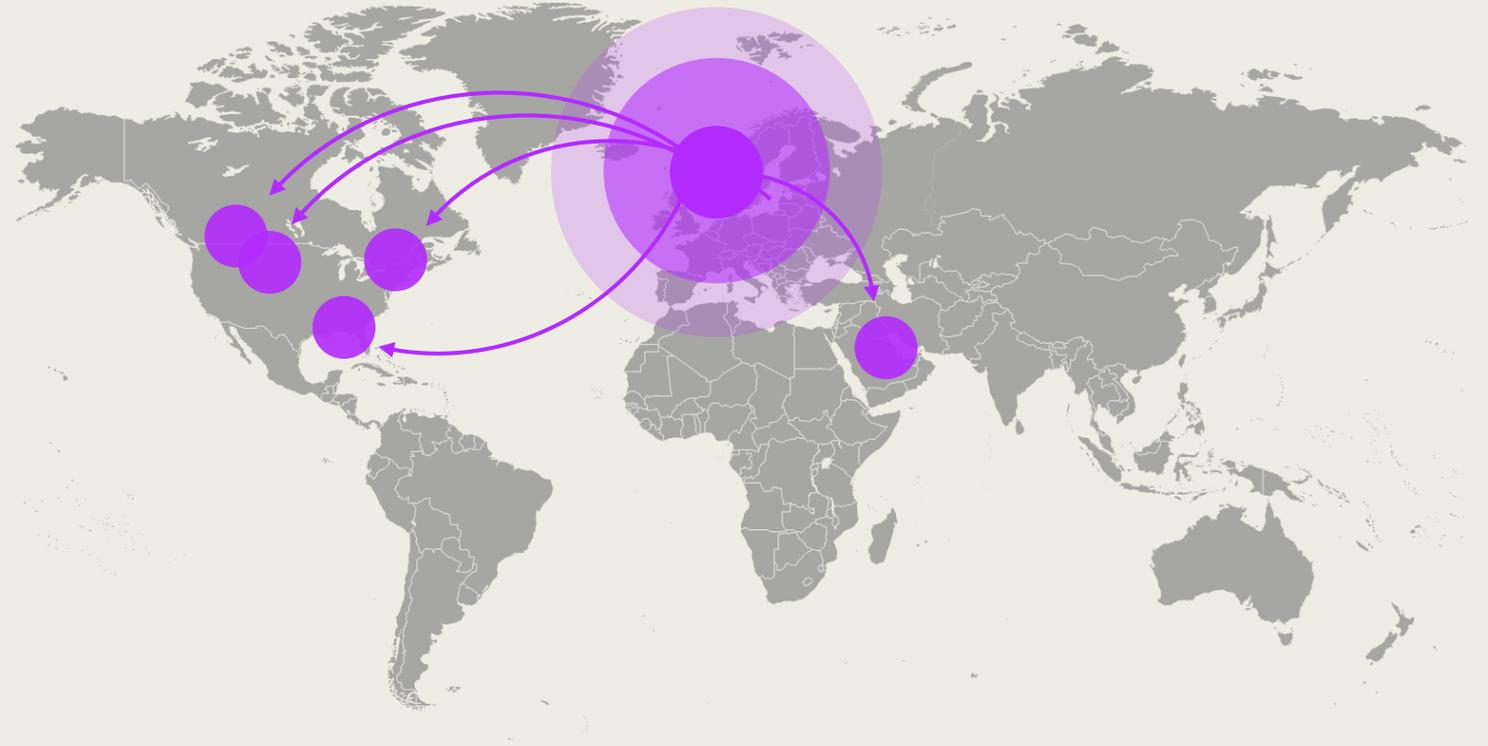


# We are following our customers around the world

We help international customers and partners across borders through our **Delivery Factory at Scale** and **Cloud Centre of Excellence** to transform into sustainable business.

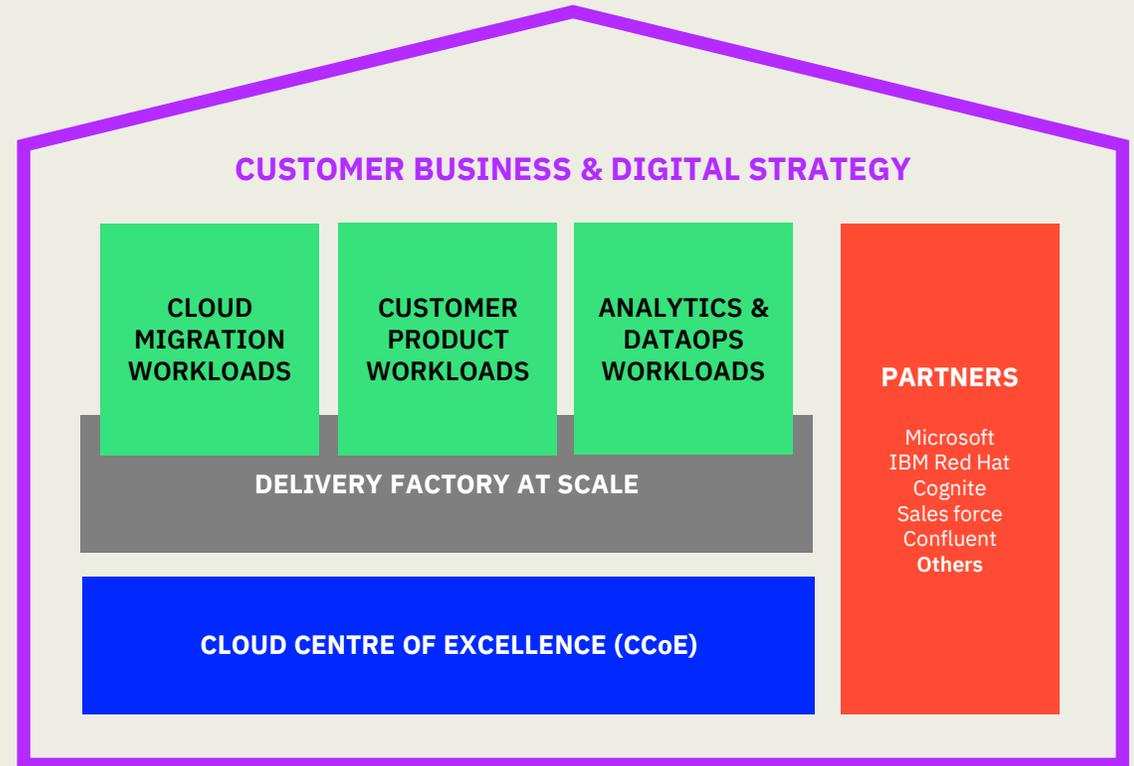
The Nordics is often positioned as a digital and sustainable front-runner, showing the way globally.

Our Delivery Factory at Scale with cross-functional teams across borders was recognised as **best in the world** by Global Sourcing Association in 2018.



# Delivery Factory at Scale for data-driven businesses

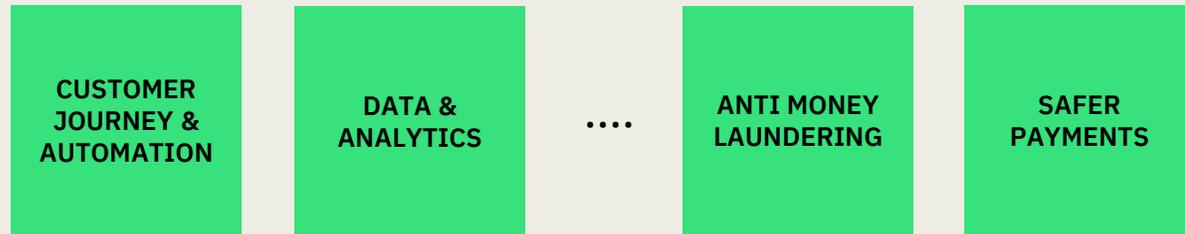
- Innovation** → **Faster business innovation** through autonomous teams and adoption of cloud services
- Speed/Agility** → **Business agility and reduced time-to-market** through efficient DevSecOps teams
- Costs** → **Efficient use** of distributed delivery across borders and public cloud scale
- Control** → **Secure, predictable and flexible** service delivery and operations capability end to end



# Go-to-market model for main segments

## B2C

BANKING, FINANCE & INSURANCE

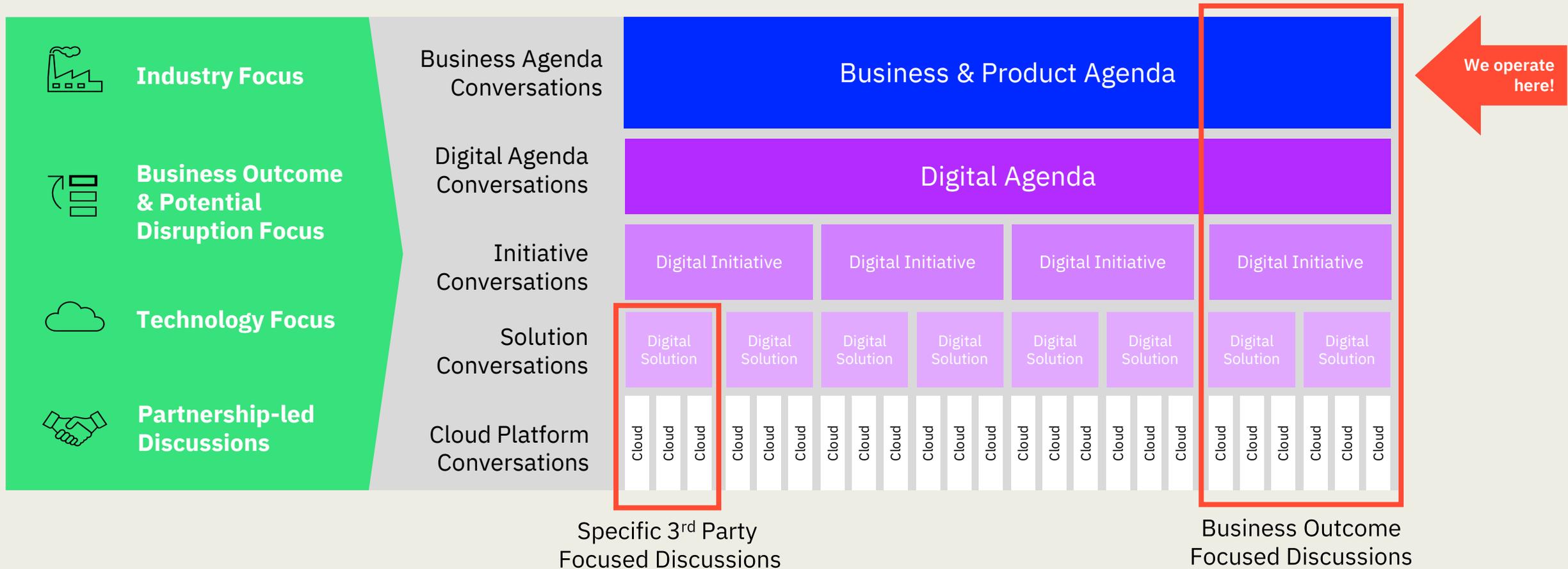


## B2B

HEAVY ASSETS & PROCESS INDUSTRIES



# Creating full end-to-end understanding for value creation



# Itera and Aize join forces towards the 4<sup>th</sup> industrial revolution



# Itera was gold sponsor at Ignite 2021

**Ignite is the world's leading industrial conference hosted by Cognite with more than 10.000 participants.**

Itera played an important role in the conference and had, among other contributions, two speakers on stage.

The conference gathers leaders from all over the world to present and discuss the most challenging issues that various industries face to become sustainable towards 2050, with a special focus on the energy sector.



# Data-driven business report: using data as a strategic asset

**Itera launched a report where we examined how Norwegian organisations use data as a strategic asset, which practices hallmark those who succeed and how to practically enable data-driven business at scale.**

Our findings show that many businesses are working diligently towards a data-driven transformation.

Still, the difficulty of scaling data initiatives beyond "proof of concepts" and integrating fact-based decision making into the organisation's strategy, culture, and business models remain a key challenge for most organisations.

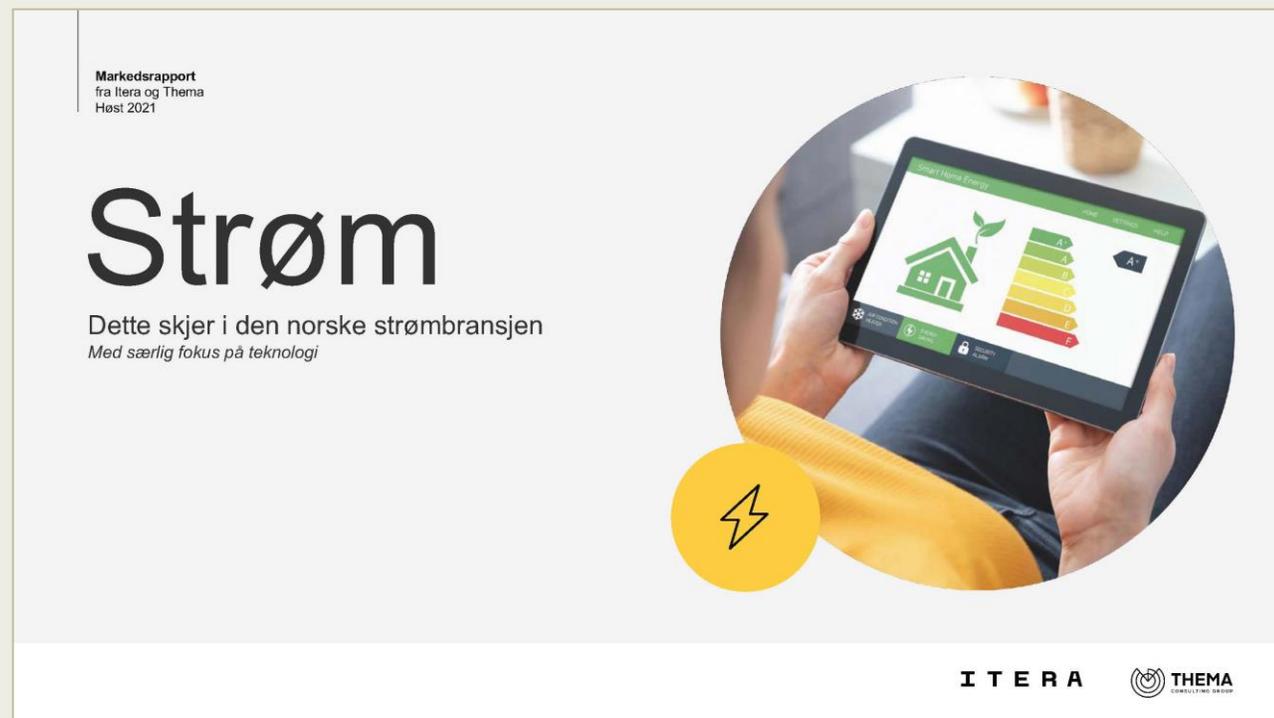


# Market report for the Norwegian energy market

**Every six months, Itera prepares a comprehensive report covering the Norwegian energy market together with Thema Consulting.**

The report covers the most essential parts of the market dynamic: market development, product overview and changes, customer preferences, pricing strategies, and governmental regulations. The report includes examples and deep dive descriptions from national and international energy companies.

The report is sold as a subscription product, and key findings are presented at different conferences, webinars, and podcasts or referred to by journalists.



# Sector Alarm teams up with Itera to increase scalability

**Sector Alarm is one of Europe's leading safety providers with 600,000 customers. Providing excellent customer service is extremely important to enable their consistent 95% customer satisfaction rating.**

Through a well conducted RFP process, Sector Alarm has chosen Itera as their partner for modernisation of their CRM solution.

A multi-disciplined team from Itera provides services within project management, architecture, user experience, development, design and testing.

The engagement is fully based on our distributed delivery model across borders to increase speed, scalability and cost efficiency for Sector Alarm.



# Summer internships

**During the summer, 27 master's students were engaged in four customer projects at Itera Norway**

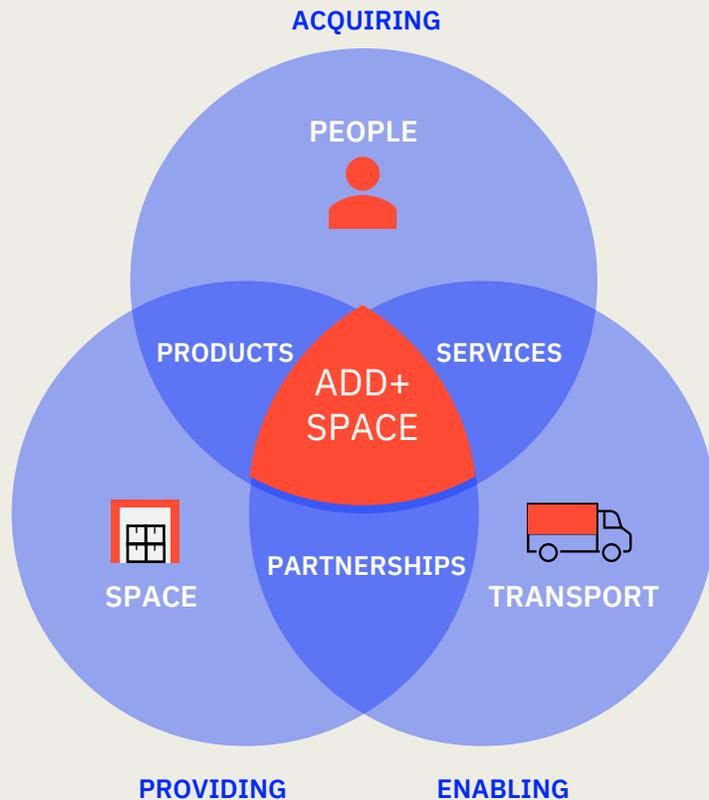
The students were divided into multi-disciplined teams of business consultants, developers, UX specialists and testers.

New technology was applied for a wide range of innovative solutions and services.

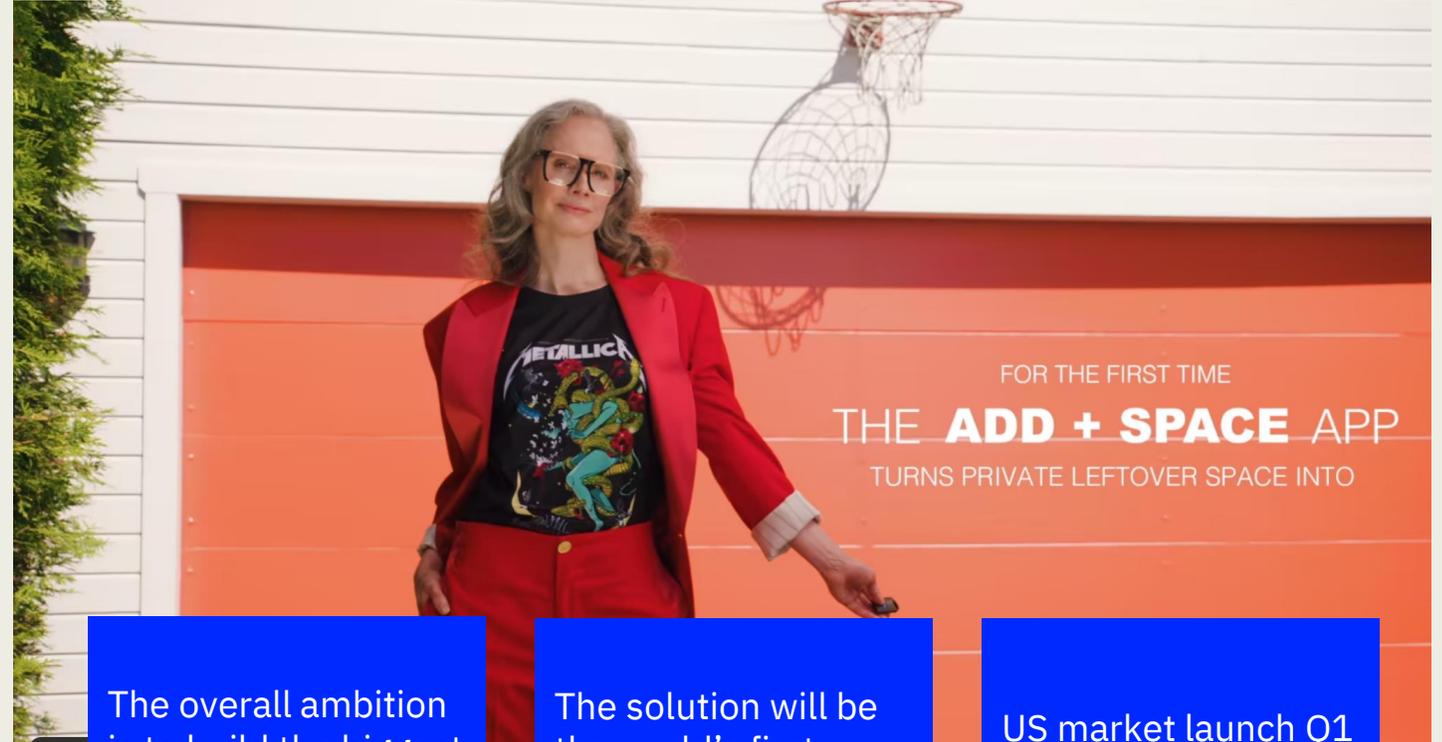


# Disrupting the global self-storage industry through technology

## Summer internship for ADD+SPACE



The ADD+SPACE platform is turning three different actors into one seamless ecosystem.



The overall ambition is to build the biggest self-storage company in the world, not owning any storage room.

The solution will be the world's first virtual and sustainable self-storage for physical things.

US market launch Q1 2022. Offensive rollout in US and Europe the following 5 years.

# Order intake

## Order intake from selected new and existing customers

Book-to-bill ratio\*) of 0.9 in Q3 for core digital business and 1.1 for the last 12 months

**SECTOR  
ALARM**)))

  
DNV

 **Santander**

**Statnett**

 **xledger**

 **link mobility**

 **fotoware**

  
COGNITE

**Kredinor**

Gjensidige 

 **Distribution  
Innovation**

**ADD  
+SPACE**





 **storebrand**

 **ÖSSUR**®

**ALP**

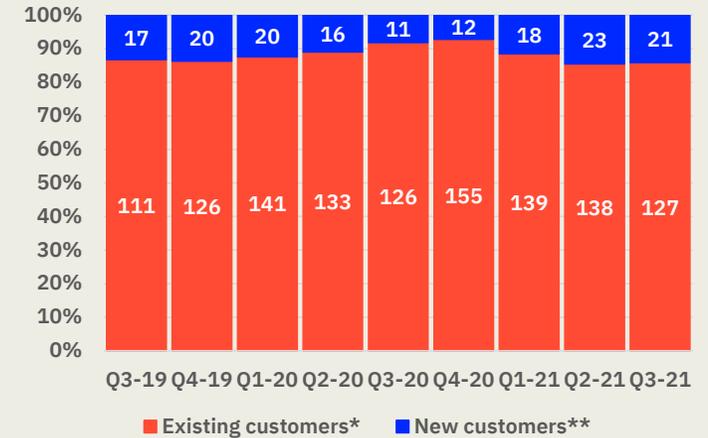
  
PANDION ENERGY

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

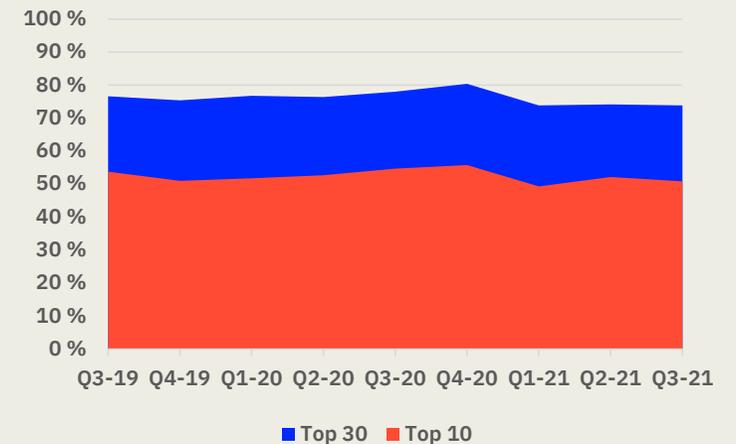
# Customer development

- New business
  - Existing customers accounted for 85.8% (91.8%) of revenues in Q3 2021
  - New customers won over the past year generated revenues of NOK 20.9 (11.2) million in Q3 2021 (14.2%)
- Good visibility
  - Share of revenue from top 30 customers 77% (78%)
  - High customer concentration signifies
    - Strategic relationships
    - Full range of services
    - Distributed delivery across borders

Revenue customers split (in MNOK)



Largest customers' share of revenue



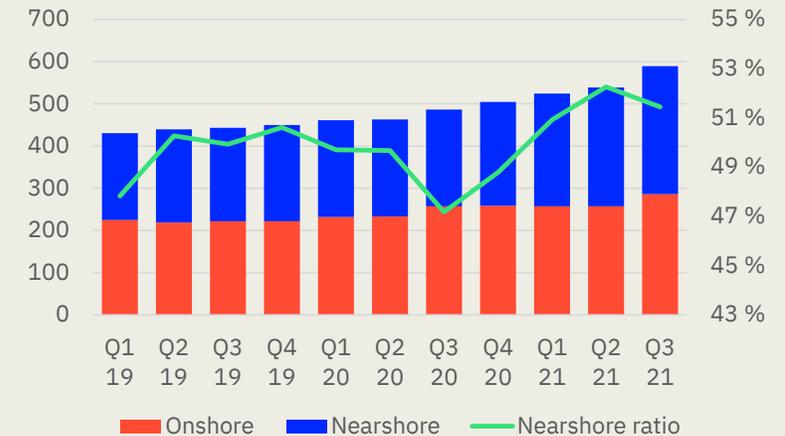
\* Existing customers defined as customers that were invoiced in the corresponding quarter last year

\*\* New customers defined as customers won since end of corresponding quarter last year

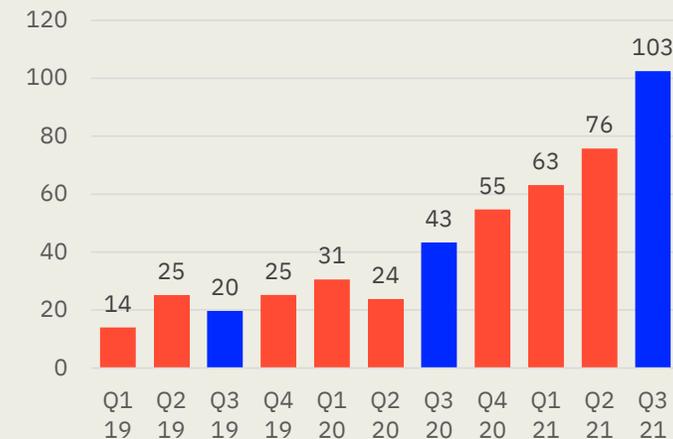
# Skilled and innovative employees in core digital business

- 589 employees at the end of the quarter
  - Up by 50 in the quarter
  - Up by 103 (43) last twelve months
  
- Nearshore ratio of 51% (46%)
  - Our distributed delivery model of onshore and nearshore consultants are increasing our price competitiveness as well as providing high scalability through access to a very large talent pool

Number of employees end of quarter by shore



Rolling 12 months net FTE growth



# 03

# Financial review



# Financial reporting 2021

- Given the sunseting of the data centre operations, focus for our financial reporting is on the **core digital business**, including the investment in the Cloud Centre of Excellence.

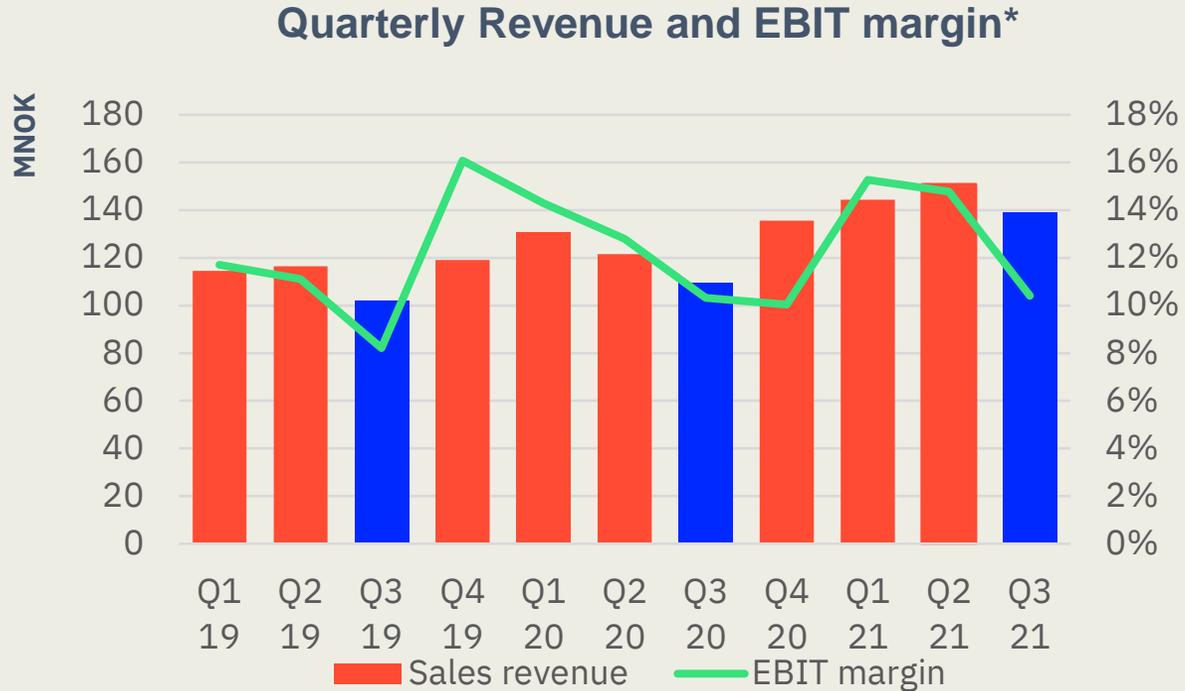


# Key financials core digital business

	2021	2020	change	change
Amounts in NOK million	7-9	7-9		%
Sales revenue	138.9	109.7	29.3	26.7 %
Cost of sales	10.0	7.9	2.0	25.4 %
Gross profit	129.0	101.7	27.3	26.8 %
<i>Gross margin</i>	92.8 %	92.8 %	0,1 pts	0,1 pts
Personnel expenses	96.8	73.2	23.6	32.2 %
Other operating expenses	11.2	9.4	1.8	19.0 %
Depreciation and amortisation	6.5	7.8	-1.2	-16.0 %
Total operating expenses	124.5	98.3	26.1	26.6 %
EBITDA	21.0	19.1	1.9	10.0 %
<i>EBITDA margin</i>	15.1 %	17.4 %	-2.3 pts	-2.3 pts
EBIT	14.5	11.3	3.1	27.8 %
<i>EBIT margin</i>	10.4 %	10.3 %	0.1 pts	0.1 pts
No. of employees at the end of the period	589	487	103	21.1 %

- Strong growth of 27% fuelled by some major new accounts and more subcontractors
- Personnel expenses include a double annual salary adjustment (last year postponed until Q4) and return of social events
- Opex increase from recruitment fees and new SK office
- Depreciation down due to office sublease and end-of-life R&D assets
- EBIT up 28% to MNOK 14.5
- EBIT margin of 10.4% (10.3%)
- No. of FTEs up 103 to 589

# Revenue and earnings development



- Strong sales growth year over year
- Q3 margins seasonally lower due to vacations and additionally by high recruitment
- Quarterly figures are impacted by number of working days net of vacations

# Subscription revenue from data centre operations



- Subscription revenue from data centre operations will continue to drop as customers are migrated to cloud or exited
- Freed up resources will be available to help new customers on their cloud journey



# Segment reporting

Amounts in NOK million	7-9 2021			7-9 2020			Growth			Year-to-date growth		
	Core digital business (94%)	Data centre operations (6%)	Total	Core digital business (80%)	Data centre operations (20%)	Total	Core digital business	Data centre operations	Total	Core digital business	Data centre operations	Total
Sales revenue	138.9	8.5	147.5	109.7	27.6	137.3	26.7 %	-69.0 %	7.4 %	20.0 %	-63.9 %	3.8 %
Cost of sales	10.0	3.9	13.9	7.9	8.0	15.9	25.4 %	-50.8 %	-12.8 %	35.3 %	-53.1 %	-11.6 %
Gross profit	129.0	4.6	133.6	101.7	19.6	121.4	26.8 %	-76.4 %	10.1 %	18.8 %	-69.3 %	6.0 %
<i>Gross margin</i>	92.8 %	54.1 %	90.6 %	92.8 %	71.1 %	88.4 %	0.1 pts	-17 pts	2.2 pts	-0.9 pts	-10 pts	1.8 pts
Personnel expenses	96.8	6.9	103.7	73.2	13.1	86.3	32.2 %	-47.1 %	20.1 %	22.6 %	-42.8 %	12.6 %
Other operating expenses	11.2	1.2	12.5	9.4	1.0	10.4	19.0 %	23.6 %	19.4 %	1.1 %	-1.1 %	0.8 %
Depreciation and amortisation	6.5	1.0	7.5	7.8	2.3	10.1	-16.0 %	-57.1 %	-25.5 %	-18.4 %	-52.1 %	-25.8 %
Total operating expenses	124.5	13.1	137.5	98.3	24.4	122.7	26.6 %	-46.4 %	12.1 %	18.6 %	-45.2 %	5.5 %
EBITDA	21.0	-3.5	17.5	19.1	5.5	24.6	10.0 %	-163.7 %	-29.1 %	12.9 %	-200.4 %	-15.6 %
<i>EBITDA margin</i>	15.1 %	-41.3 %	11.8 %	17.4 %	20.0 %	17.9 %	-2.3 pts	-61.3 pts	-6.1 pts	-1.1 pts	-46.8 pts	-3.3 pts
EBIT	14.5	-4.5	10.0	11.3	3.2	14.5	27.8 %	-240.3 %	-31.6 %	29.1 %	-443.9 %	-9.4 %
<i>EBIT margin</i>	10.4 %	-52.9 %	6.7 %	10.3 %	11.7 %	10.6 %	0.1 pts	-64.5 pts	-3.8 pts	1 pts	-49.3 pts	-1.4 pts

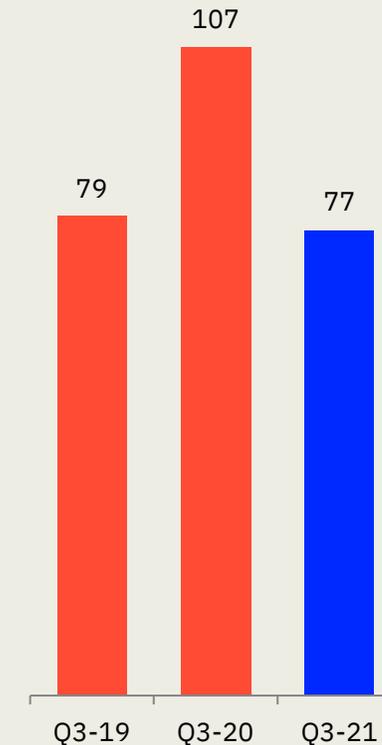
- Data centre operations revenue MNOK 8.5 (-69%)
- Decline in data centre operations revenue more than mitigated by growth in core digital business

# Statement of cash flow

NOK Million	2021 7-9	2020 7-9	2021 1-9	2020 1-9	2020 FY
Cash flow from operations (EBITDA)	17.5	24.6	67.3	79.7	108.9
Change in balance sheet items	(1.8)	(8.2)	(26.3)	(16.2)	(9.7)
<b>Net cash flow from operating activities</b>	<b>15.6</b>	<b>16.4</b>	<b>41.0</b>	<b>63.5</b>	<b>99.2</b>
<b>Net cash flow from investment activities</b>	<b>(6.5)</b>	<b>(4.5)</b>	<b>(26.1)</b>	<b>(12.2)</b>	<b>(17.0)</b>
Purchase of own shares	-	-	(23.5)	(18.2)	(18.2)
Sale of shares	-	3.6	8.4	5.9	8.0
Principal elements of lease payments	(2.9)	(5.7)	(14.5)	(18.1)	(22.6)
Instalment of sublease receivable	0.9	-	2.7	-	-
External dividend paid	-	-	(19.8)	(16.3)	(48.0)
<b>Net cash flow from financing activities</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>(46.7)</b>	<b>(46.7)</b>	<b>(80.9)</b>
<b>Net change in bank deposits and cash</b>	<b>7.2</b>	<b>9.9</b>	<b>(31.8)</b>	<b>4.6</b>	<b>1.3</b>
<b>Bank deposits at the end of the period</b>	<b>22.6</b>	<b>57.7</b>	<b>22.6</b>	<b>57.7</b>	<b>54.4</b>
New borrowing related to leasing	-	0.5	-	2.4	2.4

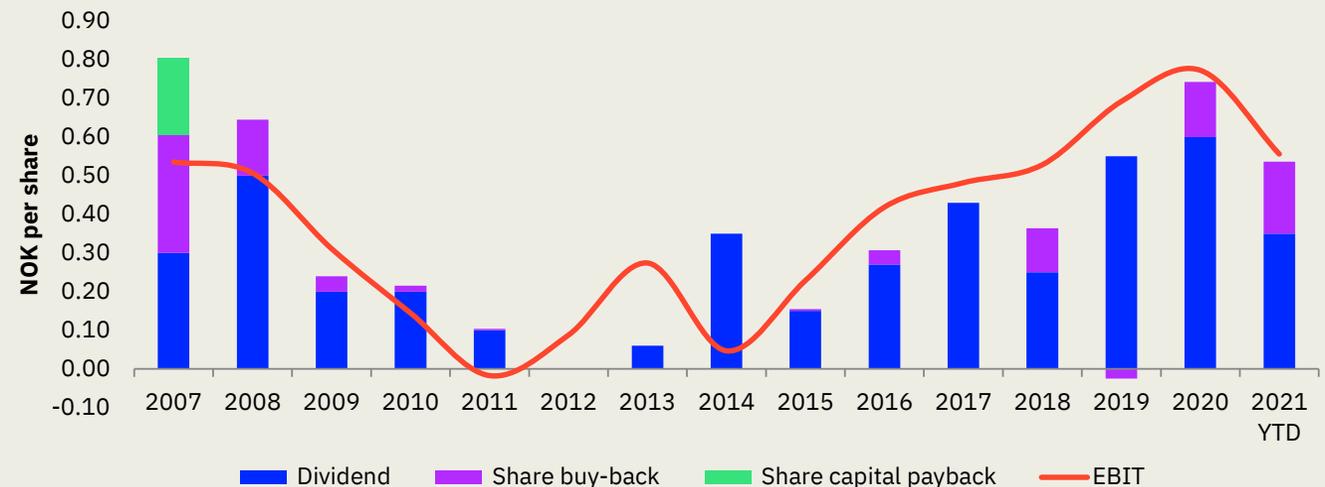
- Cash flow from operations NOK 15.6 (16.4) million in Q3
- 12 month rolling cash flow from operations was NOK 77 million

**12 month rolling  
cash flow from operations  
(NOK Million)**



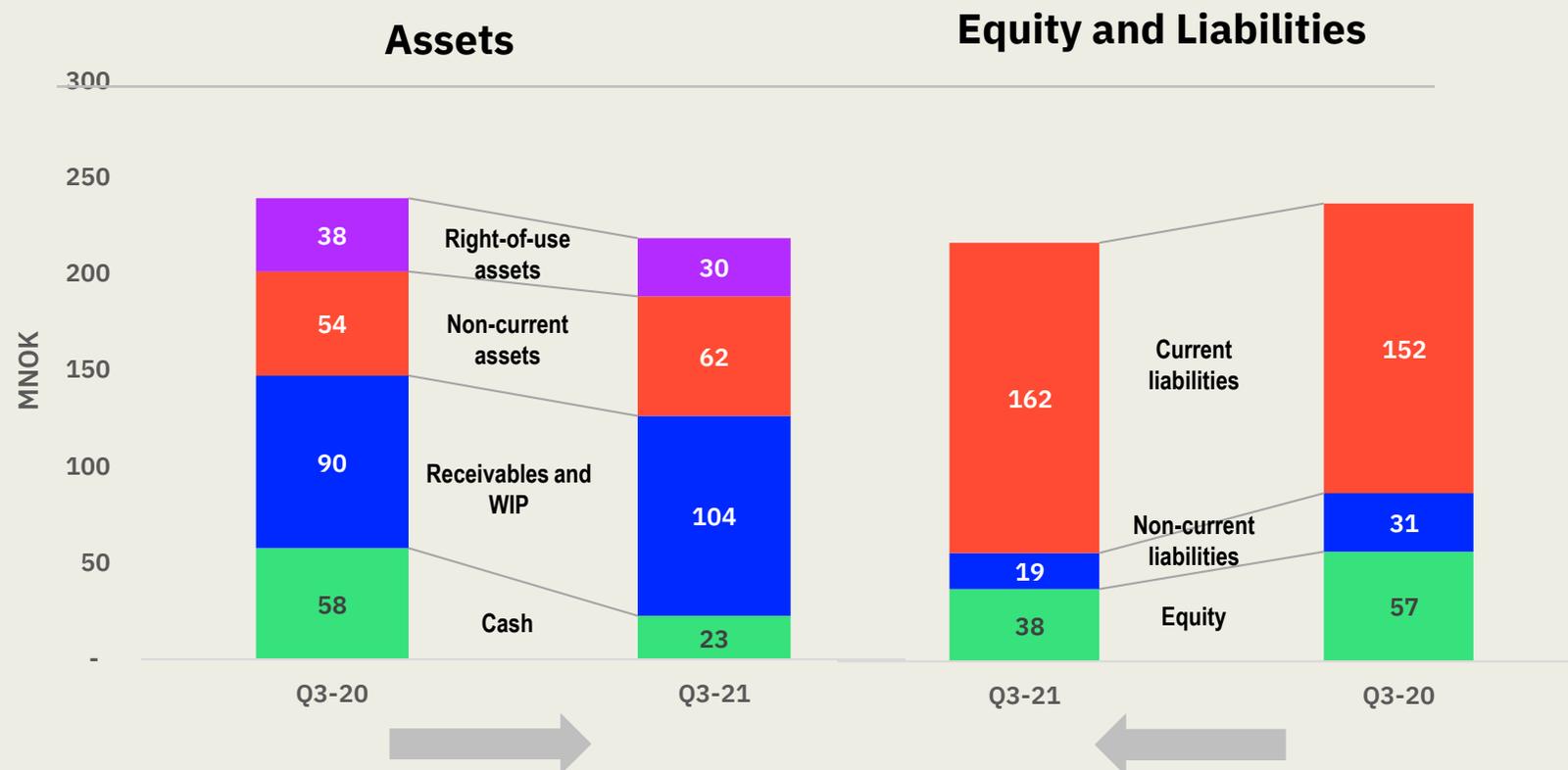
# Dividend and own shares

- An supplementary dividend of NOK 0.10 per share based on 2020 results has been approved by the Board for payment in December. Total dividend for 2020 is NOK 0.35 per share.
- Share price was NOK 15.7 at the end of Q3 2021, an increase of 13% (17% incl. dividends) from NOK 13.95 at the end of Q3 2020.
- Current holding of own shares is 1,637,006 shares. Value at 30 September 2021 was MNOK 25.7
- Consistent high distribution of earnings



# Statement of financial position

- Equity ratio of 17% (24%) per 30 September 2021
  - 20% excl. IFRS 16 Leasing
- Cash balance of MNOK 23 (MNOK 58)
- Total balance reduced by MNOK 21 to MNOK 219



# 04 Outlook



# Outlook

**Attractive** market driven by sustainability and digitalisation after Covid-19.

**Strong position** through its end-to-end services, world-class distributed delivery and industrial partnerships.

**Core digital business** will continue to grow at full speed. Profitable growth and cash flow are key focus areas.

**Transforming** own data centres to the cloud with short-term revenue drop.

**Regional expansion** in the Nordics for proximity to more customers and talents

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

# 05 Q&A



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Make a  
difference!



# Top 20 shareholders

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS*	30.01	NOR	24 663 031
2	OP CAPITAL AS	5.54	NOR	4 551 083
3	GIP AS	5.05	NOR	4 153 420
4	EIKESTAD AS	4.20	NOR	3 450 000
5	SEPTIM CONSULTING AS	3.57	NOR	2 930 000
6	BOINVESTERING AS	3.27	NOR	2 686 968
7	DnB NOR Bank ASA*	3.16	NOR	2 600 000
8	GAMST INVEST AS	3.06	NOR	2 517 867
9	JØSYRA INVEST AS	2.68	NOR	2 200 000
10	ITERA ASA	1.99	NOR	1 637 006
11	DZ Privatbank S.A.	1.56	LUX	1 280 000
12	VERDIPAPIRFONDET STOREBRAND VEKST	1.33	NOR	1 092 539
13	HØGBERG	1.18	NOR	967 959
14	FRAMAR INVEST AS	1.13	NOR	925 000
15	AANESTAD PANAGRI AS	1.10	NOR	900 000
16	ALTEA PROPERTY DEVELOPMENT AS	0.85	NOR	700 000
17	GRØSLAND	0.77	NOR	630 000
18	JENSEN	0.75	NOR	620 460
19	NYVANG	0.75	DEN	615 000
20	MORTEN JOHNSEN HOLDING AS	0.73	NOR	600 000
<b>TOP 20</b>		<b>72.66</b>		<b>59 720 333</b>

\*Arne Mjøs Invest AS holds a future contract on 2,600,000 shares. The total controlling interest of Arne Mjøs is thus 27,263,031 shares (33.2%).

