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Interim Q3 Report 2023

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Overall

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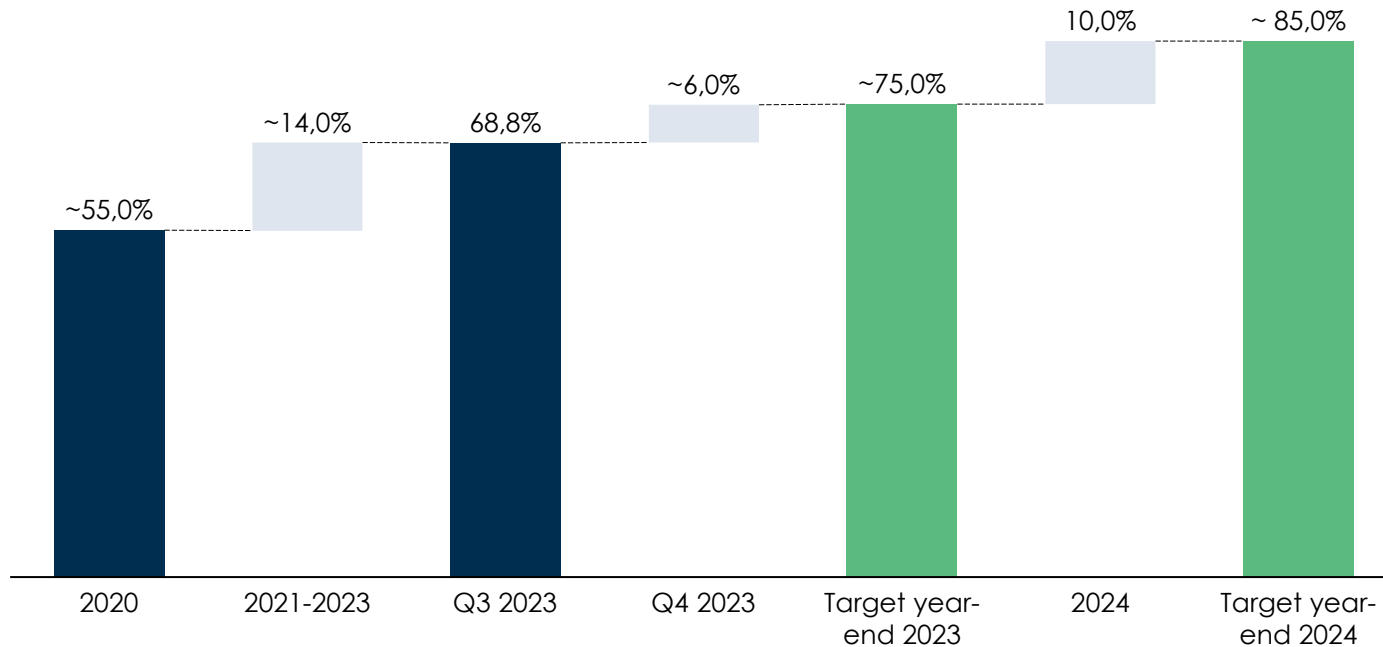
Peter Lauring  
CEO



Mads Skovgaard  
CFO



# Ownership strategy



2024 going towards 85% ownership in the relevant subsidiaries

# Comments

- Expected ~85% ownership share in subsidiaries – by the end 2024
- Increase Group share of Cash Flow
- Acquisitions after June 2022 not affected for now

# 2023 Highlights

- **Macroeconomic – political conditions affect IT revenue, whereas F&A is doing well**
- **Opposite of the situation during Corona**
- **Resilient business model**
- **YTD – 23% growth / 6.7% organic**
- **IT growth – next 3 – 6 months**
- **Steady (improved) EBITDA margin**
- **FCF growth**

(NOKm)	Q3 2023	Q3 2022	Growth	YTD 2023	YTD 2022	Growth
Revenue	766	645	18.6%	2,506	2,034	23.1%
COGS	-136	-126	8.6%	-457	-385	18.8%
<b>Gross Profit</b>	<b>630</b>	<b>519</b>	<b>21.3%</b>	<b>2,049</b>	<b>1,648</b>	<b>24.3%</b>
PEX	-459	-376	22.1%	-1,510	-1,222	23.5%
OPEX	-54	-45	18.2%	-184	-144	28.2%
<b>EBITDA before transaction and restructuring costs</b>	<b>118</b>	<b>99</b>	<b>18.5%</b>	<b>355</b>	<b>282</b>	<b>25.9%</b>
Transaction and restructuring costs	-2	-2	-12.2%	-7	-11	-38.9%
<b>EBITDA</b>	<b>116</b>	<b>96</b>	<b>19.9%</b>	<b>348</b>	<b>271</b>	<b>28.6%</b>
Depreciation tangible assets	-8	-6	29.6%	-21	-16	32.7%
Depreciation right of use assets	-26	-22	17.5%	-74	-61	20.4%
<b>EBITA</b>	<b>82</b>	<b>69</b>	<b>19.8%</b>	<b>253</b>	<b>193</b>	<b>30.8%</b>
Amortisations intangible assets	-25	-16	57.5%	-72	-58	24.3%
<b>EBIT</b>	<b>57</b>	<b>53</b>	<b>8.2%</b>	<b>181</b>	<b>135</b>	<b>33.6%</b>
Profit for the period	34	45	-24.9%	124	110	12.7%
Free cash flow	73	78	-6.4%	249	174	43.3%
Adjusted diluted EPS	0.04	0.04	15.5%	0.16	0.13	26.1%
Total revenue growth	18.6%	19.5%	-0.9 p.p.	23.1%	20.5%	2.6 p.p.
Organic revenue growth	1.6%	10.0%	-8.3 p.p.	6.7%	7.6%	-0.9 p.p.
M&A revenue growth	14.4%	11.2%	3.2 p.p.	13.2%	14.4%	-1.2 p.p.
EBITDA-margin	15.4%	15.3%	0.1 p.p.	14.2%	13.9%	0.3 p.p.
EBIT-margin	7.4%	8.1%	-0.7 p.p.	7.2%	6.6%	0.6 p.p.

# Divisions

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# F&A division

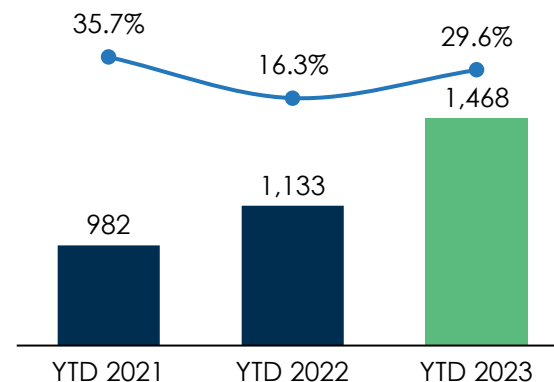
## Financial overview – YTD 2023

(NOKm)	YTD 2023	YTD 2022
Revenue	1,468	1,133
<b>EBITDA</b>	<b>253</b>	<b>184</b>
Total revenue growth	29.6%	16.3%
EBITDA-margin	17.2%	16.2%

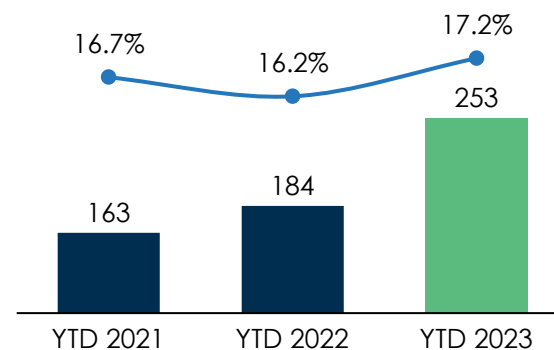
## Financial overview – Q3 2023

(NOKm)	Q3 2023	Q3 2022
Revenue	436	340
<b>EBITDA</b>	<b>72</b>	<b>53</b>
Total revenue growth	28.0%	9.5%
EBITDA-margin	16.5%	15.5%

## Revenue development



## EBITDA and margin development



## Comments

- Good organic growth.
- Margin improvement – underlying business – consolidation process.
- 5 companies ~ 50% of revenue

# IT division

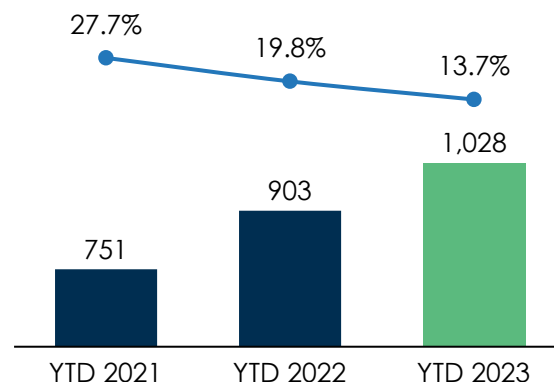
## Financial overview – YTD 2023

(NOKm)	YTD 2023	YTD 2022
Revenue	1,028	903
<b>EBITDA</b>	<b>128</b>	<b>107</b>
Total revenue growth	13.7%	19.8%
EBITDA-margin	12.4%	11.8%

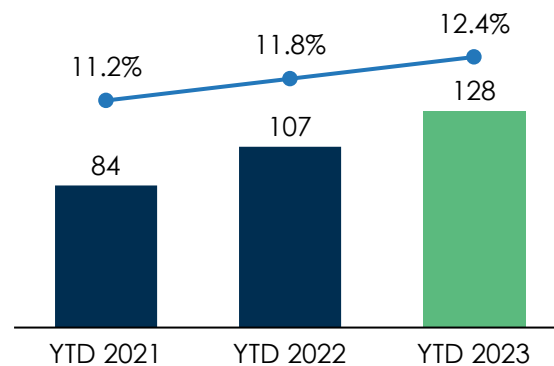
## Financial overview – Q3 2023

(NOKm)	Q3 2023	Q3 2022
Revenue	323	309
<b>EBITDA</b>	<b>49</b>	<b>46</b>
Total revenue growth	4.1%	31.4%
EBITDA-margin	15.2%	14.9%

## Revenue development



## EBITDA and margin development



## Comments

- Macroeconomic and political conditions affect organic growth.
- IT projects, including specialized equipment – high growth in the comparable period 2022
- Margin improving – consolidation effects.
- 5 companies ~ 75% of revenue

# Tech division

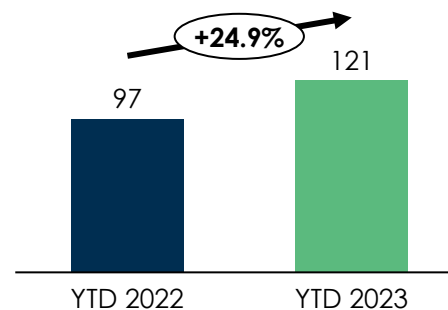
## Financial overview – YTD 2023

(NOKm)	YTD 2023	YTD 2022
Revenue	112	90
<b>EBITDA</b>	<b>5</b>	<b>5</b>
Total revenue growth	24.7%	88.7%
EBITDA-margin	4.3%	5.3%

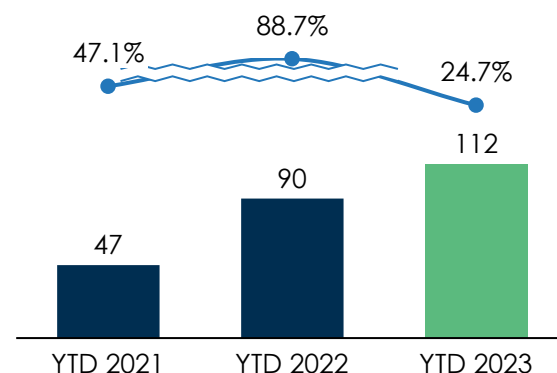
## Financial overview – Q3 2023

(NOKm)	Q3 2023	Q3 2022
Revenue	40	29
<b>EBITDA</b>	<b>5</b>	<b>4</b>
Total revenue growth	38.8%	43.0%
EBITDA-margin	11.7%	14.0%

## Annual recurring revenue (own software)



## Revenue development



## Comments

- ECIT Software revenue and directly related consulting revenue.
- ARR development – ECIT Software revenue only.



# Acquisitions in 2023

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# M&A – Acquisitions in 2023

H1 2023

Q3/Q4 2023

M&A acquired revenue (NOKm)

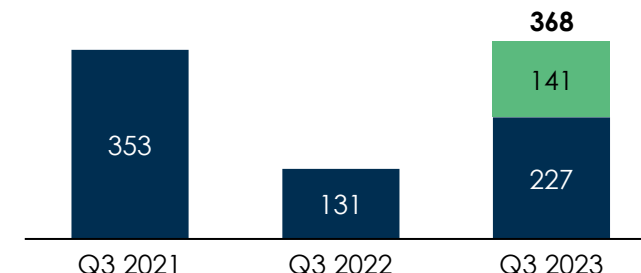
Revenue:  
NOK 213m  
EBITDA:  
NOK 42m  
Employees:  
~146



Revenue:  
NOK 10m  
EBITDA:  
NOK -1m  
Employees:  
~10



Revenue:  
NOK 19m  
EBITDA:  
NOK 1m  
Employees:  
~20



H1

September

October

October

November

Revenue:  
NOK 14m  
EBITDA:  
NOK 1m  
Employees:  
~13



Revenue:  
NOK 112m  
EBITDA:  
NOK 11m  
Employees:  
~20



## Acquisitions

- On plan.
- 13 companies acquired.
- Evercom the largest acquisition.



# Financial review

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# Financial review

## Profit & loss summarized

(NOKm)	Q3 2023	Q3 2022	Growth	YTD 2023	YTD 2022	Growth
Revenue	766	645	18.6%	2,506	2,034	23.1%
<b>EBITDA</b>	<b>118</b>	<b>99</b>	<b>18.5%</b>	<b>355</b>	<b>282</b>	<b>25.9%</b>
<b>EBIT</b>	<b>57</b>	<b>53</b>	<b>8.2%</b>	<b>181</b>	<b>135</b>	<b>33.6%</b>
Profit for the period	34	45	-24.9%	124	110	12.7%
<b>Adj. profit for the period</b>	<b>36</b>	<b>33</b>	<b>8.3%</b>	<b>131</b>	<b>96</b>	<b>35.4%</b>
<i>P&amp;L items:</i>						
Restructuring & transaction costs	-2	-2	-12.2%	-7	-11	-38.9%
Financial income	4	20	-80.5%	18	36	-49.9%
Financial expenses	-16	-13	22.0%	-38	-30	25.9%
<b>KPIs</b>						
Total revenue growth	18.6%	19.5%	-0.9 p.p.	23.1%	20.5%	2.6 p.p.
Organic revenue growth	1.6%	10.0%	-8.3 p.p.	6.7%	7.6%	-0.9 p.p.
M&A revenue growth	14.4%	11.2%	3.2 p.p.	13.2%	14.4%	-1.2 p.p.
Currency impact	2.6%	-1.6%	4.2 p.p.	3.2%	-1.5%	4.7 p.p.
EBITDA-margin	15.4%	15.3%	0.1 p.p.	14.2%	13.9%	0.3 p.p.
EBIT-margin	7.4%	8.1%	-0.7 p.p.	7.2%	6.6%	0.6 p.p.
Adj. diluted EPS	0.04	0.04	15.5%	0.16	0.13	26.1%

## Comments

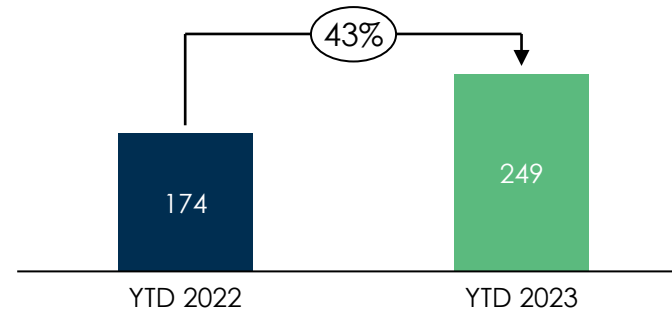
- Total revenue – almost 20% for the quarter and almost 25% year-to-date.
- Macroeconomic headwind.
- Gradually EBITDA margin improvements.
- Extraordinary gains from a divestment explain last year's high profit for the quarter.

# Cash Flow & financial position

## Cash Flow Statement

(NOKm)	YTD 2023	YTD 2022
EBITDA	355	282
Transaction and restructuring costs	-7	-11
Corporation tax, paid	-49	-41
Change in NWC	39	14
<b>Cash flow from operations</b>	<b>338</b>	<b>241</b>
Cash flow from investing	-199	-224
Cash flow from financing	-109	-79
<b>Cash flow for the period</b>	<b>30</b>	<b>-61</b>
Cash flow from operations	338	241
Restructuring & transaction costs	7	11
Net investments in tangible assets	-17	-13
Repayment of lease liabilities	-79	-66
<b>Free cash flow</b>	<b>249</b>	<b>174</b>

## Free cash flow (NOK million)



## Financial position (NOK million)

(NOKm)	YTD 2023	YTD 2022
NIBD ex. leasing debt	196	38
Leverage ratio	0.9x	0.6x
NIBD	450	231
Undrawn revolving facility	315	463

## Comments

- Solid cash flow from operations – increased EBITDA and positive change in net working capital.
- NIBD at NOK 450 million (231) incl. IFRS16.
- Leverage ratio at 0.9x.
- NOK ~315 million in financial headroom.



# Share buyback & Dividend

## Management comments

- A new share buyback program has been announced starting on 9 November 2023 amounting to NOK 7.5 million. The program is planned to end on 26 February 2024.
- As of 30 September 2023, ECIT AS holds 1.65 million treasury shares.

<u>Announced allocations to shareholders (NOKm)</u>	<b>Total 2022 announced</b>	<b>Q1 2023</b>	<b>Q2 2023</b>	<b>Q3 2023</b>	<b>Q4 2023</b>	<b>Total 2023 announced</b>
Dividend (NOK 0.04 per share)	17.9	0.0	18.1	0.0	0.0	18.1
Share buyback 1 - NOK 8 million	8.0	0.0	0.0	0.0	0.0	0.0
Share buyback 2 - NOK 4 million	4.0	0.0	0.0	0.0	0.0	0.0
Share buyback 3 - NOK 3 million	0.0	3.0	0.0	0.0	0.0	3.0
Share buyback 4 - NOK 12.5 million	0.0	0.0	12.5	0.0	0.0	12.5
Share buyback 5 - NOK 12.5 million	0.0	0.0	0.0	9.3	0.0	9.3
Share buyback 6 - NOK 7.5 million	0.0	0.0	0.0	0.0	7.5	7.5
<b>Total announced allocations</b>	<b>29.9</b>	<b>3.0</b>	<b>30.6</b>	<b>9.3</b>	<b>7.5</b>	<b>50.4</b>

# Overall

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# Overall evaluation

Q3 2023

- 1 **Strategic change – Ownership target: ~75% end 2023 & 85% end 2024**
- 2 **Macroeconomic conditions – IT growth – opposite of during Corona**
- 3 **Mergers & Consolidation – building ECIT**
- 4 **Margin improvement – EBITDA**
- 5 **M&A in line with target**
- 6 **Solid M&A pipeline – financial headroom**