

ECIT | Q3 Interim Report | 2021

Investor presentation
16th November 2021

ecit

Agenda

1. A growth company
2. Shareholder value creation
3. Q3 and YTD Q3 2021 highlights
4. Key financial targets review
5. Update on acquisitions
6. Divisions – financial highlights
7. Cash Flow & Net working capital
8. Financial position
9. Appendix



A growth company



To a large extent ECIT is owned by its entrepreneurs – historic as well as new.

The ownership is reflected in the consideration, care and pride attached to everything we do.

Through organic growth, selected acquisitions and partnerships we improve our services and expand our market position.

1

Large, fragmented non-cyclical markets – Nordic stronghold

2

Offerings at the cross point of F&A- and IT-services development

3

Large and sticky customer base with high level of recurring revenues

4

Committed entrepreneur-based organization with experienced management team

5

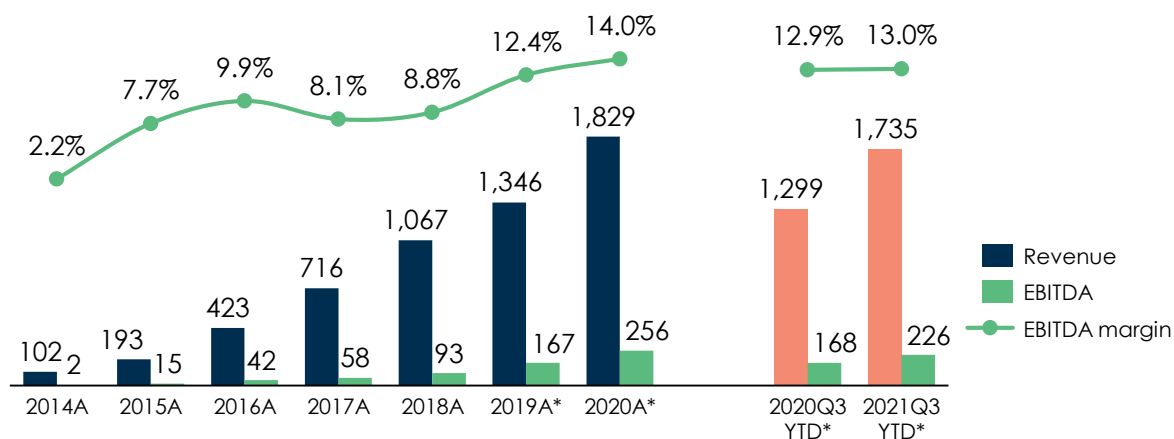
Growth potential from up- and cross selling, and potential for continued margin expansion – implementing “The ECIT way” (consolidation)

6

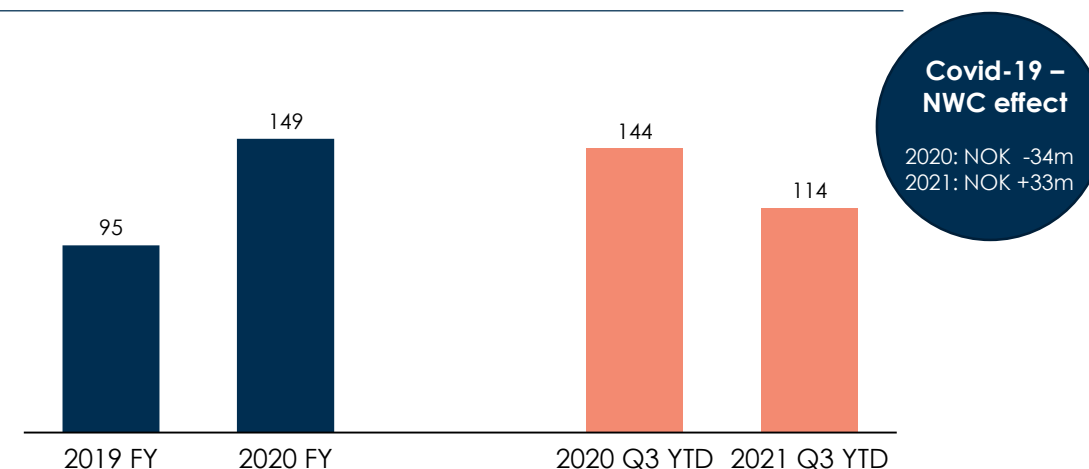
Proven buy-and-build growth strategy with both M&A roadmap and integration plans in place

Shareholder value creation

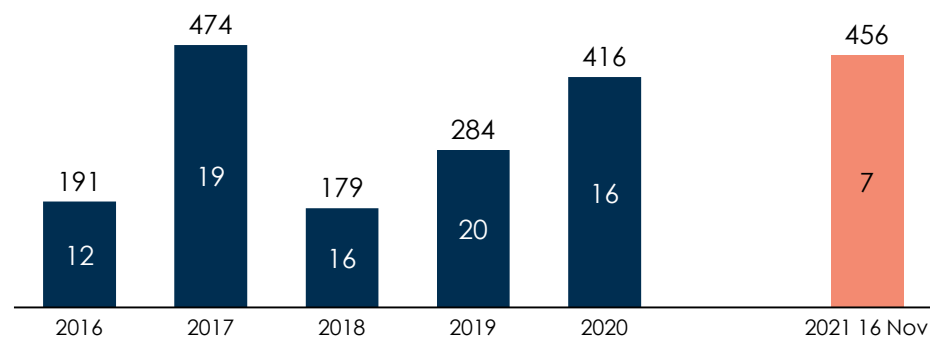
Financial performance (NOK million)



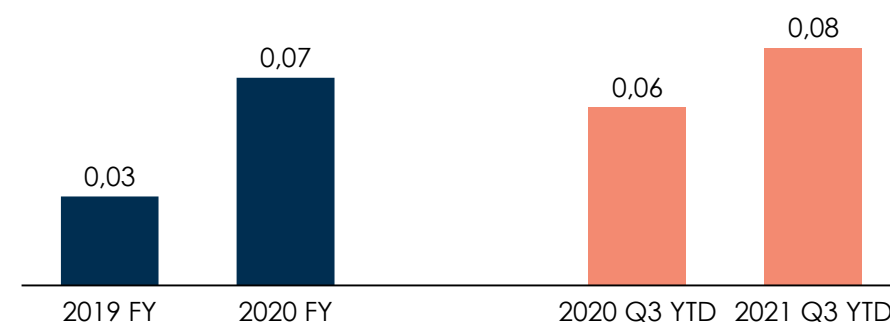
Free cash flow**** (NOK million)



Annual acquired full year revenue** (NOK million)



Adjusted diluted earnings per share*** (NOK)



Notes

*) IFRS light w/ IFRS16 leasing

**) Number of companies acquired per year are included in the siloes

***) Adjusted for one-off items in 2020 and 2021

**** Free cash flow less IFRS leasing and before special items, R&D and acquisitions

Q3 2021 highlights

Revenue Growth

35.6%
(41.7%)

Organic

7.9%
(3.7%)

EBITDA margin

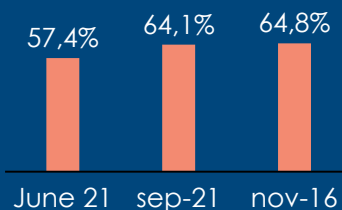
14.4%
(15.7%)

Free cash flow

NOK 34m
(NOK 22m)

Increase ownership in subsidiaries

Average ownership:



Acquisition

WLCOM AS

A Norwegian IT software
and consultancy
company

Consolidation

F&A Norway merger

IT Consult Denmark merger

Management comments

- Q3 Revenue growth at 35.6%, 7.9% organic and 28.7% from acquisitions.
- Continued high organic growth in the IT business whereas the F&A business more gradually is picking up.
- EBITDA margin at 14.4% is in line with expectations – 2021 acquisitions explains the development compared to last year.
- Average ownership in subsidiaries increased from 57.4% (06-2021), 64.1% (09-2021) and 64.8% (16th November 2021)
- Two substantial mergers. F&A Norway and IT Denmark.

YTD Q3 2021 highlights

Revenue Growth

33.6%
(33.5%)

Organic

6.8%
(8.7%)

EBITDA margin

13.0%
(12.9%)

Free cash flow

NOK 114m
(NOK 144m)

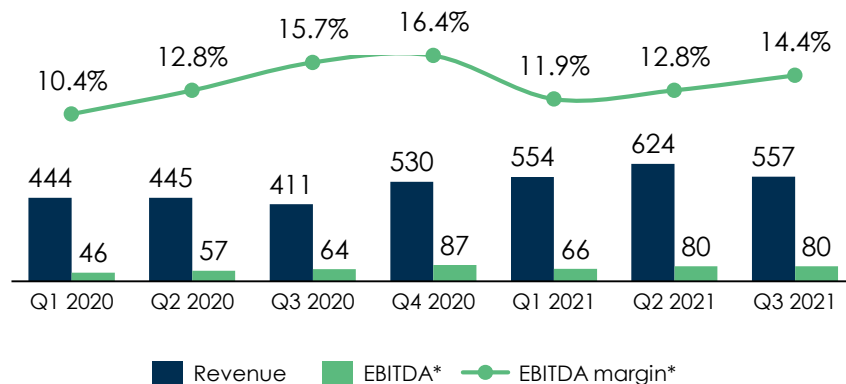
Management comments

- The financial performance YTD is considered “in line” with management expectations.
- Organic growth above financial target despite some covid-19 impact.
- EBITDA margin marginally better than last year.
- Free cash flow NOK 114 million (144) affected by Covid-19 (prolonged pay.). Adj. free cash flow better than last year of NOK 147 million (110).
- Profit is less gain from sale of shares in Modern Ekonomi (NOK ~12m) and last year was impacted by a financial gain (NOK 41m) from sale of shares in a portfolio investment.
- Acquired revenue of NOK 456 million (as per 16th November 2021)

Profit for the period

NOK 64m
(NOK 88m)

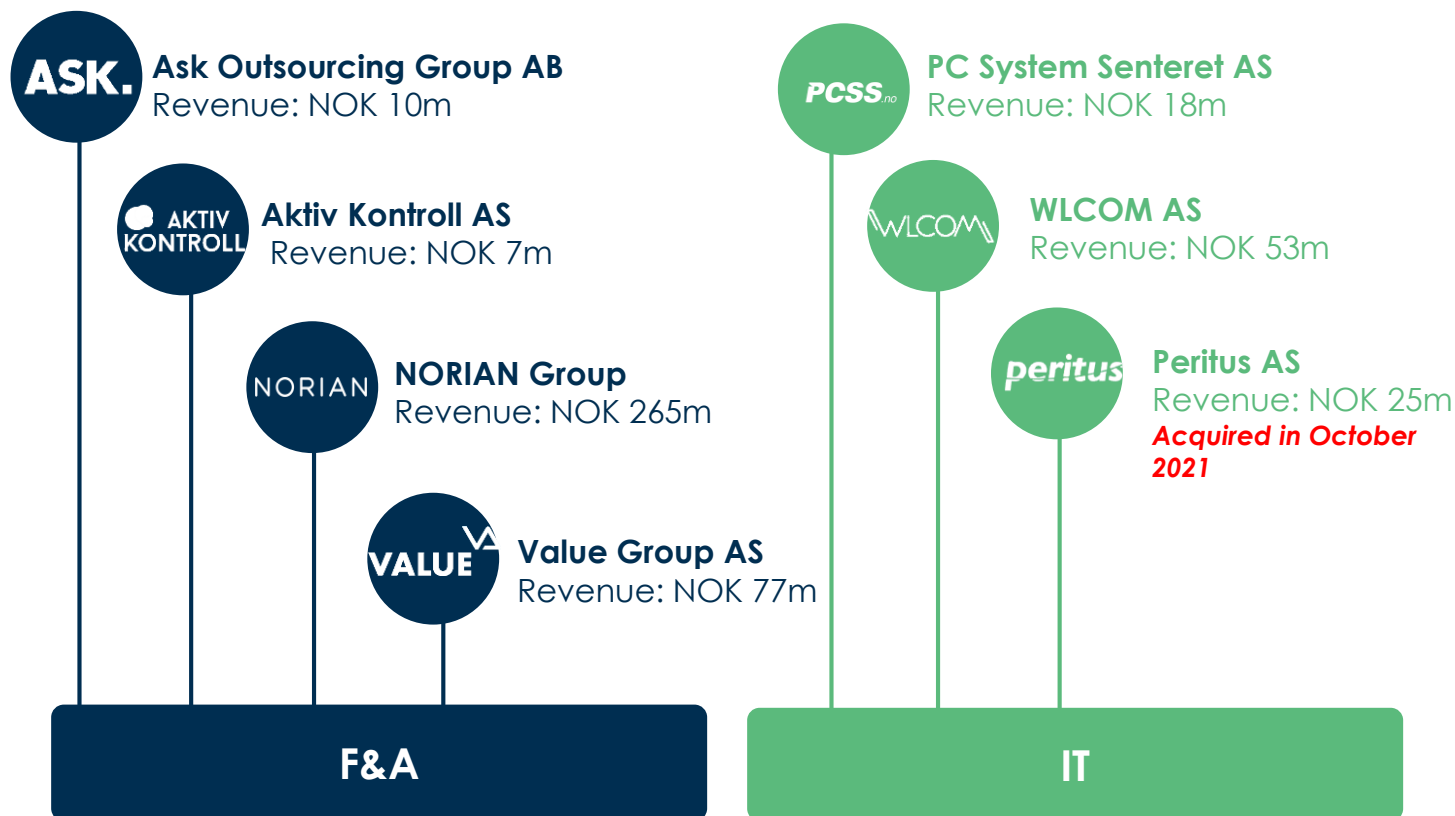
Quarterly development



Key financial targets

Metric	Q3 YTD 2021	Q3 YTD 2020	Mid-to-long term ambitions
Growth	- Organic: 6.8% - Incl. Acq.: 33.6%	- Organic: 8.7% - Incl. Acq.: 33.5%	- Organic CAGR: $\geq 5.5\%$ - CAGR including acquisitions: $\geq 15\%$
EBITDA margin	EBITDA margin: 13.0%	EBITDA margin: 12.9%	EBITDA margin: $\rightarrow 17\%$
NIBD/EBITDA	NIBD/EBITDA: 0.4x	NIBD/EBITDA: -0.2x	NIBD/EBITDA: $< 1.5x$
M&A	Revenue acquired YTD Sept.: NOK 456m	Revenue acquired YTD Sept.: NOK 284m	Average revenue acquired <u>per year</u>: ~ NOK 350m

Acquisitions in 2021



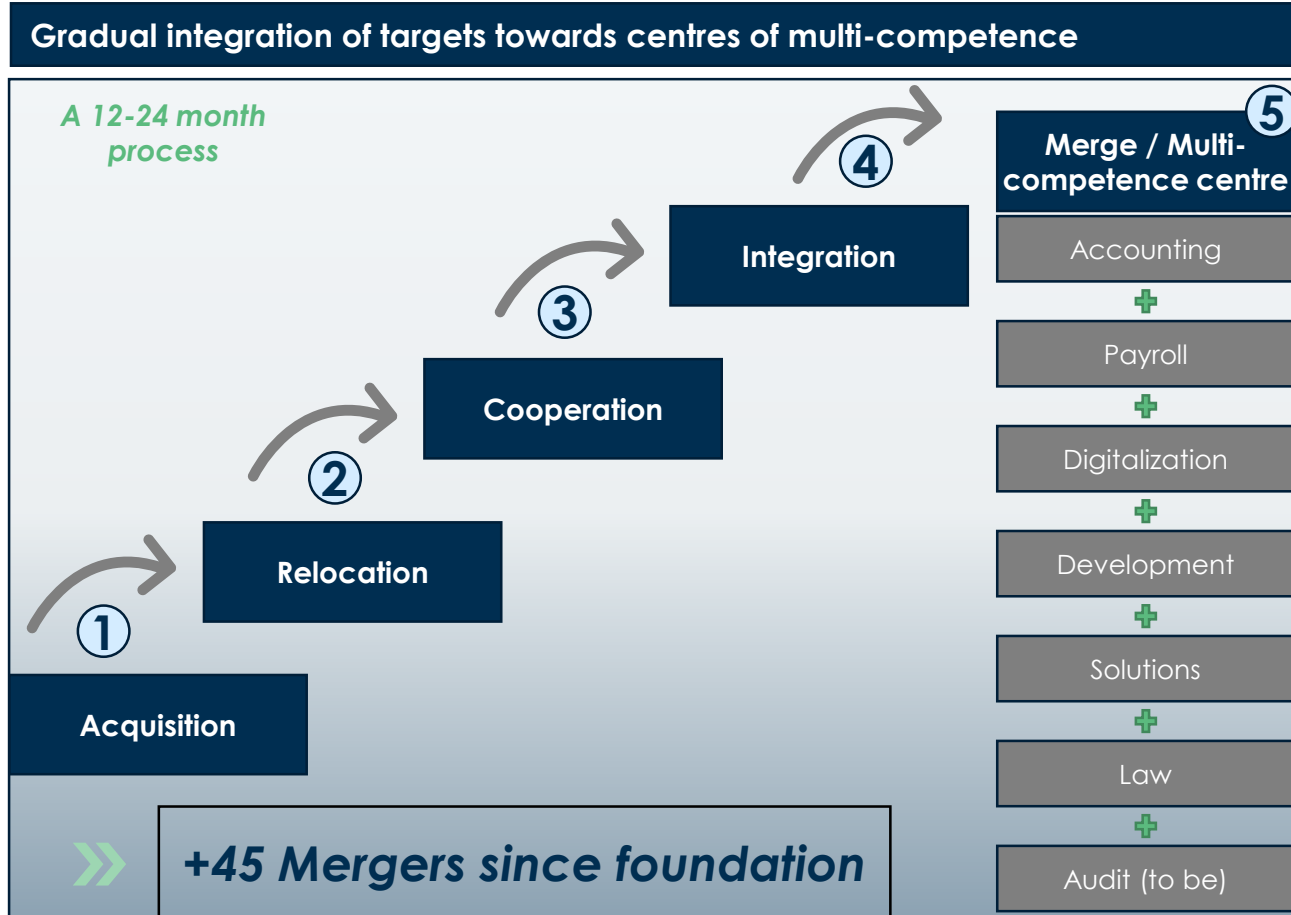
F&A

- Adding expertise within nearshoring and robot technology as well as significant experience with medium to large customers (Norian).
- Strengthening expertise within '24SevenOffice' technology (Value Group).
- Increasing ECIT presence in the F&A SE market (ASK)
- Strengthening debt collection (Aktiv Kontroll).

IT

- Specialised software system supporting especially process industries (Food, Aggregates, Waste and other process) delivered on top of cloud-based (mainly Visma) systems including digitalising processes and managed services. (WLCOM and PC System Senteret).
- Delivers cloud-based (mainly MS) systems including implementation, customising and digitalising customer processes within ERP, CRM, and BI (Peritus)
- They all belong within ECITs digitalising area.

The process for acquiring, integrating and merge companies creating multi-competence centre

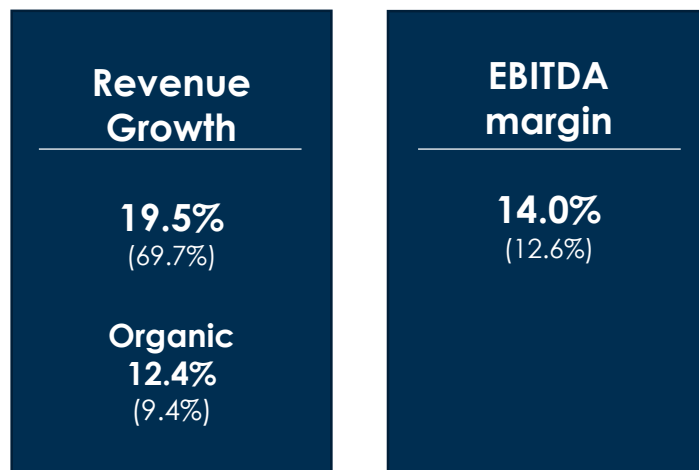


... adhering to “the ECIT way” ... driving margins

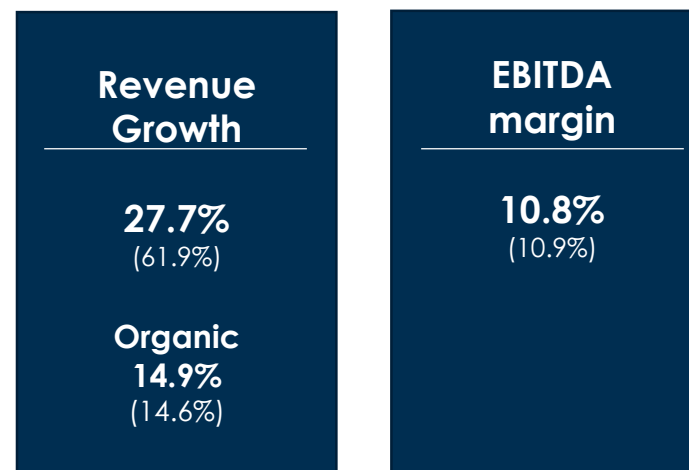
- ✓ Business models
- ✓ Business organisation
- ✓ Quality and security systems
- ✓ IT systems
- ✓ Marketing and sales
- ✓ HR
- ✓ KPI management
- ✓ Entrepreneur still in control of their business

IT division

Financial overview Q3



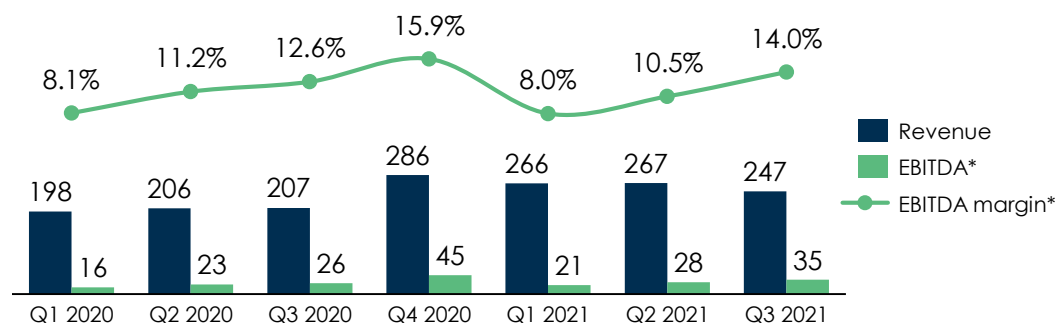
Financial overview Q3 YTD



Management comments

- Continued high organic growth.
- The order pipeline remains solid.
- EBITDA margin development in line with expectations.
- Merger in IT Consult Denmark – combined revenue of NOK 80 million.

Quarterly revenue and EBITDA & margin (NOKm)



Ongoing consolidation

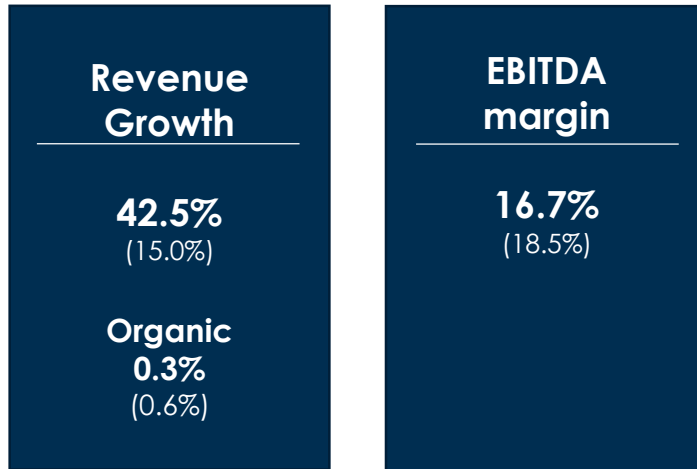


Five Danish IT Consulting companies being merged into one company named ECIT Consulting A/S

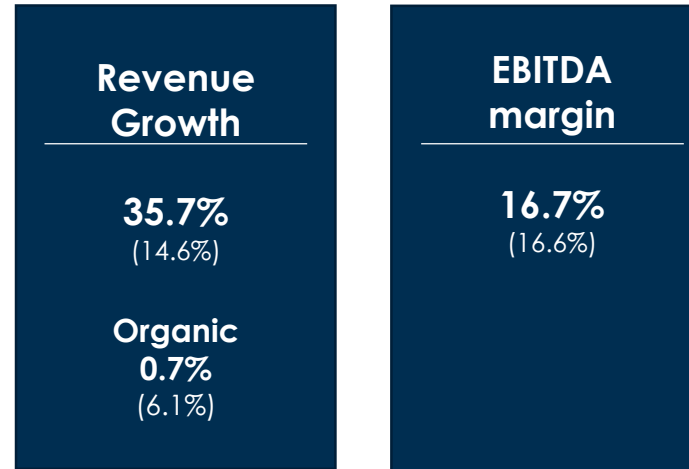
Merged combined revenue of
~ NOK 80 million

F&A division

Financial overview Q3



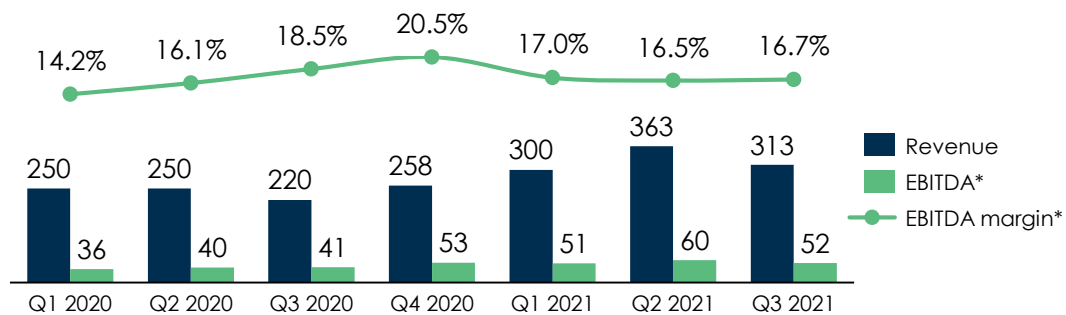
Financial overview Q3 YTD



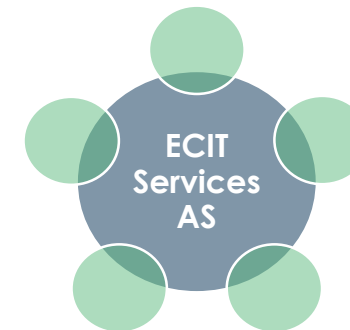
Management comments

- Covid-19 impact on organic growth gradually diminishing during Q3 2021.
- EBITDA margin affected by 2021 acquisitions.
- Substantial merger in F&A Norway – combined revenue of NOK 300 million.

Quarterly revenue and EBITDA & margin (NOKm)



Ongoing consolidation

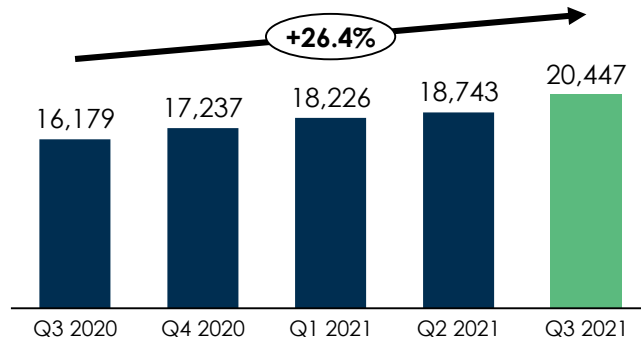


Five Norwegian F&A companies being merged into one company named ECIT Services AS

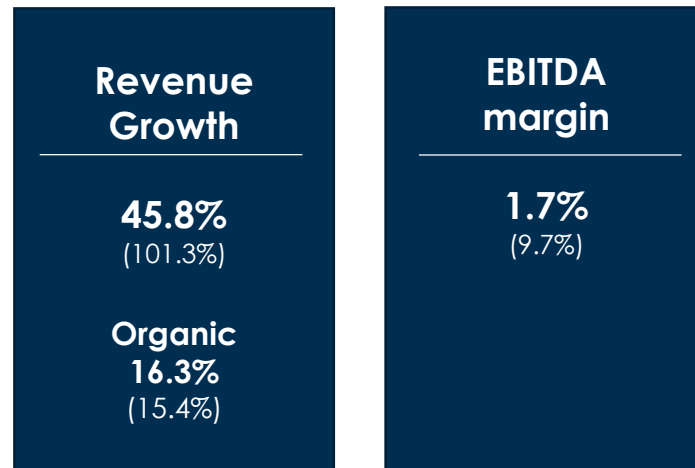
Merged combined revenue of
~ NOK 300 million

Tech division

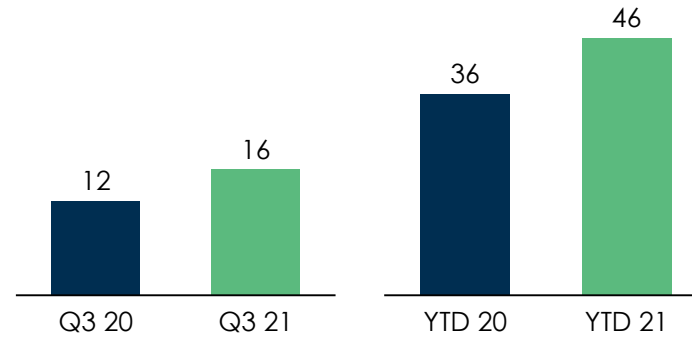
Numbers of customers – per quarter



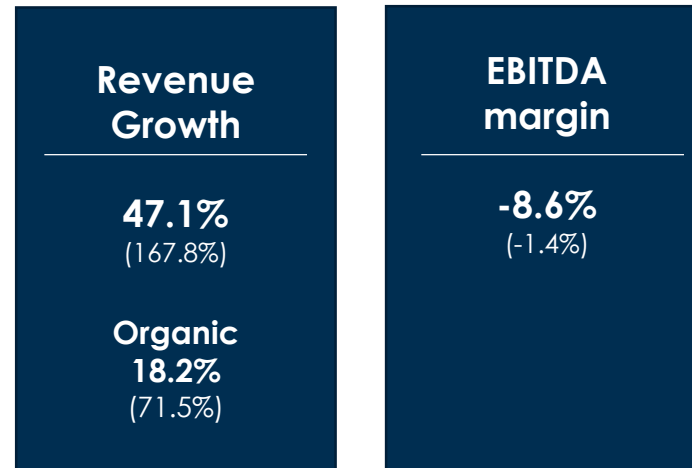
Financial overview Q3



Recurring Revenue – Q3 and YTD Q3

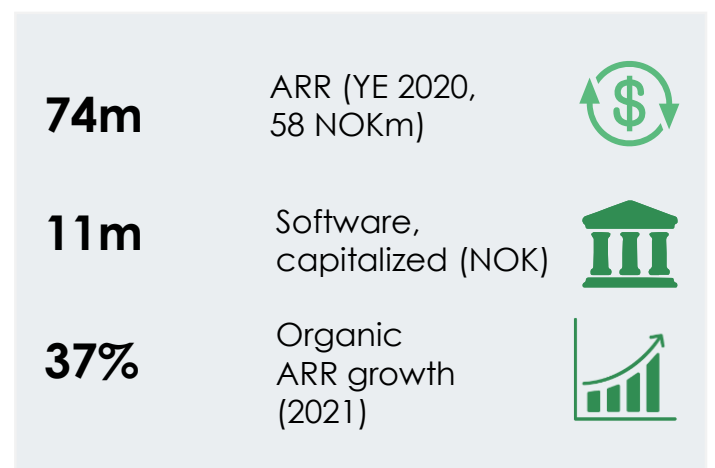


Financial overview YTD Q3



Management comments

- Growth at a reasonable pace.
- Number of customers increased year-on-year by 26%
- ARR at NOK 74 million versus NOK 58 million at year-end 2020.



Cash Flow & Net working capital

Cash Flow Statement

Cash Flow Statement (NOKm)	YTD 2021	YTD 2020
Cash flow from operations	181	205
Cash flow from investing	-293	-50
Cash flow from financing	117	-15
Cash flow for the period	5	140
<i>Specification of free cash flow:</i>		
Cash flow from operations	181	205
Special items	8	0
Net investments in tangible assets	-15	-16
Repayment of lease liabilities	-61	-45
Free cash flow	114	143
<i>Adjusted free cash flow:</i>		
NWC Covid-19 impact	33	-34
Adjusted free cash flow	147	110

Reference to made to the condensed cash flow statement.

Change in NWC

(NOKm)	YTD 2021	YTD 2020
Accounts receivables	16	22
Accounts payable	-9	-13
Delayed payments - Covid-19	-33	34
Other change in NWC	21	16
Total change in NWC	-5	59
Delayed payments - Covid-19	33	-34
Adjusted change in NWC	28	25

Management comments

- Cash flow for the period at NOK 5m (140m).
- Cash flow from operating activities positively impacted by higher EBITDA but offset by covid-19 affected increase of NWC (debt repayment).
- Adjusted for covid-19 impact, the change in NWC year-on-year would have been better than last year (28m versus 25m).
- Adjusted free cash flow of NOK 147 million (110).
- Cash flow from investments minus NOK 293m mainly acquisitions.
- Cash flow from financing activities: Capital increase from the IPO minus payments to increase the ECIT ownership share and dividends.

Financial position

Net-interest-bearing-debt

	YTD 2021	YTD 2020
Net-interest-bearing-debt (NOKm)		
Loans and credit facilities	190	128
Other interest bearing liabilities	0	2
Total financial liabilities	190	130
Other interest bearing receivables	56	74
Cash and cash equivalents	248	292
Total financial assets	304	366
Net debt / Net cash (-), ex. IFRS16 leases	-114	-236
Lease liabilities	239	193
Net debt / Net cash (-), incl. IFRS16 leases	125	-42
EBITDA, LTM (before special items)	333	247
Debt leverage	0.4	-0.2

Credit facilities

	YTD 2021	YTD 2020
(NOKm)		
Acq. facility gross	475	270
Acq. facility utilized	-123	-103
Net acq. facility available	352	167
Leasing facility gross	30	21
Leasing facility utilized	-12	-10
Net leasing facility available	18	11

Management comments

- Net debt at NOK 125 million compared to a net cash balance last year of minus NOK 42 million.
- The increase in net debt compared to last year explained by a higher acquisition volume financed through cash payments NOK 264 million (61).
- Increased leasing liabilities (IFRS16 accounting) explained by acquired companies.
- Option “debt” related to minority shares represent approx. NOK 490 million (NOK ~550m as of 30 June 2021). Not calculated into NIBD.
- The credit facility has been utilized by NOK 123 million leaving NOK 352 million available.

Q&A

Appendix

Condensed income statement

(NOKm)	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Revenue	2	557	411	1.735	1.299
Direct costs		-114	-87	-374	-290
Gross Profit		443	324	1.361	1.010
Other external expenses		-43	-29	-120	-78
Staff costs		-319	-230	-1.015	-764
EBITDA*	2	80	64	226	168
Special items, net	3	0	0	-8	0
EBITDA		80	64	218	168
Amortizations and depreciations	4	-44	-33	-120	-91
EBIT		36	31	98	77
Financial items, net		-2	41	-12	39
Profit before tax		35	72	86	116
Tax on profit for the period	5	-10	-9	-22	-27
Profit for the period		25	63	64	88
Adjusted profit for the period attributeable to:					
Shareholders in ECIT AS		14	11	34	21
Non-controlling interests		11	11	34	26
Shareholders in ECIT AS		55,4%	49,4%	49,9%	45,0%
Non-controlling interests		44,6%	50,6%	50,1%	55,0%
Adjusted diluted earnings per share (NOK)	6	0,03	0,03	0,08	0,06

Management comments

- Growth in revenue are positive impacted by combined organic- and acquisition growth. The currency impact for the first nine month has had an negative effect on the total growth (minus 2%).
- 'Special item' cost represent NOK 8 million and is mainly related to M&A transactions cost. No special items cost included in third quarter.
- Year-to-date amortizations and depreciations' have increased mainly due to acquisitions, whereas amortizations coming from customer relationship and depreciations from capitalized IFRS16-leasing are the two largest contributors.
- Year-to-date 'Financial items, net' have increased compared to last year which is explained by the IPO cost and exchange rate adjustments.

Condensed Cash Flow statement

(NOKm)	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Operating profit before amortisation and depreciation (EBITDA)*		81	64	226	168
Special items		0	0	-8	0
Corporation tax, paid		0	-4	-31	-21
Change in net working capital (NWC)		-21	-15	-5	59
Cash flow from operating activities (A)		59	45	181	205
Net investments in tangible assets		-5	-6	-15	-16
Net investments in Research & Development		-4	-8	-12	-23
Net Investments in subsidiaries	7	-39	-24	-264	-56
Net investments in other activities		-21	52	-12	42
Change in other financial assets		5	-2	11	3
Cash flow from investing activities (B)		-64	12	-293	-50
Cash flow from operating and investing activities (A+B)		-5	58	-111	155
Repayment of lease liabilities		-20	-18	-61	-45
Loans and credit facilities		-7	20	-6	57
Capital increase		4	7	382	7
Sale and purchase of treasury shares		-1	-1	2	-3
Transactions with minorities		-41	-12	-64	22
Dividends distributed		-71	-8	-137	-52
Cash flow from financing activities		-137	-12	117	-15
Cash flow for the period		-142	45	5	140
Cash and cash equivalents beginning		390	248	246	152
Cash flow for the period		-142	45	5	140
Currency translation adjustments		-1	-1	-4	0
Cash and cash equivalents end of period		248	292	248	292

Management comments

- Change in net working capital development YTD is affected by covid-19 (prolonged payment).
- Cash flow from investments of minus NOK 293 million (-50) are mainly explained by acquisitions (net cash investments of NOK 264 million) whereas Norian and WLCOM are among the largest.
- Capital increased is explained by the IPO.
- Cash payments to the minority shareholder as part of the process of increasing ECIT's ownership in subsidiaries also explain the development in cash flow from financing activities.
- Dividend distributed consist of dividend paid out to both minority shareholders and ECIT shareholders.

Condensed balance Sheet

Assets (NOKm)	30 SEP 2021	30 SEP 2020	31 DEC 2020	Equity & Liabilities (NOKm)	30 SEP 2021	30 SEP 2020	31 DEC 2020
Goodwill	956	688	728	Share capital	443	387	388
Customer contracts	331	249	276	Treasury shares	-2	-5	-8
Research & development	104	78	82	Reserves and retained earnings	763	508	431
Deferred tax assets	18	23	15	ECIT shareholders share of Equity	1,204	890	811
Intangible assets	1,409	1,038	1,101	Non-controlling interest	197	191	161
Land, buildings and equipment	54	71	70	Total equity	1,401	1,081	972
Right-of-use assets	230	186	194	Lease liabilities	163	138	139
Tangible assets	284	257	264	Borrowings (interest bearing)	157	125	117
Other financial assets	66	30	17	Provisions	29	34	47
Other receivables, interest bearing	40	52	56	Other non-current liabilities	7	0	0
Other receivables	11	9	2	Deferred tax liabilities	73	51	60
Total non-current assets	1,810	1,386	1,440	Total non-current liabilities	430	349	363
Inventories	15	11	11	Lease liabilities	76	55	62
Trade receivables	295	216	288	Borrowings (interest bearing)	32	3	21
Other receivables, interest bearing	16	21	21	Provisions	8	19	32
Other receivables	114	70	101	Tax payables	31	37	38
Cash and cash equivalents	248	292	246	Trade payables	101	74	98
Total current assets	688	611	667	Deferred income	39	30	35
Total assets	2,498	1,997	2,107	Dividend	4	1	134
				Other current liabilities	378	349	352
				Total current liabilities	667	567	772
				Equity and liabilities	2,498	1,997	2,107

Management comments

- Goodwill and customer relationships represent NOK 1,287 million per September 2021 and more than 50% of the total assets.
- The increase in both goodwill and customer relationship to previous periods can be explained by acquisitions, whereas the Norian Group acquisition in April 2021 represent a significant increase compared to previous periods.
- The increase in ECIT AS shareholders share of Equity can mainly be explained by the capital increase in connection with the listing of ECIT AS.
- Non-controlling interest represent the value of minorities share of net assets and customer relationship.
- Earn out liabilities are classified as "Provisions" in the balance sheet (holds a short- and long term part).

Condensed statement of changes in Equity

(NOKm)	Share Capital	Not reg. Capital increase	Share premium	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January	388	4	371	-8	55	811	161	972
Profit for the year	0	0	0	0	30	30	34	64
Net exchange differences recognized in OCI	0	0	0	0	-13	-13	4	-9
Other comprehensive income	0	0	0	0	-13	-13	4	-9
Total comprehensive income	0	0	0	0	17	17	38	55
<i>Transactions with shareholders:</i>								
Capital increase	55	16	356	0	0	426	0	426
Dividends distributed	0	0	0	0	0	0	-6	-6
Sale and purchase of treasury shares	0	0	0	6	28	34	0	34
Addition of non-controlling interests, customer contracts	0	0	0	0	0	0	16	16
Addition of non-controlling interests, net assets	0	0	0	0	0	0	12	12
Transactions of shares with non-controlling interests	0	0	0	0	-62	-62	-24	-87
Other adjustments	0	0	-25	0	4	-21	0	-21
Total transactions with shareholders	55	16	331	6	-31	376	-3	373
Equity end of period	443	20	702	-2	41	1,204	197	1,401

Management comments

- The increase in 'share capital' is mainly related to the IPO of ECIT AS.
- Movements in 'Sale and purchase of treasury shares' are mainly related to treasury shares used for payment of acquisitions.
- 'Addition of non-controlling interests, customer contracts and net assets' are increasing when ECIT acquire companies.
- 'Acquisition and disposal of shares from/to non-controlling interests' are related to transactions with minority shareholders when utilizing option agreements.
- The IPO transaction costs recognized in equity are related to the capital increase.

Shareholder structure

Shareholder overview – Top 20*

	Total Shares	Ownership	Voting Share
CGL Holding II AS & CGL Holding II AS (Peter Luring)**	42,336,068	9.6%	49.9%
Varner Kapital AS	25,000,000	5.6%	3.1%
Ic Services 2 As	24,422,535	5.5%	3.0%
Paradigm Capital Management, Inc.	23,560,000	5.3%	2.9%
Mikkel Walde Holding ApS	15,525,182	3.5%	1.9%
Y-Not Aps	14,865,253	3.4%	1.8%
Anglo Supply As	11,942,933	2.7%	1.5%
Mp Pensjon Pk	10,622,154	2.4%	1.3%
Bras Kapital As	10,147,171	2.3%	1.2%
Veiby Invest As	6,566,389	1.5%	0.8%
Fidelity Management & Research Co. LLC	6,009,440	1.4%	0.7%
Deka Investment GmbH	5,900,000	1.3%	0.7%
Loe Equity As	4,713,545	1.1%	0.6%
Infolink Holding As	4,503,248	1.0%	0.6%
Litu As	4,261,491	1.0%	0.5%
Pa Kompetens Lön Sverige Ab	3,912,895	0.9%	0.5%
P H Mathiesen Holding Af 2018 Aps	3,821,965	0.9%	0.5%
Sewell As	3,625,198	0.8%	0.4%
UBS AG (Private Banking)	3,605,131	0.8%	0.4%
Job Gruppen As	3,577,598	0.8%	0.4%
Total	228,918,196	51.7%	72.4%
Other shareholders	214,087,038	48.3%	27.6%
Total number of shares	443,005,234	100.0%	100.0%

Shareholder per investor type

	Shares (Nom.T)	Shares (%)
Board & Board of directors	80,759	18.2%
Employees & Partners within the Group	193,313	43.6%
External investors	166,945	37.7%
Treasury shares	1,988	0.4%
Total number of shares	443,005	100.0%

Shareholder per country

Shareholders per country	Shares (Nom.T)	Shares (%)
Norway	294,142	66.4%
Denmark	85,676	19.3%
United States	29,569	6.7%
Sweden	19,936	4.5%
Germany	5,937	1.3%
Other***	7,745	1.7%
Total number of shares	443,005	100.0%

*) Excluding 3.903.078 treasury shares

**) CGL Holding II AS: 36,484,940 shares, CGL Holding AS: 4,951,128 shares, Peter Luring: 900,000 shares. Adjusted for Peter Luring's maximum voting right of 49.9% according to ECIT's articles of association

***) Other consists of Switzerland, United Kingdom, France, Finland, Estonia, Ireland, Argentina, Poland, Lithuania and the Netherlands