



INTERIM REPORT

ITERA FOURTH QUARTER 2018

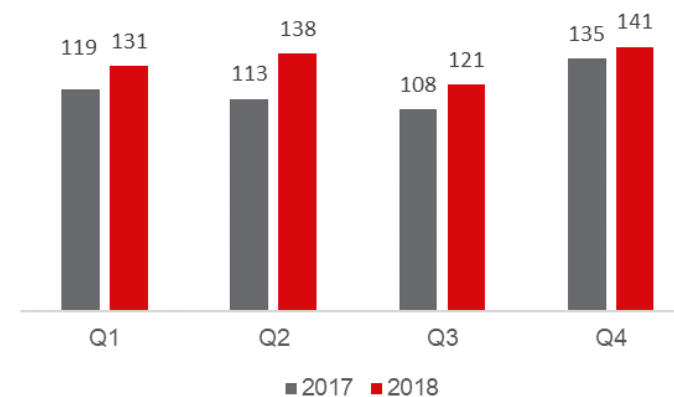
CEO ARNE MJØS
CFO BENT HAMMER

OSLO, 15 FEBRUARY 2019

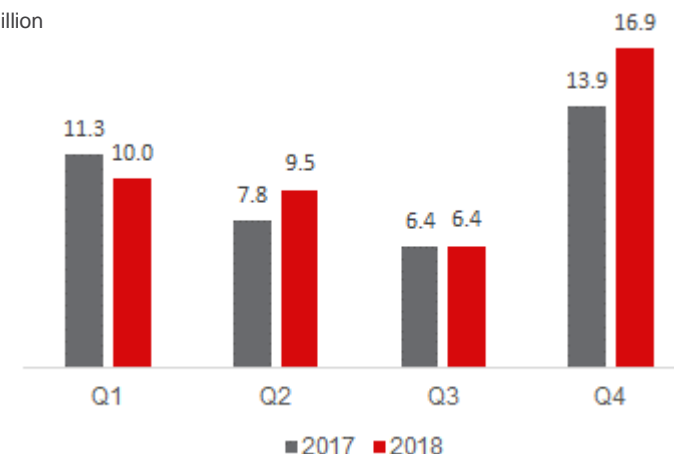
HIGHLIGHTS OF THE FOURTH QUARTER

- Core digital business
 - Revenue growth of 9% (full-year 18%)
 - EBIT margin of 15.0% (full-year 11.7%)
- Total business
 - Revenue NOK 141 (135) million, up by 5% y-o-y
 - EBIT of NOK 16.5 (13.9) million, 12.0% (10.3%) margin
- Cloud transformation of Itera data centres according to plan
 - New Managed Cloud Services unit is running
 - Partnership agreement with Arrow on cloud provisioning
- Expansion in Bergen with hybrid setup
- Board proposes ordinary dividend of NOK 0.25 per share

Revenues
NOK million



EBIT
NOK million





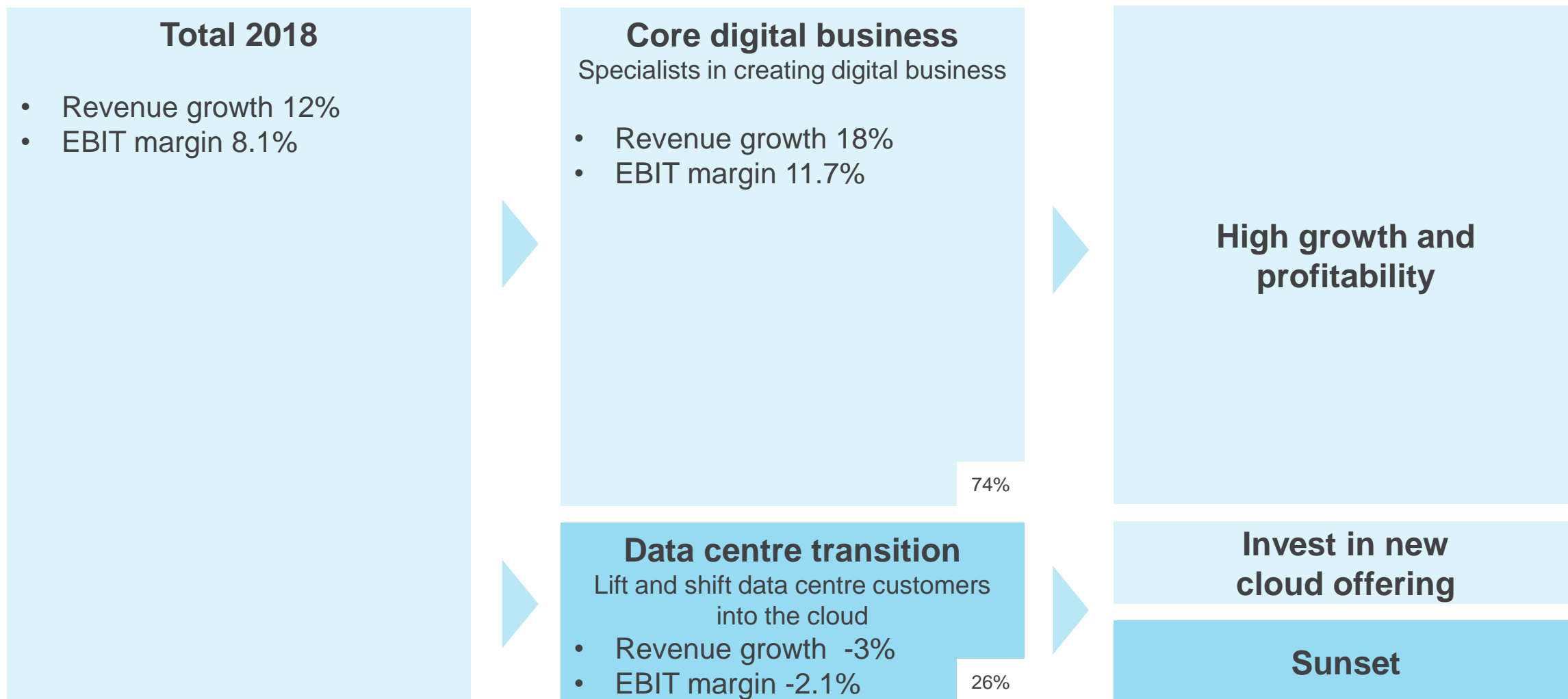
FINANCIAL REVIEW

KEY FIGURES

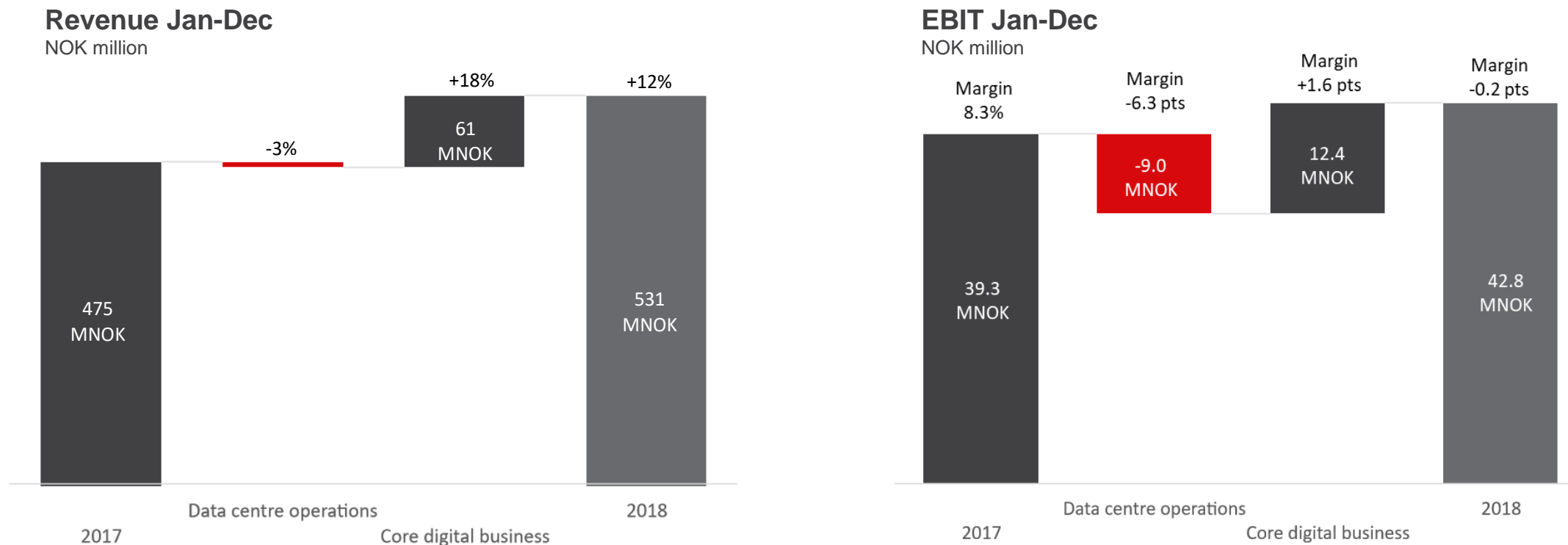
	2018 Q4	2017 Q4	Change %	2018 FY	2017 FY	Change %
NOK Million						
Operating revenue	141.3	135.0	5 %	531.3	475.0	12 %
Gross profit	117.9	110.4	7 %	444.0	401.7	11 %
Personnel expenses	83.7	79.8	5 %	327.8	294.3	11 %
Other opex	11.9	11.5	4 %	52.3	47.7	10 %
EBITDA	22.3	19.1	17 %	64.0	59.7	7 %
EBITDA margin	15.8 %	14.1 %	1.7 pts	12.0 %	12.6 %	-0.5 pts
EBIT	16.9	13.9	22 %	42.8	39.3	9 %
EBIT margin	12.0 %	10.3 %	1.7 pts	8.1 %	8.3 %	-0.2 pts
Net cash flow from operations	42.0	33.0	27 %	56.8	49.7	14 %
Cash and cash equivalents	55.3	59.9	(8 %)	55.3	59.9	(8 %)
Equity ratio	24.5 %	25.6 %	-1.1 pts	24.5 %	25.6 %	-1.1 pts
Employees at end of period	486	491	(1 %)	486	491	(1 %)
Employees in average	489	485	1 %	488	443	10 %

- **Solid revenue growth and strong profitability in core digital business**
 - Revenue growth of 9% (full-year 18%)
 - EBIT margin of 15.0% (full-year 11.7%)
- **Overall growth negatively impacted by cloud transformation of data centre operations**
- **Strong cash conversion for Q4 and full year**

CLOUD TRANSFORMATION



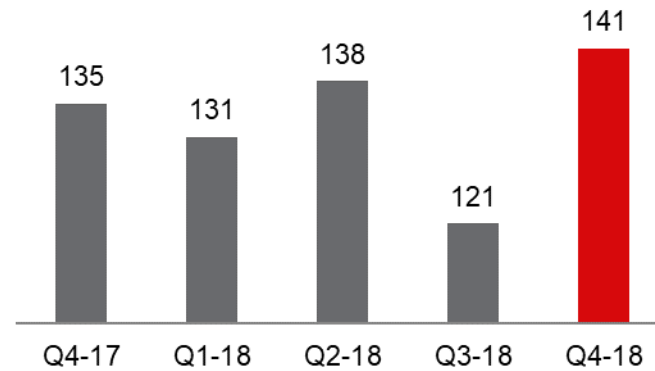
CLOUD TRANSFORMATION



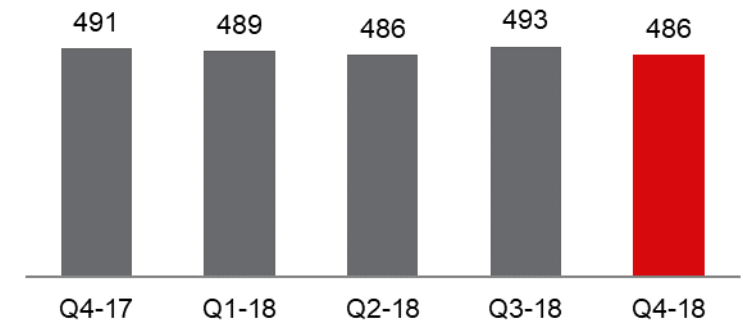
- High growth and strong profitability in core digital business
- Traditional data centre operations diluting growth and profitability
 - Invest in new Managed Cloud Services unit and migrate existing data centre customers
 - Optimise and sunset residual business

QUARTERLY DEVELOPMENT

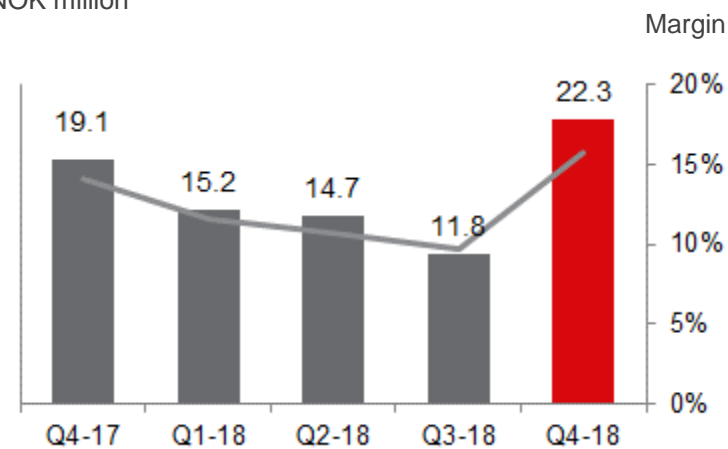
Operating revenue
NOK million



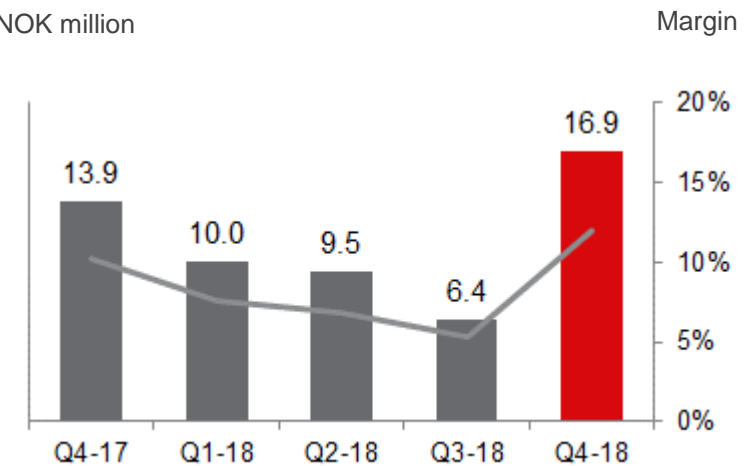
Employees
End of period



EBITDA
NOK million



EBIT
NOK million



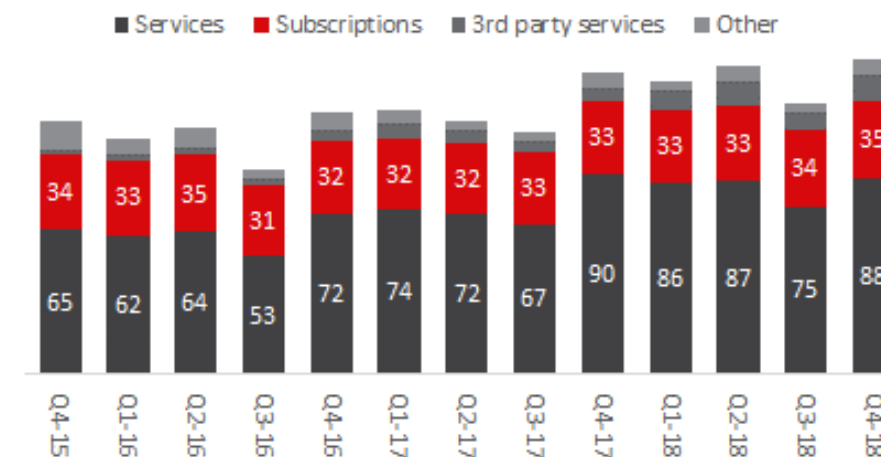
REVENUE SPLIT

Revenue increased by 5% y-o-y

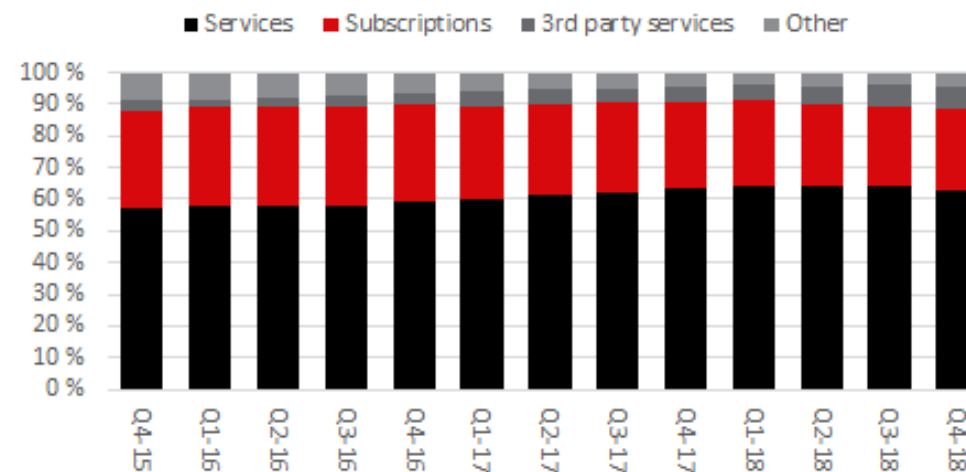
- Service revenues from own consultants decreased by 2% to NOK 88 million
- Subscription revenue increased by 6% to NOK 35 million
- 3rd party service revenue increased by 97% to NOK 12 million
- Other revenue, incl. HW/SW sales, increased by 6% to NOK 7 million

Revenue split (quarterly figures)

NOK Million



Revenue percentage split (rolling 12 months)

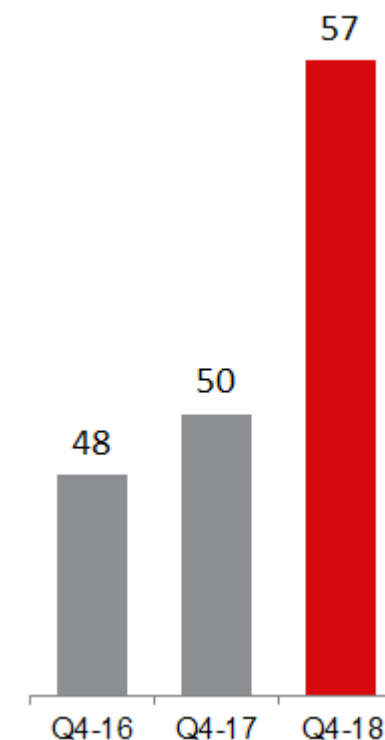


STATEMENT OF CASH FLOW

NOK Million	2018 Q4	2017 Q4	2018 FY	2017 FY
Cash flow from operations (EBITDA)	22.3	19.1	64.0	59.7
Change in balance sheet items	19.7	13.9	(7.1)	(10.0)
Net cash flow from operating activities	42.0	33.0	56.8	49.7
Net cash flow from investment activities	(4.9)	(9.3)	(20.7)	(19.5)
Purchase of own shares	-	-	(22.6)	(1.6)
Sale of shares	1.1	(0.3)	11.1	3.3
Borrowings repaid	(2.5)	(2.1)	(8.7)	(8.1)
External dividend paid	-	(20.5)	(20.5)	(35.1)
Net cash flow from financing activities	(1.4)	(23.0)	(40.7)	(41.5)
Net change in bank deposits and cash	35.7	0.8	(4.6)	(11.2)
Bank deposits at the end of the period	55.3	59.9	55.3	59.9
New borrowing related to leasing	0.6	0.6	3.7	1.6

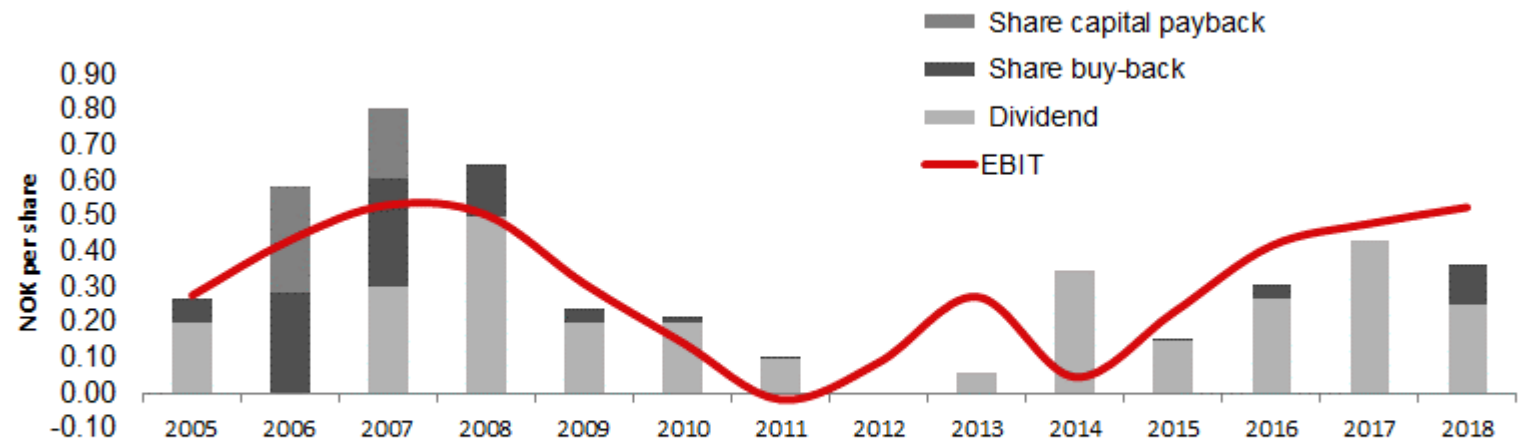
- Cash flow from operations NOK 42.0 (33.0) million in Q4
- Treasury shares valued at NOK 10.4 million at 31 Dec

12 month rolling
cash flow from operations
(NOK Million)



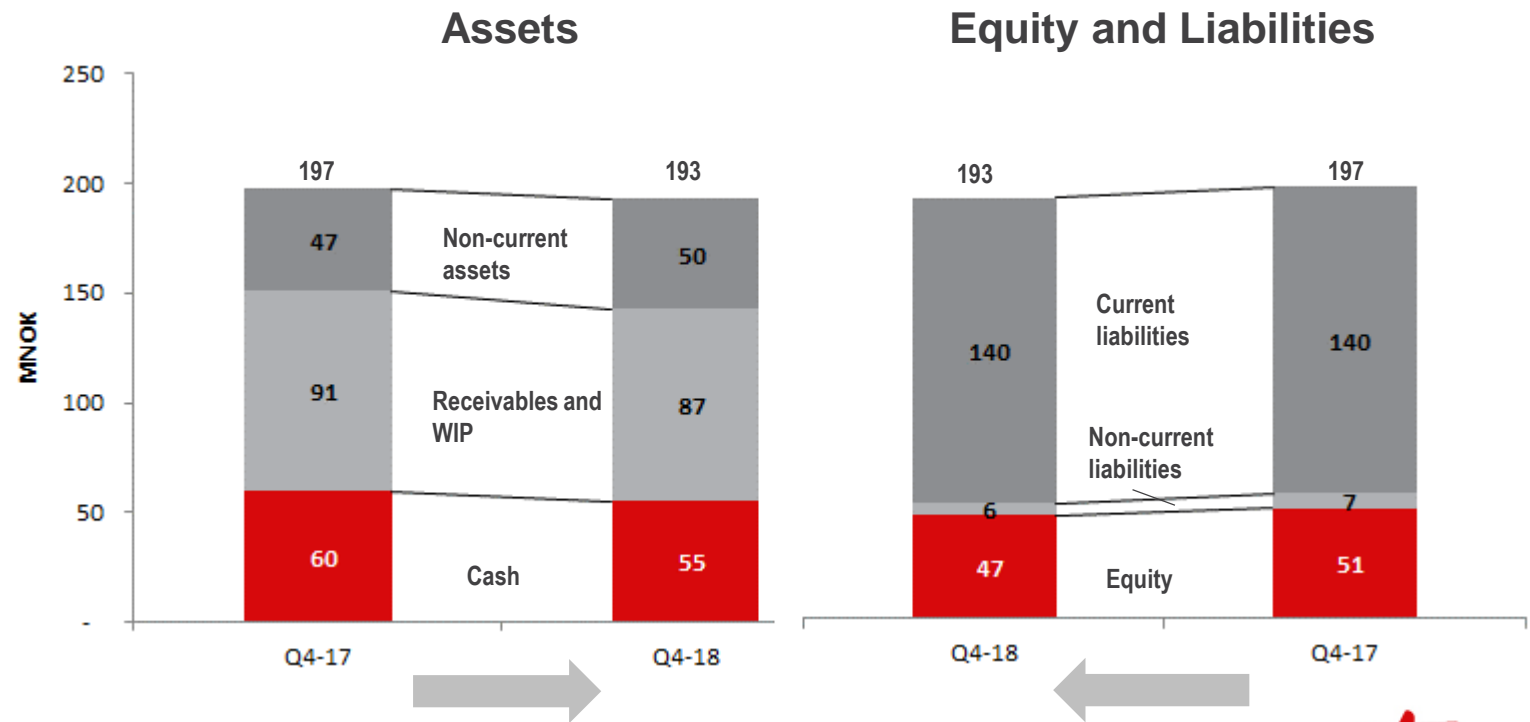
DIVIDENDS AND OWN SHARES

- Total return of +21% incl. dividends
 - Share price was NOK 8.40 at the end of 2018, an increase by 18% from NOK 7.14 at the end of 2017
- Board proposes an ordinary dividend of NOK 0.25 per share and possibility of deciding additional dividend later
- Current holding of own shares is 1,242,165 shares, unchanged in the quarter
 - In 2018, 120 employees bought a total of 1,172,010 with a lock-in period



STATEMENT OF FINANCIAL POSITION

- Advance billing of MNOK 17 (MNOK 16) has been netted against receivables in line with auditor's recommendation
- Equity ratio of 25% (26%) per 31 December
- Cash balance of MNOK 55 (MNOK 60)
- Proposed ordinary dividend of NOK 0.25 per share for FY 2018, for approval by AGM



IMPACT OF IFRS 15 IMPLEMENTATION

1 JAN 2018 EQUITY REDUCED BY MNOK 3.0 FROM CHANGE IN ACCOUNTING PRINCIPLES

IFRS 15 implementation effects 2018:

NOK Million	Adjusted (IAS 18) 10-12 2018	Impact IFRS 15	Reported (IFRS 15) 10-12 2018	Adjusted (IAS 18) 2018	Impact IFRS 15	Reported (IFRS 15) 2018
Revenue	140.2	1.1	141.3	528.7	2.7	531.3
EBIT	16.9	0.0	16.9	41.5	1.3	42.8
Net profit	13.3	0.0	13.3	30.8	0.8	31.6

Q4 2018 effects:

- Positive impact on sales revenue of MNOK 1.1 (deferred income recognition)
- No EBIT impact
- Book equity on 31 December reduced by MNOK 2.2

Affected areas for timing of revenue recognition:

- Customised development based where Itera retains the IP will change from a point in time (at delivery) to over time (over the licence contract period)
- Transition projects will be recognised when the customer can use and benefit from the services rendered

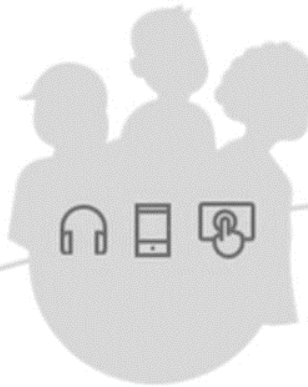
A man with short blonde hair is assisting a woman with dark hair who is wearing a VR headset. The man is pointing at the headset. In the background, there is a large, modern desk with a computer monitor displaying a 3D wireframe model of a building. The entire scene is tinted with a blue color.

BUSINESS REVIEW

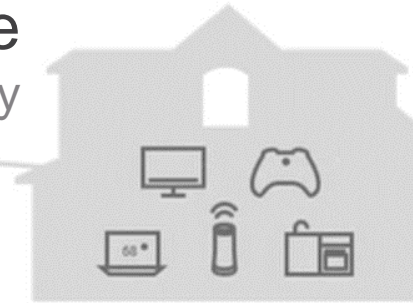
BY 2020...

Smart Devices

20B IoT Devices

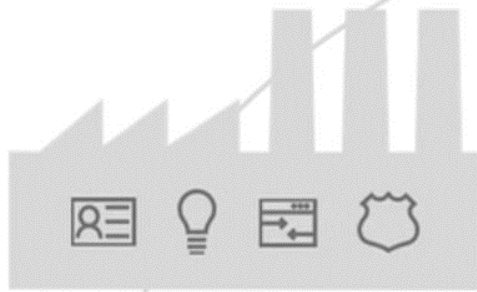


People
1.5 GB per day

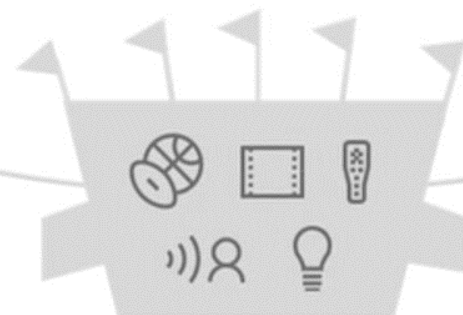


Smart Home
50 GB per day

Smart City
250 PB per day

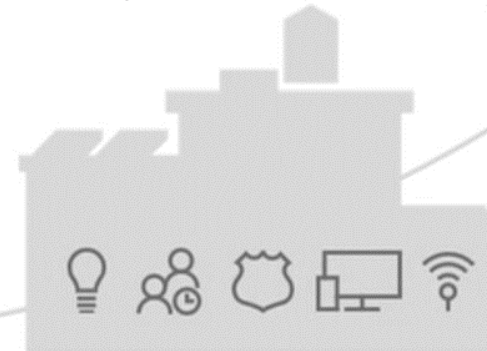


Connected Factory
1 PB per day

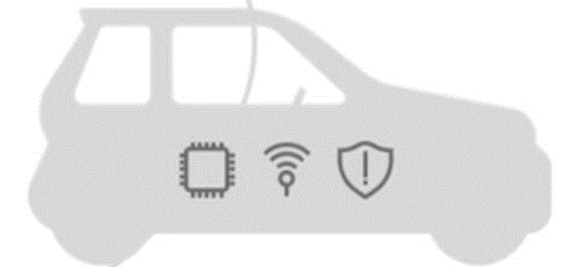


Stadium
200 TB per game

1 million/hour
new devices coming online by 2020



Smart Office
150 GB per day



Autonomous Vehicle
5 TB per day

OUR STRATEGIC POSITION:

#1 IN CREATING DIGITAL BUSINESS

PLATFORM FIRST

STRATEGIC POSITION

**#1 in creating
digital
business**

2014

Customer
centricity

2015

ONE Itera

2016

Customer's
customer

2017

Top 5 in
innovation

2018

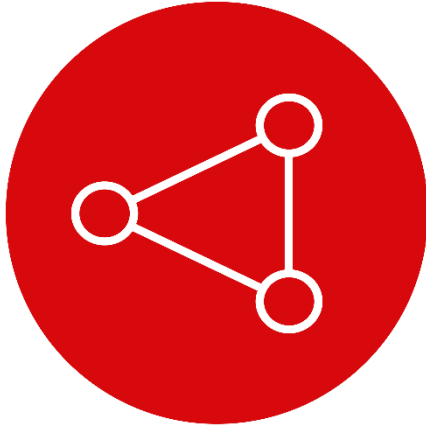
Hybrid
scalability

2019

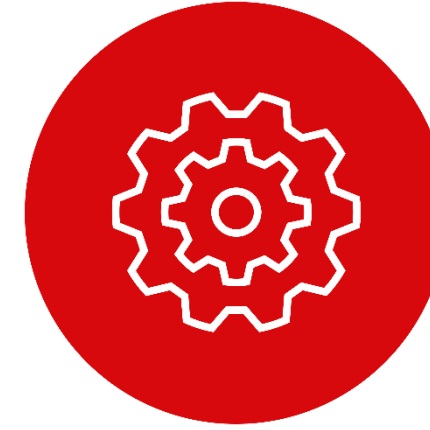
Platform
first



TWO TYPES OF PLATFORMS



Business platforms

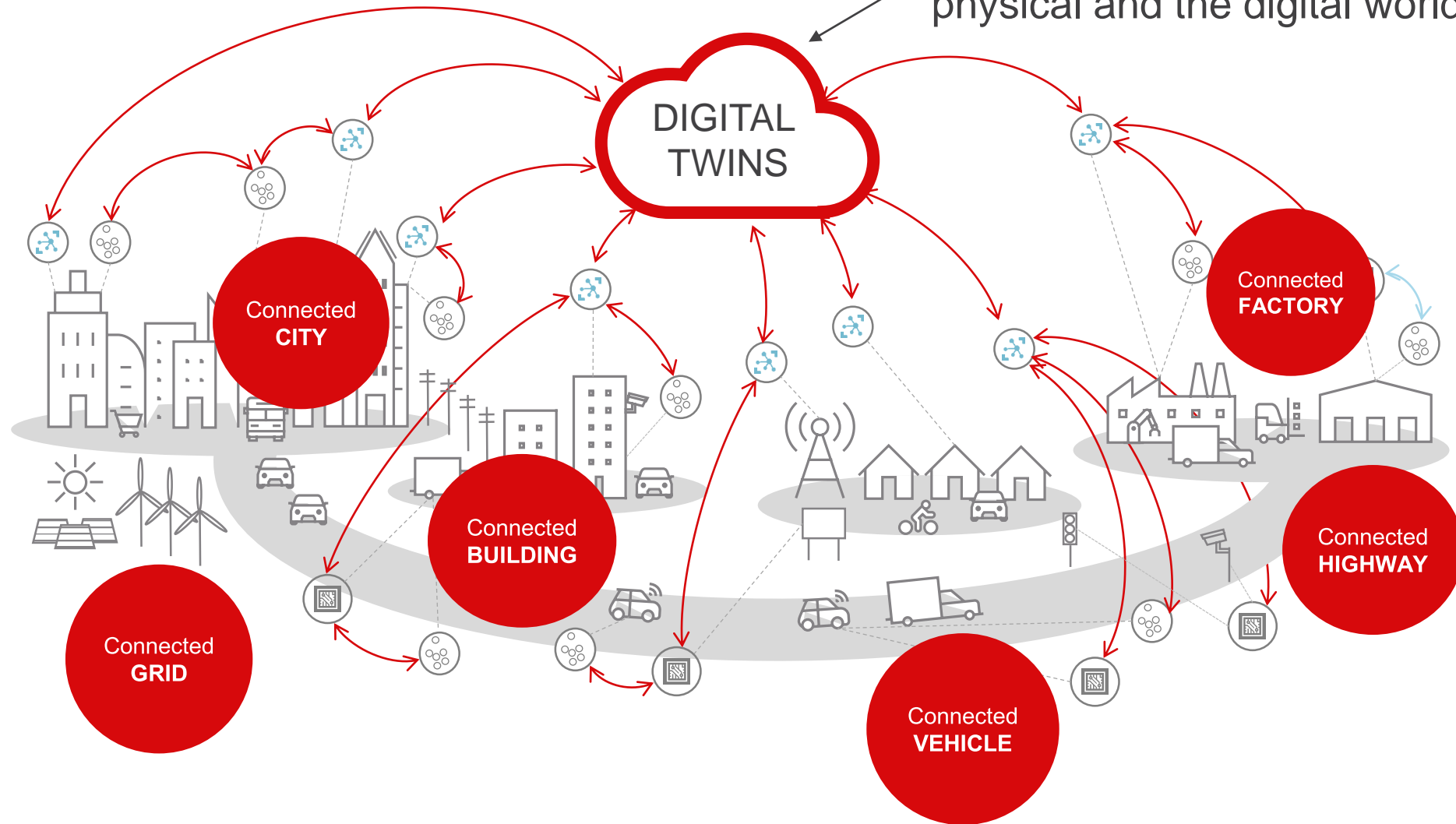


Technology platforms



CONNECTED INDUSTRIES

Digital twins are the bridge between the physical and the digital world





NEW GENERATION EXPERIENCE



New use cases

Voice as
preferred UI

New visualization
tools

An aerial night view of a city skyline, likely Shanghai, with numerous skyscrapers and illuminated streets. Overlaid on the image are numerous glowing yellow and white lines that arc and connect various points across the city, symbolizing data flow and network connectivity. The lines are most concentrated in the lower-left and center-right areas, creating a sense of dynamic movement and interconnectedness.

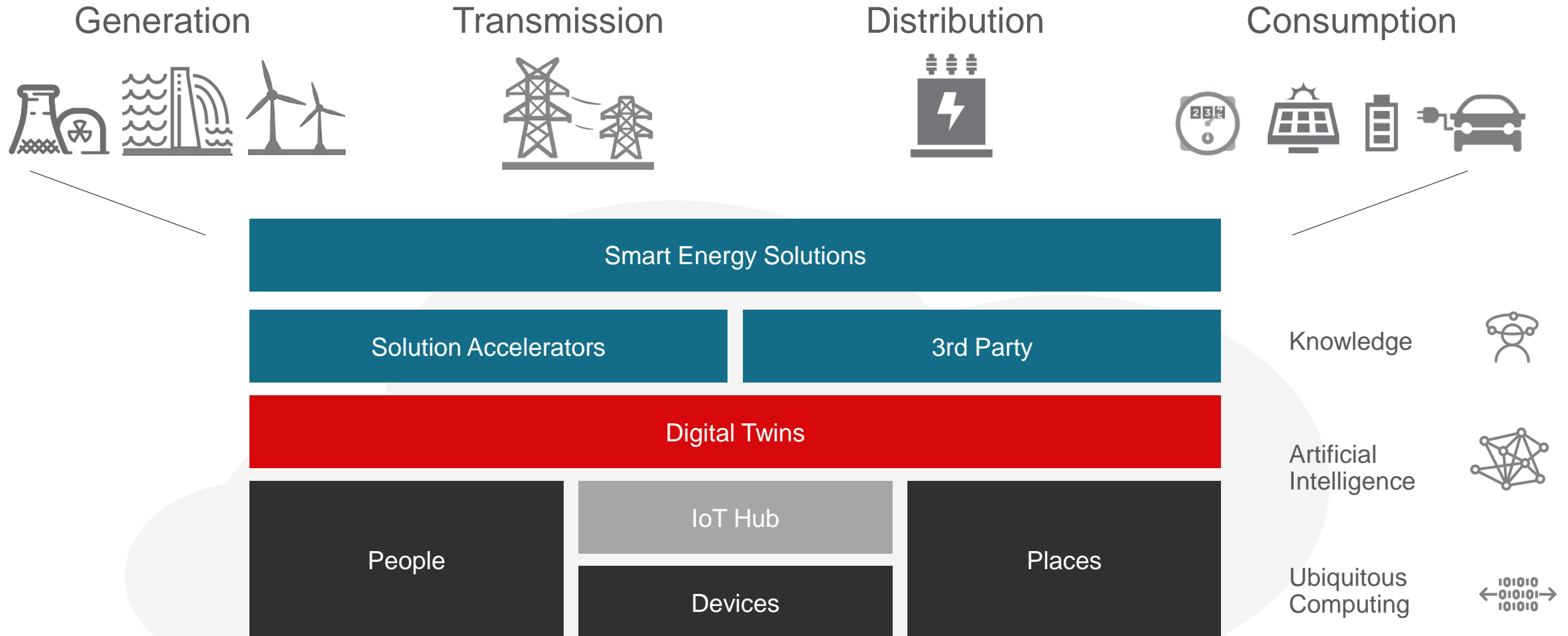
DATA-DRIVEN INTELLIGENCE SOLUTIONS

Knowledge

Artificial
Intelligence

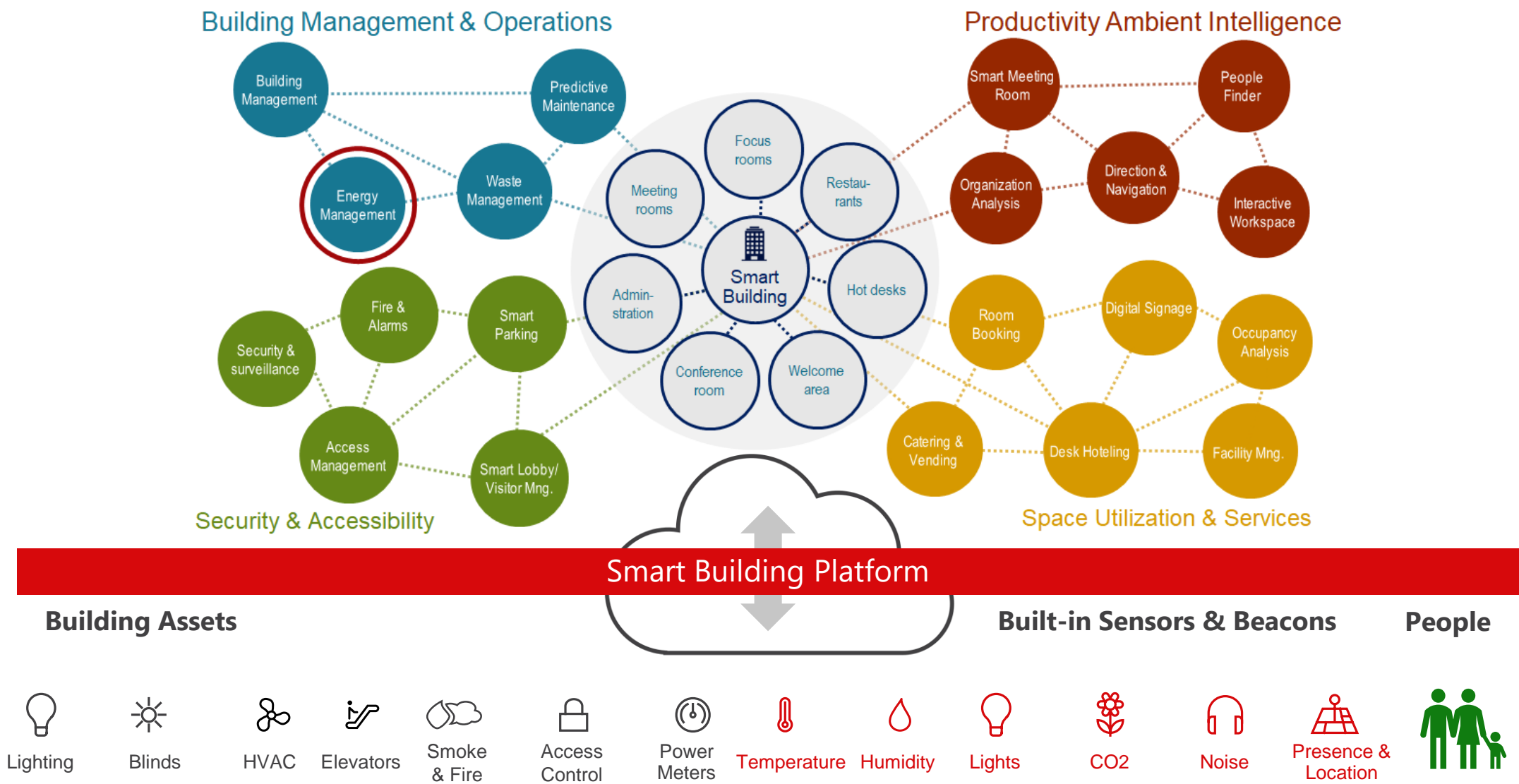
Ubiquitous
Computing

SMART ENERGY SOLUTIONS



*) <https://azure.microsoft.com/en-us/blog/azure-iot-drives-next-wave-innovation-in-infrastructure-and-energy/>

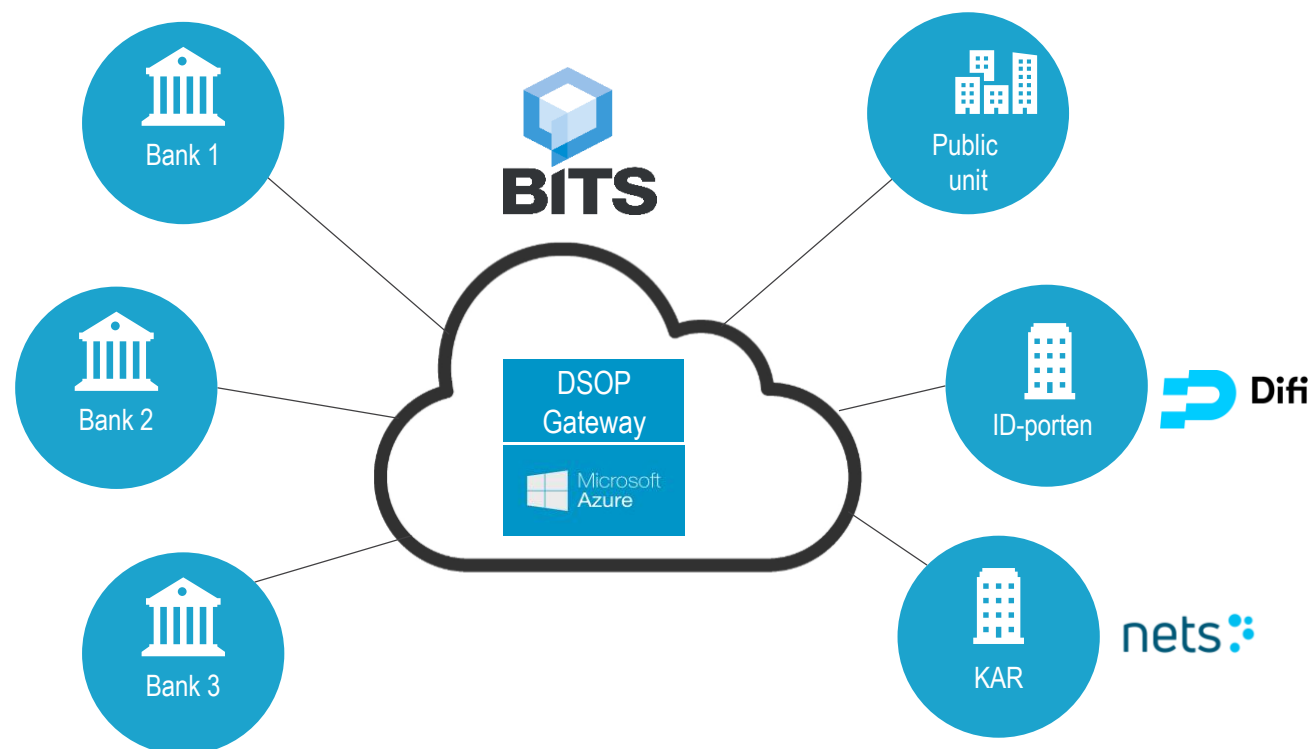
SMART ENERGY → SMART BUILDINGS



CROSS INDUSTRY COLLABORATION

Digital Samhandling Offentlig - Privat (DSOP)

- BITS engaged Itera to create a gateway to simplify the data exchange between the financial and the public sector
- DSOP Gateway is based on DevOps and built, tested and deployed in Microsoft Azure
 - High scalability, security and robustness for all kind of data exchange
- Itera provides end-to-end solution including design, development, testing, maintenance and management
- First phase will be in production in February 2019.



Order intake from existing and new customers



- Book-to-bill ratio*) of 1.2 in Q4 and 1.1 full year for Digital Business and 1.0 overall for both Q4 and full year

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

ORDER
INTAKE

CUSTOMER DEVELOPMENT

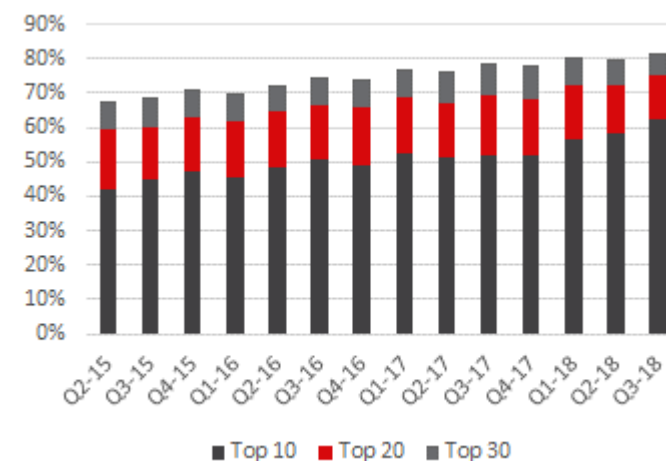
- New business
 - Existing customers accounted for 94.8% of revenues in Q4 2018
 - New customers won over the past year generated revenues of NOK 7.3 million in Q4 2018
- Increasing visibility
 - Share of revenue from top 30 customers up by 1 points y-o-y to 79%
 - Increasing number of large projects and services managed by Itera
 - Strategic relationships
 - Full range of services
 - Hybrid delivery across borders

Revenue customers split

MNOK



Share of revenue



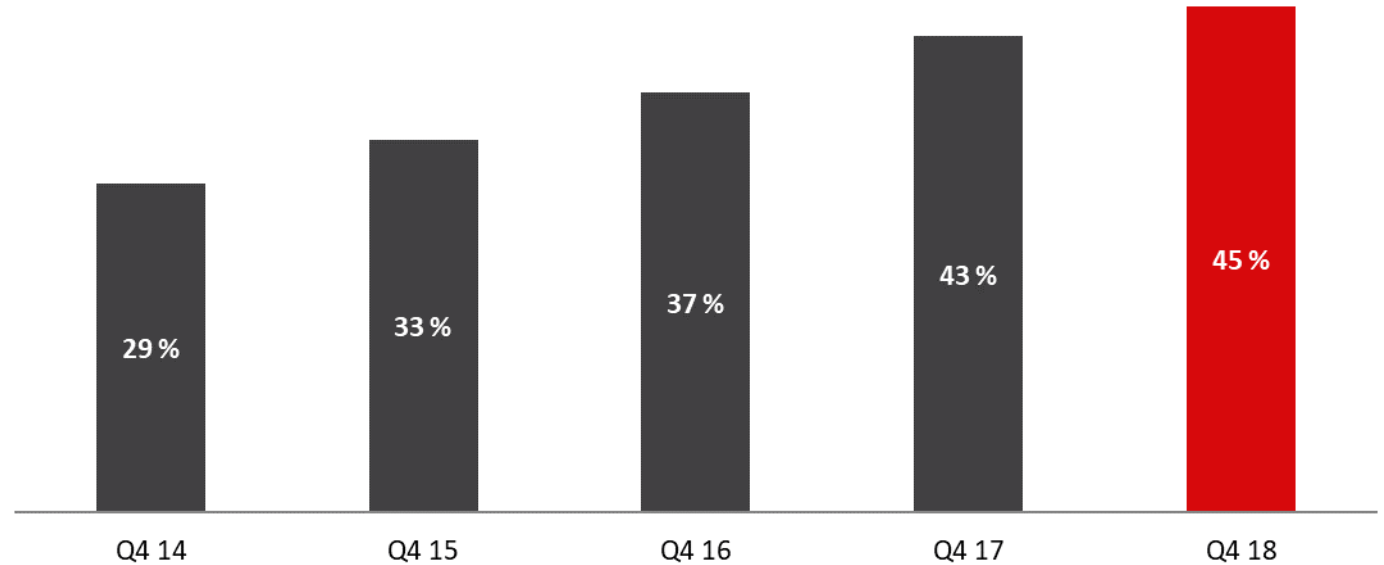
* Existing customers defined as customers that were invoiced in the corresponding quarter last year

** New customers (Rolling Twelve Months) defined as customers won since end of corresponding quarter last year

NEARSHORE RATIO

Nearshore ratio

% of all staff located nearshore



- Nearshore ratio of 45% in Q4 2018
- Target > 50%
- Mixed teams of onshore and nearshore resources are increasing our price flexibility as well as providing access to a very large resource pool

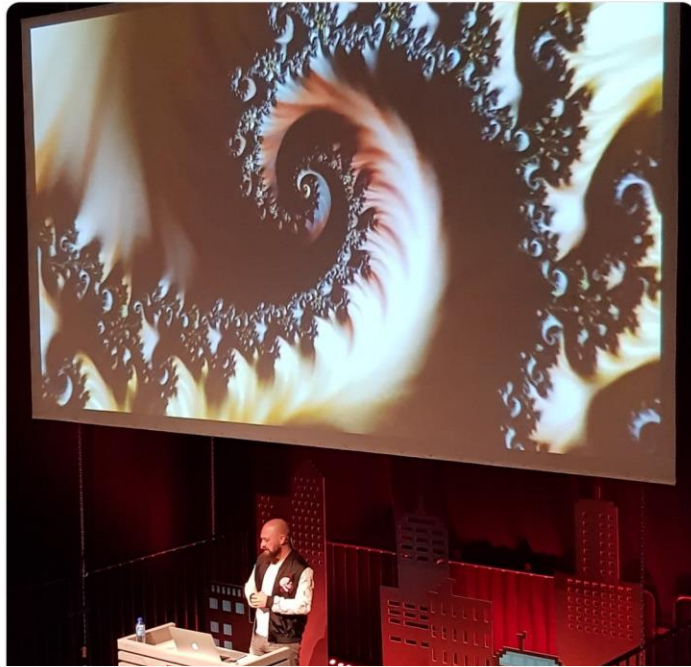
Morten Nygaard Åsnes

@mortenaa

Follow



The talk by [@anoras](#) on computer art might just be my favorite [@javazone](#) talk ever.



Q4 2018



Google Cloud SUMMIT





SUMMARY

1. Continue solid profitable growth in our core digital business
2. Invest in Managed Cloud Services unit
3. Lift and shift Itera data centre customers into cloud and reduce own operation
4. Transform into ONE Itera management team with fewer business units and reduced overhead



OUTLOOK



OUTLOOK

- Attractive market with high demand for digitalisation in all Nordic markets
- Profitable growth and cash flow are key focus areas
- Invest in new Managed Cloud Services unit and transform own data centre into the cloud
- 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



itera
MAKE A DIFFERENCE