



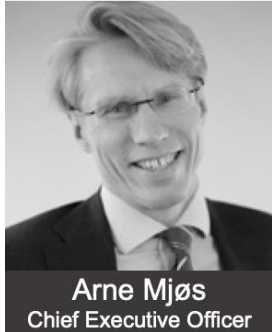
INTERIM REPORT

# ITERA THIRD QUARTER 2019

CEO ARNE MJØS  
CFO BENT HAMMER

OSLO, 23 OCTOBER 2019

# PRESENTERS AND AGENDA



Highlights of the quarter

Business review

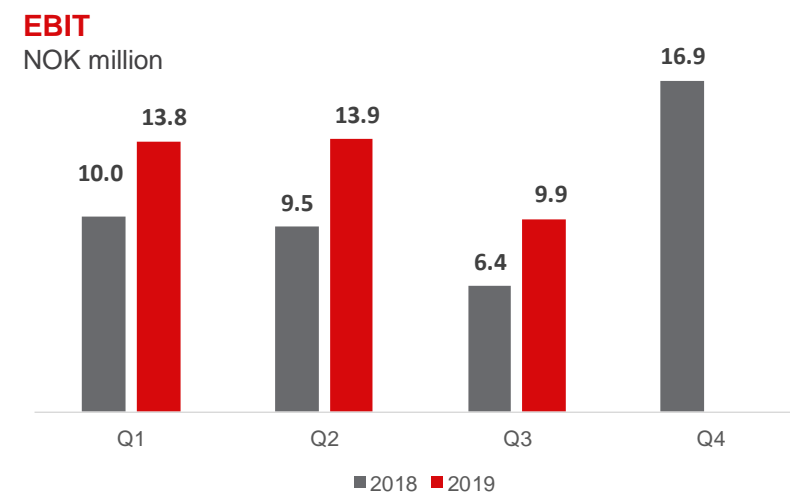
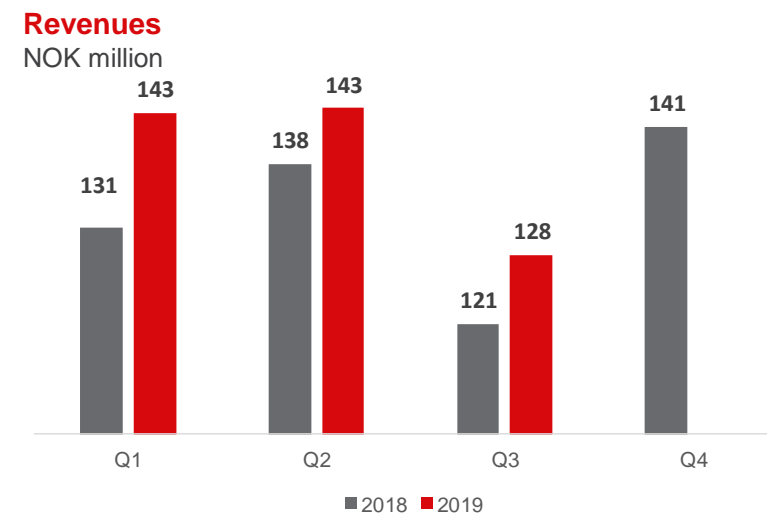


Financial review

Outlook

# HIGHLIGHTS OF THE THIRD QUARTER

- High growth and profitability in core digital business
  - Revenue growth of 10%
  - EBIT margin of 9.9%
- Total business
  - Revenue NOK 128 (121) million, up by 6% y-o-y
  - Gross profit NOK 111.1 (102.1) million, up by 9% y-o-y
  - EBIT of NOK 9.9 (6.4) million, 7.7% (5.3%) margin
- Increasing revenue from strategic customers in new industries
- Order intake high in digital business with book-to-bill ratio of 1.4
- Itera named one of Top 25 innovative companies in Norway fourth year running
- Additional dividend of NOK 0.30 per share payable on 1 Nov resolved by the Board





# BUSINESS REVIEW



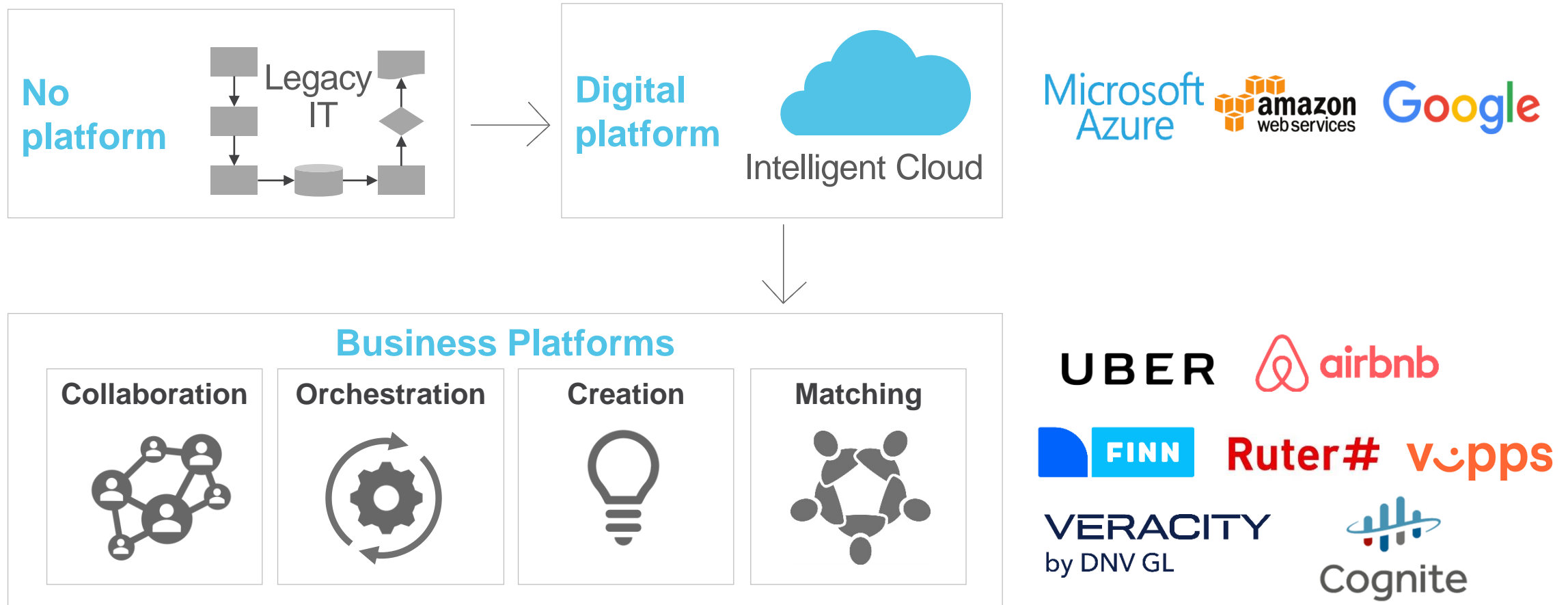
OUR STRATEGIC POSITION:

SPECIALISTS IN CREATING  
DIGITAL BUSINESS

**PLATFORM  
FIRST**



# SHIFT FROM THE RISE OF PLATFORMS

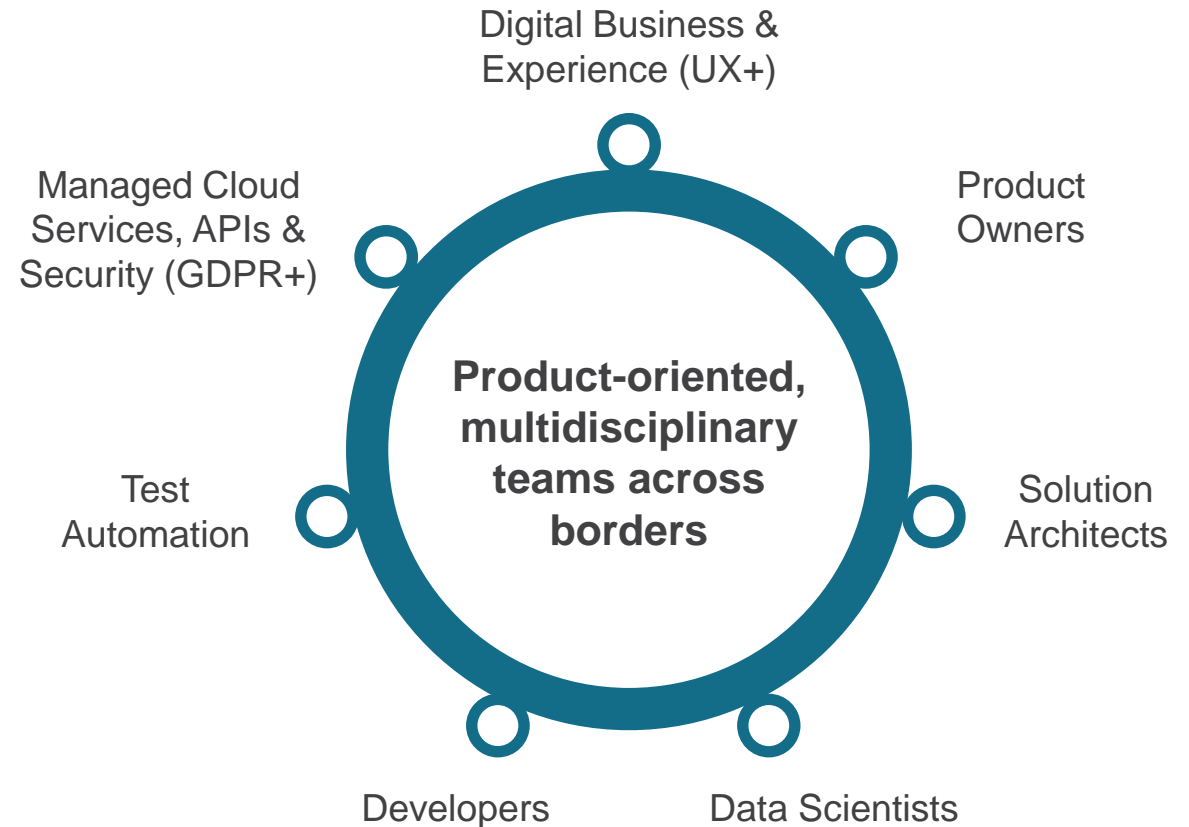


# OUR STEPS INTO THE FUTURE

1. We are working with **first movers** on creating digital business
2. New engagements are organised as **DevSecOps on platforms** as first choice
3. We are **moving existing projects to platforms**
4. We are **transforming workload** from traditional data centers **to cloud platforms**

## CONTINUOUS INNOVATION

### DevSecOps



A man with short blonde hair is smiling and adjusting a VR headset on a woman's head. The woman is smiling and looking into the headset. They are in a modern office environment with a large wooden desk and a computer monitor in the background. The monitor displays a 3D wireframe model of a building. The entire image has a blue tint.

# Selected projects



# SERVICE DESIGN TO INCREASE RECYCLING

- The renovation agency in the City of Oslo handles waste and recycling
- When business customers need to get rid of smaller amounts of food waste, plastic, paper and residual waste, the agency wants to provide a good and holistic user experience.
- The agency wants to use service design as a method in developing the services and has chosen Itera to deliver the expertise.
- Some of the goals
  - increase the proportion of industrial waste for recycling in line with government and EU requirements
  - identify needs and areas where digitisation can benefit the citizens of Oslo



# ENTERING NEW INDUSTRIES



NORWEGIAN HULL CLUB

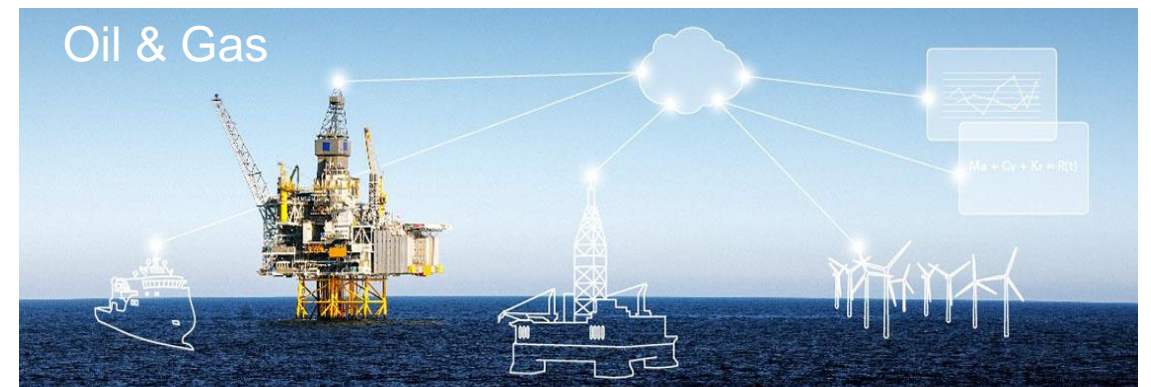
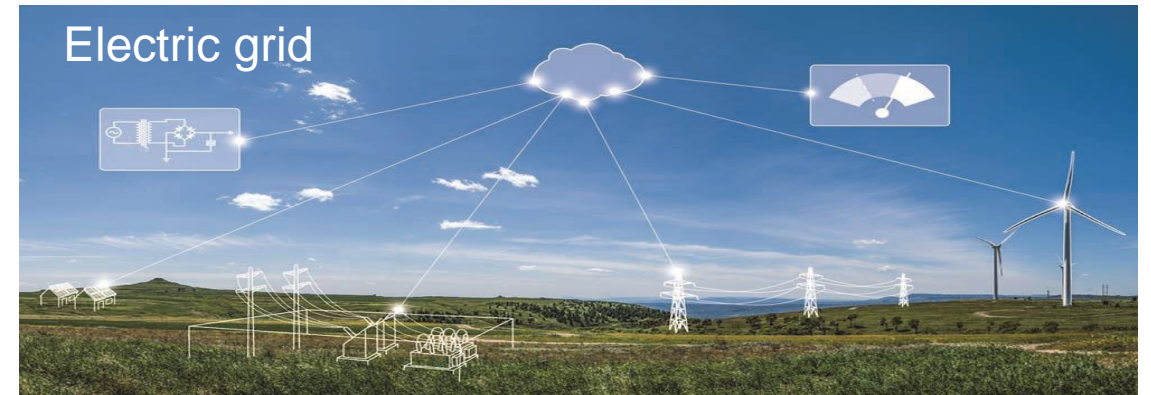
- New frame agreement with Instech Solutions in Bergen, a world leader in marine insurance software, jointly owned by Norwegian Hull Club
- Providing services in development and management of Instech's insurance solution used by insurance companies and brokers worldwide
- The collaboration is in line with Itera's growth plans in Western Norway, as well as the focus on new industries



# COGNITE REALISATION PARTNER

**Itera is a strategic partner to Cognite in the transformation of heavy industries through our end-to-end services in creating digital business**

- Several key engagements with large enterprises in the Oil & Gas and Utility industries
  - Smart Maintenance
  - Production optimisation
  - Digital worker
- Using Cognite Data Fusion Platform
  - Digital Twins, IoT and AI
- Itera is engaged as ONE Itera and hybrid delivery with high scalability of digital talents



# ORDER INTAKE

## Order intake from new and existing customers

### New customers



COGNITE



**GLITRE**  
ENERGI



**SHARE**cat-X



### Existing customers



Gjensidige



Kredinor



Book-to-bill ratio<sup>\*)</sup> of 1.4 in Q3 for Digital Business and 1.5 YTD

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

*itera*





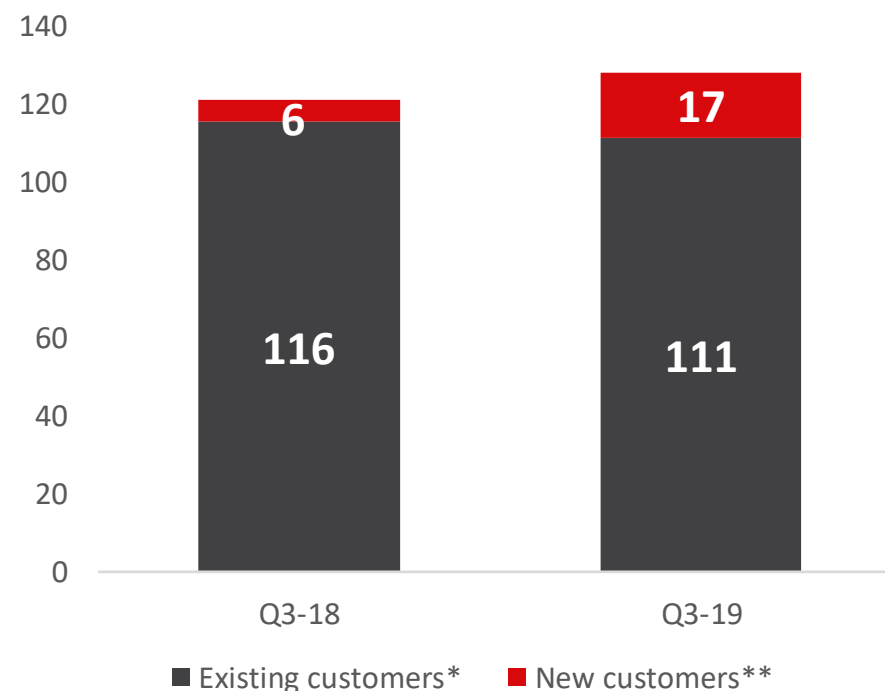
Itera is awarded amongst  
Top 25 most innovative  
companies across industries  
in Norway the last 4 years

# CUSTOMER DEVELOPMENT

- New business
  - Existing customers accounted for 86.7% (95.2%) of revenues in Q3 2019
  - New customers won over the past year generated revenues of NOK 17.0 (5.8) million in Q3 2019
- Increasing visibility
  - Share of revenue from top 30 customers down by 5 points y-o-y to 77%
  - High customer concentration signifies
    - Strategic relationships
    - Full range of services
    - Hybrid delivery across borders

Revenue customers split

MNOK



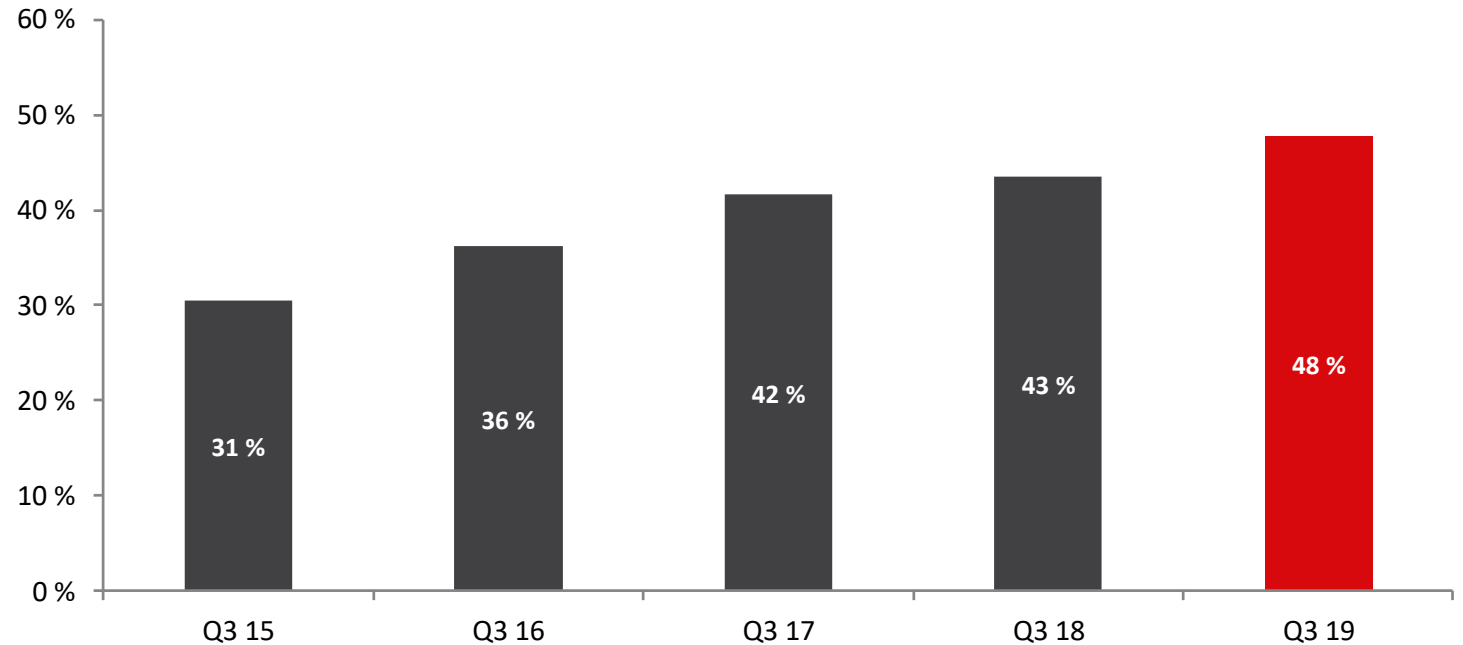
\* Existing customers defined as customers that were invoiced in the corresponding quarter last year

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

# NEARSHORE RATIO

## Nearshore ratio

% of all staff located nearshore

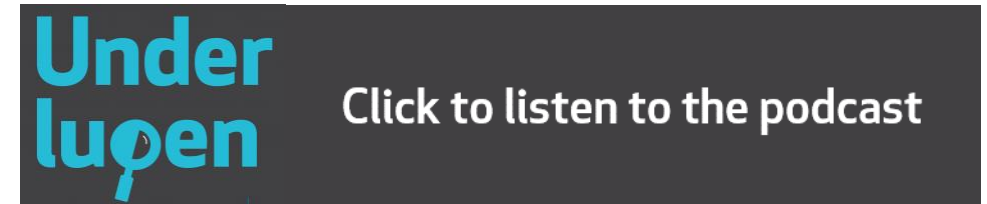


- Nearshore ratio of 48% in Q3 2019
- Our hybrid teams of onshore and nearshore consultants are increasing our price flexibility as well as providing access to a very large resource pool



# HIGH ATTENTION IN THE FINANCE SECTOR

- In September, the much-hyped PSD2 directive (Payment Services Directive 2) fully entered into force
- PSD2 might lead to disruptive changes. FinTech companies might challenge established players' product and service portfolios
- Subsidiary and finance specialist Cicero together with Itera hosted an open market seminar, fully booked with several hundred participants
- The seminar was followed by a launch of a new podcast series with focus on the finance sector







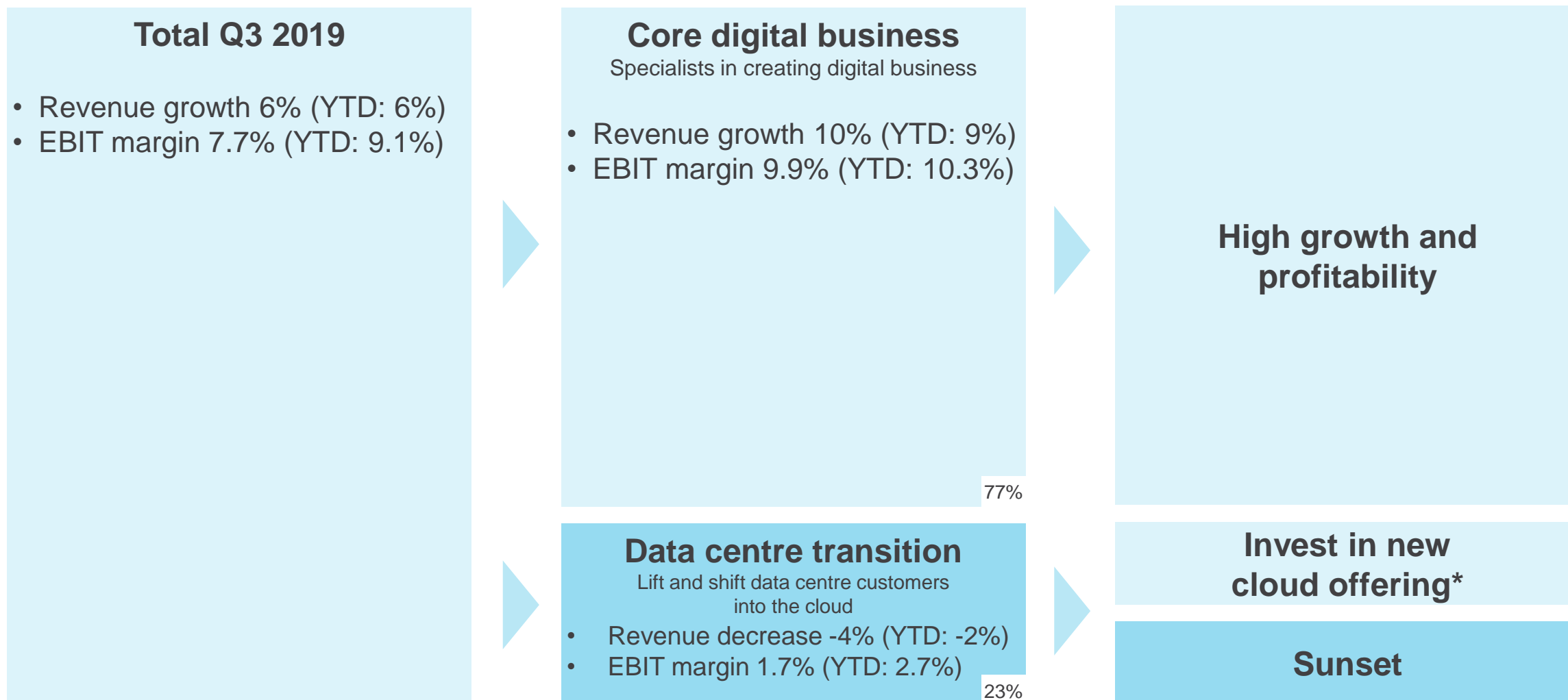
# FINANCIAL REVIEW

# KEY FIGURES

	2019	2018	Change	2019	2018	Change	2018
NOK Million	Q3	Q3	%	YTD	YTD	%	FY
Sales revenue	128.3	121.3	6 %	414.3	390.0	6 %	531.3
Gross profit	111.1	102.1	9 %	355.8	326.2	9 %	444.0
Personnel expenses	82.3	75.8	8 %	260.5	244.1	7 %	327.8
Other opex	9.7	14.5	(33 %)	31.4	40.4	(22 %)	52.3
EBITDA	19.1	11.8	63 %	64.0	41.7	54 %	64.0
EBITDA margin	14.9 %	9.7 %	5.2 pts	15.4 %	10.7 %	4.8 pts	12.0 %
Depreciation	9.2	5.3	73 %	26.3	15.8	67 %	21.1
EBIT	9.9	6.4	54 %	37.6	25.9	45 %	42.8
EBIT margin	7.7 %	5.3 %	2.4 pts	9.1 %	6.6 %	2.4 pts	8.1 %
Net cash flow from operations	15	1	913 %	37	15	149 %	56.8
Cash and cash equivalents	46	20	133 %	46	20	133 %	55.3
Equity ratio	23.6 %	18.1 %	5.5 pts	23.6 %	18.1 %	5.5 pts	24.3 %
Employees at end of period	505	493	3 %	505	493	3 %	486
Employees in average	502	488	3 %	494	488	1 %	488

- Revenue growth driven by core digital business with less use of subcontractors
- Significant profitability growth from operational effectiveness and nearshore growth
- Strong cash flow from operations

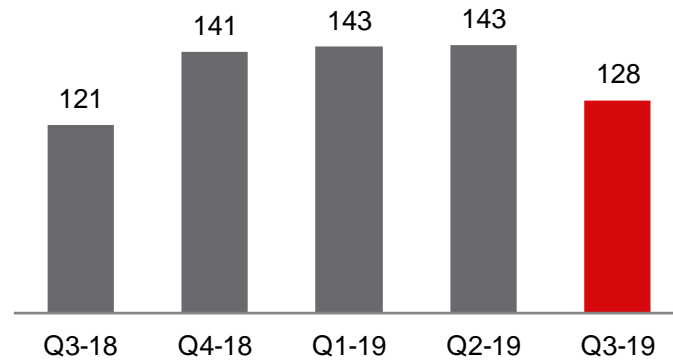
# CLOUD TRANSFORMATION



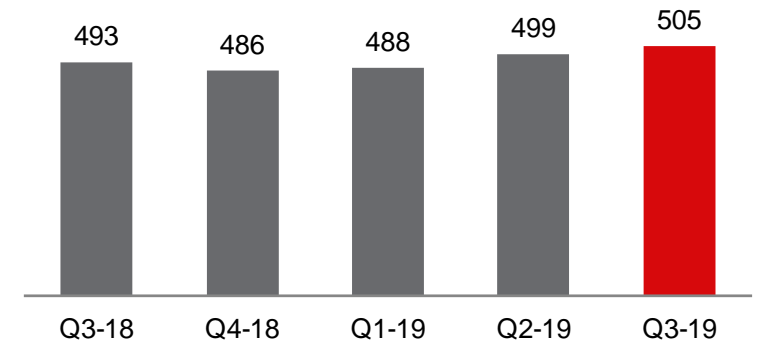
\*) Will be included as core digital business after the initial investment period

# QUARTERLY DEVELOPMENT

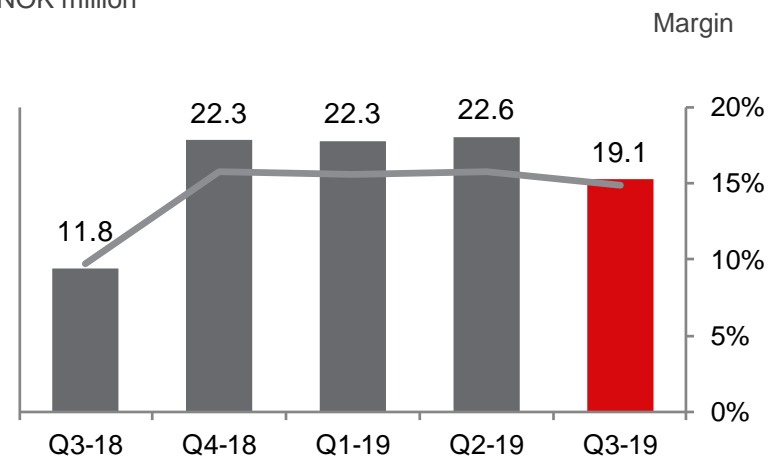
**Operating revenue**  
NOK million



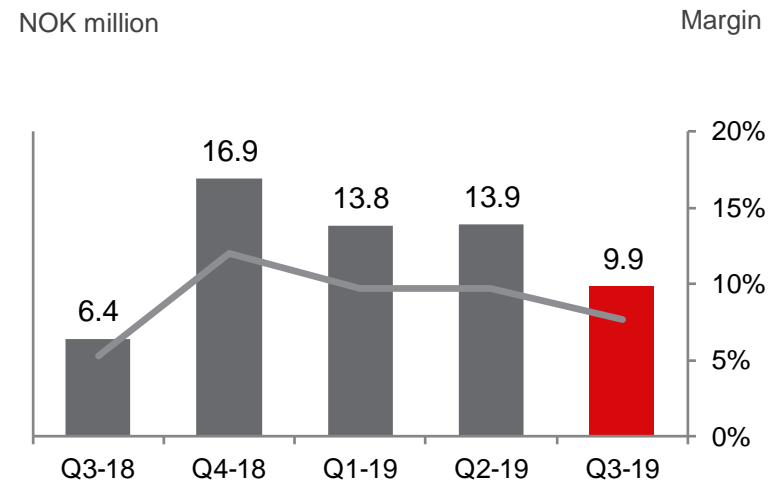
**Employees**  
End of period



**EBITDA**  
NOK million



**EBIT**  
NOK million





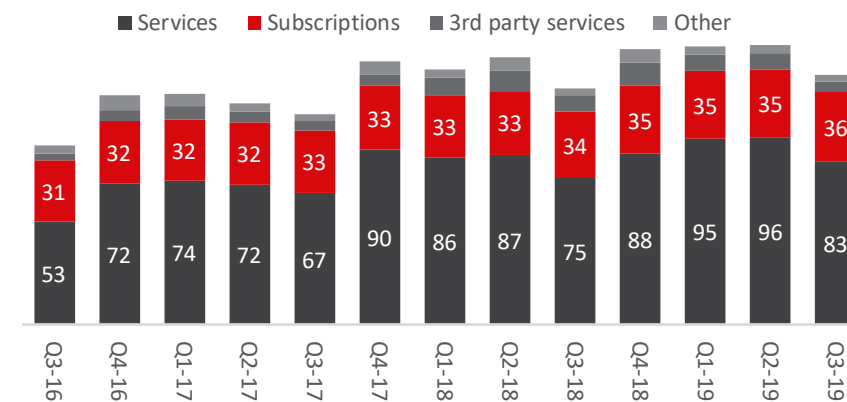
# REVENUE SPLIT

## Revenue increased by 6% y-o-y

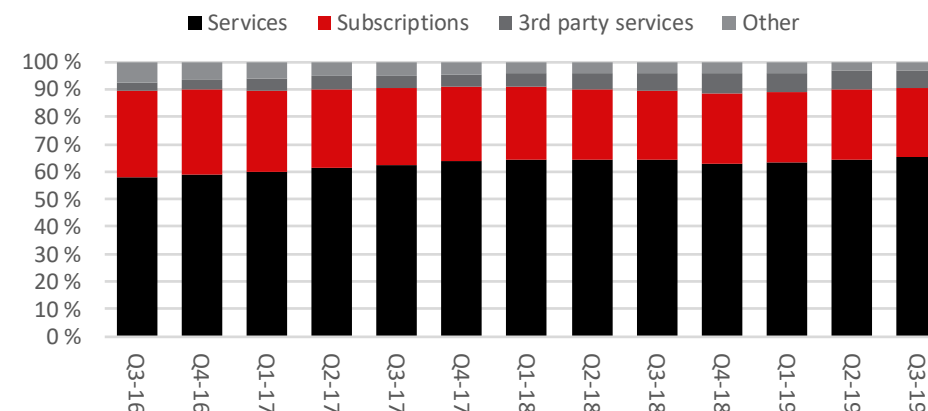
- Service revenues from own consultants increased by 11% to NOK 83 million
- Subscription revenue increased by 6% to NOK 36 million
- 3<sup>rd</sup> party service revenue decreased by 35% to NOK 5 million
- Other revenue, incl. HW/SW sales, decreased by 14% to NOK 3 million as Itera closed its web shop towards end of Q1 2019

## Revenue split (quarterly figures)

NOK Million



## Revenue percentage split (rolling 12 months)

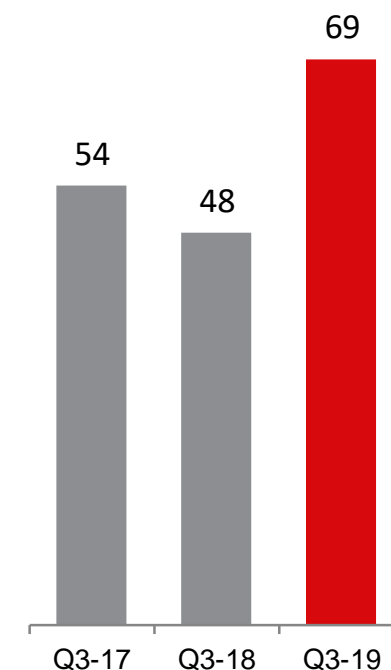


# STATEMENT OF CASH FLOW

NOK Million	2019 Q3	2018 Q3	2019 YTD	2018 YTD	2018 FY
Cash flow from operations (EBITDA)	19.1	11.8	64.0	41.7	64.0
Change in balance sheet items	(4.2)	(10.3)	(27.1)	(26.8)	(7.1)
<b>Net cash flow from operating activities</b>	<b>15.0</b>	<b>1.5</b>	<b>36.9</b>	<b>14.8</b>	<b>56.8</b>
<b>Net cash flow from investment activities</b>	<b>(7.7)</b>	<b>(2.3)</b>	<b>(13.1)</b>	<b>(15.8)</b>	<b>(20.7)</b>
Purchase of own shares	(0.1)	-	(0.1)	(22.6)	(22.6)
Sale of shares	-	7.1	2.1	10.0	11.1
Instalment of lease liabilities	(5.7)	(2.1)	(15.3)	(6.2)	(8.7)
External dividend paid	-	-	(20.2)	(20.5)	(20.5)
<b>Net cash flow from financing activities</b>	<b>(5.8)</b>	<b>5.0</b>	<b>(33.5)</b>	<b>(39.3)</b>	<b>(40.7)</b>
<b>Net change in bank deposits and cash</b>	<b>1.6</b>	<b>4.2</b>	<b>(9.6)</b>	<b>(40.3)</b>	<b>(4.6)</b>
<b>Bank deposits at the end of the period</b>	<b>45.7</b>	<b>19.6</b>	<b>45.7</b>	<b>19.6</b>	<b>55.3</b>
New borrowing related to leasing	4.7	1.4	8.1	3.0	3.7

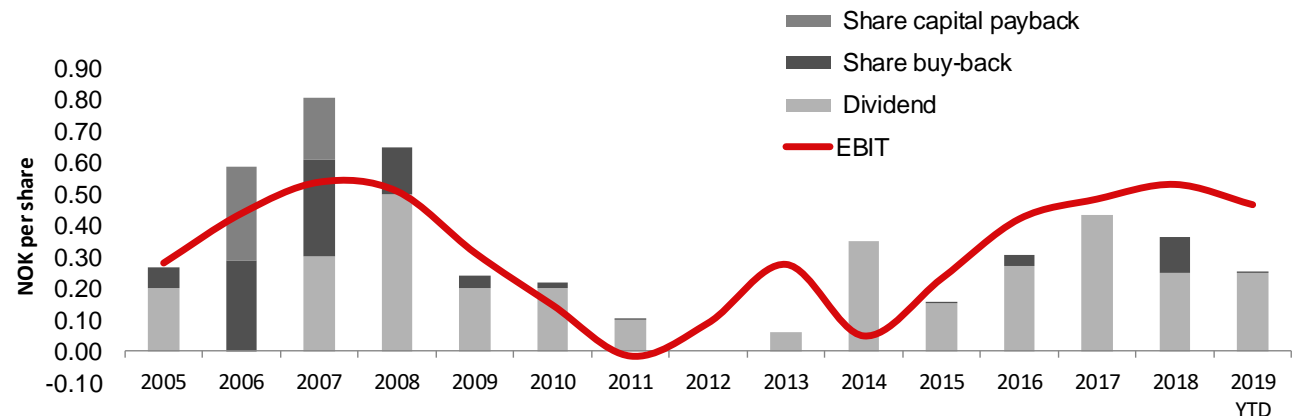
- Cash flow from operations NOK 15.0 (1.5) million in Q3
- Shift of NOK 3.5 million from cash flow from operations to financing activities due to IFRS 16
- 12 month rolling cash flow from operations was NOK 69 million, excluding the effect of IFRS 16

12 month rolling  
cash flow from operations  
(NOK Million excluding the  
effect of IFRS 16)



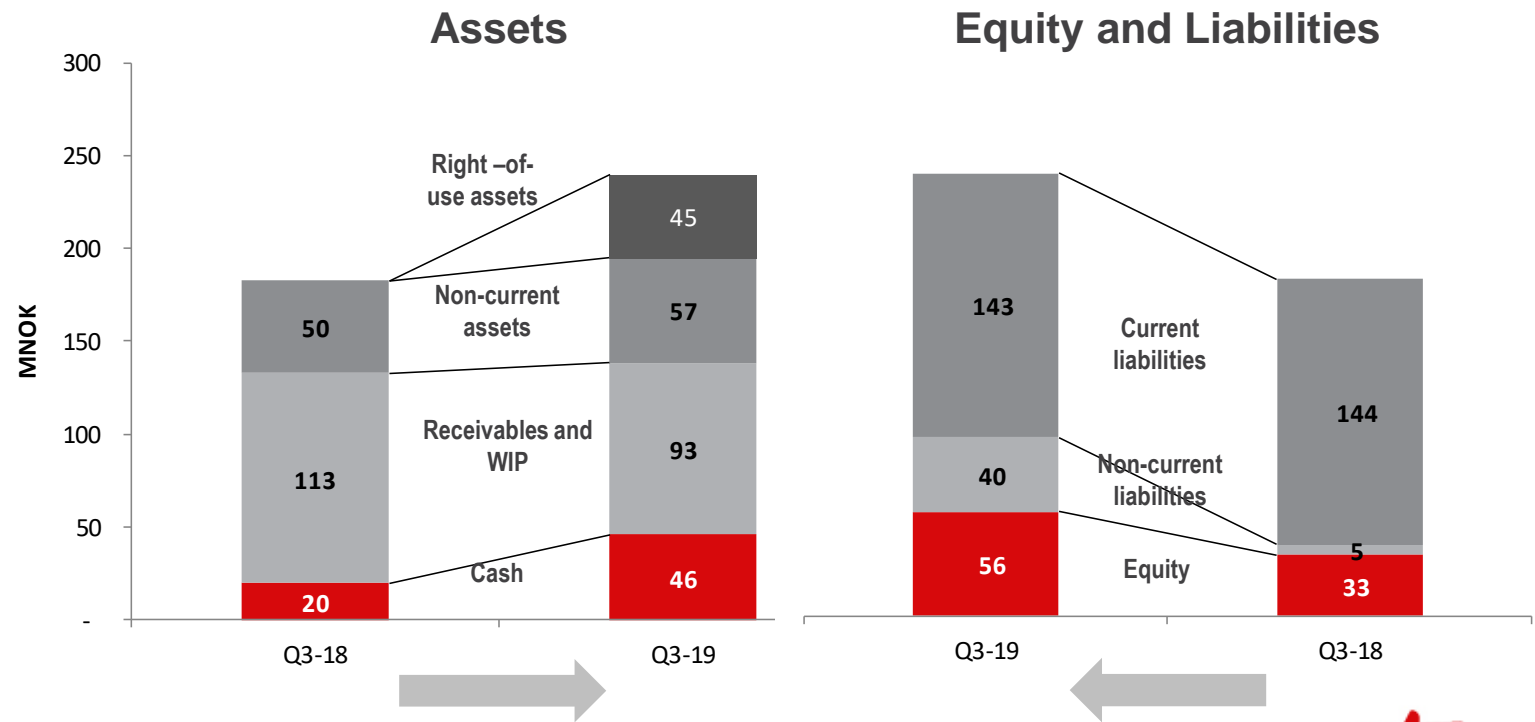
# DIVIDENDS AND OWN SHARES

- The Board announced an additional dividend of NOK 0.30 per share to be paid on 1 November 2019
- Share price was NOK 8.00 on 30 September 2019, NOK 11.40 on 28 September 2018
- Current holding of own shares is 769,891 shares, up from 752,118 as at end of Q2 2019
- Consistent high distribution of earnings



# STATEMENT OF FINANCIAL POSITION

- Right-of-use assets of MNOK 45 introduced following adoption of IFRS 16 Leases with corresponding lease liability
- Equity ratio of 24% (18%) per 30 September
  - -5.4 points impact from IFRS 16
- Cash balance of MNOK 46 (MNOK 20)







# OUTLOOK



# OUTLOOK

- Attractive market with high demand for digitalisation in all Nordic markets
- Profitable growth and cash flow are key focus areas
- Investment 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.



# Q&A SESSION



# TOP 20 SHARE- HOLDERS

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS*	26.85	Norway	22 065 172
2	OP CAPITAL AS	5.38	Norway	4 420 534
3	EIKESTAD AS	4.90	Norway	4 030 000
4	GIP AS	4.48	Norway	3 680 000
5	DnB NOR Bank ASA	4.08	Norway	3 350 000
6	SEPTIM CONSTULTING AS	3.43	Norway	2 818 000
7	BOINVESTERING AS	3.20	Norway	2 630 000
8	STOREBRAND VEKST VERDIPAPIRFOND	2.79	Norway	2 296 213
9	GAMST INVEST AS	2.68	Norway	2 200 000
10	JØSYRA INVEST AS	2.68	Norway	2 200 000
11	MARXPIST INVEST AS	2.47	Norway	2 031 588
12	FRAMAR INVEST AS	1.22	Norway	1 000 000
13	AANESTAD PANAGRI AS	1.10	Norway	900 000
14	ITERA ASA	0.94	Norway	769 891
15	SÆTRANG	0.80	Norway	662 586
16	ALTEA PROPERTY DEVELOPMENT AS	0.80	Norway	660 377
17	NYVANG	0.80	Norway	655 000
18	HØGBERG	0.78	Norway	640 166
19	JENSEN	0.76	Norway	621 100
20	SOBER KAPITAL AS	0.75	Norway	620 000
<b>TOP 20</b>		<b>70.87</b>		<b>58 250 627</b>

\*Arne Mjøs Invest AS holds a future contract expiring 20 December 2019 on 3,350,000 shares at an average price of NOK 9.3044 per share. The total controlling interest of Arne Mjøs is thus 25,415,172 shares (30.9%).



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MAKE A DIFFERENCE