

ITERA

ITERA

Q2  
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

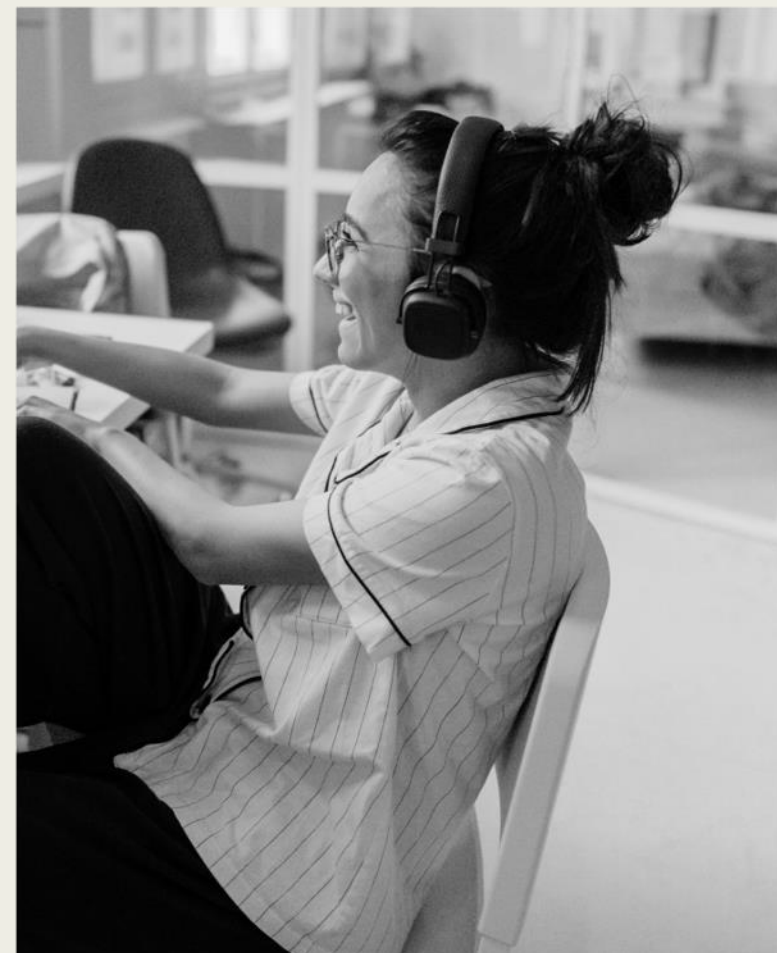


**Bent Hammer**  
CHIEF FINANCIAL OFFICER



# 01

# Highlights Q2 2021



# Q2 in brief



**24%**

Growth in core digital business

Digital adoption curves are accelerating across industries and business functions

Positive market development for our services in all locations

Leveraging the NOK 15 M investment in world class Cloud Center of Excellence

Combating financial crime with artificial intelligence in partnership with IBM

**15%**

Operating margin in core digital business

Book-to-bill of 1.0 in Q2 and 1.2 last 12 months

Number of employees increased by 76 last 12 months

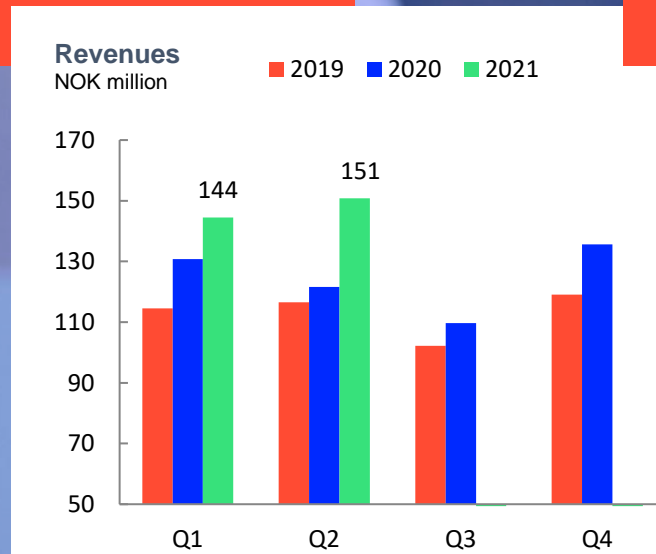
12 month rolling cash flow from operations of NOK 77 million

Ordinary dividend of NOK 0.25 per share paid

# Key figures core digital business

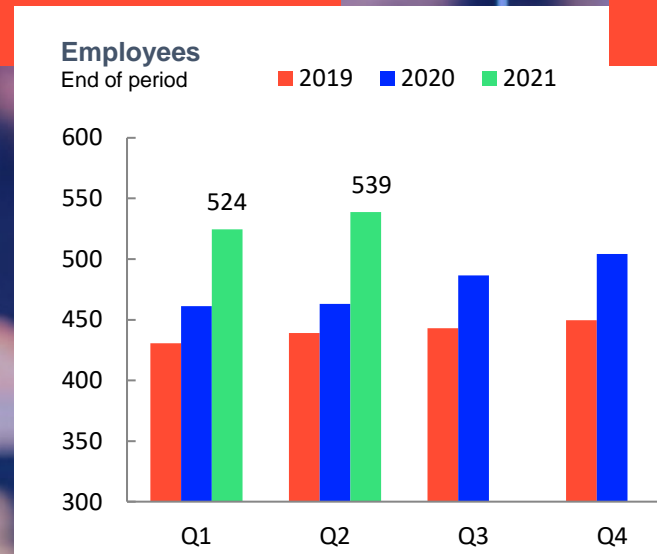
**24%**

Organic revenue growth



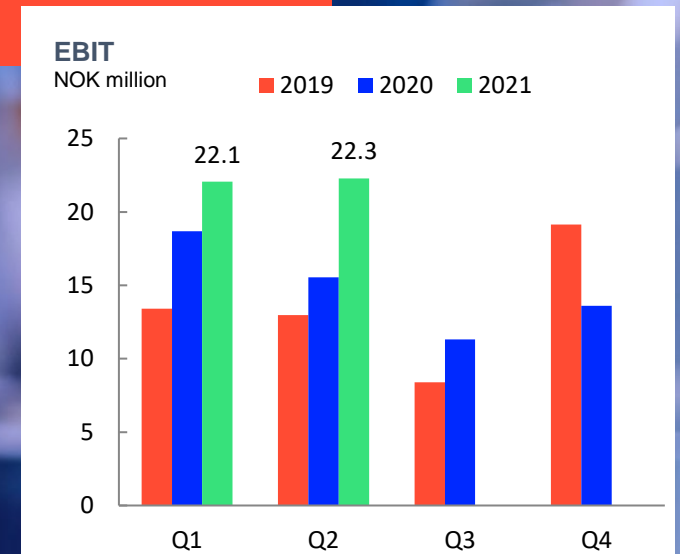
**16%**

Growth in number of employees



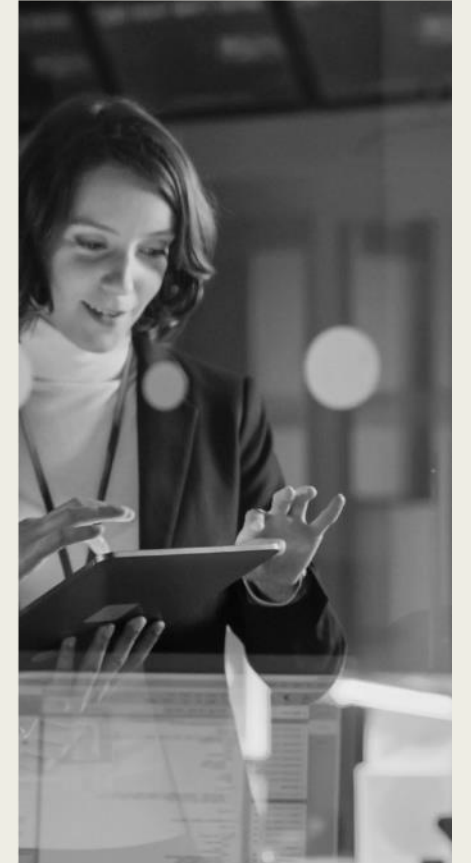
**15%**

Operating margin



# 02

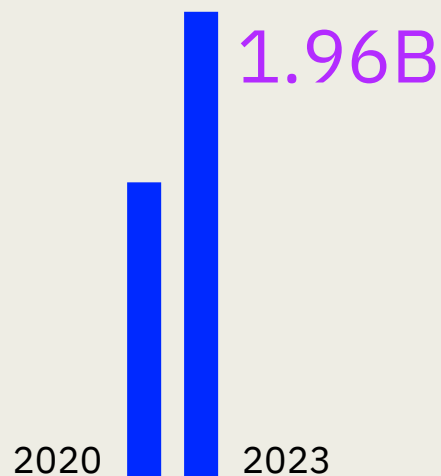
## Business review



## Radical changes in the computing architecture across the Cloud and the Edge

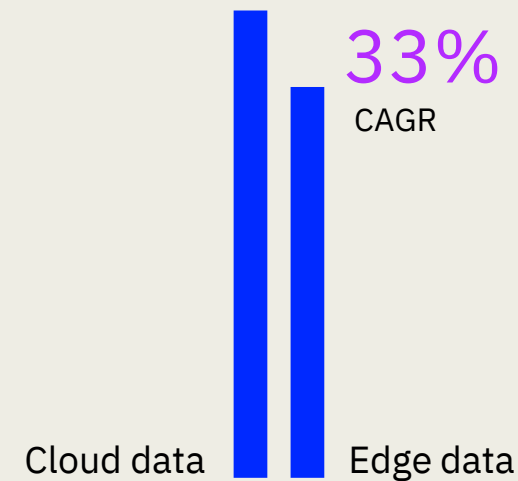


New connected devices shipped each year in 2023 is up 50% of today



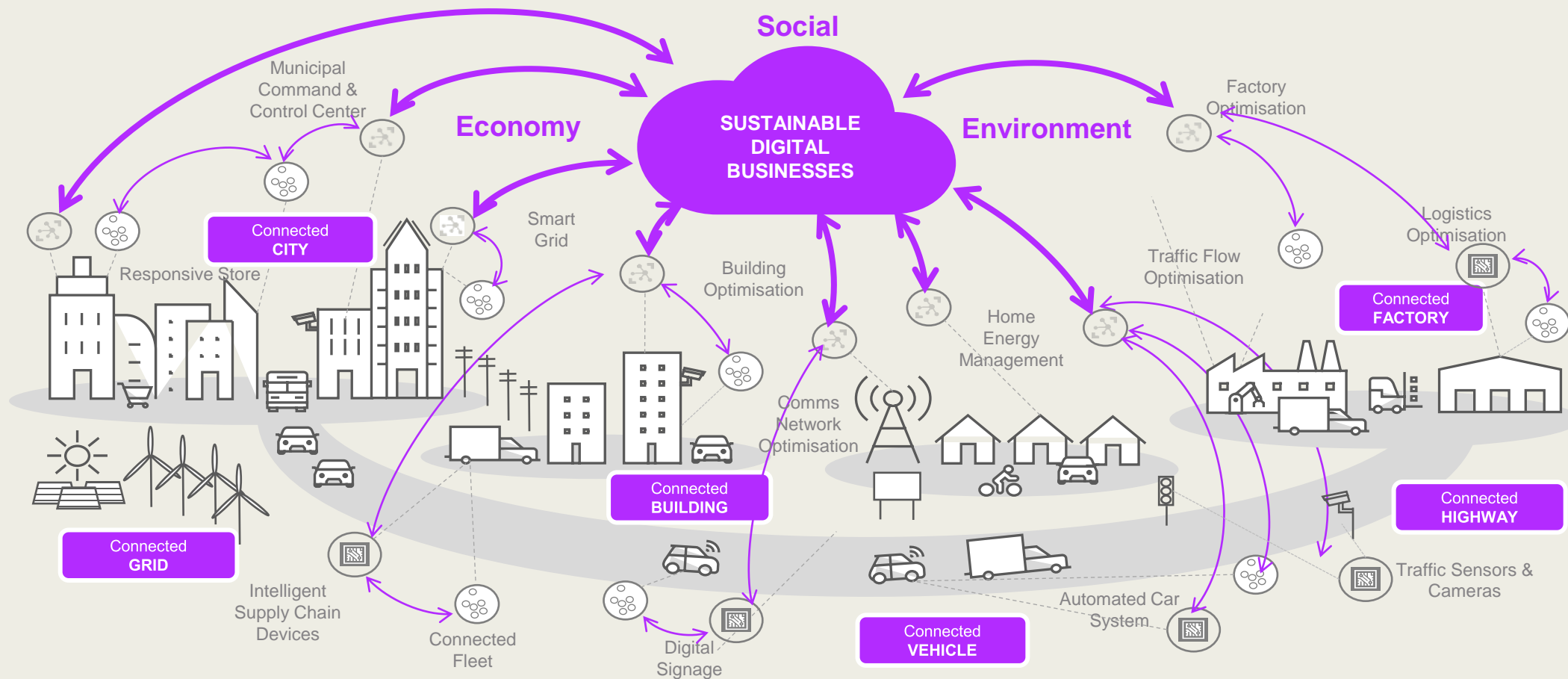
## DATA AT THE EDGE

Data at the edge growing nearly as fast as in the cloud



Source: IDC, Worldwide Global DataSphere  
Forecast 2021-2025, March 2021

# Towards the fourth industrial revolution



# Itera is setting the agenda for Industry 4.0

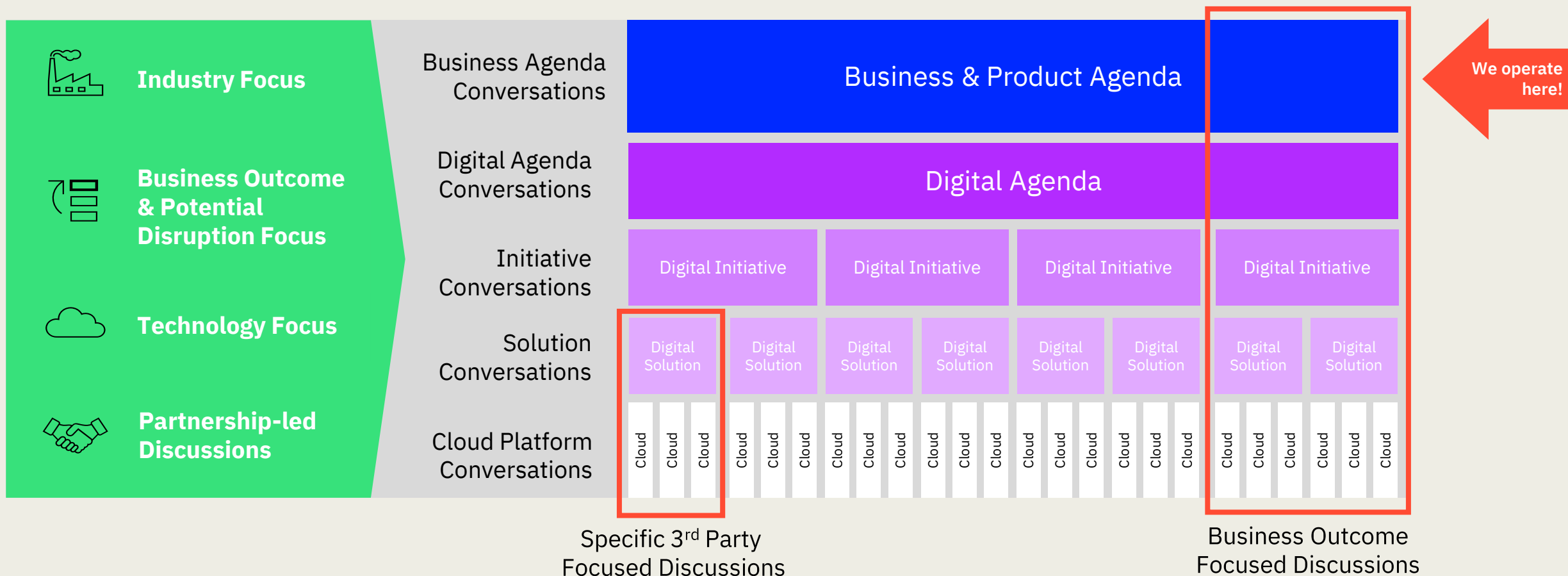
## Industry 4.0 report



## DN Studio Live May 4 and 5

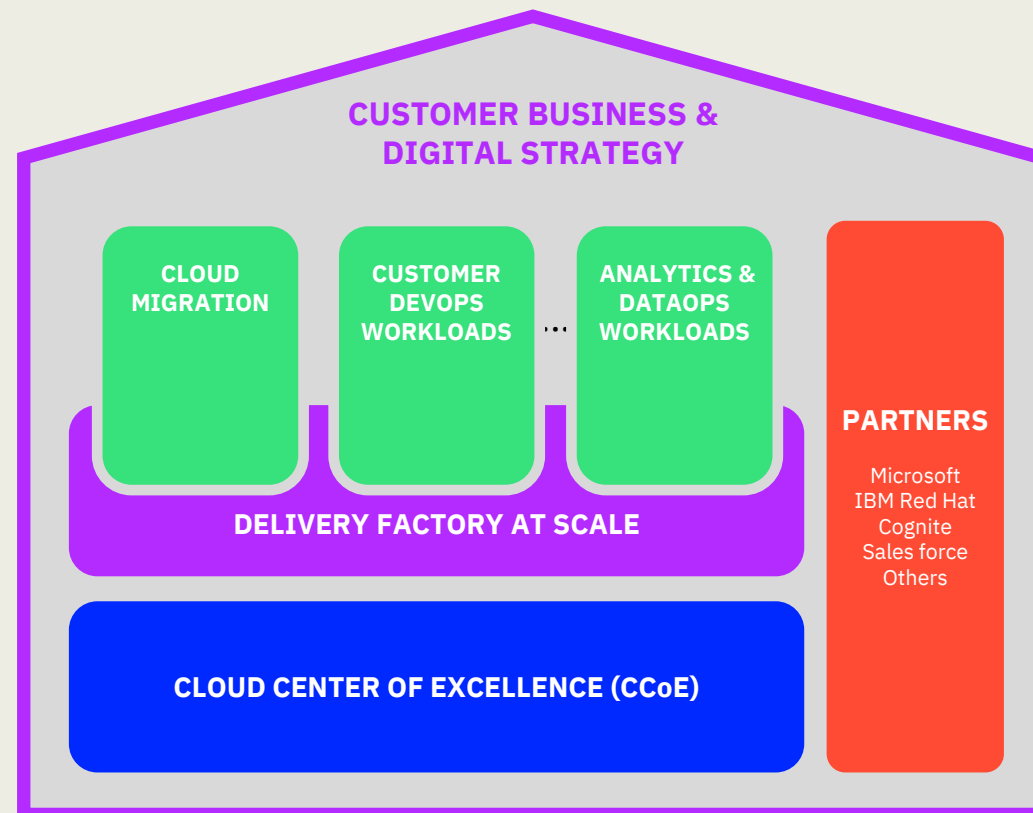


# Creating shared understanding for value creation



# 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

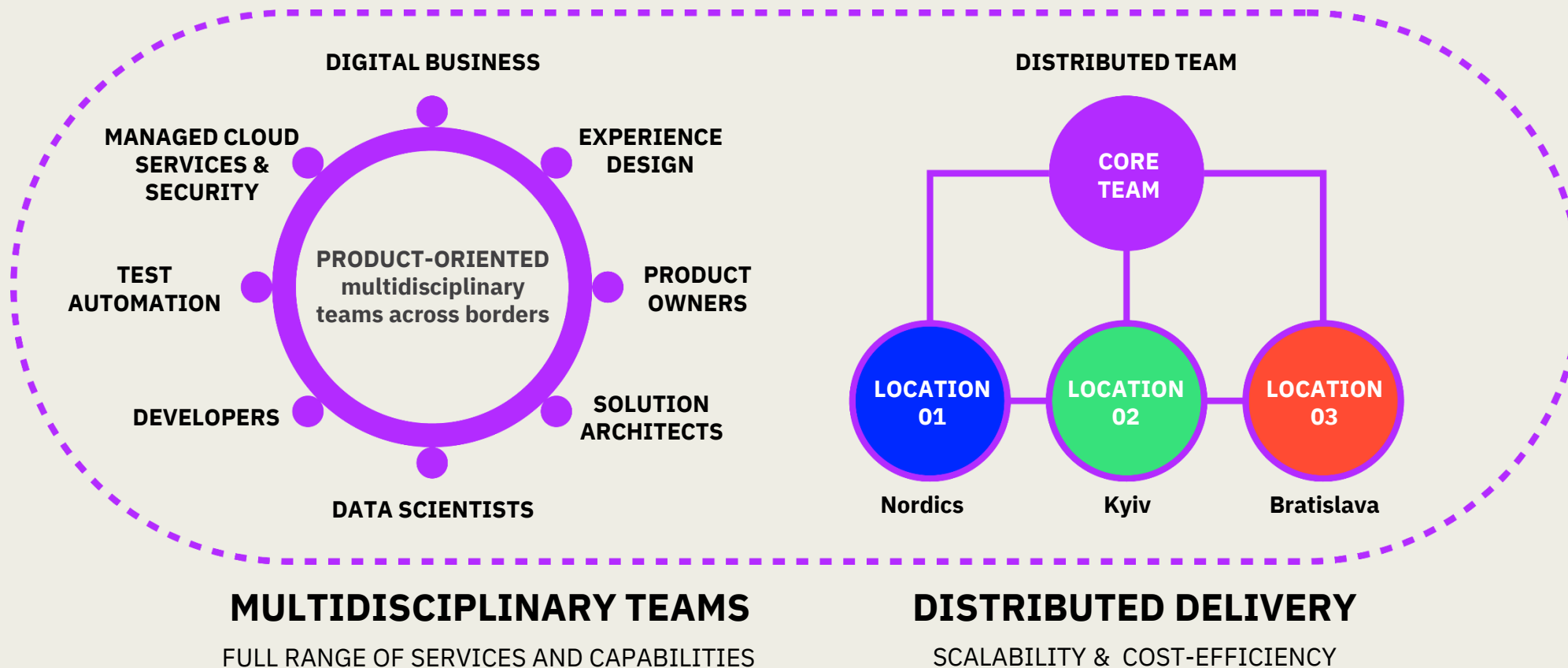


# Custom teams to solve complex challenges



## TOP 1 IN THE WORLD IN CROSS-BORDER DELIVERY

Awarded by the Global Sourcing Association 2018

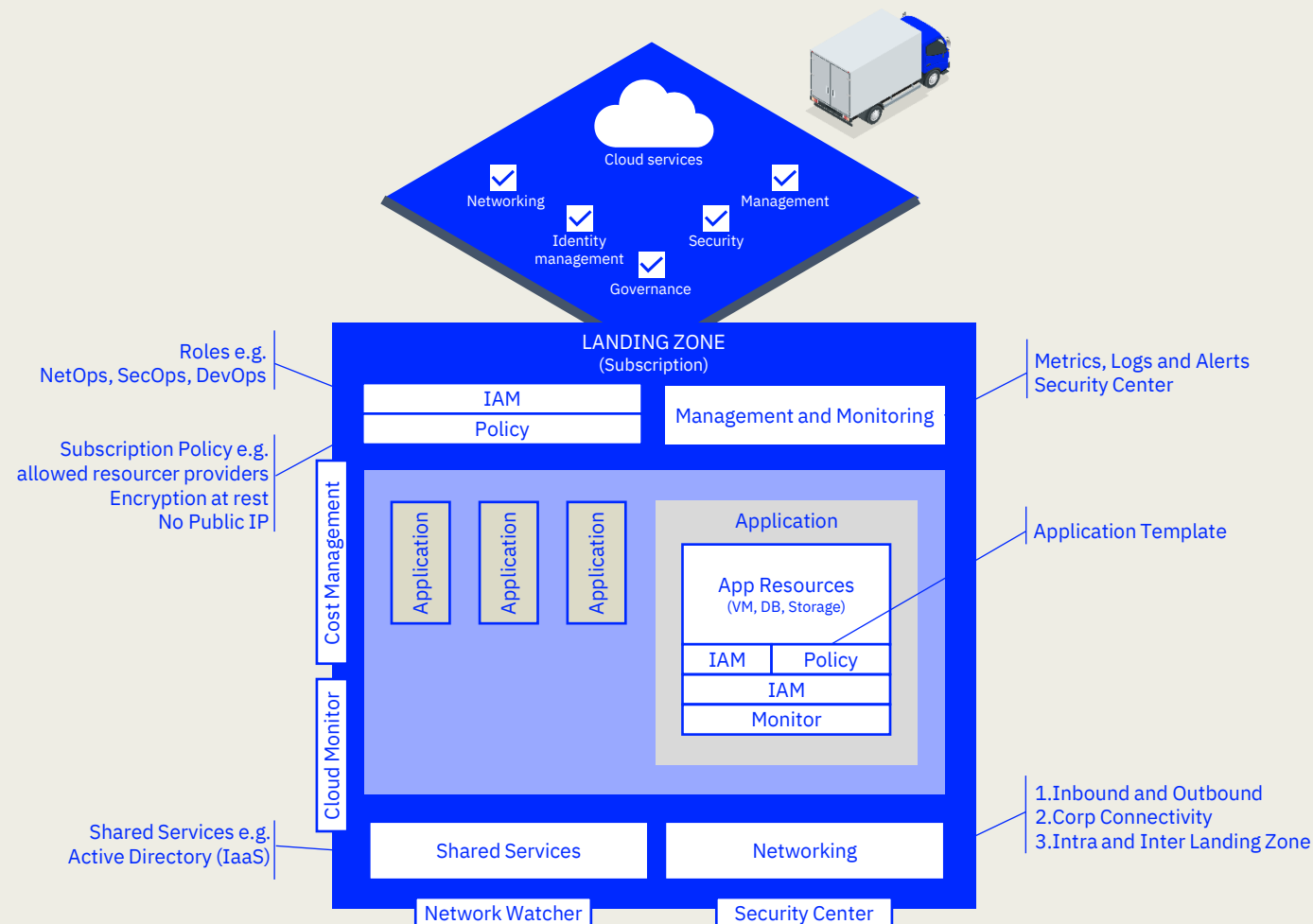


# Taking pole position: World Class Cloud Center of Excellence

The 15 MNOK investment in creating a world class **Cloud Center of Excellence (CCoE)** was completed successfully in Q2.

- Managing *everything as a code*.
  - Not only software and infrastructure provisioning but also Operation and Service delivery
- Customers in own data centre operation are migrated to the cloud by end of this year
- We are demonstrating our leadership in live production for both existing and new customers
- Strong pipeline of opportunities

## LANDING ZONE FOR WORKLOADS



# Growing our strategic partnership with Aize

**ARENDALSUKA** 

**IKT-Norge**

The drive for industrial digitalisation

Itera is top 1 strategic partner with Aize with premium digital talent and capabilities through **our world class distributed delivery model at scale**

Key focus is developing software solutions across the full value chain of heavy assets **by transforming data into digital twins**

Our multi-disciplined teams of consultants are seamless integrated with Aize to **build software that radical transform industries**



# Combating financial crime with artificial intelligence

**Itera and IBM are teaming up** by combining local and global capabilities, industry experience, proven software, and a data driven approach **with use of advanced cognitive solutions and artificial intelligence.**

- Artificial intelligence is at the forefront of reducing money laundering and combating the financing of crime
- IBM's is one of the global leaders in the market in this field according to Gartner and Forrester
- Our joint ambition is high and is to quickly become a preferred partner for the Nordic financial industry in the fight against financial crime



**I T E R A**

**IBM**

 **Red Hat**

# Major framework agreements in the public sector

## Three large frame agreements in a strong vendor alliance **for the next four years (2+1+1)**

- Cover almost all Itera services, including system development, architecture, test management, total experience (design), agile coaching, analytics, and data science
- Expected to bring substantial value to our yearly revenue contributing to fulfil our growth ambitions



**Skatteetaten**



**Statens vegvesen**  
Norwegian Public Roads  
Administration

# Order intake

## Order intake from selected new and existing customers

Book-to-bill ratio\*) of 1.0 in Q2 for core digital business and 1.2 for the last 12 months

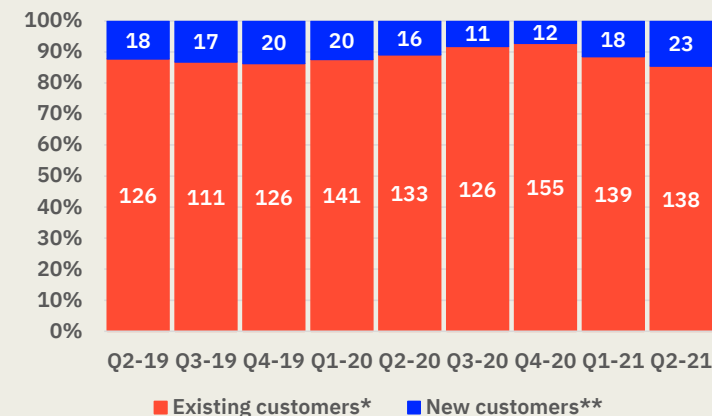


\*) The **book-to-bill ratio** is the ratio of orders received to the amount of revenue for a specific period for Itera units

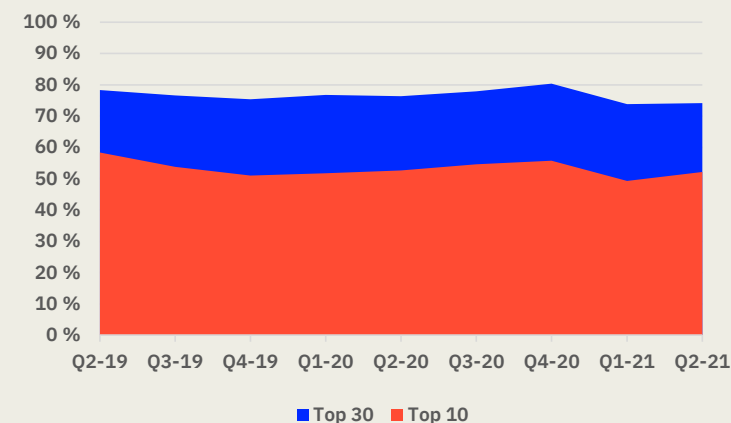
# Customer development

- New business
  - Existing customers accounted for 85.5% (89.0%) of revenues in Q3 2021
  - New customers won over the past year generated revenues of NOK 23.4 (16.4) million in Q2 2021 (14.5%)
- Good visibility
  - Share of revenue from top 30 customers 74% (76%)
  - High customer concentration signifies
    - Strategic relationships
    - Full range of services
    - Distributed delivery across borders

**Revenue customers split (in MNOK)**



**Largest customers' share of revenue**

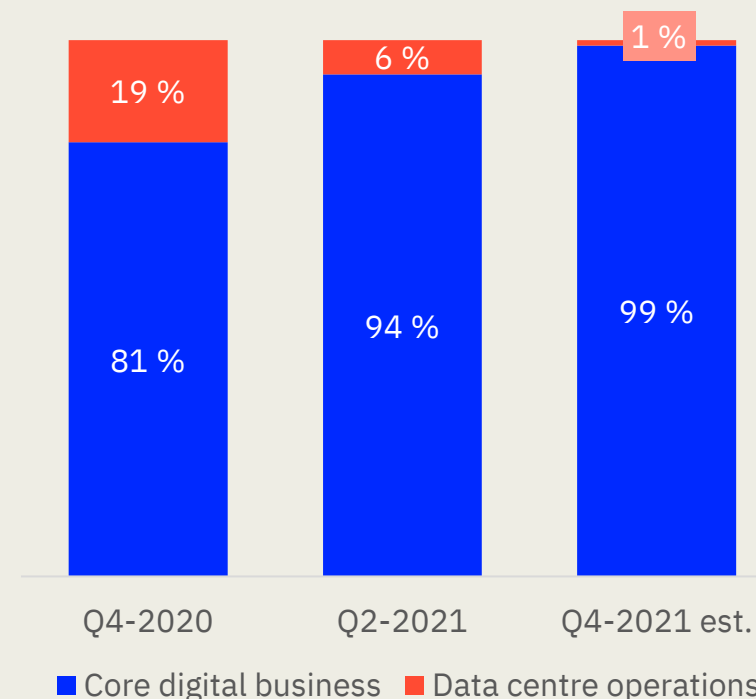


\* Existing customers defined as customers that were invoiced in the corresponding quarter last year

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

# Transformation of own data centre to the cloud

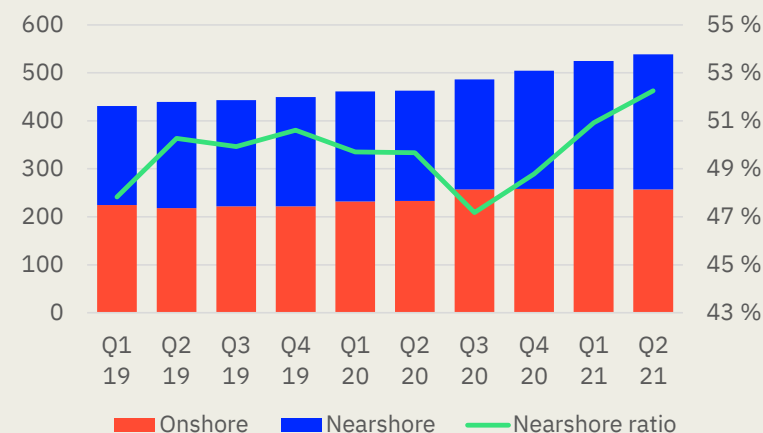
- Itera has invested MNOK 15 in a world-class Cloud Centre of Excellence that will provide a scaling engine for massive data
- Revenue from the data centre operations was down 64% to NOK 10 million in Q2 following the planned exit of on-premise customers
- Data centre revenue will continue to decrease, mitigated by an increase in cloud revenue towards the year end



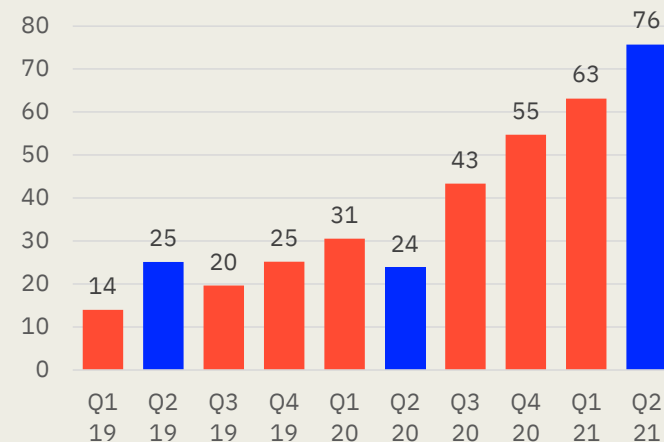
# Skilled and innovative employees in core digital business

- 539 employees at the end of the quarter
  - Up by 15 in the quarter
  - Up by 76 last twelve months
  
- Nearshore ratio of 52% (50%)
  - 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 resource pool

Number of employees end of quarter by shore



Year-over-year growth in no. of employees



# 03 Financial review



# Financial reporting 2021

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

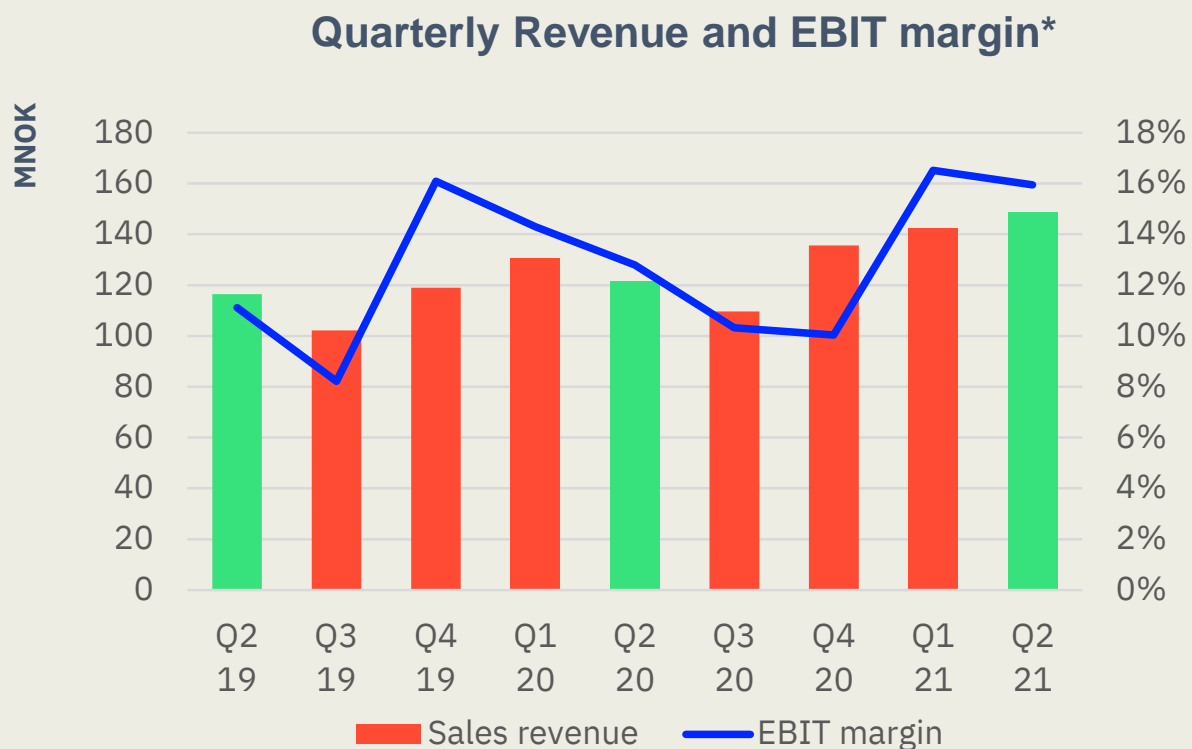


# Key financials core digital business

	2021	2020	change	change
Amounts in NOK million	4-6	4-6		%
Sales revenue	150.8	121.6	29.2	24.1 %
Cost of sales	12.3	8.4	3.9	46.8 %
Gross profit	138.5	113.2	25.3	22.4 %
Gross margin	91.9 %	93.1 %	-1.3 pts	-1.3 pts
Personnel expenses	100.7	81.5	19.2	23.6 %
Other operating expenses	9.1	8.3	0.9	10.7 %
Depreciation and amortisation	6.4	7.9	-1.5	-19.5 %
Total operating expenses	128.5	106.0	22.5	21.2 %
EBITDA	28.7	23.5	5.2	22.1 %
EBITDA margin	19.0 %	19.3 %	-0.3 pts	-0.3 pts
EBIT	22.3	15.6	6.7	43.4 %
EBIT margin	14.8 %	12.8 %	2 pts	2 pts
No. of employees at the end of the period	539	463	76	16.3 %

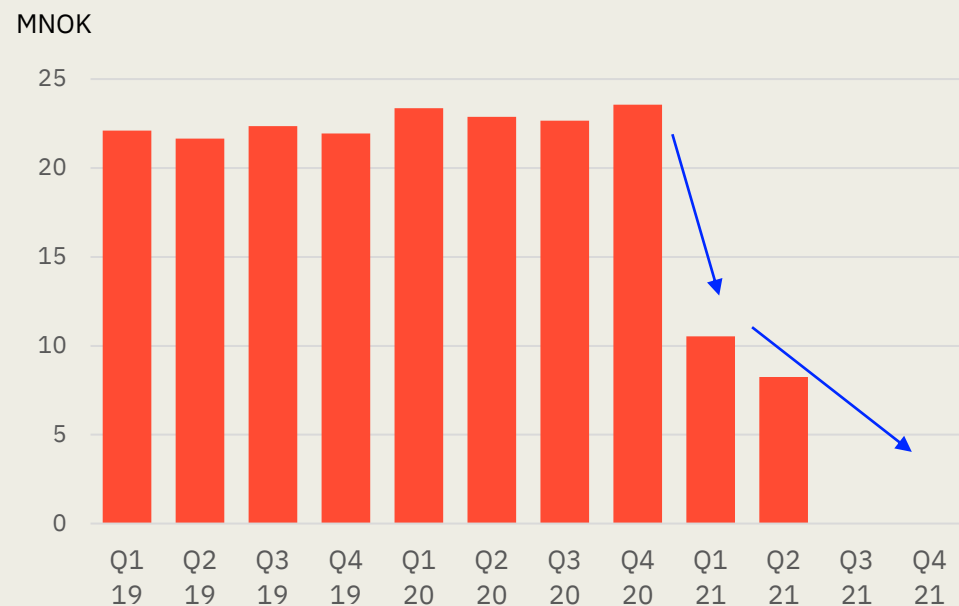
- Strong growth of 24% fuelled by some major new accounts and more subcontractors
- Personnel expense increase from FTE growth, salary increases, bonus accruals and last year's Covid reliefs
- Some opex savings from Covid (travel and sub-rental of Kyiv office)
- EBIT up 43% to MNOK 22.3
- EBIT margin of 14.8% (12.8%)
- No. of FTEs up 76 to 539

# Revenue and earnings development



- Momentum picking up after front loading of resources through Covid in anticipation of growth
- Margin improvements also aided by Covid-related cost avoidance, e.g. travel costs.
- 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



# Segment reporting

Amounts in NOK million	Core digital business (94%)	Data centre operations (6%)	Total	Core digital business (81%)	Data centre operations (19%)	Total	Core digital business	Data centre operations	Total
Sales revenue	150.8	10.3	161.1	121.6	28.3	149.9	24.1 %	-63.7 %	7.5 %
Cost of sales	12.3	4.6	16.9	8.4	9.9	18.2	46.8 %	-53.3 %	-7.4 %
Gross profit	138.5	5.7	144.2	113.2	18.4	131.6	22.4 %	-69.2 %	9.6 %
<i>Gross margin</i>	<i>91.9 %</i>	<i>55.1 %</i>	<i>89.5 %</i>	<i>93.1 %</i>	<i>65.1 %</i>	<i>87.8 %</i>	<i>-1.3 pts</i>	<i>-10 pts</i>	<i>1.7 pts</i>
Personnel expenses	100.7	8.8	109.5	81.5	14.8	96.2	23.6 %	-40.4 %	13.8 %
Other operating expenses	9.1	1.5	10.7	8.3	1.3	9.6	10.7 %	13.8 %	11.1 %
Depreciation and amortisation	6.4	1.0	7.4	7.9	2.0	10.0	-19.5 %	-48.6 %	-25.4 %
Total operating expenses	128.5	16.0	144.5	106.0	28.0	134.0	21.2 %	-43.0 %	7.8 %
EBITDA	28.7	-4.6	24.0	23.5	2.3	25.8	22.1 %	-300.4 %	-6.8 %
<i>EBITDA margin</i>	<i>19.0 %</i>	<i>-45.3 %</i>	<i>14.9 %</i>	<i>19.3 %</i>	<i>8.2 %</i>	<i>17.2 %</i>	<i>-0.3 pts</i>	<i>-53.5 pts</i>	<i>-2.3 pts</i>
EBIT	22.3	-5.7	16.6	15.6	0.3	15.8	43.4 %	-2020.1 %	4.8 %
<i>EBIT margin</i>	<i>14.8 %</i>	<i>-55.4 %</i>	<i>10.3 %</i>	<i>12.8 %</i>	<i>1.0 %</i>	<i>10.6 %</i>	<i>2 pts</i>	<i>-56.4 pts</i>	<i>-0.3 pts</i>

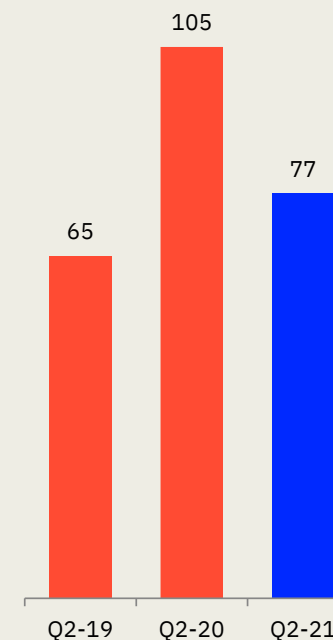
- Data centre operations revenue MNOK 10.3 (-64%)
- Decline in data centre operations revenue and profits more than mitigated by growth in core digital business

# Statement of cash flow

NOK Million	2021 4-6	2020 4-6	2021 1-6	2020 1-6	2020 FY
Cash flow from operations (EBITDA)	24.0	25.8	49.8	55.1	108.9
Change in balance sheet items	0.1	13.8	(24.5)	(7.9)	(9.7)
<b>Net cash flow from operating activities</b>	<b>24.1</b>	<b>39.6</b>	<b>25.3</b>	<b>47.1</b>	<b>99.2</b>
<b>Net cash flow from investment activities</b>	<b>(11.7)</b>	<b>(8.0)</b>	<b>(19.6)</b>	<b>(7.7)</b>	<b>(17.0)</b>
Purchase of own shares	(23.5)	(22.6)	(23.5)	(18.2)	(18.2)
Sale of shares	8.4	2.9	8.4	2.3	8.0
Principal elements of lease payments	(4.3)		(11.6)	(12.4)	
Instalment of sublease receivable	0.9	(2.1)	1.8	-	-
External dividend paid	(19.8)	(20.5)	(19.8)	(16.3)	(48.0)
<b>Net cash flow from financing activities</b>	<b>(38.3)</b>	<b>(42.3)</b>	<b>(44.7)</b>	<b>(44.7)</b>	<b>(58.3)</b>
<b>Net change in bank deposits and cash</b>	<b>(25.8)</b>	<b>(28.7)</b>	<b>(39.0)</b>	<b>(5.2)</b>	<b>1.3</b>
<b>Bank deposits at the end of the period</b>	<b>15.4</b>	<b>47.9</b>	<b>15.4</b>	<b>47.9</b>	<b>54.4</b>
New borrowing related to leasing	-	1.3	-	1.9	2.4

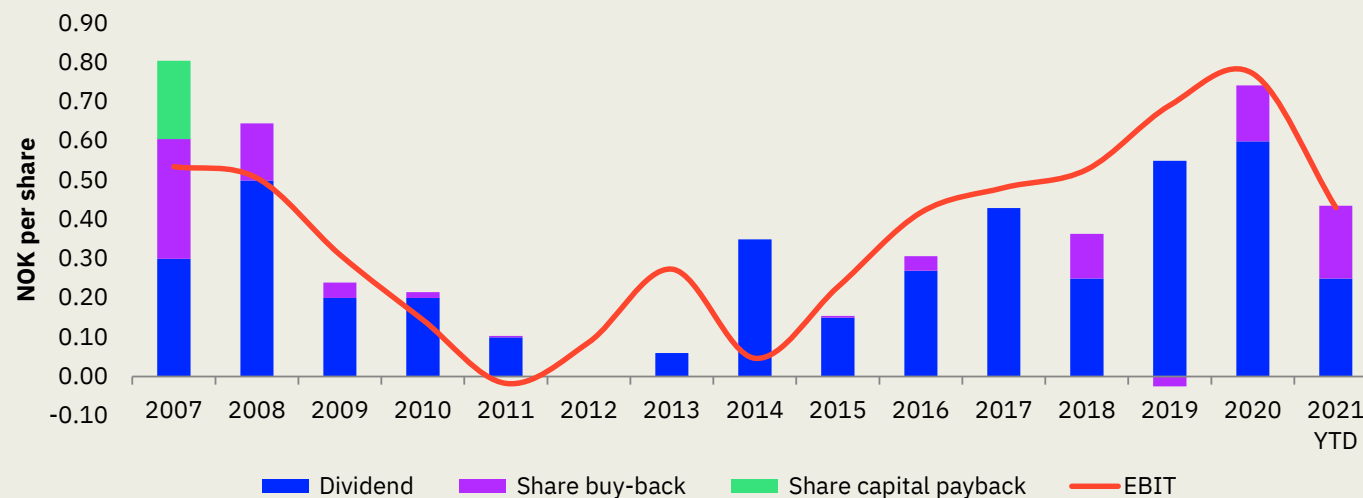
- Cash flow from operations NOK 24.1 (39.6) million in Q2
- 12 month rolling cash flow from operations was NOK 77 million
- Q2 of 2020 had significant public duty payments deferred to Q3 as a Corona relief measure

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



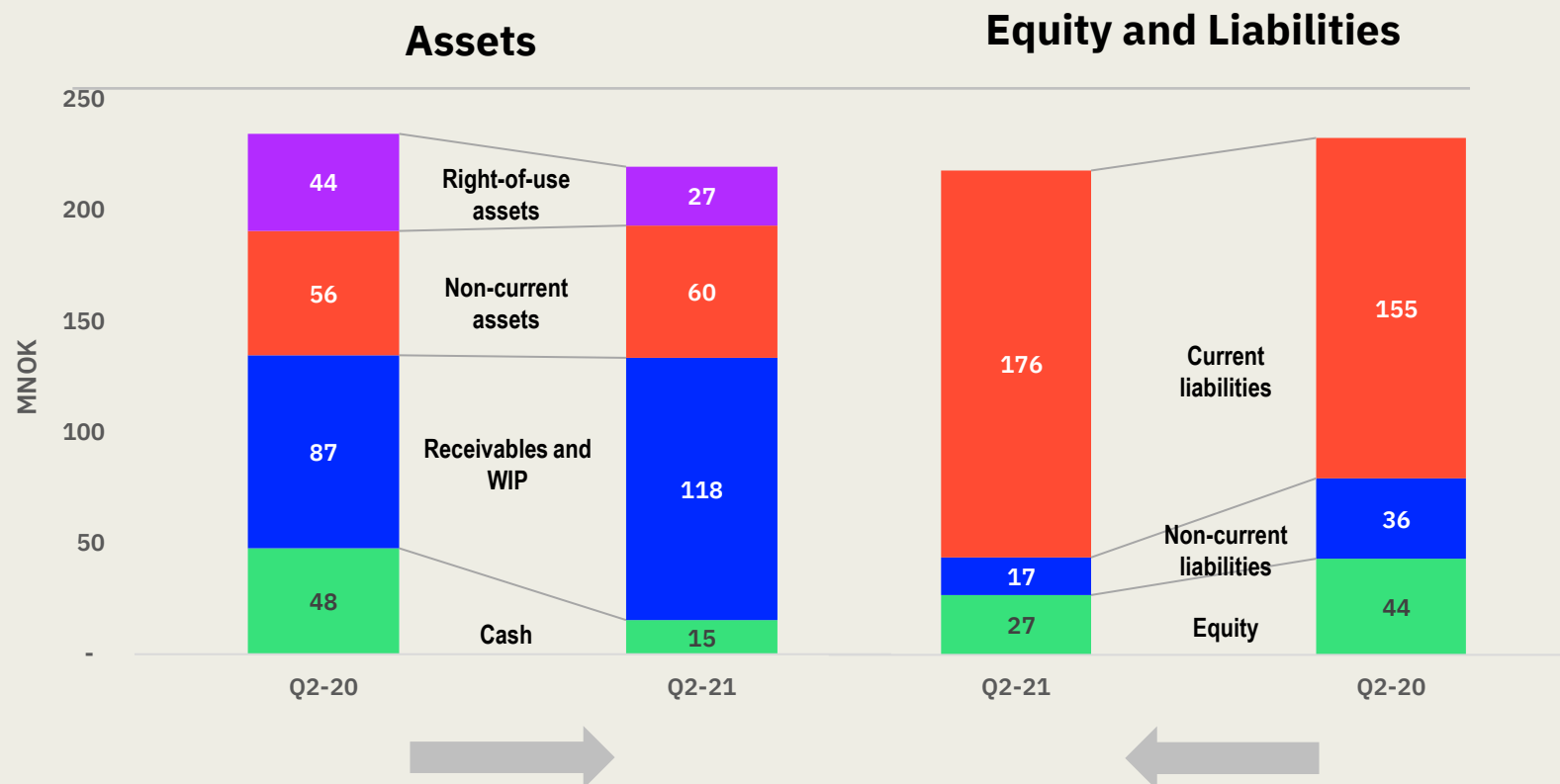
# Dividend and own shares

- An ordinary dividend of NOK 0.25 per share based on 2020 results was paid and board received authorisation to decide on a supplemental dividend later in the year
- Share price was NOK 14.0 at the end of Q2 2021, an increase of 21% (27% incl. dividends) from NOK 11.55 at the end of Q2 2020.
- Current holding of own shares is 1,637,006 shares. Value at 30 June 2021 was MNOK 22.9
- Consistent high distribution of earnings



# Statement of financial position

- Equity ratio of 12% (19%) per 30 June 2021
  - 14% excl. IFRS 16 Leasing
- Cash balance of MNOK 15 (MNOK 48)
- Total balance reduced by MNOK 15 to MNOK 220



# 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.

**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.*

# 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	5.03	NOR	4 137 375
4	EIKESTAD AS	4.37	NOR	3 590 000
5	SEPTIM CONSULTING AS	3.57	NOR	2 930 000
6	BOINVESTERING AS	3.26	NOR	2 676 968
7	DnB NOR Bank ASA	3.16	NOR	2 600 000
8	GAMST INVEST AS	2.98	NOR	2 448 134
9	JØSYRA INVEST AS	2.68	NOR	2 200 000
10	ITERA ASA	1.99	NOR	1 637 006
11	VERDIPAPIRFONDET STOREBRAND VEKST	1.39	NOR	1 139 659
12	HØGBERG	1.18	NOR	967 959
13	FRAMAR INVEST AS	1.13	NOR	925 000
14	AANESTAD PANAGRI AS	1.10	NOR	900 000
15	DZ PRIVATBANK S.A.	1.02	LUX	839 355
16	ALTEA PROPERTY DEVELOPMENT AS	0.85	NOR	700 000
17	GRØSLAND	0.77	NOR	630 000
18	NYVANG	0.75	NOR	615 000
19	JENSEN	0.75	DEN	614 450
20	MORTEN JOHNSEN HOLDING AS	0.73	NOR	600 000
<b>TOP 20</b>		<b>72.23</b>		<b>59 365 020</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%).

