

Q3

INTERIM REPORT 2020



PRESENTERS AND AGENDA



Arne Mjøs
Chief Executive
Officer

Highlights of the quarter
Business review



Bent Hammer
Chief Financial
Officer

Financial review
Outlook

HIGHLIGHTS OF THE THIRD QUARTER

High growth and profitability in core digital business (80% of total)

Gross profit growth of 9%

EBIT margin of 10.2% (8.2%)

Total business

Revenue NOK 138.2 (128.3) million, up by 8% y-o-y

Gross profit NOK 121.4 (111.1) million, up by 9% y-o-y

EBIT of NOK 14.5 (9.9) million, 10.5% (7.7%) margin

COVID-19

Moderate impact from COVID-19

Accelerating cloud transformation of own data centres

Grow people

Top 25 most innovative companies across all industries in Norway in 2016-2020

Number of employees increased by 51 last 12 months

Dividend

Strong 12 month rolling cash flow from operations of NOK 107 million

Additional dividend of NOK 0.40 per share. Ex-date 28 Oct

HIGHLIGHTS OF THE THIRD QUARTER

Core digital business:

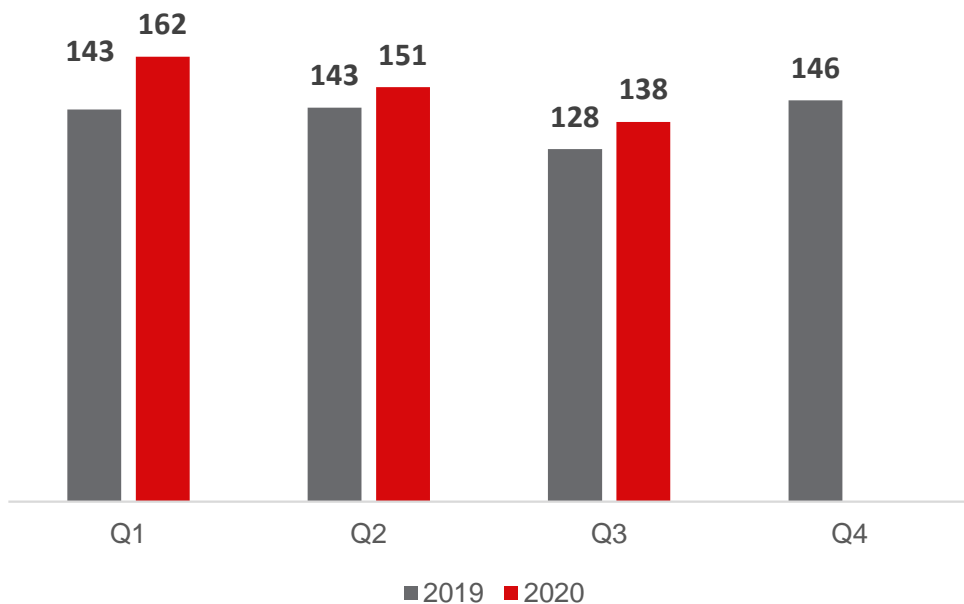
- Gross profit growth of 8.8% (11.4% YTD)
- EBIT margin of 10.2% (12.5% YTD)

Total business:

- Gross profit growth of 9.2% (10.8% YTD)
- EBIT margin of 10.5% (11.0% YTD)

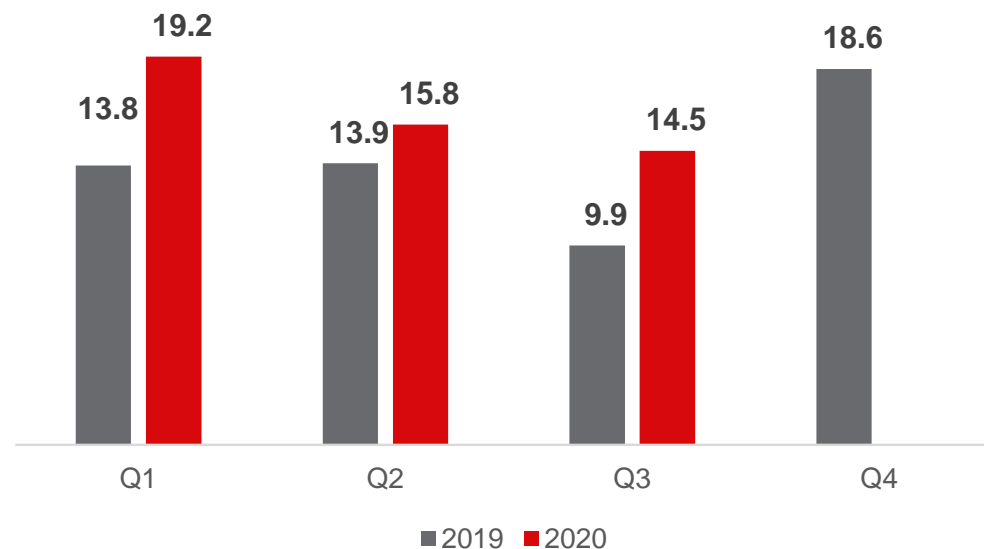
Revenues

NOK million



EBIT

NOK million





Business review

THE SPECIALIST IN CREATING SUSTAINABLE DIGITAL BUSINESS



WE UNDERSTAND THE
USER
New use cases

WE UNDERSTAND THE
BUSINESS
Data centric

WE UNDERSTAND THE
TECHNOLOGY
Artificial intelligence

WHY WE ARE HERE

MAKE A DIFFERENCE

FOR OUR EMPLOYEES, OUR CUSTOMERS,
THEIR CUSTOMERS AND SOCIETY AS A WHOLE

HOW?

- ✓ Skilled people and multidisciplinary teams
- ✓ Platform first
- ✓ ONE Itera across borders
- ✓ Entrepreneurship and local ownership
- ✓ Sustainability focus

OUR DIGITAL JOURNEY

CREATING SUSTAINABLE DIGITAL BUSINESS

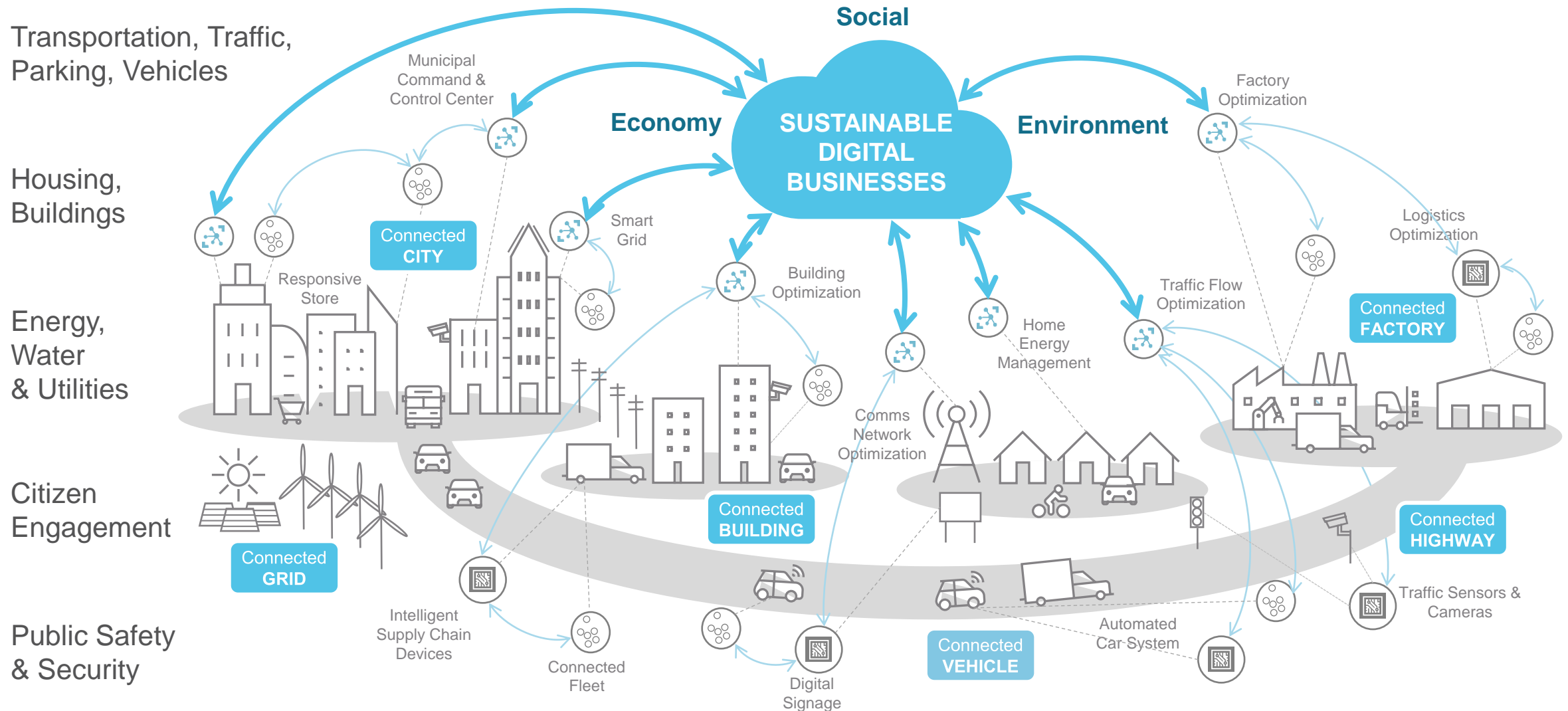
DIGITAL TRANSFORMATION B2C

- Banking
- Insurance
- Public
- Retail
- Others

INDUSTRIAL DIGITALISATION B2B

- Power & Utilities
- Oil & gas towards green transition
- Manufacturing
- Maritime
- Fishery

THE 4TH INDUSTRIAL REVOLUTION



Everything becomes software

Aker will make a quantum leap from oil and offshore to IT in the next five years

Kjell Inge Røkke, chairman Aker ASA

Linking the physical and digital world could generate up to USD 4 Trillion a year in economic value by 2025

McKinsey

ITERA AND COGNITE JOIN FORCES

- Itera is a strategic end-to-end provider of services to Cognite to drive industrial digitalisation of heavy assets industries across the world, such as:
 - Oil & Gas towards the green economy
 - Power & Utility
 - Manufacturing
 - Shipping
- Typical use cases are within:
 - Predictive/Smart Maintenance
 - Production optimization
 - Digital worker
 - Sustainability



According to Forrester, 90% of industrial firms struggle to achieve their digital initiatives.

STRATEGIC PARTNERSHIP

ITERA AND COGNITE



“Itera has a very skilled team that collaborates with us to build applications for our customers on Cognite Data Fusion, our industrial data platform. Together, we have been able to show how innovative industrial companies can collaborate with technology suppliers such as Itera and Cognite to develop, deliver and create value with industrial applications”.

John Markus Lervik,
CEO Cognite

“Based on Cognite's fantastic industrial data platform and with a team of Itera's designers, developers, architects, testers and project managers, we work as equal partners in a triangular collaboration with both Aker and Kvaerner to build some incredibly exciting solutions”.

Joachim Trøbråten, Itera
KAM Cognite

HEAD OF HYBRID CLOUD SERVICES

BJØRNAR ENGEBRETSSEN



- In response to drive industrial digitalisation, Bjørnar Engebretsen is appointed as Head of Hybrid Cloud Services at Itera.
- Bjørnar comes from the position as Director Cloud at Microsoft Norway, where he had the overall local responsibility to support Microsoft in establishing its global data centres in Oslo and Stavanger.
- He also has a long track record as a leader within managed services of large customers in the Nordics.



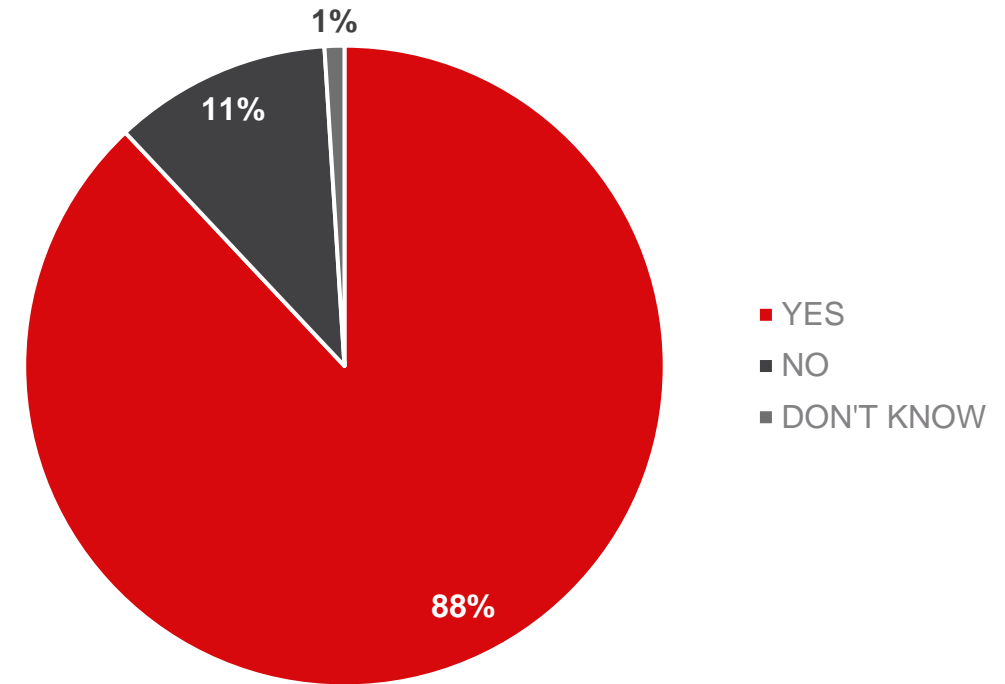
CLOUD CENTRE OF EXCELLENCE

- Itera is implementing Cloud Centre of Excellence with a scaling engine for massive data to enable industrial digitalization
- Using public cloud services managed as code
 - This requires a software development mindset and capabilities and security by design.
- Managing *everything as a code*.
 - Not only infrastructure provisioning and software but also Operation and Service delivery

CLOUD FIRST IS MAINSTREAM

88% of all organisations have a cloud first strategy

- COVID-19 has created a new inflection point that requires every company to dramatically accelerate the move to the cloud as a foundation for digital transformation.
- Hence, Itera is also accelerating its Cloud transformation of own data centres.

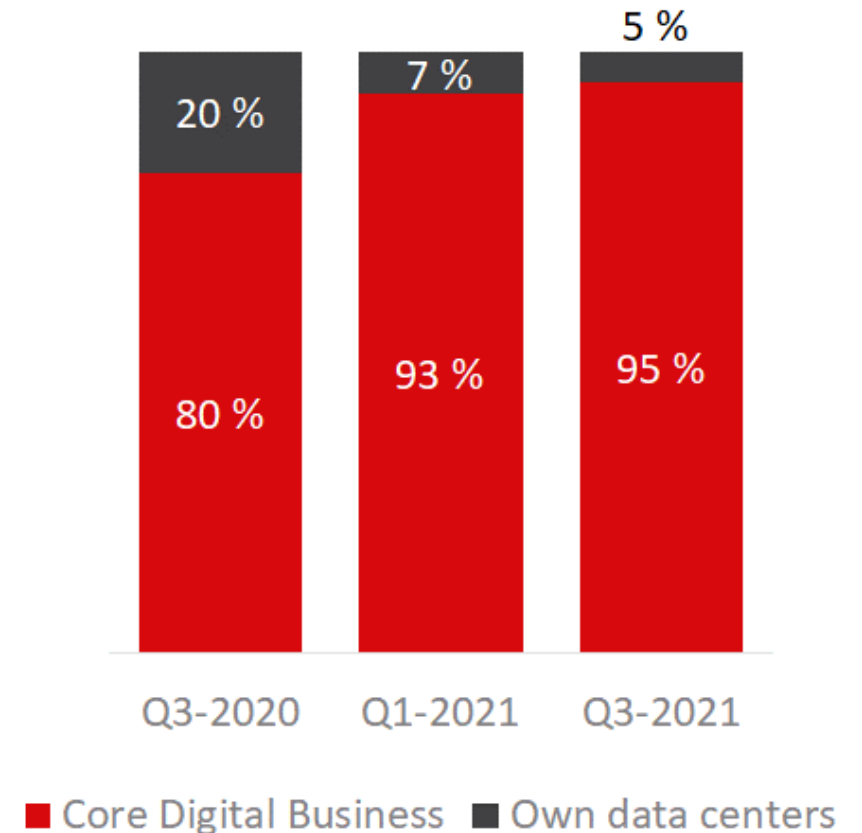


**Does your organisation
have a cloud-first strategy?**

Source: Gartner Survey

ITERA DATA CENTER TRANSITION

- Our low margin Data Centre Operation subscription services will be reduced from current monthly run rate of NOK 7.2 million to less than NOK 3 million by January next year, of which approximately 37% are cost of sales and leasing of assets
- Most of the remaining customers will be engaged to move to the cloud by end of 2021



GROWING INTERNATIONAL TRACTION

TOP 25 MOST INNOVATIVE COMPANY IN NORWAY

Award by Innovasjonsmagasinet across all industries in Norway 2016, 2017, 2018, 2019 and 2020



TOP 1 IN THE WORLD IN CROSS-BORDER DELIVERY

Award by Global Sourcing Association 2018



TOP 1 IN EUROPE WITHIN PROJECT MANAGEMENT

Award by Global PMO Alliance in 2020



PANEL DEBATE AT ARENDALSUKA

Covid-19 reinforces the need to accelerate the digitalisation of society. In connection with Arendalsuka, Itera invited some of Norway's most prominent representatives from business and politics, to discuss how we as a nation, society and individuals can contribute to digital competence building.

Torbjørn Røe Isaksen
Ministry of Labor and
Social Affairs

Ole Erik Almlid
Director General
NHO

Arne Mjøs
CEO
Itera

Kimberly Lein-Mathisen
GM
Microsoft



Live-streamed debate with 350 participants



STEADY GROWTH DESPITE COVID-19



- Itera welcomed 31 master's students into summer internship as originally planned.
 - The students were engaged in real customer projects within energy optimisation, better working life and sustainable resource utilisation.
- During the third quarter we also welcomed and onboarded 18 graduates across our range of services.

Order intake from selected new and existing customers

 Fjordkraft

Gjensidige 



Nordea Direct

HELSE  VEST

 Landkreditt

 winorg

 Santander


COGNITE

nets 


storebrand


DNV-GL

 ÖSSUR®

Book-to-bill ratio^{*)} of 1.0 in Q3 for core digital business

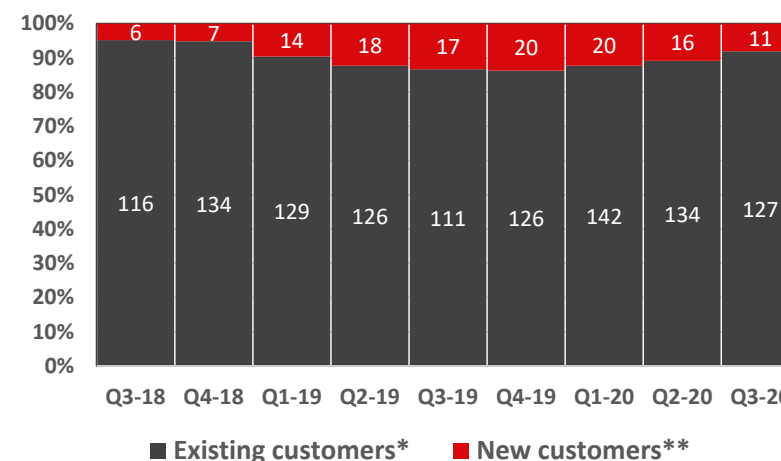
^{*)} The **book-to-bill ratio** is the ratio of orders received to the amount of revenue for a specific period for Itera units

ORDER
INTAKE

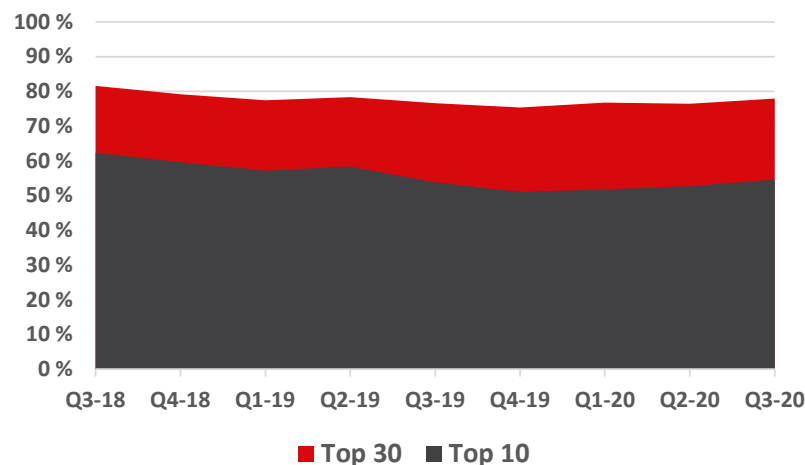
CUSTOMER DEVELOPMENT

- New business
 - Existing customers accounted for 91.1% (86.7%) of revenues in Q3 2020
 - New customers won over the past year generated revenues of NOK 11.2 (17.0) million in Q3 2020
- Good visibility
 - Share of revenue from top 30 customers slightly up at 78% (77%)
 - High customer concentration signifies
 - Strategic relationships
 - Full range of services
 - Hybrid delivery across borders

Revenue customers split (in MNOK)



Largest customers' share of revenue



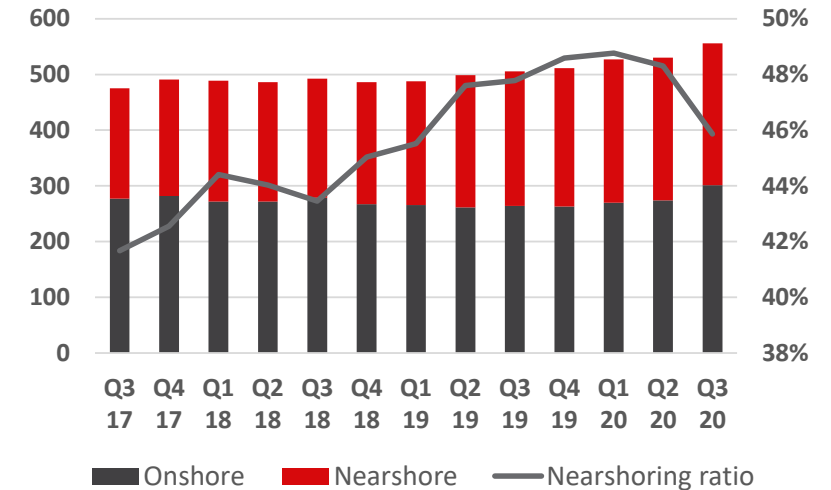
* Existing customers defined as customers that were invoiced in the corresponding quarter last year

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

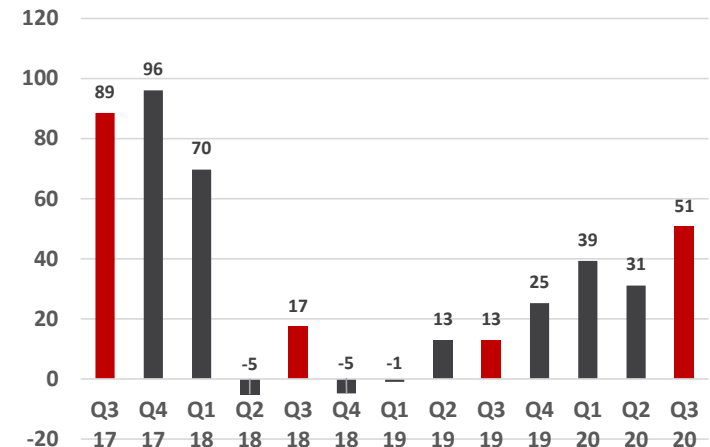
SKILLED AND INNOVATIVE EMPLOYEES

- 556 employees at the end of the quarter
 - Up 26 from last quarter and 51 from same period last year
 - 6 quarters of sequential growth
- Nearshore ratio of 46% (48%)
 - Our hybrid delivery model of onshore and nearshore consultants are increasing our price competitiveness as well as providing a high degree of 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



Financial review



KEY FIGURES

	2020	2019	Change	2020	2019	Change	2019
NOK Million	7-9	7-9	%	1-9	1-9	%	FY
Sales revenue	138.2	128.3	8 %	450.9	414.3	9 %	560.3
Gross profit	121.4	111.1	9 %	394.1	355.8	11 %	483.0
Personnel expenses	86.3	82.3	5 %	281.9	260.5	8 %	348.3
Other opex	10.4	9.7	7 %	32.5	31.4	3 %	42.7
EBITDA	24.6	19.1	29 %	79.7	64.0	25 %	92.0
EBITDA margin	17.8 %	14.9 %	2.9 pts	17.7 %	15.4 %	2.2 pts	16.4 %
Depreciation	10.1	9.2	9 %	30.1	26.3	14 %	35.8
EBIT	14.5	9.9	47 %	49.6	37.6	32 %	56.2
EBIT margin	10.5 %	7.7 %	2.8 pts	11.0 %	9.1 %	1.9 pts	10.0 %
Net cash flow from operations	16.4	15.0	10 %	64.1	36.9	74 %	80.0
Cash and cash equivalents	57.7	45.7	26 %	57.7	45.7	26 %	53.1
Equity ratio	23.8 %	23.6 %	0.2 pts	23.8 %	23.6 %	0.2 pts	19.2 %
Employees at end of period	556	505	10 %	556	505	10 %	512
Employees in average	543	502	8 %	530	494	7 %	498

- Growth despite Covid-19 lag in sales cycles
- Cost savings providing improved profitability
- Cash flow from operations seasonably strong
- High sequential capacity growth

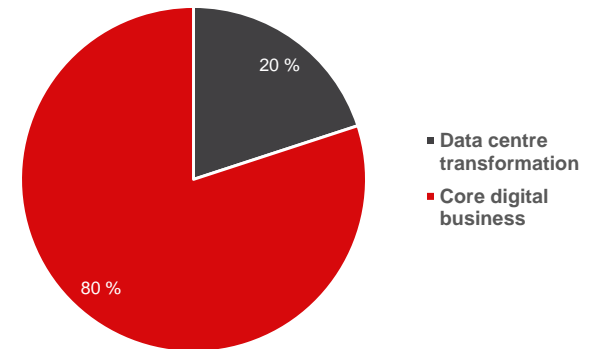
BUSINESS SEGMENTS

Revenue growth	Q3	YTD
Core digital business	8.2 %	9.5 %
Data centre transformation	6.1 %	6.2 %
Total	7.7 %	9.3 %

Gross profit growth	Q3	YTD
Core digital business	8.8 %	11.4 %
Data centre transformation	11.6 %	6.6 %
Total	9.2 %	11.5 %

EBIT margin	Q3	YTD
Core digital business	10.1 %	12.4 %
Data centre transformation	12.3 %	4.9 %
Total	10.5 %	11.0 %

Share of revenue

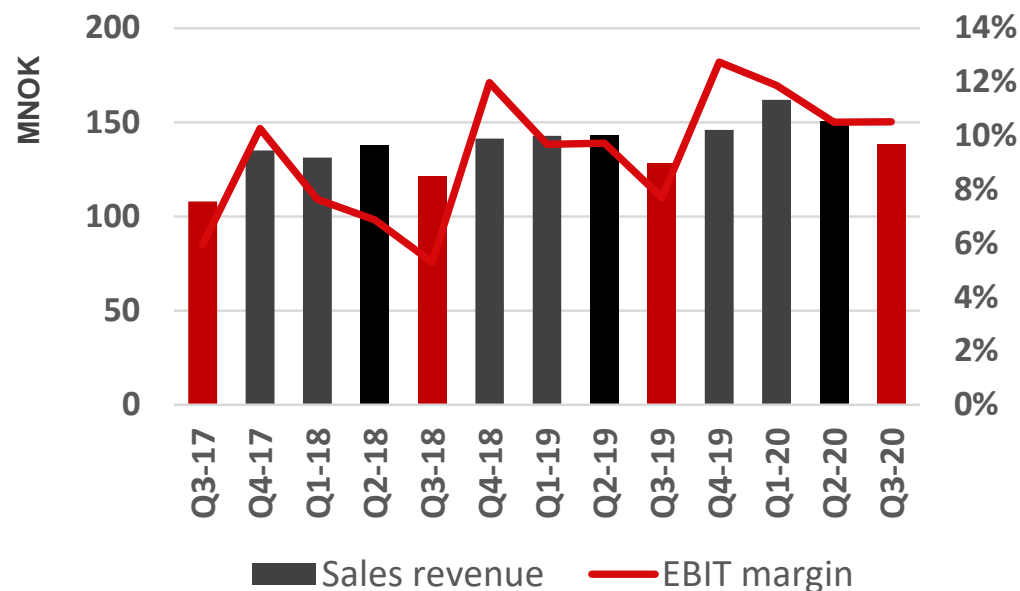


- Core digital business growing at high speed and profitability
- Data centre operations seasonally strong in Q3 due to recurring revenue and lower personnel expenses
- Traditional data centre operations under transformation to cloud services since our decision to move to cloud late 2018.
- The cloud market is growing at high speed and Itera's transformation will be accelerated next 3-12 months with possible one-off charges of MNOK 3-5

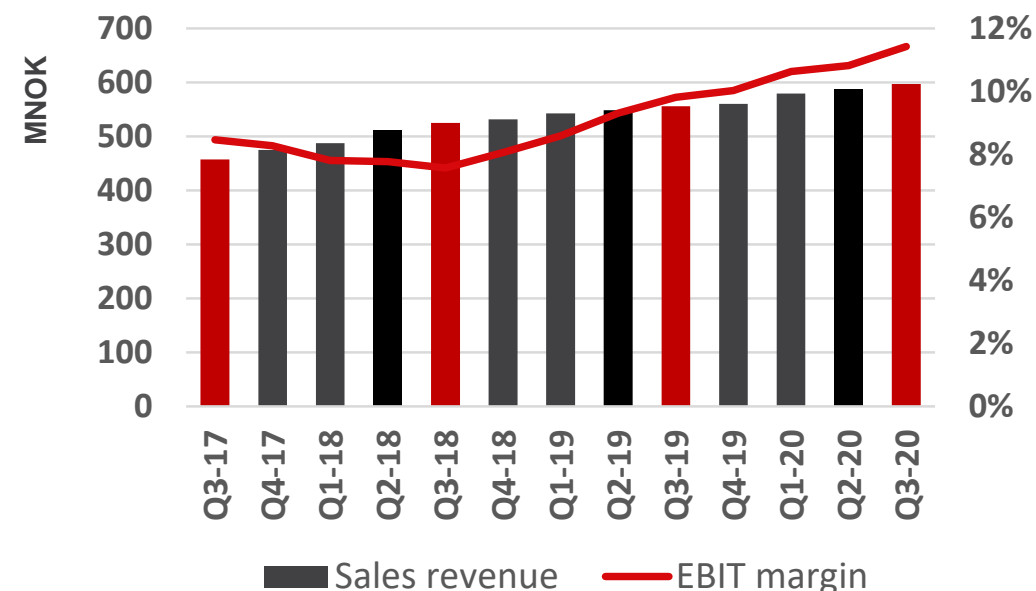
*) The new managed cloud service offering has been included into core digital business after the initial investments in 2019. 2019 figures have been restated to new classification.

REVENUE AND EARNINGS DEVELOPMENT

Quarterly Revenue and EBIT margin



Last 12 months Revenue and EBIT margin



- Revenue increased by 8% to 138 MNOK and EBIT margin by 2.8 pts to 10.5%
- Last 12 months rolling revenue increased by 7% to 597 MNOK and EBIT by 25% to 68.2 MNOK.
- EBIT margin of 11.4% (9.8%)

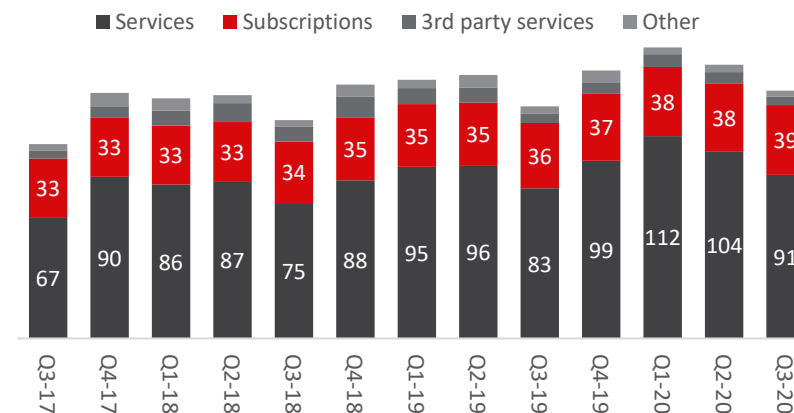
REVENUE SPLIT

Revenue increased by 9% y-o-y

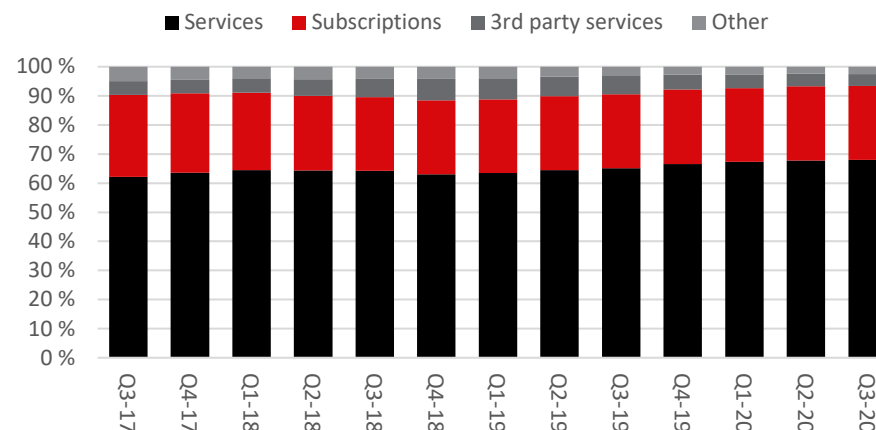
- Service revenues from own consultants increased by 9% to NOK 91 million
- Subscription revenue increased by 6% to NOK 39 million
- 3rd party service revenue decreased by 12% to NOK 5 million
- Other revenue, incl. HW/SW sales, increased by 22% to NOK 3 million

Revenue split (quarterly figures)

NOK Million



Revenue percentage split (rolling 12 months)

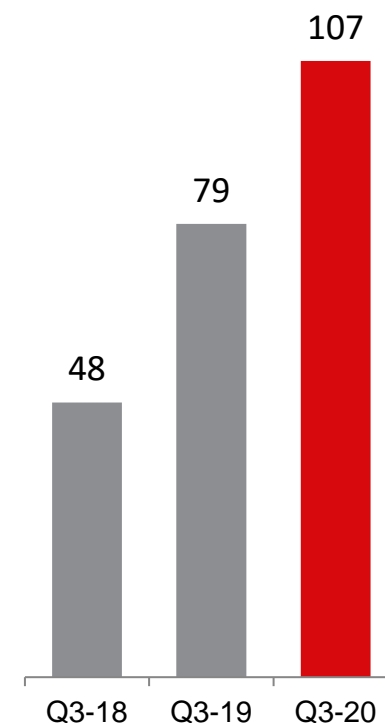


STATEMENT OF CASH FLOW

NOK Million	2020 7-9	2019 7-9	2020 1-9	2019 1-9	2019 FY
Cash flow from operations (EBITDA)	24.6	19.1	79.7	64.0	92.0
Change in balance sheet items	(8.2)	(4.2)	(15.6)	(27.1)	(12.0)
Net cash flow from operating activities	16.4	15.0	64.1	36.9	80.0
Net cash flow from investment activities	(4.5)	(2.3)	(12.2)	(13.1)	(18.8)
Purchase of own shares	-	-	(18.8)	(0.1)	(0.1)
Sale of shares	3.6	7.1	5.9	2.1	2.1
Instalment of lease liabilities	(2.0)	(2.1)	(7.1)	(7.2)	(9.1)
External dividend paid	-	-	(16.3)	(20.2)	(44.7)
Net cash flow from financing activities	1.6	5.0	(36.3)	(25.4)	(51.8)
Net change in bank deposits and cash	9.9	4.2	4.6	(9.6)	(2.2)
Bank deposits at the end of the period	57.7	45.7	57.7	45.7	53.1
New borrowing related to leasing	0.5	4.7	2.4	8.1	11.5

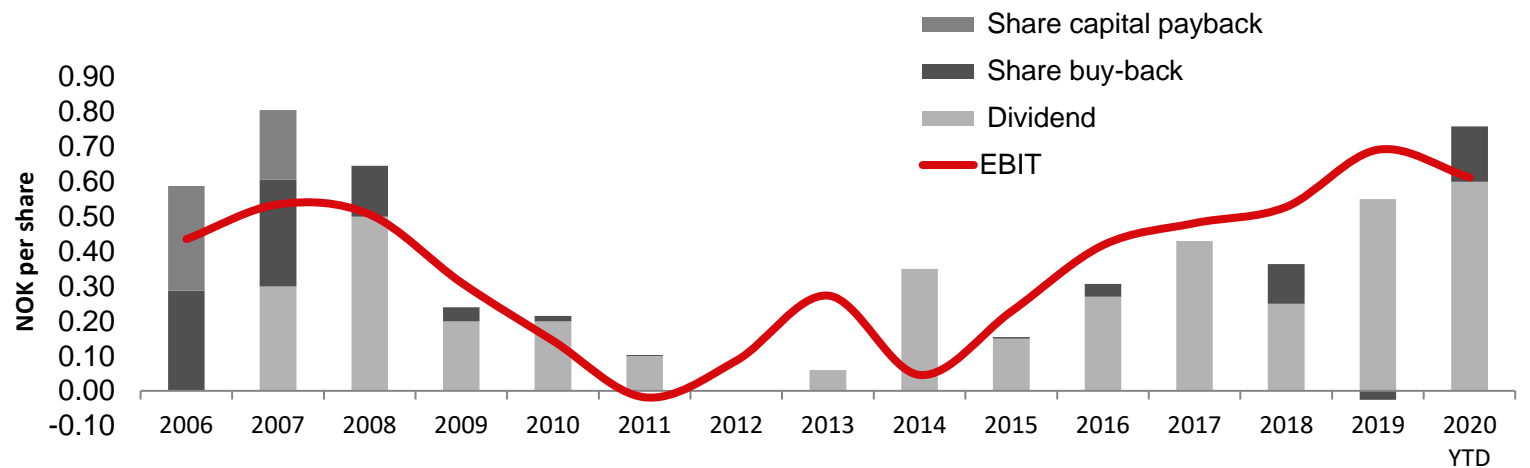
- Cash flow from operations NOK 16.4 (15.0) million in Q3
- 12 month rolling cash flow from operations was NOK 107 million

12 month rolling
cash flow from operations
(NOK Million)



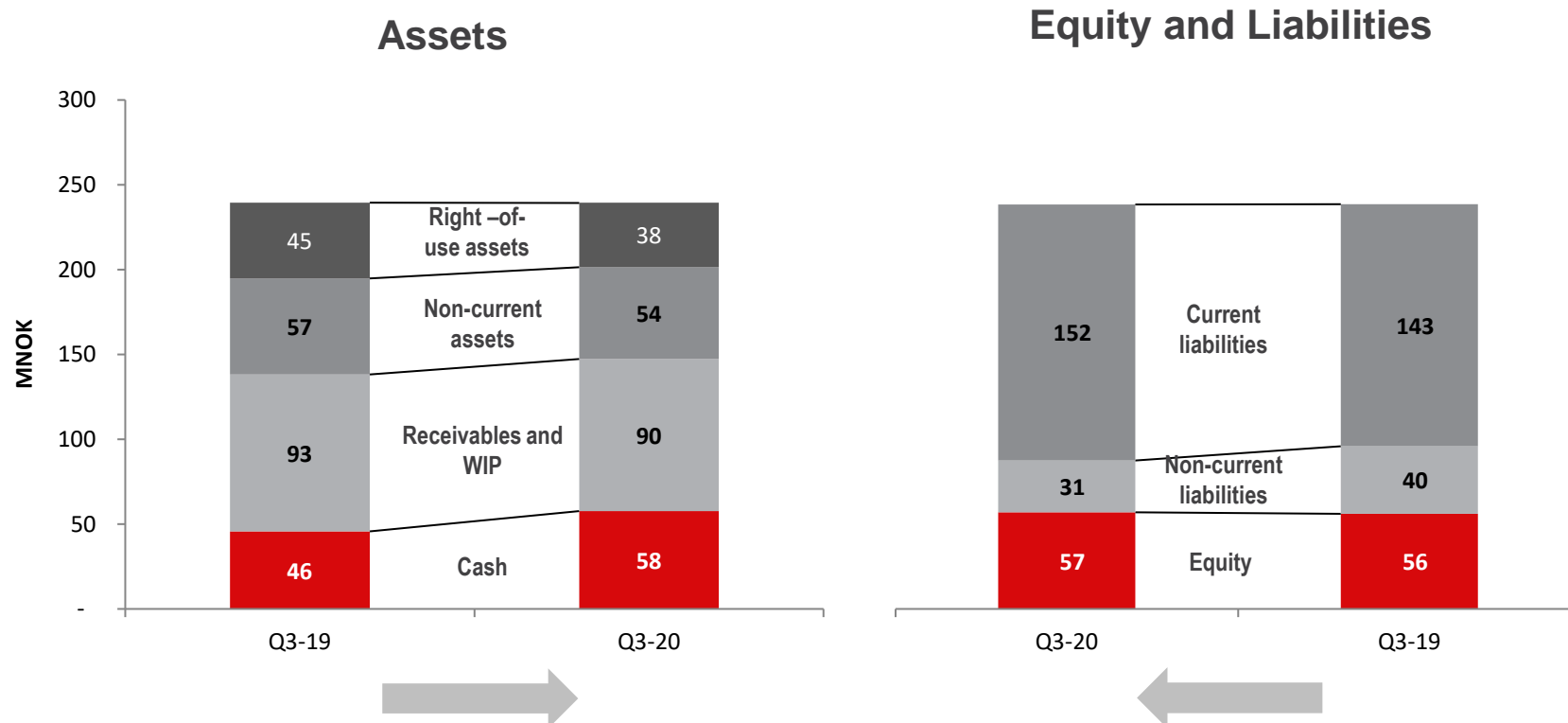


- The Board has announced an additional dividend of NOK 0.40 per share to be paid on 4 November 2020
- Share price was NOK 13.95 at the end of Q3 2020, an increase of 74% from NOK 8.0 at the end of Q3 2019.
- Current holding of own shares is 1,269,136 shares, a net decrease of 422,458 in the quarter. Value is MNOK 17.7
- Consistent high distribution of earnings



STATEMENT OF FINANCIAL POSITION

- Equity ratio of 24% (24%) per 30 September (28% excl. IFRS 16 Leasing)
- Cash balance of MNOK 58 (MNOK 46)
- Total balance unchanged at MNOK 240



Outlook

A photograph of three business professionals (two women and one man) standing on a balcony, smiling and holding coffee cups. They are looking at each other in a friendly conversation. The background shows a cityscape with buildings and trees. The entire image is overlaid with a semi-transparent red filter.



- Recovery in many sectors with the re-openings in the Nordics, but still high global uncertainty due to Covid-19.
- Underlying attractive market with high demand for digitalisation in all Nordic markets.
- Itera well positioned to gain market shares through the attractive hybrid delivery model.
- Accelerating transformation of own data centres to the cloud with some potential one-offs and increased investments next 3-12 months.
- Profitable growth and cash flow are key focus areas.
- 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*	28.44	NOR	23 375 272
2	OP CAPITAL AS	5.42	NOR	4 457 110
3	GIP AS	4.69	NOR	3 858 000
4	EIKESTAD AS	4.26	NOR	3 500 000
5	DnB NOR Bank ASA	4.08	NOR	3 350 000
6	SEPTIM CONSULTING AS	3.52	NOR	2 890 000
7	BOINVESTERING AS	3.21	NOR	2 640 000
8	GAMST INVEST AS	2.86	NOR	2 354 165
9	JØSYRA INVEST AS	2.68	NOR	2 200 000
10	MARXPIST INVEST AS	2.47	NOR	2 031 588
11	VERDIPAPIRFONDET STOREBRAND VEKST	1.95	NOR	1 599 595
12	ITERA ASA	1.54	NOR	1 269 136
13	FRAMAR INVEST AS	1.13	NOR	925 000
14	AANESTAD PANAGRIAS	1.10	NOR	900 000
15	HØGBERG, JON ERIK	0.95	NOR	782 045
16	ALTEA PROPERTY DEVELOPMENT AS	0.85	NOR	700 000
17	NYVANG, JETMUND GUNNAR	0.77	NOR	630 000
18	GRØSLAND, KIM-KJETIL	0.74	NOR	610 000
19	JENSEN, LARS PETTER	0.74	DEN	604 600
20	MORTEN JOHNSEN HOLDING AS	0.73	NOR	600 000
TOP 20		72.12		59 276 511

*Arne Mjøs Invest AS holds a future contract expiring 18 December 2020 on 3,350,000 shares at an average price of NOK 9.209 per share. The total controlling interest of Arne Mjøs is thus 26,725,272 shares (32.5%).

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