

ITERA



Q1

2023

*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 Q1 2023



# Q1 in brief



**31%**

**Organic revenue growth**

Attractive market for digital transformation, driven by the green energy shift and sustainability as well as next generation AI.

Growth is fuelled by leveraging our investments in three new offices, Digital Factory at Scale and Cloud & Application Services to do more with less.

Itera's AI team has conceptualized its own Itera-GPT to be used internally as well as with customers.

Our operation in Ukraine is running as normal, with increasing interests from new customers.

**14.4%**

**Operating margin**

Strong book-to-bill of 1.3 in Q1 and 1.2 last 12 months.

Number of employees increased by 33 in Q1 and 89 employees (14%) during the last 12 months.

12 month rolling cash flow from operations increased by 23 % to NOK 84 million.

Proposal of ordinary dividend for 2023 of NOK 0.30 per share.

# Key figures

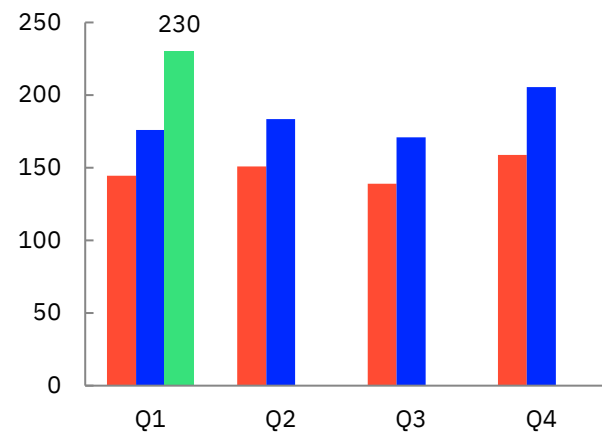
Q1  
**31%**

Organic revenue  
growth

**Revenues**

NOK million

■ 2021 ■ 2022 ■ 2023



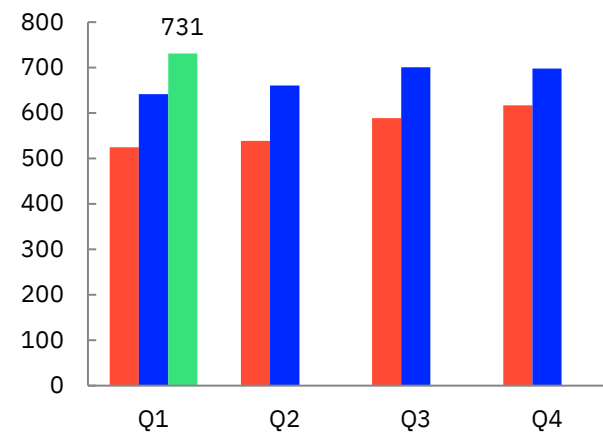
Q1  
**14%**

Growth in number  
of employees

**Employees**

End of period

■ 2021 ■ 2022 ■ 2023



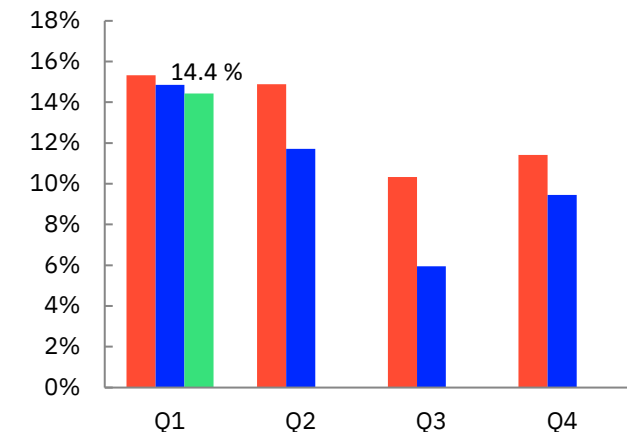
Q1  
**14.4%**

Operating margin

**EBIT margin**

%

■ 2021 ■ 2022 ■ 2023





# 02

## Business review



# We are specialists in sustainable digital transformation

**The Nordics is often positioned as digital and sustainable front-runner that show the way globally.**

We are growing together with international customers and partners based on our ONE Itera model across borders.

Our Digital Factory at Scale with cross-functional teams across border was recognised as best in the world by Global Sourcing Association in 2018.



# Our steady growth organic model

**We have built a strong international ONE Itera operating model and will see more of divergence in the linearity between headcount and revenue growth.**

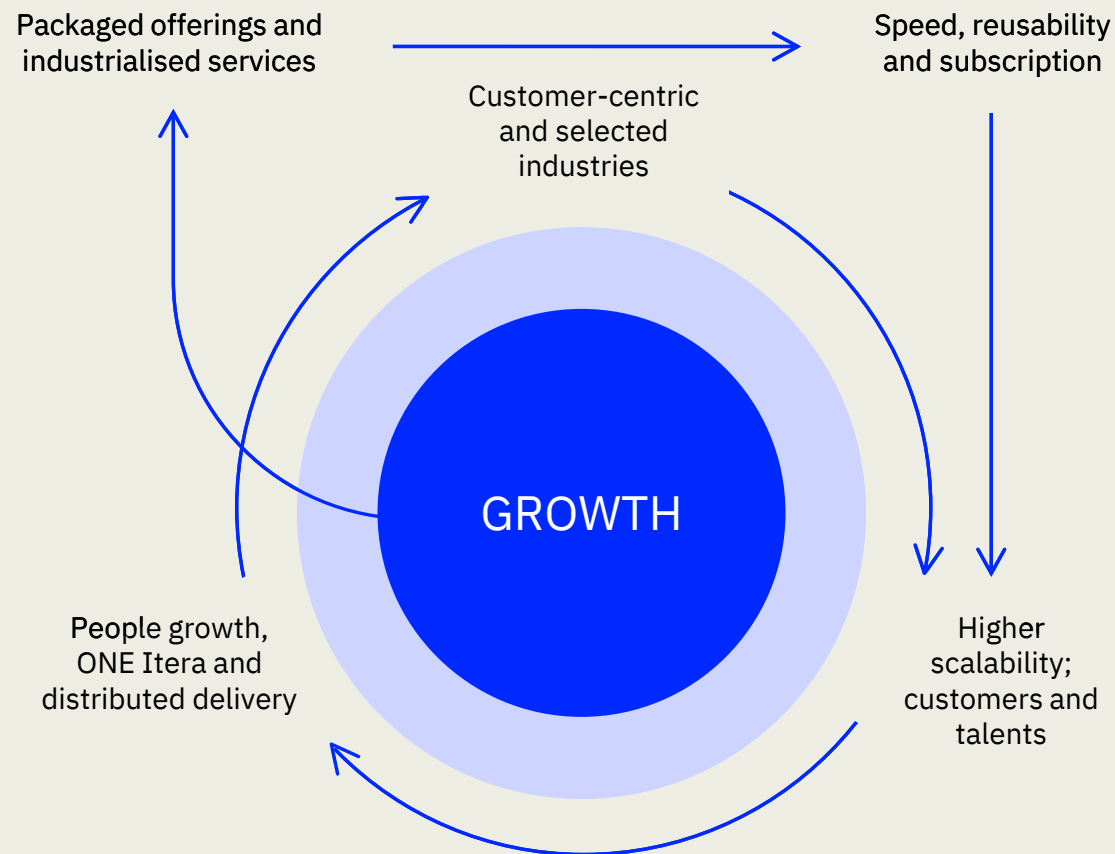
- Our profitable growth trajectory is amongst the top peers in our industry and reflects our strong position to deliver on the promise of sustainable digital transformation for our customers

## Digital transformation drives the global economy\*

Digital transformation investment increases to 16.5% CAGR 2022-2024

Digital transformation investment = 55% ICT investment by 2024

>50% Global economy influenced by digital

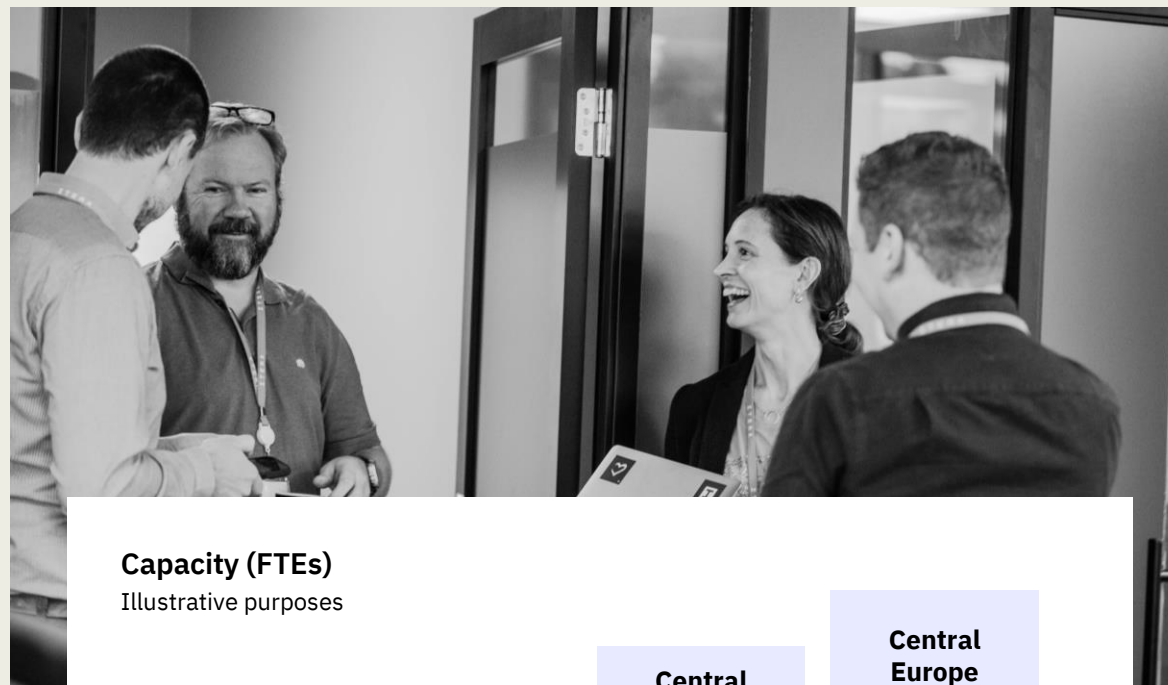




# Our long-term ambition: annual net growth of 200-350 FTEs

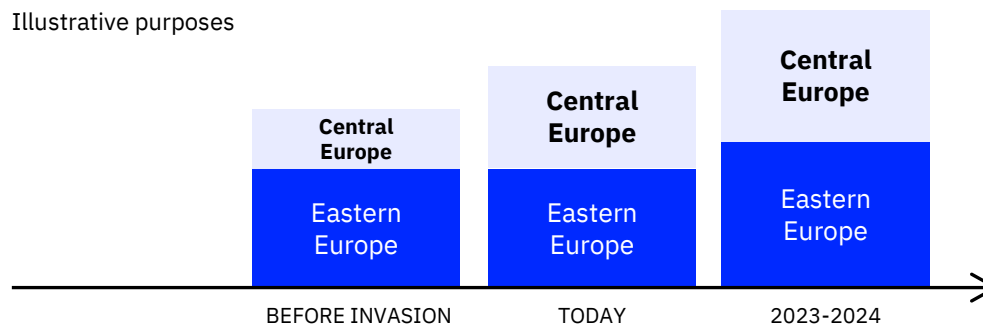
## Itera is investing to capture the significant growth opportunities ahead.

- We are ramping up three new offices in Central Europe to accommodate new demand and to mitigate slower growth in Ukraine during the invasion.
- All three new offices have become profitable during Q1.
- Once the new offices are running at full speed, our growth capacity will be even larger than before the invasion and less vulnerable to any situation in Ukraine.



### Capacity (FTEs)

Illustrative purposes



# Building the digital core for innovation and growth for TESS

**Our cloud growth is driven by both migration and customers who are moving forward on this journey, such as TESS that was successfully migrated to Azure cloud in Q1 2023.**

- Using cloud as their operating systems is helping this market leader manage increasing levels of complexity by bringing together data, AI, and applications to optimise their operations and accelerate growth.
- Key benefits include
  - More flexible solution for changes and innovation
  - Increased security functionality for all their users
  - Reducing license cost and removing duplication
  - Readiness to utilise next generation of AI



**– Itera has been a fantastic partner throughout the migration to Microsoft Azure.**

[Christian Bryde](#), Chief Digital Officer in TESS

# Projects at IMDi – powered by Digital Factory at Scale

**A multi-disciplined team from Itera, using the Digital Factory at Scale, has successfully launched the “Jobbsjanse-register” for IMDi.**

- In Q1 2023, the two first Norwegian municipalities have started testing the solution.
- “Jobbsjansen” is a qualification programme for stay-at-home immigrant women who, after several years in Norway have no permanent connection to working life.
- The goal is that 70 per cent of the participants go into work or education at upper secondary school level or at college/university after completing the program.



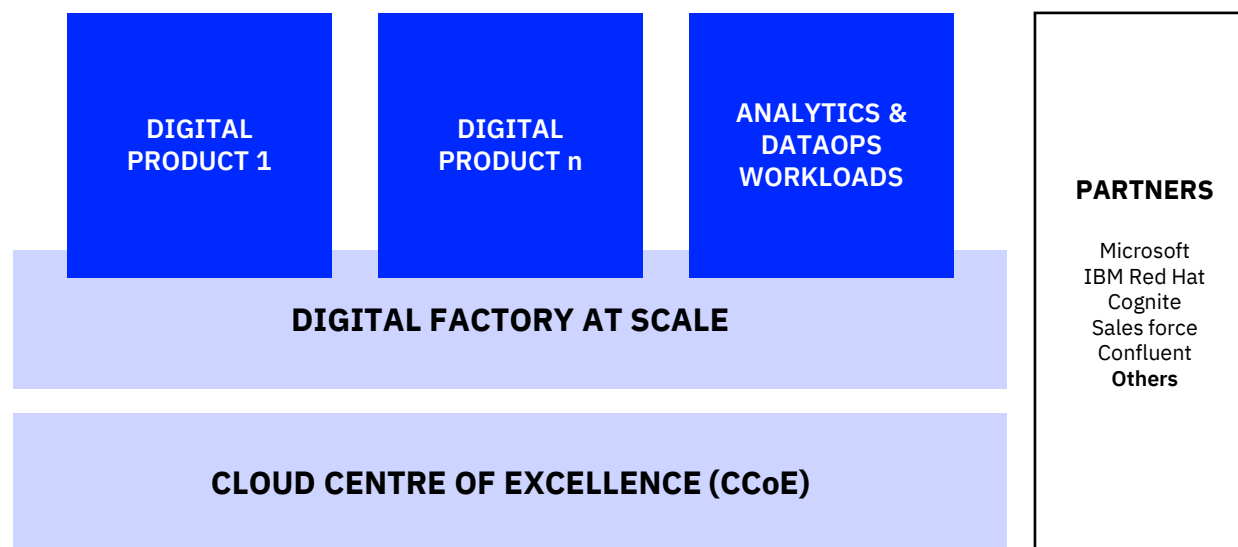
# Digital Factory at Scale: Doing more with less

## 20-30%

Typically, the speed and throughput are increased by 20-30% or more

- Innovation** —→ **Faster business innovation** through autonomous teams and adoption of cloud services
- Speed** —→ **Business agility and reduced time-to-market** through efficient DevSecOps teams
- Scale** —→ **Efficient use** of distributed delivery across borders and public cloud scale
- Quality** —→ **Secure, predictable and flexible** service delivery and operations capability end to end

## CUSTOMER BUSINESS & DIGITAL STRATEGY



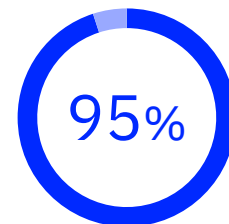
For instance, for an international customer in the energy sector, we managed to increase the speed of the digital transformation of a core product by 40%.

# Artificial Intelligence (AI) is the heart of digital transformation

## Our Digital Factory at Scale is already using AI and Machine Learning (ML) to do more with less.

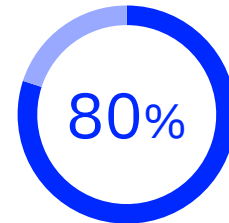
- The new generative AI will increase the speed of digital transformation even more.
- The time for the new digital imperative is right now.

**AI adoption continues to accelerate**



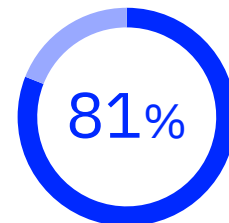
of enterprises report that they consider AI technology to be important to their digital transformation

**AI is not the future, it is now**



of enterprises report that they are using some form of AI in production

**AI-powered business results**



of enterprises report positive ROI in less than 2 years

Source:

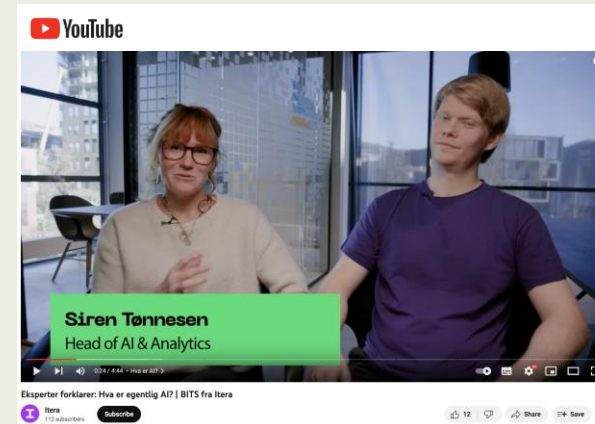
1. [AI use, adoption gains momentum with enterprise amid pandemic – 451 survey](#)
2. [State of AI for Enterprises](#)
3. [Thriving in the era of pervasive AI](#)



# The future of work with AI

## Generative AI and tools will be game changing for our business and industry.

- We recognise that businesses are increasingly turning to these tools to enhance efficiency and reduce operational costs.
- As a technology company, we are committed to helping our customers use these tools in a responsible manner.
- In the first quarter, Itera's AI team has been dedicated to exploring, learning, and evaluating the latest AI and Machine Learning (ML) tools.



↑ AI BITS from Itera

↑↑ Convergent

→ AI meet-up in Halden



## Hørte om kunstig intelligens

### INNSENDT

Kvelden for en av landets viktigste møteplasser innen kunstig intelligens, nemlig konferansen AI+, åpnet dørene, ble Haldens befolkning invitert til gratisarrangementet «Kunstig intelligens på pøbben».

Arrangementet var for alle som ønsket å lære mer om hva kunstig intelligens (KI, eng: AI, artificial intelligence) er og hvordan teknologien kan brukes.

I en uhyttelig setting hos The Drunken Chefs i Halden fikk publikum blant annet høre interessante innlegg fra Itera og

Høgskolen i Østfold om etiske spørsmål knyttet til teknologien, samt presentert eksempler på hvordan ulike bransjer kan ta i bruk KI-baserte språkmodeller, som ChatGPT.

De fem engasjerende foredragsholderne delte ulike dimensjoner av kunstig intelligens, og de ga et innblikk i hvordan KI kan skape verdi i vår egen hverdag og vårt eget arbeidsliv.

Arrangementet ble organisert av konferansen AI+ i samarbeid med Halden Næringsutvikling og NHO Viken Oslo.

# Conceptualising our IteraGPT

**Itera has established a cross-functional AI discovery team with participants from different countries and competences.**

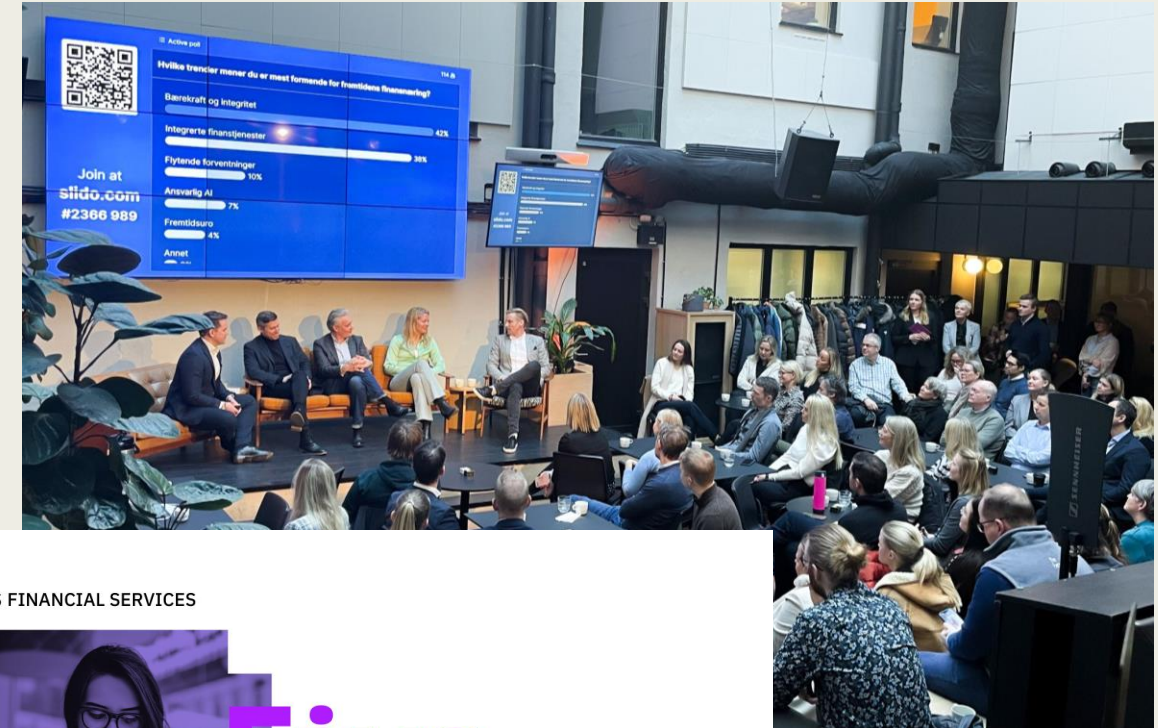
- They aim to explore and experiment with ChatGPT and other AI tools, building insights and experiences that can benefit our colleagues and customers.
- The priority is to find the best ways to use this technology while identifying and addressing any technical, practical, and ethical concerns that may arise.
- As a result, we now have our own IteraGPT. We have created guidelines and hosted internal events to ensure that Itera employees can learn how to use Itera ChatGPT in a safe environment.



# Finance Trend Report

**In Q1, Itera and its subsidiary Cicero Consulting, published the trend report "Five trends that shape the future of finance".**

- In addition to this, we arranged a breakfast seminar and industry meeting in Oslo. Topics for discussion were what is affecting the developments in the Norwegian financial industry and where the industry is headed.
- The panel discussion was attended by Kim Wikan Barth (Director of Innovation and Growth, Gjensidige), Emma Tryti (CEO, Kron) and Christian Fjestad (Head of Innovation, SB1 Østlandet). Itera also had several of its own experts on stage.
- Find the report on [itera.com](https://itera.com)



INSIGHTS FINANCIAL SERVICES



# Five trends

shaping the future of financial services



# The importance of keeping the economy running in Ukraine





# Ukraine will become a significant energy exporter to Europe

**Ukraine can in the future become a significant energy exporter to Europe, building on its energy competence, large renewable resource base and strategic location.**

## 300 GW

**Solar and wind in 2040**

According to Rystad Energy estimates, Ukraine has the potential to ramp up its green energy resources in the 2040s to more than 300 GW of both solar and wind.

In comparison, this is 10 times more than the 30 GW of offshore wind power production in 2040 that the Norwegian Government has planned for Norway.



Meeting with the Ministry of Energy in Ukraine on 30 September in Kyiv. Together with Rystad Energy, Energy and the Norwegian Embassy in Kyiv, we discussed how to develop an executable strategy for fast-tracking co-operation between Norway and Ukraine in the energy sector.

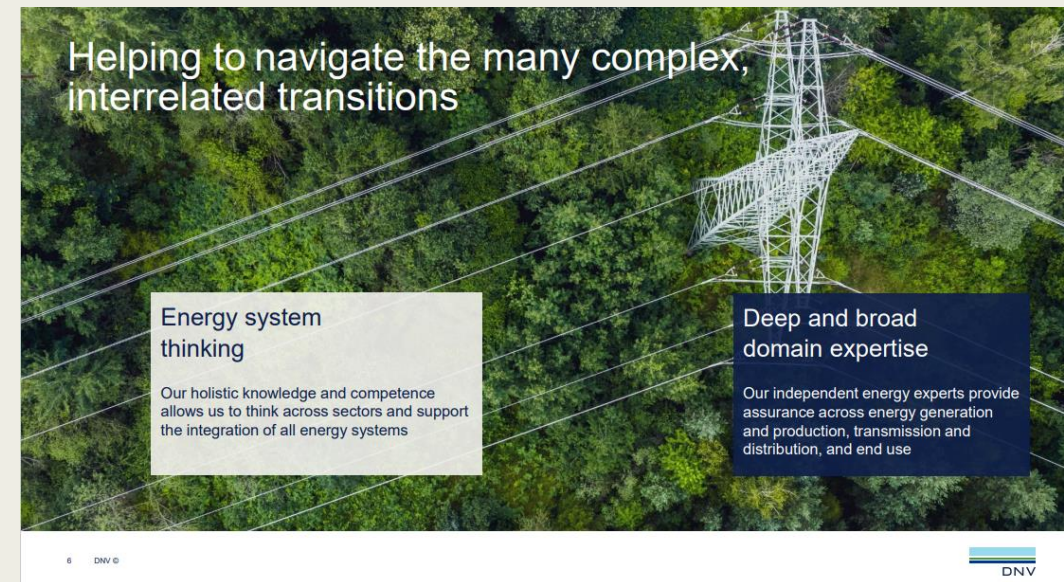


# The twin transition – energy and digital

**Itera's presence in Ukraine is a strategic and long-term choice, as is the social responsibility and commitment to Ukraine.**

- Simultaneously, the twin transition – green and digital – will reinforce sustainability with technology and enable sustainable digital transformation in Ukraine.
- Since the Nordic region is a first mover in building the new energy system across the full energy spectrum, key learnings from energy companies, tech industry and governments in the Nordics could benefit Ukraine when creating the new energy system.
- We will continue to grow our business in Ukraine, and we envision a significant expansion together with the global and local energy players when the country is rebuilt after the war.

Extending our vital technology support for Ukraine - Microsoft On the Issues



Microsoft's total support for Ukraine is more than \$400 million since the war began in February and throughout 2023

To the left on the picture, Brad Smith, Vice Chair & President at Microsoft, and Mykhailo Fedorov, Ukraine's Vice Prime Minister and Minister of Digital Transformation.



# Order intake

Order intake from selected new and existing customers.

Book-to-bill ratio<sup>\*)</sup> of 1.3 in Q1 and 1.2 for the last 12 months



Sharecat™



RAYVN

Kredinor

**SECTOR  
ALARM**)))



<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

# Customer development

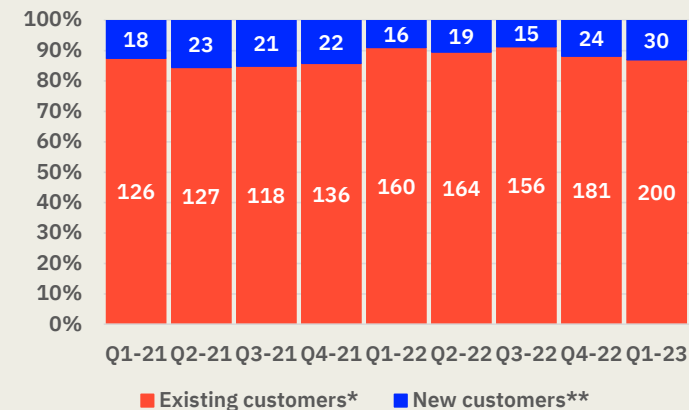
## New business

- Existing customers accounted for 87.0% (91.0%) of revenues in Q1 2023
- New customers won over the past year generated revenues of NOK 29.8 (15.8) million in Q1 2023 (13.0% share)

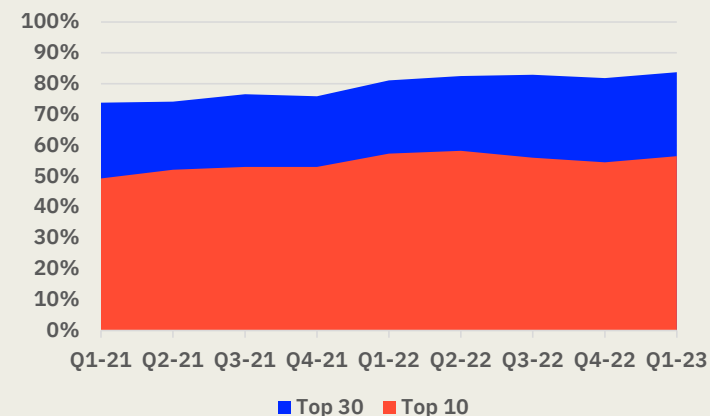
## Good visibility

- Share of revenue from top 30 customers 84% (81%)
- 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

# Skilled and innovative employees

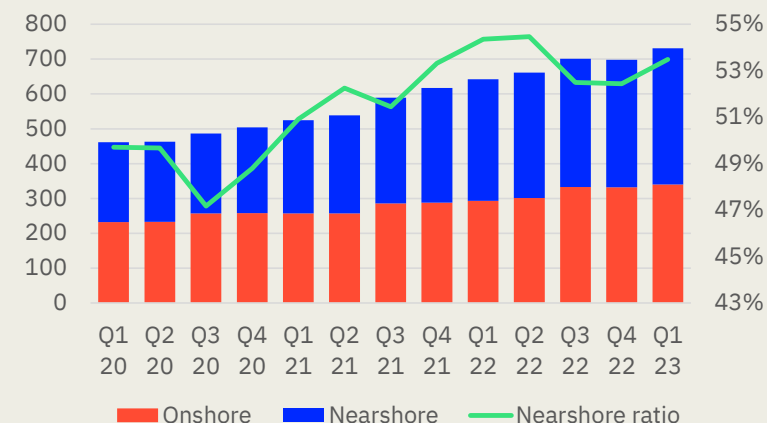
## 731 employees at the end of the quarter

- Up by 89 (118) last twelve months, temporarily impacted by the invasion in Ukraine
- More than 50% of the FTE growth in the Nordics

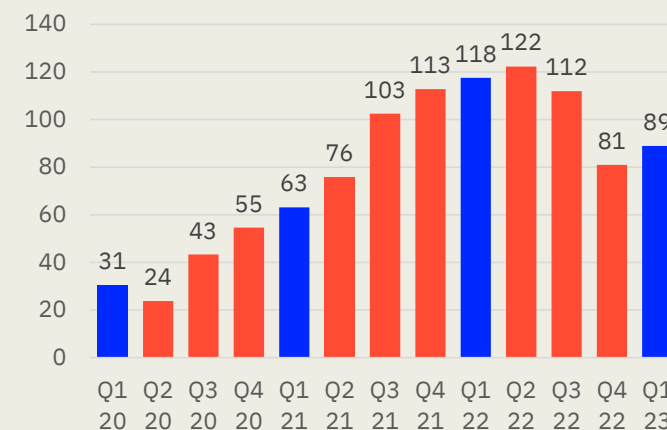
## Nearshore ratio of 53% (54%)

- 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 talent pool

Number of employees end of quarter by shore



Rolling 12 months net FTE growth



# 03

## Financial review



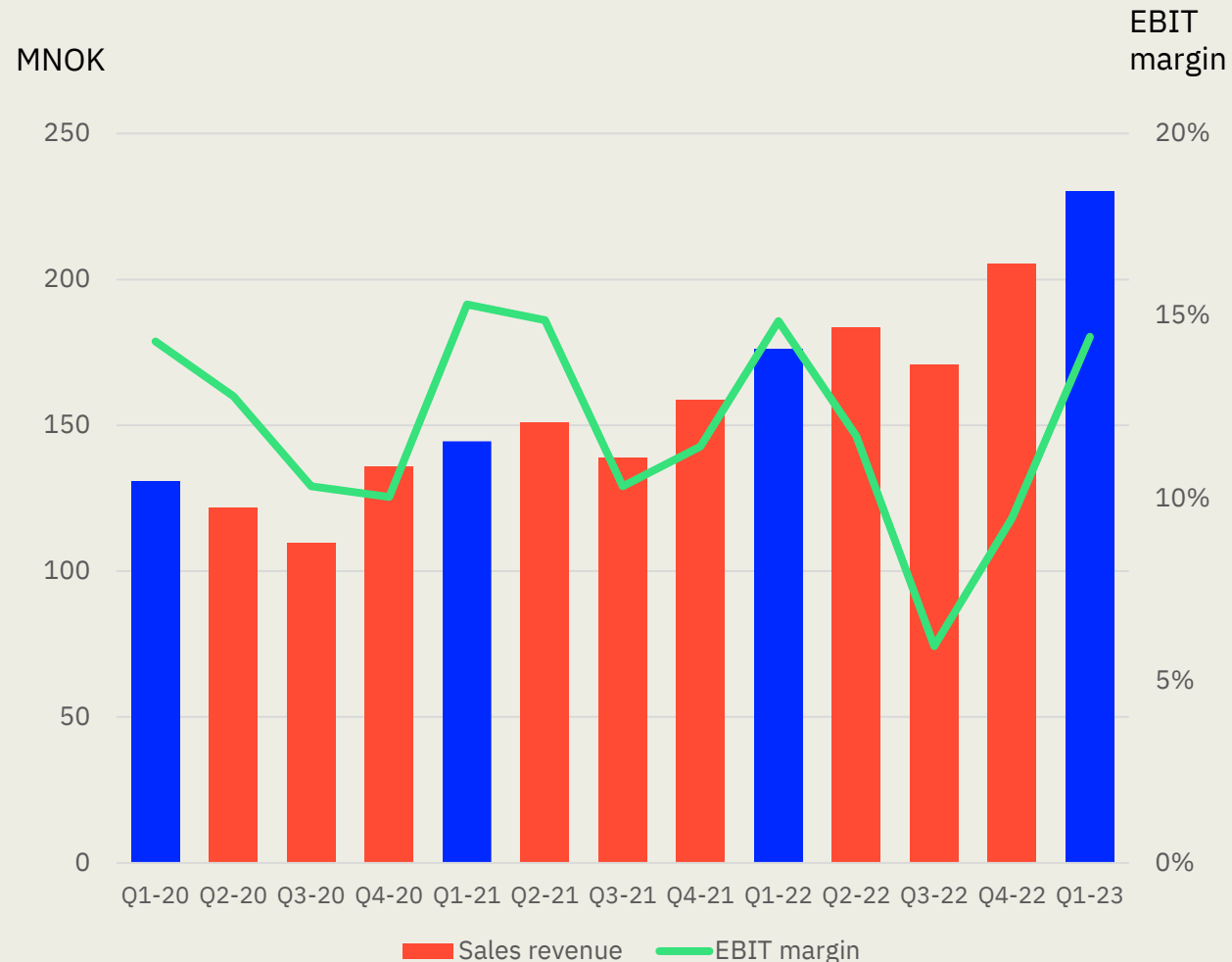


# Key financials

	2023	2022	Change	2022
NOK Million	1-3	1-3	%	FY
Operating revenue	<b>230.3</b>	176.0	31%	735.8
Gross profit	<b>217.1</b>	162.0	34%	684.2
Personnel expenses	<b>158.0</b>	117.0	35%	158.0
Other opex	<b>18.3</b>	11.8	56%	18.3
EBITDA	<b>40.8</b>	33.3	22%	109.0
EBITDA margin	<b>17.7%</b>	18.9%	-1.2pts	14.8%
Depreciation	<b>7.6</b>	7.2	6%	32
EBIT	<b>33.2</b>	26.1	27%	77.2
EBIT margin	<b>14.4%</b>	14.9%	-0.4pts	10.5%
Net cash flow from operations	<b>7.9</b>	(0.4)	2071%	76.0
Cash and cash equivalents	<b>49.7</b>	29.5	68%	41.9
Employees at end of period	<b>731</b>	642	14%	698
Employees in average	<b>715</b>	630	14%	677

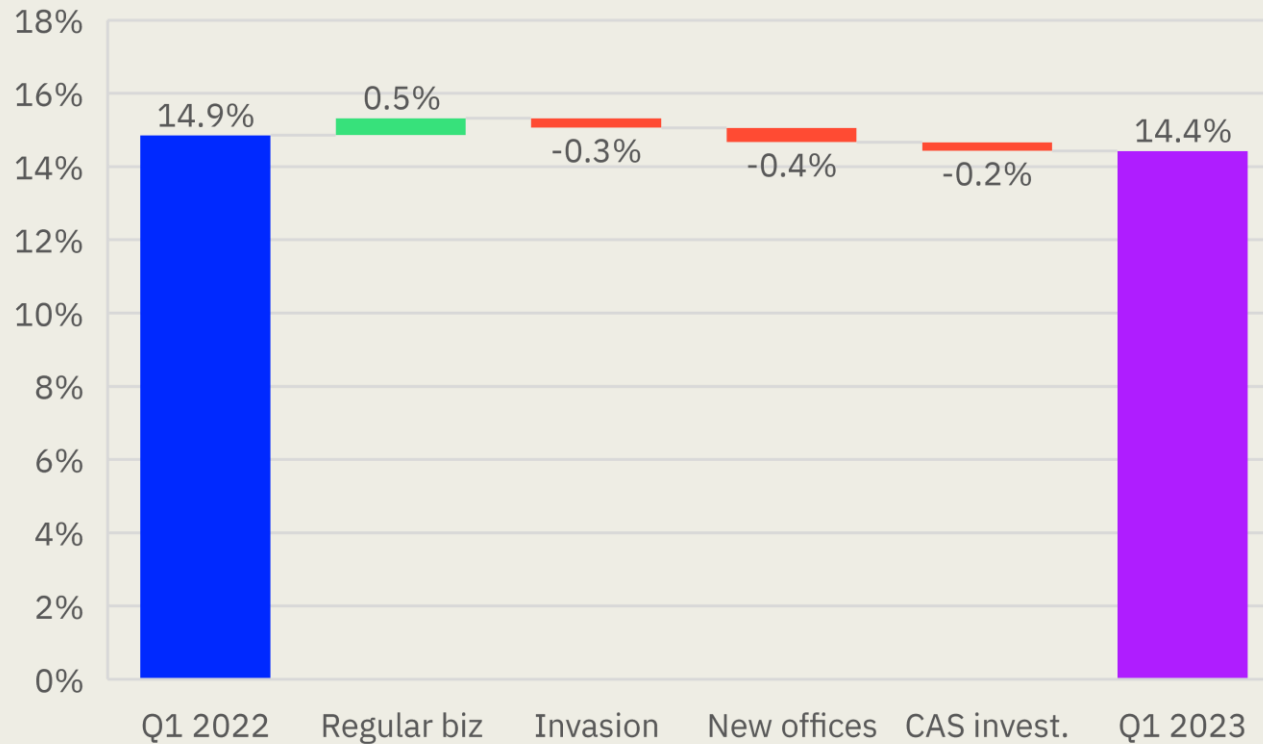
- Growth of 31% with strong traction from new customers and cloud services
- Personnel expenses driven by FTE growth, FX depreciation and salary growth
- Opex increase from new offices and higher spending on travelling and training
- EBIT up 27% to MNOK 33.2
- EBIT margin of 14.4% (14.9%)
- Cash flow from operations MNOK 7.9
- No. of FTEs 731 (+89)

# Revenue and earnings development



- Strong sales growth year over year with 2-year CAGR of 24.3% and an average of 11.7% EBIT margin
- Quarterly figures are impacted by number of working days net of vacations. Q1 2023 had 65 (64) working days

# EBIT margin development



## **EBIT margin development:**

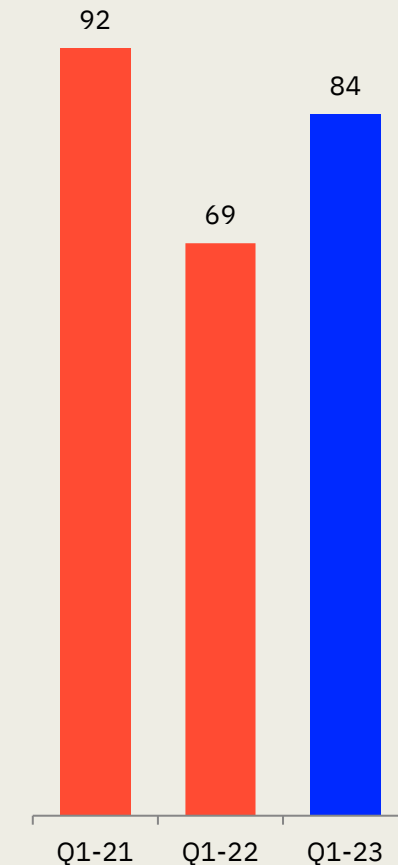
- Margin expansion regular business: +0.5%
- Direct costs from the invasion: -0.3%
- Investment in new offices: -0.4%
- Investment in capacity readiness for cloud expansion: -0.2%

# Statement of cash flow

NOK Million	2023 1-3	2022 1-3	2022 FY
EBITDA	40.8	33.3	109.0
Change in balance sheet items	(32.9)	(33.7)	(32.9)
<b>Net cash flow from operating activities</b>	<b>7.9</b>	<b>(0.4)</b>	<b>76.0</b>
<b>Net cash flow from investment activities</b>	<b>(3.9)</b>	<b>(4.1)</b>	<b>(15.2)</b>
Purchase of own shares	(0.1)	(0.6)	(9.1)
Sale of own shares	6.2	-	6.6
Cash settlement of options contract	-	-	-
Equity settlement of options contract	-	-	-
Principal elements of lease payments	(3.3)	(3.8)	(15.5)
Instalment of sublease receivable	-	0.9	1.8
External dividend paid	-	-	(40.5)
<b>Net cash flow from financing activities</b>	<b>2.9</b>	<b>(3.5)</b>	<b>(56.8)</b>
<b>Net change in bank deposits and cash</b>	<b>7.8</b>	<b>(7.9)</b>	<b>4.5</b>
<b>Bank deposits at the end of the period</b>	<b>49.7</b>	<b>29.5</b>	<b>41.9</b>

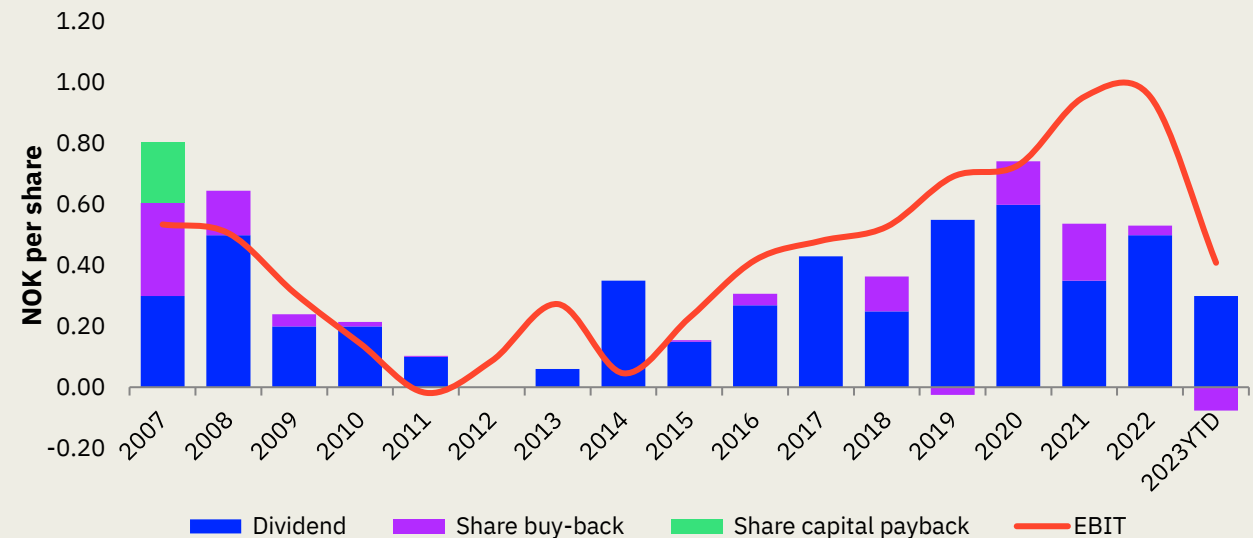
- Cash flow from operations NOK 7.9 (-0.4) million in Q1
- 12 month rolling cash flow from operations was NOK 84.3 (68.8) million

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



# Dividend and own shares

- The board has resolved to propose and ordinary dividend of NOK 0.30 per share for 2022
- Share price was NOK 12.60 at the end of March 2023, a change of +9% incl. dividends from NOK 12.00 at the end of March 2022
- Current holding of own shares is 971,393 shares after the sale through the Employee Share Purchase Programme in Q1 (648k shares). Value at 31 March 2023 was MNOK 12.2
- Consistent high distribution of earnings.

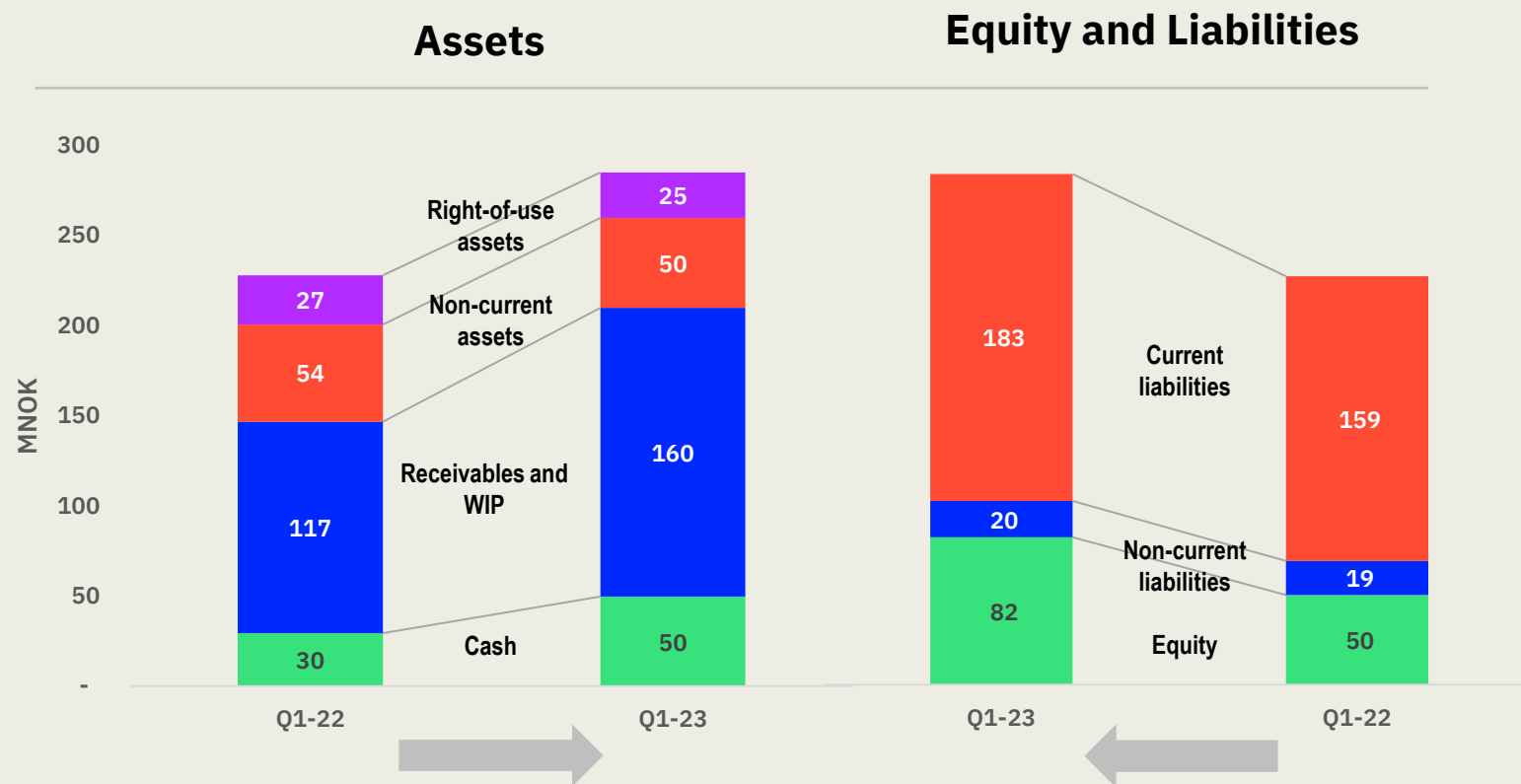


EBIT in 2021 and 2022 is excluding discontinued operations of -0.23 and -0.17 per share



# Statement of financial position

- Equity ratio of 29% (22%) per 31 March 2023
  - 32% (25%) excl. IFRS 16 Leasing
- Receivables include MNOK 6 from employees from Share Purchase Programme end of March
- Cash balance of MNOK 50 (MNOK 30)
- Total balance increased by MNOK 57 to MNOK 285



# 04 Outlook





# Outlook

**Regional expansion** continues in the Nordics and Central Europe for access to more customers and talents.

**Continued high growth for digital transformation** through existing and new customers but potential softening of market in general

**Readiness to migrate and operate** larger scale cloud transformations.

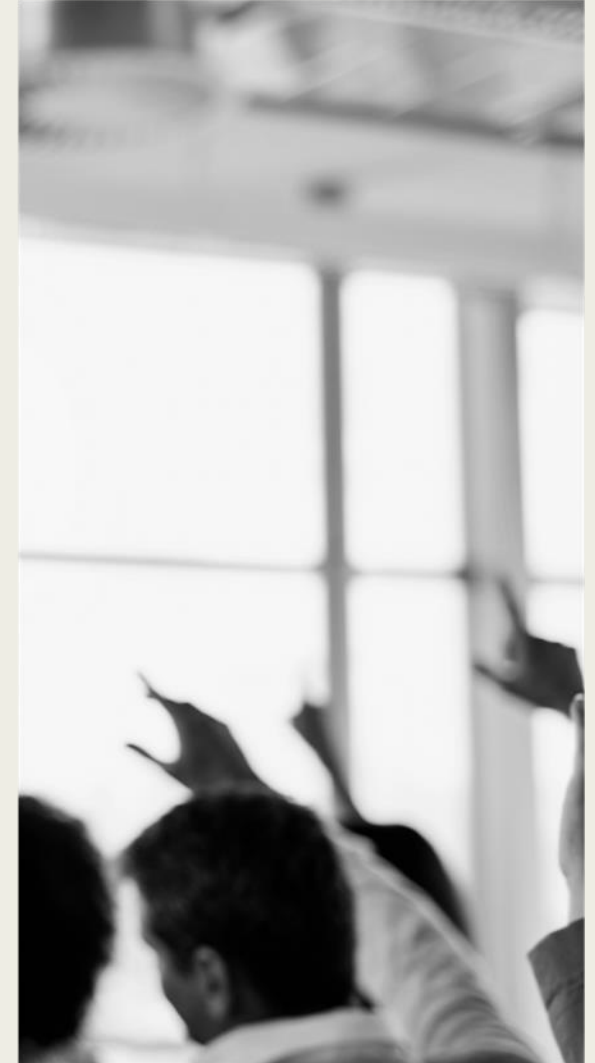
**Connecting Ukraine and the Nordics** to enable the green energy shift

**Profitable growth** and cash flow are key focus areas.

Itera does not provide guidance to the market on future prospects.

05

Q&A



We stand with  
Ukraine



# Top 20 shareholders

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS	31.35	Norway	25,763,031
2	OP CAPITAL AS	5.60	Norway	4,605,242
3	GIP AS	5.14	Norway	4,224,000
4	SEPTIM CONSULTING AS	3.91	Norway	3,212,685
5	BOINVESTERING AS	3.47	Norway	2,849,362
6	EIKESTAD AS	3.22	Norway	2,650,000
7	GAMST INVEST AS	3.13	Norway	2,572,570
8	JØSYRA INVEST AS	2.68	Norway	2,200,000
9	DZ Privatbank S.A.	2.38	Luxembourg	1,960,000
10	DNB BANK ASA	1.94	Norway	1,594,298
11	HØGBERG, JON ERIK	1.46	Norway	1,197,356
12	ITERA ASA	1.18	Norway	971,393
13	AANESTAD PANAGRI AS	1.16	Norway	950,000
14	FRAMAR INVEST AS	1.10	Norway	900,000
15	ALTEA AS	0.85	Norway	700,000
16	NYVANG, JETMUND GUNNAR	0.83	Norway	680,000
17	JENSEN, LARS PETER	0.77	Norway	633,740
18	GRØSLAND, KIM-KJETIL	0.76	Norway	622,678
19	MORTEN JOHNSEN HOLDING AS	0.73	Norway	600,000
20	HAMMER, BENT	0.69	Norway	566,695
<b>TOP 20</b>		<b>72.34</b>		<b>59,453,050</b>

\*Arne Mjøs Invest AS holds a future contract on 1,600,000 shares. The total controlling interest of Arne Mjøs is thus 27,363,031 shares (33.3%).

