

ITERA



Q4

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 Q4 2023



# Q4 in brief



**8%**

**Organic revenue growth**

While the pace of spending and the overall business landscape has changed, the fundamental importance of digital technology has not.

Strong demand in the green transition and areas like cloud migration and modernization, data and AI.

Seasonal variations in order intake with book-to-bill of 1.7 in Q4 and 1.0 last 12 months.

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

**9.5%**

**Adj. EBIT margin**

Profitability impacted by lower utilization, fewer working days and investment in Cloud & Application Services.

Business optimization program on track for stronger resilience.

Strong cashflow from operations, up by 38% to NOK 57 million in Q4 and up by 25% to NOK 96 million for 2023.

A supplementary dividend of NOK 0.40 per share paid on November 10.

Proposed ordinary dividend for 2023 of NOK 0.40 per share

Temporarily slower pace of intake of new employees.

Number of employees increased by 60 employees (9%) during the last 12 months.

# Key figures

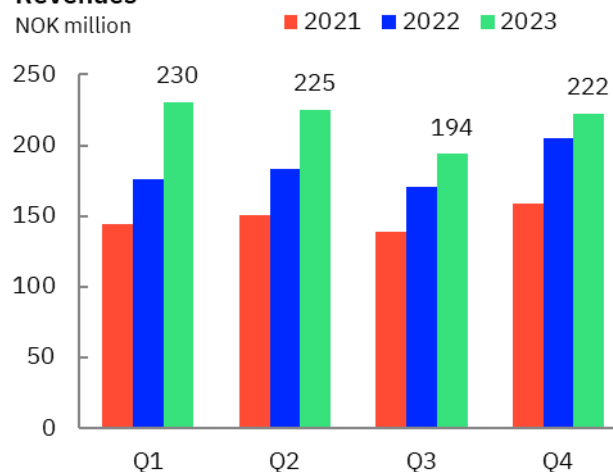
**Q4**  
**8%**

**FY**  
**18%**

Organic revenue  
growth

**Revenues**

NOK million

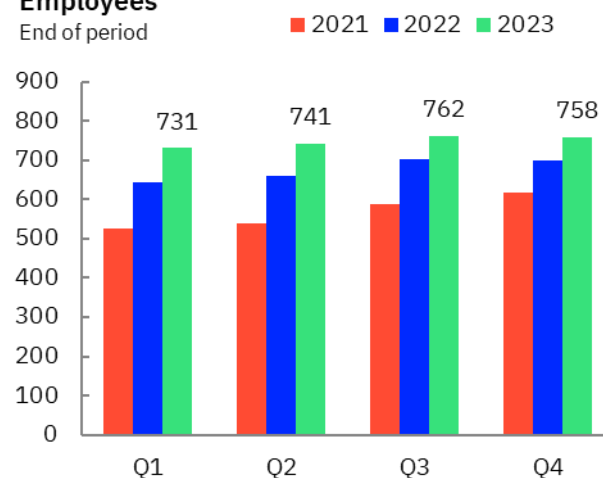


**Q4**  
**9%**

Growth in number  
of employees last  
12 months

**Employees**

End of period



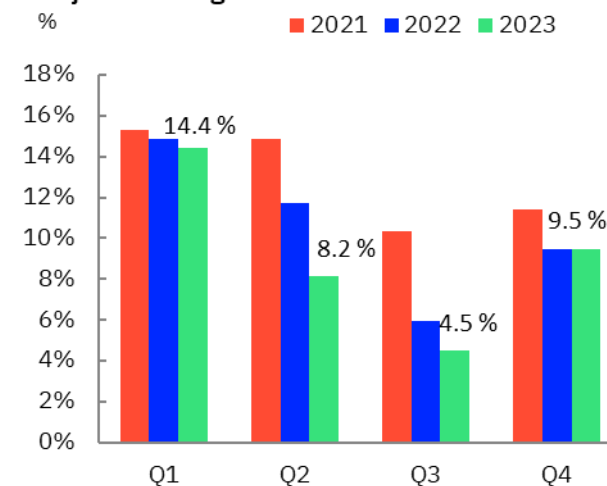
**Q4**  
**9.5%**

**FY**  
**9.3%**

Adj. EBIT margin

**Adj. EBIT margin**

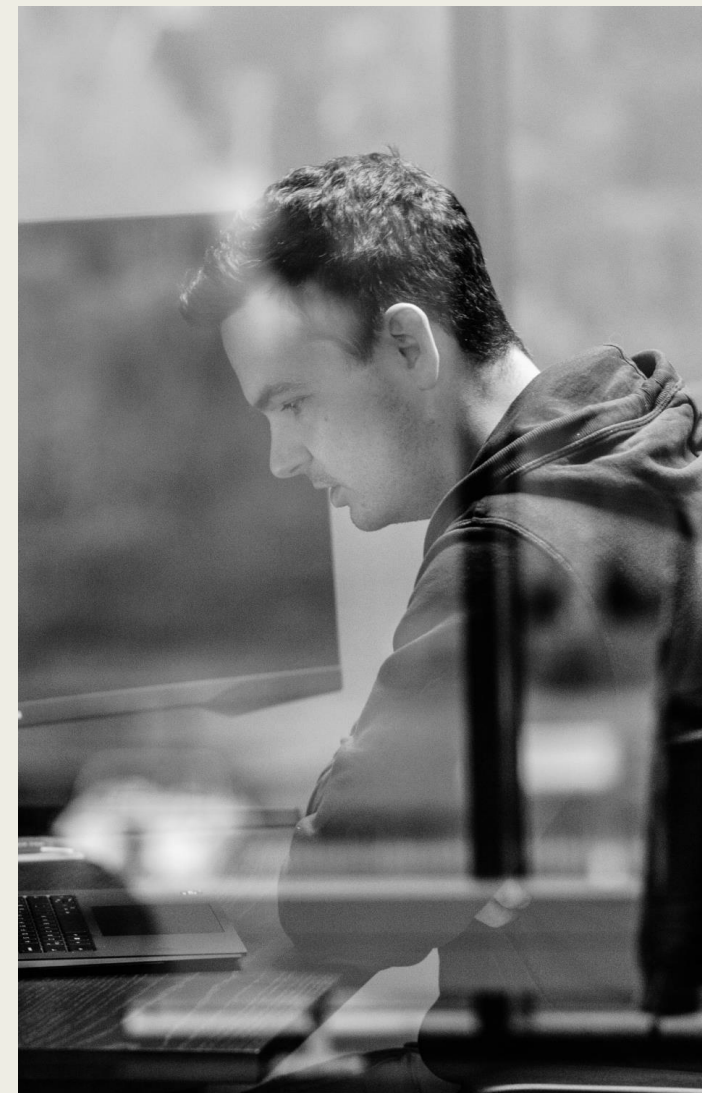
%





# 02

## Business review



# While the pace of spending has changed, the fundamentals have not

## Digital transformation

- Cloud towards business necessity
- Intelligent applications
- Industry cloud platforms
- End-to-end customer journey
- Sustainability and ESG

## AI everywhere

- Democratized Generative AI
- The drive to automate
- AI-augmented development
- The end of legacy IT

## Shifting business models

- Everything as a service intensifies
- The digital business imperative
- Machine customers

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9.3%

Growth of European IT market in 2024<sup>1)</sup>.

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20%+

Compound annual growth rate (CAGR) for 2023-2027 in digital transformation spending in the Nordics. 16% in Europe and worldwide %<sup>2)</sup>.

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27%

Growth in cloud spending in Europe in 2024<sup>3)</sup>.

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70%

Reduction in modernization costs in 2027 by using Gen AI to explain legacy applications and create appropriate replacements<sup>4)</sup>.

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70%

Share of enterprises that will use industry cloud platforms in 2027, up from 15% in 2023<sup>5)</sup>.

1) and 3) Gartner Oct 2023: [Gartner Forecasts IT Spending in Europe to Record 9% Growth in 2024](#)

2) IDC Nov 2023: [Worldwide Digital Transformation Spending Forecast to Continue Its Double-Digit Growth Trajectory, According to IDC Spending Guide](#)

4) Gartner Symposium Barcelona November 2023

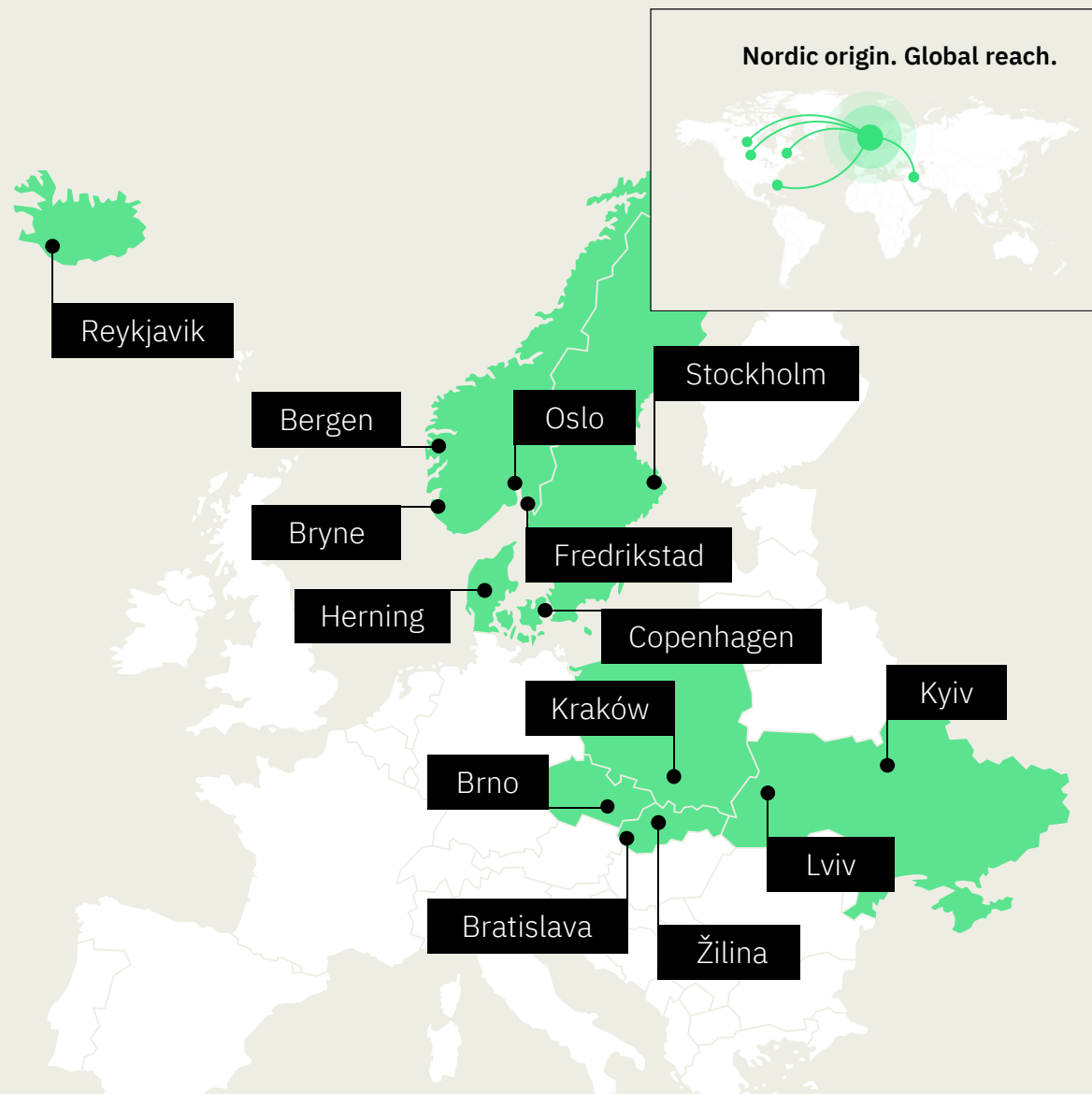
5) Gartner Nov 2023: [Gartner Forecasts Worldwide Public Cloud End-User Spending to Reach \\$679 Billion in 2024](#)

# 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** with cross-functional teams across border was recognised as best in the world by Global Sourcing Association in 2018.

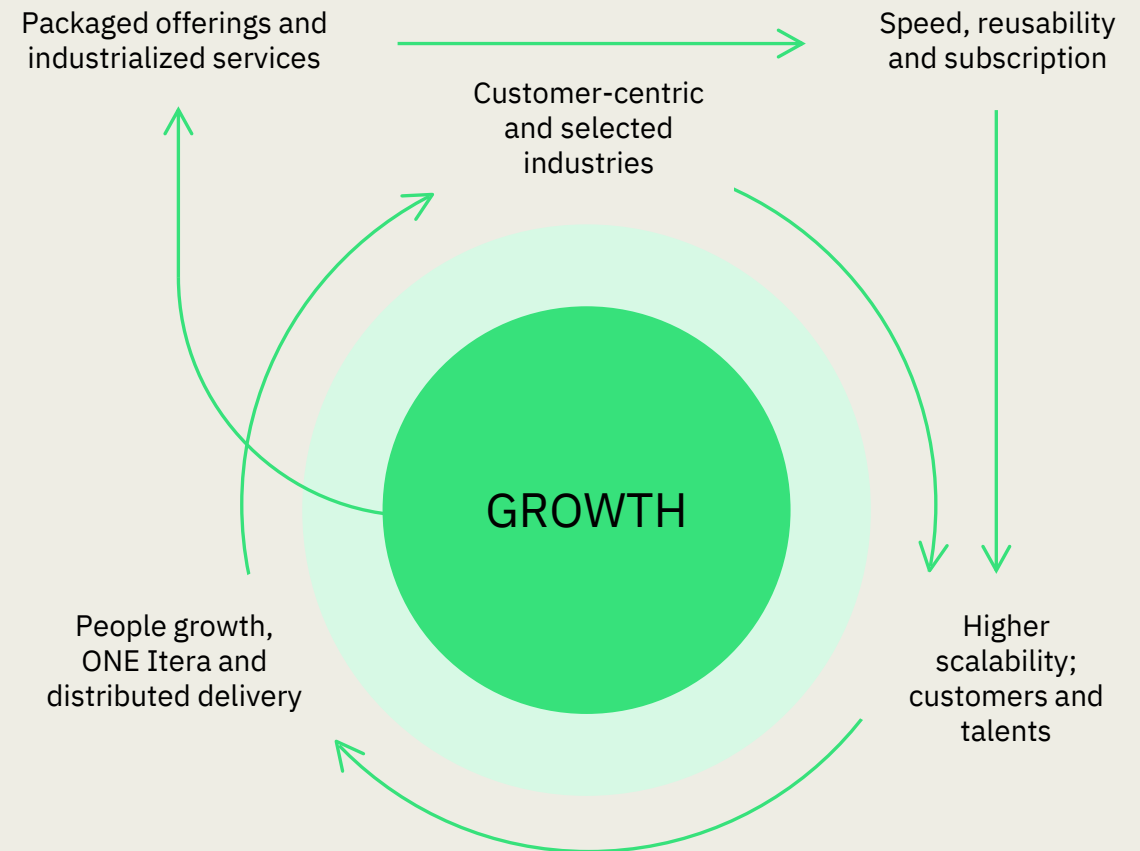




# Our steady growth organic model

**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.



# Our priorities in 2024

# 1

Strengthen demand generation through customer squads

# 2

Leverage Digital Factory and cloud journeys

# 3

Explore and capitalize on growth opportunities in data, Low-Code and AI

# 4

Build on our strong position to grow outside Norway

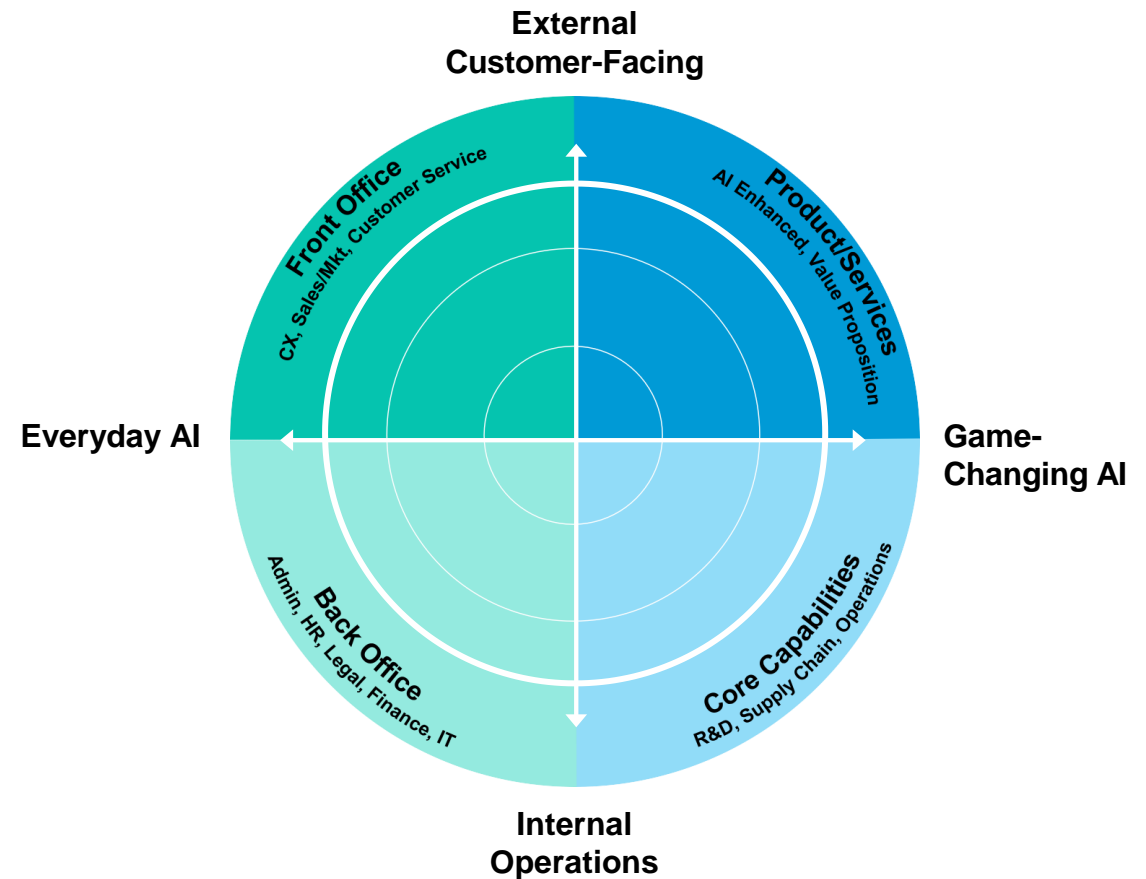
**Being smart in cost discipline**

**Community of practices and people development**

**Operational excellence**

# The next era: We shape AI and AI shapes us

We are assisting numerous customers for setting goals for using AI to ensure that they will be in the best competitive position for the short-term (*Everyday AI*) and long-term (*Game-changing AI*).



The Gartner AI opportunity radar

Source: [Gartner Symposium Barcelona November 2023](#)

# Itera's AI toolbox for increased efficiency

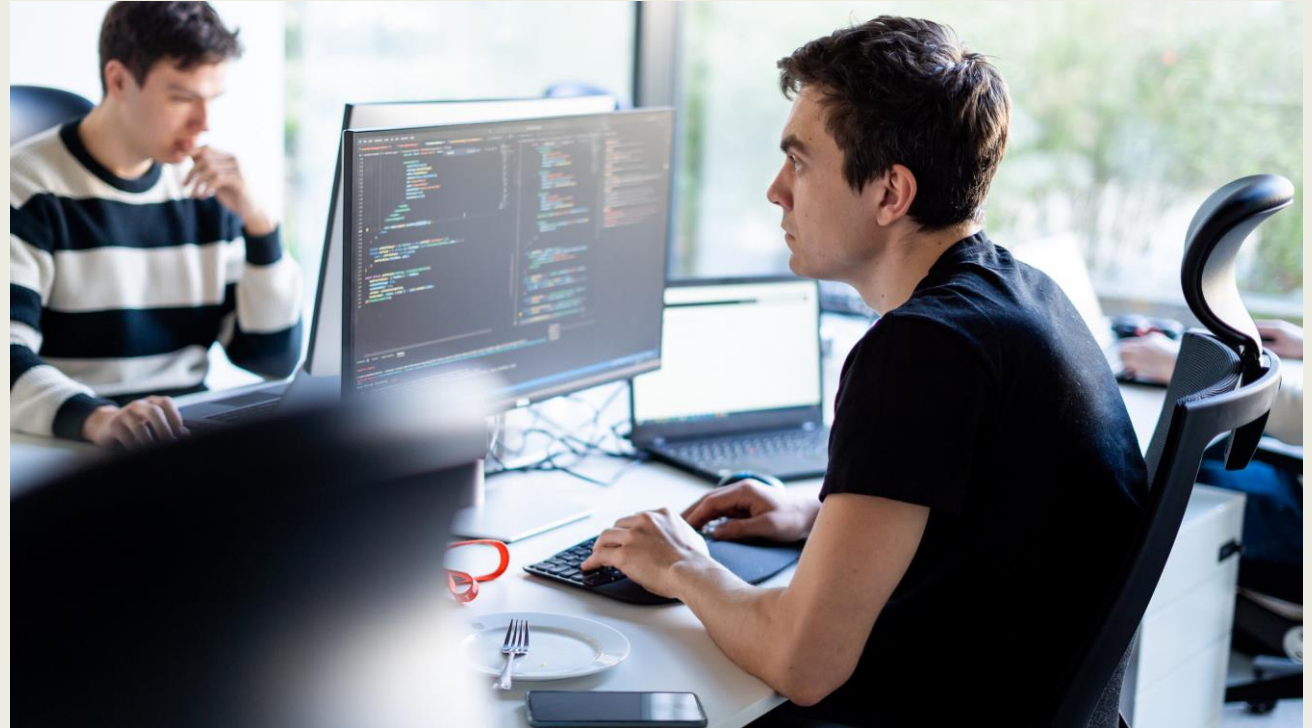
**Itera's data and AI experts have been working on establishing a proprietary platform for generative AI throughout Q4.**

The platform will offer efficient configuration of advanced and specialised AI assistants, which will both be utilised in customer engagements and in Itera's daily operations.

The proprietary platform will represent an addition to commonly available AI tools in daily use, such as GitHub CoPilot and Microsoft 365 Copilot.

We are growing together with international customers and this proprietary AI platform will not only enhance the value delivered to our customers during engagements, but also contribute to improving our operations across various use cases.

We plan to launch the platform internally during Q1, and further details will be provided in our next quarterly report.



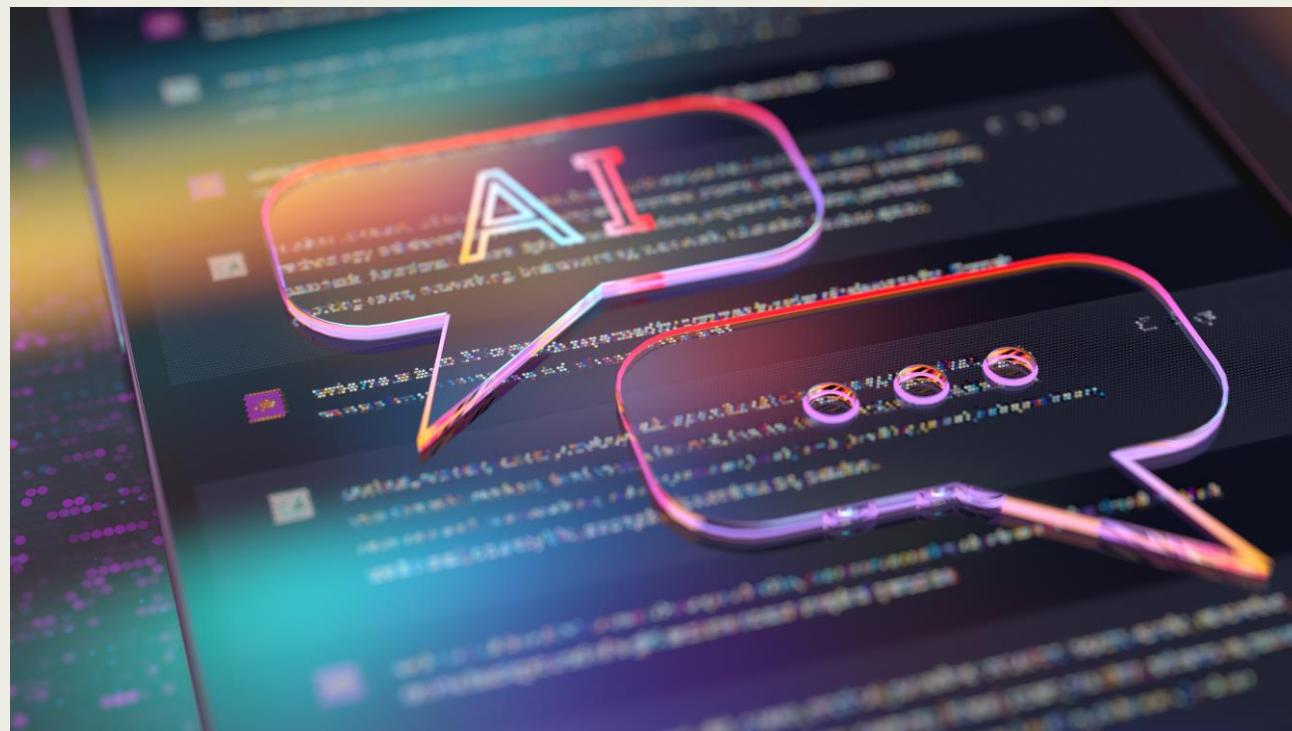
# Improving operational efficiency with Generative AI

**Recent advancements in generative AI have led forward-thinking companies like BAHR, one of Norway's Tier 1 law firms, to be proactive in exploring how technology such as LLM-models can be used to increase value creation, improve operational efficiencies, and solidify their competitive advantage.**

In collaboration with Itera, the firm introduced a chatbot named Bahrry to their employees, a specialized AI-driven digital assistant built on Azure Open AI Services.

Bahrry is customized to streamline document processing, facilitate information retrieval, and handle complex legal questions by processing internal data. This is accomplished while maintaining control over the data flow and ensuring reliable protection of sensitive information.

Bahrry can enhance operational efficiency through the power of generative AI and paves the way for using even more time and effort toward providing additional value to their clients.



BAHR



# Exploring the potential of AI in the Icelandic Fintech community

**Together with Reykjavik Fintech Cluster, we invited the Icelandic financial services community to a breakfast seminar called "The AI Advantage", highlighting trends and players pushing the frontiers of digital innovation.**

Industry experts attended, and media coverage followed. Following the seminar, we conducted an exclusive workshop for Landsbankinn.

The CIO praised Itera's commitment, and these insights will shape their AI endeavors.





# Transforming power grid monitoring with AI

**Laki Power, an Icelandic company, partnered with Itera to enhance ice monitoring services through machine learning, improving icing forecasts and real-time ice-load measurements.**

- Laki Power creates line-powered monitoring systems for overhead power lines, offering innovative solutions to some of today's most pressing challenges faced by power grid operators.
- By leveraging AI and machine learning, Laki Power's improved system predicts icing conditions and enables power grid operators to take preventive measures.
- This reduces costs associated with emergency repairs, downtime, and operational inefficiencies. Consequently, this increased efficiency can lead to financial savings.



– This project has showcased the immense potential of AI and machine learning in the power grid monitoring industry. Laki Power has already made significant discoveries by harnessing the power of data and images.

**Inga Stefánsdóttir**, Head of Research and Analytics, Laki Power



## GenAI supercharges legacy modernization

— By 2027, GenAI tools will be used to explain legacy business applications and create appropriate replacements, reducing modernization costs by 70%.

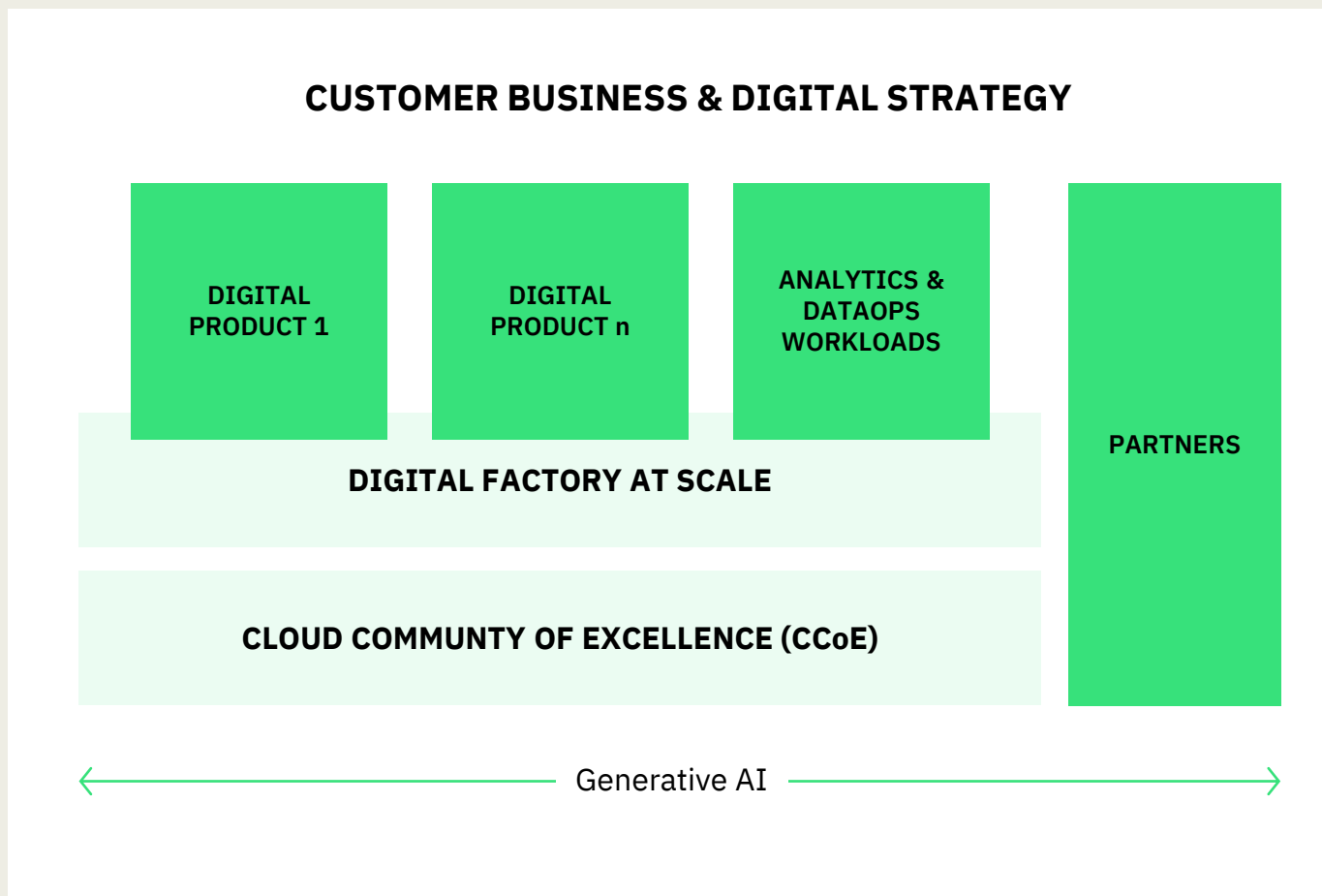
Rajib Gupta, Anne Thomas, Howard Dodd, Svetlana Sicular and Van Baker

# Digital Factory at Scale: Doing more with less

**20-30%**

Typically, the speed and throughput are increased by 20-30% or more compared to staff augmentation

- 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



# Bergen Chamber of Commerce Annual Conference

**Itera was invited to the 2023 Annual Conference held by Bergen Chamber of Commerce and Industry at Grieghallen.**

Arne Mjøs spoke about our commitment to and support for Ukraine, highlighting how the Western Norway region has a unique opportunity to take a prominent role in the country's reconstruction. For instance, procuring IT services from Ukraine is a valuable way for businesses to contribute to Ukraine's development

**BERGEN  
NÆRINGSRÅD**



↑ Arne Mjøs shared the stage with Jan Christian Vestre (Minister of Trade and Industry), Monica Mæland (CEO of Bergen Chamber of Commerce and Industry), as well as Hilde Gran and Sonja Skeistrand Sunde (TV 2 reporters).



# Itera represented at COP28

**Especially invited by the Ukrainian government, Itera was represented by Jon Erik Høgberg at COP28, the 28th United Nations Climate Change conference held in Dubai.**

Together with the EU, Ukraine has created an ambition to become the new green energy and digital hub in Europe with a total of 360 GW renewables in 2050, of which 40% will be exported to the EU in the form of green hydrogen, green ammonia and electricity.

This international event brought together a diverse group of 80,000 accredited executives, politicians, ministers, kings, sheikhs, and other prominent figures from around the world.



↑ Jon Erik Høgberg, Group COO Itera, to the left, in a panel debate. Over the course of three impactful days, Jon Erik engaged in intensive and inspiring discussions, panel debates, and talks centered around climate change.

# Meeting President Zelensky in Oslo

## **President Volodymyr Zelensky met 14 Norwegian companies in Oslo to discuss how Norwegian businesses can contribute to the reconstruction of Ukraine.**

The reconstruction of Ukraine will require enormous efforts over a long period of time. The authorities cannot accomplish this on their own, and the private sector will have a vital role to play.

During his visit in Oslo, President Zelensky also joined Nordic-Ukrainian Summit. During the summit, the Nordic leaders pledged to provide additional political, economic and military support to Ukraine.

[Strong Nordic support for Ukraine - regjeringen.no](https://www.regjeringen.no)

[President Zelensky met representatives of the Norwegian business community - regjeringen.no](https://www.regjeringen.no)



↑ President Zelensky, Prime Minister Støre and Norway's Minister of Defence Bjørn Arild Gram.



↑ Prime Minister Støre and President Zelensky also joined the Prime Ministers of Denmark, Iceland and Sweden and the President of Finland at a Nordic-Ukrainian Summit.



↑ President Zelensky, Ukraine's Minister of Defence Rustem Umerov and CEO & founder Arne Mjøs of Itera.



↑ Participants at the meeting on 13 December in Oslo included representatives of the Confederation of Norwegian Enterprise and the Norwegian-Ukrainian Chamber of Commerce as well as company leaders from Equinor, Yara, Statkraft, DNB, Aker, Itera, DNV, NFM, Scatec, TietoEvy, Kongsberg, Teledyne, Emergy, and Nammo.



# Order intake

**Order intake from selected new and existing customers.**

Book-to-bill ratio<sup>\*)</sup> of 1.7 in Q4 and 1.0 for the last 12 months



<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

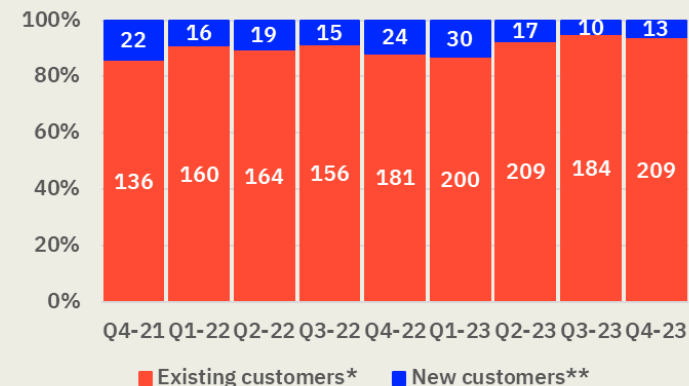
## New business

- Existing customers accounted for 93.9% (88.2%) of revenues in Q4 2023
- New customers won over the past year generated revenues of NOK 13.5 (24.3) million in Q4 2023 (6.1% share)

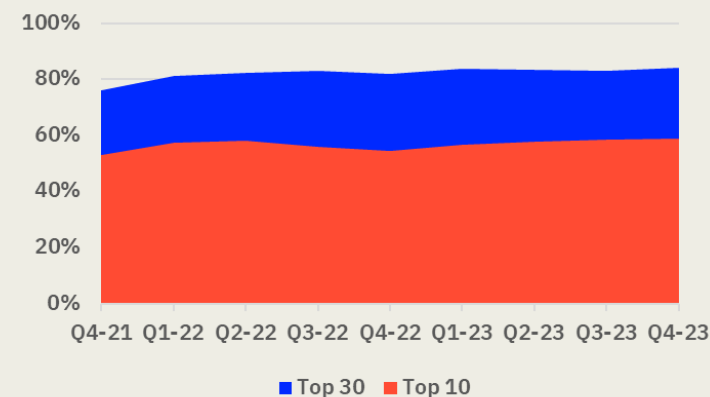
## Good visibility

- Share of revenue from top 30 customers 84% (82%)
- 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

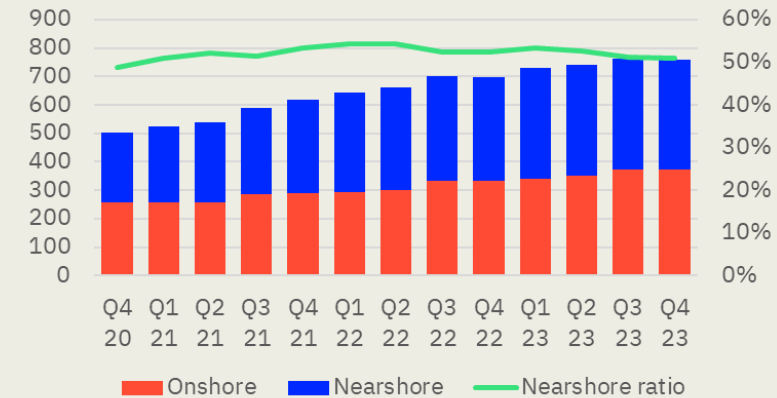
## 762 employees at the end of the quarter

- Up by 60 (81) last twelve months
- 65% of the FTE growth in the Nordics

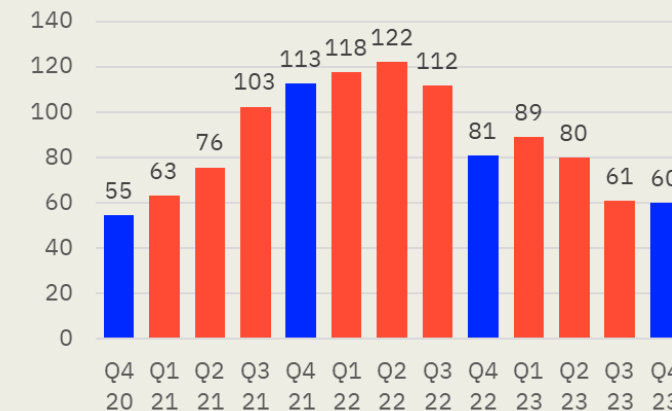
## Nearshore ratio of 51% (52%)

- 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

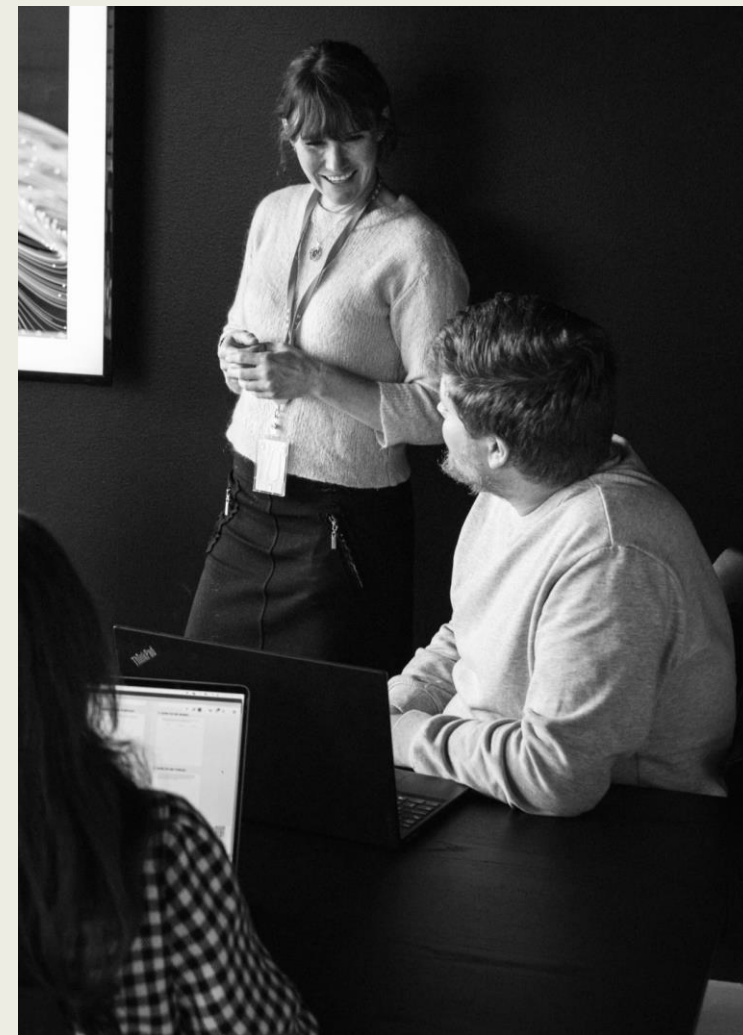


Rolling 12 months net FTE growth



# 03

## Financial review

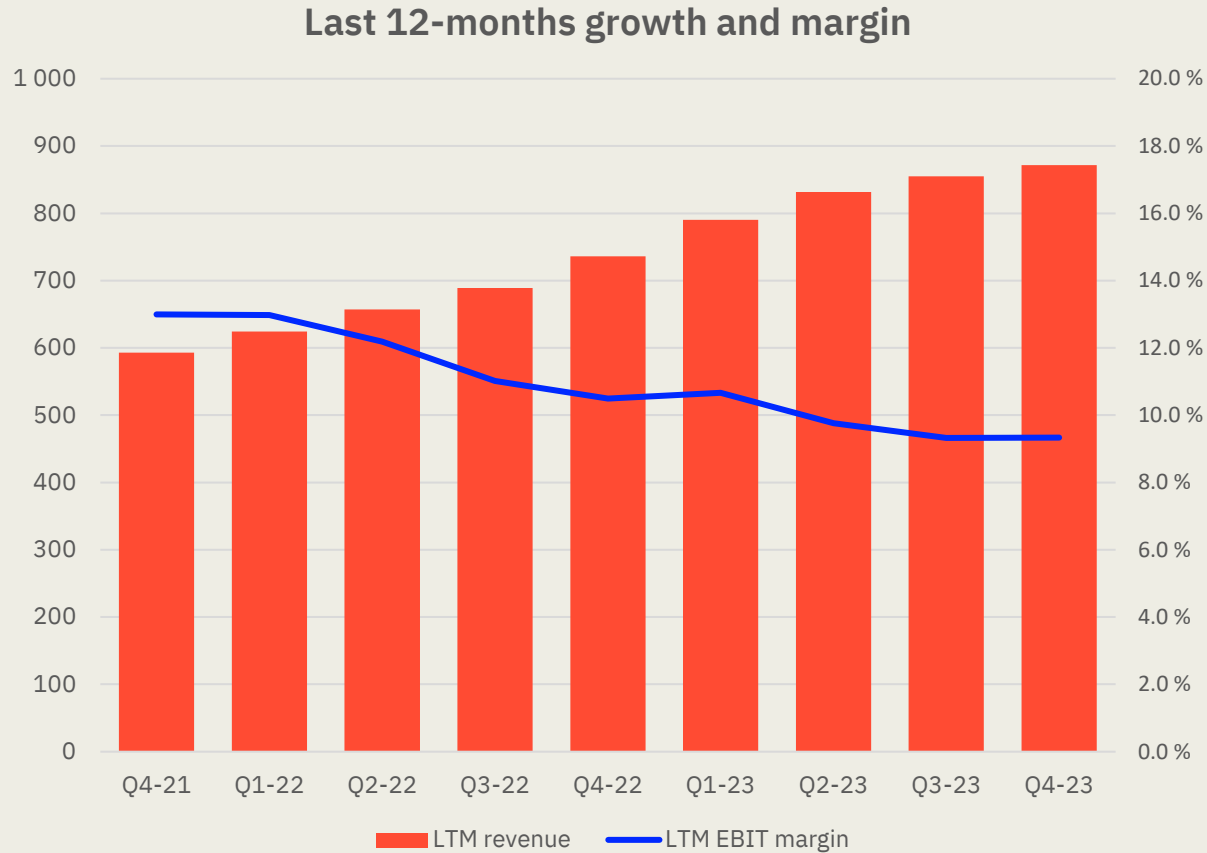


# Key financials

NOK Million	2023 10-12	2022 10-12	Change %	2023 1-12	2022 1-12	Change %
Operating revenue	<b>222.1</b>	205.5	8%	<b>871.6</b>	735.8	18%
Gross profit	<b>206.2</b>	191.9	7%	<b>813.7</b>	684.2	19%
Personnel expenses	<b>162.5</b>	145.5	12%	<b>634.4</b>	515.1	23%
Other opex	<b>17.1</b>	18.2	-6%	<b>68.7</b>	60.1	14%
<i>Of which one-offs</i>	<b>3.0</b>	0.0		<b>3.0</b>	0.0	
Adjusted EBITDA	<b>29.5</b>	28.2	5%	<b>113.7</b>	109.0	4%
Margin	<b>13.3%</b>	13.7%	-0.4pts	<b>13.0%</b>	14.8%	-1.8pts
Depreciation	<b>8.5</b>	8.8	-3%	<b>32.3</b>	31.8	2%
Adjusted EBIT	<b>21.1</b>	19.4	8%	<b>81.4</b>	77.2	5%
Margin	<b>9.5 %</b>	9.5 %	0 pts	<b>9.3 %</b>	10.5 %	-1.2 pts
Net cash flow from operations	<b>57.2</b>	41.4	38%	<b>95.7</b>	76.0	26%
Cash and cash equivalents	<b>49.2</b>	41.9	17%	<b>49.2</b>	41.9	17%
Employees at end of period	<b>758</b>	698	9%	<b>758</b>	698	9%
Employees in average	<b>760</b>	700	9%	<b>741</b>	669	11%

- Organic revenue growth of 8%
- Personnel expenses driven by FTE growth, NOK depreciation, salary growth and one-off optimization costs
- Opex decrease following business optimization program
- Adjusted EBIT of MNOK 21.1 (19.4)
- Adj. EBIT margin of 9.5% (9.5%)
- Cash flow from operations MNOK 57.2 (41.4)
- No. of FTEs 758 (+60)

# Revenue and earnings development



**Strong sales growth year over year with 2-year CAGR of 21.2% and an average of 9.9% adjusted EBIT margin**

## Opportunities for margin expansion

- Normalization of utilization
- Reaching critical business volume Cloud & Application Services
  - Promising pipeline entering 2024
- Expansion in Sweden
  - Core team established and several new customers acquired
- Full impact of business optimization program
- Ukraine recovery

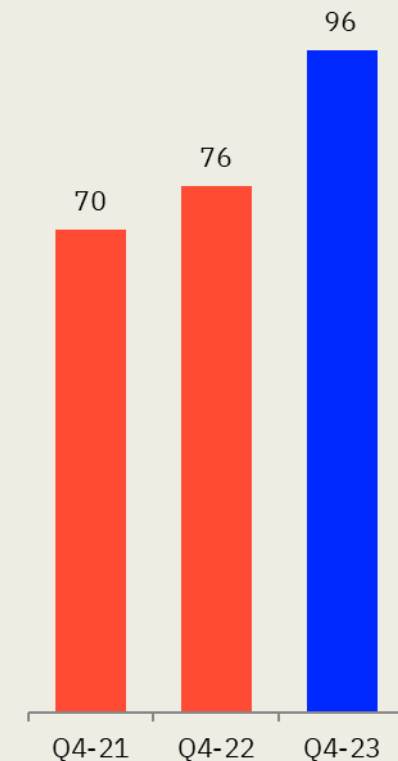


# Statement of cash flow

NOK Million	2023 10-12	2022 10-12	2023 1-12	2022 1-12
EBITDA	26.5	28.2	110.7	109.0
Change in balance sheet items	30.6	13.2	(14.9)	(32.9)
<b>Net cash flow from operating activities</b>	<b>57.2</b>	<b>41.4</b>	<b>95.7</b>	<b>76.0</b>
<b>Net cash flow from investment activities</b>	<b>(3.9)</b>	<b>(3.6)</b>	<b>(19.4)</b>	<b>(15.2)</b>
Purchase of own shares	(11.8)	(8.5)	(11.9)	(9.1)
Sale of own shares	-	-	6.2	6.6
Equity settlement of options contract	2.7	-	2.9	-
Principal elements of lease payments	(4.3)	(3.9)	(15.2)	(15.5)
Instalment of sublease receivable	-	-	-	1.8
Long-term borrowings	(0.3)	-	4.8	-
External dividend paid	(32.2)	(24.4)	(56.9)	(40.5)
<b>Net cash flow from financing activities</b>	<b>(45.8)</b>	<b>(36.7)</b>	<b>(70.0)</b>	<b>(56.8)</b>
<b>Net change in bank deposits and cash</b>	<b>7.1</b>	<b>0.9</b>	<b>7.3</b>	<b>4.5</b>
<b>Bank deposits at the end of the period</b>	<b>49.2</b>	<b>41.9</b>	<b>49.2</b>	<b>41.9</b>

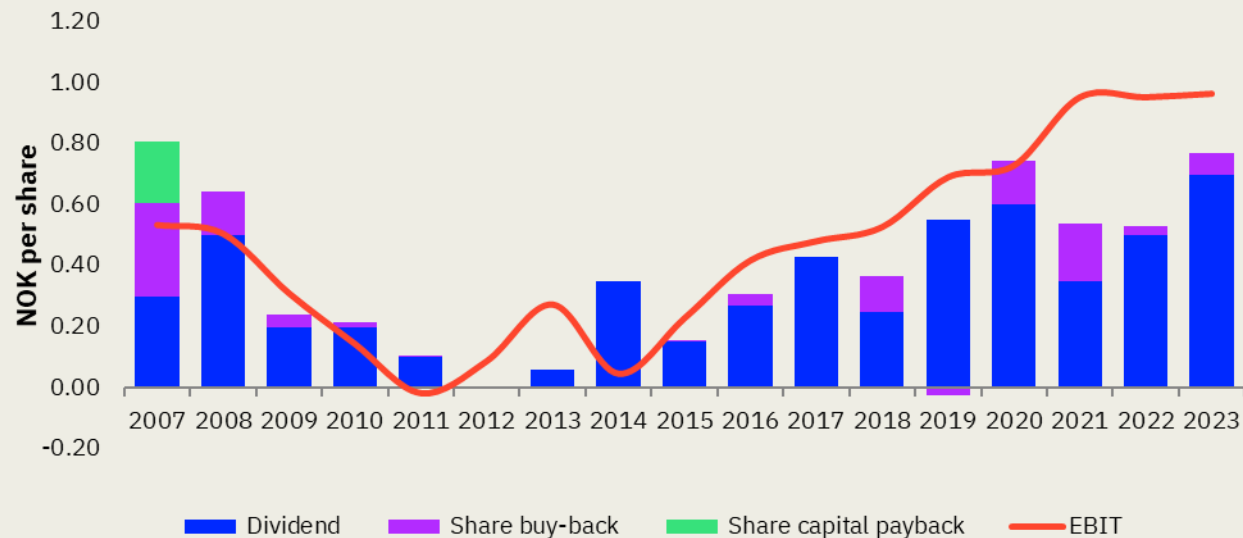
- Cash flow from operations NOK 57.2 (41.4) million in Q4
- 12-month rolling cash flow from operations was NOK 95.7 (76.0) million
- Cash conversion from EBITDA of 86% last 12 months

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



# Dividend and own shares

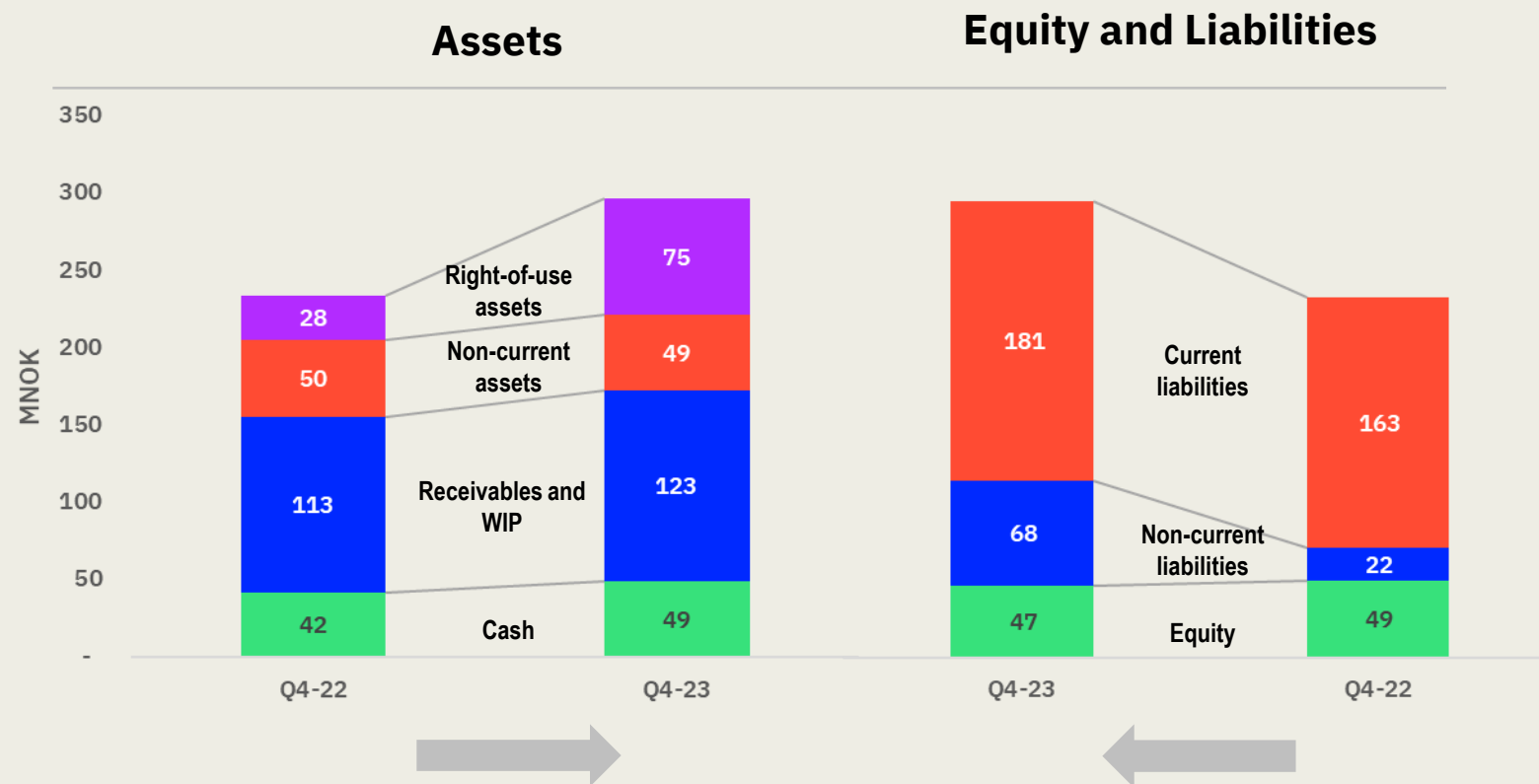
- A supplementary dividend of NOK 0.40 per share for 2022 to paid on 10 Nov. Proposed ordinary dividend of NOK 0.40 per share for 2023
- Share price was NOK 12.05 at the end of Dec 2023, a change of -3% incl. dividends from NOK 13.20 at the end of Dec 2022
- Current holding of own shares is 1,654,281. Value at 31 Dec 2023 was MNOK 19.9
- Consistent high distribution of earnings.



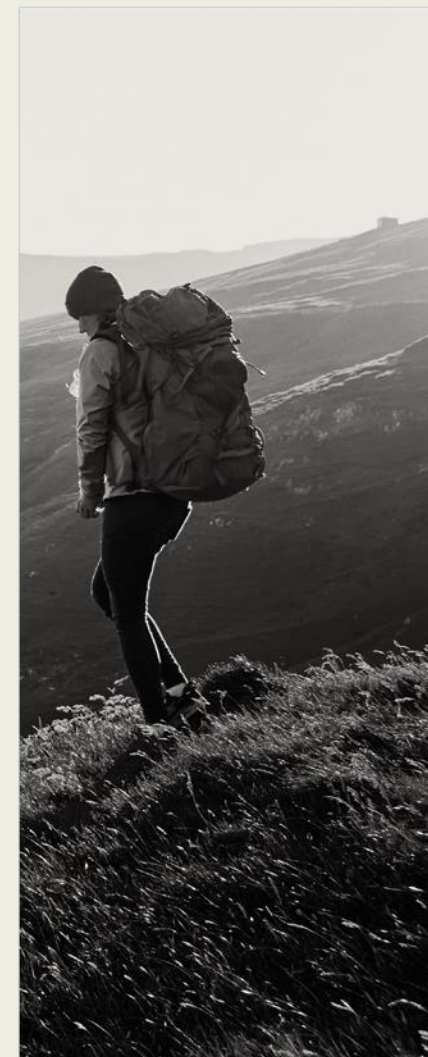
EBIT in 2021 and 2022 is excluding discontinued operations of -0.23 and -0.17 per share

# Statement of financial position

- Equity ratio of 16% (21%) per 31 Dec 2023
  - 21% (24%) excl. IFRS 16 Leasing
- Right-of-use assets up MNOK 46 from new facility agreements
- Cash balance of MNOK 49 (MNOK 42)
- Total balance increased by MNOK 63 to MNOK 296



# 04 Outlook





# Outlook

**Underlying strong demand for digital transformation** through existing and new customers but softer total market

Continued attention to **business optimization** to mitigate current market situation

**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.

# 05

## Q&A





# Top 20 shareholders

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS	33.29	NOR	27 363 031
2	OP CAPITAL AS	5.64	NOR	4 635 242
3	GIP AS	5.23	NOR	4 300 000
4	SEPTIM CONSULTING AS	4.83	NOR	3 970 874
5	BOINVESTERING AS	3.59	NOR	2 947 862
6	GAMST INVEST AS	3.15	NOR	2 590 070
7	DZ Privatbank S.A.	2.68	LUX	2 200 000
8	JØSYRA INVEST AS	2.68	NOR	2 200 000
9	EIKESTAD AS	2.43	NOR	2 000 000
10	ITERA ASA	2.01	NOR	1 654 281
11	HØGBERG, JON ERIK	1.46	NOR	1 197 356
12	AANESTAD PANAGRI AS	1.16	NOR	950 000
13	FRAMAR INVEST AS	0.98	NOR	802 800
14	NYVANG, JETMUND GUNNAR	0.87	NOR	714 600
15	ALTEA AS	0.85	NOR	700 000
16	JENSEN, LARS PETER	0.78	NOR	639 850
17	MORTEN JOHNSEN HOLDING AS	0.73	NOR	600 000
18	SOBER KAPITAL AS	0.70	NOR	575 786
19	HAMMER, BENT	0.69	NOR	566 695
20	FRATERNITAS A/S	0.63	NOR	514 413
<b>TOP 20</b>		<b>74.37</b>		<b>61 122 860</b>



We stand with  
Ukraine