



Interim report January – June 2023

Profitability impacted by uncertain market



Today's presenters:



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CEO & President



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CFO

Q2 in brief:

Weaker development in an uncertain market

- ✓ Trend from 1st quarter with longer sales cycles and clients postponing orders have accelerated in Q2
- ✓ Impact in utilization and thus growth and margins
- ✓ Clients still in need of digitalisation projects, but remain in a “wait-and-see” mode
- ✓ High focus on sales activities, cost control and internal efficiency in all business areas
- ✓ Challenge to utilize junior or administrative roles, while technical specialist competence still in demand
- ✓ Demand in defence, cyber security, AI and legal remain good, where Knowit has a strong position



Business area:

Solutions

Nordic market leader in systems development

- ✓ Challenged by longer sales cycles and some clients reducing investments
- ✓ Utilization rates impacted, primarily in Sweden and Norway
- ✓ Planning and implementing measures to reduce costs and increase internal efficiency highly prioritized
- ✓ Some improvements towards the end of the quarter

| | APR-JUN 2023 | APR-JUN 2022 | APR-JUN 2022 incl. acquisition ¹⁾ |
|--|--------------|--------------|---|
| Sales, SEK, million | 961.8 | 932.7 | 1,007.2 |
| EBITA, SEK, million | 50.3 | 89.6 | 90.1 |
| EBITA margin, % | 5.2 | 9.6 | 8.9 |
| Number of employees at the end of the period | 1,892 | 1,720 | 1,856 |

1) Pertains to the acquisition of Miracle A/S from April to June 2022.



Business area:

Experience

The largest digital agency in the Nordic region

- ✓ Strong position within data driven customer experiences
- ✓ Stable revenue development in Denmark and Norway, but challenges in Sweden, impacting overall utilization rate
- ✓ Work to reduce capacity and overhead costs initiated for future improvements in profitability
- ✓ Shift in focus from recruitment to sales create opportunities also in a weaker market

| | APR-JUN 2023 | APR-JUN 2022 | APR-JUN 2022 incl. acquisition |
|---|--------------|--------------|-----------------------------------|
| Sales, SEK, million | 395.1 | 401.5 | 401.5 |
| EBITA, SEK, million | 20.1 | 38.8 | 38.8 |
| EBITA margin, % | 5.1 | 9.7 | 9.7 |
| Number of employees at the end of the period | 975 | 960 | 960 |



Business area:

Connectivity

Supporting a connected world

- ✓ Market leader in embedded systems development and secure applications
- ✓ Challenged in some sectors, e.g automotive and telecoms industries, while demand in defence sector remain stable
- ✓ Successful work to reallocate resources and extend existing customer contracts
- ✓ Strong development in Poland thanks to high ability to adapt to market changes

| | APR-JUN 2023 | APR-JUN 2022 | APR-JUN 2022 incl. acquisition ¹⁾ |
|---|--------------|--------------|---|
| Sales, SEK, million | 266.8 | 259.4 | 268.0 |
| EBITA, SEK, million | 19.3 | 25.4 | 27.2 |
| EBITA margin, % | 7.2 | 9.8 | 10.1 |
| Number of employees at the end of the period | 764 | 740 | 740 |

1) Pertains to the acquisition of Swedspot AB from April to May 2022.

Business area:

Insight

Management consultants from strategy to implementation

- ✓ Strong offering especially within cybersecurity and digital transformation
- ✓ Accelerated challenges to utilize pure management consultants
- ✓ Good demand in defence and energy sectors remain as well as cybersecurity and legal
- ✓ Increased focus on sales combined with reductions of overhead costs set for margin improvements

| | APR-JUN 2023 | APR-JUN 2022 | APR-JUN 2022 incl. acquisition ¹⁾ |
|---|--------------|--------------|---|
| Sales, SEK, million | 235.7 | 170.7 | 233.7 |
| EBITA, SEK, million | 17.9 | 24.0 | 37,7 |
| EBITA margin, % | 7.6 | 14.1 | 16.1 |
| Number of employees at the end of the period | 552 | 370 | 483 |

1) Pertains to the acquisition of Marketing Clinic Oy, Ascend AB and Ionic AB from April to June 2022.





Q2 in figures

The quarter in figures



1,758.8

Net sales increased
by 7% (1,644.7 million)



76.8

Adjusted EBITA decreased
compared to last year
(140.5 million)



4.4%

The adjusted EBITA margin
was 4.4% (8.5)

The half-year in figures



3,729.3

Net sales increased
by 12% (3,340.0 million)



274.9

Adjusted EBITA decreased
compared to last year
(334.7 million)

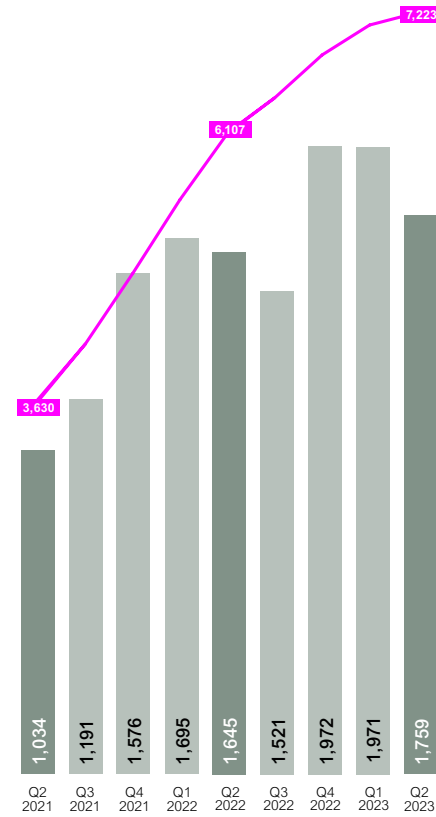


7.4%

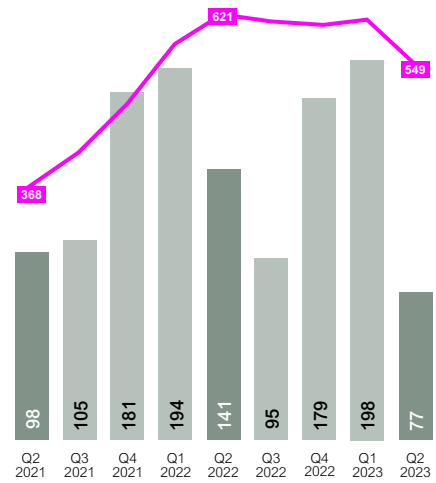
The adjusted EBITA margin
was 7.4% (10.0)

Revenues and EBITA Adjusted development

SEK, millions



NET SALES, SEK, MILLIONS
● Net sales, quarterly data
● Rolling 12 months



ADJUSTED EBITA PROFIT, SEK, MILLIONS
● Adjusted EBITA profit, quarterly data
● Rolling 12 months

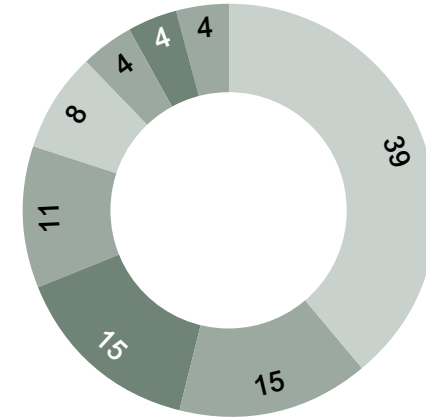
Net debt development

- ✓ Healthy balance sheet and solid financial position
- ✓ Net debt of 1,017 MSEK
- ✓ Within the frame of our financial target of maximum 2x EBITDA
- ✓ Leases of new premises impact other liabilities (IFRS 16)
- ✓ Increase of net debt following acquisition activities in 2021 and 2022

| SEK, MILLION | Q2 2023 | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 |
|--|---------------|---------------|---------------|-------------|-------------|
| Cash equivalents | 365 | 445 | 498 | 639 | 716 |
| Used credit facilities | 700 | 600 | 700 | 800 | 550 |
| Future considerations and additional considerations (acquisitions) | 90 | 253 | 251 | 219 | 190 |
| Other liabilities (IFRS 16) | 592 | 629 | 643 | 448 | 451 |
| TOTAL NET DEBT | -1,017 | -1,037 | -1,096 | -828 | -475 |
| Net Debt/EBITDA | 1.4 | 1.4 | 1.5 | 1.1 | 0,6 |

Strong and diversified important in unsecure market

- ✓ Strong growth in the past years have created a solid and broad platform
- ✓ Public sector, the single largest segment with 39% of revenues. The increase compared to 2022 explained by an increase in the defence industry.
- ✓ In other parts of the public sector, we notice greater caution than previous quarters
- ✓ Clients remain focused on business critical projects that support transition to a digital world also in an economic downturn



**SALES PER CLIENT INDUSTRY
APRIL – JUNE 2023**

| | |
|--------------------------------|----------|
| Public sector | 39% (37) |
| Retail and service companies | 15% (18) |
| Industry | 15% (15) |
| Banking, finance and insurance | 11% (10) |
| Telecommunications | 8% (9) |
| Energy | 4% (4) |
| Media, education and gaming | 4% (4) |
| Other | 4% (3) |

Summary and outlook

- ✓ Longer sales cycles and some clients postponing investments impact utilization and margins in Q2
- ✓ Reallocating resources to sectors with high demand, e.g defence, energy, cyber security
- ✓ Prioritizing sales and internal efficiency, reduction of costs and overhead
- ✓ Measures to strengthen profitability in the second half of the year and in the beginning of 2024
- ✓ Uncertain market outlook for the remain of 2023 but Knowit is strongly positioned to continue deliver digitalisation projects to Nordic companies





Q&A

An aerial photograph of a serene landscape featuring a calm lake surrounded by a dense forest of green trees. The sun is low on the horizon to the right, creating a warm, golden glow and a lens flare effect. The text is centered over the lake and forest.

A sustainable
and humane society
through digitalization
and innovation

knowit