

tech&step

Q1 2023

Report

Making the world of
work smarter
and more
sustainable



Highlights Q1 2023

Increasing recurring revenue base with 15% growth y/y and 3% growth sequentially

- Total revenue of NOK 292 million, down 16% y/y due to decline in Hardware sales
- Recurring revenue annualised of NOK 312 million, up from NOK 271 million in Q1 last year
- ARR from Own Software at NOK 113 million, up 14% y/y

Profitability improving, second consecutive quarter with positive EBITA adj.

- Net gross profit margin up from 27% to 31% y/y due to growth in higher margin software business and advisory & services business
- Profitable on EBITA adj. of NOK 4.1 million due to a 18% y/y decline in operating costs and personnel expenses

Stable commercial momentum and new solutions added to the SmartControl portfolio

- Re-awarded a frame agreement with Sykehusinnkjøp HF worth NOK 650 million, a potential doubling of previous contract value
- Launched two new Managed Services solutions in the SmartControl portfolio, resulting in two larger contracts with a combined total contract value of NOK 2.1 million recurring revenue per year
- High tender activity and growing interest from the public sector, for private sector the conversion to sales is slower than anticipated

"First quarter showed positive development in our underlying business, with growth in recurring revenue and improving profitability, but we are not yet where we want to be. We see growing interest in Techstep's products, both from the private and public sector, but conversion to actual sales has been slower than anticipated in the quarter. We are addressing this with stronger focus on sales execution, upcoming product launches and continuous improvement of our processes and go-to-market approach. In addition, the work with streamlining the organisation and optimising the cost base continues. Things are developing in the right direction, and with some patience I am confident that we will succeed with the transformation of Techstep into a profitable software-led, recurring services company and translate this into a commercial success", says CEO Børge Astrup.

About Techstep

Techstep is a complete mobile technology enabler, making positive changes to the world of work; freeing people to work more effectively, securely and sustainably. We help customers who want to work smarter, while also delivering on their ESG commitments. With around 300 employees based in Norway, Sweden, Denmark and Poland, we serve more than 2 000 enterprise customers in Europe. Techstep had NOK 1.3 billion in full year 2022 revenues, and is listed on the Oslo Stock Exchange under the ticker TECH. To learn more, please visit www.techstep.io/investor.

Key figures

(Amounts in NOK 1 000)	Q1 2023	Q1 2022	FY 2022
Revenues	291 779	346 226	1 323 126
Annual Recurring Revenue (ARR) – Own Software	112 764	98 821	110 800
Net gross profit ¹⁾	90 166	92 665	367 279
Net gross profit margin ²⁾	31%	27%	28%
EBITDA adjusted ³⁾	32 665	14 091	85 466
EBITA adjusted ³⁾	4 057	(9 798)	(23 756)
EBIT	(10 893)	15 019	(52 205)
Net profit (loss) for the period	(17 309)	12 484	(68 614)
EBITDA adj. margin (%)	11.2 %	4.1 %	6.5 %
EBITA adj. margin (%)	1.4 %	(2.8 %)	(1.8 %)
EBIT margin (%)	(3.7 %)	4.3 %	(3.9 %)
Net profit (loss) for the period (%)	(5.9 %)	3.6 %	(5.2 %)
Cash flow from operating activities	(2 711)	(5 967)	123 741
Cash flow from investment activities	(26 857)	(49 043)	(180 376)
Cash flow from financing activities	489	44 004	67 594
Cash	34 210	38 591	61 119
Net interest-bearing debt	152 480	189 530	112 868
Capex ⁴⁾	(10 708)	(18 908)	(52 250)
Employees	287	331	315

¹⁾ Net gross profit is defined as total revenue less cost of goods sold and depreciation from Hardware-as-a-Service.

²⁾ Net gross profit margin is net gross profit of revenues.

³⁾ EBITDA adj. and EBITA adj. in Q1 2023 exclude non-recurring items related to reversal of restructuring cost of NOK 0.1 million. In Q1 2022 non-recurring items consisted of M&A related cost of NOK 0.5 million and structural gains from sale of business of NOK 40.5 million.

⁴⁾ Capex excludes investment in Hardware-as-a-Service portfolio, shown as a separate line item under investing activities in the consolidated statement of cash flow.

Business overview

Background

Built on a decade of telecoms and mobile technology expertise, Techstep was established in 2016. Through several acquisitions, Techstep has consolidated and expanded into the Nordics and later European markets, adding IP, own software and security expertise to the benefit of our customers. The goal is to be the leading European mobile technology enabler for customers that want to work smarter and more sustainably.

The market opportunity

Mobile technology is one of the fastest growing technologies in the world, as people expect easy access to tools and services across devices, both at home and at work. Techstep is well positioned in the Managed Mobility Services (MMS) market, which is defined by Gartner as a concept in which hardware, software and services are merged together and delivered as a single service. Research shows strong supporting trends with an expected CAGR of +20% in the MMS market over the coming years (Modor Intelligence).

There are many key drivers of the MMS market, which for Techstep can be divided into two main areas: enterprises and mobile technology for frontline workers. With the current macroeconomic environment and cost inflation affecting many organisations, there are clearly two drivers that stand out, where Techstep is considered to have a unique value offering: **cost efficiency** and **sustainability**. Many organisations lack both the competence and solutions to handle and utilise the cost-saving potential, and regulatory changes place stricter requirements to more sustainable standards and reporting. Gartner further predicts that up to 70% of new mobile technology investments over the next four-five

years will be for those who work out in the field, also known as frontline workers. There has been an increased focus on supporting frontline workers to deliver higher quality and ensure that they are secure and productive.

Techstep was in 2022 recognised as a global challenger by Gartner in the MMS market, due to its strategic position and the combined software and hardware offering built over the past six years via M&A and market consolidation.

Business activities and strategy

Techstep's business strategy is to act as a mobile technology company that helps customers utilise software and hardware to strengthen performance – and manage the increasing complexity of their mobile device environment.

Techstep has solutions for office workers and for frontline workers. With some of the very best consultants in the field of mobile technology, Techstep is the only mobile technology player in the Nordics that can deliver managed mobility including software, advisory and hardware.¹

Product offering

Techstep has identified three main challenges that the majority of organisations have with mobile technology:

1. Lifecycle management of devices from procurement to end of life that meets their ESG requirements
2. Lack of knowledge on how to manage, secure and control the mobile technology fleet in organisations
3. Increasing the quality, efficiency and security for frontline workers

¹ Gartner's Magic Quadrant 2022

Techstep's product offering is designed to solve customers' challenges, and can be categorised into three portfolios:

«**SmartDevice**» is the complete and sustainable solution to help enterprises integrate and manage all mobile devices from procurement to end of life. By combining Hardware and Own Software, users are empowered to choose, repair and replace mobile devices whilst enterprises increase cost efficiency, visibility and control over their mobile fleet. Data suggests estimated cost savings of NOK 4 000–10 000 per employee over a two-year period, when calculating both direct and indirect costs. SmartDevice also supports companies' increasing focus on sustainability with repair and return solutions to extend devices' lifetime, or responsibly recycle. In addition, SmartDevice offers insight features to optimise fleet management, performance and reporting, e.g., on security or emissions data.

«**SmartControl**» is a Managed Service, where Techstep's experts deliver best practice implementations, support and pro-active services. By combining software and advisory & services, Techstep manages and secures the entire mobile eco-system of the customer's enterprise, by combining Apple and Google Android knowledge and best in class software. This ensures that the customer's devices and apps are always compliant, secure and up-to-date.

«**SmartWorks**» combines hardware, software and advisory & services, helping organisations to increase quality and efficiency through industry solutions for their frontline workers.

Revenue streams

Techstep is transforming its business model from transactional revenue to a recurring revenue model. This will enhance financial predictability for Techstep, while at the same time ensuring better value for customers by providing them with continuous service rather than one-off transactions.

Today, Techstep's three main revenue streams are i) Own Software, ii) Advisory & Services and iii) Hardware. The revenue streams can be divided into the two following sub-categories:

«**Recurring revenue**» is recurring contracts with minimum 12 months commitment, and includes running agreements from Advisory & Services, Hardware and/or Own Software (the latter referred to as "ARR Own Software").

«**Transactional revenue**» is one-time revenue from Advisory & Services and Hardware.

Sustainability

Techstep's mission is to make positive changes to the world of work; freeing people to work more effectively, securely and sustainably. The company's sustainability agenda is an essential part of the company's mission.

During the past year, Techstep has strengthened focus on environmental, social and governance (ESG), risk and compliance, with clearer priorities and a dedicated and stronger team in place. The organisation has implemented management practices based on the ISO standard, leading to ISO 9001 (quality) and 14001 (environment) certifications in Q1 2023. Techstep has further improved its EcoVadis sustainability rating performance to silver, placing Techstep among the top 9% of more than 90 000 companies evaluated globally.

More information can be found in Techstep's latest Sustainability Report, published as part of Techstep's Annual Report in April 2023, available from www.techstep.io.

Operational review

Main developments

In Q1 2023, focus remained on streamlining business operations and optimising Techstep's cost base in order to turn the company profitable. At the same time, the company is rolling out its new simplified product portfolio to existing and new customers.

In Q3 2022, Techstep announced a NOK 90-100 million cost optimisation programme, to align the cost base to the simplified portfolio, and extract synergies from acquired companies. During Q4 2022, a plan was put into place to reduce the overall cost base and the first actions were taken. In Q1 2023 the plan is on track and the cost cuts are materialising.

Techstep is now in the final phase of the transformation journey, executing on the growth strategy and transforming the company into a software-driven mobile technology leader with a recurring services business model. Improvement and refining of the product offering continue, to ensure that recurring value is delivered to customers through market leading products, Own Software and mobile technology expertise.

Product launches

Techstep brought two new Managed Services solutions in the SmartControl portfolio to market in Q1. The solutions help customers to manage, secure and protect all the company's mobile devices proactively and prevent malicious attacks.

The solutions strengthen recurring revenue and are designed to drive demand and deliver great customer value. With growing security threats of mobile devices, the solutions have been well received in the market and the interest is expected to convert to actual sales during 2023.

Sales development

Despite growing interest in Techstep's products and offerings, the conversion to actual sales was slower than anticipated in the first quarter.

The first quarter was tender heavy with several large bids delivered. During the quarter Techstep was re-awarded a frame agreement with Sykehusinnkjøp HF, with a contract value potential of up to NOK 650 million over 4 years. The frame agreement covers the sale of mobile technology to all public health regions and 40 hospitals in Norway, and includes software, advisory and hardware. The contract represents an extended service of the previous frame agreement with upsell opportunities and a potential doubling of the current contract value, of which approx. NOK 400 million in hardware and NOK 250 million in software and additional services. The agreement will be deployed in Q3 2023 and onwards.

Customers have responded positively to the new Managed Services solutions launched in the quarter, as it solves current challenges many customers are experiencing. Sales processes related to this offering have moved faster than expected, exemplified by two new agreements with Widerøe Ground Handling AS and a large company within the energy sector, respectively. The two agreements involve delivery of SmartControl to a total of 4 400 employees in Norway, with a combined total contract value of NOK 2.1 million in recurring revenue per year.

Techstep continues to focus on upselling and converting existing customers from transactional sales to recurring sales, with the goal of increasing customer value through the software platform.

In Q1, total recurring revenue annualised amounted to NOK 312 million, up from NOK 303 million in the previous quarter. Of this, Own Software ARR was NOK 113 million at the end of the quarter, up 3% sequentially.

Financial review

The interim financial information has not been subject to audit. Figures in brackets refer to the corresponding quarter in 2022 for profit and loss items, and year end 2022 figures for balance sheet items.

In Q3 2022, Techstep launched new financial targets, with key operating metrics being net gross profit, EBITA adjusted and ARR on Own Software. These key figures will be incorporated, updated and tracked in the financial review going forward. Please see the section "Alternative performance measures" in this report for more information.

Profit and loss first quarter 2023

Techstep generated total revenue of NOK 291.8 million in the first quarter of 2023, down from NOK 346.2 million in the corresponding quarter last year. The decrease in revenues relates to Hardware sales.

Techstep's Own Software accounted for NOK 26.1 million (NOK 20.7 million), an increase of 26% year over year. Advisory & Services amounted to NOK 50.8 million (NOK 54.9 million), the decrease is primarily due to related commissions which declined from NOK 4.1 million last year to NOK 2.3 this quarter. Hardware revenue was NOK 214.8 million (NOK 271.2 million) in the quarter. The decline is due to the first quarter last year included several larger bulk sale transactions, which normally occur at two-year intervals. Additionally, we have increasing focus on engaging in tenders and sales opportunities where we see a potential for solution upsell, instead of chasing unprofitable isolated hardware transactional deals.

Net gross profit decreased by 2.7% year-over-year to NOK 90.2 million, as a result of the shift from transactional Hardware revenues to recurring revenues. Net gross margin for the quarter increased to 31%, up from 27% in the corresponding quarter of 2022, due to a change

in the product mix compared to last year, with growth in Own Software and a decrease in Hardware sales.

Personnel costs decreased by 18% compared to the same quarter last year to NOK 59.2 million as a result of the cost optimisation programme initiated at the end of last year. The number of employees was 287 at the end of the quarter compared to 331 at end of same quarter last year. NOK 2.7 million of personnel cost from R&D was capitalised as development cost (NOK 4.0 million). Other operating costs were NOK 22.5 million (NOK 27.3 million). The cost optimisation programme includes substantial savings in operating costs, such as marketing and IT, and the decrease in costs from last year is the result of the programme roll-out. However, first quarter last year included a higher degree of capitalised IT costs, which partly offsets the P&L effects of the savings.

EBITA adjusted amounted to NOK 4.1 million in the first quarter of 2023. In the corresponding quarter last year EBITA adjusted was negative at NOK 9.8 million. First quarter of 2023 was the second consecutive quarter with positive EBITA, as the cost savings materialised. The improvement in EBITA adjusted from the last quarter of 2022 was 71%.

Net financial items were negative NOK 8.4 million in first quarter (negative NOK 2.4 million) and the change was primarily due to agio effects as the euro has strengthened against the Norwegian krone in the quarter, as well as the increase in general interest rates from the same period last year.

Net loss for the period was NOK 19.3 million vs. a gain of NOK 12.6 million in the first quarter last year. Last year included a gain from sale of business of NOK 40 million, and as such, the underlying business has improved by NOK 10 million in the first quarter of 2023.

Financial position

As at 31 March 2023, total assets were NOK 1 232 million, compared to NOK 1 323 million as at 31 December 2022.

Intangible assets include deferred tax assets, goodwill and customer relations and technology, and accounted for NOK 812.0 million (NOK 789.8 million) at the end of the first quarter. The increase from last year is due to currency translation effects on goodwill, which constitutes NOK 619.4 million of total intangible assets.

Total tangible assets were NOK 189.1 million (NOK 198.1 million) as at 31 March 2023 including NOK 153.1 million (NOK 160.7 million) in Hardware-as-a-Service to customers and NOK 28.5 million (NOK 29.7 million) in right-of-use assets such as premises and other.

Total inventories and receivables were NOK 195.5 million (NOK 271.0 million) as at 31 March 2023. The decrease was due to accounts receivables declining about NOK 77 million from the preceding quarter, due to lower transactional Hardware sales volume and a larger third-party software transaction at the end of December 2022.

Total equity at the end of the first quarter was NOK 581.7 million (NOK 571.5 million), corresponding to an equity ratio of 47% (43%). The increase in total equity from end of last year was due to the gain from currency translation effects of foreign subsidiaries, partly offset by the net loss for the period.

Total non-current liabilities were NOK 134.1 million at the end of the first quarter, vs. NOK 148.8 million at the end of last year, a reduction of NOK 15 million. Non-current interest-bearing borrowings of NOK 80.1 million (NOK 90.7 million) mainly includes acquisition loans of NOK 36.0 million (NOK 41.0 million) related to the Optidev and Famoc acquisitions and a long-term loan of NOK 41.8 million (NOK 47.3 million). Other non-current debt of NOK 33.4 million (NOK 37.6

million) mostly relates to leasing commitments and a buy-back obligation for Hardware-as-a-Service.

Current interest-bearing borrowings amounted to NOK 106.6 million (NOK 83.3 million). Current interest-bearing debt include net bank overdraft accounts of NOK 59.6 million (NOK 27.8 million), seller's credit and instalments of acquisition loans and long-term loans due within the next 12 months.

Total current liabilities decrease by NOK 87 million in the quarter, to NOK 516.0 million. The decline was primarily due to accounts payables which decreased due to lower transactional Hardware sales volume and a larger third-party software transaction at the end of December 2022. Other current liabilities of NOK 259.4 million (NOK 269.5 million) consists of payables to employees, deferred revenue, leasing commitments and a buy-back obligation for Hardware-as-a-Service.

Net interest-bearing debt was NOK 152.5 million at the end of the first quarter 2023, compared to NOK 112.9 million at the end of the preceding quarter. The increase was mainly related to the utilisation of the bank overdraft to support the transition.

Cash flow first quarter 2023

Net cash outflow from operating activities was NOK 2.7 million in the quarter compared to outflow of NOK 6.0 million in the same quarter last year. Change in net working capital was negative NOK 32 million in the first quarter of 2023, vs. negative NOK 18 million in 2022. The change was due to accruals for the cost optimisation programme initiated in the last quarter of 2022.

Net cash flow outflow from investment activities was NOK 26.9 million (NOK 49.0 million), and consists of capital expenditures for equipment related to Hardware-as-a-Service of NOK 20.5 million (NOK 30.2 million) and Own Software and IT of NOK 10.7 million (NOK 18.9 million). The

cash outflow related to Own Software and IT is in line with expectations and relates to building scalable solutions on both the product side and operations side in line with the Group's strategy. The investment pace has been reduced since last year, as the Group has been through an extensive investment programme in line with the transformation to One Techstep, and the level of investments are expected to flatten out of the remainder of the year.

Net cash inflow from financing activities was NOK 0.5 million (NOK 44.0 million) in the quarter. Net proceeds from borrowings of NOK 28 million (NOK 63 million) were partly offset by repayment of borrowings of NOK 21 million, including Seller credit of NOK 14 million. Repayment of borrowings in first quarter last year was NOK 2 million. Net cash outflow from financing activities in first quarter last year also

included acquisition of the last 20% of shares in Techstep Finance AS for NOK 9.0 million.

Cash and cash equivalents decreased by NOK 29.1 million from NOK 61.1 million in the previous quarter to NOK 34.2 million at the end of the quarter.

Corporate actions

On 15 February, the extraordinary general meeting approved changes to the Board. Jens Rugseth stepped down as Chairperson and will continue as an ordinary Board member. Board member Michael Jacobs was elected as the new Chairperson of the Board.

Risk and uncertainties

Techstep's business activities entail exposure to changes in market conditions, operational and financial development. Techstep strives to take an active approach to risk management through monitoring and mitigation initiatives of identified risks. Below is a summary of the main risks identified for Techstep in the next three to six months.

The war in Ukraine, combined with the tension between China and Taiwan and the US sanctions on China, have led to increased uncertainty regarding the development of the global economy. The evolving conflicts do not impact Techstep directly, and Techstep has no operating presence in the affected areas. Indirect effects however, such as financial market volatility and general economic market conditions, might have an impact on financial results. The high inflation and energy prices may further weaken the economic outlook. Techstep has a large base of public sector and large corporate customers, which are less vulnerable to volatile market conditions.

The global component shortage, combined with production, logistics and transportation challenges in the supply chain, may result in Techstep experiencing delays in hardware deliveries. At the time of this report, there are no such indications. Techstep continues to maintain close cooperation with key suppliers to ensure timely deliveries.

Techstep's operations, revenues and profits are dependent on its ability to generate sales through existing and new customers. Techstep operates in a competitive market segment, and the Group's success depends on its ability to meet changing customer preferences, to

anticipate and respond to market and technological changes, and develop effective and collaborative relationships with its customers and partners. Techstep continues to focus on improving its product offering, reducing customer implementation time, and becoming a software-led growth business, yielding higher cash flow and profit from operations, and transforming into a recurring revenue business model. The operational risk mainly relates to the ongoing transformation process, including standardisation of the product portfolio and keeping key personnel and necessary competence.

Techstep's liquidity risk is related to a mismatch between cash flows from operations and financial commitments. Techstep is transforming itself from a transactional business model to a software-led recurring revenue model, which leads to postponed cash inflows, negatively affecting the liquidity of the Group. Investments in simplification and standardisation of the company's product portfolio and solutions, new organisational capabilities and acquisitions and integration, have furthermore increased the company's debt over time. The Group's liquidity is closely monitored by management and the Board of Directors. If the need arises, the Group has access to multiple funding sources during the transformation process.

For more information on Techstep's risk factors and risk management, reference is made to the Board of Directors report in the Annual Report for 2022 and the prospectus from 29 December 2022, both available from www.techstep.io/investor.

Outlook

Techstep is positioned as a leading Nordic provider of Managed Mobility Services (MMS) and recognised by Gartner as the only challenger in the Magic Quadrant for Managed Mobility Services. The goal is to become the leading European mobile technology enabler for customers that want to work smarter and more sustainably.

Techstep is serving more than 2 000 customers across industries in both the private and public sector in Europe. The company is on a transformational journey, from a hardware and transactional business model to a software-led recurring revenue model. After integrating seven different companies into One Techstep, the product offering has been streamlined from 47 to 7 products to a new, simplified and scalable product portfolio that enables increased software sales to existing and new customers.

Techstep is now streamlining its operations and aligning its cost base to the simplified portfolio and extracting synergies from acquired companies. Through standardisation and automation, change of ERP systems, and right-

sizing the organisation, Techstep expects the NOK 90-100 million cost reduction programme launched in Q4 2022 to materialise during the year.

Techstep has stated new and clear medium and longer-term financial goals. In 2023, the ambition is an ARR on Own Software of NOK 140 million, net gross profit of 420 million and EBITA adj. of NOK 50 million. By 2025, Techstep targets an ARR on Own Software above NOK 225 million, net gross profit above NOK 540 million and EBITA adj. of NOK 150 million.

Moving forward, growth will be driven by the new product portfolio, the refocused sales strategy, and converting existing customers to MMS contracts. This is expected to have a positive tailwind on Advisory & Services as well as Hardware revenues.

Techstep is confident that its MMS offering has a strong value proposition and increasing relevance as it helps enterprises reduce costs, increase productivity, transform employee capabilities and enhance their engagement, ultimately driving business value and revenue growth, while delivering on ESG goals.

Consolidated income statement

(Amounts in NOK 1000)	Note	Q1 2023	Q1 2022	FY 2022
Revenue	2, 3	291 759	346 788	1 323 126
Other revenue		21	(563)	-
Total revenues		291 779	346 226	1 323 126
Cost of goods sold		(177 391)	(232 661)	(863 007)
Salaries and personnel costs		(59 180)	(72 201)	(265 027)
Other operational costs		(22 543)	(27 273)	(109 626)
Depreciation	5	(28 609)	(23 889)	(109 222)
Amortisation		(15 085)	(14 549)	(58 492)
Other income	7	136	40 067	40 058
Other expenses		(1)	(701)	(10 015)
Operating profit (loss)		(10 893)	15 019	(52 205)
Financial income		2 730	1 246	5 601
Financial expense		(11 156)	(3 618)	(17 565)
Profit before taxes		(19 318)	12 647	(64 170)
Income taxes		2 010	(163)	(4 445)
Net profit (loss) for the		(17 309)	12 484	(68 614)
Net income attributable to				
Non-controlling interests		-	312	312
Shareholders of Techstep ASA		(17 309)	12 173	(68 926)
Earnings per share in NOK:				
Basic		(0.06)	0.06	(0.25)
Diluted		(0.06)	0.06	(0.25)

The interim financial information has not been subject to audit or review.

Consolidated statement of comprehensive income

(Amounts in NOK 1 000)	Note	Q1 2023	Q1 2022	FY 2022
Net profit (loss) for the period		(17 309)	12 484	(68 614)
Items that may be reclassified to profit and loss				
Exchange differences on translating foreign operations		26 554	(12 686)	(25 598)
Income tax related to these		-	(702)	-
Other comprehensive income		26 554	(13 388)	(25 598)
Total comprehensive income		9 245	(904)	(94 212)
Total comprehensive income attributable				
Non-controlling interests		-	312	312
Shareholders of Techstep ASA		9 245	(1 216)	(94 524)

The interim financial information has not been subject to audit or review.

Consolidated statement of financial position

(Amounts in NOK 1 000)

ASSETS	Note	Q1 2023	Q1 2022	2022
Non-current assets				
Deferred tax asset		7 223	11 775	6 470
Goodwill		619 431	590 547	601 083
Customer relations and technology		185 361	183 849	182 296
Sum intangible assets		812 016	786 170	789 849
Right of use assets		28 540	28 033	29 738
Property, plant and equipment	5	160 596	152 404	168 325
Sum tangible assets		189 136	180 437	198 064
Shares and investments		657	568	608
Other non-current assets		233	1 524	2 655
Sum financial assets		890	2 092	3 264
Total non-current assets		1 002 041	968 699	991 176
Inventories		19 921	25 818	23 431
Accounts receivable		136 672	172 036	213 773
Other receivables		38 922	43 191	33 801
Total inventories and receivables		195 515	241 045	271 005
Cash and cash equivalents		34 210	38 591	61 119
Total current assets		229 725	279 635	332 124
Total assets		1 231 766	1 248 335	1 323 300
EQUITY AND LIABILITIES	Note	Q1 2023	Q1 2022	2022
Share capital	4	305 131	209 630	305 131
Other equity		276 536	344 644	266 389
Total equity attributable to the owners of Techstep ASA	4	581 667	554 274	571 520
Non-controlling interests		-	-	-
Total equity		581 667	554 274	571 520
Deferred tax		20 638	23 215	20 536
Non-current interest-bearing borrowings		80 078	98 098	90 665
Other non-current debt		33 416	35 240	37 555
Total non-current liabilities		134 132	156 554	148 756
Current interest-bearing borrowings		106 612	130 022	83 322
Accounts payable		119 643	147 021	205 797
Tax payable		1 342	1 414	3 315
Public duties		28 922	37 724	41 100
Other current liabilities	5, 7	259 449	221 326	269 490
Total current liabilities		515 968	537 507	603 024
Total liabilities		650 099	694 061	751 780
Total equity and liabilities		1 231 766	1 248 335	1 323 300

The interim financial information has not been subject to audit or review.

Consolidated statement of changes in equity

(Amounts in NOK 1 000)	Share capital	Other paid-in capital	Other equity	Reval. Reserve	SUM	Minority interest	Total equity capital
Equity as at start of 2022	209 630	678 767	(327 417)	(6 668)	554 312	1 274	555 585
Profit for the period	-	-	(68 926)	-	(68 926)	312	(68 614)
Other comprehensive income	-	-	-	(25 598)	(25 598)	-	(25 598)
Total comprehensive income for the period	-	-	(68 926)	(25 598)	(94 523)	312	(94 212)
Transactions with owners in their capacity as owners:							
Transactions with non-controlling interests						(1 585)	(1 585)
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	2 014	3 442	-	-	5 456	-	5 456
Proceeds from issuance of shares net of transaction costs	93 487	8 698	-	-	102 185	-	102 185
Share-based payments	-	-	4 091	-	4 091	-	4 091
Equity as at end of 2022	305 131	690 906	(392 252)	(32 266)	571 520	-	571 520
Equity as at start of 2023	305 131	690 906	(392 252)	(32 266)	571 520	-	571 520
Profit for the period	-	-	(17 309)	-	(17 309)	-	(17 309)
Other comprehensive income	-	-	-	26 554	26 554	-	26 554
Total comprehensive income for the period	-	-	(17 309)	26 554	9 246	-	9 246
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	900	-	900	-	900
Equity as at end of Q1 2023	305 131	690 906	(408 661)	(5 711)	581 666	-	581 667

The interim financial information has not been subject to audit or review.

Consolidated statement of cash flow

(Amounts in NOK 1 000)	Note	Q1 2023	Q1 2022	FY 2022
Profit before tax		(19 318)	12 647	(64 170)
Depreciation equipment and other fixed assets	5	24 877	22 000	95 459
Depreciation right-of-use assets	5	3 732	1 889	13 763
Amortisation		15 085	14 549	58 492
Share-based payments		900	-	4 091
Gain from sale of business units	7	-	(40 049)	(40 119)
Gain from sale of property plant and equipment reclassified to investment activities	5	(3 130)	-	(2 523)
Net exchange differences		5 931	-	-
Taxes paid		(2 059)	(1 124)	(996)
Interest expense (revenue) reclassified to investing/financing activities		3 275	2 070	12 807
Changes in net operating working capital		(32 003)	(17 949)	46 937
Net cash flow from operational activities		(2 711)	(5 967)	123 741
Payment for acquisition of subsidiaries net of cash acquired		-	-	294
Payment for equipment and other fixed assets	5	(20 538)	(30 189)	(132 450)
Payment for intangible assets		(10 708)	(18 908)	(52 250)
Proceeds from sale of property, plant and equipment		4 324	-	3 499
Proceeds from sale of business		-	-	-
Interest received		65	54	531
Net cash used on investment activities		(26 857)	(49 043)	(180 376)
Changes in ownership in subsidiary			(9 000)	(9 000)
Proceeds from issuance of shares		-	-	76 969
Proceeds from borrowings		27 994	63 325	55 768
Repayment of borrowings		(20 626)	(1 507)	(29 019)
Lease repayments		(4 126)	(1 790)	(15 423)
Interest paid		(2 753)	(7 024)	(11 701)
Net cash flow from financing activities		489	44 004	67 594
Net change in cash and cash equivalents		(29 078)	(11 006)	10 959
Cash and cash equivalents at beginning of period		61 119	50 350	50 350
Effects of exchange rate changes on cash and cash equivalents		2 169	(754)	(191)
Cash and cash equivalents at end of period		34 210	38 591	61 119

Notes to the consolidated financial statements

Note 1. Accounting principles

Techstep (the Group) consists of Techstep ASA (the Company) and its subsidiaries. Techstep ASA is a limited liability company, incorporated in Norway. The consolidated interim financial statements consist of the Group. As a result of rounding differences, numbers or percentages may not add up to the total.

1. ACCOUNTING PRINCIPLES

The interim consolidated financial statements are prepared under International Financial Reporting Standards (IFRS) for the periods presented. The interim financial report is presented in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Group's Annual Financial Statements for 2022. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2022. This report has not been audited.

Note 2. Business segments

Techstep has merged the two business segments; Sweden and Denmark into one segment, named Sweden/Denmark. The three Segments of Techstep are represented by the geographic locations where the Group's entities are incorporated. The entities are controlled and owned by the Techstep Group. The segment HQ comprises Techstep ASA. Eliminations represent intersegment sales. Transactions between operating segments are conducted on normal commercial terms.

1) Norway

The business segment provides mobile hardware, servicing, support and mobility consultancy services, a full range of mobile expense management (TEM) modules, an end-to-end encrypted enterprise software-as-a-service (SaaS) messaging and file-sharing application. In addition, the segment provides financing and remarketing services.

2) Sweden / Denmark

The business segment provides mobile hardware, mobility consultancy services and Enterprise Mobility Management (EMM) services, including mobile security, system design, implementation and mobile device management. The segment also develops and provides enterprise mobility software and solutions, predominantly to customers in the transportation, logistics and public safety sectors in Sweden, Norway and Denmark. In addition, the segment provides financing and remarketing services.

3) Poland

The business segment provides a portfolio of solutions for the mobile device lifecycle management market.

4) Headquarters (HQ)

- Techstep ASA

Q1 2023	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Total
Operating revenues from external customers	179 904	104 810	7 065	-	-	291 779
Operating revenues from other segments	-	1 979	-	16 587	(18 565)	-
Operating revenues	179 904	106 789	7 065	16 587	(18 565)	291 779
Cost of goods sold	(118 927)	(59 142)	(1 305)	-	1 983	(177 391)
Salaries and personnel costs	(27 585)	(25 255)	(2 182)	(4 158)	-	(59 180)
Other operational costs	(15 041)	(12 940)	(2 562)	(8 299)	16 299	(22 543)
Depreciation	(16 022)	(11 203)	(209)	(1 174)	-	(28 609)
EBITA adjusted	2 329	(1 752)	807	2 956	(283)	4 057
Other income	-	-	136	-	-	136
Other expenses	-	-	(1)	-	-	(1)
EBITA	2 329	(1 752)	943	2 956	(283)	4 192
Employees 31 March 2023	102	133	45	7	-	287

Q1 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Total
Operating revenues from external customers	220 603	119 303	6 319	-	-	346 226
Operating revenues from other segments	171	3 968	896	19 497	(24 532)	-
Operating revenues	220 774	123 271	7 215	19 497	(24 532)	346 226
Cost of goods sold	(156 162)	(78 185)	(2 145)	-	3 830	(232 661)
Salaries and personnel costs	(24 660)	(29 680)	(3 888)	(15 630)	1 657	(72 201)
Other operational costs	(15 675)	(13 955)	(2 529)	(13 347)	18 233	(27 273)
Depreciation	(14 764)	(8 930)	(194)	(1)	-	(23 889)
EBITA adjusted	9 513	(7 479)	(1 541)	(9 480)	(812)	(9 798)
Other income	19 600	20 449	18	-	-	40 067
Other expenses	(500)	-	0	(201)	-	(701)
EBITA	28 613	12 970	(1 523)	(9 681)	(812)	29 568
Employees 31 March 2022	131	149	44	7	-	331

FY 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Total
Operating revenues from external customers	787 272	511 376	24 478	-	-	1 323 126
Operating revenues from other segments	32 881	19 577	3 448	67 555	(123 462)	-
Operating revenues	820 153	530 953	27 926	67 555	(123 462)	1 323 126
Cost of goods sold	(539 551)	(330 698)	(7 779)	-	15 021	(863 007)
Salaries and personnel costs	(89 565)	(113 388)	(7 831)	(60 936)	6 693	(265 027)
Other operational costs	(97 750)	(56 222)	(7 878)	(46 277)	98 502	(109 626)
Depreciation	(60 761)	(43 308)	(766)	(4 387)	-	(109 222)
EBITA adjusted	32 526	(12 663)	3 672	(44 045)	(3 246)	(23 756)
Other income	19 600	20 047	165	246	-	40 058
Other expenses	(4 900)	(2 435)	(388)	(2 292)	-	(10 015)
EBITA	47 226	4 949	3 448	(46 091)	(3 246)	6 287
Employees year end 2022	119	147	43	6	-	315

Note 3. Disaggregation of revenues

In the following tables, Total revenue is disaggregated by major revenue streams divided into the reportable segments as shown in note 2:

Q1 2023	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	149 657	65 980	-	-	(822)	214 816
Advisory & Services*	18 019	33 735	37	-	(967)	50 824
Own Software	12 353	6 923	7 028	-	(186)	26 119
Other revenues	(126)	150	-	16 587	(16 590)	21
Total revenues	179 904	106 789	7 065	16 587	(18 565)	291 779

*Commission is included in Advisory & Services

Q1 20122	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	189 567	84 121	-	-	(2 483)	271 205
Advisory & Services*	21 374	34 087	291	-	(886)	54 866
Own Software	9 996	4 872	6 924	-	(1 076)	20 717
Other revenues	(164)	192	-	19 497	(20 087)	(563)
Total revenues	220 774	123 271	7 215	19 497	(24 532)	346 226

*Commission is included in Advisory & Services

FY 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	661 629	323 626	477	-	(8 088)	977 643
Advisory & Services*	82 950	176 875	306	-	(6 251)	253 879
Own Software	44 164	24 454	27 143	-	(4 169)	91 593
Other revenues	31 411	5 998	-	67 555	(104 953)	11
Total revenues	820 153	530 953	27 926	67 555	(123 462)	1 323 126

*Commission is included in Advisory & Services

Note 4. Share capital and shareholders

The company's share capital as at 31 March 2023 was NOK 305 131 070 consisting of 305 131 070 ordinary shares with a par value of NOK 1.00.

Each share gives the right to one vote at the company's annual general meeting. At the time of this report, Techstep holds 1 914 treasury shares.

Techstep's 20 largest shareholders at 31 March 2023 were as follows:

Shareholder	# of shares	Ownership %
DATUM AS ¹	58 354 776	19.12%
KARBON INVEST AS ²	43 718 974	14.33%
Swedbank AB	33 478 881	10.97%
DNB Markets Aksjehandel/-analyse	14 770 000	4.84%
STEENCO AS	8 695 652	2.85%
AS CLIPPER	8 695 652	2.85%
MIDDELBORG INVEST AS	6 923 228	2.27%
VERDIPAPIRFONDET DNB SMB	6 851 311	2.25%
CIPRIANO AS	5 999 158	1.97%
Saxo Bank A/S	5 748 196	1.88%
TIGERSTADEN AS	4 845 000	1.59%
DNB BANK ASA	4 372 492	1.43%
CAMIKO AS	3 898 392	1.28%
TVENGE	3 000 000	0.98%
SPECTER INVEST AS	2 680 000	0.88%
TIGERSTADEN MARINE AS	2 500 000	0.82%
GIMLE INVEST AS	2 475 125	0.81%
NORDHOLMEN AS	2 462 551	0.81%
PIKA HOLDING AS	2 143 455	0.70%
ADRIAN AS	2 038 851	0.67%
Total number owned by top 20	223 651 694	73.30%
Total number of shares	305 131 070	100.00%

¹⁾ Datum AS is controlled by deputy Board member Jan Haudemann-Andersen

²⁾ Karbon Invest AS is owned by the Board member Jens Rugseth

Duo Jag AS, which is partly owned by Board member Ingrid Leisner, owns 601,562 shares in Techstep ASA.

Share option grant

There were no changes in the share option grants in Q1 2023.

For information on the share options programme and share options outstanding, please see the Annual Report 2022 which is available from the website www.techstep.io/investor.

Overview of shares and share options held by members of the management group as at 31 March 2023:

Name	Position	Shares	Share options
Børge Astrup	CEO	1 455 362	4 500 000
Ellen Solum	CFO	-	-
Anita Huun	Chief Commercial Officer	125 324	838 518
Ellen Skaarnæs	Chief People Officer	54 209	340 647
Sheena Lim	Chief Marketing Officer	21 331	340 647
Mads Vårdal	Chief Product Officer	5 019	1 497 374
Fredrik Logenius	Chief Operating Officer	23 817 225	570 306
David Landerborn	Chief Delivery & Advisory Officer	294 162	229 659
Bartosz Leoszewski	Chief Technology Officer	397 952	340 647

Note 5. Property, plant and equipment

	Right-of-use assets	Equipment ¹⁾	Other fixed assets	Total
Accumulated cost as at 1 January 2023	73 605	337 577	21 464	432 646
Additions	1 478	19 914	623	22 016
Additions arising from business combinations	-	-	-	-
Disposals	(9 558)	(33 416)	(2 770)	(45 745)
Translation differences	2 567	9 299	1 246	13 112
Reclassified to asset classified as held for sale	-	-	-	-
Accumulated cost 31 March 2023	68 092	333 373	20 564	422 029
Accumulated cost as at 1 January 2022	63 881	292 234	31 090	387 205
Additions	12 500	126 507	5 943	144 950
Additions arising from business combinations	-	-	83	83
Disposals	(2 673)	(76 928)	(15 641)	(95 242)
Translation differences	(103)	(4 236)	(11)	(4 350)
Reclassified to asset classified as held for sale	-	-	-	-
Accumulated cost 31 December 2022	73 605	337 577	21 464	432 646
Accumulated depreciation as at 1 January 2023	(43 866)	(176 874)	(13 842)	(234 584)
Additions arising from business combinations	-	-	-	-
Current year depreciation	(3 732)	(24 288)	(589)	(28 609)
Disposals	9 337	27 146	2 145	38 629
Translation differences	(1 291)	(6 286)	(754)	(8 331)
Reclassified to asset classified as held for sale	-	-	-	-
Accumulated depreciation 31 March 2023	(39 551)	(180 302)	(13 040)	(232 895)
Accumulated depreciation as at 1 January 2022	(33 613)	(149 468)	(25 081)	(208 163)
Additions arising from business combinations	-	-	-	-
Current year depreciation	(13 763)	(92 840)	(2 620)	(109 222)
Disposals	2 673	64 004	14 082	80 759
Translation differences	837	1 429	(223)	2 043
Reclassified to asset classified as held for sale	-	-	-	-
Accumulated depreciation 31 December 2022	(43 866)	(176 874)	(13 842)	(234 584)
Book value of assets 31 March 2023	28 540	153 072	7 524	189 136
Book value of assets 31 December 2022	29 738	160 703	7 622	198 064

¹⁾ Equipment comprises mobile phones, tablets and other equipment where the Group is the lessor.

Note 6 Cash and cash equivalent

Current assets	Q1 2023	FY 2022
Cash at bank and in hand, not included in cash pool	34 210	61 119
of which is restricted	3 007	5 196

The Group has a credit facility of NOK 92 million. As at 31 March 2023 NOK 59.6 million of the facility has been utilised.

Note 7. Changes in Group structure and business combinations

2022

Divestment of Voice and Contact centre business unit

On 3 January, the divestment of the Voice and contact centre business unit was completed for a total consideration of NOK 65.5 million. The settlement was received in December 2021. The gain of NOK 40.1 million has been recognised in the income statement on the line item other income in Q1 2022. NOK 24.5 million has been derecognised from the statement of financial position's line item assets held for sale.

Acquisition of last 20 % of shares in Techstep Finance AS

On 14 February, the company acquired the remaining 20% of the shares in Techstep Finance AS for NOK 9 million. The amount was settled in cash. Following the transaction Techstep owns 100% of the shares in Techstep Finance AS.

Note 8. Subsequent events

After the balance sheet date there have been no subsequent events that would substantially affect financial figures.

Alternative performance measures

Techstep Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, it is management's intention to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Techstep's performance, but not instead of the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. The principles for measuring the alternative performance measures are in accordance with the principles used both for segment reporting in Note 2 and internal reporting to Group Executive Management (chief operating decision makers) and are consistent with financial information used for assessing performance and allocating resources.

Gross profit

Gross profit is defined as Total revenue less Cost of goods sold.

Net gross profit

Net gross profit is defined as Total revenue less Cost of goods sold and depreciation from Hardware-as-a-Service.

Gross margin

Gross margin is defined as Total revenue less Cost of goods sold and depreciation from Hardware-as-a-Service, divided by Total revenue.

EBITDA

Earnings before interest, tax, depreciation (excluding depreciation from Hardware-as-a-Service), amortisation and impairment (EBITDA) is a key financial parameter for Techstep. This measure is useful to users of Techstep's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciation and amortisation expense related primarily to leases, capital expenditures and acquisitions that occurred in the past. The EBITDA margin presented is defined as EBITDA divided by total revenues.

EBITDA adjusted

Adjusted earnings before interest, tax, depreciation (excluding depreciation from Hardware-as-a-Service), amortisation and impairment (EBITDA) are based on EBITDA but adjusted for transactions of a non-recurring nature. Such non-recurring transactions include, but are not limited to restructuring costs, gains or losses related to sale of subsidiaries, acquisition-related costs and other non-recurring income and expenses.

EBITA

Earnings before interest, tax and amortisation (EBITA) is a key financial parameter for Techstep. This measure is useful to users of Techstep's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciation related primarily to leases and capital expenditures and acquisitions that occurred in the past. The EBITA margin presented is defined as EBITA divided by total revenue.

EBITA adjusted

Adjusted earnings before interest, tax, amortisation and impairment (EBITA) are based on EBITA but adjusted for transactions of a non-recurring nature. Such non-recurring transactions include, but are not limited to restructuring costs, gains or losses related to sale of subsidiaries, acquisition-related costs and other non-recurring income and expenses.

EBIT

Earnings before interest and tax (EBIT) is useful to users with regard to Techstep's financial information in evaluating operating profitability on the cost basis as well as the historic cost related to past business combinations and capex. The EBIT margin presented is defined as EBIT divided by total revenue.

Hardware revenue

Hardware revenue is defined as revenue from sales of tangible goods and related discounts from suppliers and partners.

Hardware's share of revenue is the hardware revenue divided by total revenues.

Advisory, Services and Own Software revenue

Revenue from Advisory, Services and Own Software includes revenue from support and maintenance services, sales of third party software licenses including related commission and the right to access and use software developed by Techstep (Own Software).

Advisory & Services and Own Software share of revenue is the revenue from Advisory & Services and Own Software divided by total revenue.

Net interest-bearing debt (NIBD)

Net interest-bearing debt is non-current interest-bearing debt plus current interest-bearing liabilities less cash and cash equivalents.

Equity ratio

Equity ratio is defined as Total equity divided by total equity and liabilities.

Capital expenditure (Capex)

Capital expenditure is the same as payment for property, plant and equipment and intangible assets.

Annual Recurring Revenue (ARR)

ARR is calculated as the revenue the following 12 months from Own Software as at the balance sheet date. The ARR is calculated by multiplying the number of users of Own Software with the price per product and in turn annualised.

APM's in the income statement	Q1 2023	Q1 2022	FY 2022
Total revenue	291 779	346 226	1 323 126
Cost of goods sold	(177 391)	(232 661)	(863 007)
Gross profit	114 388	113 565	460 119
Gross margin	39%	33%	35%
Salaries and personnel costs	(59 180)	(72 201)	(265 027)
Other operational costs	(22 543)	(27 273)	(109 626)
Other income	136	40 067	40 058
Other expenses	(1)	(701)	(10 015)
EBITDA	32 801	53 457	115 509
Depreciation	(28 609)	(23 889)	(109 222)
EBITA	4 192	29 568	6 287
Amortisation	(15 085)	(14 549)	(58 492)
EBIT	(10 893)	15 019	(52 205)
Net gross profit	Q1 2023	Q1 2022	FY 2022
Gross profit	114 388	113 565	460 119
Depreciation from hardware-as-a-	(24 223)	(20 900)	(92 840)
Net gross profit	90 166	92 665	367 279
Net gross margin	31%	27%	28%
EBITDA adjusted	Q1 2023	Q1 2022	FY 2022
EBITDA	32 801	53 457	115 509
Other income	(136)	(40 067)	(40 058)
Other expense	1	701	10 015
EBITDA adjusted	32 665	14 091	85 466
EBITA adjusted			
EBITA	4 192	29 568	6 287
Other income	(136)	(40 067)	(40 058)
Other expense	1	701	10 015
EBITA adjusted	4 057	(9 798)	(23 756)
Revenue splits			
Revenue	291 779	346 226	1 323 126
Hardware	214 816	274 750	977 643
Advisory, Services and Own Software	76 963	71 476	345 483
Hardware share of revenue	74%	79%	74%

Advisory, Services and Own software share of revenue	26%	21%	26%
---	------------	------------	------------

NIBD	Q1 2023	FY 2022
Cash and cash equivalents	34 210	61 119
Non-current interest-bearing borrowings	80 078	90 665
Current interest-bearing borrowings	106 612	83 322
NIBD	(152 480)	(112 868)

Equity ratio		
Total equity	581 667	571 520
Total equity and liabilities	1 231 766	1 323 300
Equity ratio	47%	43%



Techstep ASA
Brynsalléen 4
0667 Oslo
+47 915 233 37

www.techstep.io