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# Addnode Group AB (ANOD.B.SE)

Q1 2023 Earnings Call

### CORPORATE PARTICIPANTS

#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

#### **Lotta Jarleryd**

Chief Financial Officer, Addnode Group AB

### OTHER PARTICIPANTS

**Daniel Thorsson** 

Analyst, ABG Sundal Collier AB

Aline Ghatan

Analyst, Carnegie Investment Bank AB

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Anton Hoof

Analyst, Redeye AB

### MANAGEMENT DISCUSSION SECTION

### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Good morning, everyone, and welcome to the presentation of the Addnode Group Q1 Report. I'm Johan Andersson, the CEO of Addnode Group; and with me I also have our CFO, Lotta Jarleryd.

#### Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

Good morning.

### Johan Fredrik Andersson

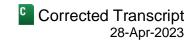
President & Chief Executive Officer, Addnode Group AB

We'll briefly walk you through our Q1 report, talk a little bit about Addnode, what we do with sustainability, sum up our investment case, and there will be time for Q&A. And you will also find in the presentation some appendices with our acquisitions, our shareholders, and our share performance.

For those of you who are new to Addnode Group, what do we do? We provide digital solutions for a sustainable future. We generate sustainable value growth by acquiring new businesses and actively support our subsidiaries to drive organic growth. We are organized in three divisions: Design Management, Product Lifecycle Management, and Process Management. We are providing digital solutions for sustainable design and product lifecycle management, efficient management of real estate and facilities, and effective public administration.

The foundation of the group's overall offering of digital solution consists of proprietary and partner-owned software. We work continuously on enhancing our portfolio of proprietary software while simultaneously consolidating our offering by developing applications that can be used in combination with software from our

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partners. We complement this with a strong services proposition based on high level of skills, long-term experience, and good industry knowledge. Looking at rolling 12 months, our net sales are close to SEK 7 billion and whereof 71% is recurring revenue.

So, looking in at Q1, Q1 was another quarter with robust growth and improved EBITA. We started 2023 strongly. Net sales were up by 49% to almost SEK 2 billion. And currency adjusted, our organic growth amounted to 19%.

The demand for Design Management digital solutions remained high. Customers demonstrated good willingness to invest, especially in the UK and USA. Product Lifecycle Management continued to experience good demand for PLM systems and related services in the UK and German market. However, the Nordic market was impacted by low capacity utilization in our own consulting organization. Process Management organic growth remained positive, corroborating the leadership status of the division's offerings to Sweden's public sector.

Our recurring revenue increased by 57% to SEK 1.4 billion. Looking at EBITA, if we adjust for a capital gain that we had last year due to property sale, it increased by 29% to SEK 202 million. EBITA margin was somewhat lower the previous year, primarily due to that sales from third-party solutions showed stronger growth than other revenue types.

And with that as an introduction to our Q1, I would like to hand over to our CFO, Lotta Jarleryd.

### **Lotta Jarleryd**

Chief Financial Officer, Addnode Group AB

Thank you, Johan.

I would like to share a few more details on net sales. In the first graph to the left, we have [indiscernible] (00:03:38) net sales for the first quarter over the last five years. As you can see, the current quarter was very strong with net sales totaling almost SEK 2 billion. Total growth was 49% compared to the same quarter previous year. It is also evident from the graph that recurring revenue was a revenue category that increased the most with about SEK 500 million. That increase derived from both acquisitions and organic growth. The main contributor was design division. And by that, predominantly meaning Symetri and Microdesk, that accounted for more than 80% of the increase. The most important driver was the multiyear deals following strong demand, especially in the UK and US markets.

As a comment to the graph in the center, I would like to stress that it certainly is important to have such a high share of recurring revenue, 72%, as a stable foundation in our business model. Service revenues admittedly not included in our definition of recurring revenue, but many customers returned to us again and again for our service offering.

In the third graph, we have set out the breakdown of net sales by geography. Interesting to note is that Sweden is still our single largest market with all three divisions operating in this country, representing 30% of total sales. But after the last couple of years, acquisitions in the UK and the US and the consecutive organic growth, we are now a truly international group with 70% of net sales outside Sweden.

Back to you, Johan.

### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB



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Thank you, Lotta.

And looking into more detail in our three divisions, we'll start with the Design Management. As label says, Symetri and Microdesk continues to impress. Net sales increased to SEK 1.2 billion, and so the growth was 72%; organic growth, 28%. And adjusting for currency, the organic growth was 25%. Demand for the division's digital solutions and services remained high as reflected in significant organic growth of net sales and earnings. EBITA was up 47% to SEK 131 million. The EBITA margin was reduced to 10.8%, mainly because Symetri and Microdesk continue to win market shares, and the revenue mix changed with a higher revenue share from third-party solutions.

Looking at Symetri's operation in the US, the newly acquired Microdesk, it continued to perform well due to positive demand in the AEC segment. Demand for Symetri's offering in Europe remained also strong, especially on the UK market. There are some signs of a slowdown apparent on the Nordic AEC market while demand for manufacturing remained positive in the Nordics.

Tribia, our company that provides collaborative portals for construction and civil engineering; and SWG, providing digital solution for facility management, made also strong progress in the quarter.

Product Lifecycle Management, solid growth in the quarter. EBITA impacted by low utilization. I'll come back to that later. Looking at net sales, it increased to SEK 433 million. It's a growth of 28%. Organic growth was 18% and 13% currency adjusted. The UK and US business experienced continued positive demand as reflected in significant organic growth of net sales and earnings. In Germany, demand was stable while the market in Nordic was somewhat weaker. The trend of customers increasingly demanding time-finite leasing on licenses instead of the previous license purchased with perpetual rights of use continued. EBITA in the quarter was reduced to SEK 26 million and the EBITA margin decreased to 6%.

The Nordic consulting operation was negatively impacted by low capacity utilization. Work on improving the organization's efficiency is ongoing. Also, a few of the operations acquired over the past year have lower profitability than the division's other businesses. Integration work is continuing with the aim of lifting profitability.

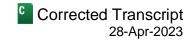
Process Management. Organic growth, our belief is that it continued to outperform the market. Net sales increased to SEK 335 million. It's a growth of 16%. Organic growth remained good at 10%. This is despite that we can see that some municipalities and public authorities are showing some restraints in terms of investment. The division's positive and established relationships with the large public sector customer base frequently present opportunities for recurring sales or the expansion of current assignments.

Additionally, the division's businesses are well-positioned in public sector tenders owing to attractive digital solutions, in-depth experience, and good references. The division is continuing to invest in enhancing its customer offerings.

And looking at acquisition in this division, Decisive, that was acquired in June 2022, is a leading provider of rule-based digital decision management system for the Norwegian public sector, also experienced continued positive demand on the Norwegian market. EBITA increased to SEK 64 million and the EBITA margin was a little bit down, but still on a very stable high level.

Acquisitions year-to-date; we have made two complementary acquisitions so far this year. FAST2 develops ERP system for municipal housing corporation and is a supplementary acquisition for Service Works Global. Key Performance consolidates TECHNIA's offering in model-based design. Our pipeline of acquisition candidates in

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Europe and the US is still well filled. Addnode Group's relationship-based acquisition process, combined with our financial strength, means that we can keep growing through carefully selected acquisitions.

I would like to hand over to our CFO, Lotta Jarleryd.

### **Lotta Jarleryd**

Chief Financial Officer, Addnode Group AB

Thank you, Johan.

I would like to continue with an overview of the consolidated cash flow. The operating cash flow for the first quarter 2023 amounted to SEK 269 million, which was slightly better than in the same quarter previous year. Cash conversion rate, that is operating cash flow to EBITA, was about 115%.

Please also note, as described already in the Q4 2022 report, that Symetri's and Microdesk partner, Autodesk, altered its invoicing and payment terms for software contracts lasting more than one year by March 27 this year. Payments, both from customers and to Autodesk, are now annual even if the customers signed three-year contracts. This will have an initial effect on cash flow. As currently, revenue and costs for the entire contract value will be continued to be recognized when the contract commences.

Investing activities in the first quarter amounted to SEK 155 million, primarily related to the two acquisitions made in the first quarter as well as considerations to sellers for acquisitions made previous years, e.i, (sic) [i.e.] mainly earn-out payments. In addition, investing activities include development of proprietary software.

Financing activities predominantly referred to an additional loan under revolving credit facility. In the same quarter previous year, we financed acquisitions by borrowing SEK 300 million out of the revolving credit facility. Please also note that the Board of Directors has proposed to the AGM a dividend of SEK 1 per share. This corresponds to total dividend of SEK 133 million to be paid out to the shareholders in May 11.

Continuing with a few comments on the balance sheet. We continue to operate supported by a resilient balance sheet, which is an important foundation for our continued growth organically and through acquisitions. Changes in the balance sheet during the first quarter 2023 were limited. We made two acquisitions, as Johan said, in the first quarter, adding another SEK 39 million to goodwill and other intangible assets. The increase in provisions, taxes, and other debt included future earn-out payments depending on the financial performance of the recently acquired companies.

Net debt was on the lower side. SEK 0.4 billion, and decreased during the beginning of the year due to strong cash flow from operations. Cash position amounted to SEK 0.7 billion and outstanding bank loan was just below SEK 1 billion as per March 31. Consequently, we had balance of SEK 1.4 billion in total by the end of March that is available for continued growth. [indiscernible] (00:13:04) include cash position as well as the unutilized portion of the revolving credit facility.

Back to you, Johan.

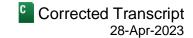
### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Lotta.



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Sustainability, Addnode Group's biggest contribution to more sustainable society is the digital solutions that we offer to our customers, so that they can simulate, design, make, and build more sustainable products, buildings, infrastructure, and cities. That's our major contribution and where we can make a difference. So, with that, as a reminder, I will also take the opportunity to introduce you to three case studies that are displayed also in our report and you will find at our website as well, that shows how our digital solutions supports our sustainability development goals.

Example one to the left is from Symetri in the Design Management division. Fire safety planning with digital BIM processes. The customer, Brandskyddslaget is Sweden's leading fire safety consultants. And they are now investing in digitalizing fire safety and project planning work using Symetri's Bimfire Tools. It's a fire safety planning application with 3D modeling technology.

Example two in the middle is from TECHNIA. It's in the Product Lifecycle Management division. It's an example of more efficient product development with fewer faults and superior quality. TECHNIA is supporting Helix, a leading manufacturer of electrical power trains for electric and hybrid vehicles on implementing Dassault Systèmes' 3DEXPERIENCE platform for better design and long-term maintenance of their products.

Example three to the right is from our company Canella in the Process Management division. Canella has developed a digital delivery system, Candos, for dosage dispensation of pharmaceuticals. Distribution method eliminates the need for drug packaging and portioning tablets manually, increasing patient safety. You will find the full version of these cases at the Addnode Group website.

So, summing up Addnode Group as an investment, our strong positioning in segments with underlying structural growth, a diversified business in terms of geographies and customer base, plus a business model with a high share or recurring revenues means that we have good potential for continued value creation. I'm very confident that Addnode Group will continue to deliver profitable, sustainable growth.

And with that, we would like to open up for questions. Both Lotta and I will be able to answer them, so please.

### QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The next question comes from Daniel Thorsson from ABG Sundal Collier. Please go ahead. **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yes. Hi, Johan and Lotta. Thank you very much. I start off with the first question on PLM and the low utilization you mentioned in the consulting business in the Nordics. Is that a market thing or is it internally for your division here? And what will you do in practice to improve it ahead? Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB I would argue that the majority of that is internally. It's our own efficiency and we can do it much better. And how do you handle that? Is that we need to be – I think the market is there. We are doing more business. It might be that we need to be more efficient, and more efficient means that we need to deliver the same with less people. **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Okay. Does that mean in practice that you're going to deliver more with the same amount of people or, as you said, deliver more with less people? [indiscernible] (00:17:19) Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB ...the capacity, we're a little bit -**Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB ...we have too many people right now to [indiscernible] (00:17:25). **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB ...because we have a good sort of market. There are customers working with us [indiscernible] (00:17:30) but we

need to be more efficient in how we deliver it. So, it's...

# Addnode Group AB (ANOD.B.SE) Corrected Transcript Q1 2023 Earnings Call 28-Apr-2023 **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB ...probably less people rather than increasing top line... Daniel Thorsson Analyst, ABG Sundal Collier AB I see. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB ...even more. Daniel Thorsson Analyst, ABG Sundal Collier AB Okay. Clear. Second one, on M&A, you mentioned that you feel positive on the M&A pipeline when I read the report. Can you give us some more insights into that in terms of regions or maybe the type of companies you find most interesting right now? Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB For those of you who have been following us for a while, it's quite a boring answer. And the boring answer is that we're looking into all three divisions and that we are also looking into all the regions where we're active. We are today active in both Europe and US. And with that, as we have really more of a relationship-based M&A process, that it means that we spend a lot of time discussing with the entrepreneurs, making sure that we're ready to do the businesses. And that means that we have a lot of those discussions ongoing. And hopefully, we would be able to do more acquisitions this year. But will it be in Q2, will it be in Q3, will it be in Q4? That's more dependent on when sort of the entrepreneurs are ready to say yes. **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB So, I can't give you any distinct answer more than saying that we are looking into all the three different divisions. And hopefully, we can look at, for us, US and probably a new market as we enter it. With Microdesk last year, that was the first step. So, hopefully, we can look both at the European market and the US market. **Daniel Thorsson**

Analyst, ABG Sundal Collier AB

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Yeah. Okay. So, if I rephrase the question a little bit then, do you see a higher interest to sell businesses for SaaS company today for example than a year ago or is it more interest to sell a reseller business today for some reason across the world? Do you see like incoming calls from sellers for any type of those different businesses?

# Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB I think we have the same interest that we have. We will never – a part of the craziness a couple of years ago when people pay like six, seven, eight times net sales of a sales company. We are still looking into it, but of course there are more – with the pricing that we are willing to pay, there are more companies available. It's more like that I would say. Daniel Thorsson Analyst, ABG Sundal Collier AB Yeah. Yeah. Yeah. Makes sense. Makes sense. And I have a question for Lotta, second one for Lotta and my final question here. You have a total interest-bearing debt of around SEK 1.1 billion, and net financials more than doubled here in Q1. Can you give an indication of roughly the interest rates here, the interest you are paying on that debt? It seems to be around 6% if I annualize the quarterly figure here, but I guess there is something more within that net financials, so probably slightly less than 6%. Is that the correct assumption? Lotta Jarlervd Chief Financial Officer, Addnode Group AB Yeah. Yeah. I mean, included there also are currency differences, of course, as usual... **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Lotta Jarleryd Chief Financial Officer, Addnode Group AB ...and they can go up and down. Daniel Thorsson Analyst, ABG Sundal Collier AB Yeah. Lotta Jarleryd Chief Financial Officer, Addnode Group AB But I would rather say that we are more around 5% than 6% I would say. **Daniel Thorsson** Analyst, ABG Sundal Collier AB Yeah. Lotta Jarleryd Chief Financial Officer, Addnode Group AB

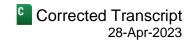
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And then we also included – we do this – we discount the liability we have for the Microdesk earn-out, which is also included there. **Daniel Thorsson** Analyst, ABG Sundal Collier AB I see. Okay. Excellent. Thank you very much, both. **Lotta Jarleryd** Chief Financial Officer, Addnode Group AB Thank you. Operator: The next question comes from Aline Ghatan from Carnegie Investment Bank. Please go ahead. Aline Ghatan Analyst, Carnegie Investment Bank AB Yes. Hi. Thank you for a good report. Aline here from Carnegie and I have a question regarding Man and Machine. So, they reported a good quarter. So, they saw a lower gross margin in their Autodesk-related operation. So, I wonder do you see the similar tendencies and could you elaborate a little bit on that. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB Just for me to rephrase your question. Was your question that one of our other bigger Autodesk partners in the world, Man and Machine, that they saw a margin drop in their Autodesk-related business. Aline Ghatan Analyst, Carnegie Investment Bank AB Yeah, the gross margin drop there. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB Yeah? Yes. We also have a slightly lower gross margin in this quarter. That is something that sort of can go up and down by quarter by quarter, depending on what deals we are having. So, we have a mix with higher portion of that third-party sales, and there are somewhat slightly lower margins on that sales as well in the quarter for us. I don't know. I haven't seen the reports. I don't know - can't compare really the drop between them and us. But compared to Q1... Aline Ghatan Analyst, Carnegie Investment Bank AB No, but... Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB ...last year, we have a slightly lower gross margin as well.

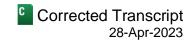
# $Addnode\ Group\ AB\ {\scriptstyle (ANOD.B.SE)}$

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Aline Ghatan Analyst, Carnegie Investment Bank AB	Q
And could you explain a little bit more about that? Are there price pressure from Autodesk or how come that margins are lower now?	the
Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB	A
No, I wouldn't say – the price pressure is not from Autodesk. It's more up to us on the market and the market share, and there is a competition for market shares rather. So, I would say that probably reflect it. So, we are gaining market shares and we are taking it. And sometimes when you gain market share, there's a price component in that as well.	
Aline Ghatan Analyst, Carnegie Investment Bank AB	Q
Okay. So, you will prefer sales growth instead of margin growth is what I would read out from that?	
Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB	A
I would rephrase and say that what we are sort of – that by the end of the day [indiscernible] (00:23:18) cost gross profit that we're able to deliver. So, the increased sum of the gross profit, that's probably what drives use going forward	
Aline Ghatan Analyst, Carnegie Investment Bank AB	Q
[indiscernible] (00:23:26)	
Johan Fredrik Andersson  President & Chief Executive Officer, Addnode Group AB and that's the net of that. That's sort of main focus.	A
Aline Ghatan Analyst, Carnegie Investment Bank AB Okay.	Q
Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB	Α
And we always want to be profitable all the time. So, profitability is always our sort of key drivers in our busin	iess.
Aline Ghatan Analyst, Carnegie Investment Bank AB	Q
Sounds good. And I also have a question. Have you seen the demand for multiyear agreement has come do because you talked about Autodesk having a less – what it's called, lower prices and are you seeing less multiyear agreements?	own

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#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

So far we haven't seen any major changes in that. But as Lotta mentioned that there are new financial models with regard to the three-year deals starting as of March 27. So, we have to follow that going forward, but there are no sort of major changes yet.

#### Aline Ghatan

Analyst, Carnegie Investment Bank AB

Okay. And one last question. And if you could elaborate a little bit more about the organic growth in Product Lifecycle Management and what we should expect going forward there as well.

#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

If we look at - was the question on organic growth specifically for PLM or for the total business?

#### Aline Ghatan

Analyst, Carnegie Investment Bank AB

Yeah. Actually, you can describe the total business. But going through the divisions, that would be great. Thank you.

### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

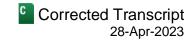
Yeah. Yeah. If you can see that we had the strongest organic growth in our Design business. I think it was 25% this quarter and we had 13% I think it was in the PLM division, and then, 10% in the Process divisions. And that is the trend that we have seen in the last year, that we have had the strongest organic growth in Design. And we are able to hold on to, for us, a very strong organic growth as well in the division. So, we're expecting organic growth for this year as well.

How much? We are glad that we are able to have this high organic growth, but we're not able to make any prognosis on that. But we're still expecting organic growth. But if you look at, for example, Process where we have 10%, for that market, the public sector in Sweden, selling software to municipalities and state agencies, that is a very strong organic growth on that market. So, we are not expecting that to sort of expand even further. That's a very strong organic growth for that market.

And then, we can see that we are able to, in Design, we are driven both by a solid organic growth in the market and that we are also gaining market shares. So, they are part of that inorganic growth as well, both that we have a strong market and we are taking more of the market so to speak.

In PLM, we can see that we are going with the market and we are able to gain somewhat market share, but not as much. But we have – and one of the sort of geographies overall that is driving the businesses is the UK market. We can still see that UK market was very strong, both for the Design division and the PLM division last year, and it has continued in Q1 as well to show strong organic growth. And that is due to in both the AEC market, but also that we are able to attract customers who are in the EV businesses that you find electrical vehicle, the support in that with both the power trains and part of that. So, we can see – so it's a mix. So, yes, we are expecting organic growth. How much? Still to see.

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And then, to the other part of your question going back to PLM and the margins there, and it's like I mentioned before, we need to be more efficient. To be very blunt, so to speak, we have too many people that we'd probably need. And that goes to our utilization in the service organization in the Nordics specifically. We still have a very strong market in the UK and US performing very well. We are sort of at solid or stable, I don't know what the right wording is, with Germany. But we have been struggling in Q1 here in the Nordics with our utilization of the service business.

And then, we did some acquisition last year, who, by itself, had a lower margin at the time of the acquisition. And we are working with them sort of to grow their operating margins. So, it's a mix of things there. And the Nordic market, there were some acquisitions that we are still working with to raise. And then, sort of overall we can be a little bit more efficient. But we have a good momentum on the market and we can see that in PLM the UK, US are driving. And Germany, we were a little bit worried last year, less worried this year. So, it's a mix as usual.

Aline Ghatan Analyst, Carnegie Investment Bank AB	Q
Super. Thank you. I'll get back on line.	
Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB	A
Thank you.	
Operator: The next question comes from Erik Larsson from SEB. Please go ahead.	
Erik Larsson  Analyst, Skandinaviska Enskilda Banken AB	Q
Thank you. Good morning to both of you. I have a follow-up that you basically already answerd organic growth, it seems like the lower capacity among Nordic consultants is not really – I mean enough consultants and you have the tools necessary to grow nicely, but the capacity is essent that what you're addressing in terms of the margin whereas you have the tools to continue to granket does?	an, you have ntially too low. Is
Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB	A
Yes, we have the tools, but we have probably had to replace that in that we had too much tool	S.
Erik Larsson  Analyst, Skandinaviska Enskilda Banken AB  Yeah. [indiscernible] (00:29:24)	Q
Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB	A
The market is coming. But as of now we have too much tools for the growth of – organic growthat we can get a good margin out of that.	th of 13% to see
Erik Larsson Analyst, Skandinaviska Enskilda Banken AB	Q

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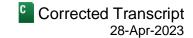


Yes. Okay. Perfect. Then just a final question on M&A. It is a bit of an uncertain market in general. It feels like you're a bit confident still. But does the uncertainty affect your willingness to execute any larger M&A in any way in the absolute near term here?

# Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB No, I wouldn't say that because larger M&A for us is still add-on acquisitions to what we are doing. In near term, we did acquisition of Microdesk. It was our biggest acquisition so far, but it was also a bolt-on acquisitions to Symetri, what we are already doing. So, if we can – we are still able to do bigger acquisitions from a group perspective, but they're still bolt-on acquisition. So, that means that we know the businesses, we know how to run the type of businesses, we have the people who sort of understand [indiscernible] (00:30:29) where they operate. And we have a healthy balance sheet that Lotta described, meaning that we sort of have the financial power to make it happen as well. So, we are still looking at both small and bigger acquisitions. Erik Larsson Analyst, Skandinaviska Enskilda Banken AB Okay. Perfect. Thank you. **Operator:** The next question comes from Anton Hoof from Redeye. Please go ahead. Anton Hoof Analyst, Redeye AB Good morning. Thank you for taking my questions. Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB Good morning. Anton Hoof Analyst, Redeye AB Given all the discussions such as invoicing and payment terms, I mean, have you seen any behavioral changes from customers? For instance, [indiscernible] (00:31:11) license have been postponed somewhat into Q2 to get more favorable payment terms? Johan Fredrik Andersson President & Chief Executive Officer, Addnode Group AB No, I can't really say that we have seen that change. They are sort of holding on to sort of making it an order and increase the number of subscription and etcetera. Because looking at Q1, you can see that we have the very strong organic growth as well there. So, no, I can't really say that we've seen any sort of restraints in their investments in Q1 to make that happen in Q2 based on that specific, no. **Anton Hoof** Analyst, Redeve AB

Okay. Yeah. I mean, in the last quarter you mentioned that the high organic growth in the Design Management was partly due to a COVID-19 catch-up effect. Would you still be able to say that that is still the case or?

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#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

It's tough to say because we can't say that quarter-after-quarter because the UK market is still a very good market and the organic growth has continued both in the Design division but also in the PLM division. And so, that gives us more confidence to say that there is a good push in the UK market for design and product data management solution, both from the construction and the manufacturing. And I think it also has to do with the fact that we are also working with sort of the newcomers to the market with regards to electric vehicles and supporting that type of businesses as well, so.

**Anton Hoof** 

Analyst, Redeye AB

Okay. And the last one, I mean, now that Microdesk has been within the group for a year, how would you like to summarize the first year? I mean, it's clear that the performance has been good, but could you give us some color in terms of top line development versus the margin improvement in the business?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Okay. Microdesk has been a – or are a very good contribution to both Symetri and to the Addnode Group. They have very much contributed to both top line and they have also been a very good margin for that type of – for this type of businesses. So, they have been a very good contribution from both the financial perspective, but also from an operational perspective. And we are still working with making sure one of the triggers for this was that we can see that we have been able to develop a very broad portfolio of own technology that supports this platform. That is still to come to see that. We have a very good sort of first start this year of making that happen, but the outcome of that's still to come.

We were very fortunate to sort of timing perspective with regards to the US market, has been a very good market by itself this year. So, looking back so far, I would rate Microdesk as a very good acquisition for Addnode Group.

**Anton Hoof** 

Analyst, Redeye AB

Okay. That's all for me. Thank you.

Operator: The next question comes from Aline Ghatan from Carnegie Investment Bank. Please go ahead.

Aline Ghatan

Analyst, Carnegie Investment Bank AB

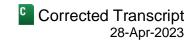
Hi. Aline here again. I have a follow-up question on the US market. Are you seeing that demand is holding up similar as to the UK market or could you please elaborate a little bit more about the US market?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

If you look at – in the businesses where we are active, there is a strong demand in the US market, a strong demand in the UK market. But compared to a year from now, we don't have that sort of visibilities in the US market. In our figures, Microdesk has only been part of Addnode Group for a year. But it seems like percentagewise there is a stronger growth in the UK market compared to a year before, but it's still a strong driver in the US market as well.

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#### Aline Ghatan

Analyst, Carnegie Investment Bank AB

Okay. Thank you so much.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you.

**Operator**: There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

Yeah. We have some questions coming in through e-mail here. So, I will read the question and then we will respond. From [indiscernible] (00:35:44) at Handelsbanken, we have three questions. The first one, could you give some more color on the gross profit margin development, effective EBITA margin?

Licenses is down 32% year-over-year in Design and lower for the group. Is this the main reason due to the strong contribution from Microdesk and Symetri or how should we look at it?

#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Well, I think, looking at gross profit, I think we have touched upon that earlier, it relates to the mix. Meaning that if you look at our net sales, the one that has been overperforming is our sales of third-party partner software. And that means that we will have a gross profit mix with a lower profit margin by itself, and that shows in the group's gross profit. So, that's the main contributor for that.

And then we had a question about licenses, why going down. And, overall, we can see a shift moving from perpetual licenses to SaaS models, rental models, subscriptions, meaning that customers move from upfront payments in a license to paying yearly, quarterly, or every third years for the right to use the software. So, that's the trend and it's been ongoing for the last 10 years. And we can see that clearly in our figures. So, that is happening and we welcome that.

And then, was there some – and I think that probably answered those questions.

Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

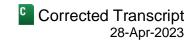
Yeah, I think so. The next question is how is the demand from Autodesk right now and do you see any differences between Europe and US?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Yes, I would say. And the difference is – and then there are differences in Europe as well. We can see that US market still going ahead. In the European market, as we have described earlier, we can see that still a good demand and market in London and in the UK market, somewhat lower in the Nordic market. And there, we have to separate between public projects and building condos in Stockholm. The part of the market that is more

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focused on building condos in Stockholm, less demand right now. But in the public market, we still see a demand. So, there's a mix in that difference. So, there's a difference in regions and a difference between the regions, and in the regions there is also a difference.

Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

And the last question here regards PLM division and the low utilization in the Nordic market. And the question is if there are customers phasing out their projects right now and how does it look in your other European markets

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

So, going back, you can see in the organic growth, the customers are still working with us, and we would like to do that. So, it's not a fact that the customers are phasing out their projects. There are still projects out there, and we're continuing to work with our customers. And that goes both for PLM and the other businesses. And like we have described earlier on that it's more of our execution and ability to plan and man the projects. So, the market is there.

Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

And the final follow-up question is how big is the consulting operation in the total PLM division.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB



What you can do with that, if you look at the Q1 report, you will find that there is a schedule on page 18 showing that we have a net sales of SEK 433 million in the PLM division in Q1. And out of those SEK 443 million, you will find that SEK 114 million out of SEK 443 million is professional services. And that's where we are - needs to be a little bit more efficient.

Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

Okay. And then another question here also from [indiscernible] (00:40:00). The question is how much of the recurring revenue growth is organic.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

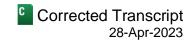
We don't disclose that, but you can sort of look at what we do disclose is the organic growth per division. And you can also see how much we compare that with the total growth of the recurring revenue in the same schedule that I said on page 18. And you'll probably able to draw some conclusions out of that.

Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

Okay. And then a question from Fredrik Lithell here, Handelsbanken. Your EBITA margin came in a bit lower year-over-year and you said it is due to lower gross margin. As your share of revenue comes down to 22% from 25% previous year, I would have assumed it would help the gross margin. So, could you please elaborate on what the drivers are behind the gross margin growth in the quarter, both positive and negative?

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#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

I think if we are able – if our portion of services, services goes down, it actually doesn't help us. It's the other way around I would argue because on the services, we don't have 100% gross profit of that because there are some sub-consultants. But it's a much higher gross profit on that compared to our third-party products where we share the revenue with our partners.

So, that means that when we increase – when we – the mix, when we both grow on top line and that mix also has a higher portion of partner software, that means that our gross profit margin will be affected negatively even though we grow the gross profit.

### **Lotta Jarleryd**

Chief Financial Officer, Addnode Group AB

Okay. That was the last question we received by e-mail.

#### Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Okay. Thank you for taking the time to listen in and asking very good questions. And with that, we would like to close for today.

### Lotta Jarleryd

Chief Financial Officer, Addnode Group AB

Thank you so much.

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