

# Financial presentation

Q3 2023

28 November 2023

# LINK in short

> 20 years in the business - European #1 for enterprise digital messaging - Global ambitions

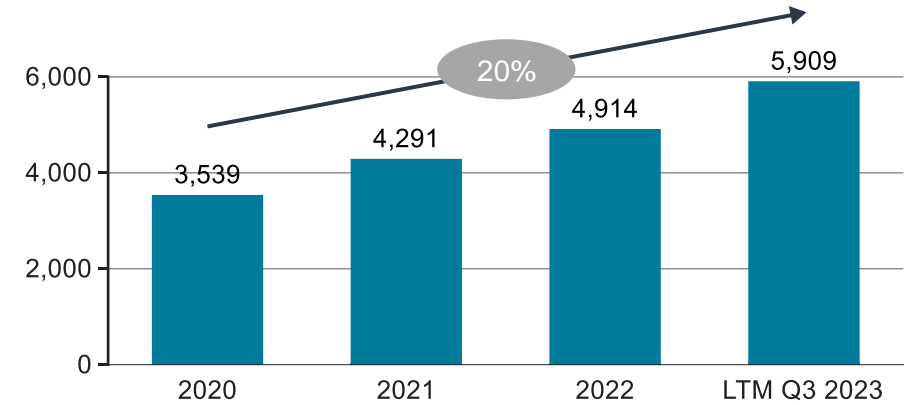
**Proven M&A track-record with more than 30 acquisitions last decade**

**590 employees in 29 offices across 17 countries**

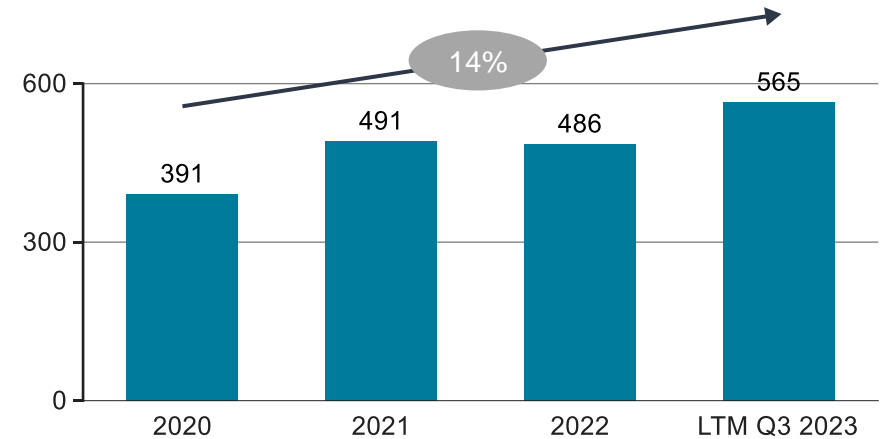
**17 billion messages sent annually by ~ 50,000 customers**



**Revenue NOKm**



**Adjusted EBITDA NOKm**



# Q3 2023 highlights for Europe

Gross profit growth amplified by executed cost reduction initiatives

**Revenue reported at NOK 1 597 million. Organic growth in fixed currency 17%**

- Topline growth driven by unusually high activity in Global Messaging
- Enterprise segments in Europe grew as expected in seasonally low quarter

**Gross profit reported at NOK 317 million. Organic growth in fixed currency 6%**

- European Enterprise segments reported stable organic growth momentum of 7%
- Global Messaging neutral due to unusual traffic mix effects

**Adjusted EBITDA reported at NOK 147 million. Organic growth in fixed currency 16%**

- YTD Q3 23 organic adjusted EBITDA growth in fixed currency was 12%

**LINK signed 507 new and expanding agreements in the third quarter**

- New signings increased 21% YoY supporting long-term growth momentum

**After close of quarter Message Broadcast was divested for USD 260 million**

- US subsidiary divested at highly attractive valuation
- Closing expected in Q1 2024 following customary closing conditions

**Group leverage significantly reduced to 1.0x post transaction**

- Providing ample financing capacity for inorganic growth through M&A

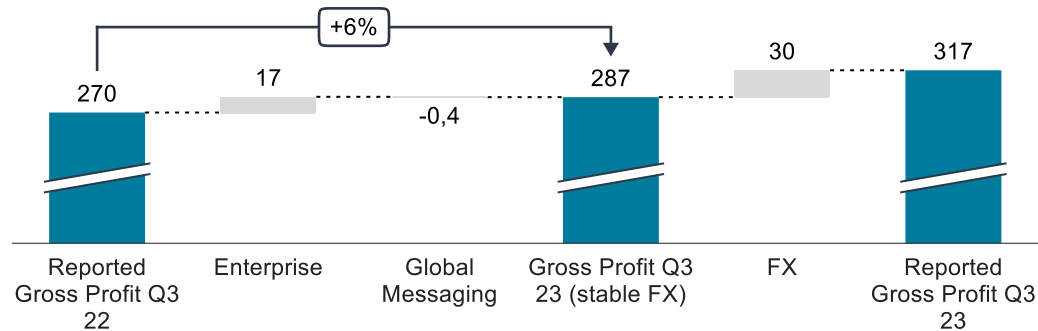
## Reported figures impacted by NOK depreciation

NOKm	Q3 2022	Organic growth	FX effect	Q3 2023
Revenue	1 229	204	164	1 597
Organic growth (%)		17%		
Gross profit	270	17	30	317
Organic growth (%)		6%		
Adjusted EBITDA	116	18	12	147
Organic growth (%)		16%		

# Continued profit growth across core business segments

Group gross profit growth of 6% in fixed currency

## Group organic gross profit development (NOKm)



### Stable growth for European enterprise segments

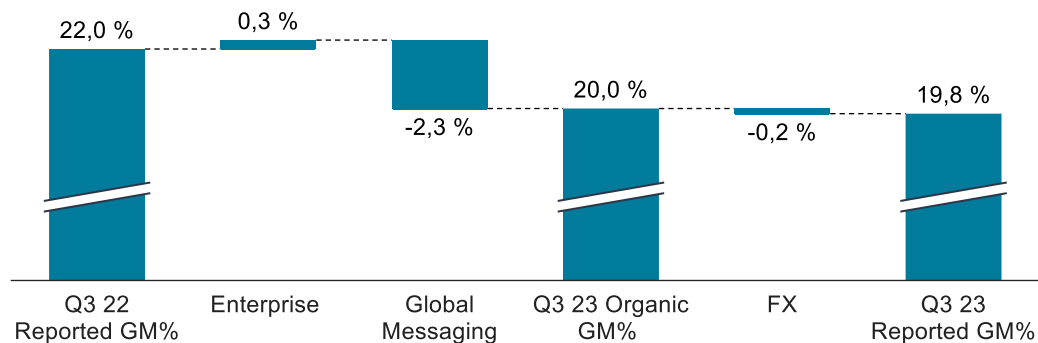
- Growing 7% organically contributing NOK 17 million
- Supported by high contract backlog
- Stable market conditions and improved margin YoY

### Global Messaging neutral due to traffic mix effects

### Large positive NOK 30 million FX effect with NOK depreciation

- Reported gross profit growth of 17% to NOK 317 million

## Group gross margin (%)



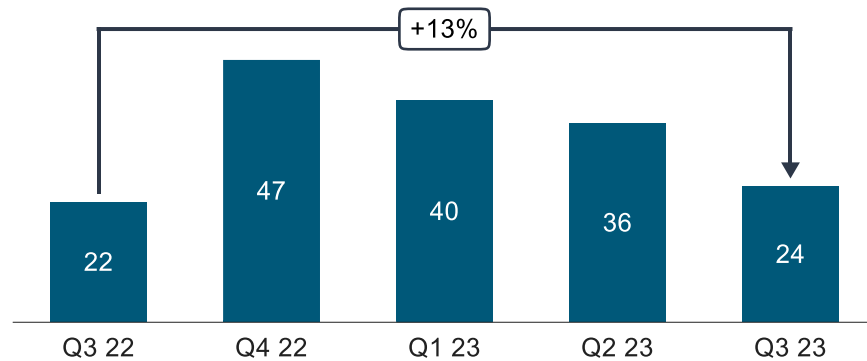
### Gross margin diluted by high activity in Global Messaging

- Enterprise margin +0.3 percentage points YoY
- One-off lower margin in Global Messaging reflected unusual traffic mix effects
  - Margins expected to normalize, returning to high single digits

# Continued growth in European contract backlog

Forecasted contribution from new contract wins grew 13% YoY in seasonally low third quarter

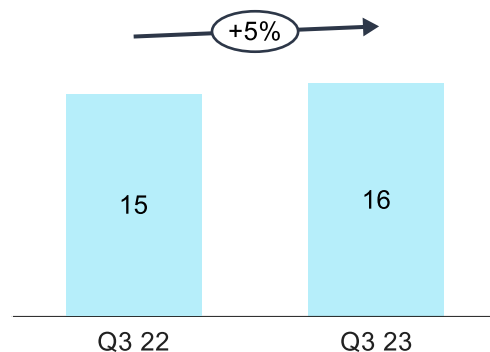
## Gross profit contribution from new contract wins NOKm



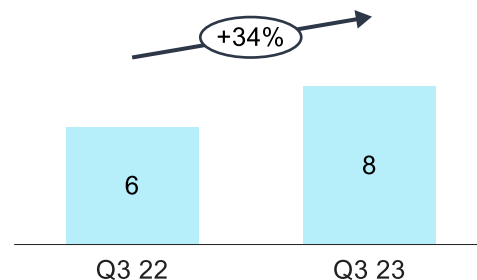
## Clear step up in contract backlog with commercial refocus

- Forecasted gross profit contribution from new wins NOK 24 million in Q3 23
  - Historically 75% of gross profit recorded in P&L within 12 months

## A2P



## CPaaS



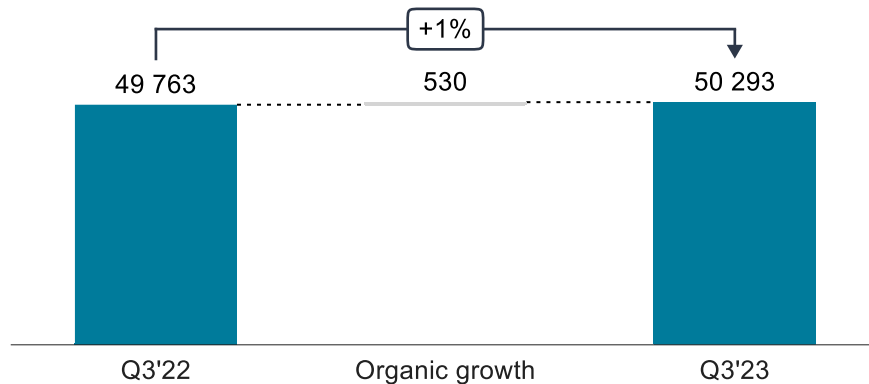
## New contract wins increased 13% YoY in Q3 23

- A2P SMS grew from high base
- Strong CPaaS growth from higher margin new channels and solutions
  - RCS, WhatsApp and marketing automation

# LINK continues to grow customers and agreements

New contract wins grew 21% YoY in Q3 23

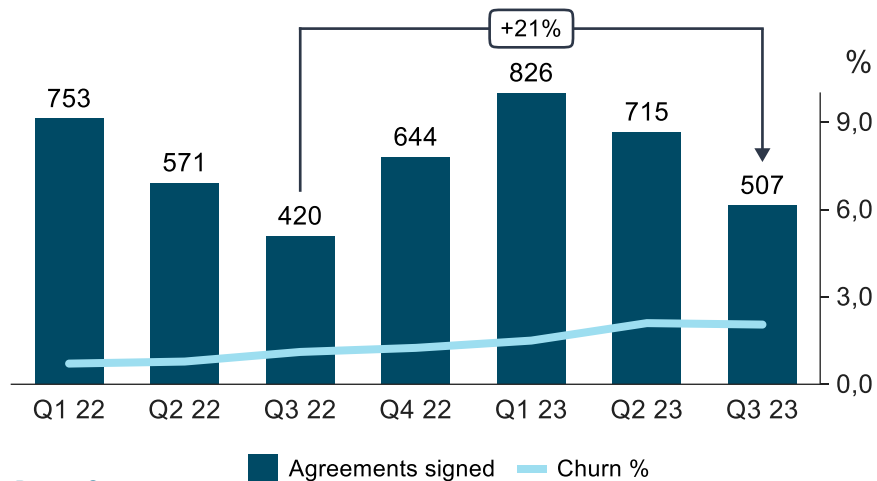
## Customer accounts



### ~ 50' active customers

- Organic growth of 530 customer accounts
- Upselling on existing customer base essential
  - Top 100 customers contribute ~50% of revenue
  - 114% net retention in stable currency in the third quarter

## New agreements signed in quarter / customer churn (%)



### New signed agreements grew by 21%

- Contract wins in Q3 23 rose to 507 from 420 in the same quarter last year

### Stable customer churn at 2.0 percentage points in Q3 23

- Enterprise churn at 1.2 percentage points
- Additional churn linked to one large aggregator client

# Well positioned for value generation in 2024 and beyond

## **LINK Europe transparent and highly cash generative business**

- Large and diverse customer base with very low churn
- High and growing contract backlog
- Significant upsell and new sale potential from new multi-channel / two-way messaging solutions

## **Proceeds from US divestment enables LINK to fast-track accretive M&A**

- LINK established M&A track record with > 30 acquisitions completed in Europe last decade
- Significant scope for inorganic EBITDA growth through multiple arbitrage use of proceeds
- Low risk approach to M&A with leverage to remain substantially < 3.5x adjusted EBITDA
  - EUR 370 million bond maturing in December 2025 to be partly refinanced

## **Large and diverse M&A pipeline**

- Actionable bolt-ons in Europe
- Level-up cases on other continents with longer timeline to fruition

**LINK's global ambitions remain unchanged and the US market is a priority**



**Add-on**



**Level-up**

# Disposal of Message Broadcast voids forward-looking statement

**Previous forward-looking statement included the US business and is no longer valid**

**LINK's European business is stable and highly cash generative**

- Gross profit growth in high single digits historically
- Organic adjusted EBITDA is expected to grow at a higher rate than gross profit





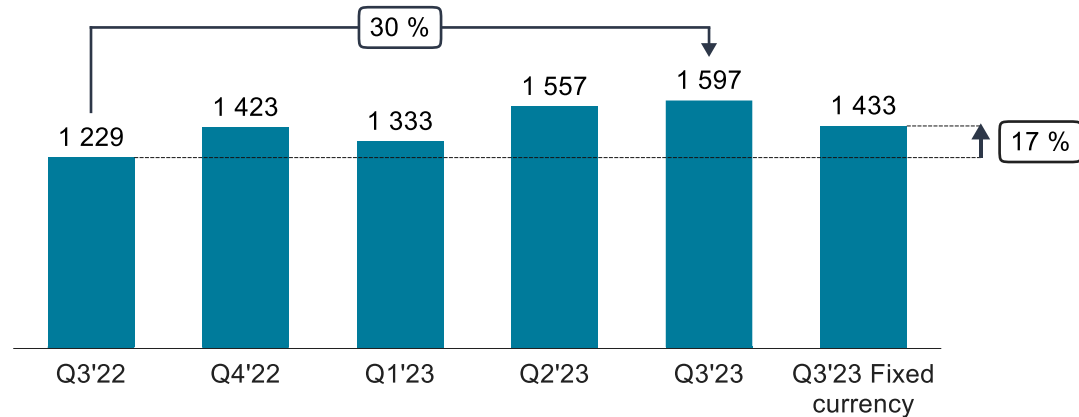
# Financial review

Q3 2023

# Reported revenue growth of 30%

FX tailwind contributed 13 percentage points to revenue growth

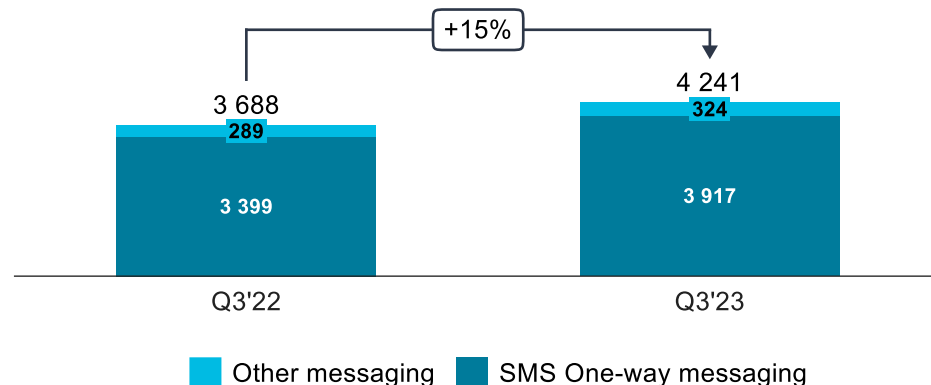
## Reported revenue NOKm



## Organic revenue growth of 17% in fixed currency

- European enterprise segments grew 6% organically in fixed currency
  - High comparable hyperscaler traffic in Q3 23
  - Ongoing implementation of contract backlog
- Global Messaging segment delivered organic growth of 54% in fixed currency
  - High activity due to unusual traffic mix effects

## Reported volume (mill transactions)



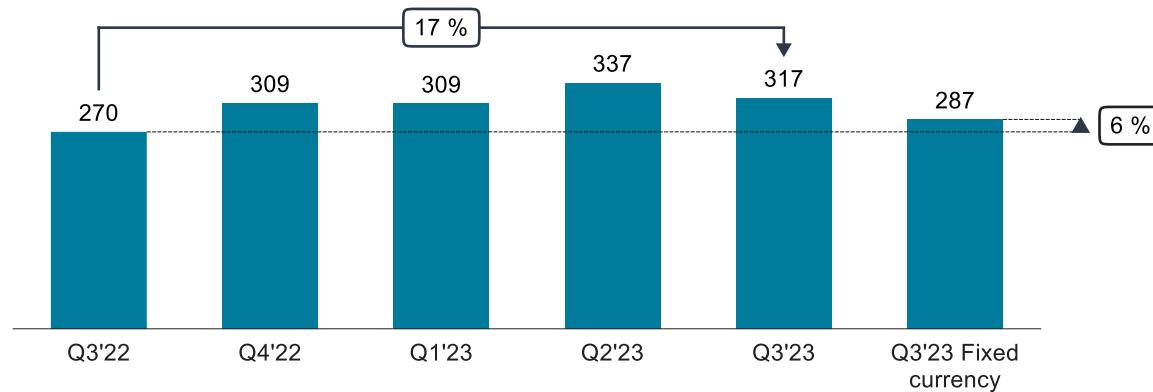
## Reported volume growth for Q3 23 at 15%

- Volume growth lower than revenue growth in fixed currency
  - Increased average price per message
- Higher priced OTT channels continued to gain traction in selected markets
  - Improving ROI for clients compared to traditional SMS messaging

# Reported gross profit growth of 17%

FX tailwind contributed 11 percentage points to gross profit growth

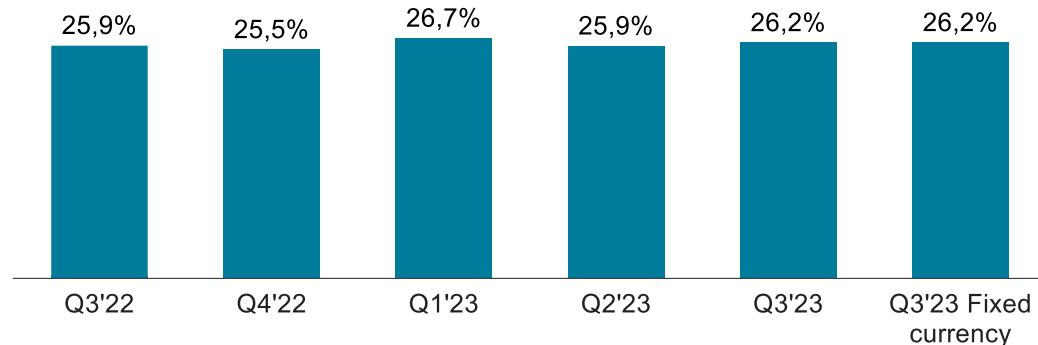
## Gross profit NOKm



### Organic gross profit growth 6% in fixed currency

- European enterprise segments delivered stable 7% organic growth
- Global Messaging with slight negative growth effect YoY
  - Unfavorable traffic mix isolated to the third quarter

## Europe Enterprise Gross Margin (%)



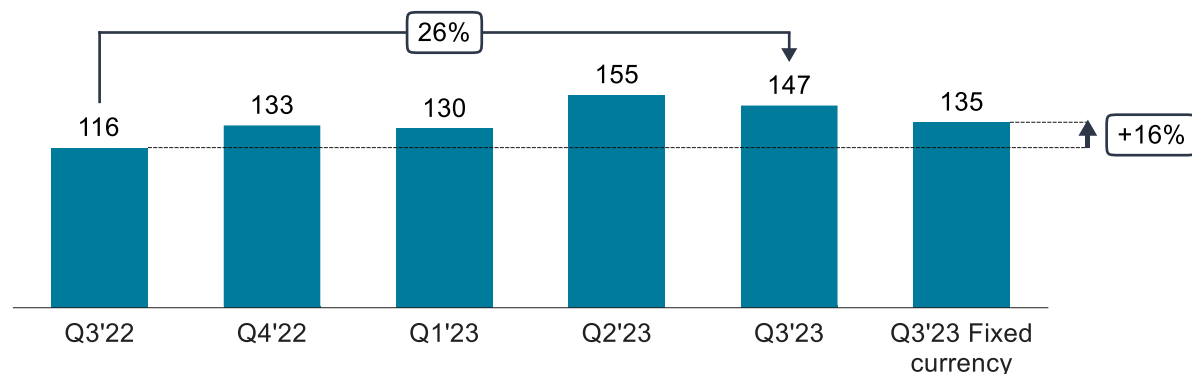
### Enterprise gross margin expanded YoY and remains stable LTM

- Enterprise margin +0.3 percentage points YoY
  - Positive client mix effects with higher price per message
  - High volume of OTP hyperscaler traffic last year

# Reported adjusted EBITDA growth of 26%

FX tailwind contributed 10 percentage points to adjusted EBITDA growth

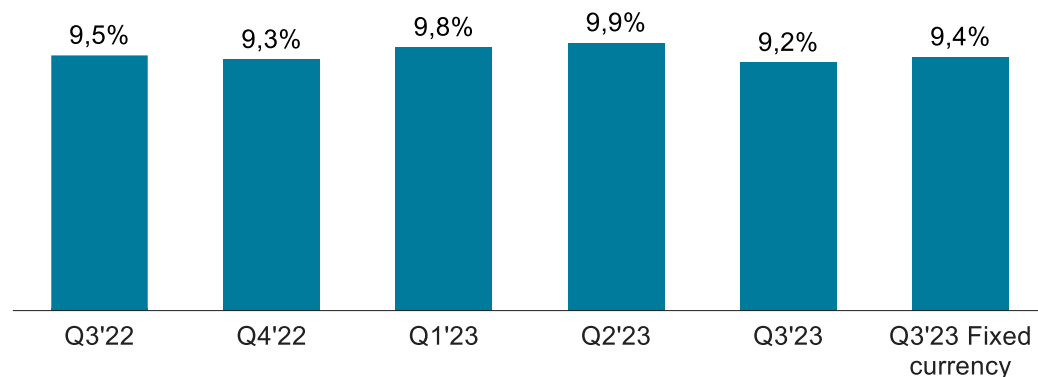
## Adjusted EBITDA NOKm



## Organic growth in adjusted EBITDA of 16% in fixed currency

- Gross profit growth contribution across Europe
- Opex decline of 1% in stable currency due to executed cost initiatives
  - YoY opex reduction from cost initiatives of NOK 14 million

## Adjusted EBITDA margin (%)



## Stable adjusted EBITDA margin YoY

- Enterprise Europe margin expanded 0.6pp to 15.8% YoY
  - Reflecting higher gross margin and execution on cost initiatives
- High activity for Global Messaging diluted overall margin

# P&L - Last quarter with non-recurring RSU cost

NOK in millions	Q3 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Total operating revenues	1 597	1 229	4 486	3 491	4 914
Direct cost of services rendered	(1 280)	(959)	(3 523)	(2 662)	(3 775)
<b>Gross profit</b>	<b>317</b>	<b>270</b>	<b>963</b>	<b>829</b>	<b>1138</b>
Operating expenses	(170)	(153)	(531)	(476)	(653)
<b>Adjusted EBITDA</b>	<b>147</b>	<b>116</b>	<b>432</b>	<b>353</b>	<b>486</b>
Non-recurring costs	(27)	(29)	(89)	(85)	(147)
<b>EBITDA</b>	<b>120</b>	<b>87</b>	<b>343</b>	<b>268</b>	<b>339</b>
Depreciation and amortization	(113)	(102)	(336)	(300)	(406)
Impairment cost	-	-	-	-	(180)
<b>Operating profit (loss)</b>	<b>7</b>	<b>(15)</b>	<b>7</b>	<b>(32)</b>	<b>(248)</b>
<b>Net financials</b>	<b>2</b>	<b>73</b>	<b>(106)</b>	<b>135</b>	<b>24</b>
<b>Profit (loss) before income tax</b>	<b>9</b>	<b>58</b>	<b>(99)</b>	<b>103</b>	<b>(224)</b>
Income tax	(7)	(15)	21	(49)	4
<b>Profit (loss) from continuing operations</b>	<b>1</b>	<b>43</b>	<b>(78)</b>	<b>54</b>	<b>(220)</b>
Profit (loss) from discontinued operations	41	46	107	73	68

## Non-recurring costs of NOK 27 million

- Costs related to M&A and restructuring costs of NOK 2 million
- Options cost of NOK 25 million with no cash effect in the quarter
  - Quarterly LTIP options cost of NOK 15 million
  - Accounting effect related to last RSU's tranche NOK 5 million
  - Social security cost accrual increase of NOK 5 million

## Depreciation and amortization NOK 113 million

- Depreciation of intangible assets from R&D NOK 21 million
- Depreciation of PPA's NOK 85 million
- Depreciation of leasing and fixed assets NOK 7 million

## Net financials

- Currency effect gain of NOK 35 million with limited cash effect
- Net interest costs of NOK 35 million mainly related to bond loan
- Other financial items of NOK 2 million

# Strong cash on balance sheet

NOK in millions	Q3 2023	Q3 2022	Year 2022
Non-current assets	9 249	9 407	8 924
Trade and other receivables	1 399	1 118	1 244
Cash and cash equivalents	1 104	916	827
<b>Total assets</b>	<b>11 752</b>	<b>11 441</b>	<b>10 994</b>
<b>Equity</b>	<b>5 578</b>	<b>5 620</b>	<b>5 226</b>
Deferred tax liabilities	475	602	533
Long-term borrowings	4 121	3 858	3 837
Other long term liabilities	45	57	45
<b>Total non-current liabilities</b>	<b>4 641</b>	<b>4 517</b>	<b>4 416</b>
Trade and other payables	1 447	1 141	1 331
Other short term liabilities	86	163	22
<b>Total current liabilities</b>	<b>1 533</b>	<b>1 304</b>	<b>1 353</b>
<b>Total Liabilities</b>	<b>6 174</b>	<b>5 821</b>	<b>5 769</b>
<b>Total liabilities and equity</b>	<b>11 752</b>	<b>11 441</b>	<b>10 994</b>

## Non-current assets increased mainly due to currency effects

- Goodwill of NOK 6.1 billion – whereof NOK 1.9 billion related to US

## Cash on balance sheet up NOK 188 million YoY to NOK 1.1 billion

- Expanding QoQ from FCF generation partly offset by negative FX effect
- WC increased seasonally and with high activity in Global Messaging

## Equity NOK 5 578 million and equity percentage of 47%

## Receivables and payables increased with organic growth and FX effects

## Net interest-bearing debt\* of NOK 3 063 million

- Expected leverage level after US transaction of 1.0x

# European business generates high recurring cash flows

Commercial refocus and execution on cost initiatives support high cash conversion

## Stable and solid cash generation from European footprint

- Cash conversion from adjusted EBITDA consistently high
  - Averaging 43% since Q3 22
- WC stable over time and modest capex to sales ratio

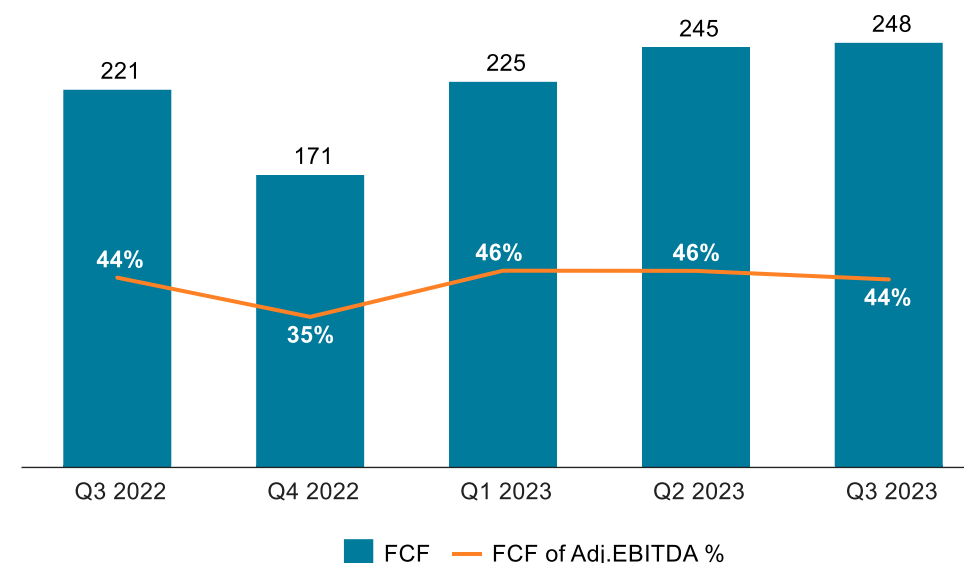
## LTM FCF growth 12% or NOK 27 million since Q3 22

- Uptick following commercial refocus last year
  - Higher contract backlog support gross profit growth
  - Executed cost reductions amplify effect
- Negative WC effect from high Global Messaging growth

## Divestment of Message Broadcast results in strong cash position

- Estimated cash position NOK 3.5 billion after close
- Return on cash > than cash interest payments
- EUR 370 million bond until December 2025 carries 3.375% coupon

## LTM free cash flow generation excluding US NOKm

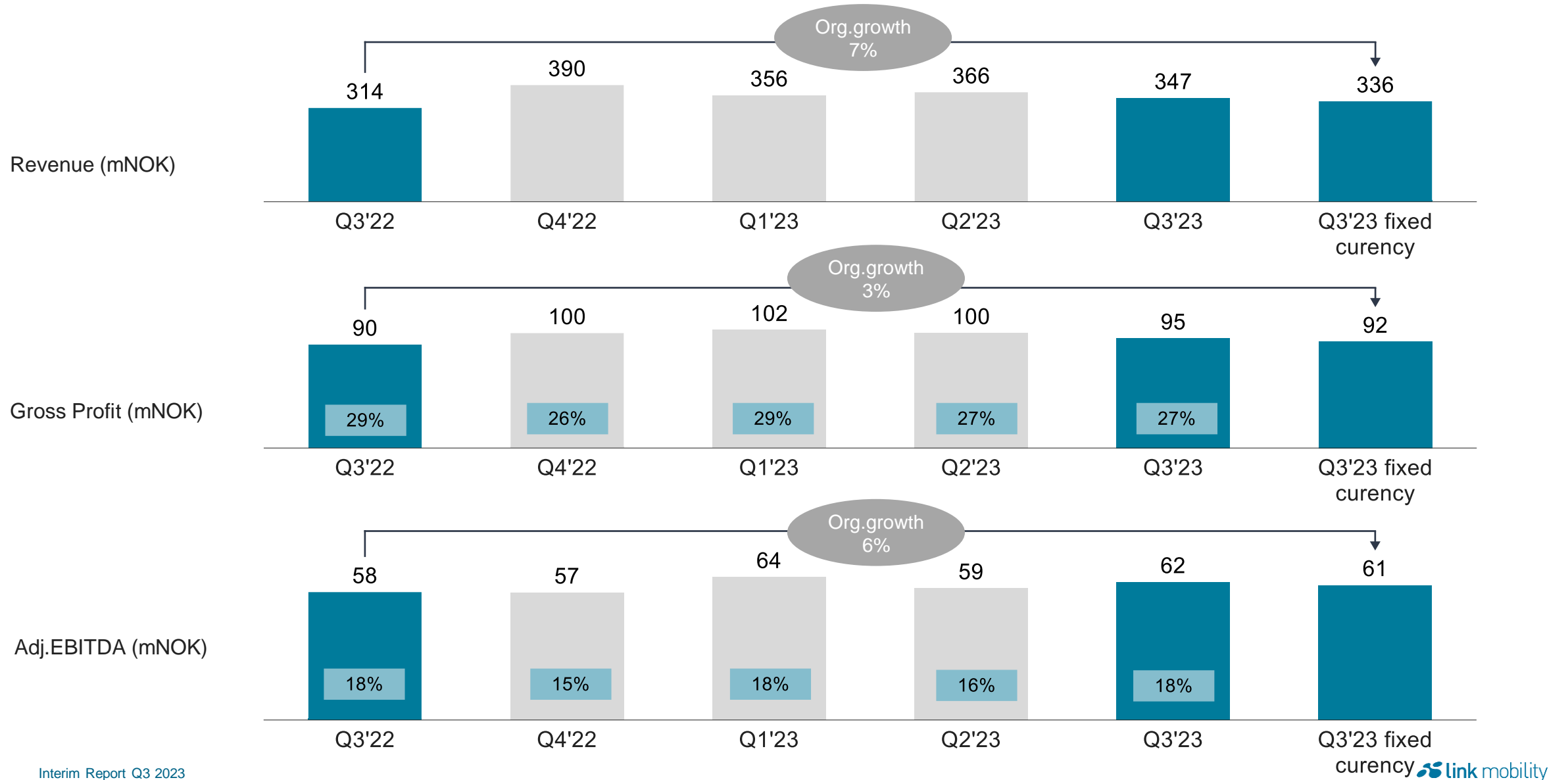


# Appendix

Q3 2023



# Northern Europe

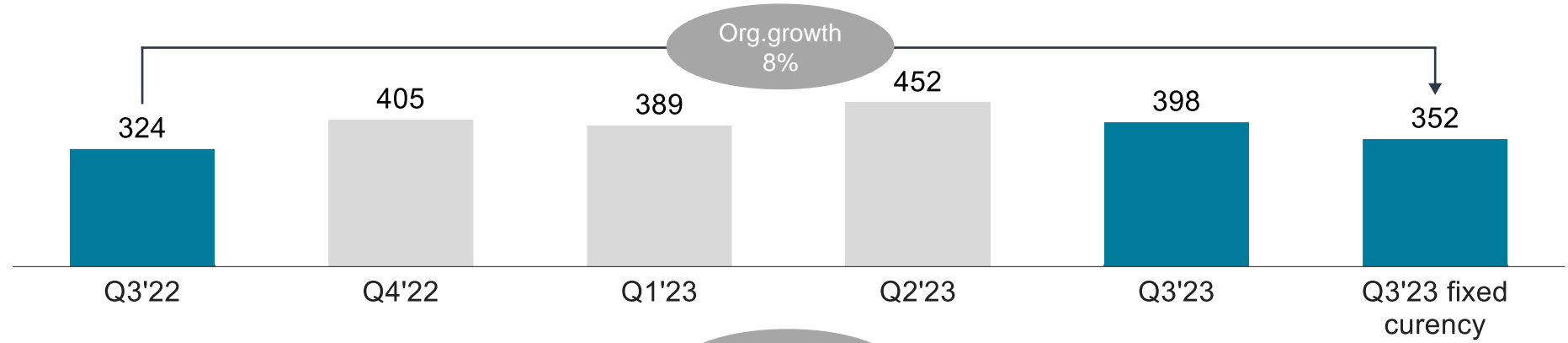


# Central Europe

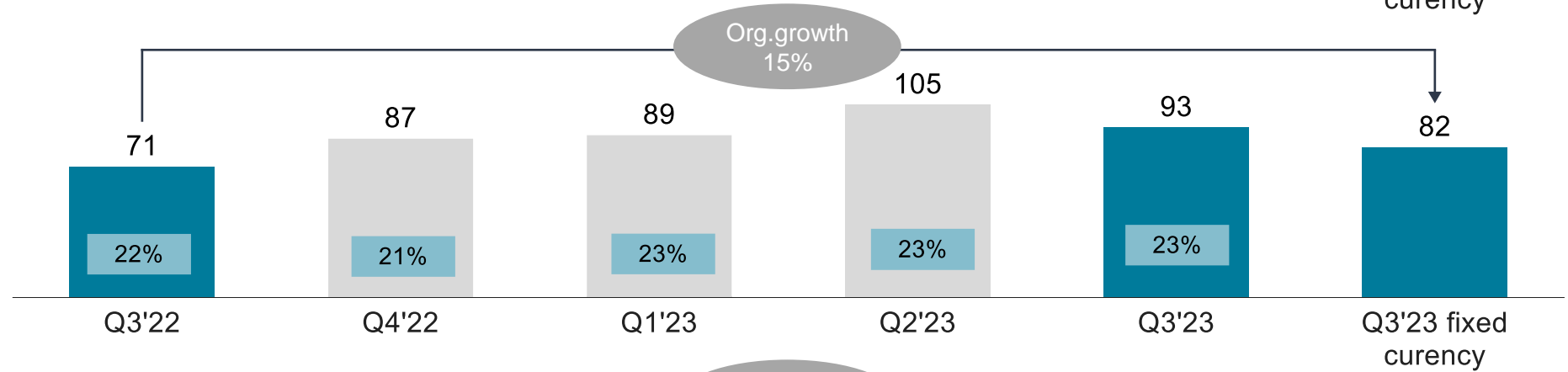


# Western Europe

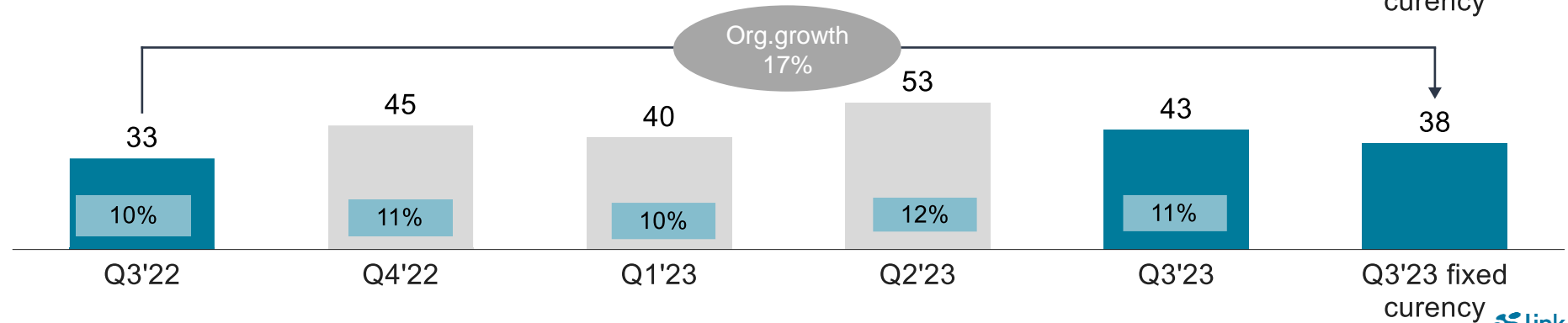
Revenue (mNOK)



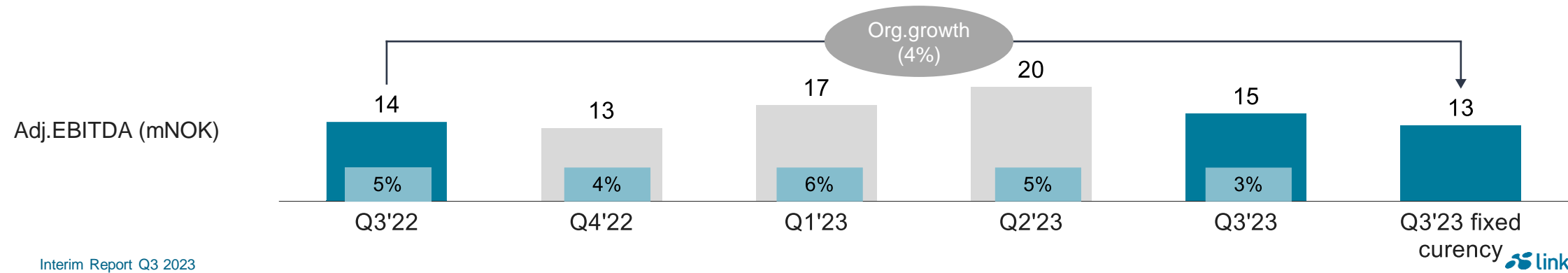
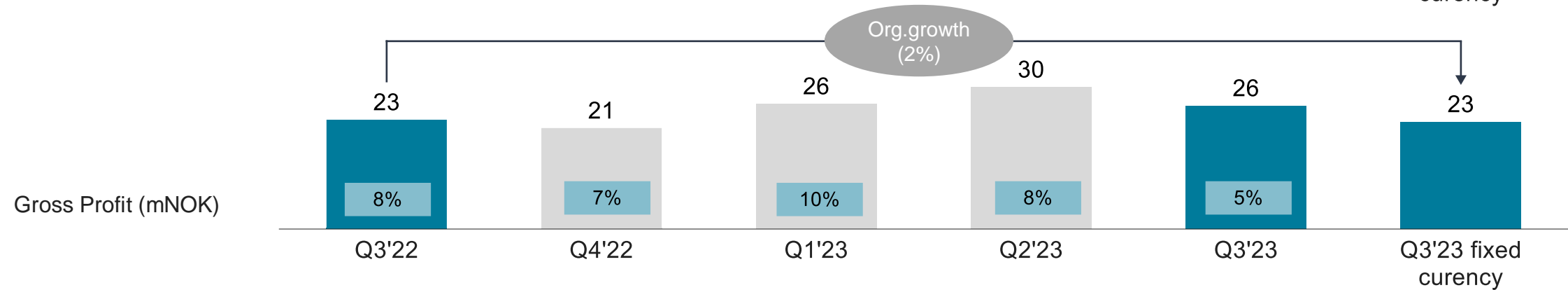
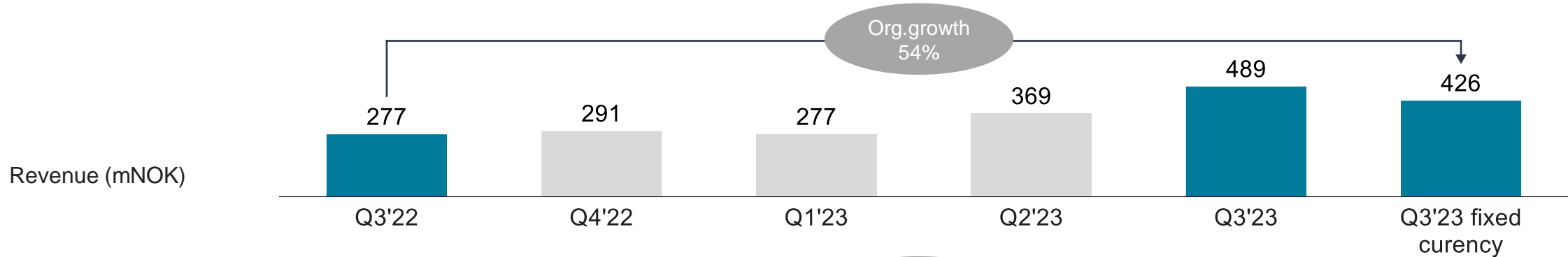
Gross Profit (mNOK)



Adj.EBITDA (mNOK)



# Global Messaging



# Q&A

[linkmobility.com/investors](https://linkmobility.com/investors)

28 November 2023