LINK Mobility Group Holding ASA

# Interim financial report Fourth quarter 2023

15 February 2024

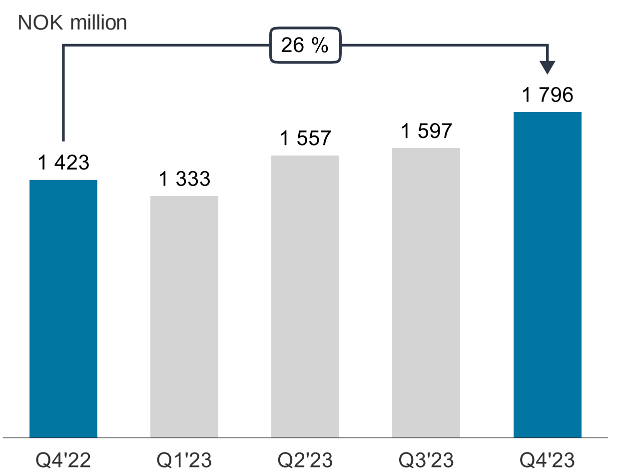


link mobility

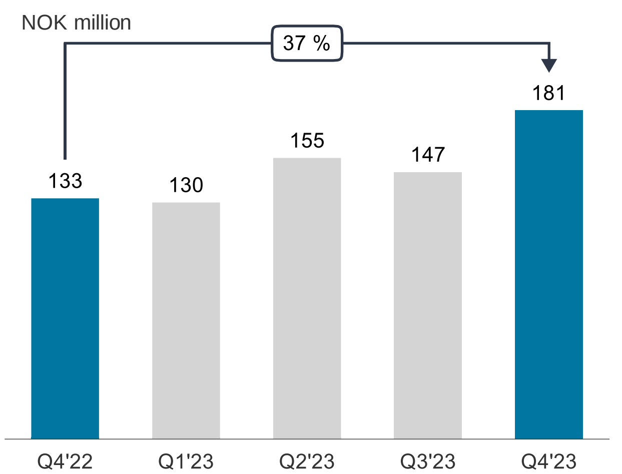
# Highlights fourth quarter

- **All-time high activity and profitability in the last quarter of 2023**
- **Revenue of NOK 1 796 million, organic growth in fixed currency 14%**
- **Gross profit of NOK 385 million, organic growth in fixed currency 13%**
- **Adj. EBITDA of NOK 181 million, organic growth in fixed currency 24%**
- **Cash reserve NOK 3.4 billion after divestment of Message Broadcast**
  - Divestment of US subsidiary at highly attractive valuation closed on 3 January 2024
- **Group Leverage at ~1.1x adjusted EBITDA after close of US divestment**
  - Providing ample financing capacity for inorganic growth through M&A

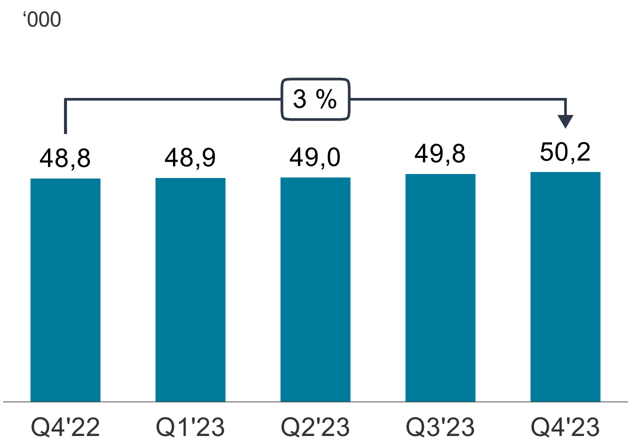
**Total operating revenues NOKm**



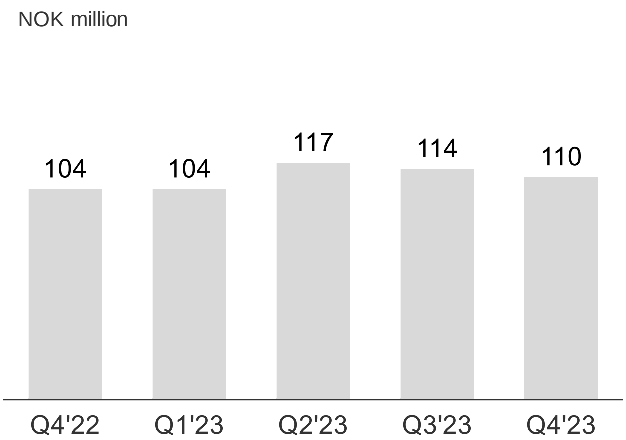

**Adjusted EBITDA NOKm**




**Customer accounts**




**Net retention rate in fixed currency**



# Strong organic growth

**LINK Mobility (LINK) reported revenue of NOK 1,796 million, growing 26% in fourth quarter 2023 with strong FX tailwind. Organic revenue growth in fixed currency was 14%. Gross profit and adjusted EBITDA were reported at NOK 385 million and NOK 181 million respectively, with organic growth in fixed FX of 13% and 24% at the high end of expectations. FY 23 organic growth in fixed FX was 7% and 15% respectively. Cost reductions completed early 2023 supported full year scalability. The divestment of the US subsidiary, closed 3 January 2024, resulted in a significant cash balance, providing opportunity for bond and potentially share buybacks in addition to accretive M&A. The remaining EUR bond, maturing in December 2025, is to be refinanced with net debt in the 2 - 2.5x adjusted EBITDA range, a more conservative policy than previously.**

After close of the fourth quarter, LINK finalized the divestiture of its US subsidiary for an enterprise value of USD 260 million, including a 2024 performance pending cash earnout of up to USD 30 million. The transaction resulted in a cash reserve of NOK 3.4 billion after closing, providing ample financing capacity for inorganic growth through M&A.

Reported revenue increased 26% YoY to NOK 1,796 million in the fourth quarter, with organic revenue growth at 14% in fixed FX. Underlying growth was driven by organic revenue growth of 33% for the Global Messaging segment and 9% for the European enterprise segments with strong market push related to Black Week and Christmas trading.

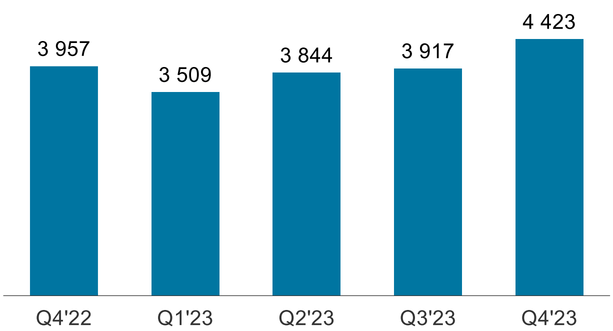
Gross profit grew 24% to NOK 385 million in Q4 23 with an organic gross profit growth in fixed FX of 13%. Gross margin for the European enterprise segments expanded by 0.3 percentage points with high growth on more profitable OTT channels like RCS . Overall gross margin was however slightly down YoY with a higher share of revenue from the low margin Global Messaging aggregator business despite an improved and normalized margin in the segment.

Adjusted EBITDA increased 37% to NOK 181 million in the fourth quarter, with organic growth at 24% in fixed FX. Executed cost reduction initiatives across the group supported adjusted EBITDA growth ahead of gross profit growth in addition to scalability. The adjusted EBITDA margin expanded to 10.1% from 9.3% in Q4 22 with effect from the executed cost reductions.

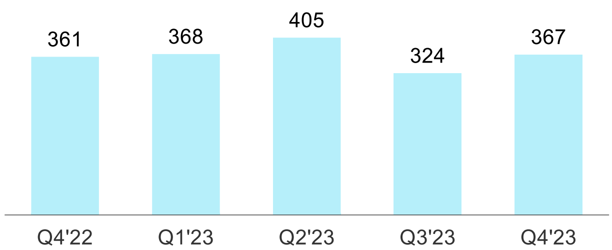
LINK's recurring and growing business is driven by 50 thousand loyal customers continuing to increase their usage. The industry is currently observing increased adoption rates for digital messaging and traction on higher margin CPaaS solutions. A highly scalable business model ensures adjusted EBITDA continues to grow faster than gross profit.

Total reported messaging volumes increased by 11% in the fourth quarter and less than revenue growth in fixed FX due to a higher average price per message. Higher priced new OTT (richer content internet distributed) channels, which improve ROI for clients compared to traditional one-way SMS messaging (telco distributed), continued to gain traction in selected markets. For other messaging, a lower volume for email was more than offset by strong growth for new OTT channels.

**SMS One-way messaging (mill messages)**




**Other messaging (mill messages)**



## LINK well positioned for value generation in 2024 and beyond

LINK has a transparent and highly cash generative European business with a large and diverse customer base. The business is supported by a very low customer churn and a high and growing contract backlog. Beyond its recurring nature, LINK sees a significant upsell and new sale potential from higher margin multi-channel / two-way messaging solutions in Europe.

The proceeds from the divestment of Message Broadcast enables LINK to fast-track accretive M&A, leveraging its proven track record for inorganic growth with more than 30 acquisitions completed in Europe the last decade. There is a substantial scope for inorganic EBITDA growth through multiple arbitrage use of proceeds in a still highly fragmented industry. The M&A approach is to be disciplined, accretive and opportunistic within the framework of a conservative financial policy. The remaining EUR bond, maturing in December 2025, is to be refinanced with net debt in the 2 - 2.5x adjusted EBITDA range, well below to the current incurrence test at 3.5x adjusted EBITDA.

LINK's European business has delivered a historical organic gross profit growth in the high single digits. As the business is highly scalable, organic adjusted EBITDA growth is expected to be higher than organic gross profit growth.

LINK's ambitions remain with several potential level-up cases in both Europe and beyond. Smaller bolt-ons in Europe is however a priority to realize further scale. The M&A pipeline holds an additional EBITDA potential of more than NOK 200 million in Europe alone.

## New agreements signed in fourth quarter 2023

LINK signed 745 new and expanding agreements in the fourth quarter, securing significant new revenue and future growth potential. The new agreements consisted of 557 signed direct customer contracts, 33 signed partner framework agreements and 155 new partner customers.

## Market trends towards advanced solutions

Market adoption for selected CPaaS products are accelerating as observed by LINK's new contract wins.

In the market for notification use cases, applied for essential information, there is stable demand and underlying growth momentum estimated in the high single-digits. Growth is driven mainly by alerts, reminders, payment and security products while demand for two-factor authentication (2FA) use cases are stable.

Mobile marketing use cases are increasingly adopting new channels. Demand for new channels with a richer feature set, like RCS and WhatsApp, and marketing automation solutions are accelerating and use cases are evolving from one-way mass communication to more conversational solutions. European retail markets however remain negatively affected by macroeconomic uncertainty.

Customer service is posting strong growth from a lower base contributing about 10% of group revenue. Parts of IVR (automated telephone systems) are being replaced by messaging services. Due to large cost saving potentials and enhanced consumer interaction through chatbots, customer service use cases could be counter cyclical.

# Financial Review

(Figures in brackets refer to the same period last year)

*Following the divestment of Message Broadcast LLC completed on January 3rd, 2024, the US subsidiary is reported as discontinued operations in the profit and loss statement and as assets held for sale in the balance sheet for fourth quarter 2023. Please refer to notes 9 and 10 for details regarding the divestment.*

## Group income statement

Total operating revenue amounted to NOK 1 796 million (NOK 1 423 million) or a reported growth of 26% versus the same period last year. Organic revenue growth in fixed currency was 14% with currency translation effects in the quarter of NOK 180 million related to depreciation of NOK against most foreign currencies.

Enterprise revenue growth was NOK 96 million or 9% in stable currency. The organic growth was supported by high activity in the seasonally peak season for retail related to Black week and Christmas sales. The market continue to develop towards multi-channel conversational messaging including channels with richer feature sets improving conversion rates in retail campaigns. This trend towards higher-margin channels is also reflected in the higher share of contracts closed on such solutions, however from a smaller base.

Solid volume growth in the Global messaging segment translated into revenue growth of NOK 96 million or 33% YoY in stable currency.

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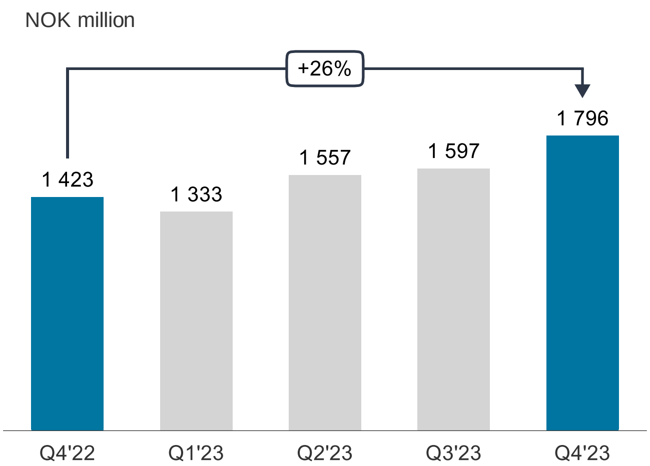
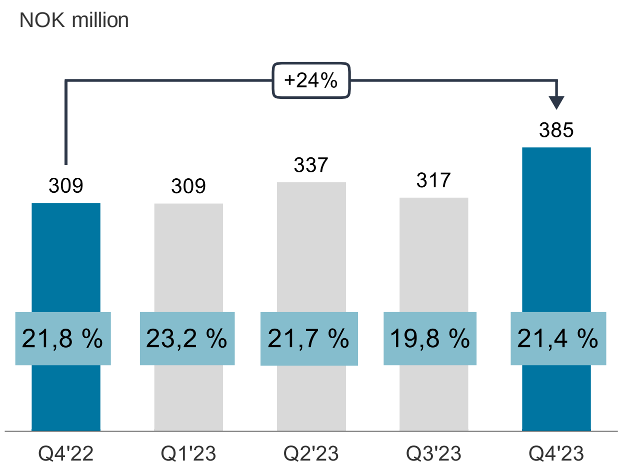
**Total operating revenues (mNOK)**




**Gross Profit and Gross Margin**




Gross profit reported at NOK 385 million or a growth of 24% in line with topline growth. Organic gross profit growth in stable currency was NOK 39 million or 13% for the quarter. Gross profit growth momentum in the Enterprise segments was 11% and in the high end of expectations supported especially by strong retail push across Western Europe though the quarter.

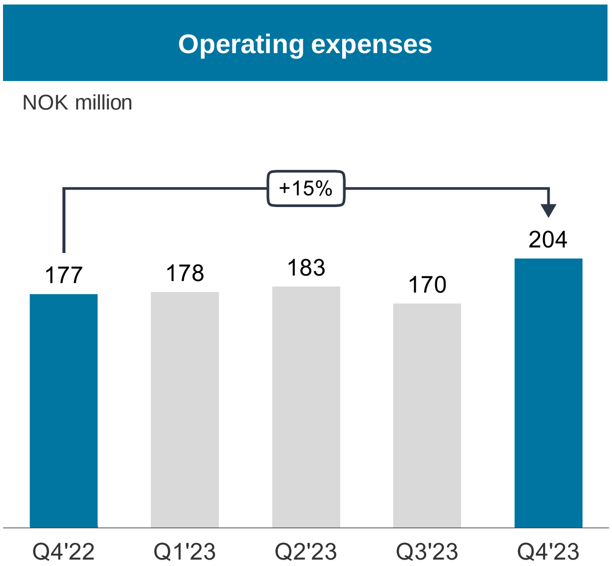
Reported gross profit growth in Global Messaging was 58% in line with topline growth with slight improvement in margin yoy. In stable currency the growth was NOK 8 million or 37% yoy. The margin in the Global Messaging segment normalized QoQ to historical levels as the previous quarter was impacted negatively by mix effects towards lower margin traffic.

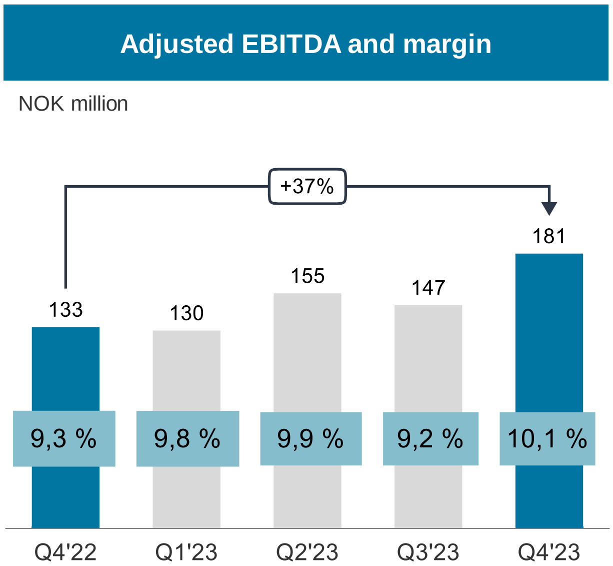
The total Group gross profit margin was reported at 21.4% (21.8%). The slight reduction in margin was related to the higher share of revenue from the low-margin Global Messaging segment compared to same quarter last year. The enterprise gross margin improved by 0.5 percentage points YoY to 26.0% related mainly to positive traffic mix effects including shifts towards higher value products.

Total operating expenses amounted to NOK 204 million (NOK 177 million) or a reported growth of 15% compared to same quarter last year. In fixed currency total operating expenses increased by 5% as underlying inflationary pressure and other cost increases was partly offset by the cost initiatives initiated across the European footprint and in Group functions late 2022. The cost reduction initiatives are concluded and yield full effect during the second half of 2023 contributing to improved profitability and cash flow generation. The effect of the initiatives was NOK 20 million on opex in the quarter compared to run-rate as of the second quarter of 2022. The impact on reported opex YoY was 12 million in stable currency in the fourth quarter and is expected to decrease significantly into 2024.

Adjusted EBITDA, before non-recurring cost, was reported at NOK 181 million (NOK 133 million) or 10.1% of total revenues (9.3%). In fixed currency the growth in adjusted EBITDA was 24%. The growth in adjusted EBITDA was driven by the organic growth in gross profit and modest growth in operating expenses.

Gross profit to adjusted EBITDA conversion was reported at 47% (43%).




EBITDA after non-recurring items was reported at NOK 135 million (NOK 71 million) after deduction of non-recurring cost of NOK 46 million (NOK 62 million) related to acquisitions, share option programs and restructuring costs. The non-recurring costs related to restructuring was recorded at NOK 18 million (NOK 39 million) mainly related to severance agreements related to changes in regional and local country management partly replacing expected future option costs. The decline in restructuring costs was related to the conclusion of high level of costs incurred in relation to the cost initiatives initiated late 2022. M&A costs was NOK 3 million in the quarter (NOK 14 million) and declined as same quarter last year included a concluded transaction and run-off costs from previous quarters. Costs related to share-options was reported at NOK 26 million (NOK 10 million) and the increase was related to new LTIP programs from 7 December 2022, and related social contribution costs impacted by share price increase. Costs related to RSU program was marginal as the final tranche was vested in October 2023.

Fourth quarter depreciation and amortization expense were NOK 122 million (106 million). The increase compared to same quarter last year is mainly attributable to the effect of foreign exchange translation on intangible assets (NOK 9 million). The remaining increase is related to increased depreciation related to completed projects during the quarter (NOK 7 million). No impairment cost was recognized in the fourth quarter (180 million), the decline was related to an impairment of goodwill in Spain same quarter last year.

Net financial income was NOK 25 million (negative NOK 161 million). The YoY change was largely related to a net currency gain (NOK 46 million) compared to a net currency loss in the same period last year (NOK 146 million). Net interest expense is comparatively lower as bond interest is partly offset by increased interest income from cash deposits and interest received from bond loans owned.

## Balance sheet, financing, and liquidity

All figures presented in the balance sheet and related to the US subsidiary are presented under their respective balance sheet line items as “available for sale.”

Non-current assets amounted to NOK 6 537 million (NOK 8 924 million). The two largest components of non-current assets are goodwill and other intangible assets. Goodwill is comparatively higher because of currency revaluation; other intangible assets are also revalued for currency but are also amortized. Other intangible assets have a declining profile as compared to the prior period. Goodwill and other intangible assets related to the US subsidiary are removed and presented together with net current assets held as available for sale (NOK 2 557 million).

Trade and other receivables amounted to NOK 1 380 million (NOK 1 244 million). The impact from changes in foreign currency exchange rates is positive NOK 52 million YoY. The remainder of the increase is driven by organic growth and timing of collections. Trade and other receivables related to the US subsidiary were NOK 98 million and are presented with current assets held as available for sale.

Trade and other payables were reported at NOK 1 494 million (NOK 1 331 million). The impact from changes in foreign currency exchange rates is positive NOK 79 million YoY. As for trade and other receivables, the increase is driven by organic growth and timing of payables. Trade and other payables held by the US subsidiary were NOK 101 million and are presented as part of short-term liabilities held as available for sale.

Total equity amounted to NOK 5 514 million (NOK 5 226 million) or 47% (48%) of balance sheet value. The increase was mainly related to foreign exchange effects (NOK 196 million) offset by effects of the net investment hedge (NOK 69 million). Changes in other equity, such as share based payments, quantify the remaining difference.

Long-term liabilities amounted to NOK 4 514 million (NOK 4 416 million). The largest components are external debt through a bond loan and deferred tax liability. External debt is subject to currency adjustment which is the main driver for the increase (NOK 284 million); this is offset by own bonds held of EUR 10 million (NOK 112 million). Deferred tax liabilities declined YoY by NOK 259 million; the decrease is related to amortization of intangible assets (NOK 69 million) and to the reclassification of deferred taxes related to the US subsidiary (NOK 190 million) to long-term liabilities held as available for sale. Long-term liabilities held as available for sale (US subsidiary) also includes lease liabilities.

Short-term liabilities, which include trade and other payables, amounted to NOK 1 653 million (NOK 1 353 million). Short-term borrowings are representative of accrued interest on the bond loan. IFRS 16 lease liabilities (current) are slightly higher due to currency revaluation and there is an increase in tax payable by NOK 35 million.

Net cash flow from operating activities was NOK 250 million (NOK 170 million). Organic growth combined with increased working capital release of NOK 26 million are the main contributors to improved cash flow from operations.

Net cash from investing activities was negative NOK 47 million (negative NOK 109 million). There are no acquisitions of subsidiaries in the current quarter; the comparative quarter last year, shows the acquisition of a US customer base (NOK 61 million).

Net cash flow from financing activities was negative NOK 198 million (negative NOK 143 million). In Q4 2024, a total of EUR 10 million of bonds were repurchased (NOK 118 million); in the prior year, there was a settlement of the hold-back amount related to the acquisition of Tismi (NOK 71 million).

Total cash and cash equivalents were NOK 1 108 million at the end of the quarter (NOK 827 million). Improved cash-flow from operations directly contribute to the increase. The US subsidiary held NOK 11 million at year-end; this is presented as part of current assets held as available for sale.

# Condensed consolidated income statement

| NOK '000 | Note | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|---|
| Total operating revenues | 3 | 1 795 821 | 1 422 656 | 6 282 126 | 4 913 740 |
| Direct cost of services rendered | | -1 410 972 | -1 113 216 | -4 934 441 | -3 775 466 |
| **Gross profit** | 3 | **384 849** | **309 440** | **1 347 685** | **1 138 275** |
| Payroll and related expenses | | -124 313 | -108 220 | -464 155 | -404 213 |
| Other operating expenses | | -79 548 | -68 654 | -270 408 | -248 543 |
| **Adjusted EBITDA** | 3 | **180 988** | **132 566** | **613 121** | **485 518** |
| Restructuring cost | | -17 985 | -38 514 | -29 014 | -71 789 |
| Share based compensation | 6 | -25 871 | -9 689 | -98 177 | -43 631 |
| Expenses related to acquisitions | | -2 521 | -13 647 | -8 078 | -31 324 |
| **EBITDA** | | **134 610** | **70 714** | **477 853** | **338 774** |
| Depreciation and amortization | 7 | -121 604 | -106 076 | -457 674 | -406 322 |
| Impairment cost | 7 | - | -180 360 | - | -180 360 |
| **Operating profit (loss)** | | **13 006** | **-215 722** | **20 179** | **-247 908** |
| **Finance income and finance expenses** | | | | | |
| Net currency exchange gains (losses) | | 45 666 | -146 223 | 44 319 | 94 227 |
| Net interest expense | | -27 650 | -34 036 | -139 667 | -148 353 |
| Net other financial expenses | | 6 568 | 19 047 | 13 839 | 27 925 |
| **Finance income (expense)** | | **24 585** | **-161 213** | **-81 508** | **-26 201** |
| **Profit (loss) before income tax** | | **37 591** | **-376 934** | **-61 329** | **-274 109** |
| Income tax | | -8 749 | 53 008 | 12 613 | 4 390 |
| **Profit (loss) from continuing operations** | | **28 842** | **-323 926** | **-48 716** | **-269 718** |
| Profit (loss) from discontinued operations | | 8 571 | 45 303 | 115 998 | 118 612 |
| **Profit (loss) for the period** | | **37 413** | **-278 624** | **67 282** | **-151 106** |
| **Earnings per share (NOK/share):** | | | | | |
| Earnings (loss) per share from continuing operations | | 0,10 | -1,10 | -0,16 | -0,91 |
| Diluted (loss) earnings per share from continuing operations | | 0,12 | -1,10 | 0,22 | -0,91 |
| Earnings (loss) per share from discontinued operations | | 0,03 | 0,15 | 0,39 | 0,40 |
| Diluted (loss) earnings per share from discontinued operations | | 0,03 | 0,15 | 0,38 | 0,40 |

# Condensed consolidated statement of comprehensive income

| NOK '000 | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Profit (loss) for the period** | **37 413** | **-278 624** | **67 282** | **-151 106** |
| Total effect - foreign exchange | -116 828 | -131 633 | 195 641 | 271 850 |
| Gains and losses net investment hedge | 1 235 | 6 650 | -69 037 | -49 875 |
| Tax on OCI that may be reclassified to P&L | -272 | -1 463 | 15 188 | 10 973 |
| **OCI that may be reclassified to P&L** | **-115 864** | **-126 446** | **141 793** | **232 947** |
| Actuarial gains and losses | -1 757 | 0 | -1 757 | 0 |
| **OCI that will not be reclassified to P&L** | **-1 757** | **-** | **-1 757** | **-** |
| **Total Other Comprehensive Income (OCI)** | **-117 622** | **-126 446** | **140 036** | **232 947** |
| **Total Comprehensive Income** | **-80 209** | **-405 070** | **207 318** | **81 841** |

# Condensed consolidated statement of financial position

| NOK '000 | Note | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | | 4 388 870 | 5 788 277 |
| Other intangible assets | | 1 773 601 | 2 929 503 |
| Right-of-use-assets | | 49 844 | 47 865 |
| Equipment and fixtures | | 20 432 | 22 143 |
| Deferred tax assets | | 142 934 | 133 145 |
| Other long-term receivables | | 2 523 | 2 876 |
| Non-current assets held as available for sale | | 158 621 | - |
| **Non-current assets** | | **6 536 824** | **8 923 810** |
| **Current assets** | | | |
| Trade and other receivables | | 1 380 412 | 1 243 758 |
| Cash and cash equivalents | | 1 096 596 | 826 851 |
| Current assets held as available for sale | 10 | 2 667 033 | - |
| **Current assets** | | **5 144 042** | **2 070 609** |
| **Total assets** | | **11 680 866** | **10 994 419** |
| **Equity & Liabilities** | | | |
| Shareholders equity | | 5 514 093 | 5 225 521 |
| **Total equity** | | **5 514 093** | **5 225 521** |
| **Long-term liabilities** | | | |
| Long-term borrowings | 5 | 4 008 320 | 3 837 096 |
| Lease liability, non-current | 5 | 31 421 | 34 381 |
| Deferred tax liabilities | | 274 431 | 533 064 |
| Other long term liabilities | 5 | 6 834 | 11 006 |
| Long-term liabilities held as available for sale | 9 | 193 148 | - |
| **Total non-current liabilities** | | **4 514 153** | **4 415 547** |
| **Short-term liabilities** | | | |
| Borrowings, short term | 5 | 2 741 | 5 470 |
| Lease liability, current | 5 | 14 549 | 14 217 |
| Trade and other payables | | 1 493 639 | 1 331 086 |
| Tax payable | | 38 014 | 2 578 |
| Short-term liabilities held as available for sale | 9 | 103 678 | - |
| **Total current liabilities** | | **1 652 620** | **1 353 351** |
| **Total liabilities** | | **6 166 773** | **5 768 898** |
| **Total liabilities and equity** | | **11 680 866** | **10 994 419** |

# Condensed consolidated statement of changes in equity

| YTD Q4 2023 (NOK '000) | Note | Share capital | Share premium | Other equity | Retained earnings | Other reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Total Opening Balance** | | **1 579** | **5 667 588** | **140 523** | **-473 456** | **-110 784** | **5 225 451** |
| Changes in Net Income | | - | - | - | 67 282 | - | 67 282 |
| Total Other Comprehensive Income (OCI) | | 0 | 0 | -104 176 | 237 019 | 7 193 | 140 036 |
| **Total Comprehensive Income** | | **0** | **0** | **-104 176** | **304 302** | **7 193** | **207 318** |
| Changes due to issue of stock | | 6 | 2 752 | - | - | - | 2 759 |
| Share based payment | | - | - | 78 565 | - | - | 78 565 |
| **Closing Balance** | **8** | **1 585** | **5 670 341** | **114 912** | **-169 154** | **-103 591** | **5 514 093** |

| YTD Q4 2022 (NOK '000) | Note | Share capital | Share premium | Other equity | Retained earnings | Other reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Total Opening Balance** | | **1 471** | **5 661 307** | **218 342** | **-918 484** | **126 923** | **5 089 560** |
| Changes in Net Income | | - | - | - | -151 106 | - | -151 106 |
| Total Other Comprehensive Income (OCI) | | - | - | 467 056 | 24 | -234 133 | 232 947 |
| **Total Comprehensive Income** | | **-** | **-** | **467 056** | **-151 082** | **-234 133** | **81 841** |
| Changes due to issue of stock | | 8 | 6 282 | - | - | - | 6 289 |
| Share based payment | | - | - | 47 833 | - | - | 47 833 |
| **Closing Balance** | **8** | **1 479** | **5 667 588** | **733 228** | **-1 069 565** | **-107 210** | **5 225 521** |

# Condensed consolidated statement of cash flows

| NOK '000 | Note | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|---|
| **Profit before income tax from total operations[1]** | | **46 162** | **-331 632** | **54 669** | **-155 429** |
| Adjustments for: | | | | | |
| Taxes paid | | -8 234 | -30 009 | -41 797 | -58 213 |
| Finance income (expense) | | -23 624 | 167 729 | 89 900 | 37 109 |
| Depreciation and amortization | | 128 554 | 289 056 | 482 530 | 595 952 |
| Employee benefit - share based payments | | 15 368 | 9 774 | 78 565 | 47 833 |
| Net losses (gains) from disposals | | - | - | -248 | 32 |
| Change in other provisions | | 17 504 | 15 187 | 6 245 | 24 585 |
| Change in trade and other receivables | | -66 302 | -140 450 | -146 043 | -290 208 |
| Change in trade and other payables | | 140 912 | 190 841 | 200 297 | 219 084 |
| **Net cash flows from operating activities** | | **250 340** | **170 495** | **724 119** | **420 745** |
| **Net cash flows from investing activities** | | | | | |
| Payment for equipment and fixtures | | -2 118 | -964 | -5 857 | -8 084 |
| Payment for intangible assets | | -44 969 | -46 163 | -167 028 | -172 217 |
| Payment for acquisition of subsidiary, net of cash | 8 | - | -61 477 | -7 227 | -61 477 |
| **Net cash flows from investing activities** | | **-47 087** | **-108 604** | **-180 113** | **-241 778** |
| **Net cash flows from financing activities** | | | | | |
| Proceeds on issue of shares | | 1 082 | 892 | 2 759 | 6 289 |
| Proceeds from borrowings | 5 | - | - | - | - |
| Repayment of borrowings | | -117 960 | -70 501 | -117 960 | -81 429 |
| Interest paid | | -76 035 | -69 478 | -150 529 | -141 967 |
| Dividend paid (received) | | - | - | - | - |
| Principal elements of lease payments | | -5 081 | -3 938 | -18 825 | -15 931 |
| **Net cash flows from financing activities** | | **-197 994** | **-143 025** | **-284 554** | **-233 037** |
| **Net change in cash and cash equivalents** | | **5 259** | **-81 134** | **259 452** | **-54 070** |
| Cash and equivalents at beginning of period | | 1 104 479 | 916 211 | 826 851 | 843 618 |
| Effect of foreign exchange rate changes | | -1 507 | -8 226 | 21 928 | 37 304 |
| **Cash and equivalents at end of the period** | | **1 108 232** | **826 851** | **1 108 232** | **826 851** |

# Condensed consolidated statement of cash flows (continued)

| [1] Profit before taxes from total operations consists of: | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Profit before taxes from continuing operations | 37 591 | -376 934 | -61 329 | -274 109 |
| Profit before taxes from discontinued operations | 8 571 | 45 303 | 115 998 | 118 612 |
| **Profit before taxes from total operations** | **46 162** | **-331 632** | **54 669** | **-155 496** |

| Cash flow from discontinued operations NOK '000 | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Net cash flows from operating activities | -7 922 | 59 695 | 177 899 | 113 301 |
| Net cash flows from investing activities | -16 567 | -76 442 | -63 986 | -109 437 |
| Net cash flows from financing activities | -920 | 20 493 | -161 326 | -2 952 |
| **Total cash flows from discontinued operations** | **-25 410** | **3 745** | **-47 413** | **911** |
| Effect of foreign exchange rate changes | -1 110 | -2 963 | 4 989 | 7 148 |
| **Net cash flows from discontinued operations** | **-26 520** | **782** | **-42 424** | **8 060** |

Cash flows from discontinued operations includes Message Broadcast LLC

# Selected notes to the accounts

## Note 1 – General information

The Board of Directors approved the condensed interim financial statements for the three months ended 31 December 2023 for publication on 15 February 2024. The Group financial statements for the fourth quarter have not been subject to audit or review by auditors; figures for FY2022 are audited.

LINK Mobility Group Holding ASA (LINK) is a public limited company registered in Norway. The Company is one of Europe's leading CPaaS providers within mobile communication, specializing in messaging and digital services. Headquartered in Oslo, Norway, the Group has 600 employees and operates in 17 countries.

## Note 2 – Basis for preparation and significant accounting policies

The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 "Interim Financial Reporting." The condensed interim financial statements do not include all information and disclosures required in the annual financial statement and should be read in accordance with the Group's annual report for 2022, which has been prepared according to IFRS as adopted by the EU.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. Estimates and judgements are continually evaluated by the Group based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates. The most significant judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2022.

Goodwill and other intangible assets with an indefinite useful economic life are not amortized but are tested annually for impairment. The company performs an impairment test for goodwill on an annual basis or when there are circumstances which would indicate that the carrying value of goodwill may be impaired. When assessing impairment, assets are grouped into cash generating units (CGU's).

The presentation currency of the consolidated financial statement is Norwegian kroner (NOK), which is also the functional currency of the parent company. Unless otherwise stated, amounts presented are in thousands of NOK.

The accounting policies applied in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the annual IFRS financial statements for the year ended December 31, 2022, except for the adoption of new and amended standards as set out below.

## Hedging

The Group applies hedge accounting for hedges that meet the criteria for hedge accounting. The Group has a hedge of net investments in foreign operations.

At the inception of each hedge relationship, the Group designates and documents the hedge accounting relationship, risk management objective, and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to change in the hedged item's fair value of cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Hedge relationships that meet the requirements for hedge accounting are accounted for in the Group's consolidated financial statements as follows:

### Hedge of a net investment

A hedge of a net investment in a foreign operation is accounted for in a similar way to a cash flow hedge. Foreign exchange gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in comprehensive income while any foreign exchange gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign entity, the cumulative foreign exchange gains or losses recognized in other comprehensive income is reclassified to the income statement.

### Exchange rate risk

Net investment hedge accounting is applied when possible.

For information related to amendments to standards, new standards, and interpretations effective from 01 January 2023, please refer to the Group Annual Report for 2022. None of the amendments, standards, or interpretations effective from 01 January 2023 have had a significant impact on the Group's consolidated interim financial information.

## Note 3 – Segment reporting

The Group reports revenue, gross profit (revenue less direct costs), gross margin (gross profit divided by revenue) and adjusted EBITDA in functional operating segments to the Board of Directors (the Group's chief operating decision makers). While LINK uses all four measures to analyze performance, the Group's strategy of profitable growth means that adjusted EBITDA is the prevailing measure of performance (refer to alternate performance measures).

An examination of operating units based on market maturity and product development as well as geography identifies four natural reporting segments. These are Northern Europe, Western Europe, Central Europe and Global Messaging; these represent market clusters. Generally, regions are segregated into similar geographic locations as these follow similar market trends. Global Messaging includes all regions with aggregator traffic; the other four have enterprise traffic.

The regions are:

**Northern Europe**

The Nordics is composed of Norway, Sweden, Denmark, Finland and Baltics (discontinued during 2022).

**Central Europe**

Central Europe is composed of Bulgaria, Romania, North Macedonia, Poland, Hungary, Germany, Austria, and the Netherlands.

**Western Europe**

Western Europe is composed of Spain, France, the United Kingdom, and Italy.

**Global Messaging**

Global messaging is comprised of non-enterprise traffic and is representative of either stand-alone business or as a component of revenues in countries included above. If a business is comprised of both enterprise and wholesale/aggregator transactions, the latter is segregated here. The Swiss operation Horisen Messaging is included here.

Wholesale/aggregator business is defined as an operating unit within LINK's industry, and that use LINK connections in markets where they do not have such connections themselves. This business can generally be referred to, at least partly, as a direct competitor that use LINK connections. Smaller local aggregators cannot be expected to be covered efficiently by Global Messaging and as such they are still subject to local handling (not a focus area though because they are generally low margin and switch easily).

| *Revenue per segment* | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Northern Europe | 420 795 | 390 114 | 1 489 934 | 1 364 335 |
| Central Europe | 416 897 | 336 487 | 1 461 521 | 1 183 616 |
| Western Europe | 511 539 | 405 074 | 1 750 286 | 1 423 472 |
| Global Messaging | 446 590 | 290 982 | 1 580 386 | 942 317 |
| **Total revenues** | **1 795 821** | **1 422 656** | **6 282 126** | **4 913 740** |

| *Gross profit by segment* | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Northern Europe | 112 261 | 99 673 | 409 637 | 375 816 |
| Central Europe | 115 727 | 101 767 | 412 233 | 361 792 |
| Western Europe | 123 107 | 86 663 | 409 513 | 317 179 |
| Global Messaging | 33 755 | 21 338 | 116 302 | 83 487 |
| **Total gross profit** | **384 849** | **309 440** | **1 347 685** | **1 138 275** |

| *Adj. EBITDA by segment* | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Northern Europe | 70 745 | 57 352 | 256 367 | 226 653 |
| Central Europe | 76 248 | 66 405 | 271 711 | 232 052 |
| Western Europe | 65 504 | 44 501 | 201 353 | 153 469 |
| Global Messaging | 22 246 | 12 816 | 74 352 | 47 998 |
| Group Costs | -53 755 | -48 509 | -190 661 | -174 653 |
| **Total adjusted EBITDA** | **180 988** | **132 566** | **613 121** | **485 518** |

| *Reconciliation of adjusted EBITDA to Group profit (loss) before income tax* | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Adjusted EBITDA | 180 988 | 132 566 | 613 121 | 485 518 |
| Non-recurring items | -46 378 | -61 851 | -135 269 | -146 744 |
| Depreciation and amortization | -121 604 | -286 436 | -457 674 | -586 682 |
| **Operating profit** | **13 006** | **-215 722** | **20 179** | **-247 908** |
| Finance income (expense) | 24 585 | -161 213 | -81 508 | -26 201 |
| **Profit (loss) before income tax** | **37 591** | **-376 934** | **-61 329** | **-274 109** |

* Non-recurring items are expenses related to significant one-time, non-recurring events such as acquisitions and restructuring activities and share-based compensation

## Note 4 – Related party transactions

Balances and transactions between LINK Mobility Group Holding ASA and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. As of 31 December 2023, the Group has not entered any transactions with related parties.

## Note 5 – Debt

On 23rd June 2021 LINK issued EUR 170 million new bonds in LINK's outstanding 5-year senior unsecured 3.375% fixed rate bond issue, raising the total outstanding amount to EUR 370 million. The bonds were issued at par.

NOK '000

| Non-current financial liabilities | YTD 2023 | Year 2022 |
|---|---|---|
| Bond loan | 4 008 320 | 3 837 096 |
| Lease liability | 31 421 | 34 381 |
| Other long-term liabilities | 6 834 | 11 006 |
| **Total** | **4 046 575** | **3 882 483** |

NOK '000

| Current liabilities | YTD 2023 | Year 2022 |
|---|---|---|
| Lease liability | 14 549 | 14 217 |
| Debt to financial institutions/bond loan* | 2 741 | 5 470 |
| **Total** | **17 290** | **19 688** |

* Instalments falling due within a 12-month period, including non-capitalized interest, are classified as current.

## Note 6 – Options

In Q4 2023, an expense of NOK 26 million was recognized in relation to the RSU, LTI, and employee option programs.

The annual general meeting held in May 2023 approved the roll-over of the LTIP programs from 2020 and 2021 into a new three-year program with issue date 7th December 2022.

The increase in this expense as compared to prior periods is directly attributable to the roll-over of the LTIP programs from 2020 and 2021. Previous programs are replaced, and the expense recognized is the difference between the current fair value of the old programs and the new fair value of the new grant. The expense recognized in Q2 2023 includes the effect of the roll-over for the period December 7th, 2022, and first half of 2023.

Please refer to the annual report for 2022 and to Company press releases regarding details for the respective option programs.

## Note 7 – Depreciation, amortization and impairment

Depreciation and amortization are comprised of the following amounts:

NOK '000

| Depreciation and amortization | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Equipment and fixtures | 1 107 | 2 071 | 7 720 | 7 456 |
| Right-of-use-assets | 4 482 | 3 691 | 17 356 | 15 322 |
| Intangible assets acquisitions* | 87 145 | 80 637 | 341 687 | 311 413 |
| Intangible assets - subsidiaries** | 28 870 | 19 677 | 90 910 | 72 130 |
| **D&A from cont. operations** | **121 604** | **106 076** | **457 673** | **406 322** |
| D&A from discont. operations | 6 951 | 2 620 | 24 857 | 9 270 |
| **Total depreciation and amortization** | **128 554** | **108 696** | **482 530** | **415 592** |

* Acquisitions: depreciation of allocated surplus values from purchase price allocations on acquisitions (Group level)
** Subsidiaries: depreciation of amounts booked in subsidiary balances. Includes book values from acquisitions

Impairment of intangible assets and goodwill is comprised of the following amount:

NOK '000

| Impairment | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Impairment from continuing operations** | **-** | **180 360** | **-** | **180 360** |
| Impairment from from discontinued operations | - | - | - | - |
| **Total impairment of intangible assets and goodwill** | **-** | **180 360** | **-** | **180 360** |

## Note 8 – Earnings per share

The Group’s earnings per share is calculated as below:

| NOK '000 | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Net (loss) income from continuing operations | 28 842 | -323 926 | -48 716 | -269 718 |
| Net (loss) income from discontinued operations | 8 571 | 45 303 | 115 998 | 118 612 |
| Owners of LINK Mobility Group Holding ASA | 37 413 | -278 624 | 67 282 | -151 106 |

| Weighted average number of ordinary shares (basic) | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Issued ordinary shares at 01 January | 295 890 | 294 252 | 295 890 | 294 252 |
| Effect of shares issued (07 July 2022) | | | | 588 |
| Effect of shares issued (14 November 2022) | | 929 | | 929 |
| Effect of shares issued (24 November 2022) | | 120 | | 120 |
| Effect of shares issued (05 June 2023) | | | 175 | |
| Effect of shares issued (08 November 2023) | 909 | | 909 | |
| Effect of shares issued (22 December 2023) | 85 | | 85 | |
| **Weighted average number of ordinary shares** | **296 885** | **295 302** | **297 059** | **295 890** |
| Basic earnings (loss) per share from continuing operations | 0,10 | (1,10) | (0,16) | (0,91) |
| Basic earnings (loss) per share from discontinued operations | 0,03 | 0,15 | 0,39 | 0,40 |

| Weighted average number of ordinary shares (diluted) | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Weighted average number of ordinary shares (basic)** | 296 885 | 295 302 | 297 059 | 295 890 |
| Effect of share options on issue | 8 478 | 2 076 | 8 478 | 2 076 |
| **Weighted average number of ordinary shares (diluted)** | **305 362** | **297 378** | **305 537** | **297 966** |
| Diluted (loss) earnings per share from continuing operations | 0,12 | (1,10) | 0,22 | (0,91) |
| Diluted (loss) earnings per share from discontinued operations | 0,03 | 0,15 | 0,38 | 0,40 |

## Note 9 – Discontinued Operation

Operations presented as discontinued operations include Message Broadcast LLC (US subsidiary), which was effectively sold upon the signing of a sales and purchase agreement (SPA) on 07 November 2023.

Discontinued operations represent a separate major line of business that has been disposed. Discontinued operations are excluded from the results of continuing operations and are presented on a single line after tax in the income statement. Discontinued operations are also excluded from the segment reporting (note 3).

The profit (loss) of the disposed US subsidiary presented as discontinued operations until disposal, and subsequent adjustments are shown in the table below:

| NOK '000 | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Total revenue | 97 123 | 102 225 | 398 683 | 276 309 |
| Gross profit | 76 369 | 90 576 | 317 354 | 246 594 |
| Adjusted EBITDA | 34 063 | 55 284 | 167 668 | 139 703 |
| Operating profit (loss) | 27 087 | 45 556 | 134 369 | 119 367 |
| Finance income (expense) | - 39 | - 253 | 268 | - 688 |
| Profit (loss) before income tax | 27 048 | 45 303 | 134 638 | 118 680 |
| Income tax | - | - | 162 | 67 |
| **Profit (loss) from Message Broadcast LLC** | **27 048** | **45 303** | **134 475** | **118 612** |

The figures presented above are only representative of the US subsidiary. As a result of the disposal, related expenses are also classified in the discontinued operations line item in the condensed consolidated income statement.

| NOK '000 | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| Profit (loss) from Message Broadcast LLC | 27 048 | 45 303 | 134 475 | 118 612 |
| Currency option premium | - 12 573 | - | - 12 573 | - |
| Legal fees | - 5 904 | - | - 5 904 | - |
| **Profit (loss) from discontinued operations** | **8 571** | **45 303** | **115 998** | **118 612** |

The currency option premium is representative of costs incurred to secure a EUR call option (EUR/USD).

The accumulated amounts for discontinued operations recognized in other comprehensive income (OCI) within equity are as follows:

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| Accumulated currency translation effects | - 1 434 | 134 252 | - 104 650 | - 148 546 |

Accumulated currency translation effects are expected to flow through the profit and loss once the transaction is completed.

## Note 10 – Event after the reporting date

The divestment of Message Broadcast LLC (US subsidiary) was closed on 03 January 2024. The amount of the transaction is USD 260 million, including an earn-out component of up to USD 30 million. The earnout is linear from USD 7.5 million, increasing with revenue growth to match historic Message Broadcast LLC performance for full payout.

Details of the sale of the US subsidiary are as presented below:

| NOK '000 | YTD |
|---|---|
| Consideration received or receivable | |
| Cash | 2 237 928 |
| Fair value of contingent consideration | 376 379 |
| **Total disposal consideration** | **2 614 307** |
| Carrying amount of net assets sold | 2 374 810 |
| **Gain on sale before income tax and reclassification of foreign currency translation reserve** | **239 496** |
| Reclassification of foreign currency translation reserve | - 104 650 |
| Income tax expense on gain | - 58 956 |
| **Gain on sale after income tax** | **75 891** |

If operations of the discontinued operation achieve certain performance criteria during the period 01 January 2024 to 31 December 2024, as specified in an earn-out clause in the SPA, additional cash consideration of up to USD 30 million will be receivable. The earn-out will be recognized as a financial asset at fair value through the profit or loss.

As of 31 December 2023, the carrying amounts of intangible assets were:

| NOK '000 | YTD |
|---|---|
| Goodwill | 1 689 345 |
| Other intangible assets | 867 678 |
| **Total current assets held as available for sale*** | **2 557 023** |

* The amounts presented are held in LINK Mobility Group Holding ASA as excess values. Other amounts held in the US subsidiary are included in the total amount presented as current assets held as available for sale in the consolidated statement of financial position.

There were no assets or liabilities classified as held for sale in relation to the discontinued operation as at 31 December 2022.

## ALTERNATIVE PERFORMANCE MEASURES (“APM'S”)

The financial information in this report is prepared under International Financial Reporting Standards (IFRS), as adopted by the EU. To enhance the understanding of LINK’s performance, the Group presents several alternative performance measures (“APM’s”). An APM is defined by the European Securities and Markets Authority (ESMA) guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS).

Below, LINK presents certain APMs, including gross margin, EBITDA, adjusted EBITDA, and adjusted EBITDA margin. APMs such as EBITDA are commonly reported by companies in the markets in which LINK competes and are widely used by investors when comparing performance on a consistent basis without regard to factors such as depreciation and amortization, which can vary significantly, depending upon accounting methods (particularly when acquisitions have occurred) or based on non-operating factors.

APM figures presented in the following tables are inclusive of Message Broadcast LLC (US subsidiary).

**LINK uses the following APMs:**

**Gross Profit**
Gross Profit means revenues less direct costs of services rendered.

**Gross margin**
Gross margin means gross profit as a percentage of total operating revenues.

**Adjusted EBITDA**
Adjusted EBITDA means EBITDA adjusted by expenses related to significant one-time, non-recurring events such as acquisitions and restructuring activities, and share-based compensation. LINK has presented adjusted EBITDA in the consolidated statement of profit and loss because management believes the measure provides useful information regarding operating performance.

**Adjusted EBITDA margin**
Adjusted EBITDA margin is presented as adjusted EBITDA as a percentage of total operating revenues in the respective periods.

**EBITDA**

EBITDA means earnings before interest, taxes, amortization, depreciation, and impairments. LINK has presented EBITDA in the consolidated statement of profit and loss because management believes that the measure provides useful information regarding the Group’s ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

See below for a reconciliation of EBITDA to Adjusted EBITDA, and adjusted EBITDA margin.

| NOK '000 | Q4 2023 | Q4 2022 | YTD 2023 | YTD 2022 |
|---|---|---|---|---|
| **Operating profit (loss, ("EBIT")** | **13 006** | **-215 722** | **20 179** | **-247 908** |
| Depreciation and amortization | 121 604 | 286 436 | 457 674 | 586 682 |
| **EBITDA** | **134 610** | **70 714** | **477 853** | **338 774** |
| | | | | |
| Add: Restructuring cost | 17 985 | 38 514 | 29 014 | 71 789 |
| Add: Share based compensation | 25 871 | 9 689 | 98 177 | 43 631 |
| Add: Expenses related to acquisitions | 2 521 | 13 647 | 8 078 | 31 324 |
| **Adjusted EBITDA** | **180 988** | **132 566** | **613 121** | **485 518** |
| Operating revenues | 1 795 821 | 1 422 656 | 6 282 126 | 4 913 740 |
| **Adjusted EBITDA** | **180 988** | **132 566** | **613 121** | **485 518** |
| **Adjusted EBITDA margin** | **10,1 %** | **9,3 %** | **9,8 %** | **9,9 %** |

### Net debt*

The Group monitors Net debt according to Bond loan terms which includes interest-bearing debt and debt like arrangements. Net debt is derived from the balance sheet and consists of both current and non-current liabilities such as bond loan, other debt from financial institutions and current and non-current lease liabilities less cash and cash equivalents. Sellers credits, holdback and earn-outs are included to the extent they are interest-bearing.

### Net debt/LTM Adjusted EBITDA*

LINK measures leverage ratio as Net debt/Last Twelve Months Adjusted EBITDA. The measure provides useful information about the financial position. Due to M&A activity LINK use Last Twelve Months Proforma Adjusted EBITDA to calculate net debt to present a comparable measure over time.

Below is a reconciliation of Net debt and Net debt/Adjusted EBITDA ratio:

| NOK '000 | Q4 2023 | Year 2022 |
|---|---|---|
| Bond loan - Principal | 4 112 697 | 3 737 777 |
| IFRS 16 liabilities | 51 927 | 48 599 |
| Less cash | -1 108 232 | -826 851 |
| **Net debt** | **3 056 392** | **2 959 524** |
| LTM adjusted EBITDA (proforma) | 782 186 | 638 488 |
| **Net debt/LTM adjusted EBITDA** | **3,9** | **4,6** |

* Calculated according to Bond agreement

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