

# Financial presentation

Q2 2023

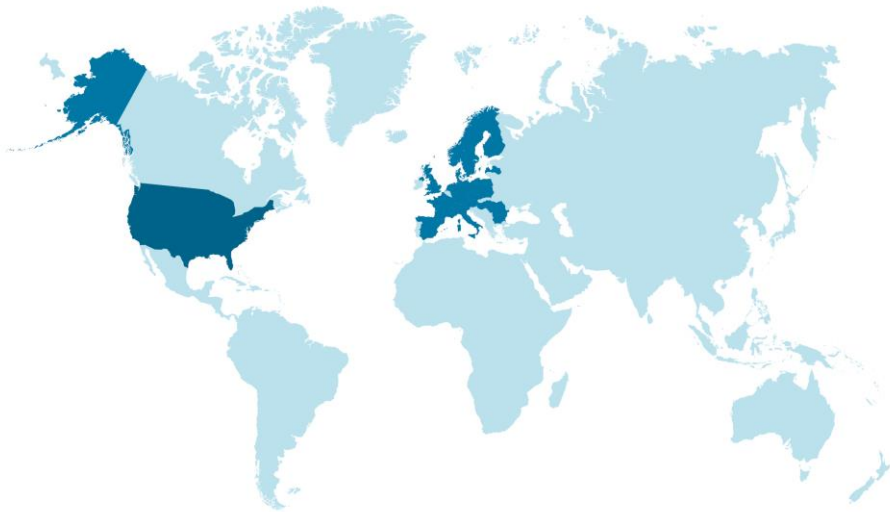
16 August 2023

# LINK in short

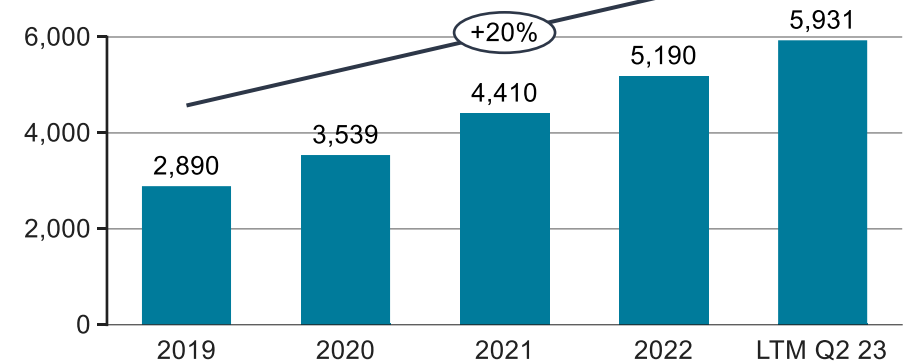
#1 in Europe for enterprise digital messaging - Established player for more than 20 years

~ 650 employees in 30 offices across 18 countries

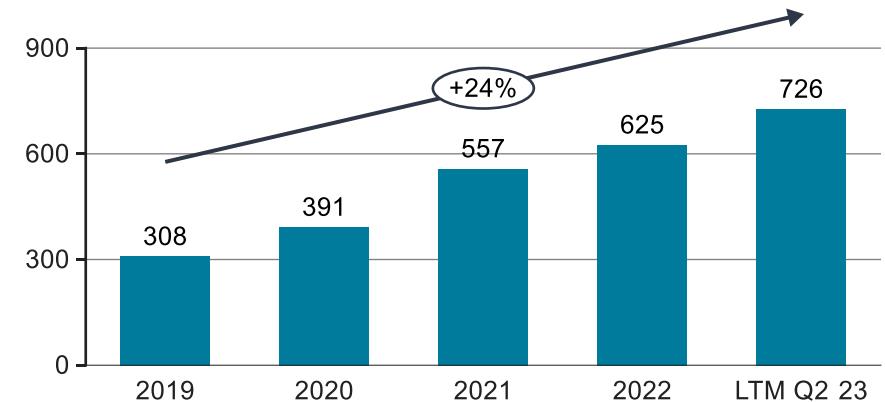
18 billion messages sent annually by ~ 50,000 customers



Revenue NOKm



Adjusted EBITDA NOKm



# Q2 2023 highlights

Strong organic growth reduced leverage to 4.0x

## Revenue reported at NOK 1 652 million. Organic growth in fixed currency 23%

- US reported organic revenue growth of 79% in fixed currency
  - Continued traction on messaging services from high contract backlog on both new and existing clients
- Enterprise segments in Europe reported organic revenue growth of 12% in fixed currency
  - Supported by higher contract backlog and improved retail volumes YoY

## Gross profit reported at NOK 410 million. Organic growth in fixed currency 15%

- US segment reported growth of 52% in fixed currency
- Growth rate improved for enterprise segments in Europe to 7% in fixed currency

## Adjusted EBITDA reported at NOK 191 million. Organic growth in fixed currency 32%

- Solid improvement in gross profit
- Opex reductions delivered ahead of plan

## Group leverage continued lower to 4.0x from 4.3x in the previous quarter

- High cash generation after capex and interest of NOK 129 million

## LINK signed 715 new and expanding agreements in the second quarter

- New signings increased 25% YoY supporting long-term growth momentum

## Reported figures impacted by NOK depreciation

NOKm	Q2 2022	Organic growth	FX effect	Q2 2023
Revenue	1 177	268	207	1 652
Organic growth (%)		23%		
Gross profit	317	46	47	410
Organic growth (%)		15%		
Adjusted EBITDA	129	41	21	191
Organic growth (%)		32%		

# LINK to benefit from AI

Huge potential - Early days

## **LINK's Xenioo chatbot integrated with AI**

- IBM Watson been integrated for more than 2 years
- More recent integration with ChatGPT still in concept phase

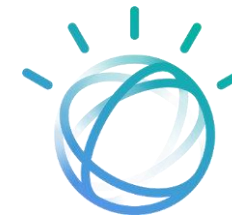
## **AI potentials for LINK medium term**

- Improved management of globally increasing fraud / spam activity
  - New AI tools to supplement current ML methods in detection and prevention
- Better use of internal resources and optimization of MNO / OTT suppliers
  - AI supporting LINK's software development
  - Reduced COGS by improving current ML routing rules with AI

## **Full commercial adoption of AI still early**

- Control and data protection concerns
- Uncertainty regarding regulatory framework

**XENIOO**  
by  link mobility



# Strong gross profit growth

Strong gross profit growth of 15% in fixed currency

## US reported growth of NOK 21 million or 52% organic in fixed currency

- Continued momentum for messaging solutions
  - Driven by high contract backlog for both new and existing customers
- No critical events messaging in Q2 23 as expected for seasonal business

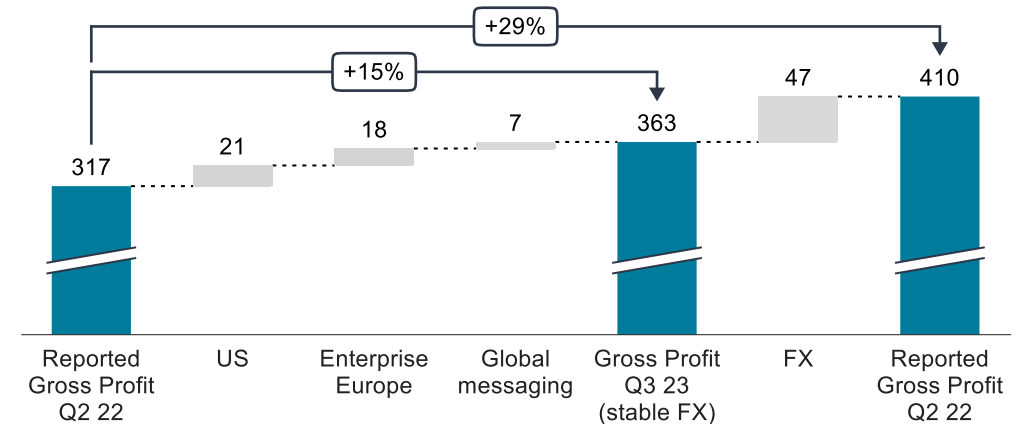
## Improvement in Europe NOK 18 million or 7% organic growth in fixed currency

- Growth support from weak retail volumes in Europe in Q2 last year
- Normalized comparables as covid effects out from figures
- Contribution from higher contract backlog

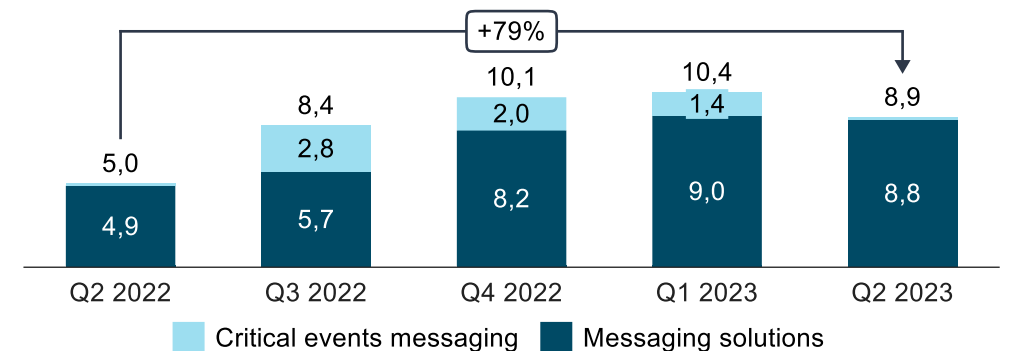
## Global Messaging growing at 38% organic in fixed currency

- High activity on favorable routes
- Scaling revenue and gross profit on new contracts

### Organic gross profit development NOKm



### Quarterly US revenue contribution USDm



# Strong growth in European contract backlog

New contract wins increased by more than 50% in H1 23

## Clear step up in new contract wins with commercial refocus

- Higher contract backlog to gradually materialize in P&L
  - Historically 75% of gross profit recorded in P&L within 12 months

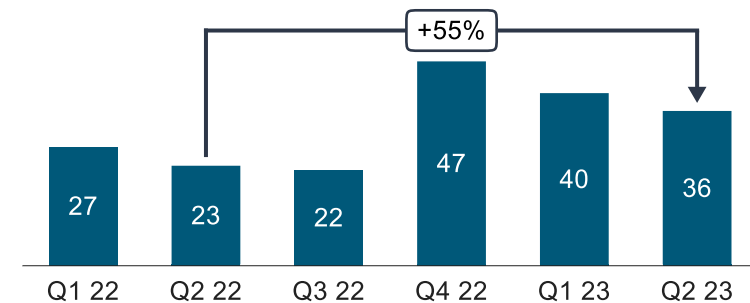
## New contract wins increased 55% YoY in Q2 23

- Forecasted gross profit contribution from new wins NOK 36 million

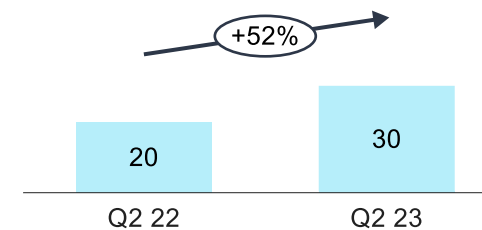
## All customer channels saw strong growth

- SMS supported by familiarity in more uncertain economic times
- Solid CPaaS growth from low base especially for RCS

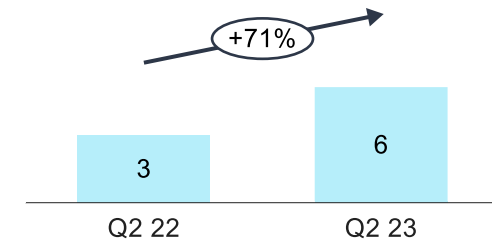
## Gross profit contribution from new contract wins NOKm



## A2P



## CPaaS



# RCS gaining traction in France

Rich Communication Services (RCS) or SMS 2.0 provides comparable features to the new richer OTT channels

## **23 million end-users now use RCS as their messaging application for richer features in France**

- Developed by MNOs together with Google and compatible with Android mobile devices
- RCS introduced by MNOs in numerous European countries and by hundreds of operators globally

## **LINK has helped French insurance company GMF to deploy a chatbot via RCS**

- To better understand and analyze customer expectations

## **Kérastase, the high-end hair products brand, is marketed through RCS by LINK**

## **LINK supporting optical centers Grand Optical and Générale d'Optique to enrich marketing with RCS**

- Generating more customers through eye test bookings

## **LINK analysis shows significant benefits with RCS**

- Performance of customer campaigns improved by up to 4x



# LINK grows customers and agreements

New contract wins grew 25% YoY in Q2 23

## ~ 50' active customers accounts

- Removal of small inactive accounts from Q2 23 negatively affected growth

## New small enterprise customer base in Italy added at attractive valuation

- Clients fully integrated with significant upselling potential

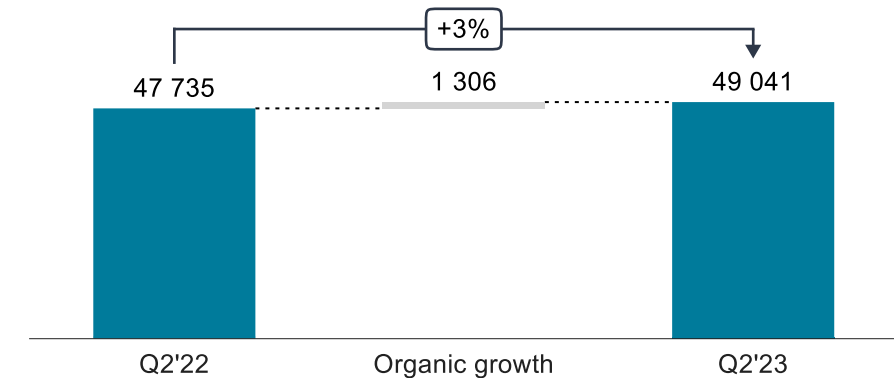
## New signed agreements grew by 25%

- Contract wins in Q2 23 rose to 715 from 571 in the same quarter last year

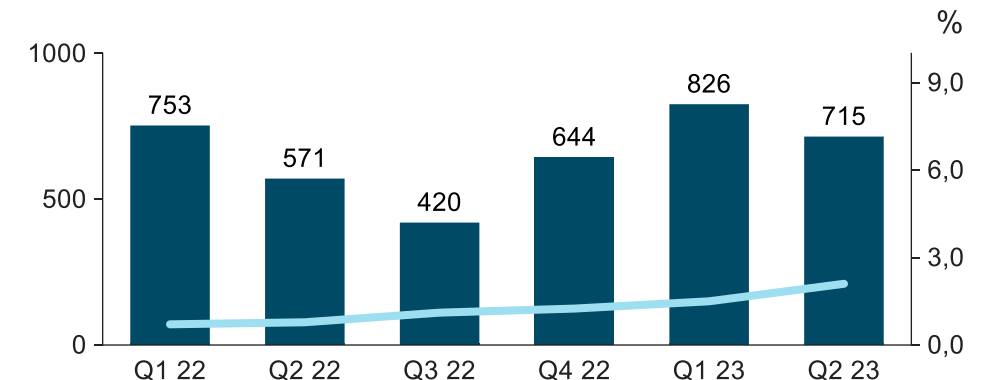
## Customer churn increased slightly to 2.1% in Q2 23

- Increase of 0.6 percentage points fully explained by aggregator segment
  - More volatile and low margin with limited impact on gross profit

## Customer accounts



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





# H1 23 supportive to FY 2023

## **LINK reiterates its forward-looking statement**

Gross profit growth expected to be higher than in 2022

- H1 23 delivered within upper end of expectations with growth helped by favourable comparables

Organic adjusted EBITDA growth expected to be 12-15% in fixed currency

- Supported by execution on opex savings



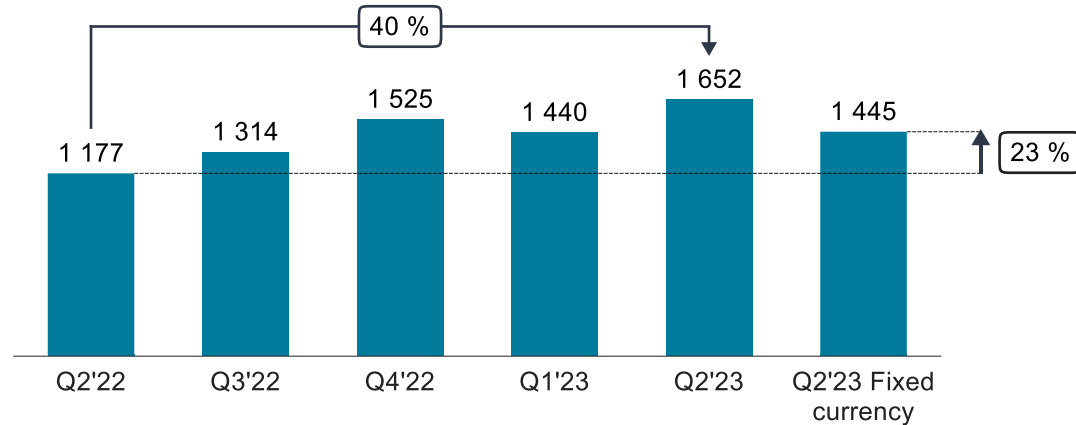
# Financial review

Q2 2023

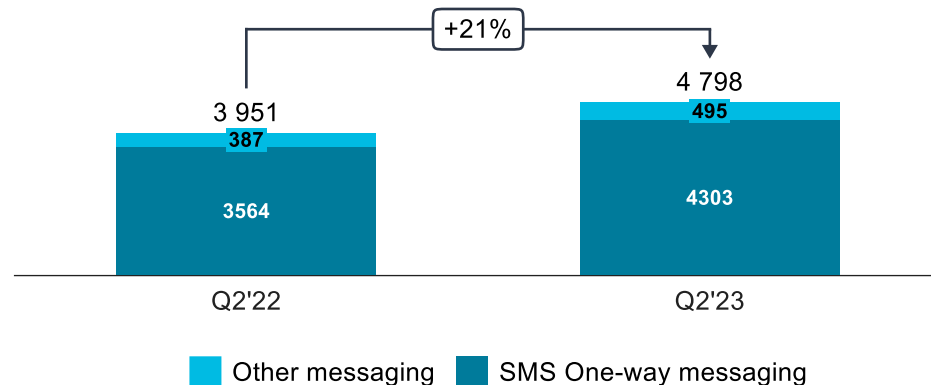
# Reported revenue growth of 40%

FX tailwind contributed 17 percentage points

## Reported revenue NOKm



## Reported volume (mill transactions)



## Organic revenue growth of 23% in fixed currency

- Strong organic revenue growth in the US at 79%
  - Messaging solutions growth driven by signed contracts in H2 22
  - No critical events messaging revenue in Q2 23
- Global Messaging posted organic growth of 64% with higher activity
- European enterprise segments grew 12% organically
  - Supported by higher retail volumes YoY

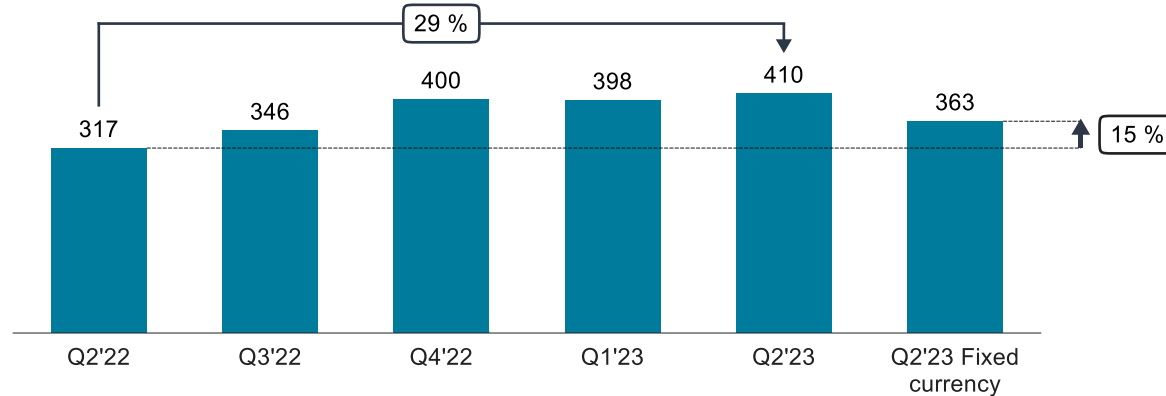
## Reported volume growth for Q2 23 at 21%

- Improved growth momentum across all regions QoQ
- Higher priced OTT channels continue to gain traction in selected markets

# Gross profit growth of 29%

FX tailwind contributed 14 percentage points to gross profit growth

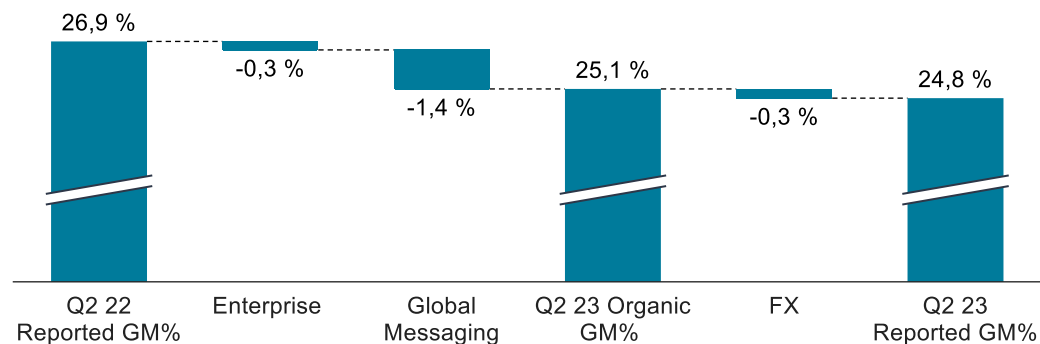
## Gross profit NOKm



## Organic gross profit growth 15% in fixed currency

- Solid growth in US business related to messaging solutions
  - Driven by both new and existing clients
- Gross profit contribution from enterprise clients in Europe improved
  - Growth support from soft retail volumes last year
  - Normalized comparables as covid effects out from figures
  - Contribution from new contract signings

## Gross margin (%)



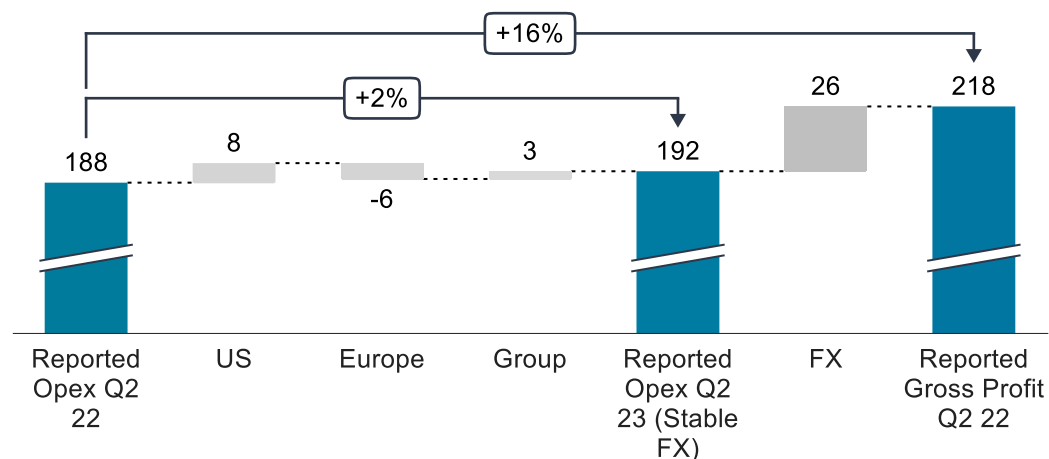
## Gross margin impacted negatively by higher share of Global Messaging

- Increased share of US revenue largely offsetting a margin dilution effect from scaling of global clients in Central Europe
- Slight negative FX impact on margin reflecting NOK depreciation to EUR larger than USD

# Cost reduction initiatives delivered according to plan

Reported costs higher with NOK depreciation

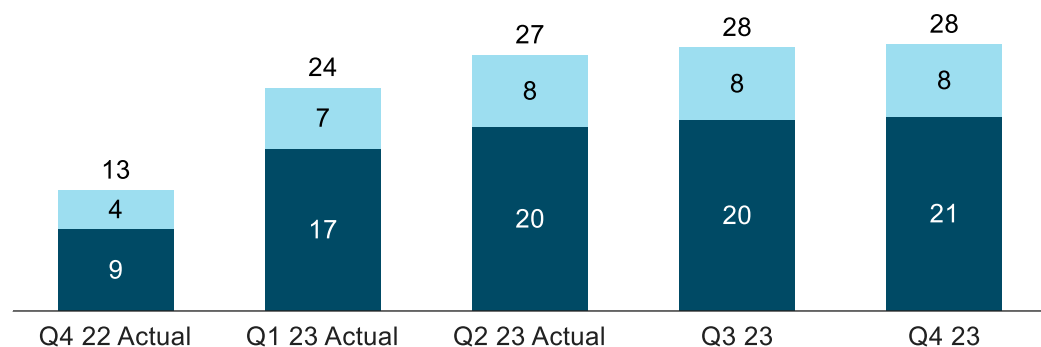
Opex development YoY NOKm



## Opex growth of 2% in stable currency

- Investments in commercial capabilities in the US through 2022 and onboarding of new customer base late last year
- European segments costs were 5% lower YoY in stable FX, whilst group headquarter costs rose 8% YoY in stable FX

Cost saving initiatives in fixed FX NOKm



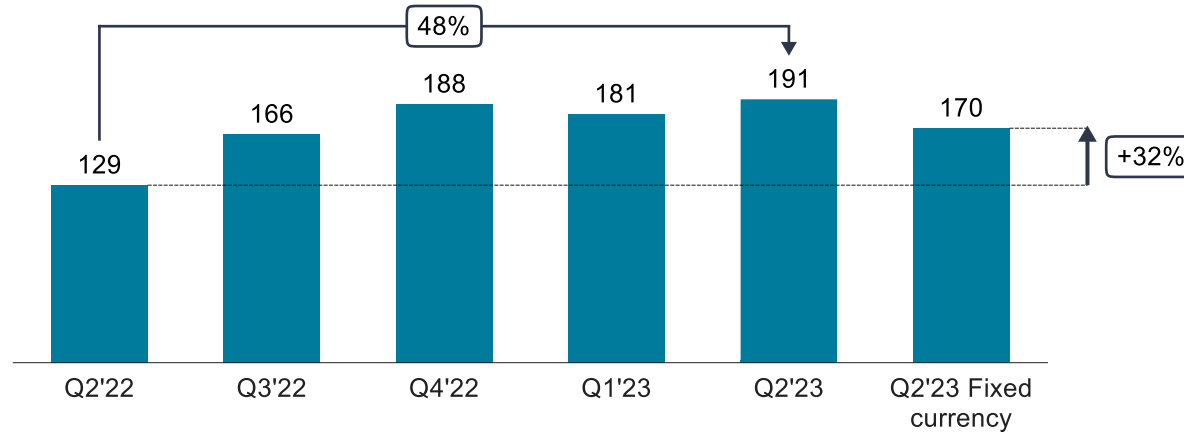
## Execution on cost initiatives exceeding plans

- Actual capex and opex savings of NOK 27 million in Q2 23
  - Ahead of NOK 25 million plan
- Total cash savings from cost initiatives in 2023 expected at NOK 107 million
- Depreciation of NOK impacts nominal effect of cost reductions
  - P&L effect YoY NOK 14 million

# Adjusted EBITDA growth of 48%

FX tailwind contributed 16 percentage points to reported adjusted EBITDA growth

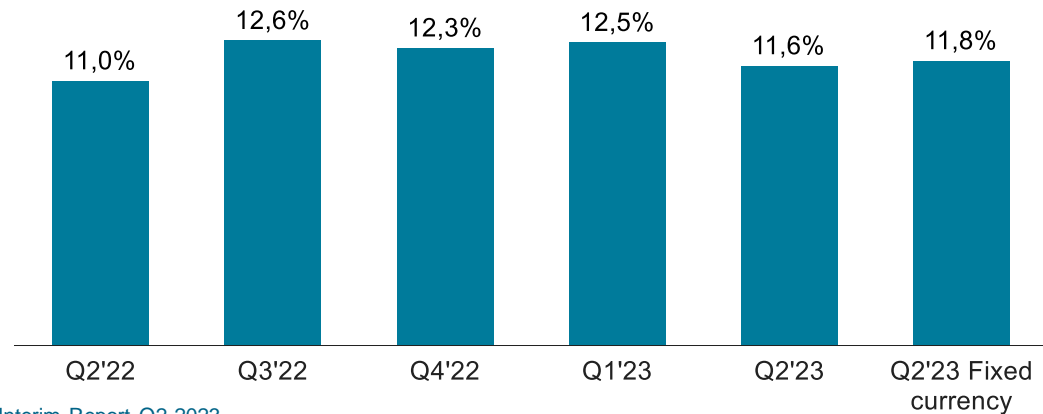
## Adjusted EBITDA NOKm



## Organic growth in adjusted EBITDA 32% in fixed currency

- Improved gross profit contribution from all regions
- Managed opex growth with cost initiatives

## Adjusted EBITDA margin (%)



## Adjusted EBITDA margin improved YoY

- US margin slightly down YoY reflecting integration of new customer base
- European enterprise segments expanded 0.4 percentage points as opex initiatives more than offset gross margin dilution
- Group opex lower relative to revenue

# P&L - Large one-off accounting effect

NOK in millions	Q2 2023	Q2 2022	YTD 2023	YTD 2022	Full Year 2022
Total operating revenues	1 652	1 177	3 092	2 351	5 190
Direct cost of services rendered	(1 243)	(861)	(2 284)	(1 713)	(3 805)
<b>Gross profit</b>	<b>410</b>	<b>317</b>	<b>808</b>	<b>638</b>	<b>1385</b>
Operating expenses	(218)	(188)	(436)	(367)	(760)
<b>Adjusted EBITDA</b>	<b>191</b>	<b>129</b>	<b>372</b>	<b>271</b>	<b>625</b>
Non-recurring costs	(48)	(28)	(62)	(56)	(148)
<b>EBITDA</b>	<b>143</b>	<b>101</b>	<b>310</b>	<b>216</b>	<b>478</b>
Depreciation and amortization	(129)	(102)	(238)	(202)	(416)
Impairment cost	-	-	-	-	(180)
<b>Operating profit (loss)</b>	<b>14</b>	<b>(1)</b>	<b>72</b>	<b>14</b>	<b>(118)</b>
<b>Net financials</b>	<b>(43)</b>	<b>65</b>	<b>(113)</b>	<b>59</b>	<b>(37)</b>
<b>Profit (loss) before income tax</b>	<b>(29)</b>	<b>64</b>	<b>(41)</b>	<b>73</b>	<b>(155)</b>
Income tax	13	(26)	29	(34)	4
<b>Profit (loss) for the period</b>	<b>(16)</b>	<b>38</b>	<b>(13)</b>	<b>39</b>	<b>(151)</b>

## Non-recurring costs of NOK 48 million o/w 15 million one-off effect

- Costs related to M&A NOK 3 million
- Restructuring costs NOK 6 million
- Options cost of NOK 40 million with no cash effect in the quarter
  - Normalized quarterly LTIP options cost of NOK 15 million
  - One-off accounting effect of NOK 15 million catch-up effect for Q1 of new LTIP program approved by AGM in May
  - Accounting effect related to remaining RSU's NOK 5 million to be finalized in October 2023
  - Social security accrual increase of NOK 5 million

## Depreciation and amortization NOK 129 million

- Increase QoQ reflected timing effects related to closed projects
  - Depreciation of intangible assets NOK 35 million from R&D
  - Depreciation of PPA's NOK 87 million
  - Depreciation of leasing and fixed assets NOK 8 million

## Net financial items negative NOK 43 million

- Negative currency effect NOK 4 million with limited cash effect
- Interest NOK 38 million related to outstanding EUR 370 million bond

# Strong cash on balance sheet

NOK in millions	Q2 2023	Q2 2022	Year 2022
Non-current assets	9 553	9 143	8 924
Trade and other receivables	1 304	938	1 244
Cash and cash equivalents	1 089	902	827
<b>Total assets</b>	<b>11 946</b>	<b>10 983</b>	<b>10 994</b>
<b>Equity</b>	<b>5 647</b>	<b>5 362</b>	<b>5 226</b>
Deferred tax liabilities	485	591	533
Long-term borrowings	4 281	3 837	3 837
Other long term liabilities	46	60	45
<b>Total non-current liabilities</b>	<b>4 812</b>	<b>4 488</b>	<b>4 416</b>
Trade and other payables	1 430	1 079	1 331
Other short term liabilities	57	53	22
<b>Total current liabilities</b>	<b>1 487</b>	<b>1 133</b>	<b>1 353</b>
<b>Total Liabilities</b>	<b>6 299</b>	<b>5 621</b>	<b>5 769</b>
<b>Total liabilities and equity</b>	<b>11 946</b>	<b>10 983</b>	<b>10 994</b>

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

- Marginal additions related to PPA

## Cash on balance sheet NOK 1 089 million

- Expanding QoQ from free cash flow generation and positive FX effect

## Equity NOK 5 647 million and equity percentage of 47%

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

## Net interest-bearing debt\* of NOK 2 954 million

\*Calculated according to the company's bond terms



# LINK leverage continued down

Strong growth in adjusted EBITDA and high cash conversion drove leverage lower to 4.0x

NOK '000	Q3 2022	Q4 2022	Q1 2023	Q2 2023
<b>Adjusted EBITDA</b>	<b>166</b>	<b>188</b>	<b>181</b>	<b>191</b>
Change working capital	-103	66	-27	73*
Taxes paid	-10	-30	0	-14
Non-recurring costs M&A	-15	-53	-7	-8
<b>Net cash flow from operating activities</b>	<b>38</b>	<b>170</b>	<b>147</b>	<b>242</b>
Add back non-recurring costs M&A	15	53	7	8
<b>Adjusted cash flow from operations</b>	<b>53</b>	<b>223</b>	<b>154</b>	<b>251</b>
Capex	-38	-47	-35	-49
Interest	-1	-69	-1	-73
<b>Cash flow after capex and interest</b>	<b>14</b>	<b>107</b>	<b>118</b>	<b>129</b>

LTM Q2 2023
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## Adjusted LTM cash flow from operations of NOK 598 million

- Reported cash flow from operations include M&A related expenses
- FCF generated after capex and interest of NOK 368 million

## Working capital varies significantly between quarters

- LTM build mainly reflects periodization and not higher underlying WC
- WC remains net negative and a funding source for organic growth

## High cash conversion LTM

- Adjusted cash flow from operations 94% to adjusted EBITDA
- Free cash flow after interest and capex 51% to adjusted EBITDA

## Cost reduction initiatives support FCF and adjusted EBITDA in 2023

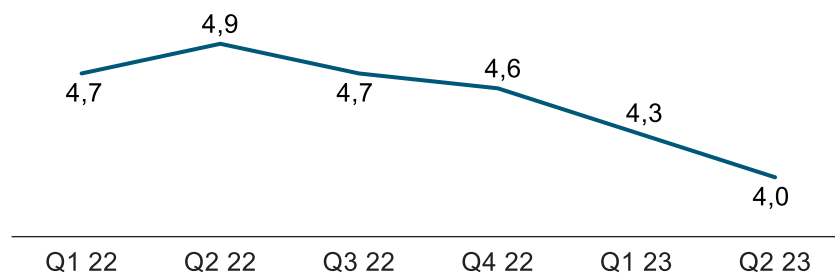
## LTM Q2 23 leverage reduced to 4.0x during the second quarter

- FCF and adjusted EBITDA growth to continue deleveraging trend

## LINK's EUR 370 million fixed coupon bond matures in December 2025

- Fixed interest rate at 3.375% secured for more than 2 years

Leverage (Net debt / LTM proforma adjusted EBITDA)\*\*



\* Adjusted for NOK 5m share option social cost provision payable in Q4 23

\*\* Calculated according to the company's bond terms

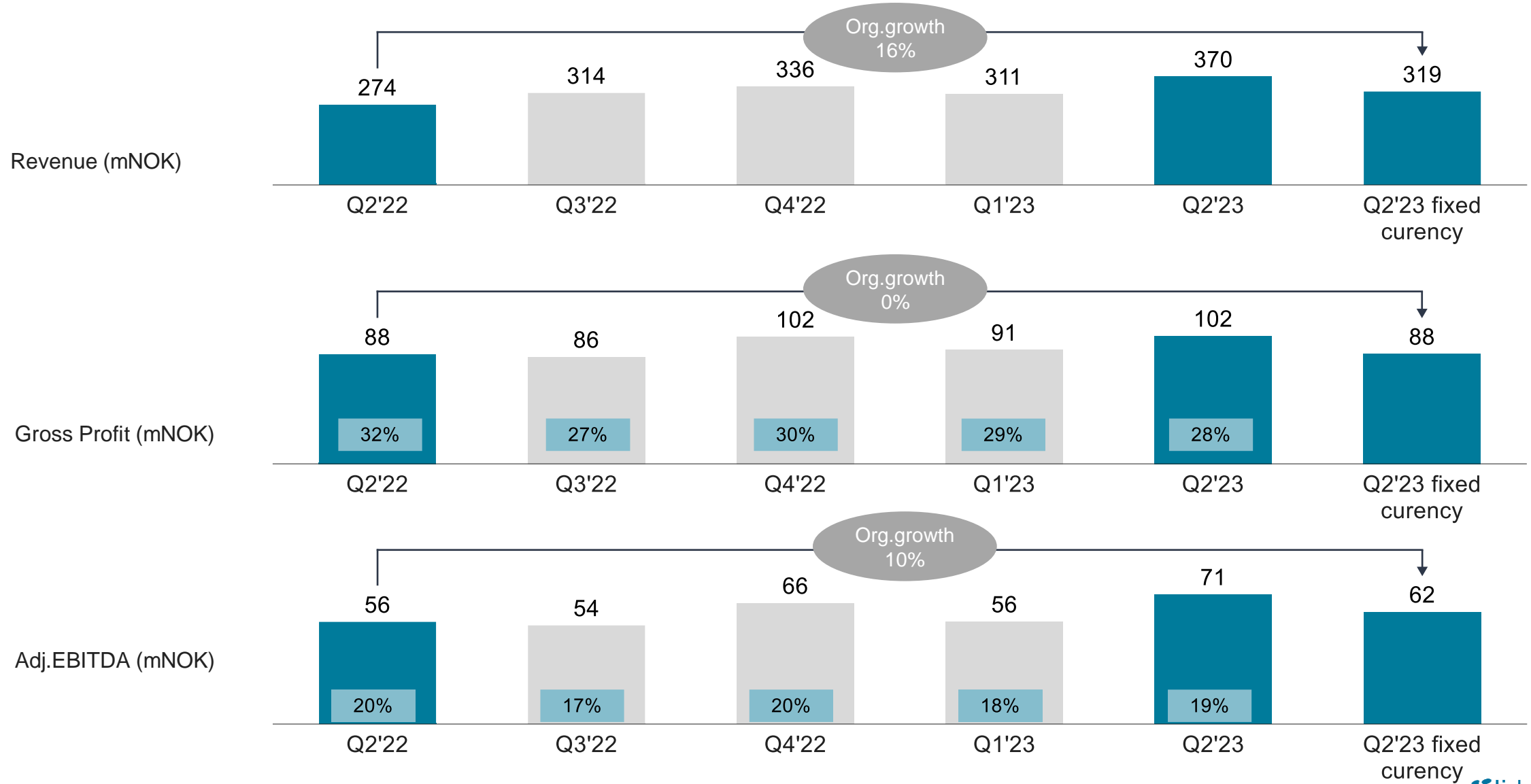
# Appendix

Q2 2023

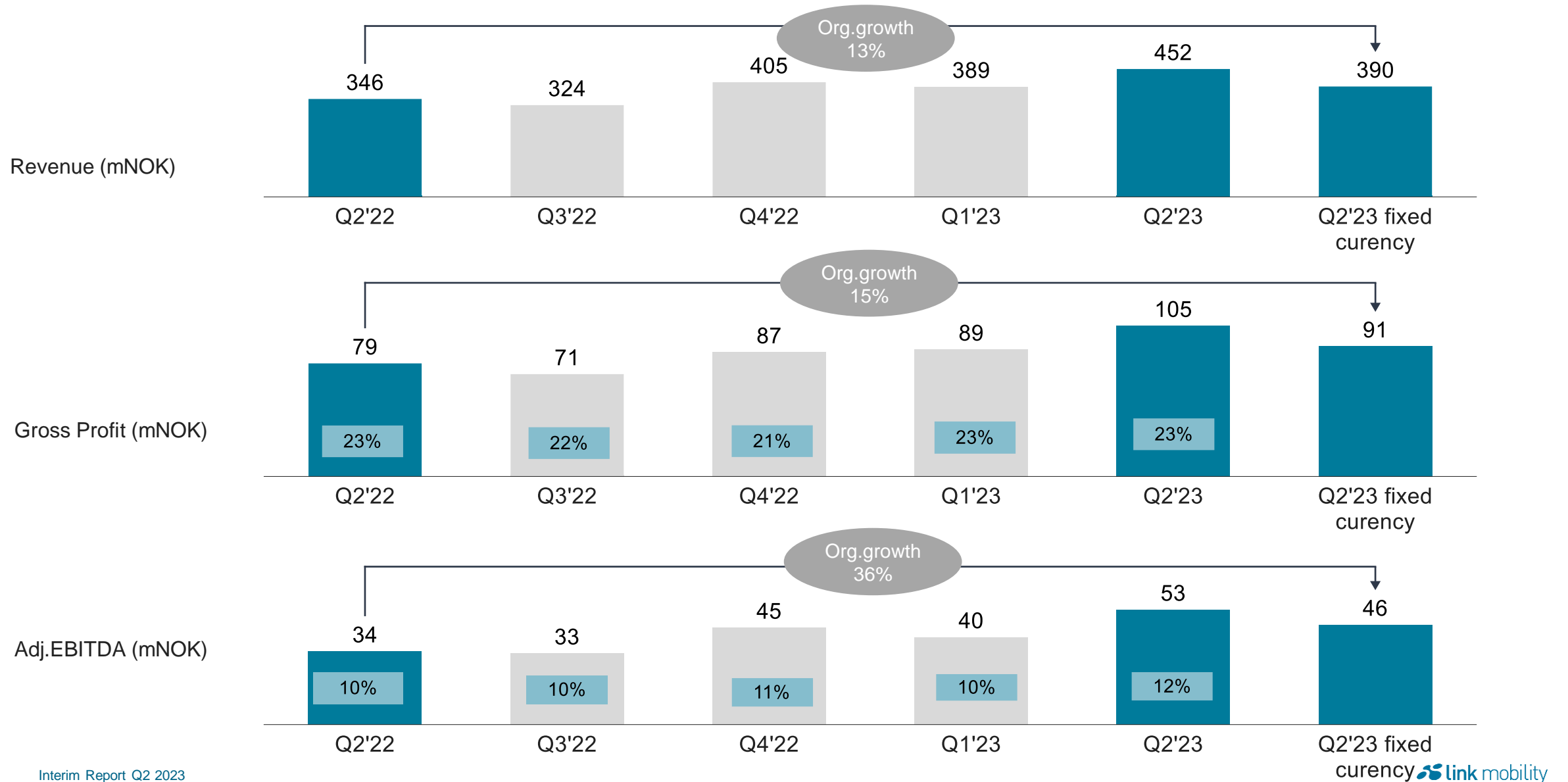
# Northern Europe



# Central Europe



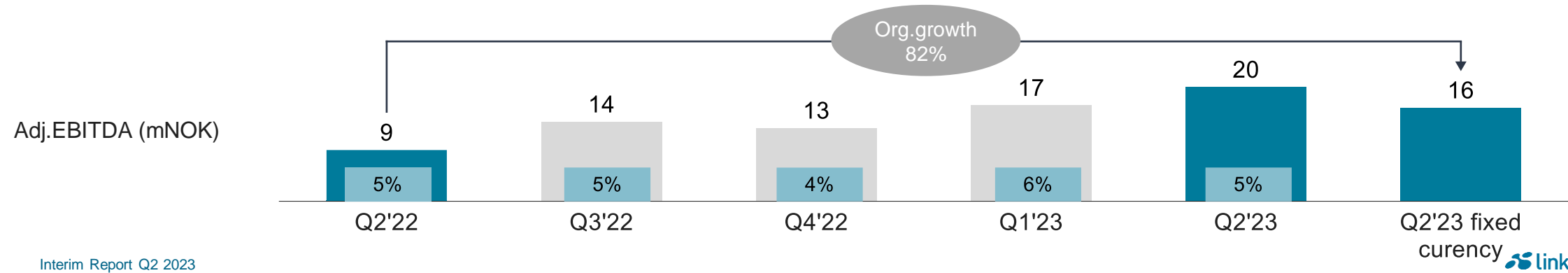
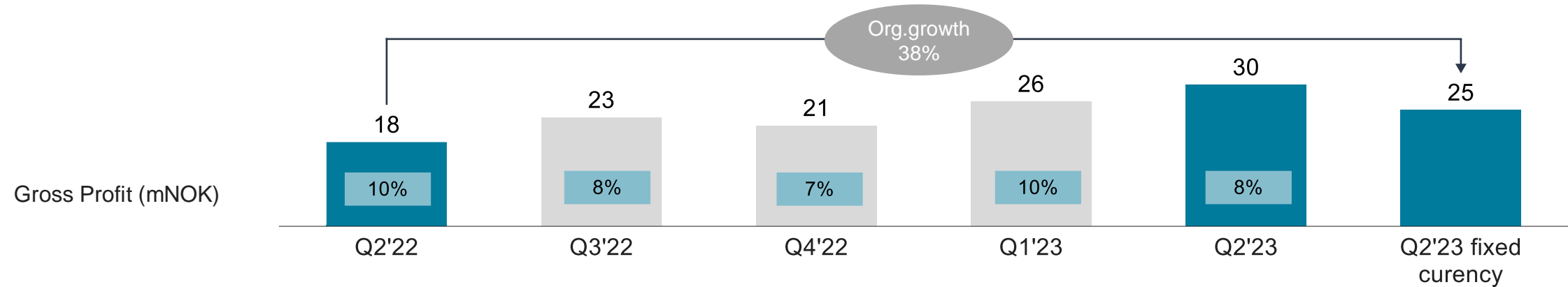
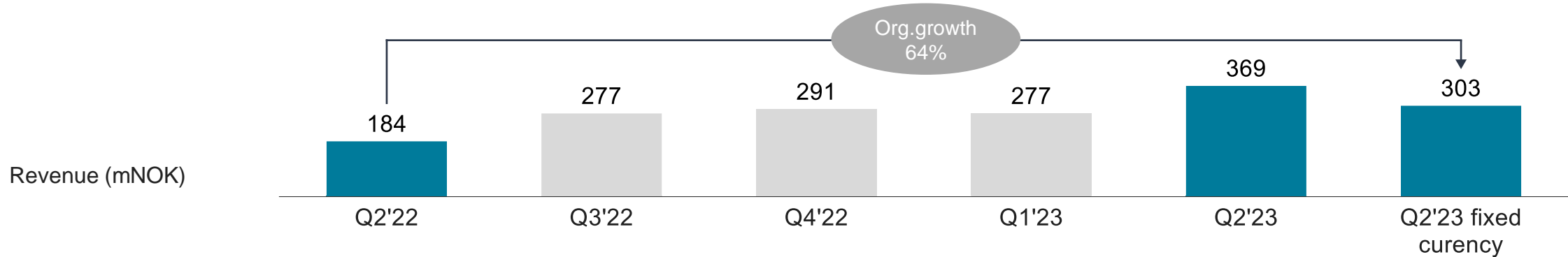
# Western Europe



# North America



# Global Messaging



# Q&A

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