# Transcript
# Q4 2023 Results Presentation

**Einar Bonnevie:**
Good morning, ladies and gentlemen. Finally, Friday, reporting day. Welcome to the presentation of Omda's achievements for the fourth and final quarter of 2023. The report and a copy of this presentation will be found on newsweb or can be downloaded from our website. This webcast consists of a good 30-minute presentation followed by a live Q&A session. You can type in your questions at any time and we will attend to them soon as the presentation ends.

A recording of this webcast and also a transcript will be available on our website shortly after this presentation ends. We are not alone in this world, thank God, and I'm happy to be here with my longtime colleague and the CEO, Sverre Flatby, but enough about that. Time to get the show on the road. The stage is yours, Sverre.

**Sverre Flatby:**
Thank you very much, Einar, and I'm happy to present the highlights of the fourth quarter. Before that, for those of you that are new, I'm the CEO, Sverre, and I also have Einar, the CFO, with me. We are also shareholders through a common investment company. Let's go to our company. Omda, what is Omda? To take the fundamentals first. And our vision to create a safe and healthy world is important. We have a role that affects millions of citizens and hundreds of thousands of users of different types of software components. Our mission that has given us the possibility to become a leading player here in the Nordics is a very specific strategy and a unique one.

We are focused specifically on healthcare, specialised healthcare and emergency, and that has made it possible for us to become a leading player. So, if you look at healthcare, where are we as a company? I think that is important to understand our numbers and what we do and our strategy. One way to divide healthcare into five areas is this, primary care, community care, long-term care, emergency care, and specialised care. If you look at this, you will see that there are different type of ways to handle projects and software in the business. You see that there might be churn, there might be short projects to change systems. While down to the right here, you will see that within emergency and specialised healthcare, it's a quite different business.

This is the answer, why is the top line so predictable over decades for Omda? So we are very happy that our strategy has put us in that position. I think it's important for you when you look at our numbers that you understand that this part of our business. Then again, what are we actually doing? The specifics, I cannot go through all the details, but just to explain the specifics. So, one of the business areas, emergency, which is the one top left here, is the biggest one. What we do in all of these business areas and niches is actually to create a value chain of components supporting different users. If you think about it, how important it is to you if you're a patient that if an acute situation happens, that something those who handle that do the best they can.

How can we help them as Omda? Well, the call taker, 911 call, obviously, this software that you have working with that process, it would help you to make a decision faster. That is one user group. Then you have the ambulance in the picture here. In that car, you have two user groups. You have the one that has given the order to drive the car, which is important to get to the right place and the right time. Secondly, you have the man or woman in the back of the car helping you as a patient with a critical situation. Then again, the information should flow to the acute receiving hospital. Then again, you have another user group, the management.

If you have many ambulances, maybe 40 ambulances, is there a way to do the same high quality of the business using 38 ambulances for instance? That is analytics softwares that makes that happen. So, if you think of all of our niches, all of our software types, this is the way our strategy to create niches within niches and put up value chains that support the complete business. So, that is the similarity of all of these business areas while they are completely different when it comes to disciplines. For instance, medication management of cancer is a quite different thing compared to emergency. On the other hand in there as well, you have these value chains.

So, I think it's important when you read our numbers that the recurring revenue streams that we have created within these specialised areas is what gives it possible for us to look at a very predictable future with high visibility going forward. So, what has happened? When you look at the last years and our development, you'll see that our long-term recurring revenue and also you'll see from the fourth quarter that the recurring revenue part exiting 2023 is very nice, 78%. Of those four types of income we have, the one number one is obviously number one in any aspect. The other one, number three there is also in a way, semi-recurring as we call it. It'll happen in a way anyway with all of those customers we have around different countries.

They always have some extra needs, some support help, et cetera, that they pay for. That is the reason why we can have visibility for more than 90%. For instance, now going into 2024, we have a predictability when you look at the top line of the company, which is very important these days obviously. Who is actually paying those recurring revenue streams? Well, they are very important specialised entities in the healthcare sector. Some examples here to the left and those solid counterparties, they always pay their bill so there's no risk there. We have many, more than 600 contracts, meaning there is no binary threat to the business. It's highly diversified. These types of systems are tied into complex workflows, meaning that they will stay there sometimes for many decades.

That's why also the low churn we have had historically and continue to have in the fourth quarter and going forward is because these mission-critical systems are there to support people and the business case to change them is really not there. That's why we have this long-term predictability. So, that is the important summary of the aspects of the business, the fundamentals. Then let's go into the specifics for the fourth quarter. A very good thing, our top line 109 million compared to 98 in the fourth quarter 2022 is very good. Looking back to what I just said about the recurring revenue streams and the business stability, this is very important and obviously the most important thing for us in the quarter. That means 11% growth is good.

Also, the annual growth with reaching or passing a target of 400 million, getting to 415 million for 2023 in total is a very good number. With all those recurring revenue parts of that business, obviously, this is the most important thing. Then we have the EBITDA, also compared to the fourth quarter in 2022 -21% and 19% this quarter, 40 percentage points better. However, we would love to have a higher EBITDA than 19%. But on the other hand, there are reason for it and we will use some time in this presentation to go through the EBITDA and the cost items. One of the cost items, the COGS have been developing good. If you compare the COGS from 2022, the fourth quarter was 6.6 percentage.

Then going to the salary cost, we will see that this is the high part that affects the EBITDA, which we'll go through in a minute and also focus on in the financial part of the presentation. On the other hand, the other cost was 22% in the fourth quarter 2022, now at 15, which is a normal guidance that we have had for years. We think that all in all, if you look at the fourth quarter, a profitable growth, most importantly the income growth, a slightly lower EBITDA than expected. However, we see that the run rate into 2024 gives us comfort. So, let's go through this and just a rough way to look at the performance over the year. You all know that we have had a margin improvement programme, and in this programme, we have gone from 8% EBITDA in the first half year or 2023 to 23% in the second half year.

So, the average between with Q3 and Q4 is obviously here better. So, I think into 2024, it's a different story which we will explain further later on. Then how in the day-to-day life are we going to achieve and trim our EBITDA margin? Well, the decentralised model has helped us find or identify specific areas that are relevant that will make the margin better over time. So, we will see that we measure our businesses. You also see that on the left side here, we have something called Connected Imaging. Earlier on and still in this quarter, we will report Connected Healthcare and Medical Imaging as two business areas while going forward from the first quarter 2024. Going further, we will report this as one business.

The reason is there's also potential there to increase margin, because the combination of Medical Imaging and Connected Healthcare customers, more than 90% of the projects have the same customer, same project to deliver. Meaning there are synergies there. So, this is how we're going to do it on a day-to-day basis in the organisation. Then just to explain the cost item in a perspective here, if you look at the period before we IPO'd and start in the bottom of this slide, you'll see that our COGS, those things that we sell from other types of software other than our own was about 10% and has gradually over time come down to 6.9% on average in the second half year in 2023. Our target is 5%, but this is going the right way and I think that is also important to see.

On top of there, you see the green one that other costs, which is all the rest of the ordinary cost is also coming down. Now, in the second half of 2023 and also the fourth quarter, it's a very good number there. So, that means that leaves us with where is the actual challenge. The question is, is it a challenge? What is it? As you see there, 55% roughly in the second half of 2023, while our target is 50, all of you probably understand if you take the right column here and add 50, 15 and 5, you'll get 70. That's how we should reach 30% margin. So, that is in a more long-term perspective. Then specifically, what do we do to reach 30% margin? Well, with the 55% in the second half year of 2023, there are actually two main activities to solve it.

One thing is there are still some large projects going on with external consultants and that is a deliberate thing. These are important and gives us recurring revenue over decades. So, we have decided to move on with high speed there as an alternative would be to postpone it to reduce the cost, but that has not been a good idea in our head. So, that is one thing, we will reduce it, have already done it. Meaning it will gradually be reduced in the first quarter. Then secondly, and please, I will remind you if you've seen our three last quarters, we have actually performed in the upper part of our guided interval of organic growth, 5 to 10%, actually closer to 10%. For the year, we are actually on 9.5%.

So, if we just manage to handle that or do the same thing in 2024 and do this one action on the consulting side, then we will reach 50% personnel expenses compared to the top line, which is good and which is our target for the year. So, this is how we work and how we're going to trim the margin going forward. I think it's important now entering 2024 that we are back to a very good business. It's a profitable business. We are going to focus more on the combination of elements of our business model. Starting in the bottom, to remind you all within this healthcare sector is a very strong place to be with an annual growth of 10 to 12%.

Also, on top of that, number two, we have this specialised software healthcare emergency strategy giving us these long-term and low churn businesses. On top of that, obviously, with these recurring revenues, we do these activities with current customers giving us the 5 to 10% organic growth and the lost quarters and hopefully going forward stick to those close to 10%. Then on top of that, most importantly, since these predictable areas are predictable to grow much faster, you need to do M&As. We have successfully gone through M&As in the past and we will continue and have high activity at the moment to make sure that we can acquire good companies and add them to our current businesses and also probably create new business areas over time.

So, we will not forget that we are a growth company, but we had to use 2023 and the transition to 2024 to secure a good EBITDA and cashflow that can handle our bond, which also is a good thing for us with a tap issue and possibility to further growth and acquisitions. So, to summarise the industrial logic and the history and the plan, as you all know, we're a Norwegian small startup many years ago. We were able to export software, and then with help from a private equity company, we were able to start growing through M&As in the 2015 to 2021. Then after the IPO, we had several acquisitions and used that time to secure a decentralised model and of course then start with these margin improvement activities that has been successful so far.

So, what we are going to do now, well, we will focus on Europe primarily, although we will still have and have growth in the US for instance and then over time also add acquisition targets that will create a possibility for us to win. With our very unique strategy with highly specialised components also worldwide. Having said that, in the left or right corner in the bottom of the slide, you'll see the priorities going forward. We will obviously work with organic growth, profitability, cash discipline, and acquisition in that order. So, we'll make sure that we will follow the plan and create a good future for all of us. So, Einar, that was the final industrial summary of the fourth quarter and what I think is going to happen going forward. Now it's your turn to dive into all the juicy details.

**Einar Bonnevie:**

Thank you, Sverre. Yes, let's have a look at the numbers. Again, I remind you before we go into numbers, you can type in your questions at any time and we will attend to them in around a quarter's time. Right, first and foremost, coming back to this, this is an all-time classic, the recurring revenues. You see that they are growing steadily also in the fourth quarter. We see there the annual recurring revenue, the annual run rate 326 million as of Q4 2023. That's an all-time high. I remind you they come from more than 600 customer contracts in more than 27 countries, public sector, public sector like institutions or customers and with very little churn. We are a diversified business. The largest business area is emergency. It was last quarter and still is.

Almost 50% of the business is linked to emergency services. Then Connected Healthcare, Medical Imaging, will be combined, 20% represent 20%. Then you see LIMS and Woman and Child. LIMS is actually growing past Woman and Child. Then health analytics and medication management, a small but beautiful jewel in our portfolio. We also see the geographical spread, still very much continue to be dominated in Sweden. That's the largest country and then Norway 19%. You see the rest of the world is starting to compete to be the second largest country if you like. Then Finland and Denmark. Rest of the world, biggest countries there, Spain, US and UK. We get that question from time to time. So, now you know. The revenue mix continued to be strong.

So, not only strong top line but a good quality of earnings. We see that there's still strong recurring revenues and then strong licence sales in the quarter and also strong professional services. You will see that hardware is coming down partly as a priority, but also remember, we sold the Finnish scanner business and also the Swedish one one year before in the third quarter that contained a lot of hardware. So, that is where we are on the quality of earnings. As Sverre presented, there is significant cost improvements compared to Q4 last year, and in total, we have reduced costs for the quarter by 16 million kroner. I'd just like to remind you the ambition for the Triginta margin improvement programme was 60 million. So, we are not that far away, I'd say.

Significant cost improvement on COGS, it keeps coming down. We think it'll continue to come down, but this is a marathon, not a fast sprint. But over time, it will come down. We will maintain control on other OPEX, and if you read the report, you'll see that there are non-recurring items there of approximately 1 million. If you want to make your own adjusted EBITDA, you can do that, but as usual, we don't make any adjusted EBITDA. But the cost is coming down significantly. We're almost there on COGS and we are there on other OPEX. We are a bit close than you think on the salary and personnel as well. The reason is that the difference between the Q3 and Q4 is the payment of holiday pay in Norway and Sweden and that explains most of the difference between Q3 and Q4 this year.

Then some more use of consultants, approximately 2.5 million more in consultants this quarter. There's also an FX effect in the salary and personnel numbers. While we consolidate numbers in Norwegian kroner and reporting currency, most of the employees are in other currencies than Norwegian kroner. As it weakened through the quarter, that translated into NOK gave you a higher number. All right. We are indeed approaching the 30% EBITDA margin on an annual basis. Stark improvement from Q4. Last year, it was -21 and +19. So, 40 percentage points improvement in one year. It may not be perfection but it is certainly good progress.

Ideally, that said, our ambitions was that the EBITDA should have been a few percentage points higher, say two to four percentage points higher to be perfectly in line. That is again linked to salary and personnel and for the reasons I mentioned, increased use of consultants and some other, but we're down to a couple of millions really if you adjust for the holiday payments. All right. CAPEX, we are investing in our own growth in our own software as well as in new businesses and capitalised expenditure that is R&D for all practical purposes, very little PP&E. It's about on the same level as last year, comprising 13% of sales this year in the fourth quarter compared to 12% in the same quarter last year.

But by and large, we are there, and year to date, we are exactly on the same level as we were last year, just a little south of 10%. We have guided on 10% as the standard. So, I'd say bullseye. All right, net working capital. We were disappointed about the development last quarter. Part of that was linked to the Triginta accruals, one-off, fair enough. But part of it was really we had focused on top line growth and improving the margin and maybe lost the cash a little out of sight. Not anymore. We see an improvement from Q3 from -5 to -11. Our target is -10 or better. So, we are there but we are not as good as last year. So, -4, it should be four percentage points less in working capitals compared to last year.

This is a priority going forward to improve the net working capital as well as cash conversion, overall cash discipline. But we noticed that we were laying a little behind our ambitions when we did receive the third quarter numbers mid-November and we started to improve, but it'll take some time before it showed. It improves somewhat in the Q4. So, not all that bad, but we will continue to focus on this going forward and hopefully you can see some even stronger improvements in Q1, Q2, Q3, and Q4 this year. All right. As Sverre said, we are continue to build this business and it is a marathon and we will continue to focus on this market with the underlying growth. We will continue to focus on specialised software within clinical disciplines and emergency.

We will continue to address public customers or public sector like customers. We will focus on organic growth and do it profitably and then we will do acquisitions when the time is right and the opportunity is there, but we are in no rush to do a bad deal. Alright, that really takes me to the concluding remarks. Our focus right now and our priorities is to maintain the strong organic growth. Sverre mentioned we have enjoyed above 10% for the last three quarters and around 10% for the past year. Our ambition and our guiding is still 5 to 10%, but our ambition is to continue to be in the upper end of that interval. That said, part of the explanation for that ambition is of course also, we are in a high inflationary environment and we will continue to profit from that.

So, we get some tailwind from the inflation. We will continue to improve the margins by maintaining strict cost control on other OPEX, but we're not about amputating the fingers. It's more like cutting your nails. So, we'll continue to improve. We will continue to improve on COGS quarter by quarter, step by step. Right now, primarily the task is about replacing third party software with our own IP. Then last but not least, we will continue to focus on salary and personnel, external consultants and maintaining a tight cost discipline. If the cost is maintained around these levels or maybe a little less and they will increase over the year with inflation, then we can grow the top line by closer to 10%. Well, you do the math. Cash discipline, absolutely, we will focus on cash.

I even thought maybe I would dress in black today to honour Johnny Cash, but I didn't since it's spring and I wear a grey suit. But we will focus on cash. That is net working capital, that is sending out invoices, that is getting paid upfront rather than from customers rather than later. It is on cash conversion. It is all about that. So, that is a top priority and it links very well with the last bullet point there, M&A, because strong cash conversion also is a funding for further acquisitions. Not only the loan or equity but also funding from our own operations. There is high activity on the area. We have several discussions going on, but again, we will remain disciplined. Patience, not often seen in finance but probably a good way and a beacon to navigate after.

So, we will remain disciplined, but when the opportunity is there, we are able and we are willing and we can act fast. So, stay tuned for something to happen. All right. Before we venture into the Q&A, if you want to stay up to date on Omda], subscribe to our newsletter. Just scan this QR code with your phone and it'll take you right to the subscription page. All right, time for Q&A. Are you ready for some Q&A, Sverre?

**Sverre Flatby:**
Of course.

**Einar Bonnevie:**
All right. We have nine questions thus far. I'll start with the most recent one so I can sort through them. This one is for you, Sverre. It's from Matthew. Dear Sverre and Einar, thanks for your hard work. I'm curious about private market multiples currently. Nordic markets have never looked hotter for software companies. Could you give us some numbers on what multiples you are like right now? Or maybe it was for me after all.

**Sverre Flatby:**
I guess so.

**Einar Bonnevie:**
It was a long question. All right. The multiples in the private market, it is a bit hard to tell. I think you will see that there is quite some distance between the expectations of multiples by the entrepreneurs and the private market and actually where transactions are going. I like to say that if you use the multiple EV/sales, I would say enterprise value is the financial definition, but when you speak to an entrepreneur, it's very often emotional value.

Our job when we negotiate is to bridge that gap. I'd say we have always been doing acquisitions on if you use EV/sales between one and two and I think it can still be there. But that said, how we really do in the calculation is an NPV calculation. So, the EV sales is more a proxy than anything else, but I'd say it would be still within the one to two range where the transaction would be done, but expectations are and have been higher.

All right, and this is for you, Sverre. It is from Henrik Larson and it says, “How will you manage to mainly use internal resources for large projects going forward and what will change from today?”

**Sverre Flatby:**
Yeah, that’s a very good question. As you know, there’s one big project actually that we also published publicly and that was the contract in Denmark. This contract, we have through 2023 finalised the main delivery of that contract, meaning that the whole country in Denmark is now using our blood management software. But this project alone would probably, if you had removed external consultants from that project alone, probably been on 30% EBITDA in the second half of 2023. However, there are new things to come as it always is and new functionality, re-planning of the project, added components, new versions, et cetera. These processes are short term, the planning process, and then it will be transferred to ordinary operational activities.

The reason why I think this is not going to be a challenge going forward is that we don’t have any that type of big projects going on at the moments that are not handled by internal resources. So, that is actually the answer and we’ve seen it since we are already into the first quarter that the reduction has been going on through the first quarter and the finalising of the planning process in the big project is over. Meaning that from the second quarter and onwards, it’s not there anymore. So, I feel quite comfortable that going forward our team with employees will handle our current business without help from consultants, although there are always smaller things but not that type of amount that we are talking about in 2023.

**Einar Bonnevie:**
Thanks, Sverre. I’ll continue with a question that is down the same alley from Math. He or she writes, “You are focused on cost and salaries. Aren’t you afraid of losing your best talents or failing to recruit new ones?”

**Sverre Flatby:**
I think the reduction here is not really about reducing the number of employees or reducing the costs as is. It’s more like most of the cost items are external consultants. So, I think we will be able to secure that we can stick to our current business without doing any type of project like the

Triginta margin improvement project, where we had to reduce number of employees and focus on cost items like that. So, the main challenge is actually just consultants. So, I'm not afraid of that and we work hard to make sure that we measure how employees' feedback are at the moment. We will take action based on that, but we don't see that the personnel expenses to our current employee is the problem. It's actually the consultants.

**Einar Bonnevie:**
Okay, thank you, Sverre. I'll continue with a question. The very first question that came in from Carl, thank you, I hadn't forgotten you. It's about capital allocation and that is I guess what this running a business is really all about. It's a long question, I'll take it in parts. The first one is, thanks, Sverre and Einar. Thank you. How do you think about various ways of allocating capital, internal investments versus M&A versus share buyback? Okay, let me take that one first. Capex is the investment for our own development and we have guided that on approximately 10% of total sales or total revenue.

The M&A and buybacks, M&A, really as long as we have the capital, there isn't a limit to what we can buy, but we have said maybe to grow ideally 10 percentage points organically and 25, 30% percentage points through M&A in the year. That is probably the pace we could keep up with to give you an idea. Then share buybacks should be seen in conjunction with M&A, because when we do a share buyback and we have our own shares, but we plan to use them for partly or complete settlement in future M&As. The bond agreement doesn't allow us to use them as dividend and to null them or to void them just for your information. Then the follow-up question, do you follow a certain return expectation, a hurdle? We have a weighted average cost of capital of 12% that we use.

How do you prioritise between these levers? I think I addressed that in my previous comment. Okay. The next question, I think, can be for you, Sverre, and this is from Kari. Thank you, guys, for another solid quarter. Thanks, guys. The question, looking back, have you achieved the hurdle rates or goals you had for 2021 and the 2020 acquisitions?

**Sverre Flatby:**
Yes, as you will see for those of you who know our internal margin expansion methodology called buy, integrate, and build, you will see that

the last acquisition we did was still within the two-year framework of margin expansion. So, the health analytics business area still have some work to do to finalise through the first half year. But other than that, we will actually see that now the business is an ordinary organic business, decentralised with separate business area managers and with no other integration activities than the one in health analytics, which is a small part of the total. So, in that sense, I think you can expect that this will be predictable going forward.

**Einar Bonnevie:**
Okay, thank you, Sverre. Another question for you from Henrik Larson and it relates to the project, to the LIMS and emergency projects. He asks, "When will your large customers projects for LIMS and emergency end?"

**Sverre Flatby:**
Well, the big impact here is on the LIMS part. The emergency is much smaller and that part is an AI project which is important. It is let's say a modern engine supporting the 911 operators with an AI engine that could help making decisions much faster. We added a cooperation with the University of Valencia, which also, we have to pay a part of that cost. But that is a smaller part. The big one is the LIMS and that is now a project that will go on until 2027. On the other hand, as I mentioned, the project now is more transferred to the ordinary business. It's not a huge, big separate project, because the major milestone has been reached in 2023, namely that the big capital regions of Denmark now using the software in production.

We also got feedback from those who run these blood establishments that this solution is working well. That means that activities going forward in the period up to 2027 is more about adding new versions and new components in the next three years. After that, you'll probably see 10 to 20 to 30 years of recurring revenues and add-ons and the same activity that we normally have after delivered such a big solution.

**Einar Bonnevie:**
We have six more questions pending, and again, we have a good quarter. So, if you have any more questions just type them in as we continue with the next question. That is from Emilie and Emilie, she

wonders, Sverre, what is driving the strong organic growth guidance for 2024 or should we not consider what you said as guidance?

**Sverre Flatby:**
That's the word, guidance is important. I understand that. We have, I mean, the last five years guided on the 5 to 10%. I think the trend, what we see now is that we have been in the upper parts as you've seen the last three quarters, even about 10%. I think the reason is that many of those installations we have and the volume has obviously increased, is that these added components, added integrations, et cetera, seem to continue. So, we'll still guide on 5 to 10%, but I think what has happened in the last three quarters is not going to dramatically go down. So, in that sense, I'm more comfortable with thinking that we are closer to the upper part of the interval.

**Einar Bonnevie:**
Okay. Then we have a few questions on M&A. I'll try to group them and take them in one. The first one from Karl Kangur and he says, "Looking back at the M&A deals after the IPO, what are the learnings in any, and is there anything that changed your approach since the last deal?" So have we learned anything, Sverre?

**Sverre Flatby:**
Yeah, we learn all the time, even we were too old men. We still learn definitely. I think the most important thing we talked about is that we probably made a mistake by not decentralising before we IPO'd, because we see now that the methodology of buy, integrate, and build inside one business area is much, much easier to handle, easier to scale. It's transparently easy to measure because it doesn't disturb other business areas. So, in that sense, the most important thing we have learned, and I think that partly comes from many of our American shareholders that to learn from the biggest one that work with the acquisitions.

So, I think that part is in my head the most important learning, but also, we've seen that some of the activities might be done faster. We are now in the position because we have worked the last two years with digital tools to be more efficient when it comes to further integrations, for instance, automatic invoicing routines, et cetera. That way, we could add faster into the new acquisition targets. So, in that sense, I think we are positioned to, with the centralised model and digital tools, be able to get more out of acquisitions in the future faster.

**Einar Bonnevie:**
Okay. Continuing on M&A from Amelia and she wonders, do you expect M&A to materialise near term and is it any segments that you are more likely from an M&A perspective? So what are your thoughts there? What can I say?

**Sverre Flatby:**
You always said, Einar, that it takes two to tango. So, obviously, we have to get into an agreement and agree with the owners of those we discussed with. So, we cannot anticipate exactly where we're going to hit the first ones. On the other hand, I see that from our database, which has a very high value in my head, we have been working on that since 2005, almost 20 years. We have an overview of these targets and we have dialogue with many of those and have had that for years. So, they are adding elements to all of our business areas. So, we still have possibilities within all areas. So, I don't think it depends actually more on the actual negotiations with the parties rather than a decision we make or a trend within any business area.

So, I think near term, the question is what is near term? But we have had hard work in 2023 with M&A as well, although we haven't closed any deals. We have a very good dialogue in many of those and I think we will end up doing or entering that growth of 25 to 30% M&A growth annually going forward. That should be our goal based on what I see from the database at the moment. Whether it comes in one or the other business area, you'll see. So, looking forward to tell you, Amelia.

**Einar Bonnevie:**
All right. One last question on M&A and that is, what can you say about your M&A efforts since the refinancing of the bond and how are the expectations of the sellers?

**Sverre Flatby:**
Well, one thing is we have some cash available. We have a bond with a tap issue of 500 million. We have the ability in that contract with the possible earnouts and seller credits, et cetera. So, that means we have a war chest

here to do what we are supposed to do. I think we are in the position to do that, to continue and do exactly the right deal at the right time. That means also, I think we are able to acquire both small and bigger compared to ourselves, probably not bigger than half of our own size, but at least if you look at it that way, we have the possibility financially to do it and we see from our target lists that there are a lot of good targets there that both small and big ones that could bring us fast to the targets we are working for.

**Einar Bonnevie:**
Okay. There are three pending questions. Again, you can continue to type them in. Another one from Oliver and Oliver is writing, "Why did you not have better visibility on Q4 salary cost by Q3?" In other words, why the surprise on OPEX and Capex and what are your margin cost expectations for Q1? I'm not sure I subscribed to the idea of not having visibility. Maybe we haven't been clear on it, so I'll repeat that. But in Omda, we are accounting according to GAAP, to Norwegian GAAP, Swiss GAAP. It's always the way that you accrue for holiday pay throughout the year. When a person takes vacation, when you're off work, you're not getting paid your salary for natural reasons. That is when you're using the accrued salaries or accrued holiday pay, instead of the salary for that period.

That is classic NRS and NGAAP and SGAAP. We have always used that accounting method. It could be discussed should we use an average method more IFRS like. It could be an alternative. We have decided to continue to use the method, but we're very transparent, very clear about it. It also makes it very much easier for you to do comparison from one year to another. If you constantly change the accounting practises, it's probably more confusing than convincing, but that's the way it is. So, absolutely nothing new. You saw the same thing last in 2022 and 2021 and 2020, et cetera, et cetera. But as most of the employees are in Northern Sweden, the countries having this arrangement, it of course becomes maybe more dominant.

But you can read that out from the pie chart in the report, where are our FDA is located. So, that is one thing. On Capex, I don't know if the production can bring the PowerPoint slide up again. Thank you. There you can see Capex is routinely higher in the fourth quarter actually for the very same reason for the holiday pay. When people are on vacation, they are not on work and they're not coding. When they're back to work in the fourth quarter, very few holidays and public holidays and vacation days, they're at work and they're coding. We have always guided and we saw it was 12% last year, same quarter last year and 30% this year around the same number. We have guided on 10% on an annual basis, not necessarily on a quarterly basis. So, that was just I wanted to remind you about.

When it comes to guidance for the first quarter, we haven't guided specifically for a quarter. We have tried to show you the ambitions for the year. I mean like a sale can slip from the 30th of March into the 1st of April, then it shifts a quarter, that is not what you should worry about. But expect to see distribution of costs, et cetera to follow the same pattern from quarter to quarter and from year to year. So, that is what I will say to you. There may be some natural variations, but we stated the ambitions for next year and our priorities. I think for instance on organic growth for the last three, four quarters and on the cost side, we are indeed working on our ambitions and our priorities. Again, maybe not perfection, but certainly good progress in our humble view.

All right. Four more questions and this is also related to economy. So, I'll take that one from anonymous. What revenue level you expect the 30% EBITDA margin to become easily achievable in terms of scaling the cost base? I'd say yes, I don't think we would need to scale the cost base particularly on the COGS. On the contrary, other OPEX, we are running a lean organisation and we are invested heavily in digitization and we see the benefit from that. So, that we scale better say on accounting, et cetera, and on IT. On the southern personnel side, I think we're more or less there.

Remember that during the cost saving programme last year, a lot of people that embarked on journeys on new careers, they were on the administrative side. So, yes. For you Sverre, there are three more questions and two from Matthew. First, dear Sverre and Einar, could you enlighten us how the tender process length and bidding process works in your markets and do discretionary price increases trigger a contractor churn?

**Sverre Flatby:**

Well, I think the most important thing when we talk about tenders in our markets and in our business is that since these systems normally are in production for decades, there are very few tenders and our strategy is actually to avoid tenders, because we would rather acquire systems to grow than participate in tenders because they are so long. We have examples of tenders going on for decades without ending in a successful installation. Many of those actually in Nordic regions. So, that has brought us to an idea that we stick to the organic growth we have when we plan it that the organic growth come from our existing contracts with existing customers. So, the 5 to 10% is coming from there. If a tender comes up, that will work for some years.

We have some examples, the one in Denmark is a good example. We have had installations there for decades and then they ask us to participate. We will obviously participate in that type of tender, but that was one. Maybe the next one is in 20 years in blood management. So, it's the long-term thing. It's a very good thing when it comes to recurring revenue streams, but when it comes to getting new customers through tenders, that is really not our game. So, I think that is the most important takeaway. But there are sometimes to specifically say how long will it take to participate in a tender.

Normally, the customer plan for a couple of years, a tender. They use a couple of years to carry the tender through and then you have maybe a 5 to 10-year implementation phase before you get after 15 years normally then to an ordinary operational status. So, that is why our strategy and our budgets has not focused on tenders at all.

**Einar Bonnevie:**
Okay, two more questions and two minutes left. Both questions from Matthew, just the first one as a follow-up on the tender question, how do your counterpart view use of debt? Do they ever express worries about the leverage? The company is after all providing mission-critical functions. Yes, we are. On leverage, make it short. If we reach our ambitions for 2024, we will have a net debt to EBITDA of around three and that to recurring revenue of 1.3. So, that should be considered a higher leverage and certainly isn't in the contract with the bond holders.

No, they haven't expressed any worries about that level. Okay, the last question here comes from Matthew, quickly. Dear Sverre and Einar, now that the business structure is decentralised and segment CEOs are taking care of the day-to-day operations, what are your duties and days like?

**Sverre Flatby:**
Of course, we will focus more on the growth side at the same time follow up each business area that these trimmings that the tasks there to secure the 30% running EBITDA is there. It's obviously still a priority. But on the other hand, we will focus more in 2024 on the acquisition side, because we see there are large opportunities for us and we will continue to be a growth company as well, a solid and profitable one.

**Einar Bonnevie:**
Okay. We are a bit overdue, but the very last question and that is related to share buybacks. The question is, do you see Omda stock better buy than further M&A activity? I think it absolutely makes sense to buy back your share when you think when the price is below the value. In the new contract with the bond holders, we can buy up to 50 million of our own shares and it's a revolving facility. You probably don't have to be fortuneteller to try to guess what will be suggested for the next AGM. But again, sometimes the acquisition we're attempting so there is a competition.

All right. All about capital allocation. Seems to be no more questions and thank you very, very much for your questions. Very much appreciated. We hope you have enjoyed this presentation. Please tune in again on the 14th of May when we will present those results for the first quarter of 2024. Until we meet again, thanks for watching. Take good care. Enjoy your weekend. As always, stay safe.