Transcript
Q2 2023 Results Presentation

Einar Bonnevie:
Good morning ladies and gentlemen and welcome to the presentation of the report for the second quarter of this year. The report and a copy of the presentation will be available on NewsWeb and to be downloaded from our website. This webcast comprises a 30-minute presentation and will be followed by a live Q&A session, as usual. You can type in your questions at any time during the presentation and we will attend to them later. Recording of this webcast will be published on our website shortly after the presentation ends and sooner after, a transcript will follow. And now I have the great pleasure of heading over to our CEO, Sverre. The floor is yours.

Sverre Flatby:
Thank you Einar and thank you for at least being physically present this early. I would like to really take you through some takeaways from the second quarter and we are happy to see that there are progress. But before we dive into the details, please let me go through some of the fundamentals. And first of all, we have chosen two areas of the market as our primary target. That has been the emergency response area and the specialised hospitals. And this deep diving into niches has been a very important part of our success and strategy. And based on that, we have been able to become a leading player in the Nordics and we are strengthening that position as we go. And also as you will see from this presentation and this quarter, that we also have been able to grow even more outside the Nordics.

And also another fundamental thing, we have chosen to acquire a lot of different components, systems, over the years and the common thing is that these systems all mean something to society and ultimately to the patients. So if you see this couple here, whether they plan to donate tissue or blood to help other people or they just called an ambulance or talking about their parents having cancer in any of these type of situations, CSAM components will help healthcare workers to support the patient. And I think the combination of this strategy with these market segments and important systems has given us the possibility to become a predictable business over the years with the long-term recurring revenues. And as you'll see, that is what's growing also this quarter. And now if you look at the position we have in 27 countries and also looking at the types of customers, obviously long-term, large, solid customers which also are dependent on these systems.

So I think you will see that we are diversified with a lot of contracts in different countries also in different geographies in these countries and within different business areas or niches if you will. So this is a multidimensional diversified platform going forward. And now to the highlights of the quarter, a very good thing and obviously normally the most important thing with CSAM and value creation is the recurring revenues. And with the growth of 16% and 82 million this quarter, we feel that this is really good. We are satisfied with the progress. And also as you know, these type of recurring revenue streams come from type of customers that has systems tied into their complex workflows and that is why this growth is important for long-term value creation, in addition to giving us a good income this specific quarter. So we're quite happy with that. And similarly, we passed a hundred this quarter as well as the last one with a total income.

And we see there as well the growth is good, which gives us the comfort that we can move forward and reach our primary target this year, which is to pass the 400 million mark. So that is also good. And if you look at the organic growth and what is the difference between the top line growth and the organic growth, obviously we have local currency in different countries and we measure not only in total the organic growth but also per business area. 11% is actually also above what we normally guide on our interval between five and 10%. So even organic growth in local currency is quite good this quarter. And then if you look at income, you also have to talk about income quality. One important part of income quality is obviously that's the recurring revenue still being 79% of our business is one thing. And secondly, the COGS or let's say the gross margin is important going forward and that has to do with securing that income is related to our own software and not focused on delivery of third party components or hardware.

So we still go on and reduce COGS and increase margin to secure income quality further. So we're quite happy with that progress as well and I think that this will even get better going forward. Then the EBITDA obviously coming from a negative EBITDA last year and had a positive 5% in the first quarter, then we have 11 million and about 10% in the second quarter. That is a positive trend obviously, and we see that the effect of our cost reduction programme is doing what it should do to make sure that we get a stable long-term running business with our target margin of 30%. And then another very good thing I mentioned the growth outside the Nordics and as you see going from 12% in the second quarter last year to 17% with distribution of software outside the Nordics is very good. It's also good for our diversification but also for further growth when it comes to new customers that has needs for other type of components and cross-selling et cetera over time.

So we feel that we are really now proving that our national abilities are shown through this quarter. So that means that our share are increasing there. Outside of Nordics, we still have this very strong balance between the countries in the Nordics, obviously still very important. Important customers and almost all regions in Sweden and Norway, most also in Finland and now also in Denmark, meaning that we have a very strong foothold there, but it's still a very important trend that we are increasing outside the Nordics.

So then let's see about talking about the profitability and the development. We've always talked about buy, integrate and build. It has been a while actually since we made acquisitions, several reasons for that. But all acquisitions are put into a central portfolio that we control and look at the ability for acquired targets to secure a 30% long-term EBITDA margin. And these projects, as you can see now, we're reaching the second half of 23 now and you see the end game here for those acquisitions we have made the last couple of years. And this should give us the opportunity then to get back to a 30% running margin for the current business. If we take the theory that we don't acquire anything more, obviously you will understand that we will as a growth company, acquire more and do that over time. However, looking at the current acquired targets, we should now see the effect of the buy, integrate and build process clearly in the quarters to come.

So what we have done, which I think is one of the most important thing the last year was to secure that the niches we have are handled as pure decentralised businesses and many of you have asked me many times to be more focused on these areas and also show the performance. So I would like to share some elements from each business area to give you a flavour to see what's going on also there. To see with the circle in the top right corner of these business areas, you'll see the size, this is a year to date size in the first half year of 23. Then you'll see that we have some small, some bigger and then obviously the biggest one being public safety. But I'll go through systematically just to explain to you the status of each one of them. So let me start by medication management.

It's a small part of a business. On the other hand, as you can see from the EBITDA, 37% still with low investment in software CapEx and organic growth is negative for the quarter. I have explained to you before the lumpiness of all of these niches, given the fact that customers normally have deliveries where licence income and also professional service income will be booked related to installations. So that just shows that something happened in the second quarter last year and it's below that this year. It's not really a negative thing, it's just part of the business. So interesting thing that this niche has been with us for more than 10 years and normally the profitability and the ability to run with high margin is based on that history, obviously. Same thing happens really with women and children's health. Bigger, three times bigger actually, but still a smaller part of the business but also performing extremely well as you can see with 39% and also very high organic growth.

Also low software investment compared to the sales. But all in all the same here with actually both of these two, medication management and women and children's health has been with us for many years and actually 2008, that means the ability to run steady like this is based on this long-term activity. And if you look at another one medical imaging, it's also profitable. But as you can see there pointing out a high CapEx and that is related to what is normal within our long-term business is you have some combination of technology changes at the same time you have migration. So if you look at acquisitions back in time for medical imaging, we have acquired products that needs to be harmonised and we are creating a new platform there on the imaging side which makes it easier for us to maintain one product with several customers rather than having two products in production.

So that is what's going on there and that also makes organic growth slower in the meantime while customers are waiting for new versions. On the other hand we see that the investment in software here is a good long-term decision. And connected healthcare, which is tightly connected to many of our other niches, but primarily actually with medical imaging, 90% of their business is normally connected. There's a positive profitability there. Also, some software activities, development activities going on related to finalising and the streamlining products. And also here you'll see an organic growth above what we normally have guided on between five and 10%. So all in all, a good performance as we see it. Then we have health analytics that looks bad if you look at this as an isolated quarterly number. On the other hand, this is a relation to two companies acquired recently and probably the only one that will not be finalised in 2023 when it comes to integration of the companies.

That means there will be several things going on on the product side later, but first of all on the integration side and also with income quality meaning focus on our own software and less on project services, third party, et cetera. So that is why the organic growth looks negative for the quarter is also based on a cleanup and focus on the right income. It's still not profitable. Over time this area would have high synergies with the other areas we have because this is also about the future about analytics and further on also AI and the focus on the ability to use all these important clinical data produced of all these customers in 27 countries. So we're looking forward to develop that but we will not see to put it that way, healthy numbers in the short term, but it's a very important area for us over time.

Then we have our biggest area and as you can see performing quite well. EBITDA 15%, which is good and also at the same time high organic growth and with a big area, size matters and has the ability inside public safety with a lot of interesting products serving a value chain of emergency response institutions have also the ability to then grow with add-on components and sales to current and new customers. And as you can see there as well, we have a CapEx above are guided 10%, but these investments are related to the future which is important in many areas both on the emergency response control room software but also on the ambulance side. So we're quite happy with that as well. And the last business area, the blood management or LIMS is also looking, if you look at the isolated quarter as a negative thing, I have explained earlier why is this looking bad when it comes to profit.

It is a combination of the national contracts in Denmark, which is important for us over time that has made it possible for us to end up having all the regions in Sweden, most in Norway, but then again now all in Denmark. So this is a fundamental investment in being a very long-term for the next 2030 years vendor to these areas. And as you saw there, this type of number will happen during the time and LIMS is also actually now in a situation where they invest in software for the next generation. LIMS has actually been there for 40 years and have had technology changes in other decades as well. So this is nothing new and when you look at it in a quarter it looks maybe a bit strange, but as a long-term investment we are quite sure this is the right thing to do.

So all in all, when we look at our business performance, we feel that the business areas are performing as we expect them to do. I showed you the last time a version of this type of profitability targets and also explained starting from the left side that it's normal for CSAM to go down in profitability when we acquire companies. We normally acquire a sub performing companies and we've acquired a lot and we do that at the same time. It hits our margin very much. At the same time we started this important decentralisation project last year and the combination of that made it as you can see from the curve here down to minus 20% in the fourth quarter. And that was also the point where we initiated a cost reduction programme to secure a positive margin development. And the main target is in the heading here, obviously we want to create a viable 30% reported EBITDA margin for the current organic business after all these acquisitions.

And I think we saw a positive trend in the first quarter and with 10% as I mentioned EBITDA in the second quarter, it is a good trend. And we also had, as I explained the last time, we want to achieve this as soon as possible and the third quarter has been our internal target to secure 30% margin and then also obviously with the main target to create a viable 30% margin. We know it is hard with a jump from 10% in the second quarter to 30% margin in third quarter, however we stick to that goal and we'll try to reach it although we have obviously challenges to do it. So that's how it is. And to summarise now before we go into more of the financials, I would just say that the main takeaways here I think is very important for our value creation.

You'll see that the business areas I mentioned, it's a strong organic growth and also all of them focusing on developing high quality income and by high quality I mean not only the margin being better but obviously the combination of recurring revenue growth and organic growth is very important. And I also think that mentioning the growth outside the Nordics now is trying proving that we're doing the right things. I think that is important. And secondly, on the profitability side, the trend is definitely in the right direction although as mentioned there are challenges to reach our goals in the short term, but we'll stick to that and do that, all the necessary actions in the cost reduction programme and on the income side to secure profitability. So then I think Einar that we should go through the numbers.

Einar Bonnevie:
We should indeed. Thank you, Sverre. All right, let's have a look at the numbers. First and foremost, the recurring revenues. I've shown you this slide on every presentation and last time we said that we were approaching the 300 million mark. This is the last four quarters you see so annualised and this quarter we actually surpassed it, 305 million for the last four quarters, growth of 12%. Again a great comfort to bond holders, a great comfort for us when evaluating acquisitions, great platform. The revenue mix, I'd like to highlight the very good revenue mix we were growing 16% quarter over quarter reported. We see a very high degree of software revenues, not only recurring revenues but software revenues. Software revenues comprising 80% of total sales up from 79% same quarter last year. And a combination of recurring revenues and licence sales increases 18%, which is decent by any standard.

On the cost side we see there are improvements. You see here the four bars the second quarter 2022, the fourth quarter 22, first quarter this year and then the second quarter this year. You see that cost is coming down, number of FTEs are coming down. There is of course a little lag especially on the salary and personnel side because the numbers you see there in the blue ovals in the bottom, they are the numbers at the end of the quarter exiting the second quarter. Also, that means entering the next quarter. And the numbers of employees are reduced to 291 exiting this quarter and that is what we are entering the third quarter with the number of our employees. Some employees accepted severance packages after Q1. This had some positive effects on the margin late in the second quarter and will have full effect in the third quarter of this year. And we have continued to scale down on the use of temporary consultants. This had some effect in the second quarter and we will have full effect from the third quarter.

What you have expected and also what we guided on was probably a few percentage points better. This is merely we are a few a month or two behind our original plan, but as Churchill said, planning is everything, the plan is nothing. So we are actually delivering but in the real world it's very hard to predict if things happen in April or it happens in June like the delivery in Denmark. The EBITDA margin, we continue to say that in long term our target is indeed 30%. It has increased you see from the second quarter last year to the second quarter this year, it has increased from 4% to 10% and in

Corona from around three million to almost 11 million. So there is indeed a improvements and we also saw that from the first quarter this year.

On the margin side we see, so there is improvement on the CapEx side is roughly unchanged somewhat above 10% on the second quarter last year and somewhat below 11% second quarter this year. So around the same. We will know that profitability is still temporarily hampered by the reorganisation but it is improving with the cost reduction programme which is on track. We are a few months behind, a little behind, but by and large it is going as planned. Salary and personnel expenses was reduced to effect from April and will have full effect from the third quarter.

Speaking of the margin, a lot of you will ask the question, I also see on the Q&A here, what is now our predictions for the third quarter? We said that our target was 30%, we have looked, we're halfway into the third quarter, we have tried to analyse it and we see that on the income side and on the cost side, main takeaway point, we are progressing in the right direction. Things are going well, income is robust, high degree or recurring revenue, very limited churn. The effects on the cost side is starting to show their effects. Will we reach 30%? We will say that is still the target, but it is indeed a stretch. We have very good comfort and visibility for 25% plus. And let's see where we end. We are working day and night, we're only halfway through the quarter so still a lot of work to be done but right now say we have great visibility for 25% or more, it will be stretched to reach 30. Let's see where we end.

But you should definitely continue to see an improvement in the margin and the larger leap from the second to the third quarter than you saw from the first to the second quarter. So things are indeed improving. We are on track maybe a few months behind but we are on track. All right. On the networking capital we see that our target has been and still is to have a target of minus 10% or better. Again, it is a fluctuation based on both when we acquire companies and take them on, take them in. And then you see that we are developing a negative development from the first of the second quarter. One, it is a typical seasonality in it. You saw the same from the first to the second quarter in 21 and in 22 not so much. And now in 23 there is some seasonality there, so one.

And the second is that we have increased sales, which is a very good thing. And then keep in mind that we have made accruals for Triginta in the fourth quarter and we have been dissolving them now in the first and especially in the second quarter. So there is that also explains the difference between cash earnings and the P&L. But we continue to work relentlessly on working capital. Very important for us. All right, let's have a look on the investor side. Still, the total investors, approximately 30% of the shares are held by the old founding founders, if you like. The management and keepers now with the skin in the game, there have been no change whatsoever. Not a single share has been sold since we IPO'd. On the free float has been somewhat more liquidity in the share recently, which is a good thing. We see that there have been some notable changes and what we can notice that Norwegian investors, they have increased their share and so have the US and UK investors now comprising 38%, almost 40% of the shares. The Swedish investors have slightly decreased their holdings. And then we have other parts of the world by and large unchanged.

Okay, some concluding remarks and you will see that they are remarkably unchanged from the previous presentation. We have been focusing on and we will continue to focus on organic growth. The top line is indeed absolutely the important thing. And if the top line continues to grow faster than the cost side, all right people, do the math. And then of course profitability. One is to make sure that the top line continues to grow. Another thing is to maintain tight cost control and we will do both. But the key to unlocking the full 30% potential is not only on the cost side, it's only on the income side. And we work very hard and diligently on that. And then no, we haven't forgotten M&A and know that some of you are impatient and say okay, what is happening to the serial acquirer? We are continuing to keep dialogue with a number of prospects.

There is high activity, but again, we will remain disciplined, we can only spend the money once. And of course there's also discrepancy between the expectations of the buyers and the sellers. Sellers are regretting not selling yesterday and the buyers think they will always be cheaper tomorrow. But at one point in time the parties will meet, I'm quite sure. So we will continue to focus on this. We see great effects from the decentralised and empowered organisation. One of the smartest things we've done recently is the reorganisation into business areas. It is working very well and beyond our expectations. And you should continue to see gradual improvements, maybe bigger leap even from this quarter to the next quarter and over the next quarters on the current organisation. So we are definitely forward leaning and definitely looking at the future and think it is indeed a bright one.

All right, we've come a long way since we started back in 2005 and the current organisation of 2008. And we maintain our ambitions and that means also we maintain our no billion NOK sales ambition. Will we reach it in 25? Probably take a little longer, but we maintain our ambition, we are as ambitious as ever and now also fueled by high organic growth and increased visibility on the cost side. We continue to be optimists. Okay, again, if you want to be the first to know, subscribe to our newsletter, scan the QR code or type in your details on the webpage. And that is that. Thank you for watching the presentation. And now I have the great pleasure of initiating the Q&A session. We have 23 questions, thank you very much and let me dive right into it. And the first one is to you, Sverre, and that relates to the organic growth on the business areas that you went through. And for a question from DT, for some segments, why is the organic growth negative?

Sverre Flatby:
Yeah, that is a good question and I think you will see that when we report quarterly in a business like CSAM, which is really not quarterly. One example could be if you look at medication management for instance, if you have a delivery that quarter, you will initiate booked income for some of the licences in a contract and maybe also for professional services and maybe the quarter the year before you had that or you maybe had something the quarter after. So when we measure quarterly, it'll always look lumpy because the volume of those are not high, although the volume of the recurring revenue over time is increasingly going up, it will always be a lumpy like that. So that is why most of our business areas will have that effect when we measure quarterly.

Einar Bonnevie:
Okay, thank you. Thank you, Sverre. Another question which relates to the organic development of this business and that is related to the blood management delivery in Denmark, how is that going?

Sverre Flatby:
Yes, the project is going well and we are now in that lucky situation that all of Denmark is actually using CSAM Prosang in production and that is the most critical delivery. There are a lot of other deliveries because there are functional milestones, there are also technology milestones and development going on. But all in all the most important milestone was reached in the second quarter. It should have been installed early in the second quarter but happened late in the second quarter. And

things like that creates what Einar mentioned that in a couple of months delay also increases obviously costing for instance external consultants. So it's incidents like that. It also obviously hits us when it comes to the profit. On the other hand, if you look at a 40-year business like Prosang and then look at the next 10 to 20 years, the installation in Denmark now past, behind us, is extremely important. And this quarter in that sense is a success although it doesn't look like that in the numbers.

Einar Bonnevie:
All right, and a question about also reporting on the segments on Aygo our consultancy company that we established and launched in the first quarter this year. And the question is how is Aygo performing financially and why has it been taken out of the report? Let me address the last part of that question. It hasn't been taken out, it has never been put in and we said that it's in a build up and transitional phase in quarter one and quarter two. We said that from the start and it will start to report on that from the third quarter this year. So it'll be taken in from the third quarter and it has been building up thus far. All right, that was Aygo. And then another question from DT here and that is about acquisitions and he says still no new acquisitions? No, we haven't announced any. Can you add some flavour to that, Sverre?

Sverre Flatby:
Yeah, it's always difficult to talk about acquisitions before they're published and signed, but as Einar mentioned, we have a lot of processes going on. We had that, we always... Most of our targets we have acquired, we had dialogue over many years. So we know the targets, we have processes with targets and we aim to continue our growth. There will be a transition between doing good as we now do on the profit side refinancing at the same time and then obviously continue to grow and grow faster when it comes to M&A. So that is still what we do. And I would say also that our database of targets has been increasing. Very much we see there's a lot of interesting targets and not only in the markets we are in but also in other markets and we will continue to focus on that and we will see acquisitions from our side and you'll also see an acceleration at some point in time, but still be sure that we will continue to do that hard work. But still, as Einar said, we can only use the money once so we would like to buy the right target at the right time, at the right price.

Einar Bonnevie:
All right, and another question which is related to M&A and also also the operations and that is your liquidity reserves have decreased with a hundred million NOK since the IPO, what has this money been spent on? One thing is we have spent money on acquisitions. We made four acquisitions since we IPO'd and we also invested in software as you see on the CapEx side and reorganisation other operating activities. And for detailed analysis go through our quarterly reports and the annual reports, this is all explained in the cashflow analysis. Okay. Another question here that is from Javier and that is, and it's a follow-up question on this one if I interpret it correctly. Are there any mistakes you want to highlight in previous acquisitions that you have proved to be more difficult to restore to profitability compared to what we expected?

Sverre Flatby:
Well I think the only mistake or let's say a regret is that we didn't do the reorganisation into business areas much earlier because that would be a more efficient way of integrating than our central portfolio matrix organisation we had before. So I think that is the biggest regret because I don't think the targets themselves there are any wrong thing with them. So we still feel that the products we have, the recurring revenue streams we have, the people we got on board and everything is good. So I would rather say that I would like to have sped up the decentralised model. But then again we are learning from the best and we found out as we went through the acquisition portfolios that this was the right model and now we are there. So we are quite happy actually with the situation in total.

Einar Bonnevie:
Okay. A number of other questions here, try to group them as best as we can. Is the 16th percent growth anything else than regular CPI regulation on existing contracts? And the simple answer is yes, the CPI regulations we guided and presented earlier between one and 11% averaging around four to five. So there you go. There is real increase in number of users and increased volume in the sales in addition to the CPI regulation. And still 17 questions. Another question from Henrik, I think we addressed this, do you still guide on 30% EBITDA margin in Q3? As I said, still that's our target. We have great visibility for 25% or more. Let's see where we end.

And then related to margin, is EBITDA margin also the CapEx? Of course. And do you expect CapEx to sales to continue to be around 10% even as revenue increases? We have maintained and are maintaining the CapEx guidance in the shorter medium term. But if I had to guess and had to speculate, which I will not, I would say it is probably more likely as sales increase that CapEx will be less than 10% and more than 10%. But that would be my speculation and I won't speculate. And then something on the technical platforms, which I believe is for you, Sverre. The technical platforms that you have acquired are very different from the legacy ones. How does that impact your ability to integrate and to achieve economies of scale?

Sverre Flatby:
Well I think if you look at what are the customers paying for, because if you look at what is the profitability coming from, these systems are in production. Those we buy, as I mentioned initially in my presentation that we are focused on within emergency and also in specialised healthcare. And in these areas these products are actually in production for decades and there are not so much you have to do with these platforms and they're normally already integrated with the legacy systems like with Epic or Dips in Norway or Cambio in Sweden, et cetera. And that's why I think it's really not a technology or a platform problem. However, what is important when it comes to economy of scale, which makes the questions very relevant, is obviously when we create a new component we referenced to, Einar was talking about CapEx. Each CapEx project is a business case and that business case is normally some kind of component we create that again would be able to integrate with more than one platform.

So for instance, if we have as we have, two types of maternity software in production in different countries, then obviously when we create a new component we will make it integratable with two different stacks. So that is how we over time migrate without doing the big steps or big investments in platform changes. So that is a strategy, stick to the businesses that are in production, add components that we can sell to all customers and integrate those on top. And then in a 10 years time, 20 years time, over time, multiple products will be one. And that is also why we stick to the 10% or just below as a guiding going forward because these investments are actually creating a common platform over time.

Einar Bonnevie:
All right, still have 14 questions left and 14 minutes. So let's try to go quickly through them. I'll try the group some of them. One question here from Oliver. Are you still committed to 30% EBITDA margin by Q3?. If not, what is the minimum level you expect? I think we addressed that one. We are committed to the targets and we expect 25% or more. We have great confidence in those numbers. And linked to that also from following up Oliver, EBITDA margin Q2 appears to be a bit lower than indicated by your chart in Q1. What was the key deviation compared to your expectations before the quarter? There have been a few things, one-offs related to the Triginta after the earthquake, a few things on consultancy, on legal, et cetera, on travel, smaller things, but it all adds up. And then I believe there's something about deliveries and consultancies, Sverre, and you mentioned it earlier.

Sverre Flatby:
It's really not a mystery. It's quite simple as I mentioned, as one big thing is the late delivery in LIMS, which should have been done in April, ending up in June. That means that is a full production, a full set of consultants and obviously with all these big teams a high burn rate that adds because of a two months delay and it's not necessarily our own fault. So that is things that happens and it hits us a bit. So yes, it's a bit lower than expected but it's because of real things like that. And as I mentioned, the critical thing with the 30% targets internally and to stick to that is that we want the current business to run with 30% margin in the next years to come. And if we still want to reach it in the third quarter, things happen, we try to adjust for it, but the main thing is to get the 30% as a generic target margin going forward.

Einar Bonnevie:
Okay, another one related to EBITDA and the margin. Can you give us the building blocks for us to bridge from 10% to 30% EBITDA margin from one quarter to another? It's a steep jump. There are really only three cost groups and it is COGS, it's other OpEx and it's salary and personnel. So those are three cost elements. We said that our target is five, 15 and 50 and that is where we are. So you can see and that is in percent of total sales. So that is one thing. The other thing, as I said, we'll continue to focus on the income side. One thing is savings, another thing is the income and that is really it. So income on the one hand and the three cost groups on the other and you know what our KPIs and targets are and you see where we are pretty close and where we still have some work to be done.

Okay. And another one on the price increase. How much of the price of the organic growth comes from price indexation? And as I said, between one and 11, around four to five comes from price increase and the rest is indeed very real. So then we have something again on the EBITDA, another one from Oliver. Do you expect EBITDA margin expansion in Q4 compared to Q3 despite having the benefit of holiday pay and thus typically a seasonally higher margin in Q3? It's very hard to forecast into Q4. We haven't done the same calculation there, but we continue to believe that especially, for one thing is correct as you say, we have the benefit of holiday pay. But the flip side of that is that we have lower professional services income because people on vacation, they are not working hours and invoicing those.

So we expect also higher sales in the fourth quarter. So we think, and if you look at the first half year, 206 million in total sales and if you just simply say that the second half of the year is equal to the first half of the year or maybe even continue to grow, you see that we have very good backing for our predictions for 400 million in total sales this year. So it seems like that is a target that is actually achievable. Let's see where we are. But we continue to focus on the margins and again on the cost side, yes, but also on the income side. So we continue to work on the margin. The 30% target wasn't meant to be a one hit wonder in the Q3 and then we should be back in the doldrums, on the contrary. And then a question from Karl here and that is to you, Sverre and that is thanks Einar and Sverre. Thanks Karl for watching. How connected are hardware sales today with future software sales?

Sverre Flatby:
Yeah, hardware sales is sometimes important because the customer want it. It's like in an ambulance if you want so-called GTACS and the pre-installed ambulance software and the customer wants it that way, obviously we will do that. On the other hand, there is not so many other types of hardware needed in our business and if you see the trends among the customers, these big organisations have their own procurement organisations that now more and more handle their own type of acquisitions or types of hardware. So that means I think over time it's more likely that we have a much lower amount of hardware as part of our business. So I think more and more our customers will secure that we deliver software and they will acquire their own hardware. Having said that, it will take some time because there are agreements and there are delivery plans going on. So it'd still be some hardware and some

COGS in our books, but in my head it's probably going to be like now 91% COGS. I think over time it will rather be 95% gross margin rather than 91.

Einar Bonnevie:
I hope you didn't mean 91% COGS for the 91% gross margin. Right. Okay. Question from Emilie, thanks for watching. Regarding the EBITDA margin, what is causing the delay? Is there still external consultants that you need to keep for a longer period than previously anticipated? Can you give some details on how many consultants are still hired in? I think you touched upon this Sverre in the previous, but very briefly. We have nine questions and six minutes left.

Sverre Flatby:
Yeah, we can just say that it's a very specific team with the project managers to test managers, et cetera. And on full-time for a couple of extra months it will hit the margin. It is actually millions and not hundreds thousand. So that is actually the simple answer.

Einar Bonnevie:
Okay. Some questions regarding the refinancing on the bond loan. I think we will go through them and try to address them all at once. One from Andreas. Hi, financing costs have increased. That is correct. And the loan market is tougher, which is also correct. What about the bond loan and the renewal of this when the time comes? Okay, I'll just archive that one and I'll read some of the other questions related to the bond loan. Again one from Javier. Given the rapid increase in interest rates, what is a prudent expectation for us to have when it comes to refinancing of the 2024 bond? What are your preferences and what type of debt are you looking to replace it with? So let me stop there. It's a big question and I could spend five minutes on it alone. But I say it's of course I think the total terms is linked to one the markets and that is also the VIX and the iTraxx. How nervous is the market, how confident is the market is of course the base rate and it is of course last but not least see some performance that explains the margin.

I think we are looking to, again, same answer to refinance and probably expand the current bond loan and we will do that backed on strong enough results on EBITDA. So that is what I can say we will probably not... We have dialogue with actors in the market and bondholders and investment banks and we're working on it. And that also I think addresses the question on any updates on the refinancing. We haven't done anything specific, but again I think what we can do, we can't control the market but we can control our own performance and we're working hard on that one.

Okay. And there are five questions left and from the anonymous joiner, why was cashflow from operating activities 22 million in minus? Why was the changes in prepayments from customers minus 20? Again, I think it is explained in the cashflow statements and in the quarterly report. Mainly natural variations plus what I mentioned about dissolvement of Triginta accruals and prepayments from customers also linked to total sales. And then to you, Sverre. How are you planning to stay relevant in the market with such a diverse product portfolio and a higher proportion of CapEx allocated the maintenance of an ageing project portfolio. Let me just take the last one first. CapEx isn't used for maintenance, it's made for new development. We do not have anything like maintenance CapEx that word simply does not exist in CSAM. So thank you for that. Very good to clear up.

Sverre Flatby:
And I think to put it that way, that it is an agent thing is not really the true thing. I think we have to turn it upside down and look at the patient and the healthcare workers and the value creation that these software types are doing. It's not the technology itself. We are not creating the coolest technology, but we are adding cooler technology over time. So we're not worried about that at all. And please remember the 16% increased recurring revenue this quarter is showing that they actually are buying our add-on components and creating a very nice future when it comes to further developing the existing components in production. So we don't feel any problem related to technology that way when it comes to our financials.

Einar Bonnevie:
Okay, another one on EBITDA, 10% only for recurring software business that you claim have 91% gross margin does not seem efficiently run. Well that's not a claim, it's a calculation. Are there any real synergies between the different business areas?

Sverre Flatby:
That's really not the primary way to look at it between the business areas, but sometimes there is. And sometimes for instance, when connected to healthcare you have integration components that can be used by all the others. So yes there are some, but the primary thing is what I said is things that are in production over

decades and customers that want to increase the value and it is the user value they pay for. And we use our technology, both the old ones are in production and new technology on top to secure that. And further also obviously do as everybody else make a more efficient development through AI, which is also initiatives internally to be more efficient when it comes to delivery components.

Einar Bonnevie:
All right, two questions left. It's a little strange, but why is your accounting function so much larger than in comparable companies? It is actually smaller than in comparable companies. So that's the fact. And the last one, I think this goes for you. Make it brief, but where is CSAM in five years time?

Sverre Flatby:
At least, as you saw from one of the last slides Einar showed, we stick to the point that we have been able to go from a Norwegian company to become leading in the Nordics. We have passed with the 17% now in the outside of Nordics. We want to be a notable player in Europe and we want to be a notable player when it comes to niche software in the rest of the world as well. So I think we will be the preferred player for many countries in the world in five years. And I think we will stick to the fact that our smarter ways of doing things with smaller niche products will be the future and not the biggy big bang ones, which somebody can maybe say it's not that successful all the time. So we're going to be there and we are going to grow.

Einar Bonnevie:
All right, no more questions and we are a bit overdue, sorry for that. But we wanted to address all the questions coming in, a record of 27 this time. We hope you have enjoyed this presentation and the Q&A session. Tune in again on the 10th of November when we will present the results for the third quarter. And until we meet again, thanks for watching. Take care, keep faith and stay safe.