Omda

Transcript
Q4 2024 Results Presentation

Einar Bonnevie:
Good morning ladies and gentlemen, and welcome to the presentation of Omda's achievements for the fourth and final quarter of 2024. This presentation will last approximately a good 35, 40 minutes and it will be followed by a live Q&A session. You can type in your questions at any time and we will attend to them later. A copy of the presentation will be made available, is available on omda.com and on NewsPoint, and after presentation a live webcast... Sorry, a recording of the webcast will be made available on our website along with the transcript. And as always, I'm here together with my long-term partner and our CFO, Mr. Sverre Flatby.

Sverre Flatby:
Actually, I have now become the CEO, Einar, but thank you, and thank you for being awake this early. So to everyone, welcome and, or should I say, happy anniversary because in a few weeks Omda will celebrate its 20th anniversary. And in that context, we've also thought that a different approach to some of our topics in the quarterly presentations will be changed. So let me go through the agenda and what we're going to go through today.

First of all, I will go through the highlights of the quarter and then I will also go into the combination of our short-term guiding and our long-term ambitions. As some of you have seen, the late fourth quarter, we started guiding specifically with the absolute numbers. We have not done that before, but we will continue to guide in the quarters going forward as well. So I will go through that properly, and after that I will give the word back to Einar who will go through the quarterly results in more detail, of course, the P&L and cash flow, working capital, but also addressing some of the questions we've got regarding the organic growth. And then, with a short summary, we enter into the Q&A at the end. And as Einar mentioned, please type in your questions during our presentations and we will attend to them later.

So let's go on with the highlights. First of all, we have a record high revenue this quarter, which is a good present for our 20th anniversary, and 6% growth. And the content of the income is strong, as it always is. The recurring revenues are also growing, 6% reported this quarter. And if you look at our comparison to the last year, the growth is good and it will continue to grow, as we will get into in the guiding, going forward. We have also had an EBITDA margin. We guided, specifically in December, that we will have a 13 to 14% for the year. We had 14% adjusted EBITDA, compared to 19, slightly lower than in '23. On the other hand, there are reasons for that, given the fact that we have been working on a restructuring project. And then a very good news, very strong, another record, minus 31 in net working capital. A good cash situation, and thanks to 10 dedicated business units leaders, we have managed to turn around the activities around working capital.

So very happy about that. And of course, importantly, the acquisition strategy we've had, we have now, in the fourth quarter last year, been able to get going with acquisitions again. And I would say, I would like you to go back to our 20th of December webcast and look at that if you want more information about those three. They are highly important and gives us a good value creation going forward. And of course, we are continuing the work with acquisitions, also going forward. So the most important milestone is obviously that we have finalised the restructuring. The work with the restructuring has been ongoing for a long time, as you know. After we IPO'd, we had a lot of acquisitions, and then we started a decentralisation project, and the final part of that was done during the second part of 2024. So to finalise that gives us the opportunity to give you what many of you have asked me about, the specific guiding with absolute numbers going forward. Since the now is an ordinary operations within 10 business units, makes it much easier to present.

So I will go through that, but before that, let's look at the fourth quarter, and as we guided in the 20 of December webcast, we said, "We will get a revenue around 410 to 420 for 2024 in total." As you can see, we reached that target, slightly above, which is of course, we are very happy about that, giving us the opportunity to look forward with the same way and see a stable recurring revenue growth. And then also, on the EBITDA margin, the adjusted EBITDA this time, given the final restructuring, one-off booking in the accounts. So we said 13 to 14% for the year. We reached that, slightly above, but then again as planned, you will say.

So having said that, looked at the fourth quarter, then more about the contents of the income because I think it's important, every time when you look at our results, what is actually the value creation on the top line. And as you will see, the recurring revenue here, 75% of the sales, year to date. But look at the arrows around the circle here. So if you look at the green one, that is formally a recurring revenue of 75%, but also the light blue one here is also semi-recurring. So this has to do with understanding the ability we have to forecast the income going forward, not only for a year but also next year. So that's why we want to go deeper into '25, '26, to give you a taste of what's actually going on on our income side.

Okay, more importantly, who is actually paying? And I think in these disturbing days, if you look at the world situation, I think it's fair to say, more solid foundation than we have is difficult to get. And our solid counterparties, that represents more than 90% of our sales and the revenue, is of course a very good place to be for us. And not only that, we have a lot of contracts in a lot of countries, highly diversified and with no binary threat to Omda. So we are quite happy with the fact that our strategy, with specialised software, has given us this very, very strong position. And then, that gives us predictability on the revenue side because of the type of sustainable software we are delivering. And it last, and talking about our 20-year anniversary, we have a lot of customers.

These on the left side are only examples, but some of them have even been, we have contracts signed before a company was established and resides with some of our acquisitions we've done the last 20 years. So gives us predictability over decades sometimes here, and this is why we have low churn. So recurring revenue, semi-recurring revenue, low churn, it's because of the mission-critical systems that we deliver. They are tied into very important processes inside specialised areas and Emergency. So having that in mind when we now are going into 2025 and '26, looking at this type of very strong income and how the company is going to perform.

So the outlook for '25 and '26, now it's much easier to communicate with this restructuring behind us, fully behind us. Gives us the ability to look more to what is going to happen. Before I do it, I have to specify, if you look at our business model, what are we actually going to guide here? What is the forecast, and for what? As you've always seen this slide, probably, the three bricks in the bottom here, that is the description of our strategy with our organic business. That is what we're going to guide today. On the top here, you'll see that the purple part, that is of course what we're still going to do, continue acquisitions over time, and we will work on that with our profitable organic growth platform in the bottom here. So what you're going to see now is the number that we expect is coming out of the bricks one, two and three, and the profitable organic growth there.

So this is how it looks when you look at our top line. We have, it's a fact on the left-hand side, 429, which more than doubled what we had when we IPO'd. So it's a good starting point. And then we see an interval at the moment, between 460 and 485 on the top line, and what is that? It is no new acquisitions. However, there are the revenue related to our current organic business, including the acquisitions we've made in the fourth quarter, closed in the fourth quarter and also in beginning of the year. And when we look at 2026, we will see that our target is to pass the half a billion turnover on our organic business at that point in time, as we see it now.

Obviously, the next quarter, we will report according to this, and see how it goes, and look at those intervals. But this is how we see the businesses will go on for '25 and '26. So if you keep that in mind about the sales, then let's dive into the actual performance. And there has been questions about how and why are we performing lower than our target margin. And I think you will see now that, with this restructuring behind us, it will be quite different. So the 12% in the first half year, when we had this slightly low performance from the Emergency entity, which is almost half of our business, and then also in the second half when we made the actual decentralisation and restructuring. So 12% in the first half year and then 15% in the second half, that is the facts.

So what's going on in '25? Well, the first half year we guided specifically, in our December meeting, that between 18 and 22 or around 20 is what we go for, and what we think based not only on a budgeting but also on a analysis of our current run rate in January and into February, we see that this target is what we're going for in our organic business. And then in the second half year, why is the interval that wide, and why guide between 25 and 35? A combination of things. Obviously, each quarter we will look at that interval and see how much more we can specify, but then again, if you look at the average here, we have guided on a 30% EBITDA in the second half of ‘25, and we stick to that guiding that we gave you the 20th of December 2024. And also, that gives us the possibility to further get into the next year with a run rate like that, with no restructuring or change activities going on in the operations. So that is really good news for us.

We see that we have a development, both on the top line and on the performance EBITDA margin, that we can stand for at the moment. So to summarise how this is actually going, let’s say the 15% and the 429 for 2024 is a fact. And then let’s look at the summary for 2025. Well, you’ll see that in the first year we think that we will, as we guided in the fourth quarter, reach around 25 or in the interval 23 to 27. That’s how we see it now with the top line of 464, 485. And then when we enter 2026, we see that the second half of ‘25 is going to continue, when we look at organic growth and EBITDA margin, making it most likely a range between 28 and 32% EBITDA margin.

I think this is, if you see also passing the half a billion NOK target in ‘26, I think this guiding, related only to the current business, because we are not only going to run our organic business, we’re going to continue as a rollup company obviously as well. But I think this is important for all of you, and before we enter into details about the fourth quarter, let me also summarise a bit the history and our ambitions going forward.

So having this 20-year anniversary in a couple of weeks, it’s nice to reflect a bit on the history here because going from a startup here in Norway, in a specialised hospital working with all of these complex software types, and then export it to other countries in the Nordics early on, and then we got to be actually the leader in the Nordics, in the period of two, 15, and then until we IPO’d. And then we have had, as all of you have taken part of, the period from ‘22 to ‘24, where we had to work with decentralisation, integration of complex acquisitions, but also then ending this phase, which is very important if you look at Omda as a long-term investment, which you should. And then let’s talk about the future.

So having done 17 acquisitions and get into a situation where the ending of our restructuring is done in the fourth quarter, ‘24, we will continue, on top of the guiding we just given, to focus on further growth in Europe. We will continue to do acquisitions like the three we just passed, important type of software that has the same characteristics with the same long-term revenues, includes a software that we can add to our current contracts with current customers without tendering. So by doing it that way, we are sure that we could continue with the predictability on the organic side while adding important acquisitions, as you see from our history. And since we see, when we look at the competition, worldwide, there is not that many companies that has the same type of strategy that Omda has, when it’s to focus on these deep-diving, niche components inside complex areas.

I think we still have the possibility to become a leading player worldwide, when it comes to handle and deliver these software types and create a larger portfolio of business units doing exactly that. But to continue to perform the right way, based on our current platform into ‘25, we will focus on those four boxes you see down to the right here. And what are those? First of all, organic growth is of course very, very important, and we have got a lot of questions about how and what is actually organic growth in our business. And that’s why we will go back to that during the financial update to focus on explaining the organic growth as part of our business plan, which is very important when you look at Omda in a perspective 20 years back and 20 years ahead. And then we will of course focus on profitability.

On the other hand, it is now a delegated action plan in each business unit, handling profitability. So a portfolio of 10, working day-to-day, specifically with a budget and controlled by a monthly run rate, gives us comfort that the profitability will increase as planned and as guided in the 20th of December, and as guided today. And then cash discipline. You have seen a successful ending of a task list for each business unit manager to actually look at what can we do to get a better cash discipline, a better net working capital and a better cash situation. And that is shown in the report, and we’ll also go into that in this presentation because that is important as well. And the fourth box, which is the DNA of Omda and the whole point, it’s to get hold of lot of interesting components into highly specialised areas in healthcare and emergency, and put those together in our current organic platform. We will continue to do that as the most important growth part of Omda in the next leg or 20 years.

So having summarised everything here, from the guiding specifically of our short-term ‘25 to ‘26, and now to 2035 and as a long-term strategy, I would give back the word, if you’re still awake, Einar, to go through the financials.

Einar Bonnevie:
It’s hard to go to sleep when you have such an exciting report to present. All right, let’s go through all the juicy numbers. This is an old classic, is the revenue diversification. On the left there, you see we are diversified into six business areas and those business areas are further divided into business units. So a total of 10 business units now. Emergency, which comprises four business units, is still the biggest business area. Almost half of our sales come from that business area. And then you see Connected Imaging and LIMS growing, and also Woman & Child, and then a close tie between Health Analytics and Medication Management.

We’re still very much a Swedish company, almost half of the sales, and employees for that matter, they are in Sweden and then Norway, 1/5 of the sales, and the rest of the world is now the third-largest country, if you like. So that’s how that is. And look at this, the recurring revenues really keeps increasing and reaching a new record of 86 million Norwegian kroner in the quarter, and that translates into an annualised run rate of 345 million Norwegian kroner. As you can see, we have been increasing steadily over many, many years, since 2017.

The revenue mix is also a very good one in the quarter. At first glance, you may see that, oh, our recurring revenue, the proportion is reduced as a percentage of total revenue. But don’t be fooled by that because, as you see, it’s actually been increasing from 81 to 86%. It’s on a record high. It’s never been higher, but the reason why the percentage is slight lower is because professional services has increased markedly. One of the best quarters ever, and that is also what we said we will focus on, and we can see that we succeed on that one in the fourth quarter.

This is a rather busy slide, let me try to decipher it for you. You can see there the FTEs, full-time employees, see that they are becoming rightsized.

And you see that they're coming down from 283 in the fourth quarter of '23 and down to 268 now. And from last quarter or the third quarter in '24, from 271 to 268. Well, that doesn't look like too much, but keep in mind that we have at the same time acquired Predicare. They are included in the numbers. So the real reduction is actually camouflaged in those numbers. You can also see that we have some restructuring cost, and why do we have those? The restructuring, they are related to people that are released from the duties in the fourth quarter and the cost is no longer in '25.

So that is also keeping in mind that, so it's not like the run rate is just removing the restructuring cost and say that okay, the rest must be the run rate going forward. That is not what it is because all the people that were released from the duties in the fourth quarter, all the cost is still there until the very last day of September, right? So they are included in the fourth quarter as ordinary cost, but they are excluded when we head into 2025. So we have a much lighter rucksack when we walk into, head into 2025. And we will continue to trim this to rightsize the number of employees.

Okay, and you see the other costs there, like the COGS and other OPEX. COGS is slightly higher this quarter and that is because of a large hardware order in Emergency in the fourth quarter. So no trend changes there and other cost is also actually within the guidance of around 50% of total sales. But we think there's still room for improvement there. So don't be too surprised if it keeps falling. Okay, the EBITDA, the adjusted EBITDA is fully in line with the guidance we gave you on the 20th of December. And what we have removed [inaudible 00:26:42] are the restructuring cost and other non-recurring cost items. So the run rate cost is significantly lower heading into 2025 than they were exiting. And also note that on the EBITDA, if you apples to apples, these are slightly apples to pears but [inaudible 00:27:04] some sort of fruit. The Capex related to development of IP is very much lower, 2.3% lower in the fourth quarter of '24 compared to the fourth quarter of '23.

So the distance isn't really as large as you think, if you can think of cash EBITDA or EBITDAC-wise. And speaking of Capex, Capex is first and foremost related to development of the IP, but there's also some other, so PPE Capex. You can see that the total Capex and development Capex is coming down in the fourth quarter of '24, compared to the same quarter last year. So down from 13% to 10%, that is what we are showing you, but nothing that should be new to you. PPE Capex, it typically hovers around 1%, sometimes a little above, sometimes a little below. On the development Capex, we have said before that the risk is probably on the downside. So we've continued to guide on 10% of total sales, but the risk may be on the downside, so to speak.

Okay, net working capital, we said for the last few quarters and in the December update that this is a very strong focus. We are focusing on anything and everything that has to do with cash including, and of course, net working capital. And our target is to be at minus 10% or better. We ended up at minus 31% on the fourth quarter, which is actually a record high, or low if you like, for Omda. Very happy with that, and this is due to all the boring work, nothing revolutionary here, but we ended up, as you probably notice if you look at the balance sheet, with the cash position that we guided, should be on par with the same quarter last year. We're actually slightly better, but again, comparing apples to apples, keep in mind that the neutral position would be to deduct the dividend of approximately 10 million, buy back our own shares, and then the cash we paid out to the former owners of Predicare.

So that is 30, 35 million. So actually there's an improvement there from what would've been a neutral position. And that is of course, how could that be? Well, you're looking at it. It's improvement in net working capital management. And speaking of cash management, we continue to focus on that. It may again, it can go up and can go down, but we will continue to focus on cash management and again, there are no secrets in the source, account receivable, invoicing practise, to invoice any annual recurring revenue, annually, or semi-annually, or quarterly, anything you can do to invoice it upfront, supplier terms, and we'll continue to manage other costs effectively as well. Okay, so that is that.

Let us take a closer look at organic growth. We have had some questions about the organic growth. Sometimes it looks good, sometimes it looks less good, and why the highs, and why the lows, and how can we explain this, and will we shift the guiding, and what can we expect going forward? And this quarter, [inaudible 00:31:02] uplifting, this quarter was disappointing, and so the story goes. Okay, what you see in front of you is an excerpt from the quarterly report, and the table there that we've just taking a copy of. And this is, you can see the income, EBITDA, Capex, and the organic growth on the quarter and the last four quarters of a year, sorted by the different business areas. And you see some highs and some lows, and what you can see is Medication Management, it was strong the last quarter. It's very strong this quarter, a very strong the last four quarters. So this looks like a success story.

Why couldn't all business areas be like this, all the quarters? So why couldn't each day be like Christmas day? Okay, but the Medication Management is actually a very good case study to try to understand organic growth in Omda and in this business. And why is that? Well, the history of Medication Management is a long one. We acquired that business halfway into 2008, and 2009 was the first full year within Omda management. And also, it has been in the same company, Norwegian part, Omda AS, for all the years. There's never been an acquisition within this business area. So if we study the business area, Medication Management, we're actually studying just the organic growth within that particular business area. There has been no noise and nothing to adjust for within that business area.

So let's take a look at that, and use that as a case study, and let's see where that takes us. Actually, if you look at this particular business area, Medication Management, and just take a look from 2020 to 2023, it's a rather disappointing picture we're looking at. Whoa. From 2020 to 2023, it shrunk by 16%. Nothing to get too excited about, is it? And the annual growth was minus 4%. We actually had some comments from some investors looking at us. Maybe this business area is too small, maybe you should divest, it needs to be turned around. What's wrong with this? Should we merge into another business area? Et cetera, et cetera, et cetera. But again, let's take a look at the bigger picture from 2009 until the end of 2024.

It looks quite different, doesn't it? We increased, we quadrupled the business area in size. The annual growth has been almost 10%, 9.4 to be exact. We have made no adjustments to FX or anything here, so might be some fine-tuning, but it's from 2009 to 2024, so more than just a couple of years. And what you see here is that just like US investor, when you build a portfolio of stocks, you have different stocks in your portfolio. And that's the same thing with us. We have different business units in our portfolio, or business units, or business areas. And just like when, the old saying, "If you miss the five, 10 or 20 best days on the stock market, you will miss all the extra performance." Same thing here. The success and the growth doesn't come in small pre-portioned measures. It's a bit lumpy.

So you can see that some years are very good and some years are more lacklustre, but hang in there, apply a long-term view. And by long term, I'm not speaking about a quarter or two, or maybe a year or two, I mean look at this from 2009 to 2024, almost 10%. So this is also where the five to 10% guiding comes from. On the quarterly basis, what you see here, and even on annual readings, they may deviate significantly from the trend. What you see here is the annual growth compared to the trend growth. The trend growth in this business area, Medication Management, almost 10%. But you see the annual growth there, it deviates a lot. So again, the signal and the noise, and beware of the noise because it can be very misleading if you try to analyse the business.

Okay, but this is also why we continue to guide on five to 10% because that is our experience, and all the other businesses that we have acquired, and also all the reports that we have from outsides, they point to the same annual annual growth. So this is what you should expect long term, but not each and every quarter, all right? Okay. Excuse me. We will, based on this, we will continue to focus on what we set out to do when we IPO'd, and each day, and each week, and each month, and each quarter. We will continue to focus on what we said we will focus on, on this large market with the natural structural growth. We will continue to focus on specialised healthcare for emergency and clinical disciplines.

We will continue to address a public sector or public sector-like customer base with stable and predictable recurring revenues and with low churn. And then we will grow as fast as we can organically, five to 10%, but maybe not each and every day. And then we will do acquisitions. We will strike when the opportunity is there. So I can promise you, when opportunity knocks, we will not cater to the noise. We will act, but we are in no hurry to do bad deals. So when we have the opportunity, as you saw in the fourth quarter, we announced three deals. Will we announce one in the first quarter? I don't know. In second quarter? I don't know, but as soon as we have something and the opportunity's there, we will strike. And so to sum it up, in Q4 we completed the restructuring of Omda and we think we are now all [inaudible 00:38:34] and ready.

The key numbers, they are in line with the guidance we gave you on the 20th of December, and we thus, heading into 2025 with a very comfortable run rate on the income side and on the cost side. And we will continue to focus on organic growth, and on the EBITDA margin, and on the cash EBITDA margin, and on cash in general. And we will ensure that we will work hard and diligently to integrate, in a good way, decentralised, but still able to achieve the synergies that we identified during the EBITDA process. All the acquired entities, we'll make sure that they are integrated efficiently. And last but not least, we will continue to explore the M&A opportunities out there.

Okay, that was it. I think it's now ready for Q&A and let me bring up my screen here to see if there are any questions. And yes, there are currently three questions. While we attend to them, if you have any other questions just type them in and we will attend to them as we go along. And the first one here is from Oliver, and the question is, and this is for you, Sverre, do you factor in further cost-cutting or restructuring in order to reach a 2026 margin target, or can it be reached only through operating leverage? So what can we say?

Sverre Flatby:
Well, that's a good question and it's definitely the latter. It's going to be handled only through the ordinary budgeting and the ordinary operations we have, because there's only one activity that is ongoing that has been part of the restructuring, which is a phase out of external consultants, which is planned in every project and also be ended in June. And that's why we guide on 20% in the first half year and the 30% in the second. So how we see it, that the ordinary budgeting process in the autumn '25, will be an ordinary operational task for every business unit leader in '26, without any new restructuring activities. So as we see it, as a present to ourselves in our 20th anniversary, is that the restructuring is actually done and ordinary operations will be ongoing. Obviously, if we acquire something big at some point in time, we have to look at the new picture. But when you ask the question about our current operations, including the current acquisitions we made, we will stick to an ordinary operational mode in '25 and '26.

Einar Bonnevie:
Okay, there are three questions pending. Type them in if you have any. We will continue with one other question that is relates to the organic

or the operational side. This is from Emilie and it's about organic growth, and I think you can start on this one, Sverre, as well as well. You reported slow organic growth in 2024. Can you help us understand the main drivers behind this, the mix of price increases, upsell and churn, and how we should think about growth in 2025? I tried to explain a little bit about this, Sverre, and so there are naturally low variations there, but are there anything in particular that you can point to?

Sverre Flatby:
Yes, you're quite right in measuring that specific thing for 2024. It is low, yes, but then again we also clearly stated what has happened with almost half of our business, Emergency, which we performed very bad on the top line in '24, especially initially in '24. But the most important thing here, so that will, I would say, will be the main driver for '24, which is not there in '25, by the way. And the reason is not related to our software business. So please remember, our software is increasing, recurring revenue is increasing. So this has been about projects, large projects, in '23 compared to '24, which is just not there. And when you don't reduce the cost related to a lower income stream, that is what happened in '24, and the reason behind, of course, the restructuring also, to secure that the decentralised mode makes it easier for us to measure the growth and the cost side. But it is not a trend, as Einar showed you in the graphs about organic growth.

There is no trend, a negative trend on the software side in our customer market, quite the opposite. So if you look at the absolute numbers we are guiding on today, you will see that the growth is healthy in '25, based on the run rate and what we know about operations today, and also for '26.

Einar Bonnevie:
Okay, there are two more questions pending, and one related to M&A, and one on net working capital. I'll take the one on net working capital first and this is from Oliver. And the question is, Omda net working capital performance seems almost exceptionally strong in Q4. Is this mainly the result of a structural net working capital improvement measures or are there any particular cashflow timing elements we should be aware of going into the first quarter? I went through it, some of the elements, so there are, by and large, it has to do with focus. As we discussed, in the

third quarter, we said that there were 10, 20 millions in the account receivables, delayed invoicing, et cetera. So discipline and structure.

So most of this is related to discipline and structure internally, and then there's always a has been, and you can see that on past reports. There's always do we invoice in the fourth quarter or do we invoice early in the first quarter? But minus 31% is strong by under standard, but it's not like we've never been in that territory before. If you look at the first quarter of 2021, I believe, you see minus 26 in the first quarter. So we have been in this territory before and we had a questions, why can't we combat that there, around that level? But that said, minus 31%, it's not where we can maintain a position. There will always be seasonal fluctuations there. We said that we will be at minus 10% or better but don't expect minus is 31% to be a sustainable level for all quarters. That is not what we said, but by and large, we have just focused more on this and we'll continue to do that.

Okay, another question, I think this one is for me as well and that is related to M&A and settlement of transactions. And the question is, will future M&A deals be made with a lower proportion of stock and more cash, given increased profitability? What are your biggest worries going forward?

I think maybe you can take it, I don't know if that is related to M&A or in general, or if it's life in general, but the settlement of M&A, I don't see that we will settle them with shares right now. I think we discussed this also when we announced the Predicare deal, and on the business update, and on Q3. It was a bit exceptional. As long as the share is trading so significantly below what we think is the intrinsic value of the share, it makes little sense of settling in a transaction in shares. So we'd rather be using cash or other means of financing. You've seen on the past couple of acquisitions that there are other ways as well, seller credit, earnouts. So we'll find a way, but shares at this level is definitely not the preferred option. And the biggest worries going forward. I'm actually quite optimistic about the future. What are your worries, Sverre?

Sverre Flatby:

Well, I've been worried before but I'm not worried, and if this is related to our complete business, I would say that our current organic business is extremely stable, easy to predict and very strong. So into the run rate we have [inaudible 00:48:46] analysed in this quarter, in the first quarter we see that we're quite comfortable. And when it comes to M&A, it has been worrying, a couple of years ago, that the prices of some of those targets we wanted to acquire has been high due to, I think, the market looked differently after the IPO and some years after. A while now, I think that trend is the opposite way actually. So I cannot say I'm worried. I think we, to conclude easily here, the organic growth is quite predictable and safe, and I think the trend on the M&A side is actually in our favour. So all in all, the answer to the question, I'm not worried that would be the precise answer actually.

Einar Bonnevie:
It's good to be precise, if you can. Okay, there's one more question. We'll attend to this question. If you have any more questions while we answer this one, please type it in. If not we'll head right into it. And I think this is also for you, Sverre, it's about head counts and FTEs. I don't know how precise we can be, but the question is, can you quantify the planned head count reductions in 2025? How many of the reported FTEs are external consultants that you expect to cut in H2 2025? I guess this is, first and foremost, pertains to the remaining Cebu consultants.

Sverre Flatby:
Yes, so the numbers we published and we talked about in our recent quarterly reports is that we had around 50, just below 50, employees in the Philippines. 20 was released on the last day of the third quarter. So we entered into the fourth quarter with 30 employees, which is still part of the headcount, and in June they will no longer be part of our company. And as I mentioned initially, the project, the way that is done is ordinary operations, an ordinary phase out of resources related to current ongoing projects. And in parallel, we've also included in our run rate the necessary employees that we have to add to the equation due to the complete inshoring of our business. But all in all, that is a part of those numbers that we presented in our guiding.

So all in all, it will be, the specific answer to that question is 30 related to that part, but there's also some others, a few, a handful that is consultants in the first half year that will also be phased out before the first half year is over. So all in all, that gives us the predictability also on the cost side for the second half year.

Einar Bonnevie:
So it's like your recipe is to maintain increased revenue and keep the cost in check.

Sverre Flatby:
It could be an idea.

Einar Bonnevie:
Well, okay, there's one more question. This one is also relates to M&A, and the M&A and the competitive landscape within M&A. And the question is, how do you plan on competing with other big European VMS acquirers for acquisitions in geographies other than Norway and Sweden? And can we compete, Sverre, or what can we do?

Sverre Flatby:
Yeah, I'll really like that question, and it's important question, and it's not only related to Europe or worldwide because it's the same of course in the Nordics. We have a lot of serial acquirers in the Nordics as well. But I think the same thing applies if you look at what are the contents of Omda, and if you look at the recent three acquisitions, who would like to compete to get hold of such a small, important but very complex, dedicated companies like that?

Well, they fit extremely well into our business model with a lot of synergies, sharing contracts and customer components. And I think that highly specialised approach that we have, we have seen that not private equity companies would like to compete. They're too small or too specialised. Many of the serial acquirers also look at them and say, "Maybe they are too complex." Maybe that's more difficult in a generic serial acquirer context as well. And it's not that we don't have a dialogue with a lot of European and worldwide companies at the same time. So we foresee that we are a very good home for a lot of those companies in Europe and worldwide, and we think we have the same strong position as a good serial acquirer for that type of highly specialised entities. So I'm quite happy and not worried there either.

Einar Bonnevie:
Okay, good. There are two more questions. One is related to organic growth and you can answer that one as well, Sverre. And that is organic growth in Emergency, what on earth happened to the organic growth within that business area?

Sverre Flatby:
It's quite simple. The main thing is actually that you had a lot of implementation projects with a lot of resources, invoicing processes there, and the year after, you didn't have those. And without the ability in that large non-decentralised organisation, we're not able to, quickly enough, do what they should do with the cost base. So it is actually as simple as that, while the software is still increasing. So all in all, it has to do with consulting services.

Einar Bonnevie:
So again, some statistical noise, nothing structural wrong. Okay. One last question and this relates to artificial intelligence, and is that an opportunity for us, Sverre, or is it a threat, or is it both, or what are we doing? So any thoughts on AI, headwind or tailwind?

Sverre Flatby:
Yeah, I think it's actually very important what's going on with AI. I think there are three action points for Omda which are ongoing. To start it, one is obviously the administrational parts that we will, already using and be using for a while, the tools to get more efficient when it comes to our administrations. So that has been ongoing for a long time.

Then you have the coding because we could reduce, and that is part of our inshoring project as well, using AI tools much more now to create code and also to maintain code. So reducing, lastly, the cost base related to coding. So that is also a part of a combined effort between our centralised competence in these areas and also with the business areas. But the most important is the third one, is we are developing AI functionality that we deliver to our customers, and we have recently mentioned the cooperation with the University of Barcelona where we have delivered AI within Emergency. And as you see from the acquisition we made, Dermicus added to our Connected Imaging area, it's also an AI-based, very intelligent component added to our stack. So all in all, we have a lot of initiatives going on within AI and we think that it's a good for Omda going forward.

Einar Bonnevie:
Okay, only a couple of minutes left and no more questions. So it seems like we will end on time. Seems to be no more questions. We hope you have enjoyed this presentation and until we meet again, appreciate this. We have set the sails, we have cut the ropes, so you better go get on board because we are on the move and all the ready to embark on the next leg of the exciting Omda journey. Tune in again on May 14th and you will see how far we have come on that next leg on the journey, when we will present our report for the first quarter of 2025. Thanks for watching. Take care and stay safe.