

14-Jul-2025

Addnode Group AB (ANOD.B.SE)

Q2 2025 Earnings Call

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Daniel Djurberg

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the conference call. For the first part of the conference call, the participants will be in listen-only mode. [Operator Instructions]

Now, I will hand the conference over to the speakers. Please go ahead.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Hello, everyone, and welcome. I'm the CEO of Addnode Group, Johan Andersson. And with me, I also have Kristina Elfström Mackintosh, the CFO of Addnode Group. Together, we will introduce you to our interim report for Q2, and we will also end with a Q&A. For those of you who are new to Addnode Group, I would like to inform you that our reporting currency is Swedish crowns.

As you can see, our agenda for today. And before we start with the interim report, I would like to remind us all what Addnode Group is all about. Our purpose is all about digitalization for a better society. Through innovation and continuous development in close collaboration with our customers, we create digital solutions for specific needs. The software digital solution that we provide helps to design buildings, infrastructure and cities, and also, the products that we all use every day like cars and all the way to life science instruments.

But things have been designed and built, it need to be maintained with a lifecycle perspective, and the public sector has a responsibility for rules and regulations. Our digital solutions make all this possible.

I would like to start by presenting the Q2 result on a higher altitude. Addnode Group had a good performance in the second quarter of 2025 and EBITA improved compared with the year earlier period. From a group

perspective, the market trend was stable in the Nordic countries, the UK, and the US, while the German market remains weaker.

EBITA improved significantly to SEK 238 million, compared to SEK 162 million last year, corresponding to an EBITA margin of 16% compared to 8% last year. The increase in underlying earnings was partly strengthened by early renewals of three-year agreements in the Design Management division.

EBITA was positively impacted in the amount of SEK 70 million, as customers chose to renew their Autodesk agreements earlier. These agreements would otherwise have been renewed in the third quarter. The cost saving program has offset the weaker German market in the PLM division and the Process Management division strengthened its EBITA margins.

A stronger SEK had a negative FX impact of approximately SEK 17 million on EBITA in the quarter. If we adjust for the FX impact and early contract renewals, EBITA would have amounted to SEK 184 million, corresponding to an adjusted EBITA growth of approximately 14%. Customers' early renewals of three-year agreements in Q2 are not expected to impact full-year earnings, meaning that all else being equal, EBITA for the third quarter will be impacted with an amount corresponding to SEK 70 million.

We have completed three new acquisitions, Genus in Norway, and two asset deals in the US. All three acquisitions will be consolidated from July, meaning that they are not consolidated in Q2. Genus, to the left, provides a NoCode platform for business-critical solutions for customers within banking, insurance, and public sector. It is mainly used to manage complex processes or documentation, regulatory compliance, and internal governance are key requirements. Genus has a net sales of SEK 165 million, with a strong EBITA margin. It will be consolidated as part of the division Design Management.

Symetri and division Design Management have done two asset deals in the US that will strengthen our market position [Technical Difficulty] (00:04:38-00:04:45) thanks to our strong financial position, Addnode Group can continue executing on its long-term value-creating acquisition strategy. We still have several active acquisition processes underway and acquisitions are an important part of our growth strategy.

We are operating our business in three divisions, Design Management, Product Lifecycle Management and Process Management. Looking at the three divisions and their performance during Q2 for net sales, gross profit and EBITA. At the pie chart to the left, you can see that Design Management was accounted for approximately 46% of net sales in the quarter, PLM 30%, and Process 24%. In the middle chart, you can see the share of the gross profit where Design had 54%, PLM 20%, and Process Management 26%.

Looking at our EBITA divided by divisions, to the right, you can see that the Design accounts for 64%, PLM 12%, and Process Management 24%.

With that, I would like to go over the three different divisions and the outcome for Q2. Design Management. The Design Management division's strong improvement in EBITA was attributable to favorable sales in the US and the aforementioned [ph] early renewals (00:06:13) of three-year Autodesk agreements. EBITA increased by 99% to SEK 171 million and the EBITA margin increased to 25.6%, compared to 7.1% last year.

EBITA was positively impacted in an amount of SEK 70 million as customers choose, for business reasons, to renew their Autodesk agreements early. These agreements would otherwise have been renewed in the third quarter of 2025. The other two companies in the divisions, SWG and Tribia, delivered a stable [ph] earnings (00:06:49) performance compared with the year earlier period.

Net sales – reported net sales decreased by 45% to SEK 669 million. Compared with the year earlier period, the transition to Autodesk's new transaction model and change to the classification of third-party agreement also impacted the comparative figures. If the same comparison had instead been based on the previous Autodesk reseller model and before reclassification of third party agreements, currency adjusted organic growth would have been positive and amounted to approximately 53%.

We can also see that the integrations [ph] carried on (00:07:38) in the division, Symetri carried out its first acquisition in the US, Microdesk, in 2022, followed by the acquisition of Team D3 in 2023. Two companies are now merging to form Symetri US, thereby becoming even more competitive in the US market.

Division Product Lifecycle Management. The PLM division [ph] witnessed (00:08:08) stable market trend in the Nordic countries, the UK and the US, while the German market remains challenging. Sales to the strategically important aviation and defense segment increased during the quarter. Before reclassification of third-party agreements, the division's currency-adjusted organic growth amounted to 1%. However, reported net sales were impacted by reclassification of third-party agreements.

As of the fourth quarter of 2024, sales of certain third-party agreements have been reclassified in accordance with an agent model. If this reclassification had not been [Technical Difficulty] (00:08:53) organic growth would have been positive by approximately 2%. EBITA decreased SEK 33 million and the EBITA margin narrowed to 7.4%.

As previously communicated, measures have been initiated in the first quarter to other organization and [Technical Difficulty] (00:09:16) current market conditions. These measures have progressed according to plan. The restructuring cost of approximately SEK 24 million that were charged to earnings in the first quarter are deemed to generate yearly cost savings of approximately SEK 45 million.

Process Management. The Process Management division delivered yet another strong quarter with growth and an improved EBITA margin. The division's net sales increased by 5% and EBITA by 10%. This marks the fourth consecutive quarter of division's EBITA margin improved year-on-year. EBITA was positively impacted by price adjustments, increased operational efficiency and contributions from acquired companies.

EBITA increased by 10% to SEK 65 million and the EBITA margin increased to 18.5%. The market for the division remained unchanged with stable demand for case management and geographic information systems for the public sector.

And with that, I would like to hand over to our CFO, Kristina Mackintosh.

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

Thank you, Johan. Yes. I'm going to take you through the consolidated cash flow for the quarter and starting out from cash flow from operating activities in the first quarter [Technical Difficulty] (00:10:37) compared to SEK 178 million the previous year.

And as you can see above, this was mainly impacted by the changes in working capital that is mainly related to the Division Design Management, and the changes were mainly related to change in payment terms for Autodesk's three-year contracts. And we have already communicated that earlier and also highlighted that in last quarter, that the change in payment terms, which began in 2023, meant that the three-year contracts are not paid annually during the contract term and before 2023 they were paid upfront in advance for all the three years.

And over time, the cash flow will align with the earnings much better. And I also would like to pay attention to the change in payment terms should not be confused with the changes of Autodesk transaction model.

Going down and looking for cash flow from investment activities, amounted to minus SEK 62 million, and that is mainly related to our investment in propriety products, and also acquisitions made during the quarter.

Going down, cash flow from financing activities, SEK 148 million. That includes the dividend that was paid of SEK 154 million in May and also new loan of SEK 437 million that was drawn in Q2 for the acquisitions that we made and completed after year – quarter-end and also earnout payment after the period. And we also had small proceeds for the shares in accordance with the incentive program of SEK 5 million and we also amortized loans in foreign currency of SEK 139 million.

And then, I would like to draw your attention to the consolidated financial position here and notice that this is the operational balance sheet and not the balance sheet that we present in the report. And we continue to operate supported by a resilient balance sheet, which is important for us for our continued growth both organically and through acquisitions, and the decrease in the balance sheet from the beginning of the year is primarily driven by the currency effects.

And you can also see that our business model enable us to operate with a negative net working capital and will continue to do so. It's minus SEK 328 million. And in the line item, provision, taxes and other debts includes future earnout payments depending on the financial performance of the acquired companies. And as of June 30, 2025, total earnout and other liabilities [indiscernible] (00:13:52) amount to SEK 458 million and the majorities for the Microdesk and Team D3 acquisitions in previous years.

Net debt amounted to SEK 1.1 billion. And we can also see going down the line that the return on capital increased to 19% from 15% in the previous years and we also have a cash position of approximately SEK 730 million, compared to SEK 674 million as of end of December 2024. And of the total available facilities and the revolving credit facilities of SEK 1.6 billion, approximately SEK 0.7 billion remains unutilized as of June 30, 2025.

And over to you, Johan.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Kristina. So, 2025, I think it's a year when we must look beyond the business model transition in Division Design Management, and how we recognize sold third-party software to grasp the underlying growth. Q3 2025 will be the last quarter with net sales not being comparable year-over-year. When we started this transition, we had a clear communication that EBITA would not be negatively affected and it would be a good way of understanding the business progression.

If we look at 2025, EBITA was SEK 168 million and the rolling 12-month EBITA is SEK 904 million. It's a compounded annual growth rate of 19% on the progression of EBITA. We are delivering on our growth strategy, combining organic growth with a value-creating acquisition strategy. There is a good demand for the business, a mission-critical digital solution that we delivered to our customers in various industries, including construction, property, infrastructure, manufacturing, defense, life science, and the public sector both in Europe and in the US.

Our business model, with a large proportion of recurring revenue, is a source of security in more uncertain times. The economic and geopolitical situation remains uncertain and primarily affects the customer decision-making process for major investment decisions.

Looking to the future, we are confident in the ability of our companies to adapt their offerings and organizations to the demand and economic situation in their respective markets.

[ph] To end (00:16:31) the presentation, I would like to remind you all of our upcoming event. We have a Capital Markets Day, actually our first as Addnode Group, September 22, 12:00 to 17:00 Central European Standard Time in Stockholm, and here's the link for our registration.

So, with that, I would like to open up for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Erik Larsson from SEB. Please go ahead.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Thank you for taking my questions. I have a few. So, first off, on these last two acquisitions in Design. Correct me if I'm wrong, but we haven't really seen these types of transactions before. So I'm just wondering if this is a consequence of the new transaction model, which opens up more opportunities for you, or is it rather a changed strategy on your end?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Erik, for the questions. We have done asset deals before, but you are correct that we have not done that many asset deals in Symetri. And what we are doing is that the US team in Symetri has sort of had a good discussion with several partners there and we have found an agreement with them to acquire the customer base and a few employees in there.

So you are correct that we haven't done much of it. And I think it's driven probably by several reasons. One, we have a good – very strong position in the market. So people know that we are willing to expand in these areas and the guys that we are buying these from, they are having several operations. So they are not only being Autodesk partners, they have other operations as well. And I guess, that probably relates to changes because we do like the changes that we think are good for them. But if you're someone who probably [Technical Difficulty] (00:18:44) it will probably make sense [ph] but it's (00:18:48) of factors, but I think [Technical Difficulty] (00:18:53) and we see a good way of [Technical Difficulty] (00:18:55).

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay. Thank you. I seem to have some issues with my line, so I hope you can hear me.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

I can hear you.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

I have two more questions. Okay, good. Two more technical questions then. You had SEK 31 million in eliminations on EBITA level, which stands out. Is there anything specific here?

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

Yes. We have some – when you're looking at comparing to the last year same quarter, we have a little bit more of the transaction costs and we also have invested in employees. We have more employees on the group level and we also invested in supporting the new [Technical Difficulty] (00:19:46) CSRD implementing systems. And you could see that the run rate is about SEK 2 million to SEK 3 million. All that is related to normal run rate.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay. So, I guess we should assume somewhere along those lines costs at this level on the central level...

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

Yes.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

...perhaps a bit boosted this quarter by transaction costs?

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

Yes.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay.

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

[ph] Not much in that. (00:20:16).

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay. Thank you. And then lastly, on FX. You wrote that you had a SEK 16 million negative currency impact on EBITA and I think usually the impact is pretty immaterial if I'm correct on that. What cost this SEK 16 million this quarter?

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

[indiscernible] (00:20:38) question again?

A

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

I think the [Technical Difficulty] (00:20:42) usually the FX effect is more immaterial to the ratio but this quarter is SEK 60 million.

A

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

Yes. Yeah. We all know the effect is the weakened dollar. And we have a little bit effect on the pound as well as euro, but it's mainly from the dollar weakening. And we normally don't disclose that information, but as it is a little bit more material and [Technical Difficulty] (00:21:13) we include that as well in the report just to make it easier to compare quarter-by-quarter.

A

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay. Makes sense. Thank you. That's all from me.

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Erik.

A

Operator: The next question comes from Thomas Nielsen from Nordea. Please go ahead. Thomas Nielsen, your line is now unmuted. Please go ahead.

The next question comes from Daniel Thorsson from ABG Sundal Collier. Please go ahead.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Yes. Thank you very much. A question on the market here. You say that some larger projects are impacted by the uncertain macroenvironment and that likely culminated here in Q2, I guess, looking at other companies, of course. But it still looks like you are growing quite well underlying in both Design Management and there is also no further decline in PLM. So, where are you seeing these delayed projects mainly geographically but also segment-wise?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Daniel. What we can say is that our customers – we don't sort of lose any customers. On the other hand, we seem to be growing the number of customers, but we can also see that there are potential for more things to be done by the customers. And at some point, they need to invest.

A

So it's more of a [indiscernible] (00:23:08). So we are not saying that they are not investing. We are saying that they probably would invest more if there were a more positive sort of market view. But, specifically, it's related to the German market where we can say that they've been a tough market for the last three years, [ph] it's still

(00:23:29). So, if you look specifically at geography in Germany, [ph] where we have seen (00:23:35) as you all know, probably around the papers there have been discussion in the automotive industry on how to invest. So, I think the German market is the short answer.

Daniel Thorsson*Analyst, ABG Sundal Collier AB*

Q

Okay. So, there is less effect of project delays in the US, UK, and Nordics, it sounds like?

Johan Fredrik Andersson*President & Chief Executive Officer, Addnode Group AB*

A

Yes.

Daniel Thorsson*Analyst, ABG Sundal Collier AB*

Q

Okay. Clear.

[indiscernible] (00:23:53)

Johan Fredrik Andersson*President & Chief Executive Officer, Addnode Group AB*

A

...we've been living with this for sort of the last three years. So it's nothing new [Technical Difficulty] (00:23:57) so to say.

Daniel Thorsson*Analyst, ABG Sundal Collier AB*

Q

Yeah. I see. And then, also, technically here, the SEK 70 million positive effect on EBITA, was that also around SEK 70 million on sales in segment Design Management as it is third party licenses?

Johan Fredrik Andersson*President & Chief Executive Officer, Addnode Group AB*

A

It's the result effect. That means that there are some direct sales costs related to that. So that has been sort of taken into consideration in the SEK 70 million.

Daniel Thorsson*Analyst, ABG Sundal Collier AB*

Q

Okay. So the effect on...

[indiscernible] (00:24:27)

Johan Fredrik Andersson*President & Chief Executive Officer, Addnode Group AB*

A

...sales guys have commission, for example, commission directly related to that sales has been included in that SEK 70 million.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Okay. Good. So the sales effect is slightly larger but not much?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Yep.

A

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Okay. Good. And then, finally, on the two carve-out acquisitions here that we heard about in the first question, can you share anything about profitability in these assets you are buying and also roughly what multiples you pay for these type of acquisitions?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Good question. We have said that they have a run rate of around SEK 52 million, together those two. That's the net sales that we'll sort of be reporting in our books. These are asset deals and we are also saying that we are signing contracts with 14 employees. Those are the costs that we sort of take on addressing them.

A

We already have the management team in place. We have the setup. We have the structure. So, we are sort of only taking over the customer contracts and those 14 personnel. So, you have to do your math from that [ph] as to (00:25:39) how much that is. So we'll have a positive effect on the result. So the only cost that we will take over is related to the personnel, those 14 guys...

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Yeah....

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

... [ph] add (00:32:19) to the SEK 52 million in net sales.

A

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Yeah....

[indiscernible] (00:25:58)

Q

Daniel Thorsson

Analyst, ABG Sundal Collier AB

...accounting, I assume?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

A

Yeah. So, that's in the new transaction model. So nothing there. Oh, and then, how do we pay? What we are saying that from this type, we have said that we have paid down to 4 times operating profit on when we have been buying sort of more of customer agreements [indiscernible] (00:26:20) I think we have paid up to 10 times when we are acquiring software owned IP high growth and those barriers of valuation are still valid. And here, we are in the low end of it on the 4s – 4 times EBITA.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Clear. That's all for me. Thank you.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you.

Operator: The next question comes from Daniel Djurberg from Handelsbanken. Please go ahead.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

[Technical Difficulty] (00:26:58-00:27:07)

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Daniel, it seems that your mic...

Operator: Daniel Djurberg, your line is unmuted. Please go ahead.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Can you hear me?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

[indiscernible] (00:27:15).

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Can you hear me?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

I can hear very sort of in the background.

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Can you hear me now?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Yes.

A

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Sorry. My headphones seems to be not working. Yeah. Question on PLM. And that would be – you had some SEK 24 million in restructuring charges in Q1 and SEK 45 million in savings. You didn't have any additional restructuring in Q2. So, my question is do you plan for anymore restructuring charges in second half to receive this SEK 45 million?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

No, we don't. To make this up, we don't see that we have more restructuring charges. And we have seen some effect of it here in – positive effect in Q2, we'll see more in Q3, and sort of the full run rate we expect to see in Q4. That means that some of these SEK 45 million will be materialized in 2026.

A

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Perfect. Thanks. And a question on Design Management, if I may. You had some 43% adjusted organic growth. You're right on that it comes from obviously renewals, which is SEK 70-million-plus of the margin. But [ph] was there any other (00:28:43) positive impact except for these renewals in Q2 driving this growth?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

We do have – if you sort of take away those SEK 70 million, there is a growth in the division. And that also related – we have sort of a strong underlying growth in the US market supported by those. We also have a – if you look at the ones that we don't talk that much about, SWG and Tribia, also have a growth in the result compared to last year. And then, [Technical Difficulty] (00:29:21) but it's a softer one. So, there is a growth in the business as well. So if you adjust for the SEK 70 million, you will find that we are still sort of growing compared to last year in Design Management.

A

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Yeah. That's great. And if I may, also on the Process, can you comment on the Genus acquisition? Early days, obviously, consolidated here in July. But can you remind us about seasonality and the margin impact from Genus going forward? Thanks.

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

The seasonality to be expected is quite distributed over the year, because this is own IP, own software, so it will be distributed over the contract period. So we have none of the effects that we usually discuss in Design Management. That's one thing. And then, we'd probably – so I think the best approximation is the one that we're actually having in Design Management as of now.

A

Daniel Djurberg

Analyst, Svenska Handelsbanken AB

Perfect. I'll leave it there. And thank you and have a great summer and nice report.

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Daniel.

A

Operator: Next question comes from Fredrik Nilsson from RedEye. Please go ahead.

Fredrik Nilsson

Analyst, Redeye AB

Thank you. Hi. I was wondering regarding the larger authorities within Process. I mean, they have not really been investing that much in larger projects for a while. Is that mainly cyclicity? Do you see a tendency of them getting more digitalized as well? And what do you believe it will take for them to start investing again?

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Fredrik. Several questions. If you look at – for them to get started, they need more funding from the state to sort of if you want to drive those. So that means that there are pockets within the administration that are getting the funding. So that means that in the world we're living today, it means that legal, defense, and those guys sort of ones that getting the money.

A

Sort of what you call, the more environmental, software are not getting that much funding for growth in new things. That's the reality. So we are going all through pockets as well. So there are growth opportunities there. And we are driving some products there. But if we want to see the big sort of growth, the funding needs to increase as well.

[ph] Will they work in (00:32:00) digitalization? Definitely. So we are working with the customers that we have. And then – so, there are businesses to be made. Was there one more part of the question I forgot, Fredrik?

Fredrik Nilsson

Analyst, Redeye AB

Yeah. What will it take for them to start investing again? But I guess, it's more money then basically...

[indiscernible] (00:32:19)

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

...they need more funding. And there are different part of the government agencies are getting more funding, and I guess it has to do with the world we're living in today. So that means that you will probably find more of the projects more related to defense and we are working with them as much as we can. We are – also the Swedish Police is one of our biggest customer in this area as well.

A

And if you're going to get the broader attention to the other state changes, yeah, probably they need some more funding as well, but that floats over time depending on which side the government decides to prioritize, but we can support them all. Our sort of software works for all, so that's agnostic in that way.

Fredrik Nilsson

Analyst, Redeye AB

Okay. Great. Thanks. And lastly from my side. PLM seem to do quite well given the market conditions. I mean, is your money somewhat stabilizing? Or is it the growth in aerospace and defense that explains the decent numbers?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

I think it's too early to say that Germany sort of is out of the woods. But as Germany is not growing, it means that the other parts are growing more to support the 2% growth. So, if we look at besides in the Nordic, in the UK, in the US market, you will find that we are growing compared to last year. So there is a growth in the market there and that we are trying to catch what we can.

So, I would say, if we can find a growth in the Germany market, well, then, [ph] we can be more. (00:34:05) And at the same time, the management teams are working great to address the cost base as well to make sure that we get the margins out of the business.

So, yes, there is growth, and we're going for that. And it's not only defense and aviation, it's in the – I think we are a reflection of the different business structure where we are at. So that means in the Nordic, we have a broader customer base. In the UK, you will find that we move both towards [ph] street (00:34:37) manufacturing and defense. In the US, we don't have a strong market position, so it's more depending on what type of customers we have been attracting.

Fredrik Nilsson

Analyst, Redeye AB

Thank you very much. That's all for me.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you.

Operator: Next question comes from Thomas Nilsson from Nordea. Please go ahead.

Thomas Nilsson

Analyst, Nordea Bank ABP

Thank you for taking my question. Process Management has delivered good organic growth this year. How do you view the medium-term growth potential for Process Management? And do you see any opportunities to expand beyond the Nordic public sector?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you, Thomas. Looking at Process Management and the growth opportunities, right now, we can say that we are – have a good strong growth in it, and I guess, [Technical Difficulty] (00:35:35) Norway, we are probably growing with the market as we have a very strong position in the market.

For example, supporting local municipalities with software for managing infrastructure and case management system in the public sector; Norway, we are getting a stronger position. So we are probably not expected to grow more. Then, there are some KPIs related to our support agreements. In this year, we have support from that as well. So, having said that, if we can grow this business 5% year sort of on average, that's good.

And then, your other question [Technical Difficulty] (00:36:21) Sweden and Norway where we are today, yes, we can, but we can't probably grow all the software that we have as these softwares are adopted and well-suited for the different regions as well and how the sort of the public sector is operated. But there are parts of the portfolio that we – it's probably easier to move everything that has to do with where things are geographical information, for example.

There are – how you handle different type of case management we can move. But I think this opportunity for us is that we have a very – we have a strong management team who knows how to run these type of operations support them over time and how to grow that; meaning that there's a possibility for us to acquire companies outside the Nordic and support them with the knowledge that we already have. Now, I think that's probably a bigger sort of growth potential over time.

Thomas Nilsson

Analyst, Nordea Bank ABP

Okay. Thank you very much.

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Thank you.

A

Operator: The next question comes from Mikael Laséen from DNB Carnegie. Please go ahead.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Okay. Hi.

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

Hi.

A

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

A couple of questions. First of all, can you clarify the underlying performance for Design Management in the quarter, if we exclude the contract timing effects? Just to be clear on how that is performing.

Q

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

A

Yeah. Probably easiest way is to actually look at the EBITA because we have a lot of things, like I said, changes in the [Technical Difficulty] (00:38:09) if you look at last year, Design Management delivered an EBITA of SEK 86 million. And if you sort of [Technical Difficulty] (00:38:23) SEK 171 million. And if you deduct the SEK 70 million from this year's performance, [Technical Difficulty] (00:38:30-00:38:36) you will find that the growth is 18%. I think that's probably a good approximation of how [Technical Difficulty] (00:38:42) if that makes sense.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Okay. Yeah. I was just trying to understand...

[indiscernible] (00:38:53)

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Yeah. And what we should – how we should think about the seasonality going into the second half? Usually, Q2 is the weakest period, and Q3 is a bit better and Q4 is – I mean, is that the normal trend that we can expect also in Q3 and Q4? Anything that tells you anything else?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

[Technical Difficulty] (00:39:24) this question and figure that. Historically, and I think going forward, Q2 will still be sort of the weaker quarter in the year. And I guess, that's the reason why we were so transparent saying here that we are – yes, we have a strong growth in the quarter, but we as customers have chosen early renewals for – on this quarter [Technical Difficulty] (00:39:50) SEK 70 million in EBITDA from Q3 to Q2. So, when you look at Q3, you should assume that there is sort of SEK 70 million, all things aside, sort of missing compared to historical patterns.

And that's why, we have very been clear. So Q2 is still probably a weaker quarter all over the year. Q3 would have been the stronger quarter if this order renewal haven't happened, if that makes sense.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Yeah. Got it. So, it's fair to assume an underlying improvement continuing in the second half? In Q3, specifically, we should deduct SEK 70 million from the underlying EBIT that we estimate. Right?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

[ph] Yeah. (00:40:38)

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Okay. And another question on the operating cost for Design Management, it was roughly SEK 440 million, a bit higher than Q2 last year. Is this something that you see also from an organic basis that cost is increasing a bit excluding acquisitions and FX?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

A

I think it has to do with it – what we have also is that this is a sales organization. If we sell more, more commission are being paid as well, and also bonuses. So I think it's more an effect of that. So it's not, let's say, that we were selling less then the bonus and commission would have been less. So it's not that we have sort of under the cost structure has been increased, it's more that we have a sales and commission model that makes the cost go up when we sell more and it goes down when we sell less.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Q

Yeah. It is connected to this multi-year agreement and the contract timing, right?

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

A

Yep. So, if we sort of sell more, we'll recognize more. So, as we have also the underlying growth, as I've pointed out through the EBITA comparison, it was a little over 18%. So, the bonus and commission goes up. So I think more related to that. We haven't increased that many. If you look at the number of people, for example, that we have reported, you will find that mainly the main cost is the number of people in the organization.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Q

Yeah. Thanks for that clarity. And then, my final question is on the working capital development. It was negative SEK 196 million in Q2. Was this in line with your expectations? And how should we think about working capital for the coming two, three quarters until you have reached the point when you have sort of annualized the payment structure from Autodesk [ph] in the front part of the year? (00:42:32)

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

A

Yeah. Let me answer that. Yes, it was in line with our expectation and we see that the prepayment of the three-year contract that we're talking about, that ended in Q1 2023. So, following the three-year cycle, the effect will have been outlined in Q1 2026. So, we still believe that – or we forecast that we will have [Technical Difficulty] (00:43:02) Q4 and then normalized in Q1 2026.

Mikael Laséen

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Thanks a lot.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

A

Thanks, Mikael.

Operator: There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Johan Fredrik Andersson

President & Chief Executive Officer, Addnode Group AB

So, thank you all for taking the time for this earnings call. And I wish you all a good summer and thank you.

Kristina Elfström Mackintosh

Chief Financial Officer, Addnode Group AB

Thank you.

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