

Interim report

April - June 2023

April - June 2023

(compared to the same period last year, Upsales group)

- Net sales grew by 13.9 % to MSEK 36.7 (32.2)
- Annual recurring revenue (ARR) at the end of the quarter was MSEK 141.4, an increase of 9.4 % during the last 12 months
- ARR changed by MSEK 0.0 during the quarter
- EBITDA increased to MSEK 11.9 (7.6)
- EBITDA margin increased to 32.3 % (23.4 %)
- Operating profit (EBIT) increased to MSEK 9.8 (5.8)
- Net income increased to MSEK 7.9 (4.6)
- Cash flow from operating activities increased to MSEK 7.2 (3.3)

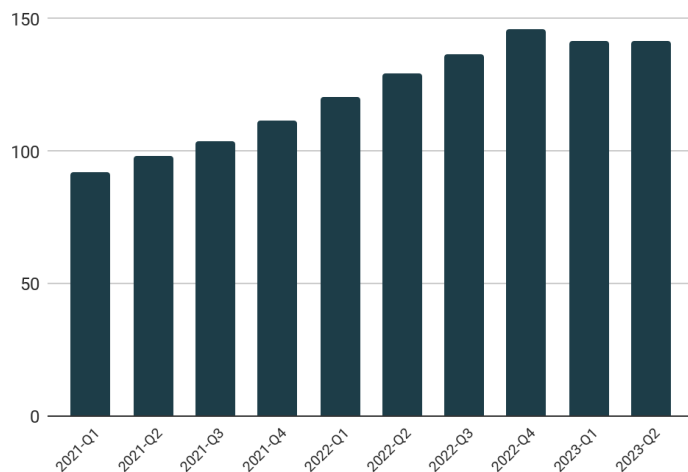
January - June 2023

(compared to the same period last year, Upsales group)

- Net sales grew by 18.1 % to MSEK 72.9 (61.8)
- EBITDA increased to MSEK 21.3 (13.2)
- EBITDA margin increased to 29.2 % (21.4 %)
- Operating profit (EBIT) increased to MSEK 17.2 (9.7)
- Net income increased to MSEK 13.8 (7.6)
- Cash flow from operating activities increased to MSEK 20.7 (8.4)

Annual recurring revenue (ARR)

- ARR at the end of the period was MSEK 141.4 (129.3), an increase of 9.4 % compared to the same time last year
- ARR changed by MSEK 0.0 during the quarter



The chart displays the value of annual recurring subscription revenues at the end of each quarter.

Apr - Jun 2023

13.9 %

Net sales growth

9.4 %

ARR growth, last 12 months

32.3 %

EBITDA margin

INTRODUCING UPSALES

Upsales is a Software-as-a-Service company with a long track record of profitable, organic growth and over 90 % recurring revenue

94%

Recurring revenue (TTM)

45.1MSEK

Net cash

25.2%

FCF margin (TTM)

41.9%

Management owned

CEO LETTER

During the second quarter of 2023, net revenue increased to 36.7 MSEK, representing a growth of 13.9 % during the last twelve months. Our Annual Recurring Revenue (ARR) amounted to 141.4 MSEK at the end of the period, representing a growth of 9.4 % during the last twelve months. Upsales continue to grow with profitability, and EBITDA increased to 11.9 MSEK, representing a margin of 32.3 %. Our cash flow from operating activities increased by 120 % to 7.2 MSEK, and net cash at the end of the quarter was 45.1 MSEK.



I'm not happy with the ARR growth in the second quarter. The ARR remained unchanged from the previous quarter because churn and contractions were at the same level as new sales and expansions. Our main objective is to build a strong sales capacity to get us back to rapid growth rates. This means that in the short-term, we will focus less on our international expansion and more on building sales capacity in general. This quarter, we've continued building the sales organisation needed for our growth ambitions in the coming years. The sales organisation and practices from the last couple of years took Upsales ARR to 141 MSEK. We're focused on creating an organisation to grow the ARR to 1 billion SEK. We recruited our new Chief Revenue Officer, Christian Nyberg, who will join Upsales in August with several new sales team members. Mr Nyberg has a strong sales management background from software companies such as Salesforce and MongoDB and holds an M. Sc. degree in Finance from the Stockholm School of Economics. We've also hired Linn Sterby as Head of people, joining the management team after the summer. Linn will focus on accelerating hiring and continue building a solid company culture. We plan to continue building the team rapidly in the second half of 2023 and onwards. The necessary changes in our sales organisation have had a negative short-term impact on our growth rates. My view is that the long-term growth opportunity for Upsales remains strong, and the slower ARR growth in the first half of 2023 is not the result of a weaker market. Upsales has a competitive offering and a scalable business model with high effectiveness and customer satisfaction. We aim to have a strong sales capacity at the end of the year, but we don't expect ARR growth to improve during Q3.

Increasing our average deal size and selling more add-ons and upgrades to larger customers is essential to our strategy. We continue to invest in our product, adding more functionality for companies with advanced requirements. The product team is in the final stage of releasing our CPQ offering targeting customers with complex quotes and orders. We've also added more features related to our Swedish cloud, which remain a key requirement for data privacy-sensitive customers. The engineering team is also growing, with several new members joining us after the summer.

Although I'm not happy with the current ARR growth rates, I'm excited about pursuing future opportunities for Upsales and continue building a great company with my existing and new colleagues.

Daniel Wikberg
Founder & CEO

FINANCIAL INFORMATION

The Upsales group

All comparative figures refer to the Upsales group. The parent company's operations are focused on group-wide management whilst the operations are conducted in the wholly owned subsidiary Upsales Nordic AB.

April - June 2023

Net sales

The Upsales group's net sales during the period amounted to MSEK 36.7 (32.2), which corresponds to a 13.9 % increase compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 11.9 (7.6).
- EBIT during the period amounted to MSEK 9.8 (5.8).
- Profit before tax amounted to MSEK 9.8 (5.8) and net income amounted to MSEK 7.9 (4.6).

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 7.2 (3.3). Investments in tangible assets during the period amounted to MSEK 0.1 (1.1). Investments in intangible assets amounted to MSEK 2.0 (2.0). Investments in intangible assets consist of capitalised development costs.

Depreciation of tangible and intangible assets during the period amounted to MSEK 2.1.

January - June 2023

Net sales

The Upsales group's net sales during the period amounted to MSEK 72.9 (61.8), which corresponds to a 18.1 % increase compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 21.3 (13.2).
- EBIT during the period amounted to MSEK 17.2 (9.7).
- Profit before tax amounted to MSEK 17.4 (9.7) and net income amounted to MSEK 13.8 (7.6).

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 20.7 (8.4). Investments in tangible assets during the period amounted to MSEK 2.7 (2.7). Investments in intangible assets amounted to MSEK 3.8 (4.2). Investments in intangible assets consist of capitalised development costs.

Depreciation of tangible and intangible assets during the period amounted to MSEK 4.1.

FINANCIAL INFORMATION

Liquidity and financial position

Net cash as of 30 June 2023 amounted to MSEK 45.1 (43.7). Total equity at the end of the period amounted to MSEK 16.6 (22.0).

Employees

The number of employees in the Upsales group at the end of the period was 58 (65).

Warrant-based incentive programs

The annual general meeting on 4 May 2023 decided on a warrant-based incentive program. According to the program, a maximum of 200,000 warrants can be issued and transferred to participants in the program, implying a dilution of approximately 1.2 percent.

The company already had two warrant-based incentive programmes. The annual general meeting on 4 May 2022 decided on a warrant-based incentive program "2022/2025" where a maximum of 300,000 warrants can be issued and transferred to participants in the program, implying a dilution of approximately 1.8 percent. The annual general meeting on 5 May 2021 decided on a warrant-based incentive program "2021/2024", where the total maximum dilution due to the incentive program amounts to 2.0 percent.

The share

Upsales group's shares are listed on Nasdaq First North Growth Market since 24 April 2019. Companies listed on Nasdaq First North are required to have a Certified Adviser, which is, among other things, responsible for supervision and compliance. Upsales group's Certified Adviser is Erik Penser Bank AB. The share is traded under the trading symbol UPSALE and has the ISIN code: SE0011985514.

Accounting standard

The Upsales group and the parent company apply The Swedish Accounting Standards Board's BFNAR 2012:1 (K3), Årsredovisning och koncernredovisning.

Significant events during the quarter

No significant events occurred during the reporting period.

Significant events after the quarter

No significant events occurred after the reporting period.

Auditor

Upsales group's auditor is Johan Grudet, certified auditor at Grant Thornton Sweden AB. This report has not been subject to review.

Disclosure of report

This report was submitted for publication on 26 July 2023 at 08:30.

The report was published on the Upsales website at the same time.

Financial calendar

Interim report Q3 2023:
25 October 2023

Year-end report Q4 2023:
14 February 2024

Interim report Q1 2024:
24 April 2024

For more information contact:

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GROUP FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Jun 2023	Jan-Jun 2022	Apr-Jun 2023	Apr-Jun 2022	Jan-Dec 2022
<i>Operating income</i>					
Net sales	72,941	61,750	36,730	32,244	129,580
Capitalised development costs	3,405	3,727	1,797	1,774	6,273
Other operating income	480	694	429	463	3,665
Total operating income	76,827	66,171	38,956	34,481	139,518
<i>Operating expenses</i>					
Other external expenses	-26,561	-23,524	-12,696	-11,179	-50,460
Personnel costs	-28,922	-28,024	-14,371	-14,300	-51,789
Depreciation and impairment of tangible and intangible assets	-4,104	-3,489	-2,063	-1,755	-7,153
Other operating expenses	-80	-1,442	-32	-1,445	-1,641
Total operating expenses	-59,667	-56,479	-29,161	-28,680	-111,044
Operating profit (EBIT)	17,160	9,692	9,794	5,801	28,474
<i>Financial items</i>					
Financial income	241	49	69	21	98
Financial expenses	-42	-12	-41	-11	-12
Total financial items	199	37	27	10	87
Profit before tax	17,359	9,730	9,822	5,811	28,561
Income tax	-3,546	-2,084	-1,914	-1,228	-6,064
Net income	13,813	7,646	7,908	4,583	22,497
Earnings per share, SEK	0.82	0.46	0.47	0.27	1.34
Earnings per share after dilution, SEK	0.81	0.46	0.47	0.27	1.33
Average number of shares	16,838,375	16,630,338	16,838,375	16,838,375	16,787,078
Number of shares at the end of the period	16,838,375	16,838,375	16,838,375	16,838,375	16,838,375

GROUP FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	30 June 2023	30 June 2022	31 December 2022
ASSETS			
<i>Non-current assets</i>			
Capitalised development costs	19,753	18,798	18,908
Goodwill	0	0	0
Tangible assets	7,687	5,805	6,115
Deferred tax assets	406	272	0
Other long-term receivables	767	1,166	1,071
Total non-current assets	28,614	26,040	26,094
<i>Current assets</i>			
Accounts receivable	13,857	19,665	26,699
Current tax claim	5	21	30
Other current receivables	293	105	93
Prepaid expenses and accrued income	7,188	5,584	7,141
Cash and cash equivalents	45,126	43,658	64,438
Total current assets	66,469	69,033	98,402
TOTAL ASSETS	95,082	95,073	124,495
EQUITY AND LIABILITIES			
Equity	16,629	22,047	36,671
<i>Non-current liabilities</i>			
Interest-bearing liabilities	0	0	0
Non-current liabilities	0	0	0
<i>Current liabilities</i>			
Interest-bearing liabilities	0	0	0
Accounts payable	2,036	2,368	3,705
Income tax liabilities	7,416	4,655	7,706
Other current liabilities	4,352	3,224	6,338
Accrued expenses and prepaid income	64,650	62,780	70,075
Total current liabilities	78,454	73,026	87,824
Total liabilities	78,454	73,026	87,824
TOTAL EQUITY AND LIABILITIES	95,082	95,073	124,495

GROUP FINANCIAL STATEMENT

Changes in Equity

Amount in KSEK	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Opening balance	36,671	38,675	38,675
Dividend	-33,677	-33,677	-33,677
Issued shares	0	8,202	8,202
Issued warrants	-187	1,149	1,023
Foreign currency translation differences	7	52	-48
Net income	13,813	7,646	22,497
Closing balance	16,629	22,047	36,671

GROUP FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Jun 2023	Jan-Jun 2022	Apr-Jun 2023	Apr-Jun 2022	Jan-Dec 2022
<i>Operating activities</i>					
Operating profit	17,160	9,692	9,794	5,801	28,474
Adjustments for non-cash items	4,072	3,489	2,043	1,755	7,029
Interest received	241	49	69	21	98
Interest paid	-42	-12	-41	-11	-12
Income tax paid	-4,217	-1,726	-783	-328	-2,393
Cash flow from operating activities before changes in working capital	17,215	11,493	11,082	7,238	33,196
<i>Changes in working capital</i>					
Changes in current receivables	12,595	1,591	-911	-3,907	-6,490
Changes in current liabilities	-9,080	-4,643	-2,994	-71	7,017
Total change in working capital	3,515	-3,052	-3,904	-3,978	528
Cash flow from operating activities	20,730	8,440	7,178	3,260	33,724
<i>Investing activities</i>					
Investments in intangible assets	-3,758	-4,160	-1,984	-1,982	-7,074
Investments in tangible assets	-2,724	-2,667	-119	-1,066	-3,713
Acquisition of financial assets	-4	0	-4	0	-587
Disposal of financial assets	308	0	0	0	226
Cash flow from investing activities	-6,179	-6,827	-2,108	-3,048	-11,148
<i>Financing activities</i>					
Issued shares	0	8,202	0	208	8,202
Issued warrants	-187	1,149	1,177	1,149	1,023
Dividend paid to the parent company's shareholders	-33,677	-33,677	-33,677	-33,677	-33,677
Cash flow from financing activities	-33,864	-24,326	-32,499	-32,320	-24,452
CASH FLOW FOR THE PERIOD	-19,312	-22,713	-27,430	-32,108	-1,876
Cash and cash equivalents at the beginning of the period	64,438	66,362	72,555	75,759	66,362
Exchange rate differences in cash and cash equivalents	0	9	0	8	-48
Cash and cash equivalents at the end of the period	45,126	43,658	45,126	43,658	64,438

GROUP FINANCIAL STATEMENT

KPI summary

Amount in KSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Dec 2022
Net sales	36,730	32,244	129,580
Net sales growth (%)	13.9%	46.4%	39.1%
Subscription revenue (%) of total net sales	93.5%	91.0%	92.4%
Annual recurring revenue (ARR)	141,430	129,318	145,849
ARR change during the period	-10	8,889	34,034
ARR growth during the period (%)	0.0%	7.4%	30.4%
EBITDA	11,857	7,556	35,627
EBITDA margin (%)	32.3%	23.4%	27.5%
EBIT	9,794	5,801	28,474
EBIT margin (%)	26.7%	18.0%	22.0%
Net income	7,908	4,583	22,497
Operating cash flow	7,178	3,260	33,724
Net cash	45,126	43,658	64,438

PARENT COMPANY FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Jun 2023	Jan-Jun 2022	Apr-Jun 2023	Apr-Jun 2022	Jan-Dec 2022
<i>Operating income</i>					
Net sales	750	750	375	375	1,500
Total operating income	750	750	375	375	1,500
<i>Operating expenses</i>					
Other external expenses	-954	-971	-458	-640	-1,796
Personnel costs	-1,116	-1,118	-560	-562	-2,237
Total operating expenses	-2,070	-2,088	-1,018	-1,202	-4,033
Operating profit (EBIT)	-1,320	-1,338	-643	-827	-2,533
<i>Financial items</i>					
Profit from participations in group companies	0	0	0	0	25,000
Financial income	18	20	11	6	39
Financial expenses	0	0	0	0	0
Total financial items	18	20	11	6	25,039
Profit after financial items	-1,302	-1,318	-632	-821	22,506
Received group contributions	0	0	0	0	2,494
Profit before tax	-1,302	-1,318	-632	-821	25,000
Income tax	406	272	268	169	0
Net income	-896	-1,046	-364	-652	25,000

PARENT COMPANY FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	30 June 2023	30 June 2022	31 December 2022
ASSETS			
<i>Financial assets</i>			
Shares in group companies	29,232	29,232	29,232
Deferred tax assets	406	272	0
Other long-term receivables	749	1,166	1,053
Total financial assets	30,387	30,669	30,285
<i>Current assets</i>			
Accounts receivable	162	159	158
Receivables from group companies	0	0	11,162
Current tax claim	5	21	30
Other current receivables	92	79	83
Prepaid expenses and accrued income	361	327	179
Cash and cash equivalents	2,289	2,033	1,204
Total current assets	2,909	2,618	12,818
TOTAL ASSETS	33,296	33,288	43,103
EQUITY AND LIABILITIES			
Equity	7,304	16,143	42,063
<i>Non-current liabilities</i>			
Interest-bearing liabilities	0	0	0
Non-current liabilities	0	0	0
Current liabilities			
Interest-bearing liabilities	0	0	0
Accounts payable	169	113	174
Liabilities to group companies	24,894	16,332	0
Income tax liabilities	0	22	29
Other current liabilities	144	106	157
Accrued expenses and prepaid income	786	573	679
Total current liabilities	25,992	17,145	1,039
TOTAL EQUITY AND LIABILITIES	33,296	33,288	43,103

PARENT COMPANY FINANCIAL STATEMENT

Change of Equity

Amount in KSEK	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Opening balance	42,063	41,515	41,515
Dividend	-33,677	-33,677	-33,677
Issued shares	0	8,202	8,202
Issued warrants	-187	1,149	1,023
Net income	-896	-1,046	25,000
Closing balance	7,304	16,143	42,063

PARENT COMPANY FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Jun 2023	Jan-Jun 2022	Apr-Jun 2023	Apr-Jun 2022	Jan-Dec 2022
<i>Operating activities</i>					
Operating profit	-1,320	-1,338	-643	-827	-2,533
Interest received	18	20	11	6	39
Interest paid	0	0	0	0	0
Income tax paid	-4	-19	-1	-1	-21
Cash flow from operating activities before changes in working capital	-1,306	-1,337	-633	-822	-2,515
<i>Changes in working capital</i>					
Changes in current receivables	10,968	5,468	10,036	-669	6,067
Changes in current liabilities	24,982	16,548	25,045	3,905	16,767
Total changes in working capital	35,950	22,016	35,081	3,236	22,834
Cash flow from operating activities	34,644	20,679	34,447	2,415	20,320
<i>Investing activities</i>					
Acquisition of financial assets	-4	0	-4	0	-569
Disposal of financial assets	308	0	0	0	226
Cash flow from investing activities	304	0	-4	0	-343
<i>Financing activities</i>					
Issued shares	0	8,202	0	208	8,202
Issued warrants	-187	1,149	1,177	1,149	1,023
Dividend	-33,677	-33,677	-33,677	-33,677	-33,677
Cash flow from financing activities	-33,864	-24,326	-32,499	-32,320	-24,452
CASH FLOW FOR THE PERIOD	1,084	-3,647	1,944	-29,906	-4,475
Cash and cash equivalents at the beginning of the period	1,204	5,679	345	31,939	5,679
Exchange rate differences in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at the end of the period	2,289	2,033	2,289	2,033	1,204

Definitions

Annual recurring revenue (ARR)

Annual recurring revenue is the sum of the annual value of all customer contracts at the end of the period. New contracts are included from the start date on the contract. Cancelled agreements are included until the end date of the contract.

Subscription revenue (%) of total net sales

Recurring revenue (revenue from subscriptions) as a percentage of net sales.

EBIT

Earnings before interest and tax.

EBIT margin

EBIT as a percentage of net sales.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBITDA margin

EBITDA as a percentage of net sales.

Net cash

Cash and bank balances minus interest bearing liabilities.

Operating cash flow

Cash flow from operating activities.

Free cash flow (FCF)

Cash flow from operating activities minus cash flow from investing activities.

Free cash flow margin

Free cash flow as a percentage of net sales.

Earnings per share

Net income divided by average number of shares in the period.

Earnings per share after dilution

Net income divided by average number of shares in the period after potential dilution.

