

Year-end report

January - December 2023

October - December 2023

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

- Net sales grew by 3.1% to MSEK 36.3 (35.2)
- Annual recurring revenue (ARR) at the end of the quarter was MSEK 140.4, a change of -3.7 % during the last 12 months
- ARR changed by MSEK -0.8 during the quarter
- EBITDA decreased to MSEK 9.2 (9.3)
- EBITDA margin decreased to 25.3 % (26.5 %)
- Operating profit (EBIT) decreased to MSEK 7.1 (7.5)
- Net income decreased to MSEK 5.8 (5.9)
- Cash flow from operating activities decreased to MSEK 9.8 (18.0)

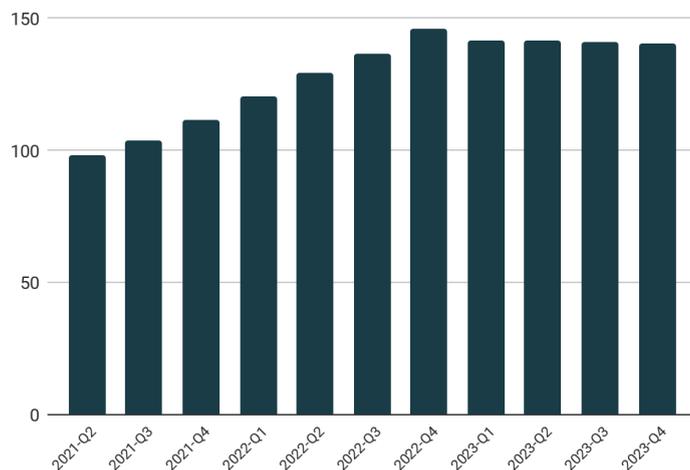
January - December 2023

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

- Net sales grew by 12.1 % to MSEK 145.2 (129.6)
- EBITDA increased to MSEK 42.6 (35.6)
- EBITDA margin increased to 29.4 % (27.5 %)
- Operating profit (EBIT) increased to MSEK 34.4 (28.5)
- Net income increased to MSEK 27.6 (22.5)
- Cash flow from operating activities decreased to MSEK 32.4 (33.7)

Annual recurring revenue (ARR)

- ARR at the end of the period was MSEK 140.4 (145.8), a change of -3.7 % compared to the same time last year
- ARR changed by MSEK -0.8 during the quarter



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

Oct - Dec 2023

3.1 %

Net sales growth

-3.7 %

ARR growth, last 12 months

25.3 %

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)

52.6MSEK

Net cash

21.5%

FCF margin (TTM)

41.9%

Management owned

CEO LETTER

In the last quarter of 2023, Annual Recurring Revenue (ARR) amounted to 140.4 MSEK, a change of -3.7 % compared to the same period the previous year. ARR decreased by -0.8 MSEK during the quarter. Upsales has a strong cash position and continued profitability with an EBITDA-margin of 25.3 % during the quarter. For the annual general meeting, the board proposes an ordinary dividend of 1.50 SEK per share.



ARR decreased slightly in the fourth quarter due to new sales and expansions being lower than churn and contractions. In 2023, we made many changes in our sales organisation that were necessary to support our strategy of moving up-market and increasing the average contract value per customer. In the short term, this hurt our growth rates, and from a growth perspective, I will remember 2023 as an *Annus horribilis*. But when I zoom out and look at the bigger picture, I see a significantly improved company compared to twelve months ago. The changes we have made give us the capability to return to rapid growth. Our work of building sales capacity, i.e. hiring more people for the sales organisation, continued with good progress during the quarter. We are also seeing positive results from our Customer engagement team, launched in the second half of 2023 to reduce churn and increase customer engagement. Our strategy is to be the best sales and marketing platform for Nordic mid-sized companies (companies between 100-2000 employees). We can offer this target group a faster time-to-value at a more attractive price than our competitors. These customers appreciate our local presence and integrations with the local ecosystem, while being a full scale platform. Our team of in-house specialists is also a key differentiator, eliminating the need for third-party consultants. Legislations (GDPR etc.) also play in our favour, where we have a unique positioning with our 100% Swedish data centre.

My colleagues in the product team continued to release many exciting new features and offerings in the last quarter. We continued the development of the Upsales Customer Portfolio, which helps customers see both risks and opportunities among their customers. Another source that helps you understand customers is your customer service. Unfiltered purchase and churn signals are gathered here, which, with the right tools, can help companies both retain and grow customers. During the first part of 2024, Upsales will launch a new service, Upsales Customer Support. Here, the customer service team works on the same platform as the sales and marketing teams. This will also increase our total addressable market. We are also continuing to deepen our subscription service. With these features, customers get complete control of subscription revenue, where flexibility, control and overview are the focus. In the future, we will also deepen the sales support for those Upsales customers who, in turn, have larger organisations as customers. Upsales is expected to clarify even the most complex customer and sales structures.

The ARR growth in 2023 can't be blamed on external circumstances (macro etc.), as we continue to see an ample opportunity in the market for Upsales with a continued demand for Upsales products and services. With reduced churn rates and increased sales capacity, I am confident that Upsales will return to ARR growth in the first half of 2024.

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.

October - December 2023

Net sales

The Upsales group's net sales during the period amounted to MSEK 36.3 (35.2), which corresponds to a 3.1 % increase compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 9.2 (9.3)
- EBIT during the period amounted to MSEK 7.1 (7.5)
- Profit before tax amounted to MSEK 7.4 (7.5) and net income amounted to MSEK 5.8 (5.9)

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 9.8 (18.0). The change in cash flow from operating activities is mainly due to changes in income tax paid and changes in net working capital. In the comparison period, the income tax paid was lower due to tax deductions for previous losses. Investments in tangible assets during the period amounted to MSEK 0.1 (0.4). Investments in intangible assets amounted to MSEK 1.9 (1.6). Investments in intangible assets consist of capitalised development costs.

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

January - December 2023

Net sales

The Upsales group's net sales during the period amounted to MSEK 145.2 (129.6), which corresponds to a 12.1 % increase compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 42.6 (35.6)
- EBIT during the period amounted to MSEK 34.4 (28.5)
- Profit before tax amounted to MSEK 35.0 (28.6) and net income amounted to MSEK 27.6 (22.5).

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 32.4 (33.7). Investments in tangible assets during the period amounted to MSEK 2.9 (3.7). Investments in intangible assets amounted to MSEK 7.6 (7.1). Investments in intangible assets consist of capitalised development costs.

Depreciation of tangible and intangible assets during the period amounted to MSEK 8.3.

FINANCIAL INFORMATION

Liquidity and financial position

Net cash as of 31 December 2023 amounted to MSEK 52.6 (64.4). Total equity at the end of the period amounted to MSEK 30.3 (36.7).

Employees

The number of employees in the Upsales group at the end of the period was 70 (63).

Proposed appropriation of profit

The Board of Directors proposes a dividend of 1.50 SEK per share.

Annual report

The Upsales group annual report for 2023 will be available at the company's website and office on April 2 2024.

Annual general meeting

The annual general meeting will be held the 25th of April 2024 at the company's office at Vasagatan 16, Stockholm.

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.

Disclosure of report

This report was submitted for publication on 14 February 2024 at 08:30.

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

Financial calendar

Interim report Q1 2024:
24 April 2024

Annual general meeting 2023:
25 April 2024

Interim report Q2 2024:
24 July 2024

Interim report Q3 2024:
23 October 2024

For more information contact:

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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 Ida Sparrfeldt, certified auditor at Grant Thornton Sweden AB. This report has not been subject to review.

GROUP FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022	Okt-Dec 2023	Okt-Dec 2022
<i>Operating income</i>				
Net sales	145,207	129,580	36,258	35,165
Capitalised development costs	6,932	6,273	1,697	1,423
Other operating income	510	3,665	10	605
Total operating income	152,649	139,518	37,964	37,193
<i>Operating expenses</i>				
Other external expenses	-52,521	-50,460	-13,099	-14,550
Personnel costs	-57,373	-51,789	-15,679	-13,250
Depreciation and impairment of tangible and intangible assets	-8,258	-7,153	-2,077	-1,855
Other operating expenses	-136	-1,641	-25	-83
Total operating expenses	-118,288	-111,044	-30,879	-29,739
Operating profit (EBIT)	34,361	28,474	7,086	7,454
<i>Financial items</i>				
Financial income	633	98	291	36
Financial expenses	-43	-12	-1	0
Total financial items	590	87	290	36
Profit before tax	34,950	28,561	7,376	7,490
Income tax	-7,399	-6,064	-1,612	-1,599
Net income	27,551	22,497	5,764	5,891
Earnings per share, SEK	1.64	1.34	0.34	0.35
Earnings per share after dilution, SEK	1.64	1.33	0.34	0.35
Average number of shares	16,838,375	16,787,078	16,838,375	16,838,375
Number of shares at the end of the period	16,838,375	16,838,375	16,838,375	16,838,375

GROUP FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	31 December 2023	31 December 2022
ASSETS		
<i>Non-current assets</i>		
Capitalised development costs	20,687	18,908
Goodwill	0	0
Tangible assets	6,741	6,115
Deferred tax assets	0	0
Other long-term receivables	725	1,071
Total non-current assets	28,153	26,094
<i>Current assets</i>		
Accounts receivable	26,362	26,699
Current tax claim	17	30
Other current receivables	100	93
Prepaid expenses and accrued income	8,676	7,141
Cash and cash equivalents	52,606	64,438
Total current assets	87,761	98,402
TOTAL ASSETS	115,914	124,495
EQUITY AND LIABILITIES		
Equity	30,271	36,671
<i>Non-current liabilities</i>		
Interest-bearing liabilities	0	0
Non-current liabilities	0	0
<i>Current liabilities</i>		
Interest-bearing liabilities	0	0
Accounts payable	3,512	3,705
Income tax liabilities	7,307	7,706
Other current liabilities	4,649	6,338
Accrued expenses and prepaid income	70,175	70,075
Total current liabilities	85,643	87,824
Total liabilities	85,643	87,824
TOTAL EQUITY AND LIABILITIES	115,914	124,495

GROUP FINANCIAL STATEMENT

Changes in Equity

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022
Opening balance	36,671	38,675
Dividend	-33,677	-33,677
Issued shares	0	8,202
Change of warrants	-276	1,023
Foreign currency translation differences	1	-48
Net income	27,551	22,497
Closing balance	30,271	36,671

GROUP FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022	Okt-Dec 2023	Okt-Dec 2022
<i>Operating activities</i>				
Operating profit	34,361	28,474	7,086	7,454
Adjustments for non-cash items	8,258	7,029	2,137	1,731
Interest received	633	98	291	36
Interest paid	-43	-12	-1	0
Income tax paid	-7,785	-2,393	-2,854	-335
Cash flow from operating activities before changes in working capital	35,423	33,196	6,659	8,886
<i>Changes in working capital</i>				
Changes in current receivables	-1,286	-6,490	-12,219	-7,999
Changes in current liabilities	-1,782	7,017	15,376	17,083
Total change in working capital	-3,067	528	3,157	9,084
Cash flow from operating activities	32,356	33,724	9,817	17,969
<i>Investing activities</i>				
Investments in intangible assets	-7,642	-7,074	-1,871	-1,631
Investments in tangible assets	-2,940	-3,713	-138	-398
Acquisition of financial assets	-4	-587	0	-587
Disposal of financial assets	351	226	0	226
Cash flow from investing activities	-10,236	-11,148	-2,009	-2,390
<i>Financing activities</i>				
Issued shares	0	8,202	0	0
Change of warrants	-276	1,023	0	-13
Dividend paid to the parent company's shareholders	-33,677	-33,677	0	0
Cash flow from financing activities	-33,953	-24,452	0	-13
CASH FLOW FOR THE PERIOD	-11,833	-1,876	7,808	15,567
Cash and cash equivalents at the beginning of the period	64,438	66,362	44,797	48,934
Exchange rate differences in cash and cash equivalents	1	-48	1	-63
Cash and cash equivalents at the end of the period	52,606	64,438	52,606	64,438

GROUP FINANCIAL STATEMENT

KPI summary

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022	Okt-Dec 2023	Okt-Dec 2022
Net sales	145,207	129,580	36,258	35,165
Net sales growth (%)	12.1%	39.1%	3.1%	30.6%
Subscription revenue (%) of total net sales	94.3%	92.4%	94.8%	92.7%
Annual recurring revenue (ARR)	140,414	145,849	140,414	145,849
ARR change during the period	-5,435	34,034	-750	9,501
ARR growth during the period (%)	-3.7%	30.4%	-0.5%	7.0%
EBITDA	42,619	35,627	9,162	9,310
EBITDA margin (%)	29.4%	27.5%	25.3%	26.5%
EBIT	34,361	28,474	7,086	7,454
EBIT margin (%)	23.7%	22.0%	19.5%	21.2%
Net income	27,551	22,497	5,764	5,891
Operating cash flow	32,356	33,724	9,817	17,969
Net cash	52,606	64,438	52,606	64,438

PARENT COMPANY FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022	Okt-Dec 2023	Okt-Dec 2022
<i>Operating income</i>				
Net sales	1,500	1,500	375	375
Total operating income	1,500	1,500	375	375
<i>Operating expenses</i>				
Other external expenses	-1,688	-1,796	-22	-459
Personnel costs	-2,209	-2,237	-910	-555
Total operating expenses	-3,896	-4,033	-931	-1,015
Operating profit (EBIT)	-2,396	-2,533	-556	-640
<i>Financial items</i>				
Profit from participations in group companies	30,000	25,000	30,000	25,000
Financial income	31	39	13	10
Financial expenses	0	0	0	0
Total financial items	30,031	25,039	30,013	25,010
Profit after financial items	27,635	22,506	29,456	24,370
Received group contributions	2,368	2,494	2,368	2,494
Profit before tax	30,002	25,000	31,824	26,864
Income tax	0	0	-376	-384
Net income	30,002	25,000	31,448	26,480

PARENT COMPANY FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	31 December 2023	31 December 2022
ASSETS		
<i>Financial assets</i>		
Shares in group companies	29,232	29,232
Deferred tax assets	0	0
Other long-term receivables	725	1,053
Total financial assets	29,957	30,285
<i>Current assets</i>		
Accounts receivable	6	158
Receivables from group companies	7,474	11,162
Current tax claim	17	30
Other current receivables	98	83
Prepaid expenses and accrued income	146	179
Cash and cash equivalents	1,630	1,204
Total current assets	9,371	12,818
TOTAL ASSETS	39,328	43,103
EQUITY AND LIABILITIES		
Equity	38,112	42,063
<i>Non-current liabilities</i>		
Interest-bearing liabilities	0	0
Non-current liabilities	0	0
Current liabilities		
Interest-bearing liabilities	0	0
Accounts payable	175	174
Liabilities to group companies	0	0
Income tax liabilities	15	29
Other current liabilities	119	157
Accrued expenses and prepaid income	907	679
Total current liabilities	1,216	1,039
TOTAL EQUITY AND LIABILITIES	39,328	43,103

PARENT COMPANY FINANCIAL STATEMENT

Change of Equity

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022
Opening balance	42,063	41,515
Dividend	-33,677	-33,677
Issued shares	0	8,202
Change of warrants	-276	1,023
Net income	30,002	25,000
Closing balance	38,112	42,063

PARENT COMPANY FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Dec 2023	Jan-Dec 2022	Okt-Dec 2023	Okt-Dec 2022
<i>Operating activities</i>				
Operating profit	-2,397	-2,533	-557	-640
Interest received	31	39	13	10
Interest paid	0	0	0	0
Income tax paid	-2	-21	3	-1
Cash flow from operating activities before changes in working capital	-2,368	-2,515	-541	-631
<i>Changes in working capital</i>				
Changes in current receivables	11,334	6,067	255	428
Changes in current liabilities	25,084	16,767	10	42
Total changes in working capital	36,418	22,834	265	470
Cash flow from operating activities	34,051	20,320	-276	-161
<i>Investing activities</i>				
Acquisition of financial assets	-4	-569	0	-569
Disposal of financial assets	333	226	0	226
Cash flow from investing activities	328	-343	0	-343
<i>Financing activities</i>				
Issued shares	0	8,202	0	0
Change of warrants	-276	1,023	0	-13
Dividend	-33,677	-33,677	0	0
Cash flow from financing activities	-33,953	-24,452	0	-13
CASH FLOW FOR THE PERIOD	426	-4,475	-276	-517
Cash and cash equivalents at the beginning of the period	1,204	5,679	1,906	1,721
Exchange rate differences in cash and cash equivalents	0	0	0	0
Cash and cash equivalents at the end of the period	1,630	1,204	1,630	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.

