



1 JANUARY - 31 MARCH 2023

# Q1 2023 Interim Report

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# Organic revenue growth of 11% despite softening in the market

I am pleased to report that Wirtek continued to grow organically during Q1 2023. We increased our revenue by 11%, which is a testament to our team's dedication to delivering high-quality software development and testing services to our clients. However, it is important to note that we also experience a softening in the market, and we have seen continued rising costs, which altogether has led to a 30% decrease in EBITDA in Q1 2023 compared to Q1 2022.

## Focus on decreasing costs and expanding the sales pipeline

We see a softening in the market as some of our clients have implemented cost control and scaled back on the services, we provide to them. Consequently, we have experienced an overcapacity of billable personnel during Q1 2023, and we see this trend of a softening market continuing in Q2 2023. To improve profitability, the Board of Directors and Management are working to decrease the cost base. Further, we have initiated activities to expand the sales pipeline to fuel further organic growth and reduce any future overcapacities.

## Increasing operational efficiency through digitalization

We have decided to continue our investment in digitalization of key processes to further increase operational efficiency. The first part of our new ERP system has already gone live, and we are developing and expect to be deploying further modules throughout 2023. Our strategy execution has also been digitized to align all strategic initiatives towards reaching the long-term goals of our Accelerate25XL strategy, providing clear visibility into our objectives, plans, and metrics for timely adjustments.

## Wirtek improves hybrid work environment with new offices

In Q1 2023 we could finally announce that later in 2023 we are moving into new offices in Cluj-Napoca and Bucharest. Our new offices are designed to accommodate a hybrid working environment, which we believe is crucial to create a best-in-class workplace. We understand the importance of promoting work-life balance and creating an environment that fosters collaboration and productivity. We believe that our new offices will support these goals and help us attract and retain top talent.

## Board composition changes for increased independence

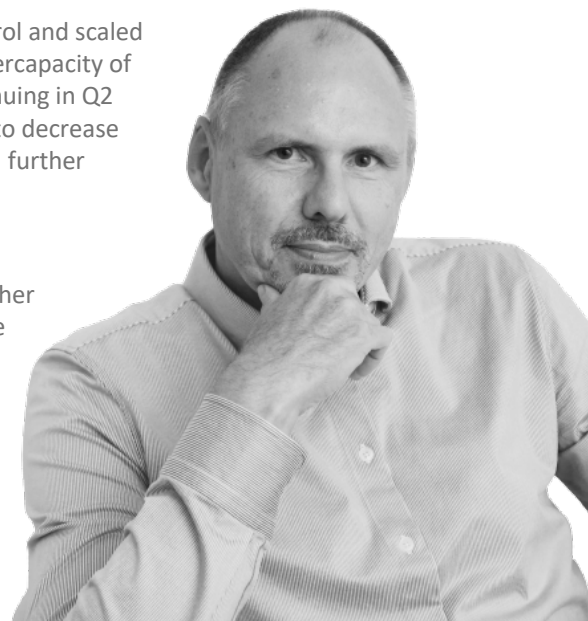
Wirtek has adopted the corporate governance recommendations for listed growth companies published by the Danish organisation Association of Listed Growth Companies in Denmark (in Danish: FBV) as reported in our annual report and at the Corporate Governance pages on the Wirtek website. At the annual general meeting in April, I stepped down from the Board of Directors to fully focus on my role as CEO, and we welcomed Martin Dommerby Kristiansen as a new independent Board member. Martin has extensive experience with IT outsourcing and IT consulting services at various managerial levels. These changes are aligned with our commitment to good corporate governance and reflects our dedication to ensuring that we have the right people in the right roles.

## The future

We are committed to our journey of profitable growth and retain our expectations for 2023 and our long-term goals of our Accelerate25XL strategy even though we experience a higher level of uncertainty.

I want to thank our clients and shareholders for their loyalty and not least our entire team for their hard work and dedication.

**Michael Aaen, CEO Wirtek**



## Q1 2023 Summary

The Board of Directors for Wirtek A/S has today approved the interim report for the first quarter of 2023. The Board is satisfied with the Q1 results given the significant ongoing investments in operational efficiency and a softer market situation.

### Financial highlights for the period 1 January - 31 March 2023

TDKK	Q1 2023	Q1 2022	Change
Revenue	18,137	16,341	11%
EBITDA	1,810	2,598	-30%
EBITDA-margin (%)	10.0%	15.9%	-37%
Pre-tax profits (EBT)	1,436	2,146	-33%
Cash holdings	6,961	6,526	7%

### Revenue growth of 11% with an EBITDA-margin of 10% during Q1 2023

- **Revenue** grew organically by 11% to TDKK 18,137 during Q1 2023 compared to revenue of TDKK 16,341 during Q1 2022.
- **EBITDA** was TDKK 1,810 in Q1 2023, down by 30% compared to TDKK 2,598 for the same period last year. The decrease in EBITDA is mainly attributed to a significant increase in external costs covering consultants as well as investments in digitalization, including our new ERP system that in part has gone live in January 2023.
- The **EBITDA-margin** for Q1 2023 was 10.0% compared to 15.9% during same period in 2022.
- **Pre-tax profits (EBT)** were TDKK 1,436 in Q1 2023 compared to TDKK 2,146 during Q1 2022, down by 33%.
- **Cash holdings** were TDKK 6,961 end of Q1 2023, up 7% from last year. Part of the cash-position is offset by a credit facility of TDKK 2,967. A positive cash flow of TDKK 1,844 was generated during Q1 2023, with operating activities generating TDKK 2,345 in cash. Cash flow from operating activities was up by 15% compared to Q1 2022.

### Expectations for 2023 retained

The softening we are experiencing in the market has led some of our clients to cut back on the services we are providing to them, while at the same time we are experiencing growth with other clients. Therefore, expectations are retained for 2023.

- **Organic Revenue** for 2023 is expected in the range of DKK 73.0m – 78.0m, a growth of 11% – 19% compared to 2022.
- **EBITDA** for 2023 is expected in the range DKK 6.0m – 9.0m, a growth of -20% – +27% compared to 2022.

### Wirtek in brief

Wirtek A/S is a Danish IT consultancy company that provides software development, testing, and consultancy services to help clients worldwide. With a team of 200 talented professionals, Wirtek specializes in Digitalization, Energy, Workforce & Facility Management, Wireless Communication & Automation, and Trade & E-commerce. At Wirtek, we prioritize building long-term client relationships, with some lasting over a decade.

We believe that quality partnerships are just as important as software quality in achieving our client's goals. Established in 2001, we have offices in Denmark and Romania and have been listed on Nasdaq First North Copenhagen since 2006.

Ticker code: [WIRTEK \(DK0060040913\)](#)

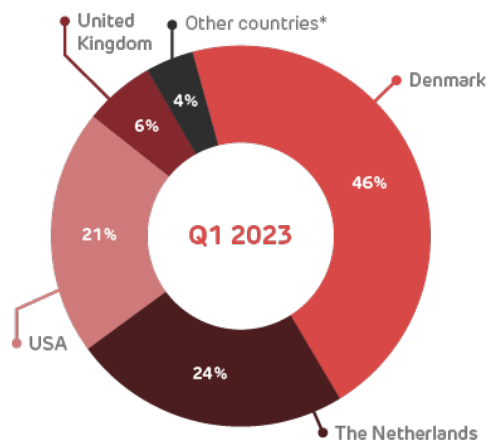
# Management's Review

## Revenue growth of 11% during Q1 2023

Wirtek posted revenue of TDKK 18,137 in Q1 2023, an organic growth of 11% compared to Q1 2022.

The geographical revenue distribution during Q1 2023 was as follows.

### Geographical Revenue Distribution



\*Other geographical areas include: Germany, Romania

Clients from USA and The Netherlands accounted for 45% of the total revenue during Q1, up from 43% during Q1 2022. Clients from Denmark accounted for 46% of total revenue during Q1 2023, while Wirtek also has 10% of its revenue from clients in UK, Germany, and Romania.

With international sales expansion as a key element in Wirtek's Accelerate25XL strategy, this development in revenue distribution is in line with our efforts to expand sales outside Denmark.

## Business unit revenue distribution

As of January 2023, Wirtek launched a major restructuring of the company into the five business units **Digitalization**, **Energy**, **Workforce & Facility Management**, **Wireless Communication & Automation**, and **Trade & E-commerce**.

Q1 2023 is the first reporting period where Wirtek reports revenue according to the new business unit structure.

In 2023 revenue for each business unit is presented as well as an overview of business unit revenue distribution and from 2024 we will be able to communicate comparison figures.

## Digitalization

Transform traditional processes into digital workflows for streamlined operations and improved efficiency.

Q1 2023 revenue: TDKK 3,535

## Energy

Automate processes, optimize production, and market planning for climate-friendly energy solutions.

Q1 2023 revenue: TDKK 2,461

## Workforce & Facility Management

Boost productivity and decision-making with data-driven solutions for managing human resources and facilities.

Q1 2023 revenue: TDKK 3,315

## Wireless Communication & Automation

Enhance end-user experience, control and productivity via secure devices and professional electronic equipment.

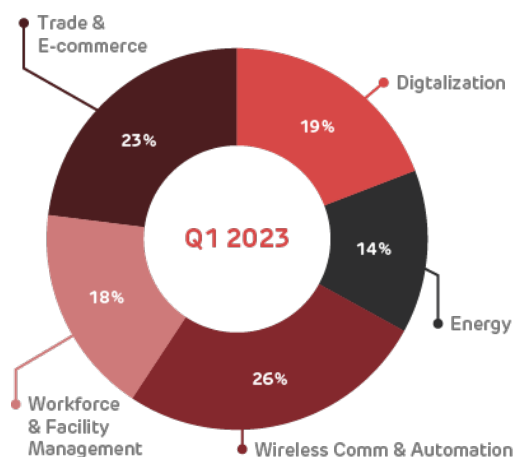
Q1 2023 revenue: TDKK 4,650

## Trade & E-commerce

Optimize logistics, payments, retail, and stock management platforms to minimize resource needs and increase agility.

Q1 2023 revenue: TDKK 4,184

### Business Unit Revenue Distribution



## EBITDA of TDKK 1,810 with EBITDA-margin of 10.0%

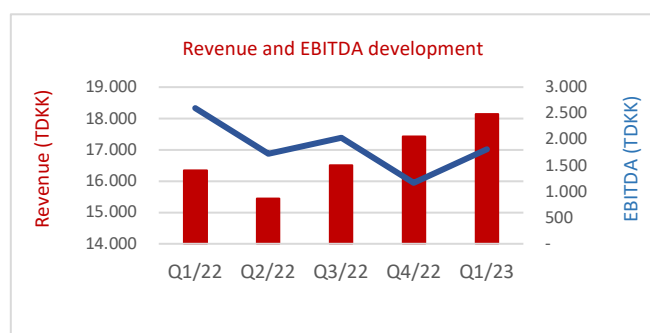
EBITDA for Q1 2023 was TDKK 1,810, a decrease of 30% compared to Q1 2022. The EBITDA-margin for Q1 2023 was 10.0%, down from 15.9% during Q1 2022.

Wirtek is experiencing significant increases in external expenses covering costs for consultants and collaborators, with considerable negative impact on EBITDA.

Overcapacity during Q1 2023 also had negative impact on EBITDA. Wirtek is working to decrease the cost base as well as to expand the sales pipeline to maintain double-digit organic revenue growth with improved profitability.

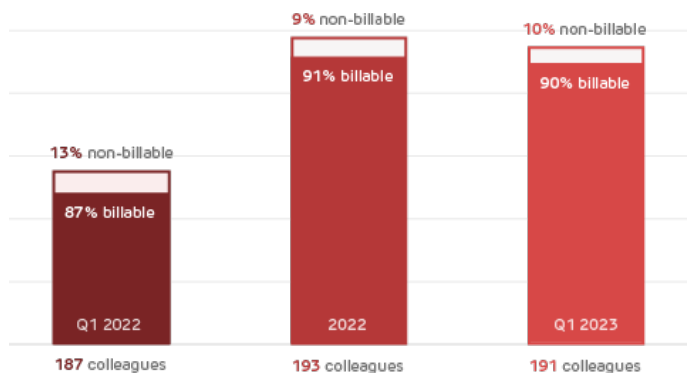
Wirtek started large investments in digitalisation of all critical business processes during 2022 to improve operational efficiency. Further investments will continue in 2023, deploying further modules for our new ERP system. The costs related to these initiatives negatively impact the EBITDA-margin in the short term but are considered a prerequisite for Wirtek’s continuous profitable growth journey, as operational efficiency is increased.

The quarterly development in revenue and EBITDA since Q1 2022 is as follows:



### Number of colleagues

Wirtek increased the number of colleagues to 191 by the end of Q1 2023 - up by 2% compared to Q1 2022. The percentage of billable colleagues increased to 90% by the end of Q1 2023 - up from 87% by the end of Q1 2022.



### Pre-tax profits of TDKK 1,436

Wirtek achieved pre-tax profits (EBT) of TDKK 1,436 during Q1 2023 compared to TDKK 2,146 during Q1 2022, a decrease of 33%.

### Positive cash flow improves cash holdings

Wirtek achieved a positive cash flow from operating activities of TDKK 2,345 and a total cash flow of TDKK 1,844 during Q1 2023.

Wirtek expects to achieve additional substantial positive cash flows during the coming months, further improving cash holdings of the company group.

### Additional remarks to the financial reporting for Q1 2022

The Wirtek Group consists of Wirtek A/S and the fully owned Romanian subsidiaries Wirtek SRL and CoreBuild Software Services SRL.

The Q1 financial report has not been audited or reviewed by our auditor.

## Financial Calendar 2023

10 May 2023 - Interim report Q1 2023

9 August 2023 - Interim report Q2 2023

8 November 2023 - Interim report Q3 2023

### Further Information

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## Profit & loss statement for the period 1 January - 31 March 2023

TDKK	Q1 2023	Q1 2022	Change Q1	2022
<b>Revenue</b>	<b>18,137</b>	<b>16,341</b>	<b>11.0%</b>	<b>66,315</b>
Other external expenses	(7,871)	(5,960)	32.1%	(29,072)
Other external expenses %	43.4%	36.5%	19.0%	43.8%
<b>Gross profit/loss</b>	<b>10,266</b>	<b>10,381</b>	<b>-1.1%</b>	<b>37,243</b>
Gross profit/loss %	56.6%	63.5%	-10.9%	56.2%
Staff costs	(8,456)	(7,783)	8.6%	29,727
Staff costs %	46.6%	47.6%	-2.1%	44.8%
<b>EBITDA</b>	<b>1,810</b>	<b>2,598</b>	<b>-30.3%</b>	<b>7,516</b>
Depreciation, amortisation, and impairment	(374)	(373)	0.3%	(1,411)
Depreciation, amortisation, and impairment %	2.1%	2.3%	-9.7%	2.1%
<b>Operating profit (EBIT)</b>	<b>1,436</b>	<b>2,225</b>	<b>-35.5%</b>	<b>6,106</b>
Net financial income and expenses	(220)	(79)	178.5%	(389)
Net financial income and expenses %	1.2%	0.5%	150.9%	0.6%
<b>Profit before tax (EBT)</b>	<b>1,216</b>	<b>2,146</b>	<b>-43.3%</b>	<b>5,717</b>
Tax on profit/loss for the period	(301)	(221)	36.2%	(637)
Tax on profit/loss for the period %	1.7%	1.4%	22.7%	1.0%
<b>Profit for the period</b>	<b>915</b>	<b>1,925</b>	<b>-52.5%</b>	<b>5,080</b>
Profit for the period %	5.0%	11.8%	-57.2%	7.7%

## Cash flow statement for the period 1 January - 31 March 2023

TDKK	Q1 2023	Q1 2022	2022
<b>EBITDA</b>	<b>1,810</b>	<b>2,598</b>	<b>7,516</b>
Financial costs	(220)	(79)	(389)
Exchange rate adjustments etc.	(301)	(4)	(5)
Change in trade receivables	2,116	(1,497)	(4,264)
Change in work in progress	-	27	-
Change in other receivables	186	(1,206)	(526)
Change in short term debt	(1,247)	2,192	-
<b>Cash flow from operating activities</b>	<b>2,345</b>	<b>2,031</b>	<b>2,332</b>
Purchase of intangible assets	-	-	-291
Purchase of fixed assets	(501)	(308)	-485
Other investments	-	-	-
<b>Cash flow from investing activities</b>	<b>(501)</b>	<b>(308)</b>	<b>(776)</b>
Sale/Purchase of own shares	-	-	-149
Capital increase	-	-	1,194
Dividend paid	-	-	-2,681
Other cash flows from financing activities	-	-	395
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>(1,241)</b>
<b>Total cash flow</b>	<b>1,844</b>	<b>1,723</b>	<b>315</b>
Cash and Cash equivalent - beginning	5,118	4,803	4,803
<b>Cash holdings, end of period</b>	<b>6,962</b>	<b>6,526</b>	<b>5,118</b>

## Balance sheet as of 31 March 2022

TDKK	31.03.2023	31.03.2022	31.12.2022
<b>ASSETS</b>			
<b>Intangible assets</b>	<b>8,645</b>	<b>9,117</b>	<b>8,559</b>
Goodwill	8,134	9,115	8,268
Software	511	2	291
<b>Property, plants, and equipment</b>			
Fixtures and fittings, tools, and equipment	763	914	862
<b>Investments</b>			
Securities and deposits	352	152	125
<b>Total fixed assets</b>	<b>9,760</b>	<b>10,184</b>	<b>9,546</b>
<b>Receivables</b>			
Trade receivables	8,528	9,689	10,557
Work in progress	-	-	-
Other receivables	1,459	1,895	1,428
Advances for inventories	395	19	-
Deferred tax	2,800	2,800	2,885
Prepayments and accrued income	-	-	612
<b>Cash and Cash equivalent</b>	<b>6,961</b>	<b>6,526</b>	<b>5,118</b>
<b>Total current assets</b>	<b>20,143</b>	<b>20,929</b>	<b>20,600</b>
<b>TOTAL ASSETS</b>	<b>29,904</b>	<b>31,113</b>	<b>30,146</b>
<b>LIABILITIES</b>			
Share capital	1,119	1,087	1,119
Reserves	-	-	-
Own shares	-	(2,629)	-
Share premium account	-	1,278	-
Currency exchange provision	-	-70	-
Proposed dividend	3,134	2,551	3,134
Retained earnings	12,307	9,215	11,391
<b>Total equity</b>	<b>16,560</b>	<b>11,432</b>	<b>15,644</b>
<b>Long term liabilities</b>			
Acquisition, Earn-out	1,739	0	0
Other long-term payables	-	66	63
<b>Short term liabilities</b>			
Short-term debt	3,093	3,975	2,999
Trade payables	5,337	3,741	3,386
Corporation tax	-	-	167
Other liabilities	3,175	11,899	7,887
<b>Total liabilities other than provisions</b>	<b>13,344</b>	<b>19,681</b>	<b>14,502</b>
<b>TOTAL LIABILITIES</b>	<b>29,904</b>	<b>31,113</b>	<b>30,146</b>

## Equity explanation for the period 1 January - 31 March 2023

TDKK	31.03.2022	31.03.2021
Equity, beginning of year	15,644	9,410
Dividend distribution	-	-
Exchange rate adjustments etc.	1	(4)
Sale/purchase of own shares	-	-
Share premium account	-	-
Profit/Loss for Q1	915	1,925
<b>EQUITY</b>	<b>16,560</b>	<b>11,331</b>

## Key figures and ratios for the period 1 January - 31 March 2023

	Q1 2023	Q1 2022
EBITDA-margin	10.0%	15,9%
Operating profit margin (EBIT)	6,7%	13,6%
Liquidity ratio	151%	107%
Equity ratio	55%	37%
Cash Conversion Rate (net profit)	256%	106%
Cash Conversion Rate (EBITDA)	130%	78%
Number of shares	7,462,212	7,245,912
Earnings per share (EPS)	0.24 DKK	0.27 DKK
Operational cash flow per share	0.12 DKK	0.24 DKK

The key figures and financial ratios above have been calculated in accordance with Danish Finance Society's "Recommendation & Financial Ratios".

## Management and Board shareholdings (direct or indirect) in Wirtek A/S as of 10 May 2023

- Michael Aaen, CEO: 2,286,857 shares
- Kent M. Sørensen, Chairman: 958,818 shares
- Jens Uggerhøj, Board member: 357,858 shares
- Martin Dommerby Kristiansen, Board member: 2,938 shares

## Certified Advisor and associates' shareholdings in Wirtek A/S as of 10 May 2023

- Per Vestergaard, CDI Global ApS, 1,650 shares

## Auditor

- BDO Statsautoriseret revisionsaktieselskab, Visionsvej 51, 9200 Aalborg, Denmark

## Disclaimer

Forward-looking statements, especially such relating to future sales and operating profit, are subject to risks and uncertainties. Various factors, many of which are outside Wirtek's control, may cause the actual development of the materiality from the expectations in this financial report.





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