

Q3

2025

TRANSCRIPT

Atea ASA Earnings Presentation

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ATEA

Corporate participants

Steinar Sønsteby Atea ASA - CEO

Robert Giori Atea ASA – CFO

PRESENTATION

Steinar Sønsteby Atea ASA – CEO

Hi, and welcome to the Q3 presentation of the ATEA numbers here from rainy Oslo. In this presentation, we will update you in more details on both the 2025 guiding and, as promised, the development in Denmark. We will give you much more details than normally, not only to Denmark, but also more insight in our business model. In the future, we will not go as deep. So, see this as an opportunity to understand more rather than a new way of reporting. So, to the numbers. Gross sales came in at NOK 12.3 billion, up almost 10%, and EBIT at NOK 348 million, up 13.3%. Net profit grew by almost 18%, another record-breaking quarter from the place to be. But, as always, I leave it to Robert to give you all the good news.

Robert Giori Atea ASA – CFO

Thank you, Steinar. ATEA reported strong sales and profit growth in the third quarter of 2025, with high demand across all lines of business. Gross sales in Q3 were NOK 12.3 billion, up 9.2% from last year. After adjusting for changes in currency rates, organic growth in constant currency was 7.0%. Hardware sales increased by 5.7%, driven by higher shipments of PCs and other digital workplace solutions. Software and cloud sales increased by 17.1%, with high demand across all product categories. Services sales increased by 6.0% from last year, based on higher sales of consulting and product support services. Group revenue, according to IFRS, was NOK 8.4 billion, up 5.6% from last year. And gross profit increased by 6.7% to NOK 2.5 billion. Gross margin increased from last year due to an improved hardware margin and a higher proportion of software in the revenue mix. Operating expenses grew by 5.7% to NOK 2.2 billion. After adjusting for changes in currency rates, OPEX's growth in constant currency was about 3.5%. With strong demand across all lines of business, EBIT in the third quarter increased by 13.3% to NOK 348 million, and net profit after tax increased by 17.7% to NOK 226 million. We'll now take a closer look at sales and profit development across the countries in which we operate.

ATEA's strong sales and profit performance was spread across nearly all countries in the third quarter of 2025. In Norway, gross sales increased by 11.2% to NOK 3.1 billion, based on very high growth within hardware and services. EBIT grew by 8.1% to NOK 123 million. In Sweden, gross sales increased by 7.7% to SEK 4.6 billion, with high growth in sales of software and cloud and services. EBIT grew by 18.3% to SEK 154 million based on higher sales and relatively low growth in operating expenses. In Denmark, gross sales increased by 13.7% to DKK 1.8 billion with rapid growth in sales of digital workplace and networking products. EBIT grew by 25.8% to DKK 15 million. In Finland, gross sales fell by 9.5% to EUR 95.8 million. EBIT was EUR 1.7 million compared with EUR 1.8 million last year. The Finnish market environment remained challenging in the third quarter with weaker demand from the public sector. In the Baltics, gross sales increased by 9.6% to EUR 46.2 million, with very strong growth in sales of software and services. EBIT increased by 27.8% to EUR 2.2 million. ATEA group functions, which include shared services and group costs, was a net operating expense of NOK 8 million, compared with an expense of NOK 2 million last year. The difference was mainly due to higher corporate SG&A cost. Now, a word on our cashflow and balance sheets.

ATEA's cashflow from operations was an inflow of NOK 220 million in Q3 2025, compared with an inflow of NOK 112 million last year. This cash flow improvement was driven by solid growth in earnings and by a reduction in inventory during the quarter. This offset lower sales of receivables into the securitization program and a seasonal increase in other working capital balances during Q3. Looking ahead, ATEA expects a very strong cashflow from operations in the fourth quarter with seasonal working capital reductions in line with historic trends.

At the end of Q3 2025, ATEA had a net debt of NOK 438 million, as defined by ATEA's loan covenants. This corresponds to a net debt EBITDA ratio of 0.2. ATEA's net debt balance at the end of Q3 2025 was NOK 4.6 billion less than the maximum allowed by its loan covenants. ATEA has a strong balance sheet and significant additional debt capacity before its loan covenants would be reached.

With Q3 now behind us, we want to provide an update on our financial guidance, which we gave earlier this year. ATEA has guided for gross sales of between NOK 57 to 60 billion for the full year 2025. We now expect to deliver gross sales in the top end of this guidance range. ATEA guided for EBIT of between NOK 1.33 and 1.45 billion in 2025. We now expect to deliver EBIT in the middle of this interval. Our guidance is based on a solid order backlog and on healthy market and competitive trends as we enter Q4. We expect that our businesses in Norway, Sweden, and the Baltics will continue their solid earnings momentum. Furthermore, we expect that our business in Denmark will progress in its turnaround and that our business in Finland will return to sales growth in Q4. And that concludes the presentation of our third quarter financial results. I now hand the podium back over to Steinar to provide additional information on the Danish business and to summarize ATEA's position as we exit Q3.

Steinar Sønsteby Atea ASA – CEO

Thank you, Robert. So as promised earlier this year, we would deep dive a little bit in Denmark after Q3. I have now spent a little bit more than six months in my new home and I will as I said in the beginning, dive a little deeper than we normally do. And I will first provide you with some of the issues and then talk about what we are doing about it.

Denmark has for years now underperformed, and we have not been able to really make a turnaround. In this presentation, I'm comparing Denmark to Norway and Sweden, as that makes the most sense compared to size and where we want to go. So first, if we look at hardware, Denmark has had a falling margin curve for the last five years. The last 12 months rolling LTM gives us a margin in Denmark at 9.1%. And you see Norway and Sweden on the slide coming in much higher at 12.8% and 12.6%. The margins in Norway and Sweden have been constant for more than 10 years, and the margin in Denmark is falling. So, you might think this is because the Danish market is different, pressure on price is harder, but that is really not the case. Because if you dig a little deeper, as normally with ATEA's business model, and this is not only for Denmark, it is all about mix. And in this case, it's all about customer mix. If you look at the slide, you see that hardware from SKI contracts, and I just want to say that not all public business in Denmark are done through the SKI contracts. But through the SKI contracts have been growing fast over the last couple of years, and the margin on some of those contracts are low. We have that type of frame agreements in all countries. There is nothing wrong with having large frame agreements. They will have lower margin. The thing is, you have to balance the mix. And if you look at this slide, you see that non-SKI business have been falling in revenue. The balance becomes unhealthy. We will keep on serving SKI and the customers that want to buy on the SKI contracts, of course. It's a big part of our business, but we need to focus on non-SKI also and make that grow.

If we look at software and cloud, the margins are slightly falling. And you could think that has to happen because of the Microsoft EA incentives being lowered. But you can see on this slide again that Norway and Sweden are higher. And again, the answer is not really in lower margin in general or price pressure overall. It's again a case of mix.

So, you see total software here, which are the numbers we report. And then you see the EA, which is growing fantastically in Denmark and at hardly any margin. The CSP business is also growing, but not as fast and from a much smaller base. That should have been turned around much earlier in the last couple of years. And then other software, so all other software and cloud than Microsoft is hardly growing. Both CSP and other software has very healthy margins. It is the balance of, in the case of hardware - customer mix, and here in the case of software and cloud - product and services mix.

One way of balancing the revenue and the margin is services. But services is much more important than that. Services is a very tough part of our strategy. If we don't build services and add the value for the customer and our partners, the margins will be low. That is how the business model for some in the industry are. Very high volume, very low margin and very, very low cost. We don't think that is a sustainable business model. Therefore, services is important. In this case on the slide, you see consulting. So first, the number of system engineers. Norway and Denmark has about the same total revenue, but not so on the number of system engineers. Norway have about 530, Denmark, back when I came, about 130 system engineers. And some of those system engineers have to spend time helping sales, taking certifications, give keynotes, or work on customer events and vendor events. So, our target for their invoicing rate is around 75%. But when you are below critical mass, it's very difficult to get there. So, we need to address the issue.

It's the same thing on managed services. One of the more important parts of our strategy, because we want to be our customer's partner, no matter how they want to consume IT infrastructure. Some want to buy and build themselves. Some want to buy and have us build. And some want us to run it all for them. So, when Denmark is not growing on managed services, it becomes a strategic as much as a financial issue.

So, what we have done over the last six months, first, we have reorganized sales so that we have a strong account management that can carry the whole breadth and width of our service and product portfolio. We come from a two siloed sales organization with in certain areas. We have now changed. It was done before the summer and it starts to give effect. It also gives us a much better tool to be able to put new services or products into the sales machine. It's a change that was supposed to have happened a long time ago. We've now done it and I'm very proud and happy about how smooth this has worked out. And you can see from the numbers in Q3 that we are making progress financially as we are doing the change.

Six months ago, we introduced a program, an improvement program called Act as One. We need all the force behind one arrowhead, as Scott McNeely once said. The program has five projects, and they all have leads, they all have activities, and we follow up on these weekly.

We need to, as you've seen, address the hardware margin. We have gone out and said we'll increase the price, but mostly we'll have resources put on private customers. It's starting to yield, and you will see that already in Q4, as you have in Q2 and Q3. On the software margin, it's important that we put resources and pressure on selling CSP, and all the other software vendors that we are carrying like Cisco, IBM, VMware and others. On the AMS side, we have done some changes to the organization and the players that play in AMS. We have increased the pipe and we need to increase the hit rate, the win rate, which we see are going up. This is a slower part of our business to turn around because there are longer sales cycles and longer implementation processes. But we are moving in the right direction.

And then consulting. As some of you might have seen, I have gone out in Danish newspapers saying that we will hire, within the next 12 months, this was back in July, 100 system engineers. We are now at about 25 more than what we were at that time. Many of them

come with customers and we are looking forward to during the rest of this year to address them with our account management to upsell from consultancy to products and managed services.

The culture is something that I have addressed to get turnover down and efficiency up. And I'm happy to say that ATEA Denmark today seems like a different company. All in all, I'm very happy with what we have addressed and the results. And the forecast for Denmark in Q4 is an EBIT of DKK 40 million. When that is in the bank, EBIT in 2025 will have grown by 50% as we are doing as much investments into the business and into the company and the people as we see fit. It's a good journey. Within Q1 or the end of Q1, I would have been in Denmark approximately a year. And I will start recruiting a new country manager in November and hopefully spend the spring to get the person into the organization and to take over before summer.

So, that gives you more details on how we see business, how we see Denmark, and we are very optimistic on what's going to happen in Denmark, but also in the company as a whole going forward. So far this year, we have had a gross sales of NOK 42.3 billion and an EBIT of almost NOK 900 million. We are very satisfied. With that, I'll leave it to you, Chris, to see if we have any questions.

Questions and answers

Unidentified Company Representative

Thank you, Steinar, Robert, for the presentation. I guess we do have some questions here. First question, thank you. Solid quarter, can you give some more clear, but what is happening in Finland?

Steinar Sønsteby Atea ASA – CEO

Yeah, so Finland has been a little bit of a surprise to us this year. We saw some signals to this already in the fall of 2024 that business in Finland was slowing down a little bit. And so, we have followed this very closely. It is not ATEA that are slowing down. It's Finland that are slowing down. And you can see this looking at a lot of data. And we are, of course, also speaking to all the American partners that we have that have the same development. At the same time, we are winning a lot of contracts. And you've seen that we've publicly talked about some of them, some of the larger ones. And so, we expect this to turn around. Our internal forecasts say that that will happen somewhere later this year or beginning of next year. That is difficult to predict and that's why we're keeping the workforce because we will be ready to go with all the contracts and with a better market soon to happen.

Unidentified Company Representative

Thank you. New question. You seem firm on your guidance with Q4 in Denmark. How can you be so precise?

Steinar Sønsteby Atea ASA – CEO

First of all, I want to give you two insights. As many of you know, I'm a person that looks at the bright side of life. That gives you a better life in nine out of ten chances, and you get surprised negatively once. This is not going to be one of them. And then secondly, we are having a better forecast internally than what we're saying here, but we want to invest as much as possible to grow rapidly in 2026 and 2027 also on EBIT. And so, we are balancing performing with investments and that's why we feel pretty confident. But again, predicting the future is not an exact science.

Unidentified Company Representative

Thank you. A new question here. Please, could you help explain how the business has performed outside the public sector? And how are your conversations with your enterprise customers going, given the macro background?

Steinar Sønsteby Atea ASA – CEO

Yeah. So, you know, the mix between public and private have over many years grown a little bit in favor of public, especially through Corona. But what we see right now is that the investments from enterprises, so private, larger private companies are super good. Their confidence in what they're doing seems to be high. And I'm now excluding Finland a little bit from that discussion. There are two other factors that are important to weigh in here.

First of all, you will see that not all IT companies are growing as fast as ATEA. So, our strategy is definitely helping us to take market share. But you also understand that there is nothing a company can do today to improve their business, take market share or develop better products and services than investing in digital services. So, we're in the right spot, with the right strategy, with the right people. And so, you know, we are confident from that part. The discussions are very much centered around finding that edge in investing in technology. Security to protect and AI to develop. But you need a broader investment in infrastructure and applications to be able to use those tools. So, it's a very cool and interesting time to be in our industry. And we don't see that going away anytime soon.

Unidentified Company Representative

Thank you. The new question. What needs to happen for ATEA to achieve a top end of the EBIT range for 2025? Or is that something that's just not in the cards?

Steinar Sønsteby Atea ASA – CEO

Well, I think we've been pretty precise with what we think will happen. We have still given an interval and it's still possible to have both outcomes, but I think we'll leave it with our guiding.

Unidentified Company Representative

Thank you. A further more detailed question on Denmark. What are the plans for ramping up the system engineers in Denmark? And what will be the increased cost and how much will that happen??

Steinar Sønsteby Atea ASA – CEO

So, first of all, the investment in the hundred new system engineers in Denmark is supposed to give a payout after one to three months per person. So, it takes one to three months to get people to be profitable. The ramp up is pretty linear over the 12 months from July to July. And by the way, we are ready to further ramp that up after we've got to the 230, 240, which is the target as we've set it right now. But there are two reasons why this is important. So, the financial impact of each system engineer by itself is a positive contribution, as I said, after one to three months. But it's also important in our margins on product, but also how the stickiness between us and the customers will become as we have consultants or system engineers in or with the customers. So, there is an investment. Of course, the cost per head is what it is, and you can do the average math. And we see a positive contribution pretty rapidly on this. And that is also what we've seen in Q3.

Unidentified Company Representative

Thank you. New question. You've previously stated that reaching the upper end of guidance would require a rebound in Finland and Denmark in H2. Now you say you expect to reach the midpoint despite Finland being weak. Does this mean something else has developed better than you expected?

Steinar Sønsteby Atea ASA – CEO

Well, that statement is the person putting the question to us. We have not seen any weaker development than what we thought outside Finland. Denmark is exactly where we thought it would be or hoped it would be actually, but we do see a stronger momentum in Norway and Sweden. The Baltics is also performing really, really well, but it's a smaller part of the business. So, I would say Finland surprising a little bit on the negative side, the other countries all in line or a little stronger.

Unidentified Company Representative

Thank you. And a final question. In previous presentations, you've been talking about the four big growth drivers. Can you briefly give us an update on those, please?

Steinar Sønsteby Atea ASA – CEO

Yeah. So very briefly here, since we're at the end. AI, starting with that. I think everybody understands that the hype curve was high and very early in the cycle of AI as a technology. We see a lot of interest. We see a lot of people taking advantage of Copilot and some, and not very many, but some who are investing deeper and building solutions based on their set of data. This is a long process. AI is going to be a growth driver for us for years and years and years to come. Five years from now we'll look at it and people will say, why? Everybody is using it everywhere. Then we'll start talking about quantum computing or something new which will accelerate AI even more.

Security is right now growing faster than what we thought. We've always thought that customers should invest in security and cyber threats are not going away anytime soon. But it hasn't really happened in the history. People have invested more, but not as much as we thought. Right now, we see an increased interest in investing in security.

Defense is strong and I think it's true to say all over Europe that investments in defense is ramping up. The countries are lacking people and they have the money. And so, we will see a very strong demand for investments in defense and NATO going forward. And we will launch some new contracts in the months to come that will prove that.

And then Windows 10 end of life. As some of you have seen, there's been a huge push over the last two years to go from Windows 10 to Windows 11 operating system. That change by itself is not a huge growth driver, but the fact that you can't run Windows 11 on all the PCs that you were running Windows 10, on at the same time as customers are changing to AI or Copilot Plus PCs. So stronger, more expensive PCs is something that have been driving our revenue on the client side for the last 12 to 18 months. Absolutely a

driver that we'll see also into the future. Even though Microsoft have prolonged service for some customers for 12 months, there are still about a million PCs in the Nordics that needs to be upgraded. If they're upgraded because of the operating system or because they're end of life or because you want to run AI locally, it doesn't really matter to us. We're going to sell you the PC anyway. With that, we wrap up the Q3 presentation here from Oslo and we thank all of you and hope that you have a very, very nice day.
