

Interim report

January - September 2022

July - September 2022

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

- Net sales grew by 45.7 % to MSEK 32.7 (22.4)
- Annual recurring revenue (ARR) at the end of the quarter was MSEK 136.3, an increase of 31.6 % during the last 12 months
- ARR increased by MSEK 7.0 during the quarter
- EBITDA increased to MSEK 13.1 (4.4)
- EBITDA margin increased to 40.2 % (19.5 %)
- Operating profit (EBIT) increased to MSEK 11.3 (2.8)
- Net income increased to MSEK 9.0 (2.2)
- Cash flow from operating activities increased to MSEK 7.3 (3.4)

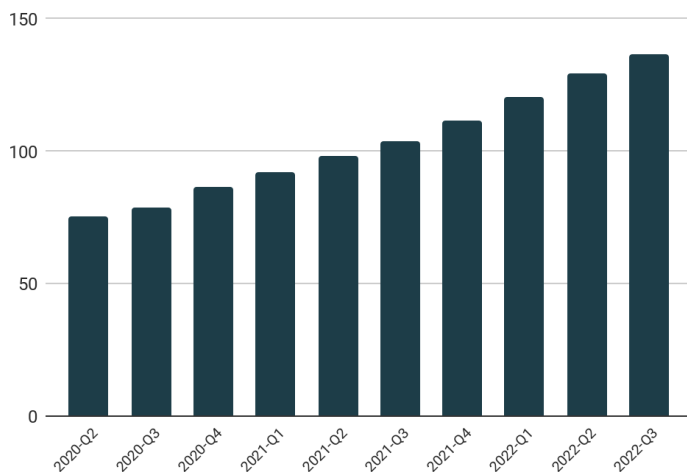
January - September 2022

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

- Net sales grew by 42.6 % to MSEK 94.4 (66.2)
- ARR increased by MSEK 24.5 during the period
- EBITDA increased to MSEK 26.3 (14.9)
- EBITDA margin increased to 27.9 % (22.5 %)
- Operating profit (EBIT) increased to MSEK 21.0 (9.3)
- Net income increased to MSEK 16.6 (7.3)
- Cash flow from operating activities decreased to MSEK 15.8 (21.9)

Annual recurring revenue (ARR)

- ARR at the end of the period was MSEK 136.3 (103.6), an increase of 31.6 % compared to the same time last year
- ARR grew by MSEK 7.0, a growth of 5.4 % during the quarter



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

Jul - Sep 2022

45.7 %

Net sales growth

31.6 %

ARR growth, last 12 months

40.2 %

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

92%

Recurring revenue (TTM)

48.9MSEK

Net cash

17%

FCF margin (TTM)

51%

Management owned

78

Quarters with growth

CEO LETTER

Upsales ARR increased by 7.0 MSEK in the third quarter, a TTM growth of 31.6 %. Quarterly revenue increased to 32.7 MSEK, representing a 45.7 % year/year growth rate. Q3 is usually our slowest quarter in terms of growth, which is why it's extra rewarding to see the Upsales team delivering yet another record quarter of ARR growth. Our ARR growth is a combination of new customers in Sweden and the UK and existing customers adding more seats and services. The continued accelerated revenue growth is driven by higher ARR, lower churn, and better timing of closed deals throughout the quarter. Our profitability continued to improve, with an all-time-high EBIT margin of 34.7 %. The improvements in our margins can be attributed to higher operational effectiveness and a positive currency fluctuation of +1.8 MSEK. There is also a seasonality effect in the third quarter with part of the team on vacation, leading to lower personnel costs. I think these numbers again display the effectiveness and scalability of our business model.



Looking ahead, we continue to pursue the exciting growth opportunity we see in our existing customer base and the market as a whole. We are constantly fine-tuning our segmentation to target customers where we can be the most relevant, competitive, and successful. Our customer base consists of companies ranging from one to five thousand employees. It is clear that we deliver the most value to companies with 50 to 2,000 employees, and going forward we will focus all of our attention on these customers. We are experiencing increased demand from the larger companies within this segment, driven by investments in our product and a stronger brand. We will soon launch a premium offering with tailored services for this customer segment. As a result, we continue to have an ambitious hiring plan to meet the demand from new and existing customers.

How are Upsales affected by the turbulence in financial markets?

As we are all experiencing inflation, higher interest rates, and general turbulence in the markets, I want to address the resilience in our business model. When the economy slows down, it's more important than ever to keep track of your existing customers and increase the effectiveness in your sales organisation. We are a vital part of helping businesses achieve this, and I think this is the reason why we have not yet seen negative indications in terms of closed deals and cancellations from customers.

Having more than 90 % recurring revenue and annual contracts gives us stability in more challenging economic times. We are a net-cash company with zero debt, and the majority of our customers' contracts are linked to inflation with labour cost index clauses.

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.

July - September 2022

Annual recurring revenue (ARR)

Annual recurring revenue at the end of the third quarter amounted to MSEK 136.3 (103.6). This is an increase of 31.6 % compared to the same period last year.

Net sales

The Upsales group's net sales during the period amounted to MSEK 32.7 (22.4), which corresponds to a 45.7 % increase compared to the same period last year.

Profit

EBITDA during the period amounted to MSEK 13.1 (4.4) and EBIT during the period amounted to MSEK 11.3 (2.8).

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 7.3 (3.4). Investments in intangible assets amounted to MSEK 1.3 (1.9). Investments in intangible assets consist of capitalised development costs.

January - September 2022

Net sales

The Upsales group's net sales during the period amounted to MSEK 94.4 (66.2), which corresponds to a 42.6 % increase compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 26.3 (14.9).
- EBIT during the period amounted to MSEK 21.0 (9.3).
- Profit before tax amounted to MSEK 21.1 (9.3) and net income amounted to MSEK 16.6 (7.3).

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 15.8 (21.9). Investments in tangible assets during the period amounted to MSEK 3.3 (0.9). Investments in intangible assets amounted to MSEK 5.4 (5.7). Investments in intangible assets consist of capitalised development costs.

Depreciation of tangible and intangible assets during the period amounted to MSEK 5.3.

FINANCIAL INFORMATION

Liquidity and financial position

Net cash as of 30 September 2022 amounted to MSEK 48.9 (52.6). Total equity at the end of the period amounted to MSEK 30.9 (36.3).

Employees

The number of employees in the Upsales group at the end of the period was 63 (75).

Warrant-based incentive programs

The annual general meeting on 4 May 2022 decided on a warrant-based incentive program. According to the program, 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 company already had two warrant-based incentive programmes. 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 annual general meeting on 14 May 2020 decided on a warrant-based incentive program "2020/2023", where the total maximum dilution due to the incentive program amounts to 0.9 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 BFAR 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 October 2022 at 08:30.

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

Financial calendar

Interim report Q4 2022:
15 February 2023

Interim report Q1 2023:
26 April 2023

Interim report Q2 2023:
26 July 2023

For more information contact:

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GROUP FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Jan-Dec 2021
<i>Operating income</i>					
Net sales	94,415	66,215	32,665	22,423	93,135
Capitalised development costs	4,850	5,318	1,123	1,798	7,570
Other operating income	3,060	0	2,366	-12	0
Total operating income	102,325	71,533	36,153	24,209	100,705
<i>Operating expenses</i>					
Other external expenses	-35,910	-21,047	-12,386	-8,282	-31,738
Personnel costs	-38,539	-35,562	-10,515	-11,564	-49,146
Depreciation and impairment of tangible and intangible assets	-5,298	-5,651	-1,809	-1,580	-7,222
Other operating expenses	-1,558	0	-116	0	-28
Total operating expenses	-81,305	-62,259	-24,826	-21,426	-88,134
Operating profit (EBIT)	21,020	9,274	11,327	2,783	12,572
<i>Financial items</i>					
Financial income	62	61	14	45	40
Financial expenses	-12	0	0	0	-6
Total financial items	51	61	14	45	34
Profit before tax	21,071	9,335	11,341	2,828	12,606
Income tax	-4,465	-2,071	-2,381	-588	-2,887
Net income	16,606	7,264	8,960	2,240	9,718
Earnings per share, SEK	0.99	0.44	0.53	0.13	0.58
Earnings per share after dilution, SEK	0.98	0.43	0.53	0.13	0.57
Average number of shares	16,769,791	16,628,000	16,838,375	16,628,000	16,628,000
Number of shares at the end of the period	16,838,375	16,628,000	16,838,375	16,628,000	16,628,000

GROUP FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	30 September 2022	30 September 2021	31 December 2021
ASSETS			
<i>Non-current assets</i>			
Capitalised development costs	18,683	16,411	17,409
Goodwill	0	2	0
Tangible assets	6,042	1,675	3,856
Deferred tax assets	384	374	0
Other long-term receivables	1,071	710	710
Total non-current assets	26,180	19,171	21,975
<i>Current assets</i>			
Accounts receivable	19,378	14,886	22,095
Current tax claim	25	8	12
Other current receivables	89	47	32
Prepaid expenses and accrued income	6,039	3,744	5,317
Cash and cash equivalents	48,934	52,628	66,362
Total current assets	74,466	71,314	93,818
TOTAL ASSETS	100,646	90,486	115,793
EQUITY AND LIABILITIES			
Equity	30,886	36,258	38,675
<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	3,146	5,680	11,488
Income tax liabilities	6,821	3,584	4,017
Other current liabilities	2,666	3,335	5,446
Accrued expenses and prepaid income	57,127	41,629	56,166
Total current liabilities	69,760	54,228	77,118
Total liabilities	69,760	54,228	77,118
TOTAL EQUITY AND LIABILITIES	100,646	90,486	115,793

GROUP FINANCIAL STATEMENT

Changes in Equity

Amount in KSEK	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Opening balance	38,675	27,162	27,162
Dividend	-33,677	0	0
Issued shares	8,202	0	0
Issued warrants	1,036	1,846	1,811
Foreign currency translation differences	44	-15	-17
Net income	16,606	7,264	9,718
Closing balance	30,886	36,258	38,675

GROUP FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Jan-Dec 2021
<i>Operating activities</i>					
Operating profit	21,020	9,274	11,327	2,783	12,572
Adjustments for non-cash items	5,298	5,651	1,809	1,581	7,222
Interest received	62	61	14	45	40
Interest paid	-12	0	0	0	-6
Income tax paid	-2,058	-84	-332	-24	-96
Cash flow from operating activities before changes in working capital	24,311	14,902	12,818	4,385	19,732
<i>Changes in working capital</i>					
Changes in current receivables	1,509	2,171	-82	-3,832	-6,688
Changes in current liabilities	-10,065	4,867	-5,422	2,803	27,324
Total change in working capital	-8,556	7,038	-5,504	-1,029	20,636
Cash flow from operating activities	15,755	21,940	7,314	3,356	40,368
<i>Investing activities</i>					
Investments in intangible assets	-5,442	-5,669	-1,282	-1,915	-8,070
Investments in tangible assets	-3,315	-888	-649	-125	-3,237
Investments in lease contracts	0	0	0	0	89
Cash flow from investing activities	-8,758	-6,557	-1,931	-2,040	-11,218
<i>Financing activities</i>					
Issued shares	8,202	0	0	0	0
Issued warrants	1,036	1,846	-113	-153	1,811
Dividend paid to the parent company's shareholders	-33,677	0	0	0	0
Cash flow from financing activities	-24,439	1,846	-113	-153	1,811
CASH FLOW FOR THE PERIOD	-17,443	17,229	5,270	1,163	30,961
Cash and cash equivalents at the beginning of the period	66,362	35,396	43,658	51,464	35,396
Exchange rate differences in cash and cash equivalents	14	4	5	2	5
Cash and cash equivalents at the end of the period	48,934	52,628	48,934	52,628	66,362

GROUP FINANCIAL STATEMENT

KPI summary

Amount in KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Dec 2021
Net sales	32,665	22,423	93,135
Net sales growth (%)	45.7%	25.6%	23.8%
Subscription revenue (%) of total net sales	97.1%	94.3%	91.5%
Annual recurring revenue (ARR)	136,347	103,589	111,815
ARR change during the period	7,029	5,218	25,408
ARR growth during the period (%)	5.4%	5.3%	29.4%
EBITDA	13,136	4,363	19,794
EBITDA margin (%)	40.2%	19.5%	21.3%
EBIT	11,327	2,783	12,572
EBIT margin (%)	34.7%	12.4%	13.5%
Net income	8,960	2,240	9,718
Operating cash flow	7,314	3,356	40,368
Net cash	48,934	52,628	66,362

PARENT COMPANY FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Jan-Dec 2021
<i>Operating income</i>					
Net sales	1,125	1,125	375	375	1,500
Total operating income	1,125	1,125	375	375	1,500
<i>Operating expenses</i>					
Other external expenses	-1,337	-815	-366	329	-1,161
Personnel costs	-1,682	-1,695	-564	-1,132	-2,250
Total operating expenses	-3,018	-2,510	-930	-802	-3,411
Operating profit (EBIT)	-1,893	-1,385	-555	-427	-1,911
<i>Financial items</i>					
Financial income	30	9	9	9	9
Financial expenses	0	0	0	-1	0
Total financial items	30	9	9	8	9
Profit after financial items	-1,864	-1,376	-546	-419	-1,902
Received group contributions	0	0	0	0	1,902
Profit before tax	-1,864	-1,376	-546	-419	0
Income tax	384	374	112	87	0
Net income	-1,480	-1,002	-433	-333	0

PARENT COMPANY FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	30 September 2022	30 September 2021	31 December 2021
ASSETS			
<i>Financial assets</i>			
Shares in group companies	29,232	29,232	29,232
Deferred tax assets	384	374	0
Other long-term receivables	1,053	710	710
Total financial assets	30,669	30,316	29,942
<i>Current assets</i>			
Accounts receivable	161	156	156
Receivables from group companies	0	4,376	6,268
Current tax claim	25	8	12
Other current receivables	79	22	22
Prepaid expenses and accrued income	266	109	42
Cash and cash equivalents	1,721	6,017	5,679
Total current assets	2,253	10,689	12,180
TOTAL ASSETS	32,921	41,005	42,122
EQUITY AND LIABILITIES			
Equity	15,596	40,548	41,515
<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	0	42
Liabilities to group companies	16,332	0	0
Income tax liabilities	25	28	31
Other current liabilities	170	140	139
Accrued expenses and prepaid income	630	289	394
Total current liabilities	17,325	456	606
TOTAL EQUITY AND LIABILITIES	32,921	41,005	42,122

PARENT COMPANY FINANCIAL STATEMENT

Change of Equity

Amount in KSEK	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Opening balance	41,515	39,704	39,704
Dividend	-33,677	0	0
Issued shares	8,202	0	0
Issued warrants	1,036	1,846	1,811
Net income	-1,480	-1,002	0
Closing balance	15,596	40,548	41,515

PARENT COMPANY FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Jan-Dec 2021
<i>Operating activities</i>					
Operating profit	-1,893	-1,385	-555	-427	-1,911
Interest received	30	9	9	7	9
Interest paid	0	0	0	0	0
Income tax paid	-20	-10	-1	-2	-9
Cash flow from operating activities before changes in working capital	-1,883	-1,386	-547	-422	-1,912
<i>Changes in working capital</i>					
Changes in current receivables	5,639	-605	172	18	-528
Changes in current liabilities	16,725	-198	177	-271	-51
Total changes in working capital	22,364	-803	348	-253	-579
Cash flow from operating activities	20,481	-2,189	-199	-675	-2,491
<i>Financing activities</i>					
Issued shares	8,202	0	0	0	0
Issued warrants	1,036	1,846	-113	-153	1,811
Dividend	-33,677	0	0	0	0
Cash flow from financing activities	-24,439	1,846	-113	-153	1,811
CASH FLOW FOR THE PERIOD	-3,958	-343	-312	-828	-680
Cash and cash equivalents at the beginning of the period	5,679	6,359	2,033	6,844	6,359
Exchange rate differences in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at the end of the period	1,721	6,017	1,721	6,017	5,679

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.

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.

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.

