

Interim report

January - June 2024

April - June 2024

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

- Net sales decreased by -3.7% to MSEK 35.4 (36.7)
- Annual recurring revenue (ARR) at the end of the quarter was MSEK 137.5, a change of -2.8% during the last 12 months
- ARR increased by MSEK 1.6 during the quarter
- EBITDA decreased to MSEK 6.7 (11.9)
- EBITDA margin decreased to 19.0% (32.3%)
- Operating profit (EBIT) decreased to MSEK 4.5 (9.8)
- Net income decreased to MSEK 3.5 (7.9)
- Cash flow from operating activities decreased to MSEK 4.0 (7.2)

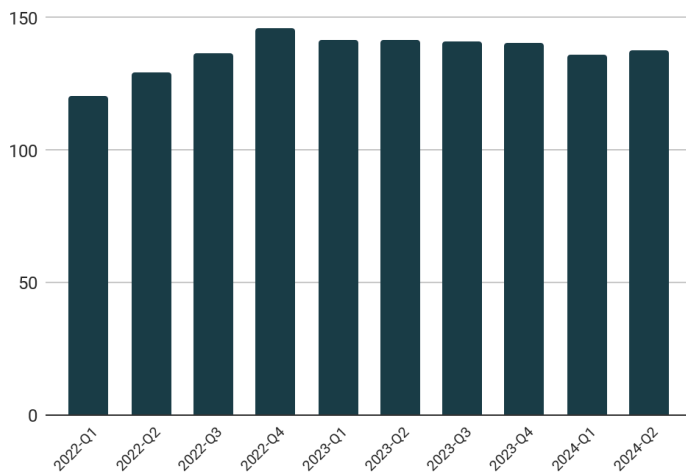
January - June 2024

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

- Net sales decreased by -0.4% to MSEK 72.6 (72.9)
- EBITDA decreased to MSEK 15.4 (21.3)
- EBITDA margin decreased to 21.2% (29.2%)
- Operating profit (EBIT) decreased to MSEK 11.0 (17.2)
- Net income decreased to MSEK 8.8 (13.8)
- Cash flow from operating activities decreased to MSEK 11.8 (20.7)

Annual recurring revenue (ARR)

- ARR at the end of the period was MSEK 137.5 (141.4), a change of -2.8% compared to the same time last year
- ARR increased by MSEK 1.6 during the quarter



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

Apr - Jun 2024

-3.7 %

Net sales growth

-2.8 %

ARR growth, last 12 months

19.0 %

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

94.7%

Recurring revenue (TTM)

33.5MSEK

Net cash

25.3%

EBITDA margin (TTM)

41.9%

Management owned

CEO LETTER

In Q2, Annual Recurring Revenue (ARR) stood at MSEK 137.5, an increase of MSEK 1.6 during the quarter, marking a turnaround after five consecutive quarters of stagnant or negative growth. Compared to the same period last year, net sales decreased by 3.7% to MSEK 35.4 (36.7). EBITDA decreased to MSEK 6.7 (11.9), with a margin of 19.0% (32.3%). Operating profit (EBIT) fell to MSEK 4.5 (9.8), and cash flow from operating activities decreased to MSEK 4.0 (7.2). The lower margins are attributed to several quarters of low ARR growth and lower one-off revenues in Q2 than usual. We anticipate continued ARR growth throughout the rest of 2024, though Q3 is expected to be slower due to the holiday season impacting new sales negatively. As ARR growth resumes, revenue growth will follow, leading to improved margins.



While a quarterly ARR increase of 1.6 MSEK is not near the growth rate we want to have, I am pleased to have Upsales back to ARR growth on a q/q basis, as predicted in our last report. This ARR growth is the result of several strategic efforts we have implemented over the past quarters. We have successfully reduced customer churn, increased winbacks, and improved our processes with existing customers. Additionally, we have seen a higher intake of new customers, which has contributed to this positive trend. Throughout the quarter, we have been diligently building our sales capacity to support our ambitious growth plans. We have recruited new team members to our sales organisation and have seen positive results from our customer engagement team, dedicated to helping customers maximise their value from Upsales, thereby reducing churn. Our sales and marketing efforts remain focused on customer segments where we can deliver the most value. This strategy not only increases customer satisfaction but also enhances Upsales' efficiency, enabling profitable and effective long-term growth. We continue to see significant growth opportunities within our existing customer base and the broader market.

We continue to develop our product and offering based on research and feedback from hundreds of customers in our segment. The launch of Upsales Customer Support has been well-received, helping us drive growth by solving more customer problems. Many companies struggle with the transition between sales and after-sales, and Upsales is perfectly positioned to solve this problem for numerous potential customers. Additionally, we have continued to expand our tech and sales teams to support growth going forward.

ARR growth is expected to continue throughout 2024, and as revenue growth gradually follows, margins are expected to improve. Upsales has a long history of rapid growth with strong margins, and I see no reason why we shouldn't continue this trend in the coming years. Our philosophy remains to grow effectively with positive cash flow and profitability. But as always, we don't optimise short-term margins at the expense of ARR growth, as we believe that growing ARR is the best way to create long-term shareholder value.

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 2024

Net sales

The Upsales group's net sales during the period amounted to MSEK 35.4 (36.7), which corresponds to a -3.7% decrease compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 6.7 (11.9)
- EBIT during the period amounted to MSEK 4.5 (9.8)
- Profit before tax amounted to MSEK 4.4 (9.8) and net income amounted to MSEK 3.5 (7.9)

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 4.0 (7.2). Investments in tangible assets during the period amounted to MSEK 0.4 (0.1). Investments in intangible assets amounted to MSEK 1.7 (2.0). Investments in intangible assets consist of capitalised development costs.

Depreciation of tangible and intangible assets during the period amounted to MSEK 2.2.

January - June 2024

Net sales

The Upsales group's net sales during the period amounted to MSEK 72.6 (72.9), which corresponds to a -0.4% decrease compared to the same period last year.

Profit

- EBITDA during the period amounted to MSEK 15.4 (21.3)
- EBIT during the period amounted to MSEK 11.0 (17.2)
- Profit before tax amounted to MSEK 11.2 (17.4) and net income amounted to MSEK 8.8 (13.8)

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 11.8 (20.7). Investments in tangible assets during the period amounted to MSEK 0.6 (2.7). Investments in intangible assets amounted to MSEK 3.9 (3.8). Investments in intangible assets consist of capitalised development costs.

Depreciation of tangible and intangible assets during the period amounted to MSEK 4.4.

FINANCIAL INFORMATION

Liquidity and financial position

Net cash as of 30 June amounted to MSEK 33.5 (45.1). Total equity at the end of the period amounted to MSEK 12.3 (16.6).

Employees

The number of employees in the Upsales group at the end of the period was 72 (58).

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 Helene Andersson, certified auditor at BDO Mälardalen AB. This report has not been subject to review.

Disclosure of report

This report was submitted for publication on 24 July 2024 at 08:30.

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

Financial calendar

Interim report Q3 2024:
23 October 2024

Year end report Q4 2024:
February 19 2025

Interim report Q1 2025:
23 April 2025

Interim report Q2 2025:
23 July 2025

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GROUP FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Jun 2024	Jan-Jun 2023	Apr-Jun 2024	Apr-Jun 2023	Jan-Dec 2023
<i>Operating income</i>					
Net sales	72,649	72,941	35,366	36,730	145,207
Capitalised development costs	3,441	3,405	1,525	1,797	6,932
Other operating income	99	480	99	429	510
Total operating income	76,188	76,827	36,989	38,956	152,649
<i>Operating expenses</i>					
Other external expenses	-28,058	-26,561	-13,472	-12,696	-52,521
Personnel costs	-32,550	-28,922	-16,752	-14,371	-57,373
Depreciation and impairment of tangible and intangible assets	-4,418	-4,104	-2,210	-2,063	-8,258
Other operating expenses	-212	-80	-60	-32	-136
Total operating expenses	-65,238	-59,667	-32,493	-29,161	-118,288
Operating profit (EBIT)	10,951	17,160	4,496	9,794	34,361
<i>Financial items</i>					
Financial income	232	241	-84	69	633
Financial expenses	-20	-42	-19	-41	-43
Total financial items	212	199	-103	27	34,950
Profit before tax	11,162	17,359	4,393	9,822	34,950
Income tax	-2,324	-3,546	-925	-1,914	-7,399
Net income	8,838	13,813	3,468	7,908	27,551
Earnings per share, SEK	0.52	0.82	0.21	0.47	1.64
Earnings per share after dilution, SEK	0.52	0.81	0.21	0.47	1.64
Average number of shares	16,838,375	16,838,375	16,838,375	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	16,838,375

GROUP FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	30 June 2024	30 June 2023	31 December 2023
ASSETS			
<i>Non-current assets</i>			
Capitalised development costs	21,343	19,753	20,687
Tangible assets	6,227	7,687	6,741
Deferred tax assets	276	406	0
Other long-term receivables	358	767	725
Total non-current assets	28,204	28,614	28,153
<i>Current assets</i>			
Accounts receivable	13,969	13,857	26,362
Current tax claim	219	5	17
Other current receivables	101	293	100
Prepaid expenses and accrued income	7,698	7,188	8,676
Cash and cash equivalents	33,478	45,126	52,606
Total current assets	55,465	66,469	87,761
TOTAL ASSETS	83,670	95,082	115,914
EQUITY AND LIABILITIES			
Equity	12,272	16,629	30,271
<i>Current liabilities</i>			
Accounts payable	2,759	2,036	3,512
Income tax liabilities	26	7,416	7,307
Other current liabilities	3,183	4,352	4,649
Accrued expenses and prepaid income	65,430	64,650	70,175
Total current liabilities	71,397	78,454	85,643
Total liabilities	71,397	78,454	85,643
TOTAL EQUITY AND LIABILITIES	83,670	95,082	115,914

GROUP FINANCIAL STATEMENT

Changes in Equity

Amount in KSEK	Jan-Jun 2024	Jan-Jun 2023	Jan-Dec 2023
Opening balance	30,271	36,671	36,671
Dividend	-25,258	-33,677	-33,677
Issued shares	0	0	0
Change of warrants	-1,581	-187	-276
Foreign currency translation differences	2	7	1
Net income	8,838	13,813	27,551
Closing balance	12,272	16,629	30,271

GROUP FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Jun 2024	Jan-Jun 2023	Apr-Jun 2024	Apr-Jun 2023	Jan-Dec 2023
<i>Operating activities</i>					
Operating profit	10,951	17,160	4,496	9,794	34,361
Adjustments for non-cash items	4,358	4,072	2,182	2,043	8,258
Interest received	232	241	-84	69	633
Interest paid	-20	-42	-19	-41	-43
Income tax paid	-10,083	-4,217	-1,799	-783	-7,785
Cash flow from operating activities before changes in working capital	5,437	17,215	4,777	11,082	35,423
<i>Changes in working capital</i>					
Changes in current receivables	13,370	12,595	-844	-911	-1,286
Changes in current liabilities	-6,963	-9,080	25	-2,994	-1,782
Total change in working capital	6,407	3,515	-819	-3,904	-3,067
Cash flow from operating activities	11,844	20,730	3,958	7,178	32,356
<i>Investing activities</i>					
Investments in intangible assets	-3,886	-3,758	-1,724	-1,984	-7,642
Investments in tangible assets	-614	-2,724	-382	-119	-2,940
Acquisition of financial assets	-5	-4	-5	-4	-4
Disposal of financial assets	371	308	0	0	351
Cash flow from investing activities	-4,133	-6,179	-2,111	-2,108	-10,236
<i>Financing activities</i>					
Change of warrants	-1,581	-187	-775	1,177	-276
Dividend paid to the parent company's shareholders	-25,258	-33,677	-25,258	-33,677	-33,677
Cash flow from financing activities	-26,838	-33,864	-26,033	-32,499	-33,953
CASH FLOW FOR THE PERIOD	-19,128	-19,312	-24,186	-27,430	-11,833
Cash and cash equivalents at the beginning of the period	52,606	64,438	57,664	72,555	64,438
Exchange rate differences in cash and cash equivalents	0	0	0	0	1
Cash and cash equivalents at the end of the period	33,478	45,126	33,478	45,126	52,606

GROUP FINANCIAL STATEMENT

KPI summary

Amount in KSEK	Apr-Jun 2024	Apr-Jun 2023	Jan-Dec 2023
Net sales	35,366	36,730	145,207
Net sales growth (%)	-3.7%	13.9%	12.1%
Subscription revenue (%) of total net sales	95.8%	93.5%	94.3%
Annual recurring revenue (ARR)	137,532	141,430	140,414
ARR change during the period	1,613	-10	-5,435
ARR growth during the period (%)	1.2%	0.0%	-3.7%
EBITDA	6,706	11,857	42,619
EBITDA margin (%)	19.0%	32.3%	29.4%
EBIT	4,496	9,794	34,361
EBIT margin (%)	12.7%	26.7%	23.7%
Net income	3,468	7,908	27,551
Operating cash flow	3,958	7,178	32,356
Net cash	33,478	45,126	52,606

PARENT COMPANY FINANCIAL STATEMENT

Income Statement

Amount in KSEK	Jan-Jun 2024	Jan-Jun 2023	Apr-Jun 2024	Apr-Jun 2023	Jan-Dec 2023
<i>Operating income</i>					
Net sales	1,325	750	720	375	1,500
Total operating income	1,325	750	720	375	1,500
<i>Operating expenses</i>					
Other external expenses	-748	-954	-374	-458	-1,688
Personnel costs	-1,922	-1,116	-1,096	-560	-2,209
Total operating expenses	-2,671	-2,070	-1,470	-1,018	-3,896
Operating profit (EBIT)	-1,346	-1,320	-750	-643	-2,396
<i>Financial items</i>					
Profit from participations in group companies	0	0	0	0	30,000
Financial income	7	18	6	11	31
Financial expenses	0	0	1	0	0
Total financial items	7	18	8	11	30,031
Profit after financial items	-1,339	-1,302	-743	-632	27,635
Received group contributions	0	0	0	0	2,368
Profit before tax	-1,339	-1,302	-743	-632	30,002
Income tax	276	406	163	268	0
Net income	-1,063	-896	-580	-364	30,002

PARENT COMPANY FINANCIAL STATEMENT

Balance Sheet

Amount in KSEK	30 June 2024	30 June 2023	31 December 2023
ASSETS			
<i>Financial assets</i>			
Shares in group companies	29,232	29,232	29,232
Deferred tax assets	276	406	0
Other long-term receivables	358	749	725
Total financial assets	29,866	30,387	29,957
<i>Current assets</i>			
Accounts receivable	300	162	6
Receivables from group companies	0	0	7,474
Current tax claim	26	5	17
Other current receivables	99	92	98
Prepaid expenses and accrued income	337	361	146
Cash and cash equivalents	996	2,289	1,630
Total current assets	1,759	2,909	9,371
TOTAL ASSETS	31,625	33,296	39,328
EQUITY AND LIABILITIES			
Equity	10,211	7,304	38,112
<i>Current liabilities</i>			
Accounts payable	179	169	175
Liabilities to group companies	20,526	24,894	0
Income tax liabilities	26	0	15
Other current liabilities	326	144	119
Accrued expenses and prepaid income	357	786	907
Total current liabilities	21,414	25,992	1,216
TOTAL EQUITY AND LIABILITIES	31,625	33,296	39,328

PARENT COMPANY FINANCIAL STATEMENT

Change of Equity

Amount in KSEK	Jan-Jun 2024	Jan-Jun 2023	Jan-Dec 2023
Opening balance	38,112	42,063	42,063
Dividend	-25,258	-33,677	-33,677
Issued shares	0	0	0
Change of warrants	-1,581	-187	-276
Net income	-1,063	-896	30,002
Closing balance	10,211	7,304	38,112

PARENT COMPANY FINANCIAL STATEMENT

Cash Flow

Amount in KSEK	Jan-Jun 2024	Jan-Jun 2023	Apr-Jun 2024	Apr-Jun 2023	Jan-Dec 2023
<i>Operating activities</i>					
Operating profit	-1,345	-1,320	-750	-643	-2,397
Interest received	7	18	6	11	31
Interest paid	0	0	1	0	0
Income tax paid	2	-4	3	-1	-2
Cash flow from operating activities before changes in working capital	-1,337	-1,306	-740	-633	-2,368
<i>Changes in working capital</i>					
Changes in current receivables	6,987	10,968	6,580	10,036	11,334
Changes in current liabilities	20,187	24,982	20,745	25,045	25,084
Total changes in working capital	27,175	35,950	27,324	35,081	36,418
Cash flow from operating activities	25,838	34,644	26,585	34,447	34,051
<i>Investing activities</i>					
Acquisition of financial assets	-5	-4	-5	-4	-4
Disposal of financial assets	371	308	0	0	333
Cash flow from investing activities	366	304	-5	-4	328
<i>Financing activities</i>					
Change in warrants	-1,581	-187	-775	1,177	-276
Dividend	-25,258	-33,677	-25,258	-33,677	-33,677
Cash flow from financing activities	-26,838	-33,864	-26,033	-32,499	-33,953
CASH FLOW FOR THE PERIOD	-634	1,084	547	1,944	426
Cash and cash equivalents at the beginning of the period	1,630	1,204	449	345	1,204
Exchange rate differences in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at the end of the period	996	2,289	996	2,289	1,630

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.

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.

