LINK Mobility Group Holding ASA

Interim financial report First quarter 2024

13 May 2024

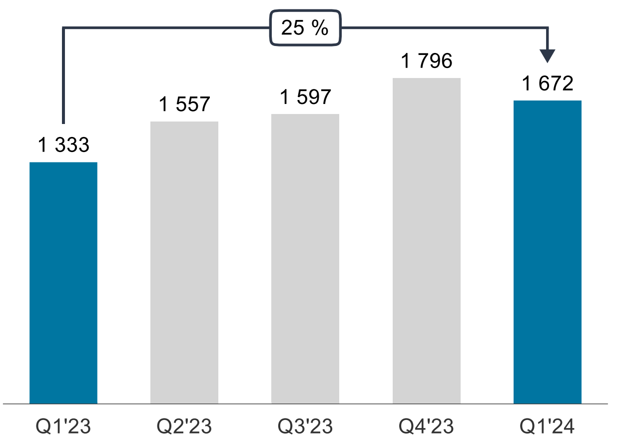
linkmobility.com

Highlights first quarter

- **Revenue NOK 1 672 million, organic growth in fixed currency 20%**
- **Gross profit NOK 356 million, organic growth in fixed currency 11%**
- **Adjusted EBITDA NOK 158 million, organic growth in fixed currency 17%**
  - Adjusted EBITDA reduced by a NOK 9 million bad debt provision in the quarter
- **High cash reserve NOK 3.4 billion**
  - Leverage at 1.1x with strong cash flow offsetting effect from share buybacks
- **Growth and disciplined capital deployment.**
  - M&A pipeline discussions continuing as expected
  - Prioritizing 11 actionable targets with EBITDA potential up to EUR 40 million

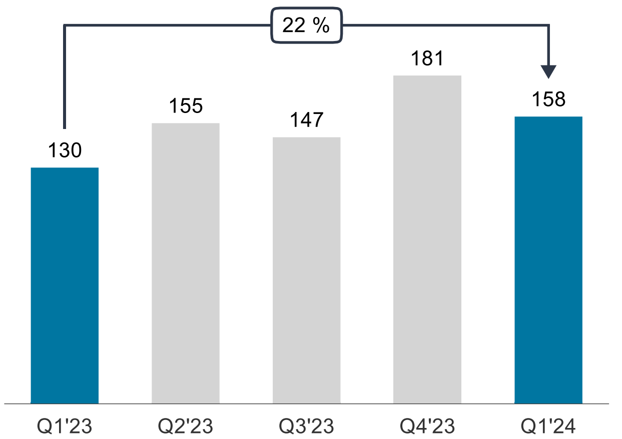
Total operating revenues NOKm

NOK million



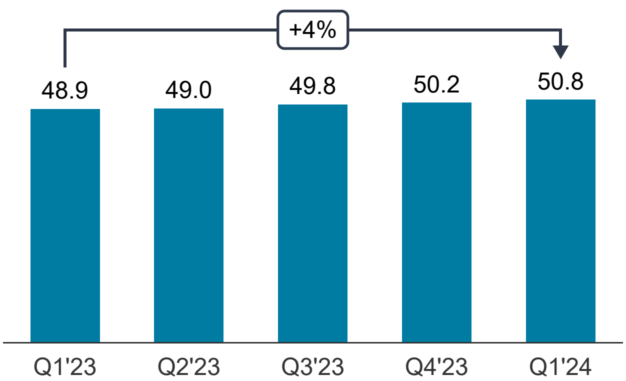
Adjusted EBITDA NOKm

NOK million



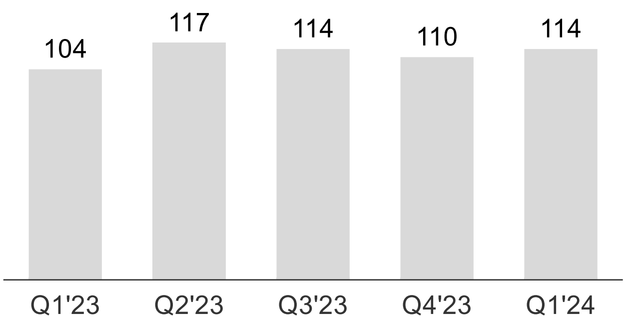
Customer accounts

‘000



Net retention rate in fixed currency

NOK million



Profitable growth ahead of market trends

LINK Mobility (LINK) reported revenue of NOK 1,672 million, growing 25% in first quarter 2024 with FX tailwind. Organic revenue growth in fixed currency was 20%. Gross profit and adjusted EBITDA were reported at NOK 356 million and NOK 158 million respectively, with organic growth in fixed FX at 11% and 17%. Organic adjusted EBITDA growth was reduced by an atypical bad debt provision in the quarter. High Q1 24 cash reserve at NOK 3.4 billion and low leverage, as measured by net debt to adjusted EBITDA, at 1.1x. Remaining EUR bond, maturing in December 2025, to be refinanced within a conservative leverage policy of 2 - 2.5x adjusted EBITDA when appropriate, providing ample financing capacity for LINK's disciplined M&A strategy.

The strong balance sheet enables LINK to continue its proven track record of inorganic growth with more than 30 acquisitions completed in Europe during the last decade. There is substantial scope for further accretive inorganic EBITDA growth through multiple arbitrage transactions in a still highly fragmented industry. Discussions across a diverse M&A pipeline are ongoing and constructive. Smaller bolt-ons in existing markets are a priority to realize further scale, whilst the pipeline also includes several level-up opportunities in both Europe and beyond.

Reported revenue increased 25% YoY to NOK 1,672 million in the first quarter, with organic revenue growth at 20% in fixed FX. Underlying growth was driven by organic revenue growth of 39% for the Global Messaging segment and 14% for the European enterprise segments as growth trends continued into the first quarter.

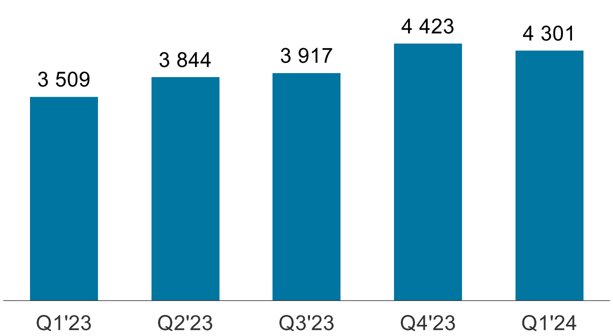
Gross profit grew 15% to NOK 356 million in Q1 24 with an organic gross profit growth in fixed FX of 11%. Gross margin for the European enterprise segments was relatively stable at 26%, whilst the overall gross margin declined YoY with a higher share of revenue from the low margin Global Messaging segment. Underlying customer margins were stable.

Adjusted EBITDA increased 22% to NOK 158 million in the first quarter, with organic growth at 17% in fixed FX. Cost initiatives completed in Q1 last year and scalability drove high organic adjusted EBITDA growth despite an atypical bad debt provision of NOK 9 million in the quarter. The provision also resulted in a slightly lower adjusted EBITDA margin YoY.

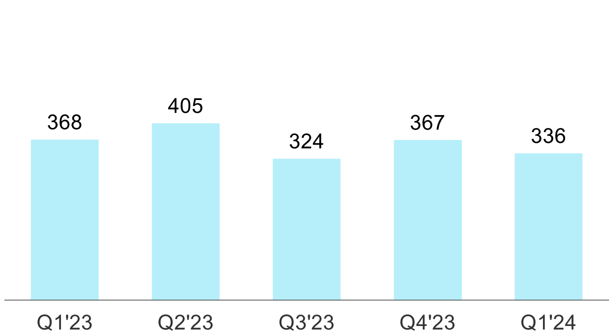
LINK's recurring and growing business is driven by more than 50,000 loyal customers continuing to increase their usage. The industry continues to observe increased adoption rates for digital messaging and traction on higher margin CPaaS solutions. A highly scalable business model drives higher organic adjusted EBITDA growth compared to organic gross profit growth.

Total reported messaging volumes increased by 20% in the first quarter and less than revenue growth in fixed FX reflecting a higher average price per message. Higher priced new OTT (richer content internet distributed) channels, which improve ROI for clients compared to traditional one-way SMS messaging (telco distributed), continued to gain traction in selected markets. For other messaging, a lower transactional email volume was not fully offset by strong growth from new OTT channels.

SMS One-way messaging (mill messages)



Other messaging (mill messages)



LINK well positioned for value generation in 2024 and beyond

LINK has a transparent and highly cash generative European business with a large and diverse customer base. The business is supported by a very low customer churn and a high and growing contract backlog. Beyond its recurring nature, LINK sees a significant upsell and new sale potential from higher margin multi-channel / two-way messaging solutions in Europe.

The proceeds from the divestment of Message Broadcast enables LINK to fast-track accretive M&A, leveraging its proven track record for inorganic growth with more than 30 acquisitions completed in Europe the last decade. There is a substantial scope for inorganic EBITDA growth through multiple arbitrage use of proceeds in a still highly fragmented industry. The M&A approach is to be disciplined, accretive and opportunistic within the framework of a conservative financial policy. The remaining EUR bond, maturing in December 2025, is to be refinanced with net debt in the 2 - 2.5x adjusted EBITDA range, well below to the current incurrence test at 3.5x adjusted EBITDA.

LINK's European business has delivered a historical organic gross profit growth in the high single digits. As the business is highly scalable, organic adjusted EBITDA growth is expected to be higher than organic gross profit growth.

LINK's ambitions remain with several potential level-up cases in both Europe and beyond. Smaller bolt-ons in Europe is however a priority to realize further scale. The M&A pipeline holds an additional EBITDA potential of more than NOK 200 million in Europe alone.

New agreements signed in first quarter 2024

LINK signed 802 new and expanding agreements in the first quarter, securing significant new revenue and future growth potential. The new agreements consisted of 584 signed direct customer contracts, 13 signed partner framework agreements and 205 new partner customers.

Market trends towards advanced solutions

Market adoption for selected CPaaS products are accelerating as observed by LINK's new contract wins.

In the market for notification use cases, applied for essential information, there is stable demand and underlying growth momentum estimated in the high single-digits. Growth is driven mainly by alerts, reminders, payment and security products while demand for two-factor authentication (2FA) use cases are stable.

Mobile marketing use cases are increasingly adopting new channels. Demand for new channels with a richer feature set, like RCS and WhatsApp, and marketing automation solutions are accelerating and use cases are evolving from one-way mass communication to more conversational solutions. European retail markets however remain negatively affected by macroeconomic uncertainty.

Customer service is posting strong growth from a lower base contributing about 10% of group revenue. Parts of IVR (automated telephone systems) are being replaced by messaging services. Due to large cost saving potentials and enhanced consumer interaction through chatbots, customer service use cases could be counter cyclical.

Financial Review

(Figures in brackets refer to the same period last year)

Following the divestment of Message Broadcast LLC completed on January 3rd, 2024, the US subsidiary is reported as discontinued operations in the profit and loss statement and as assets held for sale in the balance sheet in all prior period comparatives. Please refer to note 9 for details.

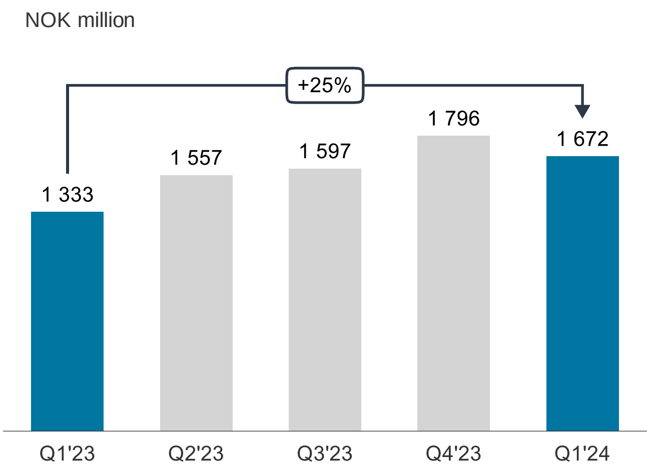
Group income statement

Total operating revenue amounted to NOK 1 672 million (NOK 1 333 million) or a reported growth of 25% versus the same period last year. Organic revenue growth in fixed currency was 20% with currency translation effects in the quarter of NOK 78 million related to depreciation of NOK against most foreign currencies.

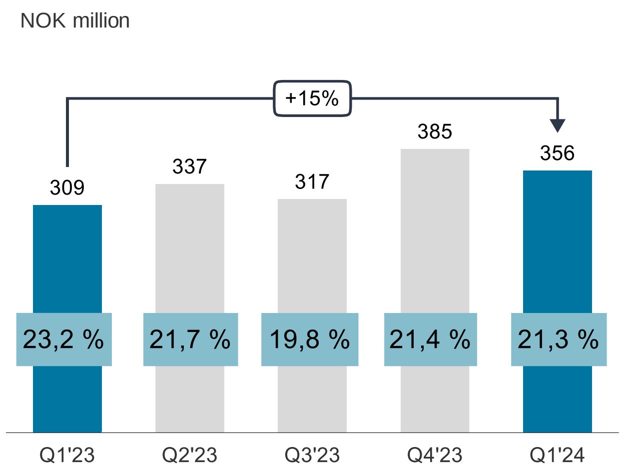
Enterprise revenue growth was NOK 153 million or 14% in fixed currency reflecting a healthy growth momentum from existing and new clients across the footprint. As in the previous quarter we observed solid growth momentum in Western Europe while improved growth momentum was observed in Central Europe driven by larger clients. The market continue to develop towards multi-channel conversational messaging including channels with richer feature sets improving conversion rates in retail campaigns and supporting customer interaction in clients value chains reflected also in closed won contracts on such solutions.

Solid volume growth in the Global messaging segment translated into revenue growth of NOK 108 million or 39% YoY in fixed currency.

Total operating revenues (mNOK)



Gross profit and gross margin (%)



Gross profit reported at NOK 356 million or a growth of 15% while growth in fixed currency was NOK 33 million or 11% for the quarter. Gross profit growth momentum in the Enterprise segments was 11% and in the high end of expectations as Western Europe displayed continued strong growth momentum into 2024 though compared to a softer period beginning of same quarter last year.

Reported gross profit growth in Global Messaging in fixed currency was NOK 1 million or 5% YoY. The margin in the Global Messaging segment remained fairly stable QoQ and is expected to remain in the historical high single digit level.

The total Group gross profit margin was reported at 21.3% (23.2%). The reduction in margin was related to the higher share of revenue from the low-margin Global Messaging segment compared to same quarter last year. The enterprise gross margin eroded by 0.7 percentage points YoY to 26.0% related mainly to strong growth with large clients at lower margin partly offset by positive impact from higher margin OTT channels such as RCS and What's App.

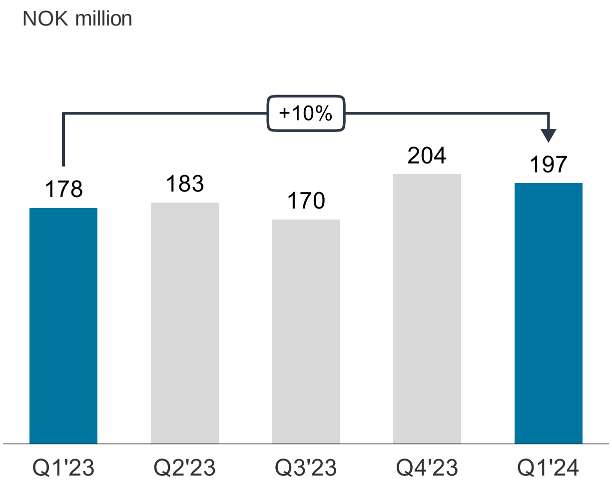
Total operating expenses amounted to NOK 197 million (NOK 178 million) or a reported growth of 10% compared to same quarter last year. In fixed currency total operating expenses increased by 6% negatively impacted by a NOK 9 million bad debt provision in the Global Messaging segment linked to two specific aggregator clients.

Underlying inflationary pressure and other cost increases was partly offset by remaining cost initiatives initiated across the European footprint late 2022 and impacted reported OPEX YoY by NOK 4 million in fixed currency in the first quarter and down from NOK 12 million in the previous quarter.

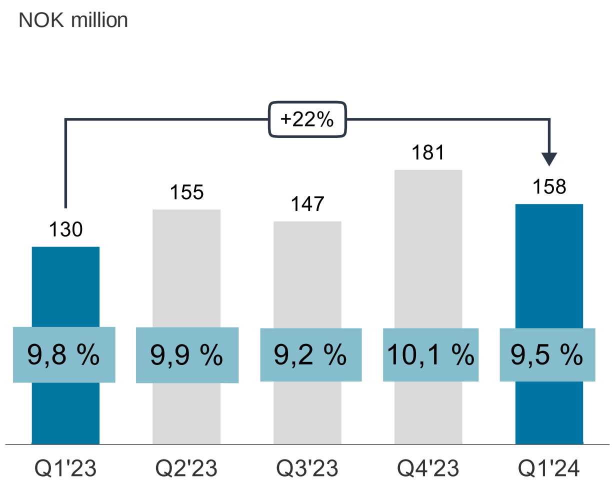
Adjusted EBITDA, before non-recurring cost, was reported at NOK 158 million (NOK 130 million) or 9.5% of total revenues (9.8%). In fixed currency the growth in adjusted EBITDA was 17% or NOK 22 million driven by gross profit expansion of NOK 33 million partly offset by NOK 11 million growth in operating expenses.

Gross profit to adjusted EBITDA conversion was reported at 45% (42%).

Operating expenses



Adjusted EBITDA and margin (%)



EBITDA after non-recurring items was reported at NOK 140 million (NOK 117 million) after deduction of non-recurring cost of NOK 19 million (NOK 13 million) related to acquisitions, share option programs and restructuring costs. The non-recurring costs related to restructuring was recorded at NOK 2 million (NOK 4 million) mainly related to severance agreements. M&A costs was NOK 3 million in the quarter (NOK 2 million) mainly related to US divestment. Costs related to share-options was reported at NOK 14 million (NOK 7 million) and the increase was mainly related to higher recognized social contribution costs impacted by share price increase. Share-option costs recognized relates only to new LTIP programs from 7 December 2022 and bonus shares linked to employee share option programs.

First quarter depreciation and amortization expense were NOK 83 million (NOK 77 million). The increase compared to same quarter last year is mainly attributable to the effect of foreign exchange translation on intangible assets (NOK 3 million). The remaining increase is related to increased depreciation related to completed projects during the quarter (NOK 3 million).

Net financial income was NOK 283 million (negative NOK 71 million). The YoY change was largely related to a net currency gain (NOK 228 million) compared to a net currency loss in the same period last year (NOK 32 million). Most of the currency gain relates to historical foreign exchange effects recorded through OCI from the US subsidiary (NOK 197 million). As a result of the disposal of this entity, these effects are reversed and flowed through the profit and loss. Net interest expense is comparatively lower as bond interest is partly offset by increased interest income from cash deposits and interest received from bond loans owned.

Balance sheet and cash flow

All comparative figures presented in the balance sheet and related to the US subsidiary are presented under their respective balance sheet line items as “available for sale.”

Non-current assets amounted to NOK 7 149 million (NOK 6 526 million). The two largest components of non-current assets are goodwill and other intangible assets. Goodwill is comparatively higher because of currency revaluation; other intangible assets are also revalued for currency but are also amortized and hence have a declining profile as compared to the prior period. Prior year comparative goodwill and other intangible assets related to the US subsidiary are removed and presented together with net current assets held as available for sale (NOK 2 856 million). The investment in bonds is representative of the repurchase of EUR 22 million of our own bond outstanding and other long-term receivables include the seller note and earn-out component from the sale of the US subsidiary totaling NOK 400 million; refer to note 9 for details.

Trade and other receivables amounted to NOK 1 451 million (NOK 1 185 million). The impact from changes in foreign currency exchange rates is positive NOK 35 million YoY. The remainder of the increase is driven by organic growth and timing of collections. In the prior year, trade and other receivables related to the US subsidiary were NOK 92 million and are presented with current assets held as available for sale.

Trade and other payables were reported at NOK 1 567 million (NOK 1 215 million). The impact from changes in foreign currency exchange rates is positive NOK 25 million YoY. As for trade and other receivables, the increase is driven by organic growth and timing of payables. Prior year trade and other payables held by the US subsidiary and deferred tax liabilities comprise the amount presented as short-term liabilities held as available for sale.

Total equity amounted to NOK 5 630 million (NOK 5 508 million) or 47% (47%) of balance sheet value. The increase was mainly related to foreign exchange effects (negative NOK 456 million) offset by effects of the net investment hedge (NOK 42 million) and the ongoing purchase of own shares (NOK 40 million). Changes in other equity, such as share based payments, quantify the remaining difference.

Long-term liabilities amounted to NOK 4 600 million (NOK 4 504 million). The largest components are external debt through a bond loan and deferred tax liability. External debt is subject to currency adjustment which is the main driver for the increase (NOK 152 million) Deferred tax liabilities declined YoY by NOK 33 million; the decrease is related to amortization of intangible assets.

Short-term liabilities, which include trade and other payables, amounted to NOK 1 733 million (NOK 1 613 million). Short-term borrowings are representative of accrued interest on the bond loan. IFRS 16 lease liabilities (current) are slightly higher due to currency revaluation and tax payable has increased by NOK 88 million because of tax exposure in jurisdictions with increase taxable income from the prior year. Tax payable includes a NOK 63 million accrual related to the sale of the US subsidiary.

Net cash flow from operating activities was NOK 153 million (NOK 36 million). Organic growth combined with working capital release are the main contributors to improved cash flow from operations.

Net cash from investing activities was NOK 2 175 million (negative NOK 21 million). The proceeds from the sale of the US subsidiary represents the significant increase in net cash flows from investing activities with NOK 2 208 million. Capital expenditures in tangible and intangible assets increased YoY from timing.

Net cash flow from financing activities was negative NOK 169 million (negative NOK 4 million). In Q1 2024, a total of EUR 12 million of bonds were repurchased (NOK 138 million); there were no bond re-purchases in the same quarter last year. Share repurchases contribute to the increased negative comparative (NOK 40 million).

Total cash and cash equivalents were NOK 3 363 million at the end of the quarter (NOK 934 million). Receipt of USD 220 million from the sale of the US subsidiary directly contribute to the increase. In the prior year, the US subsidiary held NOK 30 million at year-end; this is presented as part of current assets held as available for sale.

Condensed consolidated income statement

NOK '000	Note	Q1 2024	Q1 2023	Year 2023
Total operating revenues	3	1 671 516	1 332 672	6 282 126
Direct cost of services rendered		-1 315 965	-1 023 939	-4 934 441
Gross profit	3	**355 551**	**308 733**	**1 347 685**
Payroll and related expenses		-121 012	-114 700	-464 155
Other operating expenses		-76 095	-63 745	-270 408
Adjusted EBITDA	3	**158 444**	**130 288**	**613 121**
Restructuring cost		-2 223	-3 648	-29 014
Share based compensation	6	-13 722	-7 436	-98 177
Expenses related to M&A		-2 746	-2 242	-8 078
EBITDA		**139 752**	**116 962**	**477 853**
Depreciation and amortization	7	-82 721	-77 246	-337 535
Impairment cost	7	-	-	-
Operating profit (loss)		**57 031**	**39 716**	**140 317**
Finance income and finance expenses				
Net currency exchange gains (losses)		227 876	-32 037	44 319
Net interest expense		-16 726	-38 775	-139 667
Net other financial income (expenses)	9	72 310	5	6 002
Finance income (expense)		**283 460**	**-70 807**	**-89 345**
Profit (loss) before income tax		**340 491**	**-31 091**	**50 972**
Income tax		-87 446	9 594	-12 616
Profit (loss) from continuing operations		**253 045**	**-21 497**	**38 356**
Profit (loss) from discontinued operations	9	-	24 723	28 926
Profit (loss) for the period		**253 045**	**3 227**	**67 282**
Earnings per share (NOK/share):				
Earnings (loss) per share from continuing operations		0,85	-0,07	0,13
Diluted (loss) earnings per share from continuing operations		0,83	-0,07	0,13
Earnings (loss) per share from discontinued operations		0,00	0,08	0,10
Diluted (loss) earnings per share from discontinued operations		0,00	0,08	0,09

Condensed consolidated statement of comprehensive income

NOK '000	Q1 2024	Q1 2023	Year 2023
Profit (loss) for the period	**253 045**	**3 227**	**67 282**
Total effect - foreign exchange	-455 692	337 249	195 641
Gains and losses net investment hedge	-41 990	-83 619	-69 037
Tax on OCI that may be reclassified to P&L	9 238	18 396	15 188
OCI that may be reclassified to P&L	**-488 444**	**272 026**	**141 793**
Actuarial gains and losses	0	0	-1 757
OCI that will not be reclassified to P&L	**-**	**-**	**-1 757**
Total Other Comprehensive Income (OCI)	**-488 444**	**272 026**	**140 036**
Total Comprehensive Income	**-235 399**	**275 253**	**207 318**

Condensed consolidated statement of financial position

NOK '000	Note	Q1 2024	Q1 2023	Year 2023
Assets				
Non-current assets				
Goodwill		4 510 904	4 399 206	4 388 870
Other intangible assets		1 764 538	1 922 990	1 773 601
Right-of-use-assets		48 699	44 600	43 988
Equipment and fixtures		21 341	21 027	20 432
Deferred tax assets		140 757	134 995	142 934
Investment in bonds		259 352	-	-
Other long-term receivables		403 765	2 861	2 523
Non-current assets		**7 149 354**	**6 525 679**	**6 372 348**
Current assets				
Trade and other receivables		1 450 744	1 185 350	1 380 412
Cash and cash equivalents		3 363 234	933 539	1 096 596
Current assets held as available for sale		-	2 979 941	2 831 510
Current assets		**4 813 978**	**5 098 830**	**5 308 518**
Total assets		**11 963 333**	**11 624 509**	**11 680 866**
Equity & Liabilities				
Shareholders equity		5 630 111	5 507 720	5 514 093
Total equity		**5 630 111**	**5 507 720**	**5 514 093**
Long-term liabilities				
Long-term borrowings	5	4 287 682	4 162 944	4 008 320
Lease liabilities	5	33 374	31 511	31 421
Deferred tax liabilities		269 488	302 866	274 431
Other long-term liabilities	5	9 445	6 200	6 834
Total non-current liabilities		**4 599 989**	**4 503 521**	**4 321 006**
Short-term liabilities				
Borrowings, short-term	5	41 178	41 499	2 741
Lease liabilities	5	17 640	14 433	14 549
Trade and other payables		1 567 282	1 214 643	1 493 639
Tax payable		107 133	19 010	38 014
Short-term liabilities held as available for sale		-	323 682	296 825
Total current liabilities		**1 733 232**	**1 613 267**	**1 845 768**
Total liabilities		**6 333 221**	**6 116 789**	**6 166 773**
Total liabilities and equity		**11 963 333**	**11 624 509**	**11 680 866**

Condensed consolidated statement of changes in equity

YTD Q1 2024 (NOK '000)	Note	Share capital	Share premium	Treasury funds	Other equity	Retained earnings	Other reserves	Total equity
Total Opening Balance		**1 585**	**5 670 341**	**-**	**925 199**	**-378 434**	**-335 987**	**5 882 704**
Changes in Net Income		-	-	-	-	253 045	-	253 045
Total Other Comprehensive Income (OCI)		-	-	-	-	-488 444	-	-488 444
Total Comprehensive Income		**-**	**-**	**-**	**-**	**-235 399**	**-**	**-235 399**
Changes due to issue of stock		-	14 424	-	-	-	-	14 424
Changes due to repayment of equity		-	-	-39 760	-	-	-	-39 760
Share based payment		-	-	-	8 143	-	-	8 143
Closing Balance	**8**	**1 585**	**5 684 765**	**-39 760**	**933 342**	**-613 833**	**-335 987**	**5 630 111**

YTD Q1 2023 (NOK '000)	Note	Share capital	Share premium	Other equity	Retained earnings	Other reserves	Total equity
Total Opening Balance		**1 479**	**5 667 588**	**733 228**	**-1 069 565**	**-107 210**	**5 225 521**
Changes in Net Income		-	-	-	3 227	-	3 227
Total Other Comprehensive Income (OCI)		-	-	-	272 026	-	272 026
Total Comprehensive Income		**-**	**-**	**-**	**275 253**	**-**	**275 253**
Changes due to issue of stock		1	-	-	-	-	-
Share based payment		-	-	6 947	-	-	6 947
Closing Balance	**8**	**1 479**	**5 667 588**	**740 175**	**-794 313**	**-107 210**	**5 507 720**

Condensed consolidated statement of cash flows

NOK '000	Note	Q1 2024	Q1 2023	Year 2023
Net cash flows from operating activities				
Profit (loss) before income tax from continuing operations		**340 491**	**-31 091**	**50 972**
Taxes paid		-19 351	123	-41 635
Finance income (expense)		-283 351	70 807	89 345
Depreciation and amortization		83 508	77 246	337 535
Employee benefit - share based payments		8 143	6 947	78 565
Net losses (gains) from disposals		-	-	-248
Change in other provisions		13 522	-70	20 384
Change in trade and other receivables		-45 023	-16 377	-201 025
Change in trade and other payables		54 867	-71 902	198 402
Net cash flows from operating activities from cont. operations		**152 806**	**35 682**	**532 296**
Net cash flows from operating activities from discont operations		**-**	**111 251**	**190 902**
Net cash flows from investing activities				
Payment for equipment and fixtures		-2 280	-801	-5 857
Payment for intangible assets		-31 329	-20 080	-110 270
Disposal of subsidiary		2 208 318	-	-
Net cash flows from investing activities from cont. operations		**2 174 709**	**-20 881**	**-116 127**
Net cash flows from investing activities from discont. operations		**-**	**-14 197**	**-63 986**
Net cash flows from financing activities				
Proceeds on issue of shares		14 424	-	2 759
Repayment of equity		-39 760	-	-
Proceeds from borrowings	5	-	-	-
Repayment of borrowings		-138 152	-	-117 038
Interest paid		-812	-838	-150 264
Principal elements of lease payments		-5 166	-3 564	-16 583
Net cash flows from financing activities from cont. operations		**-169 466**	**-4 403**	**-281 127**
Net cash flows from financing activities from discont. operations		**-**	**-**	**-2 506**
Net change in cash and cash equivalents		**2 158 050**	**107 453**	**259 452**
Cash and equivalents at beginning of period		1 108 232	826 851	826 851
Effect of foreign exchange rate changes		96 953	29 366	21 928
Less: Cash and equivalents at end of the period (held for sale)		-	-30 132	-11 636
Cash and equivalents at end of the period from continuing operations		**3 363 234**	**933 539**	**1 096 596**

Selected notes to the accounts

Note 1 – General information

The Board of Directors approved the condensed interim financial statements for the three months ended 31 March 2024 for publication on 13 May 2024. The Group financial statements for the fourth quarter have not been subject to audit or review by auditors; figures for FY2023 are audited.

LINK Mobility Group Holding ASA (LINK) is a public limited company registered in Norway. The Company is one of Europe's leading CPaaS providers within mobile communication, specializing in messaging and digital services. Headquartered in Oslo, Norway, the Group has 596 employees and operates in 17 countries.

Note 2 – Basis for preparation and significant accounting policies

The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 "Interim Financial Reporting." The condensed interim financial statements do not include all information and disclosures required in the annual financial statement and should be read in accordance with the Group's annual report for 2023, which has been prepared according to IFRS® accounting standards as adopted by the EU and the Norwegian Accounting Act.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. Estimates and judgements are continually evaluated by the Group based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates. The most significant judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2023.

Goodwill and other intangible assets with an indefinite useful economic life are not amortized but are tested annually for impairment. The company performs an impairment test for goodwill on an annual basis or when there are circumstances which would indicate that the carrying value of goodwill may be impaired. When assessing impairment, assets are grouped into cash generating units (CGU's).

The presentation currency of the consolidated financial statement is Norwegian kroner (NOK). Unless otherwise stated, amounts presented are in thousands of NOK.

The accounting policies applied in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the annual IFRS financial statements for the year ended December 31, 2023.

Hedging

The Group applies hedge accounting for hedges that meet the criteria for hedge accounting. The Group has a hedge of net investments in foreign operations.

At the inception of each hedge relationship, the Group designates and documents the hedge accounting relationship, risk management objective, and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to change in the hedged item's fair value of cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Hedge relationships that meet the requirements for hedge accounting are accounted for in the Group's consolidated financial statements as follows:

Hedge of a net investment

A hedge of a net investment in a foreign operation is accounted for in a similar way to a cash flow hedge. Foreign exchange gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in comprehensive income while any foreign exchange gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign entity, the cumulative foreign exchange gains or losses recognized in other comprehensive income is reclassified to the income statement.

Exchange rate risk

Net investment hedge accounting is applied when possible.

For information related to amendments to standards, new standards, and interpretations effective from 01 January 2024, please refer to the Group Annual Report for 2023. None of the amendments, standards, or interpretations effective from 01 January 2024 have had a significant impact on the Group's consolidated interim financial information.

Note 3 – Segment reporting

Beginning in the first quarter 2024, the Netherlands as a CGU has been moved from Central to Western Europe following an internal reorganization. All historical segment financials are presented to reflect this change.

The Group reports revenue, gross profit (revenue less direct costs), gross margin (gross profit divided by revenue) and adjusted EBITDA in functional operating segments to the Board of Directors (the Group's chief operating decision makers). While LINK uses all four measures to analyze performance, the Group's strategy of profitable growth means that adjusted EBITDA is the prevailing measure of performance (refer to alternate performance measures).

An examination of operating units based on market maturity and product development as well as geography identifies four natural reporting segments. These are Northern Europe, Western Europe, Central Europe and Global Messaging; these represent market clusters. Generally, regions are segregated into similar geographic locations as these follow similar market trends. Global Messaging includes all regions with aggregator traffic; the other four have enterprise traffic.

The regions are:

Northern Europe

The Nordics is composed of Norway, Sweden, Denmark, Finland and Baltics (discontinued during 2022).

Central Europe

Central Europe is composed of Bulgaria, Romania, North Macedonia, Poland, Hungary, Germany, and Austria

Western Europe

Western Europe is composed of Spain, France, the United Kingdom, Italy and the Netherlands.

Global Messaging

Global messaging is comprised of non-enterprise traffic and is representative of either stand-alone business or as a component of revenues in countries included above. If a business is comprised of both enterprise and wholesale/aggregator transactions, the latter is segregated here. The Swiss operation Horisen Messaging is included here.

Wholesale/aggregator business is defined as an operating unit within LINK's industry, and that use LINK connections in markets where they do not have such connections themselves. This business can generally be referred to, at least partly, as a direct competitor that use LINK connections. Smaller local aggregators cannot be expected to be covered efficiently by Global Messaging and as such they are still subject to local handling (not a focus area though because they are generally low margin and switch easily).

Revenue per segment	Q1 2024	Q1 2023	Year 2023
Northern Europe	368 871	356 091	1 489 934
Central Europe	378 368	298 824	1 369 426
Western Europe	507 254	401 045	1 842 380
Global Messaging	417 023	276 713	1 580 386
Total revenues	**1 671 516**	**1 332 672**	**6 282 126**

Gross profit by segment	Q1 2024	Q1 2023	Year 2023
Northern Europe	104 924	102 442	409 637
Central Europe	96 813	81 454	373 343
Western Europe	123 805	98 367	448 403
Global Messaging	30 010	26 470	116 302
Total gross profit	**355 551**	**308 733**	**1 347 685**

Adj. EBITDA by segment	Q1 2024	Q1 2023	Year 2023
Northern Europe	64 734	64 298	255 007
Central Europe	65 961	50 715	249 606
Western Europe	66 234	45 646	221 535
Global Messaging	11 588	16 800	74 352
Group Costs	-50 074	-47 170	-187 379
Total adjusted EBITDA	**158 444**	**130 288**	**613 121**

Reconciliation of adjusted EBITDA to Group profit (loss) before income tax	Q1 2024	Q1 2023	Year 2023
Adjusted EBITDA	158 444	130 288	613 121
Non-recurring items*	-18 692	-13 326	135 269
Depreciation and amortization	-82 721	-77 246	337 535
Operating profit	**57 031**	**39 716**	**140 317**
Finance income (expense)	283 460	-70 807	-89 345
Profit (loss) before income tax	**340 491**	**-31 091**	**50 972**

* Non-recurring items are expenses related to significant one-time, non-recurring events such as acquisitions and restructuring activities and share-based compensation

Note 4 – Related party transactions

Balances and transactions between LINK Mobility Group Holding ASA and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. As of 31 March 2024, the Group has not entered any transactions with related parties.

Note 5 – Debt

On 15 December 2020, LINK Mobility Group Holding ASA (LINK) successfully completed the issuance of EUR 200 million senior unsecured bonds, with a EUR 350 million borrowing limit. Part of the proceeds from the bond issue were used to repay the remaining outstanding senior facility agreement (SFA).

On 23 June 2021, LINK issued EUR 170 million new bonds in LINK's outstanding 5-year senior unsecured 3.375% fixed rate bond issue, raising the total outstanding amount to EUR 370 million. The bonds were issued at par.

The bonds have a 5-year tenor and a fixed coupon of 3.375% p.a.; any outstanding bonds are to be repaid in full at the maturity date.

NOK '000

Non-current financial liabilities	YTD 2024	Year 2023
Bond loan*	4 287 682	4 008 320
Lease liability	33 374	31 421
Other long-term liabilities	9 445	6 834
Total	**4 330 502**	**4 046 575**

NOK '000

Current liabilities	YTD 2024	Year 2023
Lease liability	17 640	14 549
Debt to financial institutions/bond loan*	41 178	2 741
Total	**58 817**	**17 290**

* Instalments falling due within a 12-month period, including non-capitalized interest, are classified as current.

Note 6 – Options

In Q1 2024, an expense of NOK 14 million was recognized in relation to the LTIP, COB, and employee option programs.

Please refer to the annual report for 2023 and to Company press releases regarding details for the respective option programs.

Note 7 – Depreciation, amortization and impairment

Depreciation and amortization are comprised of the following amounts:

Depreciation and amortization	Q1 2024	Q1 2023	Year 2023
Equipment and fixtures	2 087	1 960	7 720
Right-of-use-assets	4 551	3 810	17 356
Intangible assets acquisitions*	55 567	53 660	221 549
Intangible assets - subsidiaries**	20 516	17 815	90 910
D&A from cont. operations	**82 721**	**77 246**	**337 535**
D&A from discont. operations	-	2 132	24 857
Total depreciation and amortization	**82 721**	**79 378**	**362 391**

* Acquisitions: depreciation of allocated surplus values from purchase price allocations on acquisitions (Group level)
** Subsidiaries: depreciation of amounts booked in subsidiary balances. Includes book values from acquisitions

There is no impairment of intangible assets or goodwill in the periods presented.

Note 8 – Earnings per share

The Group's earnings per share is calculated as below:

NOK '000	Q1 2024	Q1 2023	Year 2023
Net (loss) income from continuing operations	253 045	-21 497	38 356
Net (loss) income from discontinued operations	0	24 723	28 926
Owners of LINK Mobility Group Holding ASA	253 045	3 227	67 282

Weighted average number of ordinary shares (basic)	Q1 2024	Q1 2023	Year 2023
Issued ordinary shares at 01 January	297 059	295 890	295 890
Effect of shares issued (05 June 2023)			175
Effect of shares issued (08 November 2023)			909
Effect of shares issued (22 December 2023)			85
Effect of shares issued (04 April 2024)	1 647		
Weighted average number of ordinary shares	**298 706**	**295 890**	**297 059**
Basic earnings (loss) per share from total operations	0,85	0,01	0,23
Basic earnings (loss) per share from continuing operations	0,85	- 0,07	0,13
Basic earnings (loss) per share from discontinued operations	-	0,08	0,10

Weighted average number of ordinary shares (diluted)	Q1 2024	Q1 2023	Year 2023
Weighted average number of ordinary shares (basic)	298 706	295 890	297 059
Effect of share options on issue	7 727	1 356	8 478
Weighted average number of ordinary shares (diluted)	**306 433**	**297 246**	**305 537**
Diluted earnings (loss) per share from total operations	0,83	0,01	0,22
Diluted (loss) earnings per share from continuing operations	0,83	- 0,07	0,13
Diluted (loss) earnings per share from discontinued operations	-	0,08	0,09

Note 9 – Discontinued operation

Operations presented as discontinued operations include Message Broadcast LLC (US subsidiary), which was effectively sold upon the signing of a sales and purchase agreement (SPA) on 07 November 2023.

Discontinued operations represent a separate major line of business that has been disposed.

Discontinued operations are excluded from the results of continuing operations and are presented on a single line after tax in the income statement. Discontinued operations are also excluded from the segment reporting (note 3).

The profit (loss) of the disposed US subsidiary presented as discontinued operations until disposal, and subsequent adjustments are shown in the table below:

Statement of profit and loss from discontinued operations	Q1 FY24	Q1 FY23	Year FY23
Total revenue	-	107 076	398 683
Gross profit	-	89 680	317 354
Adjusted EBITDA	-	50 369	167 668
Operating profit (loss)	-	45 020	127 835
Finance income (expense)	-	65	- 49 576
Profit (loss) before income tax	-	45 085	78 259
Income tax	-	-	162
Profit (loss) from Message Broadcast LLC	**-**	**45 085**	**78 096**

The figures presented above are only representative of the US subsidiary. As a result of the disposal, related expenses are also classified in the discontinued operations line item in the condensed consolidated income statement.

Statement of profit and loss from discontinued operations (continued):

NOK '000	Q1 FY24	Q1 FY23	Year FY23
Profit (loss) from Message Broadcast LLC	-	45 085	78 096
Currency option premium	-	-	- 12 573
Legal fees	-	-	- 5 904
Excess value amortization, management fee, and intercompany loan interest	-	- 26 475	- 55 923
Profit (loss) from discontinued operations before income tax	-	18 610	3 697
Income tax (amortization of deferred tax liability)	-	6 113	25 229
Profit (loss) from discontinued operations	**-**	**24 723**	**28 926**

The currency option premium is representative of costs incurred to secure a EUR call option (EUR/USD).

The accumulated amounts for discontinued operations recognized in other comprehensive income (OCI) within equity are as follows:

NOK '000	Q1 FY24	Q1 FY23
Message Broadcast LLC	-	- 83 209
Total	**-**	**- 83 209**

Accumulated currency translation effects related to equity and excess values have flowed through the profit and loss in Q1 2024.

The divestment of Message Broadcast LLC (US subsidiary) was closed on 03 January 2024. The amount of the transaction is USD 260 million, including a seller note of USD 10 million and an earn-out component of up to USD 30 million. The earn-out is linear from USD 7.5 million, increasing with revenue growth to match historic Message Broadcast LLC performance for full payout.

Details of the sale of the US subsidiary are as presented below:

NOK '000	YTD
Consideration received or receivable	
Cash	2 219 954
Fair value of contingent consideration	387 549
Total disposal consideration	2 607 503
Carrying amount of net assets sold	2 534 684
Gain on sale before income tax and reclassification of foreign currency translation reserve	72 819
Reclassification of foreign currency translation reserve	197 071
Income tax expense on gain	- 62 600
Gain on sale after income tax	**207 290**

If operations of the discontinued operation achieve certain performance criteria during the period 01 January 2024 to 31 December 2024, as specified in an earn-out clause in the SPA, additional cash consideration of up to USD 30 million will be receivable. The earn-out is recognized as a financial asset at fair value through the profit or loss and is included in long-term receivables in the consolidated statement of financial position.

The carrying amounts of assets and liabilities as at the date of sale (03 January 2024) were:

NOK '000	YTD
Goodwill	1 689 345
Other intangible assets	867 678
Total current assets held as available for sale*	**2 557 023**

* The amounts presented are held in LINK Mobility Group Holding ASA as excess values. Other amounts held in the US subsidiary are included in the total amount presented as current assets held as available for sale in the consolidated statement of financial position.

ALTERNATIVE PERFORMANCE MEASURES (“APM'S”)

The financial information in this report is prepared under International Financial Reporting Standards (IFRS), as adopted by the EU. To enhance the understanding of LINK’s performance, the Group presents several alternative performance measures (“APM’s”). An APM is defined by the European Securities and Markets Authority (ESMA) guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS).

Below, LINK presents certain APMs, including gross margin, EBITDA, adjusted EBITDA, and adjusted EBITDA margin. APMs such as EBITDA are commonly reported by companies in the markets in which LINK competes and are widely used by investors when comparing performance on a consistent basis without regard to factors such as depreciation and amortization, which can vary significantly, depending upon accounting methods (particularly when acquisitions have occurred) or based on non-operating factors.

APM figures presented in the following tables are exclusive of Message Broadcast LLC (US subsidiary), except for LTM adjusted EBITDA (proforma) for year 2023.

LINK uses the following APMs:

Gross Profit
Gross Profit means revenues less direct costs of services rendered.

Gross margin
Gross margin means gross profit as a percentage of total operating revenues.

Adjusted EBITDA
Adjusted EBITDA means EBITDA adjusted by expenses related to significant one-time, non-recurring events such as acquisitions and restructuring activities, and share-based compensation. LINK has presented adjusted EBITDA in the consolidated statement of profit and loss because management believes the measure provides useful information regarding operating performance.

Adjusted EBITDA margin
Adjusted EBITDA margin is presented as adjusted EBITDA as a percentage of total operating revenues in the respective periods.

EBITDA

EBITDA means earnings before interest, taxes, amortization, depreciation, and impairments. LINK has presented EBITDA in the consolidated statement of profit and loss because management believes that the measure provides useful information regarding the Group’s ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

See below for a reconciliation of EBITDA to Adjusted EBITDA, and adjusted EBITDA margin.

NOK '000	Q1 2024	Q1 2023	Year 2023
Operating profit (loss, ("EBIT")	**57 031**	**39 716**	**140 317**
Depreciation and amortization	82 721	77 246	337 535
EBITDA	**139 752**	**116 962**	**477 853**
Add: Restructuring cost	2 223	3 648	29 014
Add: Share based compensation	13 722	7 436	98 177
Add: Expenses related to acquisitions	2 746	2 242	8 078
Adjusted EBITDA	**158 444**	**130 288**	**613 121**
Operating revenues	1 671 516	1 332 672	6 282 126
Adjusted EBITDA	**158 444**	**130 288**	**613 121**
Adjusted EBITDA margin	**9,5 %**	**9,8 %**	**9,8 %**

Net debt*

The Group monitors Net debt according to bond loan terms which includes interest-bearing debt and debt like arrangements. Net debt is derived from the balance sheet and consists of both current and non-current liabilities such as bond loan, other debt from financial institutions and current and non-current lease liabilities less cash and cash equivalents. Payable seller's credits, holdback and earn-outs are included in net debt to the extent they are interest-bearing.

Net debt/LTM Adjusted EBITDA*

LINK measures leverage ratio as Net debt/Last Twelve Months Adjusted EBITDA. The measure provides useful information about the financial position. Due to M&A activity LINK use Last Twelve Months Proforma Adjusted EBITDA to calculate net debt to present a comparable measure over time.

Below is a reconciliation of Net debt and Net debt/Adjusted EBITDA ratio:

NOK '000	Q1 2024	Year 2023
Bond loan - Principal	4 266 800	4 073 812
IFRS 16 liabilities	51 014	51 927
Less cash	-3 363 234	-1 108 232
Less: Bond assets	-256 008	-
Net debt	**698 571**	**3 017 506**
LTM adjusted EBITDA (proforma)	**642 133**	**782 186**
Net debt/LTM adjusted EBITDA	**1,1**	**3,9**

* Calculated according to bond agreement

linkmobility.com