



wirtek
Committed. Involved. Proficient.

1 January – 30 June 2021

Q2 2021 Interim Financial Report

Successful CoreBuild acquisition with high impact

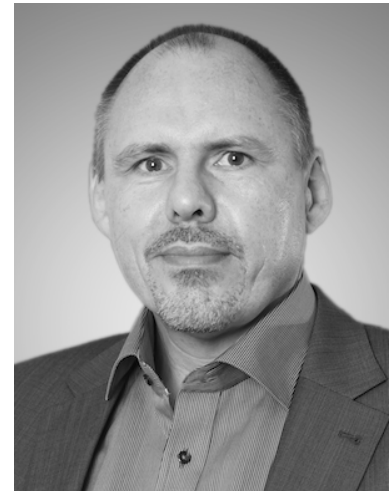
“Wirtek completed the acquisition of the two CoreBuild sister companies on April 29 with effect from June 1. The integration of CoreBuild is progressing very well and is already contributing positively to the financial results.

Although Wirtek had significant one-time costs related to the CoreBuild acquisition during Q2 2021, we still achieved a positive Q2 EBITDA of TDKK 594 and a revenue growth of 46% compared to Q2 2020. Organic revenue growth was 19% during Q2 2021.

Based on the good results and a favorable prognosis for second half (H2) of 2021, Wirtek raised both revenue and EBITDA expectations for 2021 a second time on August 5. With revenue growth of more than 60% and EBITDA growth of more than 80% expected this year, Wirtek is taking a huge step towards reaching the financial goals of our Accelerate25 strategy, targeting DKK 100m in revenue and DKK 10m in pre-tax profits by 2025.

Revenue from international clients was 39% of total revenue during H1 2021 and will increase to about 50% of total revenue for the full year of 2021. The global market for outsourcing of IT services is expected to grow by 7,7% per year and have a total market value of USD 938 billion by 2027.

We see a great opportunity for Wirtek to further grow our business internationally during the coming years. ”



Michael Aen, CEO

Wirtek in brief

Wirtek is a Danish IT outsourcing company. Since 2001, we have been teaming up with companies to help them create great software solutions and electronic equipment products.

Several clients have been with us for 10+ years, so we can confidently say that in outsourcing, the quality of the relationship matters just as much as the quality of the delivered software. Our clients get state-of-the-art technical solutions and a committed team that works with them as if it were their own.

Wirtek has offices in Denmark (HQ + sales) and four development and test centres in Romania, and we are 180+ colleagues. Wirtek was listed at Nasdaq First North Growth Market Denmark in 2006.

Ticker code: WIRTEK (DK0060040913)



Q2 2021 Summary

The Board of Directors for Wirtek A/S has today approved the financial report for Q2 2021. The Board is very pleased with the solid performance during H1 2021.

Financial highlights for the period 1 January – 30 June 2021

TDKK	Q2 2021	Q2 2020	Change	H1 2021	H1 2020	Change
Revenue	9,699	6,663	46%	17,446	13,656	28%
EBITDA	594	793	-25%	2,072	1,654	25%
EBITDA-margin (%)	6.1%	11.9%	-49%	11.9%	12.1%	-2%
Pre-tax profits	336	729	-54%	1,827	1,552	18%
Cash holdings	-1,329	4,544	NA	-1,329	4,544	NA

Strong organic growth with boost from CoreBuild acquisition during Q2 2021

- **Revenue** grew by 46% to TDKK 9,699 during Q2 2021 compared to revenue of TDKK 6,663 during Q2 2020. The organic revenue growth was 19%. Revenue growth during H1 2021 was 28% compared to H1 2020.
- **EBITDA** was TDKK 594 in Q2 2021 compared to TDKK 793 for the same period last year. Significant one-time costs related to especially the acquisition of the CoreBuild companies impacted EBITDA negatively for Q2 2021. A normalized EBITDA for Q2 2021, adjusted for the one-time costs, would be in excess of DKK 1m. During H1 2021 EBITDA was TDKK 2,072, a growth of 25% compared to H1 2020.
- The **EBITDA-margin** for Q2 2021 was 6.1% compared to 11.9% during same period in 2020. The EBITDA-margin for H1 2021 of 11.9% is very close to the H1 2020 EBITDA-margin of 12.1%.
- **Pre-tax profits (EBT)** were TDKK 336 in Q2 2021 compared to TDKK 729 during Q2 2020. EBT for H1 2021 grew by 18% compared to H1 2020.
- **Cash flow** was significantly impacted by the acquisition of CoreBuild, both in terms of the up-front payment in cash and Wirtek shares as well as the purchase of Wirtek treasury shares to cover a significant part of the expected future earn-out payment to the CoreBuild sellers.
- **Cash holdings** of more than DKK 5m were used to cover a significant part of the acquisition costs and dividend pay-out during Q2 2021. Wirtek expects to rebuild our cash holdings during the coming months.

Outlook for 2021

Wirtek has raised the outlook for 2021 twice this year. First time on 29 April 2021 after completing the acquisition of CoreBuild (see company announcement no. 06/2021) and second time on 5 August 2021 based on preliminary financial results for Q2 2021 and an updated prognosis for second half of 2021 (see company announcement no. 13/2021). Current outlook for 2021:

- **Revenue** expectations for 2021 was raised to DKK 44.5m – 45.5m (up from a previously raised expectation of DKK 42.0m – 44.0m), a growth of 61% – 65% compared to 2020.
- **EBITDA** expectations for 2021 was raised to DKK 5.9m – 6.3m (up from a previously raised expectation of DKK 5.0m – 5.4m), a growth of 83% – 95% compared to 2020.

Management's Review

An acquisition with significant impact

After the acquisition of the two CoreBuild sister companies was successfully closed on 29 April 2021, all CoreBuild assets including approx. 60 new colleagues were gathered in a newly established and fully owned Romanian subsidiary CoreBuild Software Services SRL.

The target price of the acquisition is approx. DKK 7.5m, consisting of DKK 4.2m in an up-front payment of cash and Wirtek shares as well as a target earn-out payment of DKK 3.3m in cash and Wirtek shares, based on CoreBuild targets for 2021 and 2022 (for further details see company announcement no. 06/2021).

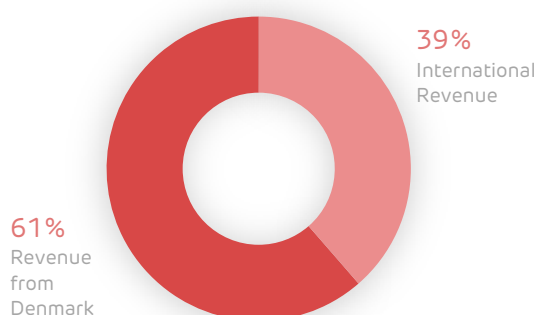
The integration with the Wirtek Group started on June 1 this year. While only contributing to the Wirtek Group business for a single month during Q2 2021, we already see a significant positive impact on the financial results. CoreBuild Software Services SRL accounted for 40% of total Wirtek Group revenue during the month of June as well as contributing positively to EBITDA.

The CoreBuild business is expected to grow further during H2 2021 and contribute significantly to the Wirtek Group revenue and EBITDA.

Revenue growth of 46% in Q2 2021

Wirtek posted Q2 revenue of TDKK 9,699, a growth of 46% compared to Q2 2020. Organic growth was 19% during Q2 while the remaining growth was achieved from the integration of CoreBuild, beginning from June this year.

The revenue distribution between our clients in Denmark and internationally for H1 2021 is as follows:

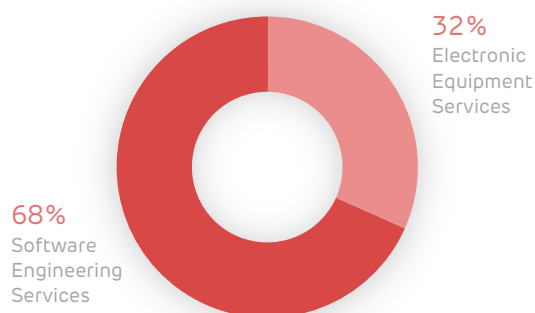


International clients accounted for 39% of Wirtek's revenue during H1 this year, up from 29% during fiscal year 2020. With international sales expansion as a key element in Wirtek's Accelerate25 strategy, this is a significant step in the right direction for Wirtek.

With the CoreBuild acquisition, the proportion of sales from clients outside Denmark is expected to increase to approx. 50% for the full year of 2021.

Business unit sales distribution

The distribution of revenue between the two business units is as follows.



Approx. 85% of revenue from the CoreBuild acquisition relates to the Software Engineering Services business unit. The percentage of revenue from Software Engineering Services will therefore increase during H2 2021, although revenue from the Electronic Equipment Services business unit is also increasing, albeit at a slower pace.

Positive EBITDA despite acquisition costs

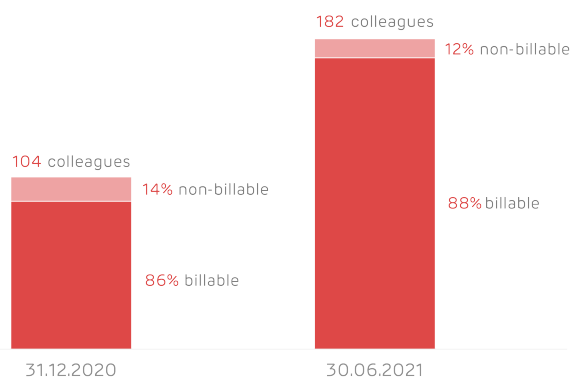
EBITDA for Q2 2021 was TDKK 594, down by 25% from Q2 2020. Significant one-time costs in excess of TDKK 400 related to e.g., the acquisition of CoreBuild is the reason for the relatively low EBITDA-margin of 6.1% during the quarter.

For H1 2021 the EBITDA was TDDK 2,072, a growth of 25% compared to H1 2020. The EBITDA-margin for H1 2021 was 11.9%.

With the second increase in expectations this year announced on 5 August 2021, Wirtek now expects a 2021 EBITDA-margin of at least 13%, up from 11.7% during 2020.

Operational efficiency

The ability to scale the operations efficiently and achieve close to optimal utilisation of the capacity in our Romanian subsidiaries is expected to support continuous improvements in EBITDA over the following months.



Wirtek went from just over 100 colleagues end of 2020 to more than 180 colleagues by the end of Q2 2021. During the same period, the percentage of billable colleagues was increased from 86% to 88%, improving operational efficiency and positively impacting EBITDA.

Pre-tax profitability

Wirtek achieved pre-tax profits (EBT) of TDKK 336 during Q2 2021 compared to TDKK 729 during Q2 2020. The lower EBT is caused by one-time acquisition costs as well as the first month of amortization of the acquired assets from the CoreBuild acquisition.

For H1 2021 EBT was TDKK 1,827, a growth of 18% compared to H1 2020.

Cash flow and equity effects from financing the CoreBuild acquisition

Wirtek achieved positive cash flow from operating activities in Q2 2021 and for H1 2021.

Cash flow from investing activities was negative by DKK 4.2m from the up-front cash and Wirtek shares payment of the CoreBuild acquisition.

Wirtek has furthermore purchased own treasure shares to reduce potential financial risk for the share-based part of the CoreBuild earn-out payment (to be paid during 2022 and 2023). Since treasure shares are booked at a value of zero on the balance sheet, the treasure shares currently have a negative effect on Wirtek's equity of more than DKK 2.6m. When the treasure shares are used as earn-out payment to the former CoreBuild owners, the equity will be increased proportionally.

More than 90% of the total target cost of approx. DKK 7.5m for the CoreBuild acquisition was financed by utilizing Wirtek's existing cash holdings of more than DKK 5m and by raising short-term debt facilities during Q2 2021.

Additionally, Wirtek paid out dividend of almost DKK 1.4m to investors during Q2 2021 and received more than DKK 1.3m in cash from the first exercise of the current employee warrants program.

Wirtek expects to achieve significant positive cash flows during the coming months.

Additional remarks to the financial reporting for Q2 2021

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

The Q2 financial report has not been audited or reviewed by our auditor.

Financial Calendar

Interim Report Q3 2021: 10 November 2021

Annual Report 2021: 9 March 2022

Interim Report Q1 2022: 10 May 2022

Further Information

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- Kent Moustén Sørensen, Chairman, Wirtek A/S, Phone: +45 2125 9001
- Per Vestergaard, Certified Advisor, CDI Global, Phone: +45 2176 4317

Profit & loss statement for the period 1 January – 30 June 2021

TDKK	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue	9,699	6,663	17,446	13,656
Other external costs	1,730	865	2,658	1,923
Gross profit	7,969	5,799	14,788	11,733
Personnel costs	7,375	5,006	12,715	10,079
EBITDA	594	793	2,072	1,654
Depreciation	135	24	163	46
Operating profit (EBIT)	459	769	1,910	1,608
Financial costs	123	40	82	56
Pre-tax Profit (EBT)	336	729	1,827	1,552
Taxes	14	(18)	69	71
Net profit	322	710	1,758	1,482

Cash flow statement for the period 1 January – 30 June 2021

TDKK	Q2 2021	Q2 2020	H1 2021	H1 2020
EBITDA	594	793	2,072	1,654
Financial costs	(123)	(40)	(82)	(56)
Payment of corporate tax	(14)	(19)	(69)	(71)
Exchange rate adjustments etc.	(4)	3	(65)	4
Change in trade receivables	(2,543)	(296)	(2,123)	4
Change in work in progress	-	-	-	78
Change in other receivables	287	(154)	131	(215)
Change in short term debt	1,911	1,673	1,648	1,937
Cash flow from operating activities	8	1,960	1,512	3,335
Purchase of fixed assets	(4,239)	(167)	(4,252)	(195)
Other investments	-	150	0	150
Cash flow from investing activities	(4,239)	(17)	(4,252)	(45)
Sale/purchase of own shares	(2,629)	-	(2,629)	-
Capital increase	1,330	-	1,330	-
Dividend paid	(1,171)	(1,104)	(1,171)	(1,104)
Cash flow from financing activities	(2,470)	(1,104)	(2,470)	(1,104)
Total cash flow	(6,702)	839	(5,210)	2,186
Cash holdings, beginning of period	5,374	3,705	3,882	2,358
Cash holdings, end of period	(1,328)	4,544	(1,328)	4,544

Balance sheet as of 30 June 2021

TDKK	30.06.2021	30.06.2020	31.12.2020
ASSETS			
Intangible assets			
Goodwill	7,434	345	134
Software	2	4	3
Property, plants and equipment			
Fixtures and fittings, tools and equipment	287	177	208
Investments			
Securities and deposits	126	128	127
Total fixed assets	7,849	654	472
Receivables			
Trade receivables	6,155	3,278	4,040
Work in progress	-	-	0
Other receivables	713	1,269	2,487
Advances for inventories	100	-	307
Deferred tax	2,800	800	2,800
Cash holdings	-	4,544	3,892
Total current assets	9,768	9,891	13,526
TOTAL ASSETS	17,617	10,545	13,998
LIABILITIES			
Share capital	1,087	1,035	1,035
Own shares	(2,629)	-	-
Share premium account	1,278	-	-
Currency exchange provision	(53)	-	(45)
Retained earnings	6,837	3,048	6,459
Total equity	6,520	4,083	7,449
Long term liabilities			
Acquisition, Earn-out	756	-	-
Other long-term payables	-	-	61
Short term liabilities			
Short-term debt	1,329	-	-
Trade payables	1,936	821	1,169
Other payables	7,076	5,641	5,319
Total liabilities other than provisions	10,341	6,462	6,549
TOTAL LIABILITIES	17,617	10,545	13,998

Equity explanation for the period 1 January – 30 June 2021

TDKK	30.06.2021	30.06.2020
Equity, beginning of year	7,449	3,706
Dividend distribution	(1,380)	(1,104)
Exchange rate adjustments etc.	44	(1)
Sale/purchase of own shares	(2,629)	-
Share premium account	1,278	-
Profit/Loss for H1	1,758	1,482
EQUITY – 30 JUNE	6,520	4,083

Key figures and ratios for the period 1 January – 30 June 2021

	H1 2021	H1 2020
EBITDA-margin	11.9%	12.1%
Operating profit margin (EBIT)	10.9%	11.8%
Liquidity ratio	94%	153%
Equity ratio	37%	39%
Number of shares	7,245,912	6,902,412
Earnings per share (EPS)	0.24 DKK	0.21 DKK
Cash flow per share	0.21 DKK	0.48 DKK
Share price, end of period	20.5 DKK	5.4 DKK

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

Management and Board shareholdings (direct or indirect) in Wirtek A/S as of 10 August 2021

Michael Aaen, CEO: 2,470,351 shares

Kent M. Sørensen, Chairman: 958,818 shares

Jens Uggerhøj, Board member: 357,858 shares

Certified Advisor and associates' shareholdings in Wirtek A/S as of 10 August 2021

Per Vestergaard, CDI Global ApS, 1,650 shares

Auditor

BDO Statsautoriseret revisionsaktieselskab, Visionsvej 51, 9200 Aalborg, Denmark

Disclaimer

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

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