

Interim Report

Extenda Retail Holding 1 AB (publ)

Org Nr: 556053-5873

January 1 - June 30, 2023

January 1 - June 30 in brief

Extenda Retail Holding 1 AB (publ) group was formed as a result of Symphony Technology Group's (STG) acquisition of Extenda AB and certain retail-focused business units of Visma in September 2018 through Extenda Retail Holding 1 AB and its subsidiaries. On April 1, 2022, the group acquired the Dutch group Re-Vision. The Re-Vision group (Re-Vision) has been included in the Group numbers from April 1, 2022, and the operations are now fully integrated. The group is referred to below as Extenda Retail.

SEK thousands	2023		2022		2023		2022		2022	
	Apr 1 - Jun 30	Apr 1 - Jun 30	Jan 1 - Dec 31	Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31	Jan 1 - Dec 31			
Net sales	180,088	169,010	356,040	323,899	323,899	666,544	323,899	323,899	666,544	666,544
of which Annual software agreements continually renewed (%)	78.1%	79.0%	79.2%	77.5%	77.5%	78.7%	77.5%	77.5%	78.7%	78.7%
EBITDA	35,513	25,445	61,195	33,123	33,123	126,650	33,123	33,123	126,650	126,650
Adjusted EBITDA*	40,251	29,799	76,109	57,928	57,928	140,495	57,928	57,928	140,495	140,495
Adjusted EBITDA-margin (%)	22.4%	17.6%	21.4%	17.9%	17.9%	21.1%	17.9%	17.9%	21.1%	21.1%

*Adjusted EBITDA consists of EBITDA less items affecting comparability. Please see details in Note G4. Please find definitions of KPIs and alternative performance measures on page 19.

The second quarter 2023

- Extenda Retail group presents a strong second quarter where Net sales increased by SEK 11,078k, or 6.6%. Both software revenue and service revenue grew at approximately similar rates to drive the increase. The rollout of more stores within our Hii Retail solution continues. We have also experienced higher service demand from customers running on classic product solutions.
- The share of annual software agreements that are continually renewed (i.e., recurring revenue) amounts to 78.1% of Net sales. The Annual Recurring Revenue increased with SEK 63.2m to SEK 514.2m, corresponding to a growth ratio of 14.0%.
- The adjusted EBITDA margin continues to strengthen with a margin improvement of 4.8% compared to the same period last year. Adjusted EBITDA amounts to SEK 40,251k, an increase of SEK 10,452k. The improved adjusted EBITDA The margin improvement is mainly due to higher revenue but also from the business model to offshore part of the workforce.

Comments from President and CEO Leendert Venema

Over the last three years, we have significantly improved Extenda Retail's performance. Deliveries of our Classic Products are strong, and we have started the technology transformation of our POS customers to our cloud-native platform for in-store commerce, Hii Retail. We have built an extensive partner network around ExtendaGo and started our first implementations of our transaction-based revenue model. The international success of our NYCE.LOGIC warehouse management solution has grown tremendously over the last 12 months, with the first customers live in the Netherlands and a strong pipeline of new logo opportunities. We also launched our loss prevention solution for retailers in the second quarter, which will improve the self-service market. We have launched and started to pilot our first AI-driven loss prevention applications with promising results, helping retailers to reduce shrinkage and loss, which must be managed more carefully as retailers shift to more self-service checkout solutions.

Most importantly, we have successfully built an entirely new cloud-native point-of-sale environment for demanding, scale enterprise customers. The new deployments can be rolled out in record time due to the inherently scalable nature of cloud-native solutions where new endpoints can be quickly provisioned. In addition, customers no longer measure progress by the number of software upgrades per year. Upgrades and fixes can be rolled out continuously. Both the quicker deployment times and the continuous upgrade cycle result in a significant shift in time-to-value. The market is willing to adopt, our teams are ready to sell and implement, we can support around the clock, and customers are enjoying the benefits of this groundbreaking technology. We are doing this to drive simplicity and delightfulness for our customers, and the solution is now proven and operating live at significant scale as the primary point-of-sale solution for multiple customers.

Extenda Retail has delivered good Q2 revenue results, showcasing our robust resilience and scalable approach. With a 6.6% increase in revenue and a 35.1% increase in Adjusted EBITDA compared to last year, the company's customer-centric approach, innovative products, scalable approach, and agile market strategies have borne strong results. Behind these figures lies a dedicated and innovative workforce driven by a shared vision. The Q2 result is a testament to our ability to excel in a dynamic business landscape, positioning ourselves for a promising future filled with growth and accomplishments.

Summary of financial information

The table below presents a summary of the financial information for Extenda Retail. Please see definitions on page 18.

Net Sales Q2

SEK thousands	2023		2022		2022	2022
	Apr 1 - Jun 30	Jan 1 - Jun 30	Apr 1 - Jun 30	Jan 1 - Jun 30		
Software revenue	140,628	133,572	282,080	250,879	524,251	
Service revenue	36,523	29,703	65,616	60,671	115,510	
Hosting and infrastructure*	1,513	3,139	4,587	6,445	12,850	
Hardware and technical services*	1,423	2,596	3,756	5,904	13,933	
Total Net sales	180,088	169,010	356,040	323,899	666,544	

Total Net Sales in Q2 increased with SEK 11,078k, where Software revenues, which are our recurring subscription revenues, and are the main benchmark, grew during the year with SEK 7,056k or 5.3% to SEK 140,628k. From a product perspective, most growth continues to be within our new Hii Retail suite, where the rollout of new stores in Q2 2023 drives the increase, but also some growth from our POS products. The recurring subscription revenues now represent 78.1% of the net sales, vs. last year's 79.0%, driven by a strong quarter in service revenue. A reliable technology research company predicts that the retail software market will experience a double-digit expansion in the next five years. Extenda Retail's primary focus is continuing to grow its business with a particular focus on growing the software recurring revenue, which is highly scalable and will support further margin expansion.

The Service revenue for the current period is higher than the corresponding period in the previous year, with SEK 6,820k (22.9%). We have had significantly higher demand for service mainly from our clients with classic products. This is partially offset by an intentional reduction in other non-recurring revenue streams.

Sales of non-software supplies, including hosting, technical services, and hardware, decreased by SEK 2,799k. These offerings are being phased out and will be provided to customers by suppliers other than Extenda Retail where needed.

Approximately 23% of the company's revenues are generated in the Norwegian company Extenda Retail AS. The strengthening of the Swedish krona against the Norwegian krone has negatively impacted the Group's revenue in Q2 2023 with SEK (2,212)k.

Result Q2

SEK thousands	2023	2022	2023	2022	2022
	Apr 1 - Jun 30	Apr 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31
Operating earnings	(10,000)	(15,821)	(28,900)	(42,562)	(45,066)
Add back amortization, depreciation and write-downs	45,513	41,266	90,095	75,684	171,716
Add back items affecting comparability	4,738	4,354	14,913	24,805	13,845
Adjusted EBITDA	40,251	29,799	76,109	57,928	140,495
Adjusted EBITDA-margin (%)	22.4%	17.6%	21.4%	17.9%	21.1%

**Adjusted EBITDA is EBITDA less items affecting comparability (please see Note 64 for details).*

Adjusted EBITDA has increased by SEK 10,452k to SEK 40,251k, and the margin has increased to 22.4%.

Direct costs pertain to expenses directly linked with revenue generation, encompassing outlays for dedicated time, licensing fees, and labor expenditures explicitly allocated for revenue creation. Through the implementation of a business model that involves partnerships in more cost-effective locations, the direct costs have been diminished, despite an increase in available working hours.

Other external costs encompass a range of consulting expenses. These costs are predominantly linked to the time invested in product suite upkeep, new product development, and other outlays like IT infrastructure, marketing, and office-related expenditures. Other external costs are more or less in line with the same period last year.

Other costs for employee compensation, adjusted for items affecting comparability of SEK 1,972k, is SEK 2,511k higher than the same quarter last year. The increase is mostly due to the annual salary increases, which are somewhat greater in the recent inflationary environment. The items affecting comparability compounds costs for offshoring certain functions to Moldova and India.

We continue to invest in our native cloud product; the capitalization of work performed by the group increased by SEK 561k to SEK 8,194k compared to the same period last year. This reaffirms our dedication to remain at the forefront of the industry.

The operating earnings for the period were SEK (10,000)k, vs. last year of SEK (15,821)k, which included one-off items of SEK (4,738)k, vs. last year SEK (4,354)k and depreciation and amortization of SEK (45,513)k, vs. last year SEK (41,266)k. Net earnings for the period were SEK (20,532)k, which includes net financial items of SEK (10,457)k and income tax of SEK (75)k. Net earnings for the period previous year were SEK (23,555)k, which includes net financial items of SEK (7,123)k and income tax of SEK (610)k.

Financial position and cash flow in brief

SEK thousands	2023	2022	2022
	Jun 30	Jun 30	Jan 1 - Dec 31
Non-current assets	1,010,475	1,087,492	1,055,594
Other current assets	182,790	173,566	173,569
Cash and cash equivalents	30,313	140,865	106,337
Total assets	1,223,579	1,401,923	1,335,499
Total equity	213,803	309,854	286,373
Non-current liabilities	705,382	720,908	719,712
Current liabilities	304,393	371,161	329,414
Total equity and liabilities	1,223,579	1,401,923	1,335,499

Total assets at the end of the period amounted to SEK 1,223,579k compared to year-end 2022 of SEK 1,335,499k, of which SEK 1,010,475k consisted of intangible assets, primarily goodwill, and other intangible assets arising in connection with the acquisition of Re-Vision group April 1, 2022, and STG's acquisitions of Visma Retail and Extenda, previous year SEK 1,087,492k. Investments in intangible fixed assets were capitalized development for internally developed software. Investments in intangible fixed assets during the period Jan - Jun totaled SEK 44,299k million, and during the same period last year, SEK 31,654k.

Cash and cash equivalents by June 30, 2023, amounted to SEK 30,313k and decreased during the period from January to June by SEK 77,121k. Change in net working capital row includes SEK 7,223k of repayment of withholding taxes. Cash Flow from current activities amounted to SEK 12,060k. Investment in subsidiaries was SEK 37,069k paid as earn-out to the previous owners of Extenda AB. The earnout was the final payment for the acquisition, and no further liability remains. Investment in intangible assets was SEK (44,299)k, and lease payments were SEK (7,782)k.

Total equity amounted to SEK 213,803k compared to year-end 2022 of SEK 286,373k. The decrease derives from the income statement and from currency differences in equity of SEK 15,952k. The equity/assets ratio at the end of the period was 17.5%, and 22.1% in the same period last year.

Non-current liabilities have decreased by SEK 14,330k compared to year-end 2022. The decrease is mostly due to reclassification of long-term debt to short-term debt for the deferred payments of taxes for social charges and withholding taxes, including interest of SEK 14,281k, offset by currency differences of the loan from Extenda Retail S.á.r.l nominated in EUR.

Current liabilities of SEK 304,393k include the current part SEK 34,089k of deferred payments of taxes for social charges and withholding taxes, including interest, given to the Group as support to help companies through the corona pandemic. The full amount of SEK 97,543k was presented as current as of June 2022 before the payment plan was approved. Extenda Retail received approval for a 3-year repayment plan for the full amount in late 2022.

Investments

The group's total cash flow from investments during H1 2023 amounted to SEK (44,299)k compared to the same period last year of SEK (31,654)k. The investments primarily refer to functionality development in our cloud-native solution Hii Retail.

Seasonal variations

The business is somewhat seasonal regarding Service revenue, where there is less service revenue in June-August due to summer holidays in the Nordics. A reversal of the accrual for vacation is expected in July and August.

Financing

Cash and cash equivalents in the group consist of bank balances. At the end of the period, cash and cash equivalents amounted to SEK 30,313k.

The current financing consists of a bond loan with a framework of SEK 1,000,000,000, of which SEK 550,000,000 has been used. The bond was issued at the end of March 2022 and runs for five years with an interest rate of 3M STIBOR plus a 6.75% margin. There are no ongoing covenants attached to the bond loan. In case of an increase in the loan amount, the leverage ratio must not exceed 4.25. The Group also has a shareholder loan from Extenda Retail S.á.r.l. Interest accrues at a fixed rate of 5% and is payable on demand. The loan has a five-year maturity.

In Q1 2023, Extenda Retail signed an amendment to extend the super senior revolving facility agreement to March 29, 2024. The facility is not used as of June 30, 2023. Available amount is SEK 75,000,000.

Significant risks and uncertainties

Extenda Retail's operations, financial position, and results are affected by a number of risks and uncertainty factors. Managing these risks is necessary for Extenda Retail to be able to meet its short- and long-term goals. These risks can be divided into three main categories: market-related, operational risk, and financial. These risks are described in the group's annual report for 2022.

Market and Technological Development

The development of the broader economy, as well as trends, impacts specific customer segments and the market opportunities for Extenda Retail. The financial climate impacts demand from individuals and companies and changes customer buying patterns which in turn affect our customers' investment plans and strategic initiatives.

Global changes in retail continue, with digitalization and new customer service models creating powerful forces for change that affect the entire retail sector, including our customers. The changes that result from digitalization, increased demand for personalization, dynamic pricing, AI, and mobile-first strategies require continued investment in development to ensure that Extenda Retail can continue to be at the forefront of developing next-generation retail solutions.

This rapid industry change can lead to longer sales cycles because customers need to make strategic choices that have long-term implications for their businesses. We believe these developments offer us strong and increasing potential for new and additional sales of our market-leading offerings.

Operational risk

One prerequisite for additional sales and maintenance of our long-term customer relationships is the delivery of successful customer projects. It is of the utmost importance that we continue to place the customer at the center of everything we do, as failures in customer projects or in living up to customer expectations can result in long-term damage to our good reputation in the market.

Financial risk

Extenda Group is exposed to a number of financial risks in its operations. Financial risks principally pertain to currency-, interest-rate-, credit-, and counterparty risks. Risk management is regulated by the finance policy adopted by the Board. The ultimate responsibility for managing the Group's financial risks and developing methods and principles of financial risk management lies with the Extenda Retail management team. For more information concerning these risks, refer to Note G29, Financial Risk Management, and Financial Instruments of the Extenda Retail 2022 Annual Report.

Other information

Russian invasion of Ukraine

On February 24, 2022, Russia initiated an invasion of Ukraine. Extenda Retail condemns these acts of violence and actively supports Ukrainian humanitarian efforts. Extenda Retail is conducting no operations in Russia today. The Group has a small number of highly valued employees in Ukraine through our partners and through our subsidiary, which constitutes ~3% of Extenda Retail's workforce, who are affected to varying degrees by the invasion. In financial terms, the Russian invasion of Ukraine may have a somewhat negative impact on the development of the Group's earnings and positions. Extenda Retail has mitigated the impact by offering employment in Sweden for those Ukrainians to whom it is possible to relocate. At the current time, it is impossible to assess the direct consequences of the conflict for Extenda Retail.

Current market situation

Inflation and interest rates continue to rise globally and in Sweden and will affect the Group in terms of higher interest costs. A continued high rate of inflation will have an impact on the Group's costs and future revenues.

Events after the end of the reporting period

On July 4, 2023 Extenda Retail publicly announced the decision to appoint BDO Mälardalen AB (BDO) with Beata Lihammar as auditor-in-charge, as our new audit service provider for Extenda Retail Group for the fiscal year 2023, replacing Ernst & Young (EY). The decision to transition to a new audit service provider was prompted by EY's recent notification to move Extenda Retail's existing auditing team to other larger clients and place us with a team outside of Stockholm. This was also an opportunity for Extenda Retail to undertake a competitive tender process to ensure our audit services' continued quality and efficiency. Extenda Retail believes that the appointment of BDO as new audit service provider will offer numerous advantages. BDO has established itself as a globally recognized auditing firm with a proven track record of delivering exceptional services to clients across various industries. The audit transition process from EY to BDO is expected to be smooth and seamless, with minimal disruption to Extenda Retail's operations. Both firms will work closely to ensure a comprehensive knowledge transfer and understanding of Extenda Retail's unique business requirements.

There are no other significant events after the reporting period to be reported.

Parent company

The Parent Company Extenda Retail Holding 1 AB (publ) (559167-1507) was established in 2018 and was registered with the Swedish Companies Registration Office for the first time on July 5, 2018. The company is owned by Extenda Retail S.á.r.l, which is, in turn, ultimately owned by STG Fund V and the management.

Net financial items for Q2 2023 totaled SEK (2,052)k, and income after tax amounted to SEK (2,055)k. Net financial items for Q2 2022 totaled SEK (1,103)k, and income after tax amounted to SEK (1,101)k.

Investments in property, plant, and equipment, and intangible assets for the period amounted to SEK - (-).

On June 30, 2023, the Parent Company had SEK 530,915k in Long-term liabilities consisting of the Bond Loan of 550,000 SEK offset by prepaid loan fees of SEK 19,085k and a long-term receivable of SEK 552,478k to Extenda Retail Holding 2 AB.

On June 30, 2022, the Parent Company had SEK 525,826k in Long-term liabilities consisting of the Bond Loan of 550,000 SEK offset by prepaid loan fees of SEK 24,174k and a long-term receivable of SEK 535,381k to Extenda Retail Holding 2 AB.

Extenda Retail Holding 1 AB has no significant related party transactions other than transactions with group companies. All transactions with related parties are carried out on market-based terms. The nature and scope of related party transactions during the period are essentially the same as in 2022.

Condensed consolidated statement of profit and loss and other comprehensive income

SEK thousands	Note	2023	2022	2023	2022	2022
		Apr 1 - Jun 30	Apr 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31
Net sales	G2	180,088	169,010	356,040	323,899	666,544
Other operating income		2,767	919	3,737	2,286	32,971
Total revenue		182,855	169,929	359,776	326,185	699,515
Direct cost		(44,807)	(45,268)	(92,063)	(93,291)	(178,396)
Other external costs		(44,342)	(45,870)	(91,594)	(99,068)	(196,156)
Other costs for employee compensation		(65,408)	(60,377)	(132,371)	(113,442)	(230,648)
Work performed by the group and capitalized		8,194	7,633	19,288	14,256	35,055
Amortizations, depreciations and write downs		(45,513)	(41,266)	(90,095)	(75,684)	(171,716)
Other operating expenses		(979)	(603)	(1,841)	(1,517)	(2,719)
Total cost		(192,854)	(185,750)	(388,676)	(368,746)	(744,581)
Operating earnings		(10,000)	(15,821)	(28,900)	(42,562)	(45,066)
Financial income		8,549	334	9,306	605	10,646
Financial costs		(19,006)	(7,458)	(36,685)	(33,568)	(70,334)
Earnings before tax		(20,457)	(22,945)	(56,280)	(75,525)	(104,754)
Income tax		(75)	(610)	(338)	(1,511)	948
Net earnings for the period		(20,532)	(23,555)	(56,618)	(77,036)	(103,806)
Other comprehensive income						
<i>Items that can be reclassified to profit or loss</i>						
Translation differences from operations abroad		1,557	(2,597)	(15,952)	979	4,269
Total other comprehensive income		1,557	(2,597)	(15,952)	979	4,269
Total comprehensive income for the period		(18,975)	(26,152)	(72,570)	(76,056)	(99,537)
Earnings for the period attributable to:						
Parent Company shareholders		(20,532)	(23,555)	(56,618)	(77,036)	(103,806)
Total comprehensive income attributable to:						
Parent Company shareholders		(18,975)	(26,152)	(72,570)	(76,056)	(99,537)

Condensed report on the financial position of the Group

SEK thousands	Note	2023 Jun 30	2022 Jun 30	2022 Dec 31
Non-current assets				
Intangible assets and goodwill		949,988	999,906	987,687
Property, plant and equipment		9,549	12,690	11,299
Right-of-use assets		50,286	73,916	55,680
Other non-current assets		652	980	928
Total long-term assets		1,010,475	1,087,492	1,055,594
Current assets				
Trade receivables		144,643	130,841	139,788
Current tax assets		11,226	10,994	7,693
Contract assets		16,315	17,558	14,480
Other current assets		10,605	14,172	11,608
Cash and cash equivalents		30,313	140,865	106,337
Total current assets		213,103	314,431	279,905
Total assets		1,223,579	1,401,923	1,335,499
Equity				
Share capital		500	500	500
Other contributed capital		868,441	868,441	867,991
Reserves		(11,110)	1,890	4,899
Retained earnings including earnings for the period		(644,029)	(560,977)	(587,017)
Total equity		213,803	309,854	286,373
Non-current liabilities				
Provisions		7,922	76,066	8,259
Loan liabilities		577,768	568,224	572,563
Non-current lease liabilities		57,723	66,561	62,977
Deferred tax liabilities		9,417	10,057	9,079
Other interest-bearing non-current liabilities		52,552	-	66,833
Total non-current liabilities		705,382	720,908	719,712
Current liabilities				
Trade payables		42,917	50,186	54,340
Other interest-bearing current liabilities		34,089	97,543	24,138
Current lease liabilities		10,069	14,492	10,770
Contract liabilities		120,453	118,385	111,748
Other current liabilities	G3	96,865	90,556	128,417
Total current liabilities		304,393	371,161	329,414
Total equity and liabilities		1,223,579	1,401,923	1,335,499

Condensed consolidated statement of changes in equity

Equity attributable to the Parent Company's shareholders

SEK thousands	2023	2022	2022
	Jun 30	Jun 30	Dec 31
Opening balance	286,373	385,910	385,910
<i>Changes in equity</i>			
Earnings for the period	(56,618)	(77,036)	(103,806)
Translation differences	(15,952)	979	4,269
Total comprehensive income	(72,570)	(76,056)	(99,537)
Ending balance	213,803	309,854	286,373

Condensed consolidated cash flow Statement

SEK thousands	Note	2023	2022	2022
		Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31
Operating earnings		(28,900)	(42,562)	(45,066)
Adjustment for non-cash items, etc.		83,685	78,396	140,536
Interest received		101	605	0
Interest and financial items paid		(32,136)	(53,761)	(74,033)
Income tax paid		-	(2,910)	(64)
Cash flow from operations before to changes in working capital		22,750	(20,232)	21,373
Cash flow from changes to working capital				
Change in current receivables		(2,046)	(16,411)	(21,525)
Change in current liabilities		(8,645)	(31,899)	(41,640)
Cash flow from current activities		12,060	(68,542)	(41,792)
Investing activities				
Acquisitions of subsidiaries		(37,069)	(139,314)	(139,314)
Acquisitions of intangible assets		(44,299)	(31,654)	(81,275)
Acquisitions of tangible assets		(308)	(40)	(1,389)
Change in financial assets		277	1	-
Cash flow from investing activities		(81,399)	(171,007)	(221,978)
Financing activities				
Lease liability payments		(7,782)	(1,050)	(14,600)
New borrowings		-	550,000	550,000
Loan repayment		-	(319,234)	(319,234)
Cash flow from financing activities		(7,782)	229,716	216,166
Cash flow for the period		(77,121)	(9,833)	(47,604)
Cash and cash equivalents at start of period		106,336	148,024	148,024
Translation difference on cash and cash equivalents		1,098	2,674	5,916
Cash and cash equivalents at end of period		30,313	140,865	106,336

Parent company income statement

SEK thousands	Note	2023	2022	2023	2022	2022
		Apr 1 - Jun 30	Apr 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31
Operating revenues		-	-	-	-	-
Other external costs		(0)	2	(1)	2	-2
Other expenses		(3)	0	-3	-3	-3
Operating earnings		(3)	2	(5)	2	(2)
Interest income and similar items		13,805	9,736	26,577	9,833	31,649
Interest expenses and similar items		(15,857)	(10,838)	(30,569)	(11,194)	-37,339
Earnings before tax		(2,055)	(1,101)	(3,997)	(1,359)	(5,692)
Appropriations		0	-	0		(22,493)
Earnings for the period		(2,055)	(1,101)	(3,997)	(1,359)	(28,186)
Total comprehensive income for the period		(2,055)	(1,101)	(3,997)	(1,359)	(28,186)

Parent company balance sheet

SEK thousands	2023	2022	2022
	Jun 30	Jun 30	Dec 31
Long-term assets			
Shares in group companies	870,932	870,932	870,932
Long term receivables from group companies	552,478	535,381	541,258
Total long-term assets	1,423,409	1,406,312	1,412,189
Short-term assets			
Short term receivables from group companies	0	28,760	28,760
Prepaid expenses and accrued income	100	296	99
Total short-term assets	100	29,056	28,859
Total assets	1,423,509	1,435,368	1,441,048
SEK thousands	2022	2021	2022
	Jun 30	Jun 30	December 31
Equity			
<i>Restricted equity</i>			
Share capital (50,000 shares)	500	500	500
Total restricted equity	500	500	500
<i>Unrestricted equity</i>			
Retained earnings	867,991	867,991	867,991
Earnings for the period	(32,183)	(1,359)	(28,186)
Total unrestricted equity	835,808	866,633	839,805
Total equity	836,308	867,133	840,305
Long-term liabilities			
Long-term liabilities	530,915	525,826	528,370
Total long-term liabilities	530,915	525,826	528,370
Short-term liabilities			
Short-term liabilities to group companies	56,594	42,410	72,372
Total short-term liabilities	56,594	42,410	72,372
Total equity and liabilities	1,423,817	1,435,368	1,441,048

Statement of changes in equity

SEK thousands	2023	2022	2022
	Jun 30	Jun 30	Dec 31
Opening balance	840,306	868,491	868,490
<i>Changes in equity</i>			
Earnings for the period	(3,997)	(1,359)	(28,185)
Total comprehensive income	(3,997)	(1,359)	(28,185)
Ending balance	836,308	867,133	840,305

Notes

Note G1, Accounting policies

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. For the Parent Company, the report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2. The Accounting policies adopted are consistent with those applied for in the 2022 Annual Report and should be read in conjunction with that Annual Report.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgments. Those that are significant to the consolidated financial statements are described in the notes in the 2022 Annual Report. There are no changes in the estimates and judgments compared to the Annual Report 2022.

For practical reasons, the figures in this interim report have not been rounded off, which is why notes and tables may not total the correct amounts. Unless otherwise specified, all figures pertain to SEK thousands (k). The interim report provides alternative performance measures for monitoring the Group's operations.

New and changed accounting standards in 2023

None of the standards and statements that have been published by the IASB and are effective for annual periods beginning on or after January 1, 2023, have had any significant impact on the financial statements of the Group.

Note G2, Net Sales

Total revenue is divided up into the following lines of operations:

SEK thousands	2023	2022	2023	2022	2022
	Apr 1- Jun 30	Apr 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31
Software revenue	140,628	133,572	282,080	250,879	524,251
Service revenue	36,523	29,703	65,616	60,671	115,510
Hosting and infrastructure*	1,513	3,139	4,587	6,445	12,850
Hardware and technical services*	1,423	2,596	3,756	5,904	13,933
Total Revenue	180,088	169,010	356,040	323,899	666,544

*Revenue that will be phased out over time

Note G3, Recognition of financial instruments at fair value

Extenda Retail's financial assets are essentially non-interest-bearing and interest-bearing receivables, in which cash flows represent only payment for the initial investment and, where applicable, interest. Their value is intended to be held to maturity and is carried at amortized cost, which is a reasonable estimate of fair value. Financial liabilities are for the most part, recognized at amortized cost. Financial instruments measured at fair value on the balance sheet are contingent considerations consisting of current liabilities with a value of SEK 0k. Contingent consideration liabilities are recognized at fair value based on management's best estimate of the most likely outcome (level 3, as defined in IFRS 13). Other assets and liabilities are recognized at amortized cost.

Note G4, Items affecting comparability

Accounting and Valuation Principles

Items affecting comparability refer to material items and events related to changes in the Group's structure or industry, which are relevant to understanding the Group's performance on a like-for-like basis. Group EBITDA is adjusted for items affecting comparability to enable the reader to monitor and analyze underlying profitability adjusted for items that affect comparability between periods.

SEK thousands	2023 Apr 1- Jun 30	2022 Apr 1 - Jun 30	2023 Jan 1 - Jun 30	2022 Jan 1 - Jun 30	2022 Jan 1 - Dec 31
Items affecting Other operating income					
Reversal of earn-out	-	-	-	-	28,550
Total items affecting Other operating income	-	-	-	-	28,550
Items affecting Direct costs					
Integration costs Re-vision	-	-	(109)	-	-
Onerous contracts (M&A insurance related)	-	-	(770)	-	-
Total items affecting Direct costs	-	-	(879)	-	-
Items affecting Other external costs					
Legal and other services (M&A, M&A insurance, carve-out)	(645)	(254)	(1,656)	(16,744)	(18,623)
Outsourcing and offshoring of functions to India and Moldova	(1,493)	(1,580)	(3,344)	(3,568)	(4,442)
IT security & IT restructuring of the IT environment	(595)	(500)	(1,831)	(1,240)	(3,497)
Integration costs Re-Vision	(21)	(1,659)	(515)	(1,659)	(9,369)
Other	(12)	(909)	(1,542)	(1,813)	(2,444)
Total items affecting Other external costs	(2,766)	(4,902)	(7,232)	(25,024)	(38,375)
Items affecting Other costs for employee compensation					
Outsourcing and offshoring of functions to India and Moldova	(1,972)	548	(6,803)	219	(328)
Integration costs Re-Vision	-	-	-	-	(3,692)
Total items affecting Other costs for employee compensation	(1,972)	548	(6,803)	219	(4,020)
Total items affecting comparability in EBITDA	(4,738)	(4,354)	(14,913)	(24,805)	(13,845)

Note G5, Events after the end of the reporting period

There are no significant events after the reporting period to be reported.

Note G6, Transactions with related parties

Extenda Group carries out normal commercial transactions with subsidiaries. No other significant transactions with related parties occurred.

Note G7, Summary of financial information

Please find definitions of KPIs and alternative performance measures on page 19.

SEK thousands	2023	2022	2023	2022	2022
	Apr 1 - Jun 30	Apr 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Jun 30	Jan 1 - Dec 31
Net Sales	180,088	169,010	356,040	323,899	666,544
Total revenue	182,855	169,929	359,776	326,185	699,515
Annual software agreements that are continually renewed	140,628	133,572	282,080	250,879	524,251
Share of annual software agreements continually renewed	78.1%	79.0%	79.2%	77.5%	78.7%
Operating earnings	(10,000)	(15,821)	(28,900)	(42,562)	(45,066)
Operating margin, %	-5.5%	-9.3%	-8.0%	-13.0%	-6.4%
EBITDA	35,513	25,445	61,195	33,123	126,650
Items affecting comparability	4,738	4,354	14,913	24,805	13,845
Adj. EBITDA	40,251	29,799	76,109	57,928	140,495
Adj. EBITDA margin, %	0.0%	0.0%	0.0%	0.0%	0.0%
Net financial items	(10,457)	(7,123)	(27,380)	(32,963)	(59,688)
Net earnings for the period	(20,532)	(23,555)	(56,618)	(77,036)	(103,806)
Profit margin, %	neg	neg	neg	neg	neg
Total assets	1,223,579	1,401,923	1,223,579	1,401,923	1,401,923
Cash and cash equivalents	30,313	140,865	30,313	140,865	140,865
Loan liabilities	577,768	568,224	577,768	568,224	568,224
Equity	213,803	309,854	213,803	309,854	309,854
Net debt	547,455	427,359	547,455	427,359	427,359
Equity/assets ratio, %	17.5%	22.1%	17.5%	22.1%	22.1%

About Extenda Retail

Extenda Retail makes innovation simple for leading retailers and 3PLs. With Extenda Retail's frictionless, game-changing software, retailers and logistics providers are able to grow their business and optimize their customers' experience.

The extensive portfolio includes the Hii Retail cloud platform, POS (point-of-sale) & Checkout, WMS, Customer Intelligence & Loyalty, and Pharmacy software. With over 40 years as an industry leader in retail software development, hundreds of retail chains with a presence in over 37 countries across the globe utilize solutions by Extenda Retail.

Since the fall of 2018, Extenda Retail has operated under the new brand backed by STG Partners, a US-based private equity firm with a proven track record of successful investments in technology companies. Extenda Retail has a strong Nordic and European presence with a headquarter in Stockholm, Sweden, and several European offices.

Learn more at www.extendaretail.com or follow the company on LinkedIn.

Contact information

Extenda Retail Holding 1 AB (publ)

Corp. ID no. 559167-1507

Gustav III Boulevard 50A

SE-169 73 Solna, Sweden

Phone: +46 8 505 370 00

Investor relations

investor@extendaretail.com

CEO Leendert Venema

Phone: +46 8 505 370 00

CFO Tony Falck

Phone: +46 8 505 370 00

All financial information is posted on

extendaretail.com immediately after publication.

Financial calendar

November 30, 2023: Q3 Interim report

Definitions of KPIs and alternative performance measures

The Interim Report includes financial key ratios based on IFRS. In addition, other key ratios (Alternative Performance Measures – APMs) are used by the Company and other interests to describe the Group's operations, which cannot be discerned or derived from the financial statements. These APMs are to be regarded as a complement to the financial reporting presented in accordance with IFRS. It should be noted that the APMs defined below may differ somewhat from other companies' definitions of the same terms.

Net Sales

Net sales is the sum of gross sales minus any discounts.

Total revenue

Total revenue is the total revenue from recurring and non-recurring revenue streams.

Annual software agreements that are continually renewed

Annual software agreements that are continually renewed (i.e., recurring revenue) is an APM that is defined as revenue from customers for the provision of goods or services during the term of a contract where the customer cannot continue to benefit from the full functionality of the goods or services without ongoing payments and revenue streams that are expected to recur for more than 12 months. Recurring revenues are mainly revenues from software, support, and maintenance contracts. Revenue from, e.g., system implementation and migration is not recognized as recurring revenue.

The APM is used to follow the group's sales and the trend to convert non-recurring revenue to recurring revenue.

Share of annual software agreements that are continually renewed (%)

Annual software agreements that are continually renewed (i.e., recurring revenue) in percent of Net Sales.

The APM is used to follow the group's sales increase and the trend to convert non-recurring revenue to recurring revenue in %.

Operating earnings

Result before financial items and tax.

Operating margin (%)

Result before financial items and tax as a percentage of total revenue.

EBITDA

Result before interest, taxes, depreciation, amortization, and write-downs (Earnings before Interest, Tax, Depreciation, and Amortization).

The APM is used to follow up on the company's results generated by ongoing operations. The APM enables comparisons of profitability between companies and industries.

Items affecting comparability

Significant events and transactions that are relevant to pay attention to when a period's results are compared with another. Items affecting comparability refer to restructuring costs (consulting costs, costs related to staff reductions, loss agreements, and write-downs, acquisition costs, legal costs, and advisory costs in connection with the establishment of new subsidiaries, integration costs (consulting costs, fees, and write-downs)) in connection with acquisitions or mergers, write-downs of any additional purchase price, write-downs, and transactions from strategic decisions, such as capital gains and losses from the sale of businesses that are essential individually or in the aggregate, material customer losses, disputes, and insurance matters as well as severance pay or similar to members of the group's management team or in its subsidiaries.

Items affecting comparability are excluded to make it easier to compare results between periods

Adjusted EBITDA

Result before interest, taxes, depreciation, amortization, and write-downs (Earnings before Interest, Tax, Depreciation, and Amortization) with items affecting comparability added back.

The APM is used to follow up on the company's results generated by ongoing operations. The APM enables comparisons of profitability between companies and industries.

Adjusted EBITDA-margin (%)

Result before interest, taxes, depreciation, amortization, and write-downs (Earnings before Interest, Tax, Depreciation, and Amortization) with items affecting comparability added back as a percentage of Net Sales.

The APM reflects the operational profitability of the business before amortization and write-downs of acquisition-related intangible assets. The APM is one important component, along with sales growth, to monitor the company's profitability.

Net financial items

Interest income and similar items less interest expense and similar items.

Net earnings for the period

Results after financial items, tax, and end-of-year appropriations.

The APM is used to follow up on the company's final result after tax.

Total Assets

The group's total assets

Cash and cash equivalents

Cash and bank equivalents are assets held in bank accounts.

Loan liabilities

Loan liabilities are the current and non-current parts of interest-bearing loans.

Net debt

Loan liabilities less cash and cash equivalents.

Equity/assets ratio (%)

Equity as a percentage (%) of total assets.

The APM shows the percentage of the assets financed with equity capital. The aim is to be able to assess the group's ability to pay in the long term.