Q4 2022 report

SmartCraft ASA

February 15th 2023

Contents

Our passion is to simplify business for construction companies

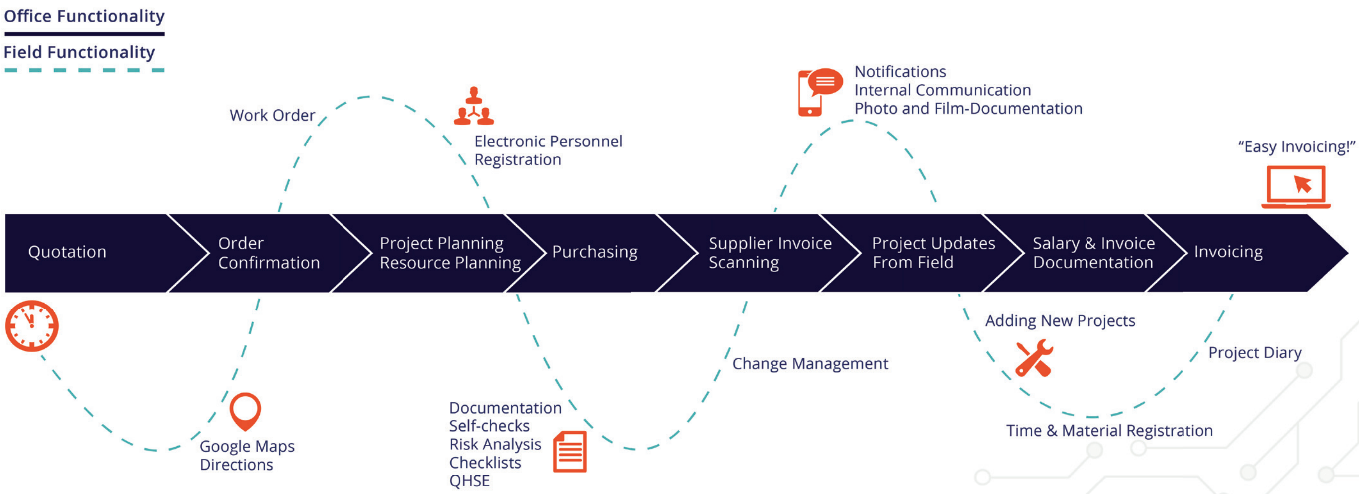
SmartCraft's mission is to streamline operations and free up time for construction companies, so they can generate additional revenue instead of spending evenings and weekends with planning, purchasing, invoicing and documentation. This is especially true for small and medium enterprises, but our specialized software is also used by large installation companies, as many of the processes in the field and in the office are the same. In the future, well-functioning and efficient processes will be necessary for craftsmen and contractors to keep up with competition. Our solutions are used by our customers even before they have won a contract. As a natural part of the sales process, our solutions enable our customers to be more efficient and precise in their offers. Official requirements and regulations, for example with regards to health and safety as well as quality control, become increasingly comprehensive and end-customers require more documentation of the work being done. Nevertheless, the construction industry is today one of the least digitized, however we are more convinced than ever that this will change rapidly in the years to come. Those who remain passive and stick with their analogue processes will be left behind.

Best-of-breed

We offer best-of-breed software. This means that our solutions are tailormade for each of the niches we focus on. The best solution for a plumber is not necessarily ideal for a carpenter – and electricians have their specific requirements. Since we were founded in 1987, we have followed this philosophy, which means that we over time have built deep insight and competency regarding the business models and workflows of our customers. At the same time, we increasingly collaborate across the group and solutions when it comes to customer insight, product and technology, development and sales. Our goal is always to provide the most efficient and productive solutions for our customers. We emphasize innovation and in 2022 7% of our revenue was invested in product and technology development.

The craftsman's office is in the car or outside on a construction site. Our solutions are seamlessly available on smartphones and tablets for field workers and on rich web clients at the desktop for people in the office. Hence, SmartCraft users can use digital tools throughout the day in every step of the process. All the way from producing a quotation, project planning, and work-order to project documentation, salaries and invoicing.

Adding value throughout the customer journey



Massive market and low take-rate

In our existing markets there are about 260 000 companies in the construction industry. Most of these are SME companies where our solutions are a great fit. Calculations show that the potential market size was above NOK 10 billion in the Nordics alone in 2021. This market is expected to grow annually by double digits in the period 2020-2025 and we are deeply committed to remaining a leading player and a driving force in the industry going forward.

It is essential for us to ensure that the purchase decision for new customers is easy. Our solutions are cloud based and easy to implement. Looking at the cost per month for a new SmartCraft customer, the take-rate is very low compared to the total cost base. For a customer, the return on investment is immense.

Strong growth drivers for digitalization of an attractive SME construction market

There are four main drivers for digitalization in the construction industry.

Lack of skilled workers
- Need for skilled construction workers globally
- Aging workforce and lack of recruitment

Long tail of service needs in private and public sector
- Increasing aging buildings in need of renovation
- Services include renovation, upgrades and maintenance of existing buildings

Increasing demand for detailed digital documentation
- Regulatory offices
- Consumers

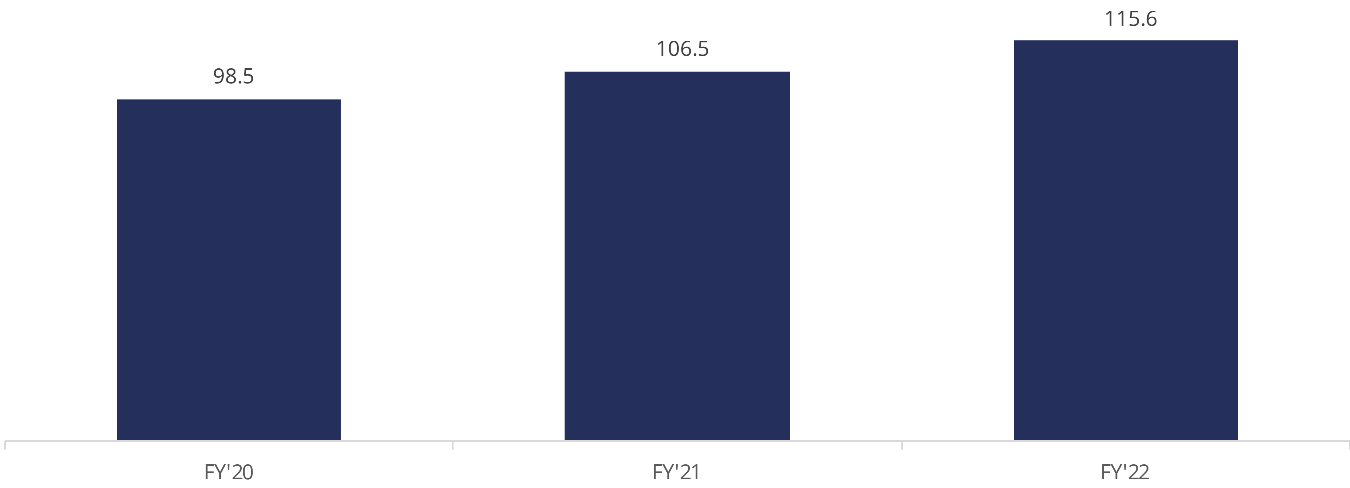
Digitally maturing users and software
- Apps and SaaS solutions drive adoption
- Younger more digital workforce

Attractive business model

The story of SmartCraft has for many years been the story of profitable growth. We love our cloud-based Software-as-a-Service model for many reasons. One being the fact that the cost of adding one additional customer or user is minimal. This, combined with an efficient sales and marketing organization and a gross margin above 90%, gives us a strong business model. We are increasing our revenue by 15-20% and expect to do so for years to come, and we have been able to combine this with an adjusted EBITDA margin around 40%. We are continuously investing in product development to secure future growth, but in the profitable growth mindset we are focusing on maintaining a high margin before any capitalization is made.

Another thing we love with our business model is the long revenue visibility and hence low risk related to our cash flows. Once onboard, our customers stay with us for many years and we see a low annual churn, which was 6% in Q4 2022.

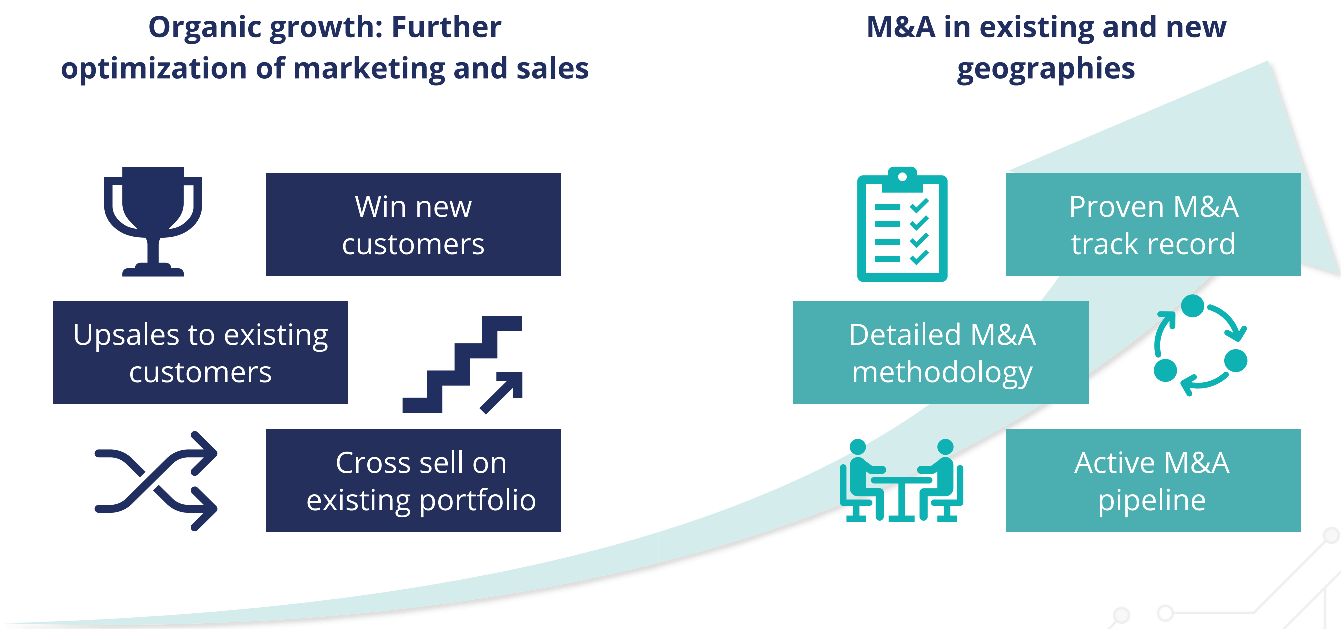
Operating cash flow, MNOK



Significant growth ambitions

Looking ahead, we continue to follow our strategy of profitable organic growth and M&A driven consolidation. We have a strong financial foundation following the successful listing on Oslo Børs in 2021, providing a solid balance sheet and a broad, international investor base. Hence, our growth strategy is fully funded. Additionally, with a high cash conversion we are constantly increasing our M&A capabilities.

Our primary focus going forward is organic growth in the Nordics through upselling to existing customers, by winning new customers and by cross selling on our customer bases. Secondly, we are pursuing M&A opportunities both in existing and new geographies and are in dialogue with several companies. At the same time, we are patient. Capital discipline has high priority and we will only pursue the right acquisition target at the right price.



Historical key figures

Amounts in NOK (thousands)

	2022	2021	2020	2019
ARR	318 348	266 843	204 689	144 740
Revenue	333 418	270 762	195 941	153 701
Adjusted EBITDA	131 198	108 671	80 934	55 320
Adjusted EBITDA margin	39.3%	40.1%	41.3%	36.0%
R&D	23 857	21 737	11 579	8 493
Customers	≈ 12 000	≈ 11 000	≈ 8 500	≈ 8 000

Letter from the CEO

The fourth quarter of 2022 shows that SmartCraft continues to progress well along our strategic path of strong growth with high margins. At the end of the quarter, we had annual recurring revenue (ARR) of NOK 318 million, 19 percent higher than one year earlier. Reported revenue was NOK 91 million (+19 percent).

With our SaaS solutions, we digitalize small and medium businesses in the construction industry, helping them operate more efficiently. Even if the industry as a whole experience challenging market conditions, we do not see demand abating. Our core customer group is only to a small extent dependent on large construction projects. They experience high activity driven by rocketing energy prices leading to demand for energy saving solutions and the conversion from halogen to LED. And with a daily subscription rate of NOK 7 on average, many of our new clients see it as an easy decision to start using our solutions in order to be able to operate more efficiently.

Our profitability and cash generation continues to be high. SmartCraft's SaaS based business model implies a very high gross margin, and other expenses show limited growth. Hence, we clearly see the scale effect on our profits and our adjusted EBITDA margin increased to 41 percent in Q4. With most of our subscriptions being paid up front, the growth comes with strong cash flow.

In the first half of 2023, we will celebrate our two years anniversary as a listed company, and we are happy to say that we have delivered well on the goals we set out despite turbulence caused by the pandemic, global supply chain issues, high energy prices, and the war the Ukraine. We have grown revenues and margins strongly, executed several value accretive acquisitions, established a strong commercial country-based organization and initiated a development program for an even more scalable technology platform.

We also see that the robustness of our company has increased. The number of customers is 33 percent higher than at the time of the IPO, and we have extremely low single customer dependency. Our sales model is highly efficient, and we see that the customer acquisition cost has a payback time of only one year, which combined with a very low churn rate of around 6 percent and the high incremental cash contribution from new customers means that the return on investments in sales are very attractive. We are satisfied with strong organic growth in 2022 despite being cautions on price increases with only minor price adjustments at the beginning of the year. This leaves us with headroom for higher price increases in 2023 broadly in line with CPI.

All in all, we are very well set for a continued good development going forward. With our highly skilled colleagues we are motivated to execute on future market opportunities both with regards to organic growth and M&A. We are confident about continuing to deliver in accordance with our medium-term targets of annual organic revenue growth of 15-20 percent and growing EBITDA margins due to the scalability of the business.

Gustav Line

Gustav Line
CEO

Q4 2022 in Brief

Dec 31th, 2022
ARR

NOK **318 million**
19% growth YoY

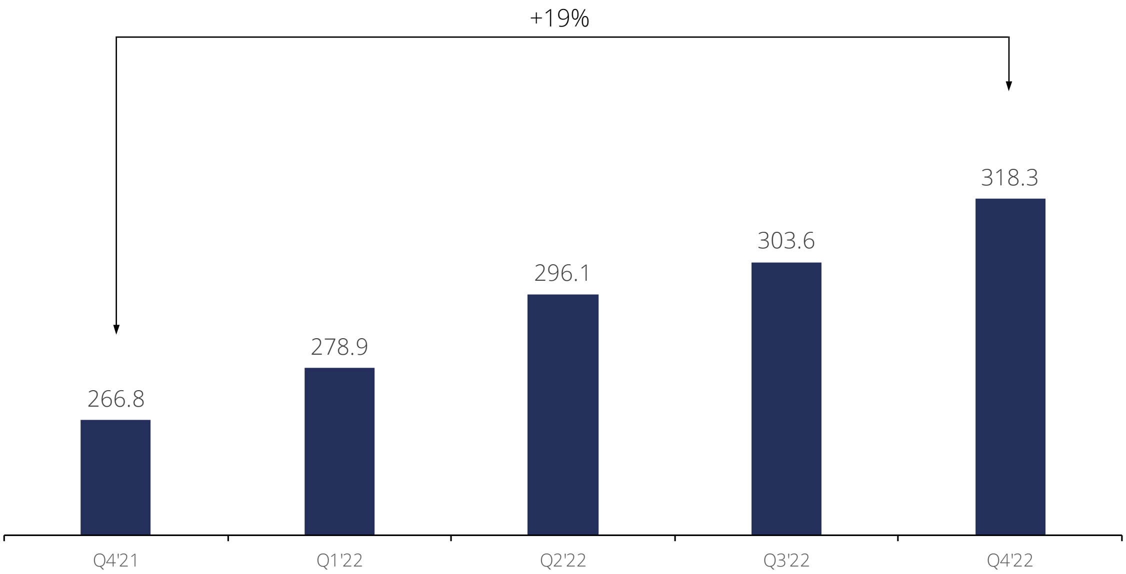
17%
organic ARR growth YoY[1]

Consistently low churn **6%**

Increased adjusted EBITDA margin to **41%**

Amounts in NOK (millions)	Q4'22	Q4'21	FY'22	FY'21
Annual Recurring Revenue	318.3	266.8	318.3	266.8
Revenue	90.6	76.2	333.4	270.8
Adjusted EBITDA	37.0	28.1	131.2	108.7
Adjusted EBITDA-margin	40.8 %	36.8 %	39.3 %	40.1 %
Adjusted EBITDA - capex margin	32.0 %	23.9 %	32.2 %	32.0 %
Churn rate (R12m) (EoP)	6.1 %	6.3 %	6.1 %	6.3 %

ARR development per quarter (end of period, MNOK)



1. *Organic growth is defined as growth in existing solutions adjusted for currency effects.*

Operational development

Through a solid market position, solutions well adapted to customer's need and a highly effective go-to market strategy recurring revenue growth continued to be strong in the fourth quarter.

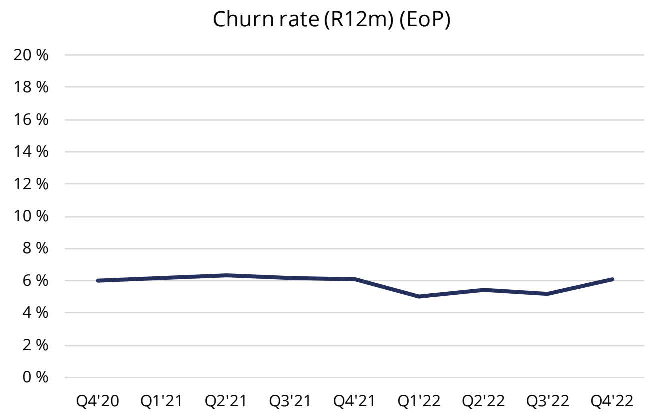
In Q4 2022 annual recurring revenue (ARR) grew by 19 percent compared to Q4 2021. Organic growth was 17 percent, which implies a stable organic growth rate compared to the third quarter 2022. The recurring revenue accounts for 96 percent of the total revenue. The revenue growth can mainly be explained by the following factors:

Firstly, our sales and marketing resources are mostly directed at winning new business and accounts. In Q4 2022 more than 2/3 of our organic ARR growth come from new customers while the remaining is upsell on the existing customer base.

> ***"Our sales teams are very efficient and in 2022 more than 60% of the meetings were converted into sales. Actually, more than 2/3 of our ARR growth came from new customers"***

We see marketing as a sales enabler and invest in systems, good processes and resources to drive awareness and move potential customers to action. In 2022 we created more than 24 million media views and 640.000 visits on our websites. SmartCraft has a broad reach and a highly effective go-to market strategy. The reason we continue to show such good figures is that we continuously invest in marketing our solutions to create awareness and to show the benefits of using digital solutions among various areas for craftsmen. We are visible through targeted ads and content marketing articles in relevant news media networks, social media and most important industry media.

Secondly, our sales teams are very efficient and in 2022 more than 60% of the meetings were converted into sales. With a low churn level of 6% and an efficient sales and marketing engine we see that LTV/CAC (Lifetime Value / Customer Acquisition Cost) shows an impressive ratio of 23. We continue to improve our processes and synergize on a country level. Additionally, we try out ways of automating parts of the sales processes through self-service. We expect these initiatives will keep LTV/CAC at a high level.



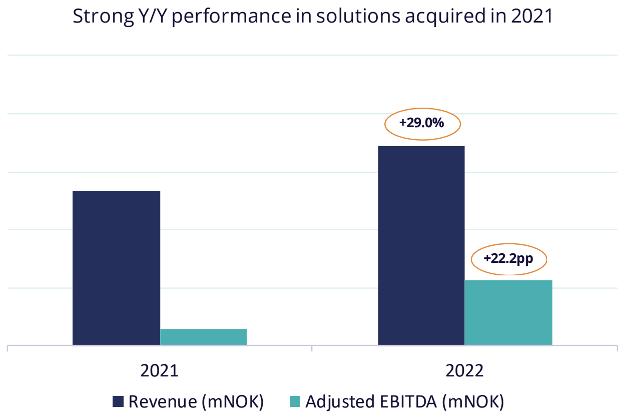
In addition to focus on organic revenue growth, we have a strategy to acquire solutions and teams with a good strategic fit. The last years we have acquired 9 solutions and with our well-functioning integration model we improve both revenue and EBITDA in the acquired companies over time.

SmartCraft has established a highly scalable business model and margins continued to be strengthened in the fourth quarter. In Q4 our adjusted EBITDA was 41 percent (37 percent in Q4 2021). At the same time our adjusted EBITDA-CAPEX margin increased from 24 to 32 percent. There are several reasons for the margin increase.

Firstly, we work continuously to synergize and scale the solutions, processes and people in the Group. In the second half of 2022 we aligned initiatives and resources by country. This enables a more holistic planning and execution in all disciplines from product development to final sales.

Secondly, as a software company we aim to improving productivity and quality both in our way of working and in our solutions. The effect of smarter and more efficient ways of working in R&D is that we spend less time on maintenance and support tasks and more time on direct value creation.

Lastly, we work with the acquired teams and solutions to help them be more efficient and to improve their profitability. This is part of continuous improvement and gives good margin increase over time.



Segments

SmartCraft is present in three geographical markets, and the revenue distribution is shown below. The acquisitions of Elverdi (June 2022) and ELinn (October 2022) contributed to the growth in Norway.

In 2022, SmartCraft has recognized Specialized contractors and General contractors as the operating units that form natural reporting segments.

- Specialized contractors include the customers which provide specialized services within the construction industry, e.g. electricians, plumbers, etc.
- General contractors include the customers in the construction industry providing services not defined as specialized services.

Newly acquired Elverdi and ELinn are included in the Specialized contractors segment.

Apart from Elverdi and ELinn the Specialized contractors segment consists of our most established brands with a long history, a strong market position in their areas and high EBITDA margins. These solutions still have a share of customers with the solutions deployed on-premise. We are continuously moving these customers to a SaaS environment, which over time will enable higher revenue growth.

Distribution of revenue per segment

Amounts in NOK (millions)	Q4'22	Q4'21	FY'22	FY'21
Specialized contractors	38.8	31.7	140.6	123.4
General contractors	51.8	44.4	192.8	147.4
Total revenue in segments	***90.6***	***76.2***	***333.4***	***270.8***
Organic growth in current solutions YoY				
Specialized contractors	*19.6 %*	*4.2 %*	*11.8 %*	*9.3 %*
General contractors	*18.8 %*	*21.5 %*	*21.0 %*	*21.3 %*

Distribution of adjusted EBITDA per segment*

Amounts in NOK (millions)	Q4'22	Q4'21	FY'22	FY'21
Specialized contractors	19.6	16.1	69.5	64.7
General contractors	21.7	17.1	77.6	53.1
Total adjusted EBITDA in segments	***41.3***	***33.1***	***147.0***	***117.9***

**Excluding SmartCraft ASA*

Adjusted EBITDA margin				
Specialized contractors	*50.6 %*	*50.7 %*	*49.4 %*	*52.5 %*
General contractors	*41.8 %*	*38.4 %*	*40.2 %*	*36.0 %*

New reporting segments from 2023

The growth of SmartCraft lead to a natural change in structure in the second half of 2022. SmartCraft has defined positions as Country Manager and Country Management teams. With this operational change SmartCraft recognizes geographical areas as the operating units that form natural new reporting segments from 2023, replacing reporting segments from 2022.

Distribution of revenue per new segment

Amounts in NOK (millions)	Q4'22	Q4'21	FY'22	FY'21
Norway	39.7	31.4	140.7	108.4
Sweden	38.0	34.6	143.2	126.8
Finland	12.9	10.2	49.5	35.6
Total revenues per new segment	***90.6***	***76.2***	***333.4***	***270.8***
Organic growth				
Norway	*18.0 %*	*8.2 %*	*10.9 %*	*10.7 %*
Sweden	*15.4 %*	*19.9 %*	*19.0 %*	*20.7 %*
Finland	*21.9 %*	*7.6 %*	*26.9 %*	*13.6 %*

Distribution of EBITDA per new segment*

Amounts in NOK (millions)	Q4'22	Q4'21	FY'22	FY'21
Norway	18.5	12.8	57.0	47.6
Sweden	18.9	18.6	74.5	61.4
Finland	3.9	1.8	15.5	8.8
Adjusted EBITDA per new segment	***41.3***	***33.1***	***147.0***	***117.9***

**Excluding SmartCraft ASA*

Adjusted EBITDA margin				
Norway	*46.7 %*	*40.7 %*	*40.5 %*	*44.0 %*
Sweden	*49.7 %*	*53.8 %*	*52.0 %*	*48.4 %*
Finland	*30.1 %*	*17.1 %*	*31.4 %*	*24.8 %*

Customer centric functionality in uncertain times

SmartCraft has a deep-rooted history in building solutions that are highly customer centric. Our history goes back to 1987 and we have always been close to our customers, listening to their needs and involving them in our development. To be the preferred vendor, we believe our solutions must be beneficial for our customers both in good and bad times. Knowing that the macro environment is changing, in Q4 we decided to increase our efforts delivering specific features that could help our customers to proactively meet some of the potential challenges in the market.

Some of the highlights in this category include features that help the user with various type of overviews. One example is our new customizable dashboard that visualize the health status of ongoing construction projects. This helps the project manager to monitor progress and profitability, and hence being able to prioritize actions quickly and proactively.

New customizable dashboard enabling great overview of projects

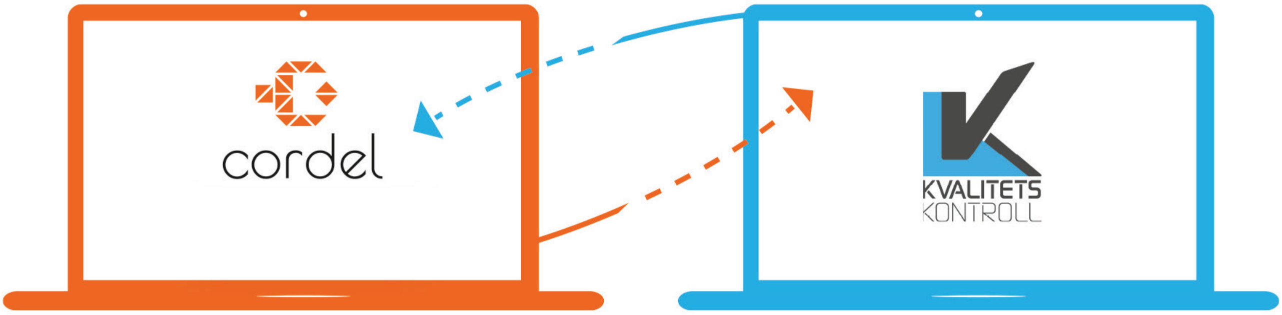
Another example is functionality providing the user an overview of ongoing projects that have not yet been invoiced. This allows our customers to focus on unfinished projects resulting in increased revenue and better liquidity.

During Q4, we also launched a pilot of our modernized web-based calculation tool. The initial feedback is positive, and we have received valuable input on what we could improve further. The new calculation tool, that we plan to launch in Q2, will help our customers to predict material usage more precisely and allow our customers both to reduce waste and carbon footprint while maintaining a clear financial perspective on their installation projects.

For some of our solutions, we have also added functionality allowing users to express their suggestions for new or changed functionality directly to our product departments. This has helped us to gain even better insights into our users' needs and be able to improve our products faster. With this method, we have significantly increased the rating of one of our apps. Moving forward, we plan to extend this functionality in more of our solutions.

Connecting more dots to enable upsell

The journey to connect our solutions continued in Q4 where we closed the loop with our seamless two-way integration between our project management solution Cordel and our quality and safety solution Kvalitetskontroll. With this integration, our customers avoid double entry and will always have up-to-date project information in both systems. The integration package offers both a great solution in the office as well as in the field. The integration is already in use with one of our larger customers and we see opportunities for upsell to other customers.



In Q4 we have also extended our integration platform connecting SmartCraft solutions to different accounting systems. We have added three of the most used accounting systems to our platform, enabling our customers to have seamless control over their finances and reduce the workload on their accounting departments. This is expected to improve our ability to upsell to our existing customer base as well as access new customers.

Financial Review

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21
Revenue from customers	90 573	76 153	333 418	270 762
Total operating revenue	***90 573***	***76 153***	***333 418***	***270 762***
Purchase of goods and services	7 389	6 475	27 271	22 866
Payroll and related expences	32 164	28 105	128 781	104 986
Other operating expenses	14 603	13 933	48 613	62 598
Total operating expenses	***54 157***	***48 513***	***204 666***	***190 450***
EBITDA	***36 417***	***27 639***	***128 752***	***80 312***
Adjustments of special items	563	414	2 446	28 359
Adjusted EBITDA	***36 979***	***28 054***	***131 198***	***108 671***
Depreciation and amortization	7 330	7 149	27 657	22 726
Operating profit (loss) before financial items and tax	***29 086***	***20 490***	***101 095***	***57 586***
EBITDA-margin	*40.2 %*	*36.3 %*	*38.6 %*	*29.7 %*
Adjusted EBITDA-margin	*40.8 %*	*36.8 %*	*39.3 %*	*40.1 %*

SmartCraft's consolidated revenues in Q4 2022 grew by 18.9 percent to NOK 90.6 million, up from NOK 76.2 million in Q4 2021. The revenue growth was driven by continued high organic growth from the Group's SaaS solutions and the two smaller acquisitions of Elverdi (June 2022) and ELinn (October 2022).

ARR grew by 19.3 percent year over year, bringing ARR at year end to NOK 318.3 million. Organic growth in the same period was 16.7 percent, and the growth was driven by new sales and upsell to existing customers. Additionally, one solution partially increased prices from December 1st, 2022. Other price increases will take effect from January 1st, 2023.

In addition to our strategy to service all customers' SaaS solutions on common SaaS environments and the continued migration of on-premise customers to a SaaS environment, the Group has focused on integrations and connecting the dots between our solutions to increase our opportunity for upsell to existing customers and to grow ARR.

Supporting ARR growth further, we continue to transition non-recurring revenue, such as start-up fee, initial training, etc., into a SaaS service and reducing the threshold to become a customer. As an effect, non-recurring revenue continues to decrease.

Organic growth in current solutions YoY	Q4'22	Q4'21	FY'22	FY'21
Fixed price subscriptions	19.0 %	19.2 %	19.6 %	18.9 %
Transaction priced add-on subscriptions	15.7 %	27.1 %	17.7 %	27.5 %
Total recurring revenue	***18.7 %***	***20.0 %***	***19.5 %***	***19.7 %***
Non-recurring revenue	(11.4 %)	(43.6 %)	(23.2 %)	(27.8 %)
Total revenue	***17.2 %***	***14.6 %***	***16.8 %***	***15.8 %***

The Group has a consistently low churn of 6 percent in Q4 2022 (6 percent in Q4 2021). Bankruptcy has historically been the main reason for churn in SmartCraft, and the increased number of bankruptcies within construction slightly increases the churn from the 5 percent recorded in Q3 2022.

The scalability of the business model ensures a relatively stable cost base while delivering good growth in revenues. As a result, the reported EBITDA in Q4 2022 was NOK 36.4 million. Adjusted EBITDA was NOK 37.0 million. The adjusted EBITDA margin for Q4 2022 was 40.8 percent, compared to 36.8 percent in Q4 2021. Note that the principles for holiday pay accruals was changed in 2022. If the same principles are applied for 2021 the Q4 2021 adjusted EBITDA is 39.1 percent.

The adjustments in EBITDA in Q4 2022 relates primarily to the acquisition of ELinn in October. Our latest acquisitions, Elverdi and ELinn, affected the adjusted EBITDA margin in Q4 negatively with 1.2 percentage points due to lower margins. SmartCraft is well on track to increase the margins in all acquired solutions. Our approach to increasing the margins in the acquired solutions is not by reducing cost, but first and foremost by helping the solutions to better scale and grow, creating a long-term business advantage.

SmartCraft continues to improve existing solutions and develop new solutions and add-ons. For the development of new solutions and add-ons, SmartCraft recognized NOK 8.0 million in capitalization of development costs in Q4 2022, which constitutes 8.9 percent of revenue. In total the Group capitalized an amount equaling 7.2 percent of revenue in 2022.

Depreciations and amortizations were NOK 7.3 million in Q4 2022 compared to NOK 7.1 million in Q4 2021. The increase is a result of the Group's continuous R&D activities and acquisitions offset by the change in currency rates. In Q4 2022, amortization related to M&A was NOK 3.8 million.

The Group has a net financial expense of NOK 14.0 million in Q4 2022, an increase from NOK 2.3 million last year. In Q4 2022, the Group has recorded a financial expense of NOK 12.7 million relating to the HomeRun earn-out agreement. On a running basis the Group's net financial items are gains and losses on currency changes. After repaying all loan facilities in connection with the IPO in 2021, the Group has no considerable interest expenses. Any loan facilities in acquired companies are repaid shortly after the acquisitions.

Cash flow

SmartCraft has positive cash contribution from operations every quarter. The Group operates in an under-penetrated market and plans to continue its role as a consolidator and increase its market share. SmartCraft does not expect to pay out dividends in the short to medium term and the accumulating cash holding will go to finance investments and acquisitions supporting the Groups position and plans.

The SmartCraft share buy-back program of up to 2 percent of the shares was initiated in November. The position will, together with cash holding, go to finance acquisitions. Additionally treasury shares will be used for potential future settlement of the Groups long-term investment program for management and key employees.

Cash flow from operating activities was NOK 28.6 million in Q4 2022 compared to NOK 28.6 million in Q4 2021. Q4 2022 growth was offset by a change in timing of payment of salary and public duties due to changes to country organizational structure. The change to advanced payments had an negative cash effect of NOK 3.2 million.

Cash flow from investing activities was NOK -22.4 million in Q4 2022. The Group acquired ELinn in October and paid a total of NOK 14.6 million relating to acquisitions. In addition, the Group capitalized development costs of NOK 8.0 million.

Net cash flow from financing activities was NOK -14.4 million in Q4 2022. In relation to acquisitions the Group has settled acquired loans of NOK 4.3 million. Through the buy-back program, SmartCraft acquired 451 001 treasury shares (0.26 percent) totaling NOK 7.0 million in Q4 2022.

Financial position

SmartCraft has a solid balance sheet and has a negative net working capital driven by customer prepayments. The Group is in a net cash position, is self-funded and well capitalized to deliver on the stated growth ambitions and M&A strategy.

Total assets amounted to NOK 969.9 million (NOK 886.3 million at the end of 2021), of which cash and cash equivalents amounted to NOK 191.3 million (NOK 156.3 million at the end of 2021). Non-current assets amounted to NOK 741.3 million (NOK 700.3 million at the end of 2021). In addition to the cash flow from operations, the increase of assets consists primarily of goodwill and intangible assets from the Group's R&D and acquisitions.

Total liabilities amounted to NOK 205.5 million (NOK 184.6 million at the end of 2021). The increase is related to the increase in deferred revenue, taxes payable, and the earn-out related to HomeRun.

Share information

At the end of Q4 2022 SmartCraft ASA had 171.5 million shares at par value of NOK 0.01. There have been no changes in shares or share capital in 2022 in SmartCraft ASA.

Per December 31, 2022, SmartCraft holds 451 001 treasury shares (0.26 percent)

Risk factors

Risk factors are described in the information document prepared in connection with the listing on Oslo Børs, published June 24th, 2021 and in the annual accounts for 2021, published April 26th, 2022.

Outlook

We stay very positive to our future prospects and reiterate our targets of 15-20% organic revenue growth in the medium-term. Similarly, we expect adjusted EBITDA margin to increase due to the scalability of the business.

In these uncertain times, parts of the construction industry is under pressure. This is especially true for larger construction projects. However, most of our customers operate in the SME segment with upgrades, service and maintenance with lower volatility. Additionally, energy saving initiatives results in great demand for many of our customers especially plumbers and electricians which constitute the majority of our customers. We experience solid demand and our data show that our customers have invoiced an increasing amount per month for the last 13 months including January 2023.

With our new organizational structure we believe that we are able to realize greater synergies in sales and marketing and continue to convert more than half of the customer meetings to sales.

We see a great potential for upsell and cross sell on our customer base. Additionally, as we decided to be prudent on annual price increases in the beginning of 2022 and by not further increasing our prices despite accelerating inflation in 2022, we have room for larger adjustments in 2023 broadly in line with CPI.

Acquisitions are an important part of our strategy, and our track record of value accretive transactions is solid. We have a well functional integration model, and both revenues and margins have increased in acquired companies. We are in a very solid financial position and currently we are in dialogue with potential targets in existing and new geographies.

Since the IPO we have established a solid foundation for a continuing strong performance and we look forward to 2023 with a highly motivated and competent team.

Financial calendar

Financial reporting:

- March 28th 2023 - Annual report 2022
- May 9th 2023 - Q1 2023 report
- August 24th 2023 - Half-yearly 2023 report
- November 1st 2023 - Q3 2023 report

Other activities:

- March 15th 2023 - Berenberg EU Opportunities Conference 2023, London
- March 21st 2023 - Carnegie Roadshow, Paris
- March 23rd 2023 - SEB Tech Days, virtual
- March 29th 2023 - DNB Nordic TMT Conference, Oslo
- April 28th 2023 - Annual General Meeting
- May 9st 2023 - Aktiespararnas Stora Aktiedagen, Gothenburg
- June 12th 2023 - Aktiespararnas Stora Aktiedagen, Stockholm

Please visit smartcraft.com/investor-relations/ for most recent calendar update.

Condensed Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21
Revenue from customers	90 573	76 153	333 418	270 762
Total operating revenue	**90 573**	**76 153**	**333 418**	**270 762**
Purchase of goods and services	7 389	6 475	27 271	22 866
Payroll and related expences	32 164	28 105	128 781	104 986
Other operating expenses	14 603	13 933	48 613	62 598
Depreciation and amortization	7 330	7 149	27 657	22 726
Total operating expenses	**61 487**	**55 663**	**232 323**	**213 176**
Operating profit (loss) before financial items and tax	**29 086**	**20 490**	**101 095**	**57 586**
Financial income	4 030	2 897	17 121	5 615
Financial expenses	(17 982)	(5 239)	(28 766)	(14 334)
Financial income (expense), net	**(13 952)**	**(2 342)**	**(11 645)**	**(8 720)**
Profit (loss) before tax	**15 134**	**18 148**	**89 450**	**48 867**
Tax expense	3 119	8 017	22 501	12 171
Profit (loss)	**12 016**	**10 131**	**66 949**	**36 696**
Other comprehensive income				
Items that will be reclassified to profit or loss:				
Currency translation differences, net of tax	(12 523)	(7 309)	(2 147)	(17 843)
Total	**(12 523)**	**(7 309)**	**(2 147)**	**(17 843)**
Total comprehensive income	**(508)**	**2 823**	**64 802**	**18 853**

Consolidated Statement of Financial Position

ASSETS *Amounts in NOK (thousands)*	Dec 31st 2022	Dec 31st 2021
Deferred tax assets	-	-
Goodwill	517 302	491 223
Intangible assets	210 510	187 378
Right to use assets	14 152	17 009
Tangible Assets	3 338	4 732
TOTAL NON-CURRENT ASSETS	**745 302**	**700 341**
Inventory	182	73
Other current assets	7 543	4 987
Accounts Receivable	29 541	24 583
Cash and cash equivalents	191 299	156 277
TOTAL CURRENT ASSETS	**228 565**	**185 919**
TOTAL ASSETS	**973 866**	**886 261**

EQUITY AND LIABILITIES

Amounts in NOK (thousands)	Dec 31st 2022	Dec 31st 2021
Share capital	1 715	1 715
Treasury shares	(5)	-
Share premium	605 893	605 893
Retained earnings	160 008	100 067
Other components of equity	(8 138)	(5 990)
Non-controlling interests	4 881	-
TOTAL EQUITY	**764 355**	**701 685**
Non-current financial liabilities	-	1 158
Non-current lease liabilities	7 002	9 913
Deferred tax liabilities	35 160	34 637
Total non-current liabilities	**42 161**	**45 708**
Deferred revenue	69 942	59 593
Current portion of lease liabilities	7 602	6 952
Accounts payable	7 747	6 501
Taxes payable	19 767	14 216
Other current liabilities	62 292	51 607
Total current liabilities	**167 351**	**138 869**
TOTAL LIABILITIES	**209 512**	**184 576**
TOTAL EQUITY AND LIABILITIES	**973 866**	**886 261**

Consolidated Statement of Changes in Equity

Amounts in NOK (thousands)	Share capital	Treasury shares	Share premium	Other components of equity	Retained earnings	Non-controlling interest	Total equity
Total equity 31.12.2020	**4 497**	**-**	**244 193**	**11 853**	**63 371**	**-**	**323 914**
Profit / (-) loss for the period	-	-	-	-	36 696	-	**36 696**
Other comprehensive income	-	-	-	(17 843)	-	-	**(17 843)**
Capital decrease 21.06.2021	(3 109)	-	(205 864)	-	-	-	**(208 973)**
Capital increase 22.06.2021	284	-	489 219	-	-	-	**489 503**
Capital increase 05.07.2021	38	-	67 732	-	-	-	**67 770**
Capital increase 09.07.2021	5	-	10 613	-	-	-	**10 618**
Total equity 31.12.2021	**1 715**	**-**	**605 893**	**(5 990)**	**100 067**	**-**	**701 685**
Profit / (-) loss for the period	-	-	-	-	66 949	-	**66 949**
Other comprehensive income	-	-	-	(2 147)	-	-	**(2 147)**
Capital increase 13.07.2022	-	-	-	-	-	4 881	**4 881**
Purchase of treasury shares	-	(5)	-	-	(7 008)	-	**(7 012)**
Total equity 31.12.2022	**1 715**	**(5)**	**605 893**	**(8 137)**	**160 008**	**4 881**	**764 355**

Consolidated Cash Flow Statement

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21
Operating activities				
Profit before tax	15 134	18 148	89 450	48 867
Paid taxes	(2 582)	(1 518)	(17 024)	(5 811)
Depreciation	3 574	2 548	13 607	10 085
Amortisation of intangible assets	3 756	4 602	14 050	12 641
Accrued interest expense	-	-	-	-
Items classified as investing or financing activities	713	2 147	1 780	38 759
Net cash provided from operating activities before net working capital changes	***20 596***	***25 927***	***101 863***	***104 540***
Working capital adjustments:				
Changes in accounts receivable	(1 961)	374	(4 878)	(5 837)
Changes in deferred revenue	(3 036)	(3 897)	9 899	6 572
Changes in accounts payable	(671)	(949)	369	(67)
Changes in all other working capital items	13 630	7 096	8 348	1 316
Net cash provided from operating activities	***28 558***	***28 551***	***115 600***	***106 525***
Investing activities				
Investments in tangible and intangible assets	198	(104)	(1 163)	(397)
Payments for acqusitions	(14 102)	-	(33 455)	(71 734)
Acquisition transaction costs	(515)	(414)	(952)	(5 775)
Payments for software development costs	(8 028)	(9 829)	(23 857)	(21 737)
Foreign currency effect	(1)	-	(72)	178
Net cash used in investing activities	***(22 448)***	***(10 348)***	***(59 499)***	***(99 465)***
Financing activities				
Cash proceeds from capital increases	-	-	4 881	551 287
Downpayment on loan facilities	(4 320)	(51)	(7 834)	(235 434)
Interest payments	(198)	(17)	(827)	(4 794)
Repayments of capital decreases	-	-	-	(208 973)
Repayments of lease liabilities	(1 948)	(1 716)	(7 529)	(6 783)
Other financial items	(7 987)	-	(8 044)	(21 407)
Net cash provided by (used in) financing activities	***(14 452)***	***(1 784)***	***(19 354)***	***73 896***
Net increase (decrease) in cash and cash equivalents	**(8 342)**	**16 420**	**36 747**	**80 956**
Cash and cash equivalents at the beginning of period*	202 881	145 251	156 277	79 902
Foreign currency effects on cash and cash equivalents	(3 241)	(5 394)	(1 725)	(4 581)
Cash and cash equivalents at end of period*	***191 299***	***156 277***	***191 299***	***156 277***

** Cash and cash equivalent include restricted funds*

Explanatory Notes to the Consolidated Financial Statements

Note 1 Accounting policies

The interim report for the SmartCraft Group for 4th quarter 2022 has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods for computation have been applied as in the latest annual statement, except for the accrual of holiday pay. Where holiday pay earlier was expensed at the time the obligation arised, holiday pay are now expensed at the time holiday leave is carried out.

The effect of the change in accrual is a shift of expenses between the quarters, while the total annual expense remains the same.

For further information on accounting policies see the Annual Report 2021.

Note 2 Revenue

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21	Revenue recognition
Fixed price subscriptions	79 040	65 924	291 248	232 596	Over time
Transaction priced subscriptions (add-on features)	8 173	7 273	29 169	24 918	Point in time
Total recurring revenue	***87 213***	***73 197***	***320 417***	***257 514***	
Non-recurring revenue	3 361	2 956	13 001	13 248	Point in time
Total revenue	***90 573***	***76 153***	***333 418***	***270 762***	

Note 3 Earnings per share

		Q4'22	Q4'21	FY'22	FY'21
Profit for the period due to holders of shares	TNOK	12 016	10 131	66 949	36 696
Profit allocated to redeemed preferance shares	TNOK	-	-	-	7 282
Profit allocated to common shares	TNOK	12 016	10 131	66 949	29 413
Average numbers of common shares, excl. treasury shares		170 845 396	171 522 305	171 484 845	155 857 151
Earning per share	***NOK***	***0.07***	***0.06***	***0.39***	***0.19***

Alternative Performance Measures (APMs)

The following terms are used by the Group in definitions of APMs:

- **EBITDA:** Is defined as operating income before depreciation of tangible and intangible non-current assets.
- **Adjusted EBITDA:** Is defined as EBITDA adjusted for special operating items that distorts comparison, such as acquisition related expenses, listing preparation costs and other items which are special in nature compared to ordinary operational income or expenses.
- **Adjusted EBITDA margin (%):** Is defined as Adjusted EBITDA divided by sales, expressed as a percentage.
- **Adjusted EBITDA – Capex margin (%):** Is defined as Adjusted EBITDA – R&D capex divided by sales, expressed as a percentage.
- **Annual Recurring Revenue ("ARR"):** Is defined as a 12 month subscription value of the Group's customer base at the end of the reporting period. The ARR metric only includes fixed price subscriptions.
- **Recurring Revenue (%):** Is defined as subscription revenue generated over the historical period divided by sales for the same period, expressed as a percentage. Recurring Revenue includes both fixed price and transaction-based subscription revenues.
- **Average Revenue Per Customer ("ARPC"):** Is defined as the annualized monthly total operating revenue divided by the number of customers at the end of the month.
- **Churn Rate (%):** Is a measure of loss of ARR on a rolling 12-month basis, expressed as a percentage of average monthly ingoing ARR for the same 12-month period.

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21
Revenue from customers	90 573	76 153	333 418	270 762
Total operating revenue	***90 573***	***76 153***	***333 418***	***270 762***

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21
EBITDA	36 417	27 639	128 752	80 312
Adjustments of special items	563	414	2 446	28 359
Adjusted EBITDA	***36 979***	***28 054***	***131 198***	***108 671***
EBITDA-margin	*40.2 %*	*36.3 %*	*38.6 %*	*29.7 %*
Adjusted EBITDA-margin	*40.8 %*	*36.8 %*	*39.3 %*	*40.1 %*

Amounts in NOK (thousands)	Q4'22	Q4'21	FY'22	FY'21
Adjusted EBITDA	36 979	28 054	131 198	108 671
Capitalized development expenses	8 028	9 829	23 857	21 737
Adjusted EBITDA - CAPEX margin	***32.0 %***	***23.9 %***	***32.2 %***	***32.0 %***

		Q4'22	Q4'21	FY'22	FY'21
Annual Recurring Revenue (ARR) (EoP)	TNOK	318 348	266 843	318 348	266 843
Recurring revenue		96.3 %	96.1 %	96.1 %	94.9 %
Average Revenue per Customer (ARPC)	NOK	29 140	26 668	27 857	26 994
Churn rate (R12m) (EoP)		6.1 %	6.3 %	6.1 %	6.3 %

SmartCraft

BETTER DIGITAL TOOLS