



# Q3 2023 report

November 1<sup>st</sup> 2023

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# Agenda

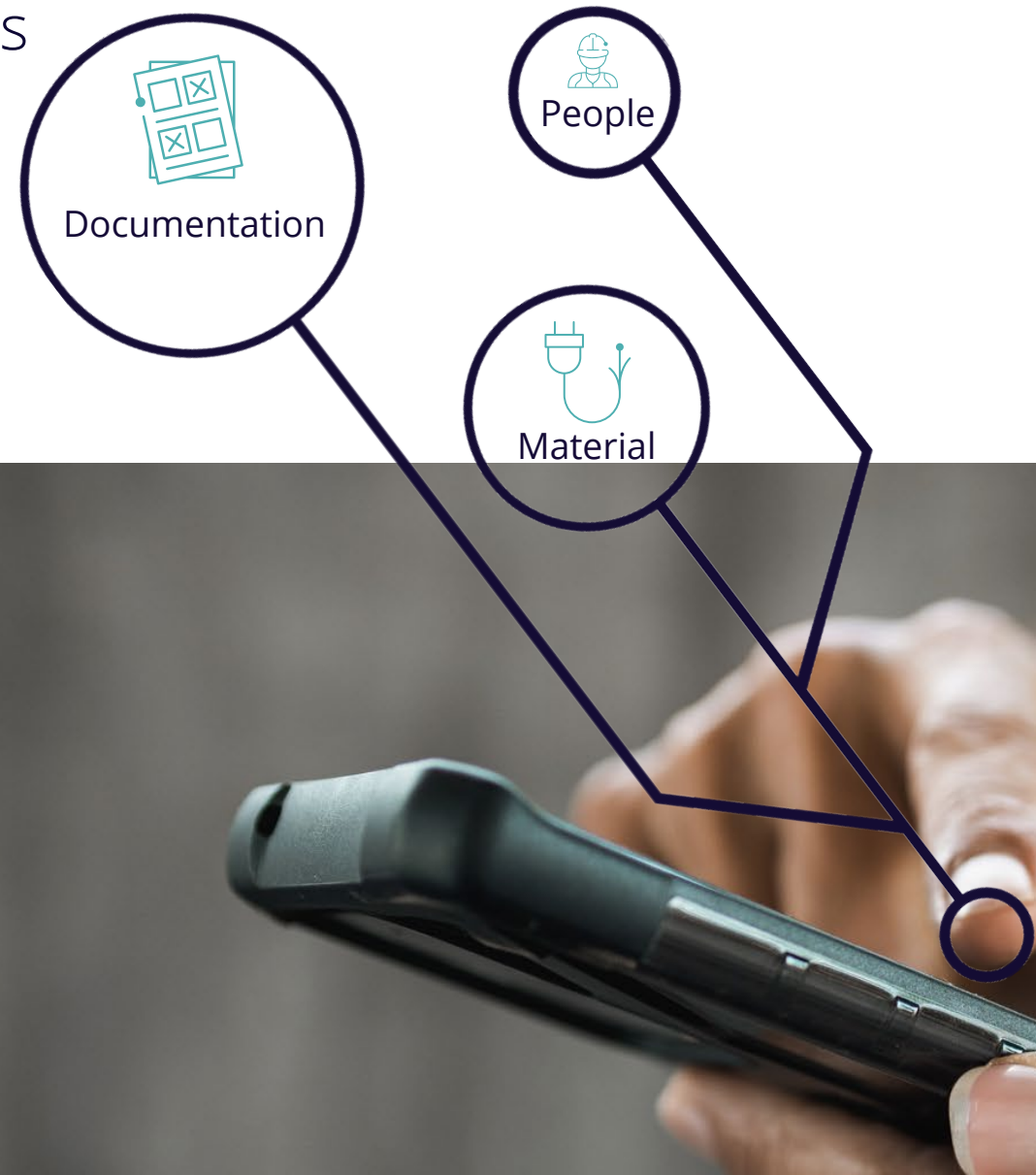
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- Financial highlights
- Our strategically low-risk business model
- Summary and Q&A



# Our solutions provide competitive edge for our construction customers

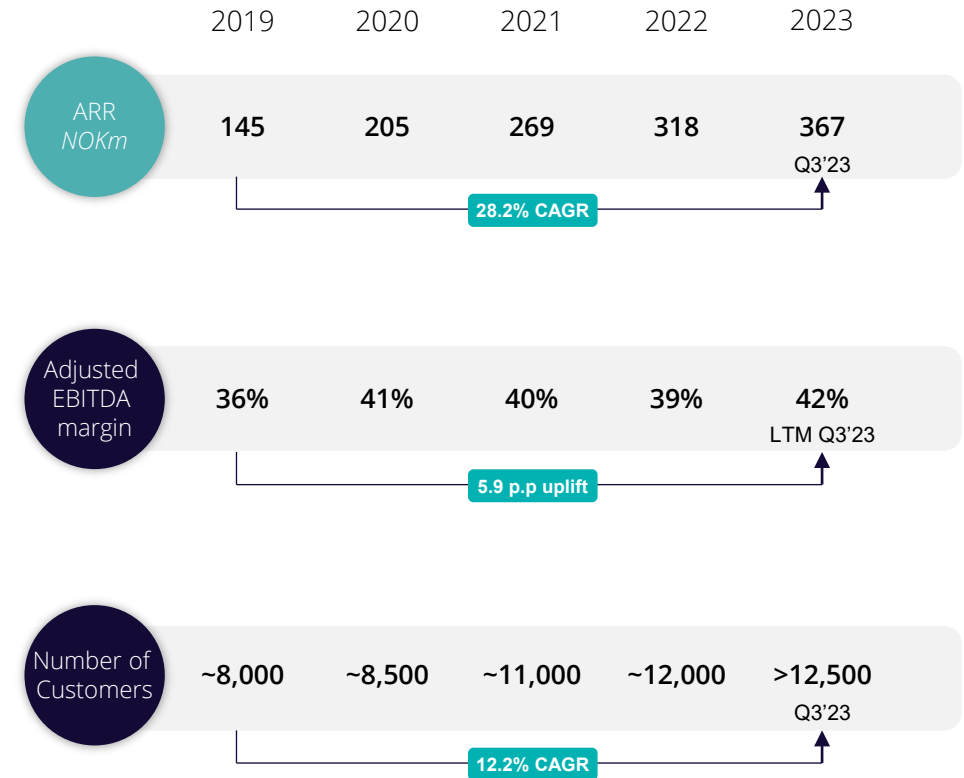
- Ensure digital flow of information between people
- Store and process all data in one place accessible for all
- Data in the field is captured with mobile Apps
- Total overview of documentation
- Revenue and cost control on each project
- Supporting sales processes in a competitive environment



# Leading position in the Nordics

- Consistent and solid growth before and after the IPO in June 2021
- Constantly gaining market share
- 15 offices in Sweden, Norway and Finland
- 200 employees

## Solid performance over time



# Q3 2023 highlights

Continued strong growth, record high margins, strong cash flow and low churn



**MNOK 367**

Annual Recurring  
Revenue

+21%



**42%**

Adjusted EBITDA

+3,1% points



**MNOK 22**

Operating cash flow

+45%



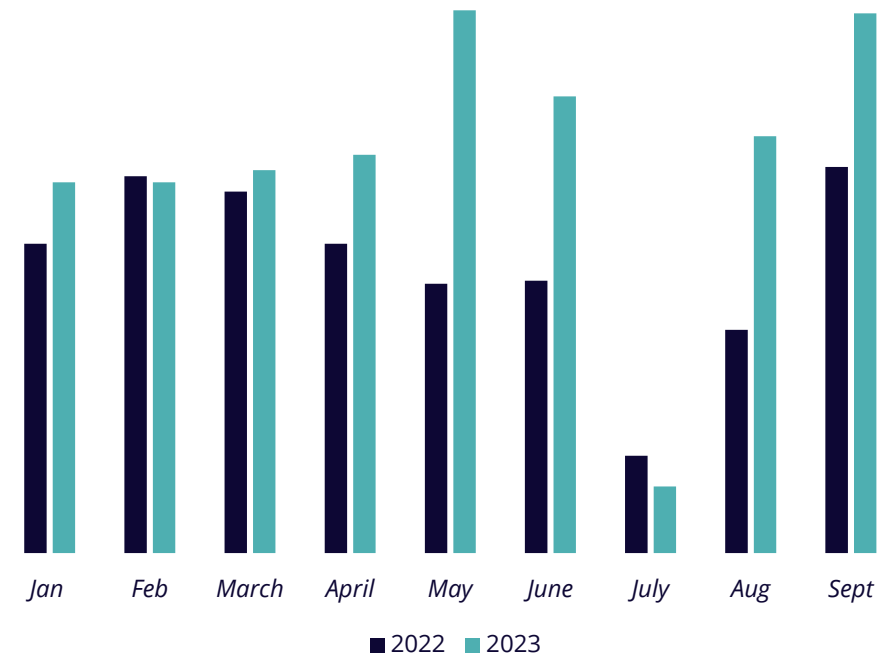
**8%**

Churn  
consistently low

# Increased momentum in Sweden

- Successful restructuring of new sales processes in Bygglet
  - Sales time decreased by 5 days to 22 days
  - 57% increase in booked meetings in Q3 YoY
  - Sales conversions consistently high
- Adjusted EBITDA increased 4% in Q3 YoY

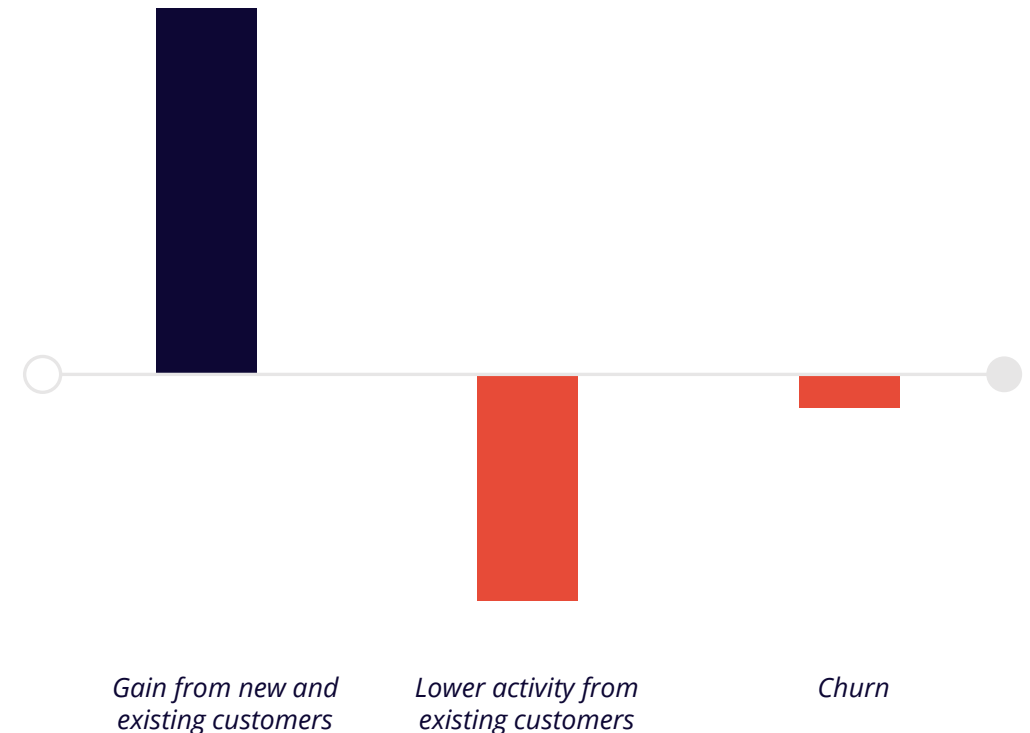
Booked Meetings Bygglet



# Challenging new build market in Finland

- New build construction market expected to decrease by 38% in 2023\*
- SmartCraft has increased focus on renovation in 2023, growing 14% YTD September in this area, compared to an expected decrease of 4% for 2023\*
- Growth in Finland is reduced by lower activity in new construction projects from existing customers
- Churn is at a low level

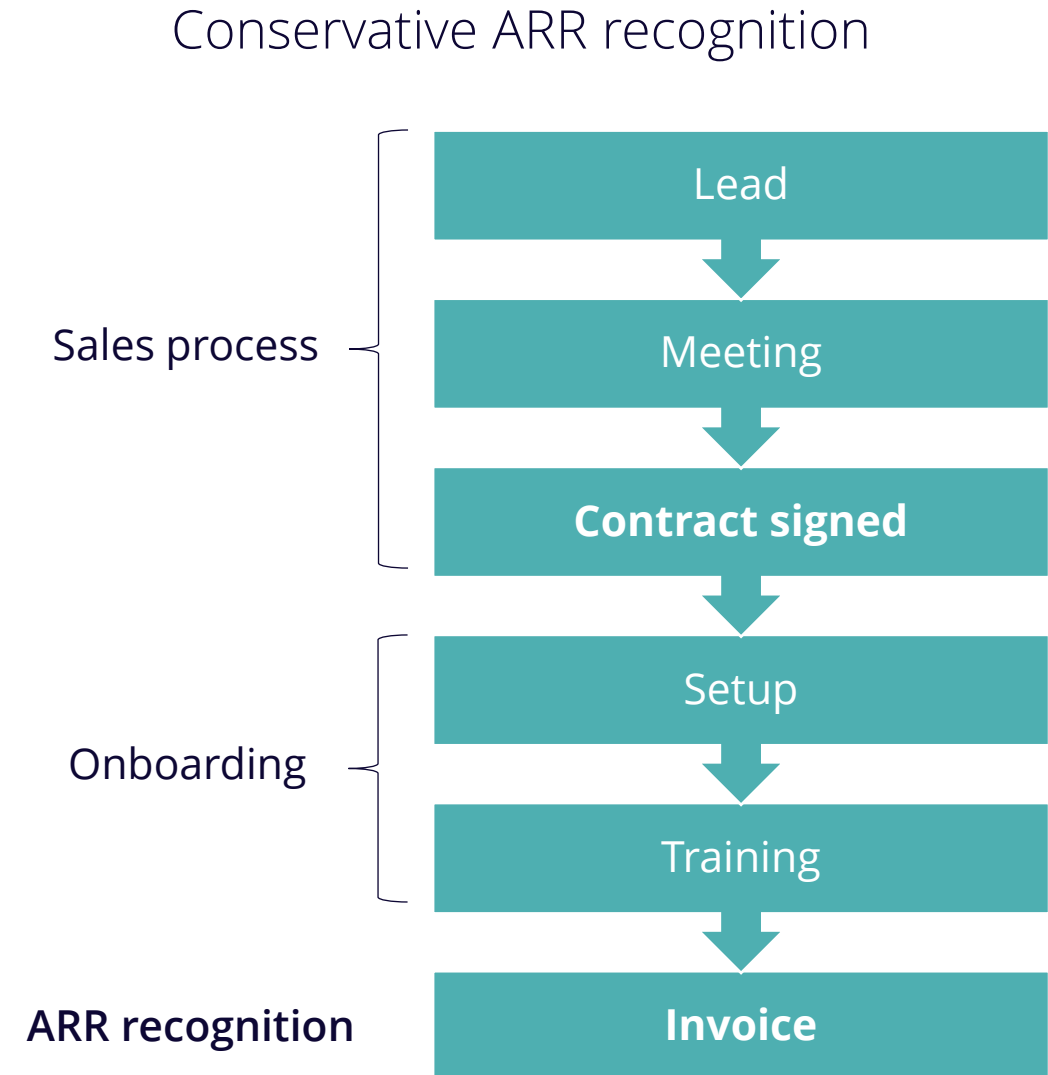
ARR development Jan-Sep 2023



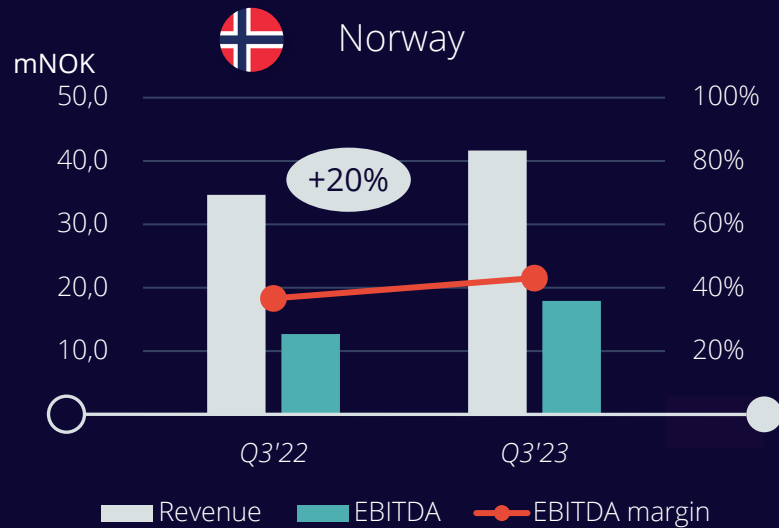


# Continued strong market situation in Norway

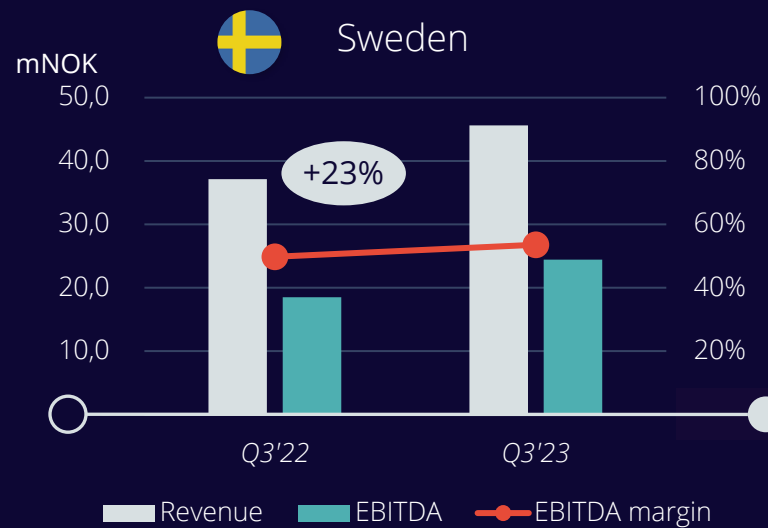
- Strong organic recurring revenue growth of 17% in Q3 YoY
- Solid sales closing in September
  - Cordel revenue order backlog is up 113% last 4 months
- Shortened sales time from first meeting to invoice for Kvalitetskontroll
  - 78% of new customers won in September were both started and signed within the month
- Potential revenue pipeline is strong and at same level as at the end of Q2



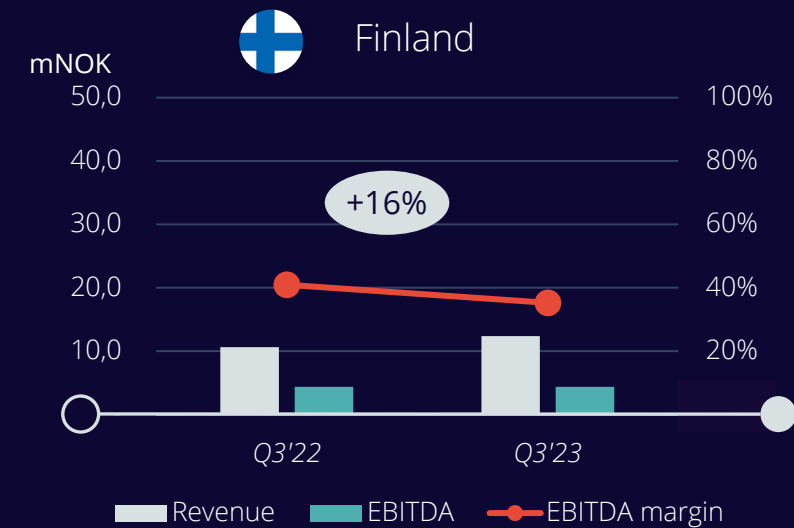
# Solid growth in all segments



- Organic recurring revenue +17%
- Inprog acquired in 2022
- Record sales in September
- Maintained strong pipeline for Q4'23



- Organic recurring revenue +12%
- Good sales performance in Q3, and positive trend
- Strong pipeline for Q4'23

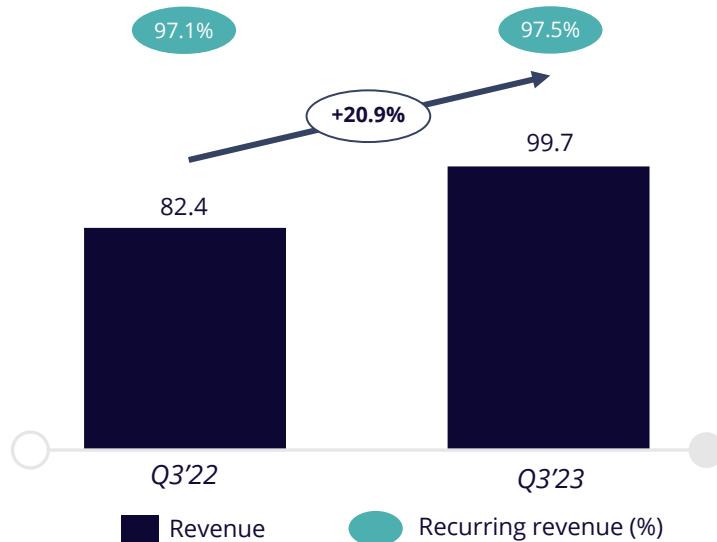


- Organic recurring revenue +4%
- Exposure to large customers in “new build” construction
- Good sales in renovation, but offset by downgrades relating to new build-projects
- Low churn of 4%
- Strong pipeline for Q4'23

# Continued growth in revenue and increasingly strong profitability

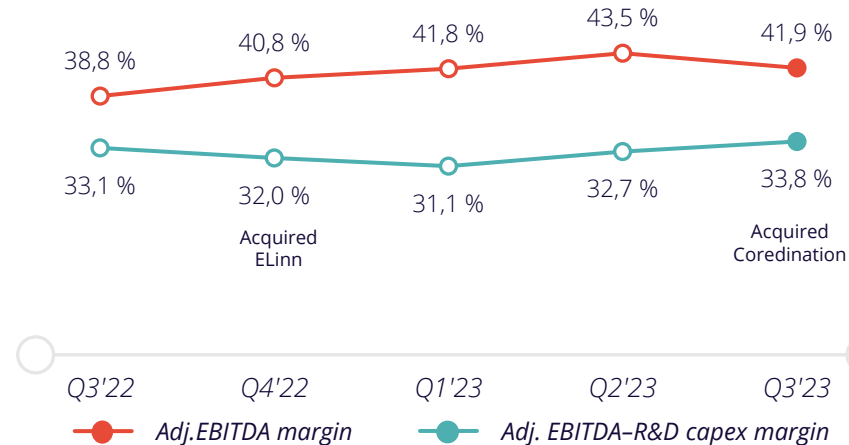
## Solid YoY revenue growth

mNOK



- Maintaining high recurring revenue share
- 14% organic growth in annual recurring revenue

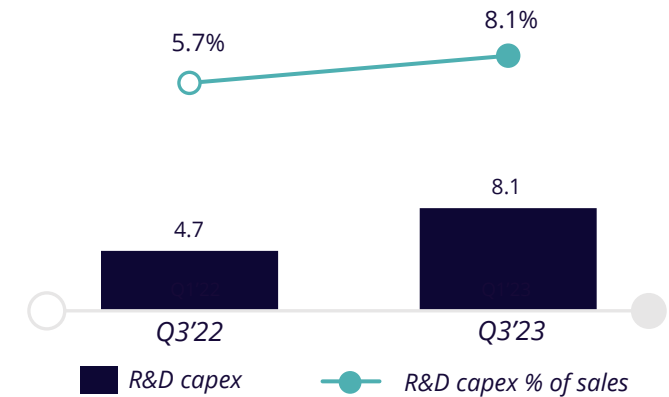
## Consistently high profitability



- Agile business model to scale costs in a more demanding business climate
- Ability to increase margin both short-term and long-term
- Increasing EBITDA-R&D capex margin by 1pp

## R&D capex

mNOK



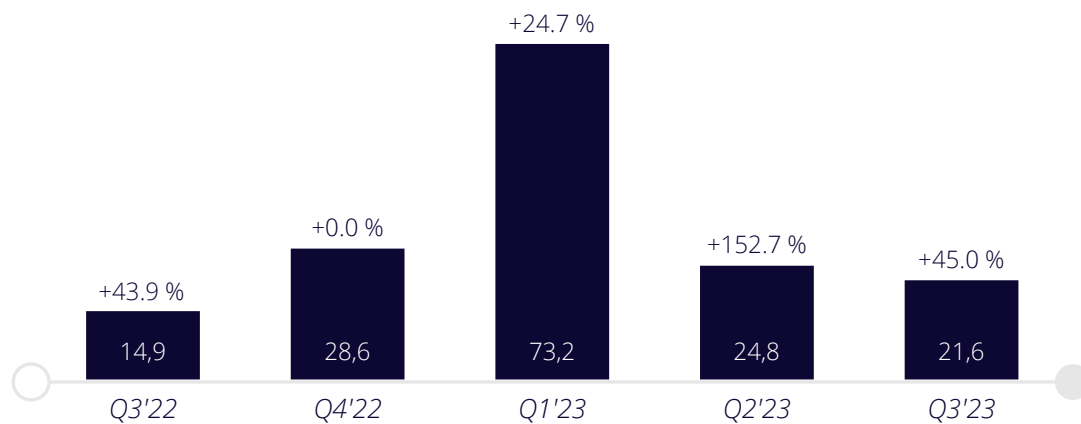
- Development of SmartCraft Core and integrations for cross sale and upsales
- Expecting ~10-11% FY'23

# Solid financial position and strong cash flow

- to support growth strategy and M&A activity

## Operating cash flow

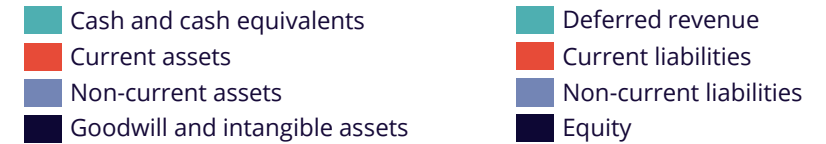
mNOK



- Cash positive all quarters (seasonally strong Q1)
- YoY Cash increase in all quarters
- Cash generated from operations enables strategic investments and M&A

## Balance sheet, September 30, 2023

mNOK



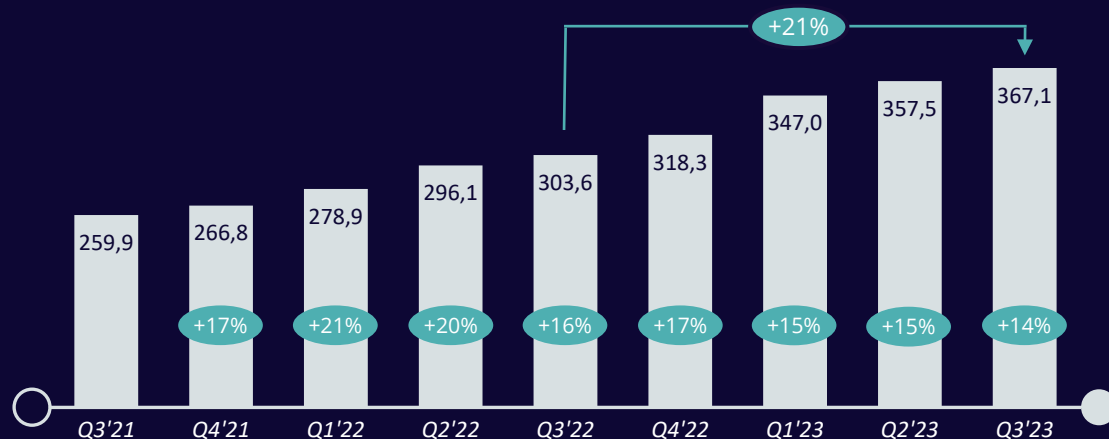
- Net cash positive
- Negative net working capital driven by customer prepayments
- Holds 1,6% (~2,8m) shares , per mid-october



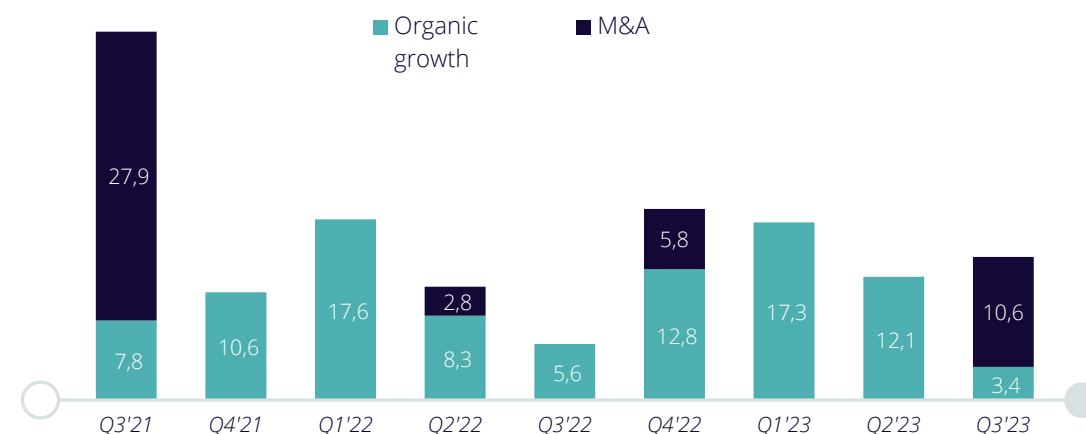
# High growth in recurring revenue as basis for success

- 21% growth in ARR
  - Additionally, acquisition of ELinn (October 2022), Coredination (July 2023) and FX changes
- Q3 seasonally slow ARR sales due to holidays in July and August
- Record sales in September
  - Not all included in ARR due to order backlog
- Maintained strong pipeline

ARR development, mNOK

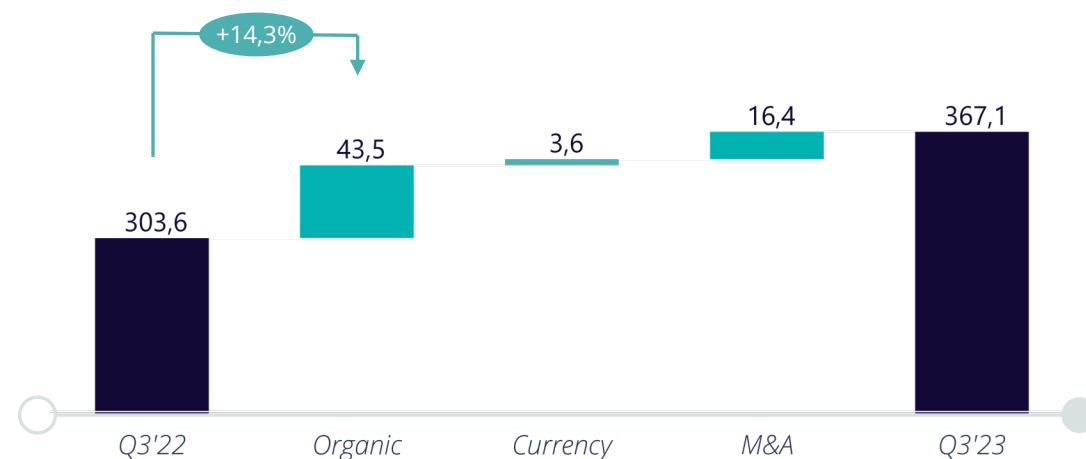


Quarterly ARR growth history, mNOK



Quarterly currency adjustments not displayed in chart

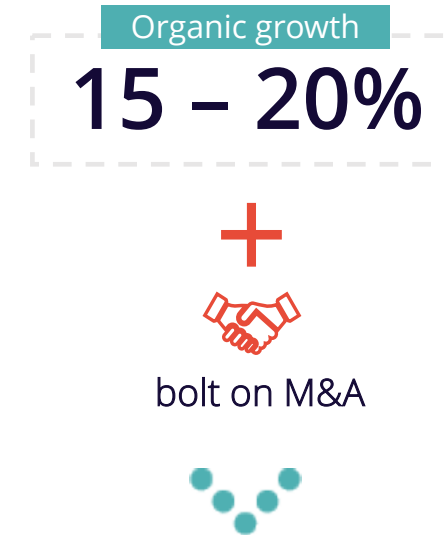
ARR bridge YoY, mNOK



# Key focus to ensure continued profitable growth

- Capitalize on solid new customer pipeline
- Customer centric business model
- Improved coordination of marketing and sales teams
- Sales automation & self service
- Use our flexible business model to be prudent on costs
- Further scale our cloud environments
- Value accretive M&A

Medium-term financial targets remain unchanged



Margin expected to increase due to scalability of the business

## Short-term considerations:

Impact from acquired companies last 12 months

# Coredination AB

Our 10<sup>th</sup> acquisition – acquired July 2023

- Adding functionality to SmartCraft family
- Great cross-sell and up-sell opportunities
- Good pipeline of potential M&A targets
- Valuation expectations for good companies are still high



**COREDINATION**

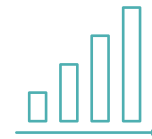
PART OF **SmartCraft**



- 200+ customers
- 3000+ users
- 10 employees
- Located in Stockholm

2022:

- SEK 10m revenue



YTD June:

- 18% growth
- 12% cash EBITDA
- 90% ARR
- 6% churn

Purchase price SEK 25m



A clear customer strategy secures a low-risk business model





# Focused customer acquisition strategy

| Segment / Focus | SME concentration of customer base | Electro / HWS* concentration of customer base | New build as main business for customer base |
|-----------------|------------------------------------|---|--|
| Sweden          | High                               | High  | Low  |
| Norway          | High                               | High  | Low  |
| Finland         | Medium                             | Low   | High   |

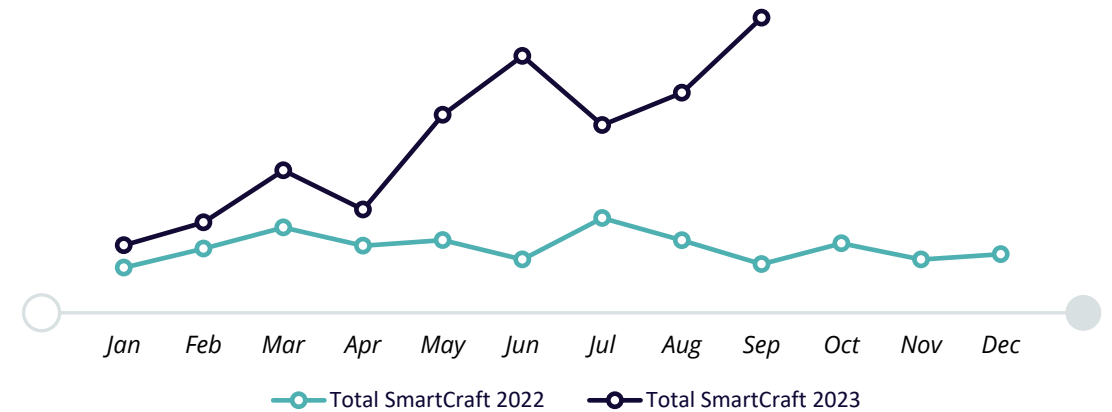
# Marketing and sales efficiency

- Continue to capitalize on strong solutions in a under-penetrated market
- 232% increased brand exposure\*<sup>1</sup> in Q3 YoY
- 44% increase in inbound leads Q3 Y/Y
- 59% increase in direct online sales in Q3 YoY
- Meeting to sales conversion LTM is steady at 55% (70% including online sales\*<sup>2</sup>)

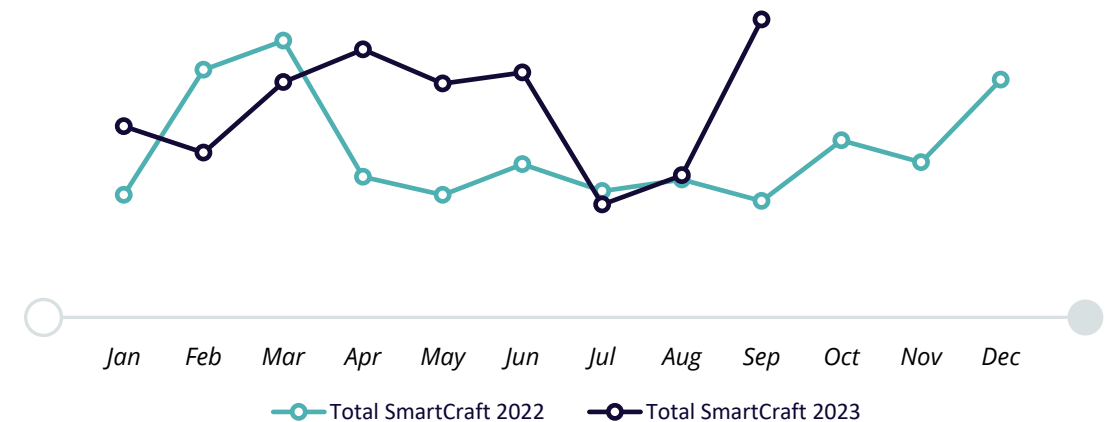
\*<sup>1</sup> Response to SmartCraft communication in different media channels

\*<sup>2</sup> Online sales was previously included in meetings

Brand exposure for the SmartCraft Group



Online Sales and Leads in the SmartCraft Group



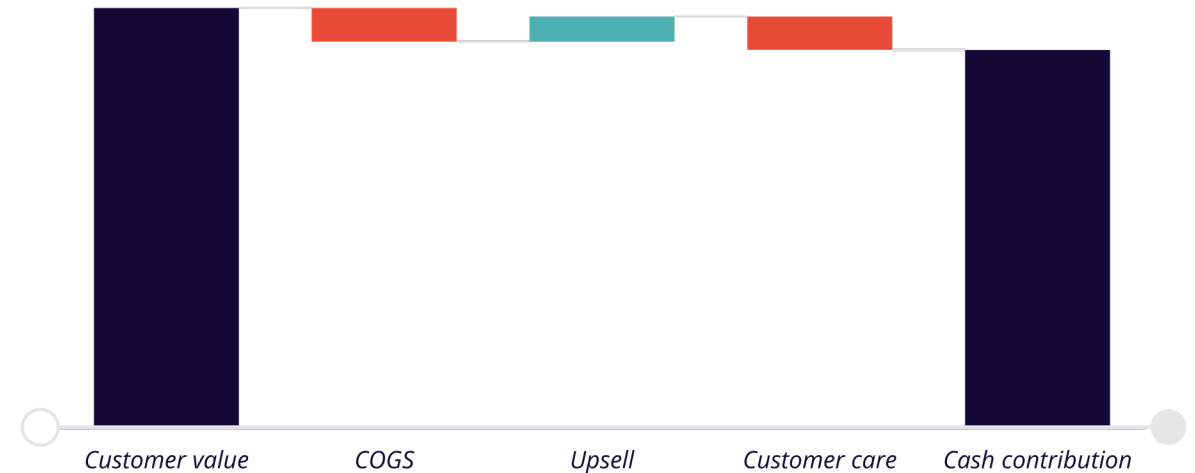
# Selective revenue approach to maximize recurring revenue and financial visibility

| Revenue sources we avoid       | Actions to secure high recurring revenue                          | Short- term financial effects   | Strategic benefit   |
|--------------------------------|---|---------------------------------|---|
| Setup/installation fees        | Including one-time revenue in subscription fee                    | Reduced revenue<br>Lower margin | <ul style="list-style-type: none"><li>○ Low threshold to become a customer</li><li>○ Increased recurring revenue</li><li>○ Higher margin</li><li>○ High financial visibility</li><li>○ High quality of earnings</li><li>○ Low-risk business model</li></ul> |
| Consulting fees                | Make easy to use solutions  |                                 |   |
| Training fees                  | Make user-friendly and intuitive solutions                        |                                 |   |
| Support fees                   | Provide solutions requiring minimum of support                    |                                 |   |
| Hardware                       | Customers buy directly from hardware vendor                       |                                 |   |
| 3 <sup>rd</sup> party software | Customers buy directly from 3 <sup>rd</sup> party software vendor |                                 |   |

# Strategy secures a highly scalable, low risk business model

- Offsetting non-recurring revenue motivates us to make good software that is easy to use
- The beauty of software is the ability to achieve economies of scale
- SmartCraft's "Rule of 90"
  - 97% recurring revenue
  - 92% gross profit margin

Scalable business model provides strong cash contribution per new customer





# Initiatives to reduce COGS and increase revenue



Reduce complexity & COGS and increase market opportunity



+ Upsales



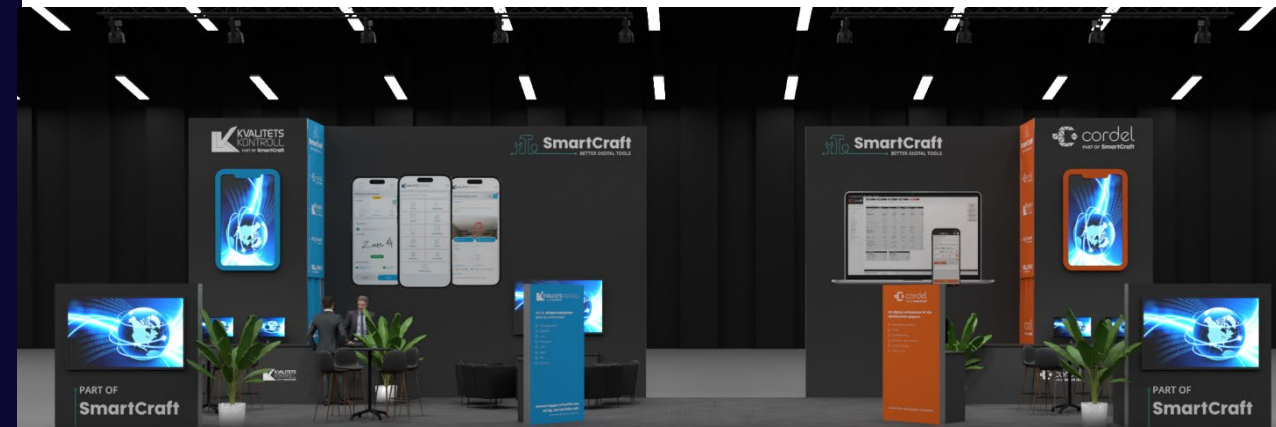
× Cross Sales



# Corporate Branding

Building awareness of "SmartCraft family"

- All solution logos have been updated with "Part of SmartCraft"
- SmartCraft solutions gathered together at events
- Offices rebranded to SmartCraft



# Q&A

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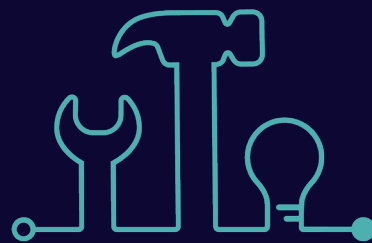
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We continue to deliver on our profitable growth journey

- Continue to deliver on strategy
- Reduced operational risk
- Consistent strong operational cash flow



**SmartCraft**