SmartCraft

BETTER DIGITAL TOOLS

Q3 2023 REPORT

Contents

Q3 growth

Demonstrating resilient, low-risk and scalable business model

+21%
Revenue

+31%
EBITDA

+45%
Operational cash flow

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.

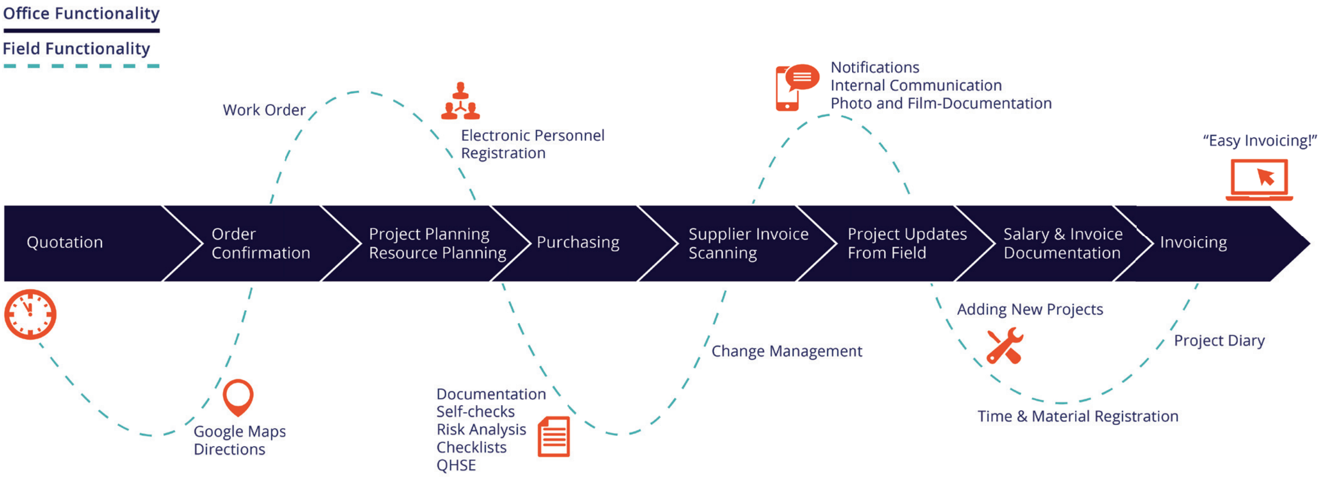
Our solutions are used by our customers even before they have won a contract. As a natural part of the sales process, our solutions enable our customers to be more efficient and precise in their offers. Official requirements and regulations, for example with regards to health and safety as well as quality 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. 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 too. 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 to our customers. We expect to invest 10-11% of our revenue in product and technology development in 2023 to further increase our potential to increase growth.

The craftsman's office is in the car or outside on a worksite. 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. As a market leader we have 12 500 customers, showcasing the low market penetration. 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

Lack of skilled workers

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

Digitally maturing users and software

- Apps and SaaS solutions drive adoption
- Younger more digital workforce

Increasing demand for detailed digital documentation

- Regulatory offices
- Consumers

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

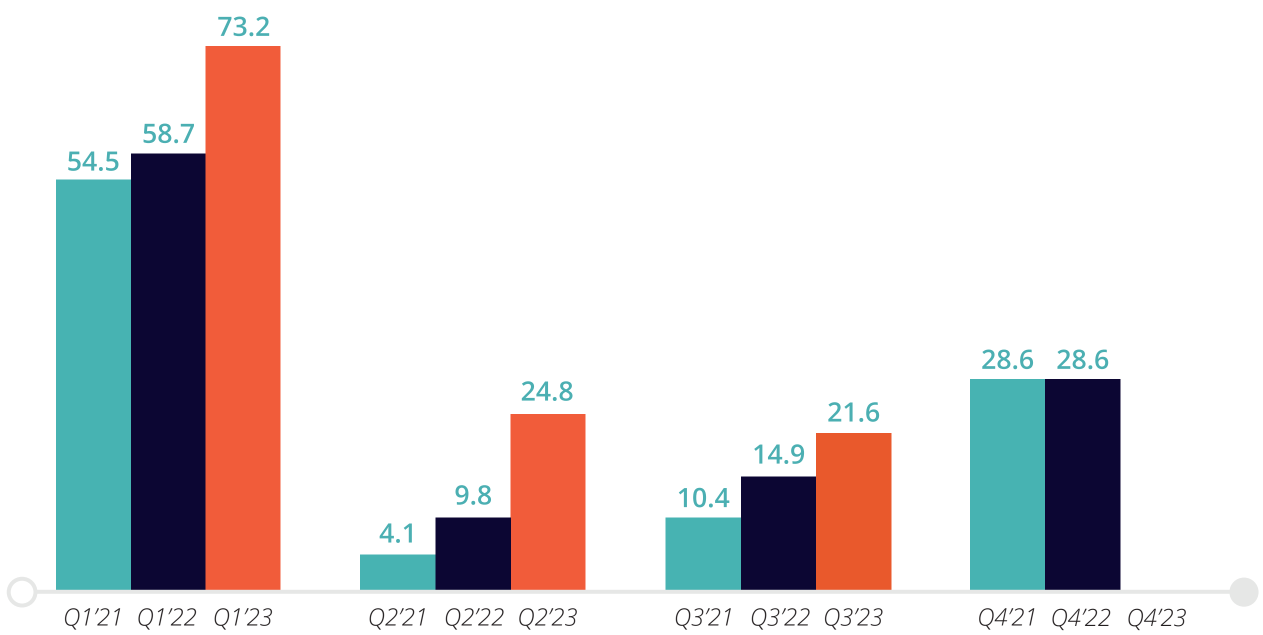
ATTRACTIVE BUSINESS MODEL

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 percent, gives us a strong business model. We are increasing our revenue by 15-20 percent organically and expect to do so for years to come, and we have been able to combine this with a scalable adjusted EBITDA margin. 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 strength of 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 historically we have a consistent low annual churn.

With our flexible business model we generate cash every quarter and every year.

ATTRACTIVE BUSINESS MODEL WITH INCREASING CASH GENERATION, 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.

Organic growth: Further optimization of marketing and sales

Win new customers

Upsales to existing customers

Cross sell on existing portfolio

M&A in existing and new geographies

Proven M&A track record

Detailed M&A methodology

Active M&A pipeline

HISTORICAL FIGURES DEMOSTRATES EFFICIENT GROWTH MODEL, SCALABILITY AND STRONG CASH FLOW PROFILE

Amounts in NOK (thousands)

	LTM	2022	2021	2020
ARR	367 062	318 348	266 843	204 689
Revenue	385 283	333 423	270 762	195 941
Adjusted EBITDA	161 540	131 331	108 671	80 934
	41.9%	39.4%	40.1%	41.3%
Operational cash flow	147 074	115 650	106 525	98 466
R&D capex	37 059	23 857	21 737	11 579
Customers	≈ 12 500	≈ 12 000	≈ 11 000	≈ 8 500

Letter from the CEO

SmartCraft delivered another solid quarter with rapid revenue growth, high margins and strong cash flow in a turbulent construction market. Once again, we demonstrated the solidity of our strategy, our resilient and low-risk business model and how we are relatively unaffected by market fluctuations as our solutions provide a competitive edge for our customers.

Revenue grew by 21 percent to NOK 100 million compared to the third quarter of last year. In the same period, Annual Recurring Revenue (ARR), our most important key performance indicator, grew by 21 percent to NOK 367 million. The growth was driven by sales to new customers, upsell to existing customers, the acquisition of Coredination and currency effects. The year-on-year growth in ARR, adjusted for currency and acquisition effects, was 14 percent.

Our solutions remain attractive even in a challenging economic climate for the construction industry. This is mainly down to two factors:

1. Most of our customers are small and medium-sized Enterprises (SMEs) which mainly focus on renovation, services, upgrades and maintenance of existing buildings. These segments are significantly less volatile than new construction.
2. We have a high concentration of electrician and heating, water and sanitation (HWS) customers and our products are particularly well suited for these customer groups. In a world of rising energy costs and ever-increasing focus on the environment and climate, electricians and plumbers are in high demand, partly due to government-funded energy savings initiatives. Our solutions help to improve the overview and control of their business and to improve revenue and margin.

Revenue grew by 21 percent to NOK 100 million compared to the third quarter of last year. In the same period, Annual Recurring Revenue (ARR), our most important key performance indicator, grew by 21 percent to NOK 367 million.

SmartCraft's financial profile is solid, predictable and with low risk. In the third quarter, 97 percent of our revenue was recurring. We strongly believe great software should be easy to use. The high level of recurring revenue is a result of our strategy to minimize non-recurring revenue like setup and installation fees, consulting fees, training fees, support fees, hardware and 3rd party software. As

In the third quarter, our EBITDA margin deducted for R&D capitalizations grew nearly one percentage point to 34 percent as a result of scalability and good cost control.

a result, we have high earnings quality with good earnings visibility and low operational risk.

In the third quarter, our EBITDA margin deducted for R&D capitalizations grew nearly one percentage point to 34 percent compared to the same quarter last year. This is a result of both the scalability of our business, as we can do more with existing resources and good cost control. Consequently, we are continuously improving our business model and organization quarter by quarter.

Customer revenue churn is slightly up in the third quarter but trending down at the end of the quarter. The combination of high revenue growth, high margin, low churn and advance payment from customers, secures a solid cash contribution.
In July, SmartCraft completed its tenth acquisition,

We have a good and healthy potential revenue pipeline going into the last quarter of the year.

Coredination, a modern Swedish Software-as-a-Service (SaaS) application covering workforce management, machine rental and fleet management. Acquisitions are a central part of our strategy, and we have a good pipeline of potential targets. We experience that price expectations in the M&A market remain high but are trending downwards. We will remain disciplined with regards to capital allocation and continue to ensure that any potential transactions add to our strong track record of value accretive acquisitions.

Our outlook for growth and profitability remains positive. The third quarter ended with high activity levels resulting in both a strong order backlog for future revenue in the coming months and an increase in booked customer meetings. Historically we convert 60 percent of meetings to sales. We have a good and healthy potential revenue pipeline going into the last quarter of the year.

We reiterate our medium-term guiding of 15-20 percent organic growth and growing margins due to the scalability of the business.

Gustav Line
CEO

Q3 2023 in Brief

SEPTEMBER 30th, 2023
ARR
MNOK **367**

21% growth YoY

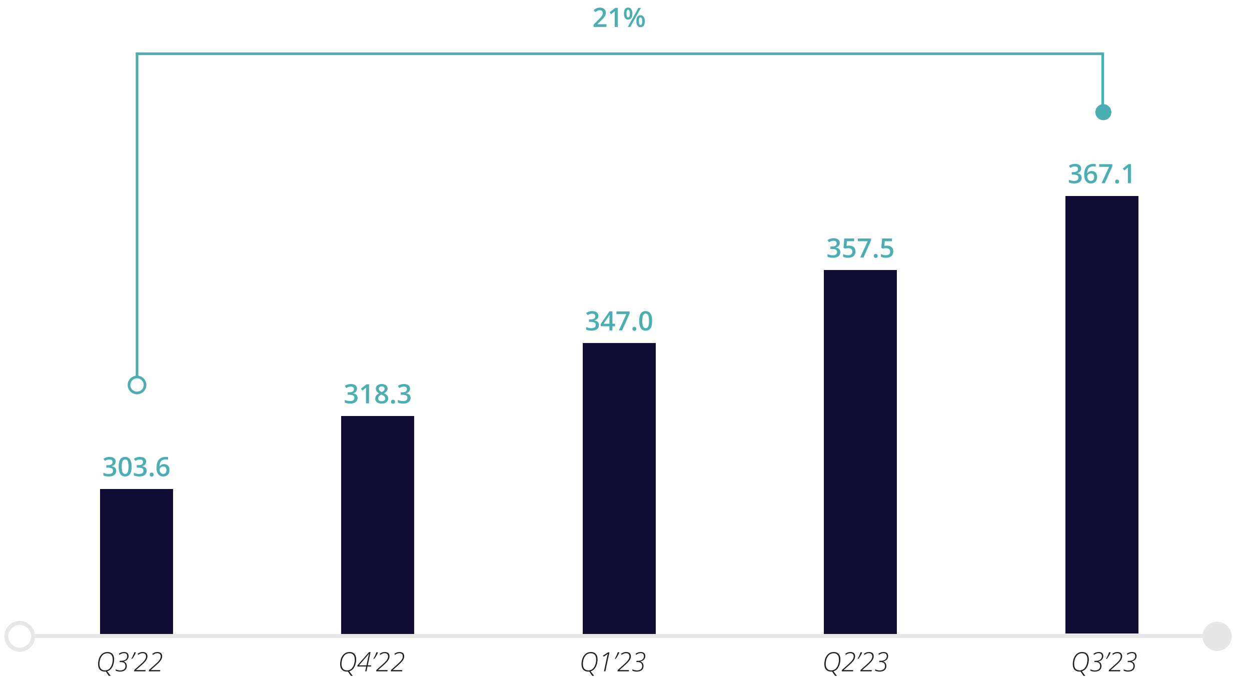
Adjusted EDITDA
margin at
42%

45%
operational cash flow growth

Maintaining low churn at
8%

14%
organic ARR growth YoY[1]

ARR development per quarter (end of period, MNOK)



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

Operational development

We continued our growth journey in the third quarter of 2023 with solid organic growth and improved EBITDA margins. Our organization and solutions are well positioned in a challenging construction industry, where activity within new construction projects is significantly reduced.

SmartCraft focuses mainly on small and medium enterprises (SMEs) that work with renovation, upgrades, services and maintenance of existing buildings. Additionally, we have a high concentration of electrician and plumbing companies as customers. Due to energy savings and the green shift these contractors are very much in demand today and in the future. Hence, our strategic position makes SmartCraft less volatile in a challenging market. As illustrated in the table below the customer mix in Finland differs from the other two countries. We are actively taking steps to increase the SME concentration and be less dependent on new projects in Finland, by expanding with solutions from Norway and Sweden.

SmartCraft operates in a largely underpenetrated market, where most SMEs lack effective digital solutions to comprehensively manage people, materials and documentation in in their projects, which is crucial for enhancing revenue and profit margin. This represents a significant untapped potential for both the industry and SmartCraft.

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

**Heating, water and sanitation*

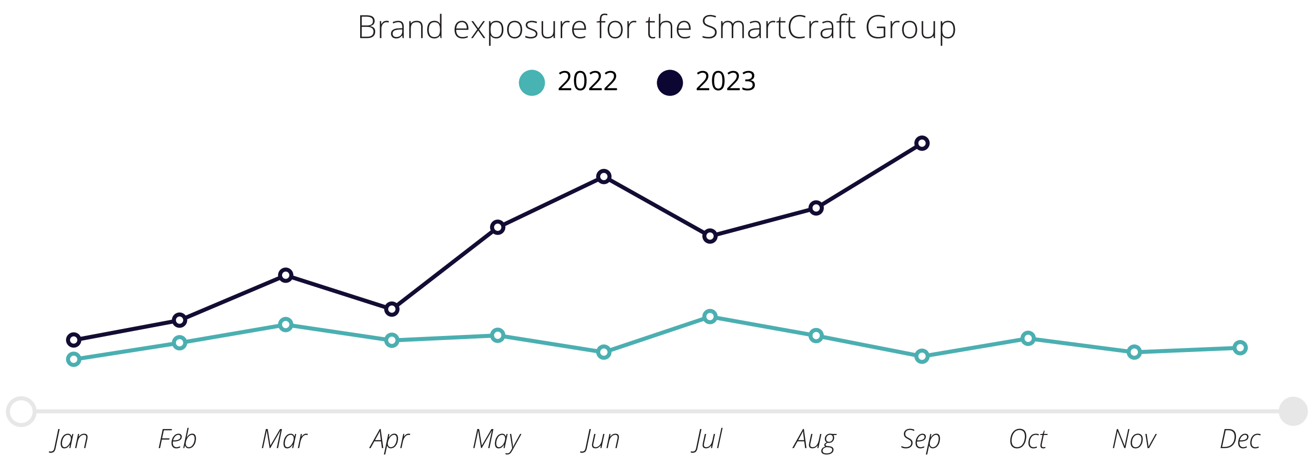
MARKETING AND SALES

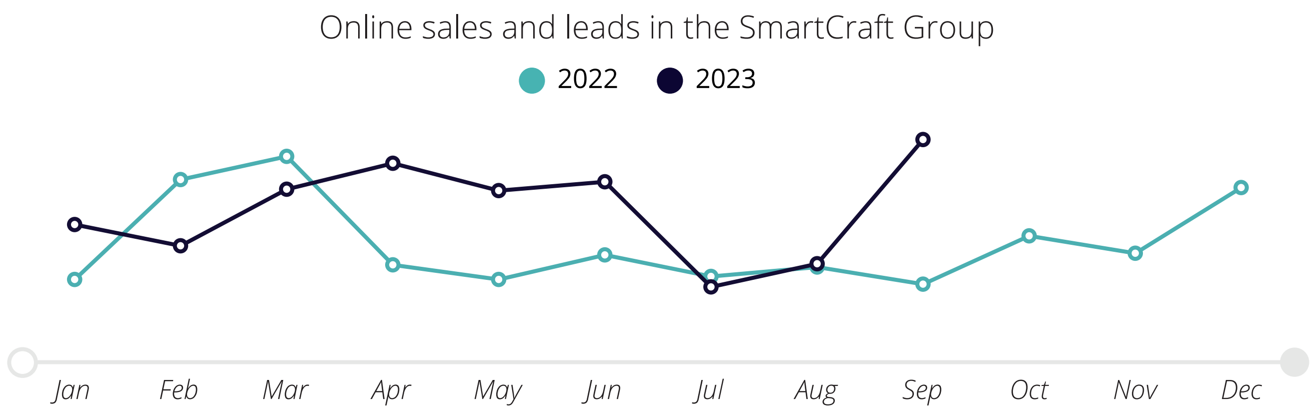
We continue to leverage our effective digital sales methodology to reinforce and grow our sales pipeline. In the third quarter we successfully enhanced our visibility and brand recognition among construction companies through various marketing initiatives. Amplifying our brands' presence across all channels is an important goal to reach more potential customers efficiently.

In Sweden, for example, we increased exposure in different media channels by 125 percent in the quarter, resulting in an increase of 48 percent of inbound leads in September alone, compared to the same period last year. Also, we always aim to scale and improve the ways we market and sell our solutions. Combined with focused sales initiatives, the number of booked meetings for our most significant Swedish solution, Bygglet, increased by 57% in the third quarter compared to last year.

Historically, we convert more than half of the meetings to sales, so this is a good indicator for future revenue development.

We always aim to scale and improve the ways we market and sell our solutions and have continued to strengthen our direct online sales activities. As a result, our direct online sales increased by 59 percent in the third quarter compared to the same period in 2022. Previously online sales activities were relatively insignificant, and hence included in meeting statistics. However, as more sales come from this channel we have separated the data to get a better overall picture. The revised data show that we converted 55 percent of the meetings to sales over the last twelve months (LTM). If we were to include online sales, the total would be 71 percent.





HIGH QUALITY OF EARNINGS

We strongly believe in making business as easy as possible for our customers and that SmartCraft employees focusing on what is mission critical for our customers; to have business control by having a good digital overview of people, material and documentation. In the third quarter, 97 percent of our revenue was recurring, creating a solid, predictable financial profile with low risk.

The high level of recurring revenue is a result of our strategy to minimize non-recurring revenue like setup and installation fees, consulting fees, training fees and support fees, as we believe good software should be easy to use with minimum effort. We also believe that hardware and 3rd party software is best handled by the vendors of these and that SmartCraft employees should focus on making great mission critical solutions for our customers. As a result of this strategy, we have high earnings quality with good earnings visibility and low operational risk.

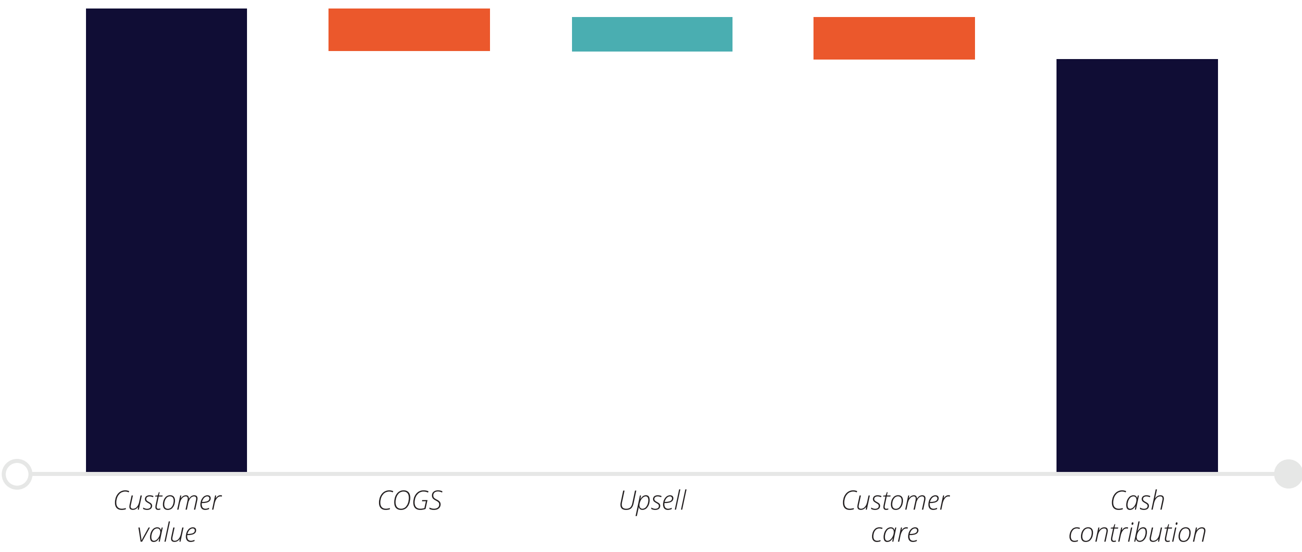
Clear strategy to increase recurring revenue and financial visibility

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 Lower margin	• Low threshold to become a customer • Increased recurring revenue • Higher margin • High financial visibility • High quality of earnings • Low-risk business model
Consulting fees	Make easy to use solutions	Reduced revenue Higher margin	
Training fees	Make user-friendly and intuitive solutions		
Support fees	Provide solutions requiring minimum of support		
Hardware	Customers buy directly from hardware vendor		
3rd party software	Customers buy directly from 3rd party software vendor		

“RULE OF 90”

The beauty of software – in particular with a SaaS model - is the ability to achieve economies of scale. SmartCraft has both recurring revenue and a gross profit margin above 90 percent. We have an efficient marketing and sales organization enabling sales and upsales at a relatively low cost. Low CAC combined with little efforts to retain a customer after onboarding and low churn, gives us a very healthy cash contribution from each incremental customer we win.

Scalable business model provides strong cash contribution per new customer



SEGMENTS

Distribution of revenue per reporting segment

Amounts in NOK (millions)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Norway	41.7	34.7	124.2	101.3	140.7
Sweden	45.6	37.1	132.5	109.9	143.2
Finland	12.4	10.6	38.1	31.9	49.5
Total revenue per reporting segment	***99.7***	***82.4***	***294.8***	***243.1***	***333.4***
Organic growth					
Norway	*15.1 %*	*10.4 %*	*16.3 %*	*7.5 %*	*10.9 %*
Sweden	*12.3 %*	*23.6 %*	*13.2 %*	*25.5 %*	*22.3 %*
Finland	*2.7 %*	*9.2 %*	*5.9 %*	*3.1 %*	*5.9 %*

Distribution of EBITDA per reporting segment*

Amounts in NOK (millions)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Norway	17.9	12.7	57.9	38.8	57.7
Sweden	24.4	18.5	68.4	55.6	74.0
Finland	4.4	4.4	13.9	11.6	15.5
Adjusted EBITDA per reporting segment	***46.7***	***35.5***	***140.2***	***106.0***	***147.2***

**Excluding Group overhead*

Adjusted EBITDA margin					
Norway	*43.0 %*	*36.6 %*	*46.6 %*	*38.3 %*	*41.0 %*
Sweden	*53.5 %*	*49.8 %*	*51.6 %*	*50.6 %*	*51.7 %*
Finland	*35.2 %*	*40.9 %*	*36.4 %*	*36.5 %*	*31.2 %*

SmartCraft Sweden

Sweden is our largest segment. We did some organizational changes in the beginning of the year which has resulted in improved sales traction the last quarters. Consequently, our growth rate in the third quarter was 3.5 percent compared the second quarter 2023. Additionally, we continue to build a strong pipeline of potential revenue. In the quarter we booked 57 percent more meetings than Q3 2022 for our most significant solution Bygglet. With a continued high conversion rate of meetings to sales, this is a good indicator for future revenue development.

We also experienced that the sales process for Bygglet has shortened by 5 days to 22 days, which we believe is a result of both good processes in sales and that we have "need to have solutions" that fit the current market environment, helping our customers to increase revenue and margin.

The adjusted EBITDA margin in the third quarter increased by 4 percentage points to 54 percent compared to the third quarter of 2022. This is a result of an optimized structure in sales and marketing, improved sales and the scalability of the business.

SmartCraft Norway

Norway is the second largest segment, accounting for 42 percent of the revenue in the third quarter. We continue to see solid revenue growth in the third quarter as recurring revenue grew organically by 17 percent compared to the same period last year. This is a result of focus, good sales processes and solutions that are "need to have" for our SME customers.

SmartCraft has a conservative approach to revenue recognition. For example, in Norway we do not recognize revenue on signed contracts until the onboarding is complete. Cordel, the largest revenue generator in Norway, has a backlog of revenue in September that is 113% higher than at the end of May. This is contractual revenue that will be invoiced in the coming months. The backlog of contracts have not been included in the Annual Recurring Revenue (ARR) for September.

Similarly, to the shorter sales cycles for Bygglet in Sweden, we experience that 78 percent of new customers won in September for Kvalitetskontroll were started and signed in the same month.
In Norway, going into the fourth quarter, we have a healthy potential revenue pipeline at the same level as at the end of the second quarter this year.

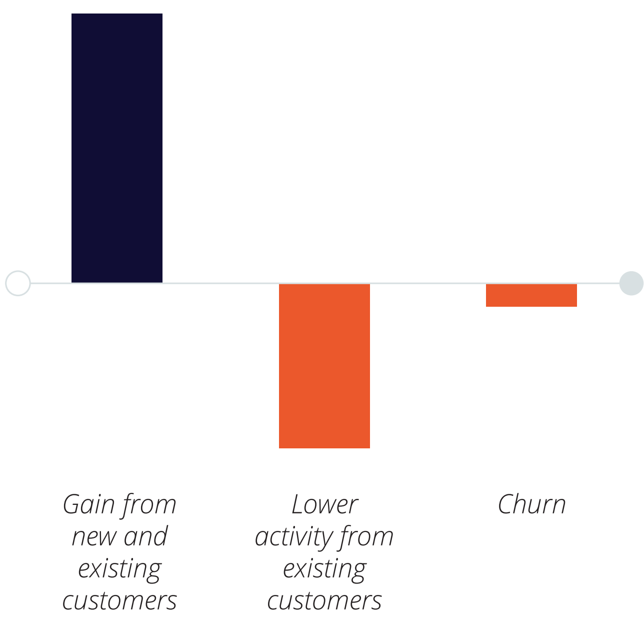
The adjusted EBITDA margin shows a strong growth of 6 percentage points to 43 percent in the third quarter compared to the same quarter last year. This is a result of strong and increased sales, in addition to the scalability of the business.

SmartCraft Finland

Finland is our smallest segment, accounting for 12 percent of total revenue in the third quarter. The Finnish segment has historically focused on larger companies in the New Build part of the construction industry. Unlike Sweden and Norway, we have little presence among electricians and plumbers.

Although we gain revenue from new and existing customers, this is largely offset by customers that downgrade their solution due to lower activity and less new building projects in the market. As a result, we see an organic recurring revenue growth of 4 percent in the third quarter compared to the same period last year.

ARR development Jan-Sep 2023



We are pleased to see a low level of churn, indicating that revenue will quickly pick up when activity levels in the New Build market normalize from current downturn.

The new construction market is, according to the Confederation of Finnish Construction Industries, expected to decrease by 38 percent in 2023. Consequently, we have during the last 12 months actively been shifting focus towards smaller companies and the renovation subsegment in Finland. In 2023, we also introduced EL-VIS, a valuable digital safety tool for electricians, to get more presence in this part of the construction business. It is early days, but we believe the solution has a great market fit.

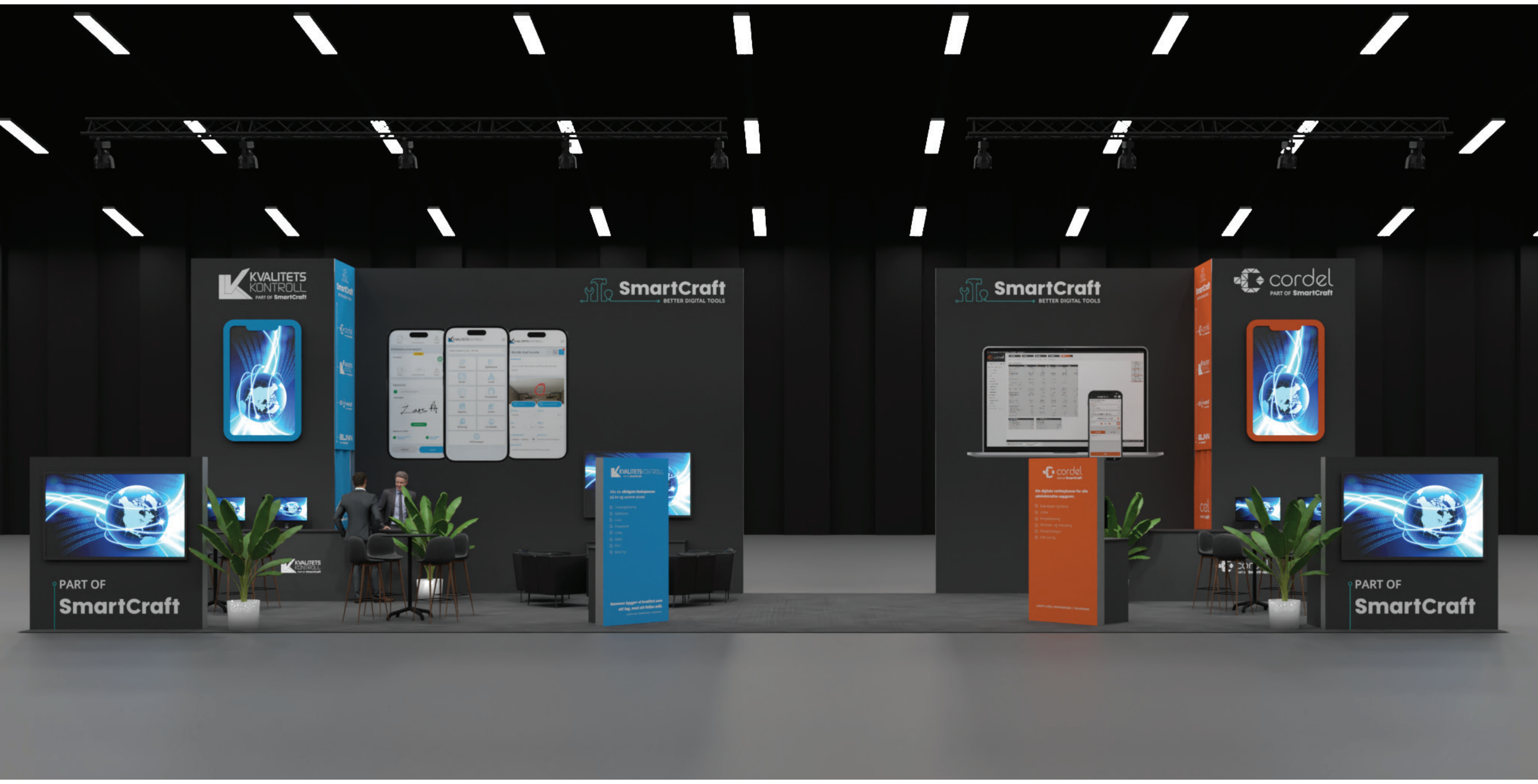
UNITED MARKETING AND BRANDING

At SmartCraft we continuously work to synergize and scale all parts of our business. For marketing and branding we have now launched the "Part of SmartCraft" initiative with new logos reflecting that our solutions are all part of the same family.

The "Part of SmartCraft" also applies to email signatures, invoices, websites, ads, videos and merchandise. At trade fairs we gather the different solutions under the SmartCraft brand, making sure to create more joint visibility. To build company culture and the one-team mindset we are also rebranding all our offices to SmartCraft.

cordel
PART OF SmartCraft

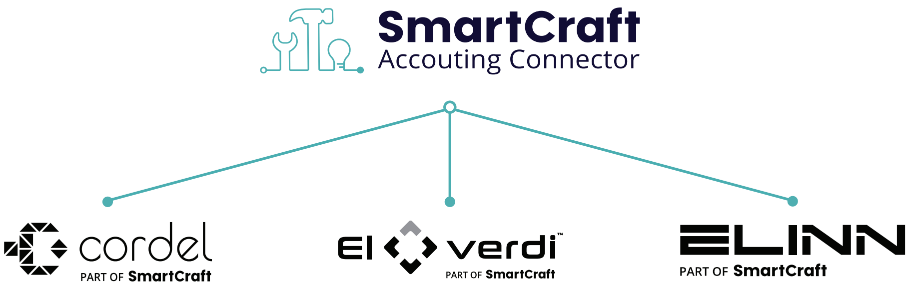
COREDINATION
PART OF SmartCraft



DEVELOPMENT INITIATIVES TO REDUCE COGS AND INCREASE REVENUE

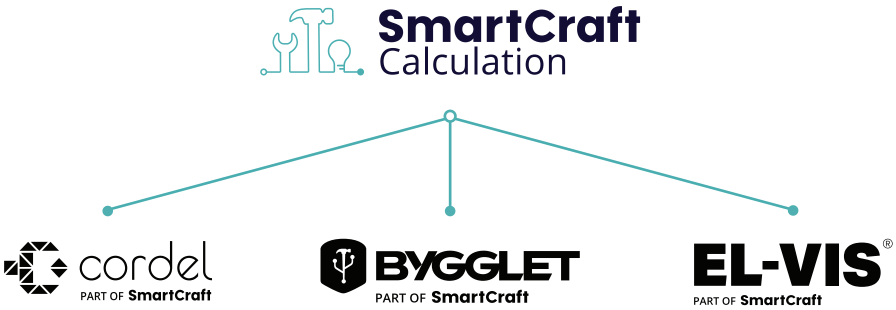
We continue to develop features and improve user experience to drive growth. Additionally, through operational efficiency we aim to reduce our cost base. The initiatives are categorized in three key areas:

1. Reducing Complexity and Broadening Market Reach: To streamline user experience and capture a larger market share.



SmartCraft Accounting Connector: This capability which is built on our latest SmartCraft Core technology facilitates a straightforward integration for Cordel, Elverdi and ELinn, allowing the transfer of accounting data to several different accounting solutions. Our customers can effortlessly transfer accounting data from our ecosystem to the most distinctive accounting solutions in the market. This not only cuts down on manual errors and processing time but also ensures our users have a more efficient workflow, broadening our appeal in the market. The solution aims to reduce complexity and COGS while expanding our market opportunity.

2. Upselling Opportunity: Enhance revenue potential by offering additional features to our existing users.



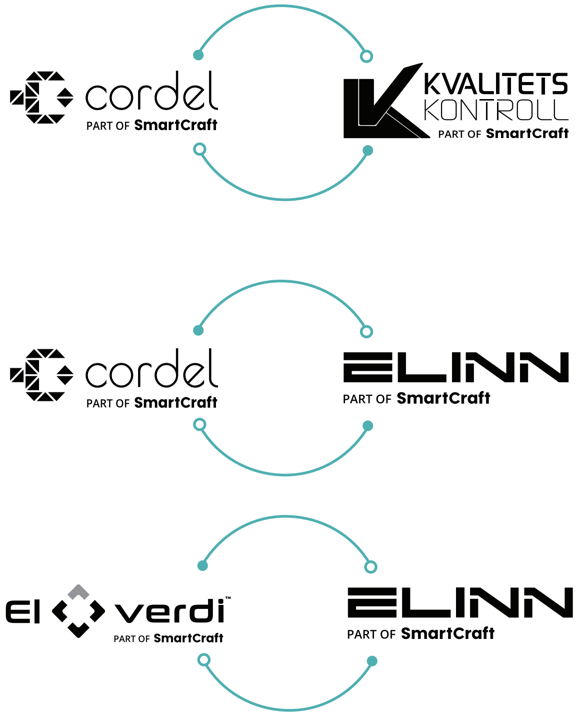
SmartCraft Calculation: The solution, which is the second product built on our SmartCraft Core technology, serves as an additional capability for our EL-VIS, Bygglet, and Cordel customers. Users can utilize this intuitive calculation tool, potentially driving further revenue from these platforms.

3. Cross-Selling Initiatives: Leverage integrations to provide interconnected solutions, maximizing product utility for users

At the end of 2022 we launched a two-way integration between Cordel & Kvalitetskontroll. This quarter we have initiated two more integrations to enhance user experience; Cordel & ELinn and Elverdi & ELinn.

These cross-integration ventures are tailored to let our users enjoy the most suitable product for each segment of their needs, further solidifying our market presence.

In closing, our endeavors this quarter have been strategically aligned to simplify, upsell and cross-sell, always keeping our users and business objectives at the forefront.



Financial review

Amounts in NOK (thousands)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Revenue from customers	99 663	82 440	294 789	243 051	333 423
Total operating revenue	***99 663***	***82 440***	***294 789***	***243 051***	***333 423***
Purchase of goods and services	7 651	6 348	23 803	19 884	27 271
Payroll and related expences	38 225	31 777	109 819	93 367	128 737
Other operating expenses	12 318	12 759	37 694	37 264	48 996
Total operating expenses	***58 194***	***50 885***	***171 316***	***150 515***	***205 004***
EBITDA	***41 470***	***31 556***	***123 472***	***92 536***	***128 419***
Adjustments of special items	268	447	1 572	1 939	2 911
Adjusted EBITDA	***41 738***	***32 003***	***125 045***	***94 475***	***131 331***
Depreciation and amortization	8 942	6 910	25 686	20 325	27 657
Operating profit (loss) before financial items and tax	***32 527***	***24 646***	***97 787***	***72 211***	***100 762***
EBITDA-margin	*41.6 %*	*38.3 %*	*41.9 %*	*38.1 %*	*38.5 %*
Adjusted EBITDA-margin	*41.9 %*	*38.8 %*	*42.4 %*	*38.9 %*	*39.4 %*

SmartCraft's consolidated revenue in Q3 2023 grew by 20.9 percent to NOK 99.7 million, up from NOK 82.4 million in Q3 2022. The revenue growth was driven by organic growth from the Group's SaaS solutions, the two smaller acquisitions of ELinn (October 2022) and Coredination (July 2022) as well as changes in currency rates.

ARR grew to NOK 367.1 million, a growth of 20.9 percent year over year with an organic growth of 14.3 percent. While July is a seasonally slow month for sales, SmartCraft broke records for new sales in September, building momentum going into the final quarter of 2023. Onboarding of new customers varies between solutions, but sales in September indicate a positive ARR development in Q4 as ARR is not recognized until the customer is fully onboarded.

SmartCraft has a strategy to maximize recurring revenue at the expense of non-recurring revenue. The strategy increases earnings visibility, and hence reduces operational risks. We are actively transforming non-recurring revenue, such as start-up fees, initial training, etc., into SaaS services, thus reducing the threshold to become a customer. In Q3 2023 the recurring revenue share is 97.5 percent (97.1 percent in Q3 2022). SmartCraft's recurring revenue share is expected to be in the mid/high 90 percent range.

The Group has a consistently low churn of 7.9 percent in Q3 2023, compared to 7.4 percent last quarter. The churn was trending downwards towards the end of the quarter. Bankruptcies remain the main reason for churn in SmartCraft.

The scalability of the business model ensures a relatively stable cost base while delivering good growth in revenues. The agile business model also ensures the ability to adjust the cost base effectively. The reported EBITDA in Q3 2023

Organic growth YoY	Q3'23	Q3'22	FY'22
Fixed price subscriptions	13.8 %	18.6 %	18.2 %
Transaction priced add-on subscriptions	2.6 %	19.3 %	17.2 %
Total recurring revenue	***12.8 %***	***18.7 %***	***18.1 %***
Non-recurring revenue	(6.8 %)	(34.9 %)	(20.8 %)
Total revenue	***12.3 %***	***15.9 %***	***16.2 %***

was NOK 41.5 million, a growth of 31.4 percent compared to Q3 2022. There were adjustments to the EBITDA of NOK 0.3 million in Q3 2023 which relates to M&A activity, resulting in an adjusted EBITDA of NOK 41.7 million (NOK 32.0 million in Q3 2022). The adjusted EBITDA margin for Q3 2023 was 41.9 percent, compared to 38.8 percent in Q3 2022. Our two latest acquisitions had no significant effect on the adjusted EBITDA margin. 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, therefore creating a long-term business advantage.

SmartCraft continues to improve existing solutions and develop new solutions and add-ons. In Q3, many employees are on holiday, and thus a lower activity level in terms of development than in other quarters. Increased efficiency of our workforce is enabling more value creation and previous investments in the modernization of our solutions results in less maintenance, which in turn leads to more focus on R&D investments. For the development of new solutions and add-ons, SmartCraft recognized NOK 8.1 million in capitalization of development costs in Q3 2023, which constitutes 8.1 percent of revenue, an increase from 5.7 percent last year and 10.8 percent last quarter. In the first three quarters of 2023 SmartCraft capitalized 9.9 percent of revenue and for the FY 2023 SmartCraft expects a capitalization level around 10-11 percent. The expected increase in capitalization relates to efficiency gains and more value-creation leading to a higher share of cost being capitalized and is not the result in increased cost as a whole (CAPEX and OPEX).

Depreciations and amortizations were NOK 8.9 million in Q3 2023 compared to NOK 6.9 million in Q3 2022. The increase is a result of the Group's continuous R&D activities and acquisitions. In Q3 2023, amortization related to M&A was NOK 4.0 million.

The Group has a net financial expense of NOK 1.3 million in Q3 2023, compared to a net financial income of NOK 1.1 million last year. Net financial items are mainly interest income offset by net negative currency effects.

CASH FLOW

Cash flow from operating activities was NOK 21.6 million in Q3 2023 compared to NOK 14.9 million in Q3 2022, a growth of 45.0 percent. The increase from last year is due to profit growth and increase in accruals and prepayments. The Group is constantly working to improve net working capital, which will continue to improve the cash flow from operating activities.

Cash flow from investing activities was NOK -31.2 million in Q3 2023. Investing activities mainly comprise of capitalized development costs (NOK -8.1 million) and payments related to M&A activity (NOK -22.9 million). In Q3 2023 SmartCraft acquired the Swedish solution Coredination.

Net cash flow from financing activities was NOK -16.7 million in Q3 2023. Through the buy-back programs, SmartCraft acquired 662 517 own shares (0.39 percent of total shares) totaling NOK 13.8 million in Q3 2023.

The SmartCraft share buy-back program of up to 2 percent of the shares was re-initiated after the annual general meeting in April. The treasury shares may be used for payment for potential future acquisitions in combination with cash. Additionally, treasury shares may be used for potential future settlement of the Group's long-term investment program for management and key employees. At the end of Q3 2023 SmartCraft had, through previous and existing buy-back programs, acquired in total 2 718 571 shares (1.58 percent of total shares) at an average price of NOK 19.47 per share. The remaining number of shares in the current buy-back program was 2 009 723 at the end of Q3 2023.

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 dividends in the short to medium term and the accumulating cash holding will be allocated to investments and acquisitions supporting the Group's position and plans, in addition to the above-mentioned share buy-back program.

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 1 043.5 million (NOK 973.5 million at the end of 2022), of which cash and cash equivalents amounted to NOK 189.7 million (NOK 191.6 million at the end of 2022). Non-current assets amounted to NOK 803.3 million (NOK 744.7 million at the end of 2022). In addition to the cash flow from operations, the increase of assets is mainly driven by the acquisition of Coredination and changes in currency rates.

Total liabilities amounted to NOK 226.0 million (NOK 208.0 million at the end of 2022). The increase is mainly related to the increase in deferred revenue.

SHARE INFORMATION

At the end of Q2 2023 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 Q3 2023 in SmartCraft ASA. As of September 30th, 2023, SmartCraft holds 2 718 571 own shares (1.58 percent) and total outstanding shares excluding treasury share was 168 803 734.

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 2022, published March 28th, 2023.

OUTLOOK

During the third quarter 2023, SmartCraft continued to improve its competitive position by both organizational improvements and increased operational efficiency.

We are entering the fourth quarter of 2023 with a solid revenue pipeline. Our primary customer focus is aimed at less cyclical small and medium sized enterprises in the service, upgrade and renovation part of the construction industry, reducing the operational risk in our business model.

In addition, SmartCraft has a strategy to maximize recurring revenue at the expense of non-recurring revenue. The strategy increases earnings visibility and hence further reduces operational risks. We have also established efficient sales and marketing processes resulting in a high conversion of customer meetings to sales, which illustrates that our solutions are well tailored to customer needs.

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

FINANCIAL CALENDAR

Other activities in 2023:

- November 1st Q3 2023 Roadshow (Oslo and virtual), Carnegie
- November 9th Q3 2023 Investor Roadshow (Paris), Carnegie
- November 22nd Nordic Opportunities Seminar (London), ABG Sundal Collier

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

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK (thousands)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Revenue from customers	99 663	82 440	294 789	243 051	333 423
Total operating revenue	**99 663**	**82 440**	**294 789**	**243 051**	**333 423**
Purchase of goods and services	7 651	6 348	23 803	19 884	27 271
Payroll and related expences	38 225	31 777	109 819	93 367	128 737
Other operating expenses	12 318	12 759	37 694	37 264	48 996
Depreciation and amortization	8 942	6 910	25 686	20 325	27 657
Total operating expenses	**67 136**	**57 794**	**197 002**	**170 840**	**232 661**
Operating profit (loss) before financial items and tax	**32 527**	**24 646**	**97 787**	**72 211**	**100 762**
Financial income	4 409	8 094	20 511	13 076	17 188
Earnout related to acquisitions	-	-	-	-	(12 364)
Financial expenses	(5 697)	(6 988)	(15 642)	(11 167)	(16 413)
Financial income (expense), net	**(1 289)**	**1 106**	**4 869**	**1 909**	**(11 589)**
Profit (loss) before tax	**31 239**	**25 751**	**102 656**	**74 120**	**89 173**
Tax expense	5 207	5 099	16 639	14 416	21 083
Profit (loss)	**26 031**	**20 652**	**86 017**	**59 703**	**68 090**
Other comprehensive income					
Items to be reclassified to profit or loss:					
Currency translation differences, net of tax	(8 015)	5 143	11 786	5 659	(2 073)
Total	**(8 015)**	**5 143**	**11 786**	**5 659**	**(2 073)**
Total comprehensive income	**18 016**	**25 795**	**97 803**	**65 363**	**66 016**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS *Amounts in NOK (thousands)*	Sep 30th 2023	Sep 30th 2022	Dec 31st 2022
Goodwill	542 752	506 643	517 302
Intangible assets	240 830	200 428	209 939
Right to use assets	16 650	14 344	14 152
Tangible Assets	3 030	4 062	3 314
TOTAL NON-CURRENT ASSETS	**803 262**	**725 477**	**744 707**
Inventory	190	71	182
Other current assets	9 622	7 834	7 579
Accounts Receivable	40 734	27 920	29 477
Cash and cash equivalents	189 690	202 881	191 587
TOTAL CURRENT ASSETS	**240 237**	**238 706**	**228 826**
TOTAL ASSETS	**1 043 498**	**964 183**	**973 533**

EQUITY AND LIABILITIES

Amounts in NOK (thousands)	Sep 30th 2023	Sep 30th 2022	Dec 31st 2022
Share capital	1 715	1 715	1 715
Treasury shares	(27)	-	(5)
Share premium	605 893	605 893	605 893
Retained earnings	201 268	159 770	161 149
Other components of equity	3 721	(332)	(8 064)
Non-controlling interests	4 881	4 881	4 881
TOTAL EQUITY	**817 451**	**771 928**	**765 569**
Non-current lease liabilities	9 933	7 027	7 002
Deferred tax liabilities	37 747	32 685	35 015
Total non-current liabilities	**47 680**	**39 712**	**42 016**
Deferred revenue	87 640	74 295	69 937
Current portion of lease liabilities	7 305	7 767	7 602
Accounts payable	11 345	7 877	7 829
Taxes payable	13 866	20 810	14 845
Other current liabilities	58 211	41 794	65 736
Total current liabilities	**178 368**	**152 543**	**165 948**
TOTAL LIABILITIES	**226 048**	**192 255**	**207 964**
TOTAL EQUITY AND LIABILITIES	**1 043 498**	**964 183**	**973 533**

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 31.12.2021	**1 715**	**-**	**605 893**	**(5 990)**	**100 067**	**-**	**701 685**
Profit / (-) loss for the period	-	-	-	-	68 090	-	68 090
Other comprehensive income	-	-	-	(2 073)	-	-	(2 073)
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**	**(8 064)**	**161 149**	**4 881**	**765 569**
Profit / (-) loss for the period	-	-	-	-	86 017	-	86 017
Other comprehensive income	-	-	-	11 786	-	-	11 786
Purchase of own shares	-	(23)	-	-	(45 898)	-	(45 921)
Total equity 30.09.2023	**1 715**	**(27)**	**605 893**	**3 721**	**201 268**	**4 881**	**817 450**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK (thousands)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Operating activities					
Profit before tax	31 239	25 751	102 656	74 120	89 173
Paid taxes	(7 021)	(2 771)	(18 099)	(10 268)	(19 371)
Earn-out without cash effects	-	-	-	-	12 364
Gains/loss sold assets	-	-	-	-	(7)
Depreciation	4 907	3 400	14 261	10 032	13 607
Amortisation of intangible assets	4 035	3 510	11 425	10 293	14 050
Items classified as investing or financing activities	430	175	968	1 071	1 780
Net cash provided from operating activities before net working capital changes	***33 590***	***30 066***	***111 211***	***85 249***	***111 596***
Working capital adjustments:					
Changes in accounts receivable	(14 604)	(7 277)	(7 348)	(2 973)	(4 814)
Changes in deferred revenue	(4 837)	(7 976)	15 813	13 960	9 893
Changes in accounts payable	4 794	2 728	1 512	1 252	388
Changes in all other working capital items	2 701	(2 618)	(2 673)	(10 559)	(1 413)
Net cash provided from operating activities	***21 644***	***14 923***	***118 516***	***86 928***	***115 650***
Investing activities					
Investments in tangible and intangible assets	(264)	(536)	(1 026)	(1 363)	(1 156)
Payments for acqusitions	(22 856)	-	(39 773)	(19 308)	(33 455)
Acquisition transaction costs	-	-	-	(438)	(952)
Payments for software development costs	(8 063)	(4 697)	(29 065)	(15 832)	(23 857)
Foreign currency effect	(4)	(48)	125	(180)	(72)
Net cash used in investing activities	***(31 186)***	***(5 281)***	***(69 740)***	***(37 122)***	***(59 492)***
Financing activities					
Cash proceeds from capital increases	-	4 881	-	4 881	4 881
Downpayment on loan facilities	-	-	-	(2 014)	(7 834)
Interest payments	(430)	(172)	(962)	(634)	(827)
Repayments of lease liabilities	(2 471)	(1 944)	(6 925)	(5 656)	(7 537)
Other financial items	(13 774)	(30)	(45 921)	(136)	(8 079)
Net cash provided by (used in) financing activities	***(16 675)***	***2 735***	***(53 808)***	***(3 559)***	***(19 398)***
Net increase (decrease) in cash and cash equivalents	**(26 217)**	**12 377**	**(5 032)**	**46 248**	**36 759**
Cash and cash equivalents at the beginning of period*	217 649	189 349	191 587	156 277	156 277
Foreign currency effects on cash and cash equivalents	(1 742)	1 156	3 136	357	(1 449)
Cash and cash equivalents at end of period*	***189 690***	***202 881***	***189 690***	***202 881***	***191 587***

** 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 2nd quarter 2023 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. For further information on accounting policies see the Annual Report 2022.

NOTE 2 REVENUE

Amounts in NOK (thousands)	**Revenue recognition**	**Q3'23**	**Q3'22**	**YTD'23**	**YTD'22**	**FY'22**
Fixed price subscriptions	Over time	89 407	73 262	261 183	212 407	291 253
Transaction priced subscriptions	Point in time	7 731	6 790	24 117	20 998	29 169
Total recurring revenue		***97 138***	***80 053***	***285 300***	***233 406***	***320 423***
Non-recurring revenue	Point in time	2 526	2 388	9 489	9 646	13 001
Total revenue		***99 663***	***82 440***	***294 789***	***243 051***	***333 423***

NOTE 3 EARNING PER SHARE

		Q3'23	**Q3'22**	**YTD'23**	**YTD'22**	**FY'22**
Profit for the period	TNOK	26 031	20 652	86 017	59 703	68 090
Average numbers of shares, excl. treasury shares		169 029 077	171 522 305	169 896 094	171 522 305	171 484 845
Earning per share	***NOK***	***0.15***	***0.12***	***0.51***	***0.35***	***0.40***

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)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Revenue from customers	99 663	82 440	294 789	243 051	333 423
Total operating revenue	***99 663***	***82 440***	***294 789***	***243 051***	***333 423***

Amounts in NOK (thousands)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
EBITDA	41 470	31 556	123 472	92 536	128 419
Adjustments of special items	268	447	1 572	1 939	2 911
Adjusted EBITDA	***41 738***	***32 003***	***125 045***	***94 475***	***131 331***
EBITDA-margin	*41.6 %*	*38.3 %*	*41.9 %*	*38.1 %*	*38.5 %*
Adjusted EBITDA-margin	*41.9 %*	*38.8 %*	*42.4 %*	*38.9 %*	*39.4 %*

Amounts in NOK (thousands)	Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Adjusted EBITDA	41 738	32 003	125 045	94 475	131 331
Capitalized development expenses	8 063	4 697	29 065	15 832	23 857
Adjusted EBITDA - CAPEX margin	***33.8 %***	***33.1 %***	***32.6 %***	***32.4 %***	***32.2 %***

		Q3'23	Q3'22	YTD'23	YTD'22	FY'22
Annual Recurring Revenue (ARR) (EoP)	TNOK	367 062	303 586	367 062	303 586	318 348
Recurring revenue		97.5 %	97.1 %	96.8 %	96.0 %	96.1 %
Average Revenue per Customer (ARPC)	NOK	32 030	27 640	31 970	27 239	27 857
Churn rate (R12m) (EoP)		7.9 %	5.2 %	7.9 %	5.2 %	6.1 %

SmartCraft