SmartCraft

BETTER DIGITAL TOOLS

Q4 2023 REPORT

Contents

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

Amounts in NOK (thousands)

	2020	2021	2022	2023
ARR	204 689	266 843	318 348	**386 641**
Revenue	195 941	270 762	333 423	**401 653**
Adjusted EBITDA	80 934	108 671	131 331	**166 956**
	41.3%	40.1%	39.4%	**41.6%**
Operational cash flow	98 466	106 525	115 650	**152 910**
R&D capex	11 579	21 737	23 857	**37 480**
Customers	≈ 8 500	≈ 11 000	≈ 12 000	**≈ 12 500**

Q4 2023 in brief

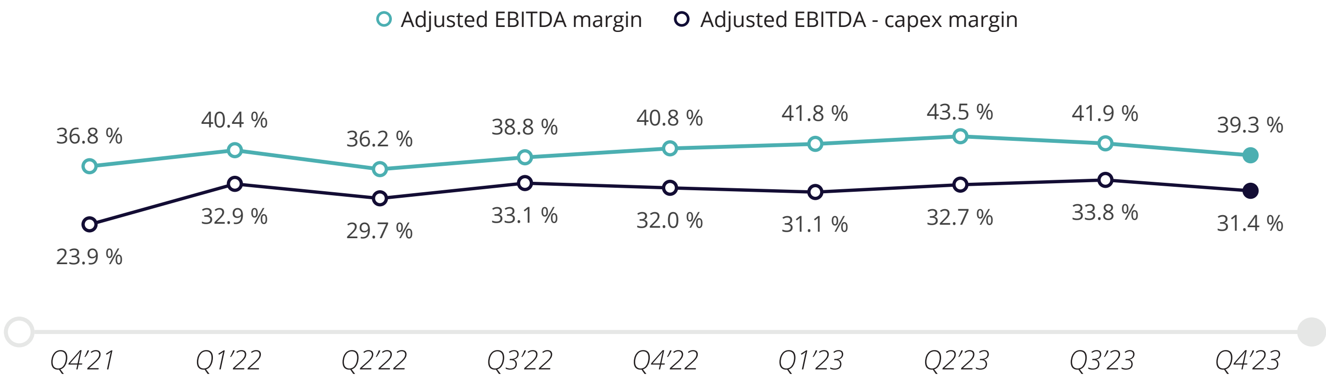
FOURTH QUARTER 2023

- Revenue NOK 107 million, a growth of 18 percent
- Annual Recurring Revenue NOK 387 million, an organic growth of 14 percent
- Churn 7 percent, down from 8 percent in previous quarter
- Adjusted EBITDA NOK 42 million, a growth of 14 percent
- Adjusted EBITDA margin of 39 percent
- Net profit of NOK 28 million, a growth of 135 percent

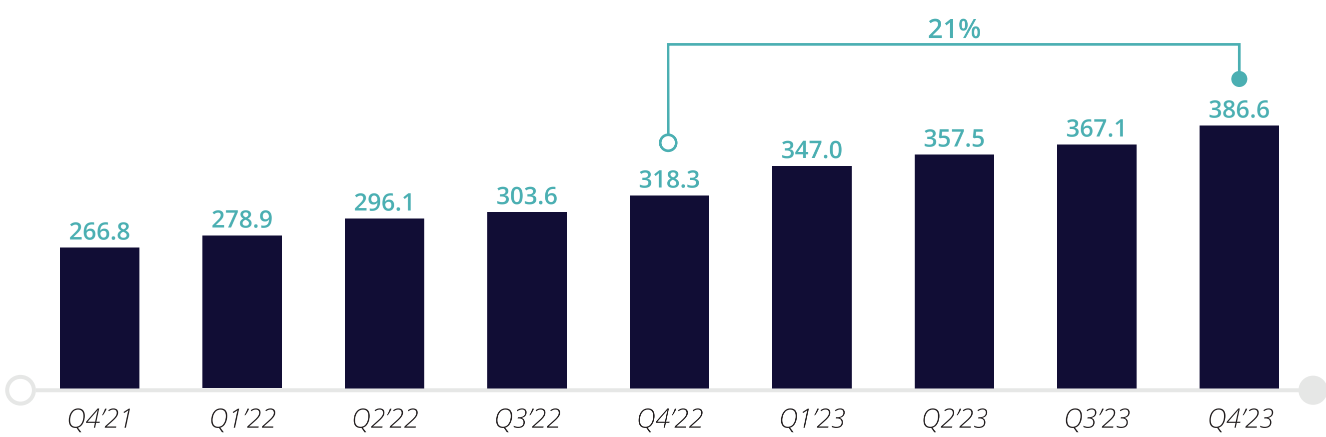
FULL YEAR 2023

- Revenue 402 million, a growth of 20 percent
- Churn 7 percent
- Adjusted EBITDA NOK 167 million, a growth of 27 percent
- Adjusted EBITDA margin of 42 percent
- Net profit NOK 115 million, a growth of 71 percent
- NOK 153 million net cash from operating activities, a growth of 32 percent

Adjusted EBITDA margin development per quarter (end of period, MNOK)



ARR development per quarter (end of period, MNOK)



Letter from the CEO

Revenue grew by 18 percent (YoY) in the fourth quarter to NOK 107 million, with a corresponding EBITDA margin of 39 percent (41 percent full year 2023). Churn fell to 7 percent in the fourth quarter compared to 8 percent in the previous quarter.

We delivered another good quarter, especially given the challenging macro environment for construction companies. Our focus continues to be on small and medium enterprises (SMEs) which have the renovation segment as their primary market. The renovation segment is bigger than the new build part of the industry and has proven to be less volatile, growing steadily over the last years and expected to do so for the coming years. Additionally, most of our customers are electricians and plumbers that experience high demand due to energy efficiency initiatives of existing buildings.

SMEs in the renovation segment struggle with low margins, a high level of conflicts with their customers and many face bankruptcy. Employees in these companies are also more prone to accidents and deaths. Consequently, regulators are demanding improved documentation in relation to quality and health and safety. SmartCraft provides digital solutions to give these companies better business control and the ability to run their company safely. With our solutions they save time on manual tasks and can spend more time on value creation.

We continue to develop our structured data driven approach to marketing and sales to win new customers. In Q4, we have increased investments in sales and marketing in order to drive sales. Our brand exposure, the response to SmartCraft in different media channels, increased multiple times in the fourth quarter compared to the fourth quarter in 2022. As a result, we have significantly more potential customer leads and meetings compared to the same period last year. Historically, more than half the meetings turn into sales, so

the increase in the fourth quarter provides good momentum into 2024.

Continuous product development to improve efficiency for our customers is deeply embedded in our DNA. Last year, we focused among other things on developing an Accounting Connector easing integrations with different accounting systems. This has been a great success among our customers, and in the fourth quarter we recorded more than 10.000 daily messages through the system. Additionally, we piloted a new Visma eAccounting integration in the quarter with great feedback opening for new potential customers in Sweden.

Additionally, we have set up several GPTs (Generative Pre-trained Transformers) from OpenAI, customized with our own data as assistants to our people in customer success. The AI assistants are trained with data that helps our customer success personnel to service our customers more efficiently. Initial tests have been promising, showing that the AI assistants can enhance our customer support capabilities.

We are truly excited about the opportunities we have in the market with our solutions and a great team executing on these.

Gustav Line

Operational development

The fourth quarter was another good quarter where we continued to deliver solid growth and corresponding high margins. 97 percent of our revenue was recurring and our Annual Recurring Revenue (ARR) grew organically by 14 percent to NOK 387 million. The high degree of recurring revenue gives us both good earnings visibility and a low-risk business model. In our most significant markets, Norway and Sweden in isolation, organic ARR growth was 17 percent in 2023. The strong growth is a result of our focus towards small and medium sized enterprises working mainly with the renovation segment which is less volatile to the changes in the macro environment.

Our customer success teams focus on different ways we can limit churn and it is great to see that churn is going down in the fourth quarter. We are testing how AI can play a role in interacting with the customers and so far, our tests have shown good results. Based on this, we believe AI will play a more important role in the customer success teams in 2024, both in reducing churn and automating support issues.

Our united marketing team creates exposure on digital media and classical physical events like seminars and trade fairs. This has resulted in a 23 percent increase in potential customer leads in the fourth quarter compared to the same quarter in 2022. This gives us great revenue opportunities in 2024.

SEGMENTS

Distribution of revenue per reporting segment

Amounts in NOK (millions)	**Q4'23**	**Q4'22**	**FY'23**	**FY'22**
Norway	43.5	39.7	167.7	140.7
Sweden	50.8	38.0	183.2	143.2
Finland	12.6	12.9	50.7	49.5
Total revenue per reporting segment	***107.0***	***90.6***	***401.7***	***333.4***
Organic growth				
Norway	*12.7 %*	*14.7 %*	*14.6 %*	*10.9 %*
Sweden	*12.9 %*	*19.7 %*	*13.1 %*	*22.3 %*
Finland	*-2.1 %*	*8.4 %*	*3.4 %*	*5.9 %*

Distribution of EBITDA per reporting segment *(Excluding Group overhead)*

Amounts in NOK (millions)	Q4'23	Q4'22	FY'23	FY'22
Norway	16.2	18.5	73.8	57.7
Sweden	29.6	18.9	97.6	74.0
Finland	3.5	3.9	17.1	15.5
Adjusted EBITDA per reporting segment	***49.3***	***41.3***	***188.5***	***147.2***
Adjusted EBITDA margin				
Norway	*37.4 %*	*46.7 %*	*44.0 %*	*41.0 %*
Sweden	*58.2 %*	*47.9 %*	*53.3 %*	*51.7 %*
Finland	*27.5 %*	*33.9 %*	*33.7 %*	*31.2 %*

SmartCraft Sweden

Sweden is our largest segment with 46 percent of the total revenue for the Group in 2023. Revenue grew by 29 percent in the fourth quarter, driven by good sales performance, the acquisition of Coredination in July and exchange rates. Organic revenue growth was 13 percent in the quarter, up from 12 percent in the third quarter of 2023. We continue to work systematically and efficiently with marketing and sales and as a result we increased booked meetings by 88 percent (Bygglet) in the fourth quarter compared to the same period last year. With a consistently high conversion rate from meetings to sales, we are in a good starting position in 2024.

The adjusted EBITDA margin increased by 10 percentage points to 58 percent. The high margin is a result of the scalability of our business, adjustment of bonus accruals and increased capitalization of development costs.

SmartCraft Norway

SmartCraft Norway accounted for 42 percent of the Group revenue in 2023. Revenue grew organically by 13 percent in the fourth quarter. We experience good market demand and with a more united country team we can execute well on marketing and sales initiatives. Marketing activities resulted in a 5 percent increase in customer leads in the fourth quarter compared to the third quarter in 2023. The potential customer revenue pipeline is strong and at the same level as we saw at the end of September 2023. We have re-signed six partner contracts and signed three new partner contracts. These partners, with their own customer bases, represent a good revenue potential for SmartCraft.

The adjusted EBITDA margin in the fourth quarter was 37 percent, which is lower than normal. This is mainly due to three factors. About half of the reduction was a consequence of a lower share of capitalization. Secondly, we increased our personnel costs as we had our first physical offsite for all employees for three days in October. Thirdly, we increased the marketing costs as we attended the largest construction fair in Norway which is only arranged every second year.

SmartCraft Finland

SmartCraft Finland accounted for 13 percent of the Group revenue in 2023. SmartCraft Finland is facing a challenging market as our solutions and revenue are more exposed to the new build sector than in Norway and Sweden. Hence, revenue was 2 percent lower in the fourth quarter than to the same period in 2022. For the whole year of 2023 the revenue growth was 3 percent. Despite the market situation we see some positive signals. Leads from marketing activities have increased by 122 percent and customer revenue pipeline has increased by 10 percent in the fourth quarter compared to the previous quarter in 2023. Churn is still low at 5 percent.

The adjusted EBITDA margin in the fourth quarter was 28 percent, driven by good cost control and a lower revenue growth.

Financial review

Amounts in NOK (thousands)	Q4'23	Q4'22	FY'23	FY'22
Revenue from customers	106 960	90 573	401 653	333 423
Total operating revenue	***106 960***	***90 573***	***401 653***	***333 423***
Purchase of goods and services	8 885	7 389	32 681	27 271
Payroll and related expences	38 976	32 164	145 374	128 737
Other operating expenses	17 070	14 603	58 166	48 996
Total operating expenses	***64 931***	***54 156***	***236 222***	***205 004***
EBITDA	***42 029***	***36 416***	***165 431***	***128 419***
Adjustments of special items	0	563	1 525	2 911
Adjusted EBITDA	***42 029***	***36 979***	***166 956***	***131 331***
Depreciation and amortization	10 407	7 330	36 028	27 657
Operating profit (loss) before financial items and tax	***31 623***	***29 087***	***129 403***	***100 762***
EBITDA-margin	*39.3 %*	*40.2 %*	*41.2 %*	*38.5 %*
Adjusted EBITDA-margin	*39.3 %*	*40.8 %*	*41.6 %*	*39.4 %*

SmartCraft's consolidated revenue in Q4 2023 grew by 18.1 percent to NOK 107.0 million, up from NOK 90.6 million in Q4 2022. The revenue growth was driven by organic growth from the Group's SaaS solutions, and the acquisition of Coredination (July 2023) as well as changes in currency rates. ARR grew to NOK 386.6 million, a growth of 21.5 percent year over year with an organic growth of 13.6 percent.

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 Q4 2023 the recurring revenue share was 97.5 percent (97.1 percent in Q4 2022). SmartCraft's recurring revenue share is expected to consistently be in the mid/high 90 percent range.

The downward churn trend from the end of the third quarter continued towards the end of the year. The Group had a consistently low churn of 7.2 percent in Q4 2023, compared to 7.9 percent the previous quarter. Bankruptcies increased in the quarter and where 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 was NOK 42.0 million in Q4 2023. There were no adjustments to the EBITDA, resulting in an equally high adjusted EBITDA of NOK 42.0 million (NOK 37.0 million in Q4 2022). The adjusted EBITDA margin for Q4 2023 was 39.3 percent compared to 40.8 percent in Q4

Organic growth YoY	Q4'23	Q4'22	FY'23	FY'22
Fixed price subscriptions	12.8 %	19.0 %	14.1 %	18.2 %
Transaction priced add-on subscriptions	5.5 %	15.7 %	6.4 %	17.2 %
Total recurring revenue	***12.1 %***	***18.7 %***	***13.4 %***	***18.1 %***
Non-recurring revenue	(20.0 %)	(11.4 %)	(10.5 %)	(20.8 %)
Total revenue	***10.9 %***	***17.2 %***	***12.5 %***	***16.2 %***

2022, which in Q4 2023 include an -0.8 percentage points year-end adjustment of capitalized development expenses (+1.8 percentage points in Q4 2022). Without these year-end effects, the underlying margin increased by 1.1 percentage points. Our latest acquisition 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 constantly improves existing solutions and develop new solutions and add-ons. We are focusing on shifting an increasing share of our cost base towards R&D activities. For the development of new solutions and add-ons, SmartCraft recognized NOK 8.4 million in capitalization of development costs in Q4 2023, which constitutes 7.9 percent of revenue (including a year-end adjustment of -0.8 percentage points), a decrease from 8.9 percent last year (including a year-end adjustment of +1.8 percentage points). Without these year-end effects, the capitalization in Q4 2023 increased by 1.6 percentage points compared to Q4 2022. In 2023 SmartCraft has capitalized 9.3 percent of revenue, compared to 7.2 percent in 2022.

Depreciations and amortizations were NOK 10.4 million in Q4 2023 compared to NOK 7.3 million in Q4 2022. The increase is a result of the Group's continuous R&D activities and acquisitions. In Q4 2023, amortization related to M&A was NOK 4.2 million.

The Group had a net financial income of NOK 1.8 million in Q4 2023, compared to a net financial expense of NOK 14.0 million last year. Net financial items are mainly interest income and gain/loss from currency effects. The financial expense in 2022 included an earnout related to acquisitions of NOK 12.4 million.

CASH FLOW

SmartCraft's business model generates a high and positive cash contribution for the whole year although there are seasonal variations relating to the timing of invoicing. Cash flow from operating activities was NOK 31.8 million in Q4 2023 compared to NOK 28.6 million in Q4 2022. 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. In December the Group invoiced the annual fee for 2024 to parts of its customer base. These invoices were not due until January 2024, hence affecting accounts receivables and deferred revenue but with no effect on revenue or cash contribution. A year ago, the annual fee for 2023 was invoiced in January 2023, resulting in a noticeable difference in net working capital in Q4 2023.

Cash flow from investing activities was NOK -9.2 million in Q4 2023. Investing activities mainly comprise of capitalized development costs (NOK -8.4 million).

Net cash flow from financing activities was NOK -10.4 million in Q4 2023. Through the buy-back program, SmartCraft acquired 357 678 own shares (0.21 percent of total shares) totaling NOK 7.6 million in Q4 2023.

A new SmartCraft share buy-back program of up to 2 percent of the shares was initiated after the annual general meeting in April 2023. 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 Q4 2023 SmartCraft had, through previous and existing buy-back programs, acquired in total 3 076 249 shares (1.79 percent of total shares) at an average price of NOK 19.67 per share. The remaining number of shares in the current buy-back program was 1 652 045 (0.96 percent of total shares) at the end of Q4 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

The balance sheet of SmartCraft remains solid and the Group 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 organic growth ambitions and M&A strategy.

Total assets amounted to NOK 1 099.8 million (NOK 973.5 million at the end of 2022), of which cash and cash equivalents amounted to NOK 206.0 million (NOK 191.6 million at the end of 2022). Non-current assets amounted to NOK 821.1 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, the invoicing of the 2024 annual fee to parts of the customer base, and changes in currency rates.

Total liabilities amounted to NOK 249.8 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 Q4 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 Q4 2023 in SmartCraft ASA.

As of December 31st, 2023, SmartCraft holds 3 076 249 own shares (1.79 percent) and total outstanding shares was 168 446 056.

RISK FACTORS

Risk factors are described in the information document prepared in connection with the listing on Oslo Børs, published June 14th, 2021 and in the annual accounts for 2022, published March 28th, 2023.

Outlook

SmartCraft continues to deliver strong growth and corresponding high margins in a challenged construction market. Our strategic focus on building a solid business model with high level of recurring revenue and hence good financial visibility pays off in these times. As most of our customers are small and medium enterprises focusing on the renovation part of the industry, where demand is very stable and growing, we are in a good position for further growth. Additionally, most of our customers are electricians and plumbers that experience high demand due to energy efficiency initiatives of existing buildings.

Our Finnish business is more exposed to macro fluctuations and here we do not expect a quick recovery. However, we are shifting an increasing part of our business away from new build, and we see some positive signals as both customers leads and potential customer revenue pipeline is growing, while churn remains low.

Most of the revenue in the Group derives from Sweden and Norway, where organic Annual Recurring Revenue (ARR) growth in the fourth quarter was 17 percent in 2023 compared to the same period in 2022. Both markets experience good demand and that the solutions have great market fit. We are increasingly more visible in the market and reach more potential customers which results in more leads and customers meetings, resulting in a healthy pipeline going into 2024. We have started the new year with good speed and believe we are in a good position to win market share with a great team and our best of breed solutions.

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

• April 11th	Annual report 2023
• May 7th	Q1 2024 Reporting
• August 27th	Q2 2024 Reporting
• November 5th	Q3 2024 Reporting

Other financial activities

• February 14th	Q4 2023 Roadshow (Oslo and virtual), SBM
• February 15th-16th	Q4 2023 Roadshow (virtual), Cantor Fitzgerald
• March 6th	Tech Days (Stockholm), SEB
• March 21st	Small & Medium Enterprises Conference (Oslo), DNB
• May 2nd	Annual General Assembly (virtual), SmartCraft

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

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK (thousands)	Q4'23	Q4'22	FY'23	FY'22
Revenue from customers	106 960	90 573	401 653	333 423
Total operating revenue	**106 960**	**90 573**	**401 653**	**333 423**
Purchase of goods and services	8 885	7 389	32 681	27 271
Payroll and related expences	38 976	32 164	145 374	128 737
Other operating expenses	17 070	14 603	58 166	48 996
Depreciation and amortization	10 407	7 330	36 028	27 657
Total operating expenses	**75 338**	**61 486**	**272 249**	**232 661**
Operating profit (loss) before financial items and tax	**31 623**	**29 087**	**129 403**	**100 762**
Financial income	8 938	4 030	29 393	17 188
Earnout related to acquisitions	-	(12 364)	-	(12 364)
Financial expenses	(7 136)	(5 618)	(22 764)	(16 413)
Financial income (expense), net	**1 802**	**(13 952)**	**6 628**	**(11 589)**
Profit (loss) before tax	**33 424**	**15 134**	**136 032**	**89 173**
Tax expense	5 171	3 119	21 322	21 083
Profit (loss)	**28 253**	**12 016**	**114 710**	**68 090**
Other comprehensive income				
Items to be reclassified to profit or loss:				
Currency translation differences, net of tax	11 009	(12 523)	23 446	(2 073)
Total	**11 009**	**(12 523)**	**23 446**	**(2 073)**
Total comprehensive income	**39 262**	**(507)**	**138 155**	**66 016**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS		
Amounts in NOK (thousands)	**Dec 31st 2023**	**Dec 31st 2022**
Goodwill	549 022	517 302
Intangible assets	244 434	209 939
Right to use assets	24 656	14 152
Tangible Assets	3 001	3 314
TOTAL NON-CURRENT ASSETS	**821 112**	**744 707**
Inventory	175	182
Other current assets	8 173	7 579
Accounts Receivable	64 283	29 477
Cash and cash equivalents	206 024	191 587
TOTAL CURRENT ASSETS	**278 654**	**228 826**
TOTAL ASSETS	**1 099 765**	**973 533**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

Amounts in NOK (thousands)	**Dec 31st 2023**	**Dec 31st 2022**
Share capital	1 715	1 715
Treasury shares	(31)	(5)
Share premium	605 893	605 893
Retained earnings	222 377	161 149
Other components of equity	15 381	(8 064)
Non-controlling interests	4 631	4 881
TOTAL EQUITY	**849 966**	**765 569**
Non-current lease liabilities	14 764	7 002
Deferred tax liabilities	37 557	35 015
Total non-current liabilities	**52 322**	**42 016**
Deferred revenue	105 234	69 937
Current portion of lease liabilities	10 360	7 602
Accounts payable	8 628	7 829
Taxes payable	14 716	14 845
Other current liabilities	58 540	65 736
Total current liabilities	**197 477**	**165 948**
TOTAL LIABILITIES	**249 799**	**207 964**
TOTAL EQUITY AND LIABILITIES	**1 099 765**	**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	-	-	-	-	114 710	-	114 710
Other comprehensive income	-	-	-	23 446	-	-	23 446
Purchase of own shares	-	(26)	-	-	(53 482)	-	(53 508)
Changes in non-controlling interests	-	-	-	-	-	(250)	(250)
Total equity 31.12.2023	**1 715**	**(31)**	**605 893**	**15 382**	**222 377**	**4 631**	**849 966**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK (thousands)	Q4'23	Q4'22	FY'23	FY'22
Operating activities				
Profit before tax	33 424	15 134	136 032	89 173
Paid taxes	(3 457)	(2 582)	(24 058)	(19 371)
Earn-out without cash effects	-	12 364	-	12 364
Gains/loss sold assets	(82)	-	(82)	(7)
Depreciation	6 242	3 574	20 444	13 607
Amortisation of intangible assets	4 164	3 756	15 584	14 050
Items classified as investing or financing activities	456	713	1 106	1 780
Net cash provided from operating activities before net working capital changes	***40 748***	***32 959***	***149 024***	***111 596***
Working capital adjustments:				
Changes in accounts receivable	(26 788)	(1 961)	(35 573)	(4 814)
Changes in deferred revenue	15 999	(3 036)	32 430	9 893
Changes in accounts payable	1 206	(671)	4 157	388
Changes in all other working capital items	587	1 266	2 872	(1 413)
Net cash provided from operating activities	***31 752***	***28 558***	***152 910***	***115 650***
Investing activities				
Investments in tangible and intangible assets	(365)	198	(1 391)	(1 156)
Payments for acqusitions	(202)	(14 102)	(40 829)	(33 455)
Acquisition transaction costs	(225)	(515)	(225)	(952)
Payments for software development costs	(8 446)	(8 028)	(37 480)	(23 857)
Foreign currency effect	60	(1)	(119)	(72)
Net cash used in investing activities	***(9 177)***	***(22 448)***	***(80 043)***	***(59 492)***
Financing activities				
Cash proceeds from capital increases	-	-	-	4 881
Downpayment on loan facilities	-	(4 320)	-	(7 834)
Interest payments	(231)	(198)	(881)	(827)
Repayments of lease liabilities	(2 591)	(1 948)	(9 720)	(7 537)
Payment of treasury shares	(7 587)	(7 012)	(53 508)	(7 012)
Other financial items	17	(683)	(62)	(1 067)
Net cash provided by (used in) financing activities	***(10 393)***	***(14 162)***	***(64 171)***	***(19 398)***
Net increase (decrease) in cash and cash equivalents	**12 182**	**(8 052)**	**8 696**	**36 759**
Cash and cash equivalents at the beginning of period*	189 690	202 881	191 587	156 277
Foreign currency effects on cash and cash equivalents	4 151	(3 241)	5 740	(1 449)
Cash and cash equivalents at end of period*	***206 024***	***191 587***	***206 024***	***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 4th 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**	**Q4'23**	**Q4'22**	**FY'23**	**FY'22**
Fixed price subscriptions	Over time	94 703	79 040	356 209	291 253
Transaction priced subscriptions	Point in time	9 242	8 173	32 922	29 169
Total recurring revenue		***103 945***	***87 213***	***389 131***	***320 423***
Non-recurring revenue	Point in time	3 015	3 361	12 521	13 001
Total revenue		***106 960***	***90 573***	***401 653***	***333 423***

NOTE 3 EARNING PER SHARE

		Q4'23	**Q4'22**	**FY'23**	**FY'22**
Profit for the period	TNOK	28 253	12 015	114 710	68 090
Average numbers of shares, excl. treasury shares		168 622 961	171 373 688	169 575 195	171 484 845
Earning per share	***NOK***	***0.17***	***0.07***	***0.68***	***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)	**Q4'23**	**Q4'22**	**FY'23**	**FY'22**
Revenue from customers	106 960	90 573	401 653	333 423
Total operating revenue	***106 960***	***90 573***	***401 653***	***333 423***

Amounts in NOK (thousands)	**Q4'23**	**Q4'22**	**FY'23**	**FY'22**
EBITDA	42 029	36 416	165 431	128 419
Adjustments of special items	0	563	1 525	2 911
Adjusted EBITDA	***42 029***	***36 979***	***166 956***	***131 331***
EBITDA-margin	*39.3 %*	*40.2 %*	*41.2 %*	*38.5 %*
Adjusted EBITDA-margin	*39.3 %*	*40.8 %*	*41.6 %*	*39.4 %*

Amounts in NOK (thousands)	**Q4'23**	**Q4'22**	**FY'23**	**FY'22**
Adjusted EBITDA	42 029	36 979	166 956	131 331
Capitalized development expenses	8 446	8 028	37 480	23 857
Adjusted EBITDA - CAPEX margin	***31.4 %***	***32.0 %***	***32.2 %***	***32.2 %***

		Q4'23	**Q4'22**	**FY'23**	**FY'22**
Annual Recurring Revenue (ARR) (EoP)	TNOK	386 641	318 348	386 641	318 348
Recurring revenue		97.2 %	96.3 %	96.9 %	96.1 %
Average Revenue per Customer (ARPC)	NOK	33 898	29 140	32 452	27 857
Churn rate (R12m) (EoP)		7.2 %	6.1 %	7.2 %	6.1 %

This is SmartCraft

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 about 10% of our revenue in product and technology development in 2024 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

Increasing demand for detailed digital documentation

- Regulatory offices
- Consumers

Digitally maturing users and software

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

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

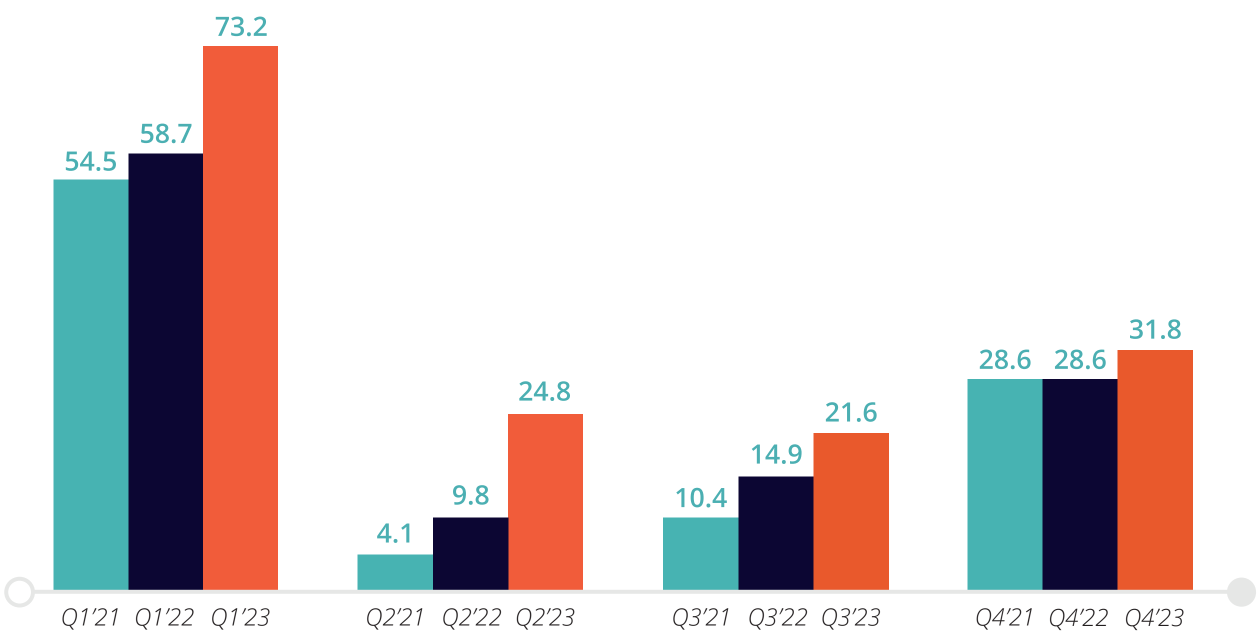
ATTRACTIVE BUSINESS MODEL

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 guiding our revenue to grow by 15-20 percent organically in the medium term and expect a growing EBITDA margin due to the scalability of the business. 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.

INCREASING CASH GENERATION FROM OPERATING ACTIVITIES, MNOK



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 fourth 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.

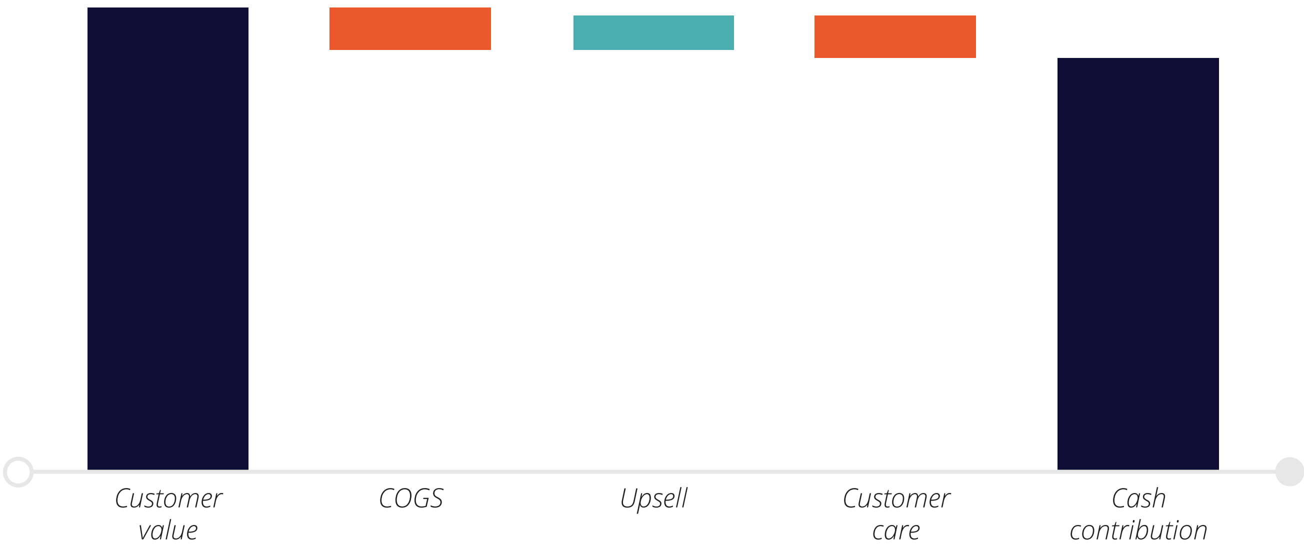
Clear strategy to increase recurring revenue and financial visibility

<table>
<tr><th>Revenue sources we avoid</th><th>Actions to secure high recurring revenue</th><th>Short-term financial effects</th><th>Strategic benefit</th></tr>
<tr><td>Setup/installation fees</td><td>Including one-time revenue in subscription fee</td><td>Reduced revenue
Lower margin</td><td rowspan="6">• Low threshold to become a customer
• Increased recurring revenue
• Higher margin
• High financial visibility
• High quality of earnings
• Low-risk business model</td></tr>
<tr><td>Consulting fees</td><td>Make easy to use solutions</td><td rowspan="5">Reduced revenue
Higher margin</td></tr>
<tr><td>Training fees</td><td>Make user-friendly and intuitive solutions</td></tr>
<tr><td>Support fees</td><td>Provide solutions requiring minimum of support</td></tr>
<tr><td>Hardware</td><td>Customers buy directly from hardware vendor</td></tr>
<tr><td>3rd party software</td><td>Customers buy directly from 3rd party software vendor</td></tr>
</table>

"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



FOCUS ON ELECTRO AND PLUMBING COMPANIES IN THE RENOVATION SECTOR

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*

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 organic 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

Upsell 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

SmartCraft