



# Q1 2024 REPORT

# Contents

4.

Q1 2024 in brief

5.

Letter from the CEO

6.

Operational  
development

8.

Financial review

11.

Outlook

12.

Consolidated  
Financial Statements

18.

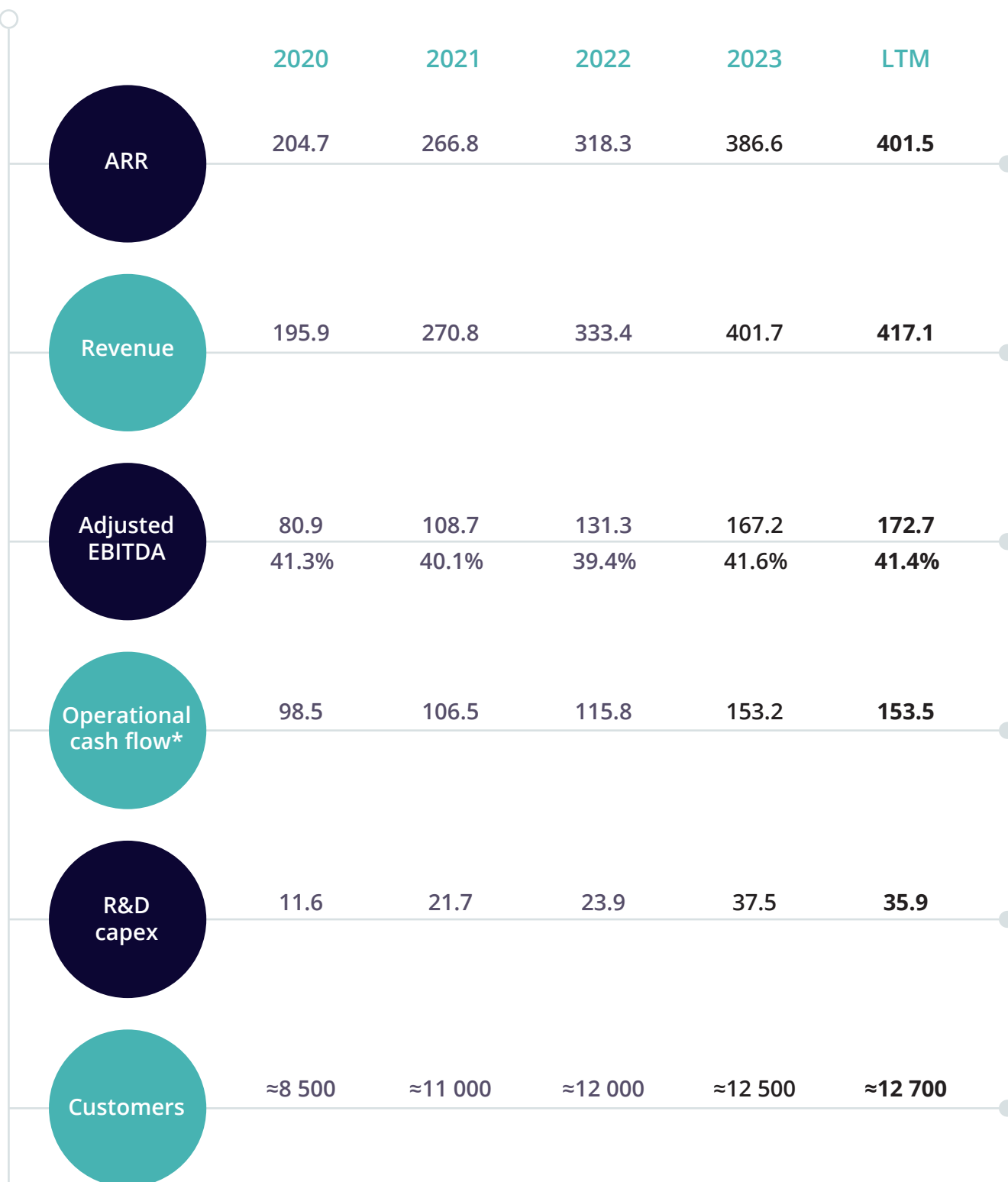
Alternative  
Performance  
Measures (APMs)

20.

This is SmartCraft

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

Amounts in NOK (millions)



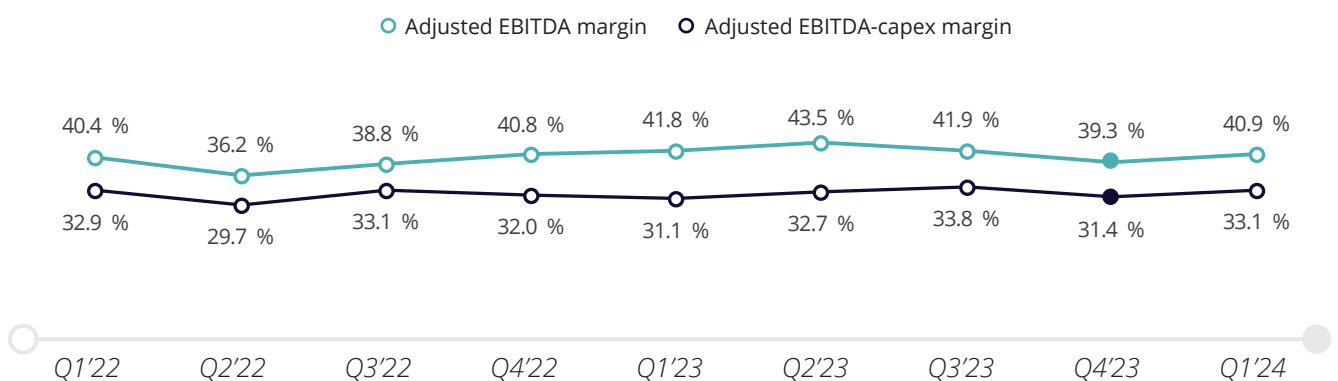
\* adjusted for HomeRun earnout recognized over P&L

# Q1 2024 in brief

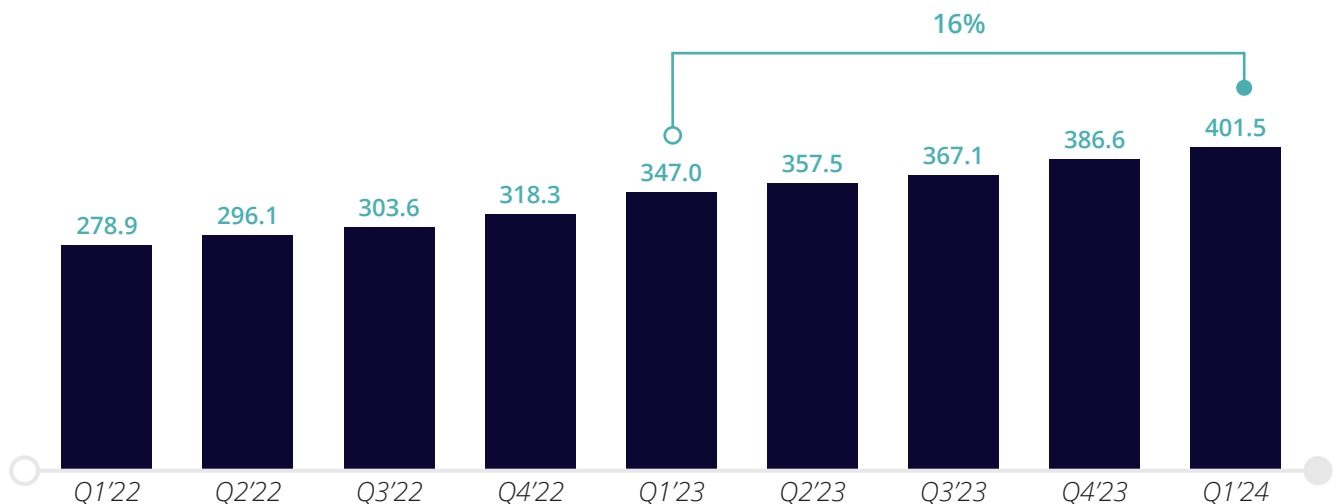
## FIRST QUARTER 2024

- Revenue NOK 110 million, a growth of 16 percent
- Annual Recurring Revenue NOK 401 million, an organic growth of 12 percent
- Maintaining a low churn at 7 percent, same as last quarter
- Adjusted EBITDA NOK 45 million, a growth of 14 percent
- Adjusted EBITDA-capex margin of 33 percent, a growth of 2 percentage points

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



ARR development per quarter (end of period, MNOK)





# Letter from the CEO

2024 has started with continued good development for SmartCraft. Revenue in the first quarter grew by 16 percent (YoY) to NOK 110 million. Adjusted EBITDA-capex margin increased by 2 percentage points to 33 percent and in the same period churn stayed stable at 7 percent.

SmartCraft's strategy focuses on both organic growth and continued consolidation and value accretive M&A, and so far in 2024 we have advanced significantly on both fronts. Organic growth in annual recurring revenue (ARR) was 12 percent in the first quarter, and it is great to see the good results of our systematic work to further strengthen new sales and upsales. The growth comes despite a challenging construction market.

In parallel, we have made two important acquisitions, both signed and closed early in the second quarter:

- **Clixifix** represents our first step outside the Nordics, opening a tremendous opportunity in the UK.
- **Locka** adds an excellent product within 3D visualization and customer interaction.

In both cases we can welcome an incredible group of competent colleagues to the SmartCraft family. If we include the ARR from the two acquisitions announced in April and May, our ARR at the end of Q1 was approximately NOK 456 million, 31 percent higher than one year earlier.

Looking at the current market, it is important to bear in mind that we primarily focus on small and medium sized enterprises which mainly work within the renovation segment. This segment is larger than the new build part of the industry and has proven to be much less volatile and growing. Also, as most of our customers are electricians and plumbers, being busy with the demand for more energy-efficient buildings, we have experienced good demand for our solutions.



The development in new customer sales is solid in all countries and higher than the first quarter of 2023. This is driven by a combination of a strong marketing mix creating more inbound leads and systematic sales processes increasing both the number of sales meetings and securing good closing of customer contracts.

We constantly develop our solutions incrementally to deliver on our promise to make our customers' everyday life easier, for example through integrating our solutions to various external systems. Last quarter we added Visma eAccounting to our SmartCraft Accounting Connector platform, which has been a commercial success with many new customers. The SmartCraft Accounting connector also allows for our solutions to integrate with each other, hence working as a common communication hub for our solutions. In the first quarter we integrated two of our solutions for electricians in this way.

Looking ahead, we are more excited than ever about the opportunities we see in both our existing and new markets, and it is safe to conclude that SmartCraft is well positioned to continue to deliver on our medium-term financial targets of 15-20 percent organic growth with increased margins.

*Gustav Linn*

# Operational development

We have had a positive start to the new year and continued to deliver both good growth and high margins in the first quarter. As a result of our continuous efforts and focus to reduce complexity for our customers and give them high visibility to the cost of our solutions, 97 percent of our revenue was recurring. Our Annual Recurring Revenue (ARR) grew by 16 percent to NOK 401 million. 12 percent of the growth was organic, while the remainder comes from exchange rate and the acquisition of Coredination in 2023.

We are continuously working to further strengthen our marketing and sales efforts, and in the first quarter we saw strong results. Brand exposure, visibility of SmartCraft communication in different media channels, grew multiple times (YoY). We saw an 18 percent increase in inbound sales leads, which is a result of both a good marketing mix of activities and structured activities from our sales teams. As a result, we had a 17 percent increase in sales meetings with customers. This is an important metric, bearing in mind that more than

half of these meetings convert to customer wins, based on historical data. Conclusively, new sales in the first quarter was better than the first quarter of 2023. Our organic ARR growth is somewhat curbed by certain existing customers in Finland and Norway downgrading their usage due to lower activity levels in the new build part of the industry. Importantly, our churn remains low as these customers do not leave us, and we expect revenue from these customers to increase when the new build part of the construction industry improves.

## SEGMENTS

### Distribution of revenue per reporting segment

<i>Amounts in NOK (millions)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Norway	46.1	40.9	167.7
Sweden	51.5	40.9	183.2
Finland	12.2	12.4	50.7
<b>Total revenue per reporting segment</b>	<b>109.7</b>	<b>94.2</b>	<b>401.7</b>
<i>Organic growth</i>			
Norway	12.5 %	14.3 %	14.6 %
Sweden	13.6 %	12.1 %	13.1 %
Finland	(5.5 %)	6.4 %	3.4 %

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

<i>Amounts in NOK (millions)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Norway	20.0	19.0	73.7
Sweden	28.1	19.7	97.6
Finland	3.5	5.0	17.2
<b>Adjusted EBITDA per reporting segment</b>	<b>51.5</b>	<b>43.7</b>	<b>188.5</b>
<i>Adjusted EBITDA margin</i>			
Norway	43.4 %	46.4 %	43.9 %
Sweden	54.5 %	48.2 %	53.3 %
Finland	28.3 %	40.5 %	34.0 %

**SmartCraft Sweden**

Sweden is our largest segment with 47 percent of the Group revenue. Revenue grew by 26 percent YoY, driven by good sales performance, the acquisition of Coredination in 2023 and the exchange rate. Through coordinated and target marketing activities we increased the number of sales meetings compared to the same period last year and our structured sales processes led to reduced sales time per customer. As a result, organic revenue growth accelerated by 1.5 percentage points (YoY) to 14 percent. Good cost control and the scalability of our business increased the adjusted EBITDA margin by 6.3 percentage points (YoY) to 54.5 percent.

In the quarter we successfully launched an integration with Visma E-accounting, which contributed to the ARR growth. The old Bygglet app was officially closed and removed from app stores, with all users smoothly transitioned to the new app. Further enhancing our customer experience, we launched a refined user experience for EL-VIS, which has been exceptionally well received. The updated user interface provides a cohesive experience, making each module more accessible and easier to navigate, thereby significantly improving usability.

**SmartCraft Norway**

Norway is our second biggest segment, accounting for 42 percent of the Group revenue. We experience a good market with potential revenue pipeline at the same level as the previous quarter. Organic revenue growth was 13 percent in the

quarter (YoY) driven by synergetic sales and marketing activities where we do more as one team. However, we do see an increase in existing larger customers downgrading their solutions due to lower activity in the new build part of the industry. This puts a downward pressure on our organic ARR. Importantly, these customers are not churning, and we expect this revenue to return in a better market. Although the adjusted EBITDA margin was down by 3 percentage points YoY, we still see a healthy margin of 43 percent.

We see great benefits from having the SmartCraft Accounting Connector, enabling common integrations for our solutions to various external and internal systems. In the first quarter we integrated Elverdi to Tripletex and Elverdi to Elinn, opening for new revenue streams and cross selling.

**SmartCraft Finland**

Finland holds 11 percent of the Group revenue. The revenue declined by 5 percent as we have a high concentration of larger construction companies downgrading their solution, resulting in less project related revenue, due to the challenging new build market. However, sales revenue from new customers are both higher than previous quarter and the first quarter of 2023. Customer churn is still low, and we expect revenue from the large customers to increase when the market for new build improves.

The adjusted EBITDA margin was stable at 28 percent in Q1.

# Financial review

<i>Amounts in NOK (thousands)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Revenue from customers	109 742	94 274	401 654
<b>Total operating revenue</b>	<b>109 742</b>	<b>94 274</b>	<b>401 654</b>
Purchase of goods and services	8 042	7 433	32 681
Payroll and related expenses	40 155	35 528	145 637
Other operating expenses	16 689	11 894	57 616
<b>Total operating expenses</b>	<b>64 887</b>	<b>54 855</b>	<b>235 934</b>
<b>EBITDA</b>	<b>44 855</b>	<b>39 419</b>	<b>165 721</b>
Adjustments of special items	-	-	1 525
<b>Adjusted EBITDA</b>	<b>44 855</b>	<b>39 419</b>	<b>167 246</b>
Depreciation and amortization	9 801	8 287	36 204
<b>Operating profit (loss) before financial items and tax</b>	<b>35 054</b>	<b>31 132</b>	<b>129 516</b>
EBITDA-margin	40.9 %	41.8 %	41.3 %
Adjusted EBITDA-margin	40.9 %	41.8 %	41.6 %

SmartCraft's consolidated revenue in Q1 2024 grew by 16.4 percent to NOK 109.7 million, up from NOK 94.3 million in Q1 2023. 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 401.5 million, a growth of 15.7 percent year over year with an organic growth of 12.2 percent.

SmartCraft's strategy is to prioritize and maximize recurring revenue over non-recurring revenue. The strategy increases earnings visibility, and hence reduces operational risks. We are actively evaluating the potential to transform non-recurring revenue, such as start-up fees, initial training, etc., into SaaS services, thus reducing the threshold to become a customer. The Group reports a recurring revenue share at a high and stable level, and in Q1 2024 the recurring revenue share was 97.0 percent

(97.0 percent in Q1 2023). SmartCraft's recurring revenue share is expected to consistently be in the mid/high 90 percent range.

The Group had a consistently low churn of 7.4 percent in Q1 2024, compared to 7.2 percent the previous quarter. Bankruptcies increased in the quarter and was 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 44.9 million in Q1 2024. There were no adjustments to the EBITDA, resulting in an equally high adjusted EBITDA of NOK 44.9 million (NOK 39.0 million in Q1 2023). The adjusted EBITDA margin for Q1 2024 was 40.9 percent compared to 41.8 percent in Q1



Organic growth YoY	Q1'24	Q1'23	FY'23
Fixed price subscriptions	11.5 %	15.8 %	14.1 %
Transaction priced add-on subscriptions	6.2 %	11.9 %	6.4 %
<b>Total recurring revenue</b>	<b>11.1 %</b>	<b>15.5 %</b>	<b>13.4 %</b>
Non-recurring revenue	(3.9 %)	(34.4 %)	(10.5 %)
<b>Total revenue</b>	<b>10.6 %</b>	<b>12.8 %</b>	<b>12.5 %</b>

2023. The decline in margin was due to a dilution from the acquisition of Coredination in 2023 and less capitalized development costs. The adjusted EBITDA-capex margin increased by 2.0 percentage points to 33.1 percent (31.1 percent in Q1 2023), which included a 0.7 percentage points dilution from the acquisition. SmartCraft is well on track to increase the margins for all acquired solutions. Our approach to increase the margins in the acquired solutions is first and foremost by helping the solutions to better scale and grow, therefore creating a long-term business advantage, rather than reducing cost.

SmartCraft constantly improves existing solutions and develops 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 8.5 million in capitalization of development costs in Q1 2024, which constitutes 7.8 percent of revenue, a decrease from 10.7 percent in Q1 2023. In 2023 SmartCraft capitalized in total 9.3 percent of revenue. The decline in capitalization relate to more projects being in an early research phase, which is not capitalizable. Additionally, with a relatively fixed cost base and growing revenues the capitalized share naturally decreases.

Depreciations and amortizations were NOK 9.8 million in Q1 2024 compared to NOK 8.3 million in Q1 2023. The increase is a result of the Group's continuous R&D activities and acquisitions. In Q1 2024, amortization related to M&A was NOK 4.2 million.

The Group had a net financial income of NOK 4.2 million in Q1 2023, compared to NOK 5.1 million

in Q1 2023. Net financial items are mainly interest income and gain/loss from currency effects.

## CASH FLOW

SmartCraft's business model generates a high and positive cash contribution the entire year although there are seasonal variations relating to the timing of invoicing. Cash flow from operating activities was NOK 73.5 million in Q1 2024, an increase from the record high NOK 73.1 million in Q1 2023. The increase from last year is due to profit growth, an increase in accruals and prepayments, and was offset by an increase of NOK 6.6 million in paid taxes. The Group is constantly working to improve its net working capital, which will continue to improve the cash flow from operating activities. In December 2023, 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 receivable and deferred revenue. A year ago, the annual fee for 2023 was invoiced in January 2023, resulting in a noticeable difference in net working capital in both Q4 2023 and Q1 2024 compared to the year before.

Cash flow from investing activities was NOK -12.6 million in Q1 2024. Capitalized development costs amounted to NOK 8.5 million. In Q1 2024 an earn-out of NOK 3.6 million in relation to the acquisition of Inprog AS was paid out. The Group has no further earn-out obligations.

Net cash flow from financing activities was NOK -7.2 million in Q1 2024. Through the buy-back program, SmartCraft acquired 146 706 own shares (0.09 percent of total shares) totaling NOK 3.6 million in Q1 2024.

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 Q1 2024 SmartCraft had, through previous and existing buy-back programs, acquired in total 3 222 955 shares (1.88 percent of total shares) at an average price of NOK 19.90 per share. The remaining number of shares in the current buy-back program was 1 505 339 (0.88 percent of total shares) at the end of Q1 2024.

SmartCraft has a 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 1 153.9 million (NOK 1 100.1 million at the end of 2023), of which cash and cash equivalents amounted to NOK 260.1 million (NOK 206.0 million at the end of 2023). Non-current assets amounted to NOK 837.1 million (NOK 821.3 million at the end of 2023). The increase in assets is driven by the cash flow from operations and changes in currency rates.

Total liabilities amounted to NOK 276.8 million (NOK 256.4 million at the end of 2023). The increase is mainly related to the increase in deferred revenue.

## SHARE INFORMATION

At the end of Q1 2024 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 Q1 2024 in SmartCraft ASA.

As of March 31<sup>st</sup> 2024, SmartCraft holds 3 222 955 own shares (1.88 percent) and total outstanding shares was 168 299 350.

## RISK FACTORS

Risk factors are described in the information document prepared in connection with the listing on Oslo Børs, published June 14<sup>th</sup>, 2021 and in the annual accounts for 2023, published April 11<sup>th</sup>, 2024.

# 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.

Most of the revenue in the Group derives from Sweden and Norway. Both markets experience good demand and that the solutions have great market fit despite a challenging market for the construction industry in general. Some customers with significant exposure to the new-build construction market struggle with reduced activity, which in certain cases lead to downgrades of their SmartCraft subscriptions. At the same time, it is satisfactory to conclude that these customers are not churning, which means that are likely to increase spending when their market recovers.

Our Finnish business is more exposed to macro fluctuations and here we do not expect a quick recovery. To compensate, we have increased our

focus towards the renovation segment and smaller customers, and we see some positive signals as both customers leads and potential customer revenue pipeline is growing, while churn remains low.

SmartCraft is successfully focusing on increased visibility in the market, constantly reaching more potential customers, resulting in more leads and customers meetings. Hence, the pipeline remains healthy for the quarters to come. SmartCraft is in a good position to win market share with a great team and our best of breed solutions.

M&A is an important part of SmartCraft's growth strategy, and we continue to develop our pipeline of potential acquisition objects. The acquisition of Clixifix in the UK represents an important strategic milestone for SmartCraft, expanding our market potential significantly, as Clixifix represents a foothold and a good starting point for further growth in the UK.

In summary, 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

- o August 27<sup>th</sup>                      Q2 2024 Reporting
- o November 5<sup>th</sup>                      Q3 2024 Reporting

### Other investor relation activities

- o May 7<sup>th</sup>                      Carnegie Roadshow
- o August 28<sup>th</sup>                      DNB Nordic TMT Conference, Oslo
- o September 5<sup>th</sup>                      Carnegie Small & Mid Cap seminar, Stockholm
- o September 17<sup>th</sup>                      Aktiespararna, Stockholm

Please visit [smartcraft.com/investor-relations/](https://smartcraft.com/investor-relations/) for most recent calendar update.

# Condensed Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK (thousands)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Revenue from customers	109 742	94 274	401 654
<b>Total operating revenue</b>	<b>109 742</b>	<b>94 274</b>	<b>401 654</b>
Purchase of goods and services	8 042	7 433	32 681
Payroll and related expenses	40 155	35 528	145 637
Other operating expenses	16 689	11 894	57 616
Depreciation and amortization	9 801	8 287	36 204
<b>Total operating expenses</b>	<b>74 688</b>	<b>63 142</b>	<b>272 138</b>
<b>Operating profit (loss) before financial items and tax</b>	<b>35 054</b>	<b>31 132</b>	<b>129 516</b>
Financial income	6 694	8 573	29 520
Financial expenses	(2 544)	(3 503)	(22 768)
<b>Financial income (expense), net</b>	<b>4 150</b>	<b>5 070</b>	<b>6 752</b>
<b>Profit (loss) before tax</b>	<b>39 204</b>	<b>36 202</b>	<b>136 268</b>
Tax expense	7 358	5 967	28 640
<b>Profit (loss)</b>	<b>31 846</b>	<b>30 235</b>	<b>107 628</b>
<b>Other comprehensive income</b>			
Items to be reclassified to profit or loss:			
Currency translation differences, net of tax	4 752	23 468	24 685
<b>Total</b>	<b>4 752</b>	<b>23 468</b>	<b>24 685</b>
<b>Total comprehensive income</b>	<b>36 598</b>	<b>53 703</b>	<b>132 313</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

<i>Amounts in NOK (thousands)</i>	<b>March 31<sup>st</sup> 2024</b>	<b>March 31<sup>st</sup> 2023</b>	<b>Dec 31<sup>st</sup> 2023</b>
Goodwill	552 135	537 018	547 580
Intangible assets	250 370	223 414	246 079
Right to use assets	31 648	21 040	24 656
Tangible Assets	2 940	3 285	3 001
<b>TOTAL NON-CURRENT ASSETS</b>	<b>837 093</b>	<b>784 757</b>	<b>821 316</b>
Other current assets	9 898	8 165	8 112
Accounts Receivable	46 834	30 775	64 612
Cash and cash equivalents	260 119	242 530	206 024
<b>TOTAL CURRENT ASSETS</b>	<b>316 852</b>	<b>281 470</b>	<b>278 748</b>
<b>TOTAL ASSETS</b>	<b>1 153 944</b>	<b>1 066 227</b>	<b>1 100 064</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### EQUITY AND LIABILITIES

<i>Amounts in NOK (thousands)</i>	<b>March 31<sup>st</sup> 2024</b>	<b>March 31<sup>st</sup> 2023</b>	<b>Dec 31<sup>st</sup> 2023</b>
Share capital	1 715	1 715	1 715
Treasury shares	(32)	(13)	(31)
Share premium	605 893	605 893	605 893
Retained earnings	243 070	176 275	214 846
Other components of equity	21 373	15 404	16 621
Non-controlling interests	4 767	4 881	4 631
<b>TOTAL EQUITY</b>	<b>876 786</b>	<b>804 155</b>	<b>843 675</b>
Non-current lease liabilities	19 754	12 847	14 764
Deferred tax liabilities	36 038	37 202	36 580
<b>Total non-current liabilities</b>	<b>55 792</b>	<b>50 049</b>	<b>51 344</b>
Deferred revenue	125 386	105 501	106 029
Current portion of lease liabilities	12 348	9 048	10 360
Accounts payable	13 182	6 297	8 628
Taxes payable	15 478	13 438	22 402
Other current liabilities	54 971	77 740	57 626
<b>Total current liabilities</b>	<b>221 366</b>	<b>212 024</b>	<b>205 045</b>
<b>TOTAL LIABILITIES</b>	<b>277 158</b>	<b>262 072</b>	<b>256 388</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 153 944</b>	<b>1 066 227</b>	<b>1 100 063</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>Amounts in NOK (thousands)</i>	Share capital	Own shares	Share premium	Other components of equity	Retained earnings	Non-controlling interest	Total equity
<b>Total equity 31.12.2022</b>	<b>1 715</b>	<b>(5)</b>	<b>605 893</b>	<b>(8 064)</b>	<b>161 149</b>	<b>4 881</b>	<b>765 569</b>
Profit / (-) loss for the period	-	-	-	-	107 628	-	107 628
Other comprehensive income	-	-	-	24 685	-	-	24 685
Capital increase 13.07.2022	-	(26)	-	-	(53 482)	-	(53 508)
Purchase of treasury shares	-	-	-	-	-	(250)	(250)
Other changes	-	-	-	-	(449)	-	(449)
<b>Total equity 31.12.2023</b>	<b>1 715</b>	<b>(31)</b>	<b>605 893</b>	<b>16 621</b>	<b>214 846</b>	<b>4 631</b>	<b>843 675</b>
Profit / (-) loss for the period	-	-	-	-	31 846	-	31 846
Other comprehensive income	-	-	-	4 752	-	-	4 752
Purchase of own shares	-	(1)	-	-	(3 622)	-	(3 623)
Changes in non-controlling interests	-	-	-	-	-	136	136
<b>Total equity 31.03.2024</b>	<b>1 715</b>	<b>(32)</b>	<b>605 893</b>	<b>21 373</b>	<b>243 070</b>	<b>4 767</b>	<b>876 786</b>

## CONSOLIDATED CASH FLOW STATEMENT

<i>Amounts in NOK (thousands)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
<b>Operating activities</b>			
Profit before tax	39 204	36 202	136 268
Paid taxes	(14 938)	(8 341)	(24 058)
Net financial income	(4 150)	(5 070)	(6 752)
Gains/loss sold assets	106	-	(82)
Depreciation	5 617	4 419	20 310
Amortisation of intangible assets	4 184	3 868	15 894
Payments related to acquisitions	-	-	(16 861)
Interest received	2 123	18	3 724
<b>Net cash provided from operating activities before net working capital changes</b>	<b>32 147</b>	<b>31 097</b>	<b>128 443</b>
<i>Working capital adjustments:</i>			
Changes in accounts receivable	17 778	(1 298)	(33 619)
Changes in deferred revenue	19 357	35 564	35 284
Changes in accounts payable	4 555	(1 532)	744
Changes in all other working capital items	(329)	9 272	5 445
<b>Net cash provided from operating activities</b>	<b>73 508</b>	<b>73 103</b>	<b>136 297</b>
<b>Investing activities</b>			
Investments in tangible and intangible assets	(443)	(387)	(1 474)
Payments for acquisitions	(3 625)	-	(23 968)
Payments for software development costs	(8 548)	(10 118)	(37 472)
<b>Net cash used in investing activities</b>	<b>(12 617)</b>	<b>(10 505)</b>	<b>(62 914)</b>
<b>Financing activities</b>			
Interest payments	(486)	(271)	(1 214)
Repayments of lease liabilities	(3 073)	(1 969)	(9 964)
Payment of treasury shares	(3 623)	(15 155)	(53 508)
<b>Net cash provided by (used in) financing activities</b>	<b>(7 183)</b>	<b>(17 396)</b>	<b>(64 686)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>53 708</b>	<b>45 202</b>	<b>8 697</b>
Cash and cash equivalents at the beginning of period*	206 024	191 587	191 587
Foreign currency effects on cash and cash equivalents	387	5 741	5 740
<b>Cash and cash equivalents at end of period*</b>	<b>260 119</b>	<b>242 530</b>	<b>206 024</b>

\* 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 1<sup>st</sup> quarter 2024 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 2023.

## NOTE 2 REVENUE

<i>Amounts in NOK (thousands)</i>	Revenue recognition	Q1'24	Q1'23	FY'23
Fixed price subscriptions	Over time	97 620	83 380	356 219
Transaction priced subscriptions	Point in time	8 809	8 030	32 922
<b>Total recurring revenue</b>		<b>106 429</b>	<b>91 410</b>	<b>389 141</b>
Non-recurring revenue	Point in time	3 314	2 864	12 513
<b>Total revenue</b>		<b>109 742</b>	<b>94 274</b>	<b>401 654</b>

## NOTE 3 EARNING PER SHARE

		Q1'24	Q1'23	FY'23
Profit for the period	TNOK	31 846	30 235	107 628
Profit for the period attributable to equity holders of SmartCraft ASA	TNOK	31 846	30 235	107 628
Average numbers of shares, excl. treasury shares		168 356 730	170 718 001	169 575 195
<b>Earning per share</b>	<b>NOK</b>	<b>0.19</b>	<b>0.18</b>	<b>0.63</b>

# 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.

<i>Amounts in NOK (thousands)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Revenue from customers	109 742	94 274	401 654
<b>Total operating revenue</b>	<b>109 742</b>	<b>94 274</b>	<b>401 654</b>

<i>Amounts in NOK (thousands)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
EBITDA	44 855	39 419	165 721
Adjustments of special items	-	-	1 525
<b>Adjusted EBITDA</b>	<b>44 855</b>	<b>39 419</b>	<b>167 246</b>

<i>EBITDA-margin</i>	40.9 %	41.8 %	41.3 %
<i>Adjusted EBITDA-margin</i>	40.9 %	41.8 %	41.6 %

<i>Amounts in NOK (thousands)</i>	<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Adjusted EBITDA	44 855	39 419	167 245
Capitalized development expenses	8 548	10 118	37 472
<b>Adjusted EBITDA - CAPEX margin</b>	<b>33.1 %</b>	<b>31.1 %</b>	<b>32.3 %</b>

		<b>Q1'24</b>	<b>Q1'23</b>	<b>FY'23</b>
Annual Recurring Revenue (ARR) (EoP)	TNOK	401 476	346 960	386 641
Recurring revenue		97.0 %	97.0 %	96.9 %
Average Revenue per Customer (ARPC)	NOK	34 565	30 777	32 452
Churn rate (R12m) (EoP)		7.4 %	7.0 %	7.2 %





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 tailor-made 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 9 percent 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 over 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

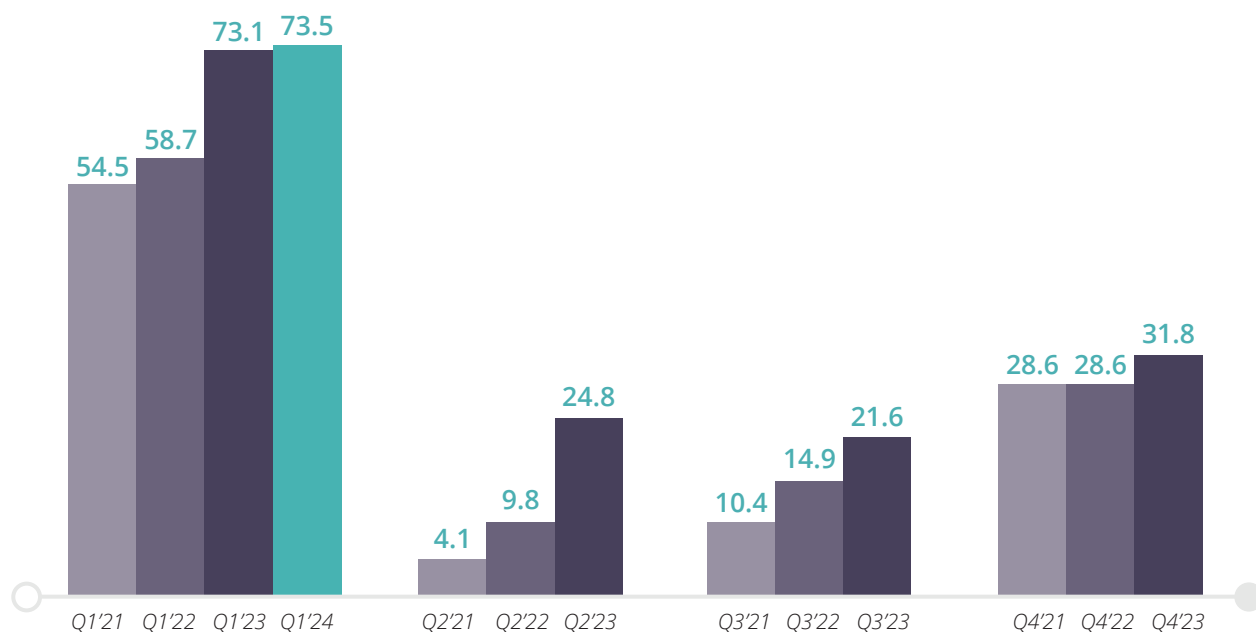
The story of SmartCraft has for many years been the story of profitable growth. We love our cloud-based Software-as-a-Service model for many reasons. One being the fact that the cost of adding one additional customer or user is minimal. This, combined with an efficient sales and marketing organization and a gross margin above 90 percent, gives us a strong business model. We are 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 3<sup>rd</sup> 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

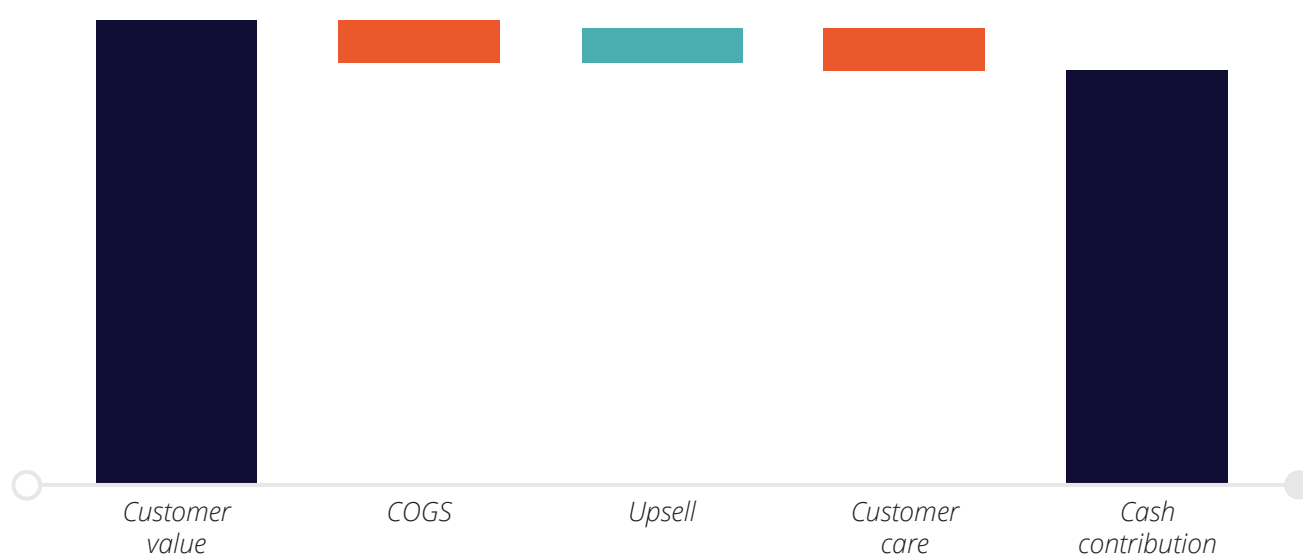
Revenue sources we avoid	Actions to secure high recurring revenue	Short-term financial effects	Strategic benefit
Setup/installation fees	Including one-time revenue in subscription fee	Reduced revenue Lower margin	<ul style="list-style-type: none"><li>o Low threshold to become a customer</li><li>o Increased recurring revenue</li><li>o Higher margin</li><li>o High financial visibility</li><li>o High quality of earnings</li><li>o Low-risk business model</li></ul>
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		
3 <sup>rd</sup> party software	Customers buy directly from 3 <sup>rd</sup> 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



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 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

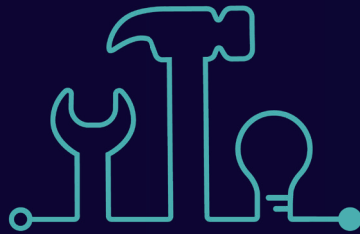


Detailed M&A methodology



Active M&A pipeline





**SmartCraft**