



# Q2 2024 report

AUGUST 27<sup>TH</sup>, 2024

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# Solid performance in a challenging market

- SmartCraft and the market
- Q2 highlights
- Financials
- Summary and Q&A





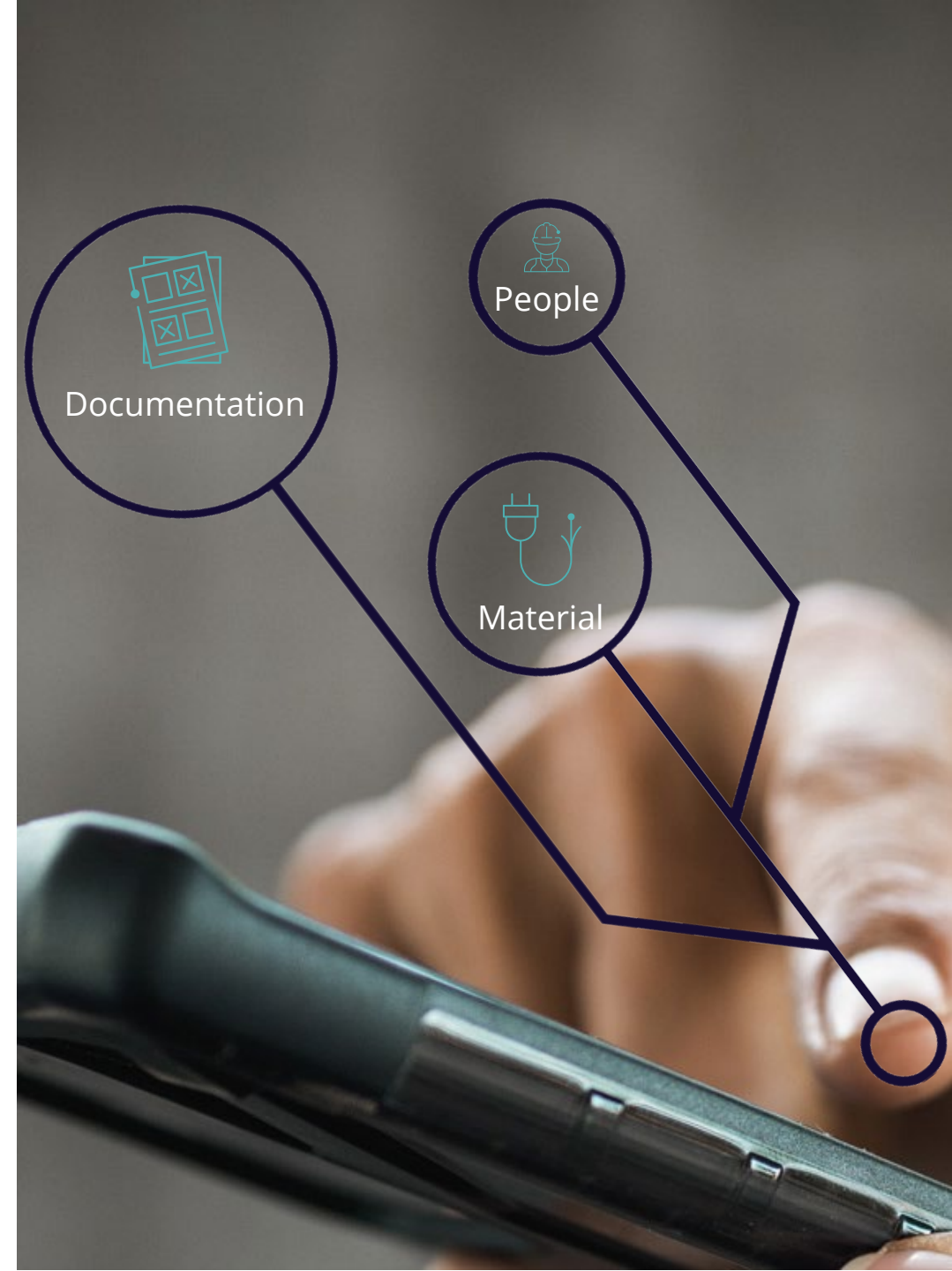
# SaaS for SME construction companies

## Industry challenges

- 0-5% margins -> High level of bankruptcies
- High level of conflict between construction company and customer
- High level of accidents and deaths
- Increasing demand for documentation and reporting

## SmartCraft digital solutions

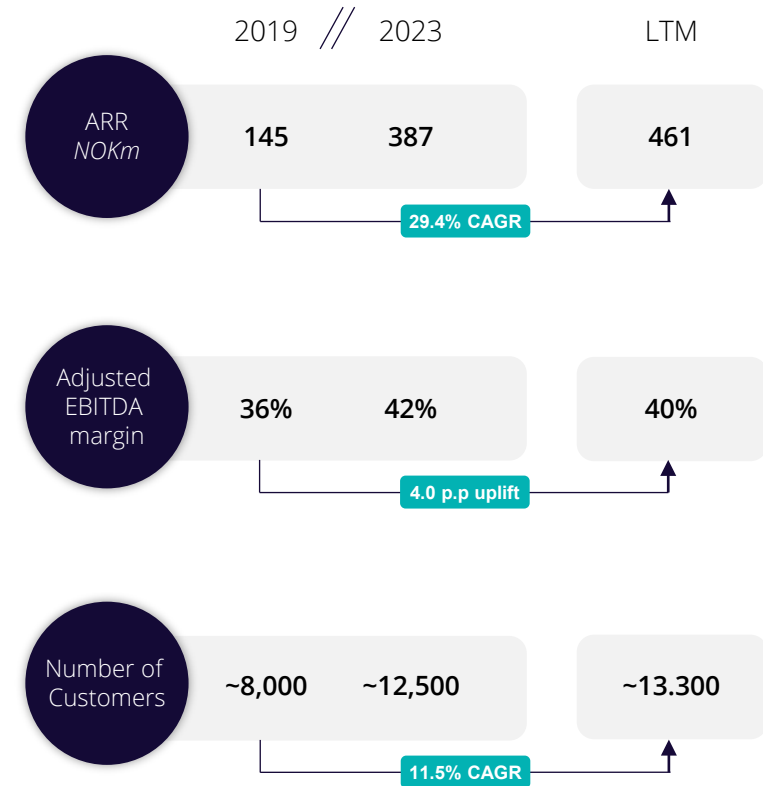
- Business overview and insight with control of people and material costs
- Digital flow of documentation to avoid conflict
- Safety at your fingertips
- Digital quality assurance to build according to rules and regulations



# Leading position in the Nordics

- Consistent and solid growth before and after the IPO in June 2021
- Constantly gaining market share
- 16 offices in Sweden, Norway, Finland and UK
- ~260 employees

## Solid performance over time

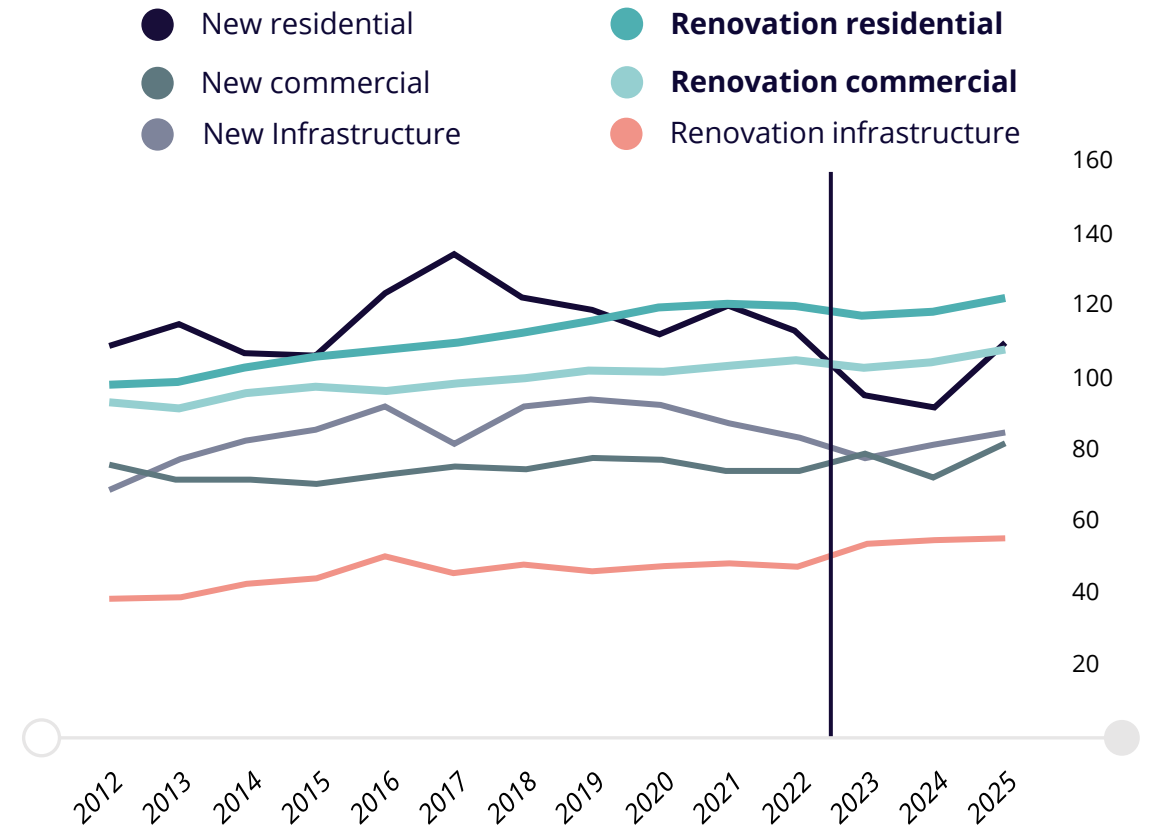


# Renovation is our main segment

## Renovation is our target market

- Large market, bigger than new build
- Less volatile, with consistent growth
- Downturn in new build affects the large construction companies, engineers and architects
- Existing buildings have constant demand for renovation, maintenance and service
- Energy efficiency drives further demand for renovation
- Ongoing digitalization of a digitally immature market

Norwegian construction market by segment, bNOK

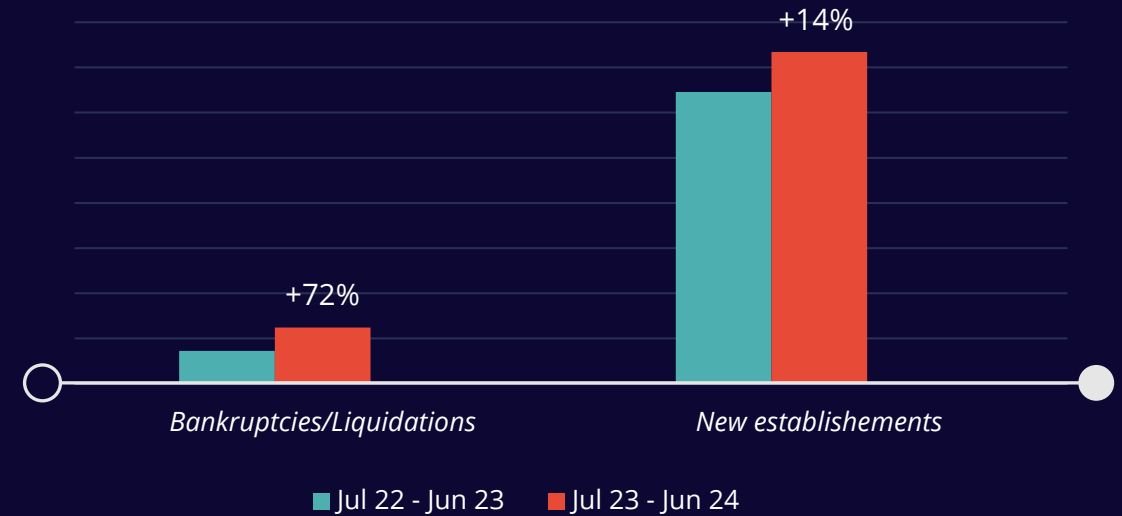


Source: Prognosesenteret, 2023

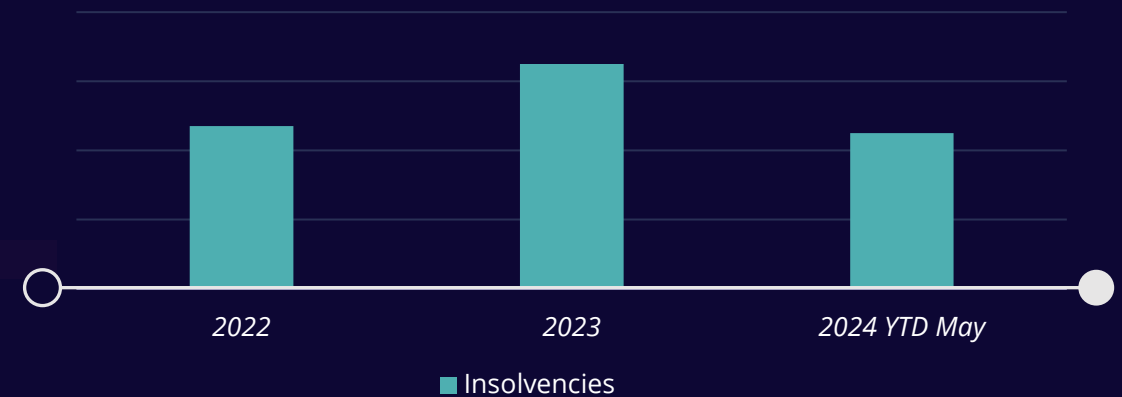
# Soft market with some early positive signs

- Growth in both bankruptcies and new establishments in Norway
- UK insolvencies in the construction industry stable last 29 months
  - Housebuilding must double to meet Labour's target of 1.5m new homes next 5 years<sup>3</sup>
- Signs of early recovery in Finland:
  - *Construction starts exceeded completions* in May<sup>4</sup>

Bankruptcies and new establishments in Norway<sup>1</sup>



Average monthly insolvencies in UK<sup>2</sup>



<sup>1</sup> Source: [www.proff.no](http://www.proff.no)

<sup>2</sup> Source: <https://www.gov.uk/government/collections/insolvency-service-official-statistics>

<sup>3</sup> Source: National House Building Council

<sup>4</sup> Source: [www.stat.fi](http://www.stat.fi)

# Q2 highlights

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# Q2 2024 financial highlights

Continued strong growth, consistently high margins and low churn



**MNOK 461**

Annual Recurring  
Revenue  
+32%



**29%**

Adjusted EBITDA-capex  
-0.3 p.p.  
excl. acquisitions



**8%**

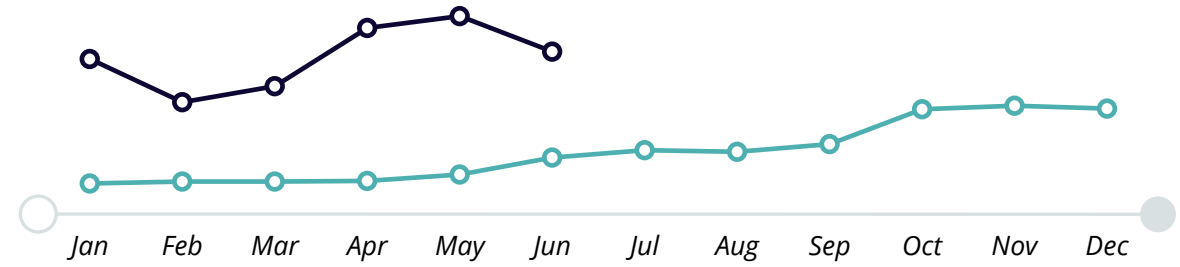
Low churn  
+0.5%

# Good growth in marketing & sales efficiency

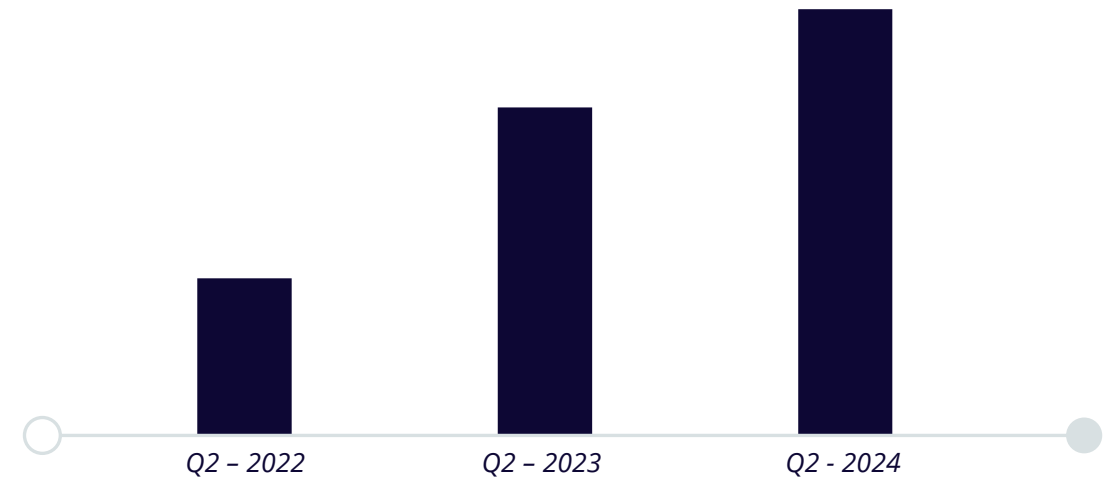
- +480% brand exposure<sup>1</sup> (YoY)
  - Gather around SmartCraft brand
  - Present at big industry trade fairs
    - Norbygg
    - Eliaden
    - On- site purchase and close to 200 leads
- 30% more inbound leads (YoY)
- 36% more sales meetings (YoY)
- 26% more online sales (YoY)

<sup>1</sup>. Visibility of SmartCraft communication in different media channels

Brand exposure for the SmartCraft Group



Inbound leads YoY



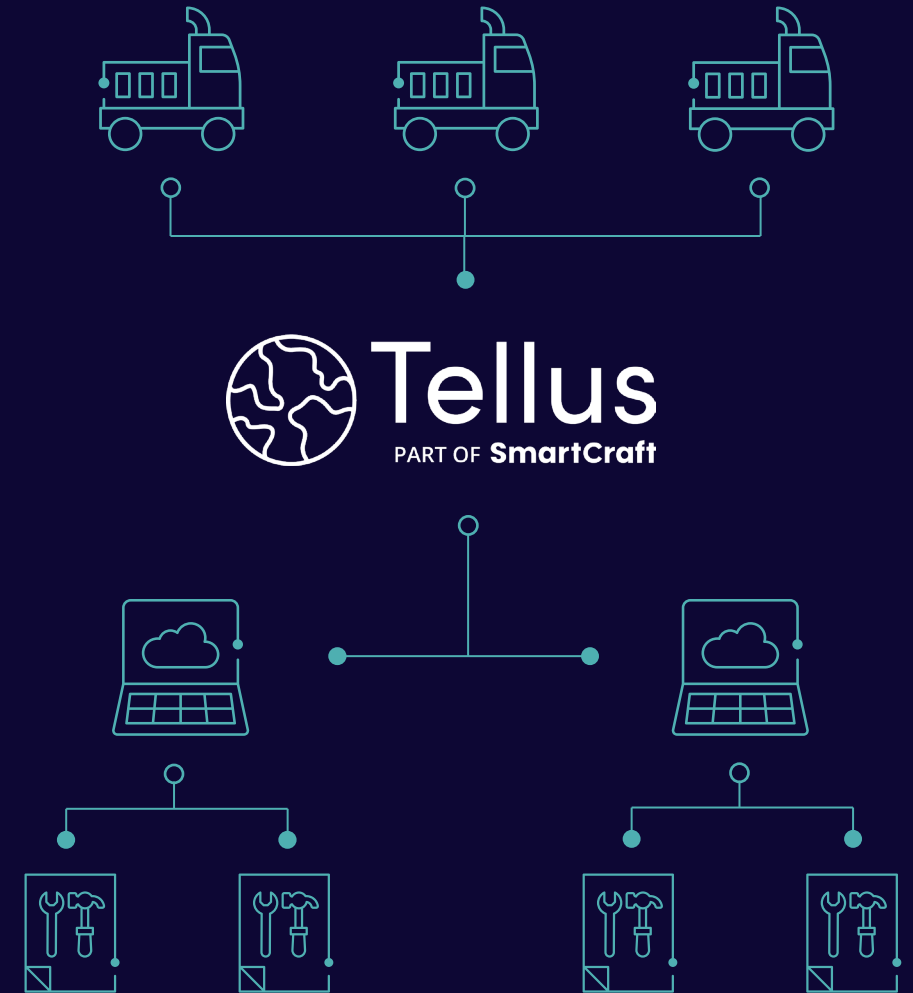
# Real time emission data solution solving construction industry's reporting requirements

**Open-source solution** provided by SmartCraft as a contribution to simplify CO2 tracking in Sweden.

- Capturing real time emission data from a range of truck manufacturers
- Solving the construction industry's requirement to report transport emission data for each project

Launch of **SmartCraft solution** for emission tracking for truck and machine operators in Sweden in Q3

- Solution creates customer stickiness and potential for future upsell



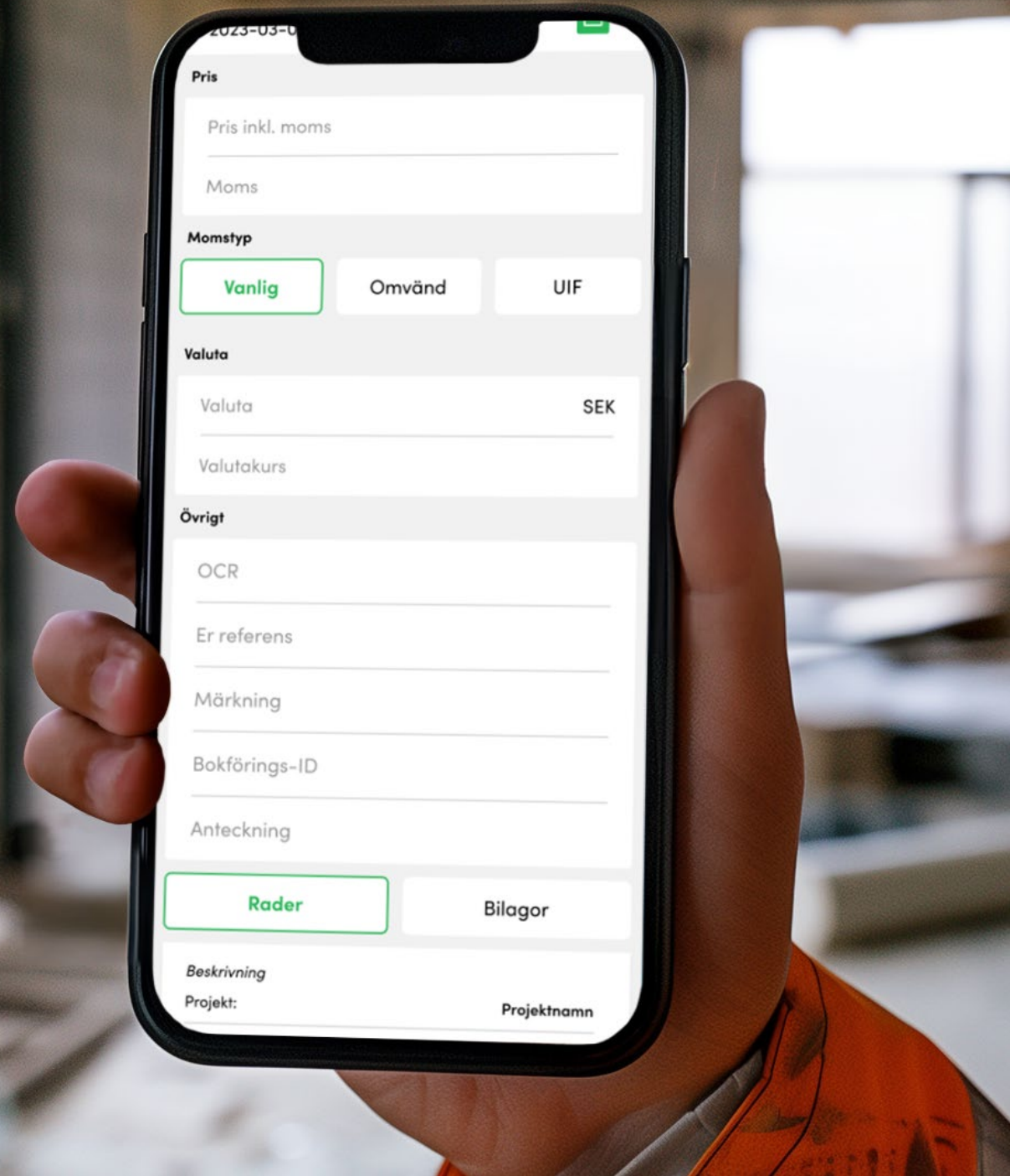
# Bygglet product launches to drive stickiness and upsell

## Bygglet new app replaced legacy app in Q2

- 4.4 out of 5 review for new app

## Bygglet new budget module in pilot

- Great feedback, promising pickup rate





# Piloting new packaging to enable cross-sell

Low entry price

Low entry price x 2-3

Low entry price x 4-5



**SmartCraft**

## ELECTRO BASIC

Basic quoting  
Time & materials  
Order management



**SmartCraft**

## ELECTRO PREMIUM

Electro Basic features  
Project & stock mgmt.

**Upsell:** E-commerce &  
QA solution



**SmartCraft**

## ELECTRO PREMIUM+

Electro Basic features  
Electro Premium features  
Adv. calculation

Solutions in the packages:



# Accretive M&A

- Acquired 2 solutions for construction companies and property developers
- Locka (Sweden) April
  - 3D visualization and end-customer interaction
- Clixifix (UK) May
  - Management of complaints, repairs and defects
- Softer construction market has facilitated M&A dialogues



~ ARR NOK 55 million



~ 600 customers



+ 55 employees



+ Massive TAM expansion into the UK

# Best of breed solutions for all parts of the construction cycle

Specialized solutions for different parts of the property life cycle

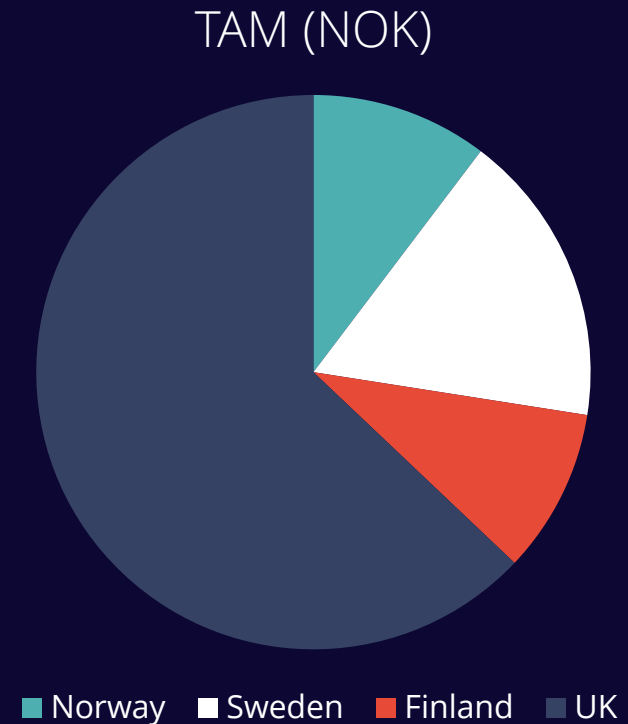


Solutions for across all phases of a property life cycle



# Large total addressable market (TAM)

- TAM of NOK 50 billion\*
- ~700.000 addressable construction companies
- The UK increases TAM by 70%



*\*Analysis by SmartCraft, August 2024. Compounded on basis of ARPC, penetration and addressable companies (ADL model, 2021)*



## Q2 key takeaways

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- Continued growth and high margins despite challenging market
- Strong results from marketing and sales activities across the group
- New product launches to drive stickiness, upsell and cross-sell
- Acquired 2 solutions, increasing the TAM to NOK 50 bn



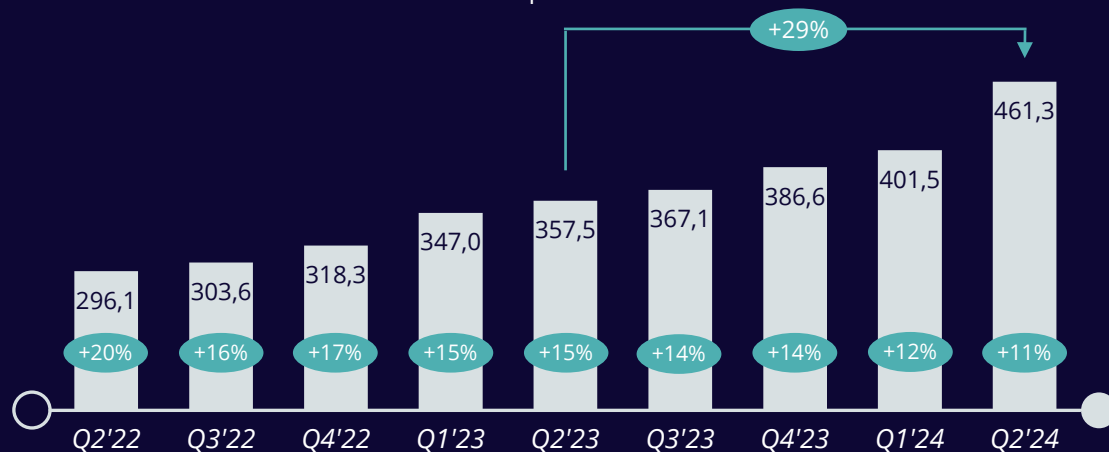
# Financials

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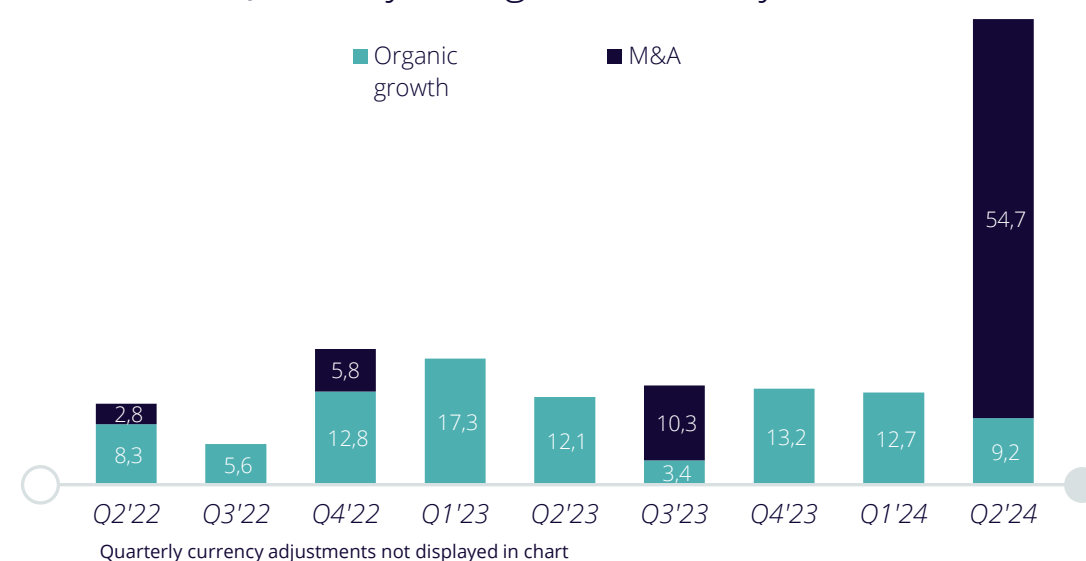
# High growth in recurring revenue as basis for success

- 29% growth in ARR
  - 2.3% organic growth quarter-over-quarter
  - Growth hampered by increased downgrades and churn
  - Substantial ARR upside from acquisitions as recurring revenue share is at a lower level, providing future ARR growth tailwind

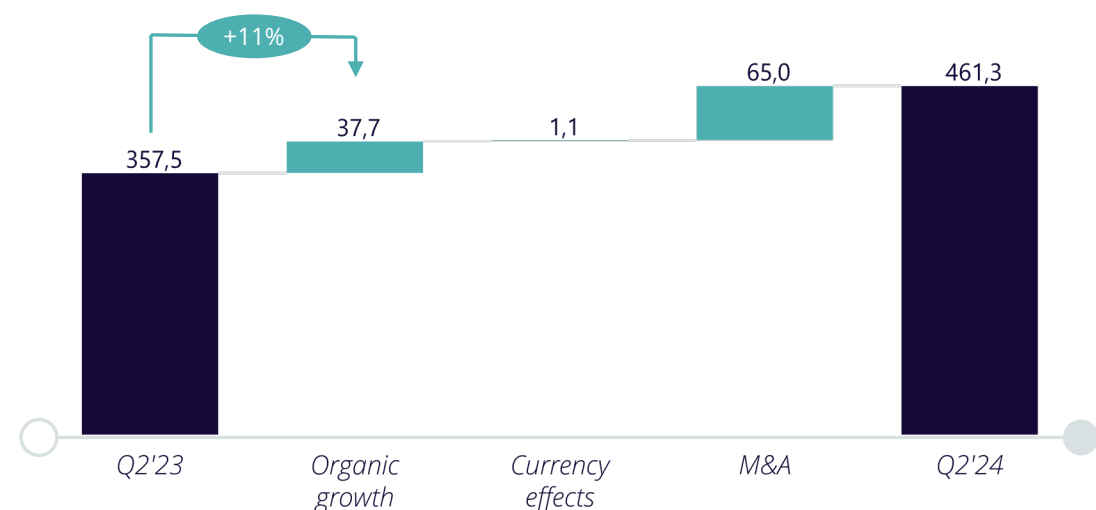
ARR development, mNOK



Quarterly ARR growth history, mNOK



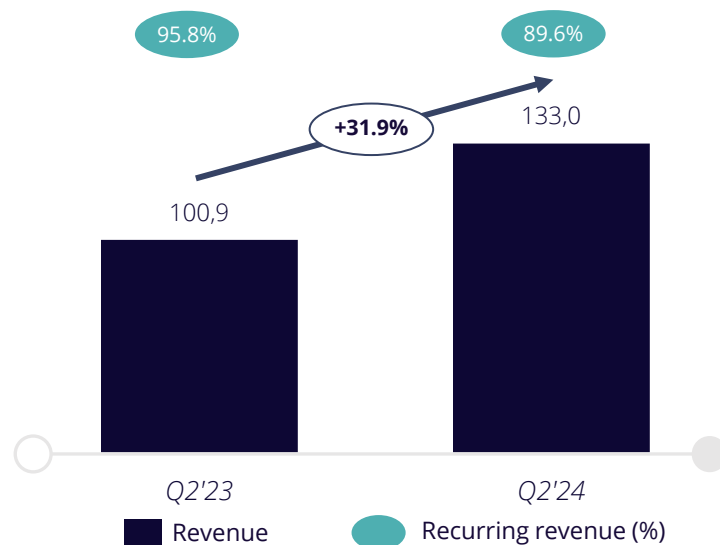
ARR bridge YoY, mNOK



# Continued growth in revenue and strong profitability

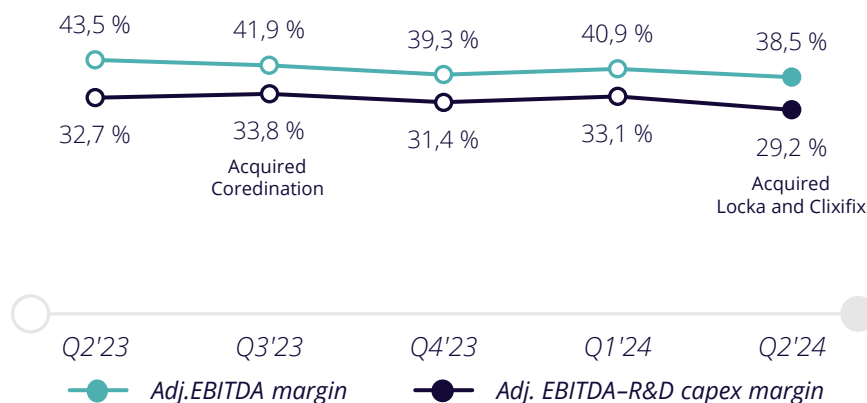
## Solid YoY revenue growth

mNOK



- Maintaining high recurring revenue share of 97% excl. the two acquisitions in Q2'24
- Focus on transitioning revenue from non-recurring to recurring. Aiming for mid/high 90s.

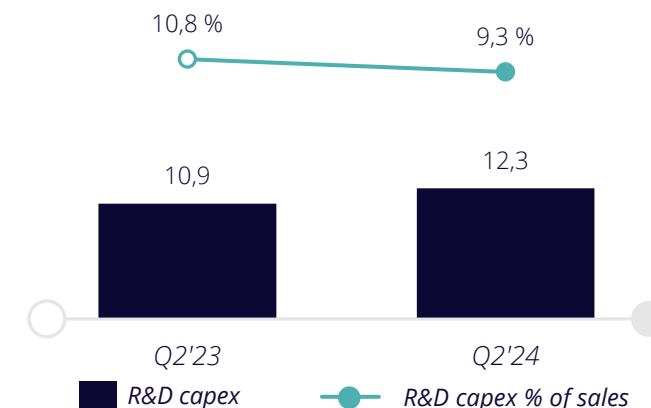
## Consistently high profitability



- 3.2pp dilution from acquisitions
- Proven track-record of ability to increase profitability in acquired solutions

## R&D capex

mNOK



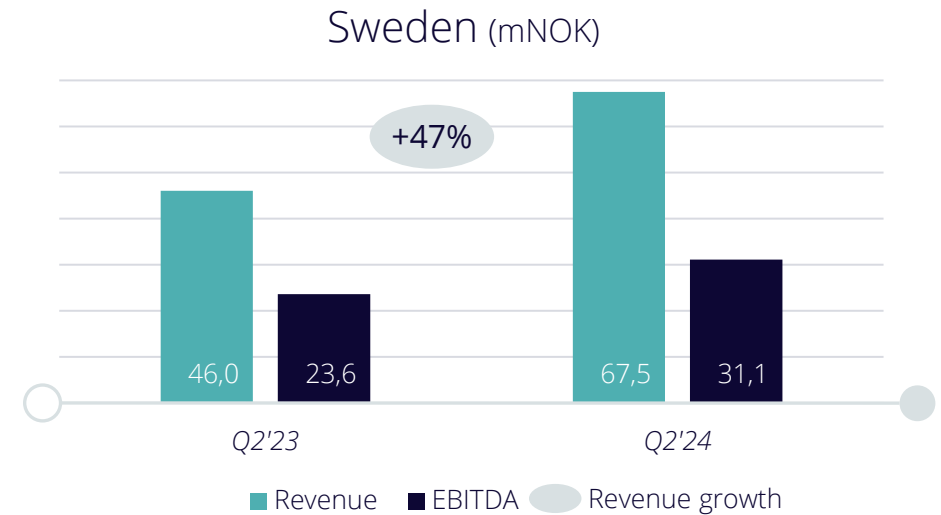
- Several projects in development phase to drive new sales, cross sales and upsales
- Revenue increasing at a higher pace than cost, naturally affect the capex percentage
- Expecting ~9% for FY'24





# Strong revenue growth in Sweden

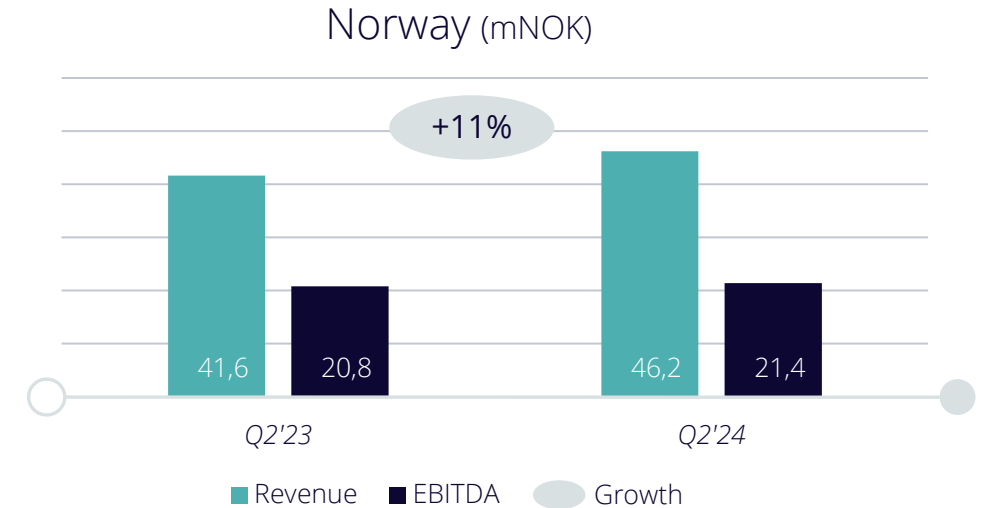
- Strong growth
  - Acquisition of Coredination and Locka
  - Maintained momentum in sales to new customers
  - 2023 revenue boosted by non-recurring handbook sales
- Positive signals in market
  - Signed Stockholms hem
  - Sought-after new solutions and add-ons (Tellus project and budget module)
- Adjusted EBITDA margin reduced as a result of acquisitions



**+ 11 %**  
Organic recurring  
revenue growth

# Solid growth and high margin continue in Norway

- Continued good growth in revenue
  - Structures sales process drove growth of new customers
  - Growth hampered by increased churn and downgrades
- Adjusted EBITDA margin decrease due to high R&D capitalization in Q2'23 which was adjusted year-end 2023.
  - Adjusted EBITDA-capex increased by 2.0pp
- High level of sales and marketing initiatives towards electricians
  - Piloting new packaging of existing solutions
  - Piloting new calculation solution based on SmartCraft Core



**+ 13 %**  
Organic recurring  
revenue growth



# Positive signals in a challenging Finnish market

- Negative growth stabilized from Q1
- Positive market signals
  - Initiated construction projects exceed project completion
  - Good marketing and sales activities building potential customer revenue pipeline
  - Increase in transactional revenue per customer
- Project based revenue model implies a growth tailwind when market turns



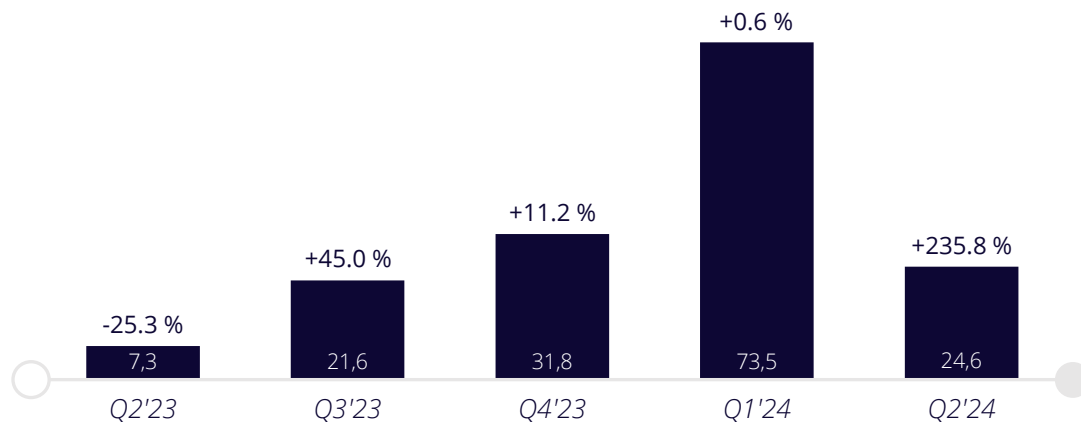
**-5 %**  
Organic recurring  
revenue growth

# Solid financial position and strong cash flow

- to support growth strategy and M&A activity

## Operating cash flow

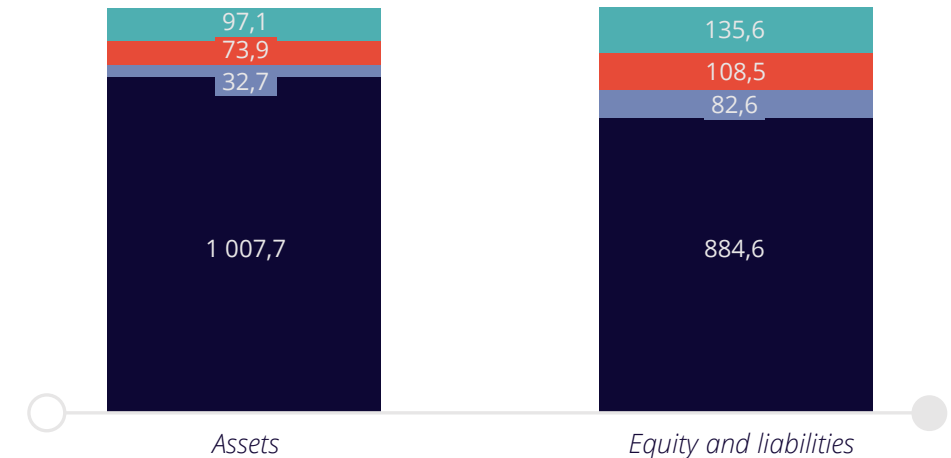
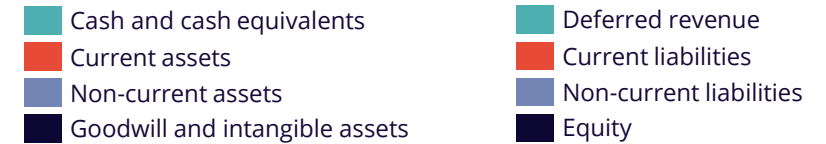
mNOK, YoY growth



- Q2'24 growth due to earn-out adjustment in Q2'23
- Tax payments 4 mNOK higher in Q2 2024 compared to Q2 2023
- Cash positive all quarters (seasonally strong Q1)

## Balance sheet, June 30, 2024

mNOK

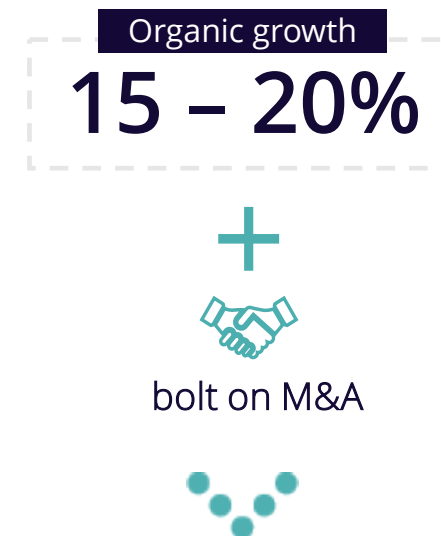


- Net cash payment of 157 mNOK relating to two acquisitions
- Net cash positive and negative net working capital
- Holds 2,23% (~3,8m) shares, per the end of August/program

# Key focus to drive continued profitable growth

- Customer centric business model
- Continue with marketing and sales excellence to build solid new customer pipeline
- More sales automation & self service
- Use our flexible business model to be prudent on costs
- Value accretive M&A

Medium-term financial targets remain unchanged



Margin expected to increase due to scalability of the business

## Short-term considerations:

Impact from acquired companies last 12 months

BETTER DIGITAL TOOLS

# Q&A

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We continue on our profitable growth journey

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



