



This is SmartCraft

February 2025

# 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 2025 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 720 000 companies in the construction industry. As a market leader we have over 13 400 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 is above NOK 50 billion\* in the Nordics and the UK in 2024.

This market is expected to grow 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 DIGITALISATION 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

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

## ATTRACTIVE BUSINESS MODEL

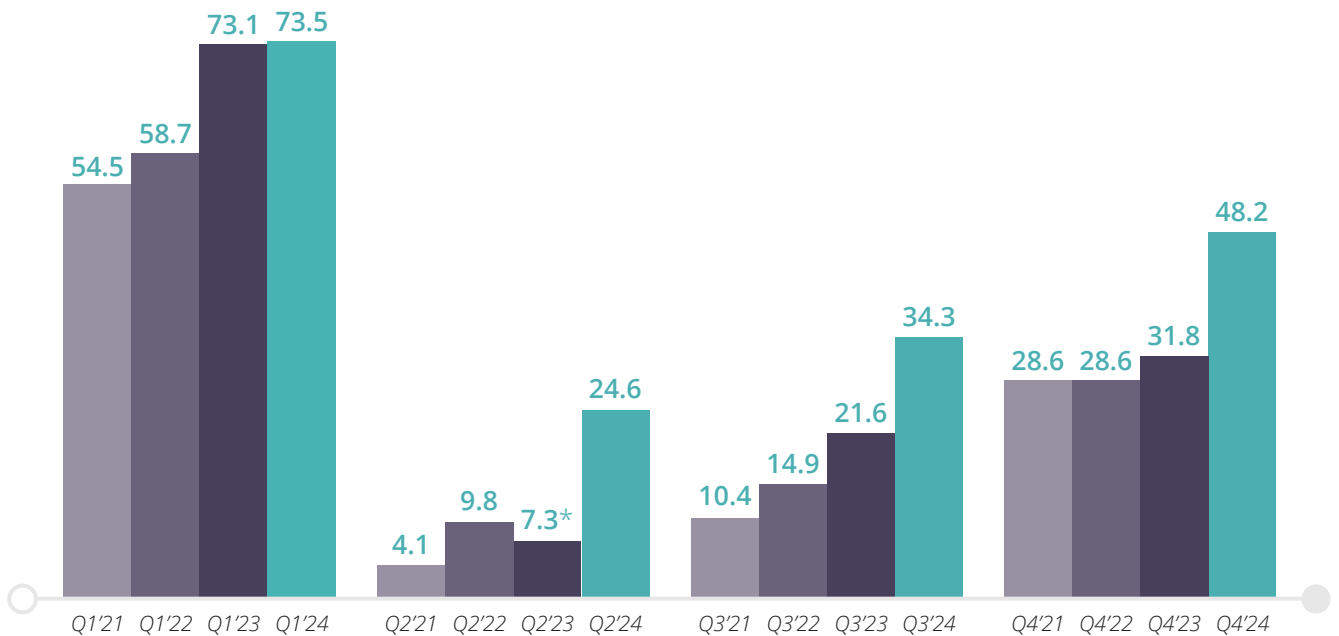
The story of SmartCraft has for many years been the story of profitable growth. We love our cloud-based Software-as-a-Service model for many reasons. One being the fact that the cost of adding one additional customer or user is minimal. This, combined with an efficient sales and marketing organization 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



\* Including earnout payment of NOK 17.6 million previously classified as investing activity (reclassified in Annual report 2023).

## 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 2024, 94 percent of our revenue was recurring, adjusted for the recent acquisitions with low margins. The high level of recurring revenue creates 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

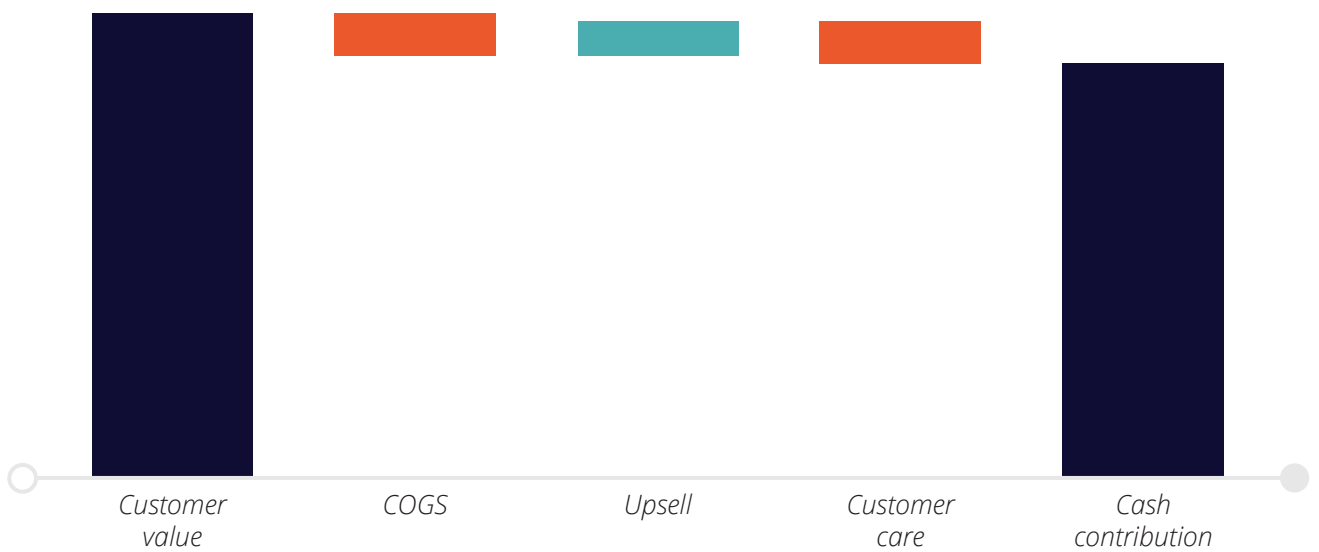
Revenue sources we avoid	Actions to secure high recurring revenue	Short-term financial effects	Strategic benefit
Setup/installation fees	Including one-time revenue in subscription fee	Reduced revenue Lower margin	<ul style="list-style-type: none"> <li>o Low threshold to become a customer</li> <li>o Increased 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 and the UK 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

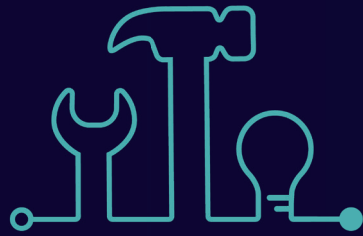


Detailed M&A methodology



Active M&A pipeline





**SmartCraft**