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SmartCraft intends to apply for a listing on the Oslo Stock Exchange

Oslo, 7 June 2021: SmartCraft ASA (the "Company", and together with its consolidated subsidiaries "SmartCraft" or the "Group") today announces its intention to launch an offering of shares in the Company and to apply for a listing on the Oslo Stock Exchange (the "IPO").

SmartCraft is a leading provider of mission-critical software to the construction industry in the Nordics.[1] SmartCraft's vision is to become the leading provider of specialized digital solutions for construction companies in the Northwestern part of Europe. The Group enables construction companies to increase their productivity, reduce the administrative burden and make it easier to comply with the ever-evolving landscape of applicable laws and regulations affecting the construction industry. As of Q1 2021, the Group had more than 9,000 customers across the Nordics with over 95,000 users. The Group reported revenue of NOK 195.9 million in FY 2020 and NOK 59.3 million in Q1 2021 with an Adjusted EBITDA (as defined below) of NOK 80.9 million in FY 2020 (41% margin) and NOK 24.3 million in Q1 2021 (41% margin).

The IPO will support SmartCraft's strategy and growth plans, including acquisitions, investments in go-to-market initiatives and continued expansion of its mission-critical software offering. Furthermore, the IPO will allow the Company, as a listed business, to increase its profile. The largest shareholders in the Group, including Valedo Partners III AB and key management, will continue to remain key shareholders after the IPO.

There is an abundance of challenges faced by contractors during complex construction processes. Construction projects require collaboration between several stakeholders and information and documentation needs to be shared in an efficient manner. SmartCraft believes that construction companies need solutions that are flexible and easy-to-use. This need is illustrated by the fact that construction workers spend around 20% of their time on being productive[2]. SmartCraft provides general and specialized contractors with solutions that are designed to optimize project budgets, ensure strong project execution and minimize project risk. As a result, SmartCraft offers all-encompassing modular, easy-to-use SaaS solutions that streamlines workflows from offer to invoice.

Gustav Line, Group CEO, commented:

"Becoming a stock exchange listed company marks a significant milestone on the way to our ambitious goal of becoming a leader in the NOK +70bn Northwestern European construction software market. The construction industry is among the least digitized in the world where most companies either use simple generic software tools or pen and paper. We seek to help these companies benefit from the massive productivity gains that can be realised from digitizing their workflows and processes. Our software offering is made up of solutions that are easy to implement with no start-up costs and easy-to-use with no technological expertise required for the customer. This approach ensures value for our typical SME customer from day one, and a scalable foundation with strong operating leverage for SmartCraft."

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[1] Source: Arthur D. Little – Market Analysis, April 2021
[2] Svensk Byggtjänst – Byggbranschen och digitalisering

Company highlights

- Market leader[3] in a large market with significant untapped potential
  - SmartCraft's total addressable market ("TAM") amounted to approximately NOK 10.5 billion in 2020. The construction industry is one of the least digitalized industries, evidenced by the low penetration of the TAM. Only NOK 1.3 billion or 11% of the TAM is currently served by SmartCraft or a competitor. The penetrated TAM is expected to grow at an annual pace of approximately 15% between 2020 and 2025.
  - SmartCraft operates across Sweden, Norway and Finland, and holds a market leading position with approximately 16% market share. The company has podium market positions in each of its respective geographical markets, being the largest player in Norway and the second largest player in Sweden and Finland.
  - The company expects over time to expand into other parts of North Western Europe. This represents an additional market opportunity of NOK ~60bn to the current NOK 10.5bn TAM.

- Mission-critical cloud-based SaaS offering for the construction industry
  - SmartCraft offers end-to-end project management SaaS solutions where approximately 80% of the users access and utilize the software on a daily basis both in the field and in the office[4], either on their mobile phone, tablet or PC.
  - SmartCraft's solutions are highly integrated into multiple third-party data sources, including data from industry organisations, wholesalers/suppliers, regulatory bodies and third-party applications such as ERP and CRM systems. This ensures that SmartCraft becomes the central information hub, and users can perform many of their day-to-day tasks without having to access other applications.
  - SmartCraft has a modular offering that enables customers to upgrade and add additional features when they grow, increasing customer captivity for the solutions.
  - Highly satisfied customers where 7/10 customers would recommend the SmartCraft solution to friends and colleagues[5].

- Multiple attractive levers to drive organic growth
  - Capitalizing on its number one position in a highly fragmented market expected to grow with ~15% CAGR between 2020 – 2025.
  - Best in class sales and marketing engine evidenced by a ~20x Lifetime Customer Value to Customer Acquisition Cost ratio (LTV / CAC).
  - Large room for upselling and price optimisation to existing customers. The average ARR per customer grew +34% between June 19 to Dec 20. Management believe that the current NOK ~23k ARR per customer on average is still low on an absolute level with ample room for increase.
  - SmartCraft has since 2017 made six acquisitions which provide large cross-selling opportunities going forward. Current ongoing cross-sell initiatives can over time add an estimated ~50% to current ARR[6].
  - SmartCraft has a large potential to further deepen and expand its presence into new industry verticals (e.g. painters) and new functionality areas (e.g. tender solutions).

- Proven ability to drive consolidation and geographic expansion in a highly fragmented market
  - Solid three phase M&A blueprint for identifying, integrating and growing acquired entities.

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[3] Source: References to market size and SmartCraft market position are based on Arthur D. Little – Market Analysis, April 2021
[4] Based on Cordel solution
[5] Based on Bygglet solution customer survey
[6] Arthur D. Little – Market Analysis, April 2021 and management estimates

- Proven ability to enhance financial performance in acquired entities[7].
- Attractive M&A pipeline with ~20 ongoing dialogues in the Nordics and ~15 candidates on the target list in other European markets.

- Outstanding financial track record underpinned by high growth and best in class cash generation
  - Group organic revenue CAGR of 17% since 2010[8] with consistent strong growth over time across Group solutions.
  - Strong start to 2021: Annualised Q1 ARR growth of 18%[9] driven by ~9% annualised growth in number of customers and ~8% growth in average ARR / Customer.
  - Consistently low churn around 6% with Q1 2021 LTM rolling churn of 6.2%.
  - High and improving recurring revenue share to 94% in Q1 2021 (91% in Q1 2020).
  - Strong profitability underlined by +90% gross margins and adjusted EBITDA margin of 41% in 2020.
  - Highly cash generative business model evidenced by 2020 cash conversion[10] of 110% with a corresponding 35% EBITDA – R&D Capex margin.

- Strong medium term financial targets
  - Organic growth of 15-20% with bolt on M&A on top
  - Margin expected to increase due to scalability of platform

Financial highlights

SmartCraft has experienced substantial revenue growth in the period from 2018 to 2020 (71% CAGR[11]). The growth has been driven by a combination of organic growth and acquisitions. The Group had revenues of NOK 219.3 million[11] in 2020 (NOK 195.9 million reported in 2020 and NOK 153.7 reported in 2019). The 2020 adjusted EBITDA (defined below) was NOK 84.4 million[11] (NOK 76.7 million reported in 2020 and NOK 51.6 million reported in 2019). The 2020 Adjusted EBITDA margin was 38.5%[11] (36.0% in 2019). The 2020 Adjusted EBITDA– R&D capex margin (defined below) was 35.4% (30.5% in 2019).

The Group reported Q1 2021 revenue of NOK 59.3m million (NOK 45.2 million in Q1 2020) with an Adjusted EBITDA for Q1 2021 of NOK 24.3 million (NOK 15.8 million in Q1 2020), corresponding to an Adjusted EBITDA margin of 40.9% (34.9% in Q1 2020). The Q1 2021 Adjusted EBITDA – R&D capex margin was 33.1% (27.8% in Q1 2020).

(In NOK thousand[1])	FY 2018	FY 2019	FY 2020	Q1 2020	Q1 2021
Revenue	**74,956**	**153,701**	**195,941**	**45,233**	**59,317**
% Growth	*n.a.*	*105%*	*27%*	*n.a.*	*31%*
% Recurring revenue[2]	*79%*	*91%*	*93%*	*91%*	*94%*
Adj. EBITDA[3]	**24,937**	**55,320**	**80,933**	**15,783**	**24,282**
% Adj. EBITDA margin[4]	*33%*	*36%*	*41%*	*35%*	*41%*
% Adj. EBITDA – R&D Capex[5]	*32%*	*30%*	*35%*	*28%*	*33%*

(1) The data presented are based on the Company's unaudited consolidated statement of comprehensive income for the three months' period ended 31 March 2021, with comparable figures for the three months' period ended 31 March 2020, prepared in accordance with IFRS, and from the Company's consolidated audited statement of comprehensive income for the year ended 31 December 2020, with comparable figures for the year ended 31 December 2019, prepared

[7] Example: Bygglet solution increased EBITDA margin from 18% to 33% from 2018 to 2020 after being acquired by SmartCraft
[8] Figure is CAGR for companies now embedded in SmartCraft (ex. HomeRun acquisition in 2021) as if they had been part of the Group since 2010
[9] Annualised Q1 ARR growth calculated at constant currency
[10] Cash conversion defined as adjusted EBITDA – R&D capex – change in net working capital in % of EBITDA
[11] Including full-year effect of FY 2020 acquisition of Congrid Oy

in accordance with IFRS. The 2018 data presented is based on the Company's consolidated audited statement of income for the year ended 31 December 2018, prepared in accordance with NGAAP.

(2) 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.
(3) 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 and expenses.
(4) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by sales, expressed as a percentage.
(5) Adjusted EBITDA – R&D Capex margin is defined as Adjusted EBITDA – R&D capex divided by sales, expressed as a percentage.

IPO highlights

The IPO is expected to comprise an offering of new ordinary shares in the Company to raise gross proceeds of approximately NOK 500 million. In addition, the IPO is expected to include a sale of ordinary shares by existing shareholders in the Company. The net proceeds from the sale of the new shares will be used to repay current debt liabilities and redeem all the currently outstanding preference shares in the Company. Any remaining net proceeds will be used for general corporate purposes, including acquisitions.

The IPO will consist of a public offering to investors in Norway and a private placement to certain institutional and other professional investors internationally.

Three cornerstone investors have undertaken to acquire shares for a total amount of NOK 437.5 million in the IPO, subject to certain conditions and for a price per share of up to NOK 17.80, which equates to a pre-money equity value of approximately NOK 2,470 million based on the current number of ordinary shares outstanding. These three cornerstone investors are i) Funds managed and advised by Capital World Investors (up to NOK 237.5 million committed), ii) Carnegie Fonder AB (NOK 100 million committed), and iii) Handelsbanken Fonder AB (NOK 100 million committed).

Subject to receiving the relevant approvals from the Oslo Stock Exchange, the approval of the prospectus by the Financial Supervisory Authority of Norway, as well as prevailing equity capital market conditions, the IPO is expected to be launched during June 2021. Further announcements relating to the IPO will be made in due course.

Advisers

ABG Sundal Collier ASA ("ABGSC") and Carnegie AS ("Carnegie") are acting as joint global coordinators and joint bookrunners in the IPO and Joh. Berenberg, Gossler & Co. KG ("Berenberg", and together with ABGSC and Carnegie, the "Managers") is acting as joint bookrunner in the IPO.

Advokatfirmaet Thommessen AS is acting as legal counsel to the Company. Advokatfirmaet Schjødt AS is acting as legal counsel to the Managers.

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In connection with the contemplated offering, the Managers and any of their affiliates, acting as investors for their own accounts, may subscribe for or purchase shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such shares and other securities of the Company or related investments in connection with the contemplated offering or otherwise. Accordingly, references in any prospectus, if published, to the shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, such Managers and any of their affiliates acting as investors for their own accounts. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "aims", "expect", "anticipate", "intends", "estimate", "will", "may", "continue", "should" and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. The Company, each of the Managers and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statement contained in this announcement whether as a result of new information, future developments or otherwise.

The IPO may be influenced by a range of circumstances, such as market conditions, and there is no guarantee that the IPO will proceed and that the listing will occur.

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