

spyrosoft

Spyrosoft Group

Financial results for 1H 2023

28 September 2023

Spyrosoft Group

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Agenda

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- 2 **Financial results for 1H 2023**
- 3 **Prospects**

1. Summary of key events

Financial results for 1H 2023



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Key facts 1H 2023

Revenue – achieved above strategy targets (+46.6% y/y)

The strategy calls for average annual growth of 33%—a range of 25% to 35% per year.

Diversified revenue:

The UK and DACH remain the leading markets, followed by Poland, the US and Scandinavia.

The revenue share of sectors remains steady.

85% of our revenue derived from contracts with foreign clients.

In 1H 2023 we gained **42 new clients** across all companies in the group.

In total, as of the end of 1H 2023 the group worked for **150 clients**.

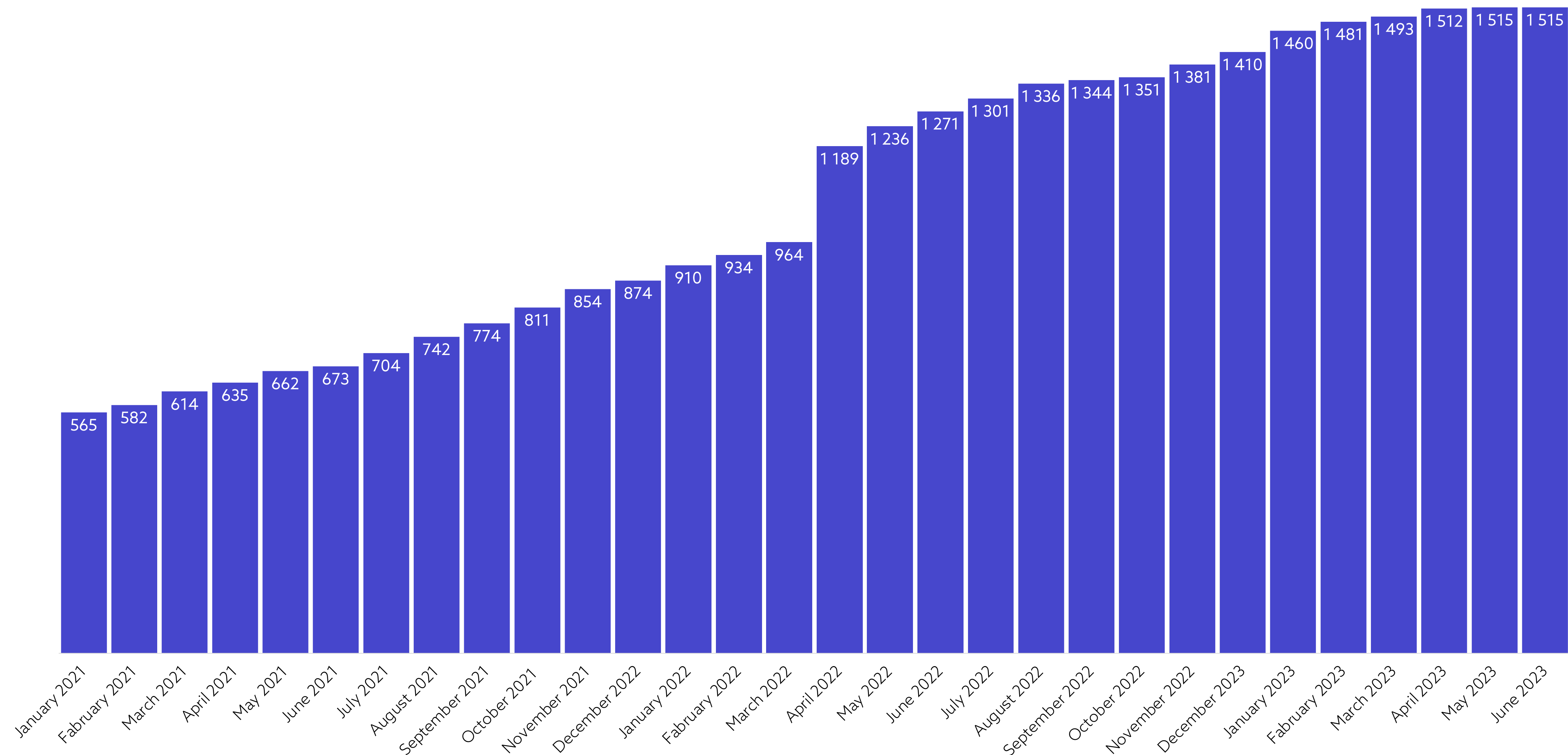
At the end of 1H 2023 there were **1,515 people working on our team**.

Slower growth in employment in 2Q 2023 (22 people more than in 1Q 2023).

EBITDA for 1H 2023: PLN 20.5m (-7.6% y/y; decline in margin to 10%).

The lower margin results from the PLN exchange rate, slowing of growth in rates for clients, and costs of maintaining the “bench.”

Growth in employment



Our offices

Argentina

- Buenos Aires

Croatia

- Zagreb
- Osijek

Germany

- Stuttgart
- Braunschweig

India

- Chennai

Norway

- Bergen

Poland

- Wrocław
- Kraków
- Warsaw
- Białystok
- Szczecin
- Łódź

Romania

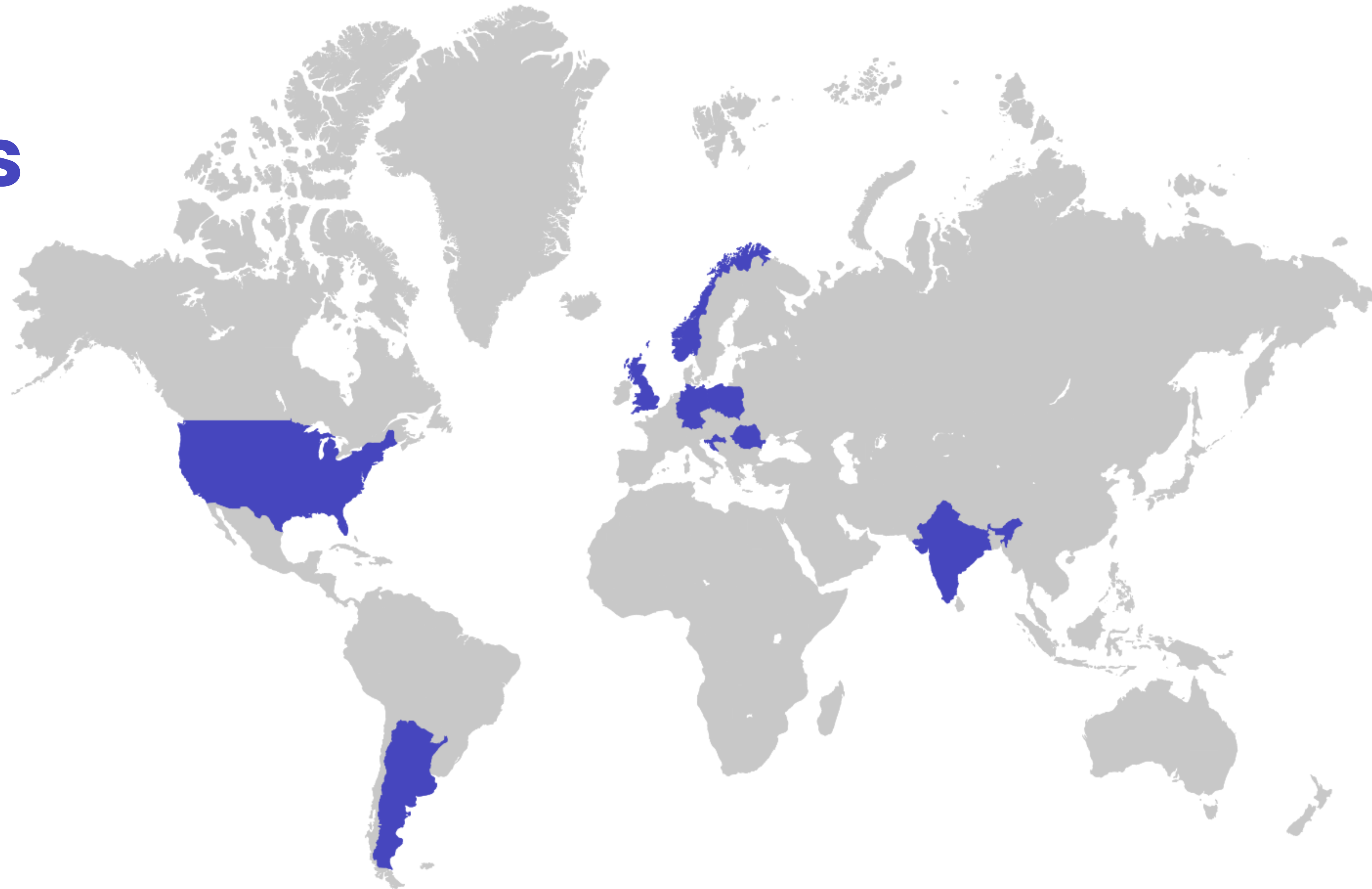
- Timișoara

UK

- Edinburgh
- Bournemouth

USA

- Ann Arbor
- Pittsburgh



Business sectors



Automotive



Employee Experience & Education



Financial Services



Geospatial Services



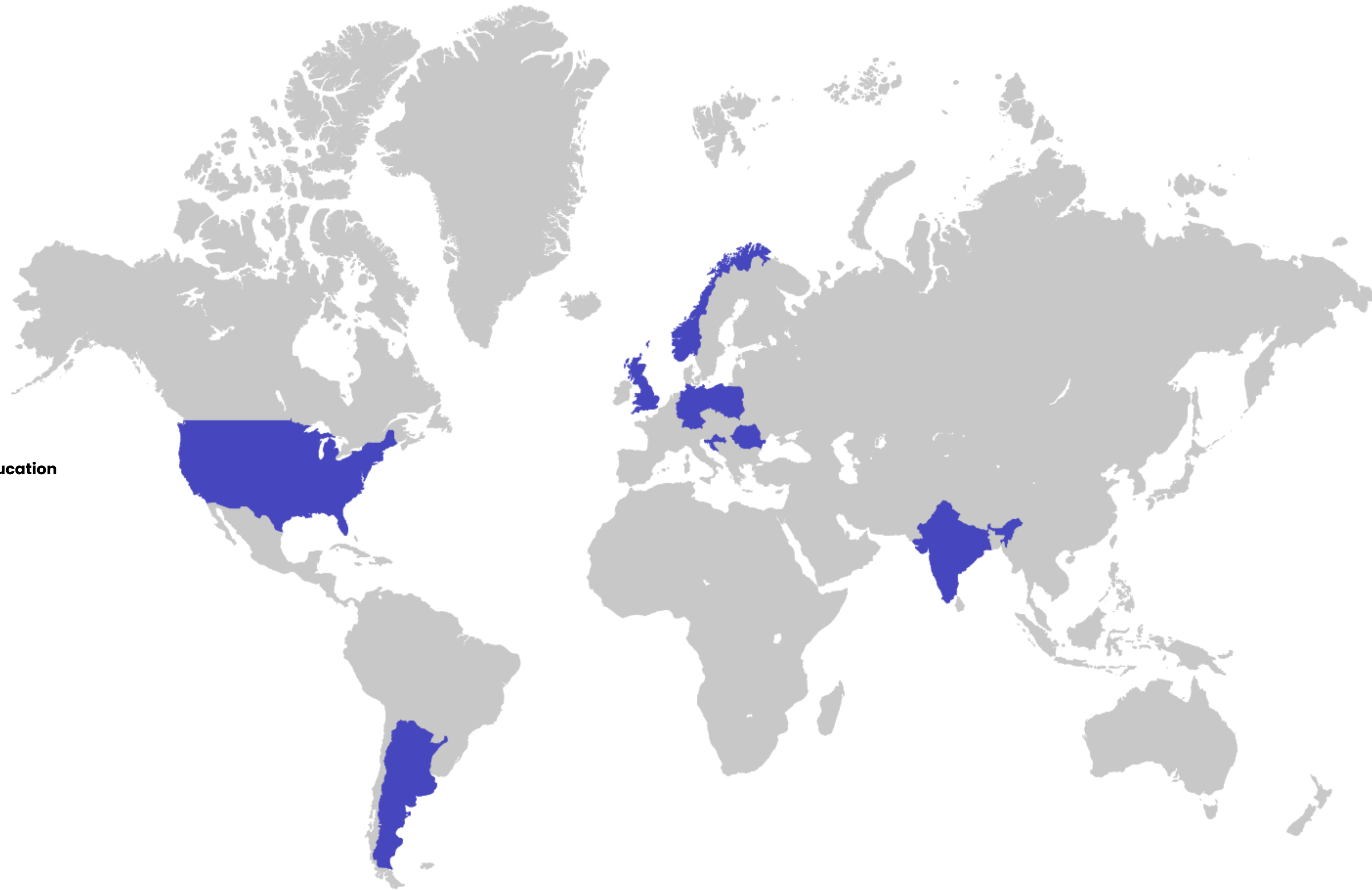
Healthcare & Life Sciences



Industry 4.0



Robotics



Peer group comparison

	2Q23 RESULTS				3Q23 FORECASTS		FY 2023 FORECASTS		
	EMPLOYMENT GROWTH Q/Q	REVENUE GROWTH Y/Y	OPERATING PROFIT GROWTH Y/Y	EPS GROWTH Y/Y	REVENUE GROWTH Y/Y	EPS GROWTH Y/Y	REVENUE GROWTH Y/Y	OPERATING PROFIT GROWTH Y/Y	EPS GROWTH Y/Y
EPAM Systems	-3%	-2%	7%	11%	-7%	-27%	-3%	-21%	10%
Globant	-1%	16%	8%	11%	19%	1%	18%	14%	13%
Endava	1%	5%	-15%	12%	-5%	-36%	-1%	1%	-31%
Grid Dynamics	1%	0%	-10%	-25%	0%	-39%	0%	-25%	NA
Progress Software	NA	16%	14%	8%	9%	-20%	11%	11%	2%
Average	-1%	7%	1%	3%	3%	-24%	5%	-4%	-2%

- The demand environment in the custom software development sector remains uneven due to the slowdown in decision-making processes in large organizations.
- The global economic slowdown is slowing the pace of digital transition of enterprises and thus the rate of growth in demand for IT services.
- Some companies in the custom software development sector perceive an increased interest in AI projects.
- We are observing the first signs of a reduction in employment by the biggest players in the custom software development sector.
- **Public companies from the peer group reported an average increase in revenue of 7% in 2Q 2023. The management of peer companies predict a slowdown in revenue growth to an average of 5% for FY 2023 and a decline in profits in both 3Q 2023 and FY 2023.**

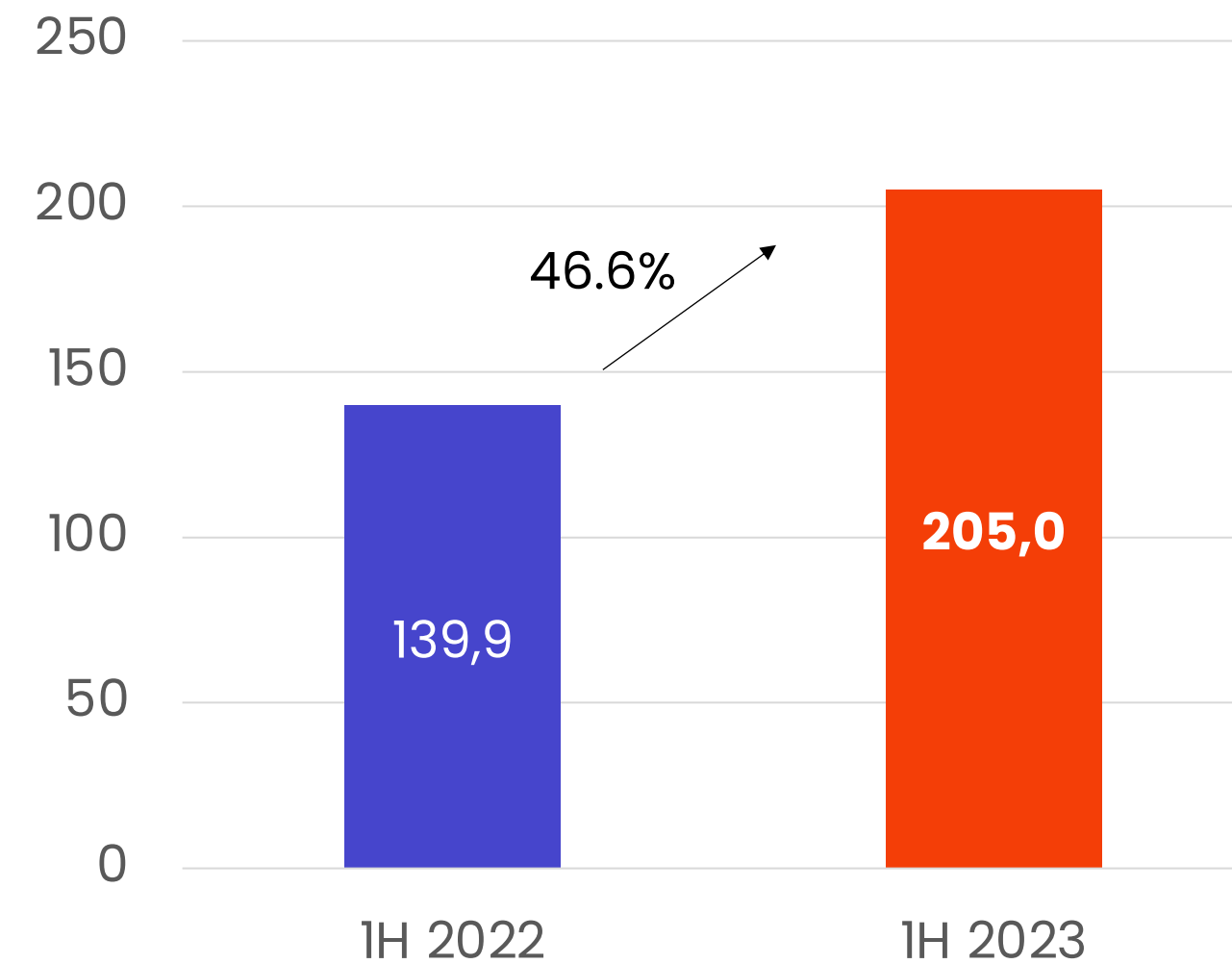
2. Financial results for 1H 2023



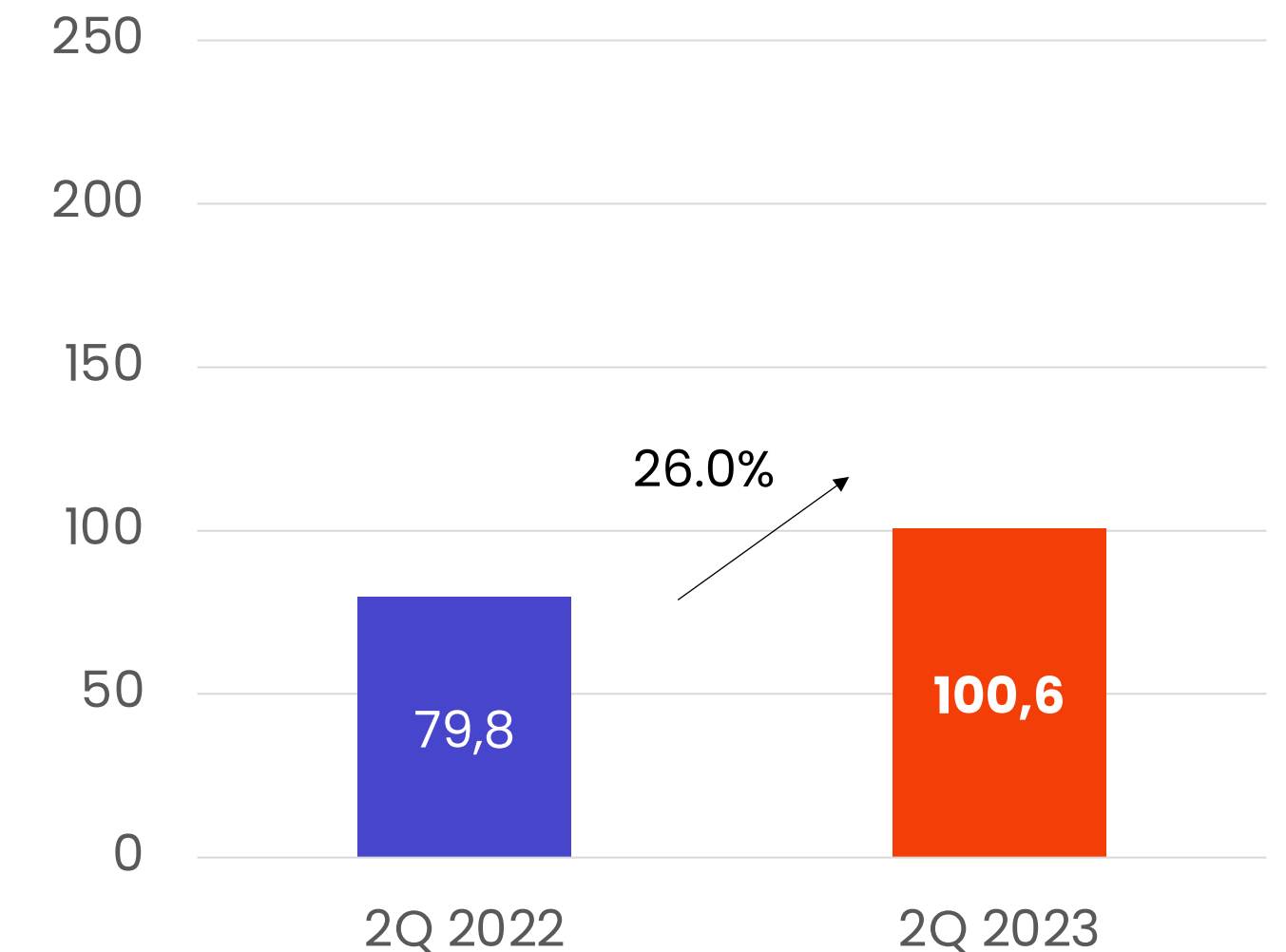
Revenue 1H 2023 (PLNm)

- Spyrosoft Group generated consolidated revenue in 1H 2023 of PLN 205.0m (+46.6% y/y).
- Further growth in the scale of operations remains a priority for the company's growth.
- Despite the economic slowdown, the group's revenue in 1H 2023 was above the target in the "Strategy for 2022–2026," which projects average annual growth of 33% (range of 25% to 35% per year).

**Revenue
1H 2022 vs. 1H 2023**



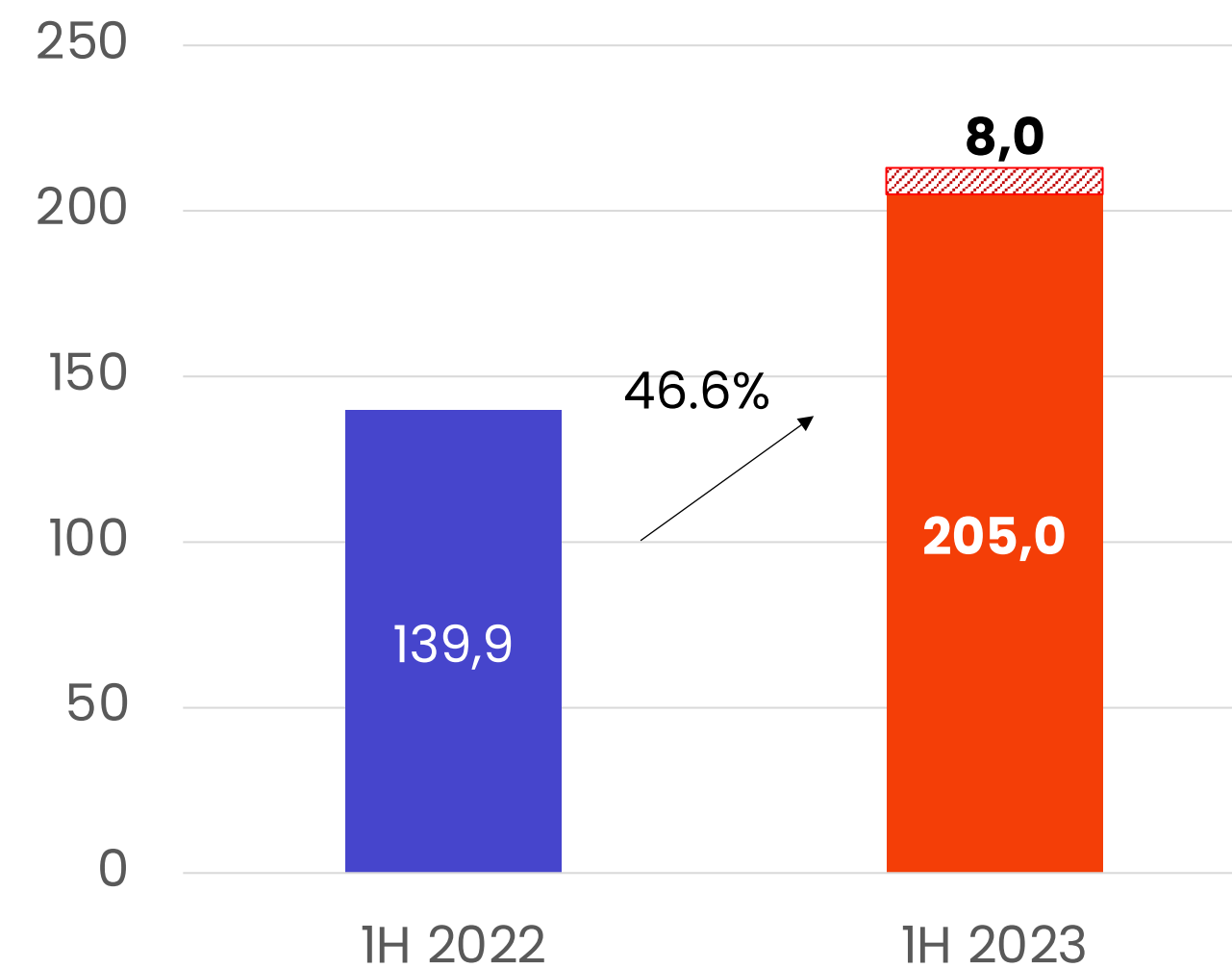
**Revenue
2Q 2022 vs. 2Q 2023**



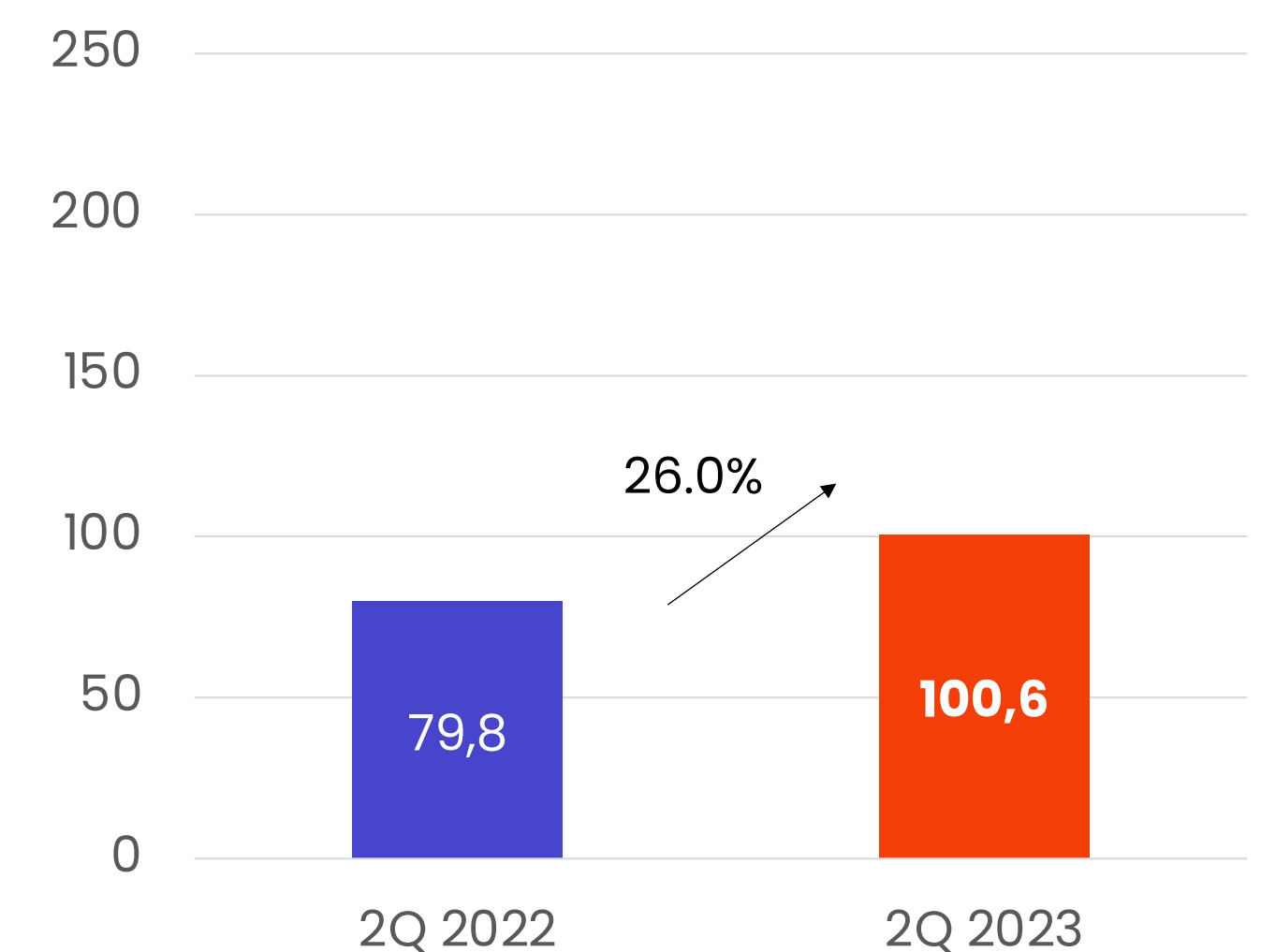
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- **Increase in the share of the "bench" from 2% to 6%. Maintaining the earlier level of the "bench" (at 2% of costs) would translate into additional revenue of PLN 8.0m.**

**Revenue
1H 2022 vs. 1H 2023**



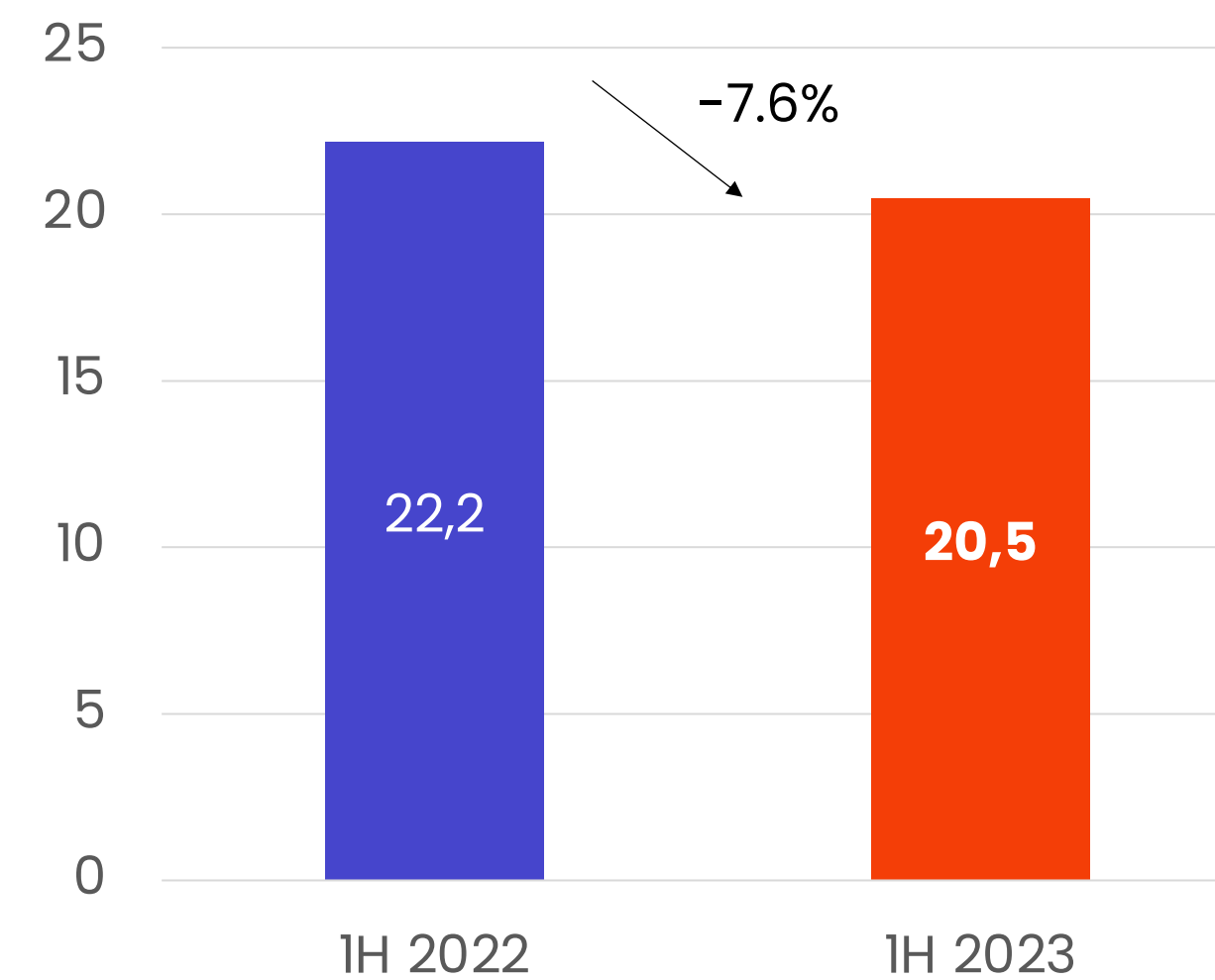
**Revenue
2Q 2022 vs. 2Q 2023**



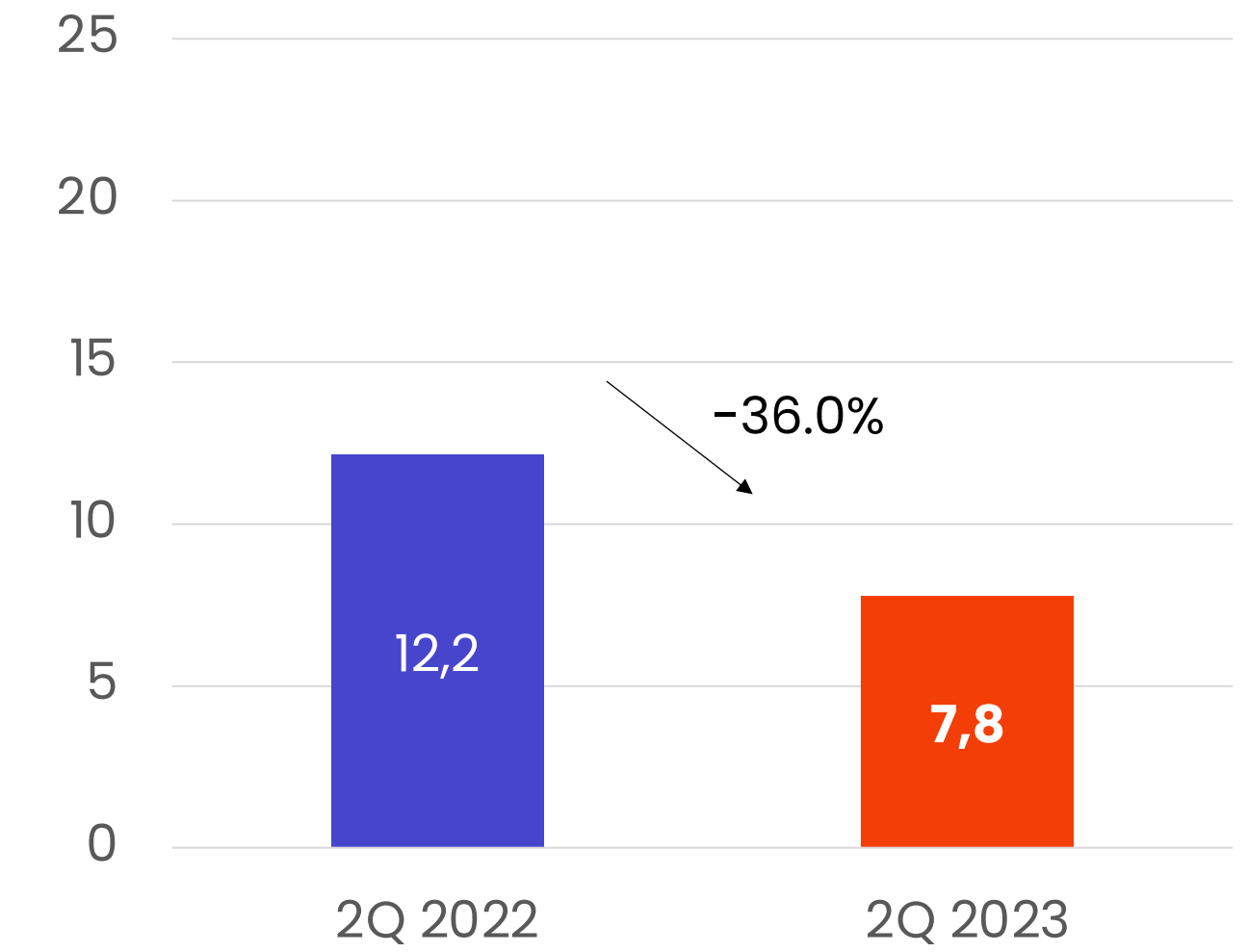
EBITDA 1H 2023 (PLNm)

- The EBITDA result for 1H 2023 was PLN 20.5m, a decline of 7.6% y/y. The EBITDA margin was 10.0%, vs. 15.9% in 1H 2022.
- The group strategy for 2022-2026 calls for an EBITDA margin in a range of 11%-14%.
- The EBITDA result was impacted by the following factors:
 - An increase in the number of employees temporarily unassigned to a project (the so-called “bench”)—historically this share has been 2%, but now, due to reduced demand for IT services, it has grown to 6%
 - Strengthening of the Polish zloty in 2Q 2023 (about 85% of the group’s revenue comes from abroad)
 - Slowing of increase in rates for clients—during the economic slowdown we are observing less willingness to accept increases in prices for our services.

**EBITDA
1H 2022 vs. 1H 2023**



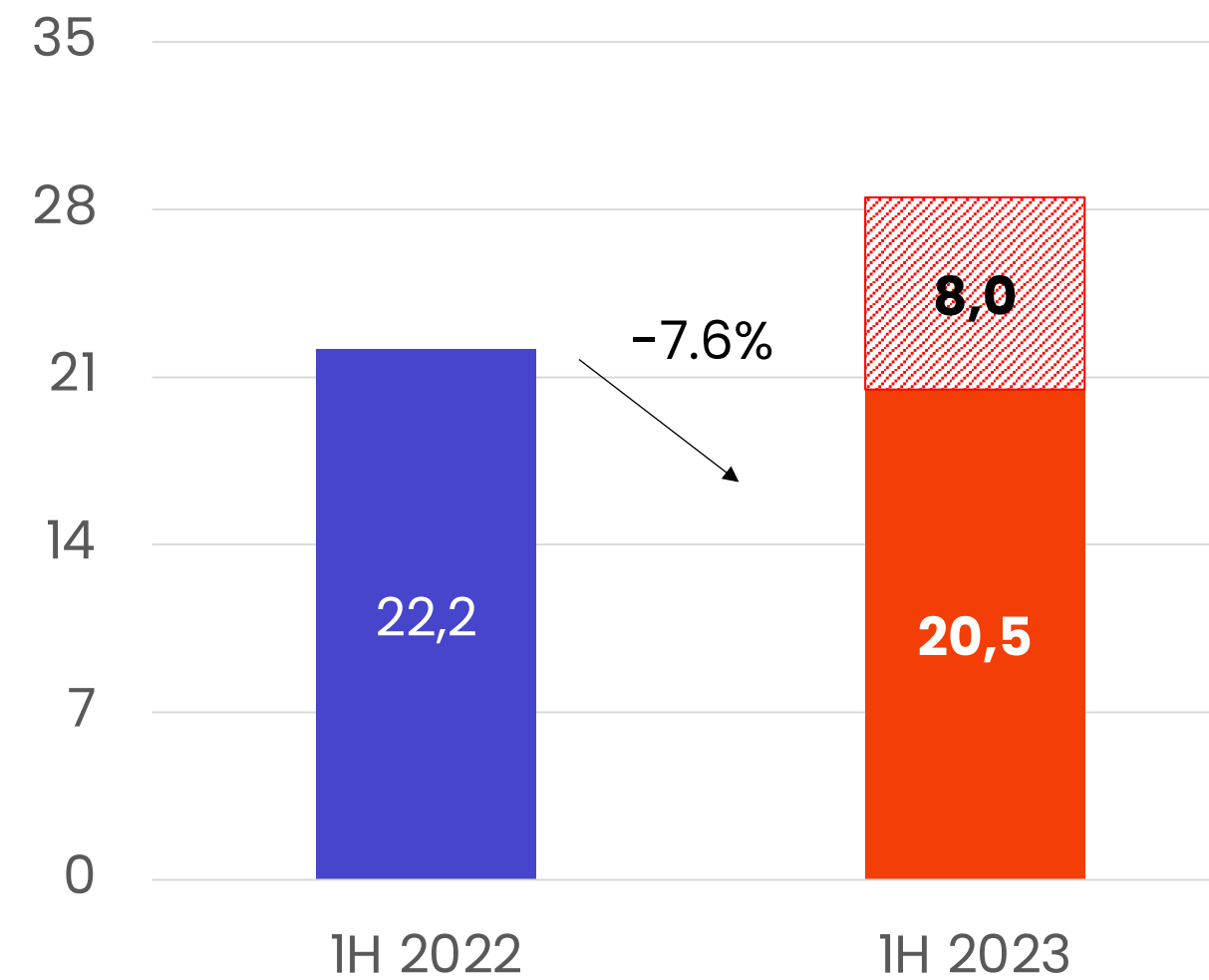
**EBITDA
2Q 2022 vs. 2Q 2023**



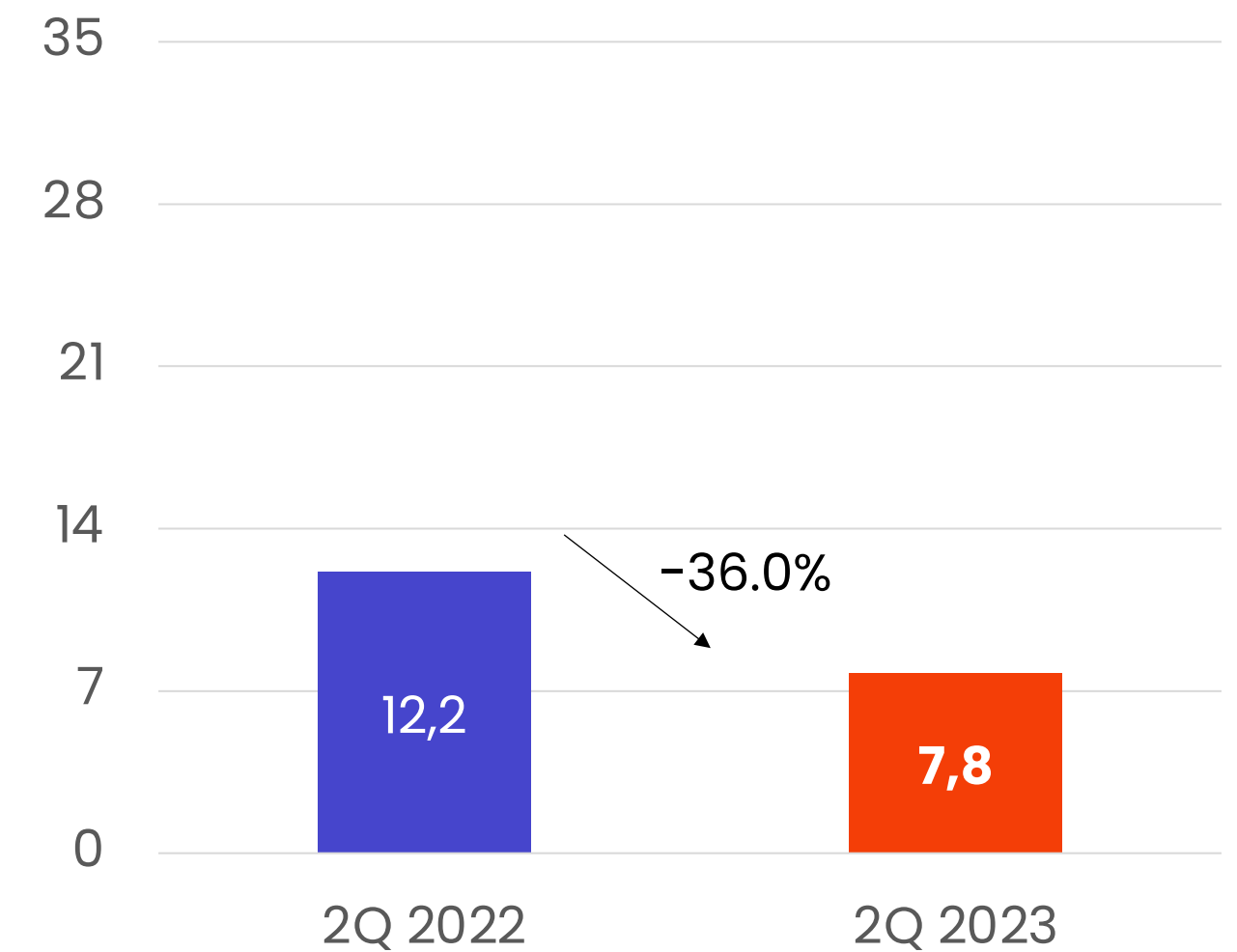
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**EBITDA
1H 2022 vs. 1H 2023**

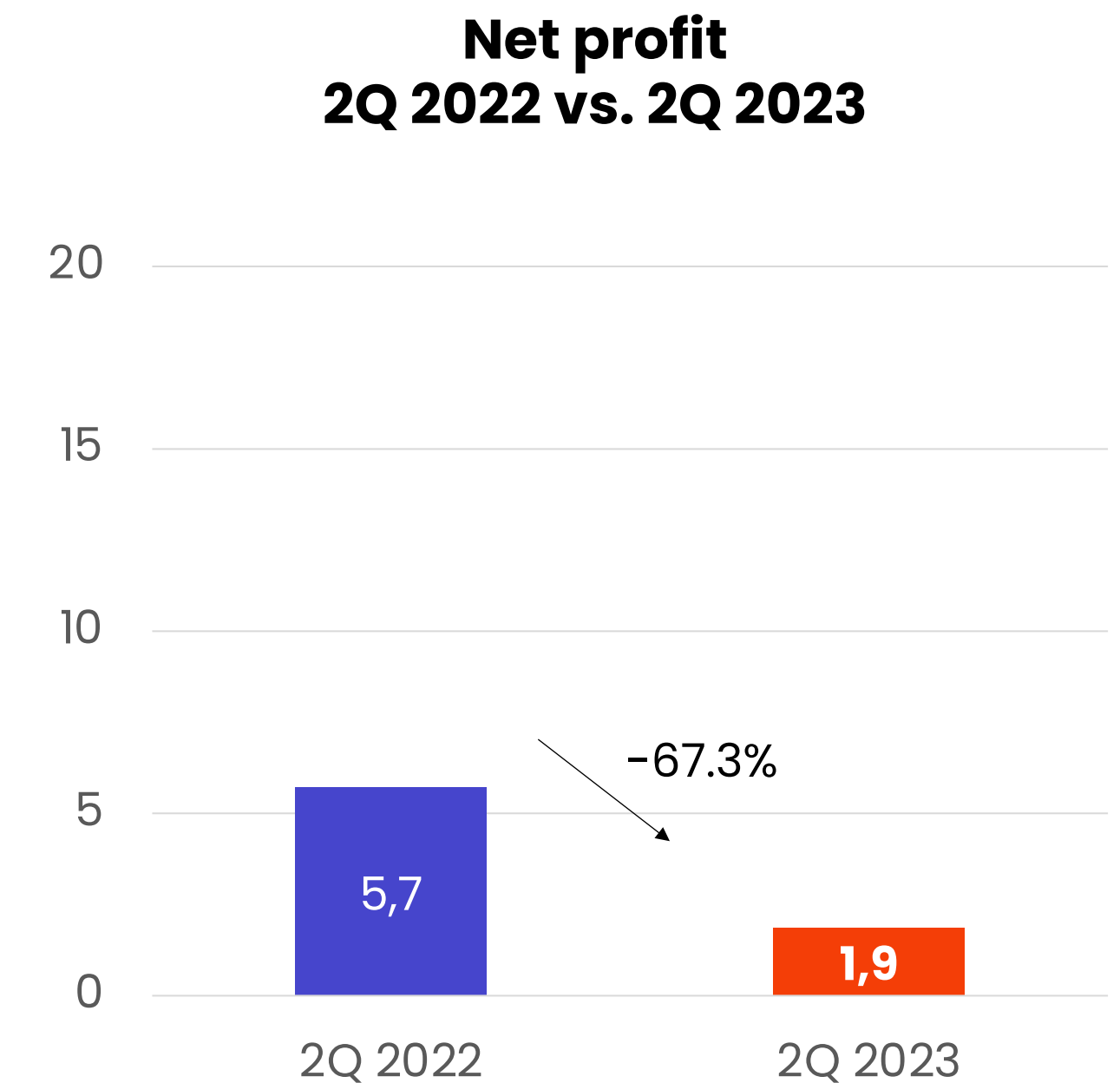
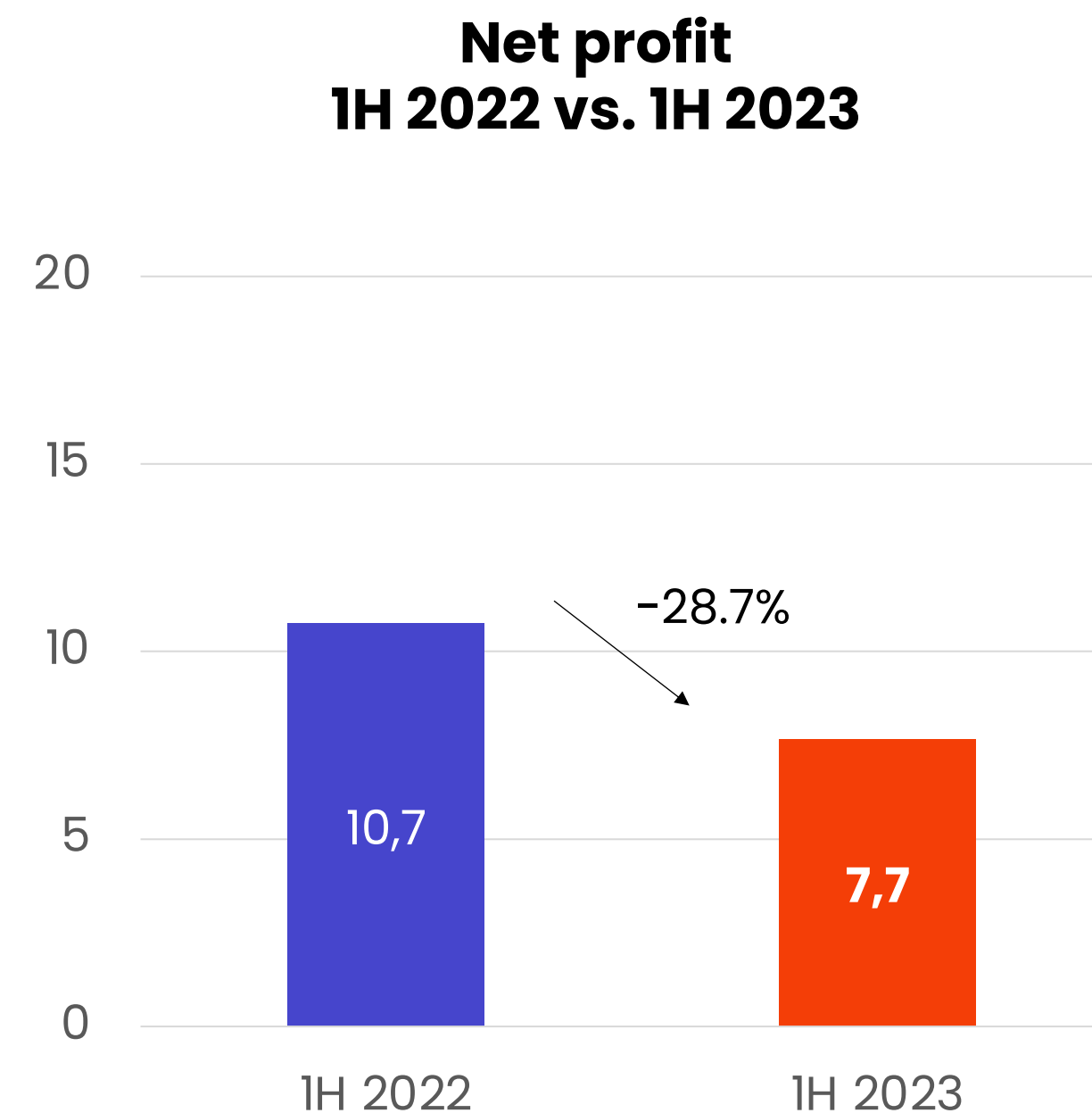


**EBITDA
2Q 2022 vs. 2Q 2023**



Net profit 1H 2023 (PLNm)

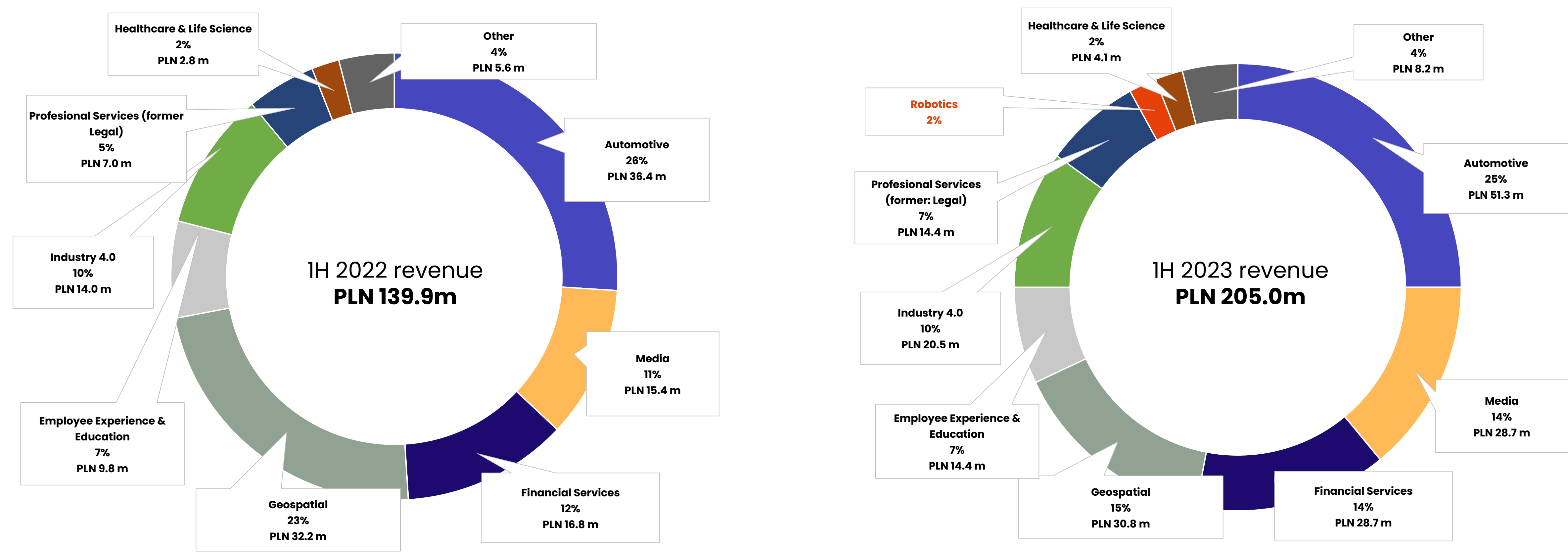
- The group earned a net profit in 1H 2023 of PLN 7.7m—28.7% lower than the same period of last year.
- The net profit was impacted among other things by higher financial costs (PLN 2.83m, +166.5% y/y), chiefly related to negative consequences of exchange-rate fluctuations in the form of negative exchange-rate differences.



Statement of results

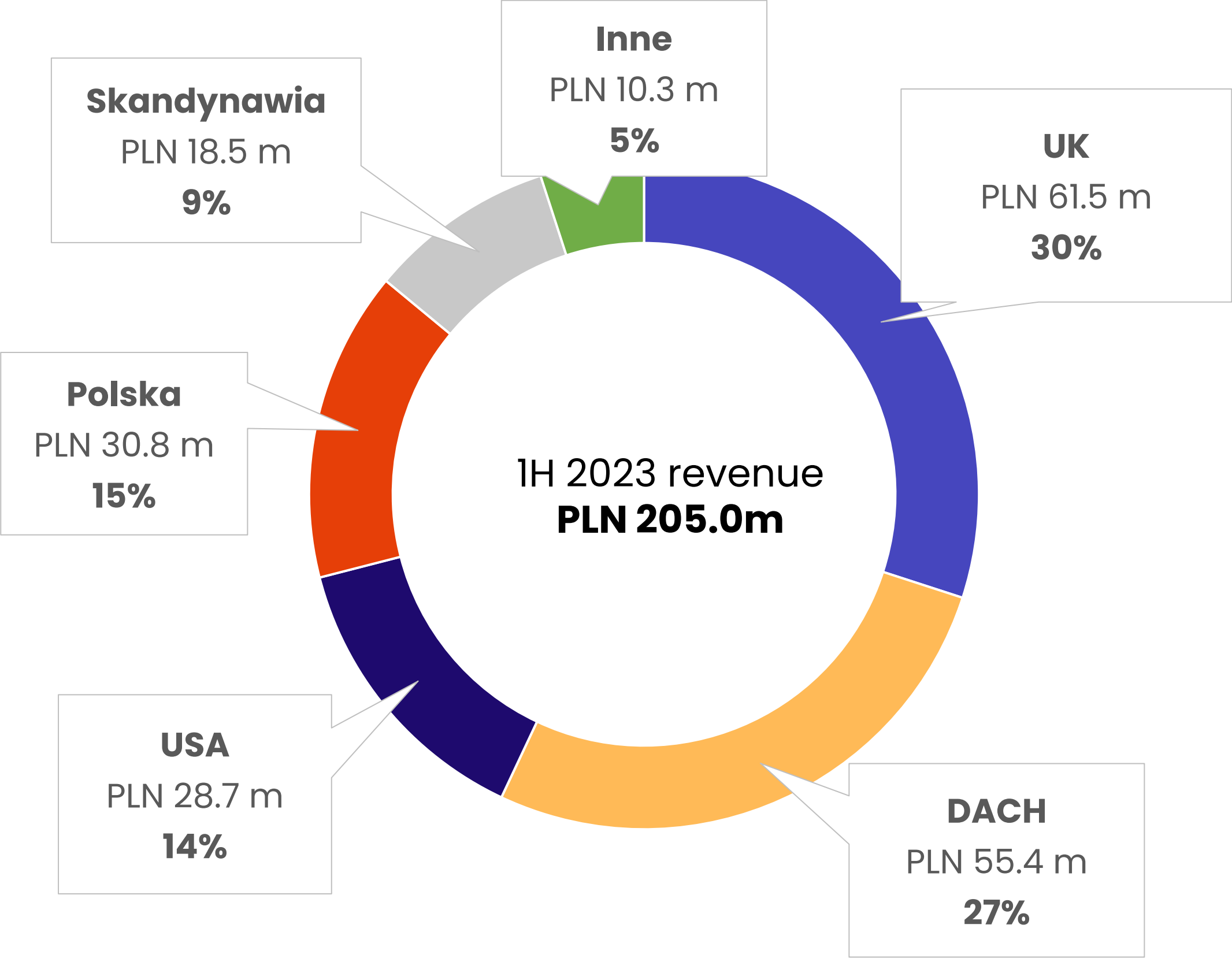
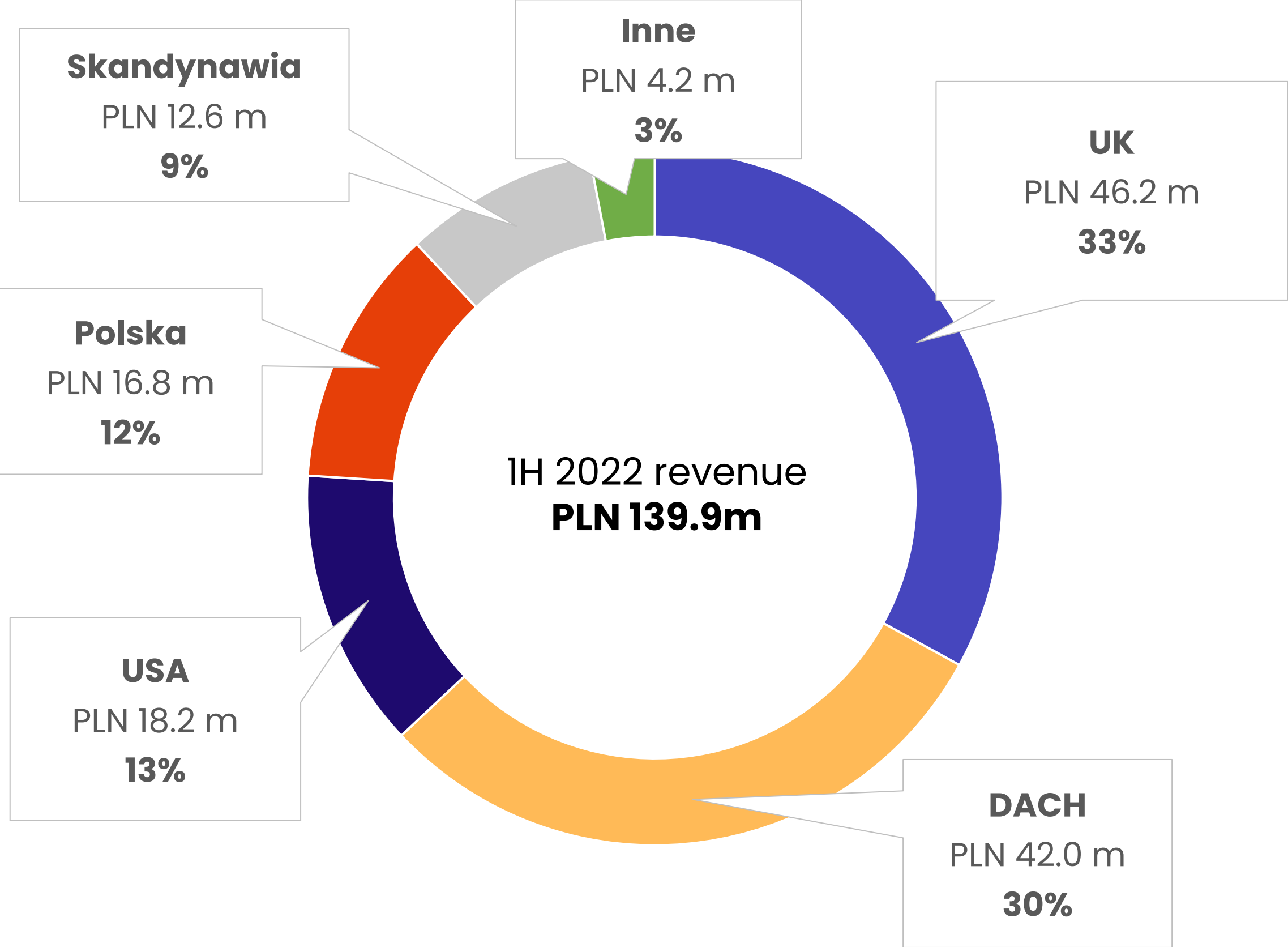
Statement of results (PLNm)	1H 2022	1H 2023	Change % y/y	2Q 2022	2Q 2023	Change % y/y
Revenue from sales	139.88	205.00	+46.6%	79.85	100.59	+26.0%
Costs of sold products, services, goods and materials	91.26	140.03	+53.4%	53.05	71.52	+34.8%
Gross profit on sales	48.62	64.97	+33.6%	26.79	29.07	+8.5%
Costs of general management	30.24	49.49	+63.7%	16.58	23.70	+43.0%
EBITDA	22.18	20.50	-7.6%	12.15	7.78	-36.0%
Profit from operating activity (EBIT)	18.05	15.28	-15.4%	10.01	5.08	-49.3%
Financial revenues	0.47	0.03	-93.0%	0.06	0.02	-68.6%
Financial costs	1.06	2.83	+166.5%	0.84	1.50	+79.0%
Gross profit	17.95	13.04	-27.4%	9.48	3.84	-59.5%
Income tax	3.33	1.95	-41.3%	1.43	0.50	-64.8%
Net profit attributable to minority shareholders	3.88	3.43	-11.7%	2.33	1.47	-37.0%
Net profit	10.74	7.66	-28.7%	5.73	1.87	-67.3%

Revenue structure: sectors



- The decline in Geospatial was mainly connected with a housekeeping move of some projects/clients to the Media sector (change in presentation of data).

Revenue structure: geography



3. Prospects

Financial results for 1H 2023

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Prospects for the next quarters of 2023

- The global economic slowdown has a dampening effect on the rate of digitalization of enterprises and thus on the rate of increase in demand for IT services.
- Nonetheless, **Spyrosoft's prospects** for business growth on the principal markets served by the group **remain stable**.
- We assess the prospects on a sectoral basis similarly—**we do not observe any material threats in any of the sectors we serve**. We only note a slight slowdown in the Media segment.
- **Further investments in growth**—accompanied by slower sales growth—will have a temporary negative impact at the level of the group's operating results.
- In the year following the acquisition of BSG, there is an adjustment in the “organic” growth in the “Strategy for 2022–2026” due to the strong synergies occurring in certain group companies (between the new company and other companies in the group). The assumed level of revenue is unchanged. The increase in revenue will be achieved both organically and through potential acquisitions.
- **We regard the impact of AI on our operations and offer for clients as positive:**
 - Clients' interest in AI-based services is growing, e.g. in the automotive and financial sectors.
 - Exploitation of artificial intelligence will streamline the work of engineers.
 - We do not perceive a threat—AI cannot take the place of an engineer.
- **Prospects for salary growth**—we note a visible slowing in salary growth, which follows a trend visible across the IT sector.
- Looking at the prospects for the remaining quarters of 2023, **we anticipate stabilization of the business situation at the current level** and expect change to occur in line with improvement in the business cycle in the group's key sales markets.

Thank you for your attention

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Conclusions following acquisition of BSG

- BSG’s revenue has grown significantly since joining the Spyrosoft Group.
- The growth in sales at BSG is based on sales potential previously generated in other group companies.

