

spyrosoft

Spyrosoft Group

Financial results for FY 2023

26 April 2024

Spyrosoft Group

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Agenda

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1. Summary of key events

Financial results for FY 2023



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FY 2023: growth despite a tough market

Revenue growth, +25.5% y/y
—in line with the strategic target (on average 25–35% annually), despite a challenging period for the industry and weaker global demand for IT services.

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

The revenue share of sectors remains steady.

84% of our revenue derived from contracts with foreign clients.

In FY 2023 we gained 98 clients.
Every company in the group succeeded in recruiting new clients. In total, as of the end of 2023, the group was working for **146 clients**.

Employment in 2023 **stabilized at a level of 1,500 people**.

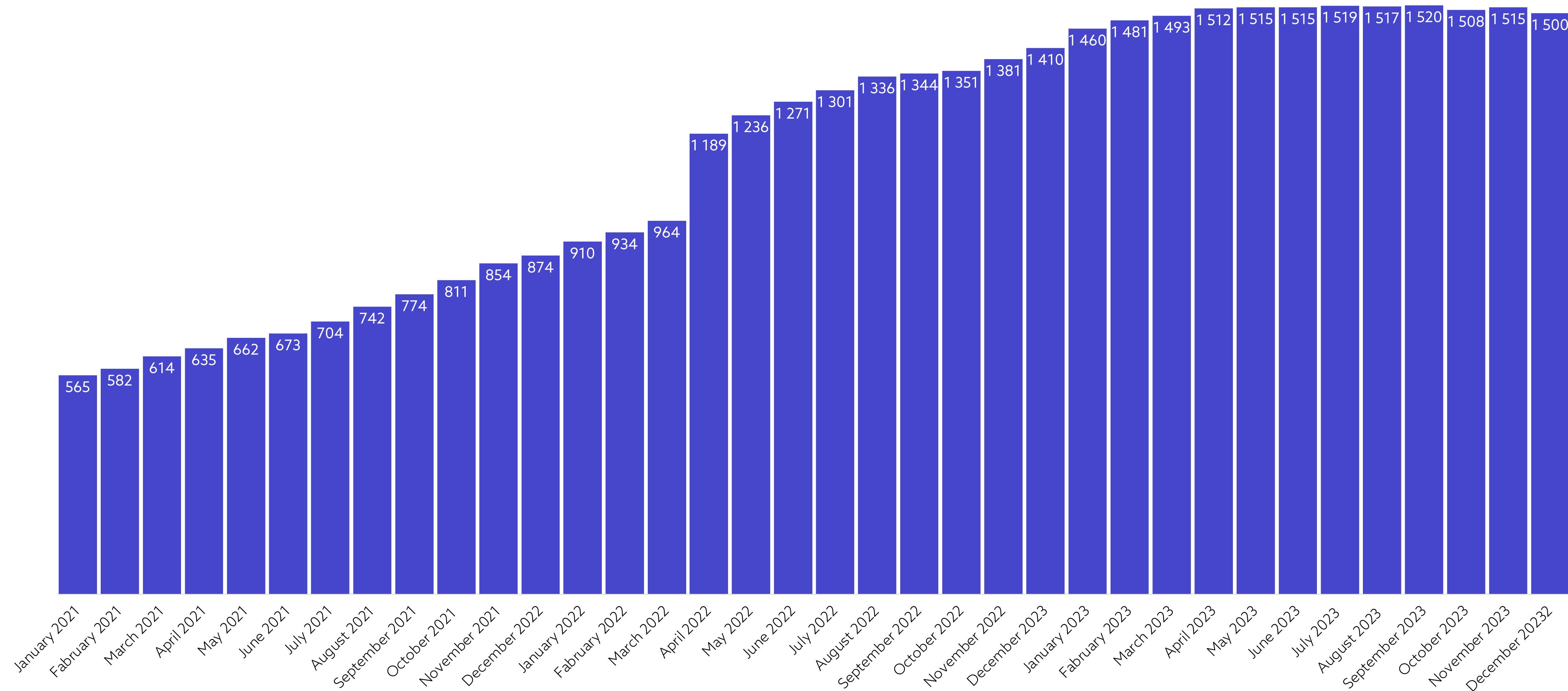
EBITDA for FY 2023: PLN 42.0m, down 21.8% from the record-setting 2022.

3-year contract with the BBC—launch of new offices in London and Manchester (increased headcount in the UK).

EBITDA margin of 10.1%—slightly below the target in the “Strategy for 2022–2026” (range of 11–14%).

The negative impact on the margin was primarily due to exchange rate differences and costs of maintaining the “bench.”

Employment at a stable level



Our offices

Argentina

- Buenos Aires

Croatia

- Zagreb
- Osijek

Germany

- Stuttgart
- Braunschweig

India

- Hyderabad

Norway

- Bergen

Poland

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

Romania

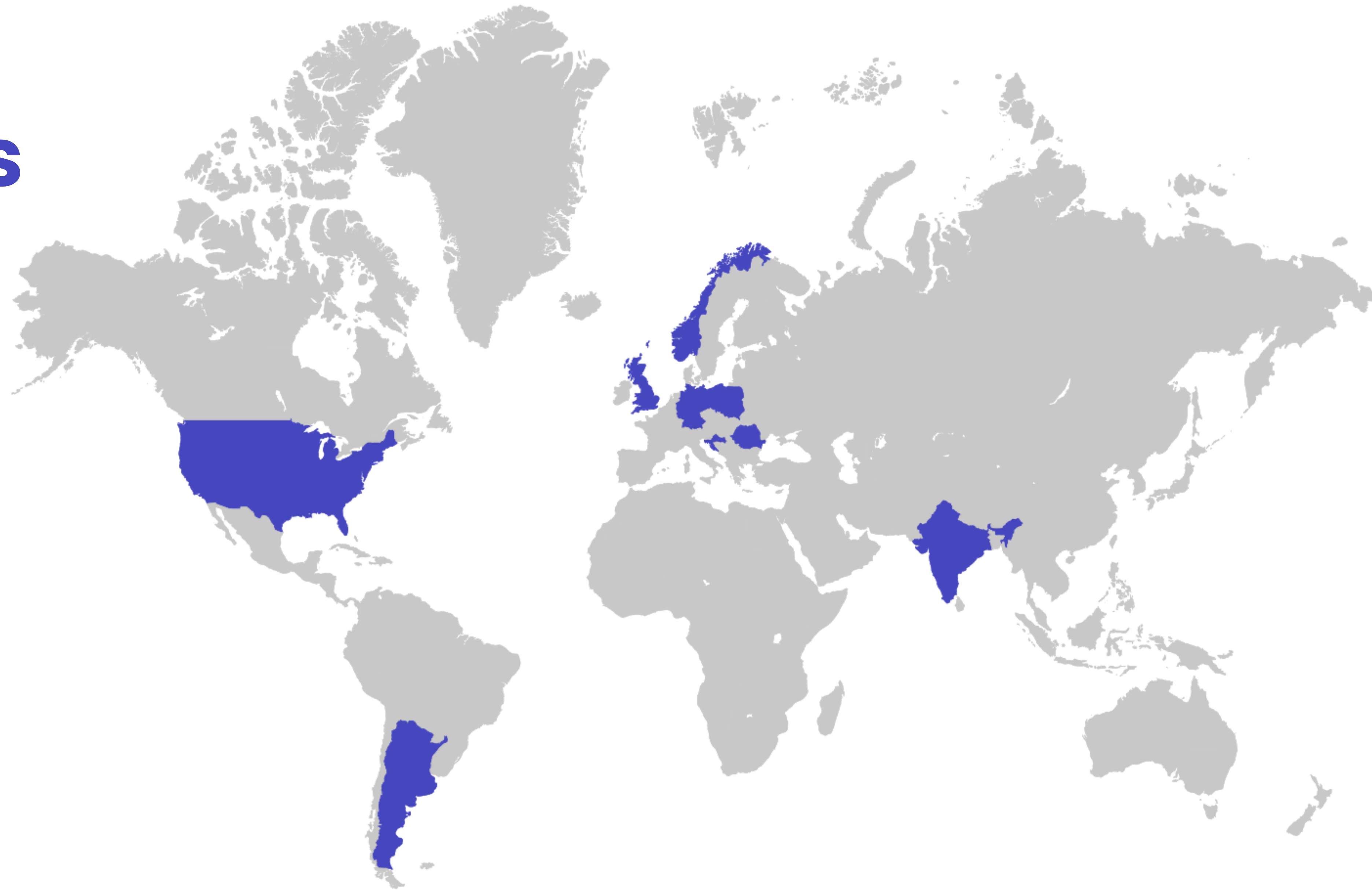
- Timișoara

UK

- Bournemouth
- [London](#)
- [Manchester](#)
- Newcastle
- Edinburgh

USA

- Ann Arbor
- Pittsburgh



Business sectors



Automotive



Employee Experience & Education



Financial Services



Geospatial Services



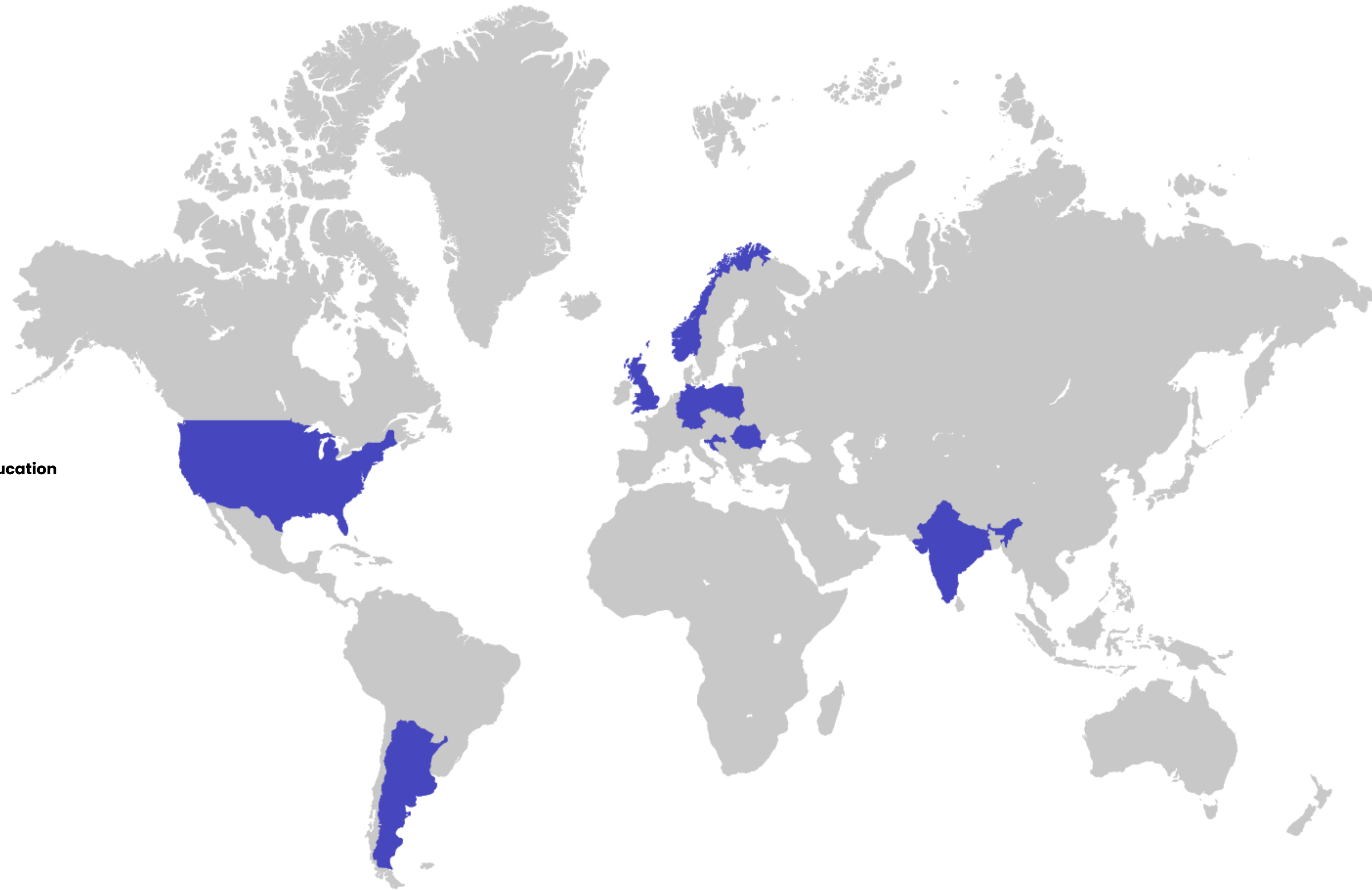
Healthcare & Life Sciences



Industry 4.0



Robotics



Peer group comparison

| | RESULTS 4Q 2023 | | | | FORECASTS 1Q 2024 | | FORECASTS 2024 | | |
|-------------------|--------------------------|-----------------------|--------------------------------|-------------------|-----------------------|-------------------|-----------------------|--------------------------------|-------------------|
| COMPANY | 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 | -6 | -9 | -6 | -4 | -7 | +3 | -6 | -4 |
| Globant | +6 | +18 | +13 | +16 | +21 | +20 | +17 | +19 | +13 |
| Endava | -2 | -11 | -60 | -49 | -14 | -69 | -8 | -47 | -29 |
| Grid Dynamics | +5 | -3 | -35 | -50 | -3 | -7 | +7 | +11 | N/A |
| Progress Software | N/A | +12 | +6 | +5 | +1 | -20 | +4 | +6 | +8 |
| AVERAGE | +2 | +2 | -17 | -17 | 0 | -17 | +4 | -3 | -3 |

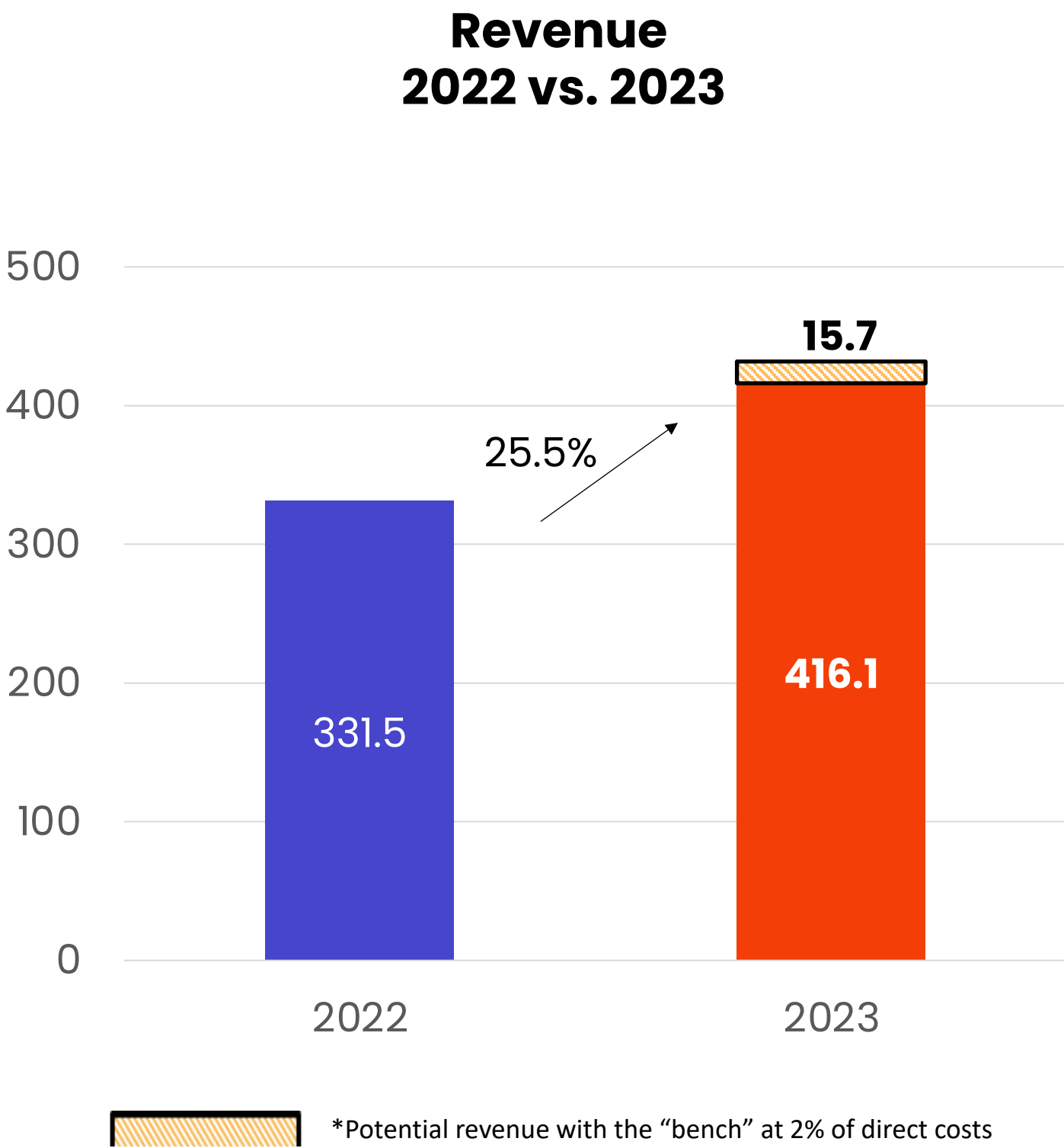
- Demand for services of the biggest companies from the custom software development sector remains “fickle.” The companies stress “the uncertain economic environment, which influences clients’ short-term decisions.” A growing number of players in the sector are focusing on “exploiting the capabilities of generative AI.” Companies continue to grow their operations on emerging markets (India) both through acquisitions (GalaxE Solutions) and by opening more offices.
- Public companies from the peer group reported an average increase in revenue of 2% in 4Q 2023, compared to 1% in 3Q 2023. The apparent growth is due mainly to corporate acquisitions; excluding acquisitions, revenues are falling. The companies’ management predict conservative growth in revenues of 4% in FY 2024.
- Net profit per share in the sector fell 17% y/y in 4Q 2023.
- Employment in the sector grew 2% q/q.

2. Financial results for FY 2023

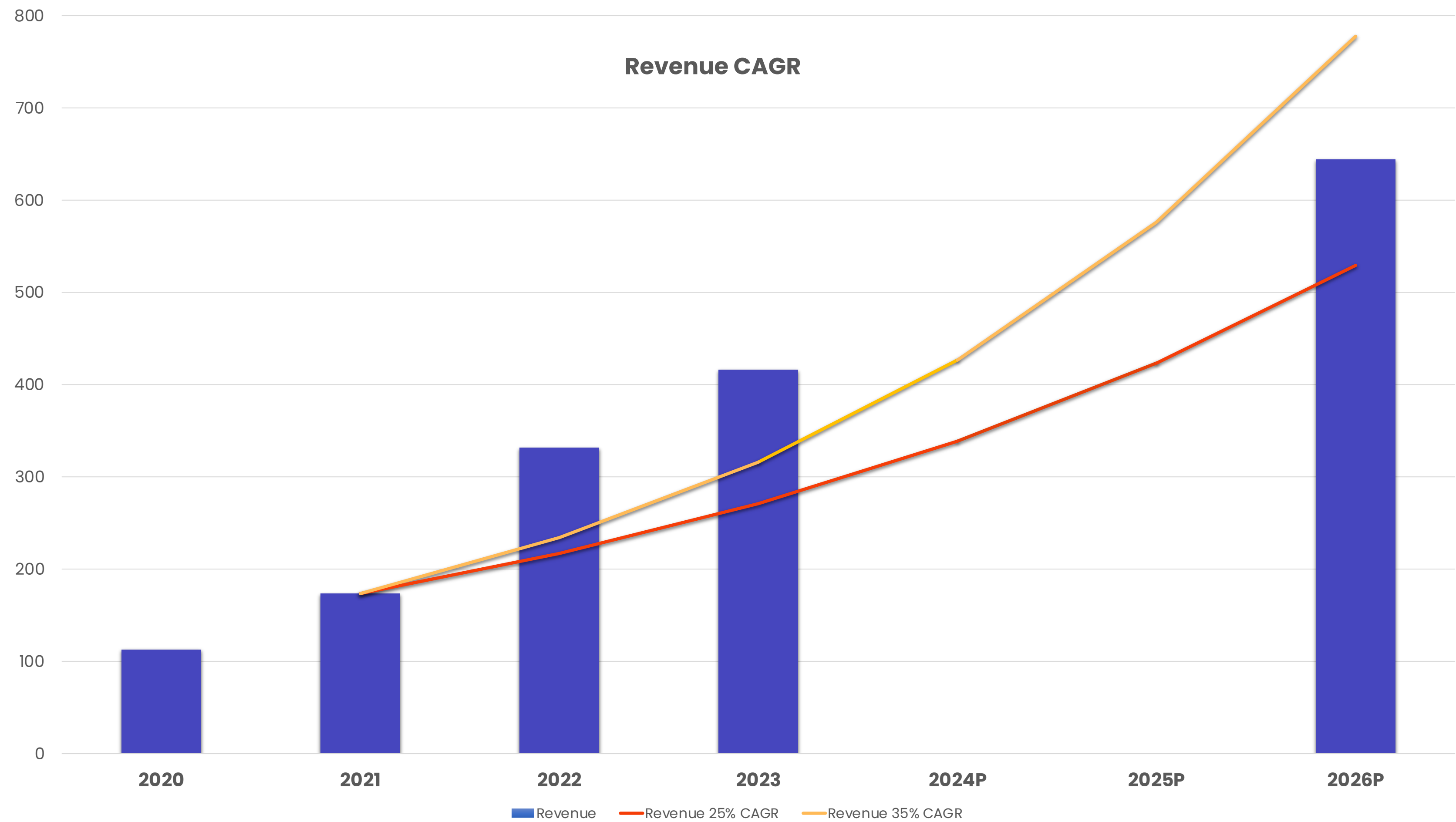


Revenue FY 2023 (PLNm)

- Spyrosoft Group generated consolidated revenue in FY 2023 of PLN 416.1m (+25.5% y/y).
- Further growth in the scale of operations remains a priority for the company (even though the pace of this process is slower, and there is less demand for IT services).
- The group’s revenue in FY 2023 is consistent with the target in the “Strategy for 2022–2026,” which projects average annual growth of 33% (in a range of 25% to 35% per year).
- The share of the “bench” grew from 2% to 6%. Keeping the earlier level of the bench (at 2% of costs) would translate into additional revenue of PLN 15.7m.



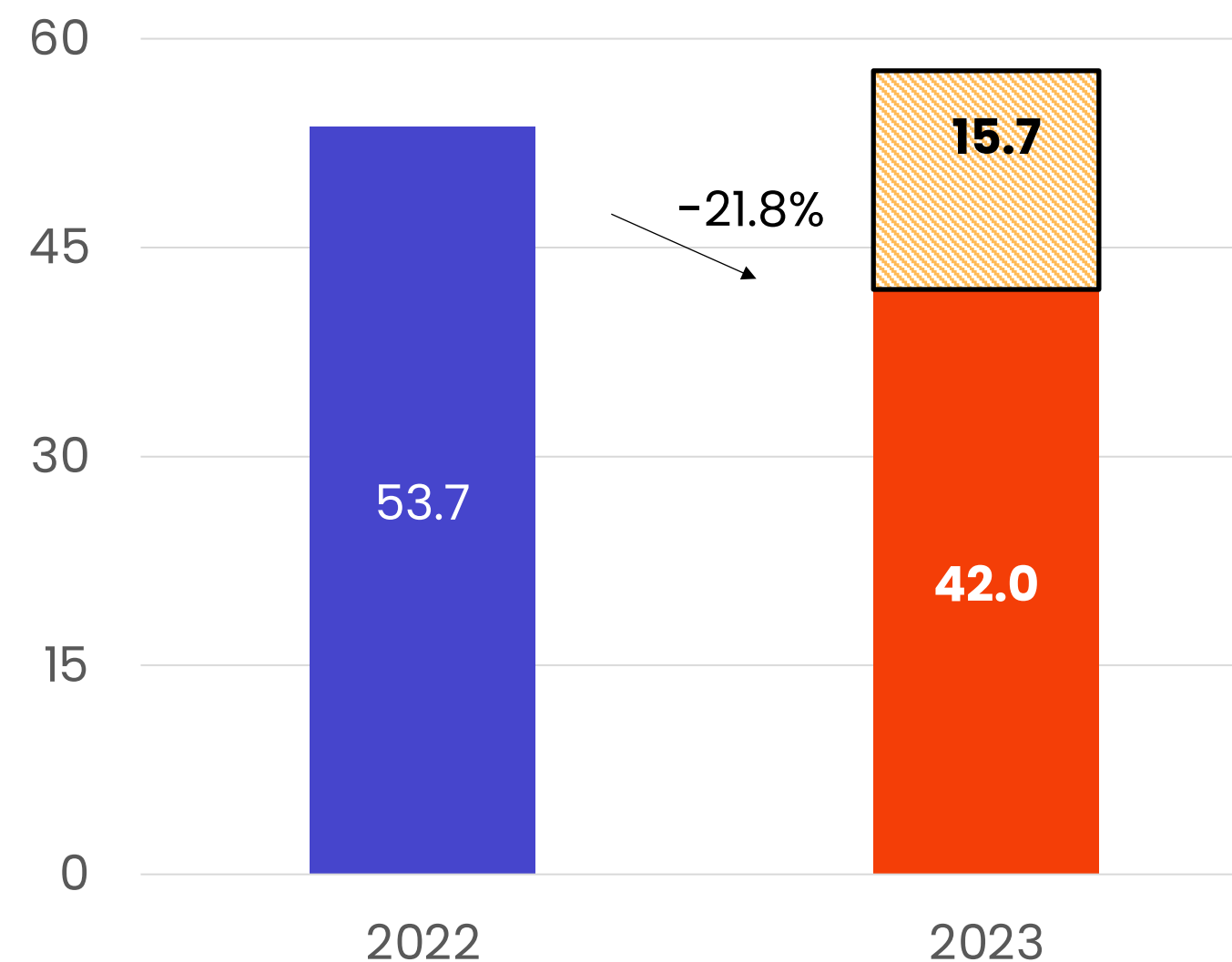
Revenue 2022–2026 (PLNm)



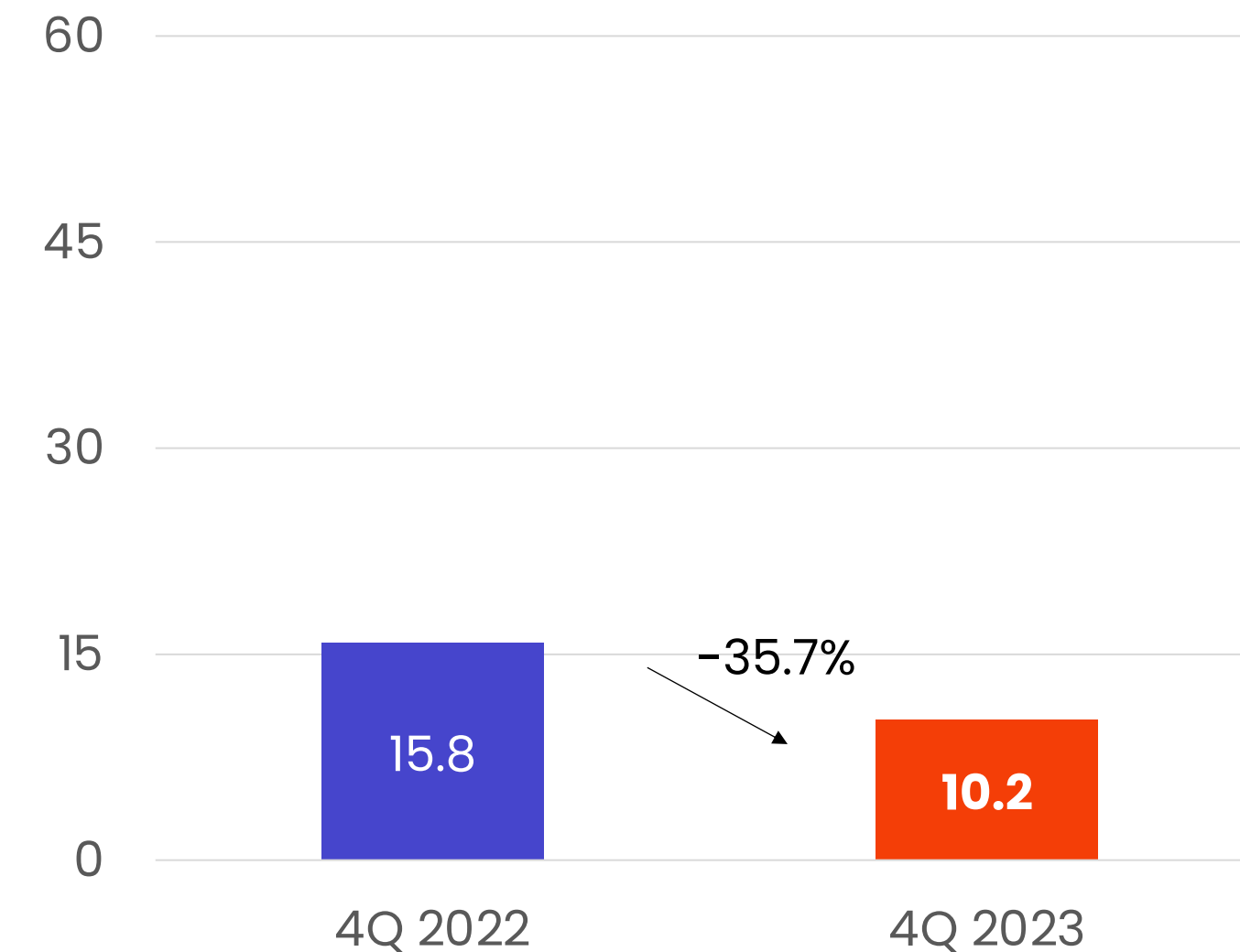
EBITDA FY 2023 (PLNm)

- The EBITDA result for FY 2023 was PLN 42.0m, a decline of 21.8% y/y. The EBITDA margin was 10.1%, as compared to 16.2% in FY 2022.
- The EBITDA margin fell slightly below the target in the “Strategy for 2022–2026,” which calls for a range of 11–14%.
- The EBITDA margin achieved in FY 2023 was impacted by the following factors:
 - An increase in the number of employees without a project (the so-called “bench”). This reduced the margin by 2.3pp.
 - Weakening of the PLN exchange rate against EUR, GBP and USD during the period (c. 84% of the group’s revenue is foreign-sourced). Negative effects of exchange rate differences accounted for a loss of over 1.9pp in the margin.

**EBITDA
2022 vs. 2023**



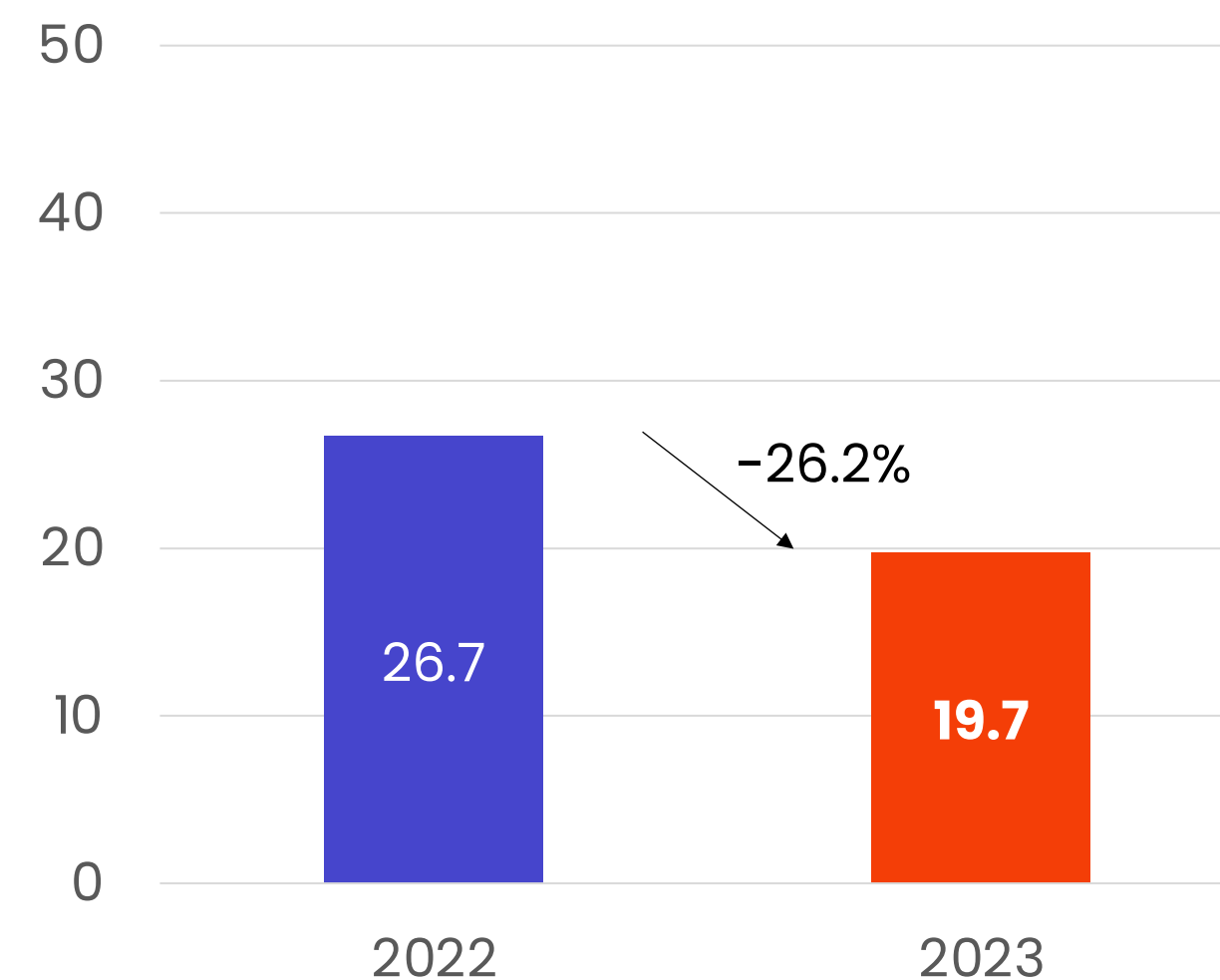
**EBITDA
4Q 2022 vs. 4Q 2023**



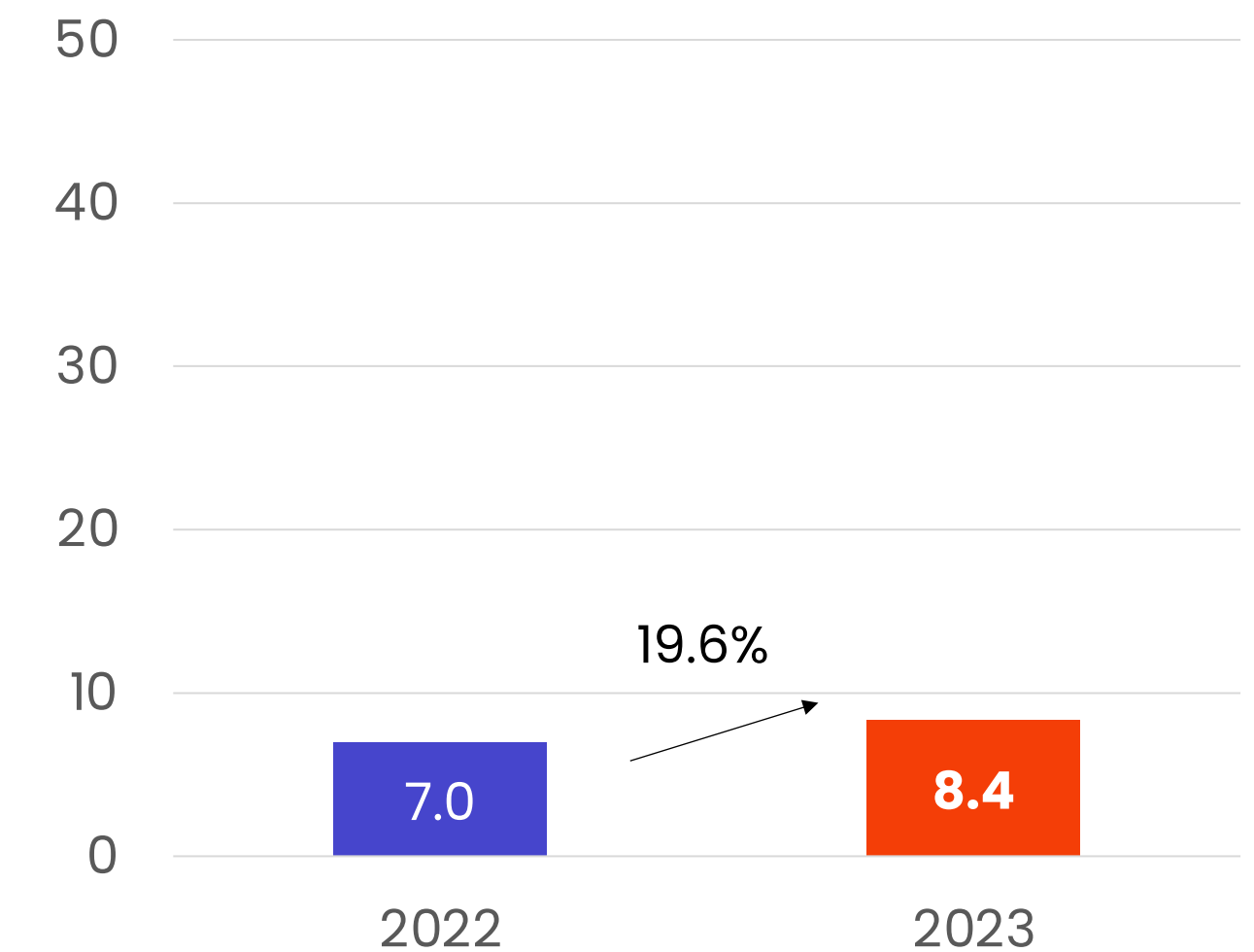
Net profit FY 2023 (PLNm)

- The group earned a net profit in FY 2023 of PLN 19.7m, 26.2% less than in FY 2022.
- The net profit was mainly impacted unfavourably year-on-year by negative exchange rate differences, connected with a decline in the exchange rates of foreign currencies.
- Application of R&D relief in the Polish group companies contributed to the increase in net profit in quarterly terms. This allowed income tax to be cut to a minimum: the income tax in 2022 was PLN 6m, but in 2023, -PLN 152,000. Application of R&D relief for 2023 and preceding years is responsible for a reduction in income tax by PLN 4.5m.

**Net profit
2022 vs. 2023**



**Net profit
4Q 2022 vs. 4Q 2023**

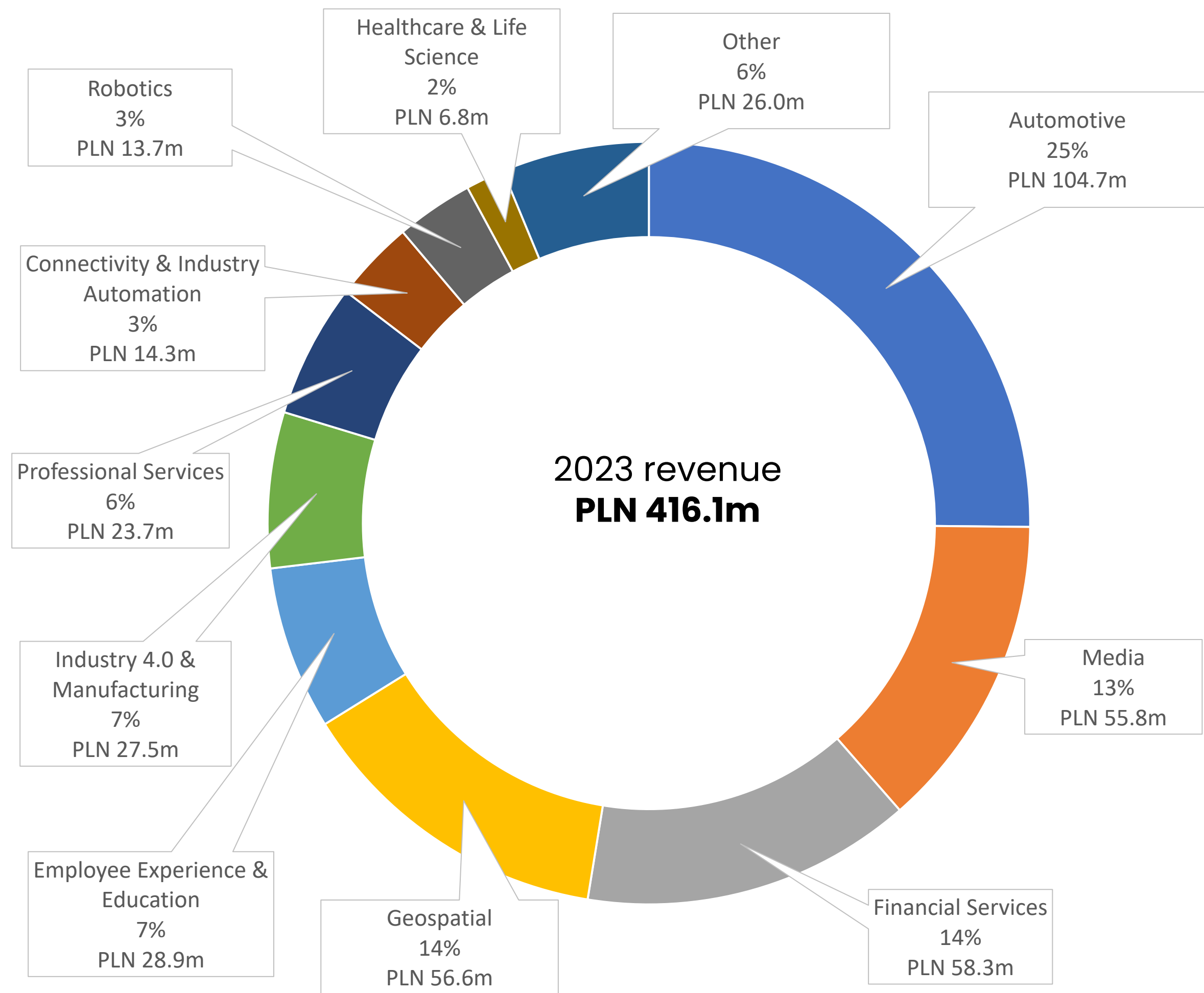
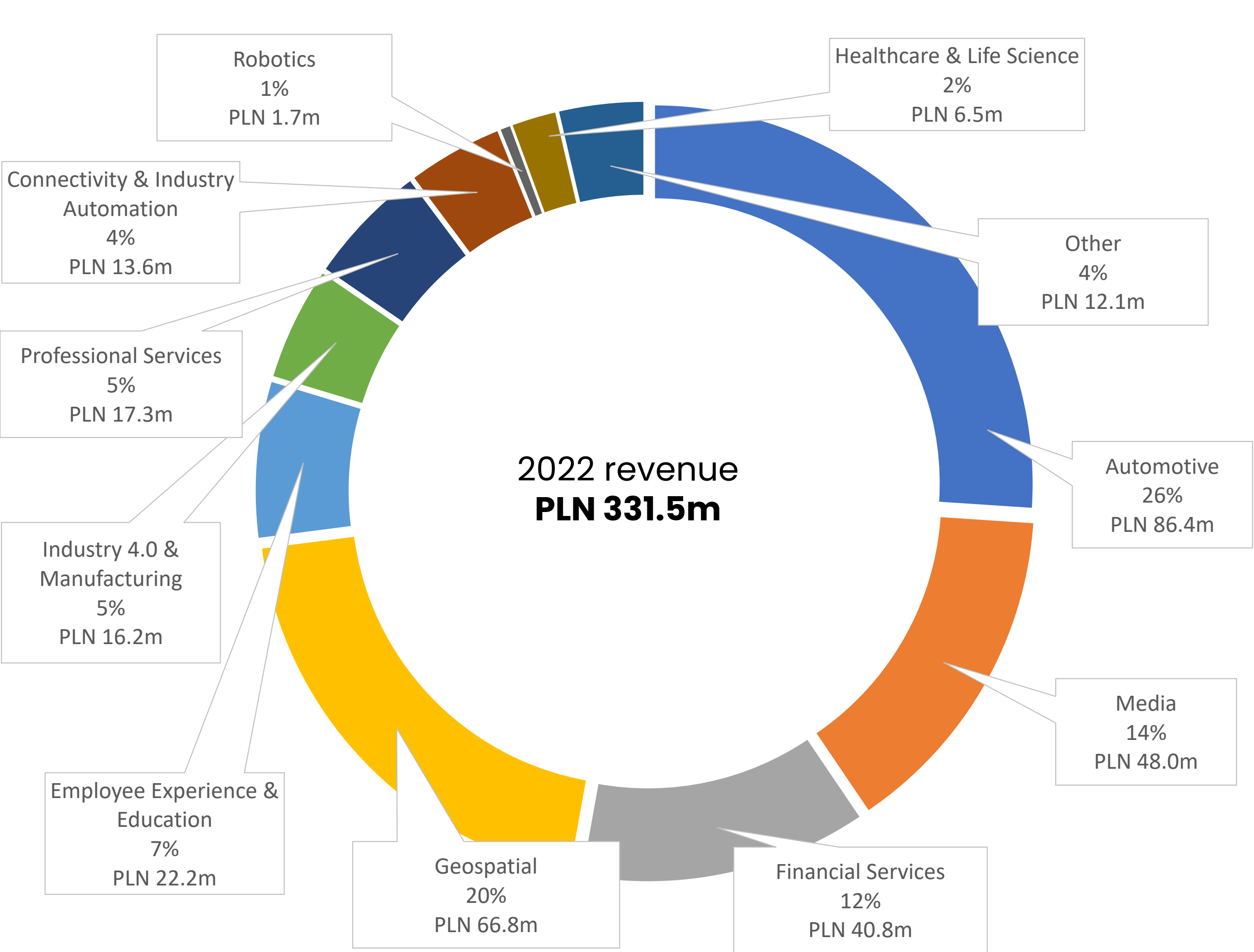


Statement of results

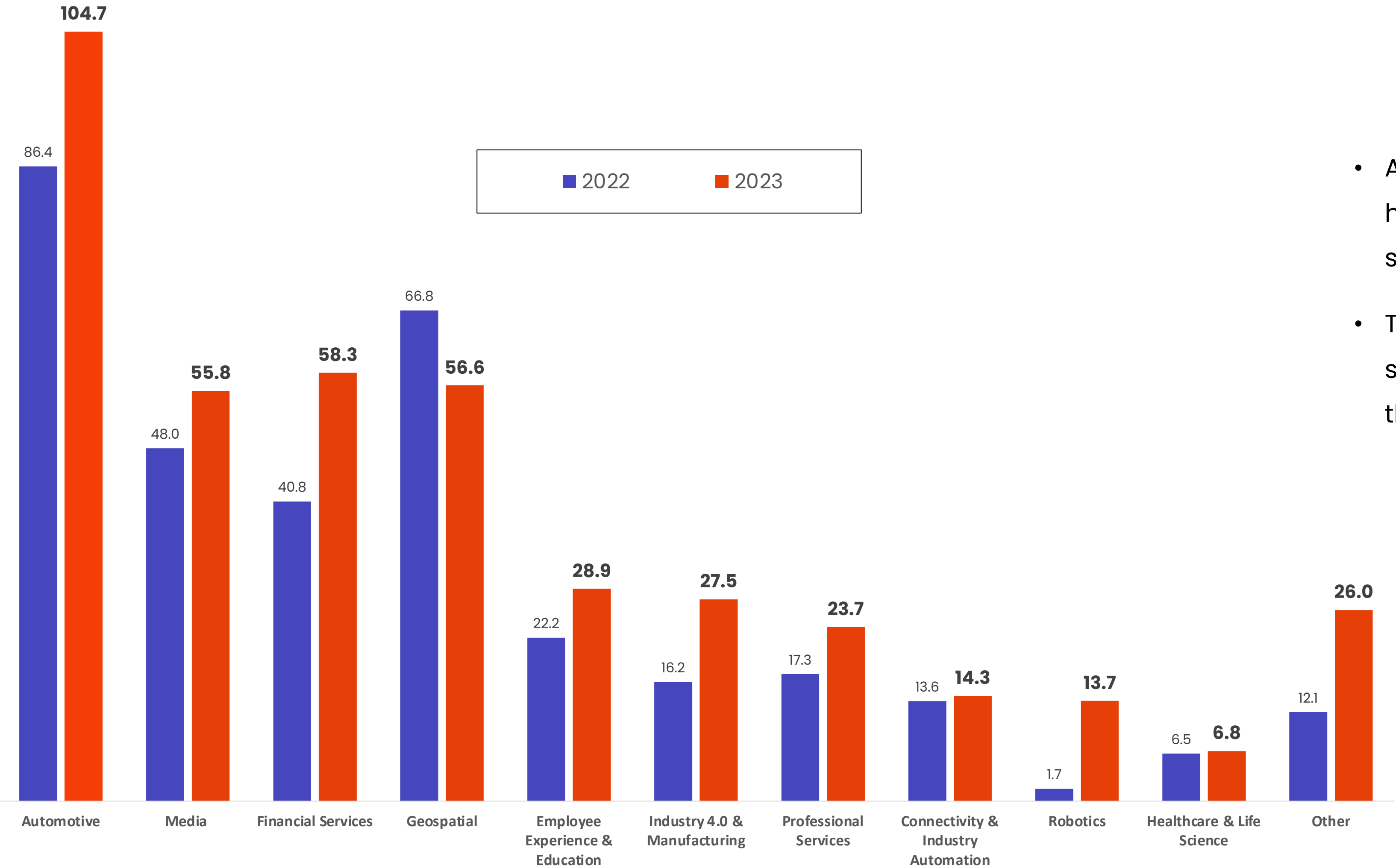
| Statement of results (PLNm) | 2022 | 2023 | % change y/y | 4Q 2022 | 4Q 2023 | % change y/y |
|---|-------|-------|--------------|---------|---------|--------------|
| Net revenue from sales of products and services | 331.5 | 416.1 | +25.5% | 100.1 | 105.4 | +5.3% |
| Costs of sold products, services, goods and materials | 221.8 | 285.6 | +28.8% | 71.9 | 71.7 | -0.3% |
| Gross profit on sales | 109.6 | 130.5 | +19.0% | 28.2 | 33.7 | +19.6% |
| Costs of general management and sales | 64.0 | 99.9 | +56.0% | 15.1 | 26.9 | +77.9% |
| EBITDA | 53.7 | 42.0 | -21.8% | 15.8 | 10.2 | -35.7% |
| Profit from operating activity (EBIT) | 45.1 | 30.9 | -31.4% | 13.2 | 7.3 | -44.5% |
| Financial revenues | 0.3 | 0.1 | -56.4% | -1.1 | 0.1 | -105.2% |
| Financial costs | 2.4 | 8.5 | +252.3% | 0.8 | 3.5 | +336.9% |
| Gross profit | 43.8 | 23.6 | -46.2% | 11.3 | 4.0 | -64.7% |
| Income tax | 6.4 | -0.2 | -102.4% | 1.0 | -3.2 | -424.3% |
| Net profit attributable to minority shareholders | 10.6 | 4.0 | -62.2% | 3.4 | -1.1 | -133.7% |
| Net profit | 26.7 | 19.7 | -26.2% | 7.0 | 8.4 | +19.6% |

- **Higher costs**—the faster growth in costs than revenues was primarily due to the size of the “bench,” accounting for about 6% of direct costs, as well as changes in forex rates unfavourable for exporters.
- **The increased costs of general management and sales (y/y)** resulted primarily from higher costs of administration, management structures at the operating level, as well as costs of client recruitment and IT.
- **Optimization of rental costs was launched in 2023.** Consequently, the total costs in this category rose due to renting new but smaller areas. Nonetheless, the group generated revenue from subletting its existing offices, in the amount of PLN 1m in 2023.
- **Net profit was negatively impacted primarily by negative exchange rate differences.**

Revenue structure: sectors

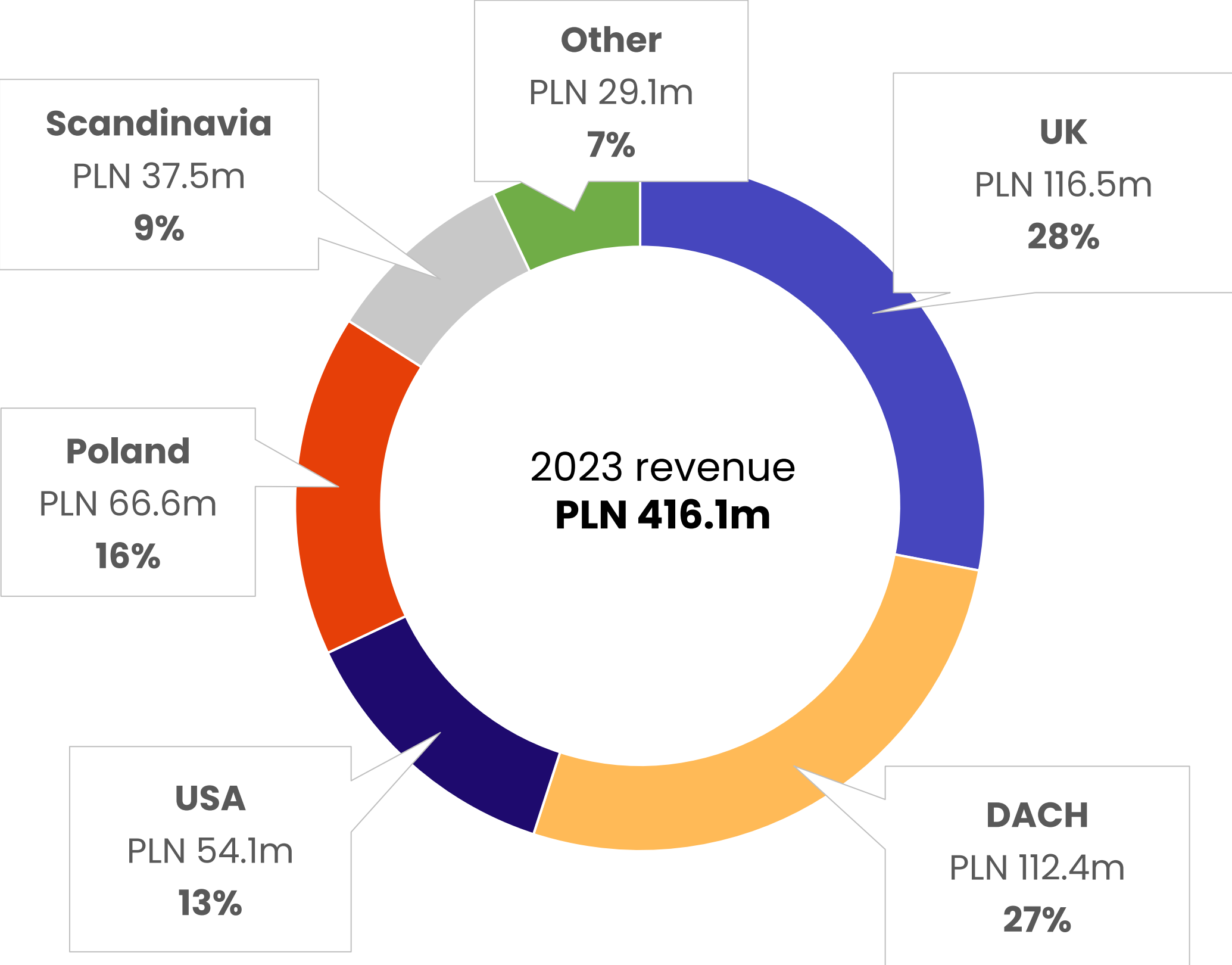
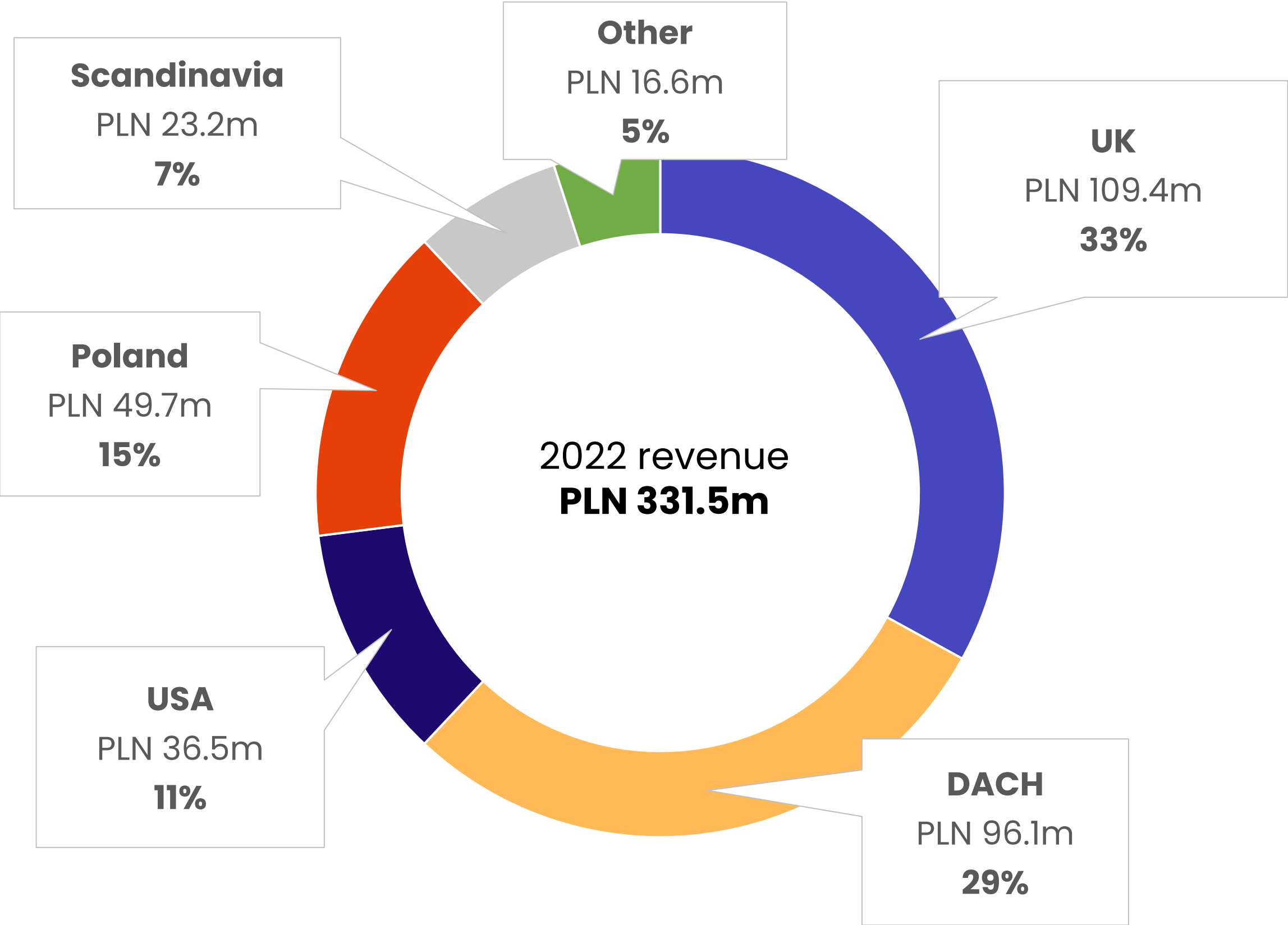


Revenue by sector (PLNm)



- All sectors except geospatial generated higher revenue year-on-year. There was a striking growth trend in robotics.
- The decline in geospatial resulted from savings implemented by public entities in the UK.



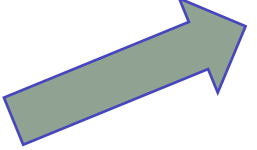


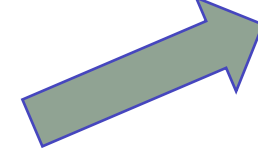

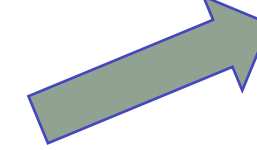

Revenue structure: geography



3. Prospects



Prospects for the upcoming quarters

| Automotive | Employee Experience & Education | Financial Services | Geospatial | Healthcare | Industry 4.0 | LegalTech | Media | Robotics |
|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |  |  |

- **Spyrosoft's prospects** for business growth on the principal markets served by the group **remain stable**.
- **AI remains an area of strong interest, but real adoption of AI is slower than anticipated**, impacting the level of revenue from AI services. AI is a component of our solutions.
- Greater **availability of workers in all labour markets** means lower recruitment costs and halting salary growth in the industry.
- We continue to **optimize operating costs**: a freeze in salary increases, reduction in office space in Wrocław, savings in the back-office area.
- **The current situation on the IT market opens up investment opportunities for companies like Spyrosoft**—an example is Codibly (due diligence currently underway).

Thank you for your attention

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