

spyrosoft

Spyrosoft Group

Financial results for 1Q 2024

27 May 2024

Spyrosoft Group

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Agenda

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- 2 **Financial results for 1Q 2024.**
- 3 **Prospects**

1. Summary of key events

Financial results for 1Q 2024

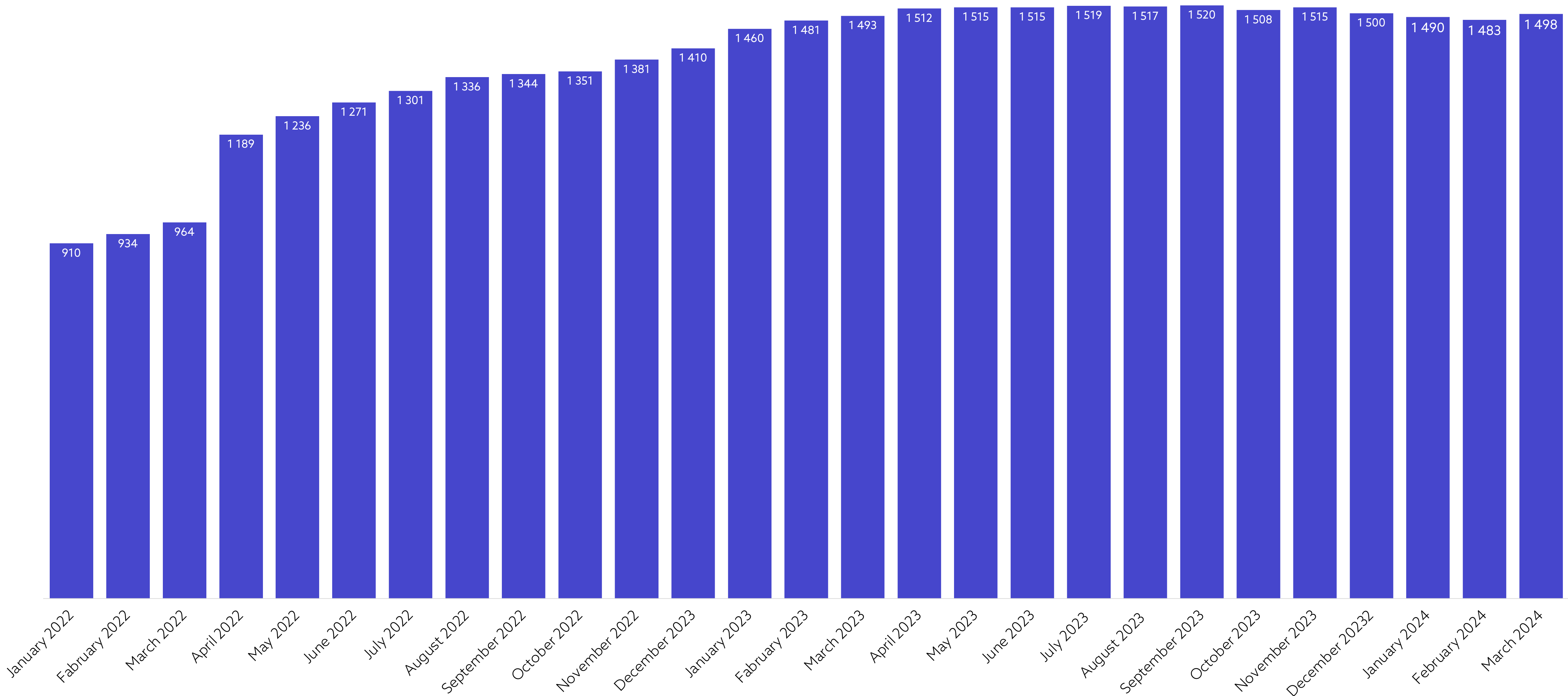


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Key facts 1Q 2024

<p>Revenue grew at +3.8% y/y, to PLN 108.4m</p> <ul style="list-style-type: none">• Result achieved within an environment of a further slowdown in the IT industry• Clear negative impact of the strong Polish zloty• Strategy calls for average annual growth of 33%	<p>Diversified revenue:</p> <p>The UK and DACH remain the leading markets, followed by Poland, the US and Scandinavia.</p> <p>The revenue share of sectors remains steady.</p>	<p>88% of our revenue derived from contracts with foreign clients.</p>
<p>In 1Q 2024 we gained 37 clients. There were new clients in each of the group’s companies. In total, as of the end of 1Q 2024 the group was serving 182 clients.</p> <p>3-year contract with the BBC— launch of new offices in London and Manchester. First significant revenues expected in 3Q 2024.</p>	<p>Stable employment: 1,498 people as of the end of 1Q 2024</p>	<p>EBITDA for 1Q 2024: PLN 11.8m, down 7.4% from 1Q 2023.</p> <p>EBITDA margin of 10.9%. The target in the “Strategy for 2022–2026” is 11–14%.</p> <p>It was mainly the strong zloty that had a negative impact on the margin. The “bench” remains at 7%.</p>

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

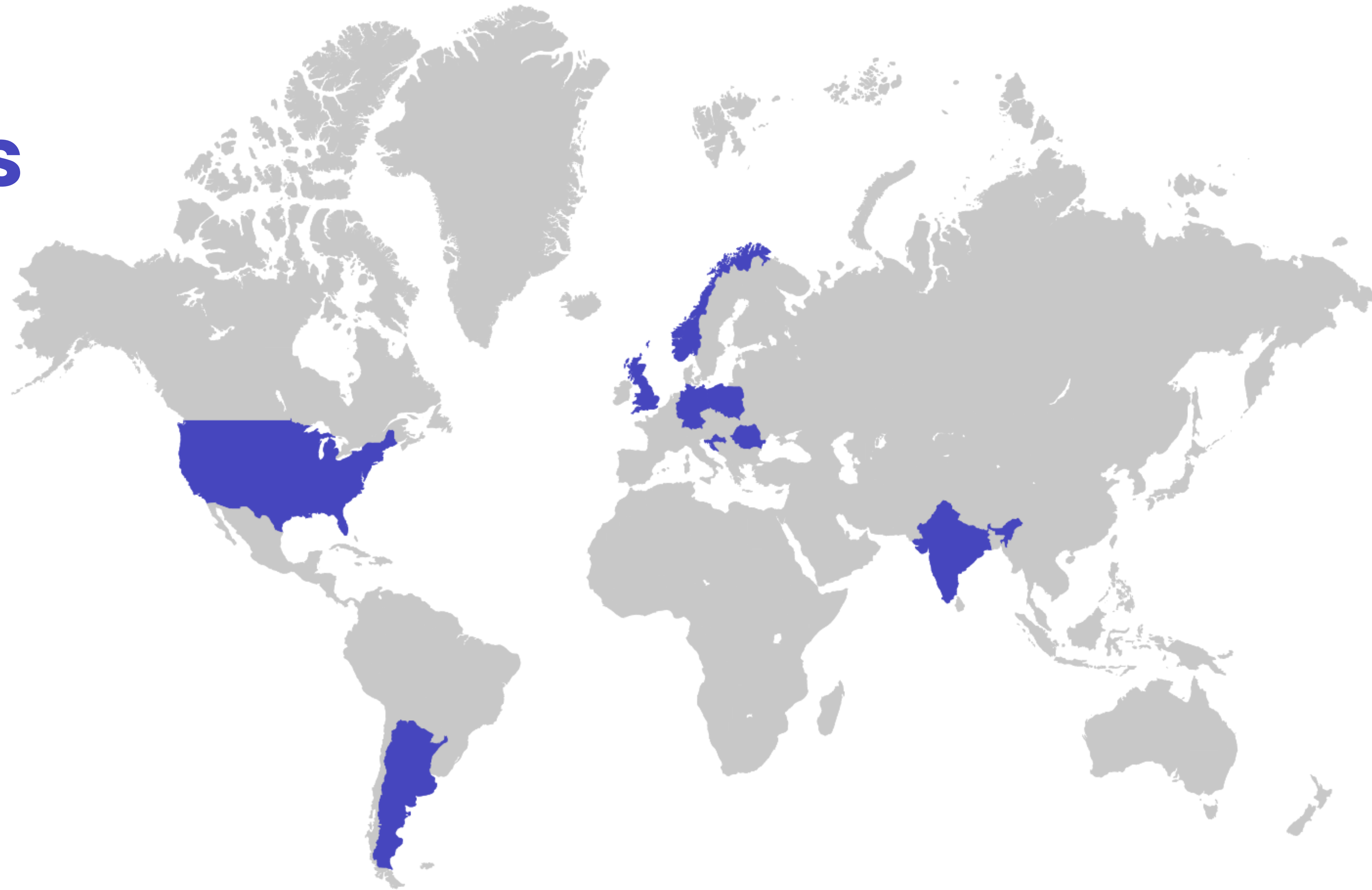
- Timișoara

UK

- Bournemouth
- London
- Manchester
- Newcastle
- Edinburgh

US

- Ann Arbor
- Pittsburgh



Business sectors



Automotive



HR Tech & Edu Tech



Financial Services



Geospatial Services



Healthcare & Life Sciences



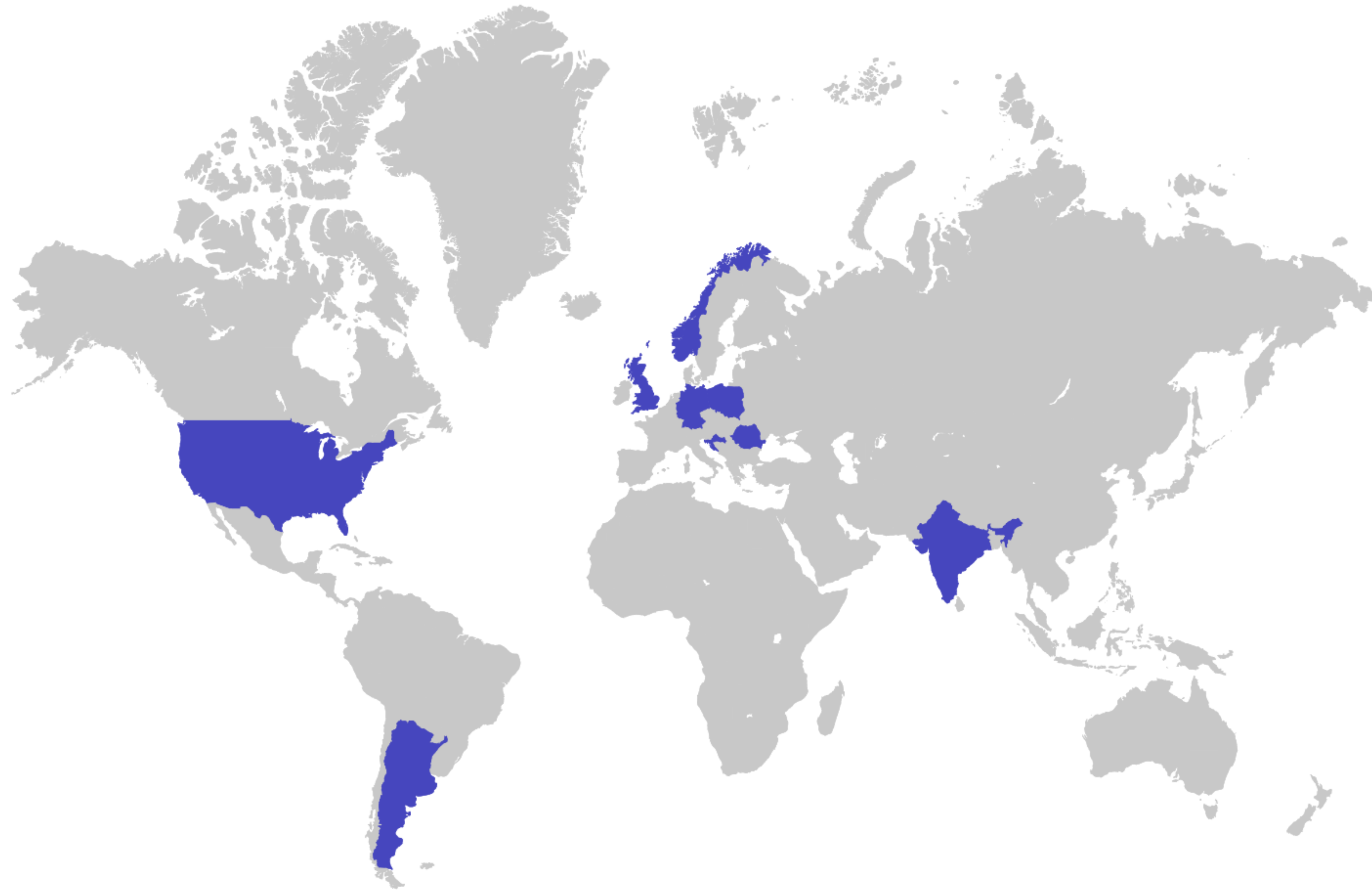
Industry 4.0



Robotics



Retail



Peer group

	RESULTS 1Q 2024				FORECASTS 2Q 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	-1	-4	-3	0	-3	-15	-1	-8	-4
Globant	-1	+21	+27	+20	+18	+10	+16	+14	+11
Endava	-4	-14	N/A	-63	+4	-62	-7	-53	-30
Grid Dynamics	-1	+2	-5	-13	+5	-8	+7	+11	NM
Progress Software	NM	+12	+6	+5	+1	-20	+4	+6	+8
AVERAGE	-2	+3	+6	-10	+5	-19	+4	-6	-4
Spyrosoft	0	+4	-15	-41	N/A	N/A	N/A	N/A	N/A

- The biggest companies in the sector observe a continuing demanding business environment without the prospects for improvement which their management perceived in the previous quarter, along with stepped-up tightening of spending by clients.
- We observe a continuation of reduced hiring by the biggest players in the custom software development industry.
- Public companies from the peer group reported an average revenue increase of 3% in 1Q 2024, while forecasting an average increase of 4% in FY 2024.
- It is mainly companies active on the acquisitions market that are maintaining their revenues.

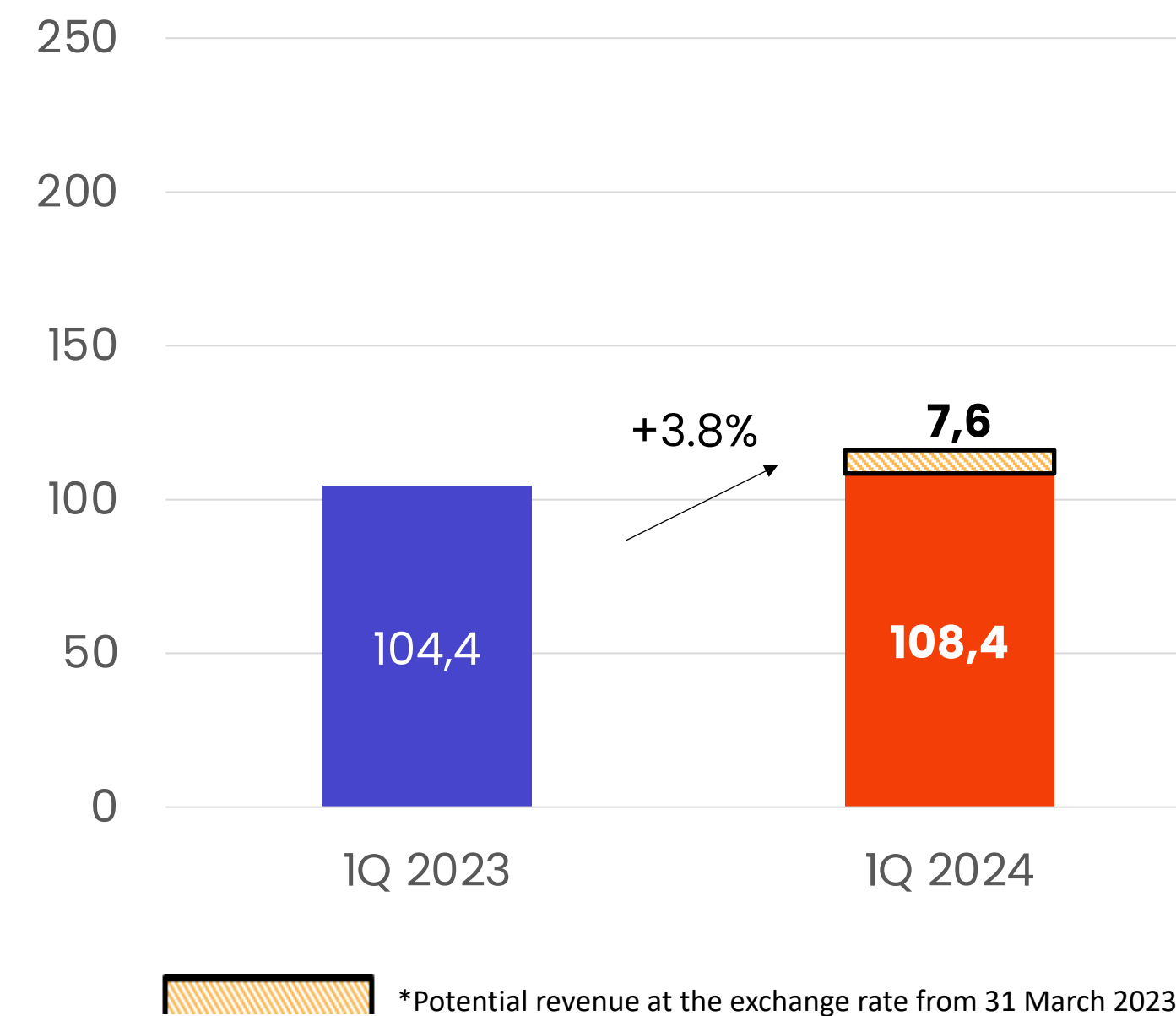
2. Financial results for 1Q 2024



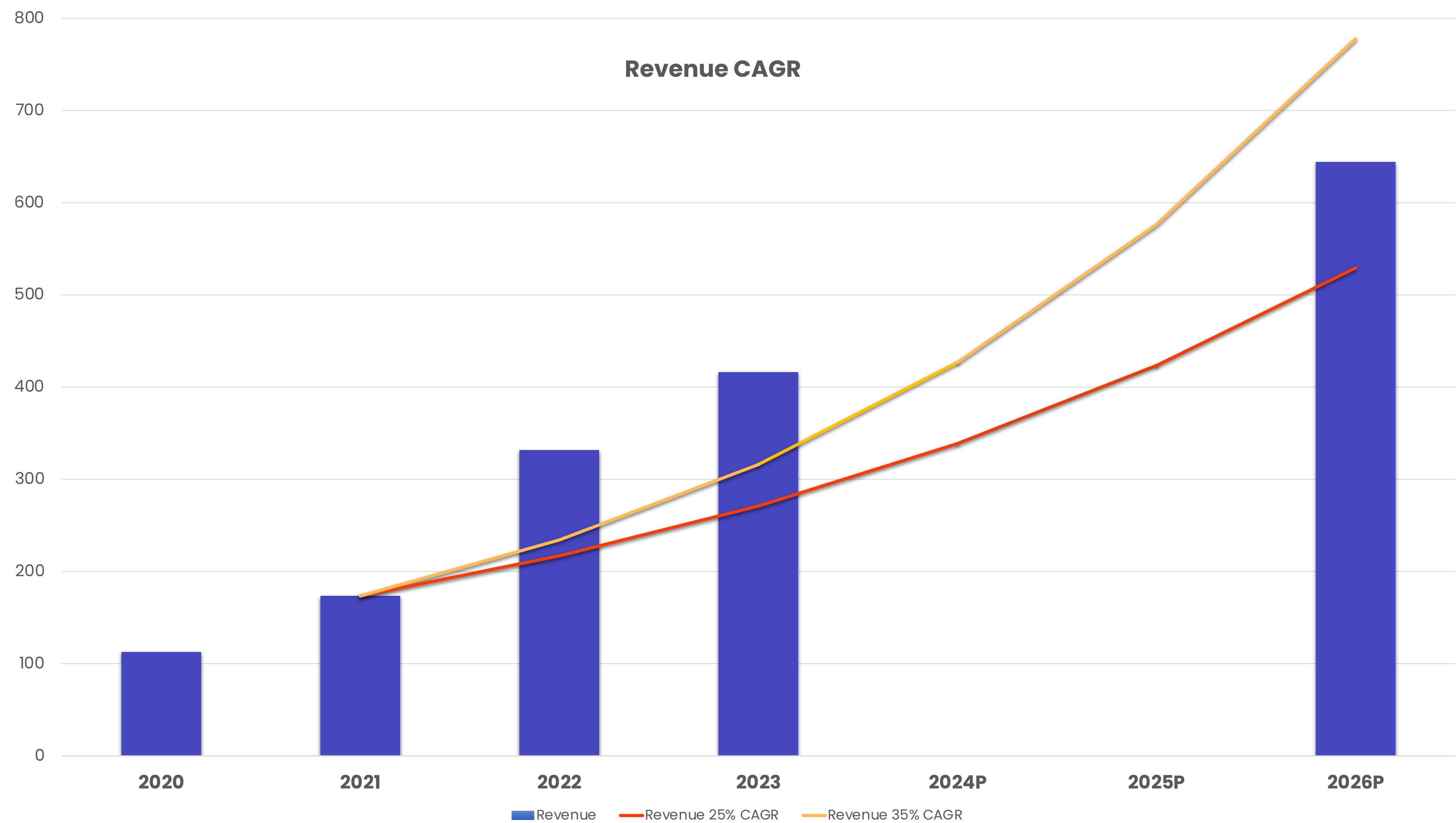
Revenue 1Q 2024 (PLNm)

- The Spyrosoft Group generated consolidated revenue in 1Q 2024 of PLN 108.4m (+3.8% y/y).
- Effects of a high base from 1Q 2023.
- In the last quarter all growth was organic.
- 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 “Strategy for 2022–2026” calls for average annual growth of 33%—in a range of 25–35% per year.
- The strong zloty has a negative impact on revenue: at the exchange rate from 31 March 2023, revenue in 1Q 2024 would be PLN 7.6m higher (+11.0% y/y).
- The share of the “bench” in production costs in 1Q 2024 was 7%. Keeping the level of the bench from 1Q 2023 would translate into additional revenue of PLN 0.9m.

revenue
1Q 2023 vs. 1Q 2024



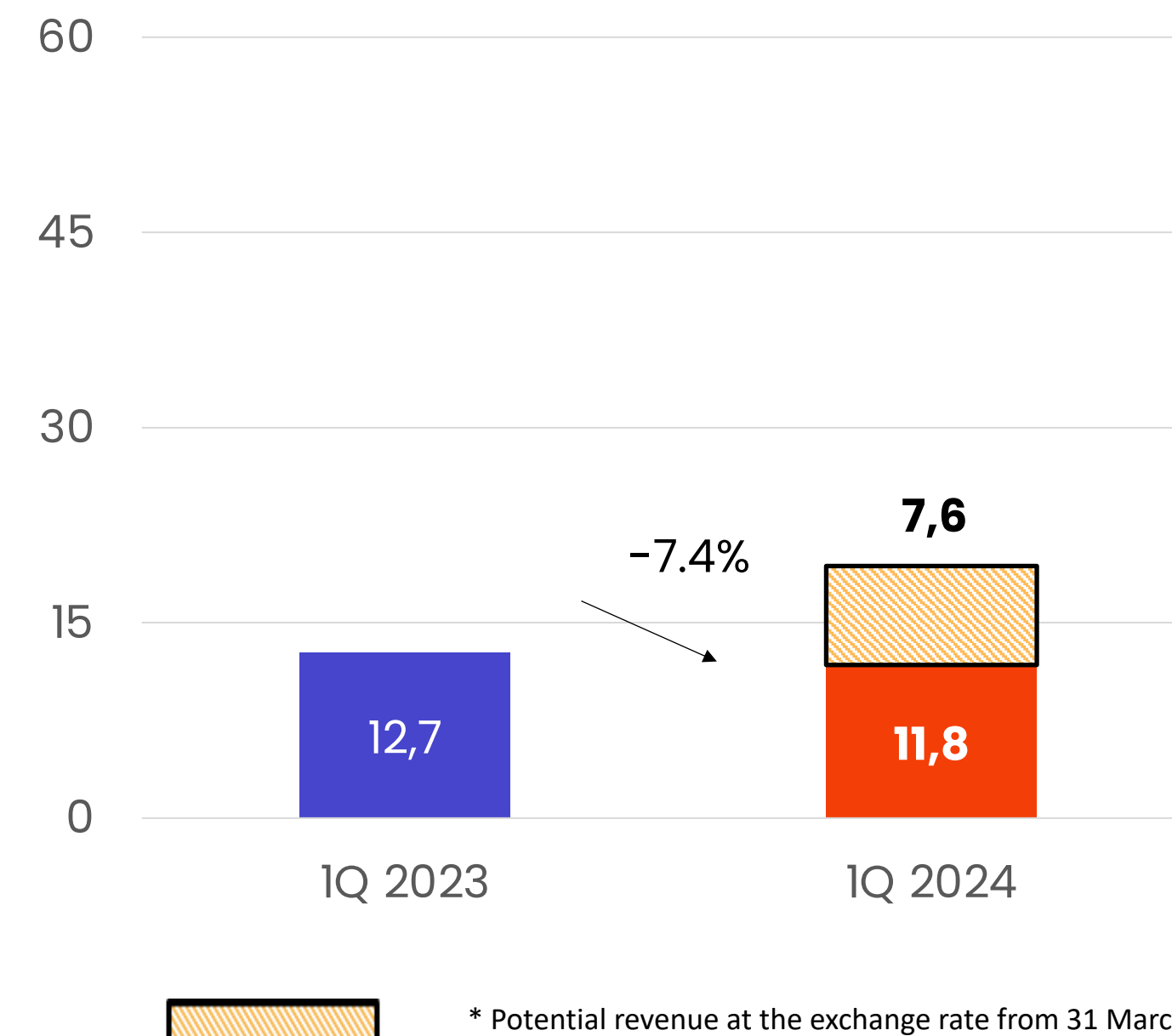
Revenue in 2022–2026 (PLNm)



EBITDA 1Q 2024 (PLNm)

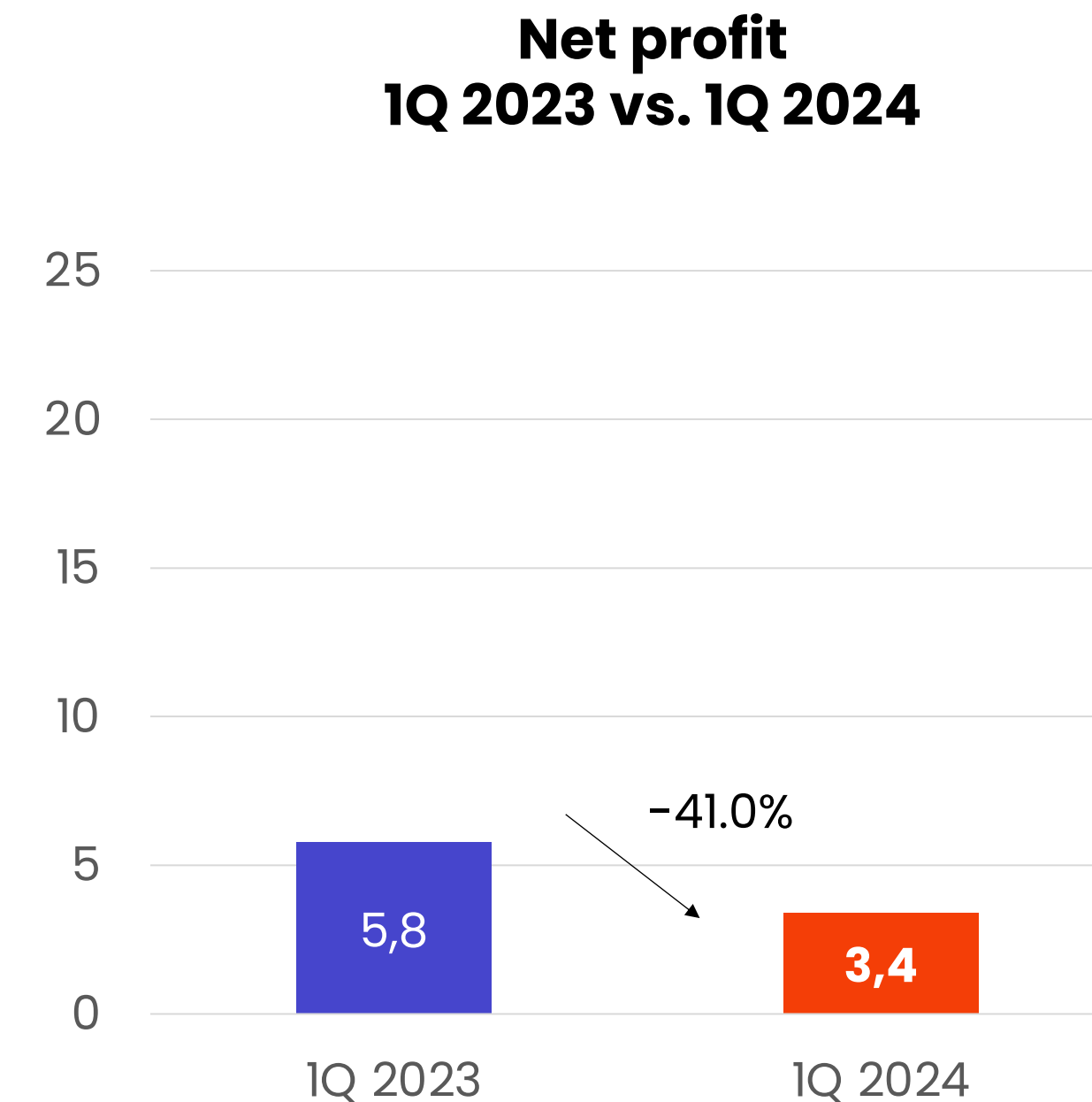
- The EBITDA result for 1Q 2024 was PLN 11.8m, a decline of 7.4% y/y.
- The EBITDA margin was 10.9%, as compared to 12.2% in 1Q 2023:
 - Negative impact of the strong zloty: at the exchange rate from 31 March 2023, the EBITDA margin in 1Q 2024 would have been 5.5pp higher.
 - The size of the “bench” reduced the EBITDA margin in 1Q 2024 by 0.5pp (compared to the level of the bench in 1Q 2023).
- The EBITDA margin was slightly below the target in the “Strategy for 2022–2026” of 11–14%.

**EBITDA
1Q 2023 vs. 1Q 2024**



Net profit 1Q 2024 (PLNm)

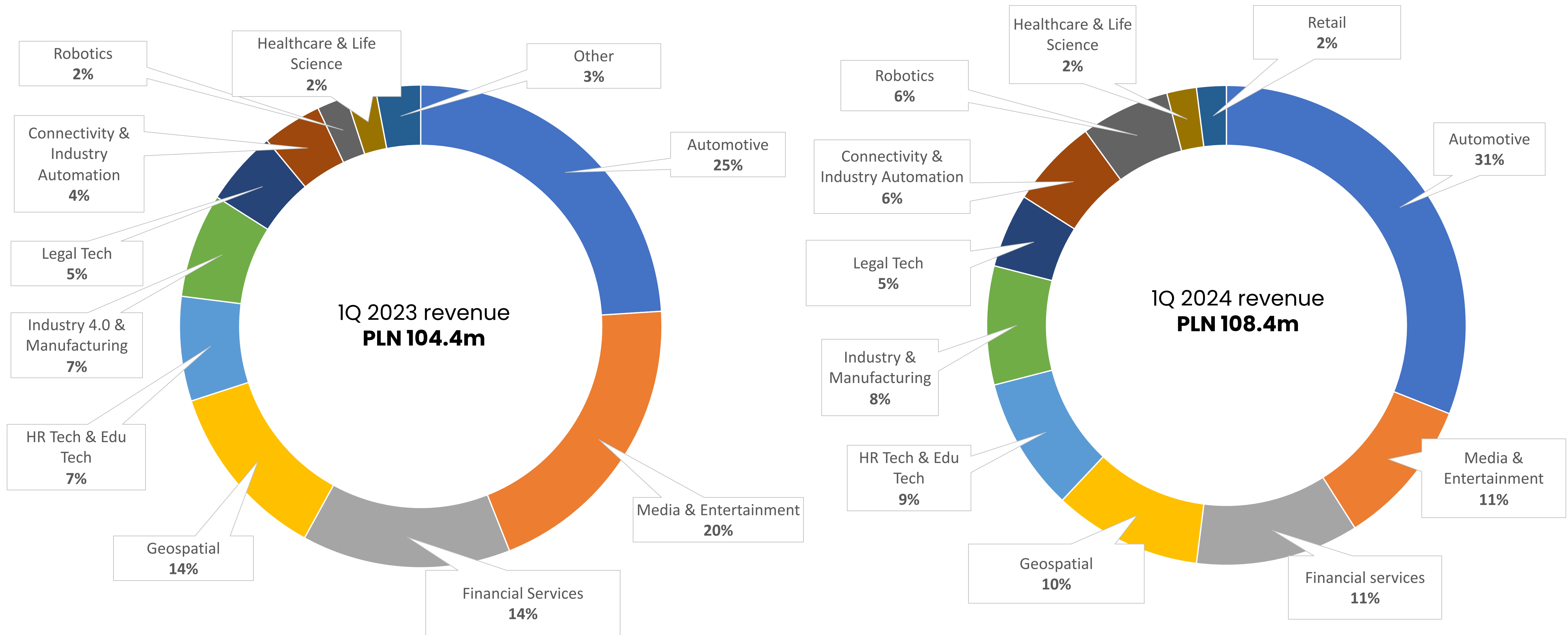
- The group earned a net profit in 1Q 2024 of PLN 3.4m, 41.0% less than in 1Q 2023.
- In 1Q 2024 there was clear growth in the profit of minority interests (+34.5% y/y)—the net result in 1Q 2024 improved in companies belonging to the group but in which Spyrosoft S.A. does not hold 100% of the shares.
- The increase in the effective tax rate had a negative impact on the consolidated data.
- The reduction in exchange rate differences, combined with an increase in interest costs, contributed to the modest change in financial costs (+8.4% y/y).



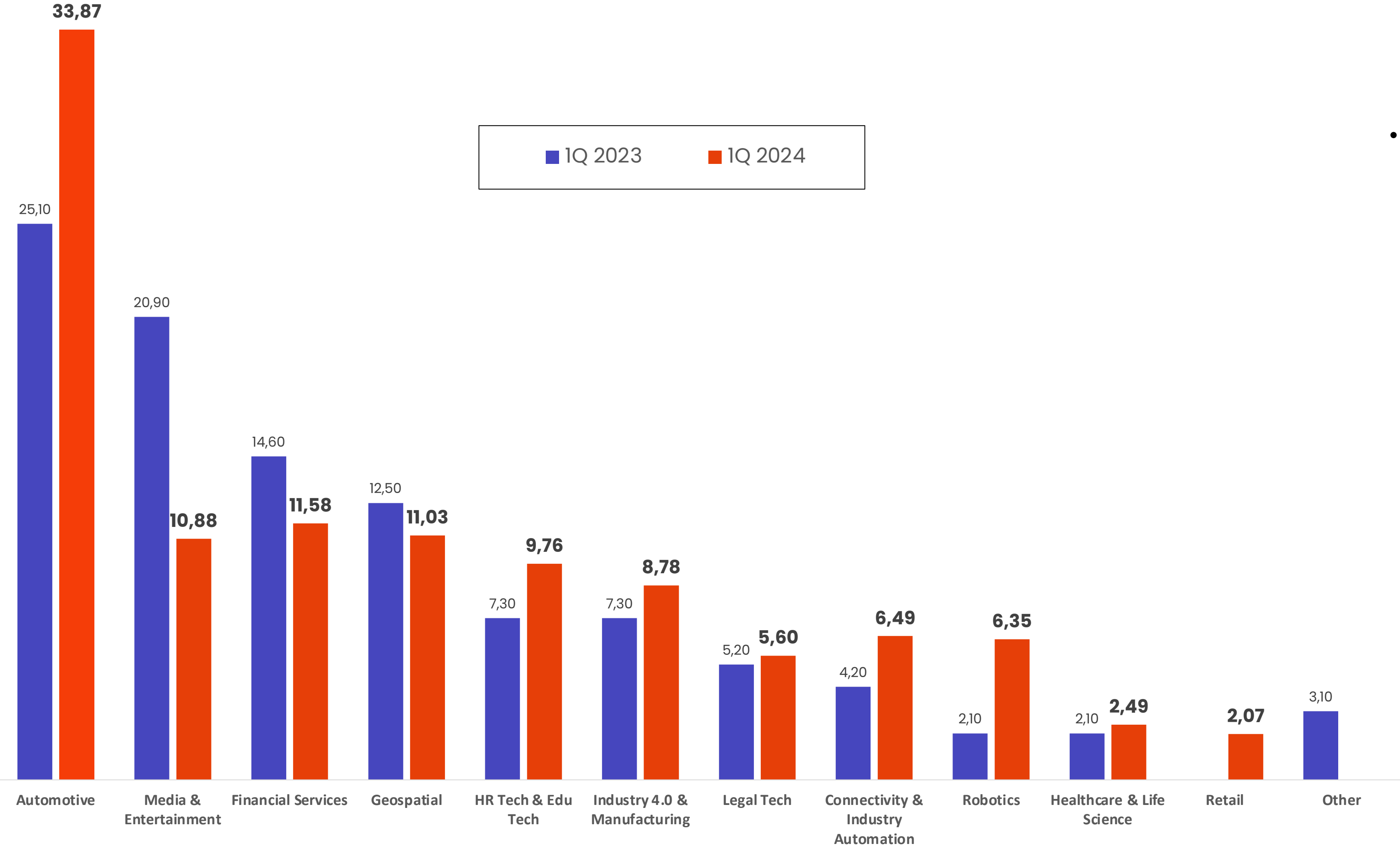
Statement of results 1Q 2024

Statement of results (PLNm)	1Q 2023	1Q 2024	% change y/y
Net revenue from sale of products and services	104.41	108.43	+3.8%
Costs of sold products, services, goods and materials	68.51	74.77	+9.1%
Gross profit on sales	35.90	33.66	-6.2%
Costs of general management and sales	25.78	25.10	-2.7%
EBITDA	12.72	11.77	-7.4%
Profit from operating activity (EBIT)	10.20	8.70	-14.7%
Financial revenues	0.01	0.03	+106.1%
Financial costs	1.33	1.44	+8.4%
Gross profit	9.20	7.60	-17.3%
Income tax	1.45	1.55	+7.2%
Net profit attributable to minority shareholders	1.96	2.64	+34.5%
Net profit	5.79	3.41	-41.0%

Revenue structure: sectors

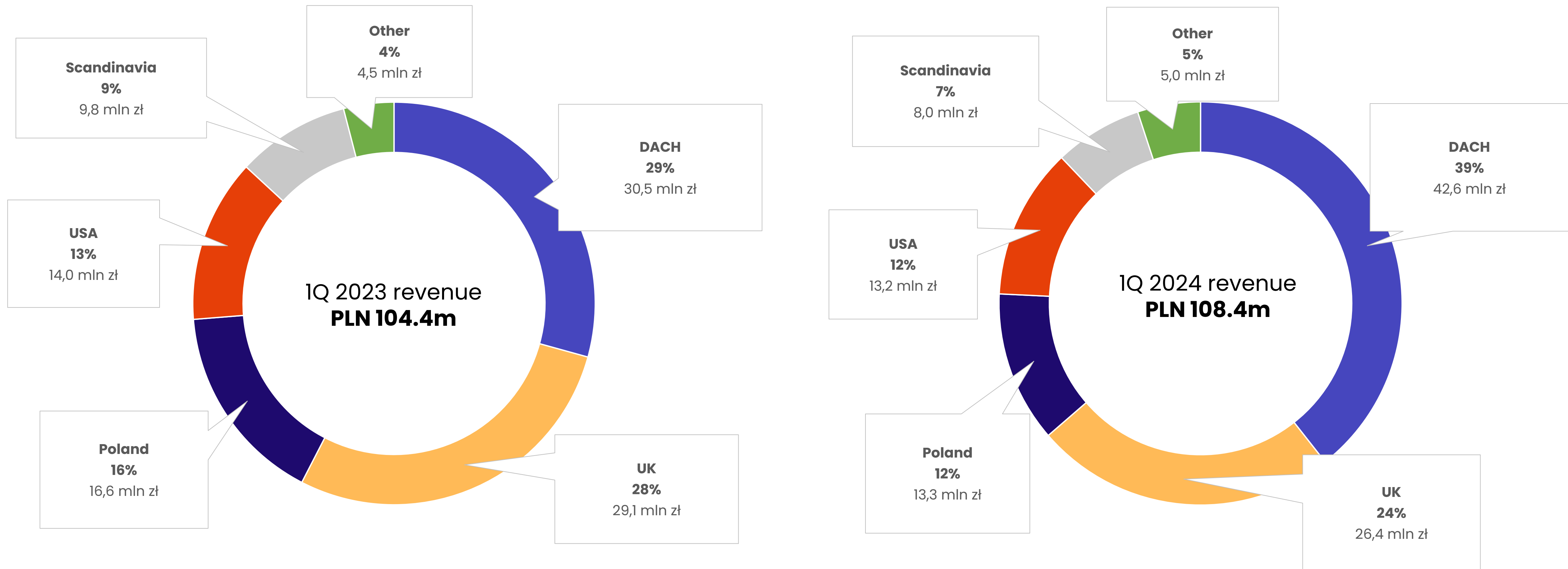


Revenue by sector (PLNm)



- Clear growth in revenue in automotive—winning a new client from the US, along with growth in orders from existing clients (e.g. Magna)

Revenue structure: geography

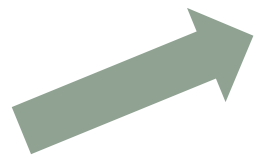

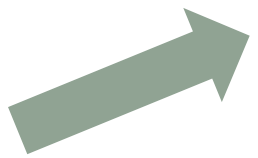


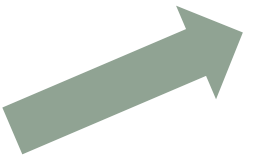






- DACH (Germany/Austria/Switzerland)—the significant growth in revenue y/y in this market resulted from the increase in revenue under a contract with one of the major clients from this region, in the areas of Connectivity & Industry Automation and Automotive.

3. Prospects



Prospects for the upcoming quarters

Automotive	HR Tech	Financial Services	Geospatial	Healthcare	Industry 4.0	Legal Tech	Media	Robotics	Retail
									

- **Spyrosoft's prospects** for business growth on the principal markets served by the group **remain stable**.
- **Clients' interest in, and demand for, AI-based solutions remains high. Clients are passing from the proof-of-concept phase into implementation of solutions.** The AI team at Spyrosoft is increasing its numbers, and the portfolio of services offered is also growing (mainly based on generative AI).
- There is still **greater availability of workers on all labour markets and low salary pressure**.
- **The current situation on the IT market creates investment opportunities for companies like Spyrosoft**—due diligence of Codibly is proceeding according to plan. We perceive the potential for further acquisitions in the mid-range perspective.
- The **impact of the BBC contract** on the group's revenue will be **visible in 3Q 2024**.
- **Current characteristics of cooperation with clients:** lots of inquiries and meetings, but not many of them translate into sales due to the longer decision-making processes on the part of clients.
- **The management board maintains the long-term targets and is pursuing the adopted "Strategy for 2022–2026,"** despite the weaker economic cycle in the industry.

Thank you for your attention

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