



Q1 2023

Financial report and status

CEO's perspective

As the world's markets in general reach all-time high levels of uncertainty, the grocery retail market remains relatively stable and resilient. The unprecedented pressure on household disposable income shakes the equilibrium in the different grocery retail markets. Discounters are growing like never before and consumers demand for more value-for-money which forces grocery retailers to rethink their offering and business models. In this context, I am pleased on behalf of StrongPoint that we are experiencing a continued solid demand for our solutions. Surely, grocery retailers as well are more prudent with their investments and overall spend, and we observe this in tender processes and investment decisions taking somewhat longer time than earlier. That said, we are very well positioned to serve grocery retailers today and tomorrow. So, I continue, along with my management team, to remain confident in achieving our 2.5 BNOK and 13-15% EBITDA margin ambitions for 2025.



Jacob Tveraabak
CEO of StrongPoint

We are delivering our best first quarter ever, reaching more than 380 MNOK in revenue, a 27% growth compared to same quarter last year. The growth is driven to the absolute most extent by the inclusion of Air Link Group which contributed 78 MNOK in revenue in the quarter. In the quarter we also started including revenue from our earlier announced AutoStore installations. A total of 39 MNOK of revenue associated with the installation of the facilities were included in this quarter's revenue. Our EBITDA in the first quarter was 13.5 MNOK (3.5%), and as such on par with same quarter last year at 11.5 MNOK (3.8%) EBITDA. The EBITDA level is still negatively affected by our deliberate investments in e-commerce solutions. However, we remain confident that the investments in e-commerce solutions will pay off significantly as the long-term growth of e-commerce continues to be undisputable. In the quarter, we – as everyone else – experienced remarkable currency fluctuations. Whereas the short-term effect for StrongPoint in NOK is positive –making up 4%-points of the revenue growth, the effect of sustained more expensive imports to our Norwegian and Swedish markets is obviously not beneficial. For StrongPoint as a whole, we believe we have a good and natural currency exchange hedge.

As communicated in our Strategy Update Session in February this year, we have been able to achieve double digit EBITDA-% for our in-store solutions over many quarters. We are taking steps to cement and strengthen these margins as we progress towards 2025. At the same time, we remain positive about the long-term outlook for

e-commerce and the industry's willingness and necessity to invest in efficiency solutions that StrongPoint represents. This is especially true in the large UK market, which we entered through the acquisition of Air Link Group last year. I believe that the UK market is ripe for both our world-class e-commerce solutions as well as the many other efficiency enhancing solutions we represent, and I would be disappointed if we do not see at least one major deal with StrongPoint solutions in the UK market being announced in 2023. As informed earlier this year, we are getting close to getting our new ground-breaking cash management solution into the market. A live pilot is scheduled to start in Q3 whilst roll-out is imminent following this. The market for this new solution is vast, and even with this one first customer this is a major opportunity in its own.

Whilst the general market upheaval continues to preside, I am comforted by the fact that StrongPoint predominantly serves the stable and resilient grocery retail segment. The long-term market trend of needing ever more efficiency saving solutions, in which technology plays a pivotal role, will continue to support the markets in which we operate. I am certain that we will celebrate many wins and successes going forward. The path to achieving our 2025 financial ambitions will most certainly not be a linear journey. There will be quarterly fluctuations, in particular as we still are – to a large extent – a project-driven organisation. That said, we continue to be confident in achieving our 2025 strategic ambitions.

Stay safe, strong and passionate!

Highlights 1st quarter

Solid financial performance in a challenging global macro environment

Financial performance

- Revenue grew by 27% to 381 MNOK (301) compared to same quarter last year.
- EBITDA for the quarter ended at 13.5 MNOK (11.5).
- Cash flow from operations was -44.2 MNOK (11.9), impacted by progress of large projects and change in working capital.

Continued customer success in priority areas

- Framework Agreement with Baltics grocery retailer Rimi for Pricer Electronic Shelf Labels.
- Awarded two self-service checkout upgrade projects with a total value of 4.1 MGBP with top-tier UK grocery retailers.

Further progress on 2025 strategic ambitions

- Finalizing new, innovative, value generating cash management solution for a large Iberian grocery retailer with preparation for in-store pilot in Q3 2023.
- Showcased the StrongPoint solutions portfolio at the trade fair EuroShop, the world's largest retail show.

Key figures (MNOK)

	Q1 2023	Q1 2022	Year 2022
Revenue	381.4	300.7	1 372.4
EBITDA	13.5	11.5	75.5
EBITDA margin	3.5%	3.8%	5.5%
EBITDA exclusive LTIP cost*	15.0	12.9	80.6
Operating profit (EBIT)	4.0	4.8	37.3
Ordinary profit before tax (EBT)	7.6	3.5	38.2
Cash flow from operational activities	-44.2	11.9	16.6
Disposable funds	73.5	295.3	125.1
Earnings per share (NOK)	0.12	0.07	0.66
Earnings per share, adjusted	0.18	0.11	0.95

* EBITDA exclusive IFRS cost related to long term incentive program

StrongPoint Group

StrongPoint is a grocery-focused company that serves retailers with products and solutions for in-store and online shopping.

Revenue	Q1		Year
	2023	2022	2022
MNOK			
Nordics	213.6	214.5	744.1
International incl R&D	167.8	86.2	628.3
ASA/Elim	-	-	-
Total	381.4	300.7	1 372.4

EBITDA	Q1		Year
	2023	2022	2022
MNOK			
Nordics	15.3	17.6	67.2
International incl R&D	6.4	5.0	53.9
ASA/Elim	-8.2	-11.1	-45.6
Total	13.5	11.5	75.5
Number of employees	514	418	511

Solid financial performance in a challenging global macro environment

The total revenue increased by 27.1% compared with same quarter last year. Revenue from the Nordic countries came out on the same level as last year. The two ongoing AutoStore projects to Collicare and DLVRY progress as planned. The segment International grew by 94.7% in revenue, this includes the acquired company Air Link Group (ALS) in UK and Ireland which was consolidated from June 1, 2022. Excluding ALS, the growth in International ended at 4.0%. Foreign exchange contributes positively to the growth by 4.3 percentage points.

The EBITDA increased by 2.0 MNOK, and the EBITDA margin declined to 3.5% (3.8%). StrongPoint experienced a gross margin decline from 39% to 37%. The decline in gross margin was a result of ALS impact (generally lower gross margin than StrongPoint historically achieved), affecting the total gross profit with 2.5 percent points in the quarter, product mix including revenue on AutoStore projects with lower margins, price pressure and currency effects. The Instore-related business continued with an EBITDA level of approx. 8% in the quarter, affected by seasonality effects in ALS. The rolling 12 months Instore EBITDA-margin continues to be 10-11%.

The number of employees increased by 96 compared to Q1 last year, of which all came from the ALS team in UK.

Continued customer success in priority areas

StrongPoint Baltic business unit signed a framework agreement with the grocery retailer Rimi for Pricer Electronic Shelf Labels. The framework agreement is a result of a successful pilot project in Latvia run by StrongPoint for Rimi that tested the efficiency savings of the technology. Similar efficiency tests will be made in Rimi stores in Lithuania and Estonia. The contract potential of Pricer ESL entails installations in all 300 Rimi stores.

During the quarter, the UK & Ireland business announced two new contracts for shop fitting projects for top tier grocery retailers. The strong relationship with the retailers based on historic projects within installation, refurbishments and construction is the basis for the order intake, and the business ability to lead the projects with high efficiency is essential for the good profitability on the business.

StrongPoint announced in 2022 two contracts for installation of AutoStore Cube Store Automation, to be installed during first half of 2023. The installation progress well and according to timeplan.

Further progress on 2025 strategic ambitions

During the Strategy Update Session held on February 13, StrongPoint announced that the first development phase of a new, large-scale cash management solution for major Iberian grocery retailer was completed. The second phase of the development focus on mechanical improvements and software integration. The solution will be tested in a grocery store in Q3 2023.

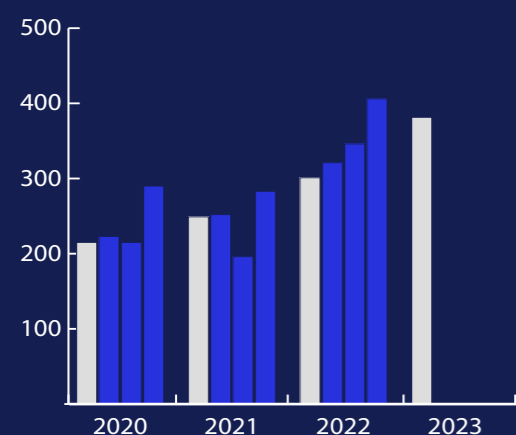
StrongPoint attended the Euroshop trade fair in Düsseldorf, Germany, in February. With 1,800 exhibitors from 55 countries and around 80,000 visitors, it is the biggest retail-focused trade fair.

StrongPoint presented its solutions, in-store and online, alongside many of our strategic partners including at the booths of Microsoft (our suite of e-commerce solutions – both picking and last mile), Zebra Technologies (self-checkout and Vensafe), Pricer (electronic shelf-labels and manual picking functionality), HP (self-checkout) and our AutoStore partner HÖRMANN Intralogistics (our automated fulfillment and click & collect lockers).

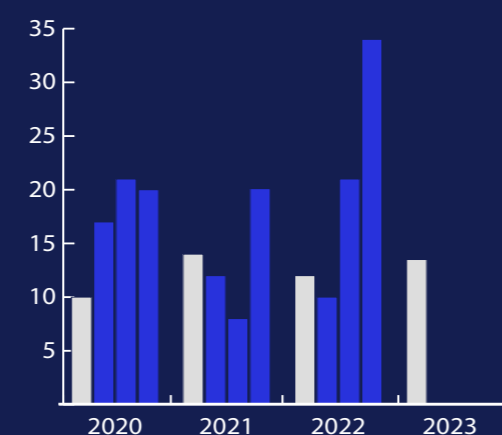
A key differentiator between StrongPoint and many other providers was the wide scope of retail technology solutions. This is one of StrongPoint's key differentiators and unique selling points: an extremely broad range of solutions in our portfolio.

StrongPoint Group

Operating revenue per quarter (MNOK)



EBITDA per quarter (MNOK)



2025 Strategic ambition

StrongPoint has a strategic ambition to achieve NOK 2.5 billion in revenues and EBITDA margins of 13-15% by 2025.

StrongPoint's world class retail technology solutions for increasing in-store efficiency and e-commerce technology for online order picking and last mile solutions have a double opportunity to meet two key global trends affecting grocery retailers.

Opportunity 1: in-store solutions

- Firstly, the pressure on brick and mortar retailers' margins means that grocery retailers need to find ways to increase in-store productivity to boost profitability.

Opportunity 2: e-commerce solutions

- Secondly, the pressure to develop an online presence, grow their market share and reduce costs means they need highly efficient solutions and provide multiple last-mile options.

These two key industry trends are increasingly relevant for grocery retailers in today's troubled macro environment.

Across StrongPoint's solutions, we are expecting healthy growth towards 2025. The more mature In-Store Solutions today yield's EBITDA-returns in the order of magnitude 10-11% today, and the overall margin improvement to reach 13-15% is mainly based on achieving operational leverage in the countries StrongPoint is present in addition to sound margins in the E-commerce Logistics area which has a favorable long-term outlook.

Our T-shaped strategy to create a BNOK 2.5 Retail Technology company

Go **wide** with world-class solutions to selected markets.

- E-Commerce Order Fulfillment platform
 - Order Picking
 - Automated Fulfillment
 - Last Mile Solutions
- Self-Checkout
- Cash Management



Go **deep** in core markets with solutions that cover in-store, e-commerce solutions and AutoStore grocery automated fulfillment.

- Norway
- Sweden
- Baltics
- Spain
- UK & Ireland

StrongPoint's financial ambitions

BNOK 2.5 in 2025

EBITDA 13-15%

Market dynamics continue to underscore StrongPoint's double opportunity

The market dynamics in grocery retail continue to reflect StrongPoint's solution portfolio: in-store efficiency saving solutions and hyper-efficient e-commerce solutions.

According to a new report by McKinsey published in 2023, amongst the key trends in grocery retail in 2023 include:

- Continue margin and cost pressure
- The quest for profitable online growth
- Systematic scaling of automation and technology

On grocery e-commerce, the long-term trends continue to be positive with McKinsey predicting the market will "at least double by 2030". But most importantly is "still losing money on average". This is unlike many of our grocery e-commerce customers who have been using our world-class levels of efficiency to drive profitability already.

Source: McKinsey, State of grocery Europe 2023*

“ The level of required investments for grocery retailers is increasing, putting additional pressure on the industry. Between now and 2030, the industry needs cumulative additional investments of €70 billion to €125 billion to drive sustainability, digitalization, IT improvements, and automation.

Source: McKinsey, State of grocery Europe 2023*

* <https://www.mckinsey.com/industries/retail/our-insights/state-of-grocery-europe-2023-living-with-and-responding-to-uncertainty>

The StrongPoint double opportunity



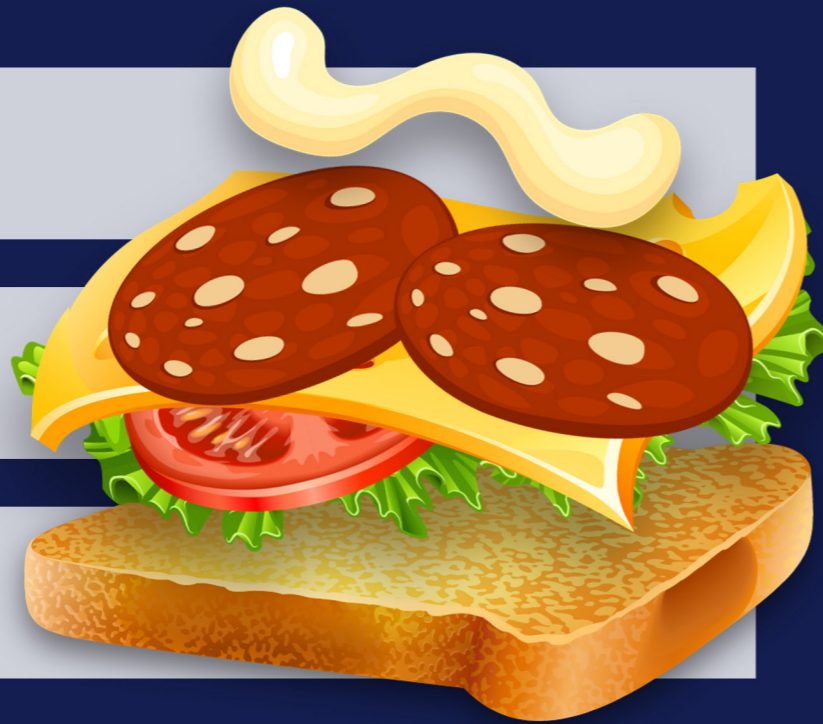
The StrongPoint Financial Sandwich

StrongPoint finances can be divided into three categories. What is driving our business today, what we are investing to serve future demand and how we are ensuring we future-proof our customers with next generation technology solutions.

Sauce
Tomorrow's solutions

Toppings
E-commerce solutions

Bread & Butter
In-store solutions



Firstly, our 'bread and butter'
These are our in-store solutions that make up >85% of our current business with 10-11% EBITDA margin (in 2022). These have strong EBITDA margins and are seeing strong, continued demand from our core grocery retailer customers in our core markets.

- Solutions:**
- CashGuard Cash Management
 - Vensafe Sales Automation
 - Self-Checkout
 - Self-Scanning
 - ShopFlow Logistics
 - Pricer Electronic Shelf Labels
 - DIGI scales and wrapping system
 - POS Systems
 - Commerce Management System

Secondly, our 'toppings'
These are our e-commerce solutions that we are strongly investing in, in addition to our partnership with AutoStore, the world's leading automation provider for grocery retailers. These do not yet have the commercial maturity compared to our in-store solutions but we have a solid base of clients mainly in Sweden, and now in Norway with our first AutoStore installation. The market dynamics show that there is strong demand in the near and medium future as grocery e-commerce continues to grow and automation becomes more and more in-demand to counter-act growing labour costs and shortages.

- Solutions:**
- In-Store Picking
 - Dark Store Picking
 - Home Delivery
 - Click & Collect Lockers
 - In-Store Pickup
 - Drive-Thru
 - AutoStore / Automated Fulfilment

Thirdly, the 'sauce'
These are the solutions of tomorrow that we are already investing in today. As labor costs are set to only increase the demand for next generation technology solutions continues to grow, especially in robotics and friction-free shopping. By investing in these solutions today we future-proof our customers.

- Solutions:**
- In-store robot with 1X (formerly known as Halodi)
 - Friction-free in-store solutions

StrongPoint Solutions



In-store

In-store Productivity
Pricer Electronic Shelf Labels
ShopFlow Logistics *
Digi Scales and Wrapping Systems

Payment Solutions
CashGuard Cash Management *

Check Out Efficiency
Self-Checkout *
Self-Scanning
Vensafe Sales Automation *

Retail Management
POS Systems
Commerce Management System

Shop Fitting

Online

Grocery Picking
Order Picking solution *
AutoStore Automated Fulfilment

Last mile
Click & Collect Lockers *
Drive-thru *
Pick-up in-store *
Home delivery with route optimization

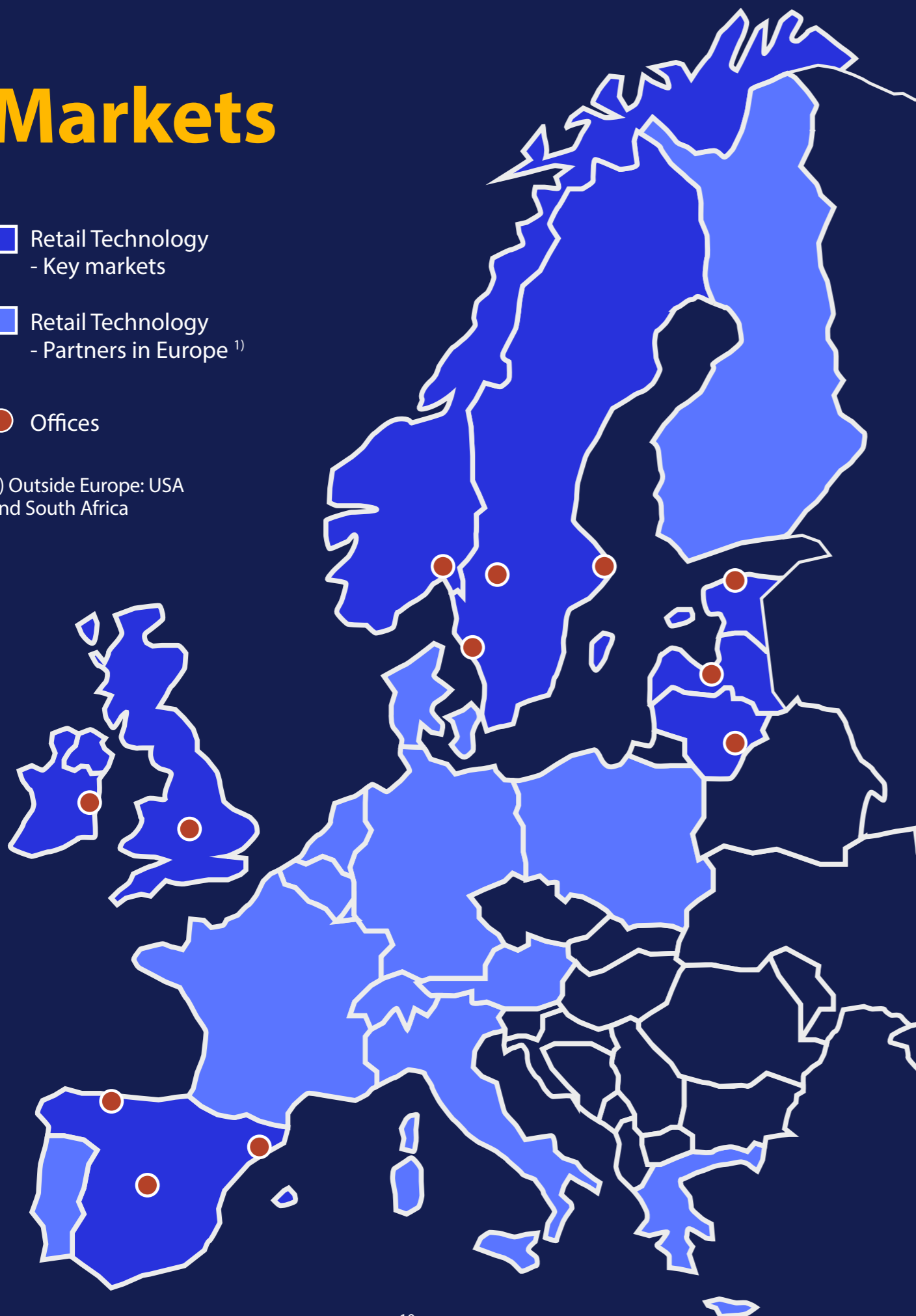


* Proprietary technologies

Markets

- Retail Technology - Key markets
- Retail Technology - Partners in Europe ¹⁾
- Offices

1) Outside Europe: USA and South Africa



Nordics

The business segment Nordics currently consist of the operating business units in Norway and Sweden. The revenue also includes some deliveries to other parts of the Nordics like Denmark and Iceland.

MNOK	Q1		Year
	2023	2022	2022
- Norway	126.9	127.8	386.1
- Sweden	86.7	86.7	358.0
Total Revenue	213.6	214.5	744.1
EBITDA	15.3	17.6	67.2
- In %	7.1 %	8.2 %	9.0 %
EBT	13.6	14.9	59.5
- In %	6.4 %	7.0 %	8.0 %

The revenue in the Nordics was almost on the level as same quarter last year. EBITDA declined by 2.3 MNOK to 15.3 MNOK in the quarter. The decline in EBITDA came from product mix affecting the gross margin.

Norway

MNOK	Q1		Year
	2023	2022	2022
Product Sales	98.8	98.1	269.7
Service	28.1	29.7	116.4
Revenue	126.9	127.8	386.1

The revenue for Norway in Q1 declined by 0.7% compared to the same quarter last year. The first quarter of 2022 had a growth rate above 60% which was very high. CAGR for the past two years was 28%, so overall a positive growth trend in Norway. The business experienced lower installation of Electronic Shelf Labels (Pricer ESL) and Cash Management following finalization of announced orders, but the gap was covered by installation of AutoStore projects to Collicare and DLVRY. Approximately 75% of the announced contract amount was delivered in the quarter.

Sweden

MNOK	Q1		Year
	2023	2022	2022
Product Sales	53.2	57.2	225.1
Service	33.5	29.5	132.9
Revenue	86.7	86.7	358.0

The revenue in Sweden had a flat development compared to last year. Product mix was changed, as 2023 had higher Pricer ESL installations and lower e-commerce deliveries for Click & Collect lockers. Larger installed base of products with service agreements and sale of licenses for Shop Flow Logistics led to an increase of service revenue by 14%. The e-commerce business consists of both Order Picking software and Click & Collect lockers. The online sale of grocery had a positive development the past months, and ended at 4.7% share of total sales, which is the highest share since Q1 2022. The lockers remain an important contributor to positive margin for e-commerce for the current retailers.



International included R&D

The business segment International included R&D consists of the operating business units in the Baltics, Spain and UK/Ireland, in addition to partner sales in the rest of Europe and rest of world. The ongoing R&D activities for own products have been allocated to this segment.

MNOK	Q1		Year
	2023	2022	2022
- Baltic	46.0	44.3	204.6
- Spain	20.1	22.7	76.8
- UK & Ireland	78.2	-	241.3
- Rest of Europe	23.5	19.2	105.7
Total Revenue	167.8	86.2	628.3
EBITDA	6.4	5.0	53.9
- In %	3.8 %	5.8 %	8.6 %
EBT	-1.6	1.5	21.1
- In %	-1.0 %	1.8 %	3.4 %

The business segment International included R&D increased the revenue by 94.7% compared to same quarter last year. The growth was 4.0% excluding the acquired business in UK and Ireland.

The EBITDA ended at 6.4 MNOK, up 1.4 MNOK from first quarter last year. The gross margin declined to 3.8% (5.8).

Baltics

MNOK	Q1		Year
	2023	2022	2022
Product Sales	18.4	21.4	100.2
Service	27.5	22.9	104.4
Revenue	46.0	44.3	204.6

Revenue from the Baltic operation increased by 3.8% compared to the same quarter last year. The product mix change between product sale and software installation and service had positive gross margin effects. Hardware sale of Self-Checkouts to the large retail chains contributes to some volatility in the quarterly figures. The first framework agreement for Pricer Electronic Shelf Labels to Rimi was announced in the quarter. If the next pilots give equally positive outcome on the retailers' return on investment as previous pilots, the agreement will result in ESL installations in up to 300 stores.

Spain

MNOK	Q1		Year
	2023	2022	2022
Product Sales	15.3	18.2	60.2
Service	4.8	4.4	16.6
Revenue	20.1	22.7	76.8

The Spanish revenue declined by 11.4% compared with the same quarter last year, partly affected by the component situation and challenging macro-economic situation. The sales of cash management systems are done through 'road runners' in the hospitality sector where increased inflation and interest rates when renting systems, have affected the overall sales. Service revenue increased by more than 7%.

Spain oversees a development project for a new Cash Management solution. Management costs related to the project is costed, affecting the EBITDA for Spain negatively. Despite this, the business unit was almost break even in Q1.

UK & Ireland

MNOK	Q1		Year
	2023	2022	2022
Product Sales	-	-	-
Service	78.2	-	241.3
Revenue	78.2	-	241.3

The business in the UK & Ireland do not have comparison figures as the acquisition was closed on June 1, 2022. First quarter is traditionally low season for shop fitting activities as the grocery retailers are spending time on post vacation and end of fiscal year activities. The revenue in the period was on par with the same level in 2022 (not consolidated).

Partners

MNOK	Q1		Year
	2023	2022	2022
Product Sales	22.1	13.5	103.6
Service	1.4	5.8	2.0
Revenue	23.5	19.2	105.7

Partners represent an important contributor to StrongPoint sales force, and in Q1 2023 the revenue increased by 22% following sale of cash management solutions to Bullion IT in South Africa and sale of Self-Checkout to PartnerTech for installation in Poland.

Product segments

In-store Productivity

MNOK	Q1		Year
	2023	2022	2022
Product Sales	78.7	105.8	339.0
Service	24.5	22.4	87.2
Revenue	103.2	128.3	426.2

Revenue for the In-Store Productivity segment declined by 19.5% compared to same quarter last year. The decline was expected as the large Pricer ESL contracts in Norway were fully delivered in Q4 2022. Pilots are ongoing in new countries and market segments, which is expected to contribute positively to the product segment going forward.

Payment Solutions

MNOK	Q1		Year
	2023	2022	2022
Product Sales	44.3	51.1	164.6
Service	28.4	30.3	120.0
Revenue	72.7	81.4	284.6

The majority of the large order for the installation of CashGuard systems to NorgesGruppen in Norway was completed in Q1 2022, leading to an expected decline in revenue in the quarter. The announced order for Bullion IT in South Africa contributed positive, but not enough to close the gap of negative 10.7% versus last year, mainly linked to lower revenue in Norway for this segment.

Check Out Efficiency

MNOK	Q1		Year
	2023	2022	2022
Product Sales	18.7	24.1	115.9
Service	9.4	8.9	39.4
Revenue	28.1	33.0	155.3

Check Out Efficiency declined by 14.9% compared to the same quarter last year, mainly from reduced sale of Vensafe in Norway.

Shop Fitting

MNOK	Q1		Year
	2023	2022	2022
Product Sales	-	-	-
Service	78.2	-	241.3
Revenue	78.2	-	241.3

The Shop Fitting product segment reflects the acquired company Air Link Group. The main revenue work type continued to be made up by 'shop within shop' concession work and 'fast track' front end replacement programs. Example of the revenue type is 'card-only' terminals and a flexible hybrid checkout format, such as the 'Swivel checkout'. Another consistent revenue stream was refurbishment process by where the stores 'assets' are re-used, recycled and refurbished to maximize the existing hardware, rather than replacing with new equipment. Therefore, saving time & money in the process.

Other retail technology

MNOK	Q1		Year
	2023	2022	2022
Product Sales	20.1	18.4	85.9
Service	22.8	20.1	84.6
Revenue	42.9	38.5	170.5

Other retail technology, mainly software projects in the Baltics, increased by 11.4% in the period. The revenue consists of both software, services, and hardware deliveries, both from recurring operation and development projects, for the large grocery retailers in the Baltics.

E-commerce logistics

MNOK	Q1		Year
	2023	2022	2022
Product Sales	46.1	8.9	53.4
Service	10.2	10.6	41.0
Revenue	56.3	19.5	94.5

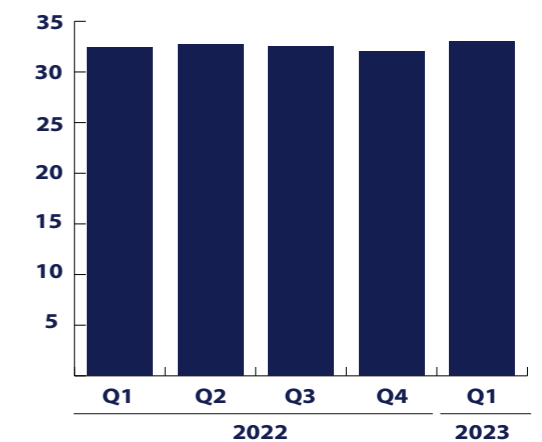
Revenue from e-commerce almost tripled as progress was made on the two AutoStore projects. A total of 39 MNOK was recognized in the quarter, representing approximately 75% of the total contracted amount. Both projects follows the agreed time schedule. Recognition of progress was done through a progress-at-completion evaluation compared to the installation plan. The projects have different progress, reflecting the value created on the two installation sites.

Exclusive AutoStore revenue, other e-commerce revenue declined by 9%, mostly from reduced sale of Click & Collect lockers. The recurring revenue, mostly represented by the license revenue from Order Picking software, remained on the same level as previous quarters.

Technology and R&D update

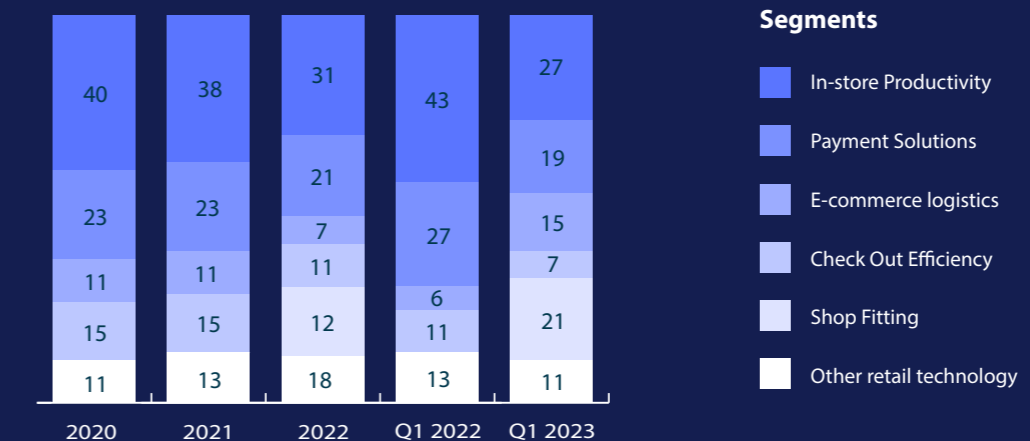
In Q1, the primary focus has been on implementing continuous improvements to enhance efficiency in store picking and Click & Collect processes. Simultaneously, dedicated resources have catered to the needs of several international clients through customer-specific development. This has enabled that the solutions are compatible with the performance requirements of larger global customers, positioning StrongPoint for sustained growth in the upcoming quarters.

Rolling 12 months recurring revenue (MNOK)



StrongPoint Group

Relative share of revenue per segment (%)



Market Trends – Automation & Robotics

Automation

The world's biggest grocery retailer, Walmart, recently announced that 55% of its fulfilment centre volume will go through an automated facility and a staggering 65% of its stores as set to become automated to some extent.

This demonstrates the growing importance of automation in grocery retail. But most importantly smaller scale automated centres that can leverage existing assets: the stores themselves. Although its average stores can be much bigger than what we see in Norway or Europe, there are still lessons to be learnt from this news.

Walmart described their stores as “key nodes”. One of the key reasons is the last mile costs as leveraging stores means the retailer can “lower delivery time and it lowers costs.”

And when it comes to the last mile, pickup via click & collect has proven to be a far more profitable channel than home delivery and less impacted by increasing labour and inflation costs.

Robotics

Amazing news for our partner 1X (formerly known as Halodi Robotics) who have raised \$23.5M in funding led by the company behind ChatGPT, OpenAI. In addition, they have unveiled a new bipedal android model called NEO.

ChatGPT has become one of the most talked-about technological phenomena of recent years. The potential for advanced technologies leveraging the power of artificial intelligence is vast and StrongPoint continues to invest in solutions that can future proof our customers.

// *Automation is expected to be one of the largest investment categories required to enable the digital transformation of grocery in Europe.*

Source: McKinsey, State of grocery Europe 2023
<https://www.mckinsey.com/industries/retail/our-insights/state-of-grocery-europe-2023-living-with-and-responding-to-uncertainty>



Future of Grocery E-Commerce

Confidence in the long-term trajectory of grocery e-commerce continues to be positive. In a McKinsey report contrasting the attitudes of consumers on grocery shopping in 2022 and 2023, attitudes towards buying groceries online remained positive with some markets seeing an increase in demand. Overall, their forecasts continue to be bullish, expecting the market to double by 2030.

// *After a period of postpandemic stagnation, we expect that e-grocery will return to moderate growth and that players will maintain a strong focus on profitability. Incumbents will face increasing pressure from pure players.*

Source: McKinsey, State of grocery Europe 2023

<https://www.mckinsey.com/industries/retail/our-insights/state-of-grocery-europe-2023-living-with-and-responding-to-uncertainty>

Looking at Sweden, where StrongPoint supplies e-commerce technology to all the major grocery retailers, Q1 2023 saw the highest e-commerce share since Q1 2022*, which demonstrates that the 2022 decline was a temporary dip and the long-term future is bright.

Source: Swedish Food Retailers' Federation, The Food Retail Index March 2023

<https://www.svenskdagligvaruhandel.se/wp-content/uploads/The-Food-Retail-Index-March-2023.pdf>

Cash flow and equity

Cash flow from operational activities in the first quarter was -44.2 MNOK (11.9). Changes in working capital, especially receivables and accounting related to large projects explains at large the negative development. The receivables have traditionally low risk in StrongPoint.

Disposable funds were 73.5 MNOK (295.3) per March 31, 2023, of which 44.5 MNOK was available credit facility. The net interest-bearing debt increased by 52.9 MNOK compared to last quarter and ended at 124.6 MNOK. The Group's holding of own shares at the end of the first quarter amounted to 516,325, which represents 1.2 per cent of the outstanding shares.

The Group has shareholder programs for the Board of Directors, the Group executive management and the employees. 71,354 shares have been assigned so far in 2023 (123,975 in the year 2022).

StrongPoint has a long-term incentive program for management and key employees. More information on the program can be found in note 6.

The Board proposed a dividend of NOK 0.90 per share at the Annual General Meeting in April 2023.

Accounting year	General meeting		Dividend per share
2022	27.04.2023	Proposed	0.90
2021	28.04.2022		0.80
2020	28.04.2021		0.70
2019	22.10.2020		0.60
2018	26.04.2019		0.55
2017	24.04.2018		0.50
2016	20.04.2017		0.50
2016	05.01.2017	Extraordinary	1.00
2015	28.04.2016		0.45
2014	30.04.2015		0.35
2013	25.04.2014		0.30
2012	26.04.2013		0.25
2011	08.05.2012		0.25

Statement from the Board

The Board and group CEO have today considered and approved StrongPoint's financial statements for the first quarter and year to date 2023. including comparative consolidated figures for the first quarter and year to date 2022. This report has been prepared in accordance with IAS 34 on interim financial reporting as determined by the European Union, and with supplementary requirements pursuant to the Norwegian Securities Trading Act. The Board and CEO hereby declare, to the best of their knowledge, that the financial statements for the first quarter and year to date 2023 have been prepared in accordance with prevailing accounting principles and that the information in the financial statements gives a true and fair view of the assets, liabilities, financial position and profit of the group taken as a whole per 31 March 2023 and per 31 March 2022. To the best of their knowledge, the report gives a true and fair overview of important events during the accounting period and the impact of these events on the financial statements.

The Board of Directors of StrongPoint ASA

Rælingen, 26 April 2023

Morthen Johannessen
Chairman

Ingeborg Molden Hegstad
Director

Cathrine Laksfoss
Director

Klaus de Vibe
Director

Peter Wirén
Director

Jacob Tveraabak
CEO

Consolidated income statement

KNOK	Q1 2023	Q1 2022	Chg. %	Year 2022
Operating revenue	381 396	300 679	26.8 %	1 372 392
Cost of goods sold	242 037	184 688	31.1 %	850 956
Payroll	90 377	68 129	32.7 %	305 842
Share based compensation	1 517	1 439	5.4 %	5 079
Other operating expenses	33 993	34 919	-2.7 %	134 976
Total operating expenses	367 923	289 174	27.2 %	1 296 853
EBITDA	13 473	11 505	17.1 %	75 540
Depreciation tangible assets	6 838	5 000	36.7 %	25 353
Depreciation intangible assets	2 614	1 751	49.3 %	12 840
EBIT	4 021	4 754	-15.4 %	37 347
Interest expenses	2 130	80	2555.7 %	3 427
Other financial expenses/currency differences	-5 613	1 234	-554.8 %	-3 857
Profit from AC. Service companies	99	74	34.1 %	388
EBT	7 603	3 514	116.4 %	38 165
Taxes	2 407	343	602.1 %	9 060
Profit after tax	5 196	3 171	63.9 %	29 105
Earnings per share:				
Number of shares outstanding	44 888 352	44 376 040		44 888 352
Av. number of shares - own shares	44 319 256	43 723 395		44 260 195
Av. number of shares diluted- own shares	46 688 006	45 623 395		46 928 945
EPS	0.12	0.07		0.66
Diluted EPS	0.11	0.07		0.62
EBITDA per share	0.30	0.26		1.71
Diluted EBITDA per share	0.29	0.25		1.61
Total earnings:				
Profit/loss after tax	5 196	3 171	0.0 %	29 105
Exchange differences on foreign operations	38 373	-9 117	297.8 %	-3 069
Total earnings	43 569	-5 947	297.8 %	26 036

Consolidated balance sheet

KNOK	31.03.2023	31.03.2022	31.12.2022
ASSETS			
Intangible assets	86 917	27 542	82 503
Goodwill	171 513	120 347	159 918
Tangible assets	26 683	19 786	23 755
Right-of-use assets	82 698	38 216	82 698
Long term investments	6 617	4 916	4 978
Other long term receivables	20 364	856	15 147
Deferred tax	18 103	16 844	20 925
Non-current assets	412 896	228 508	389 924
Inventories	218 165	177 159	232 124
Accounts receivables	304 827	213 025	274 348
Prepaid expenses	42 928	24 472	25 731
Other receivables	14 452	6 511	16 265
Cash and cash equivalents	29 014	195 282	47 248
Current assets	609 386	616 449	595 716
TOTAL ASSETS	1 022 283	844 957	985 640
EQUITY AND LIABILITIES			
Share capital	27 831	27 513	27 831
Holding of own shares	-320	-395	-362
Other equity	523 850	465 082	479 738
Total equity	551 361	492 200	507 207
Long term interest bearing liabilities	8 764	10 923	8 087
Long term lease liabilities	61 617	29 736	59 426
Other long term liabilities	42	-	-
Deferred tax liabilities	20 997	8 786	20 997
Total long term liabilities	91 420	49 445	88 511
Short term interest bearing liabilities	60 881	4 630	29 670
Short term lease liabilities	22 372	8 530	21 777
Accounts payable	135 051	102 564	147 839
Taxes payable	4 958	7 069	11 126
Other short term liabilities	156 239	180 518	179 511
Total short term liabilities	379 501	303 312	389 923
TOTAL EQUITY AND LIABILITIES	1 022 283	844 957	985 640

Overview of changes in the equity

KNOK	Share capital	Treasury shares	Other paid-in equity	Translation variances	Share Option Program	Other equity	Total equity
Equity 31.12.2021	27 513	-364	351 262	35 824	5 881	78 076	498 190
Purchase/sale of own shares						-10 278	-10 278
Dividend 2021						-34 991	-34 991
Share Option Program					5 420		5 420
Acquisition of ALS paid in shares	318	310				22 202	22 830
Profit this year after tax						29 105	29 105
Other comprehensive income and expenses				-3 070			-3 070
Equity 31.12.2022	27 831	-54	351 262	32 754	11 301	84 114	507 207
Purchase/sale of own shares						1 629	1 629
Share Option Program					-1 044		-1 044
Profit this year after tax						5 196	5 196
Other comprehensive income and expenses				38 373			38 373
Equity 31.03.2023	27 831	-54	351 262	71 127	10 257	90 939	551 361

Statement of cash flow

KNOK	Q1 2023	Q1 2022	Year 2022
Ordinary profit before tax	7 603	3 514	38 165
Net interest	2 130	80	3 427
Tax paid	-6 867	-4 389	-17 989
Share of profit, associated companies	-99	-74	-388
Ordinary depreciation	9 452	6 751	38 193
Profit / loss on sale of fixed assets	-	-	-84
Change in inventories	28 864	29 392	-1 146
Change in receivables	-12 936	-40 851	-48 506
Change in accounts payable	-23 078	2 961	10 351
Change in other accrued items	-49 298	14 466	-5 390
Cash flow from operational activities	-44 229	11 851	16 633
Payments for fixed assets	-641	-1 944	-11 144
Investments in other companies	-1 539	-67	-15
Payment from sale of fixed assets	-	-	60
Net effect acquisitions	-	-	-88 695
Net effect divestment	-	19 641	19 641
Dividends received from associated companies	-	-	200
Interest received	162	324	772
Cash flow from investment activities	-2 018	17 954	-79 181
Purchase/sale of own shares	1 629	-1 186	-10 278
Change in long-term debt	-8 243	-3 985	-23 540
Change in long-term receivables	-4 273	-	-13 668
Change in overdraft	37 109	-2 389	20 934
Interest paid	-2 292	-404	-4 199
Dividend paid	-	-	-34 991
Cash flow from financing activities	23 931	-7 965	-65 741
Net cash flow in the period	-22 317	21 840	-128 290
Cash and cash equivalents at the start of the period	47 248	174 198	174 198
Effect of foreign exchange rate fluctuations on foreign currency deposits	4 083	-757	1 339
Cash and cash equivalents at the end of the period	29 014	195 282	47 248

Key figures

KNOK	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	YTD 2023	YTD 2022
Income statement							
Operating revenue continued operations	381 396	404 980	345 884	320 849	300 679	381 396	300 679
EBITDA continued operations	13 473	33 553	20 669	9 813	11 505	13 473	11 505
EBITA continued operations	6 635	25 242	14 446	3 995	6 505	6 635	6 505
Operating profit EBIT continued operations	4 021	20 978	10 228	1 387	4 754	4 021	4 754
Ordinary profit before tax (EBT) continued operations	7 603	17 436	9 911	7 305	3 514	7 603	3 514
Profit/loss after tax continued operations	5 196	12 628	8 033	5 274	3 171	5 196	3 171
EBITDA-margin	3.5 %	8.3 %	6.0 %	3.1 %	3.8 %	3.5 %	3.8 %
EBT-margin	2.0 %	4.3 %	2.9 %	2.3 %	1.2 %	2.0 %	1.2 %
Balance sheet							
Non-current assets	412 896	389 924	376 906	341 930	228 508	412 896	228 508
Current assets	609 386	595 716	623 488	571 373	616 449	609 386	616 449
Total assets	1 022 283	985 640	1 000 395	913 304	844 957	1 022 283	844 957
Total equity	551 361	507 207	509 071	496 895	492 200	551 361	492 200
Total long term liabilities	91 420	88 511	98 031	63 723	49 445	91 420	49 445
Total short term liabilities	379 501	389 923	393 292	352 686	303 312	379 501	303 312
Working capital	387 941	358 632	371 147	355 461	287 620	387 941	287 620
Equity ratio	53.9 %	51.5 %	50.9 %	54.4 %	58.3 %	53.9 %	58.3 %
Liquidity ratio	160.6 %	152.8 %	158.5 %	162.0 %	203.2 %	160.6 %	203.2 %
Net interest bearing debt	124 619	71 712	66 939	24 555	-141 462	124 619	-141 462
Net leverage multiples	1.61	0.95	1.08	0.50	-2.75	1.61	-2.75
Cash Flow							
Cash flow from operational activities	-44 229	38 091	4 008	-37 317	11 851	-44 229	11 851
Net change in liquid assets	-22 317	-6 403	2 775	-146 502	21 840	-22 317	21 840
Share information							
Number of shares	44 888 352	44 888 352	44 888 352	44 888 352	44 376 040	44 888 352	44 376 040
Weighted average shares outstanding	44 319 256	44 482 947	44 740 494	44 080 320	43 723 395	44 319 256	43 723 395
EBT per shares continued operations	0.17	0.39	0.22	0.17	0.08	0.17	0.08
Earnings per share continued operations	0.12	0.28	0.18	0.12	0.07	0.12	0.07
Earnings per share, adjusted *	0.18	0.38	0.27	0.18	0.11	0.18	0.11
Equity per share	12.44	11.40	11.38	11.27	11.26	12.44	11.26
Dividend per share	-	-	-	0.80	-	-	-
Employees							
Number of employees (end of period)	514	511	517	513	418	514	418
Average number of employees	513	514	515	451	409	513	409
IFRS 16 effects continued operations							
Reduced OPEX	6 371	7 188	5 179	4 685	4 107	6 371	4 107
Increased depreciation	5 437	6 277	4 310	4 489	3 915	5 437	3 915
Increased interest expenses	934	911	869	197	192	934	192
EBT	-	-	-	-	-	-	-
Cash flow from operational activities	6 371	7 188	5 179	4 685	4 107	6 371	4 107
Cash flow from financing activities	-6 371	-7 188	-5 179	-4 685	-4 107	-6 371	-4 107

Note 1 Confirmation of reporting framework

The condensed and consolidated quarterly financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The quarterly financial statements do not contain all the information required in an annual financial statement and should be read in connection with the Group financial statements for 2022.

Note 2 Key accounting principles

The accounting principles for the report are described in note 2 in the annual financial statements for 2022. The Group financial statements for 2022 were prepared in accordance with the IFRS principles and interpretations thereof, as defined by the EU, as well as other disclosure requirements pursuant to the Norwegian Accounting Act and the Oslo Stock Exchange regulations and rules applicable as at 31.12.2022. The quarterly report and the interim financial statements have not been revised by auditor.

Note 3 Segment information

Reporting segments

MNOK	Q1 2023			Q1 2022			Year 2022		
	Revenue	EBITDA	EBT	Revenue	EBITDA	EBT	Revenue	EBITDA	EBT
Nordics	213.6	15.3	13.6	214.5	17.6	14.9	744.1	67.2	59.5
International incl R&D	167.8	6.4	-1.6	86.2	5.0	1.5	628.3	53.9	21.1
ASA/Elim	-	-8.2	-4.3	-	-11.1	-12.9	-0.0	-45.6	-42.5
Total	381.4	13.5	7.6	300.7	11.5	3.5	1 372.4	75.5	38.2

Operating revenue by product and service

MNOK	Q1 2023		Q1 2022		Year 2022	
	New sales	Service *	New sales	Service *	New sales	Service *
Nordics	152.0	61.6	155.3	59.2	494.8	249.3
Rest of Europe incl. R&D	55.9	111.9	53.1	33.1	264.1	364.2
Elim / ASA	-	-	-	-	-	-
Total	207.9	173.5	208.3	92.3	758.9	613.5

*) Service and licenses

Note 4 Related parties

No significant transactions between the Group and related parties had taken place per 31 March 2023.

Note 5 Top 20 shareholders per 31 March 2023

No.	Name	No. of shares	%
1	STRØMSTANGEN AS	3 933 092	8.76
2	SOLE ACTIVE AS	2 221 717	4.95
3	V. EIENDOM HOLDING AS	1 865 000	4.15
4	PICTET & CIE (EUROPE) S.A.	1 791 821	3.99
5	HSBC BANK PLC	1 736 000	3.87
6	NORDNET BANK AB	1 497 641	3.34
7	ZETTERBERG. GEORG (incl. fully owned companies)	1 425 000	3.17
8	AVANZA BANK AB	1 263 074	2.81
9	RING. JAN	1 176 648	2.62
10	VERDADERO AS	1 137 403	2.53
11	VERDIPAPIRFONDET DNB SMB	886 783	1.98
12	EVENSEN. TOR COLKA	844 000	1.88
13	WAALER AS	770 000	1.72
14	HAUSTA INVESTOR AS	639 600	1.42
15	JOHANSEN. STEIN	580 000	1.29
16	MP PENSJON PK	561 402	1.25
17	STRONGPOINT ASA	516 325	1.15
18	ALS KINGFISHER LIMITED	506 156	1.13
19	EUROPEAN RETAIL ENGINEERING LIMITED	506 156	1.13
20	MORGAN STANLEY & CO. INTERNATIONAL	412 857	0.92
Sum 20 largest shareholders		24 270 675	54.07
Sum 2 579 other shareholders		20 617 677	45.93
Sum all 2 599 shareholders		44 888 352	100.00

Note 6 Share option program

Total costs and Social Security Provisions	2020	2021	2022	Q1 2023	Total
Total IFRS cost	440	5 441	5 420	1 308	12 609
Total Social security provisions	36	737	- 341	209	641

Granted instruments:

Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2023)	2 668 750	23.54
Granted	-	
Exercised	-300 000	
Terminated	-50 000	
Outstanding CB (31.03.2023)	2 318 750	
Vested CB	381 250	

Method of valuation:

The fair value of share options granted is estimated at the date of grant using the Black-Scholes-Merton Option Pricing Model. The model uses the following parameters; the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option.

Vesting requirements:

The vesting of the options is dependent on the participant still being employed at Strongpoint at the time of the vesting.

Method of settlement:

All StrongPoint ASA options are intended to be settled in equity, but can be fulfilled through a cash-out settlement at the Boards' discretion.

Vesting period

The options will vest over three years, with 1/4 vesting after one year, 1/4 after two years, and the remaining 2/4 after three years. The split in vesting underpins the retention ambition of the program. Any non-exercised options expire five years after grant.

Definitions

Working capital	Inventories + accounts receivables – accounts payable
Equity per share	Book value equity / number of shares
Operating revenue	Sales revenue and profit from AC, Service companies
EBITDA	Operating profit + depreciation fixed assets and intangible assets
EBITA	Operating profit + amortization of intangible assets
EBIT	Operating profit
EBITDA-margin	EBITDA / operating revenue
EBT	Profit before tax
EBT-margin	EBT / operating revenue
Equity ratio	Book value equity / total assets
Liquidity ratio	Current assets / short term debt
Earnings per share	Profit after tax / number of shares
Diluted	Number of shares minus own shares plus shares granted in share option program
Earnings per share adjusted	Profit after tax + amortization of intangible assets / number of shares
Net leverage multiple	Net Debt / 12 months rolling EBITDA
Net change in liquid assets	The total changes in cash flow from operational activities, investment activities and financing activities



StrongPoint