

06-May-2025

Trifork Group AG (TRIFOR.DK)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Frederik Svanholm

Group Investment Director, Trifork Group AG

Welcome to the Presentation of Trifork's First Quarter Results for 2025. My name is Frederik Svanholm, Group Investment Director at Trifork. And today, our CEO, Jørn Larsen; and our CFO, Kristian Wulf-Andersen, will be providing a presentation of approximately 40 minutes, followed by Q&A. Before we start, I would like to say that the presentation will be recorded and it's made available in its full length on our investor web page. Also, if you want to download the presentation for today's call, you can find it on the front page of our investor website. And third, for the Q&A, we invite you to ask questions and engage with management.

Let's jump to the presentation, and I now hand over to our Group CEO, Jørn Larsen. Jørn, please go ahead.

Jørn Larsen

Chief Executive Officer, Trifork Group AG

Thank you, Fred, and thank you, everyone, for taking your time to listen to this call. I'm looking forward for the questions at the end. But first, we have our presentation of Q1 2025. So overall, we started the year on a good pace, and we make this slide here where we illustrate one of our products in action. And the headline we put here is, good progress towards a product-led future. And I would like to put a few words on this, because the whole industry, the software industry and consultancies and software companies are in a big transformation, not just by the effect of AI and the big changes that has that we can talk about later, but also the big geopolitical situations.

And now, we see there is an unemployment in the tech sector, which we didn't have one or two decades ago. Now, we have. So there is a lot of changes in the world right now, but in tech, I think, even more than in other industries. So we see that the future of Trifork is to become more of a product company than a service company. And as you know, we have always divided our business in Inspire, Build, Run, where Run actually was recurring revenue and based on products and hosting and support. But in 2024 and in 2025 and going forward, we are in,

you can say, a transformation. We are transforming Trifork from the old way of doing things 10 years ago to in hopefully five years where it will look quite different. And right now, we are in the middle of this transition.

And what we say is that, when we talk to customers, we will bring our capabilities forward, our products forward. We will listen to what problems they have. We already have a very good idea about a specific industry's challenges at any given time. And we address these challenges that they have with the capabilities and the products that we have on the shelf. And when we say product-led, it does not mean we don't do service anymore, but the service we do are way more focused towards implementing our products and make sure our products fit like a hand in a glove into the organization of our customers. And let's just carry on with the presentation.

So when we look from top down, we have the Trifork Group, we have Trifork and Trifork Labs. In Trifork, we have Inspire, Build, Run, and we have the Private and Public division of our business. And so Inspire, Build, Run is composed of business into various industries. You will probably notice that we don't report on digital health and fintech and those things anymore, because now we actually focus on specific industries such as energy and aviation. We still do digital health and fintech, but they are more than just three verticals at Trifork now. There is a vertical for each product family. And some of our product families, we will also talk about later, actually has a more horizontal effect so we can sell them to more verticals. In Trifork Labs, we have 24 companies. Our book value is just short of €83 million. And let's just continue.

If we look at the development over the past many years, you will see that 2024 was this year where we had this disruption in growth. We believe, with our guidance and our Q1, that we are on a growth track again. As we could see also in Q4, we were already growing, and Q1 is an add-on to Q4. And I will talk a little bit about the distribution between quarters for Trifork. And also on profit, we believe we can recover from the disruption in a good profitability we saw in 2024, and we are good on track with the numbers of what we see in Q1, but we also have some more comments on that. Let's move on.

So here, we see the last many quarters of Trifork since 2020, actually. And of course, we can see a general trend line growing as it should. But I mean, we don't take it for granted. It's something we work hard for every day. And everyone in Trifork is doing the utmost to make this happen. So actually, we see, if we look at Q4 and Q1, there are some interesting differences here. So you will see that there's a rather large orange add-on in Q4, and that is our conferences in Australia and in Copenhagen. We see that there is hardly any in Q1, which is normal if we look back to all the other Q1s for the former years. And this year we still expect a good chunk of orange coming in Q4 2025. So we can talk about this in three quarters' time.

But we also see that the dark color is rather high, actually also all-time high. And that is our Run component with scalable revenue, and you can say that's the highest quality of revenue we have. And we can see the trend is that it's growing. But specifically, in Q1, it is rather high. But then also what we can see because now you can ask yourself, okay, what is going to happen in Q2. So if you look back to Q2 2024, you will see that was actually an orange bit, and this orange bit, we don't expect to see in Q2 2025. And the other thing is that, we did have a good license agreement that is recurring coming in in Q1. That will happen again in Q1 2025 and 2026. But that will not happen. That component will not happen in Q2. There might be another component happening that will then repeat later on. But Kristian can talk more into the dynamics of this. So a good Q1, all-time high revenue, and I put a little expectation on what we can expect to see in Q2, but also for the year and Q4, a few words. Let's move on.

Overall, we have at present time comfort to maintain our guidance. So what we know right now, we maintain our guidance. And also, what gives us in this moment a little comfort is that, we know that we will see some effect

from previous agreed cost savings that they will kick in later in the year, Q3 and Q4, more than Q1, actually. So we know that there is some EBITDA components coming in later. Let's move on.

Also, the way of looking at Inspire, Build, Run, we are changing a little bit. So for many years, actually, we have seen this circle, and we are used to talking about, it goes from Inspire, then Build, then Run. And actually, we are thinking to change this because the dynamic of the new business we have is different. So what we do more and more is that, we put our products forward as mentioned in the beginning, but that means that we are in contact with hundreds of customers to figure out if there is a match between their problems or challenges and our solutions and product. And that's very different from how we did business just five years ago.

So we don't necessarily go through this Inspire, Build, Run anymore. Actually, we go if we can directly to Run. And the way we go to Run is maybe that we run a pilot. So in the future we'd like to track Inspire as we do a pilot with a customer. So they test our product. And that will serve as an inspiration for them to do things differently. And hopefully then, they will say, that's a good change, we like to buy the product, and then they buy the product. But then they want to implement the product in the organization, and then they becomes Build. So the whole order will change a little bit and we would also – we can also see that record-high Run, 32.2%.

We have never seen this level of Run before. But I also told you about the seasonality about it. So we cannot expect that now it's always just 32% or more. That's not going to happen. It will flux a little bit up and down, but the general trend will be and what we aim at is Run will take a higher and higher ratio of the total revenue. That's the whole idea. Let's move on. So if we look at some main events in Q1, then from the customer highlight, we won some tenders in Denmark in public business. So this is with the municipalities and regions of two major regions in Denmark with hosting and operation. That's a big win because it's a long-term contract. We also won our first digital health engagements in Oman. So now we are active in Denmark, Switzerland, Oman. It's almost like stepping stones down through Europe and to Middle East. And hopefully, we can fill up some of the spaces in between.

But the reason why we have success in rather small countries between 5 million and 10 million citizens is that, we see that it's easier to transform a healthcare system and digitalize it in a smaller society than, for instance, in Germany, UK, or US, and where these areas are more challenged in implementing countrywide and region-wide systems. And so that is a good signal for us. And in Switzerland, we're still very early in the journey. In Denmark, we are quite mature. And in Oman, we just got started. And also in Switzerland, we are working with a major insurance company, which is a really good win for us, and where we contribute to the continued success of our customer.

From the organization, we will see that churn is still rather high, and that is an effect of this transformation we are in. So when we transform the business from being more from service to more product-led, it actually requires a number of changes in the organization, which has effect on churn. And luckily, we see, compared to 2024, that there was a little less sickness, still high. I'd like to see it below 2% because that's where it was in the past before COVID. And we also see that we have been able to maintain the average age in the company, which is a good thing, that we just don't get one year older per year. So we're actually succeeding in bringing in new talent. Partnerships are very important. We are present together with customers on stages in Denmark, in international conferences, in US and also all over Europe and typically together with Apple events or SAP events. Let's move on.

And as you remember from last year where we had a little shock in how the world took some turns and it has some effect on us, we prioritize some must-win battles for Trifork. And we have continued this work. So here you see what is top of mind of management. And first, I already talked to it, more Run and this product-led business.

But also we know that there are more of our product and services that can serve one and all our customers. So once we are in and we already gained the trust, then we are confident that the customer can take advantage of more than just one product or services from Trifork. We are strengthening our partnership with especially the big like SAP and Apple, NVIDIA, and Lenovo. And it's crucial for Trifork that we are very close to these partners and that we also are meaningful to them.

With tech, that's why we keep Inspire. So some could say, why don't you just eliminate Inspire Inspire is extremely important. It's important we inspire our customers. It's important that we are inspired from the tech world. So that's why we maintain the conferences. And this year, it will be a very good event in Copenhagen. We already have a lot of tickets sold than since COVID than never before. And also in Australia, things are moving pretty well. And we also have a strategy to maintain our M&A. And you can see the stars to the right is how well we think we have succeed with each of these priorities so far. So we need to put more attention into M&A again. So that's a priority for management. Let's move on.

So this I already mentioned, that we are focusing way more on products. And one of the products we announced late last year was our Corax AI platform, and what is already in the market for a few years, our Corax Data, but also new products like Corax Twin and Digital Twin platform. So these new platforms are really showing good traction. And also with our Arkyn, our lab company, Arkyn tools and products, like FastWork in particular, is very successful. And last quarter, we announced Energy Transfer, which is a large American energy company. And we have a good trend and growing pipeline on the different products.

We also like to – like we did with Corax AI last year, we like to announce, it's not a big launch, but it's just a heads-up for you, that a number of people have approached Trifork and said, can you do something about this US dominating position of foundational software such as cloud, such as social media, such as communication tools. And actually, we have picked up this challenge. And so we have developed a first version of a new communication platform called Iris. And we will talk more about this in the future. But if any of you know companies that has a desire to make sure that you know where your communication is stored and that is safe and secure, and that is very seamless – like it's seamless communication in your organization, then you should take a look at Iris. And there will be a landing page on our trifork.com, and I am already testing this and has been doing this for weeks now. And I'm very happy with the progress.

And why this communication? So actually, Trifork played a little role in the inception of WhatsApp years ago. And over the past many years we have implemented communication and chat functionality with more than 50 organizations worldwide. So this is something we have done many times. And now we want to build an actual product and not just help other companies build their products. So I'm very bullish on this product. So if you have any interest, please reach out to me. Let's move on.

So basically, already I've mentioned, we see AI as a foundational and elementary tool nowadays. It's moving very fast. You probably hear and read a lot about AI. And we are taking it to our customers every day as we speak. And here we have a quote from one of our customers where we have optimized the process within grants. So there's a lot of things going on with AI, and everyone is asking, how can we use AI here and how can we use it there. And so this is becoming normal day to follow what's going on, but also to use it in everyday solutions with our customers. Okay. Let's move on.

And one of the new industries that we look at as an industry and not just as a few customers, so for 15 years, we have been working with some airlines in Europe and we have been very fortunate to innovate a lot of stuff for especially cabin crew, optimized scheduling, peer-to-peer communication, and also in the last one or two years

with spatial crew training. And here you see the world map, because airlines, they fly all over the world and they are also headquartered all over the world. And so we have identified 100 airlines that we really like to work with.

We love to work with airlines because we know we can really help optimize, and we have some cool technologies and products. And here, we just give you a little track so you can see how it's going. It's the beginning of a scale-up, but we already have deep relationship with some airlines, but we would like to have it with many more. Let's move on. I think I already covered fieldwork and also we are spending time a little bit too quickly here, but fieldwork is – and especially in the energy sector, is really a focus area for us.

Next. From Labs, not to forget, we had a good Labs year last year. We have a portfolio of startups that I'm really proud of. And we are of course constantly working to optimize, tune and also create new companies. But one of the big news in this quarter and what we have been working on for a few months but was announced in May is a capital injection to Dawn Health that will take them a good step into developing a business accordingly to the business plan. And this is a continuation of fundraising that was done few years ago. So that is very comforting that this came out in a good way.

And I would also say that the most strategic lab company to develop right now is Arkyn, because Arkyn is one of the growth drivers for Trifork and has a huge potential in growing as a successful lab company going forward. Let's move on. And here you see the overview. Apart from what I already mentioned, no big changes. You will see Frameo coming into the top 10. Frameo is this picture frame. So if you don't already have Frameo and the app Frameo, please check it out. It's really a cool product, and it's taking off in many, many markets around the world. And it's this feature where you can send photos to your family. And so it connects and store memories, something really important. And also, XCI is continuous to show good traction. And after the small divestment, it's kind of like XCI next level that we are building. Let's move on.

So Kristian, the word to you.

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

Thank you, Jørn. So now I would just go through the highlights in relation to the first quarter of 2025. Well, as Jørn showed here, we had a 14.1% growth and the first quarter of 2025 ended with the highest revenue in one quarter in Trifork, in the history of Trifork. The Trifork Group segment revenue, as you see, the 14.1% growth, then 3.5% was inorganic growth coming from the two acquisitions that we did last year of Spantree and Sapere. That will count as inorganic growth until end of May and the end of June on the two different acquisitions. In the second half of the year, we don't have any inorganic growth yet based on the past acquisitions. So any new acquisitions coming in would then be additional to the second quarter, if we have not included any potential new acquisitions in the current guidance.

In relation to the cost saving program, Jørn talked a little bit into it, that we are on plan, on track and we have identified the €10 million we wanted to identify. I'm not saying that we will stop, but this is now identified and we have taken actions to implement this. The full impact will be from September and forward in the 12-month running phase. But here initially, when we have done the adjustments in the organization, then there has been additional cost to some of that as well. So we don't expect the €10 million to be a full effectful within 2025 as a whole because there was also these additional costs. All the cost is taken in as normal business operations. So we have not added anything as adjustments, but just taking that in as the cost in Q1. But the cost savings will be back-end-loaded to improve the second half of the year.

In relation to the performance looking into the quarter, then we realized 12.8% in EBITDA margin. And as said, this was not too much impacted by cost savings in the first quarter. The second quarter will be a little better, anything equal, and then the remaining part would be in the second half. Overall, for the Trifork Group performance on EBIT, then we realized 2.8%, which was more or less double from Q1 last year. EBIT was impacted by the same things as EBITDA. We had a little higher depreciation/amortization from the new acquisitions done last year of Spantree and Sapere, but otherwise was more or less in the same level as in 2024.

Overall, looking into the different segments, these different subsegments, then here, we see the revenue quarter-by-quarter in relation to the Inspire. And as you see here, you see, as Jørn talked into, that Q4 is increasing the revenue based on the conferences we have in Copenhagen and in Australia. And this is also how we expect that to be in 2025. And the other highlight we see is Q2. Q2 this year, as said, we do not expect to be as high as last year. So you can be prepared for that. But then slowly to improve the EBITDA margin, so expecting actually for the second half individually to be breakeven to a plus, but still have some cost in the first half of the year. So these are the actual numbers here. I'll not talk so much more into this.

In relation to Build, we have shown here the same revenue development quarter-by-quarter in this way. When comparing to last year and the first quarter, then the first quarter 2024 was actually before we saw the decrease of revenue caused by a few of the larger companies or customers in the UK. So comparing the figures in Q1 last year was to some extent higher, and before we saw this drop in revenue from those customers. So being on par in relation to Build is then caused by the growth that we saw in the US and in the Danish market primarily. Margins slowly improving from Q3 2024 and onto now. And as said, we expect also to see a future improvement in the margins in the remaining quarters of the year.

We're all here, once again, more or less the same EBITDA results in Q1 as last year with a slightly lower margin. The margin here is also impacted by the changes in organization that I talked into before where we have some front-loaded cost when doing changes in the organization. Until now, in relation to Build, we have not seen any new customers announcing that they want to stop engagement, et cetera. We see more or less the same behavior as we have seen for the last many quarters now. So overall, we still see market to be more or less in the same area within Build. That said, we are still focusing on that a lot more of our Build-based revenue be tied into the product-based revenue. So as Jørn talked into, this would be product-led. So we also expect in the future to start reporting on how much of the Build-based revenue would then be directly related to the product revenue.

Overall, you see here the inorganic part from the two companies I just mentioned before was 4.5% growth in the quarter, so minus of 1.2% overall, everything included. And one thing here, now we go to the Run. And as you see, it was the highest quarter for Run in the history of Trifork. That was helped here in Q1 based on one of the large engagements that was finally coming in and was been delayed for some time. Now it came in starting with the hardware revenue. And in the end of hardware-based revenue, we then have implementation and we have all the other things that we need to do. So that is always being a start of something new and something good when we also see those chunks of hardware-based revenue. We saw the margins being little down. We don't have that high margins on hardware. So that is primarily the explanation for margins being down here. But also there are some seasonality in always Q1 being lower in Run-based margin.

Here we have the Trifork segment distributed to the different areas of revenue streams. And here you see the large portion of hardware-based revenue, just about €4 million in Q1 2025. It was an engagement where we saw this delayed from 2024 into 2025, and this was also communicated earlier. The most important part here is the license and support, dark orange. This is really where we focus in order to increase the revenue on our own products to support also the hosting and security operation. So the two dark orange and dark gray in the bottom is really where we focus in increasing revenue in the future. So overall here compared to the first quarter last year,

we improved the margins. You could say, if looking into this and taking out the impact from the hardware-based revenue, then margins would be around 20% in the quarter.

Our Labs segment going into this, as Jørn said, we didn't have any major reassessment of any of our investments. The investments we got into Dawn Health was realized in Q2. I would expect a small value decrease in that investment due to that we will be diluted a little bit in the investment, but not anything significant here. In the first quarter, we had cost of running the organization of €0.5 million. Then we had some dividends proceeds coming from our Labs investments. And there were only fair value valuation that was changed was that the investments that we hold related to USD. And based on decrease of USD compared to euro, we saw a decline of the value there, but that was more or less leveraged by the proceeds that we have in realized gains on the dividends. So overall, we now have €75.4 million in realized gains since 2016 when we started reporting on this. And we have a total book value of €82.7 million.

The cash flow in Q1 was positive. It was positive both from operational cash flow, but also from investments. So we cashed in on the part exit of XCI as was announced in Q4. And then we decreased our debt and financing in the bank. So net debt after Q1 was recorded to €36 million, a decrease of €10 million compared to end of 2024. We're just in the process of a share buyback program. And as stated here, 43% complete as of 2nd of May. So we expect this to last until the end of June. And this is handled in the Safe Harbor process where we cannot impact exactly how much is spot, et cetera. So that is controlled by the bank.

This is all here. So now we move on to Q&A.

QUESTION AND ANSWER SECTION

Frederik Svanholm

Group Investment Director, Trifork Group AG

A

Thank you, Kristian. I would like to ask you to limit yourself to two questions, please, and then get back in the queue for more questions, and that will give everyone a chance to ask their questions. So just to reiterate what it also says here on the slide, if you want to ask a question, please click the raise hand button. I will announce your name and then you can unmute yourself. And we will start with the first questions from Poul from Danske Bank. Poul, please go ahead.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Yes. I assume you can hear me. Thank you for taking my questions. First question is on the guidance you've given for the full year. I was just wondering, you gave that before Trump started his tariff war against more or less the whole world. I was just wondering, so the risks to this guidance, what do you see among the clients, and if you see them pulling back, there's been many negative comments by peers so far. So do you see a risk or do you feel very confident, or do you have to see how it develops the next three months before you can make a more concrete review of second half?

Jørn Larsen

Chief Executive Officer, Trifork Group AG

A

So of course, there is a lot of changes in the world and the tariffs and all the other, like I say, big events influencing the markets. And our take on this is that, there's not much we can do there. But what we can do is to fill more into our pipeline and faster into our pipeline. So what we are tracking is, it's just to build way more into

our pipeline. And with products you can do that because you can – as I said, we used to work with a small amount of airlines. Now, we address 100 airlines. So if we can 50x our – you can say, our impact into the market, yes, then, of course, it might happen that the airlines are affected by the tariffs indirectly from whatever people have less money, travel less, yes. But the offerings we have into airlines is really cost saving.

So if they want to save cost, they should work with us. If they want to get better products and services to the customers and passengers and better tools for the crew, they should work with us. So the products we put in the market right now, it goes for the productivity tools for FastWork is cost saving. So we focus solely on cost-saving products, and we are selling way harder than ever before. And so that's the way we mitigate whatever will happen because we are sure something that we don't even talk about today will happen in one or two months because that's how the other months and quarters have been. Something totally unpredictable shows up, and that's our tactics, Poul. But right now, we don't see an effect of tariffs or anything else directly into something that currently changes our guidance.

Poul Ernst Jessen*Analyst, Danske Bank A/S*

Q

Right. But do you see it into the time clients take to make a decision, or if they are reducing the scope of projects or whatever?

Jørn Larsen*Chief Executive Officer, Trifork Group AG*

A

There is. And I think in the US, we can see that there is a little more reluctance in closing deals. This we see. On the other hand, we see in Europe more urgency in doing things faster. So we see that the whole defense discussion about Europe should stand up for its own share of protecting freedom and democracy. And we are positively affected by some of those trends. And luckily, we see more urgency there. So yes, we see reluctance, let's say, in the energy sector in the US. But even there, the energy sector we address now is, you can say, traditional energy, which Trump is saying, just go ahead, and renewable energy less so. But our tools work equally well if it's green energy. We prefer that it's green energy, but it also work in oil and gas. So we try to hedge these trends and effects, if it makes sense, Poul.

Poul Ernst Jessen*Analyst, Danske Bank A/S*

Q

Yeah, it does. My second question is about the transformation you started out by talking. And you said more products into the company. I was wondering, when you talk products, is that your own IPs, or is it selling the standard solution by others, or is it your own platforms? And then the impact on your M&A thoughts, where are you focusing to add things?

Jørn Larsen*Chief Executive Officer, Trifork Group AG*

A

Yes. Good comments and questions. And I think, the best answer is to show the graph of how Run is compiled. And before we find the picture, I would say that, we focus on own IP. But of course we also – I mean, as Trifork grows bigger and the brand is stronger, we also have the opportunity to resell interesting, innovative IP from partners and startups, and we can get, you can say, way better margins on that than if we sell big tech or hardware, because there we already guided many times that third-party licenses.

For the most part it's low margin, license and support of our own is high margin, but it can also be high margin if it's a close partner where we have a strong position in the market and they have a weak position in the market.

Then we can get maybe 20%, 30% margin. And then we don't have to invest in the product because that's what we buy. But what we can control is our own IP. So most of the thing you see is our own IP push into the market.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

And then the M&A extension on the question, where you're focusing?

Jørn Larsen

Chief Executive Officer, Trifork Group AG

A

Yes. So there is another megatrend you can say, and that is, it's way harder for startups to get funding now. That's also why I mentioned the Dawn funding and the Arkyn. But that counts for every startup in the world. So no matter how cool stuff you have, you still have way harder time getting it funding with a few exceptions than before. So what you could do instead is just to find a partner that can sell your software, which will reduce the level of funding you need.

And there, we are a good partner. And the next step could be small M&As in product. We will not buy big product companies, but we could maybe buy us into, first, a non-controlling interest maybe and then a controlling interest in a product company, because the multiples or valuation has come down quite a lot. So where we said five years ago, there's no way we can buy a product company, now, there could be a way, if that makes sense.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Yeah. Okay. Thank you.

Frederik Svanholm

Group Investment Director, Trifork Group AG

A

Thank you very much, Poul. And the next question will be from Yiwei Zhou from SEB. Yiwei, please unmute yourself and you can go ahead. Yiwei, are you with us?

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Hello? Can you hear me?

Frederik Svanholm

Group Investment Director, Trifork Group AG

A

Yes, we can hear you.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Perfect. Thank you for taking my questions. And I just want to ask about the margins in Build. And you mentioned in the report it was diluted by the presale investments in Q1. I was wondering if you have seen the return already here in Q1, or you expect some sort of large contract wins in coming quarters.

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

Yes. Maybe I can answer that because, I mean, we especially have focused a lot on the e-health area. And Jørn talked into, you could say, already some wins, but we also see more potential in the areas that we are in. And this is one of the areas where we have accelerated, you could say, on the presales activities. It's too soon to say whether, you could say, if it will give a big win or not, but this is how we work, you could say, always. But we have been loaded a little bit higher than we would be on normal basis.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. Great. Very clear. And secondly, on the private segment in Denmark, 14% growth in current market. I think it is quite impressive. I was just wondering, is there like easy comps here in Q1 last year in the private segment, or is the underlying performance? And also, if you can comment on what is your expectation for the coming quarters, because I know that you are more in private segment probably and having that short-term projects. I was thinking that if this can continue, the trend.

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

Yes. So you could say, overall, then the public sector grew more in Denmark than the private sector as we already showed. And the distribution in between private and public in Denmark is more leaning towards public than for the whole group. So we have a higher ratio of public business now in the Danish market. That said, I would say that, we still see, you could say, the same behavior at our private customers as we have seen and talked about for the last many quarters, that it does take longer to decide. So decision cycles are longer, et cetera. So we don't see an improvement there. But you could say, as Jørn talked into, the more pipeline you have, the more anything equal you would win over time. So I do believe that this is something that has to do with the acceleration that we've done in business development. But of course, we cannot promise if it can continue in that ratio, or if we will flat out more, or if we can keep this low.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Great. Thank you very much. If I may ask a very quick question. It was actually a follow-up to Poul's question. And Jørn, you answered and you have more, or you benefit from this defense trends. Are you referring to that, see the European customers reducing dependency on the US, or it's defense sector you referred to? Could you please clarify?

Jørn Larsen

Chief Executive Officer, Trifork Group AG

A

So it's primary authorities and agencies within defense. It's not so much into private companies and defense. So it's public business. And I think that's what I can say. So of course, we are not making hardware cannons and weapons. We are making software and intelligent systems and AI. So it's in that area.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. Great. Thank you so much. I'll jump back into the queue.

Frederik Svanholm

Group Investment Director, Trifork Group AG

A

Thank you very much, Yiwei. We currently do not have any other raised hands. So I'll just give it a few seconds to see if anyone else wants to ask a question. Yeah. We have Poul back in the queue. Poul, please go ahead.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Yes. I have a few ones. Just to follow up on Yiwei's – about the public and private sector growth in Denmark. This third-party and hardware sales, is there any of that included in the growth rates in Denmark on the two segments?

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

Yes. So the hardware sale that we talked about, the large one that was, let's say, a delayed impact and coming in now in Q1 was in the public sector in Denmark.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Okay. So if we adjust for that one, then private potentially did better than public?

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

Yes.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Okay. I don't know if you want to, but you are taking the restructuring cost you have as ordinary, and I think that's well done. That was a credit for you guys. But can you put some indications on what size are we talking about, €1 million or...?

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

No. We haven't disclosed that in this way.

Jørn Larsen

Chief Executive Officer, Trifork Group AG

A

No. But Kristian, maybe we have talked a little bit about it in the past, because there are several components and HR is one, so human-related. And that's a major part. And I think you talked about that earlier. And then we have, of course, the rent, the offices. Some of them where we reduced offices, but also we consolidated offices and moved from one to another one where we still might have the one we're moving out of. And so Kristian, correct me if I'm wrong, it's mainly these two components, right?

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

Yes. No, you're totally right in relation to the components. But just saying that we didn't disclose exactly, you could say, how much impact was related in Q1 in relation to, let's say, restructuring or related to employees. Overall, we could say that – and you see that, if you compare it to last year, that we reduced, you could say, roughly about 75 headcounts or all in the company, taking into account that we actually also acquired two smaller companies in the second half of 2024. So the primary cost is related to that. Then you could say the cost savings has more or less

been leveled out by the additional cost in relation to do the transition, you could say, in the first quarter. So that's why we say that we didn't see any effect of the positive impact from the cost savings to a significant amount in the first quarter. But this is where it will be back-end-loaded and coming again.

Poul Ernst Jessen*Analyst, Danske Bank A/S*

Q

Okay. Perfect. And then a question about clients who want to or looking for alternative to US products. That's also a common heard in many places. But are we talking about that they want to have European consultants, or is it hosting, or is it looking for alternatives to US-based software, or what specific areas is Europe looking for alternatives?

Jørn Larsen*Chief Executive Officer, Trifork Group AG*

A

I think it's a really good question, Poul. But unfortunately, I also find it quite hard to answer because there is way more talk than there is walk in this area. I think it comes from top-down and people who wants to create an agenda. When I ask companies, they say, oh, so do you consider not using Microsoft anymore? I mean, is this like just shake the head and we are into deep. If Trump wants to look in all our data and he can because it's Microsoft or Google or whatever American product and so be it, it's not a war we want to fight. So I think, this is more politics than it's real.

But what is real is the increased defense budgets. That's real. That I already talked to that. But this whole change of private sector desiring European software is so far as I see it more an idea. And also mentioned that people came to me and said, okay, how can we help. I think there will come a market because it's – and even after maybe the pressure is not there anymore, I think everyone can see that the balance might not be right, but it's going to take a long time to adjust that balance. And I think France is leading in this. But we don't have markets in France. So I cannot say anything about that. But in Nordics and in Switzerland, I don't see big movements.

Poul Ernst Jessen*Analyst, Danske Bank A/S*

Q

No, that was my point, because you don't just substitute a Salesforce or CrowdStrike or Microsoft. But do you see that people look for alternatives in the hosting because that's easy or relatively more easy, tangible way of moving out of US solutions?

Jørn Larsen*Chief Executive Officer, Trifork Group AG*

A

Yeah. There, I see, especially in public, that there is an increased interest in European-based hosting and cloud. This, we see. But still, it's not something that just moves very quickly. But also still, even if you do that, it's still where does the technology come from that you put in a hosting center? It also comes from US. The chips are designed, the computers. And so this is very difficult.

Poul Ernst Jessen*Analyst, Danske Bank A/S*

Q

Yeah. It's a challenging exercise.

Jørn Larsen*Chief Executive Officer, Trifork Group AG*

A

Yes.

Poul Ernst Jensen

Analyst, Danske Bank A/S

Okay. Thank you. That was...

Frederik Svanholm

Group Investment Director, Trifork Group AG

Thank you very much, Poul. And next up we have Yiwei from SEB again. Yiwei, please go ahead.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Hi. Can you hear me?

Frederik Svanholm

Group Investment Director, Trifork Group AG

Yes.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

I also have one follow-up question here. On the UK revenue, I realized €4 million in Q1, then it was only €6 million in Q2, Q3, Q4. Could you please provide a phasing of the €6 million in last year for the modeling purpose?

Jørn Larsen

Chief Executive Officer, Trifork Group AG

Maybe, Kristian, you talk about the specific numbers that we have disclosed, and I can talk about general trend and development.

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

Yes. So UK, as said, in Q1, I will just find the numbers here. So UK revenue in Q1 last year was – before it was impacted so much from the customers that we already talked about suddenly stopping engagements, or at least downscaling it quite dramatically. So as you say, we – more than half the revenue in UK in Q1 2025 compared to 2024. We are now, you could say, at what we believe is the low point in relation to this and building new business up in the UK again. So we do believe that we are coming from the low point now, and then we'll start growing as well in the UK revenue in the future. So you could say, the impact started in end of Q1, started based on those customers. And we have then resized the organization. So that's where we are right now. And then maybe to you, Jørn.

Jørn Larsen

Chief Executive Officer, Trifork Group AG

Yeah. So it's a very good question. So you can say, okay, we are in US, a little bit in Middle East, but then in Continental Europe. And our biggest challenge, one of our must-win battles this year is to get back on a good track with UK. And we could also just give it up. I mean now would be a good time because we wouldn't lose a lot. But we don't want that because I believe in the UK market. Maybe it's a weak market right now, but I'm sure it will come out of sync with US and Europe. And maybe at some point in time it will be the strongest of our markets, the

fastest-growing. As we can see now, US is the second biggest market. And maybe in three years, it will be UK that is the biggest second market.

And therefore, we are very much focused on getting back on track and see all the new opportunities in the UK, because there will be new things that will develop because of the independence of EU. I'm certain about that. And I do first calls with customers in the UK, and I'm amazed with all the things that are produced in UK and brands and productions I never heard about. And they face similar challenges as everyone else, and where we have some products that can mitigate that. So I'm pretty positive that we will turn things around there, and that will be a big win for us.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. I know – thanks for the answers. But I understand this is the first quarter you provide the original revenue on a quarterly basis. My question is more like, if we're looking at this €6 million revenue for the Q2 to Q4 last year, how was the phasing here? Because I would like to have the number when I consider the estimates for the coming quarters.

[indiscernible] (00:59:20)

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

Yeah. It's very hard to compare directly because, as I said before, we saw that the impact from the customer that scaled down dramatically, that happened in end of Q1, beginning in Q2, and then getting more and more effect. And the issue we had last year, you could say, was that the effect became larger than we expected. So that's why I say from a starting point now, you could say, looking only to the UK business, then you have the baseline of the €1.5 million. And as Jørn explained, this is where we want to grow from. So this is more maybe how you should look at that, that we actually now believe that we have a low point and want to grow from there moving forward.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. Thanks. And I'll jump back to the queue then.

Frederik Svanholm

Group Investment Director, Trifork Group AG

Thanks, Yiwei. We're actually out of time now. So I will suggest that we take any further questions offline. And I just want to say thank you very much for following our results and tuning in today. And we look forward to seeing you again very soon. Thank you so much, and have a good day.

Jørn Larsen

Chief Executive Officer, Trifork Group AG

Thank you.

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