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Trifork Group AG (TRIFOR.DK)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

Frederik Svanholm

Group Investment Director & Head-Investor Relations, Trifork Group AG

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

OTHER PARTICIPANTS

Mads Quistgaard

Analyst, DNB Carnegie Investment Bank AB (Denmark)

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB (Denmark)

Poul Ernst Jessen

Analyst, Danske Bank A/S

MANAGEMENT DISCUSSION SECTION

Frederik Svanholm

Group Investment Director & Head-Investor Relations, Trifork Group AG

Okay. Let's start. Welcome to the presentation of Trifork's Second Quarter Results for 2025. My name is Frederik Svanholm, Group Investment Director of Trifork. Today, our CEO, Jørn Larsen; and our CFO, Kristian Wulf-Andersen, will be providing a presentation of approximately 35 minutes, followed by Q&A.

Before we start, a bit of practical information. First, I would like to inform you that this presentation is recorded and will be made available in its full length on our investor webpage later today. Second, I would like to inform you that, if you want to download the slides for today's call, you can find them on the front page of our investor website. Third, we invite you to ask questions and engage with management after the presentation in the Q&A session. Before we get started, we have to present this disclaimer.

Okay. Thank you very much. I will now hand it over to Group CEO, Jørn Larsen. Jørn, please go ahead.

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

Thank you, Frederik, and welcome, everyone. Thank you for listening in to this call, and I hope we will have some good questions at the end. So, let's get going.

So, first of all, as you know, Trifork Group is Trifork segment and Trifork Labs, and the main thing to bring across here is that we have actually seen an increase in public business over the past period. And so, now, we are approaching 40% of public business. It used to be around more like a third or a little less. So, a good track on winning public tenders, and we have some stats on that a little bit later. So, let's move on.

So, here, you can see how we are tracking on the year. And after six months of trading in 2025, we are on a good way on the revenue, and I'm very confident that we will reach our guidance that you can see here, €215 million to €225 million. On the EBITDA, it seems like we are a little bit behind on the guidance for EBITDA, but Kristian, he has a very good breakdown on the bridge from where we are now to our guidance. So, as we will talk about on the next slide, we will maintain our guidance, but more about this later.

So, here, you see our guidance. And every time we report a quarter, and especially after what happened last year, we are really digging deep into our numbers and analyzing and analyzing. And this is our best estimate. This is our guidance maintained after almost seven months of the 2025. And so, the cliffhanger is – when Kristian, he breaks down how we're going to meet our yearly EBITDA, I think you can easily see that our revenue and also how the quarters always normally go for us that we will have more revenue in later part of the year than in the beginning of the year. And it is the same with the profits.

So, let's move on and dig a little more into what happened in Q2. So, first of all, as we have been talking about for many quarters, Trifork are really passionate about looking into the future and collaborating with the best minds of this world within AI, quantum computing, the latest modern ways of doing drones or robots or cloud, and we still do that. But what we have done over the past quarters, which has been a tough ride, we have cut it more into the bone, Inspire. And so, we haven't seen a lot of revenue in the first six months because the two major events we have in the group will be GOTO Copenhagen and then YOW! Australia. And those two conferences have traditionally been good events. They are profitable, and they are very popular among our partners and our attendees and also our co-presenters.

In Build, we see that going from a service company, where we provide custom-built software and consulting, into a product-led company, we are actually carving into some of our Build revenue and, where we can, we convert it into Run revenue, which is longer. It might be contracts for 2, 3, 4, up to 10 years. We have won a few of 8 to 10 years contracts in this quarter as well that we can talk about.

So, this is a transition from being more Run. I will not guarantee you that the next quarter will be 35% or higher in Run. This is a long play. It requires a lot of focus and dedication from the whole organization. A product-led company is not the same as a service company. There is a lot of internal changes within Trifork. We approach our customers in a radical, different way. And you see already some of these traces, but there will still be some fluctuations between Build and Run going forward. But, right now, it's like this, 18.4% increase in Run if we exclude hardware and third-party licenses. So, we have landed our own IP, which is, of course, is for many years to come with the collaboration between us and our customers. Let's move on.

So, some main events. First of all, what I just talked about that we have won the digital wallet, and that is really interesting because many countries in EU needs to have a digital wallet. This is a part of an EU movement and development. And so, we are very happy that we managed to bring this in. And it's a public contract.

Also in Oman, as you know, we have brought some news now and then, and we hope to do a lot more with Oman in the future in energy and in digital health as we go forward. We won a contract with the health authorities in Oman. And I hope that we can also sell our health platform to Oman. That will be my wish for Christmas.

And then we have – we also, in Switzerland, where you know we have already two customers for our health platform. And we have won some new work together with Deloitte. So, not only do we do this alone, we also have some really good partners in Switzerland. And it's just the beginning of a hopefully many-year journey for us in Switzerland.

And in spatial computing, we will not talk a lot about spatial computing here. We have had it as a topic earlier quarters, but it's going really well for our spatial computing unit. And it's just the beginning. Spatial computing is here to stay, and it will be a revolution for training, simulation, remote, maintenance, and a lot of other applications. And we're working very close with Apple on this.

On the organization, first of all, we'd like to welcome Charmaine to Trifork. It was a difficult hire to hire someone that works together with Kristian and me on C level and strategy. But Charmaine is already very much in the field. She has only been with us for seven weeks. But, of course, a few months leading up to her start full time, we have gotten to know each other fairly well. And I'm very happy and grateful for Charmaine's arrival, and she's full-on in the market and especially growing a good traction on our UK market but also globally for some of our product lines.

We are 60 people less than last quarter – than the previous Q2. And this is one of the bricks for bridging the EBITDA where we are now towards our target. And Kristian will talk more into it. There are other elements, but this is one.

And in partnerships, I should say that that our partnership with Wingmen, so actually I want to talk about two things here. One is an announcement we made this morning with Wingmen where we have made a deal with them to go into the security market together with Splunk products and our Trifork's cybersecurity offerings. And the other thing I want to mention is our increasing collaboration with our lab (sic) [Labs] (00:09:32) company, Arkyn. It is one of my absolute favorites in our Labs because they have some really good products, and we have a strong pipeline, and it plays very well along with Trifork's product-first strategy. And especially in UK and US, we are very bullish on closing our pipeline and turn it into real revenue and recurring revenue. Let's move on.

Okay. So, strategic priorities, we always tell you a little bit about what we are working on on short and long term, and here is our own self scoring about how we have been doing. So, actually, more than a year ago, we announced that cybersecurity is an area we cannot lift alone. We need a partner, and hence we made this agreement with Wingmen. We believe it's a strong partnership. And it was actually triggered by Cisco's acquisition of Splunk. And sometimes when big things happen between big global companies, it does have an effect and a consequence for us. We need to navigate in that. And this is exactly what we have done. We are very happy with this collaboration.

And then also in Run, so what you can see the first traces of here in this reporting is that we are succeeding with converting and transforming Trifork from being a service-led company to a product-led company. And it's not a simple transformation. This is a deep transformation. And it will take many quarters and many years to be before it's fully completed. But I'm very confident and very happy with how our organization is pulling this strategy forward and implementing it. Let's move on.

What I already said, this is just supporting it. So, we are first targeting that plus 50% of our total revenue will be associated from our products, either product sales, ARR itself. You can also see we have had two quarters, Kristian will dive into that, of significant hardware sales. And we don't sell hardware just for the sake of it. We sell hardware because then we are going to build software and services and operation for years to come on top. So, it's a signal to investors that, okay, if they can do that, then that's a signal that there will be more recurring software and services and products like Contain that is installed on top of the operating system and is making our on-prem cloud offering.

And then it's also implementation of products. And we will talk a little bit about aviation in a moment. So, let's move on.

So, here, you see a case of one of our product lines. So, think about a product line as an organization within an organization. So, within Trifork, we are building an aviation capability across multiple business units, across multiple countries, targeting more than 100 airlines globally. And here, you can see our sales funnel. So, it's not hard to identify an airline. We know we have very competitive products within the cabin, within catering, within in-flight communication, also within spatial training and simulation for both flight deck and crew, such as firefighting, emergency procedures. It's a lot easier to simulate something in an Apple Vision Pro than it is to set fire on a plane.

So, this is strong offerings, very competitive products. And we are tagging along. And we need to have many more being orange here. You see we have business with six customers, six airlines. And we already have framework agreements with another 12, and we have active dialogues with 33. And the 69 is just pending work for the next months for us to get into a dialogue, get into the decision makers and show our stuff to them. And this we are doing with the other product lines as well, such as Contain and FastWork from Arkyn and etcetera, etcetera.

Labs update, we are quite happy with where Labs is now. We completed a few good capital raises together with partners. One is Dawn Health where we had Augustinus and EIFO, and Trifork supporting the continued Dawn Health journey. We have AxonIQ that had a little flat development over the past quarters, but it will be reignited with enforcement of management and new money into the company, and I'm really looking forward to follow that journey.

And if we move on to the next slide where we have an overview of where we are now. So, 81% of our total book value is either profitable or has cash for the plus next 12 months. This is a very strong position if you are into venture and startups. This is not [ph] you shall see (00:15:10). This is a very solid picture in my view. And, yes, so more to follow in the next quarters.

I guess, Kristian, you are up.

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

Yes, I am. And I'll deep dive a little more into the financial for our Q2 and the first half year. OR, as Jørn showed, we have the OR numbers here with €112.6 million for the first half. As you see, there is a small part which is inorganic revenue. This came from the acquisition of Spantree and Sapere Group in 2025 – sorry, in 2024. And this is you could say the last inorganic growth from past acquisitions. So, the second half is not having any impact from past acquisitions.

That said, of course, there will at some point be a deconsolidation effect from the announcement in relation to Trifork Security, as Jørn also talked into. The exact closing date is not clear yet. We have authority approvals for that. So, when that is known, we then will also communicate more about that. OR in relation to the Trifork Group per our segment and when looking into revenue where the Trifork segment is all about revenue in the group. Then we see an overall increase in the second quarter of 5.1% and for the half year 9.5%, and here, you also see the inorganic part as part of this.

Compared to Q2 last year, then we – as you might recall, we had a good Q1 in UK. And then during the second quarter in 2024, we saw this decrease in investing from previous very solid customers, etcetera, and that was where let's say the decrease in the UK started. Now, when we look into Q2 in 2025, we still saw a decrease of the UK business. But we believe that now both the organization is to, you can say, a point from where we can scale

up again. And that is also, you could say, in the level of revenue. So, continuing in Q2 is upwards from where we are right now at being the low point in Q2 2025.

Yes. Overall then, when looking into Inspire, Build, and Run, as you see here, Inspire was minus 4% year-over-year. That is a direct effect of, you could say, the decrease in activities that we've been doing. And as Jørn also talked into, then the second half of the year is really back-end loaded. So, we expect significant increase in the revenue part from Inspire in the second part and also contributing positively to an additional growth in the second part of the year.

In relation to Build and Run, then I will go more in details a little later in relation to how that is divided actually in between. So, overall, 5.1% growth in Q2, minus 3.6% (sic) [minus 3.9%] (00:18:41) when taking into account the hardware and third-party license part, but I'll also talk more into that a little later.

Just to follow-up on the cost savings program, then we are still on track in relation to that. If we do a like-for-like comparison with H1 and H2 in 2025, then we do see at least, I would say, a €4 million in incremental savings in Q2 coming from one is the Inspire, where we would -where we expect a breakeven in the second half compared to minus of €1 million in the first half. We have the organization adjustment that Jørn's also talked into with a few FTEs, the high utilization, which then also, in the organization, saves cost. So, this is roughly in between €2 million and €3 million.

And then the savings in relation to lease agreements, office facilities, where we get out of the last commitments to terminate lease agreements in July. So, now, there will be at least €1 million coming in from that as well in the second half of the year. So, that's, you could say, anything equal comparison, improvements that will be underlying in the second half of the year in relation to the financial performance.

Overall, Jørn also talked into the product-based approach and us building products and converting repeat revenue with the customers and bespoke solutions into actually being products that we launched to [audio gap] (00:20:29-00:20:42) customers either as a better picture all moving into Run because it's – in order to do that initially. So, we do have some additional costs in relation to this, and this can be back-end loaded in relation to when the profitability picks up again.

What we want to do is to report more in relation to how actually the products are performing and how we do. And we are just in the process of collecting data on that and teaching the organization to give us all the information so that we can share that with our investors.

The Trifork segment performance in relation to adjusted EBITDA, as you see here, then for the second quarter, we are below second quarter – Q2 last year. So, a part of that was related to, as I just explained about, the UK business and part of it has been related to us actually being quite active in the presales activities, especially within e-health in public tenders. We just announced a new public tender here some – last week and we believe that we have a high win rate on those. I think we won 13 out of 15. So, the track here in growing in the public area is, especially for digital health, a very nice performance, you could say, on that work. And we expect that to pay off in the second half with higher productivity in relation to especially on the Build base area.

We also, in the first half of the year, especially in Q1, had high cost to reorganization, you could say. As we talked about, you saw the higher churn rates that we've been having, and this was also in Q2. So, maybe a little more than we initially expected in Q2. So, it was dragged out a little more with one-off costs in Q2. But now we are done. So, in the second half, we don't expect any major adjustments to the same extent. And we believe that the

size of the organization now fits a lot better to the current activity level and are ready to grow from there as the activity level grows further on.

In relation to EBIT, that follows more or less, you could say, with what we showed in adjusted EBITDA. We have some slight adjustments based on the newest acquisitions, so in relation to depreciations and amortizations coming from those is a slight – you could say, a slight higher amounts to depreciate. But, otherwise, it's primarily, you could say, an effect of the results that were explained in relation to the adjusted EBITDA. That said, overall, it's a 17.4% increase compared to the six-month in 2024.

Inspire segment, as you see here, declined in revenue as expected. And you can say the reorganization costs here really is what took the majority here in the second quarter for us to go to a minus of €1.1 million overall. And as I said, we expect it to be breakeven in the second half, so €1.1 million more or less better in the second half than what we showed here for the first half.

I'm not going to the details. It's more for you to see those in relation to when you want to compare quarter-by-quarter and see the seasonality historically. So, more or less here, you see really that Q2 this year was a lot lower as expected than Q2 in the same period last year.

In relation to the Build-based segment, looking at a first glance, you can say, well, minus 4.4% in growth. So, a decline. Potentially, it's not always good to see on the half year in relation to revenue. But as Jørn also talked into, this is also because of our focus in the sales process. So, something that we, in the past, potentially would have done as a repeat revenue or bespoke development, we are now trying to really turn into being the new products so that we pitch the products to our customers and say we have fixed our deliveries to the products. And then what we do on top is the bespoke part and that is the Build base. So, there is a little switch in how we actually operate towards our customers in that sense.

Overall, of course, if you do the quarter-to-quarter comparison to last year, there's a small impact of working days. But, yeah, two working days out of 60 is 2%. So, that, of course, is also something. But it's primarily what I talked about before being the cost to presales activities that had the highest impact here. And you can say using resources in that sense, which in the second quarter is going more to create the revenue in Build as well. So, that is a direct impact also when you look into the 9.1% EBITDA margin on the Build-based segment.

In relation to Run, then what we see here is overall a very high growth of 59.9%. That is also impacted, as Jørn talked into, that we have had hardware deliveries just as in Q1. We also had hardware delivery included in part of the solutions that we're building for one of our customers, which then had a higher impact than, you could say, usual.

That said, as we also announced in the company announcement in relation to the FMK framework agreement that we just won in Denmark is really that some of our public customers especially, but also others, are focusing on this security on running the systems and having, you can say, the full control of the systems, meaning that it would be more in private clouds than an on-prem installations. So, maybe this is a trend that we will see also in the future that actually it will be part of our deliveries as well because it's not that we sell hardware standalone, it's always integrated into us providing solutions on top of that, meaning that we use our Contain cloud platform on top of our rating systems, etcetera, and building on top of that and creating services, recurring revenue as we go along. So, that's really the takeaway here. If we take out the hardware part, we had still a growth of 18.9%. So, all very satisfying in this area.

Profitability-wise, as well, we had a nice growth there. But that said, there is a – when we're having larger hardware deals in, that is diluting the margins to some extent simply because there is not very high margins on hardware agreements. So, this actually means that the increase in our own services had a very nice growth in profitability.

Looking into the Run-based revenue here, you could see the details as we show always quarter-by-quarter. So, you see the hosting and security below having a nice development. Of course, deconsolidation of Trifork Security could lead you to believe that, okay, now, a large security-related services will now disappear here. But, as Jørn also talked into, then this is really a collaboration with Wingmen and Trifork Security. So, we still use the services and want to provide the services to the same security platforms but as a partner.

So, Trifork owns 41.5% still of the company, and having a partnership agreement with Trifork Security still to use the services also in the deliveries that Trifork is making. So, part of that delivery will actually still go through Trifork to the end customer but still be provided by Trifork Security. Yes.

If looking into the Labs segment and the performance in the Labs segment, as you see here, then the accumulated realized gains increased by €1 million. That's primarily related to dividends from existing investments in this period. Overall, we actually saw a decline in many of our companies, but that was related to the companies that – or investments which are – has US dollar as a primary driver where we, end of Q2, had minus 6% decrease in the USD versus euro, which, of course, then impact the valuation that we take in to our books.

That said, we had a very nice development in performance from some of our more expensive or valuable companies, which more than made up for that. So, overall, what you see here is an EBT of minus €0.6 million taking into account that we, from half year, approximately used €1 million on EBITDA level to run the business. So, overall, a small plus on the fair value adjustment and the realized gains.

In relation to cash flow and financial position, then currently we are tracking at 1.6x on leverage and is in a positive development in relation to decreasing the leverage, even if the leverage is not including the share buybacks and the amount of Treasury shares we have. So, currently we hold Treasury shares for roughly €4.6 million.

And this was the end of the financial presentation, so now we will move on to questions.

QUESTION AND ANSWER SECTION

Frederik Svanholm

Group Investment Director & Head-Investor Relations, Trifork Group AG

Thank you, Kristian. Okay. So, now, I would like to ask you to limit yourself to two questions initially and then get back in the queue. That way, hopefully we can get everyone a chance to ask their questions. And just to iterate what it also says on the slide, to ask the question, please raise your hand. I will then announce your name, then you can unmute yourself, and you can ask your question. Let's start with Mads Quistgaard from Carnegie. Mads, please go ahead.

Mads Quistgaard

Analyst, DNB Carnegie Investment Bank AB (Denmark)

Hey, guys. Thank you for taking my questions. So first, a lot of moving parts in the quarter. So, I wanted to ask about market uncertainty in general. So, if you look today compared to Q2 and Q1, would you say that the market uncertainty is higher or is it more or less in line what you have seen over the last two quarters? That would be my first question.

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

I can chip in to that. Thank you for the question, Mads. I think that there are probably more uncertainty now than ever before. And that's also why we have increased our go-to-market effort by a lot. And so, you saw it from the example of the aviation slide that we are targeting 100-plus aviations. We know we have really good products for them, and we will say, for most of them, we have a good offer for them.

But we, of course, need to make them listen and they need to be familiar with what we have, and how many and when they will land as actual customers for Trifork is yet to be seen. But the only way you can fight uncertainty is to have a much bigger pipeline, if that makes sense. But there is more uncertainty than ever, but also, I would say, more opportunity than ever. It's just moving around a lot.

Mads Quistgaard

Analyst, DNB Carnegie Investment Bank AB (Denmark)

Thank you for that answer, Jørn. Then, my final question is on the public sector in general, especially in Denmark also. It seems that you've improved the performance a lot. So, what is driving this improvement? What is sort of – what have you improved internally to increase the win ratio?

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

Yeah. Of course, I mean, when you are bidding on public tenders, first, there has to be public tenders you can bid on and that we are not in control of. That's the governments who decide that. For sure, we are filtering every one of them to see do we think we have a fair chance to win? Do we have a license to win? Do we have a good chance? And then, we – because we need to select where we fight. It's expensive to make a bid. And that's also what you can see in our numbers that it costs a lot to win, and the reward come over the next 10 years, FMK being a good example. We started working on that more than 20 years ago. Now, we won for another eight years the operation of FMK for the Danish government. But you still need to make a huge effort to win, and you are in tough competition.

So, actually, if you already have the operation of a system, it's more likely that you lose than that you win because the new ones who don't know how complex it is to operate, they might come in with an offer that is very attractive because they don't know the complexity. They think, how hard can it be? And we, who know how hard it is, and also there will always be increased requirements. When there is a new tender, there is more effort on compliance, safety, anti-hacking, and all that. And so, it's not just doing the same thing. You need to provide more. And, of course, we have every – every quarter, we get better and better at it. And also, we have more chances to win internationally.

So, for instance, I would mention the driver license system where we are doing the driver license thorough test in the Netherlands. We're doing it in Denmark. And we have a really strong product. And now, other countries are coming out with tenders for digitalizing or just renewing the digital driver license test. So, we can also export this. And as you have seen with digital health, where it took us 20 years to get it outside Denmark now, now it's in two other countries, and we are tracking more. So, we see with, for instance, driver license software.

Mads Quistgaard

Analyst, DNB Carnegie Investment Bank AB (Denmark)

Q

Great. Thank you for all the details. I will jump back in queue.

Frederik Svanholm

Group Investment Director & Head-Investor Relations, Trifork Group AG

A

Thank you, Mads. The next question will come from Poul Jessen from Danske Bank. Poul, please go ahead.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Yes. Thank you for taking the question. First, a follow-up on Mads' question where you answered that the uncertainty is higher than ever before. Is that the macro geopolitical driven or is that technology driven, let's say, AI coming in and changing the environment you work in? So, what's the drivers here?

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

A

I think the short answer is the US administration. It makes a lot of business owners and management teams reluctant to do anything because they don't know how the world looks tomorrow. And so, we can see that they need to think longer and approach the decision making with more careful reflections.

And so, for instance, where we see a lot of opportunity is in the energy sector, which is macro trending up. So, AI is pulling so much energy and will pull a lot more energy in the future. So, to provide all that energy, we basically need every energy source we have on the planet. And I hope that we will soon find a more abundant energy form because else we are going to have some serious challenges. But, nevertheless, when you develop energy, you also implement and build a lot of infrastructure. And when those infrastructure, we have products to support the implementation and maintenance and service of that infrastructure. But, nevertheless, the decision making is still longer.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

So, it's not AI itself or technology risk or...

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

A

The AI impact – I mean, so we utilize AI all we can, and we need to do it even more. That's why we run conferences. We need to figure out how to really do this in the right way. So, we are on the opinion that AI is a very powerful technology. And so, we need to see how we can use it for the best of us on the planet, the humans, because we might not be the most intelligent species on the planet very soon. And the same goes with humanoids, robotics, and all of that.

So, when I have Steve Wozniak at a conference just before COVID in Copenhagen, he said self-driving cars will never drive on man-made roads, and there is a lot of hidden thinking behind that. But last time I was in California, I saw a lot of self-driving cars on the roads that were man-made. And so, whether the robots will come and make the roads and then they will explode, I don't know. But for sure, AI is a really powerful tool.

And the first consequence we are hit by, Poul, is that companies think that AI will do all the work, so they are reluctant to hire software people and tech people. And so, there is more competition because now there's unemployment and that hits the service business. And so, that's how we were hit in the last quarters. It's harder to do bespoke software. And that's why we are – it's not even a choice. We have to go to product-led because it's the only way. And our product needs to be built with more and more AI and more and more AI capabilities as well for our customers. That was a long answer, but, Poul, it's what you're looking for.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Yeah. But it's also a complex issue because – and it's the biggest concern among investors into your sector that they are considering the price/volume performance here or the efficiency improvement you can do. Will that lead to you improving margins for your customers purchasing cheaper or will they do it themselves by just prompting solutions?

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

A

So, that's your job to analyze that. Our bet is that we believe we can provide products faster to our customers and our products will be better. And we can compete with our customers, and this we are proving every day. So, when we have a very scalable product for an industry or domain, I don't see them, our customers, saying, oh, we'll just build this ourselves. Sometimes they do, but that's actually what we replace because they say, well, why are we doing this? We don't want to have these software developers. But what then? Then we need to buy products.

So, across the board, our customers are asking for finished products. Their patience is less. Even though they are thinking a lot before they actually buy a product, they know they don't want a custom solution, and then they don't want to have software developers themselves. So, that's more the trend.

Poul Ernst Jessen

Analyst, Danske Bank A/S

Q

Okay. I think I step back for now.

Frederik Svanholm

Group Investment Director & Head-Investor Relations, Trifork Group AG

A

Thank you, Poul. Our next question will come from Wei from SEB. Please go ahead.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB (Denmark)

Q

Hi. Yiwei from SEB. Thank you for taking my question. Firstly, a question on the EBITDA guidance. And when looking at your first half resource, you need to do a lot better in the second half to reach the guidance. I mean, apart from the €4 million incremental cost savings you mentioned, anything else needs to happen for you to reach the guidance? And I was – especially for you to reach the higher end of the EBITDA guidance, what would be the – what is the assumption apart from the €4 million you already mentioned?

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

A

So, I think when – while Kristian reflect over your question, I will say something that we haven't talked about. And the good thing about license business is that it actually kicks in early, smaller but early, but also on a longer perspective. So, you can actually land deals later in the year and it still has a good effect on profit.

Also, if you imagine how product companies traditionally are built in the tech business, then you know the term a J-curve. A J-curve is what venture capital is investing in. It's a lot of invested money before you reach black numbers. And if you look at the US Nasdaq stock exchange, you will see a lot of listed companies that doesn't have any profit, but they have revenue growth.

So, what we are attempting here is to see, okay, how can we implement a product-led strategy, a product strategy without needing \$500 million? Because I think with the product portfolio, we would have – a traditional way of thinking would be, oh, we need \$500 million to do this. And we are doing that without using that.

But, of course, we then have the opportunity to balance the investments and the investment into sales team. So, a way for us to manage EBITDA in the future will be how much we invest in product development, how much we invest in go-to-market and sales development, if that makes sense. And we are so fortunate that we already have customers in this space. We still have our service business that can fund the product-led journey. So, you should probably reflect on how is that even possible when a lot of other companies don't make it possible, okay?

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

A

And just then to continue here. You say – I mean, what does it take to go to the other level of the guidance? That would take us to – you could say to get the deals in that are in the pipeline, especially in relation to like the Arkyn products, the product suite that we have and have been promoting a lot in the US, it is that now, in the first half, we invested a lot in you could say creating the portfolio of aviation products. And now, it's really time to cash in in the second half. So, depending on the speed of, let's say, new sales there. And then it's really to start accelerating the deliveries on the public tenders that we already won and where we used a lot of energy in the first half of the year. So, that would be, you could say, what it would take to go to the higher end.

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

A

May I also add to that, Kristian? So, Wei, when you look at the implicit second half margin guidance, you adjust for, let's say, €4 million that we have discussed today as incremental earnings in the second half. To reach the high end of the guidance, we would need to make an adjusted EBITDA margin of around 18%, a little bit less, in the second half. Historically, that is not outside of what we have done in the past. So, from that point of view, it's definitely not unachievable.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB (Denmark)

Okay. Great. And just want to be clear that, Jørn, you mentioned those sort of the – I guess you indicate that you actually expect some of the pipeline project will start to convert in the second half, which will sort of drive also the top line growth, also the margin improvement. And I guess that you mainly refer to your Build segment.

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

Yes.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB (Denmark)

Great. Very clear. Thank you. And then my last question also is for Q2 specific. The 11% decline in the Build, revenue decline. If you exclude the last working day and also the tough compare recently in the UK, if you could also move – exclude the move of the revenue to Run, what was the underlying growth here in the quarter?

Kristian Wulf-Andersen

Chief Financial Officer, Trifork Group AG

Yeah. So, this we haven't disclosed because it's always very hard to say if then a deal would have been in Build and now instead is in Run. So, we have not disclosed anything about that. So, you have to look overall on Build and Run together in that sense.

Yiwei Zhou

Analyst, Skandinaviska Enskilda Banken AB (Denmark)

All right. Fair enough. Thank you. I'll jump back to the queue.

Frederik Svanholm

Group Investment Director & Head-Investor Relations, Trifork Group AG

Thank you, Wei. We will go back to Mads from Carnegie. Please go ahead.

Mads Quistgaard

Analyst, DNB Carnegie Investment Bank AB (Denmark)

Yeah. Thank you. I just have a follow-up question on the agreement you landed with the Danish Health Authority a few weeks ago. Just to understand, it seems that you have a competitive advantage in the market with your data business. I'm just thinking, what is sort of the capacity utilization today? Are you able to take in more large customers with the scale as the one you got recently?

Jørn Larsen

Group Chief Executive Officer & Founder, Trifork Group AG

Yes. So, it's a very good question. And as I explained before, we do see a trend in the popularity of European-based service centers. Fortunately or unfortunately, we mainly do this in Denmark, and we have a number of hosting centers. But we can actually build new hosting centers quicker than most others. And we are going to leverage that capability into meeting the demand because we do see demand for us doing more operation and hosting. But also the DPU hosting could come in play.

And so, we clearly see that. But for that, we need to, you can say, get by building infrastructure, service centers or build it from scratch. So, that's how we're going to meet that demand.

Kristian Wulf-Andersen*Chief Financial Officer, Trifork Group AG*

A

Can I just add to that, Mads? We are not at 100% utilization in our data centers now. We are ready for business, and we can do more in what we have also right now. I think Jørn's comment was more on the recapture.

Jørn Larsen*Group Chief Executive Officer & Founder, Trifork Group AG*

A

Yeah. Yeah. We do – it do take – it does take 12-plus months to build new capabilities. So, for sure, we cannot be so loud now. But we need to be – we need to anticipate further growth, where five years ago, it was a slower growth rate. Now, we see a higher growth rate.

Mads Quistgaard*Analyst, DNB Carnegie Investment Bank AB (Denmark)*

Q

Great. Yeah. Perfect. Maybe just a question. I don't know if you are able to comment on it, but the divestment of the Trifork Security, should we expect any things to be booked in other operating income in the P&L or should we expect a loss or anything like that?

Kristian Wulf-Andersen*Chief Financial Officer, Trifork Group AG*

A

Well, what we can say to you all is that depending on, you can say, deconsolidation date, then, of course, there will be a negative impact to some extent in relation to the revenue. But in relation to – as I said before when talking about that, some of the revenue we'll likely to still keep as – but with Trifork Security as a subcontractor to some agreements. So, it will not be, you could say, a full impact.

On the other hand, in relation to EBITDA, then, of course, there will also be, you could say, from the consolidation period, an impact from the business depending on how that is doing. And then, we will see a positive impact in relation to the converting, you could say, this from being a subsidiary to be a lapsed investment when we own 41.5%, but that will be a positive adjustment on EBITDA. We cannot say more about, you can say, the actual impact because we have to do the closing at first before we can comment on that.

Mads Quistgaard*Analyst, DNB Carnegie Investment Bank AB (Denmark)*

Q

All right. Fair enough. Thank you.

Frederik Svanholm*Group Investment Director & Head-Investor Relations, Trifork Group AG*

Thank you, Mads. Currently, there are no more people in the queue. I'll just see if anyone else wants to raise their hand. That's a no. Let's conclude it there then. Thank you very much, everyone, for dialing in to this call today. And you can find the full report on our IR webpage. Have a great day. Thank you.

Jørn Larsen*Group Chief Executive Officer & Founder, Trifork Group AG*

Thank you.

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