

Business Review Q1 2023

CEO Otto-Pekka Huhtala and CFO Matti Eilonen
Talenom Plc 20 April 2023

TALENOM

Content

- Review period
- Strategy progress
- Financial development
- Outlook and guidance



Q1 2023: Talenom's growth continued as strong in line with the selected strategy

Net sales

EUR 31.3 million (25.2), growth +24%

EBITDA

EUR 8.4 million (8.9), decline -6%

EBIT

EUR 3.5 million (4.9), decline -29%

- Strong structural change going on in the market, which only takes place once.
- The transformation accelerated by digitalization gives a pioneer the opportunity to grow both organically and inorganically.
- Talenom has decided to exploit this growth potential, which will reduce the Group's relative profitability as planned in the short term.
- The profitability of the first quarter was mainly depressed by non-recurring costs related to acquisitions (EUR -0.5 million) and the Spanish platform business (EUR -0.5 million). In Spain, we are moving to a more profitable customer segment in the platform business and implementing changes in processes that improve profitability. We also expect the profitability of Finland's business to improve thanks to price increases.

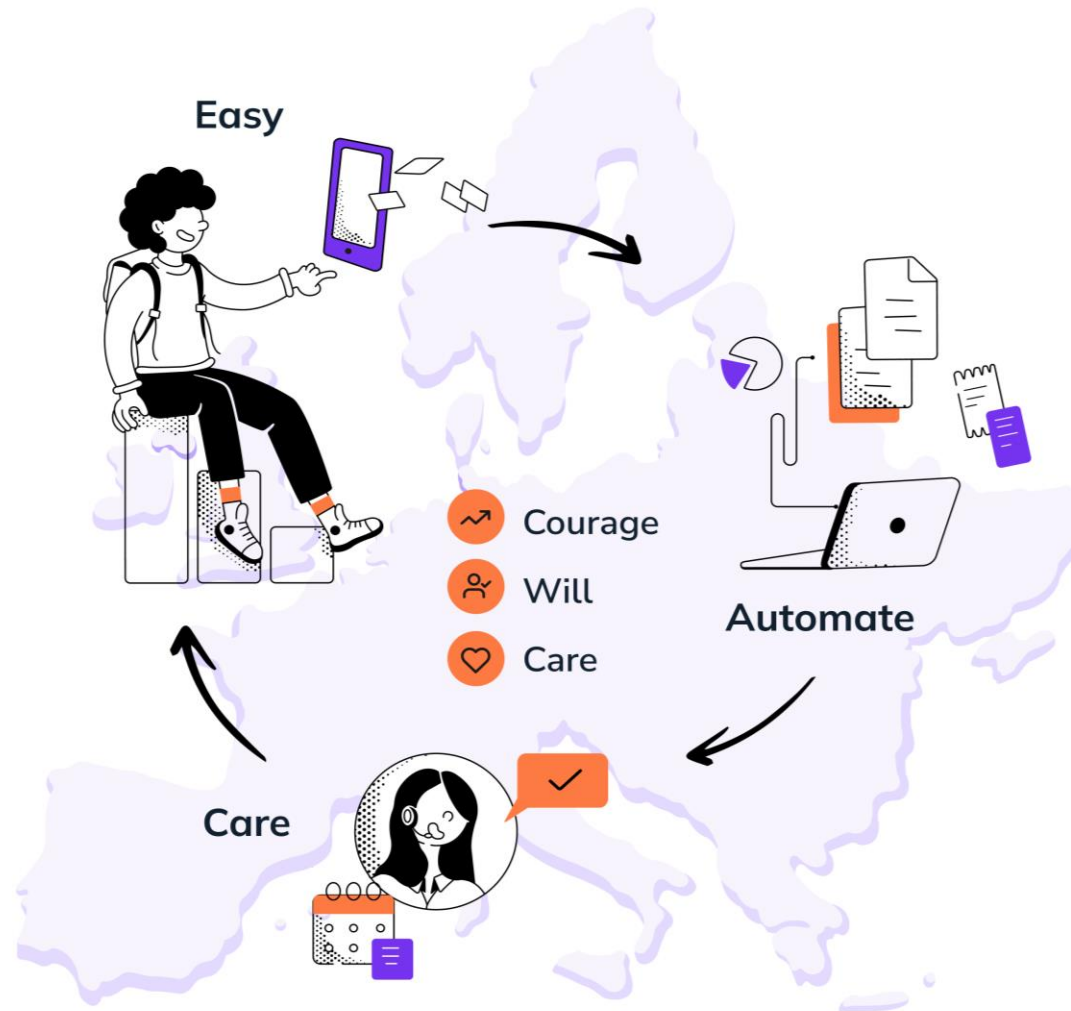
Key developments in the operating environment

- The digitalization of the European financial management market is accelerated by many structural changes.
 - For example, the introduction of the e-invoicing directive in the EU will force every company to implement software that enables sending and receiving e-invoices.
 - PSD2 enables a real-time view from the financial management system to the bank free of charge.
 - The Anti-Money Laundering Act and customer due diligence processes require resources, which, in addition to digitalization, also accelerates consolidation.



Strategy progress

Vision



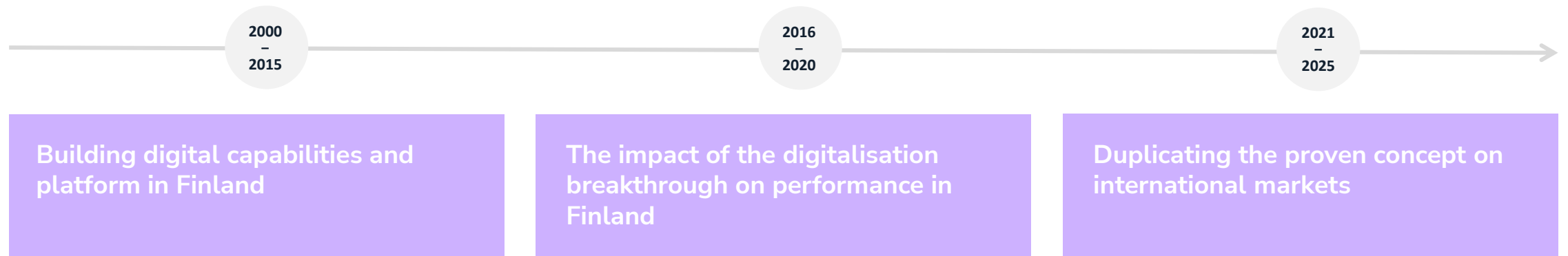
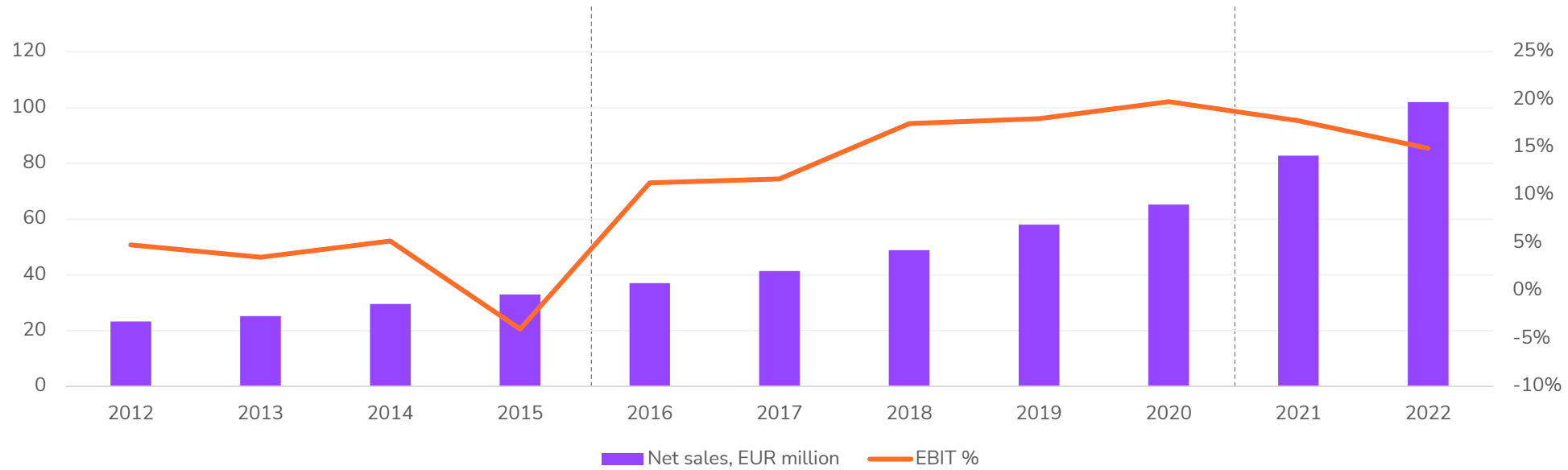
Unbeatable accounting and banking services for SMEs

Medium-term (2023–2025) financial targets

- Annual net sales growth of over 30%
- Annual EBITDA growth of over 15%
- Growing euro-denominated EBIT
- Increasing dividend per share

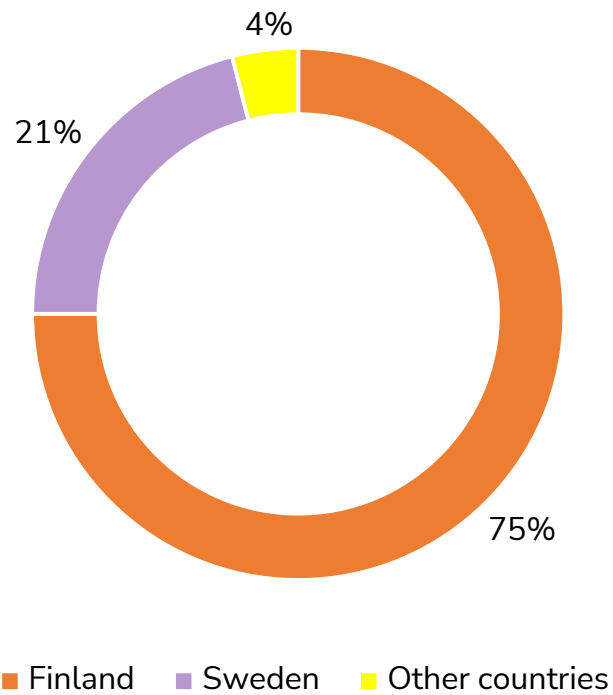


A proven strategy and strong track-record

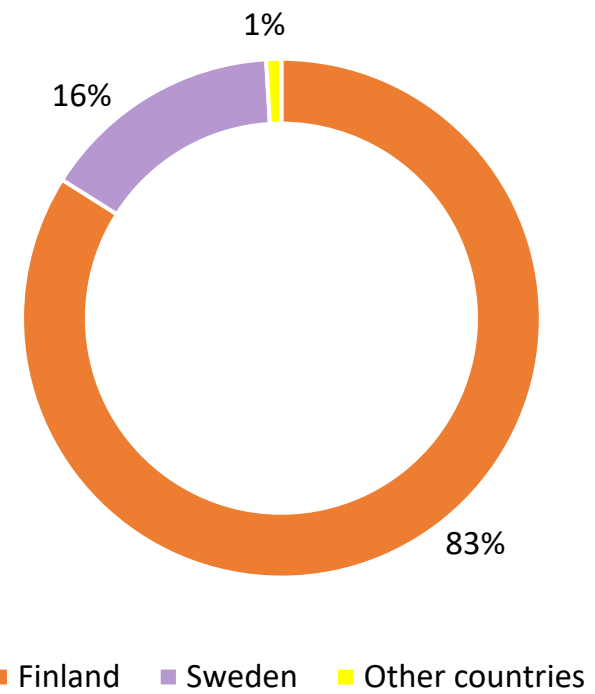


Internationalisation progressing as planned

Net sales distribution 1-3/2023



Net sales distribution 1-3/2022



Strategy progress Q1 2023

01. Accelerating digital sales.

02. Distribution of banking services.

03. Software implementation in Sweden.

04. Quick improvement of the profitability of acquisition targets.

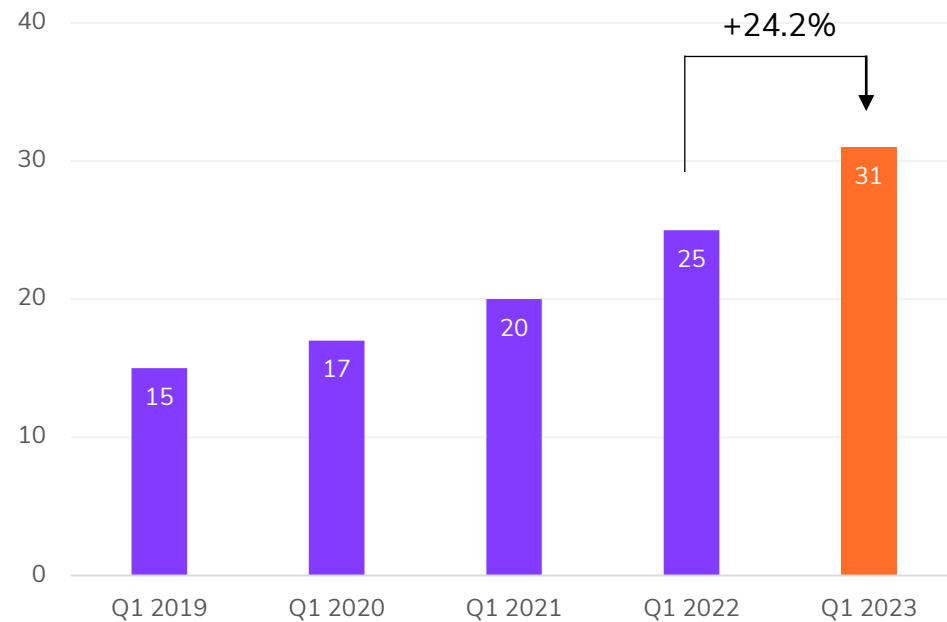
- New website and a unified brand were launched in all operating countries.
- The digital purchasing path was simplified, which is visible as more successful sales.
- TiliJaska's products were replaced with Talenom and Talenom One products.
- Talenom Accounts are being used by the first test customers.
- Distribution of accounts and cards will be gradually expanded during spring.
- **Based on the experience in Finland, the introduction of Talenom's processes and accounting software will reduce routine work to up to a quarter of the current time spent on such tasks.**
- Implementation of own software has, during the season, focused on refining functionalities.
- The PSD2 interface was introduced to make payment processes easier and improve accounting efficiency.
- We standardized an effective integration model to take over acquisition targets.

Financial development

Group net sales

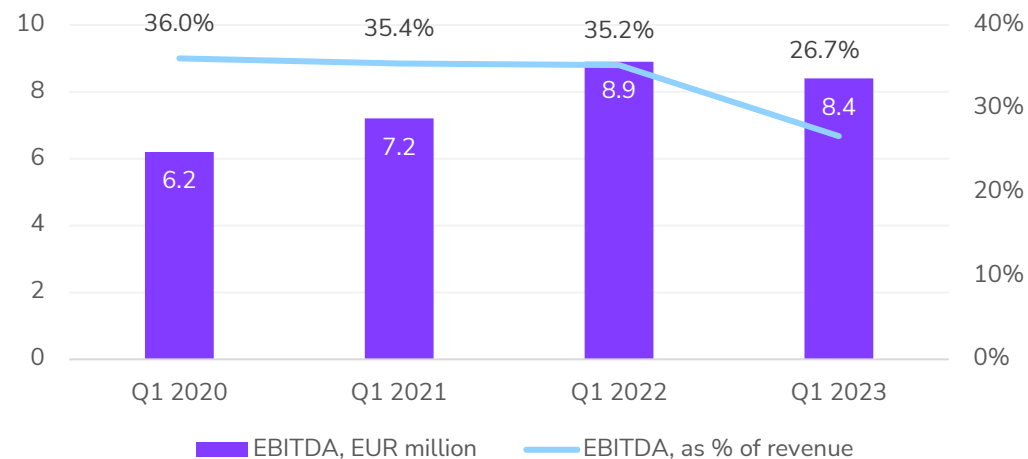
- The growth was based on several acquisitions in Sweden and Spain and strong organic growth in Finland.
- Some 60% of the increase in net sales came from acquisitions and some 40% organically.
- Net sales was slightly below the targeted level due to volume-based and consultative invoicing and the exchange rate effect of the weak SEK.

Net sales in January-March (EUR million)



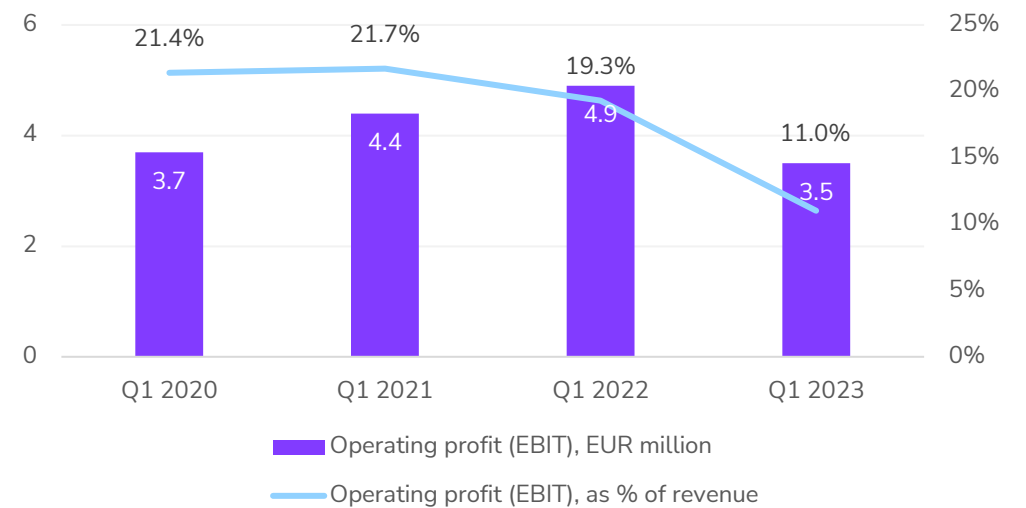
Group profitability

EBITDA development January-March



- EBITDA was depressed by the system platform acquired in Spain in autumn 2022 that had a weakening effect of around EUR 0.5 million (0.0) on EBITDA. In addition, the weakening effect of non-recurring items related to acquisitions and other expenses was EUR 0.5 million compared to the comparison period.

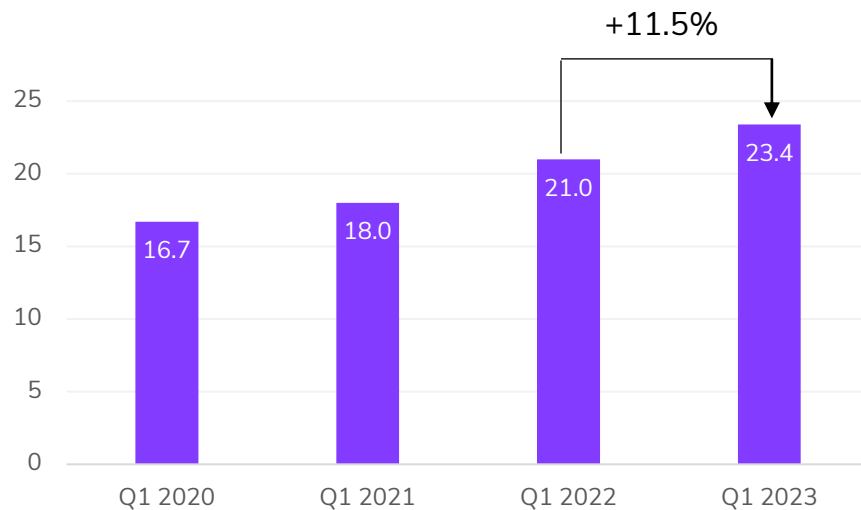
EBIT development January-March



- Profitability was depressed by our planned investments in growth, wage inflation, as well as integration and other costs arising from acquisitions.

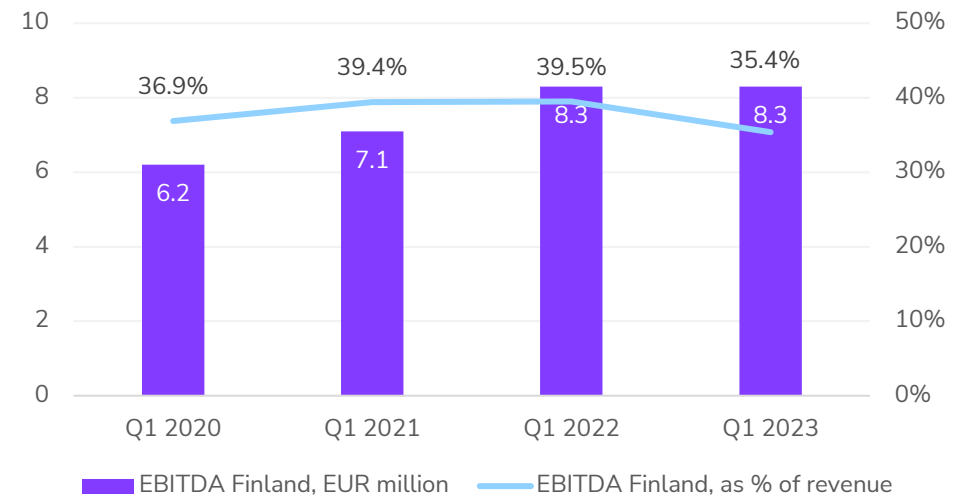
Business development in Finland

Net sales development January-March, meur



- Net sales growth was generated from successful customer acquisition and sales of extensive monthly billed service packages.
- Net sales growth was slowed down by the level of volume-based and consultative invoicing.

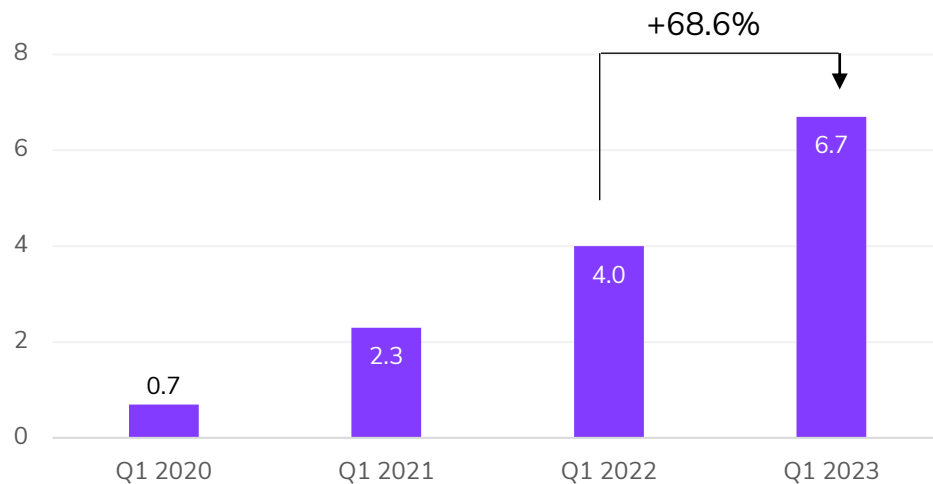
EBITDA development January-March



- Increased costs were not passed on to customer prices until the end of the reporting period, which was reflected in weakened relative profitability.

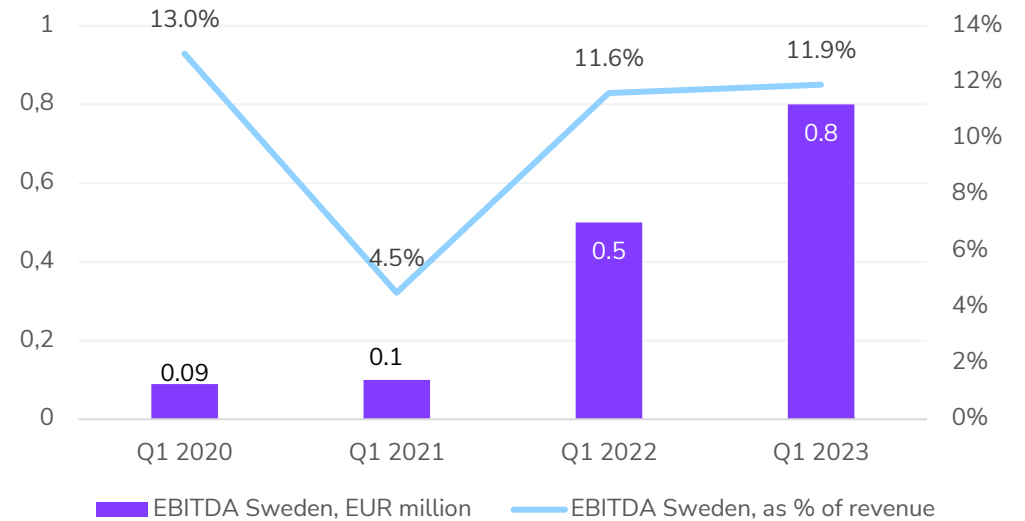
Business development in Sweden

Net sales development January-March, meur



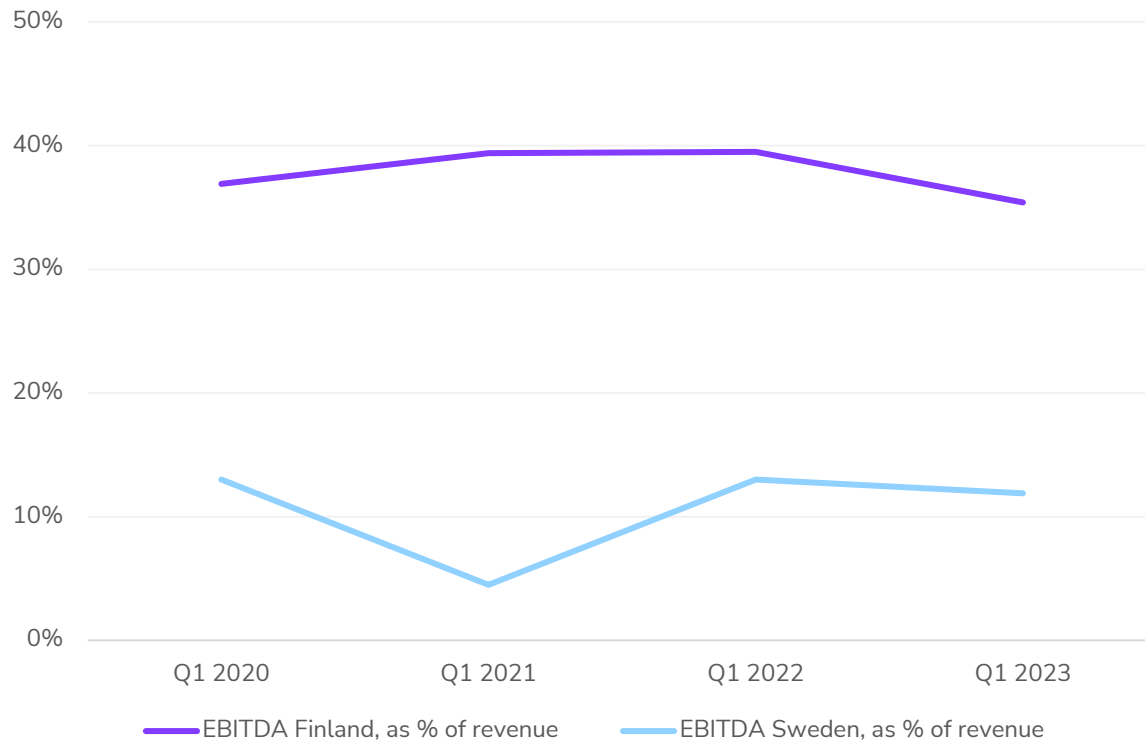
- Net sales growth came mainly from acquisitions.
- The weak Swedish krona had a negative impact on euro-denominated net sales development.

EBITDA development January-March



- Sweden's profitability is still burdened by strengthening the organization as planned and accelerating integration, as well as implementation of the own software.
- The weak Swedish krona had a negative impact on euro-denominated EBITDA development.

With automation Sweden's EBITDA is expected to rise to the Finnish level



- Our strong software expertise has enabled a highly efficient and automated accounting process in Finland.
- The difference between the EBITDA in Finland and Sweden is explained especially by the difference in the degree of automation.
- Based on the experience in Finland, the working time spent on routine activities can be cut to one-quarter with Talenom's processes and implementation of own software.
- This, in turn, enables us to provide services that generate value-added to our customers also in Sweden.

Outlook and guidance for 2023 unchanged

Guidance

- Net sales EUR 120–130 million
- Growing euro-denominated EBITDA
- Growing euro-denominated operating profit

Background for the outlook

Talenom expects the accounting services market to grow in all of the company's operating countries in 2023 and demand to remain stable. In addition, consolidation in the industry is expected to continue accelerated by, for instance, digital disruption and tightening legislation concerning electronic financial management. Talenom's goal is to continue robust growth and expansion in all of its operating countries and other European countries with significant potential to expand as a forerunner in the digitalisation of the accounting services industry.

In addition to organic growth, the guidance includes an assessment of possible acquisitions during 2023. Most of total net sales growth in 2023 is expected to come from acquisitions. Expanding into new market areas enables the company's long-term growth.

Acquisitions will have a negative impact on relative profitability in the short term. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when the new systems have been fully implemented at the target. In Sweden, implementation of new software started in autumn 2022. Talenom's investments in automation, customer-friendly user interfaces and the small customer segment in recent years, as well as the internationally scalable software platform will increase the depreciation level relative to net sales, but operational profitability measured by EBITDA will improve.



TALENOM

Thank you

Otto-Pekka Huhtala
CEO

+358 40 703 8554

otto-pekka.huhtala@talenom.fi

Matti Eilonen
CFO

+358 40 753 4335

matti.eilonen@talenom.fi