

# Business Review Q3 2023

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Talenom Plc 20 October 2023

# TALENOM

# Content

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



Talenom's growth fell short of the target but continued as strong. Profitability improvement measures progressed.

### Net sales

1-9/23 EUR 92.0 (75.8) million, +21%

Q3/23 EUR 28.3 (23.6) million, +20%

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### EBITDA

1-9/23 EUR 24.9 (25.4) million, -2%

Q3/23 EUR 7.6 (7.3) million, +5%

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### Comparable operating profit (EBIT)\*

1-9/23 EUR 9.5 (13.1) million, -27%

Q3/23 EUR 2.4 (3.1) million, -22%

\*) excl. software-related write-downs



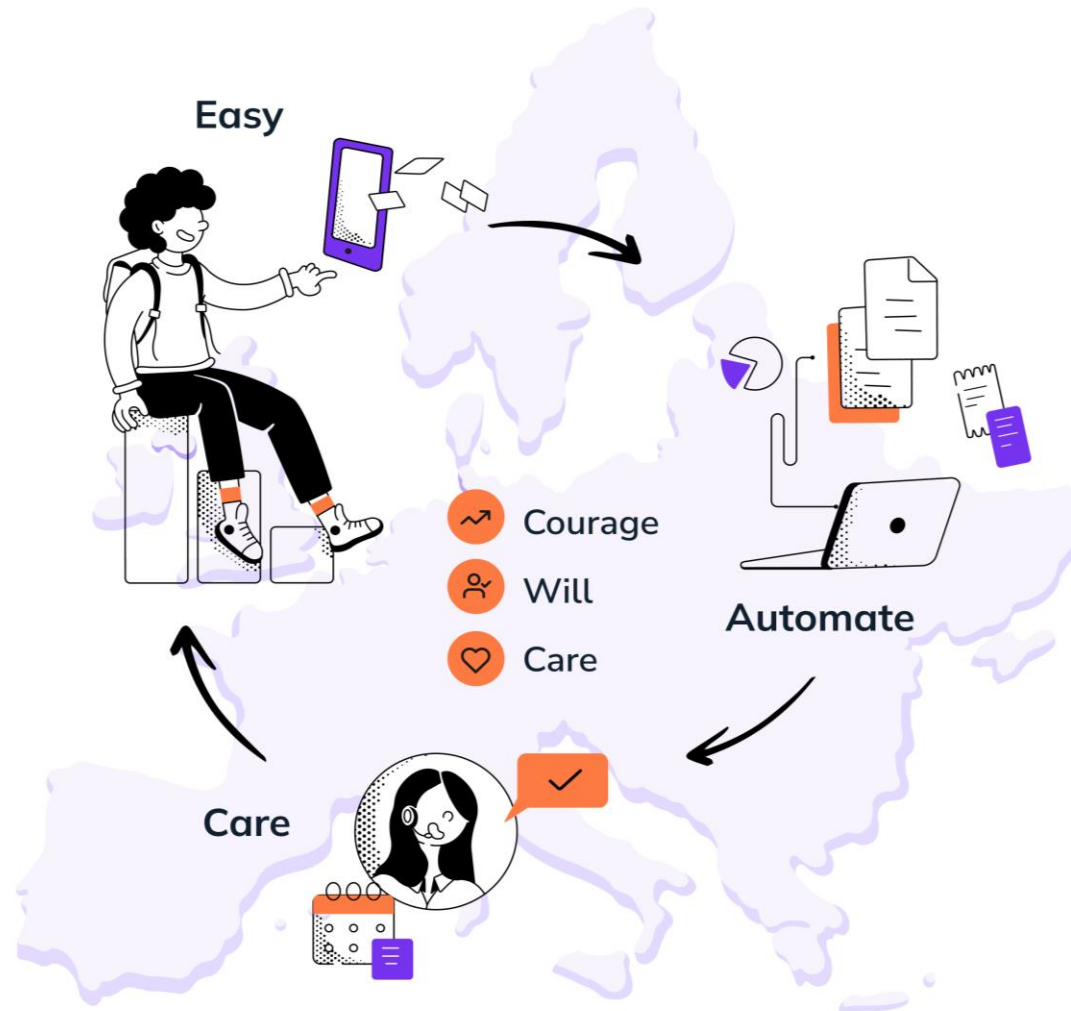
# Key developments in the European accounting firm market

- Market size is around **EUR 100 billion**, of which Finland represents 1%.
- The digitalization is accelerated by many structural changes:
  - **Labour shortages together with increasing regulation** forces us to seek more effective practices.
  - The **introduction of the e-invoicing directive in the EU** will force every company to implement software that enables sending and receiving e-invoices.
- The transformation accelerated by digitalization offers a pioneer the opportunity to grow, and Talenom has decided to exploit this growth potential. The strategic choice weakens the Group's relative profitability in the short term as planned.



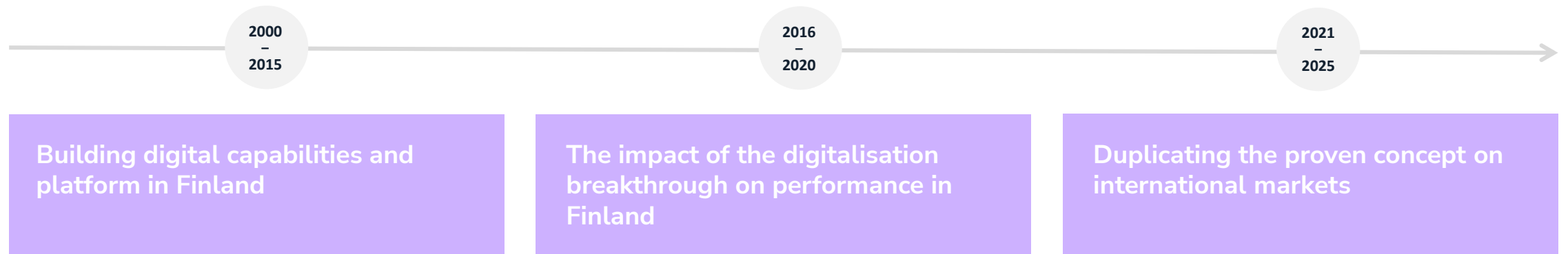
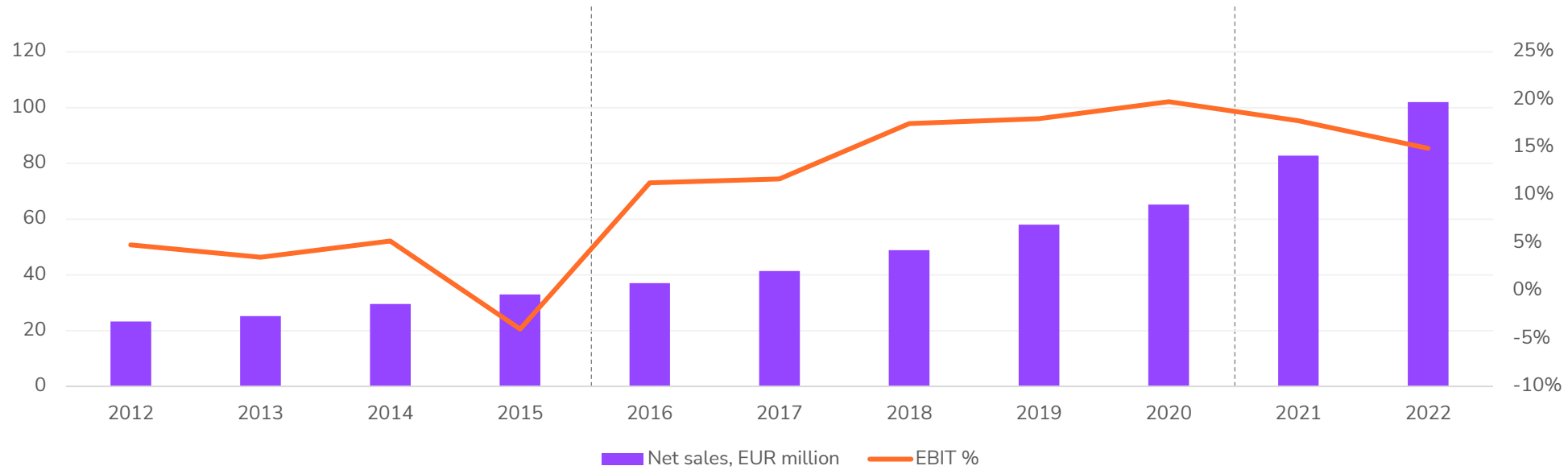
Strategy progress

# Our vision



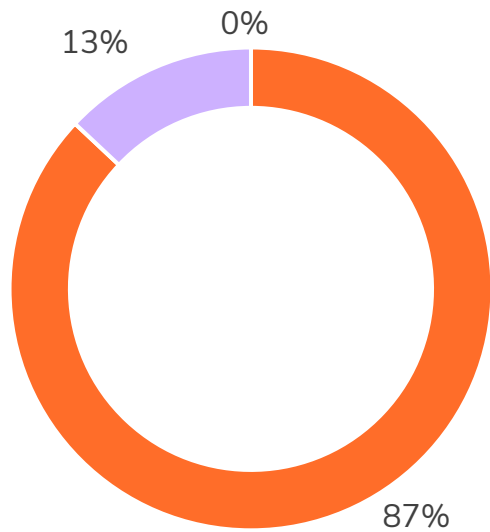
## Unbeatable accounting and banking services for SMEs

# A proven strategy and strong track-record



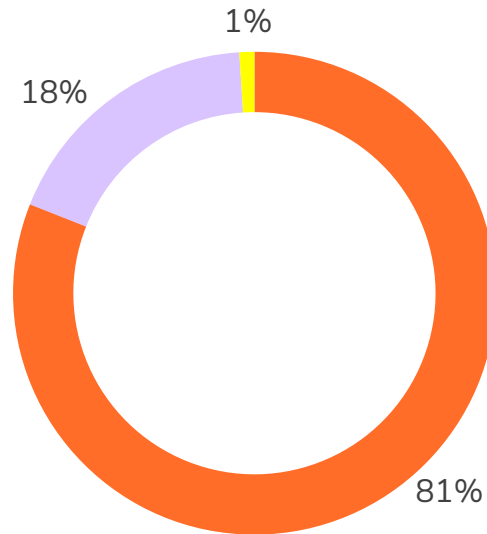
# Internationalisation progressing as planned

Net sales distribution 1-9/2021



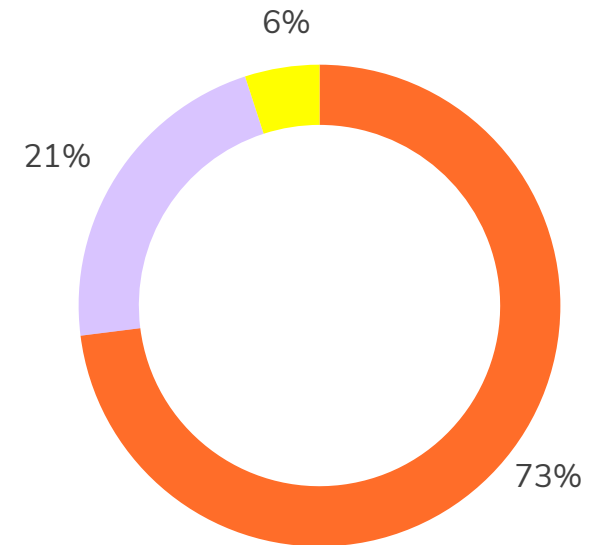
■ Finland ■ Sweden ■ Other countries

Net sales distribution 1-9/2022



■ Finland ■ Sweden ■ Other countries

Net sales distribution 1-9/2023



■ Finland ■ Sweden ■ Other countries



# Strategy progress 1–9/2023

## 01. Accelerating digital sales

- Digital sales progressed supported by a unified brand, new website and more attractive productization.
- The digital purchasing path was simplified. The measures are beginning to show as higher customer numbers.

## 02. Distribution of banking services

- Distribution of banking services progressed and Talenom Accounts kicked-off nicely. There is a clear demand for a comprehensive solution, including bank account, software and accounting services, especially in the small enterprise segment, for which the Talenom One product has been developed.

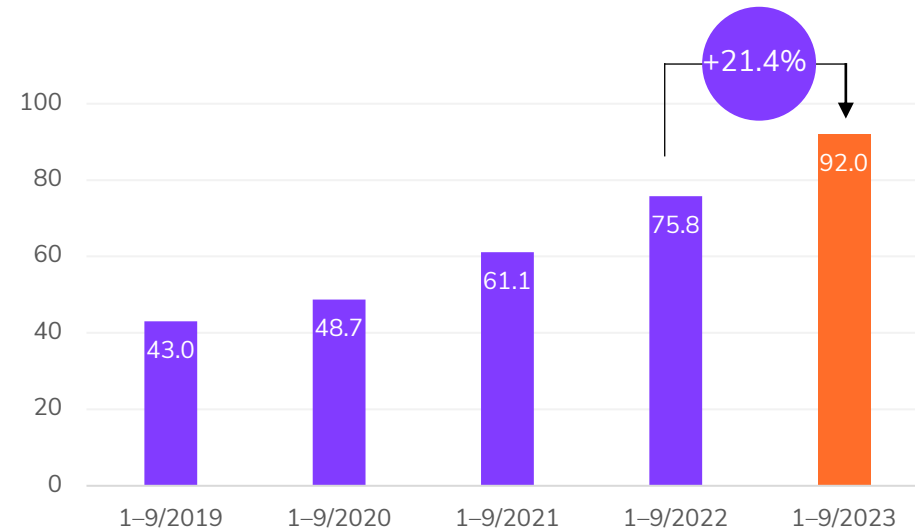
## 03. Software implementation in Sweden

- In Sweden, the implementation of our own platform has been gradually expanded one office at a time after all critical features were completed.
- We also started selling the platform in new customer acquisition. Based on the experience in Finland, the introduction of Talenom's processes and platform enables reducing routine work to up to a quarter of the current time spent on such tasks.
- For transferred customers the customer-specific savings in working time have been significant.

Finances

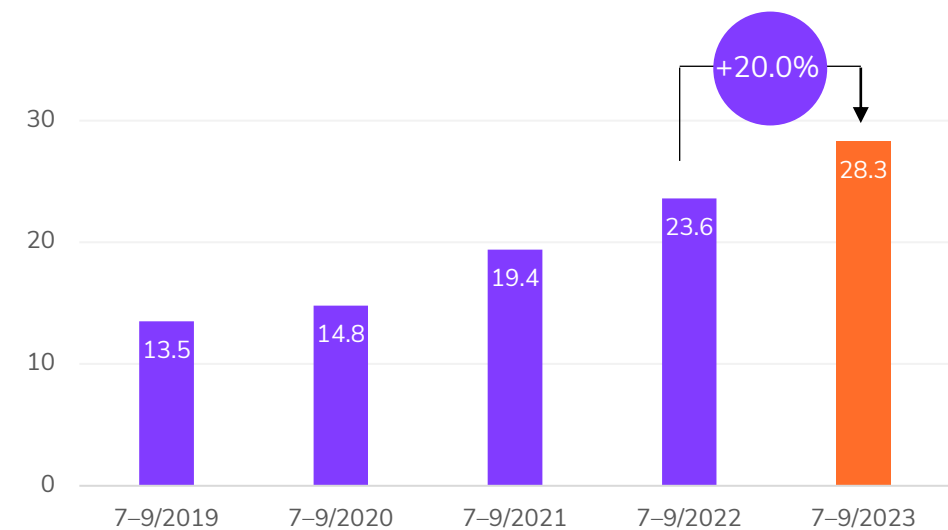
# Group net sales continued to grow, but fell short of the target

Net sales in January-September (EUR million)



- About a third of the growth was organic, the rest came from acquisitions, especially in Sweden and Spain.
- Overall economic development was negatively reflected in growth.

Net sales in July-September (EUR million)

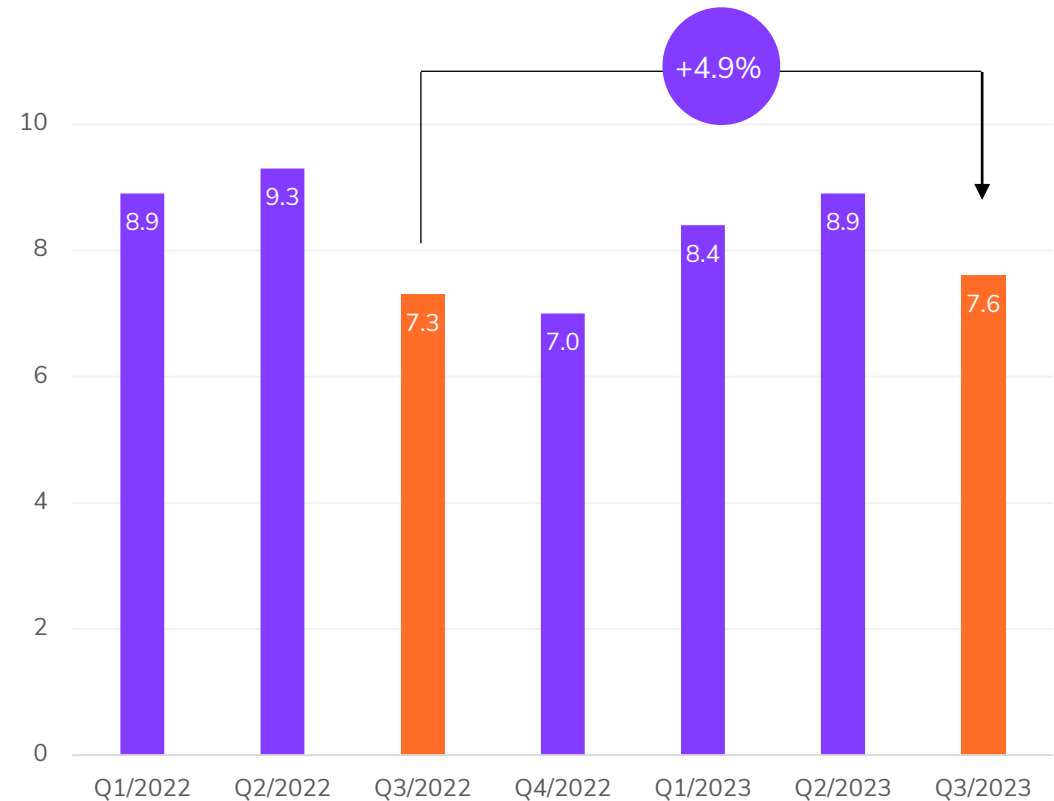


- About a third of the growth was organic, the rest came from acquisitions, especially in Sweden and Spain.
- Overall economic development was negatively reflected in growth.

## Euro-denominated EBITDA returned to the growth path in the third quarter

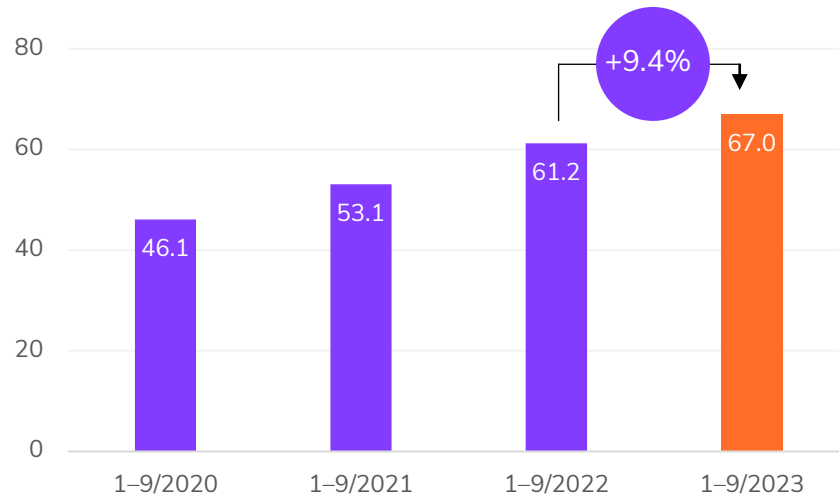
- During spring, we launched profitability improvement measures for the entire Group.
- The impact of the measures is witnessed in improved euro-denominated EBITDA in the third quarter compared to the comparison period.
- The improvements create a good profitability base for next year while maintaining the prerequisites for growth in line with the strategy.
- The company's business is still very profitable relative to the industry.

Quarterly EBITDA development, EUR million



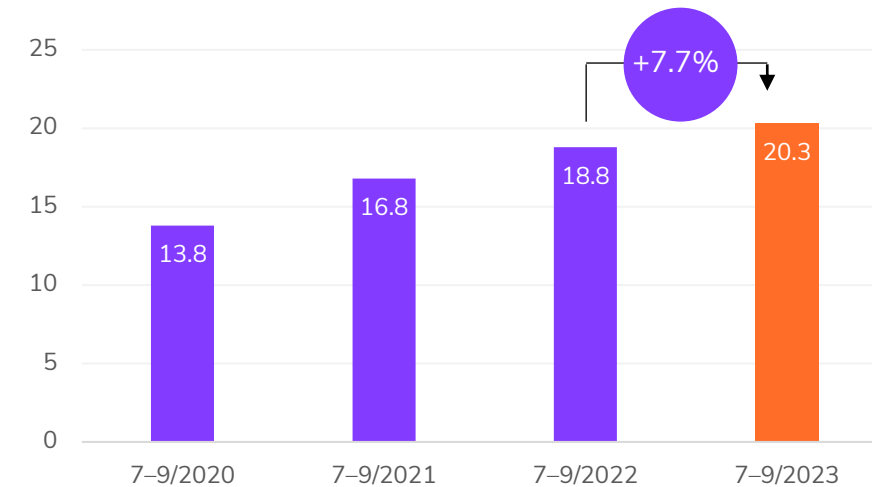
# Net sales development in Finland

Net sales development 1-9/2023, EUR million



- Net sales growth was organic.
- The overall economic slowdown weakened growth, although new customer acquisition remained at a good level.
- Price adjustments made against inflationary cost increases were significantly eroded due to the effects of the general slowdown in the economy.

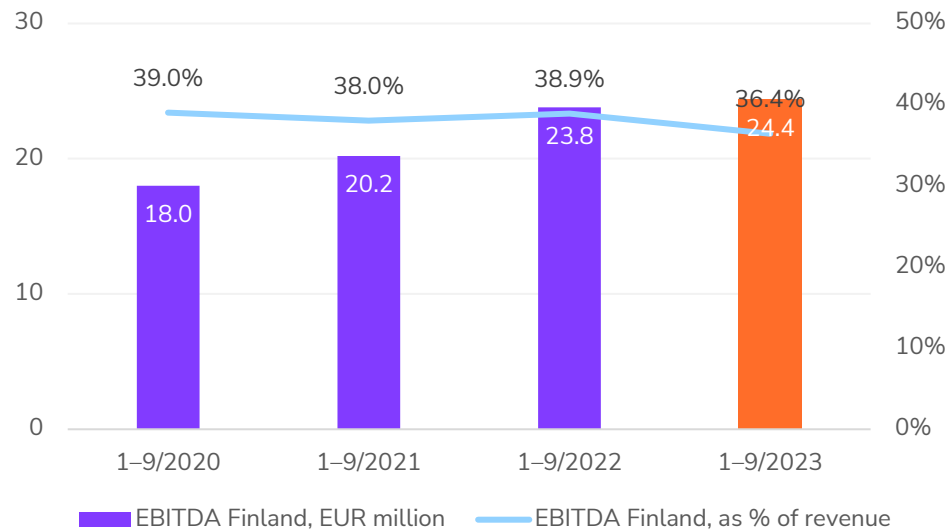
Net sales development 7-9/2023, EUR million



- Overall economic development was negatively reflected in growth.
- The general slowdown in the economy resulted in a reduction in volume-based invoicing per customer as customers' business activity declined, and in increased business closures, the effects of which became more strongly visible in the third quarter.

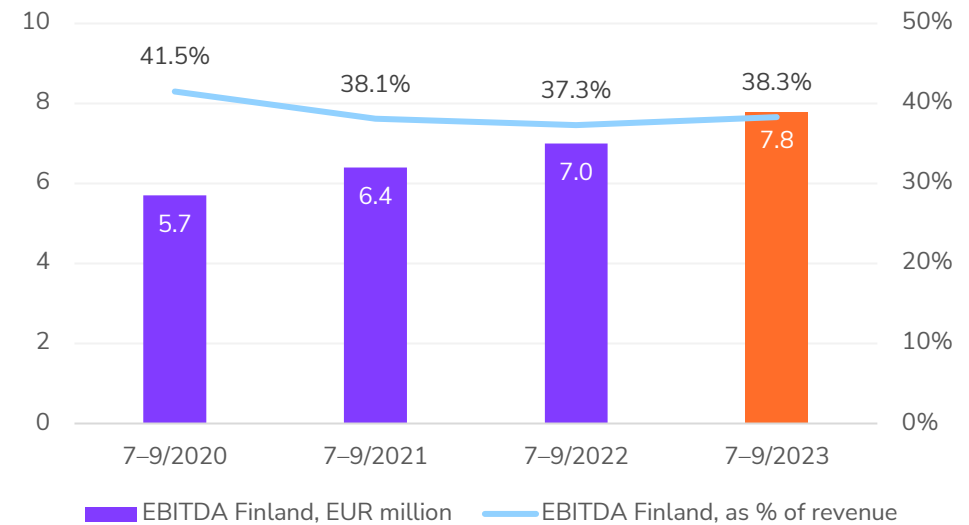
# EBITDA development in Finland

## EBITDA development 1-9/2023



- Talenom prepared for stronger growth with recruitments, which, together with weaker-than-expected net sales, depressed profitability.
- In the spring, Talenom started significant profitability improvement measures in the Finnish businesses.

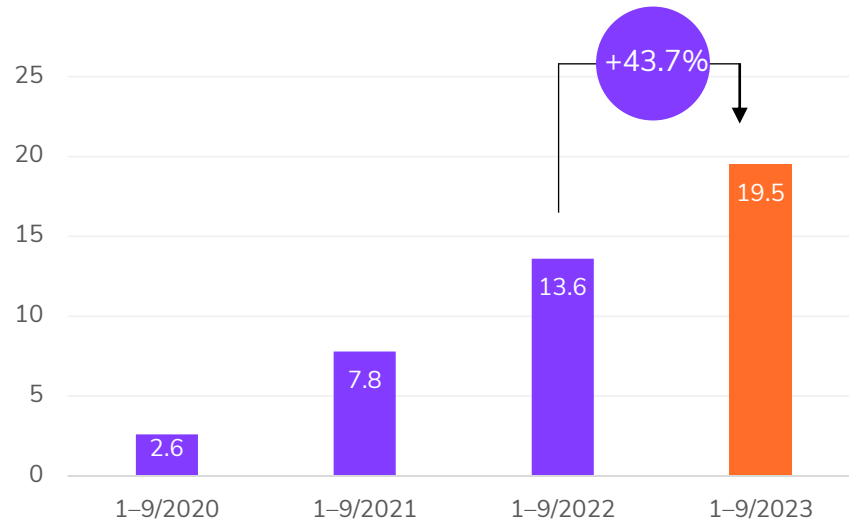
## EBITDA development 7-9/2023



- EBITDA increased slightly with the improvement measures, and profitability is expected to improve further as the measures progress.
- Relative profitability improved slightly measured by EBITDA.

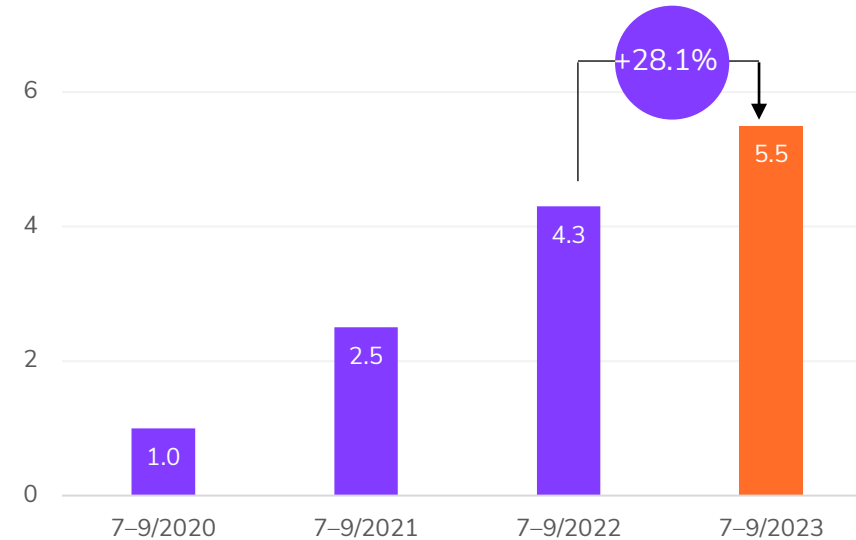
# Net sales development in Sweden

Net sales development 1-9/2023, EUR million



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

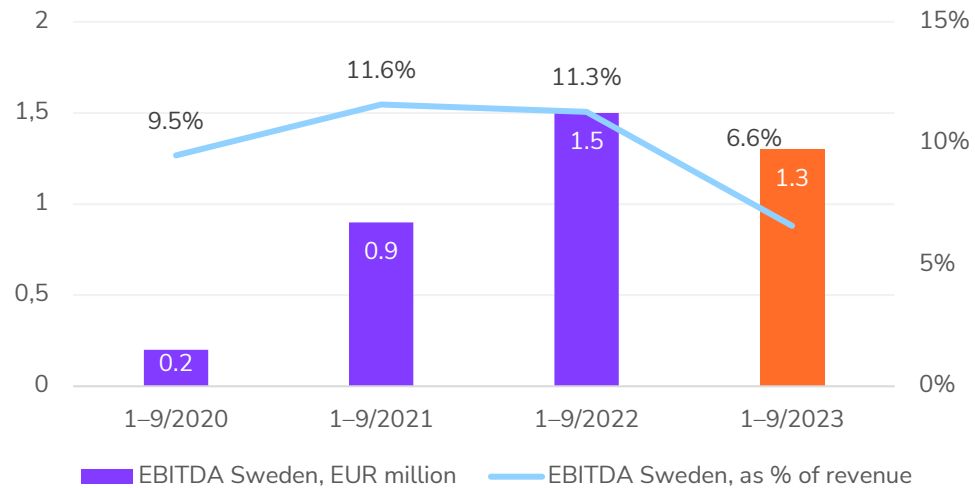
Net sales development 7-9/2023, EUR million



- Net sales growth came mainly from acquisitions.
- The growth was weakened by the effects of a general economic slowdown. In addition, the weak Swedish krona had a negative impact on euro-denominated net sales development.

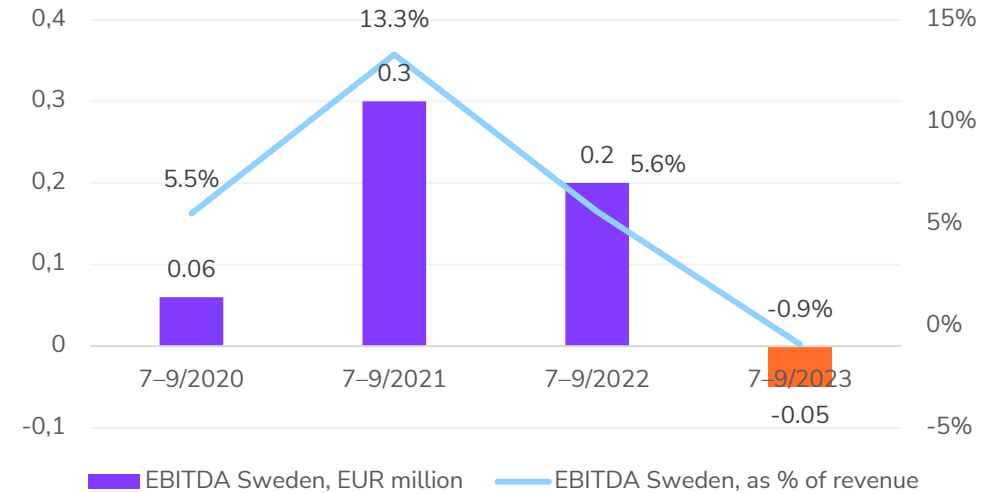
# EBITDA development in Sweden

## EBITDA development 1-9/2023



- Profitability was weakened by the effects of the general economic slowdown relative to proactive resourcing. We want to ensure the implementation of our own software and it currently requires personnel.
- Higher loan loss provisions and non-recurring items increased costs by a total of EUR 0.6 million.

## EBITDA development 7-9/2023

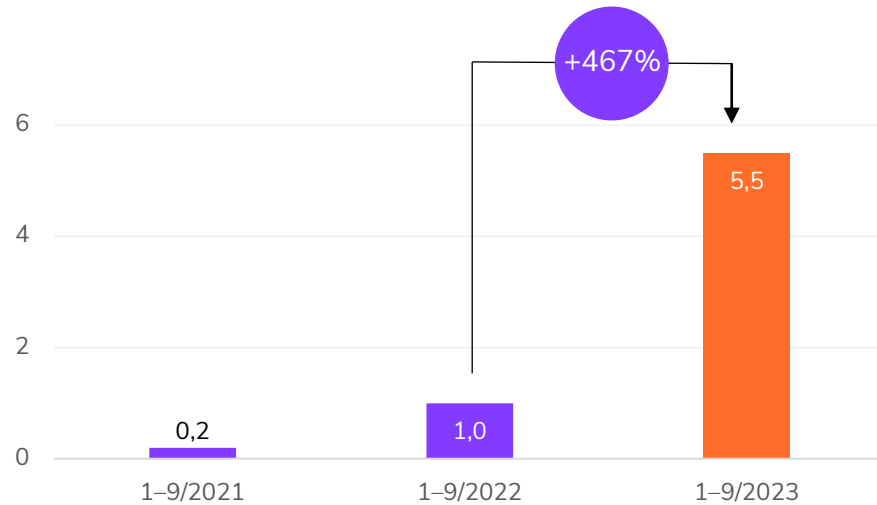


- In Sweden, after a period of strong growth, Talenom is slowing down the implementation of acquisitions for a restricted period focusing on improving efficiency and profitability by reaping economic benefits from a unified approach and the platform.
- Falling short of the growth target due to the effects of the slowdown in the economy weakened profitability especially in the third quarter.

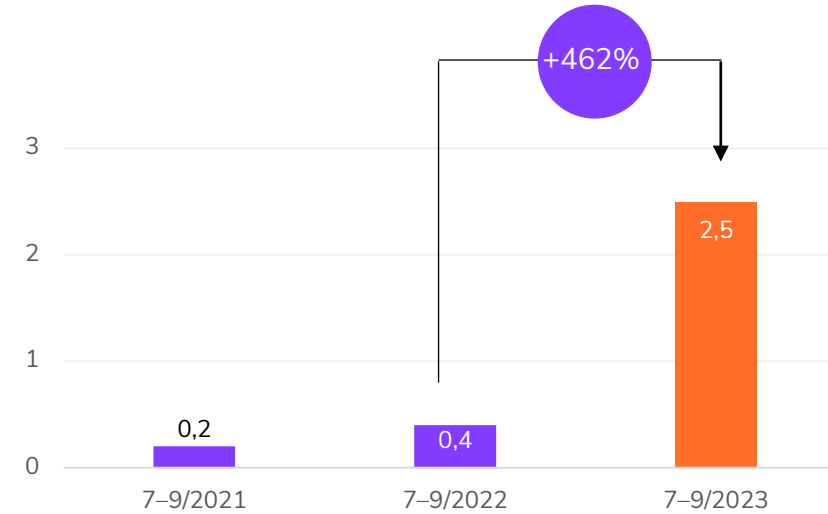


# Net sales development in other countries

Net sales development 1-9/2023, EUR million



Net sales development 7-9/2023, EUR million

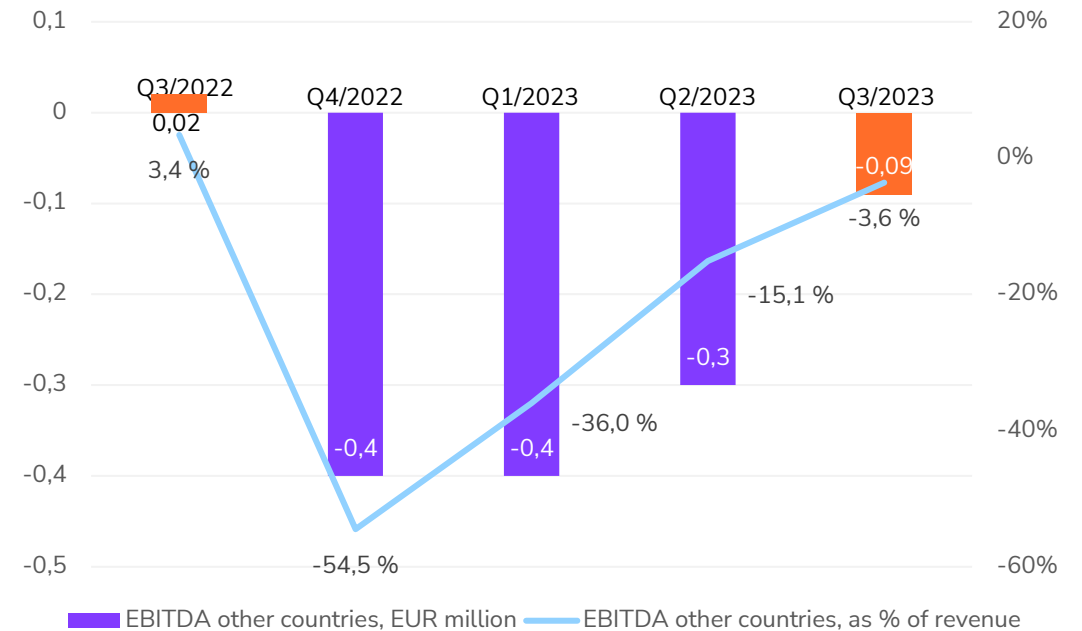


- Net sales growth came mainly from acquisitions.

## EBITDA development in other countries

- The Spanish accounting business is profitable measured by EBITDA, but profitability is depressed by the relative share of support functions. The profitability of the Spanish business is also burdened by the platform business acquired in autumn 2022, which aims to utilize the growth potential from the introduction of EU's e-Invoicing Directive.
- Talenom has leveraged its experience of establishing itself in Sweden and has strengthened management resources in a frontloaded manner, while simplifying and accelerating integration processes. In addition, the product offering has been harmonized to strengthen growth and robotics projects have been launched to improve process efficiency.
- Talenom expects the Spanish businesses to clearly improve their relative profitability as business volume grows and Talenom's efficient processes are implemented. With the acquisitions carried out during the year, the balance between volume and support functions has improved. Acquisitions carried out at the end of the period and future acquisitions support profitability development.

### Quarterly EBITDA development



# Outlook and guidance

# Guidance for 2023 (updated on 12 October 2023)

## Guidance

- Net sales around EUR 120–125 million
- EBITDA around EUR 30–34 million
- Comparable operating profit excluding software-related write-downs around EUR 10–13 million
- Operating profit around EUR 7–10 million

## Background for the update

In line with its strong growth strategy, the company entered 2023 with resources tuned to growth. However, the market situation changed significantly during the spring. The company's growth has been slower than expected this year as a result of the effects from the general economic slowdown in Finland and Sweden. The weak economic cycle has resulted in decreasing customer-specific invoicing as customers' businesses contract and in weaker net sales growth than anticipated. In resourcing, Talenom prepared for stronger growth, which, together with weaker-than-targeted net sales, has depressed profitability. Due to the economic cycle that weakened further in the second half of the year, the impact of the adjustment measures initiated during spring will not be sufficiently visible during the rest of the year. These measures have progressed as planned and will significantly improve the profitability base in 2024 while maintaining the preconditions for growth in line with the strategy. The company's business is still very profitable relative to the industry.

Talenom's architectural reform has progressed faster than expected, and as a result old software will be decommissioned. In the third quarter, the company will make a non-recurring write-down of approximately EUR 3.2 million related to software investments.



We are positive about the opportunities created by the digitalization of the European accounting market.



# TALENOM

Thank you

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