

TALÉNOM

Business Review

Q1 2024

EBITDA improved by 13.4% and strategy implementation progressed

1 Jan to 31 March 2024
(unaudited)



Business Review Q1 2024:

EBITDA improved by 13.4% and strategy implementation progressed

January–March 2024 in brief

- Net sales EUR 34.1 million (31.3), growth 8.8% (24.2)
- EBITDA EUR 9.5 million (8.4), 27.9% (26.7) of net sales
- Operating profit (EBIT) EUR 3.9 million (3.5), 11.3% (11.0) of net sales
- Net profit EUR 2.0 million (2.1)
- Earnings per share EUR 0.04 (0.05)

Key figures

| Group | 1-3/2024 | 1-3/2023 | Change, % |
|---|------------|------------|-----------|
| Net sales, EUR 1,000 | 34,053 | 31,311 | 8.8% |
| Net sales, increase % | 8.8% | 24.2% | |
| EBITDA, EUR 1,000 | 9,486 | 8,365 | 13.4% |
| EBITDA of net sales, % | 27.9% | 26.7% | |
| Operating profit (EBIT), EUR 1,000 | 3,855 | 3,458 | 11.5% |
| Operating profit (EBIT), as % of net sales | 11.3% | 11.0% | |
| Return on investment (ROI), % (rolling 12 months) | 6.0% | 11.7% | |
| Interest-bearing net liabilities, EUR 1,000 | 84,697 | 68,060 | 24.4% |
| Net gearing ratio, % | 171.5% | 130.2% | |
| Equity ratio, % | 26.9% | 31.4% | |
| Net investments, EUR 1,000 | 8,359 | 12,641 | -33.9% |
| Liquid assets, EUR 1,000 | 12,314 | 13,255 | -7.1% |
| Earnings per share, EUR | 0.04 | 0.05 | -2.3% |
| Weighted average number of shares during the period | 45,434,562 | 44,893,388 | 1.2% |
| Net profit, EUR 1,000 | 2,034 | 2,057 | -1.1% |

Guidance for 2024 unchanged

Talenom estimates that 2024 net sales will be about EUR 130–140 million, EBITDA EUR 34–40 million and operating profit EUR 14–17 million.

CEO Otto-Pekka Huhtala

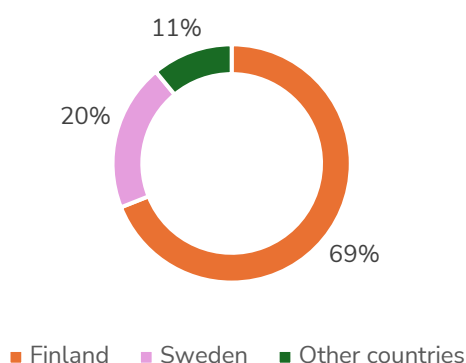
The first quarter of the year got off to a strong start. Improving operational efficiency, launching our platform in Sweden and accelerating organic growth are our strategic priorities for the current year. The profitability turnaround has progressed and is beginning to be reflected in higher EBITDA. In Sweden, we were able to migrate customers to our own platform in line with our targets. Our goal is to migrate at least 50% of our regular reporting customers to our own systems during 2024. Based on the experience in Finland, the introduction of Talenom's processes and platform enables reducing routine work time by up to 75%. To strengthen organic growth, we continued to develop the digital purchase path and made key hires to support growth.

Net sales grew by 8.8% (24.2) to EUR 34.1 (31.3) million in the first quarter of 2024. The economic downturn has had a negative impact on the business volumes of our customers in Finland and Sweden. This has resulted in a reduction in transaction volumes for Talenom, which has led to a decrease in customer invoicing. Business closures and bankruptcies have also increased. The impact of the economic downturn and customer churn was offset by new customer acquisition. Profitability improved: EBITDA rose by 13.4% to EUR 9.5 (8.4) million, while operating profit increased to EUR 3.9 (3.5) million. Profitability in Finland was significantly improved by efficiency measures launched in 2023, while in Sweden the introduction of own software burdened profitability. In Spain, the growth in business volume has enabled profitability to develop well.

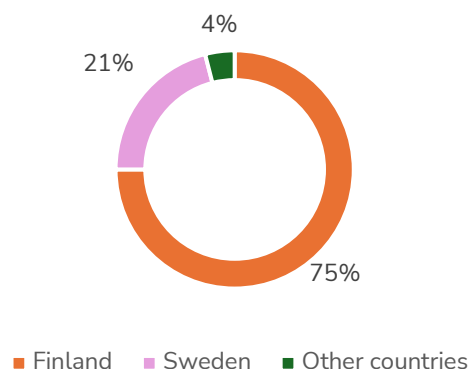
Despite the challenging short-term economic environment, we are positive about the future. Talenom's unique approach combines accounting and banking services with a proprietary software platform. Over 90% of net sales are recurring, providing a solid foundation for the company's long-term development.

Group financial development January–March 2024

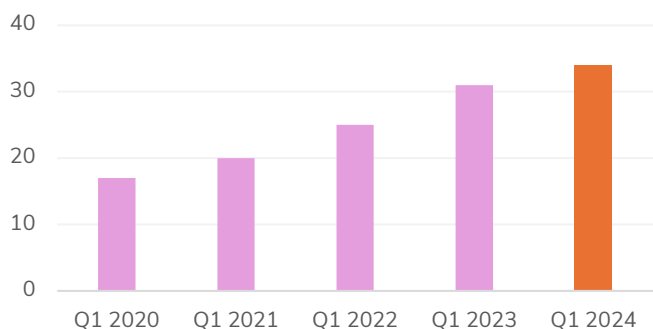
Net sales by country 1–3/2024



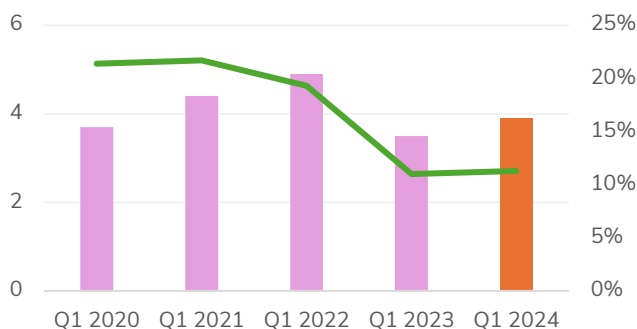
Net sales by country 1–3/2023



Net sales development, EUR million



EBIT development, EUR million



Net sales increased by 8.8% to EUR 34.1 million (31.3). The net sales growth was mainly due to acquisitions in Spain. The economic downturn in Finland and Sweden has significantly slowed organic growth.

Personnel costs amounted to EUR 20.0 million (18.1) representing 58.8% (57.8) of net sales. Other operating expenses, including materials and services, totalled EUR 5.0 million (5.1) or 14.8% (16.1) of net sales.

EBITDA increased by 13.4% to EUR 9.5 million (8.4) or 27.9% (26.7) of net sales. Profitability was improved by the efficiency measures implemented in Finland. In Sweden, the introduction of own software had a negative impact on profitability. Operating profit increased by 11.5% to EUR 3.9 million (3.5) or 11.3% (11.0) of net sales. Net profit decreased by -1.1% to EUR 2.0 million (2.1). Net financial expenses increased to EUR 1.0 million (0.7).

Country-specific financial development

Finland

| | 1-3/2024 | 1-3/2023 | Change, % |
|---|----------|----------|-----------|
| Net sales, EUR 1,000 | 23,409 | 23,377 | 0.1% |
| Net sales growth, % | 0.1% | 11.5% | |
| EBITDA, EUR 1000 | 9,297 | 8,174 | 13.7% |
| EBITDA of net sales, % | 39.7% | 35.0% | |
| Depreciation and amortisations, EUR 1,000 | -4,425 | -4,155 | 6.5% |
| Operating profit, EUR 1,000 | 4,872 | 4,019 | 21.2% |
| Operating profit of net sales, % | 20.8% | 17.2% | |

January-March 2024

Net sales were at the level of the comparison period. Overall economic development was negatively reflected in growth. The downturn has had a negative impact on the business volumes of Talenom's customers. This has resulted in a reduction in transaction volumes, which has led to a decrease in revenue per customer through both volumes and price adjustments. There has also been an increase in business closures and bankruptcies. The impact of the economic downturn and customer churn was offset by new customer acquisition.

Relative profitability significantly improved thanks to the efficiency measures introduced in 2023. In Finland, we are able to achieve very high profitability through our own platform automation and efficient business processes. Without the downturn, even higher profitability growth would have been possible.

We expect the economic downturn to ease as interest rates fall. This is expected to positively impact Talenom's growth possibilities with a lag of around six months.

Sweden

| | 1-3/2024 | 1-3/2023 | Change, % |
|---|----------|----------|-----------|
| Net sales, EUR 1,000 | 6,956 | 6,727 | 3.4% |
| Net sales growth, % | 3.4% | 68.6% | |
| EBITDA, EUR 1000 | -22 | 847 | -102.6% |
| EBITDA of net sales, % | -0.3% | 12.6% | |
| Depreciation and amortisations, EUR 1,000 | -716 | -585 | 22.2% |
| Operating profit, EUR 1,000 | -737 | 262 | -381.9% |
| Operating profit of net sales, % | -10.6% | 3.9% | |

January-March 2024

Net sales increased by 3.4% to EUR 7.0 million (6.7). Net sales growth came mainly from acquisitions.

Relative EBITDA was -0.3% (12.6) and operating profit -10.6% (3.9) of net sales. Growth and profitability in Sweden were affected by the spill-over effects of the general economic downturn. Profitability remains under pressure from the planned integration work, and particularly the introduction of own platform, which requires resources to ensure the progress of the project. After a period of strong growth, Talenom has for the time being slowed down the pace of acquisitions in Sweden and is focusing on implementing its own software and processes, which in the longer term will improve efficiency, profitability and organic growth opportunities. In the short term, the resources required for the project combined with the economic downturn will put a significant strain on profitability. However, this will enable the relative profitability level of Finland to be achieved in the longer term.

We expect the economic downturn to ease as interest rates fall. This is expected to positively impact Talenom's growth possibilities with a lag of around six months.

Other countries

| | 1-3/2024 | 1-3/2023 | Change, % |
|---|----------|----------|-----------|
| Net sales, EUR 1,000 | 3,687 | 1,207 | 205.6% |
| Net sales growth, % | 205.6% | 371.3% | |
| EBITDA, EUR 1000 | -58 | -378 | 84.6% |
| EBITDA of net sales, % | -1.6% | -31.4% | |
| Depreciation and amortisations, EUR 1,000 | -491 | -167 | -193.2% |
| Operating profit, EUR 1,000 | -549 | -546 | -0.6% |
| Operating profit of net sales, % | -14.9% | -45.2% | |

January-March 2024

Net sales increased by 205.6% to EUR 3.7 million (1.2). Net sales growth came mainly from acquisitions in Spain. There was also good evidence of Talenom's ability to grow organically, although low volumes meant that organic growth accounted for only a small proportion of total growth.

With the growth in business volume in Spain, profitability has developed very well. The Spanish accounting business is profitable measured by EBITDA, but profitability is burdened by the build-up of organic growth and the relatively high share of support activities.

Talenom acquired a bridgehead from Italy in early 2023. In line with the strategy of expanding into new countries, the Italian market for accounting firms has been studied and the business model continued to be designed. As a result of this research work, Talenom hired a Country Director for Italy. Talenom's priority is to grow organically in Italy.

Unallocated items

Unallocated items include revenue and cost recognition of additional purchase prices related to acquisitions.

| | 1-3/2024 | 1-3/2023 | Change, % |
|---|----------|----------|-----------|
| Net sales, EUR 1,000 | | | |
| Net sales growth, % | | | |
| EBITDA, EUR 1000 | 268 | -278 | -196.6% |
| EBITDA of net sales, % | | | |
| Depreciation and amortisations, EUR 1,000 | | | |
| Operating profit, EUR 1,000 | 268 | -278 | -196.6% |
| Operating profit of net sales, % | | | |

Country-specific comparison figures for 2023

Comparison figures have been adjusted for inter-segment items. Inter-segment items were eliminated in the Business Reviews and Half-Year Financial Report for 2023.

| Key figures, Finland | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 |
|---|---------|---------|---------|---------|
| Net sales, EUR 1,000 | 23,377 | 23,332 | 20,262 | 20,788 |
| EBITDA, EUR 1000 | 8,174 | 8,210 | 7,718 | 7,594 |
| Depreciation and amortisations, EUR 1,000 | -4,155 | -4,374 | -7,429 | -4,349 |
| Operating profit, EUR 1,000 | 4,019 | 3,836 | 290 | 3,245 |
| Comparable operating profit, EUR 1,000 | 4,019 | 3,836 | 3,448 | 3,245 |

| Key figures, Sweden | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 |
|---|---------|---------|---------|---------|
| Net sales, EUR 1,000 | 6,727 | 7,299 | 5,519 | 5,924 |
| EBITDA, EUR 1000 | 847 | 596 | -26 | -1,025 |
| Depreciation and amortisations, EUR 1,000 | -585 | -603 | -685 | -725 |
| Operating profit, EUR 1,000 | 262 | -7 | -711 | -1,750 |

| Key figures, Other countries | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 |
|---|---------|---------|---------|---------|
| Net sales, EUR 1,000 | 1,207 | 1,778 | 2,511 | 3,004 |
| EBITDA, EUR 1000 | -378 | -191 | -65 | -256 |
| Depreciation and amortisations, EUR 1,000 | -168 | -221 | -285 | -358 |
| Operating profit, EUR 1,000 | -546 | -411 | -350 | -613 |

| Unallocated items | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 |
|---|---------|---------|---------|---------|
| Net sales, EUR 1,000 | | | | |
| EBITDA, EUR 1000 | -278 | 248 | 0 | 716 |
| Depreciation and amortisations, EUR 1,000 | | | | |
| Operating profit, EUR 1,000 | -278 | 248 | 0 | 716 |

*) Country-specific net sales include external sales. Inter-segment sales and purchases are included in EBITDA and operating profit on a net basis. The Q4/2023 country-specific net sales reported in the 2023 Financial Statement Release also included internal sales.

Investments and acquisitions during the review period

The total net investments during the review period were EUR 8.4 million (12.6).

| Investments | Q1 2024 | Q1 2023 |
|--|--------------|---------------|
| New customer agreements, EUR 1,000 | 909 | 778 |
| Software and digital services, EUR 1,000 | 4,220 | 3,769 |
| Acquisitions in Finland, EUR 1,000 | 0 | 0 |
| Acquisitions abroad, EUR 1,000 *) | 2,713 | 7,198 |
| Other investments | 517 | 896 |
| Total net investments, EUR 1,000 | 8,359 | 12,641 |

*) includes an estimated EUR 0 (EUR 1,570 thousand) in recorded additional deal prices

Share transactions in January-March:

- Bujan Y Asociados S.l., Spain
- Assessoria del Bages, Spain

Purchase prices, net sales and operating profit of the acquisition targets during the review period:

| EUR 1,000 | Share transactions | Business acquisitions |
|---|--------------------|-----------------------|
| Total purchase prices | 3,196 | 0 |
| Maximum contingent consideration | 0 | 0 |
| Net sales, previous 12 months at time of purchase, total | 2,318 | 0 |
| Operating profit, previous 12 months at time of purchase, total | 591 | 0 |

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 10,577 shares were subscribed for in directed share issues related to acquisitions during the review period.

Basis of preparation

This Business Review is not an Interim Financial Report prepared in accordance with the IAS 34 standard. The Company prepares its interim financial reporting in accordance with the Securities Market Act, in addition to which the Company releases Business Reviews for the first three and first nine months of the year. The Business Reviews contain key information regarding the financial position and development of the Talenom Group. The operating segments have been formed based on geographical areas. Segment reporting is based on the operating countries of the Group companies. Countries in the early development phase are reported as one item.

The figures of the Business Review are unaudited.

The company reports commonly applied alternative performance measures to reflect the underlying business performance and enhance comparability between financial periods. Alternative performance measures not based on IFRS standards provide notable additional information to company management, investors and other interested parties. Alternative performance measures should not be considered as a substitute for key figures in accordance with IFRS. Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, comparable operating profit, comparable operating profit as % of net sales, EBITDA, EBITDA as % of net sales, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio %, working capital and net investments. The formulas are presented below in the section "Formulas".

TABLES

Consolidated comprehensive income statement

| EUR 1,000 | 1-3/2024 | 1-3/2023 | 2023 |
|---|---------------|---------------|----------------|
| Net sales | 34,053 | 31,311 | 121,728 |
| Other operating income | 493 | 197 | 1,225 |
| Materials and services | -918 | -933 | -3,884 |
| Employee benefit expenses | -20,017 | -18,088 | -71,897 |
| Depreciation and amortisations | -5,631 | -4,908 | -23,935 |
| Other operating expenses | -4,124 | -4,122 | -15,287 |
| Operating profit | 3,855 | 3,458 | 7,948 |
| Financial income | 95 | 58 | 433 |
| Financial expenses | -1,125 | -766 | -4,122 |
| Net financial expenses | -1,030 | -708 | -3,689 |
| Profit (loss) before taxes | 2,825 | 2,750 | 4,260 |
| Income taxes | -790 | -692 | -899 |
| Profit (loss) for the financial period | 2,034 | 2,057 | 3,361 |
| Other items of comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Translation differences | -17 | 99 | -16 |
| Total comprehensive income for the financial period | 2,018 | 2,157 | 3,345 |

Consolidated balance sheet

| EUR 1,000 | 31/03/2024 | 31/03/2023 | 31/12/2023 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 68,643 | 59,778 | 66,648 |
| Other intangible assets | 54,335 | 49,264 | 52,681 |
| Right-of-use assets | 10,428 | 10,709 | 9,401 |
| Property, plant and equipment | 4,687 | 3,359 | 4,685 |
| Other non-current financial assets | 203 | 259 | 184 |
| Deferred tax assets | 1,520 | 472 | 1,487 |
| Capitalised contract costs | 11,437 | 11,572 | 11,347 |
| Total non-current assets | 151,253 | 135,413 | 146,434 |
| Current assets | | | |
| Trade and other receivables | 19,023 | 17,543 | 16,742 |
| Current tax assets | 1,199 | 545 | 2,247 |
| Cash and cash equivalents | 12,314 | 13,255 | 10,255 |
| Total current assets | 32,536 | 31,343 | 29,243 |
| Total assets | 183,789 | 166,756 | 175,677 |
| CAPITAL AND RESERVES | | | |
| Share capital | 80 | 80 | 80 |
| Reserve for invested unrestricted equity | 30,935 | 28,909 | 30,875 |
| Retained earnings | 18,366 | 23,300 | 24,859 |
| Total equity | 49,380 | 52,289 | 55,814 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Financial liabilities | 70,730 | 60,258 | 70,818 |
| Trade and other payables | 2,015 | 3,530 | 636 |
| Lease liabilities | 6,388 | 6,798 | 5,592 |
| Deferred tax liabilities | 4,604 | 3,601 | 4,326 |
| Total non-current liabilities | 83,737 | 74,187 | 81,372 |
| Current liabilities | | | |
| Financial liabilities | 15,044 | 10,000 | 5,101 |
| Trade and other payables | 30,017 | 26,315 | 28,463 |
| Lease liabilities | 4,093 | 3,919 | 3,944 |
| Current tax liabilities | 1,518 | 46 | 983 |
| Total current liabilities | 50,672 | 40,280 | 38,491 |
| Total liabilities | 134,409 | 114,467 | 119,863 |
| Total equity and liabilities | 183,789 | 166,756 | 175,677 |

FORMULAS

| | | |
|--|---|--|
| Net sales, increase % | = | $\frac{\text{net sales} - \text{net sales of the preceding year}}{\text{net sales of the preceding year}} \times 100$ |
| Operating profit | = | net sales + other operating income - materials and services - personnel expenses - depreciations and amortisations - other operating expenses |
| Operating profit (EBIT), % | = | $\frac{\text{operating profit (EBIT)}}{\text{net sales}} \times 100$ |
| Return on investment (ROI), % (rolling 12 months) | = | $\frac{\text{operating profit (EBIT) before taxes} + \text{interest and other financial expenses}}{\text{total equity and liabilities} - \text{non-interest-bearing liabilities (average of the accounting period)}} \times 100$ |
| Interest-bearing net liabilities | = | interest-bearing liabilities - cash in hand and in banks |
| Net gearing ratio, % | = | $\frac{\text{interest-bearing liabilities} - \text{cash in hand and in banks}}{\text{capital and reserves}} \times 100$ |
| Equity ratio, % | = | $\frac{\text{capital and reserves}}{\text{balance sheet total} - \text{advances received}} \times 100$ |
| Working capital | = | inventories + non-interest-bearing current receivables - non-interestbearing current liabilities |
| Net investments | = | investments in tangible and intangible assets - sales of assets |
| Earnings per share | = | $\frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review} \times 100 \text{ period}} \times 100$ |
| Compound annual growth rate (CAGR) | = | $\left(\frac{\text{net sales at the end of the period}}{\text{net sales in the beginning of the period}} \right)^{\frac{1}{\text{number of years}}} - 1$ |
| EBITDA | = | operating profit + depreciation + amortisation |
| EBITDA, % | = | $\frac{\text{EBITDA}}{\text{Net sales}} \times 100$ |
| Comparable operating profit | = | operating profit - software-related write-downs |

Operating profit (EBIT) measures Talenom's ability to generate a profit in its business operations. Operating profit is a key metric of the company's profitability and financial performance, and indicates the profit generated from business operations.

Operating profit margin refers to operating profit as a percentage of net sales and is used to proportion operating profit in relation to net sales and improve comparability of operating profit over reporting periods.

Return on investment, meanwhile, measures operating result in relation to invested equity. It describes Talenom's relative profitability, in other words how effectively the company is able to generate profit for capital invested in the company

Interest-bearing net liabilities is the net sum of Talenom's debt financing. The metric provides information on the company's indebtedness and capital structure.

Net gearing ratio is the ratio between Talenom's equity and interest-bearing liabilities. It describes the level of risk associated with the company's financing and is a useful metric for tracking the company's debt to equity ratio.

Equity ratio is a financial structure metric that shows what proportion of the company's balance sheet is financed by its own equity. Equity ratio provides information on the level of risk associated with financing and the level of equity used in business operations and describes the company's solvency and tolerance against loss in the long term.

Working capital measures the amount of financing committed in Talenom's business operations and describes the efficiency of capital use.

Net investments measure the amount of investments minus the sale of fixed assets. The metric offers additional information on the cash flow needs of business operations.

EBITDA is an important key figure that measures Talenom's ability to generate profit in business before depreciation, impairment and financial items.

EBITDA margin refers to EBITDA as a percentage of net sales and is used to proportion EBITDA in relation to net sales and improve comparability of EBITDA over reporting periods.

Comparable operating profit is operating profit excluding software-related write-downs.

TALENOM PLC

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FURTHER INFORMATION:

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