

Financial Statement Release 2023

CEO Otto-Pekka Huhtala and CFO Matti Eilonen
Talenom Plc 1 February 2024

TALENOM

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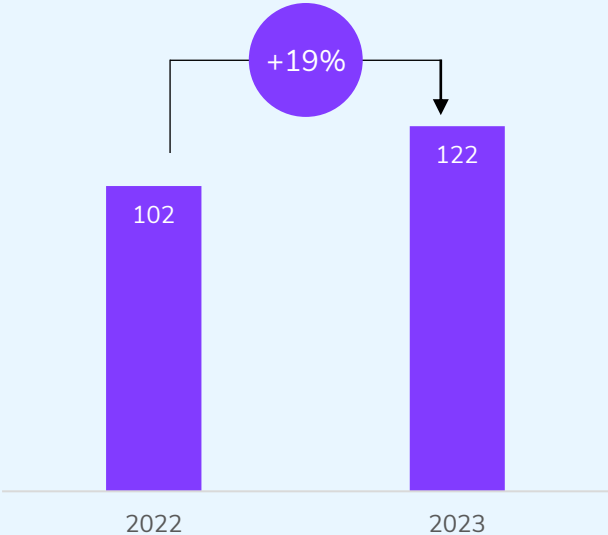
- Review period
- Strategy progress
- Financial development
- Outlook and guidance



Growth was strong, but profitability targets were missed. Thanks to profitability and strategic measures, expectations for 2024 are positive.

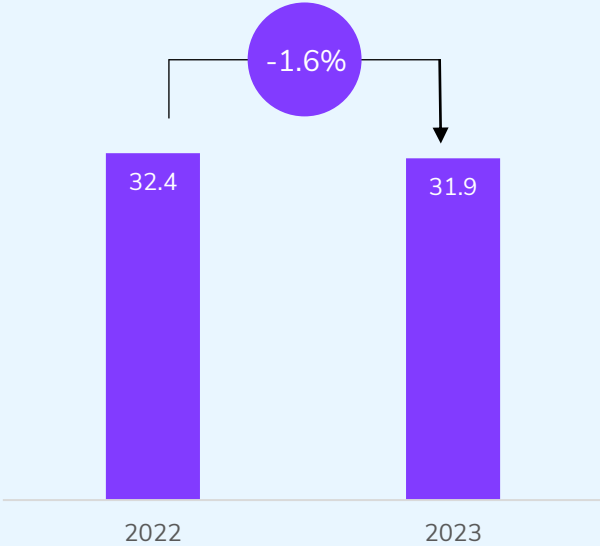
Growth continued strong

Net sales January-December (EUR million)



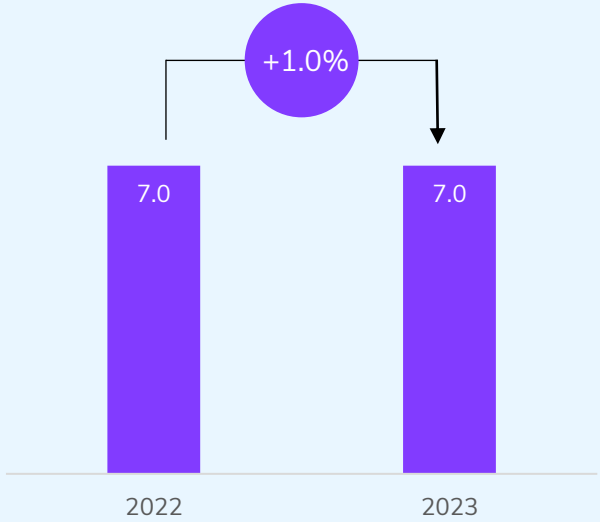
Investments related to internationalisation depressed profitability

EBITDA January-December (EUR million)



EBITDA development took a turn for the better towards the end of the year, in 2024 the focus will be on improving profitability and organic growth

EBITDA Q4 (EUR million)



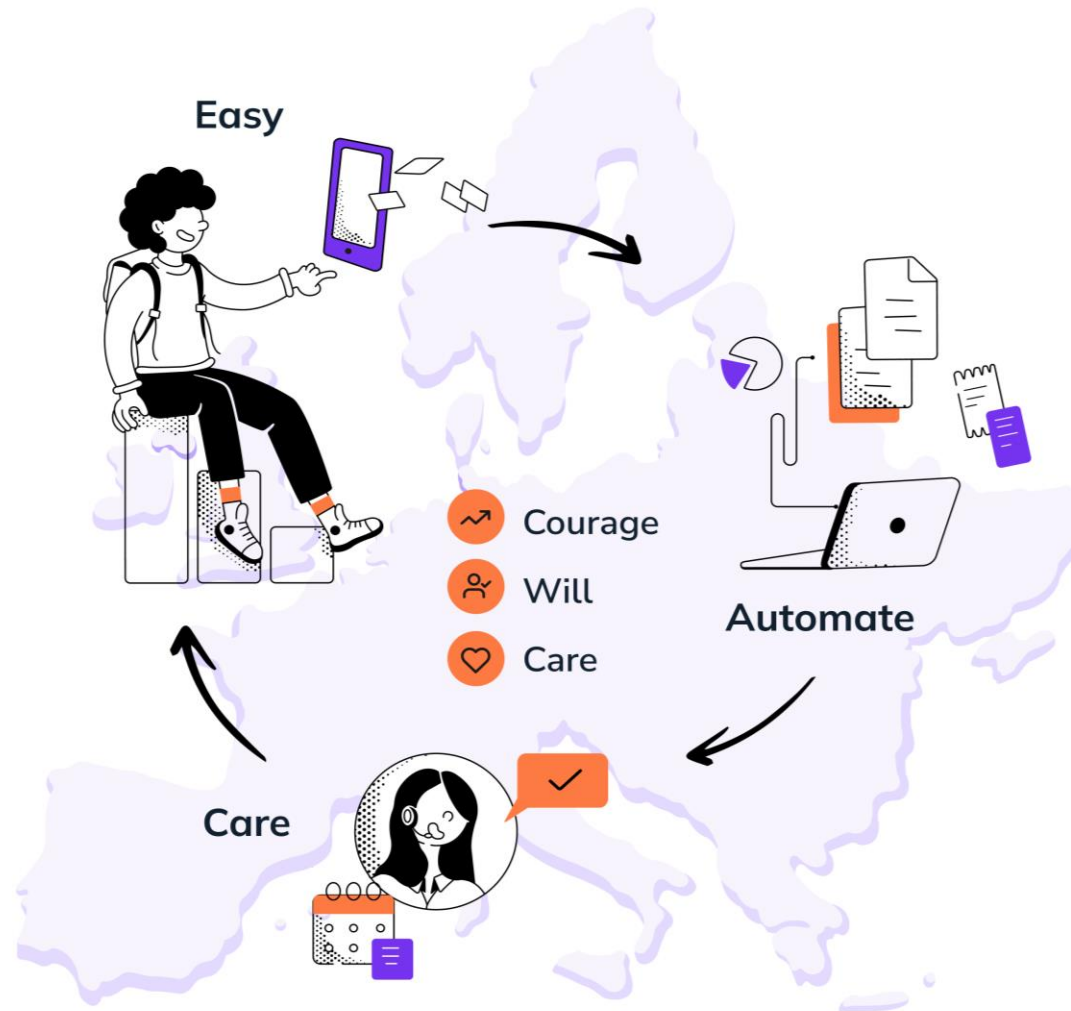
Strategy progress

The European accounting firm market and its development

- 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.

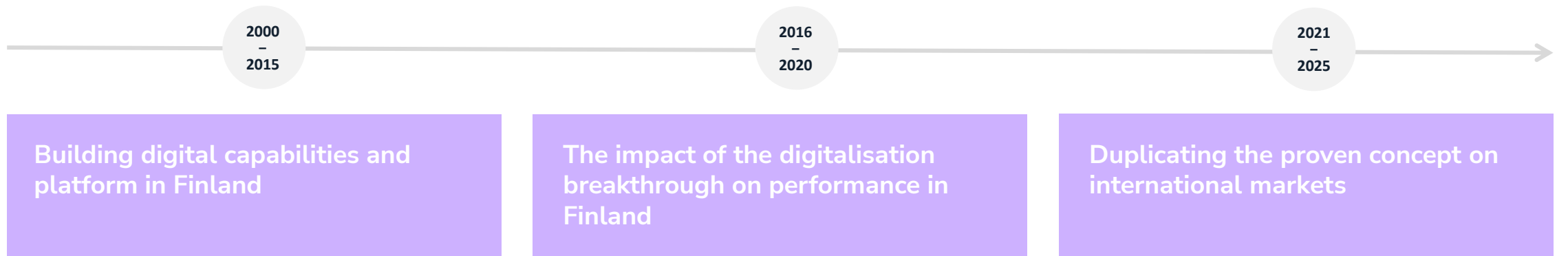
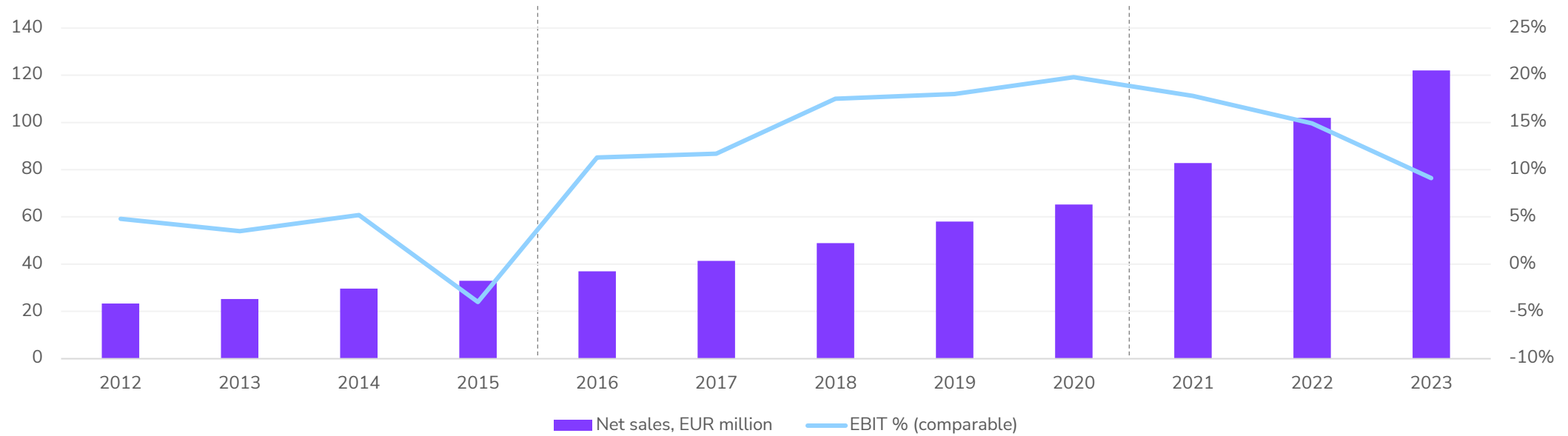


Vision



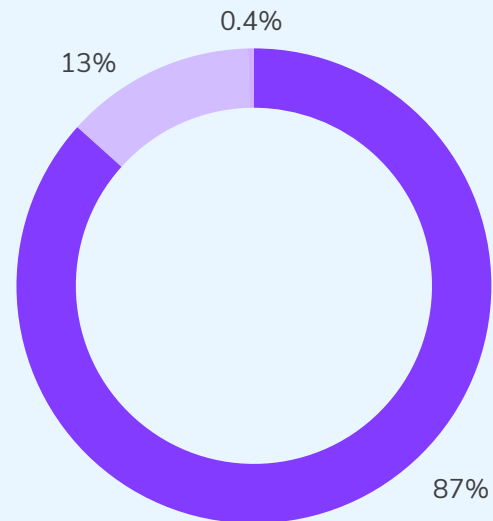
Unbeatable accounting and banking services for SMEs

A proven strategy and strong track-record



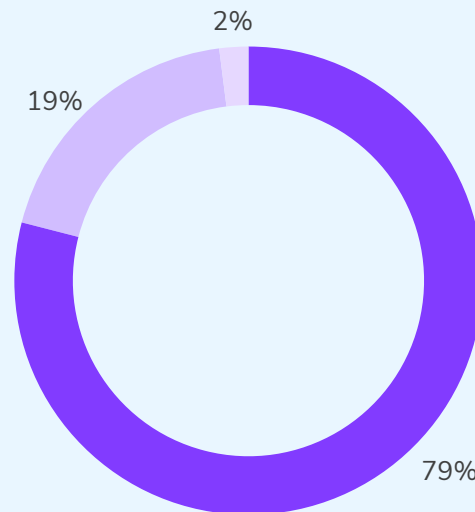
Internationalisation progressing as planned

Net sales distribution 1–12/2021



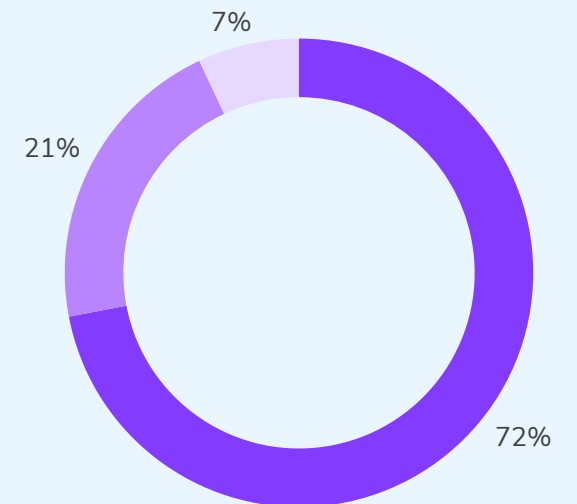
■ Finland ■ Sweden ■ Other countries

Net sales distribution 1–12/2022



■ Finland ■ Sweden ■ Other countries

Net sales distribution 1–12/2023



■ Finland ■ Sweden ■ Other countries

Strategy progress 1–12/2023

01. Accelerating digital sales

- Digital sales progressed with a unified brand and productization, as well as with a new website and a simpler purchase path.

02. Distribution of banking services

- We started distributing Talenom Accounts in Finland, which helps us in new customer acquisition and especially small enterprise customer acquisition.

03. Software implementation in Sweden

- In Sweden, the roll-out of our own platform got off to a good start and we started selling our own platform in new customer acquisition.
- 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 to up to a quarter of the current time spent on such tasks.

Strategic focus areas for 2024

01.

Improving efficiency.

02.

Platform roll-out in Sweden.

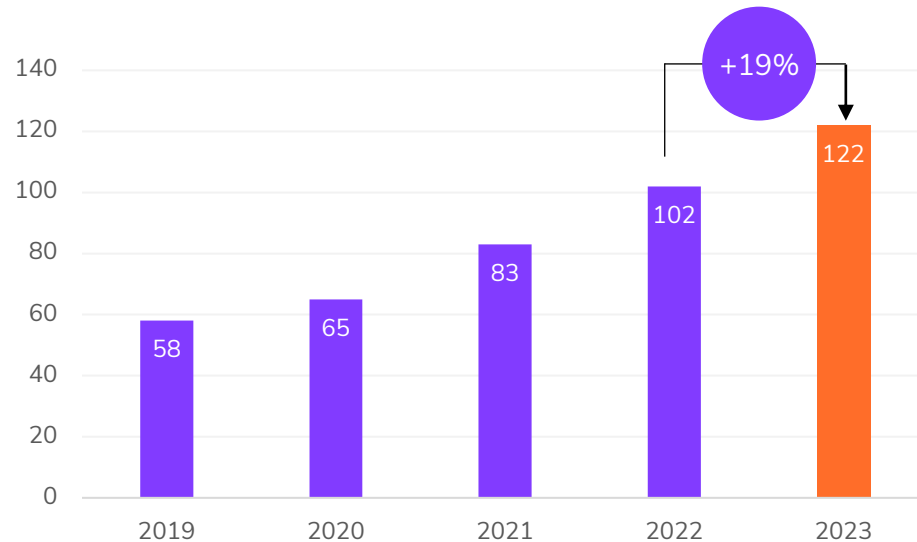
03.

Organic growth.

Finances

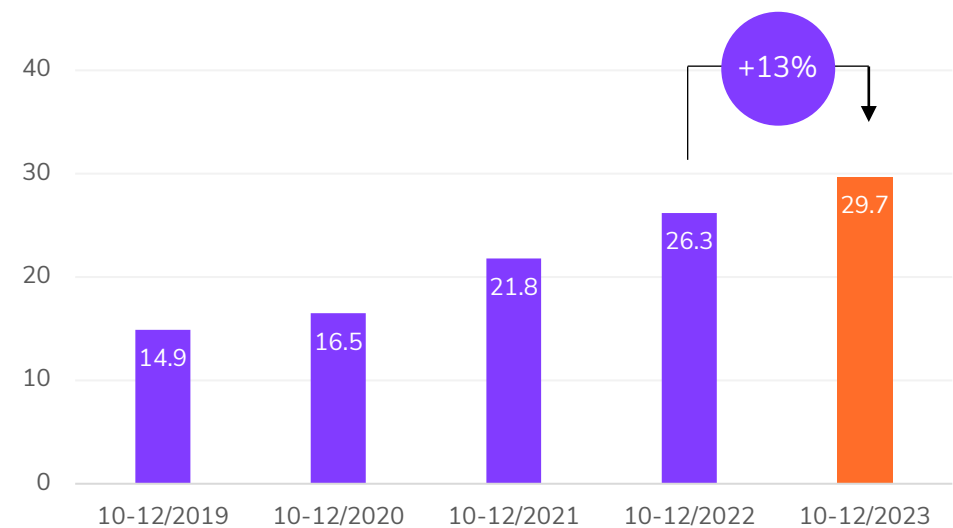
Group net sales continued to grow, but fell short of the medium-term target

Net sales January-December (EUR million)



- About two-thirds of the growth came from acquisitions in Sweden and Spain, and about one-third organically
- Overall economic development was negatively reflected in organic growth.

Net sales October-December (EUR million)

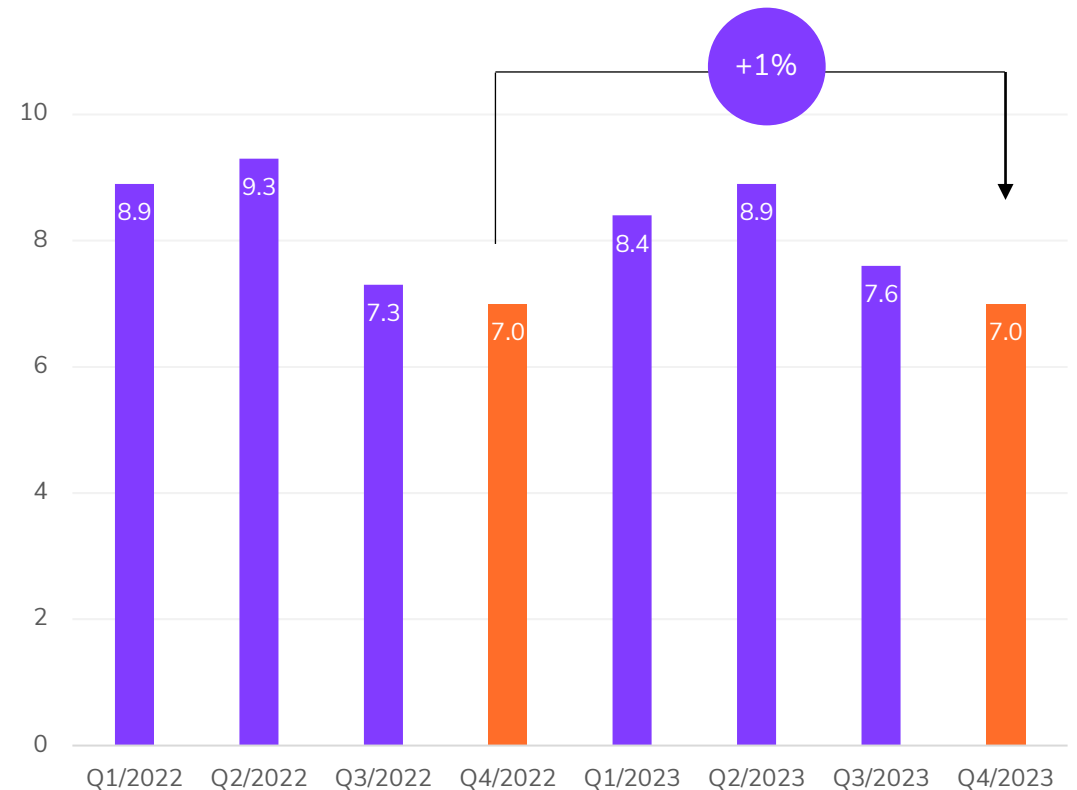


- About two-thirds of the growth came from acquisitions in Sweden and Spain, and about one-third organically
- Overall economic development was negatively reflected in growth.

Group euro-denominated EBITDA started to strengthen in the latter part of the year from the comparison period

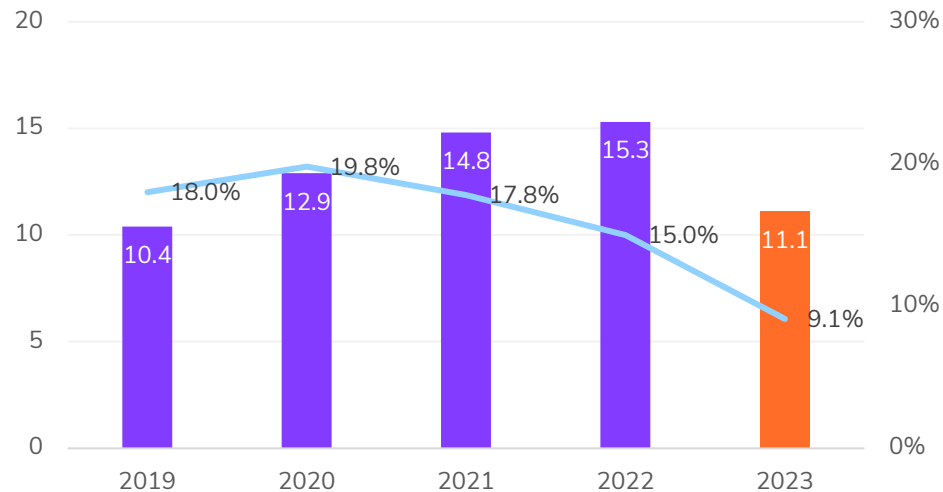
- During spring 2023, we launched profitability improvement measures for the entire Group.
- The impact of the measures can be seen in the improved euro-denominated EBITDA in Finland in the second half of the year, while in Sweden profitability was eroded by the software project.
- These improvements create a good profitability basis for 2024 while maintaining the prerequisites for growth in line with our strategy.

Quarterly EBITDA development, EUR million



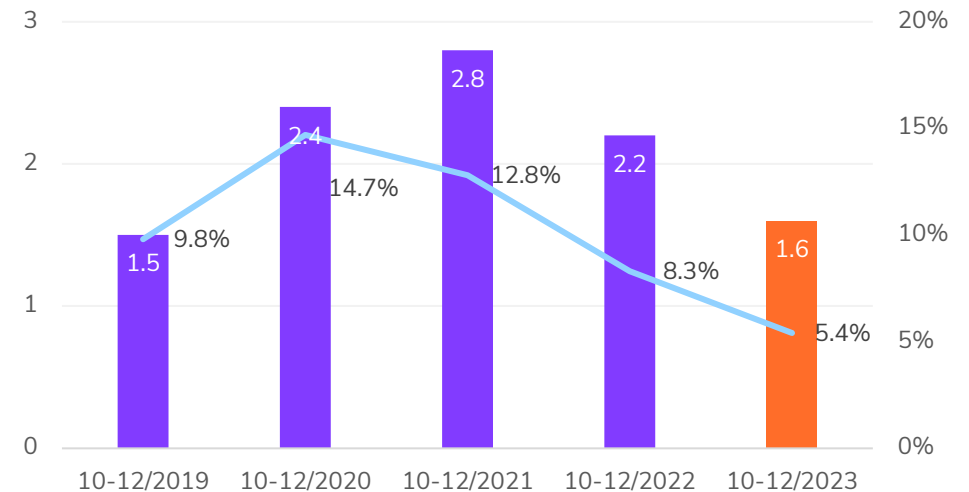
Group profitability was depressed by frontloaded investments in growth and internationalisation

Comparable operating profit January-December



- Profitability was depressed by frontloaded investments in growth, wage inflation, the system platform acquired in Spain in 2022, as well as integration and other non-recurring costs arising from acquisitions.

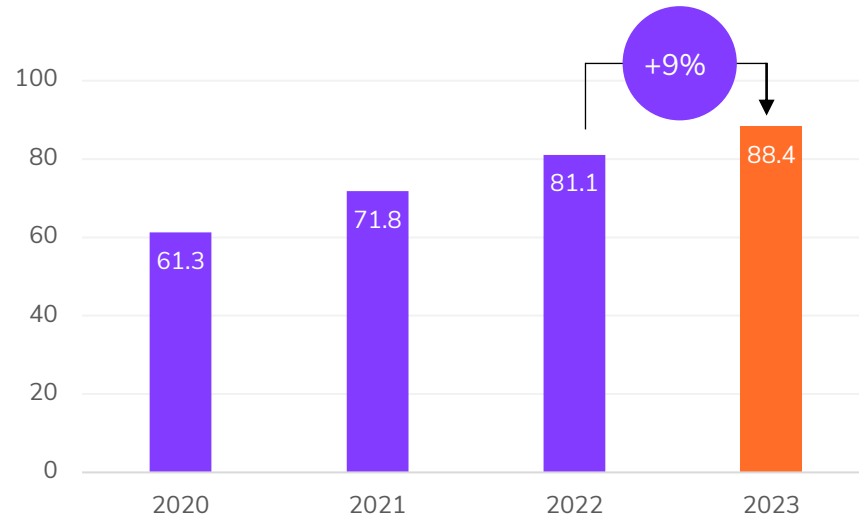
Comparable operating profit October-December



- Profitability was depressed by frontloaded investments in growth, wage inflation, the system platform acquired in Spain in 2022, as well as integration costs arising from acquisitions and costs related to introducing the own software in Sweden.
- Of these, the Spanish platform business will still have a negative impact on profitability in 2024 and implementation of software in Sweden will slow down the relative profitability trend in 2024.

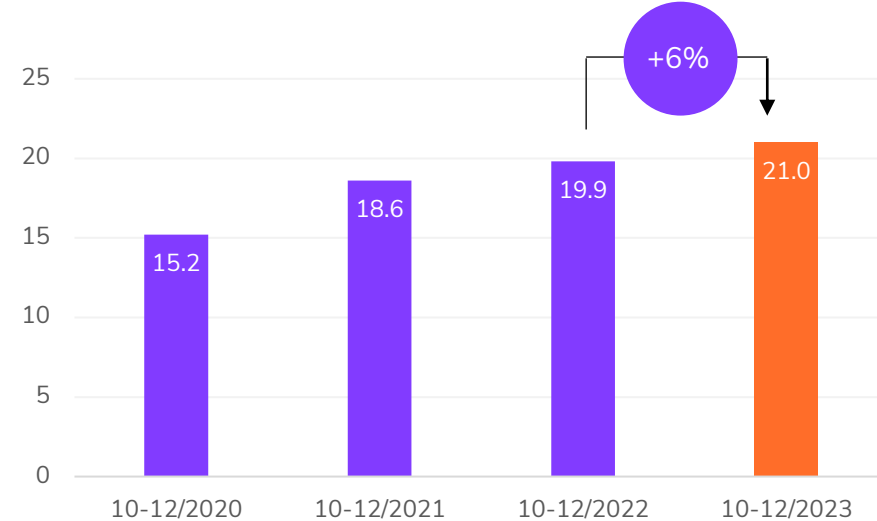
Net sales development in Finland

Net sales development January-December (EUR million)



- Net sales growth was organic.
- The general economic slowdown and its effects weakened growth even though 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.

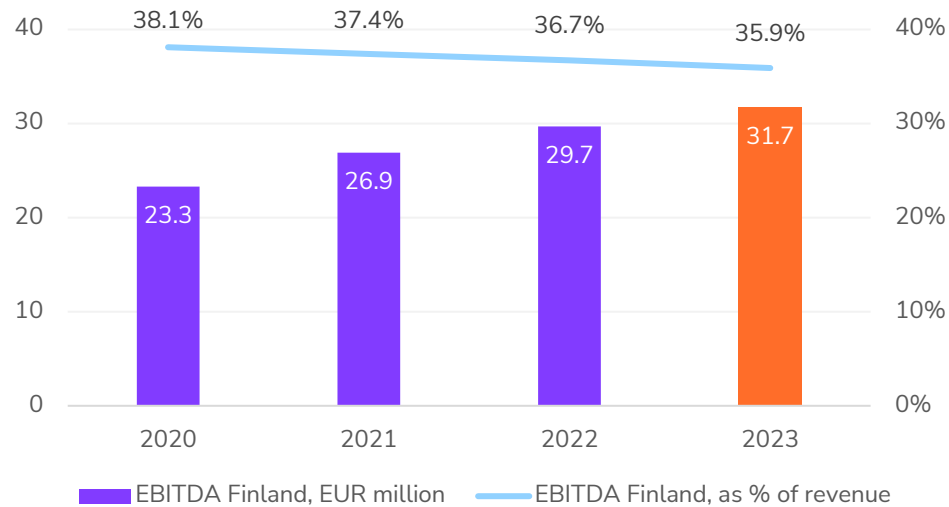
Net sales development October-December (EUR million)



- 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 toward the end of the year.

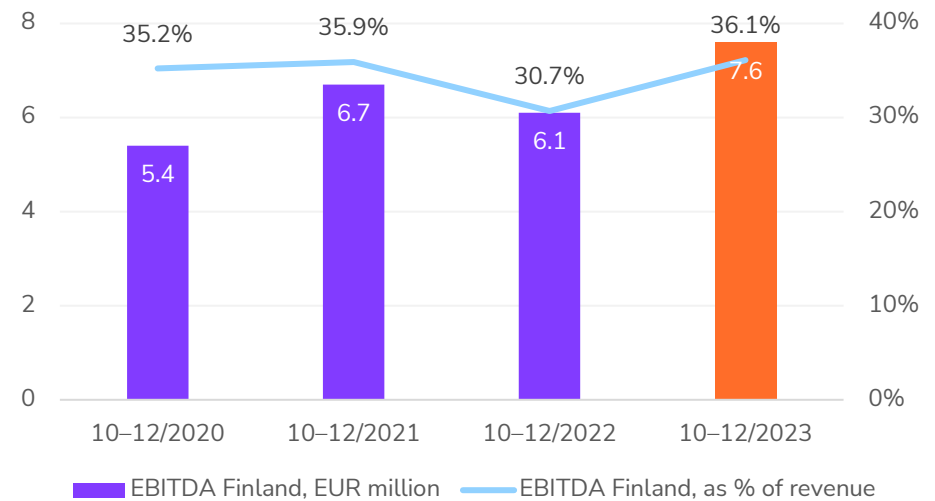
EBITDA development in Finland

EBITDA development January-December



- We prepared for stronger growth with recruitments, which, together with weaker-than-expected net sales, depressed relative profitability.
- In spring 2023, Talenom started significant profitability improvement measures in the Finnish businesses.

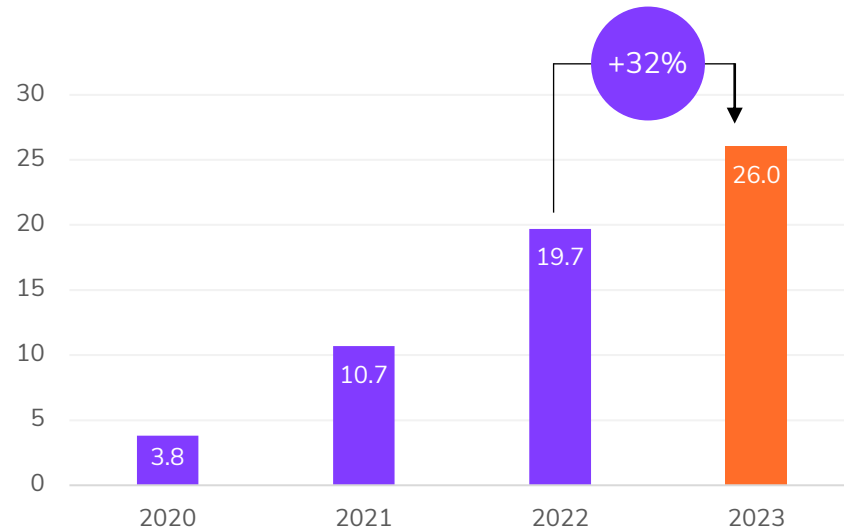
EBITDA development October-December



- EBITDA grew by 25% in the last quarter.
- Relative profitability increased clearly with the improvement measures, and profitability is expected to improve further.

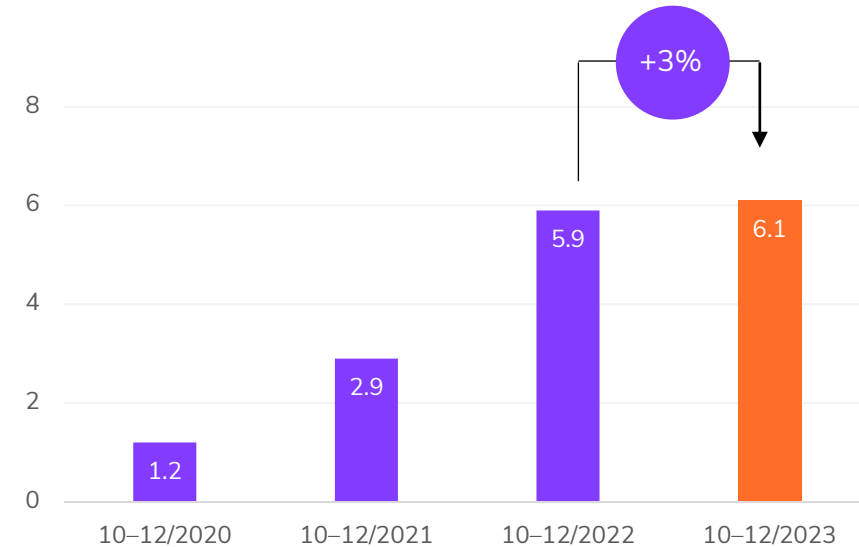
Net sales development Sweden

Net sales development January-December (EUR million)



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

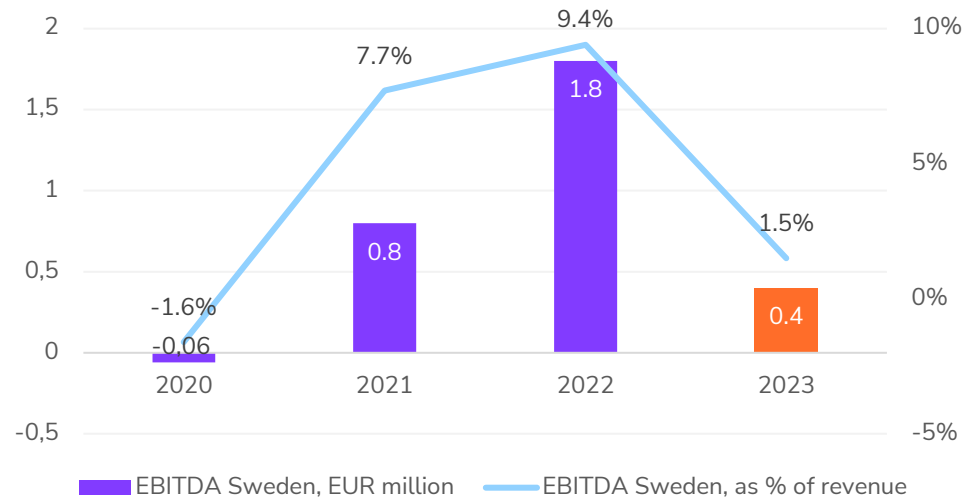
Net sales development October-December (EUR million)



- Net sales growth came mainly from acquisitions.
- Growth was slowed down by the effects of a general economic slowdown. In addition, the weak Swedish krona continued to have a negative impact on euro-denominated net sales development.

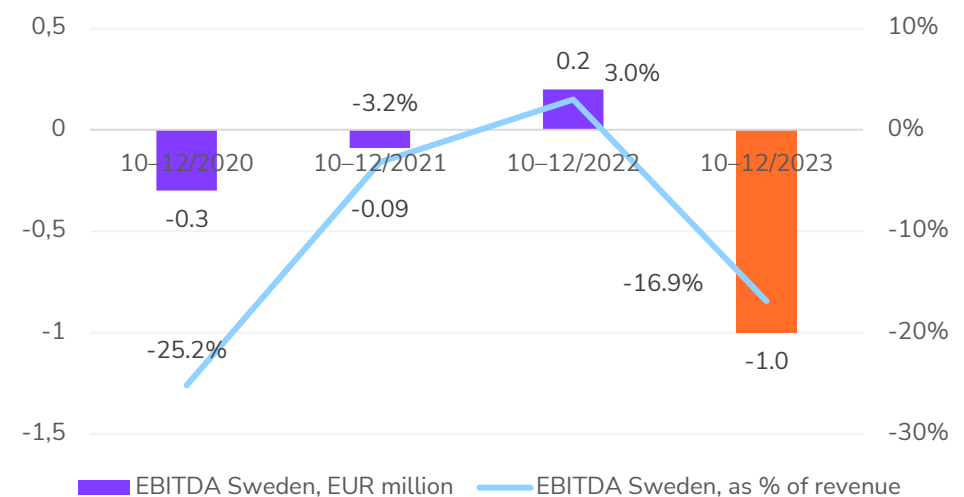
EBITDA development in Sweden

EBITDA development January-December



- 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, which requires personnel.
- Our goal is to migrate at least 50% of our regular reporting customers to our own systems during 2024.
- Higher loan loss provisions and non-recurring items increased costs by a total of EUR 0.6 million.

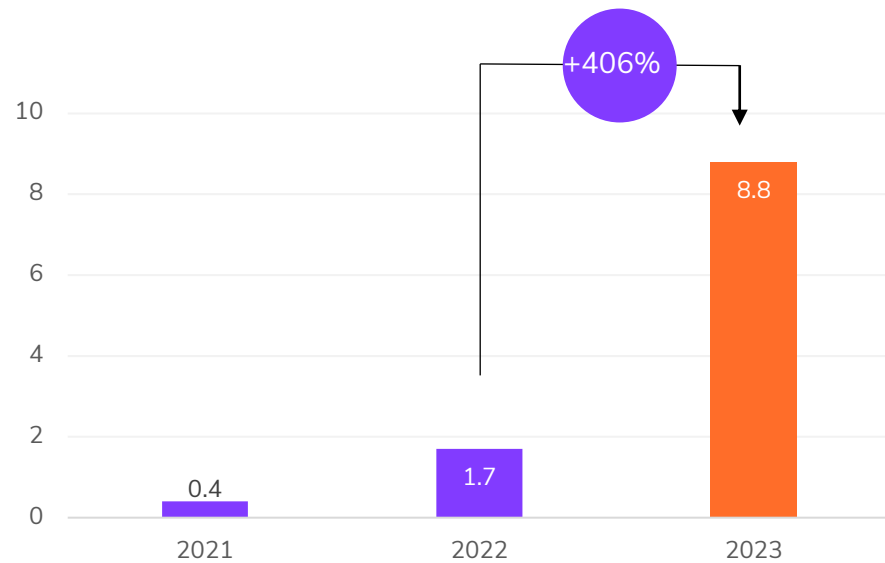
EBITDA development October-December



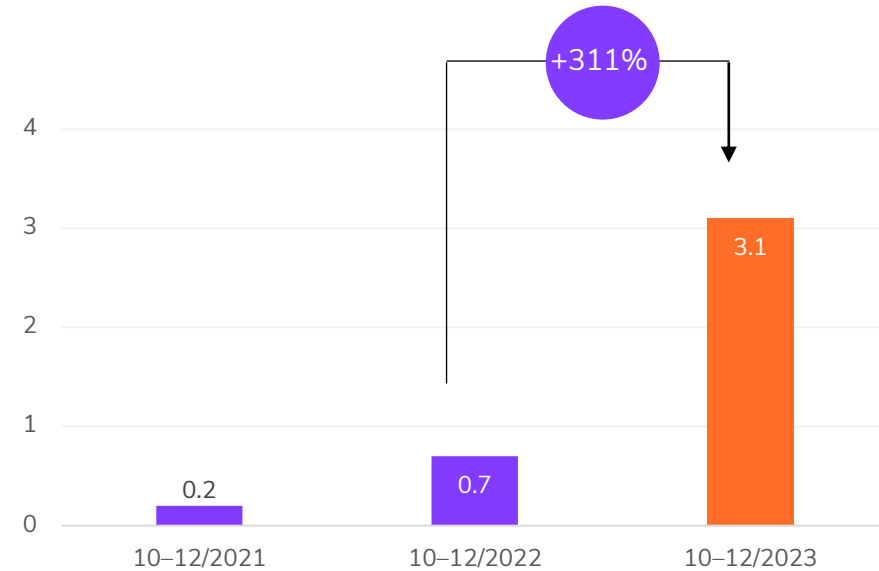
- Profitability in Sweden is still as planned depressed by integration work and the introduction of the new platform, as well as the resourcing required for these activities.
- We are prioritizing platform implementation at the expense of profitability.
- In addition, the weak Swedish krona had a negative impact on euro-denominated EBITDA development.

Net sales development in other countries

Net sales development January-December (EUR million)



Net sales development October-December (EUR million)

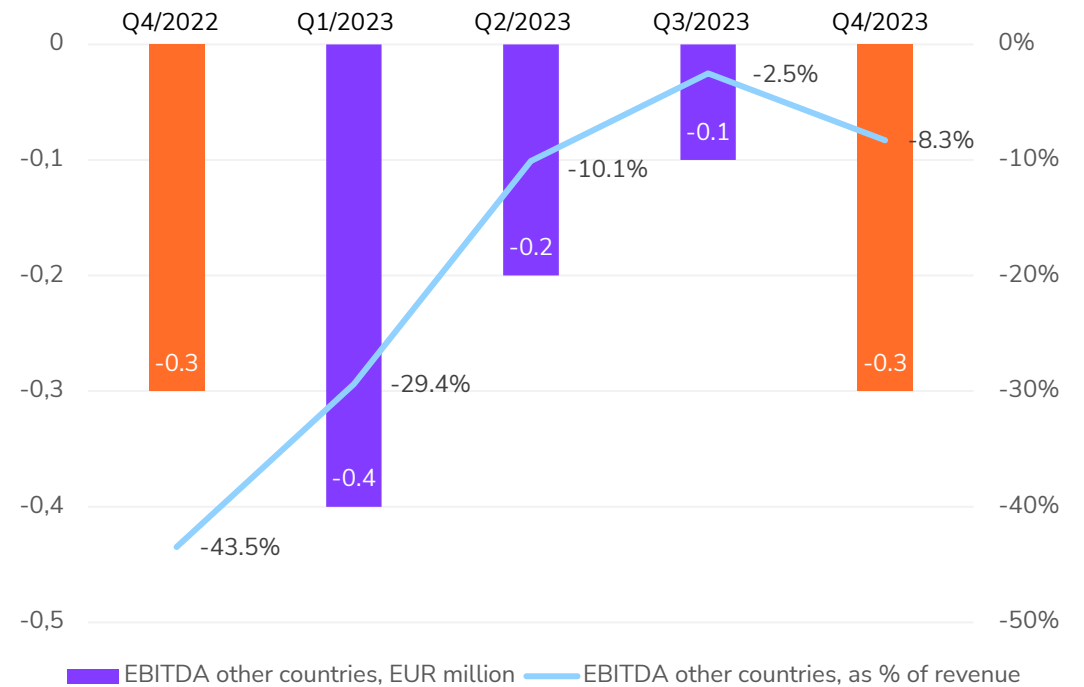


- Net sales growth came mainly from acquisitions.

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 and 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.

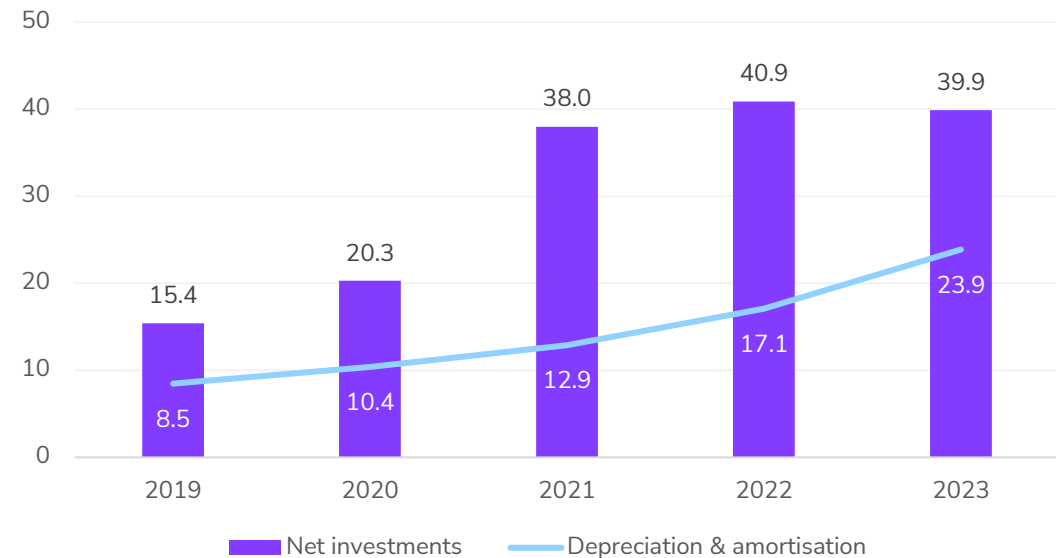
Quarterly EBITDA development



Investments and depreciations

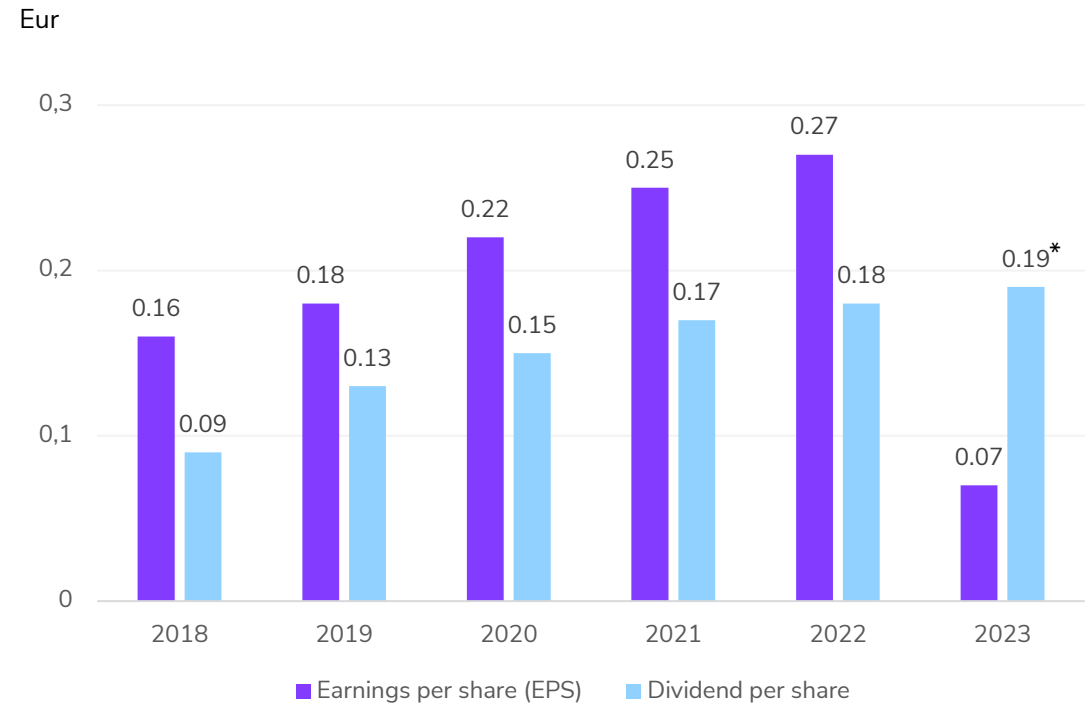
- Investments stemming from new customer contracts amounted to EUR 3.3 million (3.3) in the review period.
- Investments in software and digital services totalled EUR 14.5 million (12.1)
- Acquisitions accounted for EUR 18.8 million (24.5) of net investments.
- Depreciation will continue to rise in 2024 due to the increase in the level of software investment in 2019-2020, but depreciation as a percentage of revenue is expected to decline.

Investments and depreciations development EUR million



Dividend proposal

- Earnings per share was EUR 0.07 (0.27)
- The Board of Directors proposes that the parent company's profit for the financial year EUR 5,792,434.77 is transferred to the retained earnings/loss account.
- The Board of Directors proposes that a dividend of EUR 0.19 per share (0.18) will be paid.
- Talenom Plc's Annual General Meeting (AGM) is planned to be held on Thursday, 14 March 2024.



*Board's proposal

Outlook and guidance

Outlook and guidance for 2024

Guidance

- Net sales about EUR 130–140 million
- EBITDA about EUR 34–40 million
- Operating profit about EUR 14–17million

Background for the guidance

Talenom expects the accounting services market to grow in all of the company's operating countries in 2024 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 digital financial management. Talenom's goal is to continue strong 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 2024. The number of acquisitions is expected to decrease from the previous year's level and to focus more on strategically significant acquisitions. Expanding into new market areas enables the company's long-term growth. The software roll-out phase in Sweden will weigh on profitability in 2024, but the introduction of our own software will have a clear positive impact on profitability in the coming years.

Acquisitions will have a negative impact on relative profitability in the short term due to integration costs. The profitability of the acquisition targets increases when Talenom's own systems have been fully implemented in the target. 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 increase the depreciation level but the relative share to net sales is expected to decrease. Operational relative profitability improves measured by EBITDA and operating profit.



TALENOM

Thank you

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