

Half-Year Financial Report 2024

CEO Otto-Pekka Huhtala and CFO Matti Eilonen
Talenom Plc 19 July 2024

TALENOM

Content

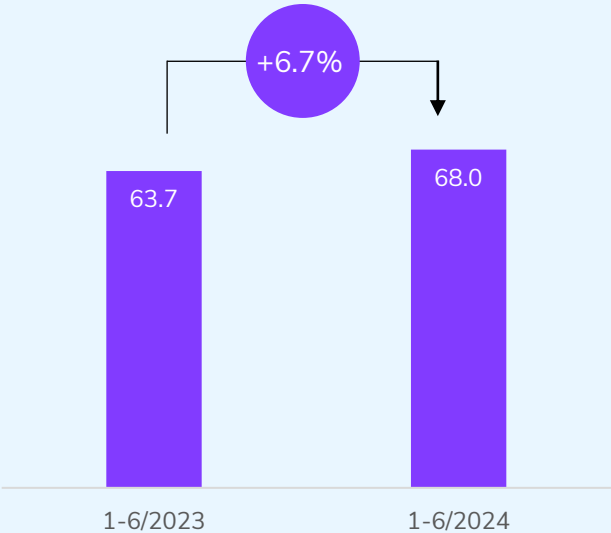
- Review period
- Strategy progress
- Financial development
- Outlook and guidance



Our main objective was to improve profitability, which has materialized as planned

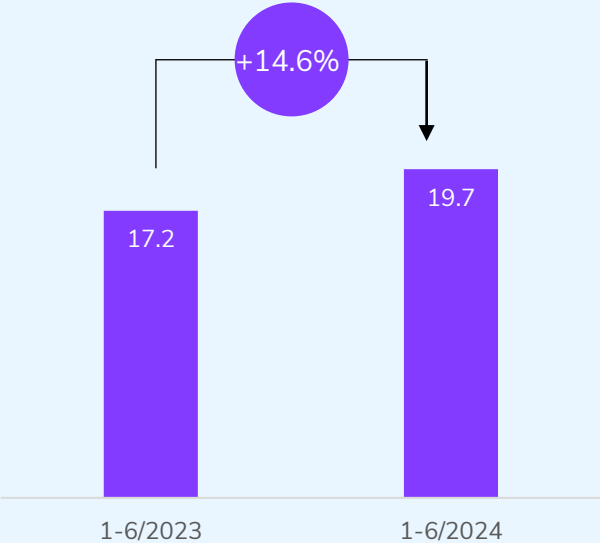
Growth slowed down due to lower acquisition activity level and economic downturn

Net sales January-June (EUR million)



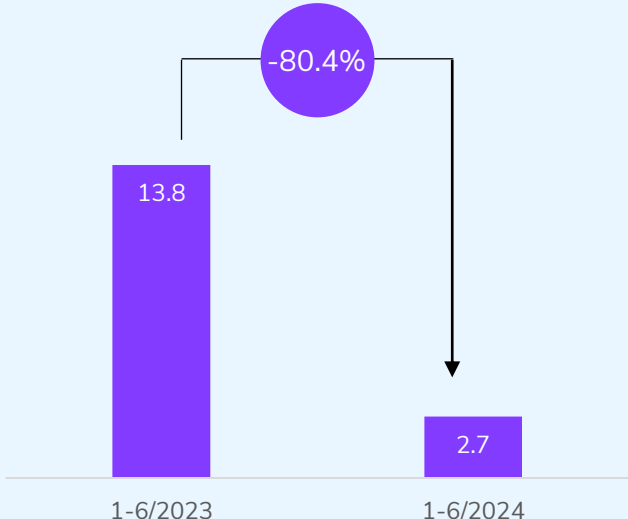
Profitability was improved by the efficiency measures in Finland and higher business volumes in Spain

EBITDA January-June (EUR million)



The acquisition pace has been significantly slowed down

Investments in acquisitions January-June (EUR million)



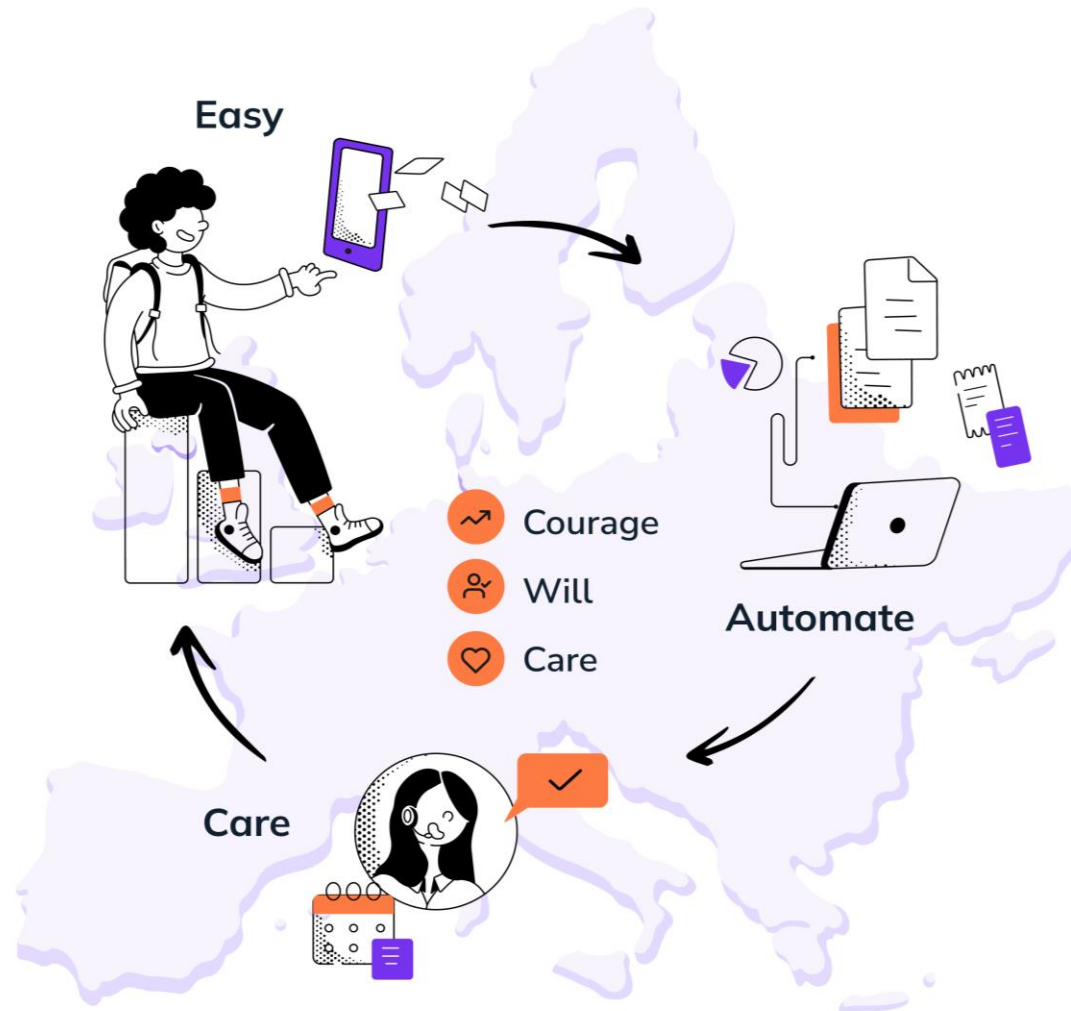
Strategy progress

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.

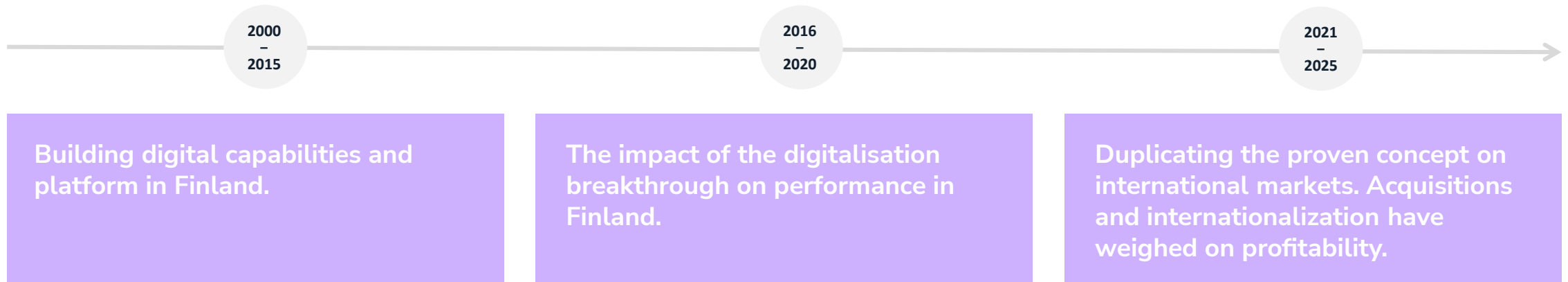
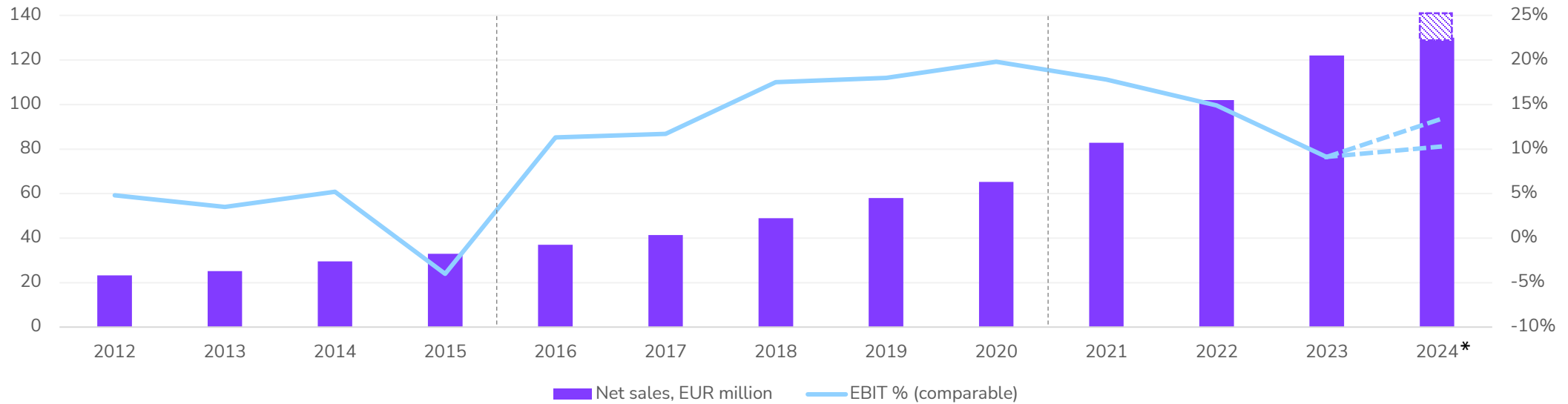


Vision



Unbeatable accounting and banking services for SMEs

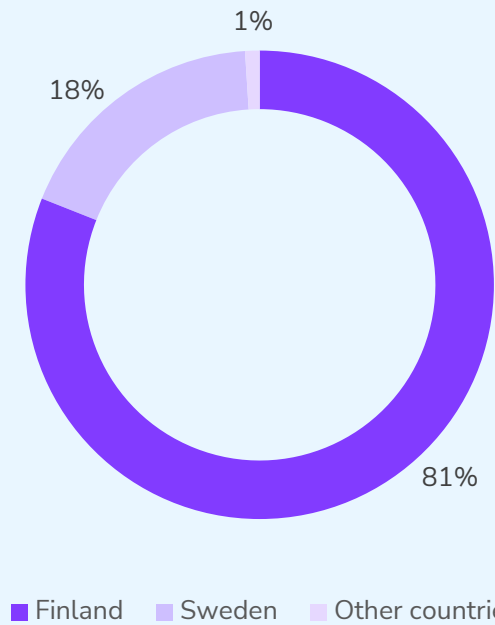
A proven strategy and strong track-record



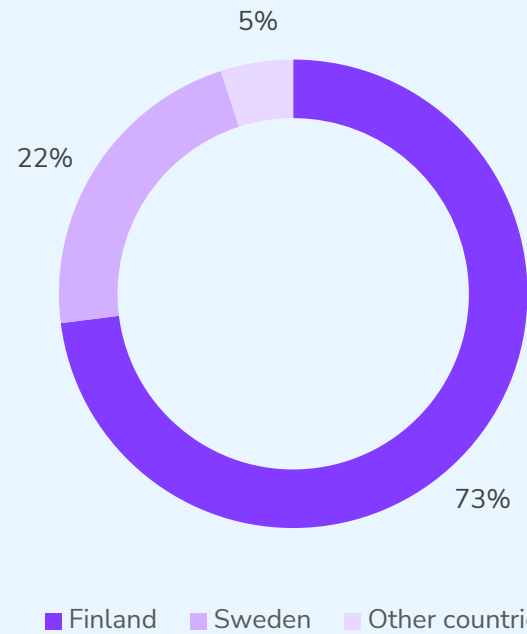
*Net sales and operating profit range for 2024 based on Talenom's guidance.

Internationalisation progressing as planned

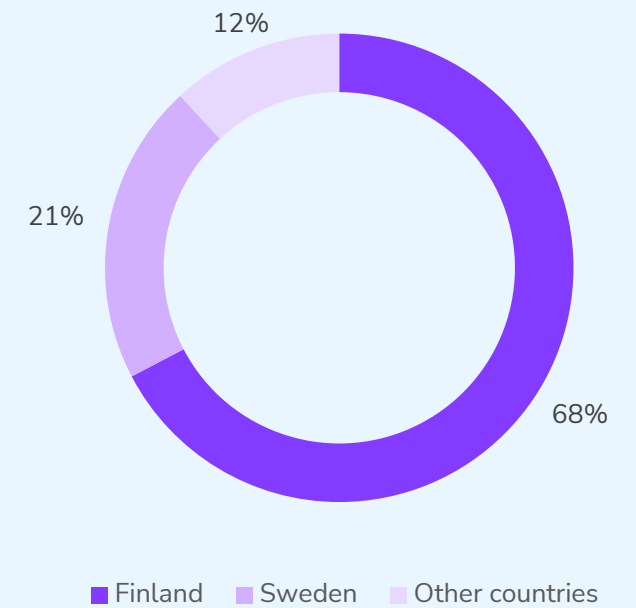
Net sales distribution 1–6/2022



Net sales distribution 1–6/2023



Net sales distribution 1–6/2024



Strategy progress 1–6/2024

01. Improving operational efficiency

02. Platform roll-out in Sweden

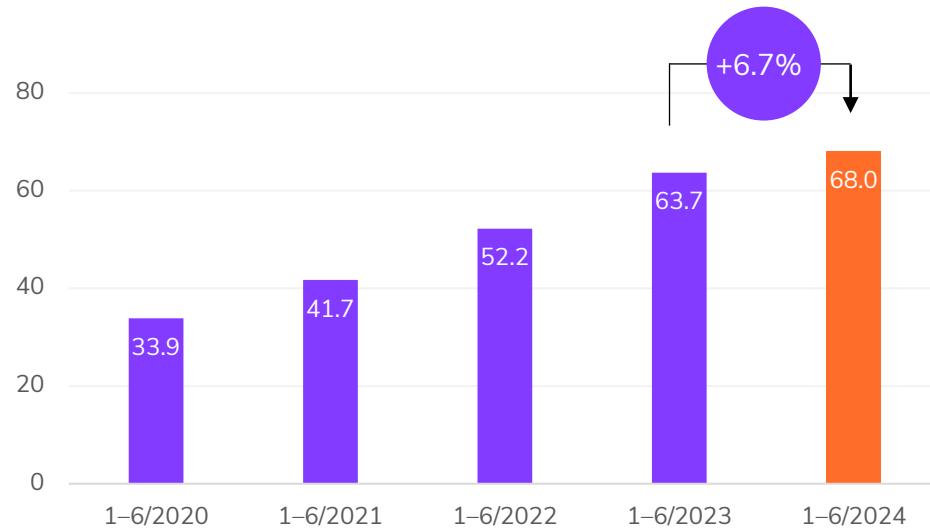
03. Organic growth

- Profitability was improved by the efficiency measures launched in 2023 in Finland and higher business volumes in Spain.
- Significant integration projects that engaged personnel have been completed. After the completion of other projects in Sweden, the focus in the second half of the year will be on implementing Talenom's own software and related processes, which in the longer term will improve efficiency, profitability and organic growth opportunities.
- Our goal is to migrate at least 50% of our regular reporting customers to our own systems during 2024.
- To strengthen organic growth, we continued to develop the digital purchase path and made key hires to support growth.

Finances

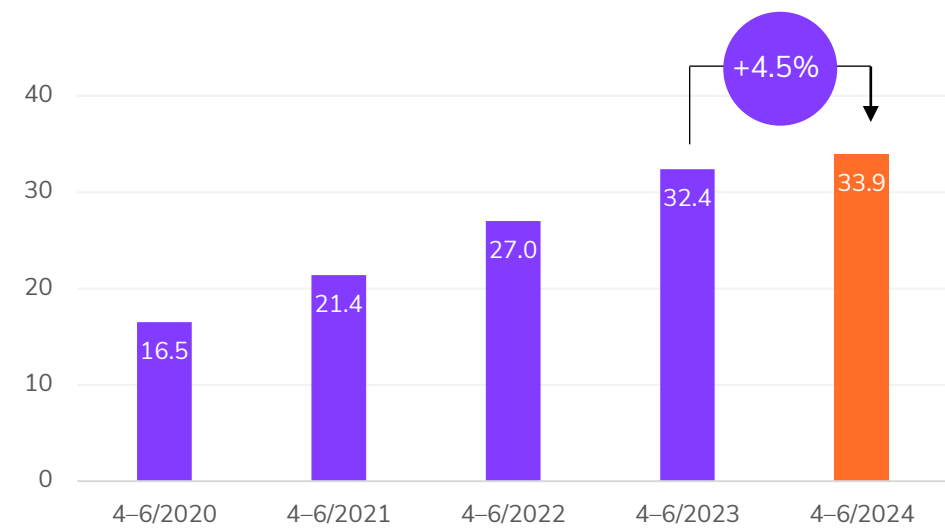
Growth of Group net sales slowed down due to lower acquisition activity level and economic downturn

Net sales January-June (EUR million)



- The net sales growth was mainly due to acquisitions in Spain.
- The economic downturn in Finland and Sweden has significantly slowed organic growth.

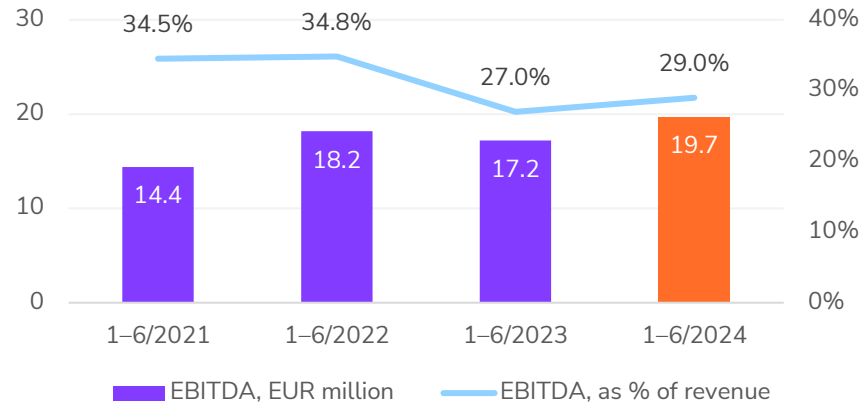
Net sales April-June (EUR million)



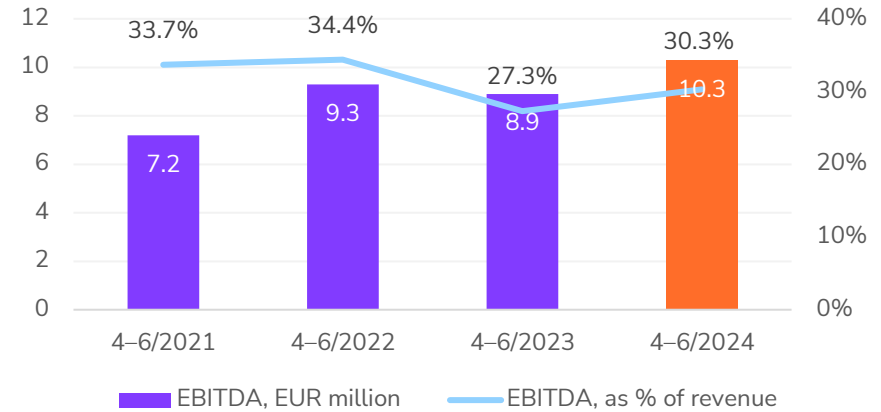
- The net sales growth was mainly due to acquisitions in Spain.
- The economic downturn in Finland and Sweden has significantly slowed organic growth.

Group profitability was improved by efficiency measures conducted in Finland

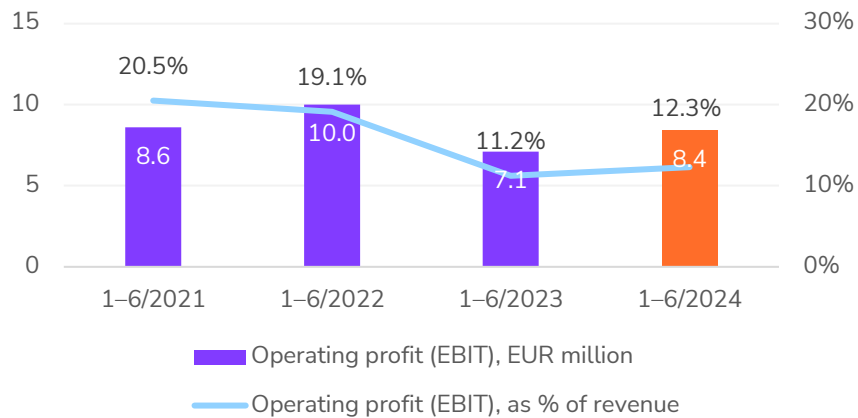
EBITDA January-June



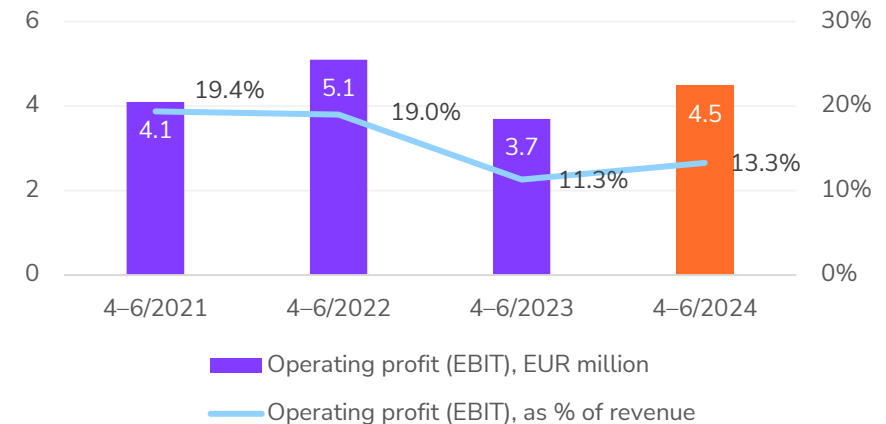
EBITDA April-June



Operating profit January-June



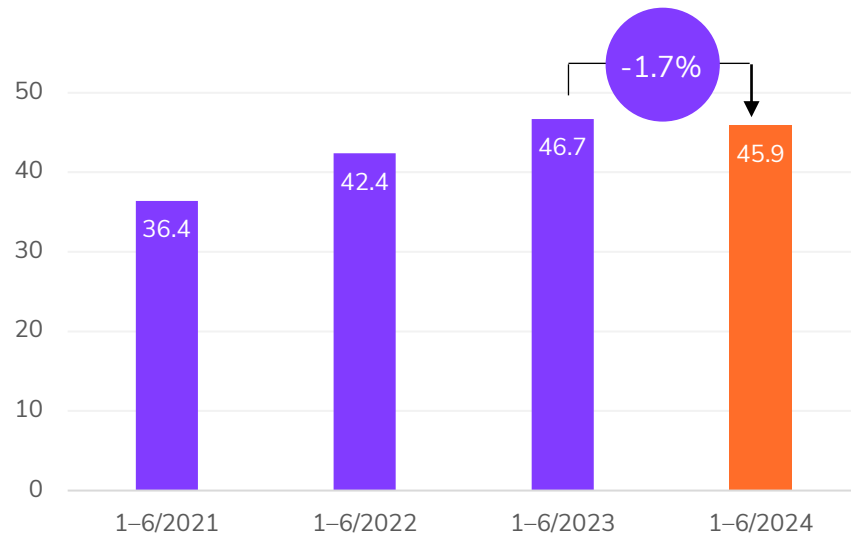
Operating profit April-June



- Profitability in Finland was significantly improved by efficiency measures launched in 2023, while in Sweden the introduction of proprietary software and integration projects burdened profitability. In Spain, the growth in business volume has enabled profitability to develop well.

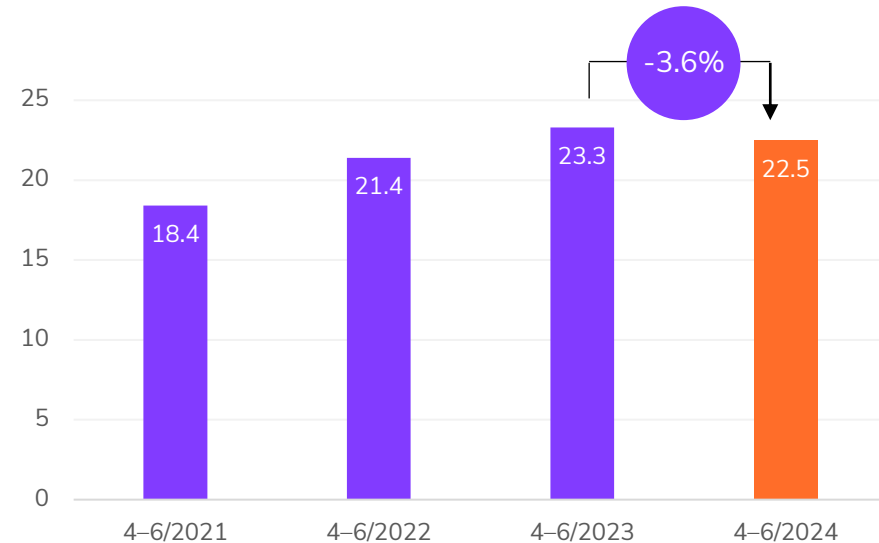
Net sales development in Finland

Net sales development January-June (EUR million)



- General economic development has been negatively reflected in growth, although new customer acquisition has worked well and compensated for the effects of the economic downturn.
- Talenom expects the economic downturn to ease as interest rates fall. This is expected to positively impact Talenom's growth opportunities with a lag of around six months.

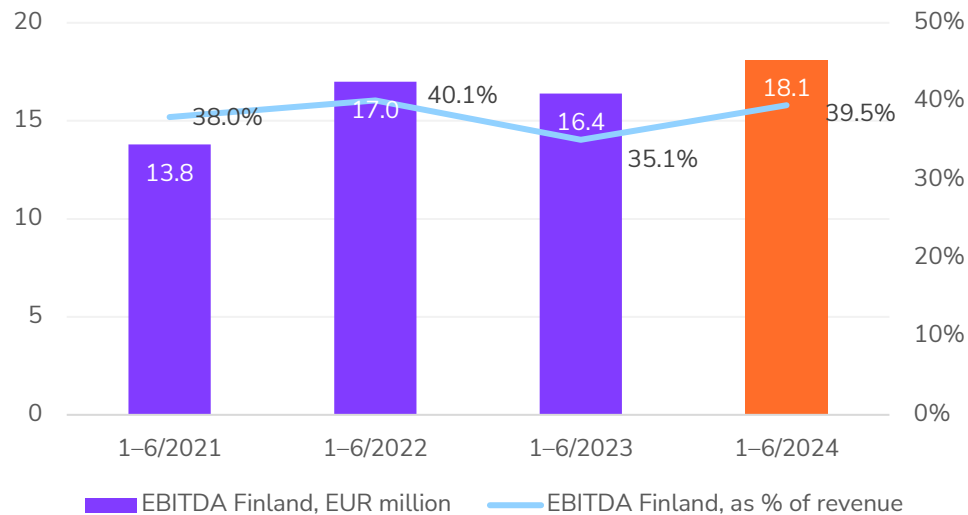
Net sales development April-June (EUR million)



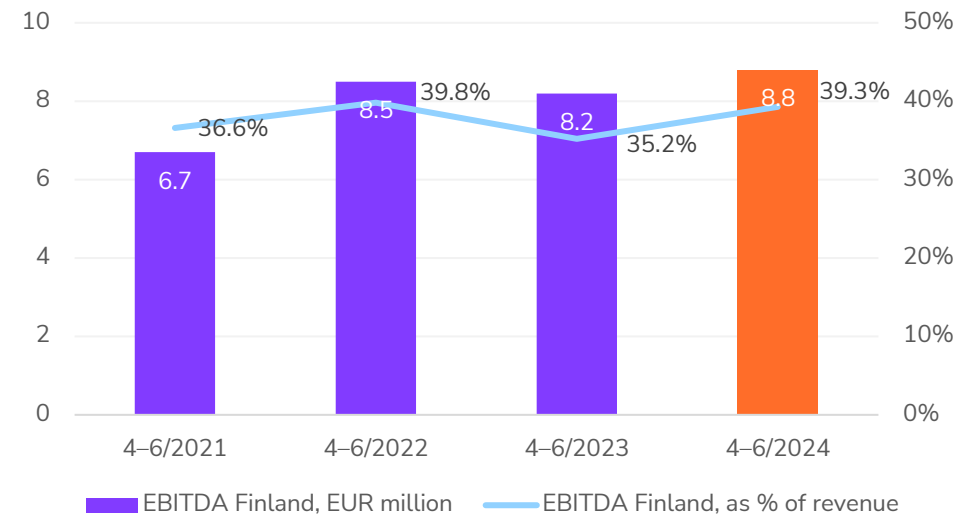
- The downturn has had a negative impact on the business volumes of Talenom's customers. This has resulted in a reduction in transaction volumes, which has led to a decrease in revenue per customer through both volumes and price adjustments.
- In many customer industries, business operations have contracted significantly, and Talenom has prioritized customer retention to be better positioned when the economic upswing starts. Business closures and bankruptcies have also increased from the comparison period.

EBITDA development in Finland

EBITDA development January-June



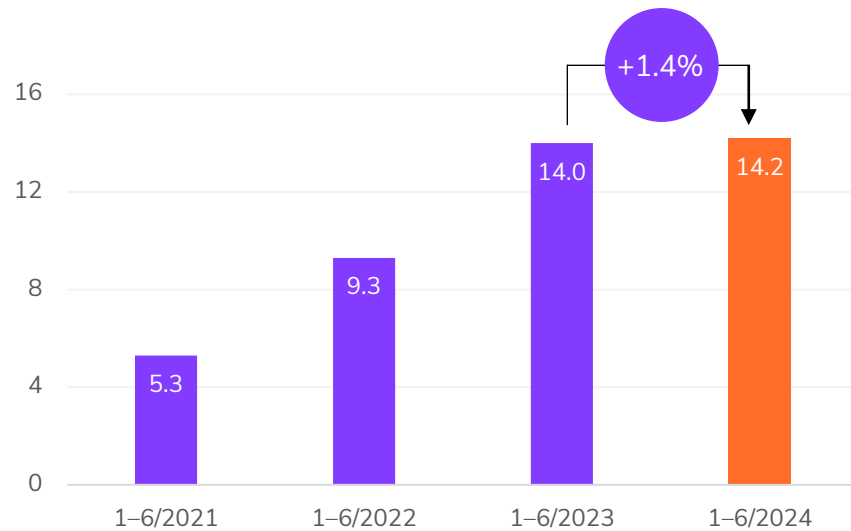
EBITDA development April-June



- Relative profitability improved significantly thanks to the efficiency measures introduced in 2023.
- In Finland, Talenom can achieve very high profitability through our own platform automation and efficient business processes.

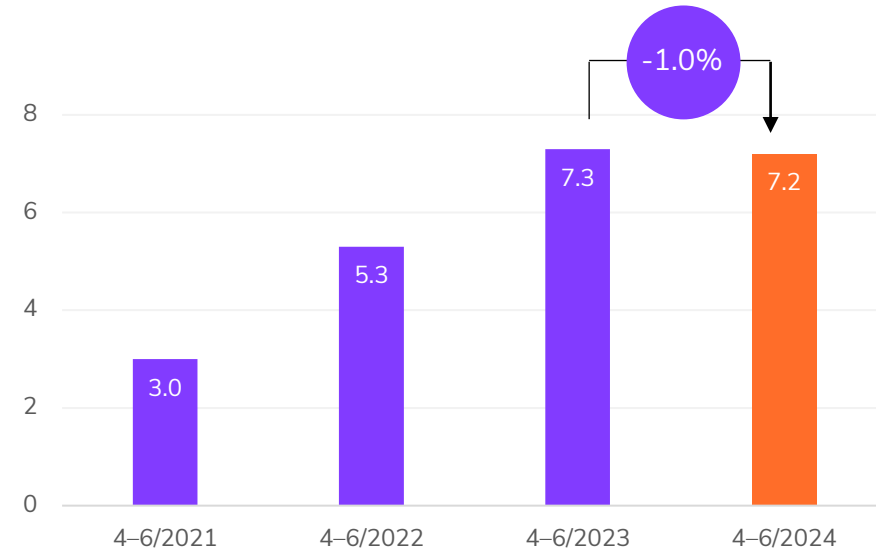
Net sales development in Sweden

Net sales development January-June (EUR million)



- The acquisition pace has been significantly slowed down from the comparison period and the company has shifted the focus to organic growth. However, the efficiency and level of organic growth are still low relative to the size of the business.

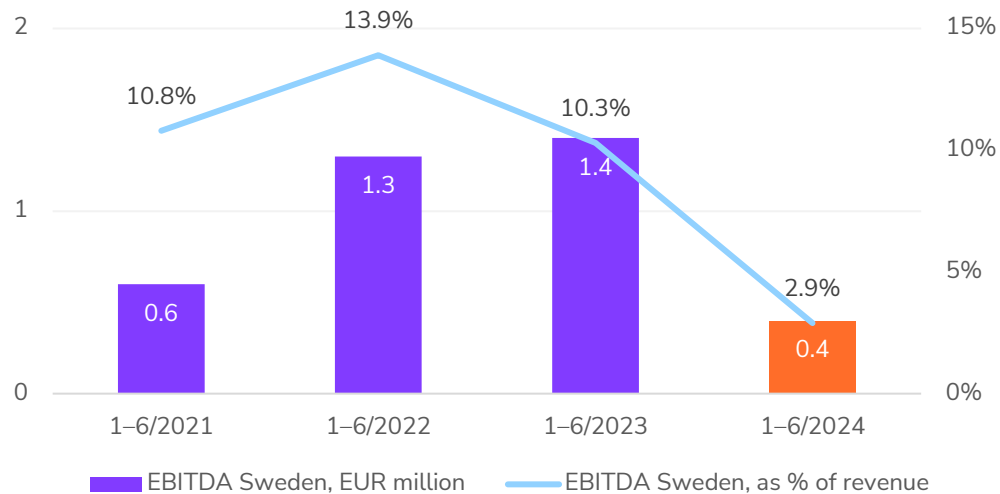
Net sales development April-June (EUR million)



- The decrease in net sales was due to the reflective effects of the general economic downturn, which have affected the business volumes of Talenom's customers negatively. 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. Business closures and bankruptcies have also increased from the comparison period.
- Talenom has prioritized customer retention to be better positioned when the economic upswing starts.

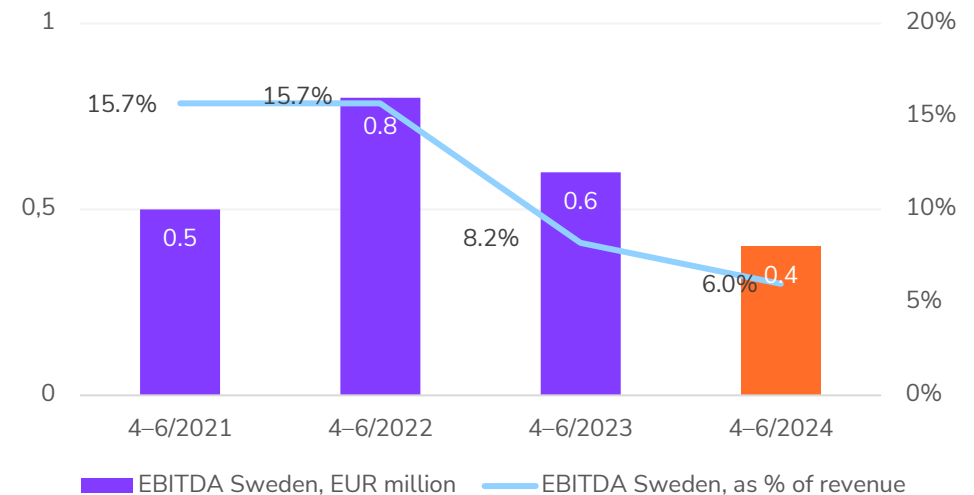
EBITDA development in Sweden

EBITDA development January-June



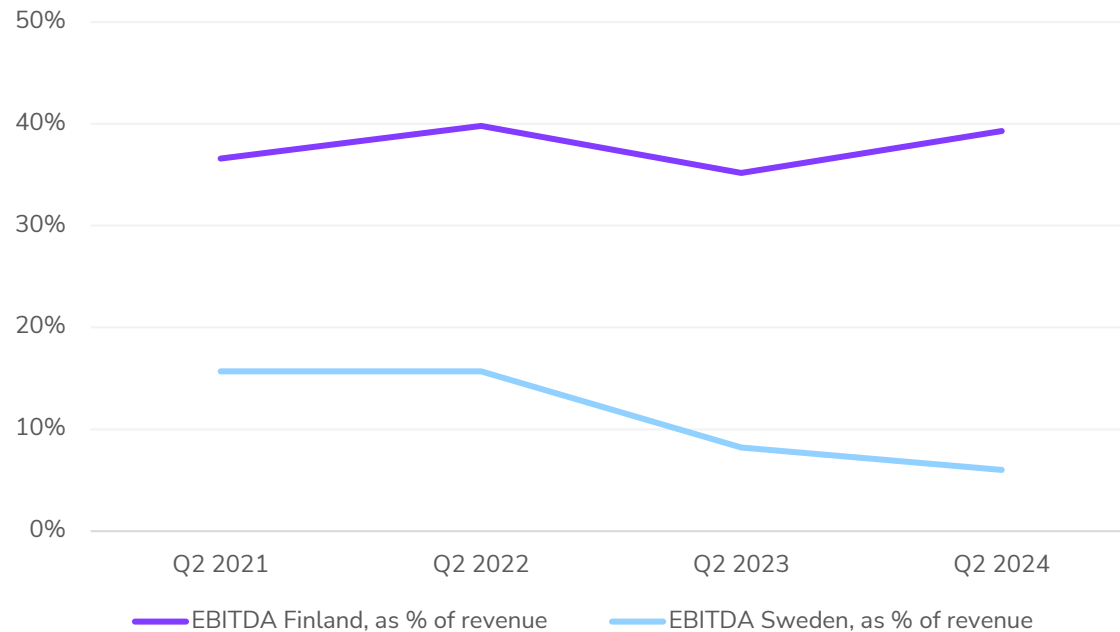
- Profitability was weighed by integration projects and, in particular, the introduction of Talenom’s own platform, which requires resources to ensure the progress of the project.

EBITDA development April-June



- The decrease in profitability was due to the reflective effects of the general economic downturn together with the resources required for the introduction of Talenom’s own software.
- Significant integration projects that engaged personnel have been completed. After the completion of other projects in Sweden, the focus in the second half of the year will be on implementing Talenom’s own software and related processes, which in the longer term will improve efficiency, profitability and organic growth opportunities.

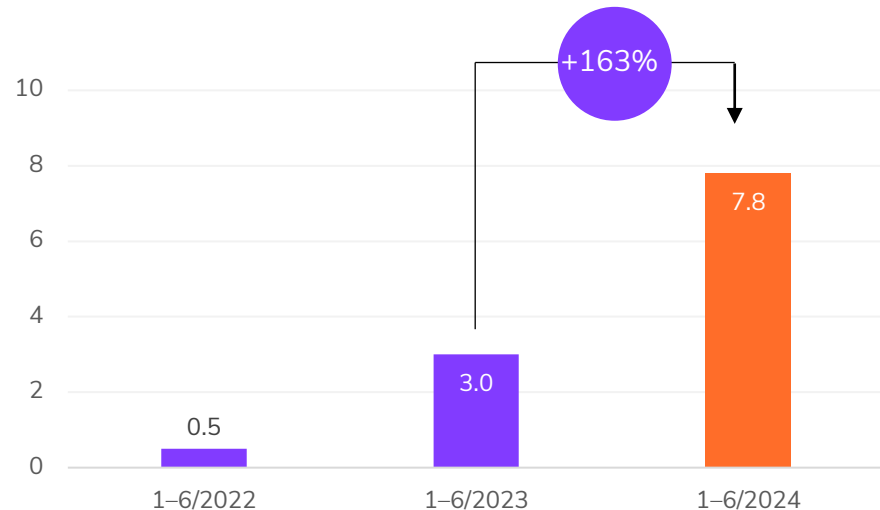
With automation Sweden's EBITDA is expected to rise to the Finnish level



- 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.

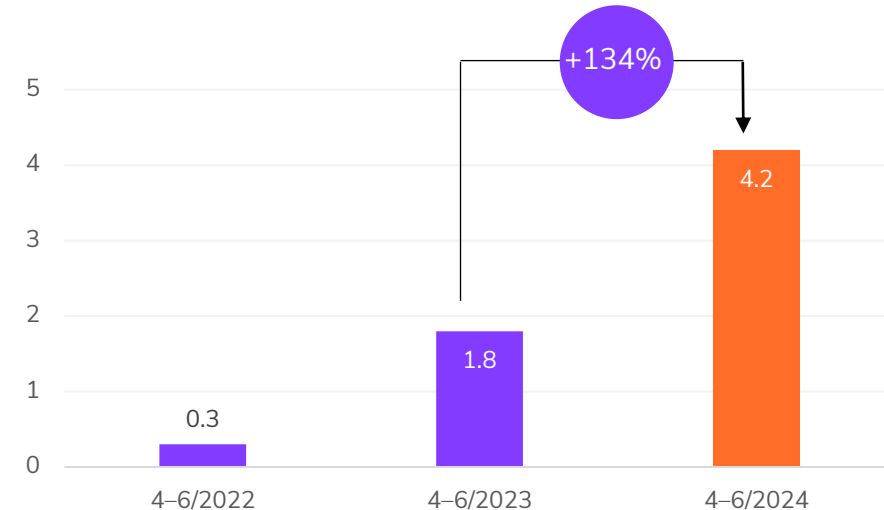
Net sales development in other countries

Net sales development January-June (EUR million)



- Net sales growth came mainly from acquisitions in Spain, while organic growth capabilities have also been developed.

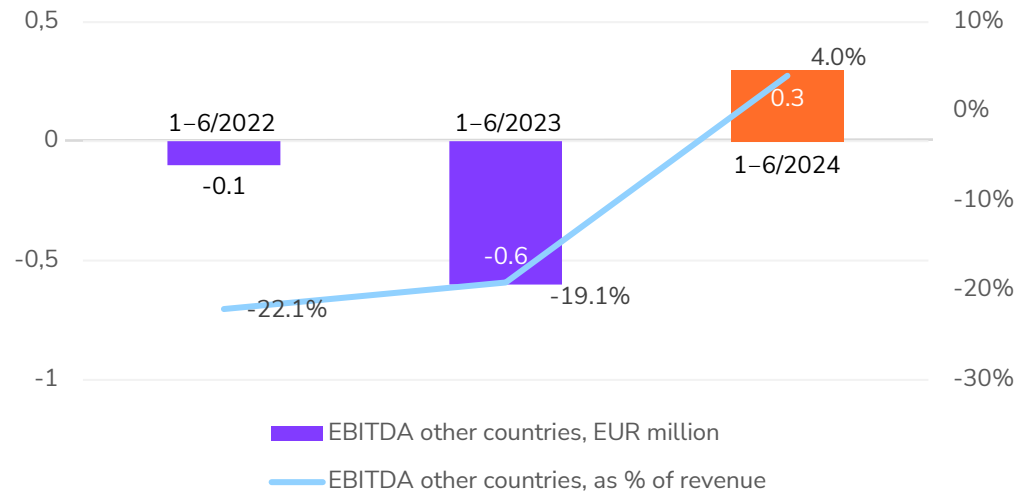
Net sales development April-June (EUR million)



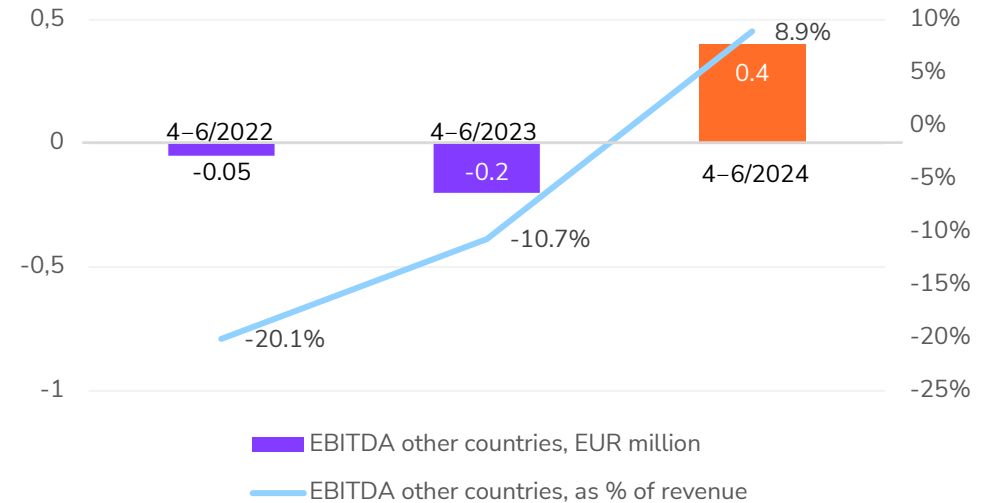
- There was also good evidence of Talenom's ability to grow organically. Organic growth is expected to strengthen, for example, with the entry into force of the e-invoicing Directive. The e-invoicing Directive requires every business to acquire software to send and receive e-invoices. In light of current information, the Directive will enter into force in stages in 2025-2027 depending on the size of the company. This is expected to increase demand for Talenom's turnkey solution, which provides the customer with software and service in the same package.

EBITDA development in other countries

EBITDA development January-June



EBITDA development April-June



- With the growth in business volume in Spain, profitability has developed very well. Profitability was significantly improved as the EBITDA increased by some EUR 1 million from the comparison period. Talenom expects strong profitability development to continue in Spain.

Outlook and guidance

Outlook and guidance for 2024

Guidance unchanged

- 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 growth of the accounting services market to slow down in the Nordic countries and continue growing in the company's other operating countries in 2024. However, demand is expected to remain stable also in the Nordic countries. 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

Otto-Pekka Huhtala
CEO

+358 40 703 8554

otto-pekka.huhtala@talenom.fi

Matti Eilonen
CFO

+358 40 753 4335

matti.eilonen@talenom.fi