

Half-year Financial Report 2023

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Talenom Plc 21 July 2023

TALENOM

Content

- Review period in brief
- Strategy progress during the review period
- Financial development
- Outlook and guidance



H1 2023: Talenom's growth continued as strong. The growth strategy, together with the challenging economic cycle, weakened profitability.

Net sales

EUR 63.7 million (52.2), growth +22%

EBITDA

EUR 17.2 million (18.2), decline -5%

EBIT

EUR 7.1 million (10.0), decline -29%

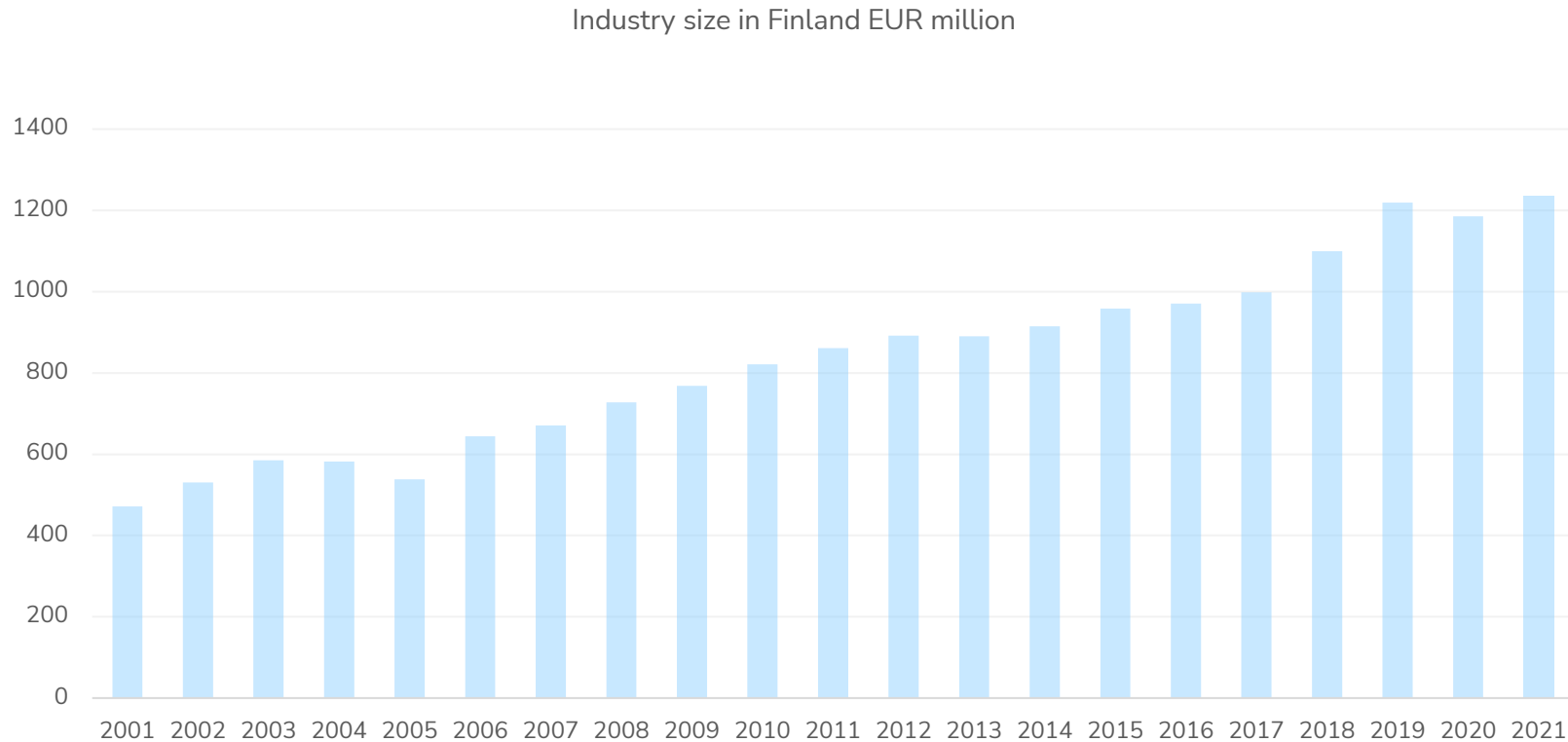
- Net sales growth continued as strong in line with the growth strategy but remained below the target level
- The weak economic situation together with growth efforts has depressed profitability too much
- Significant profitability improvement measures were started

Key developments in the European accounting firm market

- The digitalization of the European accounting firm 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.



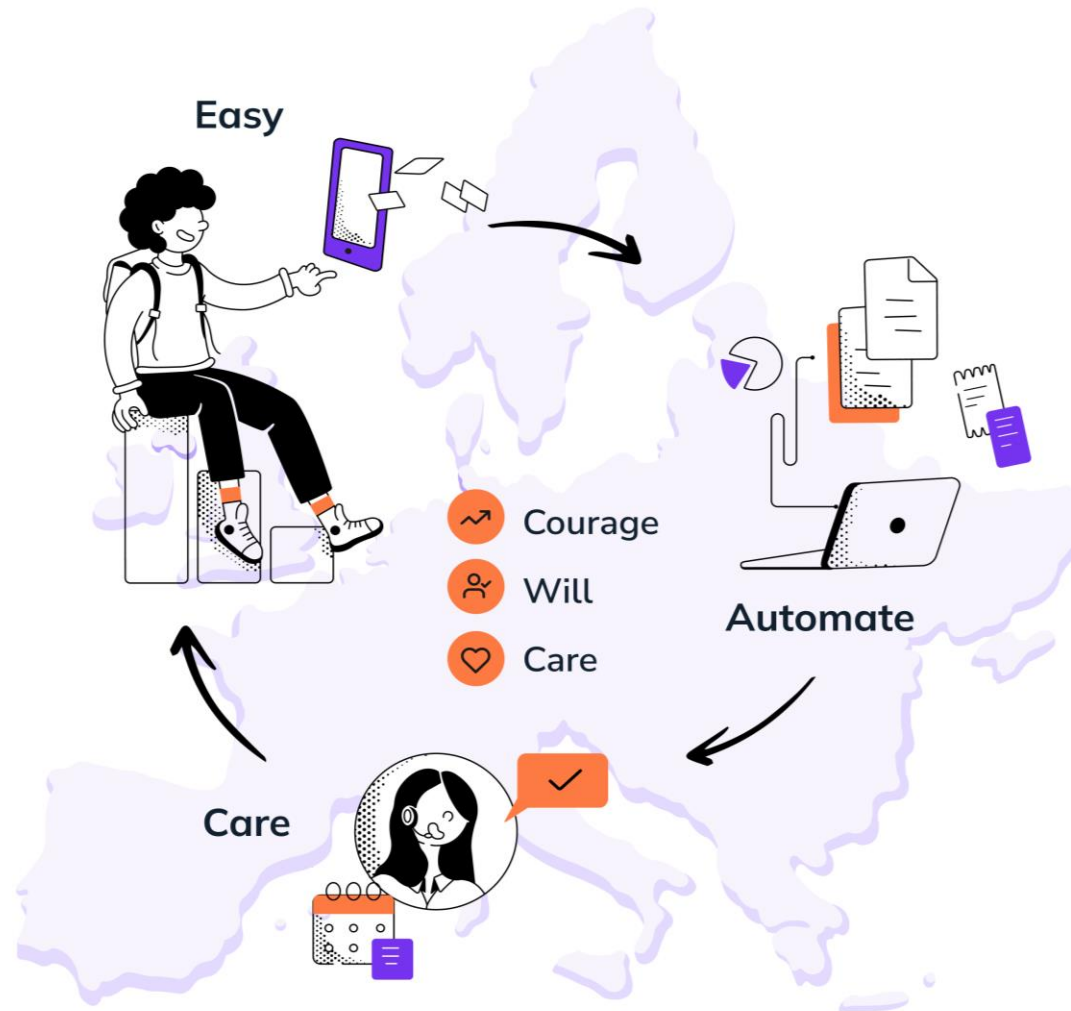
The slowdown in the economy was reflected in the accounting firm market in the second quarter



- The accounting firm market has traditionally been defensive and steadily growing.
- According to Statistics Finland, the accounting firm market has grown by an average of some 5% in Finland in 2001-2021.
- The economic slowdown has resulted in a reduction in volume-based invoicing per customer as customers' business activity declined, and in increased business closures especially in the second quarter of 2023.
- Despite this, Talenom expects the accounting services market to grow in all of the company's operating countries in 2023 and demand to remain stable.

Strategy

Our strategy



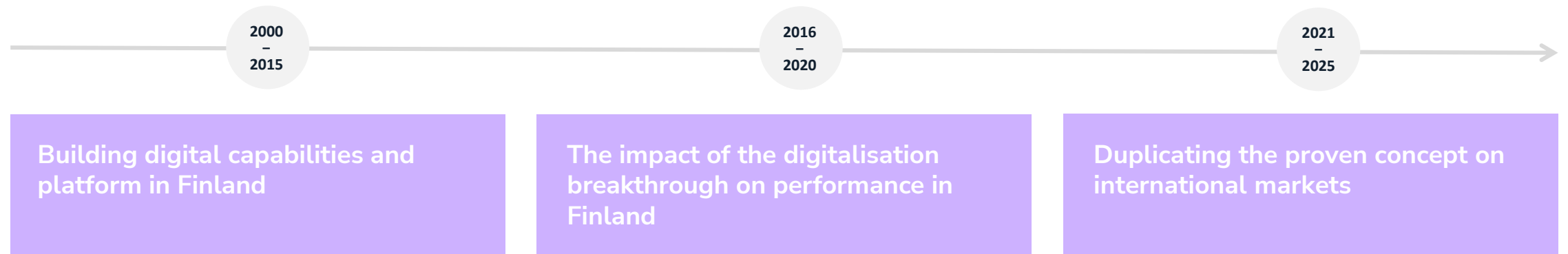
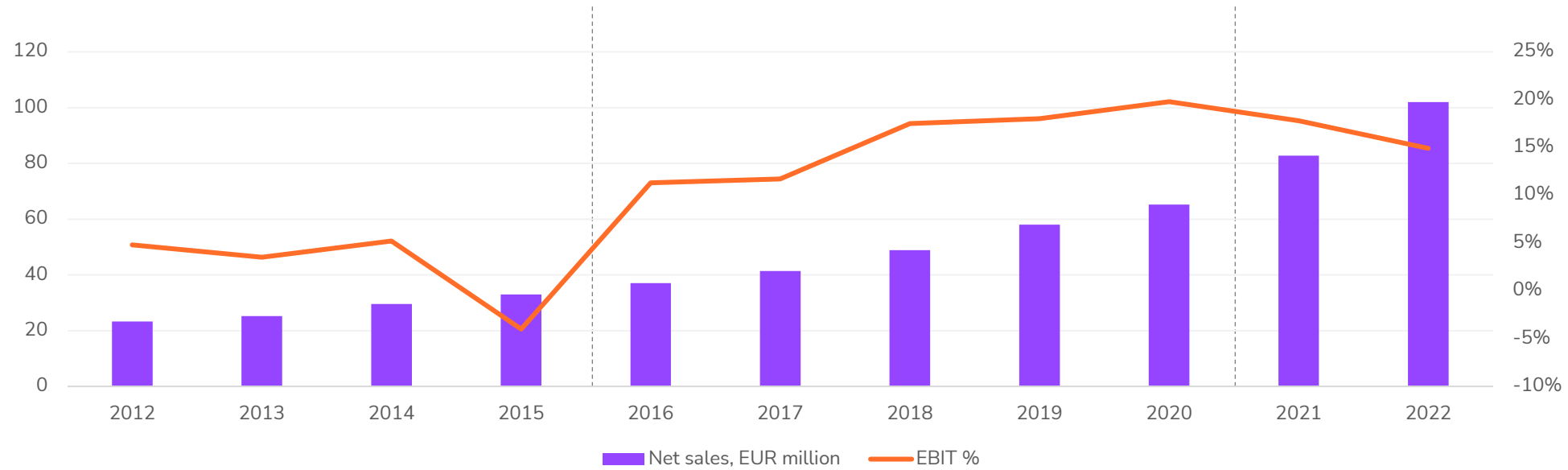
Unbeatable accounting and banking services for SMEs

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

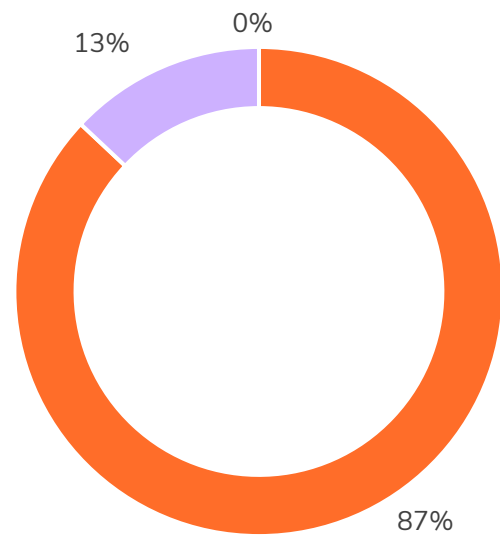


A proven strategy and strong track-record



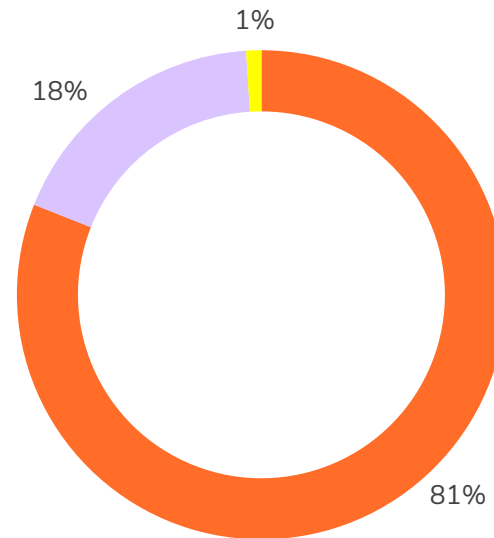
Internationalisation progressing as planned

Net sales distribution 1-6/2021



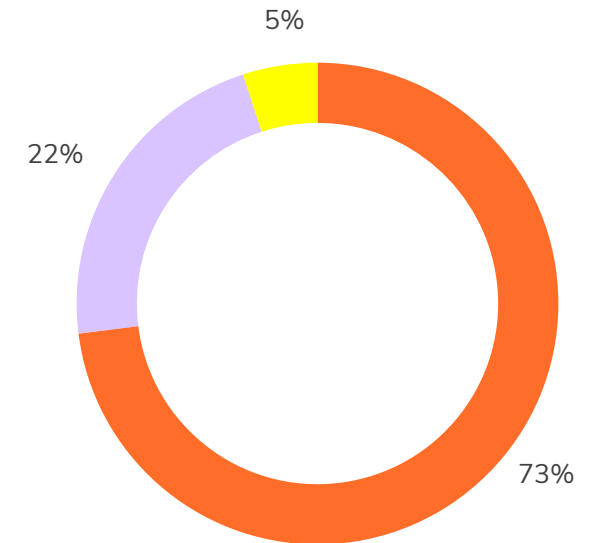
■ Finland ■ Sweden ■ Other countries

Net sales distribution 1-6/2022



■ Finland ■ Sweden ■ Other countries

Net sales distribution 1-6/2023



■ Finland ■ Sweden ■ Other countries

Strategy progress H1 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. For example, the Talenom software product can be implemented as a self-service in Finland..

02. Distribution of banking services

- Distribution of banking services progressed and we began distributing Talenom Accounts in Finland. This means significant savings and ease of banking for customers. We also believe that Talenom Accounts will advance new customer acquisition.

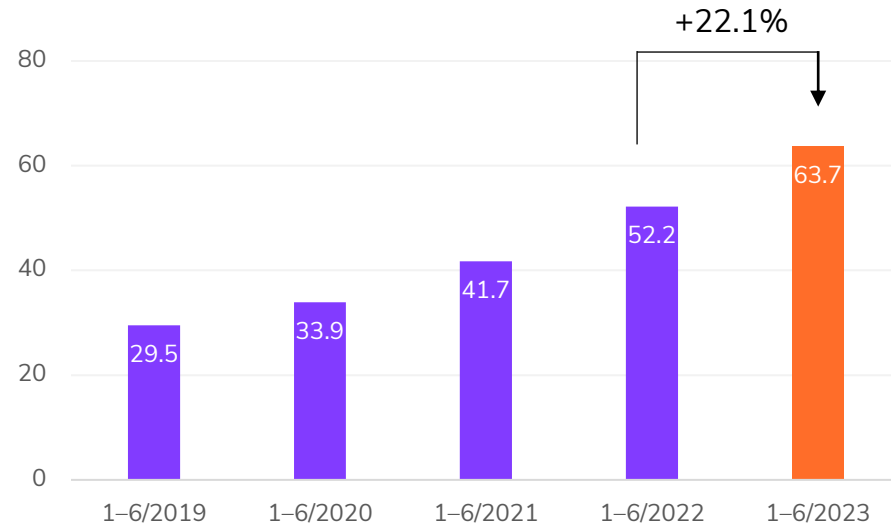
03. Software implementation in Sweden

- In Sweden, implementation of our own platform has focused on refining functionalities and introducing new features.
- We are accelerating the introduction of the platform gradually, office by office after the holiday season.
- The Swedish project has taught us a lot about the introduction of our own platform in a new country. At the same time, we have created an ability to deploy the platform in new countries and a scalable platform architecture.
- 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.

Finances

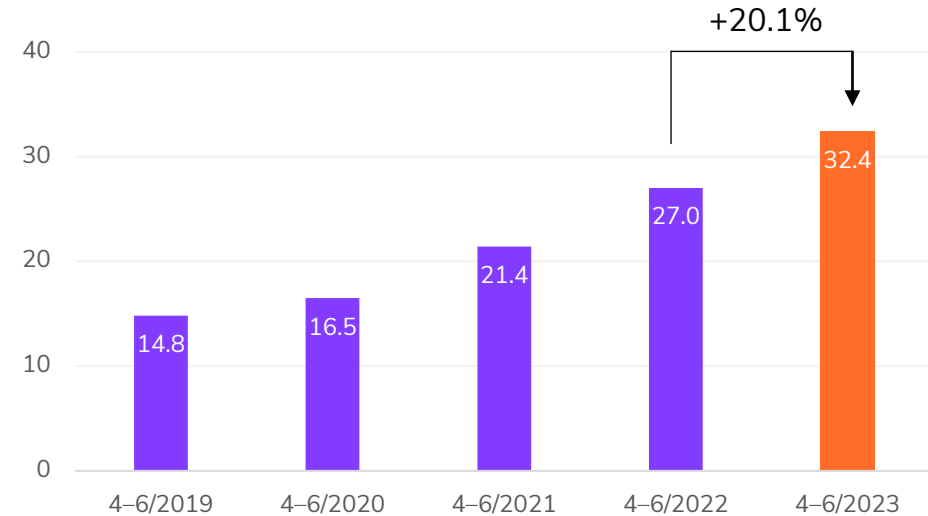
Group net sales

Net sales in January-June (EUR million)



- About two-thirds of the growth came from acquisitions, mainly in Sweden and Spain, and about one-third organically
- Organic growth was driven by increased customer numbers and sales of value-added services in Finland
- Weak Swedish krona and economic slowdown had a negative impact. Volume-based invoicing decreased as customers' business operations contracted and business closures increased. The combined negative impact on net sales was approximately 4%.

Net sales in April-June (EUR million)

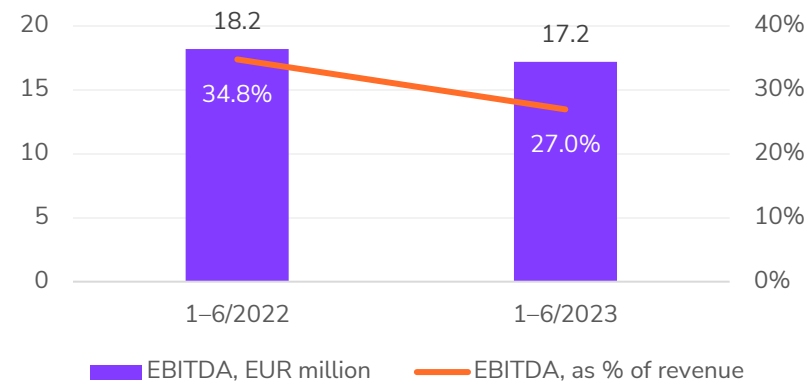


- About two-thirds of the growth came from acquisitions, mainly in Sweden and Spain, and about one-third organically
- Organic growth driven by increased customer numbers and sales of value-added services in Finland
- Weak Swedish krona and economic slowdown had a negative impact. Volume-based invoicing decreased as customers' business operations contracted and business closures increased. The combined negative impact on net sales was approximately 6%.

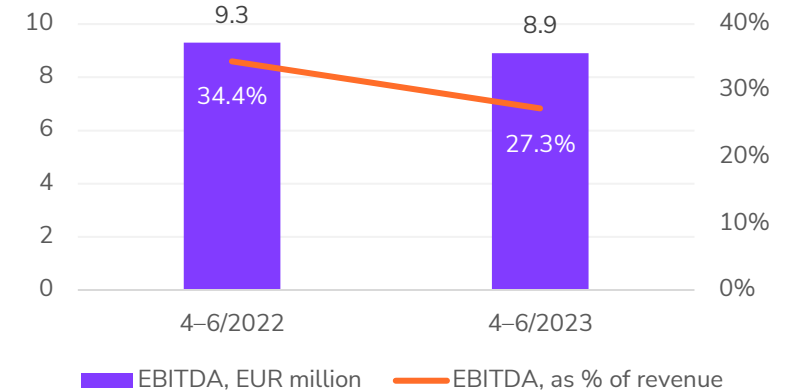
Group profitability

- Relative profitability was depressed by frontloaded investments in growth, wage inflation, personnel and other costs related to the system platform acquired in Spain, as well as integration and other costs arising from acquisitions. In the first half of the year, growth investments and the integration and other non-recurring costs of the Spanish platform and acquisitions were more than EUR 3 million higher than in the comparison period.
- Frontloaded resourcing depressed profitability as net sales remained below the target level due to the weak economic situation.
- We launched significant profitability improvement measures for the whole Group during spring, the most significant actions being temporary suspension of recruitment and cutting our fixed cost structure.

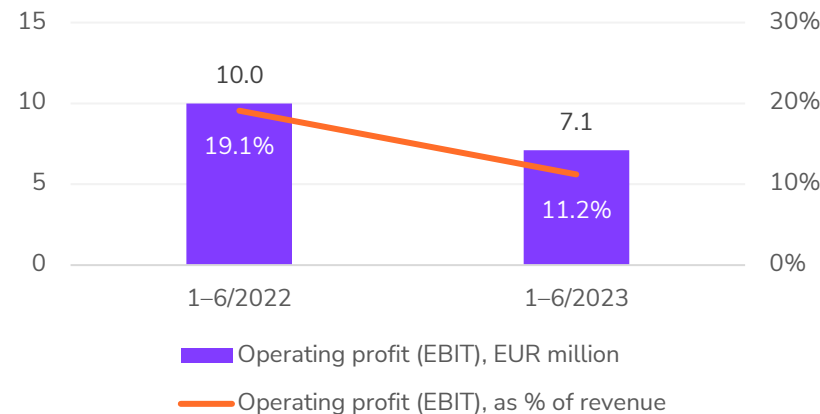
EBITDA development 1-6/2023



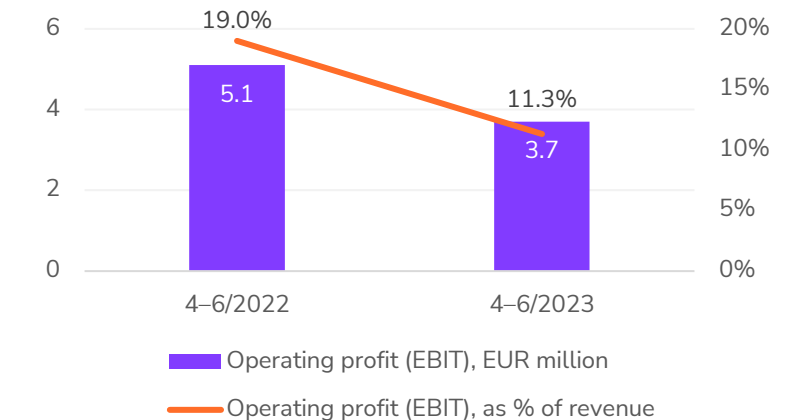
EBITDA development 4-6/2023



Operating profit 1-6/2023



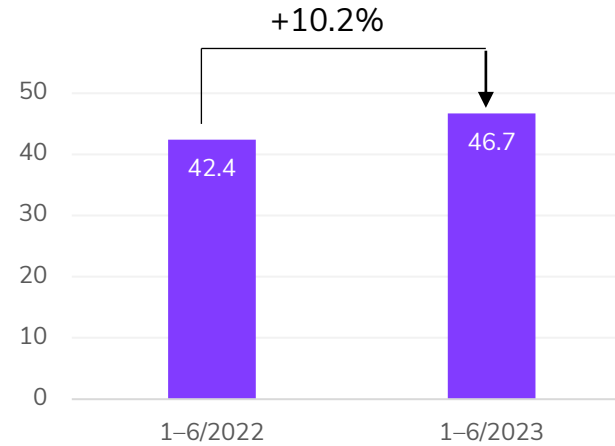
Operating profit 4-6/2023



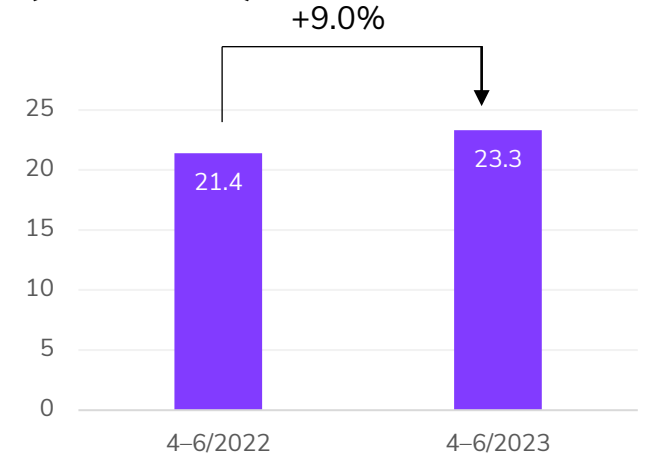
Business development in Finland

- Net sales growth was driven by increased customer numbers and sales of value-added services. 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 second quarter. Price adjustments made against inflationary cost increases were significantly eroded due to the effects of the general slowdown in the economy.
- Frontloaded resourcing depressed profitability as net sales remained below the target level due to the weak economic situation.
- Relative profitability was weakened by higher costs and lower than expected growth. In the spring, Talenom launched measures to improve profitability in its Finnish businesses. The most significant measure being the temporary suspension of recruitment until the desired profitability level has been achieved as a result of growth. In addition, the company reviews its fixed cost structure in premise and subcontracting agreements and adjustments of other costs.

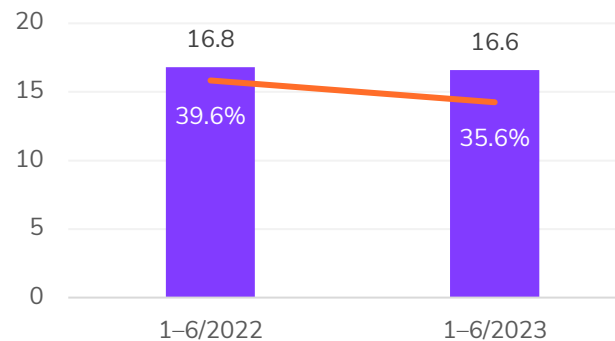
Net sales development 1-6/2023 (EUR million)



Net sales development 4-6/2023 (EUR million)

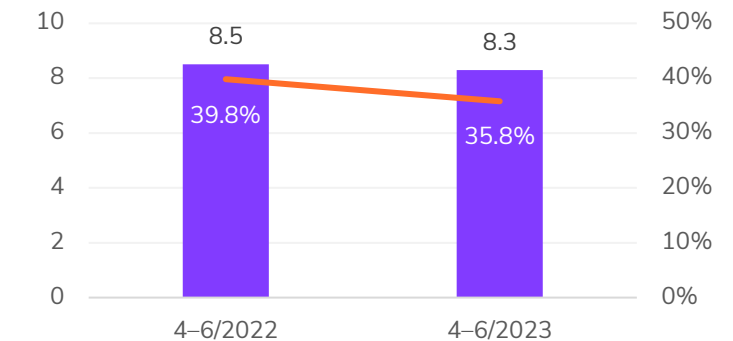


EBITDA development 1-6/2023



■ EBITDA Finland, EUR million
 — EBITDA Finland, as % of revenue

EBITDA development 4-6/2023

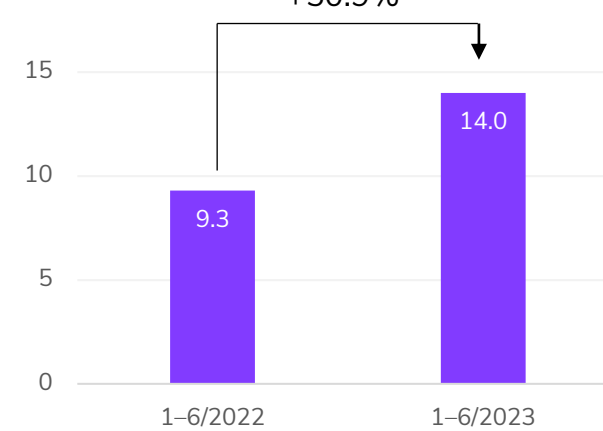


■ EBITDA Finland, EUR million
 — EBITDA Finland, as % of revenue

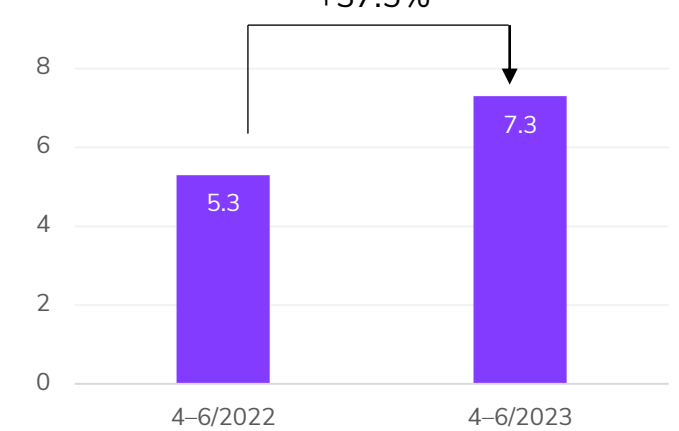
Business development in Sweden

- Growth came mainly from acquisitions. Growth was slowed down by the reflection effects of a general economic slowdown. In addition, the weaker Swedish krona had a negative impact on euro-denominated net sales development.
- Profitability in Sweden was still depressed by the planned acceleration of integration and the introduction of our own platform, as well as the resourcing required for these activities. Profitability was also weakened by the reflection effects of a general economic slowdown, in addition to which the weak Swedish krona had a negative impact on euro-denominated EBITDA development.
- Frontloaded resourcing depressed profitability as net sales remained below the target level due to the weak economic situation.
- 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. We estimate that the measures will improve profitability already in the second half of the year.

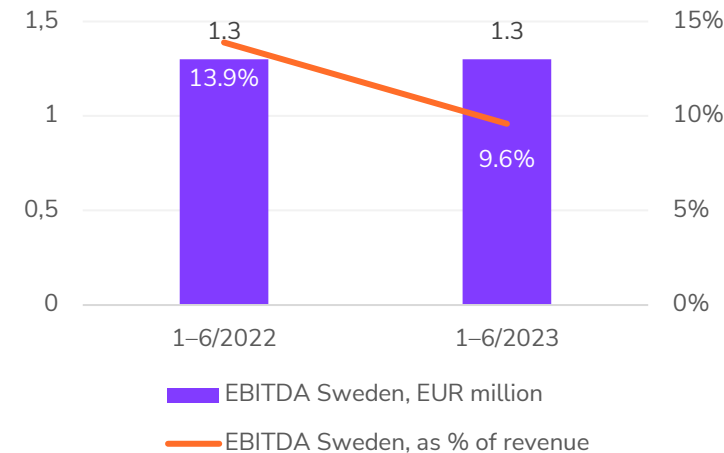
Net sales development 1-6/2023 (EUR million)



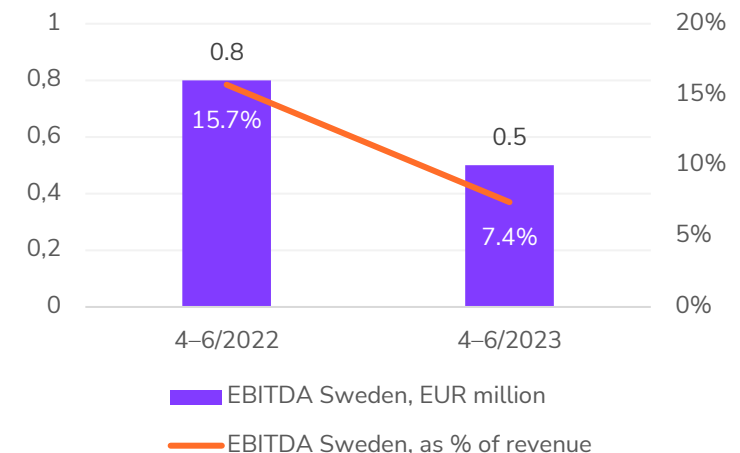
Net sales development 4-6/2023 (EUR million)



EBITDA development 1-6/2023



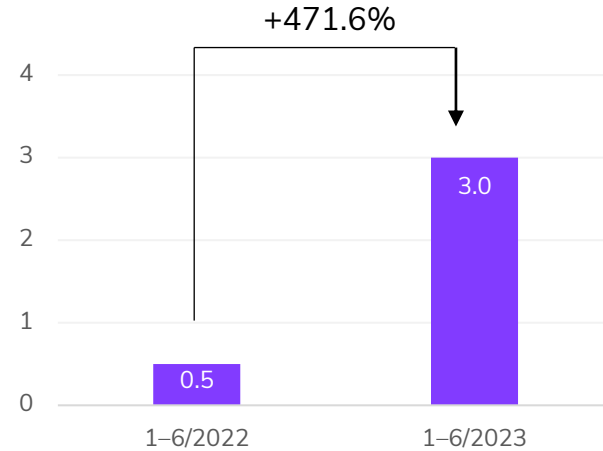
EBITDA development 4-6/2023



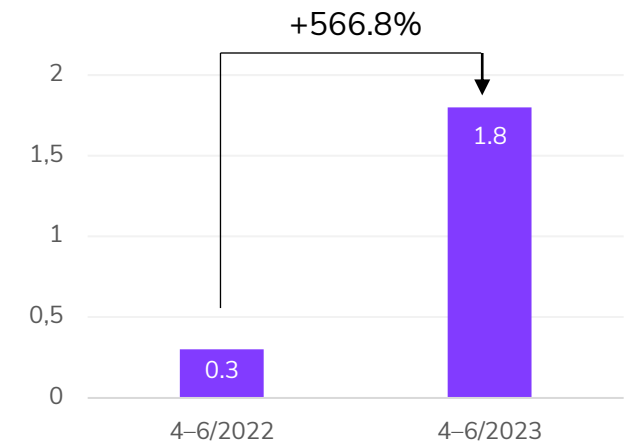
Business development in other countries

- Net sales growth came mainly from acquisitions.
- The Spanish accounting business is profitable measured by EBITDA, but profitability is depressed by the relative share of support functions and the acquired platform business. Support functions and the Spanish platform business were some EUR 1.5 million more than in the comparison period depressing overall profitability into negative.
- We expect the Spanish businesses to improve their relative profitability considerably as the business volume grows and Talenom's efficient processes are implemented.
- The acquired platform enables customer segmentation, which supports future profitability growth. Utilization of robotics has also begun in Spain to improve the efficiency of business processes.

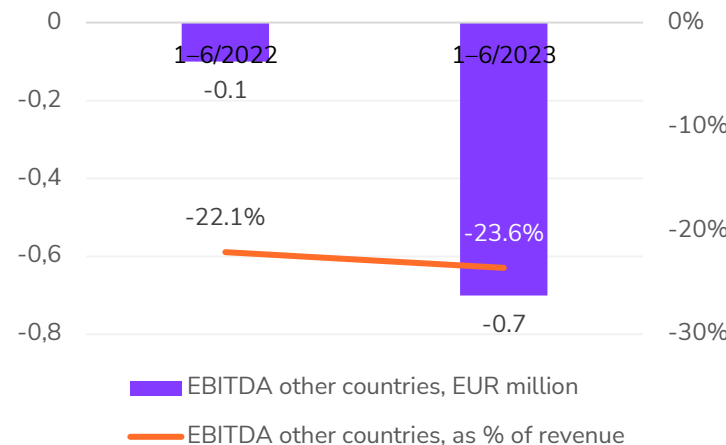
Net sales development 1-6/2023 (EUR million)



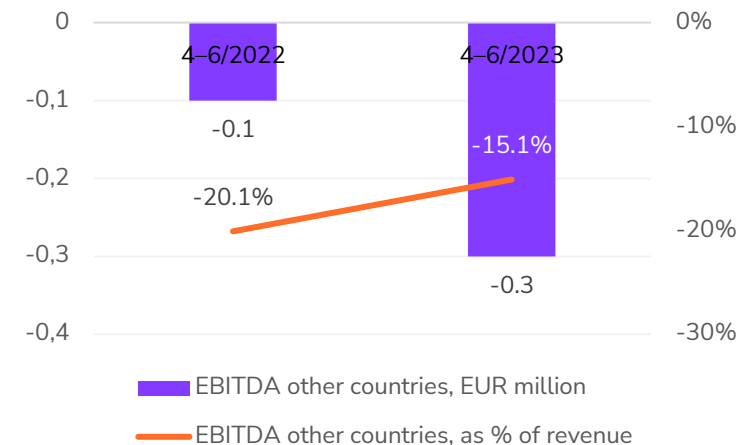
Net sales development 4-6/2023 (EUR million)



EBITDA development 1-6/2023



EBITDA development 4-6/2023



Outlook and guidance for 2023

Guidance (specified)

- Net sales EUR 125–130 million (previously 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

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