

TALENOM PLC'S BUSINESS REVIEW JANUARY-MARCH 2022 (UNAUDITED): STRONG GROWTH CONTINUED WITH EXCELLENT PROFITABILITY

1 Jan to 31 Mar 2022

Talenom is an agile and progressive accounting firm established in 1972. Our business idea is to make daily life easier for entrepreneurs with the easiest-to-use digital tools on the market and highly automated services. In addition to comprehensive accounting services, we support our customers' business with a wide range of expert services, as well as financing, account and payment traffic services. Our vision is to provide superior accounting, account and payment traffic services for SMEs.

Talenom's growth history is strong – average annual net sales growth was approximately 16.2% between 2005 and 2021. In 2021, Talenom had on average 1,012 employees in Finland, Sweden and Spain at a total of 52 locations. Talenom's share is quoted on the Main Market of Nasdaq Helsinki.



TALENOM

yrityksämisen ilo

TALENOM PLC'S BUSINESS REVIEW JANUARY–MARCH 2022: STRONG GROWTH CONTINUED WITH EXCELLENT PROFITABILITY

JANUARY–MARCH 2022 IN BRIEF:

- Net sales EUR 25.2 million (20.3), growth 24.1% (17.0)
- EBITDA EUR 8.9 million (7.2), 35.2% (35.4) of net sales
- Operating profit (EBIT) EUR 4.9 million (4.4), 19.3% (21.7) of net sales
- Net profit EUR 3.7 million (3.3)
- Earnings per share EUR 0.09 (0.08)

KEY FIGURES

Group	1-3/2022	1-3/2021	Change, %
Net sales, EUR 1,000	25,209	20,307	24.1%
Net sales, increase %	24.1%	17.0%	
EBITDA, EUR 1,000	8,864	7,196	23.2%
EBITDA of net sales, %	35.2%	35.4%	
Operating profit (EBIT), EUR 1,000	4,861	4,412	10.2%
Operating profit (EBIT), as % of net sales	19.3%	21.7%	
Return on investment (ROI), % (rolling 12 months)	16.8%	19.9%	
Interest-bearing net liabilities, EUR 1,000	46,573	35,643	30.7%
Net gearing ratio, %	106%	115%	
Equity ratio, %	34.6%	32.3%	
Net investments, EUR 1,000	7,402	9,784	-24.3%
Liquid assets, EUR 1,000	12,891	10,265	25.6%
Earnings per share, EUR	0.09	0.08	10.4%
Weighted average number of shares during the period	43,731,739	43,195,636	1.2%
Net profit, EUR 1,000	3,748	3,348	11.9%

GUIDANCE FOR 2022 UNCHANGED (PUBLISHED 16 DECEMBER 2021)

Talenom expects 2022 net sales to be EUR 100–110 million and operating profit (EBIT) to be EUR 15–18 million.

CEO OTTO-PEKKA HUHTALA

The first quarter of 2022 began with general economic acceleration caused by recovery from the COVID pandemic and the effects of the war in Ukraine on the operating environment. The rise in energy prices has accelerated because of the war, workforce availability problems have intensified since the pandemic, and at the same time various supply chain challenges have increased the imbalance in demand and supply, accelerating inflation. The change in the operating environment challenges our customers and increases demand for Talenom's extensive value-added services. If the war in Ukraine is not significantly prolonged, its impact on our business is expected to be limited.

In the first quarter, the company's net sales grew by 24.1% (17.0) to EUR 25.2 million (20.3). One-third of the growth was organic and two-thirds came from acquisitions. The EBITDA margin was 35.2% (35.4) and the EBIT margin 19.3% (21.7). Profitability remained excellent despite

weaker profitability in the acquired businesses than in other Talenom units, the integration costs of the acquisitions and the increased depreciation level.

The Finnish business continued its excellent performance. Net sales grew by 16.5% (8.0) in the first quarter to EUR 21.0 million (18.0), driven by both organic growth and acquisitions. Organic growth was driven by new customer acquisition and sales of value-added services. The EBITDA margin improved slightly to an excellent level of 40.1% (39.4). Automation development had a positive and acquisition targets a negative short-term effect on relative profitability.

Swedish net sales grew by 73.1% (241.7) in the first quarter to EUR 4.0 million (2.3) mainly due to acquisitions. EBITDA was 13.0% (4.5) of net sales. Based on good experiences, we strengthened our new customer acquisition and continue to accelerate organic growth. Profitability continued its positive development. We expect the development to accelerate as we move customers to our own software platform in the autumn of 2022.

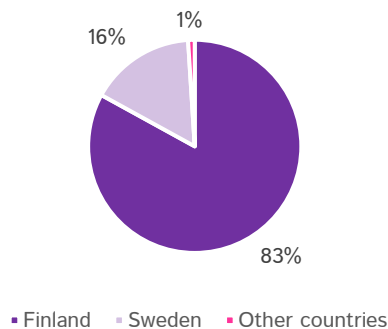
We continued to implement the strategy in the first quarter. Investments continued in introducing own software in Sweden, where the project has progressed in line with the planned schedule. We have increased the number of pilot customers and aim for extensive software implementation in the autumn of 2022. We have improved digital sales in the small customer segment in Finland and will start marketing the service during the second quarter. We have also continued to prepare the small customer concept in Spain. We continued to sell new service packages in Finland to new and existing customers. New service packages are an important part of the transition in which our business shifts toward a more consulting direction as routine tasks are automated. As planned, we have continued to examine new accounting service markets. Finland has been a pioneer in the digital transformation of the financial administration industry, where we have been involved in creating and developing a new era of financial administration. The same digital transition will also take place in Europe in the coming years. We want to be involved in the digitalisation of the European accounting services market, utilising our accumulated expertise.

We have accelerated our growth with acquisitions and the intention is to continue to do so. The focus of acquisitions is increasingly shifting to Sweden and new markets. At the same time, we want to strengthen our organic growth. We believe that the small customer segment and digital distribution are of great importance in this change.

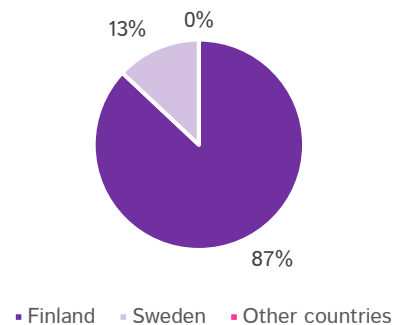
We reiterate our guidance and expect 2022 net sales to be around EUR 100-110 million and EBIT to be EUR 15-18 million.

GROUP FINANCIAL DEVELOPMENT JANUARY-MARCH 2022

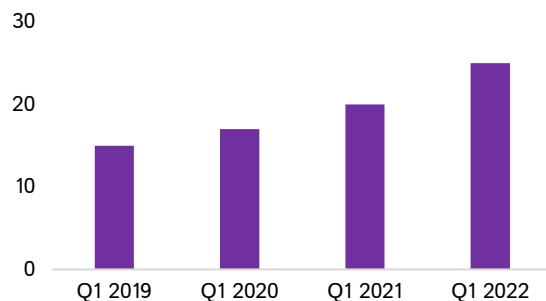
Net sales by country 1–3/2022



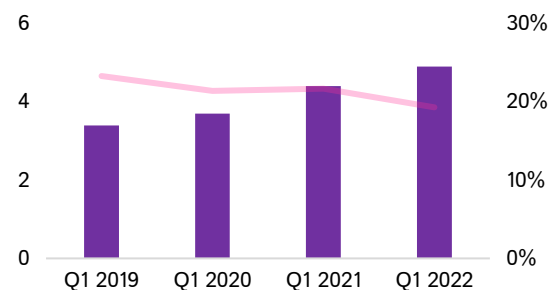
Net sales by country 1–3/2021



Net sales development, meur



EBIT development, meur



Net sales increased by 24.1% to EUR 25.2 million (20.3). Some two-thirds of the increase in net sales came from acquisitions and one-third organically through growth in customer numbers and sales of value-added services in Finland.

Personnel costs amounted to EUR 13.4 million (10.8) representing 53.2% (53.2) of net sales. Other operating expenses, including materials and services, totalled EUR 3.4 million (2.4) or 13.5% (11.7) of net sales.

Operating profit increased by 10.2% and amounted to EUR 4.9 million (4.4) or 19.3% (21.7) of net sales. Relative profitability was depressed by lower profitability of the acquired businesses compared to other units, integration costs of acquisitions, increased personnel cost level, and higher depreciation. Net profit grew by 11.9% to EUR 3.7 million (3.3).

COUNTRY-SPECIFIC FINANCIAL DEVELOPMENT JANUARY-MARCH 2022

FINLAND

	1–3/2022	1–3/2021	Change, %
Net sales, EUR 1,000	20,965	18,002	2,962
Net sales growth, %	16.5%	8.0%	8.5%
EBITDA, EUR 1000	8,405	7,093	1,312
EBITDA of net sales, %	40.1%	39.4%	0.7%

Net sales for January–March 2022 in Finland increased by 16.5% to EUR 21.0 million (18.0). One-half of the growth was organic and one-half came from acquisitions. Organic growth was driven by increased customer numbers and sales of value-added services.

EBITDA was at an excellent level. Automation development had a positive and acquisitions a negative effect on relative profitability.

SWEDEN

	1-3/2022	1-3/2021	Change, %
Net sales, EUR 1,000	3,989	2,305	1,684
Net sales growth, %	73.1%	241.7%	-168.6%
EBITDA, EUR 1,000	520	103	417
EBITDA of net sales, %	13.0%	4.5%	8.6%

Net sales for January–March 2022 in Sweden increased by 73.1% to EUR 4.0 million (2.3). Net sales growth came mainly from acquisitions.

Profitability has been depressed by our investments in sales, building support functions and developing management structures. However, because of the growth, the relative share of these in net sales has decreased, which explains the positive profitability development from the comparison period.

OTHER COUNTRIES

	1-3/2022	1-3/2021	Change, %
Net sales, EUR 1,000	256		
Net sales growth, %			
EBITDA, EUR 1,000	-61		
EBITDA of net sales, %	-24.1%		

Talenom expanded to the Spanish accounting business market through an acquisition in August 2021. After the deal, we have analysed Spanish accounting processes in more detail. We launched market research on how to utilise our most scalable product on the Spanish market and started developing a digital sales channel. We are also investigating possible acquisition targets to strengthen our accounting firm operations.

INVESTMENTS AND ACQUISITIONS

The total net investments during the review period were EUR 7.4 (9.8) million.

Investments	1-3/2022	1-3/2021	Change
New customer agreements, EUR 1,000	886	890	-3
Software and digital services, EUR 1,000	3,172	2,778	394
Acquisitions in Finland, EUR 1,000	282	1,319	-1,038
Acquisitions abroad, EUR 1,000	2,897	4,345	-1,449
Other investments	166	452	-286
Total net investments, EUR 1,000	7,402	9,784	-2,382

Business acquisitions during the review period:

- Saarijärven Tilipalvelu Oy, Finland
- Tilitoimisto Kuopion Tili-Consults Oy, Finland
- Accodome Oy, Finland

Share transactions during the review period:

- Kjell Wengbrand Redovisnings AB, Sweden
- MH Konsult Väst AB, Sweden

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	2,158	236
Maximum contingent consideration	923	46
Net sales, previous 12 months at time of purchase, total	3,000	962
Operating profit, previous 12 months at time of purchase, total	159	43

Share transactions after the review period:

- Lindgren & Lindgren Ekonomi AB, Sweden
- Confido Redovisning AB, Sweden
- Redovisningsbyrå Öckerö AB, Sweden

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

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	2,203	0
Maximum contingent consideration	963	0
Net sales, previous 12 months at time of purchase, total	3,058	0
Operating profit, previous 12 months at time of purchase, total	289	0

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 72,301 shares were subscribed for in directed share issues related to acquisitions during the review period and 90,169 after 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 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 i.e. performance measures not based on IFRS standards provide notable supplemental information to management, investors and other interested parties. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with IFRS. Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio %, working capital and net investments. The formulas and explanations of alternative performance measures are presented below under section Formulas.

TABLES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousand euro	1-3/2022	1-3/2021	2021
Net sales	25,209	20,307	82,808
Other operating income	486	53	729
Materials and services	-853	-505	-3,052
Employee benefit expenses	-13,421	-10,795	-44,618
Depreciation and amortisations	-4,002	-2,784	-12,899
Other operating expenses	-2,559	-1,864	-8,204
Operating profit	4,861	4,412	14,763
Financial income	174	44	109
Financial expenses	-315	-210	-880
Net financial expenses	-140	-166	-771
Profit (loss) before taxes	4,721	4,247	13,991
Income taxes	-973	-899	-3,198
Profit (loss) for the financial period	3,748	3,348	10,794
Other items of comprehensive income	0	0	0
Total comprehensive income for the financial period	3,748	3,348	10,794

CONSOLIDATED BALANCE SHEET

Thousand euro	31 Mar. 2022	31 Mar. 2021	31 Dec. 2021
ASSETS			
Non-current assets			
Goodwill	39,914	27,471	37,284
Other intangible assets	37,860	26,608	36,323
Right-of-use assets	8,766	8,271	8,626
Property, plant and equipment	2,724	2,723	2,784
Other non-current financial assets	850	337	852
Deferred tax assets	115	82	90
Capitalised contract costs	11,889	11,219	11,805
Total non-current assets	102,117	76,712	97,765
Current assets			
Trade and other receivables	12,127	9,352	9,832
Current tax assets	101	10	1
Cash and cash equivalents	12,891	10,265	10,121
Total current assets	25,119	19,627	19,954
Total assets	127,236	96,338	117,718
CAPITAL AND RESERVES			
Share capital	80	80	80
Reserve for invested unrestricted equity	23,893	16,570	21,587
Retained earnings	19,911	14,361	23,051
Total equity	43,884	31,011	44,718
LIABILITIES			
Non-current liabilities			
Financial liabilities	50,149	30,000	40,203
Trade and other payables	2,959	2,382	2,211
Lease liabilities	5,940	5,995	5,985
Deferred tax liabilities	2,050	1,154	2,030
Total non-current liabilities	61,098	39,530	50,429
Current liabilities			
Financial liabilities	16	6,998	0
Trade and other payables	18,862	15,449	17,911
Lease liabilities	3,037	2,450	2,850
Current tax liabilities	340	900	1,810
Total current liabilities	22,255	25,797	22,571
Total liabilities	83,352	65,328	73,000
Total equity and liabilities	127,236	96,338	117,718

FORMULAS

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

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 financing 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.

TALENOM PLC
Board of Directors

FURTHER INFORMATION:

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