

Talenom Plc

CFO Antti Aho



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HIGHLIGHTS: JANUARY–MARCH 2020

NET SALES GREW AND PROFITABILITY IMPROVED, Q1 IN LINE WITH OBJECTIVES

Net sales increased by 17%, operating profit by 8%.

REVISED GUIDANCE

“Net sales for 2020 are expected to amount to 64-68 million euros and operating profit to 12-14 million euros.”

TALENOM ONCE AGAIN RANKED AS ONE OF FINLAND'S BEST PLACES TO WORK

We were recognised for the third time in a row in the Great Place to Work Finland survey, ranking as the fourth best workplace in the Large Companies category. According to a recent brand survey, Talenom is Finland's best-known accounting firm.

EXPANDING THROUGH AN ACQUISITION, ADDITIONAL LOAN FOR GROWTH

In February, we acquired the business operations of Addvalue Advisors Oy in Vantaa. An additional loan of 10 million euros was negotiated after the end of the review period and can be used for acquisitions and other projects in support of growth.



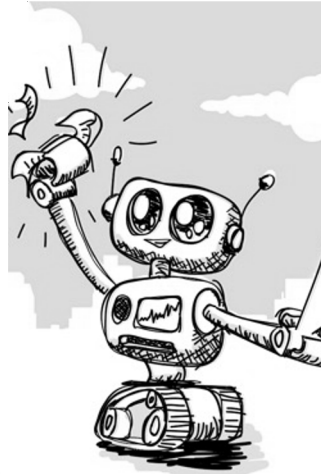
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CHOICES FOR THE STRATEGY PERIOD: EFFORTLESS, AUTOMATED AND ATTENTIVE



1. EASY FINANCIAL
MANAGEMENT ROUTINES FOR
ENTREPRENEURS



2. AUTOMATED
BOOKKEEPING



3. PLAIN LANGUAGE
CARE SERVICES

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GROWTH IN NET SALES CONTINUED

1-3/2020
Net sales
17.4 (14.8) million euros

1-3/2020
Growth
17.4% (16.1%)

- Net sales for January-March were up 17.4% to 17.4 million euros.
- Growth was primarily organic, where our own sales personnel and franchise entrepreneurs acquired new customers.
- Sales proceeded almost in line with plans in spite of the pandemic and operations successfully shifted over to a distance sales model. The latest version of the bookkeeping production line introduced in 2019 freed up resources for new customers and consulting work.
- Investments in digitalisation and personnel training provide opportunities to accelerate growth with acquisitions as well. During the review period, Talenom carried out one acquisition: the business operations of Addvalue Advisors Oy in Vantaa.

OPERATING PROFIT IMPROVED AGAIN

1-3/2020
**Operating profit
(EBIT)**
3.7 (3.4) million euros

1-3/2020
**EBIT %
of net sales**
21.4% (23.3%)

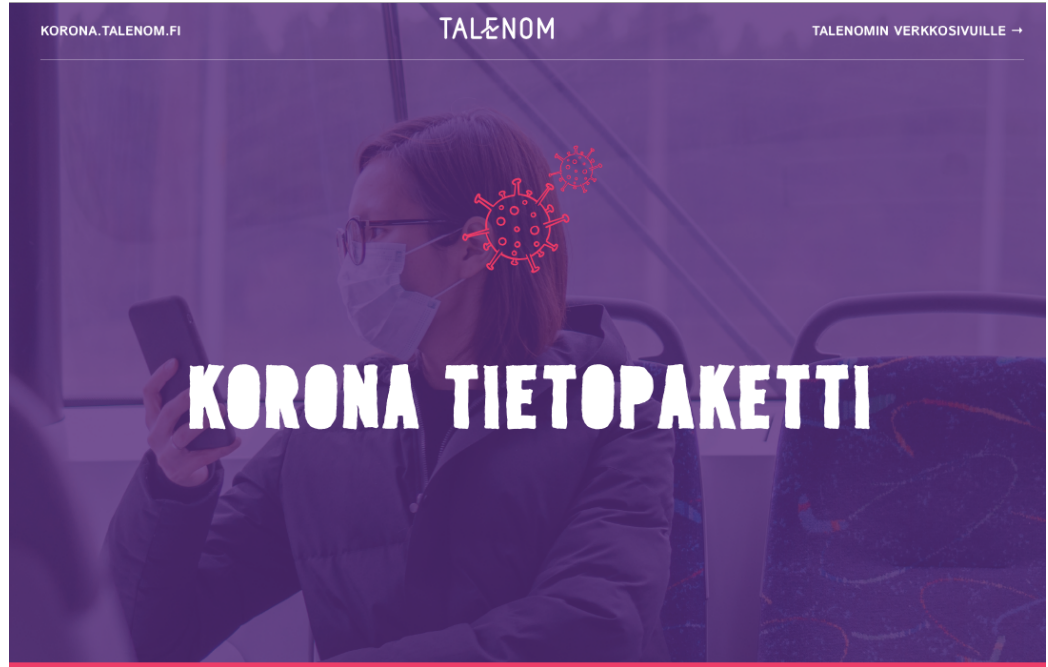
1-3/2020
Net profit
2.8 (2.6) million euros

1-3/2020
Earnings per share
0.07 (0.06) euros

- Operating profit in the review period improved by 8% and amounted to 3.7 million euros.
- We have been investing in automation and process development for about ten years now, which has raised our profitability to the top of our field.
- In the short term, acquisitions weaken relative profitability, but in the longer term the profitability of the acquired business operations will increase to the same level as existing operations thanks to the scalability benefits of the bookkeeping production line.

TALENOM SUPPORTS ITS CUSTOMER COMPANIES ALSO DURING THE PANDEMIC

- Talenom has supported companies during the coronavirus pandemic by, for instance, providing advice and digital tools, cash flow simulation services, and credit information and financing services.
- Our website (korona.talenom.fi) provides information on different types of support measures for entrepreneurs.
- Talenom publishes information on the day-to-day development of the cash flow of SMEs during the coronavirus pandemic.



OTHER JANUARY-MARCH 2020 HIGHLIGHTS

INVESTMENTS IN CUSTOMER INTERFACES, AUTOMATION AND NEW CUSTOMER ACQUISITION CONTINUED

- Talenom's mobile app now includes a new image processing feature for receipts.
- The new version of Talenom Online provides customers with services in line with the new e-Invoicing Directive.
- The development of the new small customer concept has progressed to the piloting of service design and technology.

TALENOM IS ARRANGING A SHARE ISSUE TO PERSONNEL
AND FRANCHISE ENTREPRENEURS IN FINLAND

EXPANDING THROUGH AN ACQUISITION, ADDITIONAL LOAN FOR GROWTH

- In February, we acquired the business operations of Addvalue Advisors Oy in Vantaa. An additional loan of 10 million euros was negotiated after the end of the review period and can be used for acquisitions and other projects in support of growth.

NEW BRAND SURVEY:

TALENOM HAS A STRONG REPUTATION AS THE BEST-KNOWN
ACCOUNTING FIRM IN FINLAND

- Talenom is seen as a customer-focused pioneer in digital solutions. The company is especially trusted by those who know it well.

REVISED GUIDANCE FOR 2020

Guidance for 2020:

“Net sales for 2020 are expected to amount to 64-68 million euros and operating profit to 12-14 million euros.”

The previous guidance published in the Financial Statement Bulletin 2019 on 3 February 2020:

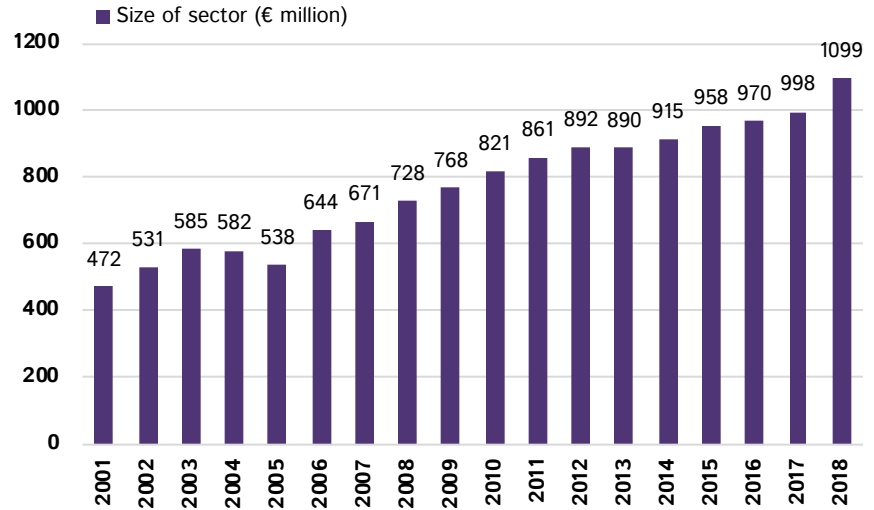
“2020 is expected to be in line with 2019 in terms of relative growth in net sales and relative profitability.”

Impacts of the coronavirus pandemic

- The range of variation in the guidance is wide due to the uncertainties posed by the coronavirus pandemic.
- Thanks to strong degree of automation and digitalisation and our consultative approach, Talenom is well-adapted to the prevailing conditions.
- The uncertainties involved in forecasts will increase if exceptional circumstances continue for a long time into autumn, causing bankruptcies among our customer companies, as well as a decline in our sales to new customers and in transaction based invoicing.

BUSINESS ENVIRONMENT IN THE ACCOUNTING SECTOR

- The accountancy market is a fragmented and growing market characterised by the statutory accounting requirement and the transition created by digitalisation
- The accounting market in Finland is highly fragmented:
 - In 2018, there were 4,134 (4,249) companies ⁽¹⁾
 - The average company size was 3.0 employees ⁽¹⁾
- The size of the accounting market in Finland was 1,099 (998) million euros in 2018 ⁽¹⁾
- Annual market growth has remained good despite various financial crises ⁽¹⁾
- Historically, price rises, the increase in receipts and higher sales of value-added services have acted as drivers of growth



* NB: When referring to corporate and financial statistics, which have been published since the 2013 figures, statistics preceding that year are also included: 2001-2006 Business Register statistics (TOL 2002) and 2007-2012 Business Register statistics (TOL 2008).

(1) Statistics Finland, structural business and financial statement statistics*

DISCLAIMER

Certain statements in this bulletin are forecasts based on the company's and management's views at the time the forecasts were made. For this reason, they involve risks and uncertainties. The forecasts may also change if significant changes occur in the general economic situation or the company's business environment.



Appendix 1. Key figures 1 January–31 March 2020

Group	1–3/2020	1–3/2019	Change
Net sales, thousands of euro	17,350	14,783	2,567
Net sales, increase %	17.4%	16.1%	1.3 percentage points
Operating profit (EBIT), thousands of euro	3,718	3,442	276
Operating profit (EBIT), as % of net sales	21.4%	23.3%	-1.9 percentage points
Return on investment (ROI), % (rolling 12 months)	19.7%	21.5%	-1.9 percentage points
Interest-bearing net liabilities, thousands of euro	31,771	26,629	5,141
Net gearing ratio, %	142%	150%	-8 percentage points
Equity ratio, %	31.1%	29.7%	1.4 percentage points
Working capital, thousands of euro	-4,609	-3,912	-698
Net investments, thousands of euro	4,059	2,335	1,724
Liquid assets, thousands of euro	5,268	5,330	-62
Earnings per share, euro	0.07	0.06	0.00
Weighted average number of shares during the period *)	41,871,790	41,221,812	649,978
Net profit, thousands of euro	2,806	2,585	221

*) The number of shares outstanding has been adjusted due to the share issue carried out free of charge during the review period by multiplying the preceding figures by six.

Appendix 2. Consolidated comprehensive income statement 1 January–31 March 2020

Thousand euro	1–3/2020	1–3/2019
Net sales	17,350	14,783
Other operating income	54	81
Materials and services	-1,030	-715
Employee benefit expenses	-8,582	-7,291
Depreciation and amortisations	-2,527	-1,963
Other operating expenses	-1,547	-1,452
Operating profit	3,718	3,442
Financial income	22	15
Financial expenses	-230	-211
Net financial expenses	-209	-195
Profit (loss) before taxes	3,510	3,247
Income taxes	-704	-662
Profit (loss) for the financial period	2,806	2,585
Other items of comprehensive income		
Items that may be subsequently transferred to profit or loss		
Cash flow hedging	24	16
Taxes on items that may be subsequently transferred to profit or loss	-5	-3
Other comprehensive income for the financial period after tax	19	12
Total comprehensive income for the financial period	2,825	2,597

Appendix 3.

Consolidated balance sheet

1 January–31 March 2020

Thousand euro	31 Mar. 2020	31 Mar. 2019	31 Dec. 2019
ASSETS			
Non-current assets			
Goodwill	20,728	18,420	20,728
Other intangible assets	16,632	10,944	14,930
Right-of-use assets	8,493	7,813	8,400
Property, plant and equipment	2,633	2,322	2,584
Other non-current financial assets	237	237	237
Deferred tax assets	84	77	67
Capitalised contract costs	10,355	8,592	10,054
Total non-current assets	59,162	48,405	57,000
Current assets			
Trade and other receivables	7,750	6,138	6,521
Current tax assets	0	0	34
Cash and cash equivalents	5,268	5,330	7,786
Total current assets	13,017	11,468	14,342
Total assets	72,179	59,873	71,342
CAPITAL AND RESERVES			
Share capital	80	80	80
Reserve for invested unrestricted equity	12,353	11,025	11,234
Fair value reserve	-26	-81	-45
Retained earnings	9,962	6,698	12,304
Total equity	22,369	17,723	23,573
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	28,000	23,500	28,000
Trade and other payables	215	230	215
Lease liabilities	6,574	6,399	6,553
Other non-current financial liabilities	32	101	56
Deferred tax liabilities	301	50	307
Provisions	27	0	0
Total non-current liabilities	35,148	30,280	35,130
Current liabilities			
Trade and other payables	11,838	9,960	10,208
Lease liabilities	2,021	1,440	1,940
Current tax liabilities	802	470	491
Total current liabilities	14,662	11,871	12,638
Total liabilities	49,810	42,150	47,769
Total equity and liabilities	72,179	59,873	71,342