

# Talenom Plc

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# KEY POINTS JANUARY–SEPTEMBER 2019

## ANOTHER EXCELLENT REVIEW PERIOD

Operating profit saw year-on-year improvement of 25.4% and amounted to EUR 9.0 million. Net sales during the review period increased year-on-year by 18.2% to EUR 43 million.

## OUTLOOK REMAINS STRONG

The financial outlook for growth and profitability remains strong, and we expect our financial outlook for 2020 to be in line with 2019 in terms of growth and profitability.

## AN EFFECTIVE CONSULTATIVE BUSINESS MODEL

The widespread adoption of a consultative approach to customer work in accounting services further improves customer satisfaction and retention.

## MAIN BUSINESS DRIVERS STILL GOING STRONG

We trust that our main business drivers – such as making financial administration routines easy to entrepreneurs, automated service production and high-quality care and value-added services – will carry our operations in the future, too.



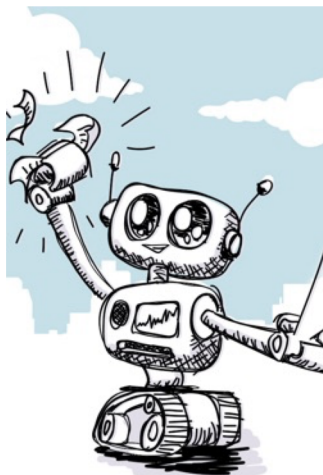
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# CHOICES FOR THE STRATEGY PERIOD: EFFORTLESS, AUTOMATED AND ATTENTIVE



1. EASY FINANCIAL  
MANAGEMENT ROUTINES FOR  
ENTREPRENEURS



2. AUTOMATED  
BOOKKEEPING



3. CARE AND  
VALUE-ADDED SERVICES

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## JANUARY – SEPTEMBER 2019

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1-9/2019 **Net sales**

**EUR 43.0 (36.4)** million

Growth 18.2% (18.6%)

7-9/2019 **Net sales**

**EUR 13.5 (11.1)** million

Growth 21.1% (19.8%)

### Net sales growth:

- Net sales increased by 18.2% to EUR 43.0 million over the review period. Over 90% of net sales comprises continuous billing.
- Q3 net sales rose from EUR 11.1 million to EUR 13.5 million (21.1%).
- Our sales are extremely effective and we have been able to further increase our acquisition of new customers.

## JANUARY – SEPTEMBER 2019

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1–9/2019 **Operating profit** (EBIT)  
**EUR 9.0 (7.1)** million

7–9/2019 **Operating profit** (EBIT)  
**EUR 2.4 (1.9)** million

1–9/2019 **Net profit**  
**EUR 6.6 (5.4)** million

7–9/2019 **Net profit**  
**EUR 1.7 (1.4)** million

1–9/2019 **Earnings per share**  
**EUR 0.95 (0.78)**

7–9/2019 **Earnings per share**  
**EUR 0.24 (0.21)**

### Increase in level of profitability:

- We continued to increase our level of profitability, with operating profit improving by 25.4% during the review period.
- Operating profit was 20.8% of net sales (EUR 9.0 million) during the review period.
- Product development investments targeted at the bookkeeping production line have long underpinned our excellent scalability and profitability development.

## JANUARY – SEPTEMBER 2019

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### **Development of the bookkeeping production line**

- Reduction in the volume of routine work and the widespread adoption of a consultative approach to customer work in accounting services further improve customer satisfaction and retention.
- We are making further investments into strengthening our employees' expertise in customer work. High-quality advisory services bolster our long-term competitiveness.
- The most recent phase in the development of the production line enables us to serve ever smaller customers even more profitably, and due to this, we are looking into expanding our customer base to smaller companies.

### **New business openings and progress according to plan in Sweden**

- New products are assessed based on their scalability and integration into customer transactions. The financial services we launched earlier are a good example of this.
- We are currently implementing the first steps in the automation of service production in Sweden. We have also productised our service portfolio and started piloting sales under the Talenom brand.

# OUTLOOK

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## **Guidance for 2019 remains unchanged:**

“The company’s net sales growth percentage is expected to increase from 2018 (18.0% in 2018). Operating profit margin (17.5% in 2018) is expected to increase from 2018.”

## **Guidance for 2020:**

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

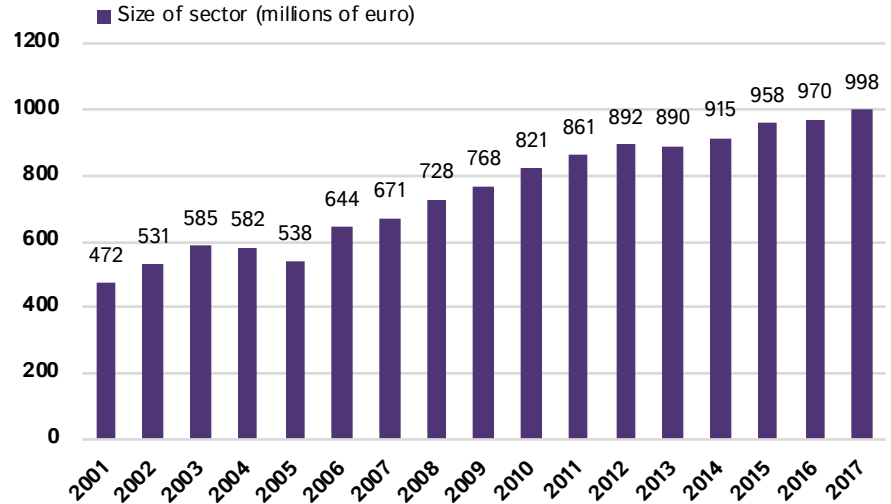
## **The financial outlook for growth and profitability remains strong:**

- In our financial guidance we have given, it has been taken into account that the annual payroll reports have been discontinued due to the change in the income register and that staffing business has been focused on supporting the core accounting business.
- The financial outlook for growth and profitability remains strong, and we expect our financial outlook for 2020 to be in line with 2019 in terms of growth and profitability.
- Our reliable main business drivers – such as making financial administration routines easy to entrepreneurs, automated service production and high-quality care and value-added services – will carry our operations in the future, too.
- We continue to make investments into the development of the bookkeeping production line and customer interfaces.

# 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 2017, there were 4,249 (4,235) companies. <sup>(1)</sup>
  - The average company size was 2.8 employees. <sup>(1)</sup>
- In 2017, the size of the accounting market in Finland was EUR 998 (970) million. <sup>(1)</sup>
- Annual market growth remained good despite various financial crises. <sup>(1)</sup>
- Historically, price rises, the increase in receipts and higher sales of value-added services have acted as drivers of growth.

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



\* 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).



## DISCLAIMER

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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.



# Annex 1. Key figures

1–9/2019

| Group  | 1–9/2019  | Effect of IFRS 16 **)  | Adjusted 1–9/2019 | 1–9/2018  | Adjusted change        |
|--|-----------|------------------------|-------------------|-----------|------------------------|
| Net sales, thousands of euro                           | 43,042    | 0                      | 43,042            | 36,423    | 6,620                  |
| Net sales, increase %                                  | 18.2%     | 0.0 percentage points  | 18.2%             | 18.6%     | -0.4 percentage points |
| Operating profit (EBIT), thousands of euro             | 8,951     | +74                    | 8,877             | 7,079     | 1,798                  |
| Operating profit (EBIT), as % of net sales             | 20.8%     | +0.2 percentage points | 20.6%             | 19.4%     | 1.2 percentage points  |
| Return on investment (ROI), % (rolling 12 months)      | 20.9%     | -2.4 percentage points | 23.3%             | 20.7%     | 2.6 percentage points  |
| Interest-bearing net liabilities, thousands of euro    | 30,214    | +8,598                 | 21,616            | 18,923    | 2,693                  |
| Net gearing ratio, %                                   | 135%      | +39 percentage points  | 96%               | 107%      | -11 percentage points  |
| Equity ratio, %  | 32.7%     | -4.7 percentage points | 37.4%             | 37.2%     | 0.2 percentage points  |
| Working capital, thousands of euro                     | -2,866    | 0                      | -2,866            | -2,379    | -488                   |
| Net investments, thousands of euro                     | 12,045    | 0                      | 12,045            | 7,123     | 4,923                  |
| Liquid assets, thousands of euro                       | 6,984     | 0                      | 6,984             | 3,804     | 3,179                  |
| Earnings per share, euro                               | 0.95      | -0.01                  | 0.96              | 0.78      | 0.18                   |
| Weighted average number of shares during the period *) | 6,923,021 | 0                      | 6,923,021         | 6,859,713 | 63,307                 |
| Net profit, thousands of euro                          | 6,599     | -62                    | 6,661             | 5,362     | 1,299                  |

\*) Weighted average of treasury shares held by the company during the period has been deducted from the figure.

\*\*) The Talenom Group adopted IFRS 16 Leases on 1 January 2019; its impacts are presented in this column.

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## Annex 2. Key figures 7-9/2019

| Group  | 7-9/2019 | 7-9/2018 | Change                |
|--|----------|----------|-----------------------|
| Net sales, thousands of euro                         | 13,497   | 11,145   | 2,352                 |
| Net sales, increase %                                | 21.1%    | 19.8%    | 1.3 percentage points |
| Operating profit, thousands of euro *)               | 2,351    | 1,852    | 499                   |
| Operating profit, as % of net sales *)               | 17.4%    | 16.6%    | 0.8 percentage points |
| Return on investment (ROI), % (rolling 12 months) *) | 20.9%    | 20.7%    | 0.2 percentage points |
| Liquid assets, thousands of euro                     | 6,984    | 3,804    | 3,179                 |
| Earnings per share, euro                             | 0.24     | 0.21     | 0.03                  |
| Net profit, thousands of euro *)                     | 1,675    | 1,415    | 260                   |

\*) The Talenom Group adopted IFRS 16 Leases on 1 January 2019, due to which the review periods are not fully comparable. During the period 7-9/2019, the standard had a positive effect on operating profit (+EUR 27 thousand) and a negative effect on net profit (-EUR 20 thousand) and return on investment (-2.4 percentage points). The effects of adopting the standard on the Group's financial information are described in detail under the section Basis of Preparation.

# Annex 3. Consolidated balance sheet

## 30 September 2019

| Thousands of euro                        | 30<br>September<br>r 2019 | Effect of<br>IFRS 16 *) | Adjusted 30<br>September<br>2019 | 30 September<br>2018 | 31 December<br>2018 |
|--|---------------------------|-------------------------|----------------------------------|----------------------|---------------------|
| <b>ASSETS</b>                            |                           |                         |                                  |                      |                     |
| <b>Non-current assets</b>                |                           |                         |                                  |                      |                     |
| Goodwill                                 | 20,728                    |                         | 20,728                           | 18,420               | 18,420              |
| Other intangible assets                  | 13,948                    |                         | 13,948                           | 10,103               | 10,493              |
| Property, plant and equipment            | 11,112                    | +8,520                  | 2,592                            | 2,277                | 2,248               |
| Other non-current financial assets       | 306                       |                         | 306                              | 237                  | 237                 |
| Deferred tax assets                      | 83                        | +16                     | 67                               | 68                   | 62                  |
| Capitalised contract costs               | 9,734                     |                         | 9,734                            | 7,904                | 8,357               |
| <b>Total non-current assets</b>          | <b>55,910</b>             | <b>+8,535</b>           | <b>47,375</b>                    | <b>39,009</b>        | <b>39,817</b>       |
| <b>Current assets</b>                    |                           |                         |                                  |                      |                     |
| Trade and other receivables              | 5,858                     |                         | 5,858                            | 4,948                | 5,473               |
| Current tax assets                       | 148                       |                         | 148                              | 0                    | 11                  |
| Cash and cash equivalents                | 6,984                     |                         | 6,984                            | 3,804                | 5,914               |
| <b>Total current assets</b>              | <b>12,989</b>             | <b>0</b>                | <b>12,989</b>                    | <b>8,752</b>         | <b>11,398</b>       |
| <b>Total assets</b>                      | <b>68,899</b>             | <b>+8,535</b>           | <b>60,364</b>                    | <b>47,761</b>        | <b>51,215</b>       |
| <b>CAPITAL AND RESERVES</b>              |                           |                         |                                  |                      |                     |
| Share capital                            | 80                        |                         | 80                               | 80                   | 80                  |
| Reserve for invested unrestricted equity | 13,009                    |                         | 13,009                           | 10,850               | 10,850              |
| Fair value reserve                       | -68                       |                         | -68                              | -93                  | -93                 |
| Retained earnings                        | 9,400                     | -62                     | 9,462                            | 6,825                | 7,850               |
| <b>Total equity</b>                      | <b>22,421</b>             | <b>-62</b>              | <b>22,483</b>                    | <b>17,663</b>        | <b>18,688</b>       |
| <b>LIABILITIES</b>                       |                           |                         |                                  |                      |                     |
| <b>Non-current liabilities</b>           |                           |                         |                                  |                      |                     |
| Financial liabilities                    | 28,000                    |                         | 28,000                           | 22,000               | 23,500              |
| Trade and other payables                 | 202                       |                         | 202                              | 299                  | 230                 |
| Other non-current financial liabilities  | 6,997                     | +6,912                  | 85                               | 116                  | 116                 |
| Deferred tax liabilities                 | 292                       |                         | 292                              | 44                   | 50                  |
| <b>Total non-current liabilities</b>     | <b>35,491</b>             | <b>+6,912</b>           | <b>28,579</b>                    | <b>22,459</b>        | <b>23,896</b>       |
| <b>Current liabilities</b>               |                           |                         |                                  |                      |                     |
| Financial liabilities                    | 0                         |                         | 0                                | 0                    | 0                   |
| Trade and other payables                 | 8,303                     |                         | 8,303                            | 6,836                | 7,728               |
| Other current financial liabilities      | 1,762                     | +1,686                  | 76                               | 0                    | 0                   |
| Current tax liabilities                  | 921                       |                         | 921                              | 803                  | 903                 |
| <b>Total current liabilities</b>         | <b>10,987</b>             | <b>+1,686</b>           | <b>9,301</b>                     | <b>7,639</b>         | <b>8,631</b>        |
| <b>Total liabilities</b>                 | <b>46,478</b>             | <b>+8,598</b>           | <b>37,881</b>                    | <b>30,098</b>        | <b>32,528</b>       |
| <b>Total equity and liabilities</b>      | <b>68,899</b>             | <b>+8,535</b>           | <b>60,364</b>                    | <b>47,761</b>        | <b>51,215</b>       |

\*) The Talenom Group adopted IFRS 16 Leases on 1 January 2019; its impacts are presented in this column.