

# Talenom Plc

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## HIGHLIGHTS: JANUARY-JUNE 2020

### STRONG PROFITABLE GROWTH CONTINUED IN LINE WITH THE STRATEGY

Net sales in January-June grew by 15% and operating profit improved by 11%.

Q2 was also strong:  
Net sales grew by 12% and operating profit improved by 14%.

### GUIDANCE FOR 2020 REMAINS UNCHANGED

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

### PERSONNEL SHARE ISSUE WAS OVERSUBSCRIBED

Almost a third of employees participated in the May share issue.

### INVESTMENTS CONTINUED, GROWTH WAS ALSO SUPPORTED WITH ACQUISITIONS

Investments in customer user interfaces, automation and new customer acquisition continued, and we carried out two company acquisitions in January-June.

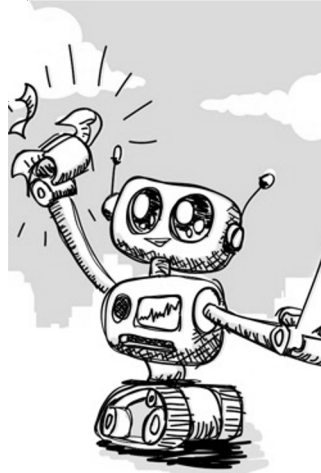


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## CHOICES FOR THE STRATEGY PERIOD: EFFORTLESS, AUTOMATED AND ATTENTIVE



1. EASY FINANCIAL  
MANAGEMENT ROUTINES FOR  
ENTREPRENEURS



2. AUTOMATED  
BOOKKEEPING



3. PLAIN LANGUAGE  
CARE SERVICES

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## GROWTH IN NET SALES CONTINUED

1-6/2020

### Net sales

33.9 (29.5) million euros

4-6/2020

### Net sales

16.5 (14.8) million euros

1-6/2020

### Growth

14.6% (16.9%)

4-6/2020

### Growth

11.8% (17.7%)

- Net sales grew by 15% in January-June.
- Growth was generated by both the increase in the number of accounting service customers and company acquisitions. Two acquisitions were carried out during the review period: The acquisition of the business operations of Addvalue Advisors Oy in Vantaa in February and the acquisition of Niva Ekonomi AB in Stockholm in May.
- The acquisitions have changed the structure of growth – this will continue also in the future.

## OPERATING PROFIT IMPROVED

1-6/2020 <b>Operating profit (EBIT)</b> 7.3 (6.6) million euros	4-6/2020 <b>Operating profit (EBIT)</b> 3.6 (3.2) million euros
1-6/2020 <b>EBIT % of net sales</b> 21.6% (22.3%)	4-6/2020 <b>EBIT % of net sales</b> 21.8% (21.4%)
1-6/2020 <b>Net profit</b> 5.5 (4.9) million euros	4-6/2020 <b>Net profit</b> 2.7 (2.3) million euros
1-6/2020 <b>Earnings per share</b> 0.13 (0.12) euros	4-6/2020 <b>Earnings per share</b> 0.06 (0.06) euros

- Operating profit for January-June improved by 11% and the operating profit for April-June by 14% year-on-year.
- Our ten-year period of investment in automation and process development has raised our profitability level 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 is expected to increase to the same level as existing operations thanks to the scalability benefits of the bookkeeping production line.
- Net sales and relative profitability for the last quarter were weakened by lower invoicing of transaction based products and the lower profitability of acquired businesses in the early stage of the post-acquisition period.



# IMPACTS OF THE CORONAVIRUS PANDEMIC IN APRIL-JUNE

## Development of uncertainties

- Sales to new customers have continued at the top end of the expectations we set for coronavirus epidemic, albeit falling short of the sales targets we set before the coronavirus hit.
- The trend in the number of bankruptcies among customer companies was also in line with expectations during the second quarter.
- Performance in transaction based invoicing has been in the lower range of our coronavirus-adjusted forecasts.



## OTHER JANUARY-JUNE HIGHLIGHTS

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### **Acquisition strengthens presence in the Swedish market**

- In May, Talenom made an agreement with the owner of the Swedish accounting company Niva Ekonomi AB on purchasing its entire share capital.
- We also acquired the business operations of Addvalue Advisors Oy in Vantaa, Finland in February.

### **The personnel share issue demonstrated the commitment of Talenom employees and their trust in the future**

- The share issue for Talenom personnel and franchising entrepreneurs was a success: about a third of our personnel participated in it and the share issue was subscribed 1.7-fold.

### **Our small customer concept will be launched in October**

- The concept will be a major milestone in Talenom's future business, enabling a digital, even more efficient way of distributing services.

### **Investments in making the day-to-day lives of our customers easier and in the automation of routines continue**

- We continued our planned investments in customer user interfaces to make the day-to-day lives of our customers easier and in the automation of the bookkeeping production line to reduce routines.

# OUTLOOK

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**The full-year financial outlook has not changed – We will keep the guidance for 2020 unchanged:**

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

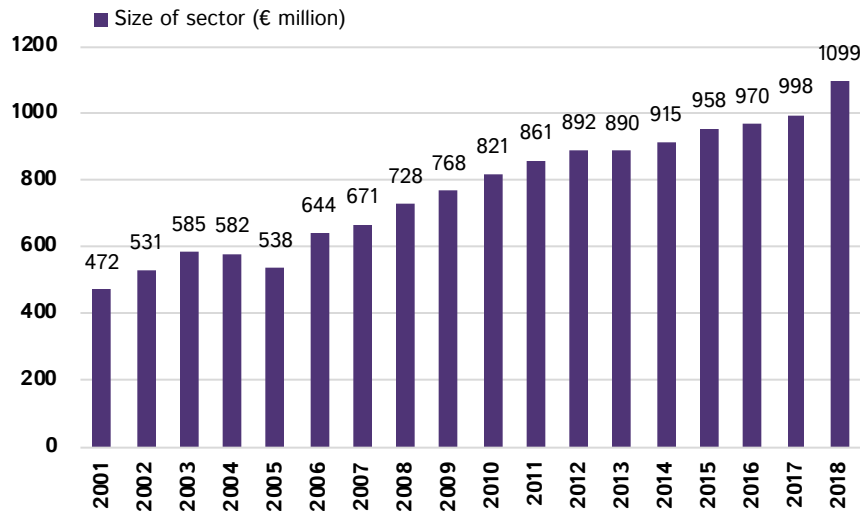
## **Preconditions for profitable growth remain strong:**

- Encouraging experiences of accelerating growth in the Swedish market with both our own sales and potential acquisitions.
- In Finland, we have the opportunity to accelerate growth during the digital transformation of our sector with not only our own sales and franchising chain, but also acquisitions. We can harness our completed and ongoing process and software investments to benefit a wider customer and user base.
- The small customer concept gives us the opportunity to expand our potential customer base and generate new growth.
- Increasing sales of value-added services and consulting services to existing customers.



# 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 <sup>(1)</sup>
  - The average company size was 3.0 employees <sup>(1)</sup>
- The size of the accounting market in Finland was 1,099 (998) million euros in 2018. <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



\* 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

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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 January–30 June 2020

Group	1–6/2020	1–6/2019	Change
Net sales, thousands of euro	33,852	29,545	4,307
Net sales, increase %	14.6%	16.9%	-2.3 percentage points
Operating profit (EBIT), thousands of euro	7,312	6,600	712
Operating profit (EBIT), as % of net sales	21.6%	22.3%	-0.7 percentage points
Return on investment (ROI), % (rolling 12 months)	17.9%	20.2%	-2.3 percentage points
Interest-bearing net liabilities, thousands of euro	29,365	29,260	105
Net gearing ratio, %	110%	137%	-27 percentage points
Equity ratio, %	34.3%	30.5%	3.8 percentage points
Working capital, thousands of euro	-5,240	-4,323	-917
Net investments, thousands of euro	9,027	9,520	-493
Liquid assets, thousands of euro	9,627	8,423	1,204
Earnings per share, euro	0.13	0.12	0.01
Weighted average number of shares during the period *)	42,303,612	41,421,138	882,474
Net profit, thousands of euro	5,456	4,924	532

\*) 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.

## Annex 2. Key figures

1 April–30 June 2020

Group	4–6/2020	4–6/2019	Change
Net sales, thousands of euro	16,503	14,762	1,741
Net sales, increase %	11.8%	17.7%	-5.9 percentage points
Operating profit (EBIT), thousands of euro	3,594	3,158	436
Operating profit (EBIT), as % of net sales	21.8%	21.4%	0.4 percentage points
Return on investment (ROI), % (rolling 12 months)	17.9%	20.2%	-2.3 percentage points
Liquid assets, thousands of euro	9,627	8,423	1,204
Earnings per share, euro	0.06	0.06	0.01
Net profit, thousands of euro	2,650	2,339	311

### Annex 3. Consolidated statement of comprehensive income 1 January–30 June 2020

Thousand euro	1-6/2020	1-6/2019	1-12/2019
<b>Net sales</b>	<b>33,852</b>	<b>29,545</b>	<b>57,955</b>
Other operating income	78	199	372
Materials and services	-1,316	-1,513	-3,598
Employee benefit expenses	-17,332	-15,046	-29,912
Depreciation and amortisations	-5,120	-3,856	-8,498
Other operating expenses	-2,851	-2,728	-5,911
<b>Operating profit</b>	<b>7,312</b>	<b>6,600</b>	<b>10,409</b>
Financial income	46	31	64
Financial expenses	-484	-435	-906
<b>Net financial expenses</b>	<b>-438</b>	<b>-403</b>	<b>-843</b>
<b>Profit (loss) before taxes</b>	<b>6,874</b>	<b>6,197</b>	<b>9,566</b>
Income taxes	-1,418	-1,273	-1,951
<b>Profit (loss) for the financial period</b>	<b>5,456</b>	<b>4,924</b>	<b>7,615</b>
<b>Other items of comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Cash flow hedging	40	14	60
Taxes on items that may be subsequently transferred to profit or loss	-8	-3	-12
<b>Other comprehensive income for the financial period after tax</b>	<b>32</b>	<b>11</b>	<b>48</b>
<b>Total comprehensive income for the financial period</b>	<b>5,488</b>	<b>4,935</b>	<b>7,663</b>
<b>Earnings per share calculated on the profit attributable to equity holders of the parent company</b>			
Undiluted earnings per share (euro)	0.13	0.12	0.18
Diluted earnings per share (euro)	0.13	0.12	0.18

# Annex 4. Consolidated balance sheet 30 June 2020

Thousand euro	30 June 2020	30 June 2019	31 Dec. 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	21,166	20,728	20,728
Other intangible assets	18,819	13,495	14,930
Right-of-use assets	8,311	8,913	8,400
Property, plant and equipment	2,615	2,450	2,584
Other non-current financial assets	237	237	237
Deferred tax assets	76	79	67
Capitalised contract costs	10,656	9,331	10,054
<b>Total non-current assets</b>	<b>61,880</b>	<b>55,233</b>	<b>57,000</b>
<b>Current assets</b>			
Trade and other receivables	6,467	6,202	6,521
Current tax assets	0	154	34
Cash and cash equivalents	9,627	8,423	7,786
<b>Total current assets</b>	<b>16,094</b>	<b>14,779</b>	<b>14,342</b>
<b>Total assets</b>	<b>77,974</b>	<b>70,012</b>	<b>71,342</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	80	80	80
Reserve for invested unrestricted equity	13,741	11,908	11,234
Fair value reserve	-13	-82	-45
Retained earnings	12,876	9,392	12,304
<b>Total equity</b>	<b>26,684</b>	<b>21,298</b>	<b>23,573</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities	30,000	28,000	28,000
Trade and other payables	157	202	215
Lease liabilities	6,335	7,260	6,553
Other non-current financial liabilities	0	0	56
Deferred tax liabilities	471	102	307
<b>Total non-current liabilities</b>	<b>36,962</b>	<b>35,564</b>	<b>35,130</b>
<b>Current liabilities</b>			
Trade and other payables	10,915	10,202	10,208
Lease liabilities	2,249	1,705	1,940
Other current financial liabilities	16	0	
Current tax liabilities	1,148	1,243	491
<b>Total current liabilities</b>	<b>14,328</b>	<b>13,150</b>	<b>12,638</b>
<b>Total liabilities</b>	<b>51,290</b>	<b>48,714</b>	<b>47,769</b>
<b>Total equity and liabilities</b>	<b>77,974</b>	<b>70,012</b>	<b>71,342</b>