

Talenom Plc

CFO Antti Aho



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HIGHLIGHTS: JANUARY–SEPTEMBER 2020

OUR NEW VISION: UNBEATABLE ACCOUNTING AND BANKING SERVICES FOR SMES

Going forward, we will pursue growth internationally with accounting and banking services. Our target group is wider than ever: from light entrepreneurs to listed companies.

SMALL CUSTOMER CONCEPT IS LAUNCHED TODAY

TiliJaska™ is a freemium platform that reforms the accounting market – it provides Talenom's small customers with a free accounting application, banking services (IBAN accounts and cards) and flexible accounting services.

PROFITABLE GROWTH CONTINUED, GUIDANCE FOR 2020 REMAINS UNCHANGED

Net sales in January–September were up 13% and operating profit improved by 17%.

Acquisitions supported growth and the implementation of the strategy.



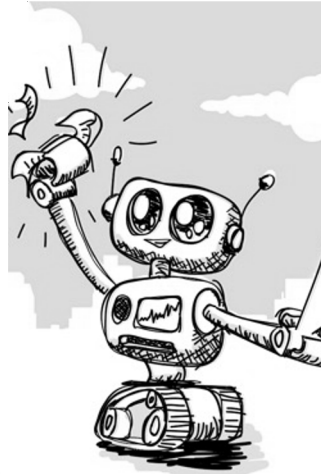
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CHOICES FOR THE STRATEGY PERIOD: EFFORTLESS, AUTOMATED AND ATTENTIVE



1. EASY FINANCIAL
MANAGEMENT ROUTINES FOR
ENTREPRENEURS



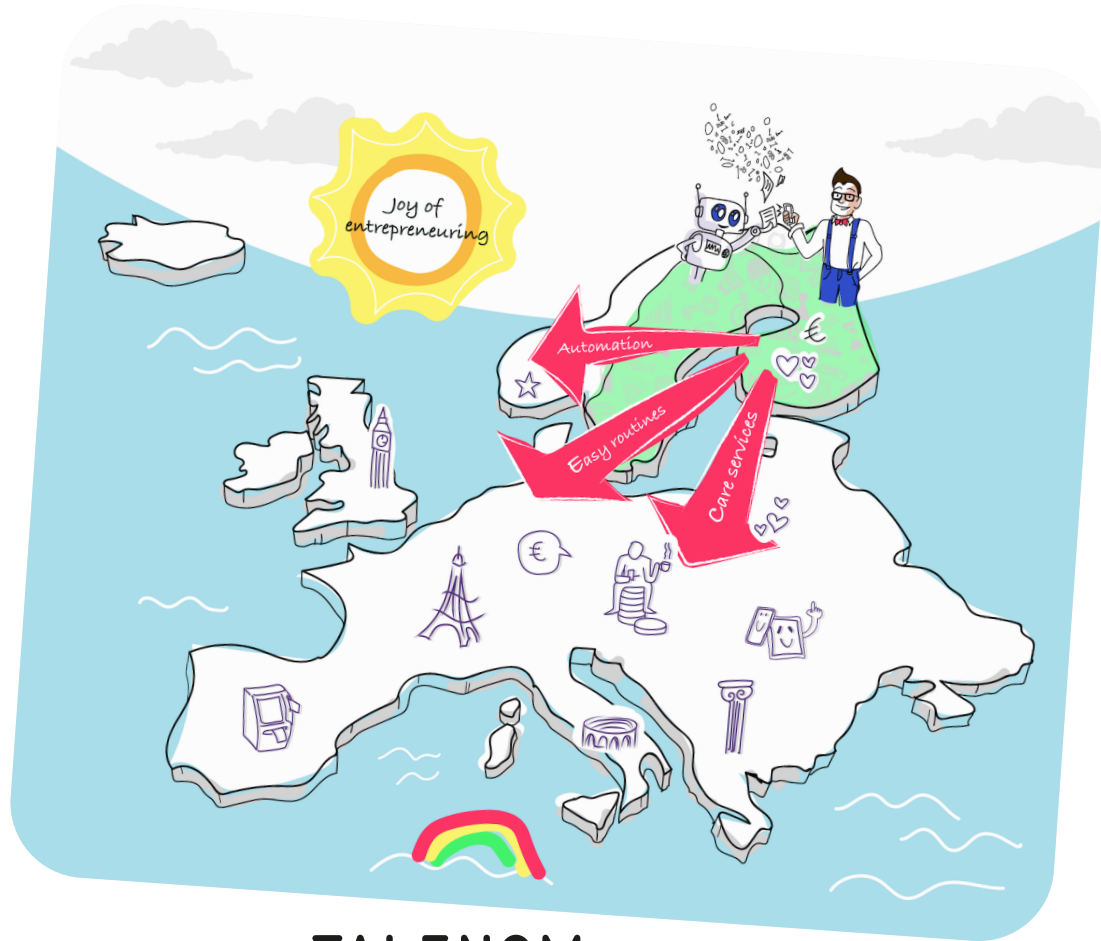
2. AUTOMATED
BOOKKEEPING



3. PLAIN LANGUAGE
CARE SERVICES

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**UNBEATABLE
ACCOUNTING AND
BANKING
SERVICES FOR
SMES**



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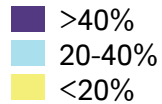
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INTERNATIONAL CHANGE DRIVERS IN THE ACCOUNTING AND BANKING SECTOR: DEVELOPING INFRASTRUCTURE AND LEGISLATIVE CHANGES PROMOTE DIGITAL TRANSFORMATION

E-invoicing market penetration in Europe

B2B/B2G/G2B

Expected market
penetration in 2019:



Source: Billentis (2019)

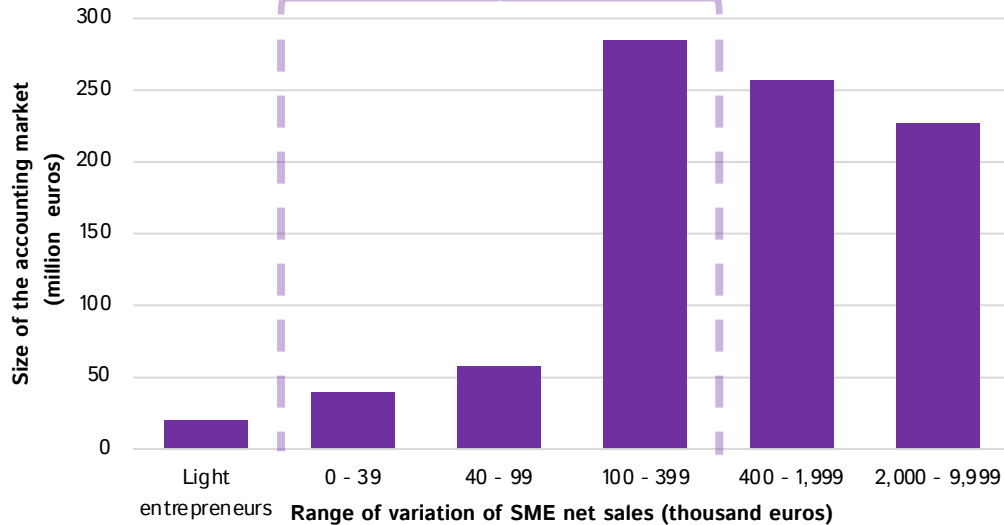
Legislation supports an open environment
that promotes competition:

- **New e-Invoicing Directive** into force on 1 April 2020: traders have the right to receive an e-invoice from another company. E-invoicing between the government and companies (B2G) accelerates the change.
- **The Payment Services Directive PSD2** obligates opening up bank interfaces across the EU.
- **Basel regulations** have tightened the solvency requirements of banks, which has created the need for new financing channels for SMEs.



OVERVIEW OF THE MARKET BY CUSTOMER SEGMENT IN FINLAND

A NEW MARKET FOR TALENOM:
SMALL CUSTOMER SECTOR OF SMES
40% OF MARKET SIZE
(APPROX. 382 MILLION EUROS)



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OUR SERVICES BY CUSTOMER SEGMENT

SMALL CUSTOMER SECTOR REQUIRES
A DIFFERENT KIND OF PRODUCT PORTFOLIO



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SMALL CUSTOMER CONCEPT

Miikka Hätälä
Director, Small Customers

Reasons to grow not only among **mid-sector of SMEs** but also among **small customers**

Clear synergies in growth outlays

- Marketing outlays benefit not only small customers, but also growth activities in the mid-sector
- The current proactive sales organisation can also offer an alternative to small customers

Excellent suitability of the independent platform for productisation in Talenom's technology environment

- Achieving growth among small customers is impossible without redefining the growth strategy from proactive direct sales to platform-centred digital marketing
- In addition, there are major differences in the user interfaces targeted at small customers compared to the mid-sector (e.g., DIY options are essential)
- Accounting back-end systems have been developed to be demonstrably highly effective in terms of parallel productisation

Small customers are pivotal and the winner takes it all

- The number of small customers is high – and thus they are an extremely significant group of recommenders
- The English-speaking market in particular has shown that a financial management platform equipped with a winner-takes-it-all mentality can achieve growth with the speed of a gazelle

A product family for small entrepreneurs that scales perfectly



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Tilijaska™



Free + Premium = Freemium:

- Free: A free basic system for DIY accounting, suitable for the smallest customers
- Premium: Seamless distribution channel for Talenom's high-quality accounting services

Brand new banking services – cards and IBAN accounts

- A unique product offering – even internationally



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The winner takes it all

**A winner-takes-it-all competition for small customers.
The winner has:**

1. Unbeatable product portfolio
2. Best expertise and development speed
3. Most visible brand and the financing required to fuel the fastest rate of growth



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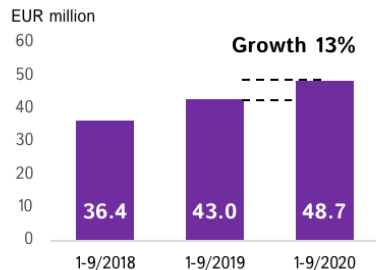
Thank you!

Become a beta customer at:
www.Tilijaska.fi

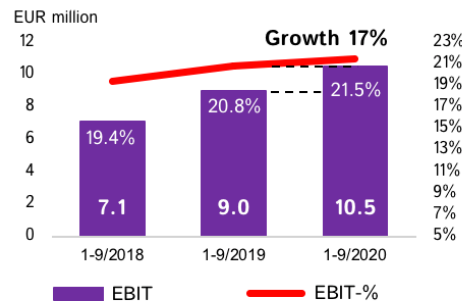
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JANUARY–SEPTEMBER 2020: NET SALES CONTINUED TO GROW AND PROFITABILITY IMPROVED

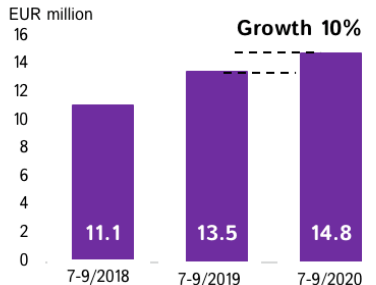
Net sales, January-September



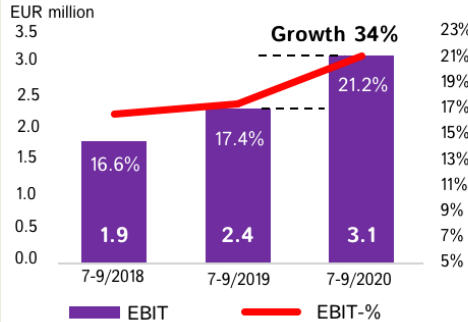
Operating profit, January-September



Net sales, July-September



Operating profit, July-September



- Net sales grew due to own sales and acquisitions.
- A total of five acquisitions were carried out in the review period, three of them in the third quarter: Vanaja Technologies Oy's business operations in Finland, Frivision AB's share capital in Sweden and Larsen & Co Accountants Ltd's business operations in Finland.
- Franchise chain expanded with a new franchisee in Espoo: Talenom now has 22 franchise entrepreneurs.
- Our ten-year period of investment in automation and process development has raised our profitability level to the top of our field.
- Acquisitions can support profitable growth, even though they burden relative profitability in the short term until the acquiree has adopted the bookkeeping production line.

IMPACTS OF THE CORONAVIRUS PANDEMIC DURING Q3

Development of uncertainties

- Our sales to new customers were at a lower level than in the pre-coronavirus period.
- The trend in the number of bankruptcies among customer companies during the third quarter was in line with expectations.
- At the end of September, transaction-based invoicing recovered almost to pre-coronavirus levels.



OUTLOOK

The full-year financial outlook has not changed. We will keep our 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.”

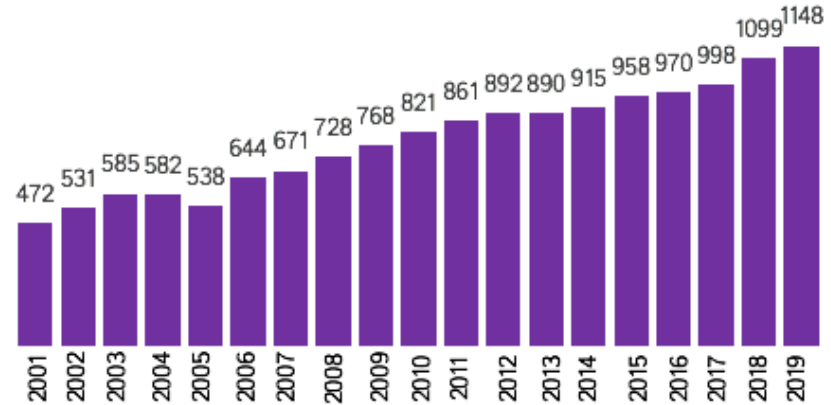
In the long term, preconditions for profitable growth remain strong:

- The TiliJaska™ small customer concept enables us to sell our services to a wider customer base
- Banking services as a more extensive element of the service offering to create an unbeatable customer experience and boost the efficiency of our own processes
- Internationalisation in Europe, drawing on our encouraging experiences in Sweden, with respect to sales, automation opportunities and acquisitions
- Opportunity to accelerate growth with acquisitions in the digital transformation of the sector in addition to our own proactive sales

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 2019, there were 4,105 (4,134) companies ⁽¹⁾
 - The average company size was 3 (3) employees ⁽¹⁾
- The size of the accounting market in Finland was 1,148 (1,099) million euros in 2019 ⁽¹⁾
- Annual market growth 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.

Size of the sector, million euros



* NB: When referring to structural business and financial statement 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–30 September 2020

Group	1–9/2020	1–9/2019	Change
Net sales, thousands of euro	48,698	43,042	5,656
Net sales, increase %	13.1%	18.2%	-5.1 percentage points
Operating profit (EBIT), thousands of euro	10,456	8,951	1,505
Operating profit (EBIT), as % of net sales	21.5%	20.8%	0.7 percentage points
Return on investment (ROI), % (rolling 12 months)	18.5%	20.9%	-2.4 percentage points
Interest-bearing net liabilities, thousands of euro	31,685	30,214	1,471
Net gearing ratio, %	105%	135%	-30 percentage points
Equity ratio, %	37.4%	32.7%	4.7 percentage points
Working capital, thousands of euro	-3,838	-2,866	-972
Net investments, thousands of euro	15,544	12,045	3,499
Liquid assets, thousands of euro	7,681	6,984	697
Earnings per share, euro	0.18	0.16	0.02
Weighted average number of shares during the period*	42,517,688	41,538,125	979,563
Net profit, thousands of euro	7,776	6,599	1,178

*) 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. Key figures

1 July–30 September 2020

Group	7–9/2020	7–9/2019	Change
Net sales, thousands of euro	14,845	13,497	1,348
Net sales, increase %	10.0%	21.1%	-11.1 percentage points
Operating profit (EBIT), thousands of euro	3,144	2,351	793
Operating profit (EBIT), as % of net sales	21.2%	17.4%	3.8 percentage points
Return on investment (ROI), % (rolling 12 months)	18.5%	20.9%	-2.4 percentage points
Liquid assets, thousands of euro	7,681	6,984	697
Earnings per share, euro	0.05	0.04	0.01
Net profit, thousands of euro	2,320	1,675	646

**Appendix 3. Consolidated
comprehensive income
statement**
1 January–30 September 2020

Thousand euro	1–9/2020	1–9/2019	2019
Net sales	48,698	43,042	57,955
Other operating income	91	327	372
Materials and services	-1,880	-2,291	-3,598
Employee benefit expenses	-24,589	-22,115	-29,912
Depreciation and amortisations	-7,775	-5,858	-8,498
Other operating expenses	-4,089	-4,155	-5,911
Operating profit	10,456	8,951	10,409
Financial income	65	49	64
Financial expenses	-707	-674	-906
Net financial expenses	-642	-625	-843
Profit (loss) before taxes	9,814	8,326	9,566
Income taxes	-2,038	-1,727	-1,951
Profit (loss) for the financial period	7,776	6,599	7,615
Other items of comprehensive income			
Items that may be subsequently transferred to profit or loss			
Cash flow hedging	0	31	60
Taxes on items that may be subsequently transferred to profit or loss	0	-6	-12
Other comprehensive income for the financial period after tax	0	25	48
Total comprehensive income for the financial period	7,776	6,623	7,663

Appendix 4.

Consolidated balance sheet

30 September 2020

Thousand euro	30 Sept. 2020	30 Sept. 2019	31 Dec. 2019
ASSETS			
Non-current assets			
Goodwill	23,569	20,728	20,728
Other intangible assets	20,665	13,948	14,930
Right-of-use assets	8,327	8,520	8,400
Property, plant and equipment	2,565	2,592	2,584
Other non-current financial assets	237	237	237
Deferred tax assets	74	83	67
Capitalised contract costs	10,873	9,734	10,054
Total non-current assets	66,310	55,841	57,000
Current assets			
Trade and other receivables	7,048	5,927	6,521
Current tax assets	0	148	34
Cash and cash equivalents	7,681	6,984	7,786
Total current assets	14,728	13,058	14,342
Total assets	81,038	68,899	71,342
CAPITAL AND RESERVES			
Share capital	80	80	80
Reserve for invested unrestricted equity	14,818	13,009	11,234
Fair value reserve	0	-68	-45
Retained earnings	15,315	9,400	12,304
Total equity	30,214	22,421	23,573
LIABILITIES			
Non-current liabilities			
Financial liabilities	30,000	28,000	28,000
Trade and other payables	157	202	215
Lease liabilities	6,173	6,912	6,553
Other non-current financial liabilities	0	85	56
Deferred tax liabilities	487	292	307
Total non-current liabilities	36,816	35,491	35,130
Current liabilities			
Trade and other payables	10,105	8,380	10,208
Lease liabilities	2,844	1,686	1,940
Current tax liabilities	1,058	921	491
Total current liabilities	14,008	10,987	12,638
Total liabilities	50,824	46,478	47,769
Total equity and liabilities	81,038	68,899	71,342