

# **TALENOM PLC**

## **HALF-YEAR REPORT JANUARY–JUNE 2021**

CFO Antti Aho



**TALENOM**  
*yrityksensä iloa*



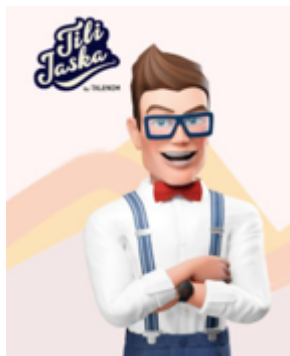
# JANUARY–JUNE 2021 HIGHLIGHTS

GROWTH ACCELERATED AND  
EARNINGS IMPROVED

STRATEGY  
IMPLEMENTATION PROGRESSES

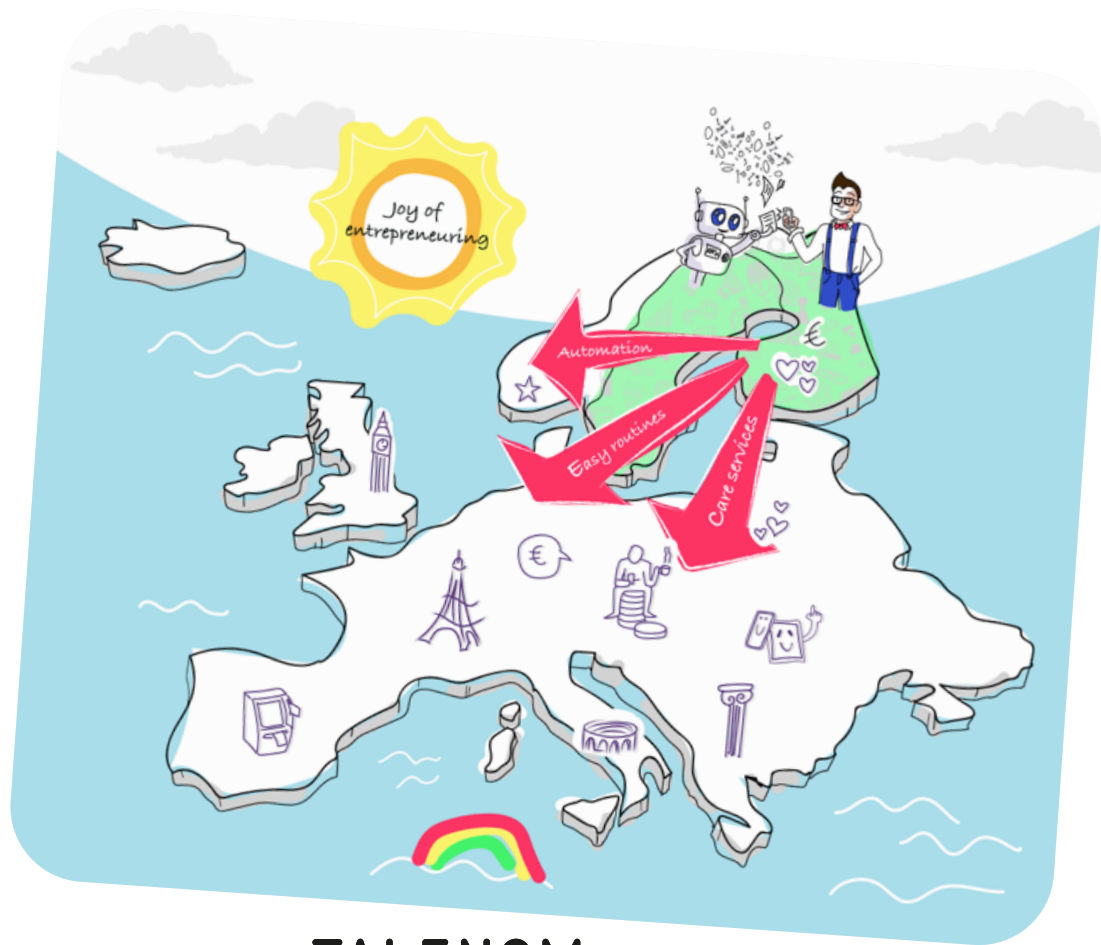
AFTER THE REVIEW PERIOD,  
WE EXPANDED INTO NEW  
MARKETS IN SPAIN

2021 OUTLOOK  
REMAINS UNCHANGED



**TALENOM**  
*yrityksen ilo*

**OUR VISION IS  
TO PROVIDE  
UNBEATABLE ACCOUNTING  
AND BANKING SERVICES  
FOR SMES**



**TALÉNOM**

*yrityksien iloa*

# THE IMPLEMENTATION OF THE STRATEGY PROGRESSED

## GROWTH ORGANICALLY AND THROUGH ACQUISITIONS

We acquired a total of 11 business entities. New customer acquisition recovered to pre-pandemic levels.

## INTERNATIONALISATION

We strengthened our position in Sweden by expanding to new locations. After the review period, we expanded into Spain through an acquisition.

## DEVELOPMENT OF AUTOMATION

In Finland, we achieved a degree of automation of over 75% in accounting (H1/2020: 68%) and over 50% (0%) in payroll services. Net sales from consulting work by accountants grew substantially.

## AN UNBEATABLE CUSTOMER EXPERIENCE YIELDS A COMPETITIVE EDGE

The renewed customer interface, Talenom Online, progressed into the deployment phase. Customer satisfaction developed favourably: NPS in Finland was 55 (H1/2020: 48).

## SMALL CUSTOMER CONCEPT AND TALENOM LIGHT ENTREPRENEUR

In Finland, we deployed bank accounts and cards for small customers in TiliJaska. In Sweden, we started piloting KontoKalle.

## ADDED VALUE FOR CUSTOMERS WITH BANKING AND FINANCING SERVICES

We have submitted an application to obtain our own payment institution authorisation in Finland. In financing services, we are piloting a new working capital loan.

# MEGATRENDS AND REGULATORY CHANGES ENABLE GROWTH IN ACCOUNTING AND BANKING SECTOR

## E-invoicing market penetration in Europe



**B2B/B2G/G2B**

**Expected market penetration in 2019:**



- ✓ TRANSFORMATION IN TECHNOLOGY DUE TO DIGITALIZATION
- ✓ A FRAGMENTED AND CONSERVATIVE MARKET
- ✓ PAID WORK TURNS INTO ENTREPRENEURSHIP, INCREASING THE NEED FOR FINANCIAL MANAGEMENT SERVICES
- ✓ TRANSFORMATION IN THE BANKING SECTOR
- ✓ INCREASING REGULATORY PRESSURES RELATED TO MONEY LAUNDERING, GDPR AND INCREASING REPORTING TO ENSURE THE TAX BASE, AMONG OTHERS

Source: Billentis (2019)

# INTERNATIONALISATION PROGRESSES – TALENOM EXPANDS INTO NEW MARKETS IN SPAIN

- After the review period, we acquired the accounting firm Avail Services SL (Avalanding) in Barcelona.
- The acquisition opens up the opportunity to grow our business in one of Europe's largest markets. Our goal is to grow to become one of the leading players in Spain.
- Avalanding's strengths are its experience in international business and expertise in value-added services.
- The timing is right: The digitalisation in the market is still taking its first steps in Spain, but the government is promoting greater uptake of electronic financial management.
- The business was transferred to Talenom on 1 August 2021. The financial impact on Talenom's 2021 figures will remain within the current guidance.



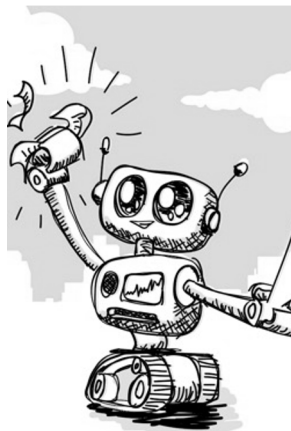
	Finland	Spain
Size of the accounting market	1.2 billion euros	10 billion euros
Number of accounting firms	4,100	65,000
Number of companies	0.3 million	3 million

# IN THE SPANISH MARKET, WE CAN HARNESS OUR EXISTING STRENGTHS

TALENOM HAS  
UNIQUE  
EXPERTISE THAT  
COMBINES SOFTWARE  
PRODUCTION  
AND ACCOUNTING



1. EASY DIGITAL  
TOOLS FOR THE FINANCIAL  
MANAGEMENT ROUTINES  
OF ENTREPRENEURS



2. HIGH DEGREE  
OF SERVICE  
AUTOMATION

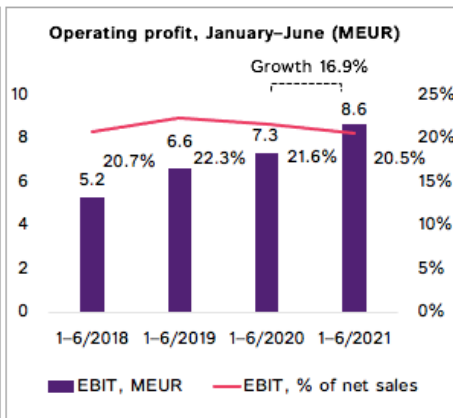
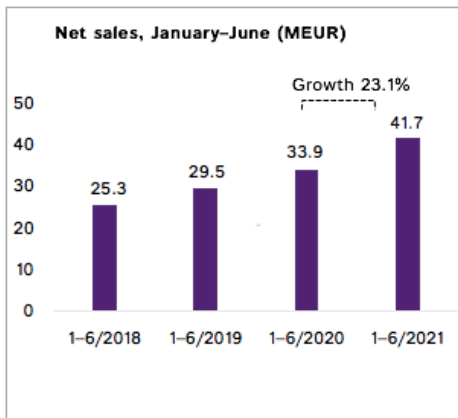


3. PROACTIVE  
CARE SERVICES

## TALENOM

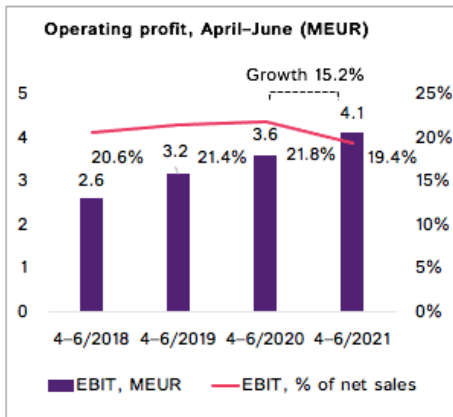
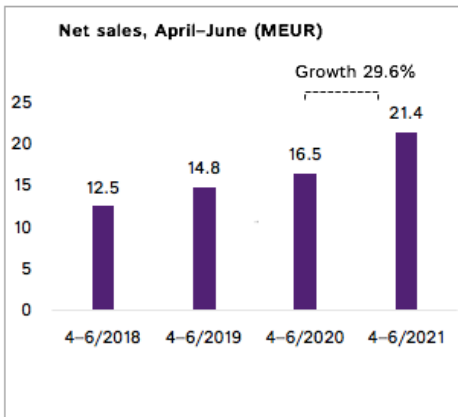
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# JANUARY–JUNE 2021: GROWTH ACCELERATED AND EARNINGS IMPROVED



## NET SALES INCREASED BY 23%

- About two-thirds of growth was generated by acquisitions and one-third organically as the number of accounting service customers increased thanks to our proactive new customer acquisition efforts.
- New customer acquisition recovered to pre-pandemic levels in late spring. The coronavirus pandemic no longer had a significant impact on our business during the review period.



## OPERATING PROFIT IMPROVED BY 17%

- Operating profit increased, especially due to net sales growth and the development of the degree of automation in the Finnish accounting business. Savings on fixed costs also had a favourable impact on the development of operating profit.
- Relative profitability was weighed down by the weaker profitability of acquired businesses. In Finland, the profitability of businesses acquired by Talenom has typically been lower than that of other operations for around three years after the acquisition date on average, after which it has risen to the level of core business.
- In Sweden, we expect the profitability to improve when we deploy our own software.





**TALENOM IS ONE OF THE BEST WORKPLACES IN FINLAND  
FOR THE FOURTH TIME RUNNING**

Great  
Place  
To  
Work.

- In April, Talenom was ranked sixth in the large companies' category in the Great Place to Work Institute's Best Workplaces in Finland 2021 survey.
- During the review period, we introduced the Signi personnel survey, which makes it possible to focus on those job satisfaction related factors that employees consider most meaningful and thus develop right things in our organisation.

**TALENOM**  
*yrittämisen iloa*

# FINANCIAL OUTLOOK FOR 2021 REMAINS UNCHANGED

GUIDANCE FOR 2021 (issued on 15 April 2021)

Net sales for 2021 are expected to amount to 80–84 million euros and operating profit to 14–16 million euros.

*OUTLOOK FOR GROWTH IS STRONG, AND ACCORDING TO OUR VIEW, PROFITABILITY REMAINS EXCELLENT ALSO IN THE FUTURE:*

- Encouraged by our experiences in Sweden, we aim to expand our international presence also to other European countries – we have just expanded into Spain. Internationalisation is supported by the three cornerstones of our strategy: making entrepreneurship easy, automation and care.
- We will continue to pursue organic growth and acquisitions, harnessing the digital transformation of the accounting sector.
- The TiliJaska small customer concept enables us to sell our digital services efficiently and to a wider customer base.
- The Talenom Light Entrepreneur service makes it even easier for customers to be entrepreneurs – and facilitates our new customer acquisition.
- By incorporating banking services as part of our service offering we create an unbeatable customer experience and boost the efficiency of our own processes.

## DISCLAIMER

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Certain statements in this presentation contain forward-looking statements and are based on the company's and management's views at the time they were made. For this reason, they involve risks and uncertainties. The future development 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 2021

Group	1–6/2021	1–6/2020	Change
Net sales, thousands of euro	41,687	33,852	7,835
Net sales, increase %	23.1%	14.6%	8.6 percentage points
Operating profit (EBIT), thousands of euro	8,551	7,312	1,239
Operating profit (EBIT), as % of net sales	20.5%	21.6%	-1.1 percentage points
Return on investment (ROI), % (rolling 12 months)	18.4%	17.9%	0.5 percentage points
Interest-bearing net liabilities, thousands of euro	38,141	29,365	8,777
Net gearing ratio, %	100%	110%	-10 percentage points
Equity ratio, %	35.6%	34.3%	1.3 percentage points
Working capital, thousands of euro	-6,678	-5,240	-1,438
Net investments, thousands of euro	23,454	9,027	14,427
Liquid assets, thousands of euro	10,601	9,627	974
Earnings per share, euro	0.15	0.13	0.02
Weighted average number of shares during the period	43,306,302	42,303,612	1,002,690
Net profit, thousands of euro	6,411	5,456	955

## Annex 2. Key figures 1 April –30 June 2021

<b>Group</b>	<b>4–6/2021</b>	<b>4–6/2020</b>	<b>Change</b>
Net sales, thousands of euro	21,380	16,503	4,877
Net sales, increase %	29.6%	11.8%	17.8 percentage points
Operating profit (EBIT), thousands of euro	4,138	3,594	545
Operating profit (EBIT), as % of net sales	19.4%	21.8%	-2.4 percentage points
Return on investment (ROI), % (rolling 12 months)	18.4%	17.9%	0.5 percentage points
Liquid assets, thousands of euro	10,601	9,627	974
Earnings per share, euro	0.07	0.06	0.01
Net profit, thousands of euro	3,062	2,650	412

## Annex 3. Consolidated comprehensive income statement 1 January –30 June 2021

Thousand euro	1-6/2021	1-6/2020	1-12/2020
<b>Net sales</b>	<b>41,687</b>	<b>33,852</b>	<b>65,161</b>
Other operating income	281	78	121
Materials and services	-1,354	-1,316	-2,466
Employee benefit expenses	-22,388	-17,332	-33,947
Depreciation and amortisations	-5,847	-5,120	-10,398
Other operating expenses	-3,828	-2,851	-5,589
<b>Operating profit</b>	<b>8,551</b>	<b>7,312</b>	<b>12,881</b>
Financial income	70	46	82
Financial expenses	-528	-484	-939
<b>Net financial expenses</b>	<b>-458</b>	<b>-438</b>	<b>-857</b>
<b>Profit (loss) before taxes</b>	<b>8,093</b>	<b>6,874</b>	<b>12,024</b>
Income taxes	-1,683	-1,418	-2,445
<b>Profit (loss) for the financial period</b>	<b>6,411</b>	<b>5,456</b>	<b>9,579</b>
<b>Other items of comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Cash flow hedging	0	40	0
Taxes on items that may be subsequently transferred to profit or loss	0	-8	0
<b>Other comprehensive income for the financial period after tax</b>	<b>0</b>	<b>32</b>	<b>0</b>
<b>Total comprehensive income for the financial period</b>	<b>6,411</b>	<b>5,488</b>	<b>9,579</b>
<b>Earnings per share calculated on the profit attributable to equity holders of the parent company</b>			
Undiluted earnings per share (euro)	0.15	0.13	0.22
Diluted earnings per share (euro)	0.15	0.13	0.22

## Annex 4. Consolidated balance sheet 30 June 2021

Thousand euro	30 June 2021	30 June 2020	31 Dec. 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	32,612	21,166	23,956
Other intangible assets	32,420	18,819	22,921
Right-of-use assets	8,041	8,311	7,965
Property, plant and equipment	2,792	2,615	2,479
Other non-current financial assets	337	237	337
Deferred tax assets	89	76	64
Capitalised contract costs	11,492	10,656	11,033
<b>Total non-current assets</b>	<b>87,783</b>	<b>61,880</b>	<b>68,754</b>
<b>Current assets</b>			
Trade and other receivables	9,162	6,467	7,055
Current tax assets	10	0	10
Cash and cash equivalents	10,601	9,627	9,104
<b>Total current assets</b>	<b>19,773</b>	<b>16,094</b>	<b>16,168</b>
<b>Total assets</b>	<b>107,557</b>	<b>77,974</b>	<b>84,923</b>

Thousand euro	30 June 2021	30 June 2020	31 Dec. 2020
<b>CAPITAL AND RESERVES</b>			
Share capital	80	80	80
Reserve for invested unrestricted equity	20,314	13,741	14,818
Fair value reserve	0	-13	0
Retained earnings	17,807	12,876	17,271
<b>Total equity</b>	<b>38,201</b>	<b>26,684</b>	<b>32,169</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities	40,000	30,000	30,000
Trade and other payables	3,143	157	556
Lease liabilities	5,654	6,335	5,859
Deferred tax liabilities	1,879	471	732
<b>Total non-current liabilities</b>	<b>50,676</b>	<b>36,962</b>	<b>37,147</b>
<b>Current liabilities</b>			
Trade and other payables	14,833	10,915	12,134
Lease liabilities	2,580	2,249	2,280
Other current financial liabilities	0	16	0
Current tax liabilities	1,267	1,148	1,193
<b>Total current liabilities</b>	<b>18,680</b>	<b>14,328</b>	<b>15,607</b>
<b>Total liabilities</b>	<b>69,356</b>	<b>51,290</b>	<b>52,754</b>
<b>Total equity and liabilities</b>	<b>107,557</b>	<b>77,974</b>	<b>84,923</b>