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Efecte Plc's business review on 1-3/2021 - 26% SaaS growth and positive EBIT

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Efecte Plc's business review on 1-3/2021 - 26% SaaS growth and positive EBIT

1-3/2021:

- SaaS grew by 26% and international SaaS by 46%
- EBITDA was 0.2 million euro (-0.3) and EBIT 0.1 million euro (-0.4)
- EBITDA margin improved to 4% (-8%)
- Second phase of international expansion advanced, including first pilot order in new markets
- Services grew by 2%, reversing the declining trend of previous quarters

Guidance for 2021 (unchanged):

SaaS net sales is expected to grow 20-24% and EBITDA margin to be 1-4%.

Group key figures

MEUR	1-3/2021	1-3/2020	2020
Net sales	4.2	3.7	14.9
EBITDA	0.2	-0.3	0.1
EBIT	0.1	-0.4	-0.3
SaaS MRR (1000 eur)	855	680	808

CEO Niilo Fredrikson:

The first quarter of 2021 was a successful start for the year. We executed operationally to a high standard and helped numerous service organizations digitalize and automate their work. Our strategy advanced as we continued to develop Efecte as the European Alternative for the global goliaths in this space. SaaS annual recurring revenue (ARR) exceeded 10 million euros, marking another milestone in the Efecte growth story.

Operational execution a key enabler for our growth story

Succeeding in operational sales and services execution is important as it allows us to stay focused on our long-term growth plan. Q1 was strong with 26% SaaS growth and 2% services growth, marking our best services quarter since the beginning of the pandemic.

Our ability to generate cash was again highlighted, resulting in cash and liquid assets growing to 6.5 million euro (4.5). On a rolling 12-month basis, recurring gross margin stood at 79%, gross churn at 3.7% and net retention rate at 112%. Total recurring revenue (SaaS and maintenance) amounted to 66% of net sales (62%).

European expansion plan on track

We grew international SaaS by 46% through our local DACH and Scandinavia teams, supported by central functions in Finland. Efecte got recognized by Research in Action as a leader in ITSM for the German midmarket, and after the review period by ISG as a Rising Star for Enterprise Service Management in Germany.

In addition, we continued to develop our new markets model based on digital sales and marketing and local partners. During Q1, we signed Solutia as a partner in the Czech Republic, started building our new markets pipeline and got our first order as a concrete sign of commercial progress. This was a SaaS order from a managed service provider in the UK. While it is a pilot agreement with a short initial commitment, getting the first order in a new market was an important proof point to us validating our ability to complete sales cycles fully remotely.

Product development in focus

Product development remained in our focus during the review period. The capabilities of the Efecte Virtual Coach artificial intelligence solution, first launched in Q4/2020, were further increased by new AI-powered category suggestions. In the beginning of April, we also completed the Efecte Whistleblower solution addressing the requirements of EU Whistleblower Directive.

Our partner recruitment program across Europe – with special focus on Eastern Europe – has given us valuable competitive insights as we've engaged with many companies representing competing solutions. We also further strengthened our team with Santeri Jussila who joined Efecte as new Chief Product Officer (CPO), while previous CPO Peter Schneider took on a new role as Chief Evangelist.

Looking ahead

We confirm our earlier published guidance for 2021. The MRR net add during Q2/2020 was exceptionally high, making it more challenging to upkeep high year-over-year growth in the following quarters. We also continue to prioritize investments in long-term growth over maximizing profitability in the short term. Our growing cash position enables us to consider both organic and in-organic investments.

Other developments

The number of full-time equivalent employees at the end of the review period was 109 (105). Of these, 90 were in Finland (87), 8 in Sweden (7) and 11 in Germany (11). The average number of full-time equivalent employees in Q1 was 106 (105). Our central team in Finland increasingly supported customers, partners and sales in international markets, and includes the headcount responsible for our new markets operation.

The company did not have interest-bearing financial debt at the end of the review period. The company's cash and liquid assets were 6.5 million euro (4.5).

Long-term financial targets

Efecte aims for over 20% annual organic growth of SaaS net sales on average in 2020-2023. Substantial investments in international growth and product development will decrease operating profit in the next few years, but the company aims for a double-digit operating profit percentage by the end of the strategy period.

Guidance for 2021

SaaS net sales is expected to grow 20-24% and EBITDA margin to be 1-4%.

Next earnings release

Efecte will publish the half-year report 1-6/2021 on 16 July 2021.

Additional information:

CFO Taru Mäkinen, +358 40 507 1085
CEO Niilo Fredrikson, +358 50 356 7177

Certified Adviser: Evli Bank Plc, tel. +358 40 579 6210

Efecte Plc

Efecte helps service organizations digitalize and automate their work. Customers across Europe leverage our cloud service to operate with greater agility, to improve the experience of end-users, and to save costs. The use cases for our solutions range from IT service management and ticketing to improving employee experiences, business workflows, and customer service. We are the European Alternative to global players in our space. Our headquarters is located in Finland and we have regional hubs in Germany and Sweden. Efecte is listed on the Nasdaq First North Growth Market Finland marketplace.

