

## Efecte Plc's Business review on 1-3/2018

EFFECTE PLC -- COMPANY ANNOUNCEMENT -- 2 MAY 2018 at 14.00

### Efecte Plc's Business review on 1-3/2018

- Net sales grew by 20% to 2.9 Million euro
- SaaS grew by 29% and was 47% of total net sales
- Services grew by 27% and was 38% of total net sales
- Investments into accelerating international growth decreased profitability
- EBITDA was -0.5 Million euro and operating profit -0.6 Million euro

Group key figures

MEUR	1-3/2018	1-3/2017	2017
Net sales	2,9	2,4	10,6
EBITDA	-0,5	0,0	0,3
Operating profit	-0,6	-0,1	-0,1
SaaS MRR (1000 eur)	460	353	424
Order intake (1000 eur)	2829	3579	11866

CEO Sakari Suhonen reviews the period 1-3/2018:

In 1-3/2018 Efecte's net sales grew by 20% to 2.9 MEUR (2.4 MEUR in 1-3/2017). Current main businesses grew more rapidly: net sales of SaaS grew by 29% and services by 27%. Net sales of traditional perpetual licenses grew by 3%, and net sales of traditional maintenance decreased by 15%.

Net sales by type: SaaS 1.3 MEUR (1.0 MEUR), Services 1.1 MEUR (0.9 MEUR), Licenses 0.1 MEUR (0.1 MEUR) and Maintenance 0.3 MEUR (0.4 MEUR).

In general our business developed positively and we achieved 20% growth rate. Net sales growth was slowed down by changes in delivery schedules of some large implementation projects, which decreased the net sales of services and postponed the start of SaaS invoicing in those cases.

Our business in Sweden, Germany and Denmark generated approx. 15% of our net sales. We continue to focus on accelerating our international growth. Germany is one of our most important focus areas. We substantially increased the number of employees in Germany in late 2017, and the new team is now fully engaged in sales work. Prospective customers' interest in our solutions is clear and the sales prospect base has grown substantially. Based on normal sales project cycle we expect this to generate orders and net sales later this year.

Order intake was 2,8 MEUR (3,6 MEUR). Sales performed well in Finland, which helped us in reaching growth targets. In our international units we have built sales pipeline for the next quarters. In addition to winning new customers, the sales efforts have also focused on further sales of Efecte's whole offering to the existing customers especially in Finland.

The forward-looking growth investments, especially the increase in the number of employees in Germany, have clearly decreased our profitability, as expected. EBITDA was -0.5 MEUR (0.0 MEUR) and operating profit was -0.6 MEUR (-0.1 MEUR). The negative impact of growth investments, like recruitments, on profitability is largest in the early part of the year, and profitability is expected to improve towards the year-end.

The number of employees was 102 persons at the end of the reporting period (68). 76 employees were based in Finland (55), 12 in Sweden (8), 3 in Denmark (2) and 11 in Germany (3). The average number of employees during the period was 101 (66). We have largely succeeded in achieving the targeted recruitment goals, but we

are a bit behind our goals regarding service consultants. Milla Kuosmanen was appointed to the management team as Timo Hyvönen left the company.

We continue to develop our methods, processes and organization so that they support the current phase of our business development as well as possible. During this year we will focus not only on growth, but also on actions ensuring scalability of our business. Number of employees has grown by approx. 50% from the previous year, which requires continuous development of our processes and methods.

The company did not have interest-bearing financial debt at the end of the period. The company's cash and liquid assets were 6.0 MEUR (12/2017: 6.1 MEUR).

#### Events after the review period

The Annual General Meeting was held on 5 April 2018. Pertti Ervi, Niilo Fredriksson Turkka Keskinen, Kari J. Mäkelä, Päivi Rekonen and Hannu Vaajoensuu were elected as members of the Board of Directors. The organization meeting of the Board of Directors elected Pertti Ervi as Chairman.

A total of 162 387 new shares subscribed with options 2011 and 2015A have been entered into the trade register on 24 April 2018. This has increased the total number of shares to 5 686 488.

#### Long-term financial targets

Efecte aims for over 20% annual organic growth on average in 2017-2022. Substantial investments in international growth 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 year 2018

The company has done substantial investments in international growth, especially in Germany and Sweden, which is expected to accelerate our growth starting from the second quarter. Annual growth in net sales is expected to exceed 20%. Due to the growth investments, we expect EBITDA to be clearly negative. Profitability in the first year-half is expected to be lower than in the second year-half.

#### Next earnings release

Efecte will publish the half-yearly report 1-6/2018 on 13 August 2018.

#### Additional information:

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