



Source: Efecte Oyj

October 27, 2021 01:30 ET

Efecte Plc's business review on 1-9/2021 – SaaS +23%, EBITDA margin 7%

EFFECTE PLC -- BUSINESS REVIEW -- 27 OCTOBER 2021 at 8.30

Efecte Plc's business review on 1-9/2021 – SaaS +23%, EBITDA margin 7%

7-9/2021:

- SaaS grew by 21% and international SaaS by 26%
- EBITDA was 0.4 million euro (0.3) and EBIT 0.3 million euro (0.2)
- EBITDA margin was 9% (9%)
- Services grew by 28%, driven by strong demand and a comparison period impacted by the pandemic
- Strategy execution proceeded, including new product and partner announcements

1-9/2021:

- SaaS grew by 23% and international SaaS by 36%
- EBITDA was 0.8 million euro (0.0) and operating profit 0.5 million euro (-0.4)
- EBITDA margin was 7% (0%)

Guidance for 2021 (unchanged):

SaaS net sales is expected to grow 21-24% and EBITDA margin to be 1-6%.

Group key figures

1000 EUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	2020
Net sales	4 225	3 453	12 912	10 846	14 888
EBITDA	399	321	840	-45	126
EBIT	264	209	470	-373	-332
SaaS MRR	929	768	929	768	808

CEO Niilo Fredrikson:

During Q3, we delivered strong profitability and steady growth in line with our guidance. However, what really stood out to me was our ability to attract world-class people. In a competitive recruiting environment, we increased our full-time equivalent headcount from 109 in June to 118 in September. We filled several critical roles with quality candidates that were able to hit the ground running. The strength of our culture and our team decide our success in the long-term, and that's why developing them and attracting the right talent are amongst our top priorities.

Improving financial equation

SaaS growth of 21% was in line with our expectations. Faster than usual 28% services growth helped total net sales to grow 22%. This resulted in another quarter of improved profitability, despite increasing growth investments to support our long-term strategy.

International SaaS growth at 26 % was slower than during the first half. However, new customer acquisition continued at a healthy pace in DACH, and we anticipate international SaaS growth to accelerate again towards the end of the year. During the review period, we also won a significant public tender by the Social Insurance Institution of Finland (Kela). The impact on SaaS MRR is expected to be visible starting Q4 2022. The case served as another proof point of our competitiveness and ability to continue growth also in Finland.

Strategy execution in focus

Our annual customer event Digitalize and Automate 2021 served again as a platform for advancing our strategy. The growth in attendees, combined with strong ratings for both days, showed how well our messages resonate across Europe. Almost 2000 people from over 20 countries signed up this year to hear us raise awareness about Efecte and the importance of creating European digital platforms. Key announcements at the event included a new partnership with BT Bilgi in Turkey and several product news. The showcased innovation pipeline included all-new Efecte Self-Service, extended Microsoft Teams integration, and a new REST API to make it easier to connect Efecte with other systems. Later in the quarter, we also announced Softcat as a new channel partner in the UK.

Capitalizing on the market opportunity

Helping customers digitalize and automate their work with a SaaS-based service management platform has proven to be a great business to be in. The market is growing fast, and there is no end in sight. We mentioned in the half-year report that we intend to increase recruiting and other growth investments during the second half. That is what we have done, and we will continue down that path.

Our approach is simple: prioritize long-term investments over short-term profitability to maximally capitalize on the market opportunity at hand. Every day, customers across Europe make buying decisions regarding service management solutions, and Efecte is currently present only in a small subset of these discussions. To expand our reach, we will continue investments in our sales teams and partner channel in existing markets. Exploring new direct and partner-based markets across the EMEA region and evaluating opportunities for M&A are also part of the plan, as we continue to grow as the European Alternative to the global goliaths in our space.

Other developments

Our cash position developed favorably, with cash and liquid assets of 6.4 million euro (3.8) and no interest-bearing financial debt at the end of the review period. On a rolling 12-month basis, recurring gross margin was 80%, gross churn 5.0%, net retention rate 113% and LTV/CAC ratio 5.1. Total recurring revenue (SaaS and maintenance) amounted to 71% of net sales (73%).

The number of full-time equivalent employees at the end of the review period was 118 (102). Of these, 99 (85) were in Finland, 7 (6) in Sweden and 12 (11) in Germany. The average number of full-time equivalent employees during Q3 was 114 (100) and during 1-9/2021 it was 111 (103). Our central team in Finland acts globally supporting customers, partners and sales in all markets and includes the headcount responsible for our new markets operation.

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 the year 2021

SaaS net sales is expected to grow 21-24% and EBITDA margin to be 1-6%.

Next earnings release

Efecte will publish complete financial statements on 2021 on 11 February 2022.

Additional information:

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This release is unaudited. The amounts in this report have been rounded from exact numbers.

An online briefing for analysts, investors and media will be arranged on Wednesday 27th October 2021 at 15:00 Finnish time. All participants can register to the webcast online at <https://efecte.videosync.fi/business-review-1-9-2021>. The webcast will be held in English and questions can be presented in written form in the webcast portal. A recording of the webcast and presentation materials will be made available afterwards on the company's investor pages at investors.efecte.com.

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.

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