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Efecte Plc's business review on 1-9/2022 – Third quarter SaaS +29%, adjusted EBITDA margin 5%

EFFECTE PLC -- BUSINESS REVIEW -- 25 NOVEMBER 2022 at 8.30

Efecte Plc's business review on 1-9/2022 – Third quarter SaaS +29%, adjusted EBITDA margin 5%

7-9/2022:

- Total net sales grew by 26% and was 5.3 million euro (4.2)
- SaaS grew by 29% and international SaaS by 42%
- EBITDA was 0.1 million euro (0.4) and EBIT -0.2 million euro (0.3)
- Adjusted EBITDA¹ was 0.3 million euro (0.4)
- EBITDA margin was 2% (9%) and adjusted EBITDA¹ margin was 5% (9%)
- Integration of IntelliWISE proceeded well: Q3 numbers included in group reporting and first joint product announced at the Digitalize & Automate event

1-9/2022:

- Total net sales grew by 22% and was 15.7 million euro (12.9)
- SaaS grew by 26% and international SaaS by 37%
- EBITDA was 0.2 million euro (0.8) and EBIT -0.4 million euro (0.5)
- Adjusted EBITDA¹ was 0.6 million euro (0.8)
- EBITDA margin was 1% (7%) and adjusted EBITDA¹ margin was 4% (7%)

Guidance for 2022 (unchanged):

SaaS net sales is expected to grow approximately 25% and EBITDA to be positive, excluding costs from inorganic activities.

Group key figures

1000 EUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021
Net sales	5 340	4 225	15 697	12 912	17 764
EBITDA	93	399	172	840	935
Adjusted EBITDA 1	263	399	562	840	935
EBIT	-194	264	-375	470	431
SaaS MRR	1 165	929	1 165	929	992

¹ Excludes the costs related to inorganic activities amounting to 0.2 million euros in Q3 and 0.4 million euros in 1-9/2022. No adjustments included in the comparison period figures.

CEO Niilo Fredrikson:

In a turbulent market environment, we focused in Q3 again on what we do best: helping people to digitalize and automate their work, and growing Efecte to become the Leading European Alternative in service management.

Growth accelerated driven by InteliWISE acquisition and strong organic growth

SaaS growth was exceptionally fast at 29% during Q3, driven by strong organic growth of 25% and an additional 4% growth from the InteliWISE acquisition. Organic SaaS growth was supported by the Efecte deployment at Social Insurance Institution of Finland (Kela) advancing and the use of related temporary product subscriptions increasing. We expect these to change into production subscriptions and become permanent MRR for the most part by the end of the year. Total net sales grew by 26% and services by 28%.

From a geographical point of view, Finland, Poland and New Markets delivered the biggest highlights. In DACH, we saw some delays in customer decision making. In Scandinavia, we have developed a new growth plan led by our new country manager, Henrik Åqvist. We started also establishing a permanent presence in Spain, with the first Efecte employee already on site.

Digitalizing and automating work across Europe

Our annual Digitalize and Automate customer event – already the third in a row – gathered in September a record number of registered attendees, over 3000 people from 50+ countries. At the event, we announced the first joint product with InteliWISE, Efecte Chat for Service Management. After the review period, we already signed three pilot customers for this unified live chat and chatbot offering. Other announcements included the availability of the new Efecte Self-Service for selected use cases and a new identity management partnership with Innofactor. The partnership is part of addressing the demand for additional professional services around our Identity Governance and Administration (IGA) product. During the first three quarters of the year, already 15 customers chose to buy an IGA solution from us.

InteliWISE integration started, and we were happy to welcome the talented Polish team to the Efecte family. Bringing the first joint product to market in just a few months is testimony to the team's skills and commitment. The main rationale for the acquisition was and remains strengthening our technical and product capabilities. In addition, we will develop the existing business, aligning it with Efecte strategy and accelerating sales of Efecte service management in Poland. We plan to use Efecte as our main brand in Poland starting 2023. After the review period, we completed the acquisition process and reached 100% ownership of InteliWISE.

Continued growth in a changing market

We remain optimistic despite some customers having become more careful in their decision making and competition for the active opportunities being intense. The market is not uniform, with varying dynamics across countries and industries – making it possible to gain an advantage through adapting to the changing market needs. For example, public sector demand seems strong, and we have accordingly increased our efforts in that space. As planned, we started slowing down the speed of recruiting in Q3, while still adding new people. We now have a world-class team of almost 200 people. This positions us well for another year of balanced growth in 2023, as we continue our journey building the Leading European Alternative in service management.

Other developments

Our cash and liquid assets were 3.4 million euro (6.4) and interest-bearing financial debt of 1.7 million euro (0.0) at the end of the review period. The impact of the InteliWISE acquisition is visible in the year-over-year cash and debt comparison.

On a rolling 12-month basis, recurring gross margin was 81% (80%), gross churn 1.6% (5.0%), net retention rate 114% (113%), LTV/CAC ratio 18.8 (5.1) and total recurring revenue (SaaS and maintenance) amounted to 68% of net sales (67%). InteliWISE numbers are not yet included in these rolling 12-month metrics. We plan to start reporting consolidated metrics starting 2023.

The number of full-time equivalent employees at the end of the review period was 187 (118). Of these, 121 (99) were in Finland, 42 (0) in Poland, 17 (12) in Germany, 7 (7) in Sweden and 1 (0) in Spain. The average number of full-time equivalent employees during Q3 was 184 (114). 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

By 2025, grow organically to 35 MEUR total net sales, maintain an average SaaS growth of over 20% and reach a double-digit EBITDA margin.

Through organic growth and acquisitions, become eventually the largest European service management vendor with total net sales over 100 MEUR and EBITDA margin exceeding 25 %.

Guidance for the year 2022

SaaS net sales is expected to grow approximately 25% and EBITDA to be positive, excluding costs from inorganic activities.

Next earnings release

Efecte will publish complete financial statements on 2022 on 1 March 2023.

Additional information:

CFO Taru Mäkinen, +358 40 507 1085

CEO Niilo Fredrikson, +358 50 356 7177

Certified adviser: Evli Oyj, tel. +358 40 579 6210

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 Friday 25th November 2022 at 11:00 Finnish time. All participants can register to the webcast online at <https://efecte.videosync.fi/2022-q3>. 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 people 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 the global goliaths in our space. Our headquarters is located in Finland and we have regional hubs in Germany, Poland and Sweden. Efecte is listed on the Nasdaq First North Growth Market Finland marketplace.

www.efecte.com