



Source: Efecte Oyj

March 01, 2023 01:30 ET

## Efecte Plc's Financial Statements Bulletin 2022 – SaaS +26%, adjusted EBITDA margin +2%

EFFECTE PLC -- FINANCIAL STATEMENTS BULLETIN 2022 -- 1 MARCH 2023 at 8.30

### Efecte Plc's Financial Statements Bulletin 2022 – SaaS +26%, adjusted EBITDA margin +2%

10-12/2022:

- Total net sales grew by 22% and was 5.9 million euro (4.9)
- SaaS grew by 27% and international SaaS by 33%
- EBITDA was -0.2 million euro (0.1) and EBIT -0.5 million euro (-0.0)
- Adjusted EBITDA<sup>1</sup> was -0.0 million euro (0.1)
- EBITDA margin was -3% (2%) and adjusted EBITDA<sup>1</sup> margin -1% (2%)
- Services grew by 17%
- Focus on public sector paid off and offset a slight slowdown on the commercial side

1-12/2022:

- Total net sales grew by 22% and was 21.6 million euro (17.8)
- SaaS grew by 26% and international SaaS by 36%
- EBITDA was -0.0 million euro (0.9) and EBIT -0.9 million euro (0.4)
- Adjusted EBITDA<sup>1</sup> was 0.5 million euro (0.9)
- EBITDA margin was -0% (5%) and adjusted EBITDA<sup>1</sup> margin 2% (5%)
- Operating cash flow was 0.5 million euro (0.8)

### Guidance for 2023:

SaaS net sales is expected to grow over 20% and adjusted EBITDA to be positive.

### Group key figures

1000 EUR	10-12/2022	10-12/2021	7-12/2022	7-12/2021	2022	2021
Net sales	5 910	4 853	11 251	9 078	21 607	17 764
EBITDA	-184	95	-92	494	-13	935
Adjusted EBITDA <sup>1</sup>	-42	95	221	494	519	935
EBITA	-346	-34	-404	235	-581	450
EBIT	-488	-38	-682	226	-864	431
Profit for the period	-510	-49	-745	213	-287	412
Earnings share, eur	-0.08	-0.01	-0.12	0.03	-0.05	0.07
Equity share, eur	0.69	0.53	0.69	0.53	0.69	0.53

<sup>1</sup> Excludes the costs related to inorganic activities amounting to 0.1 million euros in Q4, 0.3 million euros in H2 and 0.5 million euros in 2022. No adjustments included in the comparison period figures.

## **CEO Niilo Fredrikson:**

2022 turned out to be another successful year for Efecte. The macro environment was again full of surprises, but we were able to adapt and thrive. We are appreciative of all our customers for letting us help them on their digitalization and automation journey.

### **Strong execution in Q4**

SaaS growth continued at a fast 27% pace during the final quarter of the year, of which 23% was organic. Our focus on the public sector paid off and offset a slight slowdown on the commercial side. Our team in Finland deserves a special mention for an overall strong finish for the year. Churn remained exceptionally low at 2.3%. During 2023, we expect churn to increase and return to normal levels. Profitability was ahead of our plan thanks to prudent cost control and a solid topline.

The trend of customers being more careful in their decision making continued also during Q4, but we saw still many successes also in our international markets. For example, in Poland, we were able to find nine new customers for InteliWISE's conversational AI offering during the quarter. There was good progress also in the UK, including the Somerset Cancer Register becoming a public reference customer.

### **Strengthening our offering**

As a SaaS business, our success in the long term is largely defined by our product. Our offering needs to be competitive today and tomorrow. During last year, we invested heavily in our platform. In Q4, the first versions of our new self-service interface and the Efecte Chat for Service Management functionality reached general availability and were deployed into first customer environments. Identity governance and administration (IGA) deployments ran in high gear, with multiple successful go-lives delivering more proof points for the solution. New sales of IGA was somewhat impacted by a temporary resource crunch causing longer lead times for deployments.

We have also been closely following the recent developments around generative language models like GPT-3. We see an opportunity to increase automation in service management while also improving user experience. With our conversational AI team and technology, we have an existing platform where to explore and test the new technology, including how to still honor data privacy and security.

### **Growing in 2023**

Our operating environment has been full of surprises in the last years. Serving our customers and executing our strategy has been our North Star and allowed us to keep growing according to plan regardless of what's been happening around us. After a year of investment and growing our headcount, we are confident about our team. We believe we can work increasingly smarter and leverage economies of scale. This should start to be visible also on the bottom line towards the end of the year. Our strategic cornerstones of growth, product, people and M&A continue to give us clear direction and we look forward to helping even more people to digitalize and automate their work. If we do that well, we will again get closer to our vision of becoming the #1 European vendor in service management – the Leading European Alternative to the global goliaths in our space.

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

The amounts in this report have been rounded from exact numbers.

## NET SALES AND PROFIT

Net sales by type

Net sales, 1000 EUR	10-12/2022	10-12/2021	7-12/2022	7-12/2021	2022	2021
SaaS	3 734	2 930	7 318	5 692	13 760	10 886
Licenses	33	27	33	37	48	44
Maintenance	219	254	442	509	901	1 014
Services	1 924	1 640	3 458	2 841	6 899	5 820
<b>Group total</b>	<b>5 910</b>	<b>4 853</b>	<b>11 251</b>	<b>9 078</b>	<b>21 607</b>	<b>17 764</b>

Efecte's net sales in 1-12/2022 were 21.6 million euro (17.8), a growth of 22%. Net sales for customers outside Finland were 5.3 million euro (4.4), corresponding to 25% of total net sales (25%).

Software as a Service (SaaS) grew 26% and services net sales increased by 19%. Net sales of perpetual licenses continued to be insignificant in line with our strategy. Net sales generated by maintenance related to perpetual licenses continued its declining trend. Our total recurring revenue (SaaS and maintenance) amounted to 14.7 million euro (11.9), corresponding to approximately 68% of net sales (67%).

SaaS MRR was 1 270 thousand euro in the end of December, growing 28% year-over-year. Of that growth, 14 percentage points came from existing customers (net retention rate 114%) and 14 percentage points from new customers since 12/2021 and from customers of acquired InteliWISE. Gross churn amounted to 2.3% (4.7%) and our recurring gross margin at the end of December was 80% (81%).

During the review period, we started selling enhanced support packages that include improved support services for our solutions. The revenue from the support packages is included in our SaaS revenue. At the end of the period, the total SaaS MRR attributable to such enhanced support packages was 3 thousand euro.

Our average customer acquisition cost (CAC) on a rolling 12-month basis was 98 thousand euro (82), and the average life-time value (LTV) of an acquired new customer was 994 thousand euro (678). Accordingly, the LTV/CAC ratio was 10.2 (8.3). This means that the cost of customer acquisition is earned 10.2 times during the lifetime of the customer. Net retention, gross churn, recurring gross margin, CAC and LTV were calculated based on Efecte numbers excluding InteliWISE.

Services net sales development was strong due to several significant new Efecte deployments, especially in the public sector, existing customers expanding the usage of Efecte, and the InteliWISE acquisition. Our strategy is to focus on growing our SaaS business and the services business is there to support adoption with the help of our partner network. SaaS formed already 64% of total net sales (61%).

EBITDA was -0.0 million euro (0.9), and operating profit was -0.9 million euro (0.4). Profitability was affected by go-to-market and R&D investments.

Adjusted EBITDA was 0.5 million euro (0.9). Adjusted EBITDA is calculated from EBITDA by deducting the costs affecting comparability. During the review period these items included costs related to inorganic activities amounting to 0.5 million euros.

Income tax expenses were 0.6 million euro (-0.0) positive due to the recognition of deferred tax assets from unused tax losses in Finnish taxation. Total confirmed losses from years 2013-2020 are 3.1 million euros for Efecte Finland Oy and 3.5 million euros for Efecte Oyj. Total tax impact of 20% is 1.3 million euros of which 0.7 million euros were capitalized during the review period. Taxes corresponding to the profit of the period have been entered as tax expense. Efecte has confirmed tax losses in the taxation for Finland, so there was no income tax expense in Finland.

Net profit for the period was -0.3 million euro (0.4).

## FINANCE AND INVESTMENTS

At the end of the review period, the balance sheet for Efecte group totaled 15.4 million euro (10.5). Equity ratio was 39% (46%) and net gearing was -28% (-197%).

At the end of the review period, the Company's financial loans were 1.9 million euro (0). The company's cash and liquid assets were 3.1 million euro (6.5).

Cash flow from operating activities for the reported period was 0.5 million euro (0.8) and cash flow from investing activities was -7.2 million euro (-0.6). The cash impact of increased investments was mainly attributable to the acquisition of InteliWISE. Investments in tangible and intangible assets were 1.4 million euro (0.6) and were mainly activated R&D expenses. Cash flow from financing activities was 3.3 million euro (0.9). Cash flow from financing activities consisted of a bank loan to finance the acquisition of InteliWISE, share subscriptions by key individuals of InteliWISE agreed as part of their compensation for the transaction, as well as subscriptions relating to stock options.

## **BUSINESS DEVELOPMENTS**

During the review period we took further steps to becoming the Leading European Alternative in our space. Our teams focused on helping our customers to digitalize and automate their business processes across IT Service Management (ITSM) and Enterprise Service Management (ESM), Identity Governance and Administration (IGA) and Conversational AI.

We were able to grow SaaS by 26%, supported by strong demand from both existing and new customers. On a rolling 12-month basis, existing customers accounted for 14 percentage points of the SaaS MRR growth. We helped our customers to expand the usage of Efecte in ITSM and also for ESM use cases such as HR, finance, and customer service while also adding Conversational AI capabilities. Several existing customers also expanded their Efecte usage with our IGA solution. We signed 40 new customers during 2022, of which 21 through partners. Through the former InteliWISE business, we signed additionally 9 new customers during Q4.

Our professional services business performed also well and grew by 19%. Main drivers were demand in new customers, expansion opportunities in existing customers and for a smaller part the InteliWISE acquisition. The latter part of the review period our teams worked very closely with our partners to implement Efecte ITSM/ESM and IGA solutions for the new wellbeing services counties in Finland. Efecte solutions have supported the new wellbeing service counties to smoothly onboard new employees and manage their IT landscape effectively. Significant go-lives during the year included also the Social Insurance Institution of Finland (Kela), who went successfully to production during Q4. Overall, professional services play an important role in helping customers adopt Efecte and later expand their use. They also help drive customer satisfaction and reduce churn.

During the review period, we added Poland (through the acquisition of InteliWISE) and Spain as new direct markets in addition to our traditional main markets of Finland, Scandinavia and DACH. In Spain, we hired our first employee and established a subsidiary during H2. We have been accelerating our go-to-market efforts in Spain and see good early demand for our solutions. We saw growth in most of the regions and continued building a go-to-market in new markets through expanding our partner network. While we continued seeing some slowness in customer decision making across our markets, we were happy to see solid sales in Poland, including the 9 new customers during Q4. In Scandinavia, we made changes in Q3 and focused in Q4 on executing the new growth plan. In New Markets, we shifted focus from recruiting new partners towards sales enablement of our existing partner network. New Markets turned already into a meaningful contributor to new orders received during the year.

We executed our first acquisition as a listed company (InteliWISE) during the review period. The integration of InteliWISE operations has progressed according to plan and we have closed first customers with the integrated Efecte Chat for Service Management product. We also continued to develop our M&A pipeline of potential targets. We are looking for potential add-on technologies that can be integrated into our SaaS offering as well as inorganic opportunities for strengthening our presence in selected geographies and market segments. We think about this long-term and will continue to have a high standard for any potential transaction.

## **EMPLOYEES**

The number of full-time equivalent employees (FTE) at the end of the review period was 194 (125). Of these, 125 (105) were in Finland, 44 (0) in Poland, 19 (13) in Germany, 6 (7) in Sweden and 1 (0) in

Spain. Our central team in Finland acts globally supporting customers, partners and sales in international markets and includes the FTEs responsible for our new markets operation. The average number of FTEs during Q4 was 193 (122) and during 2022 it was 161 (114).

During the review period, we welcomed 44 new Efectians through the acquisition of InteliWISE. We focused a lot on people and culture in the process and are proud that we were able to maintain high employee satisfaction and attrition below 10% despite the integration. We continued also quality recruitment in all our countries, while slowing down the pace of recruitment during the second half of the year as planned. We also built a pipeline of junior talent via our summer trainee program. Our strong culture feels like a differentiator when attracting new talent, engaging with customers, and developing our people.

At the end of the review period, the following people formed Efecte's leadership team: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Santeri Jussila (products). After the review period, Marcin Strzalkowski was appointed as a member of the leadership team, responsible for marketing and the operations in Poland.

## **MARKET OUTLOOK**

We expect the market opportunity in our main offerings Service Management, IGA and Conversational AI continue to grow as organizations continue to embracing the megatrends of digitalization and servitization (everything as a service). Despite the current macroeconomic uncertainty and recession fears, companies across industries continue to look for cloud-based solutions to digitalize and automate their operations to provide greater agility to the business, improve employee experiences, and to save costs.

The move from on-premises software to cloud will also continue. While cloud adoption in the Nordics has reached 70%, cloud adoption in the rest of Europe is still only around 40%. Service management solutions are extremely sticky, with replacement cycles often being five years or longer.

Our estimate of the total current cloud ITSM and ESM market size in Europe is 1.2 billion euro, the IGA market 1.3 billion euro and the Conversational AI market 1.4 billion euro. Analysts estimates for compound annual growth for the next three years have come slightly down but are still generally over 15% for all these markets. Especially in service management, the market is today being divided by a few strong global players and a larger number of smaller local vendors.

We continue to see many European customers prioritize privacy, security and data location. This has been particularly visible in public sector decisions to move away from global cloud platforms. We have a significant opportunity to serve those customers with our competitive product and cloud deployment models that address European customers' concerns about privacy, security and data location.

Although some customers' decision making has become slower, our offering can also attract new demand in uncertain times. Our tools help customers to operate more efficiently and save costs – both on top of many customers' agendas at the moment. And while inflation is certainly a concern, we are generally well positioned to address it as most of our agreements allow us to raise prices to cover increased costs.

We are confident about our position in the market, but accelerating inflation, competitive pressures and disruptive technologies such as ChatGPT and other generative models mean that we must stay vigilant and execute our strategy solidly to succeed.

## **RESEARCH AND DEVELOPMENT**

During the review period, we continued to systematically develop our three main offerings: Service Management (including IT and Enterprise Service Management), Identity Governance & Administration (IGA) and Conversational AI.

In Service Management, our main focus was on user experience modernization. We released the first generally available (GA) version of our next generation self-service product. The product was extensively piloted during the year and received positive feedback from pilot customers. We also

started modernization of our agent user interface by releasing the first updated parts and introduced net-new user interfaces such as the Gantt view for enhanced project management.

Our IGA offering took significant steps forward guided by our vision to make identity management easy. We released the IGA Growth and IGA Enterprise product offerings – complementing the IGA Starter package that was released the year before. Our approach of providing IGA use cases in productized packages lowers the threshold for midmarket companies to get started with identity management and was well received in the marketplace. We got several new customers during the year, more than doubling the number of IGA customers.

With the acquisition of InteliWISE, we added Conversational AI including AI Chat Bots and AI Voice Bots as the third pillar of our portfolio. We also launched the first integrated product based on InteliWISE technology, Efecte Chat for Service Management. It is available for our service management customers and seamlessly integrates into Efecte platform. Efecte Chat was released in record time during Q4 and has already been deployed to the first customers.

We also continued to strengthen our common agile platform stack, a key underlying element of our product strategy. We expanded our integration with the always important Microsoft ecosystem by releasing Microsoft Teams Bot for Efecte and plug-and-play dashboards on Microsoft PowerBI. We launched partnerships and integrated solutions with multiple technology partners: with Device 42 to provide our customers with enterprise-grade IT asset discovery solutions and Signicat to provide strong authentication capabilities. We also piloted a new continuous deployment (CD) process with the first customers and released hundreds of smaller improvements and fixes to our platform.

We have been closely following the recent developments around generative language models like GPT-3. We see an opportunity to increase automation in service management while also improving user experience. With our conversational AI team and technology, we have an existing platform where to explore and test the new technology, including how to still honor data privacy and security.

Efecte's total research and development investment during the review period was 4.4 million euro (3.1). Research and development costs amounted to 3.1 million euro (2.6). In addition, 1.3 million euro (0.5) was capitalized, and 0.0 million euro (0.0) was covered through public funding (all amounts excluding InteliWISE).

Research and development actions are mainly performed in Efecte Finland Oy and after the acquisition in 2022, also in InteliWISE S.A and its subsidiaries in Poland. In addition to our own personnel, subcontractors were used to increase flexibility and cost efficiency.

Group's research and development investment level in 2020-2022 (all amounts excluding InteliWISE):

	2022	2021	2020
Research and development investment (million euro)	4.4	3.1	2.7
Research and development investment (% of net sales)	21%	18%	18%

## **ANNUAL GENERAL MEETING AND GOVERNANCE**

The Annual General Meeting held on 17 March 2022 adopted the financial statements for 1 January - 31 December 2021 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided that no dividend is distributed for the year 2021.

The Annual General Meeting decided that the annual remuneration for the Chairman of the Board is EUR 45,000 and for the other members of the Board of Directors EUR 25,000 each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Esther Donatz, Pertti Ervi, Turkka Keskinen and Päivi Rekonen were re-elected as members of the Board of Directors, and Eric Gustavsson was elected as a new member of the Board of Directors.

The organizational meeting of the Board of Directors elected Pertti Ervi as the Chairman of the Board of Directors.

Ernst & Young Oy was elected as the auditor, with Juha Hilmola as the auditor in charge.

## SHARES AND TRADING

The company has one share series, and all shares carry equal rights. At the end of the review period, Efecte Plc's share capital consisted of 6 383 590 shares. The company owned 11 433 treasury shares, approx. 0.2% of the total amount of the shares.

The company's share has been trading on the Nasdaq First North Growth Market Finland marketplace. During the review period the highest share price was 15.35 euro, the lowest price 7.6 euro and the closing price 10.15 euro. The market value of shares was 64.7 million euro at the end of the period excluding the treasury shares.

## SHAREHOLDERS

The company had a total of 2 657 owners on 31 December 2022 (2 696). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

10 largest shareholders as of 31 December 2022:

	Shareholder	Shares	%
1	First Fellow Oy	810 499	12.70
	Sijoitusrahasto Aktia Nordic Micro		
2	Cap	469 269	7.35
3	Oy Fincorp Ab	444 928	6.97
	Keskinäinen Eläkevakuutusyhtiö		
4	Ilmarinen	290 909	4.56
5	Montonen Markku August	210 571	3.30
	Op-Suomi Mikroyhtiöt -		
6	Erikoissijoitusrahasto	202 834	3.18
7	Nordea Nordic Small Cap Fund	116 662	1.83
8	Ervi Pertti	89 934	1.41
9	Säästöpankki Pienyhtiöt	80 000	1.25
10	Urpalainen Jörgen Mikael	76 366	1.20

The ownership of the Board members, CEO and their controlled entities totaled approximately 2.4% at the end of the review period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 1.6% of the outstanding shares.

The total proportion of nominee registered shares was approximately 28.1% of all shares.

## THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 17 March 2022 authorized the Board of Directors to decide to acquire the company's own shares with distributable funds. A maximum of 450 000 shares may be acquired. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2023.

The Annual General Meeting held on 17 March 2022 authorized the Board of Directors to issue a maximum of 620 000 shares through a share issue and/or by issuing option rights or other special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The Board may decide to issue new shares or shares held by the company. The authorization includes the right to issue shares and option rights and/or other special rights entitling to the shares through private offering, in other words, to deviate from the shareholders' pre-emptive right subject to the requirements set forth in the Limited Liability Companies Act. In addition, the authorization includes a right to issue shares and option rights and/or other special rights entitling to shares with or without payment. Under the authorization, the Board of Directors will be entitled to decide on the terms and conditions of any share issue and the issuance of option rights and other special rights entitling to shares, including the recipients and the remuneration to be paid.

The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2023.

## **OPTION PROGRAMS**

### **Option program 2018**

Option program 2018 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided into three series: A, B and C series. Series A consists of 170 000 options (of which 163 750 allocated and all of which subscribed) with subscription price of 5.75 euro/share and subscription period of 2 May 2021 - 31 May 2022; series B of 140 000 options (of which 134 325 allocated and 23 916 subscribed) with subscription price of 5.00 euro and subscription period of 2 May 2022 - 31 May 2024; and C series of 140 000 options (of which 140 000 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2025.

In connection with the 2018 option program, the Board of Directors has set a share-ownership requirement for the participants.

The subscription period for series B and series C of option program 2018 were extended by 12 months during the review period to make the subscription period equally long as in the option program 2021 and to extend the commitment effect.

### **Option program 2021**

Option program 2021 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided to three series: A series of 150 000 options (of which 146 350 allocated) with subscription price of 15.55 eur/share and subscription period of 2.5.2024 - 31.5.2026; B series of 150 000 options with subscription price EUR 11.23 and subscription period of 2.5.2025 - 31.5.2027; and C series of 150 000 options (of which 135 855 allocated) with subscription price of 20-day volume weighted average price after Q1/2023 results and subscription period of 2.5.2025 - 31.5.2027. A series options were allocated in 2021, B series in 2022 and C series is intended to be allocated in 2023.

In connection with the 2021 option program, the Board of Directors has set a share-ownership requirement for the participants.

## **EVENTS AFTER PERIOD-END**

On 26 January 2023, Efecte announced its intention to launch an Employee Share Savings Plan (ESSP), subject to final Board approval in H1/2023.

In February, Efecte announced the appointment of Marcin Strzalkowski as the Chief Marketing Officer, Country Manager Poland and a member of the leadership team of the company.

## **ASSESSMENT OF RISKS AND UNCERTAINTIES**

Efecte manages the risks and uncertainties facing its operations and all material risks are reviewed quarterly in the leadership team and at least annually with the Board of Directors. The key risks identified include:

- Risks to data security such as non-intentional or intentional data breaches, including software vulnerabilities, phishing and ransomware attacks may cause reimbursement liabilities to customers or other third parties as well as financial losses or significant reputational harm.
- Malfunctioning of the software or failures in operating the company's own services or the outsourced computing capacity and network connections may cause disruptions in services that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could lead to decreases in net sales and profitability.
- The rate of inflation increased substantially during 2022 compared to previous years. While most of our customer agreements allow Efecte to increase pricing, some customer agreements especially in the public sector limit our pricing power. Inflation and higher interest rates may also limit our capacity to acquire funding for M&A or other growth investments on terms favorable to Efecte.



- Competition for skillful personnel in the IT sector continues to be tight. If the company is unable to recruit and retain employees, the quality of its products and services may decrease, which can decrease revenue and profitability. Part of the research and development and service delivery are provided through subcontractors. If the operations of the subcontractors are disrupted, the effect is equivalent to lack of skilled personnel.
- Uncertainties in the macroeconomic environment, including an increase in the energy costs, supply chain issues, and slowdown in cross-border trade could result in a prolonged recession in Efecte's key markets. A recession could slow down customer decision making and reduce customer demand.
- The company is pursuing mergers and acquisitions (M&A) as part of its strategy and concluded its first acquisition as a listed company by acquiring InteliWISE in 2022. Risks relating to M&A include failure in the integration of the acquired business, failure to retain key personnel, failing to meet forecasted financial performance as well as claims, disputes and litigation relating to the transaction.
- The company configures its products to operate with the customer's existing systems. Delays or unexpected warranty work related to customer projects may create costs and liabilities. Although most of the projects are time and materials based, there are also fixed price projects. Potential customer dissatisfaction could result in compensation claims, negative publicity, and loss of future business.
- Investments in international growth such as forward-looking recruitments and ongoing investments in the partner program increase fixed costs. The costs may decrease profitability, if achieving growth turns out to be harder or slower than expected.
- Risks relating to intellectual property rights (IPRs) such as the loss/leaking of own IPRs to others, and breaches of third-party IPR by Efecte are material for Efecte. Efecte seeks to minimize the risk with strict control of customer agreements and with careful evaluation of third-party software components taken into use.
- Efecte has entered into agreements with its customers concerning the processing of personal data. A failure to comply with contractual obligations in these agreements, or the requirements of the General Data Protection Regulation more broadly, may lead to significant liabilities or reputational harm.
- Efecte operates in several jurisdictions and has customers and other business partners also in additional jurisdictions outside these. Exposure to different legal and tax frameworks heighten the risk of perceived or real non-compliance.
- The company's equity stands at a sufficient level if the profitability development continues the planned trajectory. If changes in the operating environment or other factors would weaken the company's profitability, the company may have to strengthen its equity on terms that are not favorable to the company.

## **PROFIT DISTRIBUTION PROPOSAL**

The net profit of the parent company was -875 701.41 euro for the period and the distributable equity of the parent company was 8 658 186.04 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2022 and the profit is left in equity.

According to its strategy, Efecte will invest substantially in growth in the next few years, due to which the company does not aim to pay dividends for the foreseeable future.

## **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 2023**

SaaS net sales is expected to grow over 20% and adjusted EBITDA to be positive.

## **NEXT EARNINGS RELEASE**

Efecte will publish a business review for 1-3/2023 on 28 April 2023.

Efecte Plc  
Board of Directors

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

An online briefing for analysts, investors and media will be arranged on Wednesday 1 March 2023 at 15:00 Finnish time. All participants can register to the webcast online at

<https://efecte.videosync.fi/2022-financial-statements-bulletin>. 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](https://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](https://www.efecte.com)

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Financial information:

1. Consolidated income statement, balance sheet, cash flow statement and statement of changes in equity
2. Notes
3. Key figures
4. Calculation of key figures

1. Consolidated income statement, balance sheet, cash flow statement and statement of changes in equity

## CONSOLIDATED INCOME STATEMENT

(1 000 EUR)	7-12/2022	7-12/2021	2022	2021
Net sales	11 251	9 078	21 607	17 764
Other operating income	84	20	115	50
Materials and services	-1 281	-910	-2 339	-1 832
Personnel expenses	-6 995	-5 457	-13 697	-11 107
Other operating expenses	-3 151	-2 238	-5 699	-3 940
EBITDA	-92	494	-13	935
Other depreciation and amortization	-312	-258	-568	-485
EBITA	-404	235	-581	450
Goodwill amortization	-278	-9	-283	-19
Operating profit	-682	226	-864	431
Financial income and expenses	-54	-5	-71	-9
Profit before income tax	-708	221	-935	422
Income tax	-12	-9	646	-11
Minority	2	-	2	-

**CONSOLIDATED BALANCE SHEET**

(1 000 EUR)	12/2022	12/2021
<b>Non-current assets</b>		
Development expenses	2 059	1 212
Intangible rights	102	156
Goodwill	-	5
Consolidated goodwill	5 404	-
Other long-term expenses	5	9
Machinery and equipment	125	106
<b>Current assets</b>		
Trade and other receivables (long-term)	776	52
Trade and other receivables (short-term)	3 830	2 495
Short-term investments	1	-
Cash and cash equivalents	3 080	6 508
<b>Total assets</b>	<b>15 380</b>	<b>10 541</b>
<b>Equity attributable to owners of the parent Company</b>		
Share capital	80	80
Share issue	5	23
Reserve of invested non-restricted equity	13 211	11 779
Retained earnings	-8 899	-8 573
<b>Total equity</b>	<b>4 397</b>	<b>3 308</b>
<b>Non-current liabilities</b>		
Financial loans	1 571	-
Other payables	1	-
<b>Current liabilities</b>		
Financial loans	290	-
Advances received	4 005	3 310
Trade payables	1 023	468
Other payables	1 069	819
Accruals	3 023	2 636
<b>Total liabilities</b>	<b>10 983</b>	<b>7 233</b>
<b>Equity and liabilities</b>	<b>15 380</b>	<b>10 541</b>

**SUMMARY CONSOLIDATED CASH FLOW STATEMENT**

(1 000 EUR)	2022	2021
Cash flows from operating activities		

Profit before income tax	-935	422
Adjustments to profit for the period	922	504
Change in working capital	643	-89
Interest and other financial cost paid and received	-71	-9
Income taxes paid	-12	-11
<b>Net cash from operating activities</b>	<b>547</b>	<b>818</b>
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-1 367	-608
Acquisition of subsidiaries, net of cash acquired	-5 880	-
<b>Net cash from investing activities</b>	<b>-7 248</b>	<b>-608</b>
Cash flows from financing activities		
Share issues	1 415	906
Withdrawal of non-current financial loans	2 000	-
Repayment of non-current financial loans	-141	-
<b>Net cash from financing activities</b>	<b>3 274</b>	<b>906</b>
(Decrease)/increase in cash and cash equivalents	-3 427	1 117
Cash and cash equivalents at the beginning of the period	6 508	5 391
<b>Cash and cash equivalents at the end of the period</b>	<b>3 080</b>	<b>6 508</b>

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 eur	31.12.2022	31.12.2021
Permanent equity		
Share capital 1.1.	80	80
Share capital 31.12	80	80
Permanent equity in total	80	80
Distributable equity		
Share issue 1.1	23	-
Share issue 31.12	5	23
Reserve of invested non-restricted equity 1.1.	11 779	10 895
Share issue	1 433	883
Reserve of invested non-restricted equity 31.12	13 211	11 779

Retained earnings 1.1.	-8 573	-8 976
Translation differences	-39	-8
Retained earnings 31.12	-8 612	-8 985
Profit (loss) for the period	-287	412
Distributable equity	4 317	3 228
<b>Total equity</b>	<b>4 397</b>	<b>3 308</b>

## 2. Notes

### 2.1 Basis of preparation

This report has been prepared in accordance with the FAS recognition and measurement principles.

### 2.2 Net sales by type

(1 000 EUR)	7-12/2022	7-12/2021	2022	2021
SaaS	7 318	5 692	13 760	10 886
Perpetual licenses	33	37	48	44
Maintenance	442	509	901	1 014
Services	3 458	2 841	6 899	5 820
<b>Group total</b>	<b>11 251</b>	<b>9 078</b>	<b>21 607</b>	<b>17 764</b>

### 2.3 Development of number of shares

	Number of shares
1.1.2021	6 056 623
Exercise of share options	28 500
30.6.2021	6 085 123
Exercise of share options	150 750
31.12.2021	6 235 873
Exercise of share options	7 000
30.6.2022	6 242 873
Exercise of share options	28 916
Directed share issue	111 801
31.12.2022	6 383 590

On 31 December 2022 Efecte Plc owns 11 433 treasury shares, approx. 0.2% of the total amount of the shares.

### 2.4 Commitments

The following tables present the company's commitments not in the balance sheet on 31 December 2022, and 31 December 2021

Guarantees given (thousand euro)	31.12.2022	31.12.2021
Office lease agreements	102	52
Liabilities secured by mortgage	1 000	1 000
<b>Total</b>	<b>1 102</b>	<b>1 052</b>

	31.12.2022	31.12.2021
Lease commitment amounts (thousand euro)		
During next 12 months	62	50
Later	87	9
Total	148	59

Lease agreements for computer equipment are mainly three-year lease agreements, and the equipment can be purchased at the end of the period with approx. 2-5% remainder value.

#### Other commitments

Parent company Efecte Plc has a fixed-term office lease agreement the first possible expiration date of which is 31.3.2024. The company's lease liability from this contract is approx. 263 thousand euro.

	31.12.2022	31.12.2021
(thousand euro)		
Payable during the next 12 months	292	213
Payable later	138	233
Total	430	446

### 3. Key figures

1000 eur	7-12/2022	7-12/2021	2022	2021
Net Sales	11 251	9 078	21 607	17 764
SaaS	7 318	5 692	13 760	10 886
Licenses	33	37	48	44
Maintenance	442	509	901	1 014
Services	3 458	2 841	6 899	5 820
Domestic net sales	8 318	6 767	16 275	13 365
International net sales	2 933	2 311	5 332	4 339
Domestic sales (% of net sales)	74 %	75 %	75 %	75 %
International (% of net sales)	26 %	25 %	25 %	25 %
Recurring revenue	7 760	6 200	14 661	11 900
Recurring revenue (% of net sales)	69 %	68 %	68 %	67 %
SaaS MRR. monthly net sales at the end of the period	1 270	992	1 270	992
Net sales growth%	23.9 %	21.1 %	21.6 %	19.3 %
EBITDA	-92	494	-13	935
EBITDA%	-0.8 %	5.4 %	-0.1 %	5.3 %
EBITA	-404	235	-581	450
EBITA%	-3.6 %	2.6 %	-2.7 %	2.5 %
Operating profit (EBIT)	-682	226	-864	431
Operating profit (EBIT)%	-6.1 %	2.5 %	-4.0 %	2.4 %
Earnings for the period	-745	213	-287	412
Earnings/share (EPS). eur	-0.12	0.03	-0.05	0.07

Equity/share. eur	0.69	0.53	0.69	0.53
Balance sheet total	15 380	10 541	15 380	10 541
Equity	4 397	3 308	4 397	3 308
Net debt	-1 219	-6 508	-1 219	-6 508
Return on invested capital (ROI)%	-27 %	14 %	-4 %	16 %
Equity ratio%	39 %	46 %	39 %	46 %
Net gearing%	-28 %	-197 %	-28 %	-197 %
Research and development cost	1 507	1 387	3 128	2 630
Research and development cost,% of net sales	13 %	15 %	14 %	15 %
Number of employees on average during the period	189	118	161	114
Number of employees at the end of the period	194	125	194	125
Number of shares (on average during period, excluding treasury shares)	6 337 397	6 214 470	6 282 167	6 136 005
Number of shares at the end of the period (excluding treasury shares)	6 372 157	6 219 469	6 372 157	6 219 469

#### 4. Calculation of key figures

Key figure	Definition
Breakdown of turnover by type of business:	
SaaS	Revenue from subscription-based software licenses sold as a service, including revenue from enhanced support and service level packages
Licenses	Revenue from the sales of perpetual licenses
Maintenance	Revenue from maintenance fees for the perpetual licenses
Services	Revenue from professional services
Recurring revenue SaaS MRR or MRR	Revenue from SaaS and Maintenance Monthly recurring revenue from SaaS at the end of the period
Lifetime Value (LTV)	SaaS MRR orders of new customers divided by gross churn multiplied by recurring gross margin divided by number of new customers, calculated on a rolling 12 months' basis
Customer Acquisition Cost (CAC)	Sales and marketing costs multiplied by 0.7 divided by number of new customers, calculated on a rolling 12 months' basis. The multiplier 0.7 reflects the fact that some of sales & marketing cost goes towards serving existing customers.
Recurring Gross Margin	The total cost of support, cloud infrastructure, cloud operations, 3 <sup>rd</sup> party licenses and enhanced service level packages subtracted from our total recurring revenue and dividing the outcome by total recurring revenue, calculated on a rolling 12 months' basis

Net retention rate

$100\% \times (\text{MRR beginning of period} + \text{MRR expansion} - \text{Gross Churn}) / \text{MRR beginning of period}$

Gross churn

$100\% \times (\text{Beginning of period MRR from customers lost during period}) / (\text{MRR beginning of period})$