

**TALENOM PLC. BUSINESS REVIEW JANUARY–MARCH 2018  
(UNAUDITED):  
STRONG GROWTH CONTINUED, PROFITABILITY ROSE  
SIGNIFICANTLY - NET SALES UP BY 18.1%, EBIT UP BY 42.4%**

1 January–31 March 2018

*Talenom is an accounting company established in 1972. Talenom offers a wide range of accounting services as well as other expert and advisory services for its clients.*

*Talenom also provides its clients with electronic financing tools and engages in its own software development.*

*Talenom has 36 offices in Finland and had an average of 654 employees during the period (1 Jan.–31 March 2018). Talenom reported net sales of 12.7 (10.8) million euros for 1 January–31 March 2018, representing a year-on-year increase of 18.1%.*



**TALENOM**

*yritykselämän iloa*

# TALENOM PLC. BUSINESS REVIEW JANUARY–MARCH 2018 (UNAUDITED): STRONG GROWTH CONTINUED, PROFITABILITY ROSE SIGNIFICANTLY – NET SALES UP BY 18.1%, EBIT UP BY 42.4%

## JANUARY–MARCH 2018 IN BRIEF:

- Net sales 12.7 (10.8) million euros, increase 18.1 (13.4) %
- Operating profit (EBIT) 2.6 (1.9) million euros, 20.7 (17.2) % of net sales
- Net profit 2.0 (1.4) million euros
- Earnings per share 0.29 (0.20) euros
- The company revises its guidance for 2018 regarding EBIT
- Net investments 3.3 (1.9) million euros, of which the share of acquisitions is 1.1 million euros

Group	1-3/2018	1-3/2017	Change
Net sales, thousand euro	12,736	10,784	1,952
Net sales, increase %	18.1%	13.4%	4.7 percentage points
EBITDA, thousand euro	3,731	2,855	876
Operating profit (EBIT), thousand euro	2,639	1,853	786
Operating profit (EBIT), as % of net sales	20.7%	17.2%	3.5 percentage points
Return on investment (ROI), % (rolling 12 months)	15.6%	15.4%	0.3 percentage points
Net investments, thousand euro	3,266	1,897	1,369
Liquid assets, thousand euro	2,914	3,653	-739
Earnings per share, euro	0.29	0.20	0.09
Net profit, thousand euro	1,985	1,381	605

## GUIDANCE FOR 2018

Talenom revises its guidance for 2018 regarding EBIT.

### New guidance for 2018

Talenom's goal is to continue growing more quickly than the accounting sector in general. The company's net sales growth is expected to be clearly faster than the previous year (12.1%, 2017). Relative profitability, as measured by EBIT, is expected to improve year-on-year, reaching 6.3–7.0 million euros.

### The previous guidance presented in connection with the financial statements of 2017 read as follows:

Talenom's goal is to continue growing more quickly than the accounting sector in general. The company's net sales growth is expected to be clearly faster than the previous year (12.1%, 2017). The operating profit margin (11.7%, 2017) is expected to improve slightly from the previous year.

## **JUSSI PAASO, CEO**

Talenom's success has continued in line with our strategic goals. We have further developed our Support Services, making it increasingly easier for our entrepreneur customers to handle both their financial routines and other administrative tasks. Simultaneously, we have further increased the efficiency and the degree of automation of our bookkeeping production line, enabled by its excellent scalability. The degree of digitalisation and the use of artificial intelligence is increasing in our bookkeeping production line. This makes it possible for us to allocate more resources to expanding our distribution network and our range of services. An increasing number of businesses are potential customers for Talenom. All this creates a solid foundation for Talenom's continued profitable growth also in the years to come.

Talenom achieved excellent results in the first quarter of 2018. The focus on sales to new customers, as well as investments in the franchise network increased the customer flow. Furthermore, we successfully completed business acquisitions to increase our area of distribution. During the review period, Talenom's net sales grew by 18.1%. Over 90% of net sales comprises renewable billing. Simultaneously, the operating profit (EBIT) increased by 42.4%, mainly due to the increased efficiency of the bookkeeping production line. The operating profit was 20.7% of net sales.

We have now completed the development stage of our bookkeeping production line. This involved extensive implementation of automated bookkeeping functions and the improvement of the overall bookkeeping process, including in terms of quality and customer service. Due to increased efficiency, the number of bookkeeping personnel remains below the 2015 levels, despite substantial growth in our net sales. We are initiating investments in the next development stage of the production line. These will further increase our operational efficiency in the future. We have already begun the implementation of a modern payroll accounting platform and are expecting this to significantly increase the degree of automation.

The development of other businesses continued according to plan during the period under review. We have further upgraded our product and service concepts on the basis of customer experience. Net sales of other businesses amounted to more than 0.8 million euros. This was mainly attributable to Taxation and Legal services and Staffing services.

## FINANCIAL DEVELOPMENT

### KEY FIGURES

Group	1-3/2018	1-3/2017	Change
Net sales, thousand euro	12,736	10,784	1,952
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Operating profit (EBIT), thousand euro	2,639	1,853	786
Operating profit (EBIT), as % of net sales	20.7%	17.2%	3.5 percentage points
Return on investment (ROI), % (rolling 12 months)	15.6%	15.4%	0.3 percentage points
Interest-bearing net liabilities, thousand euro	20,531	19,791	739
Net gearing ratio, %	145%	168%	-23.8 percentage points
Equity ratio, %	30.5%	27.5%	3.0 percentage points
Working capital, thousand euro	-2,908	-1,932	-976
Net investments, thousand euro	3,266	1,897	1,369
Liquid assets, thousand euro	2,914	3,653	-739
Earnings per share, euro	0.29	0.20	0.09
Weighted average number of shares during the period	6,850,714	6,812,046	38,668
Net profit, thousand euro	1,985	1,381	605

### NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE – JANUARY-MARCH 2018

On the period from January to March, Talenom's net sales increased by 18.1% compared to the corresponding period the preceding year. Amounting to 12.7 (10.8) million euros, net sales grew by 2.0 million euros. The growth was mainly due to the increase in the number of clients in the accounting services.

In the review period, personnel expenses amounted to 6.9 (6.0) million euros, being 54.4 (55.3) % of net sales. The ratio of the personnel expenses to net sales decreased year on year.

Other operating expenses, including materials and services, totaled 2.4 (2.0) million euros, being 18.7 (18.9) % of net sales.

EBIT was 2.6 (1.9) million euros (20.7 (17.2) % of net sales) and net profit was 2.0 (1.4) million euros in the review period. The improved profitability was due to the increased efficiency of bookkeeping.

## BALANCE SHEET, FINANCING AND INVESTMENTS

### CONSOLIDATED BALANCE SHEET

Thousand euro	31 March 2018	31 March 2017	31 Dec. 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	18,420	18,420	18,420
Other intangible assets	9,379	7,037	7,787
Property, plant and equipment	2,617	2,534	2,521
Other non-current financial assets	237	237	237
Deferred tax assets	123	476	191
Capitalised contract costs	6,903	5,289	6,417
<b>Total non-current assets</b>	<b>37,679</b>	<b>33,992</b>	<b>35,573</b>
<b>Current assets</b>			
Trade and other receivables	6,056	5,191	5,457
Current tax assets	129	59	21
Cash and cash equivalents	2,914	3,653	4,879
<b>Total current assets</b>	<b>9,099</b>	<b>8,904</b>	<b>10,357</b>
<b>Total assets</b>	<b>46,778</b>	<b>42,896</b>	<b>45,930</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	80	80	80
Reserve for invested unrestricted equity	10,850	12,292	12,373
Fair value reserve	-113	-168	-114
Retained earnings	3,377	-453	1,603
<b>Total equity</b>	<b>14,195</b>	<b>11,751</b>	<b>13,942</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities	21,250	21,500	22,000
Trade and other payables	371	199	372
Other non-current financial liabilities	141	210	143
Deferred tax liabilities	44	30	44
<b>Total non-current liabilities</b>	<b>21,806</b>	<b>21,939</b>	<b>22,560</b>
<b>Current liabilities</b>			
Financial liabilities	1,250	1,000	500
Trade and other payables	9,087	7,489	8,352
Other current liabilities	0	12	1
Current tax liabilities	440	705	575
<b>Total current liabilities</b>	<b>10,777</b>	<b>9,206</b>	<b>9,429</b>
<b>Total liabilities</b>	<b>32,583</b>	<b>31,145</b>	<b>31,989</b>
<b>Total equity and liabilities</b>	<b>46,778</b>	<b>42,896</b>	<b>45,930</b>

On 31 March 2018, the consolidated balance sheet total was 46.8 (42.9) million euros. The Group's equity ratio was 30.5 (27.5) % and the net gearing ratio was 145 (168) %.

At the end of the review period, the Group's interest-bearing financial loans were 22.5 million euros, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were 0.4 million euros and other current interest-bearing liabilities (instalment debts) were 0.4 million euros.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in the IFRS 15 standard. These costs are presented in the Balance Sheet under "Capitalised contract costs". Furthermore, the Group recognises part of the development costs related to software and digital services as investments according to the requirements outlined in the IAS 38 standard. These costs are presented in the Balance Sheet under "Other intangible assets". Investments arisen from new customer contracts amounted to 0.8 (0.8) million euros in the review period. Investments concerning software and digital services amounted to 1.1 (0.9) million euros.

During the review period, Talenom acquired the businesses of Tiltoimisto K Ollila Ltd, Tiltoimisto Tuloslaskenta Ltd and ATT Yrityspalvelut Ltd. These business acquisitions accounted for 1.1 million euros of Talenom's net investments.

The company's total net investments in the review period were 3.3 (1.9) million euros. Liquid assets at the end of the review period were 2.9 (3.7) million euros. In addition, the company had unused overdraft limits of 1.0 million euros at the end of the review period.

## **PERSONNEL AND MANAGEMENT**

The average number of personnel during the review period 1 January–31 March 2018 was 654. The members of the executive board were Jussi Paaso (CEO), Otto-Pekka Huhtala (deputy CEO), Antti Aho (CFO and CHRO), Timo Hintsala (CCOO) and Sakari Jorma (CIO and CTO).

## **SHARES AND SHAREHOLDERS**

On 31 March 2018, Talenom Plc. had a total of 6,871,863 shares entered in the Trade Register. The company held 5,100 treasury shares (0.07% of the total number of shares and votes) at the end of the review period. On 31 March 2018, Talenom had a total of 2,489 (1 013) shareholders, representing an increase of 1,476 shareholders, year on year.

There were 63 trading days in the review period (1 January–31 March 2018). A total of 629,535 shares were traded during this period, and the value of the shares traded was 7,611,958 euros. The highest price of the share was 13.60 euros and the lowest price was 11.20 euros. The volume weighted average price was 12.09 euros and the closing price at the end of the review period (31 March 2018) was 12.35 euros. In accordance with the closing price, the combined market value of the shares was approximately 84.9 million euros.

## **SIGNIFICANT EVENTS IN THE REVIEW PERIOD**

During the review period, the company signed a franchise agreement with six new entrepreneurs and opened new franchise offices in Lempäälä as well as in Espoonlahti and Leppävaara in Espoo. The number of franchise entrepreneurs grew to 19 entrepreneurs during this time.

In February 2018, Talenom announced that according to a survey performed by Great Place to Work Finland, Talenom is one of the best workplaces in Finland: it was ranked fifth in the Large Companies category.

During the review period, Talenom received two notifications of changes in holdings in accordance with Chapter 9, Section 10 of the Securities Markets Act. On 2 January 2018, the company received a notification according to which the number of Talenom Plc. shares owned by Ilmarinen Mutual Pension Insurance Company exceeded the 15% limit of all Talenom Plc. shares due to the merger of Ilmarinen Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company. Furthermore, on 6 March 2018, Talenom received a notification according to which Tesi (Finnish Industry Investment Ltd) sold its entire holding of shares in Talenom Plc. on 5 March 2018. Hence, Tesi's holding fell below the 5% limit of all shares in Talenom Plc.

On 16 January 2018, Talenom's Board of Directors decided on a directed share issue as part of the business deal with the shareholders of Tilitoimisto K Ollila Ltd. In the directed share issue, part of the purchase price for the business of Tilitoimisto K Ollila Ltd was paid in Talenom Plc. shares. Correspondingly, on 1 February 2018, the Board of Directors decided on a directed share issue, whereby part of the purchase price of the business acquisitions agreed with the shareholders of Tilitoimisto Tuloslaskenta Ltd and the shareholders of ATT Yrittäjäpalvelut Ltd was paid in Talenom Plc. shares.

Talenom's Annual General Meeting was held on 14 March 2018 in Helsinki. The AGM decided to return 0.32 euros per share of the invested capital for the financial year 1 January–31 December 2017. The repayment to shareholders was made on 23 March 2018.

The Annual General Meeting resolved to authorise the Board of Directors to decide on share issues and the issuance of special rights entitling to shares, as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The maximum number of shares to be issued under the issued or special rights is 300,000 shares. The Board of Directors will use the authorisation to pay transaction prices in connection with acquisitions, or for other purposes decided by the Board of Directors.

In deviation from shareholders' pre-emptive rights, the Annual General Meeting decided to issue option rights to Talenom Group's key employees in accordance with the terms and conditions of Talenom Plc's Option Rights 2018. The terms and conditions are available (in Finnish) on Talenom's investor pages at: [Talenom.fi/sijoittajat/yhtiokokoukset](http://Talenom.fi/sijoittajat/yhtiokokoukset).

The Annual General Meeting re-elected the Board members Harri Tahkola, Mikko Siuruainen and Olli Hyypä. Anne Riekkö and Johannes Karjula were elected as new members of the Board of Directors. In its organising meeting after the Annual General Meeting, the Board of Directors elected Harri Tahkola as Chairman of the Board.

## **EVENTS AFTER THE REVIEW PERIOD**

In its meeting of 25 April 2018, the Board of Directors decided to cancel 48,858 option rights, marked as 2016A, held by the company. The other options in the 2016A series have been used earlier to subscribe for shares. Thus, following the cancellation, the company has no more outstanding stock options of the 2016A series. The cancellation of option rights will be entered in the Trade Register at a later date.

No other significant events took place after the review period.



## **BASIS OF PREPARATION**

This Business Review is not an Interim Financial Report prepared in accordance with the IAS 34 standard. The Company prepares its interim financial reporting in accordance with the Securities Market Act, in addition to which the Company releases Business Reviews for the first three and first nine months of the year. The Business Reviews contain key information regarding the financial position and development of the Talenom Group.

The figures of the Business Review are unaudited.

The Company reports commonly applied alternative performance measures to reflect the underlying business performance and enhance comparability between financial periods. Alternative performance measures i.e. performance measures not based on IFRS standards provide notable supplemental information to management, investors and other interested parties. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with the IFRS.

Alternative performance measures used by the Company include EBITDA, Operating profit (EBIT), Operating profit (EBIT) as % of net sales, Return on investment (ROI) %, Interest-bearing net liabilities, Net gearing ratio %, Equity ratio %, Working capital and Net investments. The formulas can be found under the title "Formulas".

## **FINANCIAL REPORTING**

Talenom Plc. will publish interim reports as follows:

- January–June 2018 (H1) on Thursday 2 August 2018 at 10:00
- Financial Statement Bulletin 2018 on Thursday 7 February 2019 at 10:00

In addition, the company will publish a business review for January–September 2018 on Thursday 25 October 2018 at 10:00.

The Financial Statement Reports, Half-year Reports and Business Reviews as well as Stock Exchange Releases can be found in Finnish on the Company's investor pages on [www.talenom.fi/sijoittajat](http://www.talenom.fi/sijoittajat).

## **DISCLAIMER**

This is an unofficial translation into English of the Finnish original text. The translation is made for information purposes only. The Finnish version prevails in case of conflict between the English translation and the Finnish original.

## FORMULAS

Net sales, increase %	=	$\frac{\text{net sales} - \text{net sales of the preceding year}}{\text{net sales of the preceding year}} \times 100$
EBITDA	=	operating profit (EBIT) + depreciations and amortisations
EBITDA, %	=	$\frac{\text{EBITDA}}{\text{net sales}} \times 100$
Operating profit (EBIT)	=	net sales + other operating income - materials and services - personnel expenses - depreciations and amortisations - other operating expenses
Operating profit (EBIT), as % of net sales	=	$\frac{\text{operating profit (EBIT)}}{\text{net sales}} \times 100$
Return on investment (ROI), % (rolling 12 months)	=	$\frac{\text{operating profit (EBIT) before taxes} + \text{interest and other financial expenses}}{\text{total equity and liabilities} - \text{non-interest-bearing liabilities (average of the accounting period)}} \times 100$
Interest-bearing net liabilities	=	interest-bearing liabilities - cash in hand and in banks
Net gearing ratio, %	=	$\frac{\text{interest-bearing liabilities} - \text{cash in hand and in banks}}{\text{capital and reserves}} \times 100$
Equity ratio, %	=	$\frac{\text{capital and reserves}}{\text{balance sheet total} - \text{advances received}} \times 100$
Working capital	=	inventories + non-interest-bearing current receivables - non-interest-bearing current liabilities
Net investments	=	investments in tangible and intangible assets - sales of assets
Issue-adjusted earnings per share	=	$\frac{\text{net profit of the review period}}{\text{average share issue adjusted number of shares}} \times 100$