

Talenom Plc

Otto-Pekka Huhtala



TALÉNOM
yrityksensä iloa



KEY POINTS JANUARY–JUNE 2019

OUR EXCELLENT PROFITABLE GROWTH CONTINUED

During the review period, we improved our profitability by 26.3%. Operating profit was 22.3% of net sales (EUR 6.6 million).

Q2 WAS ALSO EXCELLENT

Q2 operating profit as a percentage of net sales rose year-on-year from 20.6% to 21.4%, while net sales grew from EUR 12.5 million to EUR 14.8 million (17.7%).

INTERNATIONALISATION AND A NEW SERVICE AREA

We started our internationalisation with an acquisition in Sweden and expansion into the Vaasa economic area with asset deals.

Our major new service area, Talenom Financing Services, moved from the pilot phase to providing a full service offering.

NEW CEO

A new CEO takes the helm at Talenom. Deputy CEO Otto-Pekka Huhtala assumes the position of CEO, as Jussi Paaso steps down at his own request to attend to tasks in support of the company's growth.



TALENOM
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JANUARY – JUNE 2019

1–6/2019 **Net sales**

EUR 29.5 (25.3) million

Growth 16.9% (18.0%)

4–6/2019 **Net sales**

EUR 14.8 (12.5) million

Growth 17.7% (17.9%)

Net sales growth:

- H1 net sales increased by 16.9% to EUR 29.5 million over the review period. More than 90% of net sales consisted of continuous net sales.
- Q2 net sales rose from EUR 12.5 million to EUR 14.8 million (17.7%)
- Our own sales organisation and franchising entrepreneurs brought in more new customer accounts than ever before
- We expect that full-year relative growth will improve on 2018 (net sales growth 18.0%, 2018)

JANUARY – JUNE 2019

1–6/2019 **Operating profit** (EBIT)
EUR 6.6 (5.2) million

4–6/2019 **Operating profit** (EBIT)
EUR 3.2 (2.6) million

1–6/2019 **Net profit**
EUR 4.9 (3.9) million

4–6/2019 **Net profit**
EUR 2.3 (2.0) million

1–6/2019 **Earnings per share**
EUR 0.71 (0.58)

4–6/2019 **Earnings per share**
EUR 0.34 (0.29)

Increase in level of profitability:

- We continued to increase our level of profitability, with operating profit rising by 26.3% during the review period
- Operating profit was 22.3% of net sales (EUR 6.6 million) during the review period
- We are currently launching a new instance of automation, which will eliminate the final dependencies of the bookkeeping production line to commercial systems made by other software providers

JANUARY – JUNE 2019

In the second quarter, we successfully carried out two M&A transactions

- We started our internationalisation with an acquisition in Sweden and expansion into the Vaasa economic area with asset deals. Our investment capacity is supported by extremely strong net cash flows from operating activities
- Thanks to the asset deals in Vaasa, we can now provide Swedish-speaking customers with pioneering, high-quality and extensive financial management services all over Finland. We will start the deployment of the Talenom bookkeeping production line in Vaasa this coming autumn
- In Sweden, we have already successfully determined the opportunities for technology. We will start proactive sales efforts in Sweden in Q1 2020
- The costs of preparing these two closely timed M&A transactions burdened Q2 earnings slightly. However, the guidance has accounted for these arrangements, and the financial guidance for 2019 remains unchanged

JANUARY – JUNE 2019

Our major new service area, Talenom Financing Services, moved from the pilot phase to providing a full service offering

- The new service area has already been very well received and in the review period as much as EUR 31 million in financing was provided
- The services are provided by Talenom's financing partners and currently comprise invoice factoring, instalment payment services and corporate loans
- As an accounting firm, Talenom is relatively closely connected to the financial transactions of our customers – and thus it is natural for them to turn to us for financing services

Otto-Pekka Huhtala assumes the position of CEO, as Jussi Paaso steps down at his own request to attend to tasks in support of the company's growth.

- Otto-Pekka has worked at Talenom since 2002, and has long been responsible for the management and development of accounting services. Most recently he served as Talenom's Deputy CEO
- He graduated from the University of Vaasa with a master's degree in economics, majoring in Industrial Engineering

OUTLOOK

Guidance for 2019 remains unchanged:

“The company’s net sales growth percentage is expected to increase from 2018 (18.0% in 2018). Operating profit margin (17.5% in 2018) is expected to increase from 2018.”

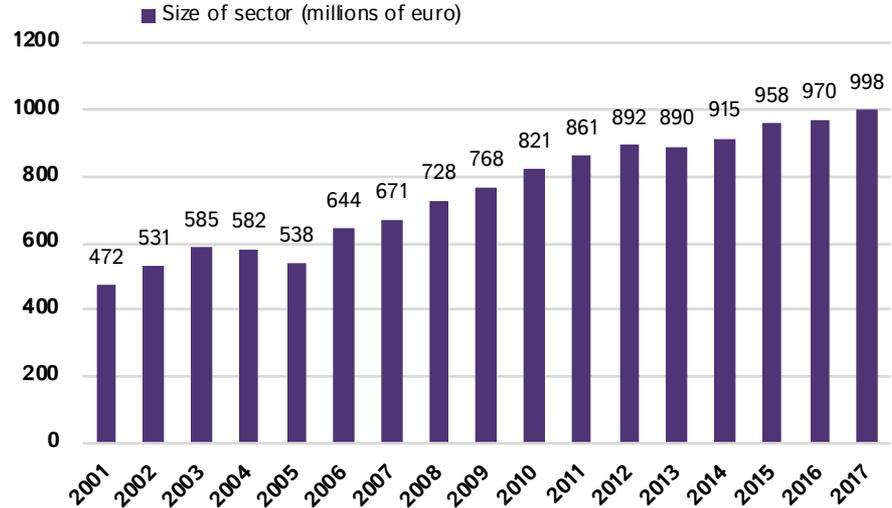
Profitable growth is expected to remain excellent:

- The development of the bookkeeping production line will continue after the completion of the current phase, which is ahead of schedule, thanks to which the positive profitability trend is also expected to continue
- Strong track record in investing effectively in growth and profitability, supported by extremely strong net cash flows from operating activities
- Potential new business opportunities: Internationalisation to Sweden, expansion into the Vaasa economic area and a new service area (Talenom Financing Services)

BUSINESS ENVIRONMENT IN THE ACCOUNTING SECTOR

- The accountancy market is a fragmented and growing market characterised by the statutory accounting requirement and the transition created by digitalisation
- The accounting market in Finland is highly fragmented:
 - In 2017, there were 4,249 (4,235) companies ⁽¹⁾
 - The average company size was 2.8 employees ⁽¹⁾
- In 2017, the size of the accounting market in Finland was EUR 998 (970) million ⁽¹⁾
- Annual market growth remained good despite various financial crises ⁽¹⁾
- Historically, price rises, the increase in receipts and higher sales of value-added services have acted as drivers of growth

(1) Statistics Finland, structural business and financial statement statistics*



* NB: When referring to corporate and financial statistics, which have been published since the 2013 figures, statistics preceding that year are also included: 2001-2006 Business Register statistics (TOL 2002) and 2007-2012 Business Register statistics (TOL 2008).

DISCLAIMER

Certain statements in this bulletin are forecasts based on the company's and management's views at the time the forecasts were made. For this reason, they involve risks and uncertainties. The forecasts may also change if significant changes occur in the general economic situation or the company's business environment.



Annex 1. Key figures 1–6/2019

Group	1–6/2019	Effect of IFRS 16 **)	Adjusted 1– 6/2019	1–6/2018	Adjusted change
Net sales, thousands of euro	29,545	0	29,545	25,277	4,268
Net sales, increase %	16.9%	0.0 percentage points	16.9%	18.0%	-1.1 percentage points
Operating profit (EBIT), thousands of euro	6,600	+47	6,553	5,227	1,326
Operating profit (EBIT), as % of net sales	22.3%	+0.1 percentage points	22.2%	20.7%	1.5 percentage points
Return on investment (ROI), % (rolling 12 months)	20.2%	-1.9 percentage points	22.1%	18.3%	3.8 percentage points
Interest-bearing net liabilities, thousands of euro	29,260	+8,965	20,295	19,327	968
Net gearing ratio, %	137%	+42 percentage points	95%	119%	-24 percentage points
Equity ratio, %	30.5%	-4.6 percentage points	35.1%	34.1%	1.0 percentage points
Working capital, thousands of euro	-4,323	0	-4,323	-2,885	-1,438
Net investments, thousands of euro	9,520	0	9,520	5,492	4,028
Liquid assets, thousands of euro	8,423	0	8,423	4,036	4,387
Earnings per share, euro	0.71	-0.01	0.72	0.58	0.14
Weighted average number of shares during the period *)	6,903,523	0	6,903,523	6,861,289	42,234
Net profit, thousands of euro	4,924	-42	4,965	3,947	1,018

*) 5,100 shares held by the company were subtracted from the figure

**) The Talenom Group adopted IFRS 16 Leases on 1 January 2019; its impacts are presented in this column

Annex 2. Key figures

4-6/2019

Group	4-6/2019	4-6/2018	Change
Net sales, thousands of euro	14,762	12,541	2,221
Net sales, increase %	17.7%	17.9%	-0.2 percentage points
Operating profit (EBIT), thousands of euro *)	3,158	2,588	570
Operating profit (EBIT), as % of net sales *)	21.4%	20.6%	0.8 percentage points
Return on investment (ROI), % (rolling 12 months) *)	20.2%	18.3%	1.9 percentage points
Liquid assets, thousands of euro	8,423	4,036	4,387
Earnings per share, euro	0.34	0.29	0.05
Net profit, thousands of euro *)	2,339	1,962	377

**) The Talenom Group adopted the IFRS 16 Leases standard on 1 January 2019, due to which the review periods are not fully comparable. During the period 4-6/2019, the standard had a positive effect on operating profit (+EUR 25 thousand) and a negative effect on net profit (-EUR 21 thousand) and return on investment (-1.9 percentage points). The effects of adopting the standard on the Group's financial information are described in detail under the section Basis of Preparation.*

Annex 3. Consolidated balance sheet 30 June 2019

Thousand euro	30 June 2019	Effect of IFRS 16 *)	Adjusted 30 June 2019	30 June 2018	31 December 2018
ASSETS					
Non-current assets					
Goodwill	20,728		20,728	18,420	18,420
Other intangible assets	13,495		13,495	9,896	10,493
Property, plant and equipment	11,363	+8,913	2,450	2,448	2,248
Other non-current financial assets	307		307	237	237
Deferred tax assets	79	+10	69	74	62
Capitalised contract costs	9,331		9,331	7,508	8,357
Total non-current assets	55,303	+8,923	46,379	38,583	39,817
Current assets					
Trade and other receivables	6,132		6,132	4,890	5,473
Current tax assets	154		154	238	11
Cash and cash equivalents	8,423		8,423	4,036	5,914
Total current assets	14,709	0	14,709	9,163	11,398
Total assets	70,012	+8,923	61,089	47,747	51,215
CAPITAL AND RESERVES					
Share capital	80		80	80	80
Reserve for invested unrestricted equity	13,009		13,009	10,850	10,850
Fair value reserve	-82		-82	-114	-93
Retained earnings	8,291	-42	8,333	5,373	7,850
Total equity	21,298	-42	21,340	16,190	18,688
LIABILITIES					
Non-current liabilities					
Liabilities to credit institutions	28,000		28,000	21,250	23,500
Trade and other payables	202		202	299	230
Non-current lease liabilities	7,260	+7,260	0	142	116
Deferred tax liabilities	102		102	44	50
Total non-current liabilities	35,564	+7,260	28,304	21,736	23,896
Current liabilities					
Financial liabilities	0		0	1,250	0
Trade and other payables	10,202		10,202	7,685	7,728
Current lease liabilities	1,705	+1,705	0	0	0
Current tax liabilities	1,243		1,243	886	903
Total current liabilities	13,150	+1,705	11,445	9,821	8,631
Total liabilities	48,714	+8,965	39,749	31,557	32,528
Total equity and liabilities	70,012	+8,923	61,089	47,747	51,215

*) The Talenom Group adopted IFRS 16 Leases on 1 January 2019; its impacts are presented in this column