

Business Review Q3 2024 and updated strategy

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Talenom Plc 31 October 2024

TALENOM

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- Updated strategy
- Software project in Sweden
- Summary of the review period
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- Outlook and guidance



Updated strategy

Target state

Growth.

We want to focus on our core expertise and promote scalable growth.



A man with a beard and glasses, wearing large blue and green headphones, is focused on his work. He is wearing a blue denim shirt and is positioned in front of a piece of industrial machinery, possibly a lathe or mill, in a workshop setting. The lighting is warm and focused on him, with the background slightly blurred.

Key market trends that accelerate growth

01.

Legislation and market trends are driving digitalization (PSD2, e-invoicing, e-receipts, EU Green Transition).

02.

Customer behavior is changing towards digital platforms.

03.

Digitalisation is happening now: choices between platforms are being made and the barrier to switch is proven to be high.

The European accounting market and its evolution

- Market size is around EUR 100 billion, of which Finland represents ~1%, Sweden ~2%, Spain ~10% and Italy ~10%.
- The **digitalization** is accelerated by many structural changes:
 - **Labour shortages together with increasing regulation** forces us to seek more effective practices.
 - The introduction of the **e-invoicing directive in the EU** will force every company to implement software that enables sending and receiving e-invoices.
- The transformation accelerated by digitalization offers a pioneer the opportunity to grow, and Talenom has decided to exploit this growth potential.



Updating the strategy

A.

The core remains unchanged:
Ease, automation and care will
continue to be the foundation
of our business.

~85% of net sales

B1.

First change:
We separate the software
business into its own company
and begin offering our software
to other accounting firms and
their customers.

~15% of net sales

B2.

Second change:
We focus on our core expertise by
transferring all non-accounting
services and products like debt
collection, banking and financial
services to our partners.

less than 1% of net sales

A.

The core remains unchanged: Ease, automation and care will continue to be the foundation of our business.

- Our foundation is to consider the entire value chain. We understand the needs of both entrepreneurs and accountants.
- We focus on our core expertise:
 - Ease: we make life easier for entrepreneurs with software and services
 - Automation: we use the latest technology to automate internal routines so you can spend more time with your customers and run a profitable business.
 - Care: services are conceptualized, easy to purchase, and involve local or sector-specific expertise.

A.

The core remains unchanged:
continued...



- ONE Talenom is a management concept for the accounting business that includes, e.g., management, process development, digitalization, automation and maintenance services.
- The concept describes best practices that have been measured and proven to work in the field.
- ONE Talenom concept delivers benefits for the customer, staff and owner.
- In Finland, which is a more developed market, new customers have been won through excellent service over the past five years.

Systems and automatization

Leadership and processes

Premium service

B1.

Separating the software business will accelerate scalable growth.

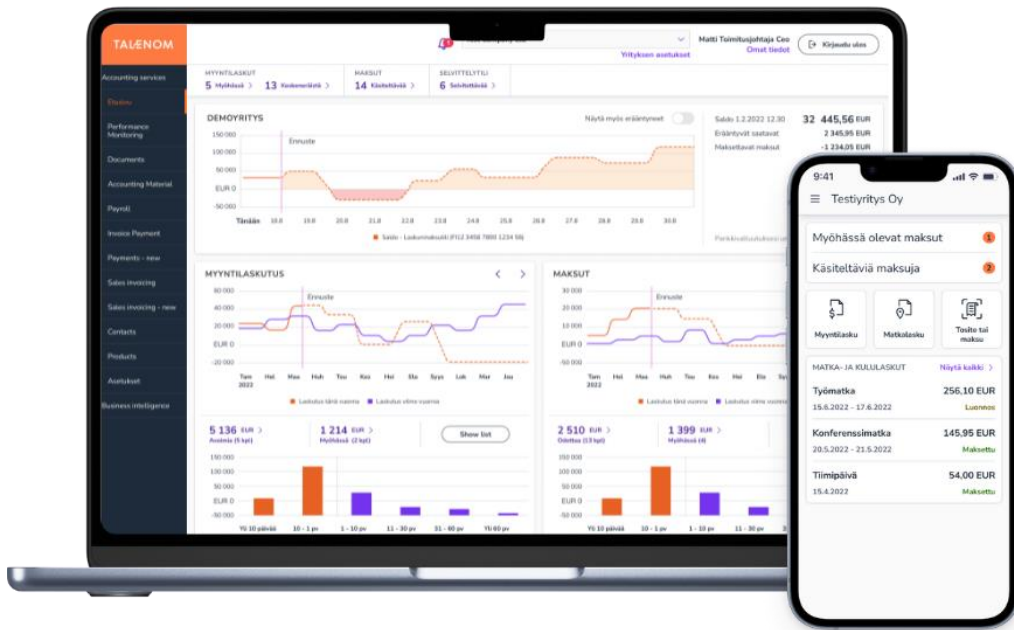
- **A unique market approach**
 - The strength of Talenom's software is based on understanding the entire value chain from both the end user and the provider's perspective, with over two decades of experience.
 - The software has been developed on top of efficient processes, as evidenced by Talenom's excellent profitability in Finland.
- **Growth targets**
 - The goal is to enable scalable growth. The Talenom software platform is a great asset, but its potential has not yet been fully leveraged.
 - The goal is to enable and create new sales channels in addition to the Talenom service network.
- **Strengthening management**
 - Separating the software business from the support function into a commercial business will clarify the management of the unit and enhances transparency.

B2.

Non-accounting services and products are offered to clients through a partner ecosystem.

- We only develop core services and software. We do not compete with our partners.
- We want to be the most recommended partner for financial management, and services such as banking, collections and financing are delivered through a partner ecosystem.
- We have had a good experience with the new way of working. Our customers trust us when we recommend our partners, and vice versa.

Talenom's software unit



- To be separated into its own company.
- Net sales in estimated to be around EUR 15-20 million in Finland.
- The updated strategy will result in a lower cost base:
 - The system architecture renewal has progressed, and it can be utilized by external accountants. In addition, the renewal makes it easier to bring the software to new markets.
 - The software unit will focus on further developing and strengthening the core capabilities of ease-of-use and automation.
 - For other features, we rely on our partners, which frees up development resources.
 - The company reorganization is estimated to lead to EUR 2-3 million annual cost savings.
- Next steps:
 - Key performance indicators for the unit will be reported separately from Q1/2025.
 - The software company will charge the end user directly for the software.
 - The number of customers is expected to grow rapidly as the software is rolled out to existing customers in Sweden and Spain and sold to external users.
 - We will seek an international software business expert to lead the company.

Updated strategy is focused on the core expertise






"We help entrepreneurs succeed"

Care

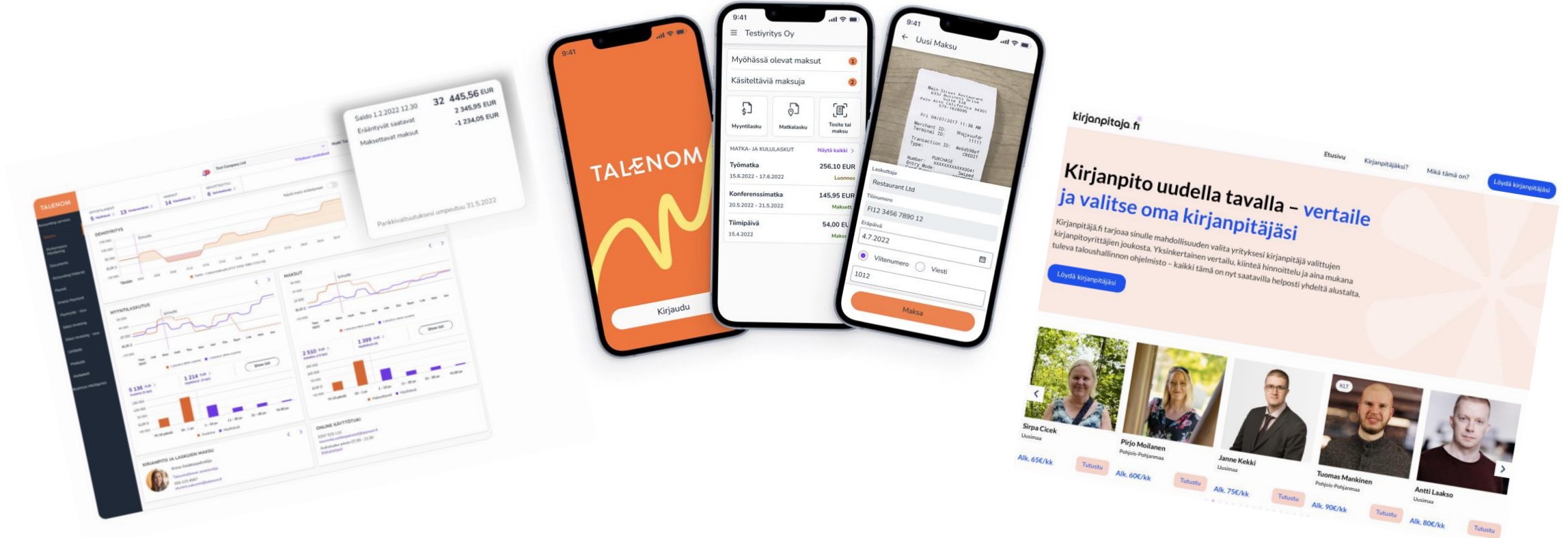


Our values

-  Courage
-  Will
-  Care

Updated strategy in a nutshell

- Talenom will focus on strengthening its core expertise and grow its accounting services and software business:
 - continuing to develop excellent accounting services as before
 - launching software sales to strengthen growth opportunities
 - seeking growth through a partner ecosystem



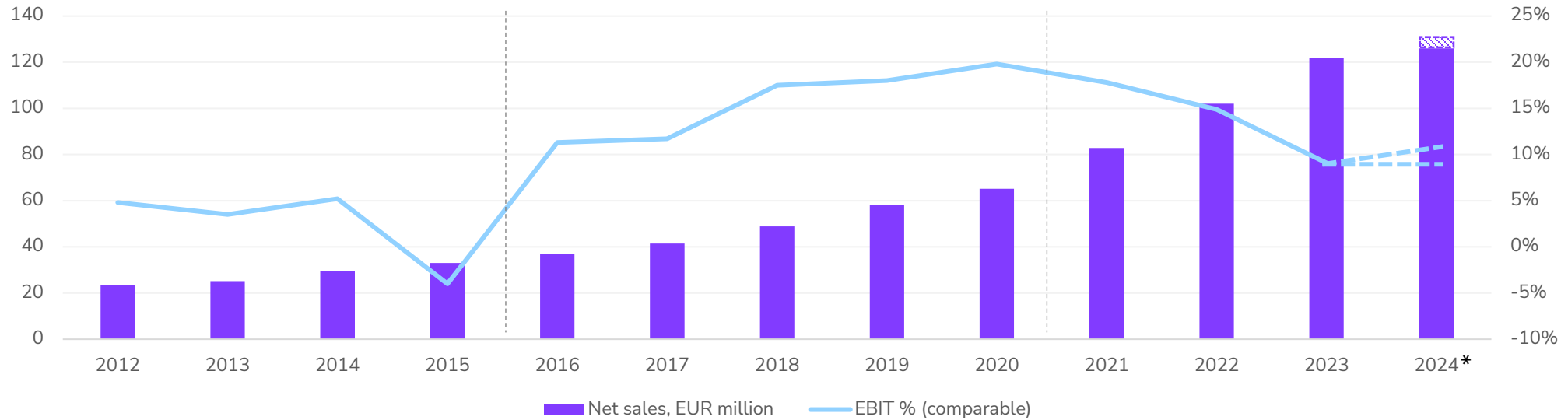
The future

- We focus on our current markets.
- With the updated strategy, we will remove the previous medium-term targets for 2023-2025.
- Our long-term target is annual net sales growth of more than 20% in the software business and more than 10% in the service business. We will provide guidance for 2025 later on.
- In 2025, we will focus on further improving profitability in Sweden and Spain, and on building sales channels for the software business.
- We aim for stronger and more profitable growth through two pillars: the conceptualized ONE Talenom service business and the more scalable software business.



Software project in Sweden

Proven strategy and strong historical evidence



2000
–
2015

2016
–
2020

2021
–
2025

Building digital capabilities and platform in Finland.

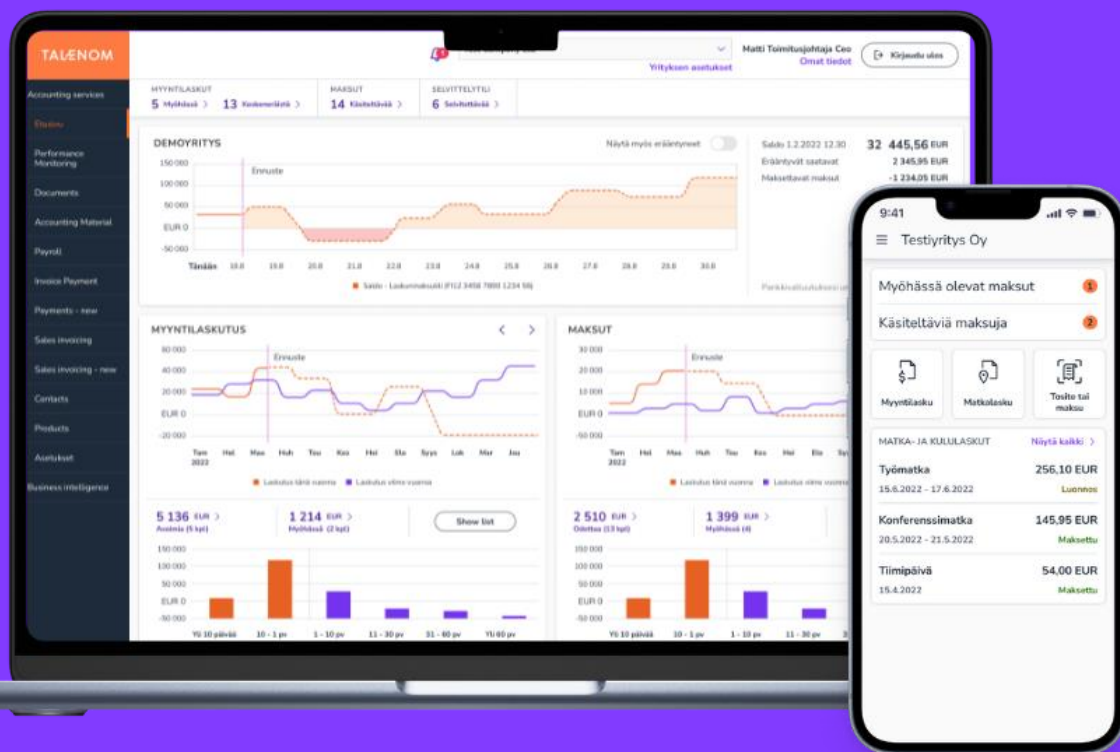
Digital transformation's impact on performance.

Replicating a proven concept on international markets. Acquisitions and internationalization have weighed on profitability.

*Talenom's revenue and operating profit guidance range for the year 2024.

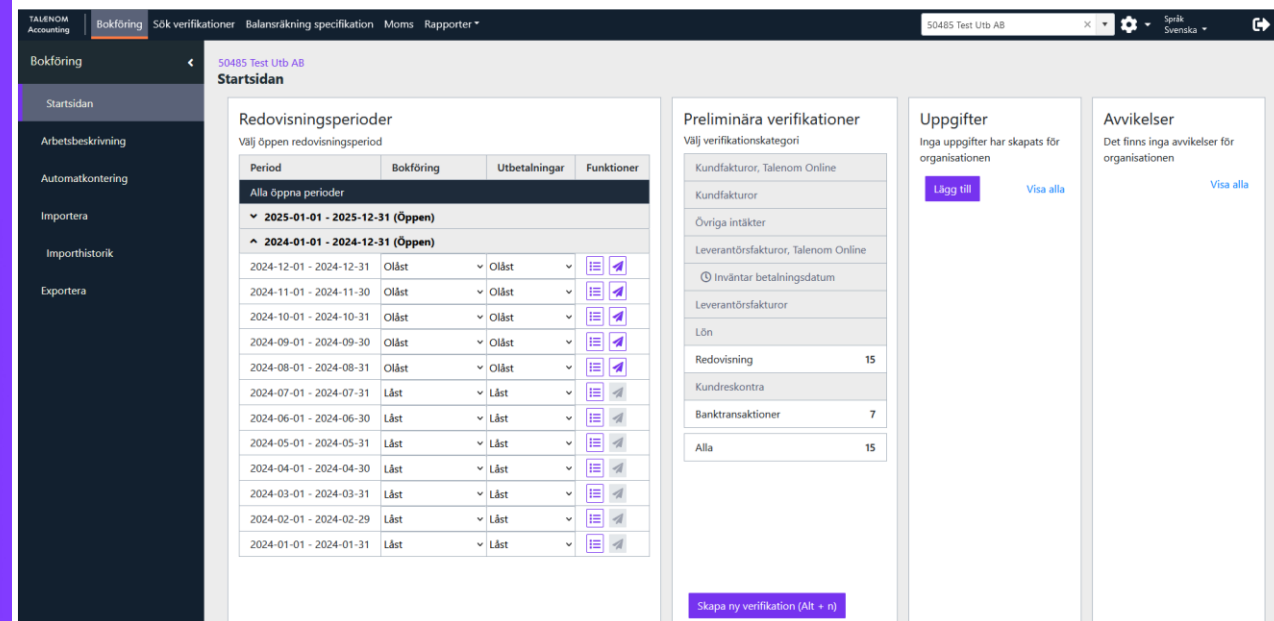
Talenom Online

Developed for customers, together with customers

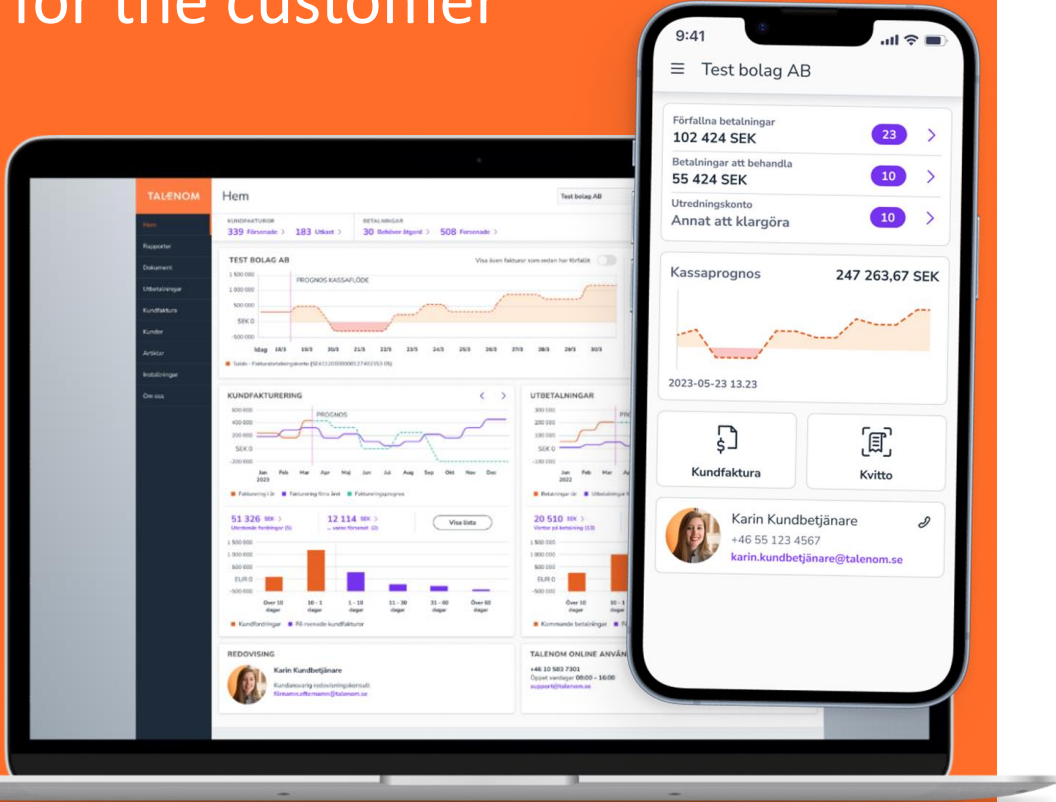


Talenom Accounting

Developed for accountants by accountants



Benefits of the new systems for the customer



Control - everything in one place

Designed for the customer

Simple, easy to use

Digitalized and automated

Saves time

Easy access to accountants and support

Real-time accounting enabled by automation

New market-leading features

- One-click payments
- Automated accounts receivables
- Dynamic reporting views
- Easy document import process
- Secure document storage

Benefits of the new systems for the accountant

The screenshot displays the TALENOM Accounting software interface. The top navigation bar includes 'Bokföring', 'Sök verifikationer', 'Balansräkning specifikation', 'Moms', and 'Rapporter *'. The main content area is titled 'Startsidan' and features several panels:

- Redovisningsperioder:** A table showing open accounting periods with columns for 'Period', 'Bokföring', 'Utbetalningar', and 'Funktioner'. The current period is '2025-01-01 - 2025-12-31 (Öppen)'. Below it, a list of historical periods from 2024-01-01 to 2024-12-31 is shown with status indicators like 'Oläst' and 'Läst'.
- Preliminära verifikationer:** A section for selecting verification categories, including 'Kundfakturer, Talenom Online', 'Övriga intäkter', and 'Lön'.
- Uppgifter:** A section for tasks, currently showing 'Inga uppgifter har skapats för organisationen'.
- Avvikelser:** A section for deviations, currently showing 'Det finns inga avvikelser för organisationen'.

Delivery of accounting material

- Simple
- Electronic
- Real-time
- Daily processing of payments

Rule- and AI based automation for accounting processes

Automated checks and documentation for month-end closing

Streamlined, easy-to-manage workflow

More time for proactive consulting and engaging with customers

Easier to plan work and manage workload

Dedicated customer support team

Current status and next steps in Sweden

- The rollout of our own platform is progressing well, with 40% of the customer base already migrated. Our target for this year is to reach 50%.
- Talenom Online is now included as part of our new customer acquisition strategy.
- Customers are generally pleased with the software's features, including
 - drill-down capabilities
 - simplified payment process
 - easy-to-use interface that saves time in their daily routines
- Accountants are highly positive, noting the significant time savings on routine tasks.
- In some customer cases, we have already seen up to a 75% reduction in time spent on routine work.
- Accountants and customers are currently adapting to the new software and processes.
- We expect to see the first financial benefits reflected in our P&L by H2 2025.

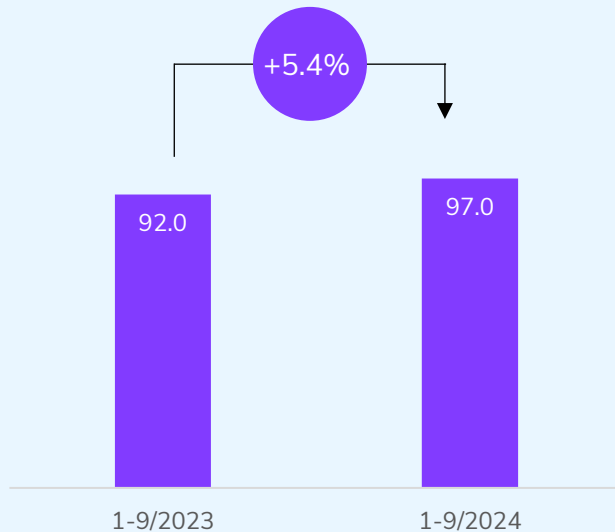


Summary of the review period

Strategy was updated, recession hampered growth and profitability improved

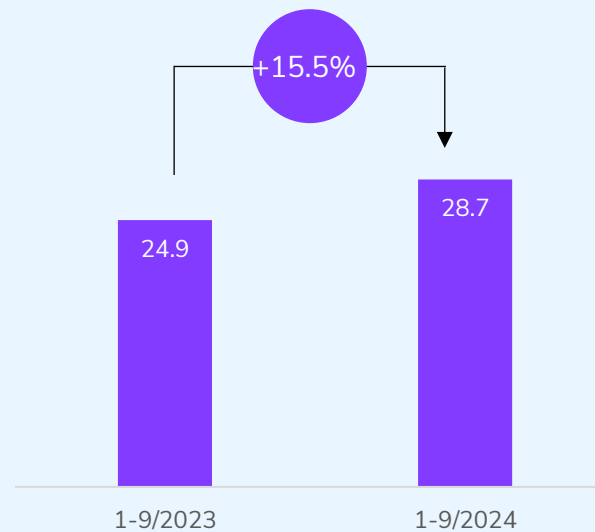
Growth slowed down due to lower acquisition activity level and economic downturn

Net sales January-September (EUR million)



Profitability was improved by the efficiency measures in Finland and higher business volumes in Spain

EBITDA January-September (EUR million)



Strategy was updated in October

Our core business remains unchanged:

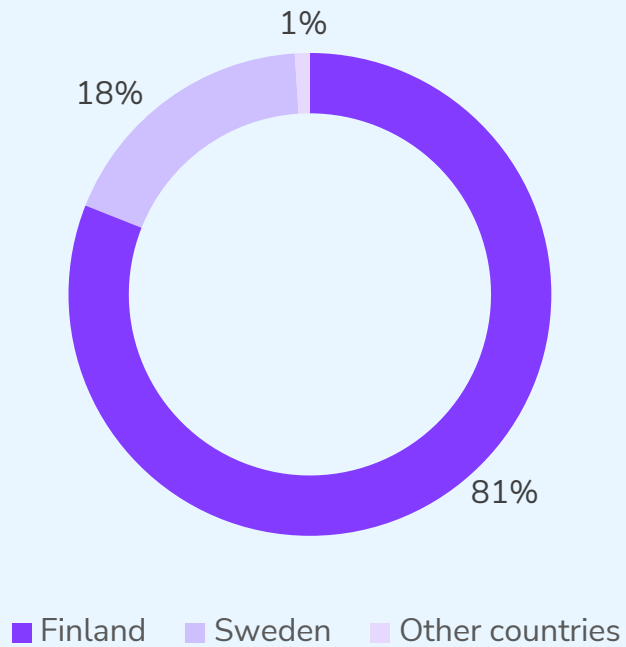
Simplicity, automation and customer focus will continue to be the foundation of our business in the future.

Two major changes in the strategy update:

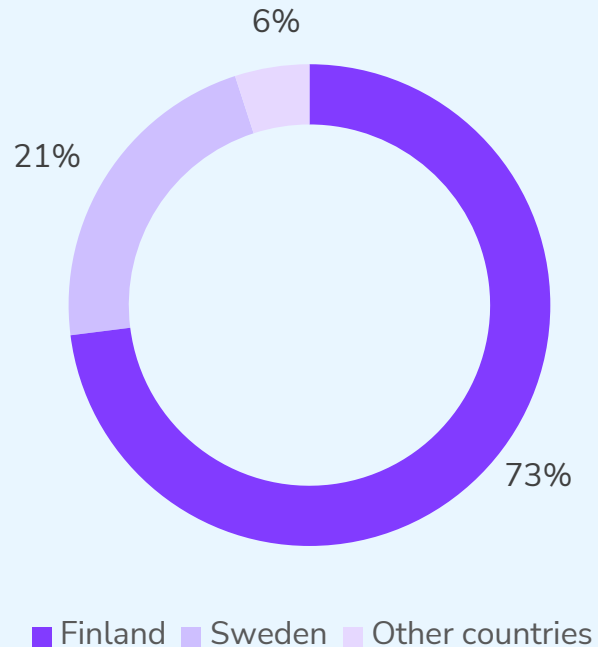
1. We are planning to separate the software business into its own company and start offering our software to other accounting firms and their customers.
2. We are planning to focus on our core competencies by transferring all non-accounting services and products like debt collection, banking and financial services to our partners.

Internationalization has progressed as planned. We focus our business on our current target countries: Finland, Sweden, Spain and Italy.

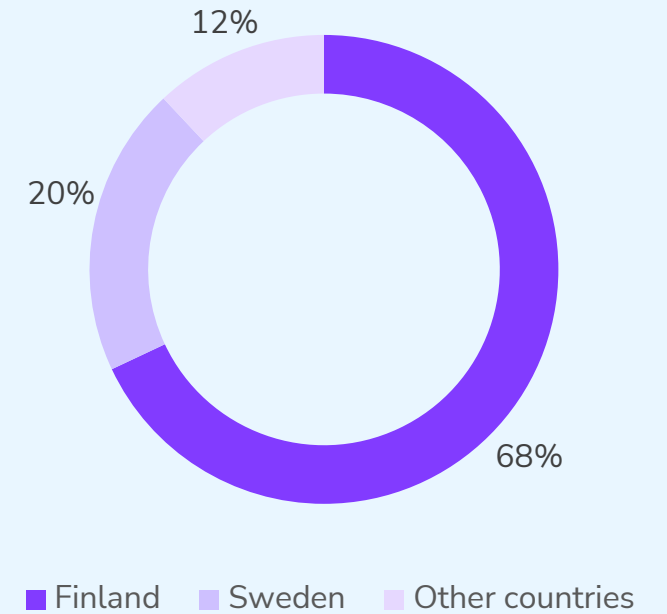
Net sales distribution 1-9/2022



Net sales distribution 1-9/2023



Net sales distribution 1-9/2024



Strategy progress 1–9/2024

01. Improving operational efficiency

02. Platform roll-out in Sweden

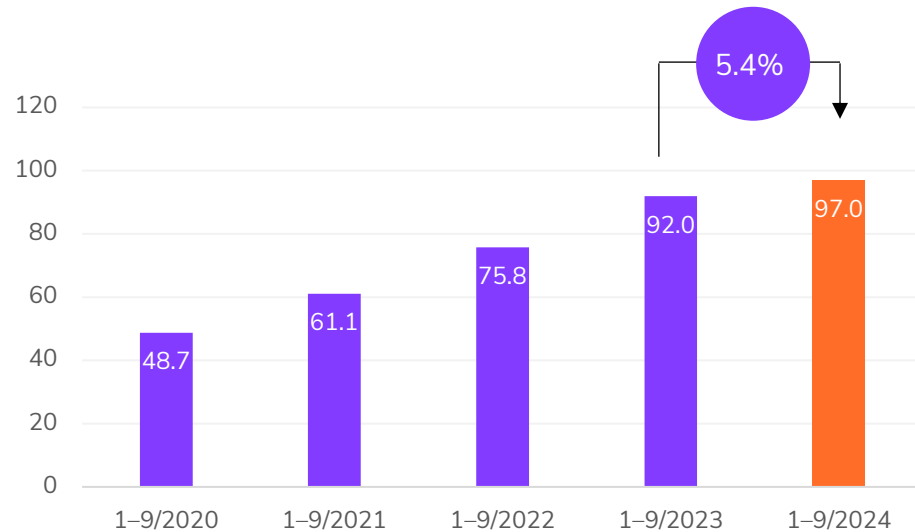
03. Organic growth

- Profitability was significantly improved in Finland through efficiency measures started in 2023 and increased business volumes in Spain.
- Significant integration projects that engaged personnel have been completed in Sweden. After the completion of other projects in Sweden, the focus will be on implementing Talenom's own software and related processes, which in the longer term will improve efficiency, profitability and organic growth opportunities
- In Sweden, we have transferred around 40% of our customers to our own platform.
- Our goal is to migrate at least 50% of our regularly reporting customers to our own systems by 2024.
- To strengthen organic growth, we continued to develop the digital purchase path and made key hires to support growth.

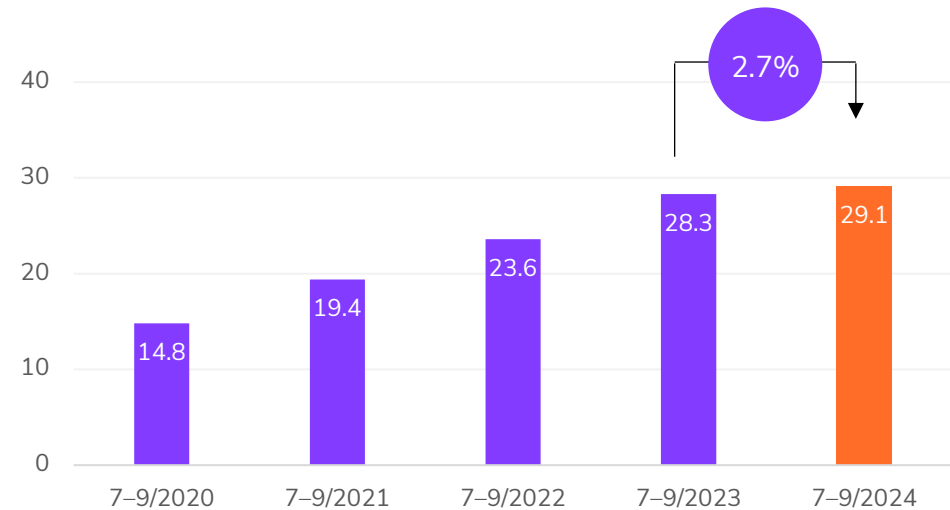
Finances

Growth of Group net sales slowed down due to lower acquisition activity level and economic downturn

Net sales January-September (EUR million)



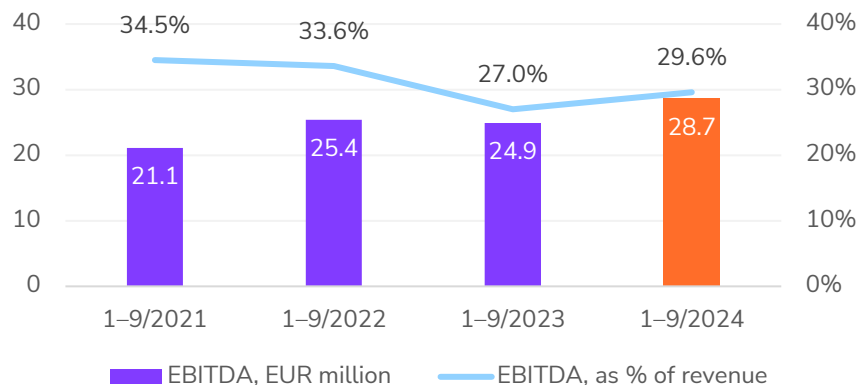
Net sales July-September (EUR million)



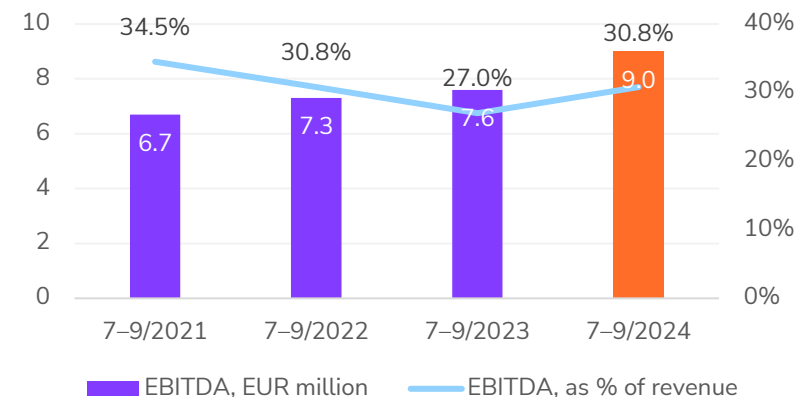
- Net sales growth was mainly due to acquisitions in Spain.
- The economic downturn in Finland and Sweden has significantly slowed organic growth.

Group profitability improved due to efficiency measures in Finland

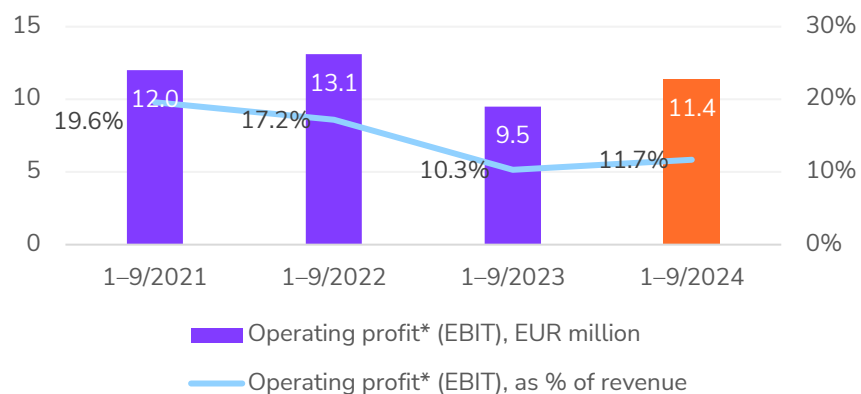
EBITDA January-September



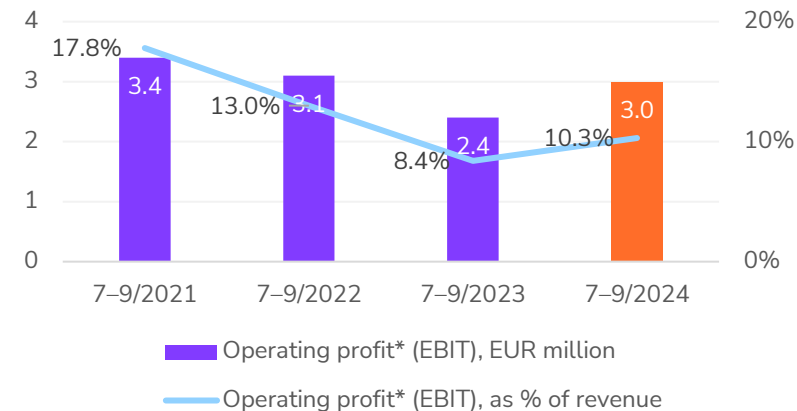
EBITDA July-September



Operating profit* January-September



Operating profit* July-September

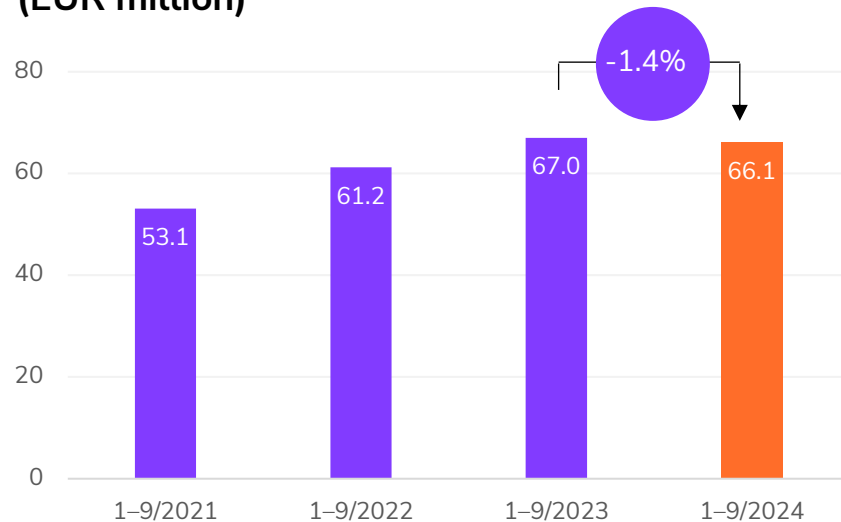


- Profitability in Finland was significantly improved by efficiency measures launched in 2023, while in Sweden the introduction of proprietary software and integration projects burdened profitability. In Spain, the growth in business volume has enabled profitability to develop well.

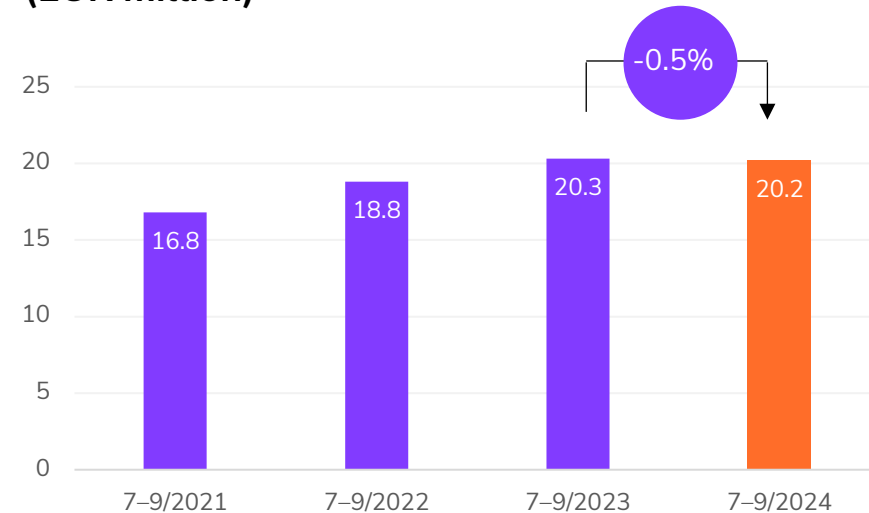
* comparable operating profit

Net sales development in Finland

Net sales development January-September
(EUR million)



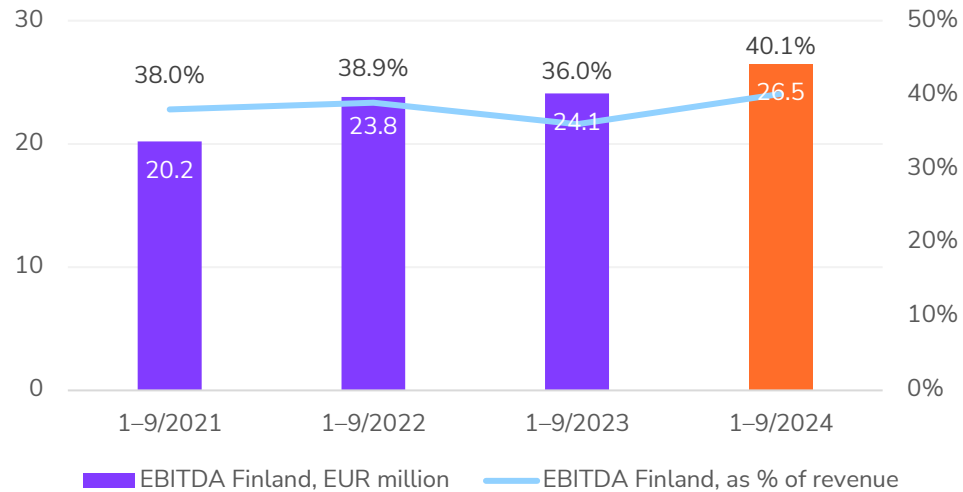
Net sales development July-September
(EUR million)



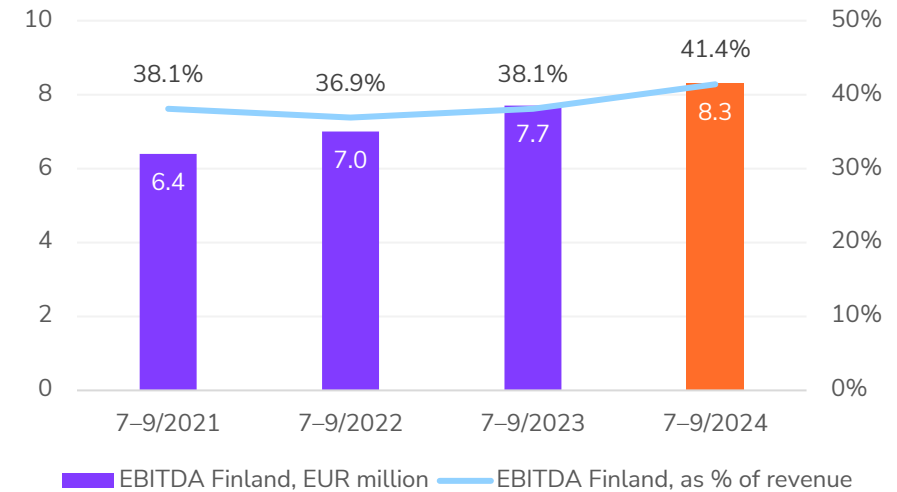
- The downturn has had a downward impact on customer business volumes. This has resulted in a significant decline in transaction volumes, leading to a decrease in customer invoicing through both volumes and price adjustments. There has also been an increase in business closures and bankruptcies compared to the comparison period.
- New customer acquisition has performed well, compensating for the effects of the economic downturn. The results of Finland's annual customer satisfaction survey were the highest ever.
- Talenom has prioritized customer retention to be in a better position for the upturn. Talenom estimates that the economic downturn will ease as interest rates fall. This will impact Talenom's growth prospects positively with a delay of about six months.

EBITDA development in Finland

EBITDA development January-September



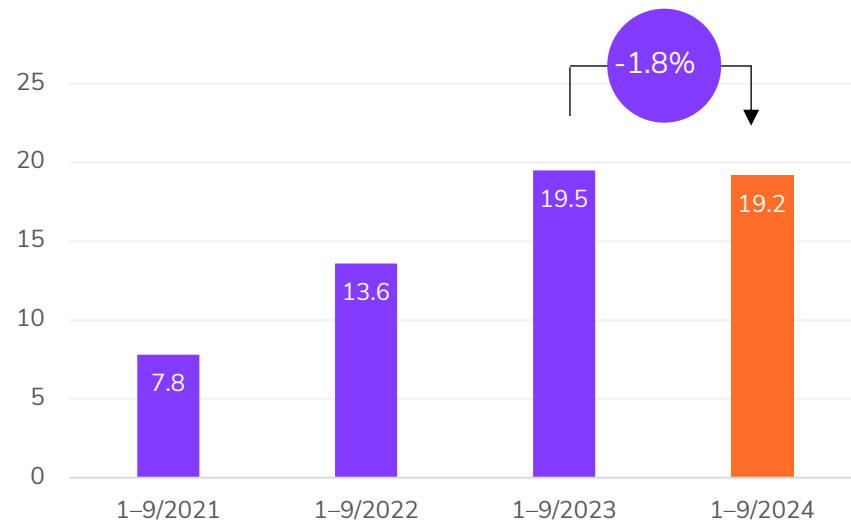
EBITDA development July-September



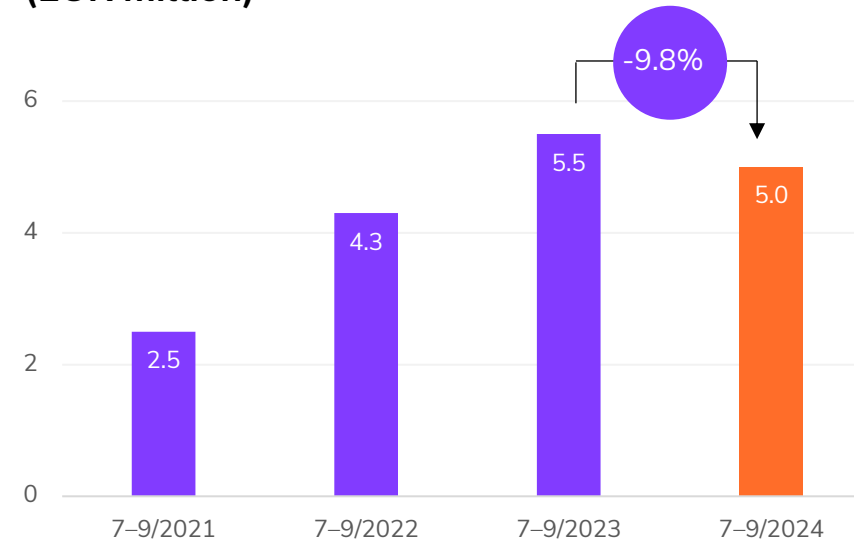
- Relative profitability improved significantly due to the efficiency measures launched in 2023.
- In Finland, the ability to achieve very high profitability exists based on the automation of our own platform and efficient business processes.

Net sales development in Sweden

Net sales development January-September
(EUR million)



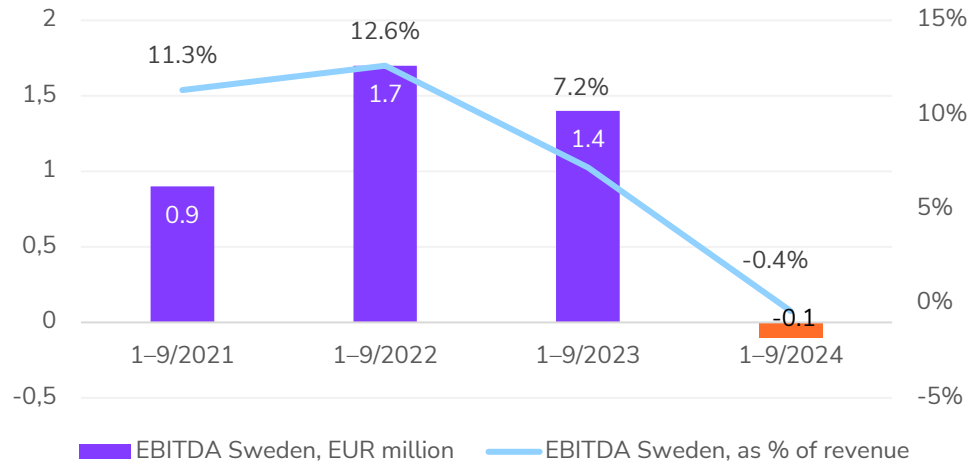
Net sales development July-September
(EUR million)



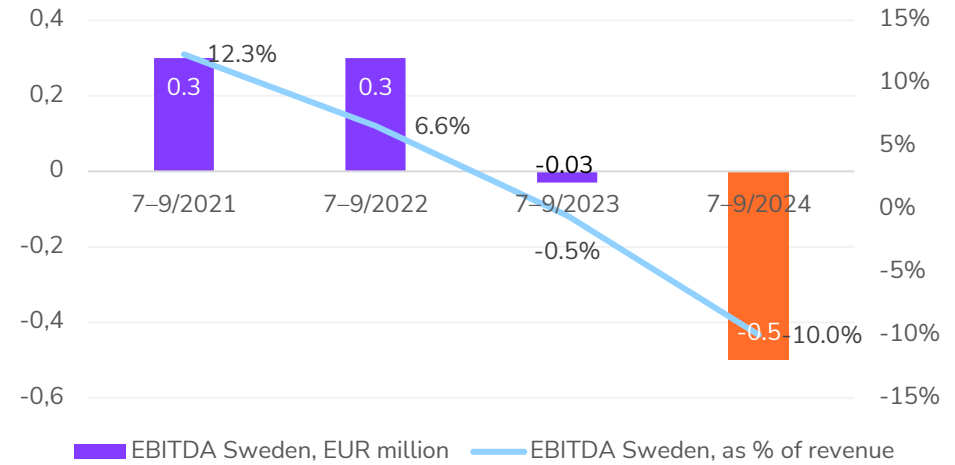
- The decline in net sales was due to the spill-over effects of the general economic downturn, which have had a downward impact on the business volumes of Talenom's customers and increased the number of business closures and bankruptcies. In addition, operations have been reorganized and aligned with the ONE Talenom services business from the beginning of 2024. The change process has resulted in staff and customer churn, but going forward, the chosen operating model will provide an efficient and competitive service concept for both customers and employees.

EBITDA development in Sweden

EBITDA development January-September

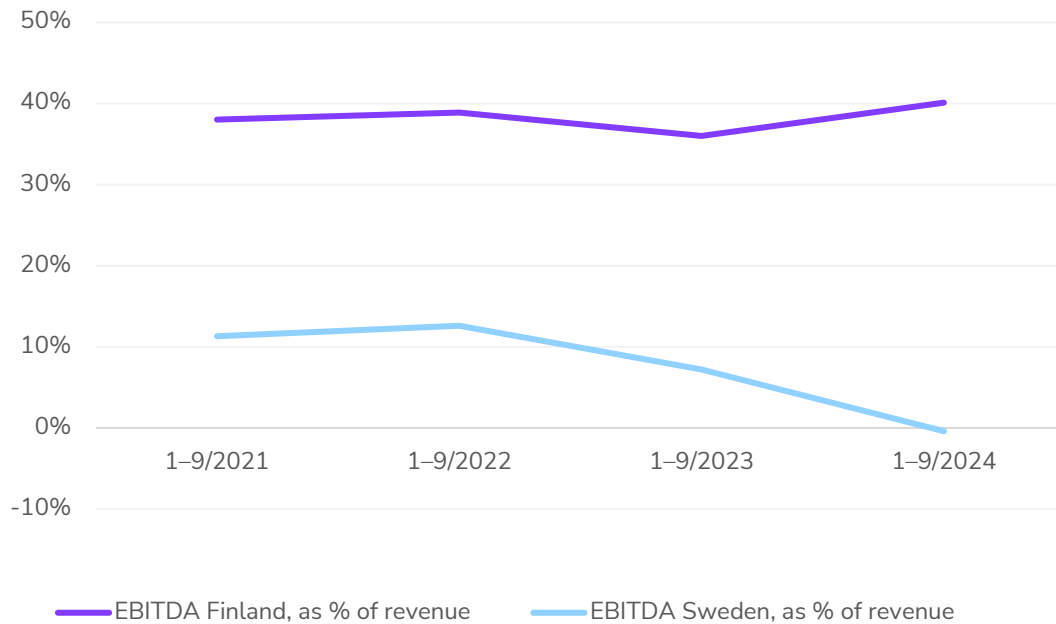


EBITDA development July-September



- Profitability was weakened by the spill-over effects of the general economic downturn, combined with the resourcing required to implement proprietary software, which in the longer term will improve efficiency, profitability and organic growth opportunities.

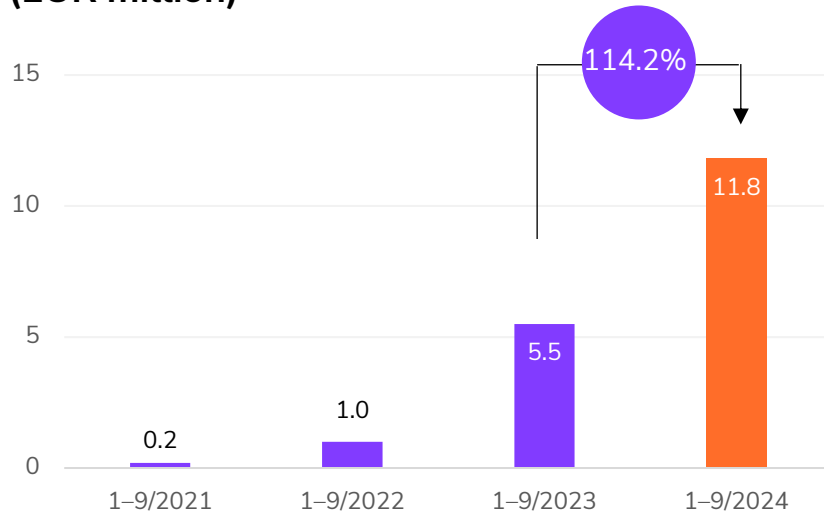
With automation Sweden's EBITDA is expected to rise to the Finnish level



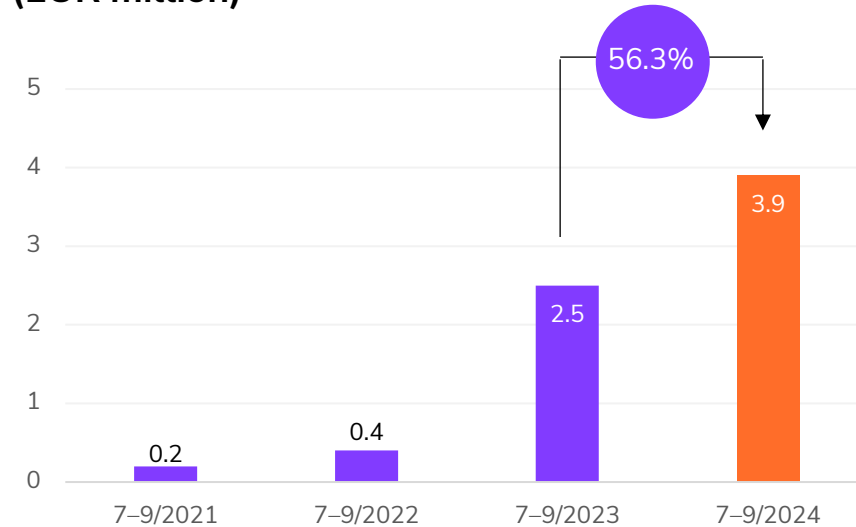
- Our strong software expertise has enabled a highly efficient and automated accounting process in Finland.
- The difference between the EBITDA in Finland and Sweden is explained especially by the difference in the degree of automation.
- Based on the experience in Finland, the working time spent on routine activities can be cut to one-quarter with Talenom's processes and implementation of own software.

Net sales development in other countries

Net sales development January-September
(EUR million)



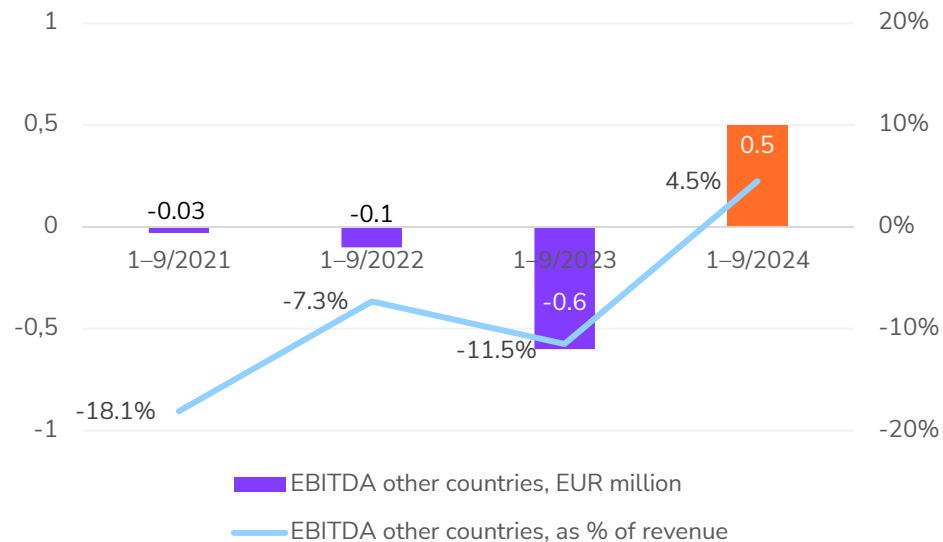
Net sales development July-September
(EUR million)



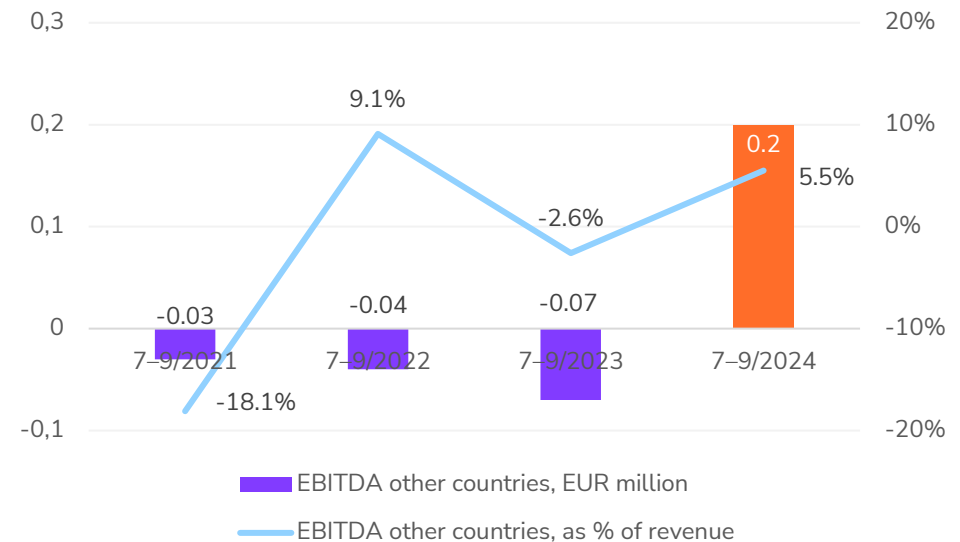
- Net sales growth came mainly from acquisitions in Spain. There was also good evidence of organic growth, although the low volumes meant that organic growth did not account for a large share of total growth. Organic growth is expected to strengthen with the implementation of the e-invoicing directive.

EBITDA development in other countries

EBITDA development January-September



EBITDA development July-September



- With the growth in business volume in Spain, profitability has developed very well. Profitability was significantly improved as EBITDA increased by some EUR 1 million from the comparison period. Talenom expects strong profitability development to continue in Spain.

Outlook and guidance

Outlook and guidance for 2024

Guidance (updated 9 October 2024)

- Net sales EUR 126–129 million
- EBITDA EUR 34–37 million
- Operating profit EUR 11–14 million

Background for the updated guidance

- The prolonged economic downturn has especially affected Talenom's net sales in Finland more than expected, in addition to which the company made fewer acquisitions than planned. The downturn is usually seen with a delay in the accounting services industry. These factors have had a negative impact on the company's net sales and profitability.
- The new guidance also includes the non-recurring costs of the updated strategy and reorganization.



TALENOM

Thank you

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