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Efecte Plc Half year report 1-6/2023

11 AUGUST 2023 at 8:30

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This release is unaudited. The amounts in this report have been rounded from exact numbers.

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Efecte Plc's Half-Year Report 1-6/2023 – SaaS +26%, adjusted EBITDA margin -1%

4-6/2023

- Total net sales grew by 17% and was 6.2 million euro (5.3)
- SaaS grew by 25% and international SaaS by 37%
- EBITDA was 0.0 million euro (-0.1) and EBIT -0.3 million euro (-0.2)
- Adjusted EBITDA ¹ was 0.1 million euro (0.1)
- EBITDA margin was 0% (-1%) and adjusted EBITDA ¹ margin was 1% (2%)
- Success in Sweden continued with winning the city of Uppsala public tender

1-6/2023

- Total net sales grew by 18% and was 12.2 million euro (10.4)
- SaaS grew by 26% and international SaaS by 37%
- EBITDA was -0.2 million euro (0.1) and EBIT -0.9 million euro (-0.2)
- Adjusted EBITDA ¹ was -0.1 million euro (0.3)
- EBITDA margin was -2% (1%) and adjusted EBITDA ¹ margin was -1% (3%)

GUIDANCE FOR 2023 (unchanged)

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

GROUP KEY FIGURES

1000 EUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	2022
Net sales	6 206	5 320	12 247	10 356	21 607
EBITDA	29	-65	-234	79	-13
Adjusted EBITDA	68	131	-92	299	519
EBITA	-156	-193	-599	-177	-581
EBIT	-299	-193	-884	-182	-864
Profit for the period	-273	450	-882	458	-287
Earnings per share, EUR	-0.04	0.07	-0.14	0.07	-0.05
Equity per share, EUR	0.56	0.62	0.56	0.62	0.69
SaaS MRR	1 377	1 097	1 377	1 097	1 270

3 ¹ Excludes following costs related to inorganic activities: 0.0 million euros in 4-6/2023, 0.1 million euro in 1-6/2023, 0.2 million euro in 1-6/2022 and 0.5 million euro in 2022.



“We are on track to deliver the guided SaaS growth and adjusted EBITDA for the year.”

– CEO NIILLO FREDRIKSON

CEO NIILLO FREDRIKSON:

Growth in a softening market

During the second quarter, our team had to find ways to navigate a softening market. SaaS growth was strong at 25%, driven by solid organic growth and the InteliWISE acquisition. The highlight of the quarter was our success in Sweden. We won the significant city of Uppsala public tender and continued to develop a strong public sector pipeline. In Spain, we signed another new customer. Finland delivered important orders and project deliveries, finishing off an overall strong first half. The enhanced AI features leveraging GPT that we launched and further developed during the review period were received with excitement by many customers.

At the same time, we were not completely immune to the apparent slowdown in the market. Professional services topline and profitability were throughout the first half lower than expected. Customer buying behavior became more cautious. And while our direct sales brought in a good number of new customers, we saw an impact on new customers through partners. In the second half, as communicated earlier, we expect SaaS growth to slow down. This is due to InteliWISE numbers becoming part of the comparison period, and a slight decrease in the expected organic growth rate.

That said, we remain confident about our plan. We are on track to deliver the guided SaaS growth and adjusted EBITDA for the year. The bottom-line impact of less-than-expected professional services revenue has been and will be mitigated through managing our cost level.

Continuing strategy execution

The operating environment is challenging to everybody in the market, and we consider it an opportunity to strengthen our relative position and take market share. "When the going gets tough, the tough get going" holds true also in this situation. To succeed, continuing our strategy execution is key: serving our customers to grow organically, developing our product, taking care of our people and culture – and doing clever M&A. In M&A, we see more opportunities in the current market environment.

We are building the leading European vendor in service management software, and our annual Digitalize & Automate event will be another milestone on that path. This year, the event will be held in multiple locations across Europe, with the main hybrid event arranged in and streamed from Helsinki on September 19th. IT and service management leaders and enthusiasts across Europe will gather again and we will explore together how to leverage the AI revolution to digitalize and automate work even better. All interested investors and media are also welcome to join (see www.efecte.com for details).

Additional information

CFO Taru Mäkinen, +358 40 507 1085

CEO Niilo Fredrikson, +358 50 356 7177

Certified adviser

Evli Oyj, +358 40 579 6210

NET SALES AND TYPE

Net sales, 1000 EUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	2022
SaaS	4 127	3 310	8 126	6 442	13 760
Licenses	0	1	8	15	48
Maintenance	205	229	412	459	901
Services	1 875	1 780	3 701	3 441	6 899
Group total	6 206	5 320	12 247	10 356	21 607

NET SALES AND PROFIT

Efecte's net sales in 1-6/2023 were 12.2 million euro (10.4), a growth of 18%. Net sales for customers out-side Finland were 2.9 million euro (2.4), corresponding to 24% of total net sales (23%).

Software as a Service (SaaS) grew 26% and services net sales increased by 8%. Net sales of perpetual licenses have become insignificant in line with our strategy. Net sales generated by maintenance continued its long-term declining trend. Our total recurring revenue (SaaS and maintenance) amounted to 8.5 million euro (6.9), corresponding to approximately 70% of net sales (67%).

SaaS MRR was 1 377 thousand euro in the end of June, a growth of 26% year-over-year. Of that growth, 9 percentage points came from existing customers (net retention rate of 109%) and 16 percentage points from new customers since 6/2022 and from customers of acquired InteliWISE. Gross churn amounted to 4.9% (2.2%). Our recurring gross margin stood at 80% at the end of June (81%). At the end of the period, the share of SaaS MRR attributable to enhanced support packages that include administrator services for customers was 6 thousand euro.

Our average customer acquisition cost (CAC) on a rolling 12-month basis was 82 thousand euro (81), and the average life-time value (LTV) of an acquired new customer was 478 thousand euro (1 285). Accordingly, the LTV/CAC ratio was 5.8 (15.9). This means that the cost of customer acquisition is earned 5.8 times during the lifetime of the customer. The significant drop in LTV is for the most part attributable to gross churn returning to normal levels from the exceptionally low levels last year.

Net retention, gross churn, recurring gross margin, CAC and LTV were calculated based on Efecte numbers excluding InteliWISE. We plan to start reporting consolidated metrics starting with the financial statements for the full year 2023.

Services net sales grew 8%. 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 66% of total net sales (62%).

EBITDA was -0.2 million euro (0.1), and EBIT was -0.9 million euro (-0.2). Profitability was impacted by go-to-market and R&D investments, as well as the slightly lower than before profitability of professional services.

Adjusted EBITDA was -0.1 million euro (0.3). 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 0.1 million euro.

Income tax expenses were 0.0 million euro (0.7) positive due to the recognition of deferred tax assets from unused tax losses in Finnish taxation. Total confirmed losses from years 2014-2022 are 2.8 million euro for Efecte Finland Oy and 4.3 million euro for Efecte Oyj. Total tax impact of 20% is 1.4 million euro of which 0.1 million euro were capitalized during the review period. Taxes corresponding to the profits in group companies of the period have been entered as tax expenses. 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 -0.9 million euro (0.5).

FINANCE AND INVESTMENTS

At the end of the reporting period, the balance sheet for Efecte group totaled 16.6 million euro (13.5). Equity ratio was 35% (47%) and net gearing was -49% (-43%).

At the end of the reporting period, the Company's financial loans were 1.7 million euro (0). The company's cash and liquid assets were 3.5 million euro (1.7).

Cash flow from operating activities for the reported period was 1.3 million euro (1.6) and cash flow from investing activities was -0.8 million euro (-6.5). Investments in tangible and intangible assets were 0.8 million euro (0.7) and were mainly activated R&D expenses. Cash flow from financing activities was -0.1 million euro (0.1). Cash flow from financing activities consisted of subscriptions relating to stock options and loan repayments.

BUSINESS DEVELOPMENTS

During the review period, we focused again on helping customers digitalize and automate their work. Customers use our cloud-based solutions to digitalize and automate processes in three key areas: Enterprise Service Management (ESM), Identity Governance and Administration (IGA) and Conversational AI.

The first half of 2023 was solid with SaaS growth of 26%, supported by demand from both existing and new customers. In total we signed 35 new customers in Finland, Scandinavia,

DACH, Spain and Poland, of which almost half from outside Finland. Of the new customers during the period, four came through partners. Through the former InteliWISE business, we signed seven new customers during the review period. In addition to the new customers, we also helped our existing customers to expand the usage of Efecte in ITSM and ESM. On a rolling 12-month basis, existing customers accounted for 56% of the SaaS MRR growth. We saw growing interest in our conversational AI offering and first customers took Efecte Chat for Service Management into production use.

Our existing direct markets in Finland, Scandinavia, DACH, Poland and Spain continued to grow despite the macroeconomic environment. Especially the growth plan laid out in 2022 for Scandinavia paid off. We also continued working with our partner network, where new customer acquisition was impacted by the softening market. During the review period, our main focus was on sales enablement and co-selling with our existing partners. New partners were added in Spain, Sweden and UK.

Our professional services business growth was impacted by customer decision making slowing down. This led to somewhat lower profitability than we expected.

During the review period, we were also actively exploring acquisition opportunities and were engaged in discussions with interesting targets. However, we did not move forward with any transactions, as valuation expectations from sellers did not meet our strict criteria. In the current market environment, we see new opportunities for acquisitions, including consolidation of the service management market.

EMPLOYEES

The number of full-time equivalent employees at the end of the review period was 210 (141). Of these, 127 (118) were in Finland, 54 (0) in Poland, 20 (17) in Germany, 8 (7) in Sweden and 2 (0) in Spain. The average number of employees during Q2 was 207 (138) and during H1 it was 203 (134). Our central team in Finland acts globally supporting customers, partners and sales in international markets and includes the headcount responsible for our New Markets operation.

Jenni Mickos joined Efecte in June as new VP, Services and member of the Leadership Team. She is responsible for Efecte's post-sale customer journey, including support and professional services.

The company's leadership team composition at the end of the review period was the following: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Topias Marttila (technology), Marcin Strzalkowski (marketing and country manager Poland), Santeri Jussila (products) and Jenni Mickos (services).

MARKET OUTLOOK

Our main offerings Service Management, IGA and Conversational AI are enablers for the megatrends of digitalization and servitization (everything as a service). Companies across different industries still look for cloud-based solutions to digitalize and automate their operations to provide greater agility to the business, improve end-user experiences, and to save costs. While we also see the market softening due to the current macroeconomic environment and competitive pressure increasing, we remain confident in our strategy.

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 1.3 billion euro, the IGA market 1.4 billion euro and the Conversational AI market 1.4 billion euro. Analyst estimates for compound annual growth for the next three years are still generally in the double digits 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 have seen European customers prioritize privacy, security and data location more than before especially in the public sector. With our competitive solution offering combined with flexible cloud deployment models we have a significant opportunity to meet that demand and serve those customers.

RESEARCH AND DEVELOPMENT

In product development, we started the year by laying out roadmap priorities that are aligned with our broader company vision and product strategy. We set three specific themes to guide our development in 2023: Easier to Use, Work Smarter with AI and Faster to Start & Maintain.

With Easier to Use, our goal is to help customers improve their employees' experience and NPS (Net Promoter Score) by providing modern, intuitive, and easy-to-use user interfaces for both the end-users consuming services and the agents supporting them. During the review period, we took important steps towards this goal. The next generation of our self-service product achieved a major milestone with the first customer in production use. The renewal of our agent user interface renewal progressed also well, with shipping the first beta version of the core workspace.

We have increased our focus on AI and the Work Smarter with AI priority targets to help employees cope with increasing workloads with the help of AI-assisted automation. The main highlight in this area during the first half was the launch of GPT-powered Chat. It allows agents to have better end-user conversations with less effort. GPT-powered Chat leverages the power of AI-based large language models, which have been transforming the tech industry in recent months. Thanks to our earlier IntelliWISE acquisition, we were able to move fast and were among the first vendors globally who released GPT-powered features for Service Management. During the review period our Conversational AI product family also made good progress with customers. Efecte Chat for Service Management

went into production use with the first customers.

With Faster to Start & Maintain we target to systematically improve our platform for faster time to value and reduced operational costs. During H1 we shipped again tens of platform improvements, such as more robust base configurations, new productized connectors and quality & security improvements. In the service management space, we started the work on a new ITSM Essentials package. We aim to provide new customers with an easier and lower cost way to start the service management journey, without taking away the great flexibility to grow and expand that the Efecte platform provides. In the IGA space, we focused on improving the product packages launched last year to better meet customer demand with less effort and better quality.

Efecte's total research and development investment during the review period was 2.4 million euro (2.3). Research and development costs amounted to 1.8 million euro (1.6). In addition, 0.7 million euro (0.7) was capitalized, and 0.1 million euro (0.0) was covered through public funding.

Research and development actions are performed in Efecte Finland Oy, IntelliWISE 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 H1/2021-H1/2023:

	H1/2023	H1/2022	H1/2021
Research and development investment (million euro)	2.4	2.3	1.5
Research and development investment (% of net sales)	20%	22%	17%

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 22 March 2023 adopted the financial statements for 1 January - 31 December 2022 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 2022.

The Annual General Meeting decided that the annual remuneration remains unchanged and is EUR 45,000 for the Chair of the Board 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 Eric Gustavsson were re-elected as members of the Board of Directors, and Panu Hanula was elected as a new member of the Board of Directors. The organizational meeting of the Board of Directors elected Pertti Ervi as the Chair of the Board of Directors.

BDO Oy was elected as the auditor, with Taneli Mustonen as the auditor in charge.

The meeting decided that Article 9 of the articles of association of the Company is amended to enable holding a general meeting entirely without a meeting venue as a so-called remote meeting in addition to the Company's domicile Espoo or in Helsinki as currently provided in the articles of association.

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 6 387 174 shares. The company owned 5 882 treasury shares, ap-prox. 0.1% 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 11.20 euro, the lowest price 9.70 euro and the closing price 10.15 euro. The market value of shares was 64.8 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 574 owners on 30 June 2023 (2 604). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

The ownership of the Board members, CEO and their controlled entities totaled approximately 2.4% at the end of the reporting period. Additionally, the options held by the CEO entitle him to subscribe shares repre-senting approximately 2.2% of the outstanding shares.

The total proportion of nominee registered shares was approximately 28.6 % of all shares.

10 largest shareholder as of 30 June 2023:

	Shareholder	Shares	%
1	First Fellow Oy	810 499	12.69
2	Sijoitusrahasto Aktia Nordic Micro Cap	469 269	7.35
3	Oy Fincorp Ab	449 438	7.04
4	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.56
5	Montonen Markku	210 571	3.30
6	Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	200 834	3.14
7	Nordea Nordic Small Cap Fund	111 662	1.83
8	Ervi Pertti	91 657	1.44
9	Säästöpankki Pienyhtiöt	80 000	1.25
10	Urpalainen Jörgen	75 240	1.18

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 22 March 2023 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 2024.

The Annual General Meeting held on 22 March 2023 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 2024.

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 to 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 27 000 subscribed) with subscription price of 5.00 euro/share and subscription period of 2 May 2022 - 31 May 2024; and C series of 140 000 options (of which 140 000 allocated and 13 350 subscribed) with subscription price of 4.39 euro/share 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.

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 121 350 allocated) with subscription price of 15.55 euro/share and subscription period of 2.5.2024 - 31.5.2026; B series of 150 000 options (of which 118 355 allocated) with subscription

price 11.23 euro/share and subscription period of 2.5.2025 - 31.5.2027; and C series of 150 000 options with subscription price 10.31 euro/share and subscription period of 2.5.2025 - 31.5.2027. A series options were allocated in 2021, B series in 2022 and C series 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 8 August 2023, Efecte announced that current CFO Taru Mäkinen will leave the company by the end of September and that the Company has started the recruitment process for new CFO.

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.
- 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.
- Malfunctioning of the software or failures in operating the company's own services or the out-sourced 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 has increased substantially recently. 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 also increase costs and may limit our capacity to acquire funding for M&A or other growth investments on terms favorable to Efecte.

- If the company is unable to recruit and retain key 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.
- 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.

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 2023 (unchanged)

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 1-9/2023 on 1 November 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

A webcast for analysts, investors and media will be arranged on Tuesday 11 August 2023 at 14:00 Finnish time. Everyone interested can register to the webcast online at <https://efecte.videosync.fi/2023-q2>. The webcast will be held in English and written questions can be presented in the webcast portal. A recording of the webcast and presentation materials will be made available afterwards on the company's investor pages at investors.efecte.com.

Efecte Plc

Efecte helps people digitalize and automate their work. Customers across Europe leverage our cloud service to operate with greater agility, to improve the experience of end-users, and to save costs. The use cases for our solutions range from IT service management and ticketing to improving employee experiences, business workflows, and customer service. We are the European Alternative to the global goliaths in our space. Our headquarters is located in Finland and we have regional hubs in Germany, Poland, Spain and Sweden. Efecte is listed on the Nasdaq First North Growth Market Finland marketplace.

www.efecte.com

Financial Information

- 1 Consolidated income statement, balance sheet, cash flow statement and statement of changes in equity
- 2 Notes
 - 2.1 Basis of Preparation
 - 2.2 Development of Number of Shares
 - 2.3 Commitments
- 3 Key Figures
- 4 Calculation of key figures

This release is unaudited. The amounts in this report have been rounded from exact numbers.

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1. CONSOLIDATED INCOME STATEMENT, BALANCE SHEET, CASH FLOW STATEMENT AND STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED INCOME STATEMENT

(1 000 EUR)	1-6/2023	1-6/2022	2022
Net sales	12 247	10 356	21 607
Other operating income	196	31	115
Materials and services	-1 434	-1 058	-2 339
Personnel expenses	-8 194	-6 702	-13 697
Other operating expenses	-3 049	-2 548	-5 699
EBITDA	-234	79	-13
Other depreciation and amortization	-365	-256	-568
EBITA	-599	-177	-581
Goodwill amortization	-284	-5	-283
EBIT	-884	-182	-864
Financial income and expenses	-46	-18	-71
Profit before income tax	-930	-199	-935
Income tax	48	657	646
Minority	-	-	2
Profit for the period	-882	458	-287

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	6/2023	6/2022	12/2022
Non-current assets			
Development expenses	2 477	1 674	2 059
Other intangible assets	75	129	102
Consolidated goodwill	5 126	-	5 404
Other long-term expenses	13	7	5
Machinery and equipment	200	94	125
Current assets			
Trade and other receivables (long-term)	812	714	776
Trade and other receivables (short-term)	4 405	9 240	3 830
Short-term investments	1	-	1
Cash and cash equivalents	3 475	1 668	3 080
Total assets	16 582	13 526	15 380
Equity attributable to owners of the parent Company			
Share capital	80	80	80
Share issue	49	121	5
Reserve of invested non-restricted equity	13 229	11 819	13 211
Retained earnings	-9 788	-8 132	-8 899
Total equity	3 570	3 888	4 397
Non-current liabilities			
Financial loans	1 429	-	1 571
Other payables	1	-	1
Current liabilities			
Financial loans	292	-	290
Advances received	6 234	5 259	4 005
Trade payables	724	723	1 023
Other payables	1 303	854	1 069
Accruals	3 029	2 802	3 023
Total liabilities	13 012	9 637	10 983
Equity and liabilities	16 582	13 526	15 380

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-6/2023	1-6/2022	2022
Cash flows from operating activities	-930	-199	-935
Profit before income tax	696	279	922
Adjustments to profit for the period	1 602	1 510	643
Change in working capital	-46	-18	-71
Interest and other financial cost paid	-2	-1	-12
Income taxes paid	1 319	1 571	547
Net cash from operating activities			
Cash flows from investing activities	-845	-677	-1 367
Acquisition of tangible and intangible assets	-	-5 872	-5 880
Acquisition of subsidiaries, net of cash acquired	-845	-6 549	-7 248
Net cash from investing activities			
Cash flows from financing activities	62	138	1 415
Share issues	-	-	2 000
Withdrawal of non-current financial loans	-141	-	-141
Repayment of non-current financial loans	-79	138	3 274
Net cash from financing activities			
(Decrease)/increase in cash and cash equivalents	395	-4 840	-3 427
Cash and cash equivalents at the beginning of the period	3 080	6 508	6 508
Cash and cash equivalents at the end of the period	-930	-199	-935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 EUR	30.6.2023	30.6.2022
Permanent equity		
Share capital 1.1.	80	80
Share capital 30.6	80	80
Permanent equity in total	80	80
Distributable equity		
Share issue 1.1	5	23
Registration of shares	-5	-23
Unregistered share issue	49	121
Share issue 30.6	49	121
Reserve of invested non-restricted equity 1.1.	13 211	11 779
Share issue	18	40
Reserve of invested non-restricted equity 30.6	13 229	11 819
Retained earnings 1.1.	-8 899	-8 573
Translation differences	-7	-17
Retained earnings 30.6	-8 906	-8 590
Profit (loss) for the period	-882	458
Distributable equity	3 490	3 808
Total equity	3 570	3 888

2. NOTES

2.1 BASIS OF PREPARATION

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

2.2 NET SALES BY TYPE

(1 000 EUR)	1-6/2023	1-6/2022	2022
SaaS	8 126	6 442	13 760
Perpetual licenses	8	15	48
Maintenance	412	459	901
Services	3 701	3 441	6 899
Group total	12 247	10 356	21 607

2.3 DEVELOPMENT OF NUMBER OF SHARES

	Number of shares
1.1.2022	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
Exercise of share options	3 584
30.6.2023	6 387 174

On 30 June 2023 Efecte Plc owns 5 882 treasury shares, approx. 0.1% of the total amount of the shares.

2.4 COMMITMENTS

The following tables present the company's commitments not in the balance sheet on 30 June 2023, 30 June 2022 and 31 December 2022

Guarantees given (thousand euro)	30.6.2023	30.6.2022	31.12.2022
Office lease agreements	97	56	102
Liabilities secured by mortgage	3 200	1 000	3 200
Total	3 297	1 056	3 302

Lease commitment amounts (thousand euro)	30.6.2023	30.6.2022	31.12.2022
During next 12 months	68	56	62
Later	83	65	87
Total	152	121	148

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

Efecte Plc has a three-year office lease agreement whose rent period started on 1 March 2023. The company's lease liability from this contract is approx. 774 thousand euro.

	30.6.2023	30.6.2022	31.12.2022
(thousand euro)	374	269	292
Payable during the next 12 months	539	251	138
Payable later	914	520	430
Total	374	269	292

3. KEY FIGURES

1000 eur	1-6/2023	1-6/2022	2022	2021
Net Sales	12 247	10 356	21 607	17 764
SaaS	8 126	6 442	13 760	10 886
Licenses	8	15	48	44
Maintenance	412	459	901	1 014
Services	3 701	3 441	6 899	5 820
Domestic net sales	9 539	7 957	16 275	13 365
International net sales	2 888	2 399	5 332	4 339
Domestic sales (% of net sales)	76 %	77 %	75 %	75 %
International (% of net sales)	24 %	23 %	25 %	25 %
Recurring revenue	8 538	6 901	14 661	11 900
Recurring revenue (% of net sales)	70 %	67 %	68 %	67 %
SaaS MRR, monthly net sales at the end of the period	1 377	1 097	1 270	992
Net sales growth%	18.3 %	19.2 %	21.6 %	19.3 %
EBITDA	-234	79	-13	935
EBITDA%	-1.9 %	0.8 %	-0.1 %	5.3 %
EBITA	-599	-177	-581	450
EBITA%	-4.9 %	-1.7 %	-2.7 %	2.5 %
EBIT	-884	-182	-864	431
EBIT%	-7.2 %	-1.8 %	-4.0 %	2.4 %

1000 EUR	1-6/2023	1-6/2022	2022	2021
Earnings for the period	-882	458	-287	412
Earnings/share (EPS), eur	-0.14	0.07	-0.05	0.07
Equity/share, eur	0.56	0.62	0.69	0.53
Balance sheet total	16 582	13 526	15 380	10 541
Equity	3 570	3 888	4 397	3 308
Net debt	-1 755	-1 668	-1 219	-6 508
Return on invested capital (ROI)%	-29 %	26 %	-4 %	16 %
Equity ratio%	35 %	47 %	39 %	46 %
Net gearing%	-49 %	-43 %	-28 %	-197 %
Research and development cost	1 827	1 622	3 128	2 630
Research and development cost, % of net sales	15 %	16 %	14 %	15 %
Number of employees on average during the period	203	134	161	114
Number of employees at the end of the period	210	141	194	125
Number of shares (on average during period, excluding treasury shares)	6 375 982	6 226 023	6 282 167	6 136 005
Number of shares at the end of the period (excluding treasury shares)	6 381 292	6 231 440	6 372 157	6 219 469

17 ¹ Excludes following costs related to inorganic activities: 0.0 million euros in 4-6/2023, 0.1 million euro in 1-6/2023, 0.2 million euro in 1-6/2022 and 0.5 million euro in 2022.

4. CALCULATION OF KEY FIGURES

Key figure	Definition
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	Revenue from SaaS and Maintenance
SaaS MRR or MRR	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, 3rd 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	$100\% \times (\text{Beginning of period MRR from customers lost during period}) / (\text{MRR beginning of period})$