Heeros Oyj Business Review 1 January–31 March 2021

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Heeros Oyj's business review 1 January –31 March 2021 (unaudited): Profitability continued to improve despite challenging market conditions

Heeros' strategy implementation proceeds according to plan. Profitability continued to improve in the first quarter despite weaker revenue resulting from coronavirus pandemic.

January–March 2021 summary

- Revenue remained at almost same level as last year and amounted to EUR 2.19 million (1–3/2020: EUR 2.21 million). Recurring revenue decreased slightly due to lower transaction revenue.
- EBITDA grew strongly to EUR 0.34 million (-0.29).
- Adjusted operational cash flow was EUR 0.46 million (0.19).
- Combined EBITDA margin and revenue growth percentage (Rule of 40) was 14.3% (-3.7%).
- During the reporting period, Heeros and its current e-invoice operator OpenText signed a strategic partnership agreement that will open a new sales channel for Heeros to small and medium-sized customers in Europe, enable expansion of Heeros services into new markets and improve the services for existing customers.
- Heeros' outlook for 2021 remains unchanged: Heeros is expecting to increase the combined EBITDA margin (EBITDA, % of revenue) and revenue growth percentage (Rule of 40) to 30% level for the 2021 financial period.







Q1/ 2021 **EUR thousand** Q1/ 2020 Change % 2020 Revenue 2,187 2,209 -1% 8,752 Recurring revenue¹ 2,056 2,096 -2% 8,325 of which transaction revenue 841 3,255 752 -11% EBITDA² 335 -286 1,429 EBITDA margin, % of revenue 15.3% -13.0% 16.3% Adjusted operational cash flow³ 460 190 1,393 +142% Rule of 40, % -3.7% 14.3% 18.0%

1 Transactions, usage fees and service contracts are reported as recurring revenue.

2 Q1/2020 EBITDA included an adjustment of EUR 454 thousand for non-recurring restructuring costs during the reporting period. Q1/2021 EBITDA does not include corresponding adjustments.

3 Adjusted operational cash flow includes an adjustment made in 2020 for payment for taxes and employment pension contributions as well as for non-recurring restructuring costs.

Key figures



Mikko Pilkama, CEO:

"Heeros' business is proceeding according to plan. In the first quarter of the year, profitability continued to develop strongly, although transaction revenue, which is based on invoice volumes, decreased due to coronavirus pandemic restrictions and overall economic uncertainty. Pandemic-related restrictions affected our customers above all in hospitality sectors.

Recurring revenue was close to the level of the first quarter of last year when the corona pandemic not yet impacted Heeros' revenue. In line with our strategy, we have continued to renew our customer contracts to reduce the impact of transaction-based revenues.

In the challenging operating environment, Heeros' sales continued strong during the first quarter. We received customer orders worth about EUR 300 thousand in terms of ARR (Annual Recurring Revenue). Another success story that I want to highlight is that Heeros' customer base grew by more than 800 new end-customers during January-March. The actions taken last spring to boost sales competitiveness are now bearing fruit: the ARR of customer orders has more than doubled from the first quarter of last year.

During the reporting period, we continued to build easier and smoother financial management for our customers.

As a part of this work, we signed a new strategic partnership agreement with OpenText. The contract will open a new sales channel for Heeros in Europe and enable expansion of our services into the fast digitalising European financial administration markets. This partnership will make it possible for us to offer even better support for our existing and new customers. We are excited about the opportunity to co-operate with the world's leading e-invoice operator.

In the beginning of the year, Heeros' product development launched new customer driven functionalities. An example of this is the tax interface of Heeros Kirjanpito (Heeros Accounting) that enables easy and automated sending of required official reports. Additionally, our new functionality of guided, fast and easy creation of new customers was launched to all our accounting firm customers, and the user path was further automated. development of renewed user interfaces and automation. By adding automated interfaces into our solution, we will enable an even better end-to-end user experience for our customers – also when financial administration has to be integrated to other businesscritical systems.

We are thrilled to have started the renewal of Heeros' mobile application in the first quarter. We have chosen as our partner the leading Finnish company, Qvik, with whom we will launch a new mobile enterprise application during the third quarter of 2021.

Heeros has now a scalable growth model and a cost level that supported continued strong profitability growth during the first quarter of the year. Additionally, significant progress was made in both sales and product development. I would like to extend my thanks to Heeros' personnel for the outstanding work to achieve this."

Impact of the coronavirus pandemic on the business

Market conditions continued to be challenging in the first quarter of the year due to new pandemic-related restrictions. Approximately 20% of our customers operate in businesses significantly affected by the coronavirus pandemic. In Heeros' business this translates into smaller transaction volumes or smaller number of purchase and sales invoices of our customers. In the first quarter of the year, total revenue of purchase and sales invoices and payslips sent through Heeros was 11% lower than last year.

Heeros' operational processes and practices support remote working. The coronavirus pandemic has not had an essential impact on Heeros' operations, business continuity, product and service development or customer service, nor has the pandemic impacted Heeros' financial result in the form of impairments of trade receivables or credit losses.

Events after the reporting period

On April 6th 2021, Heeros appointed Inkeri Turjanmaa as Director, Service Adoption. Inkeri is responsible for Heeros' customer projects.

Interface development is another key theme in Heeros' product development in 2021, in addition to



Outlook for 2021

Heeros expects the economic restrictions to be lifted gradually. As a result, the outlook for the rest of the year is expected to be more positive also in businesses hit by the corona pandemic. Heeros' revenue is affected by increasing economic activity through the number of transactions.

Heeros' outlook for 2021 remains unchanged: Heeros is expecting to increase the combined EBITDA margin (EBITDA, % of revenue) and revenue growth percentage (Rule of 40) to 30% level for the 2021 financial period.

Financial reporting in 2021 and Annual General Meeting 2021

On March 1st 2021, Heeros announced the postponement of its Annual General Meeting. On March 26th 2021 Heeros announced that the Annual General Meeting will be held on April 29th2021.

Heeros will publish its half-year report on August 11th 2021 and the business review for Q3/2021 on October 21st2021.

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