



## Digitalist Group Plc's Business Review, 1 January – 30 September 2023

### SUMMARY

#### July–September 2023 (comparable figures for 2022 in parentheses):

- Turnover: EUR 3.6 million (EUR 3.9 million), decrease: -8.0%.
- EBITDA: EUR 0.4 million\* (EUR -0.6 million), 12.1% of turnover (-15.7%).
- EBIT: EUR 0.2 million\* (EUR -1.1 million), 6.6% of turnover (-29.1%).
- Net income: EUR -0.4 million\* (EUR -1.9 million), -11.9% of turnover (-47.5%).
- Earnings per share (diluted and undiluted): EUR -0.00 (EUR -0.00).

\*) EBIT, EBITDA and net income of the period were impacted by a booked gain of EUR 0.6 million from the FutureLab Share transaction. The sales gain of approximately EUR 1.0 million (as released on July 4, 2023) has been reduced by a goodwill allocation of EUR 0.4 million associated with the divested operation.

#### January–September 2023 (comparable figures for 2022 in parentheses):

- Turnover: EUR 12.5 million (EUR 14.3 million), decrease: -12.6%.
- EBITDA: EUR -0.5 million\* (EUR -2.0 million), -3.9% of turnover (-14.1%).
- EBIT: EUR -1.1 million\* (EUR -3.4 million), -8.8% of turnover (-24.0%).
- Net income: EUR -2.5 million\* (EUR -5.0 million), -19.8% of turnover (-35.0%).
- Earnings per share (diluted and undiluted): EUR -0.00 (EUR -0.00).
- Number of employees at the end of the review period: 138 (159), decrease of -13.2%.

\*) EBIT, EBITDA and net income of the period were impacted by a booked gain of EUR 0.6 million from the FutureLab Share transaction. The sales gain of approximately EUR 1.0 million (as released on July 4, 2023) has been reduced by a goodwill allocation of EUR 0.4 million associated with the divested operation.

### CEO's review

The third quarter started with major events, as we sold our fully-owned subsidiary FutureLab & Partners AB, acquired a Swedish brand, strategy, and communications company Open Communications International AB, and decreased business operations in Canada to focus on our core businesses in the European markets.

Our turnover for the first nine months of 2023 experienced a decline compared to the same period last year, registering at 12.5 MEUR as opposed to 14.3 MEUR for the same period in 2022. In spite of the positive revenue impact of acquiring Open Communications International AB in Sweden, the revenue impact of selling FutureLab and downgrading expectations regarding our operations in Canada jointly resulted in decreasing our guidance regarding the turnover as announced in early July.



The EBIT, EBITDA, and net income for the period felt the positive impact of a booked gain of 0.6 million EUR from the FutureLab sale. Nevertheless, even without this factor, our results showed improvement over the previous year with a EBITDA of -0.5 MEUR compared to -2.0 MEUR in the first nine months. Despite this progress, it's clear we have much more work ahead to reach a satisfactory level of profitability.

Our primary markets, Sweden and Finland, have been affected by challenging general economic conditions, which has undoubtedly impacted segments of our business. This necessitates that we remain agile and responsive to the market's fluctuations.

To forge ahead towards profitability, we've instituted several strategic measures this year, including:

- The acquisition of Open Communications International to strengthen our Brand strategy and communications offerings in Sweden and at the same time open up for synergies with Grow.
- Further savings programs have been implemented in Grow AB and in Digitalist Finland Oy to adapt the cost to the current market outlook.
- Selling FutureLab & Partners AB, which supports our equity, increased the financial flexibility and the focus on our core business.
- Downsizing our business operations in Canada, focusing increasingly on our core businesses in the European markets, especially in Sweden and Finland.

We are constantly looking for new ways of running our business more effectively and are implementing even more actions during the fourth quarter.

This said our most important task is to improve our topline. LeanLab, our SaaS business, is growing with new clients and recurring revenue. Adding to our open tech offering, we have also launched a new SaaS offering, Open Cloud, where we offer open technology products as a service. This opens up a new way for companies to leverage the strengths of open technology.

We are continuing to serve both the private and public sector and are proud to have closed deals with clients like City of Helsinki, EQT, Pembroke, Business Sweden and Finnish VTT during the third quarter.

While our profitability indicators reflect an upward momentum, we acknowledge that the pace of transformation needs acceleration. Every individual within our organisation is relentlessly committed to driving our business forward and enhancing value.

/CEO, Magnus Leijonborg



## **FUTURE PROSPECTS**

In 2023, turnover is expected to decrease and EBITDA is expected to improve in comparison with 2022.

## **EVENTS DURING THE THIRD QUARTER**

Digitalist Group reorganized its business operations and decreased its earlier guidance regarding turnover 4.7.2023

Digitalist Group sold its fully-owned subsidiary FutureLab & Partners AB

Digitalist Group signed 4.7.2023 a share purchase agreement to divest its fully-owned subsidiary FutureLab & Partners AB. The Share transaction was completed by selling all FutureLab shares in Digitalist Group's possession to Turret Oy Ab. Turret is Digitalist Group's largest shareholder (49.33%). Sales price was EUR 1.2 million and it was paid in cash.

FutureLab was spun off from Grow AB in November 2022. FutureLab's turnover January - June 2023 was EUR 0.5 million and EBITDA EUR 0.0 million. FutureLab's equity was EUR 0.1 million, balance sheet total EUR 0.3 million and the amount of personnel was 6 on 30.6.2023. Digitalist Group has booked in other operating income a capital gain of EUR 0.6 million of the Share transaction. The sales gain of approximately EUR 1.0 million (as released on July 4, 2023) was reduced by a goodwill allocation of EUR 0.4 million associated with the divested operation.

Board members Esa Matikainen, Johan Almquist, Maria Olofsson and Andreas Rosenlew, who are independent of Turret, participated in the evaluation of Share transaction. Independent board members asked an external impartial assessor for a valuation of FutureLab. According to the valuation the sales price was considered fair. According to company law legislation relating to related party transactions Digitalist Group's board members Paul Ehrnrooth and Peter Eriksson did not participate in the decision making of Share transaction.

Digitalist Group signed the final agreement to acquire Open Communications International AB

Digitalist Group signed 4.7.2023 the final agreement for a Transaction in which Digitalist Group acquired Open Communications International AB ("OC") ([www.open.se](http://www.open.se)). Digitalist Group informed about the letter of intent on the Transaction on 10.5.2023.

Digitalist Group acquired 70 percent of the shares in OC for a consideration consisting of SEK 2.5 million paid in cash, and by issuing 11.007.709 new Digitalist Group shares to be directed to David Gray through his holding company. In addition, Digitalist Group acquired the remaining 30 percent of the shares in OC with shares of its fully-owned subsidiary Grow AB transferred as consideration to the sellers (David Gray and Gunilla Lundström through their holding companies) as part of the total consideration. The total consideration for the full acquisition was SEK 10.6 million. The Transaction resulted in 10% minority ownership of the Sellers and 90% majority ownership of Digitalist Group remaining in Grow AB post transaction.



As part of the Transaction described the Company issued new shares as payment for the purchase price. The Board resolved to issue a maximum of 11.007.709 new shares of the Company and directed them to David Gray Communications AB in accordance with the terms of the Directed Share Issue. The Share subscription price in the Directed Share Issue was approximately EUR 0.023 per Share.

David Gray Communications AB subscribed for the Shares offered for subscription in the Directed Share Issue in full, and the Board of Directors of Digitalist Group accepted David Gray Communication AB's share subscription. The subscription price of the Shares was EUR 254 119 in total.

The Shares issued in the Directed Share Issue correspond to altogether approximately 1.6 percent of all Company shares and votes after the Directed Share Issue.

#### Digitalist Group informed to focus on its core business in the European markets

As part of the efforts to improve Digitalist Group's profitability, adjust the cost structure, and prepare for the changed market situation, the Company announced having downsized business operations in Canada. Digitalist Group focuses increasingly on its core businesses in the European markets, especially in Sweden and Finland.

#### Change in turnover guidance 4.7.2023

Digitalist Group Plc decreased its earlier guidance regarding future prospects.

The new guidance is:

In 2023, turnover is expected to decrease and EBITDA is expected to improve in comparison with 2022.

The previous guidance of the company was:

In 2023, turnover and EBITDA are expected to improve in comparison with 2022.

#### Digitalist Group Plc's new shares registered in the trade register 24.7.2023

Digitalist Group Plc announced on July 4th, 2023 about a directed share issue of 11.007.709 shares to David Gray's holding company. The new shares subscribed were registered into the Finnish Trade Register on July 24th, 2023. After the registration of the new shares, the company has 693.430.455 shares in total.

The new shares produced the shareholder rights as of the registration date to Euroclear Finland Ltd book-entry system on July 25th, 2023. The new shares were admitted to trading together with the old shares on the official list of Nasdaq Helsinki Ltd on July 25th, 2023.

The stock exchange releases are on the company's website at <https://digitalist.global/investors/releases>

Despite the implemented efficiency measures and financial arrangements, the cash flow for the next 12 months is likely to be negative, according to the forecast. However, at the time of publishing the business



reviews, the company estimates that its working capital is sufficient for the needs of the next 12 months, taking into account the financing support provided by the main owner if needed.

DIGITALIST GROUP OYJ

Board of Directors

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