

Lemonsoft Oyj's Interim Report for 1 January - 31 March 2022



Lemonsoft Oyj's Interim Report for 1 January - 31 March 2022: Strong sales growth continued

JANUARY-MARCH 2022

- Net sales increased 29.9% and were EUR 5,002 thousand (3,849)
- EBITDA was EUR 1,358 thousand (1,370), 27.1% (35.6) of net sales
- Adjusted EBITDA was EUR 1,369 thousand (1,368), 27.4% (35.6) of net sales
- EBIT was EUR 1,010 thousand (1,133), 20.2% (29.4) of net sales
- Adjusted EBIT was EUR 1,325 thousand (1,311), 26.5% (34.1) of net sales
- Profit of the review period was EUR 762 thousand (884), 15.2% (23.0) of net sales

Key figures

EUR 1,000	1-3/2022	1-3/2021	Change	1-12/2021
Net sales	5,002	3,849	29.9 %	17,227
SaaS	3,882	2,786	39.3 %	12,996
Transaction	278	249	11.5 %	1,084
Consulting and other	843	814	3.5 %	3,148
Gross margin	4,449	3,447	29.1 %	15,335
Gross margin, % of net sales	88.9 %	89.5 %		89.0 %
EBITDA	1,358	1,370	-0.9 %	4,231
EBITDA, % of net sales	27.1 %	35.6 %		24.6 %
Adjusted EBITDA ¹⁾	1,369	1,368	0.0 %	5,635
Adjusted EBITDA, % of net sales	27.4 %	35.6 %		32.7 %
EBIT	1,010	1,133	-10.8 %	3,070
EBIT, % of net sales	20.2 %	29.4 %		17.8 %
Adjusted EBIT ²⁾	1,325	1,311	1.1 %	5,411
Adjusted EBIT, % of net sales	26.5 %	34.1 %		31.4 %
Profit (Loss) of the period	762	884	-13.8 %	2,272
Profit (Loss) of the period, % of net sales	15.2 %	23.0 %		13.2 %
Equity ratio, %	77.5 %	55.3 %		75.0 %
Net debt	-16,449	-1,979	731.3 %	-15,760
Gearing, %	-72.3 %	-35.1 %		-71.7 %
Earnings per share (EPS) ³⁾	0.04	0.05	-19.8 %	0.13
Number of employees at the end of the period	158	118	33.9 %	153
Outstanding shares at the end of the period	18,273,726	680		18,273,726
Average outstanding shares during the period	18,273,726	680		5,879,408

¹⁾ Adjusted EBITDA is EBITDA adjusted by costs related to the acquisitions and the IPO as well as certain extraordinary items (Business Finland's aid)

²⁾ Adjusted EBIT is EBIT adjusted by goodwill amortizations, costs related to the acquisitions and the IPO as well as certain extraordinary items (Business Finland's aid)

³⁾ The share split has been considered in 2021 figures

CEO Kari Joki-Hollanti

The first quarter of 2022 developed largely in line with our expectations. The number of new customer leads and new deals were at a high level compared to last year. There were some bottlenecks in implementations, but the situation is improving. Net sales were EUR 5.0 million, growing by 29.9 % compared to Q1 2021. Our adjusted EBIT margin was at an expected level, at 26.5 %.

The number of customers continued to grow and was approximately 7,000 at the end of Q1 2022, compared to approximately 6,800 at the end of year 2021.

The trend in ERP systems has during the past years been to expand to various e-commerce solutions. We saw this development two years ago when we introduced the LemonShop product to the market. A seamlessly integrated e-commerce solution is becoming a key selection criteria when evaluating different ERP systems. Positive customer feedback encouraged us to invest more in e-commerce solutions and therefore we strengthened the unit significantly during the first quarter.

In January we released the LemonSmart solution, offered through accounting firms to micro-enterprises. LemonSmart also upgrades Lemonsoft's product offering in the accounting sector. LemonSmart is a highly automated solution for sales and purchase invoicing, payroll, cash flow management and reporting functions. VAT declarations and other legal requirements are automatically handled by the system. Micro-enterprises have not previously been our target group, but we also want to offer them a solution, which grows with the company. LemonSmart shares the common business logic and the database with Lemonsoft ERP.

We will also actively continue to evaluate possible acquisition targets in several interesting industries and product areas.

Our second quarter is busy, and there are more implementations ongoing than before. General interest towards ERP systems seems to remain high despite the current uncertain geopolitical situation.



Group Financial Development

Group financial result and profitability

January-March 2022

Net sales for the review period were EUR 5,002 thousand (3,849). Net sales increased by EUR 1,153 thousand, 29.9%. Organic growth of the review period was 9.1%. The comparison period included exceptionally high license sales, which shows as lower organic growth of the review period. Net sales grew especially due to new customer acquisition, previous year's acquisitions of Metsys Oy and PlanMill Oy and the asset purchase of Talosofta. Out of these, the net sales of Metsys Oy were not included in the comparison period in January and the net sales of PlanMill Oy and Talosofta were not included at all in the comparison period's net sales.

The share of SaaS income during the review period was 77.6% (72.4), the share of transaction income 5.6% (6.5), and consulting and other income 16.8% (21.1).

EBITDA was EUR 1,358 thousand (1,370), 27.1% (35.6) of net sales. Adjusted EBITDA (adjustments specified in the table *EBITDA and EBIT Adjustments*) was EUR 1,369 thousand (1,368), 27.4% (35.6) of net sales. According to expectations, adjusted EBITDA of the review period was affected by increased salary costs due to recruitments and higher other operating expenses mainly due to IPO related, new running cost items.

EBIT was EUR 1,010 thousand (1,133), 20.2% (29.4) of net sales. Adjusted EBIT (adjustments specified in the table *EBITDA and EBIT Adjustments*) was EUR 1,325 thousand (1,311), 26.5% (34.1) of net sales. According to expectations, adjusted EBIT of the review period was affected by increased salary costs due to recruitments and higher other operating expenses mainly due to IPO related, new running cost items.

Profit for the review period was EUR 762 thousand (884), 15.2% (23.0) of net sales.

Cash flow from operating activities during the review period was EUR 798 thousand (1,286).

Balance sheet, financing and investments

The balance sheet total at the end of the review period was EUR 29,988 thousand (29,798 at the end of the year 2021).

The Group has not capitalized any R&D costs during the review period or the comparison period.

Equity at the end of the review period was EUR 22,753 thousand (21,991 at the end of the year 2021), equity increased EUR 762 thousand.

Equity ratio at the end of the review period was 77.5% (75.0 at the end of the year 2021) and interest-bearing debt was EUR 3,300 thousand (3,300 at the end of the year 2021).

Cash and cash equivalents at the end of the review period were EUR 19,749 thousand (19,060 at the end of the year 2021).

Personnel, management and administration

The Group number of employees was 158 (118) on 31 March 2022.

Recruitments of the review period have strengthened the R&D and Customer service functions.

The personnel are divided as follows:

- R&D 88 employees
- Customer service 38 employees
- Sales 14 employees
- Other functions, a total of 18 employees

Annual General Meeting

Lemonsoft Oyj's Annual General Meeting was held on 5 April 2022 in Helsinki with exceptional arrangements without the presence of shareholders or their representatives. The Annual General Meeting adopted the financial statements for the year 2021 and discharged the members of the Board of Directors and the CEO from liability for the last financial year.

The Annual General Meeting elected five members to the Board of Directors; Christoffer Häggblom, Michael Richter, Kari Joki-Hollanti, Salla Miettinen-Lähde and Ilkka Hiidenheimo. The Board elected Christoffer Häggblom as Chairman from among its members. The Annual General Meeting decided that the Chairman of the Board will be paid EUR 3,000 per month and the ordinary members of the Board EUR 1,500 per month as a remuneration.

The Annual General Meeting decided that KPMG will continue as the company's auditor. Kim Järvi, Authorized Public Accountant, will continue as the responsible auditor appointed by the audit firm. It was decided to pay the auditor fees according to the reasonable invoice.

The Annual General Meeting decided to establish an Audit Committee. Chairman of the Audit Committee will be paid EUR 1,000 per meeting and the members of the Committee EUR 500 per meeting as a remuneration. Board of Directors elected, in its Inaugural Board Meeting after the Annual General Meeting, Salla Miettinen-Lähde as Chairman of the Audit Committee, and Michael Richter as a member.

The Annual General Meeting decided to establish a Shareholders' Nomination Board. The duties of the Nomination Board will be e.g. to prepare proposals for the Annual General Meeting regarding the election of Board members and the remuneration of members of the Board and Board committees. The Nomination Board consists of three members who are the company's three largest shareholders or their nominated representatives. The Chairman of the Board of Directors would act as an expert member of the Nomination Board, unless he is a member of the Nomination Board on other grounds (when acting as an expert member, the Chairman of the Board would not be an official member of the Nomination Board and would not have voting rights).

The Annual General Meeting authorized the Board to decide on an ordinary or bonus issue of shares and the granting of special rights. The maximum total number of shares to be issued by virtue of the authorization is 2,000,000 shares. The authorization applies to both new shares and treasury shares held by the company. The authorization entitles the Board of Directors to resolve on all the conditions of the issuance of shares and the issuance of special rights entitling to shares, including the right to deviate from the shareholders' pre-emptive subscription right.

The authorization is in force until the next Annual General Meeting, however, no longer than until 30 June 2023, and it replaces the previous authorizations granted regarding a directed share issue and issuance of special rights entitling to shares.

Shares and shareholders

Share capital and number of shares

The company has one series of shares, and all shares have equal rights. At the end of the review period, Lemonsoft Oyj's share capital consisted of 18,273,726 (680) shares. The average number of shares during the review period was 18,273,726 (680). The share split has been considered in the number of shares.

The company's share is traded on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Oy. During the review period, the highest share price was EUR 18.00 and the lowest EUR 11.04. The closing price on 31 March 2022 was EUR 13.05. The market value of the company at the closing price of the review period was approximately EUR 238.5 million. Average daily trading volume during the review period was 13,471 shares (EUR 201,203).

On 31 March 2022, the company had a total of 2,615 shareholders. The company's largest shareholders can be found on the company's investor website at <https://investors.lemonsoft.fi/osakkeenomistajat/>.

Significant short-term risks and uncertainties

The biggest challenge for our industry is the availability of skilled personnel. To maintain strong growth, Lemonsoft is investing heavily in recruiting employees with strong expertise. Success of the Group and opportunities for organic growth depend largely on how well we can recruit, motivate, and engage more skilled personnel and maintain and develop our expertise.

Possible weakening of the business of the Group's customer companies could result in e.g. reduced investments by industrial manufacturing companies and decreased need for subcontracting chains. This could also have a negative impact on the demand for ERP systems, which could slow down the development of the Group's new sales and upselling potential to the existing customer base.

In addition to the Covid-19 pandemic, globally affecting conflicts like the war in Ukraine could also have direct and indirect impacts on Lemonsoft's business. These could also pose business and bankruptcy risks to the Lemonsoft's customers, which in turn may affect the Group's business and cash position. Lemonsoft constantly monitors the development of the situation from a risk management perspective.

The ERP market is generally a highly competitive market, and the industry is fragmented. Smaller players are primarily focused in a specific sector of SMEs and larger players do not compete directly for customers in the same market. However, competition in Lemonsoft's operating markets may intensify due to existing competitors or agile new entrants.

Risks related to information security and the IT systems of service providers are a significant factor affecting the security and continuity of the Group's business. Lemonsoft constantly invests in high reliability and high security systems and strives to ensure the high quality of the services it purchases by selecting leading players in the industry as its key partners. European data protection regulations may also bring unexpected risks to Lemonsoft's operating environment.

Success in acquisitions and related integration work is a key factor for Lemonsoft's growth. The company has made several acquisitions in recent years and aims to continue to grow through acquisitions. There may be unexpected risks associated with target companies and their integration into Lemonsoft.

Board of Director's proposal for dividend

The Annual General Meeting decided that a dividend of EUR 0.13 per share will be paid according to the confirmed balance sheet for the accounting period ending on 31 December 2021. About total of EUR 2,4 million was paid in dividends after the review period, 20 April 2022.

Events after the review period

There were no significant events after the review period.

Outlook 2022

Lemonsoft's goal is to continue steady growth, both by increasing the number of software modules offered to its existing customer base and by expanding its customer base with new customer acquisition.

Digitalization and increasing use of ERP systems in the Group's potential customer base is expected to continue, especially in the construction industry and in industrial manufacturing and logistics. ERP is a key system for management and continuation of a customer's business, based on which customer retention is also expected to remain at the current high level.

Recruitments made in the second half of 2021 and during the review period will weaken relative profitability in the first half of 2022 compared to the second half.

Profit forecast for 2022

We keep the previous profit forecast for 2022 unchanged. We estimate that the net sales for the financial year 2022 will increase by 23-28 percent compared to the financial year 2021, and that adjusted EBIT will be 30-35 percent of net sales in 2022.

Financial information

Lemonsoft Oyj will publish the following financial information in 2022:

- Half-year Report January-June 2022 on Friday, 22 July 2022
- Interim Report January - September 2022 on Friday, 28 October 2022

Webcast for investors and media

Lemonsoft will host a live webcast for investors and the media in English on April 27, 2022 at 2:00pm EET.

The webcast can be followed online live via this link: <https://lemonsoft.videosync.fi/2022-q1-results>

A recording of the event and the presentation material will be available after the event at <https://investors.lemonsoft.fi/>.

Lemonsoft Oyj
Board of Directors

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About Lemonsoft Oyj

Lemonsoft is a Finnish software company that designs, develops and sells ERP software solutions to streamline its customers' processes across different business lines and administration. The extensive offering of software solutions and related services enables the company to provide its customers with holistic service. The company's standardized and scalable software solutions are delivered mainly from the cloud and are based on the SaaS model in which customers pay a monthly service fee for the use of the software. The company operates in the ERP software market in Finland primarily as a service provider for SMEs. The company's customer base includes customers from especially industrial manufacturing, wholesale and retail, professional services automation, construction and accounting.

Get to know us better at www.lemonsoft.fi.

Distribution

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Principal media

Accounting principles for the review period

The figures have been prepared in accordance with Finnish Accounting Standards (FAS).

The figures of the review period are unaudited.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	1-3/2022	1-3/2021	1-12/2021
NET SALES	5,002	3,849	17,227
Other operating income	1	14	45
Materials and services	-555	-417	-1,893
Personnel expenses	-2,633	-1,787	-8,091
Depreciation and amortization			
Depreciation	-123	-92	-462
Goodwill amortization	-224	-144	-699
Total depreciation and amortization	-347	-236	-1,161
Other operating expenses	-458	-290	-3,059
EBIT	1,010	1,133	3,070
Financial income and expenses	-5	1	16
PROFIT (LOSS) BEFORE TAXES	1,006	1,134	3,086
Income taxes	-238	-250	-778
Minority share	6	0	35
PROFIT (LOSS) FOR THE PERIOD	762	884	2,272

CONSOLIDATED BALANCE SHEET

EUR 1,000	3/2022	3/2021	12/2021
NON-CURRENT ASSETS			
Intangible assets	6,173	3,734	6,484
Tangible assets	606	580	533
Investments	1,874	1,495	1,874
TOTAL NON-CURRENT ASSETS	8,653	5,809	8,891
CURRENT ASSETS			
Inventories	36	43	52
Current receivables	1,550	980	1,795
Cash at bank and in hand	19,749	3,979	19,060
TOTAL CURRENT ASSETS	21,335	5,002	20,907
Total Assets	29,988	10,811	29,798
EQUITY	22,753	5,633	21,991
Minority interest	36	1	30
LIABILITIES			
Non-current liabilities	2,400	1,500	2,400
Current liabilities	4,799	3,677	5,377
TOTAL LIABILITIES	7,199	5,177	7,777
Total equity and liabilities	29,988	10,811	29,798

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1-3/2022	1-3/2021	1-12/2021
Cash flow from operating activities:			
Profit (Loss) before extraordinary items	1,006	1,134	3,086
Adjustments	352	253	1,182
Cash flow before change in working capital	1,358	1,387	4,267
Change in working capital	-305	150	328
Cash flow from operating activities before financial items and taxes	1,053	1,536	4,595
Net financial items and taxes	-255	-251	-602
Net cash from operating activities (A)	798	1,286	3,994
Cash flow from investing activities:			
Acquisition of intangible and tangible assets	-109	0	-2,560
Proceeds from sale of tangible and intangible assets	0	0	107
Other investments	0	0	-379
Acquired shares in subsidiaries	0	-197	-1,236
Net cash used in investing activities (B)	-109	-197	-4,069
Cash flow from financing activities:			
Dividends paid	0	-2,210	-2,210
Net cash flow from non-current loans	0	0	1,300
Share issue	0	0	14,945
Net cash from financing activities (C)	0	-2,210	14,035
Change in cash at bank and in hand (A + B + C) increase (+) / decrease (-)	689	-1,122	13,960
Cash at bank and in hand at the beginning of the period	19,060	5,100	5,100
Cash at bank and in hand at the end of the period	19,749	3,979	19,060
Change in cash	689	-1,122	13,960

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	1-3/2022	1-3/2021	1-12/2021
Restricted equity			
Share capital at the beginning of the period	80	8	8
Increase of share capital	0	0	72
Share capital at the end of the period	80	8	80
Total restricted equity	80	8	80
Free equity			
Invested unrestricted equity reserve at the beginning of the period	14,980	36	36
IPO	0	0	14,945
Invested unrestricted equity reserve at the end of the period	14,980	36	14,980
Invested unrestricted equity reserve total	14,980	36	14,980
Retained earnings at the beginning of the period *	6,930	6,916	6,935
Dividends distributed	0	-2,210	-2,210
Increase of share capital	0	0	-72
Retained earnings at the end of the period	6,930	4,706	4,658
Profit (Loss) for the period	762	884	2,272
Total free equity	22,673	5,625	21,911
Capital loans			
Capital loans at the beginning of the period	0	0	200
Transfer of capital loan	0	0	-200
Capital loans at the end of the period	0	0	0
Total capital loan	0	0	0
TOTAL EQUITY	22,753	5,633	21,991

* Earnings from subsidiary mergers transferred to Retained earnings in 2021

GROUP'S COMMITMENTS

EUR 1,000	3/2022	3/2021	12/2021
Rental obligations			
Rental obligations < 1 y	198	48	200
Rental obligations > 1 y	0	0	5
Total rental obligations	198	48	205
Lease obligations			
Lease obligations < 1 y	1	8	1
Lease obligations > 1 y	0	0	0
Total lease obligations	1	8	1
Collateral securities			
Cash pledges (movable object, security) *	1,073	1,073	1,073
Business mortgage, parent company	2,000	500	2,000
Total collateral securities	3,073	1,573	3,073

*The value of cash pledges corresponds to the purchase price of the pledged real estate shares

CALCULATION OF KEY FIGURES

Gross margin = Net sales + Other operating income – Materials and services

EBITDA = EBIT + Depreciation and amortization

Adjusted EBITDA = EBIT + Depreciation and amortization – Business Finland's aid + M&A costs + IPO costs

Operating profit (EBIT) = Net sales + Other operating income – Materials and services – Personnel expenses – Other operating expenses – Depreciation and amortization

Adjusted EBIT = EBIT – Business Finland's aid + M&A costs + IPO costs + Goodwill amortization

Equity ratio, % = Equity +/- Minority interest x100 / (Balance sheet total - Advances received)

Gearing, % = (Interest-bearing liabilities – Cash at bank and in hand) x100 / Equity

Net debt = Loans from credit institutions – Cash at bank and in hand

Earnings per share (EPS) = Profit (Loss) of the period / Adjusted average number of outstanding shares during the period

EBITDA AND EBIT ADJUSTMENTS

EUR 1,000	1-3/2022	1-3/2021	1-12/2021
EBITDA	1,358	1,370	4,231
EBITDA, % of net sales	27.1 %	35.6 %	24.6 %
<i>Business Finland subsidies</i>	0	-14	-45
<i>M&A and IPO costs</i>	11	13	1,449
Adjusted EBITDA	1,369	1,368	5,635
Adjusted EBITDA, % of net sales	27.4 %	35.6 %	32.7 %

EUR 1,000	1-3/2022	1-3/2021	1-12/2021
EBIT	1,010	1,133	3,070
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<i>Business Finland subsidies</i>	0	-14	-45
<i>M&A and IPO costs</i>	11	13	1,449
<i>Goodwill amortization</i>	303	179	937
Adjusted EBIT	1,325	1,311	5,411
Adjusted EBIT, % of net sales	26.5 %	34.1 %	31.4 %

