

Lemonsoft Oyj's Financial Statements Bulletin for 1 January - 31 December 2022



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Growth and profitability remained strong

OCTOBER-DECEMBER 2022

- Net sales increased 30.5% and were EUR 6,449 thousand (4,943)
- EBITDA was EUR 2,222 thousand (52), 34.5% (1.1) of net sales
- Adjusted EBITDA was EUR 2,236 thousand (1,269), 34.7% (25.7) of net sales
- EBIT was EUR 1,497 thousand (-298), 23.2% (-6.0) of net sales
- Adjusted EBIT was EUR 2,159 thousand (1,207), 33.5% (24.4) of net sales
- Profit of the review period was EUR 977 thousand (-364), 15.2% (-7.4) of net sales

JANUARY-DECEMBER 2022

- Net sales increased 30.9% and were EUR 22,550 thousand (17,227)
- EBITDA was EUR 6,848 thousand (4,231), 30.4% (24.6) of net sales
- Adjusted EBITDA was EUR 6,907 thousand (5,635), 30.6% (32.7) of net sales
- EBIT was EUR 4,665 thousand (3,070), 20.7% (17.8) of net sales
- Adjusted EBIT was EUR 6,669 thousand (5,411), 29.6% (31.4) of net sales
- Profit of the review period was EUR 3,229 thousand (2,272), 14.3% (13.2) of net sales

Key Figures

EUR 1,000	10-12/2022	10-12/2021	Change	1-12/2022	1-12/2021	Change
Net sales	6,449	4,943	30.5 %	22,550	17,227	30.9 %
SaaS	4,581	3,741	22.4 %	16,989	12,996	30.7 %
Transaction	308	298	3.6 %	1,172	1,084	8.1 %
Consulting and other	1,560	904	72.5 %	4,390	3,148	39.4 %
Gross margin	5,798	4,381	32.3 %	19,982	15,380	29.9 %
Gross margin, % of net sales	89.9 %	88.6 %		88.6 %	89.3 %	
EBITDA	2,222	52	4146.5 %	6,848	4,231	61.9 %
EBITDA, % of net sales	34.5 %	1.1 %		30.4 %	24.6 %	
Adjusted EBITDA ¹⁾	2,236	1,269	76.2 %	6,907	5,635	22.6 %
Adjusted EBITDA, % of net sales	34.7 %	25.7 %		30.6 %	32.7 %	
EBIT	1,497	-298	603.1 %	4,665	3,070	51.9 %
EBIT, % of net sales	23.2 %	-6.0 %		20.7 %	17.8 %	
Adjusted EBIT ²⁾	2,159	1,207	78.8 %	6,669	5,411	23.2 %
Adjusted EBIT, % of net sales	33.5 %	24.4 %		29.6 %	31.4 %	
Profit (Loss) of the period/financial year	977	-364	368.6 %	3,229	2,272	42.1 %
Profit (Loss) of the period/financial year, % of net sales	15.2 %	-7.4 %		14.3 %	13.2 %	
Equity ratio, %	70.4 %	75.0 %		70.4 %	75.0 %	
Net debt	-9,292	-15,760	41.0 %	-9,292	-15,760	41.0 %
Gearing, %	-38.1 %	-71.7 %		-38.1 %	-71.7 %	
Earnings per share (EPS) ³⁾	0.05	-0.02	348.2 %	0.18	0.39	-54.5 %
Number of employees at the end of the period	184	153	20.3 %	184	153	20.3 %
Outstanding shares at the end of the period	18,393,440	18,273,726		18,393,440	18,273,726	
Average outstanding shares during the period	18,393,440	17,849,151		18,343,559	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

Year 2022 was a period of strong growth. Our net sales grew 30.9 % and adjusted EBIT was 29.6 % of net sales. The year included three acquisitions: Logentia, Finazilla and Duunissa.fi. The latest of these was an asset deal, where we bought the business of Duunissa.fi to strengthen our work time monitoring solutions. The acquisitions made during 2022 have developed according to our objectives as part of the Lemonsoft group, and we will continue our active acquisition strategy also in the future.

The number of customers continued to grow and during the last quarter we gained nearly 600 new customers, of which Duunissa.fi brought almost 400. At the end of the year, Lemonsoft group had a total of approximately 8,200 customers. During the whole year, we gained around 1,400 new customers and improved our position in all focus industries.

The prevailing economic situation affected both new customer acquisition and the current customer base slightly more than expected - customer payment delays have increased, and several customer companies have reduced the number of users during the fall. Revenue churn increased slightly from previous year and was 3.5% of net sales, compared to 3.1% in 2021. The Net Revenue Retention (NRR) ended up at around 103% after the fourth quarter, compared to 108% in 2021.

As part of the ongoing strategy work, we moved to an industry-driven organizational model on 1 January 2023, in order to improve customer service in each industry and to clarify responsibilities within the organization. In the same context, we organized change negotiations as part of an overall effort to improve the efficiency of the company's operations. We will continue preparing the strategy update and will publish more detailed information and financial targets during the spring.

Although the uncertain global market situation will affect us as well, I believe that companies will continue digitalization to improve the efficiency of their businesses. A modern enterprise resource planning system is an excellent foundation for building a company's operations, and our investments in developing new technology help us to capture market share.



Group Financial Development

Group financial result and profitability

October-December 2022

Net sales for the review period were EUR 6,449 thousand (4,943). Net sales increased by EUR 1,506 thousand, 30.5%. Organic growth of the review period was 8.6%. Net sales grew especially due to new customer acquisition and the acquisitions of Logentia Oy (2022), Finazilla Oy (2022) and Duunissa.fi business (2022), whose net sales were not included in the comparison period.

The share of SaaS income during the review period was 71.0% (75.7), the share of transaction income 4.8% (6.0), and consulting and other income 24.2% (18.3). The relative share of SaaS income in the fourth quarter was lower than before due to higher consulting income.

EBITDA was EUR 2,222 thousand (52), 34.5% (1.1) of net sales. EBITDA of the comparison period was affected by IPO expenses. Adjusted EBITDA (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 2,236 thousand (1,269), 34.7% (25.7) of net sales.

EBIT was EUR 1,497 thousand (-298), 23.2% (-6.0) of net sales. EBIT of the comparison period was affected by IPO expenses. Adjusted EBIT (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 2,159 thousand (1,207), 33.5% (24.4) of net sales.

Profit for the review period was EUR 977 thousand (-364), 15.2% (-7.4) of net sales.

Cash flow from operating activities during the review period was EUR 2,692 thousand (269).

January-December 2022

Net sales for the review period were EUR 22,550 thousand (17,227). Net sales increased by EUR 5,323 thousand, 30.9%. Organic growth of the review period was 9.9%. Net sales grew especially due to new customer acquisition and the acquisitions of Logentia Oy (2022), Finazilla Oy (2022), Duunissa.fi business (2022), Metsys Oy (2021), PlanMill Oy (2021) and Talosofta business (2021). Out of these, Metsys's net sales have been included in the comparison period since February, PlanMill's net sales have been included in the comparison period since August, and Talosofta's net sales have been included in the comparison period since July. Logentia's net sales have been included in the review period since June, Finazilla's net sales have been included in the review period since July and Duunissa.fi's net sales have been included in the review period only in December.

The share of SaaS income during the review period was 75.3% (75.4), the share of transaction income 5.2% (6.3), and consulting and other income 19.5% (18.3).

EBITDA was EUR 6,848 thousand (4,231), 30.4% (24.6) of net sales. Adjusted EBITDA (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 6,907 thousand (5,635), 30.6% (32.7) of net sales. As expected, adjusted EBITDA of the review period was affected by increased salary costs due to recruitments and higher administrative costs in other operating expenses.

EBIT was EUR 4,665 thousand (3,070), 20.7% (17.8) of net sales. Adjusted EBIT (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 6,669 thousand (5,411), 29.6% (31.4) of net sales. As expected, adjusted EBIT of the review period was affected by increased salary costs due to recruitments and higher administrative costs in other operating expenses.

Profit for the review period was EUR 3,229 thousand (2,272), 14.3% (13.2) of net sales.

Cash flow from operating activities during the review period was EUR 5,706 thousand (3,994).

Balance sheet, financing and investments

The balance sheet total at the end of the review period was EUR 35,063 thousand (29,798 at the end of the year 2021). The balance sheet total was increased especially by the acquisitions of Logentia Oy and Finazilla Oy.

The Group has capitalized R&D expenses of EUR 307 thousand during the review period. At the end of the review period, the Group's balance sheet included capitalized R&D expenses totalling EUR 411 thousand (60 at the end of the year 2021).

Equity at the end of the review period was EUR 24,362 thousand (21,991 at the end of the year 2021), equity increased EUR 2,372 thousand.

Equity ratio at the end of the review period was 70.4% (75.0 at the end of the year 2021) and interest-bearing debt was EUR 2,400 thousand (3,300 at the end of the year 2021).

Cash and cash equivalents at the end of the review period were EUR 11,692 thousand (19,060 at the end of the year 2021).

Personnel, management and administration

The Group number of employees was 184 (153) on 31 December 2022.

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

The personnel are divided as follows:

- R&D 98 employees
- Customer service 47 employees
- Sales 20 employees
- Other functions, a total of 19 employees

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 18,393,440 (18,273,726) shares. The average number of shares during the review period was 18,393,440 (17,849,151).

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 12.58 and the lowest EUR 7.00. The closing price on 31 December 2022 was EUR 7.96. The market value of the company at the closing price of the review period was approximately EUR 146.4 million. Average daily trading volume during the review period was 6,299 shares (EUR 50,998).

On 31 December 2022, the company had a total of 2,431 shareholders. The company's largest shareholders can be found on the company's investor website at <https://investors.lemonsoft.fi/osakkeenomistajat/>.

Authorizations of the Board of Directors

Lemonsoft Oyj has decided in its General Annual Meeting on 5 April 2022 to authorize 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.

As part of the completion of the acquisition of Logentia Oy, Lemonsoft Oyj's Board of Directors decided on a directed share issue, in which a total of 119,714 (EUR 1,500 thousand) new Lemonsoft Oyj shares were offered for subscription by Logentia Oy's shareholders transferring to Lemonsoft Oyj. As a result of the share issue, the total number of Lemonsoft Oyj's outstanding shares increased to 18,393,440 shares.

Significant short-term risks and uncertainties

The deterioration of the economic situation and events with a global impact, such as the war in Ukraine, may have direct and indirect effects on Lemonsoft's business. These may be reflected in the business operations of Lemonsoft's customer companies, for example, in reduced investments by industrial manufacturing companies and decreased needs of subcontracting chains, as well as business and bankruptcy risks. In turn, customers' business challenges may affect Lemonsoft's new customer acquisition, upsells from existing customers, and customer retention.

In the longer term, the biggest challenge for our industry is the availability of skilled personnel. Success of the Group and opportunities for organic growth depend largely on how well we can recruit, motivate, and engage more skilled personnel and develop our expertise.

In Lemonsoft's cost structure, the single most significant factor is personnel costs, and an increase in the general price level may increase the pressure to increase personnel costs. Lemonsoft constantly monitors the development of the situation from a risk management perspective and strives to ensure the continuation of profitable growth by optimizing its cost structure and pricing.

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

At the end of the financial year 2022, the Group's parent company's distributable funds were EUR 27,717 thousand and the net result of the Group's parent company for the financial year was EUR 4,443 thousand. There have been no material changes in the company's financial position since the end of the financial year.

Lemonsoft Oyj's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.14 (0.13) per share be paid for the financial year ended 31 December 2022, i.e. a total dividend of approximately EUR 2.6 million.

Events after the review period

Lemonsoft Oyj prepares the transition to IFRS reporting during 2023. The company estimates that the transition to IFRS reporting will increase the comparability of financial figures with other companies in the industry and increase the interest of international investors in the company. The company will announce the possible IFRS transition separately.

Outlook 2023

Lemonsoft's goal is to continue 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. However, the company estimates that the prevailing economic situation will have a weakening effect on new sales and the growth of the existing customer base, especially in the first half of the year.

Profit forecast for 2023

Lemonsoft estimates that the net sales for the financial year 2023 will increase 10-20 percent compared to the financial year 2022, and that adjusted EBIT will be 25-30 percent of net sales in 2023.

Financial information and Annual General Meeting in 2023

Lemonsoft Oyj will publish the following financial information in 2023:

- Interim Report January-March 2023 on Friday, 28 April 2023
- Half-year Report January-June 2023 on Friday, 11 August 2023
- Interim Report January-September 2023 on Thursday, 26 October 2023

The company's annual report for the financial year ending 31 December 2022 is scheduled for publication in the week beginning 13 March 2023.

Lemonsoft's Annual General Meeting is scheduled to be held on Tuesday, 4th of April 2023.

Webcast for investors and media

Lemonsoft will host a live webcast for investors and the media in English on February 17, 2023 at 1:00pm EET. The webcast can be followed online live via this link: <https://lemonsoft.videosync.fi/2022-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 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.

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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	10-12/2022	10-12/2021	1-12/2022	1-12/2021
NET SALES	6,449	4,943	22,550	17,227
Other operating income	0	1	4	45
Materials and services	-652	-563	-2,572	-1,893
Personnel expenses	-2,958	-2,538	-11,001	-8,091
Depreciation and amortization				
Depreciation	-176	-146	-559	-462
Goodwill amortization	-549	-204	-1,624	-699
Total depreciation and amortization	-725	-350	-2,184	-1,161
Other operating expenses	-617	-1,791	-2,132	-3,059
EBIT	1,497	-298	4,665	3,070
Financial income and expenses	-4	27	-19	16
PROFIT (LOSS) BEFORE TAXES	1,493	-270	4,645	3,086
Income taxes	-441	-80	-1,318	-778
Minority share	75	13	98	35
PROFIT (LOSS) FOR THE PERIOD/FINANCIAL YEAR	977	-364	3,229	2,272

CONSOLIDATED BALANCE SHEET

EUR 1,000	12/2022	12/2021
NON-CURRENT ASSETS		
Intangible assets	16,809	6,484
Tangible assets	757	533
Investments	2,878	1,874
TOTAL NON-CURRENT ASSETS	20,444	8,891
CURRENT ASSETS		
Inventories	88	52
Current receivables	2,839	1,795
Cash at bank and in hand	11,692	19,060
TOTAL CURRENT ASSETS	14,619	20,907
Total Assets	35,063	29,798
EQUITY	24,362	21,991
Minority interest	129	30
LIABILITIES		
Non-current liabilities	1,500	2,400
Current liabilities	9,072	5,377
TOTAL LIABILITIES	10,572	7,777
Total equity and liabilities	35,063	29,798

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Cash flow from operating activities:				
Profit (Loss) before taxes	1,493	-270	4,645	3,086
Adjustments	727	336	2,185	1,182
Cash flow before change in working capital	2,220	65	6,831	4,267
Change in working capital	707	225	-8	328
Cash flow from operating activities before financial items and taxes	2,927	290	6,822	4,595
Net financial items and taxes	-235	-21	-1,117	-602
Net cash from operating activities (A)	2,692	269	5,706	3,994
Cash flow from investing activities:				
Acquisition of intangible and tangible assets	-1,135	107	-2,256	-2,560
Proceeds from sale of tangible and intangible assets	0	32	0	107
Other investments	0	-379	-1,000	-379
Acquired shares in subsidiaries	0	0	-6,542	-1,236
Net cash used in investing activities (B)	-1,135	-241	-9,798	-4,069
Cash flow from financing activities:				
Dividends paid	0	0	-2,376	-2,210
Net cash flow from non-current loans	-450	-450	-900	1,300
Share issue	0	14,945	0	14,945
Net cash from financing activities (C)	-450	14,495	-3,276	14,035
Change in cash at bank and in hand (A + B + C) increase (+) / decrease (-)	1,108	14,523	-7,368	13,960
Cash at bank and in hand at the beginning of the period/financial year	10,584	4,537	19,060	5,100
Cash at bank and in hand at the end of the period/financial year	11,692	19,060	11,692	19,060
Change in cash	1,108	14,523	-7,368	13,960

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	1-12/2022	1-12/2021
Restricted equity		
Share capital at the beginning of the financial year	80	8
Increase of share capital	0	72
Share capital at the end of the financial year	80	80
Total restricted equity	80	80
Free equity		
Invested unrestricted equity reserve at the beginning of the financial year	14,980	36
Directed share issue/IPO	1,500	14,945
Invested unrestricted equity reserve at the end of the financial year	16,480	14,980
Invested unrestricted equity reserve total	16,480	14,980
Retained earnings at the beginning of the financial year *	6,949	6,935
Dividends distributed	-2,376	-2,210
Increase of share capital	0	-72
Retained earnings at the end of the financial year	4,573	4,658
Profit (Loss) for the financial year	3,229	2,272
Total free equity	24,282	21,911
Capital loans		
Capital loans at the beginning of the financial year	0	200
Transfer of capital loan	0	-200
Capital loans at the end of the financial year	0	0
Total capital loan	0	0
TOTAL EQUITY	24,362	21,991

* Earnings from subsidiary mergers transferred to Retained earnings in 2021

* Change in the additional purchase price paid to the subsidiary transferred to Retained earnings in 2022

GROUP'S COMMITMENTS

EUR 1,000	12/2022	12/2021
Rental obligations		
Rental obligations < 1 y	268	200
Rental obligations > 1 y	109	5
Total rental obligations	377	205
Lease obligations		
Lease obligations < 1 y	1	1
Lease obligations > 1 y	0	0
Total lease obligations	1	1
Collateral securities		
Cash pledges (movable object, security) *	1,073	1,073
Business mortgage, parent company	2,000	2,000
Total collateral securities	3,073	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)

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

Gearing, % = (Loans from credit institutions - Cash at bank and in hand) x100 / Equity

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	10-12/2022	10-12/2021	1-12/2022	1-12/2021
EBITDA	2,222	52	6,848	4,231
EBITDA, % of net sales	34.5 %	1.1 %	30.4 %	24.6 %
<i>Business Finland subsidies</i>	0	0	0	-45
<i>M&A and IPO costs</i>	14	1,216	59	1,449
Adjusted EBITDA	2,236	1,269	6,907	5,635
Adjusted EBITDA, % of net sales	34.7 %	25.7 %	30.6 %	32.7 %

EUR 1,000	10-12/2022	10-12/2021	1-12/2022	1-12/2021
EBIT	1,497	-298	4,665	3,070
EBIT, % of net sales	23.2 %	-6.0 %	20.7 %	17.8 %
<i>Business Finland subsidies</i>	0	0	0	-45
<i>M&A and IPO costs</i>	14	1,216	59	1,449
<i>Goodwill amortization</i>	648	288	1,946	937
Adjusted EBIT	2,159	1,207	6,669	5,411
Adjusted EBIT, % of net sales	33.5 %	24.4 %	29.6 %	31.4 %



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