

Lemonsoft Oyj's Interim Report for 1 January - 30 March 2023



Lemonsoft Oyj's Interim Report for 1 January - 31 March 2023

Growth remained good despite challenges

January-March 2023, IFRS

- Net sales increased 18.3% and were EUR 5,918 thousand (5,002)
- EBITDA was EUR 1,611 thousand (1,542), 27.2% (30.8) of net sales
- Adjusted EBITDA was EUR 1,618 thousand (1,553), 27.3% (31.0) of net sales
- EBIT was EUR 1,361 thousand (1,432), 23.0% (28.6) of net sales
- Adjusted EBIT was EUR 1,464 thousand (1,443), 24.7% (28.8) of net sales
- Profit of the review period was EUR 949 thousand (1,154), 16.0% (23.1) of net sales

Key Figures, IFRS

EUR 1,000	1-3/2023	1-3/2022	Change	1-12/2022
Net sales	5,918	5,002	18.3 %	22,550
SaaS	4,505	3,882	16.1 %	16,989
Transaction	286	278	3.1 %	1,172
Consulting and other	1,127	843	33.7 %	4,390
Gross margin	5,164	4,449	16.1 %	19,982
Gross margin, % of net sales	87.3 %	88.9 %		88.6 %
EBITDA	1,611	1,542	4.5 %	7,332
EBITDA, % of net sales	27.2 %	30.8 %		32.5 %
Adjusted EBITDA	1,618	1,553	4.2 %	7,589
Adjusted EBITDA, % of net sales	27.3 %	31.0 %		33.7 %
EBIT	1,361	1,432	-5.0 %	6,594
EBIT, % of net sales	23.0 %	28.6 %		29.2 %
Adjusted EBIT	1,464	1,443	1.4 %	7,054
Adjusted EBIT, % of net sales	24.7 %	28.8 %		31.3 %
Profit (Loss) of the period	949	1,154	-17.8 %	5,128
Profit (Loss) of the period, % of net sales	16.0 %	23.1 %		22.7 %
Equity ratio, %	73.7 %	76.1 %		69.7 %
Net debt	-8,301	-15,781	-47.4 %	-8,661
Gearing, %	-29.3 %	-68.1 %		-32.9 %
Earnings per share (EPS)	0.05	0.06	-18.5 %	0.28
Return on invested capital, % (ROIC)	4.4 %	5.3 %		22.5 %
Return on equity, % (ROE)	3.5 %	5.1 %		21.2 %
Number of employees at the end of the period	182	158	15.2 %	184
Outstanding shares at the end of the period	18,538,019	18,273,726		18,393,440
Average outstanding shares during the period	18,441,633	18,273,726		18,343,559

CEO Kari Joki-Hollanti

The year 2023 began, as we expected, in an uncertain atmosphere. Our net sales grew by 18.3% and adjusted EBIT was 24.7% of net sales. Organic growth was slower than expected and we are not satisfied with its development. During the rest of the year, we will actively take measures to accelerate organic growth and improve profitability.

The number of customers was 4,600 at the end of March, while a year earlier it was 3,800. Previously, we counted as customers the companies using our software. We have now changed the calculation method to count as customers only those to whom we send an invoice. This change makes the definition clearer and gives a better view of our average revenue per customer.

We continue investing into product leadership and customer experience according to our strategic focus areas. We have started developing a new version of Kellokortti built on LemonOnline technology, with the goal of bringing a more advanced work time monitoring solution to the market. Development of the current version of Kellokortti continues normally, and customers will gradually get access to the new generation product. The first component of the new work time monitoring solution is the Shift Planning module, which will be launched in spring 2023. I believe that our strong investments in product development will lead to stronger revenue growth in the future, once the uncertainties in the economy subside.

In terms of customer experience, we continue our strong focus on our target industries. We strive to provide even faster and more agile service to our customers in industrial manufacturing, wholesale, construction and professional services through a new industry-focused organization. Our value proposition for each industry is clear, and we have simplified the implementation models of products and services.

Our platform services were hit by a malware attack at the end of March. As a precaution, we took down our servers, which impacted widely on our customers' business operations. The precautions were taken because we could not confirm whether the malware had spread and compromised customer data. Manual investigation and restarting of the servers took time, and customer service was significantly affected. However, due to the efforts of our personnel, the services were restored according to plan.

We have transitioned from Finnish accounting practices (FAS) to international IFRS reporting, and we announced the transition in more detail on 11 April 2023. The date of transition was 1 January 2022, and this interim report is the first to be prepared in accordance with IFRS reporting. The comparative figures are also in accordance with IFRS. We believe that the transition to IFRS reporting will increase the comparability of our financial figures with other companies in the industry, as well as increase the interest of international investors in our company.



Group Financial Development

Group financial result and profitability

January-March 2023

Net sales for the review period were EUR 5,918 thousand (5,002). Net sales increased by EUR 916 thousand, 18.3%. Organic growth of the review period was 1.2%. 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 was 76.1% (77.6), the share of transaction income 4.8% (5.6), and consulting and other income 19.0% (16.8).

EBITDA was EUR 1,611 thousand (1,542), 27.2% (30.8) of net sales. Adjusted EBITDA (adjustments specified in the Alternative performance measures section) was EUR 1,618 thousand (1,553), 27.3% (31.0) of net sales.

EBIT was EUR 1,361 thousand (1,432), 23.0% (28.6) of net sales. Adjusted EBIT (adjustments specified in the Alternative performance measures section) was EUR 1,464 thousand (1,443), 24.7% (28.8) of net sales.

Profit for the review period was EUR 949 thousand (1,154), 16.0% (23.1) of net sales.

Cash flow from operating activities was EUR 1,434 thousand (1,000).

Balance sheet, financing and investments

The balance sheet total at the end of the review period was EUR 39,034 thousand (38,194 at the end of the year 2022).

The Group has capitalized development expenses of EUR 537 thousand during the review period. At the end of the review period, the Group's balance sheet included capitalized development expenses totalling EUR 1,362 thousand (849 at the end of the year 2022).

Equity was EUR 28,332 thousand (26,292 at the end of the year 2022), equity increased EUR 2,040 thousand.

Equity ratio was 73.7% (69.7 at the end of the year 2022) and interest-bearing debt was EUR 2,985 thousand (3,031 at the end of the year 2022).

Cash and cash equivalents at the end of the review period were EUR 11,287 thousand (11,692 at the end of the year 2022).

Personnel, management and administration

The Group number of employees was 182 (158) on 31 March 2023.

We have updated the organizational structure as of 1.1.2023. After the update, we report our personnel as follows:

- R&D 91 employees
- Customer functions 79 employees
- Other functions, a total of 12 employees

Annual General Meeting

Lemonsoft Oyj's Annual General Meeting was held on 4 April 2023 in Vaasa. The Annual General Meeting adopted the financial statements for the year 2022 and discharged the members of the Board of Directors and the CEO from liability for the last financial year.

In accordance with the proposal of the Shareholders' Nomination Board, the Annual General Meeting resolved that the Board of Directors shall consist of five actual members. Christoffer Häggblom, Kari Joki-Hollanti, Ilkka Hiidenheimo, Salla Miettinen-Lähde and Michael Richter were re-elected as members of the Board of Directors. The Board has elected Christoffer Häggblom as Chairman from among its members.

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.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares on the following terms and conditions:

- By virtue of the authorization, the Board of Directors is authorized to decide on the repurchase of a maximum of 1,800,000 of the company's own shares. The proposed maximum number of shares to be repurchased corresponds to approximately 9.7% of all the company's shares. The authorization includes the right to accept the company's own shares as a pledge.

The authorization is valid until the 2024 Annual General Meeting, but not beyond 30 June 2024.

The Annual General Meeting authorized the Board to decide on a share issue against payment or a share issue without payment and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments with the following terms and conditions:

- By virtue of the authorization the share issue may be a maximum of 2,000,000 shares. The authorization applies to both issuing new shares and to transferring of treasury shares held by the company. The authorization may be used to fund or complete acquisitions or other business transactions, for implementation of share-based incentive schemes, to develop the company's capital structure, and for other purposes decided by the Board.
- 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 2024, and it replaces the previous authorizations granted regarding a directed share issue and the issuance of special rights entitling to shares.

The Annual General Meeting decided that the Articles of Association be amended to enable holding a general meeting also without a meeting venue as a so-called virtual meeting, if so decided by the Board of Directors. The aforementioned amendment shall be implemented by amending § 6 of the Articles of Association, The place of the General Meeting and participation in the General Meeting.

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 18,538,019 (18,273,726) shares. The average number of shares during the review period was 18,441,633 (18,273,726).

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 9.35 and the lowest EUR 7.20. The closing price on 31 March 2023 was EUR 7.91. The market value of the company at the closing price of the review period was approximately EUR 146.6 million. Average daily trading volume during the review period was 2,159 shares (EUR 17,116).

On 31 March 2023, the company had a total of 2,466 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 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.

Dividends paid

The Annual General Meeting decided on 4 April 2023 that a dividend of EUR 0.14 per share will be paid according to the confirmed balance sheet for the accounting period ending on 31 December 2022. About total of EUR 2.6 million was paid in dividends after the review period, 17 April 2023.

Events after the review period

Lemonsoft has announced on 11 April 2023 that it has switched to IFRS reporting. 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.

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 keeps the profit forecast unchanged and 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

Lemonsoft Oyj will publish the following financial information in 2023:

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

Webcast for investors and media

Lemonsoft will host a live webcast for investors and the media in English on April 28, 2023 at 1:00pm EET.

The webcast can be followed online live via this link: <https://lemonsoft.videosync.fi/2023-q1-results>

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

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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.

Distribution

Nasdaq Helsinki Oy
Principal media

Tables section

Consolidated income statement, IFRS

EUR 1,000	1-3/2023	1-3/2022	1-12/2022
NET SALES	5,918	5,002	22,550
Other operating income	0	1	4
Materials and services	-754	-555	-2,572
Employee benefit expenses	-2,929	-2,497	-10,564
Depreciation and amortisation	-251	-110	-737
Other operating expenses	-624	-410	-2,086
EBIT	1,361	1,432	6,594
Financial income	2	2	10
Financial expenses	-10	-8	-70
PROFIT (LOSS) BEFORE TAXES	1,354	1,425	6,535
Income taxes	-404	-271	-1,407
PROFIT (LOSS) FOR THE PERIOD	949	1,154	5,128
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO			
Owners of the parent company	928	1,149	5,030
Non-controlling interests	21	6	98

Consolidated balance sheet, IFRS

EUR 1,000	3/2023	3/2022	12/2022	1.1.2022
ASSETS				
NON-CURRENT ASSETS				
Goodwill	15,718	6,424	15,718	6,424
Intangible assets	4,073	189	3,638	60
Tangible assets	1,315	1,271	1,382	1,265
Investments	3,878	1,874	2,878	1,874
Deferred tax assets	12	96	12	85
TOTAL NON-CURRENT ASSETS	24,996	9,854	23,627	9,708
CURRENT ASSETS				
Inventory	76	36	88	52
Trade and other receivables	2,676	1,440	2,787	1,710
Cash and cash equivalents	11,287	19,749	11,692	19,060
TOTAL CURRENT ASSETS	14,039	21,225	14,567	20,822
TOTAL ASSETS	39,034	31,079	38,194	30,530
EQUITY AND LIABILITIES				
EQUITY				
Share capital	80	80	80	80
Reserve for invested unrestricted equity	17,571	14,980	16,480	14,980
Retained earnings	10,531	8,079	9,603	6,930
Equity of the owners of the parent company	28,182	23,139	26,163	21,990
Share of non-controlling owners	150	36	129	30
TOTAL EQUITY	28,332	23,175	26,292	22,021
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans from financial institutions	1,500	2,400	1,500	2,400
Lease liabilities	254	410	306	475
Deferred tax liabilities	703	61	699	4
TOTAL NON-CURRENT LIABILITIES	2,457	2,871	2,505	2,879
CURRENT LIABILITIES				
Loans from financial institutions	900	900	900	900
Lease liabilities	331	257	325	257
Advances received	776	684	660	535
Trade and other payables	6,238	3,191	7,512	3,938
TOTAL CURRENT LIABILITIES	8,245	5,032	9,397	5,630
TOTAL LIABILITIES	10,702	7,903	11,902	8,509
TOTAL EQUITY AND LIABILITIES	39,034	31,079	38,194	30,530

Consolidated cash flow statement, IFRS

EUR 1,000	1-3/2023	1-3/2022	1-12/2022
Cash flow from operating activities:			
Profit (Loss) for the period	949	1,154	5,128
Adjustments:	634	386	2,146
Depreciation and amortisation	251	110	737
Other income and expenses without payment	-67	0	-18
Financial income and expenses	7	5	19
Taxes	404	271	1,407
Other adjustments	40	0	0
Cash flow before change in working capital	1,584	1,540	7,274
Change in working capital	217	-288	44
Cash flow before financial items and taxes	1,800	1,253	7,318
Net financial items and taxes	-367	-253	-1,110
Net cash flow from operating activities (A)	1,434	1,000	6,208
Cash flow from investing activities:			
Acquisition of tangible and intangible assets	-619	-245	-2,693
Other investments	-1,000	0	-1,000
Acquisition of subsidiary, net of cash acquired	-133	0	-6,310
Net cash flow from investing activities (B)	-1,751	-245	-10,003
Cash flow from financing activities:			
Dividends paid	0	0	-2,376
Net cash flow from non-current loans	0	0	-900
Lease liabilities repayment	-88	-66	-297
Net cash flow from financing activities (C)	-88	-66	-3,573
Change in cash and cash equivalents (A + B + C) increase (+) / decrease (-)	-405	689	-7,368
Cash and cash equivalents at the beginning of the period	11,692	19,060	19,060
Cash and cash equivalents at the end of the period	11,287	19,749	11,692
Change in cash	-405	689	-7,368

Consolidated statement of changes in equity, IFRS

EUR 1,000	1-3/2023	1-3/2022	1-12/2022
Share capital			
Share capital at the beginning of the period	80	80	80
Share capital at the end of the period	80	80	80
Total share capital	80	80	80
Invested unrestricted equity reserve			
Invested unrestricted equity reserve at the beginning of the period *	16,480	14,980	14,980
Directed share issue	1,091	0	1,500
Invested unrestricted equity reserve at the end of the period	17,571	14,980	16,480
Total invested unrestricted equity reserve	17,571	14,980	16,480
Retained earnings			
Retained earnings at the beginning of the period	9,603	6,949	6,949
Dividends paid	0	0	-2,376
Profit (Loss) for the period	928	1,149	5,030
Retained earnings at the end of the period	10,531	8,079	9,603
Total retained earnings	10,531	8,079	9,603
Equity of the owners of the parent company	28,182	23,139	26,163
Share of non-controlling owners	150	36	129
TOTAL EQUITY	28,332	23,175	26,292

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

Accounting principles

The Group's interim financial report has been prepared in accordance with IAS34 Interim Financial Reporting. The interim financial report is unaudited.

This is Lemonsoft Oyj's first interim report prepared in accordance with IFRS. The company will publish the first consolidated financial statements in accordance with IFRS for the financial year ending 31.12.2023. The Group's date of transition to IFRS is 1 January 2022. Comparative information for previous years converted to IFRS and their changes compared to FAS reporting are presented in the IFRS Transition release 11.4.2023. This interim report of the Group should be reviewed and read together with the IFRS Transition release, which presents the effects of the IFRS transition on Lemonsoft Group.

The information in the interim report is presented in thousands of Euro, except when otherwise stated. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure.

Notes

Distribution of net sales

EUR 1,000	1-3/2023	1-3/2022	Change	1-12/2022
Net sales	5,918	5,002	18.3 %	22,550
SaaS	4,505	3,882	16.1 %	16,989
Transaction	286	278	3.1 %	1,172
Consulting and other	1,127	843	33.7 %	4,390

Goodwill and intangible assets

EUR 1,000	3/2023	3/2022	12/2022
Acquisition cost 1.1.	22,826	9,688	8,748
Additions	556	136	13,031
Deductions	0	0	0
Reclassifications	0	0	0
Acquisition cost at the end of the period	23,382	9,824	21,779
Accumulated depreciation and amortisation 1.1.	3,471	3,205	2,158
Accumulated depreciation and amortisation on deductions and transfers	0	0	0
Depreciation and amortisation for the period	121	8	266
Accumulated depreciation and amortisation at the end of the period	3,592	3,212	2,424
Book value at the end of the period	19,791	6,612	19,356

Tangible assets

EUR 1,000	3/2023	3/2022	12/2022
Acquisition cost 1.1.	2,659	1,339	1,339
Additions	63	841	1,320
Deductions	0	0	0
Reclassifications	0	0	0
Acquisition cost at the end of the period	2,722	2,179	2,659
Accumulated depreciation and amortisation 1.1.	1,277	805	805
Accumulated depreciation and amortisation on deductions and transfers	0	0	0
Depreciation and amortisation for the period	130	102	471
Accumulated depreciation and amortisation at the end of the period	1,406	908	1,277
Book value at the end of the period	1,315	1,271	1,382

Financial assets and liabilities

EUR 1,000	Level	Fair value through profit or loss	Amortised cost	Carrying amount	Fair value
Non-current financial assets					
Equity investments	3	1,874	0	1,874	1,874
Investments	2	0	2,003	2,003	2,003
Total non-current financial assets		1,874	2,003	3,878	3,878
Current financial assets					
Trade receivables		0	2,087	2,087	2,087
Other receivables		0	589	589	589
Cash and cash equivalents		0	11,287	11,287	11,287
Total current financial assets		0	13,963	13,963	13,963
Non-current financial liabilities					
Loans from financial institutions	2	0	1,500	1,500	1,500
Lease liabilities		0	254	254	254
Total non-current financial liabilities		0	1,754	1,754	1,754
Current financial liabilities					
Loans from financial institutions	2	0	900	900	900
Lease liabilities		0	331	331	331
Advances received		0	776	776	776
Trade payables		0	1,335	1,335	1,335
Contingent consideration	3	1,518	0	1,518	1,518
Other payables		0	3,385	3,385	3,385
Total current financial liabilities		1,518	6,727	8,245	8,245

Business acquisitions

Logentia Oy

On 31 May 2022, Lemonsoft Oyj acquired the entire share capital of Logentia Oy. With the acquisition, Lemonsoft strengthens its offering in industrial manufacturing and wholesale businesses and will offer its customers more possibilities to streamline their business processes by optimizing the use of transportation services.

The purchase price of Logentia Oy's share capital was EUR 7.9 million. The purchase price consisted of a debt-free enterprise value of EUR 6.0 million and a net cash of EUR 1.9 million. 75 percent of the purchase price was paid in cash and 25 percent in new shares issued by Lemonsoft Oyj. The subscription price of the new shares transferred as consideration was EUR 12.53, based on the volume-weighted average price of the Lemonsoft Oyj's share on 30-day period preceding the signing of the share purchase agreement. The new shares corresponded to approximately 0.66% of Lemonsoft Oyj's current shares outstanding.

In addition, the parties agreed on a contingent consideration based on Logentia Oy's financial results for 2022-2023. The contingent additional purchase price amounts to a maximum of EUR 1.0 million, and if realized, will be paid entirely as share consideration by the end of February 2024.

Identifiable assets acquired and liabilities assumed as assets are valued at their fair values at the date of acquisition. Acquired assets include intangible assets recognized separately from goodwill, consisting of customer relationships and technology. The goodwill is based on the expected synergy benefits from the acquisition of Logentia Oy, as well as on utilising the growth of the joint sales and marketing network and expanding customer relationships within the Group. Goodwill is not deductible in taxation. Acquisition-related costs of EUR 173 thousand are included in the Other operating expenses item in the consolidated income statement.

Finazilla Oy

On 8 July 2022, Lemonsoft Oyj acquired the entire share capital of Finazilla Oy, a software company specializing in business reporting, budgeting and forecasting. In connection with the transaction, Finazilla Oy acquired the business of Finazilla Oy's parent company, Taloushallintaan.fi Oy, which offers financial process optimization and enhancement services with Finazilla's software. With the acquisition, Lemonsoft strengthens its offering in financial management solutions by offering its customers more comprehensive tools for managing the business information from ERP systems and for financial forecasting.

The total purchase price of the acquired businesses was EUR 2.8 million. The purchase price consisted of a debt-free enterprise value of EUR 2.6 million and a net cash of EUR 0.2 million. The total purchase price was paid in cash at signing.

In addition, the parties agreed on a contingent consideration based on Finazilla Oy's net sales for 2022-2025. The contingent additional purchase price amounts to a maximum of EUR 1.5 million, and if realized, 50% of the additional purchase price will be paid in cash and 50% in new shares issued by Lemonsoft Oyj.

Identifiable assets acquired and liabilities assumed as assets are valued at their fair values at the date of acquisition. Acquired assets include intangible assets recognized separately from goodwill, consisting of customer relationships and technology. The goodwill is based on the expected synergy benefits from the acquisition of Finazilla Oy, as well as on utilising the growth of the joint sales and marketing network and expanding customer relationships within the Group. Goodwill is not deductible in taxation. Acquisition-related costs of EUR 54 thousand are included in the Other operating expenses item in the consolidated income statement.

Duunissa.fi business

On 30 November 2022, Lemonsoft Oyj acquired the work time monitoring business of Duunissa.fi. Duunissa.fi is a working time monitoring software solution developed by Korttilinna Oy, which enables logging work time via mobile or terminal stamping, working hours to be easily assigned in electronic working time monitoring, and allowances and expenses attached to work shifts to be transferred to work time accounting.

The purchase price of Duunissa.fi business was negligible, so the acquisition is not specified in the table below.

Logentia Oy's net sales were EUR 1,159 thousand and the result for the financial year was EUR 545 thousand from the date of acquisition until 31.12.2022. Finazilla Oy's net sales were EUR 780 thousand and the result for the financial year was EUR -57 thousand from the date of acquisition until 31.12.2022. Lemonsoft Group's net sales in 2022 would have been EUR 23,886 thousand and profit for the financial year EUR 5,436 thousand if the businesses acquired during the financial year had been consolidated in the consolidated financial statements from the beginning of 2022.

The following table shows the total fair values of the assets and liabilities acquired.

EUR 1,000	Logentia Oy (2022)	Finazilla Oy (2022)
Consideration transferred		
In cash	6,422	2,804
In shares	1,500	0
Contingent consideration	1,000	1,500
Total consideration transferred	8,922	4,304
Assets acquired and liabilities assumed at the date of acquisition		
Customer relationships	1,370	183
Technology	717	598
Other intangible assets	0	107
Right-of-use assets	32	152
Trade and other receivables	736	113
Cash and cash equivalents	2,317	233
Total assets	5,172	1,386
Lease liabilities	32	152
Trade and other payables	1,164	90
Deferred tax liabilities	417	156
Total liabilities	1,613	398
Total acquired net assets	3,559	988
Total consideration transferred	8,922	4,304
Goodwill	5,363	3,316
Cash flow impact of acquisitions		
Consideration paid in cash	6,422	2,804
Cash and cash equivalents transferred	-2,317	-233
Net cash flow on acquisition	4,105	2,571

Events after the review period

Lemonsoft has announced on 11 April 2023 that it has switched to IFRS reporting. 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.

Key figures

Alternative performance measures

Adjusted EBITDA

EUR 1,000	1-3/2023	1-3/2022	1-12/2022
EBITDA	1,611	1,542	7,332
EBITDA, % of net sales	27.2 %	30.8 %	32.5 %
<i>M&A expenses</i>	7	11	257
Adjusted EBITDA	1,618	1,553	7,589
Adjusted EBITDA, % of net sales	27.3 %	31.0 %	33.7 %

Adjusted EBIT

EUR 1,000	1-3/2023	1-3/2022	1-12/2022
EBIT	1,361	1,432	6,594
EBIT, % of net sales	23.0 %	28.6 %	29.2 %
<i>M&A expenses</i>	7	11	257
<i>Amortisation of intangible assets related to business combinations</i>	96	0	203
Adjusted EBIT	1,464	1,443	7,054
Adjusted EBIT, % of net sales	24.7 %	28.8 %	31.3 %

Organic growth of net sales

EUR 1,000	1-3/2023	1-3/2022	1-12/2022
Net sales	5,918	5,002	22,550
<i>Impact of acquisitions</i>	-856	-803	-3,625
Net sales of comparison period	5,002	3,849	17,227
Organic growth of net sales, %	1.2 %	9.1 %	9.9 %

Calculation of key figures

Gross Margin

Net sales + Other operating income - Materials and services

EBITDA

EBIT+ Depreciation and amortisation

Adjusted EBITDA

EBIT + Depreciation and amortisation + M&A expenses +/- Other significant non-recurring items affecting comparability

EBIT

Net sales + Other operating income - Materials and services - Employee benefit expenses - Other operating expenses - Depreciation and amortisation

Adjusted EBIT

EBIT + Amortisation of intangible assets related to business combinations + M&A expenses +/- Other significant non-recurring items affecting comparability

Equity ratio, %

Equity +/- Non-controlling interests x100 / (Balance sheet total - Advances received)

Net debt

Loans from credit institutions + Lease liabilities - Cash and cash equivalents

Gearing, %

(Loans from credit institutions + Lease liabilities - Cash and cash equivalents) x100 / Equity

Earnings per share (EPS)

Profit (loss) for the period attributable to owners of the parent company / Weighted average number of ordinary shares outstanding during the financial year

Return on invested capital (ROIC), %

(Profit (loss) for the period + Financial expenses + Tax expense) / (Equity + Loans from credit institutions + Lease liabilities)

Return on equity (ROE), %

Profit (loss) for the period / ((Equity at the beginning of the period + Equity at the end of the period) /2)



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