Lemonsoft Oyj - Profitable Growth Continues

Financial Statements Bulletin presentation 2021



Presenters



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Key takeaways in 2021

The past year was one of the most significant years in Lemonsoft's history

- Net sales growth remained strong
- Profitability in line with expectations
- Continued growth in number of customers
- Significant investments in recruitments to support growth
- Organization and management reformed new management team, 2 new Board members
- 3 acquisitions with a total revenue of ca. €3.5m
- Successful IPO on Nasdaq First North Large number of new shareholders from both institutional investors and the public





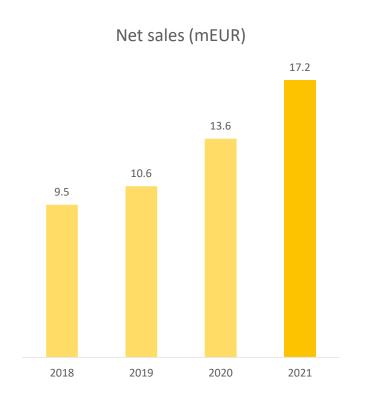
Q4/21: Net sales growth 35.2%, adjusted EBIT 24.4%

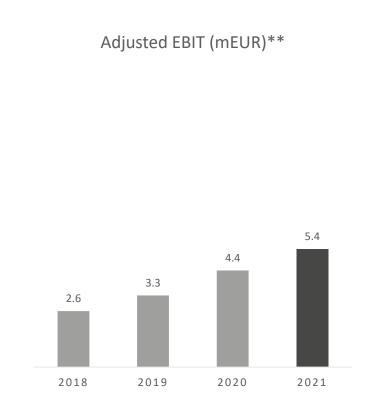
- Q4 net sales growth remained strong at 35.2%, driven by new customer acquisition, the acquisitions of Metsys Oy and Planmill Oy and the asset purchase of Talosofta
- SaaS revenue growth increased to 39.0% from 28.0%
- Gross margin increased to 88.6% from 87.0%
- Q4/21 Adjusted EBIT was 25.7% of net sales, decreased from 33.9% in Q4/20, affected by increased salary costs due to front-loaded recruitments as well as higher other operating costs
- EBIT was EUR -298k, affected by IPO related extraordinary costs

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EUR 1,000	12/2021	12/2020	1-12/2021	1-12/2020
Net sales	4,943	3,656	17,227	13,588
Net sales growth, %	35.2 %	28.0 %	26.8 %	27.7 %
SaaS	3,741	2,691	12,996	10,316
Transaction	298	283	1,084	956
Consulting and other	904	681	3,148	2,316
Gross margin	4,380	3,179	15,335	11,941
Gross margin, % of net sales	88.6%	87.0%	89.0%	87.9%
EBITDA	52	1,260	4,231	4,794
EBITDA, % of net sales	1.1 %	34.5 %	24.6 %	35.3 %
Adjusted EBITDA 1)	1,269	1,241	5,635	4,683
Adjusted EBITDA, % of net sales	25.7 %	33.9 %	32.7 %	34.5 %
EBIT	-298	1,026	3,070	3,906
EBIT, % of net sales	-6.0 %	28.1 %	17.8 %	28.7 %
Adjusted EBIT ²⁾	1,207	1,213	5,411	4,428
Adjusted EBIT, % of net sales	24.4 %	33.2 %	31.4 %	32.6 %
Profit of the period	-364	742	2,272	2,976
Profit of the period, % of net sales	-7.4 %	20.3 %	13.2 %	21.9 %
Equity ratio, %	75.0 %	61.6 %	75.0 %	61.6 %
Net debt	-15,760	-3,099	-15,760	-3,099
Gearing, %	-71.7 %	-44.3 %	-71.7 %	-44.3 %
Earnings per share (EPS)	-0.02	1,091.32	0.39	4,375.92
Number of employees at end of period	153	110	153	110
Outstanding shares at end of period	18,273,726	680	18,273,726	680
Average outstanding shares during the period	17,849,151	680	5,879,408	680



Key financial trends



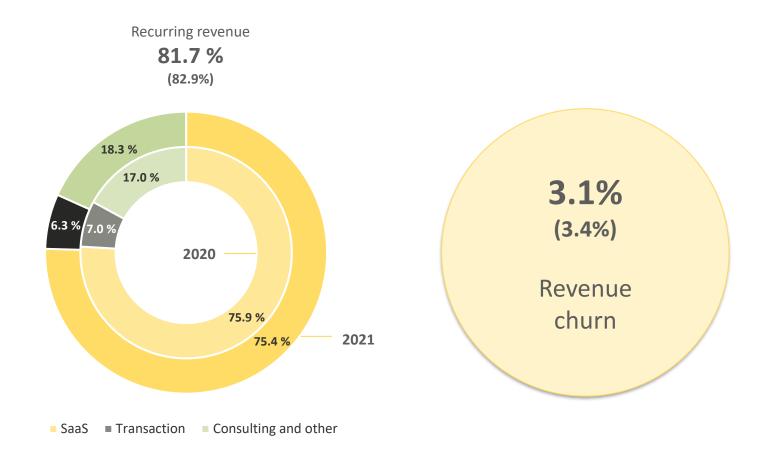






^{**} Adjusted for one-off items related to Covid-19 pandemic and M&A and the IPO, depreciation related to merged group companies and amortization of goodwill

Key SaaS metrics remain strong







Growth strategy

Goals

Increase market share and market penetration

- ✓ Upsell current customer base providing a superior customer & user experience
- ✓ Win new customers both greenfield and brownfield
- Optimizing pricing by segmenting and packaging products and services into different industry verticals
- ✓ Growing the LemonHub transaction business
- ✓ Releasing new modules and products

Focus areas

Product Leadership

As product leaders we invest continuously in product development and new technology in order to stay a step ahead of the competition.

Customer experience leadership

As customer experience leaders we ensure customers stay loyal and growth comes from both the existing customer base and winning new customers

Critical success factors

Actions being executed to ensure successful strategy implementation

- Scaling and optimizing the sales no touch/low touch/standard and enterprise models
- > Growing the accounting channel partnerships
- Comitting as an organization to deliver superior service
- Keeping and recruiting the best people
- Expanding the customer base and product portfolio with targeted acquisitions

Value and profit drivers

Organic revenue growth

- expanding direct sales to the current customer base/channels
- 2) accelerating sales to new customers in our focus verticals
- 3) additionally, we aim to grow our transaction business

Improved unit economics

We aim to improve our unit economics and specifically focus

- > improving cost of sales
- growing the average ARR per customer
- > improving the gross margin of sales

Scale benefits

Over time Lemonsoft will see scale benefits from investments into product development and customer experience, meaning that the relative share of fixed costs will go down. This has a positive impact on profitability, providing the company succeeds in growing organically.



Industrial Manufacturing



- Lemonsoft offers industrial companies versatile functionalities, including:
- production control,
- product management
- materials management
- Lemonsoft's production control and production planning support all production methods

Wholesale & Retail



- Lemonsoft's ERP provides wholesale & retail companies with several benefits:
- Ensures a high availability and services capability
- Minimal product defects and flawed deliveries
- Minimizes the capital tied up in inventory

Professional Services Automation



- With Lemonsoft's solution, specialist and service companies can easily:
- Collect and allocate working hours
- Plan shifts
- Monitor deliveries or entities on a project basis

Construction



- Lemonsoft offers special features for the construction industry, such as:
- Computing
- Resource management
- Financial management
- Production

Accounting Firms



- Lemonsoft offers accounting firms up-to-date:
- Financial management
- Payroll management
- Personnel management
- With the help of Lemonsoft, the accounting firm can offer its own clients, in addition to individual programs, the entire ERP system

Administrative processes

HR & Payroll



Information management



Management Tools





CRM



E-invoicing & E-Salary







Comprehensive product portfolio





A cloud-based solution for data management

lemonBI —

Business intelligence software that helps companies analyse data and automate reporting



lemon im shop

A store site where Lemonsoft's ERP and ecommerce sales force work together

lemonsoft core ERP

- Manufacturing management
- Financial management
- Resource management
- Payroll and HR management
- Logistics
- **✓** CRM

lemonsmart =

Completely web-based and automated invoicing solution for micro segment

Recent acquisitions and ventures



Strengthen offering within work time monitoring –Suitable for current customer base and as standalone product



Strengthen construction vertical - New functionalities



Industrial vertical -Establish WMS offering



Strengthen offering in the construction vertical to include cost accounting

PLANMILL

Leading provider of CRM, project and ERP cloud solutions designed for the service business

regista

Tool for planning and visualizing process descriptions and work instructions

WORKIN

A platform for light entrepreneurship connecting selfemployed people, companies and consumers



Focus on customer experience



Implementation **Attention** Consideration **Decision to buy** Loyalty Customer success, new modules, additional users and increasing efficiency of use End of project meeting Tailored solution and offer **Process descriptions** First project meeting Support services Sales contact and demo Implementation training sessions **Contract negotiation** and consulting **Process descriptions** Webinars Social media Guides, expert articles and newsletters Home page Media How we want the customer to feel Search engines "With Lemonsoft, we have found ready-made ""Overall, information is much easier to access. "For us, the most valuable modules within

Lemonsoft has made our daily work much easier and brought us more flexibility."

"With Lemonsoft, we have found ready-made solutions from which the main user can freely choose from. The system guides us enough but at the same time is flexible where it is required. The system bends to its users' needs, not the other way around."

"For us, the most valuable modules within Lemonsoft are the management tools. Following receivables, payables and cash reserves has become a daily habit" "We were able to make our whole logistics chain more efficient"

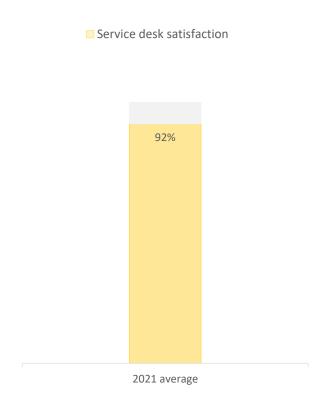


Execution of growth strategy on the right path

1) Number of customers increasing*

3) High customer service satisfaction



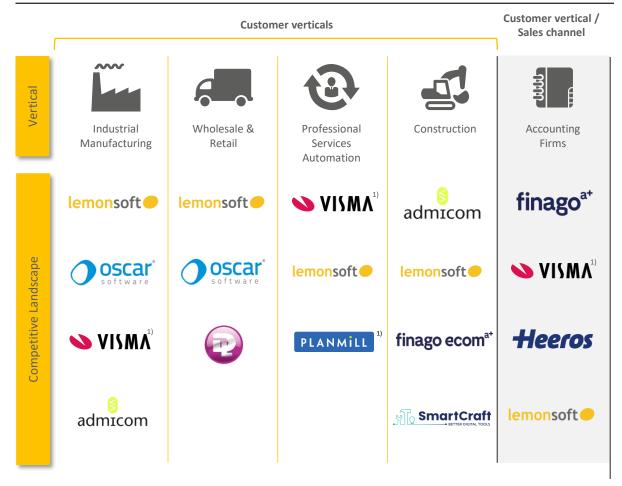




^{*}Several new larger customer accounts won in the manufacturing, construction and PSA verticals

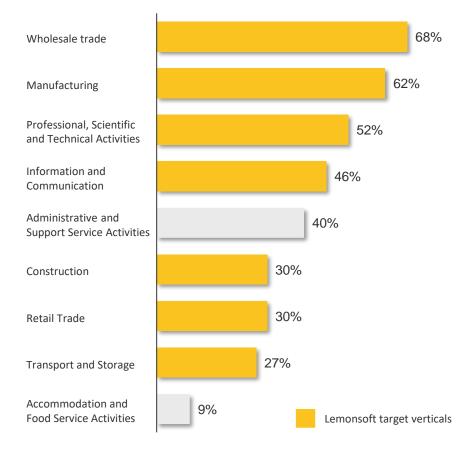
Market Overview

Overview of competitive landscape



Opportunity to increase penetration in key verticals

Proportion of Finnish companies in different sectors using an ERP system in 2019¹⁾





LIIKETOIMINNALLESI

1) Planmill was acquired by Lemonsoft in 8/2021

Market overview - Reflections from 2021

Macroeconomic

Opportunities and challenges

- → Finnish economy rebounded in 2021 growth in 3 successive quarters (Q1-Q3)*
- ∨ Continuing Covid-19 pandemic uncertainty and slowing growth in Q4*
- → Inflation and price increases an uncertain economic climate for 2022*
- → Bankruptcies at a normal level*
- → High levels of activity across all Lemonsoft focus verticals, especially in the retail and wholesale sector (14% growth YoY*)
- → High demand for ERP solutions continuing:
 - Lemonsoft lead generation at all-time high
 - → New customer acquisition picked up significantly in Q4/21

Industry Verticals

Industrial Manufacturing

→ Demand in industrial manufacturing continued high in 2021 – companies investing in the digitalization of their business processes in a systematic way

Professional Services Automation

→ Demand in the PSA sector was stable throughout the year, with certain subsectors such as the Information technology sector clearly showing increased activity driven by the megatrend of digitalization.

Retail & Wholesale

- Demand in retail & wholesale continued high powered by growth in the consumer retail sector
- Customers handling a growing number of transactions and scaling their order-delivery processes digitally

Construction

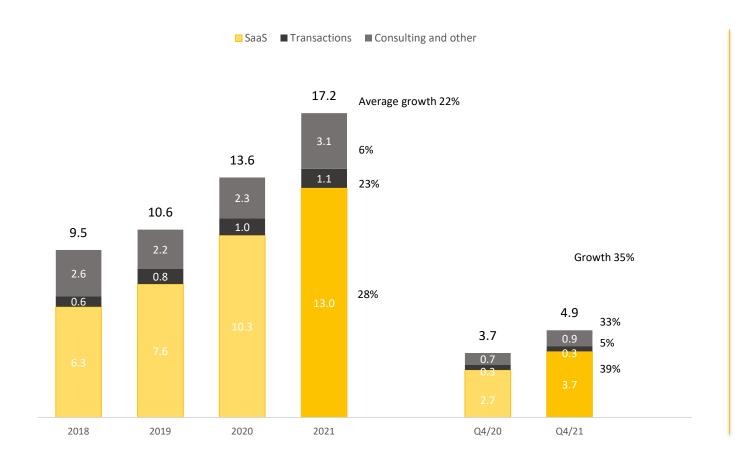
- □ Demand in construction showed signs of overall weakening – companies postponed larger investment decisions due to uncertainty
- → Some subsectors showed increased demand, e.g. private housing sector

Accounting Firms

→ Accounting industry is experiencing consolidation. Large players are actively acquiring smaller players and expanding their footprint. Small players are looking for differentiation through digitalization, large players for more efficiency.



SaaS expansion main driver in net sales growth

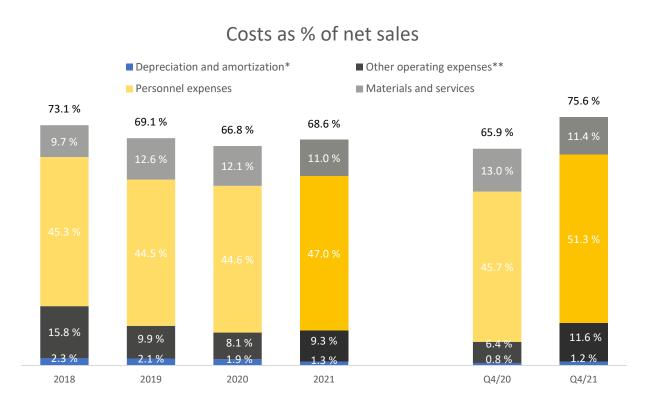


Cost structure

- Growth mainly driven by SaaS revenue growth
- Transaction sales includes fees from a wide variety of different transactions
- Consulting and other net sales comprises:
 - Implementation and consulting revenue
 - Metsys revenue
 - Variour smaller revenue items
- Organic growth 13.4% in 2021



Cost structure – Investments in recruitments



* adjusted to exclude depreciation related to merged group companies and amortization of goodwill

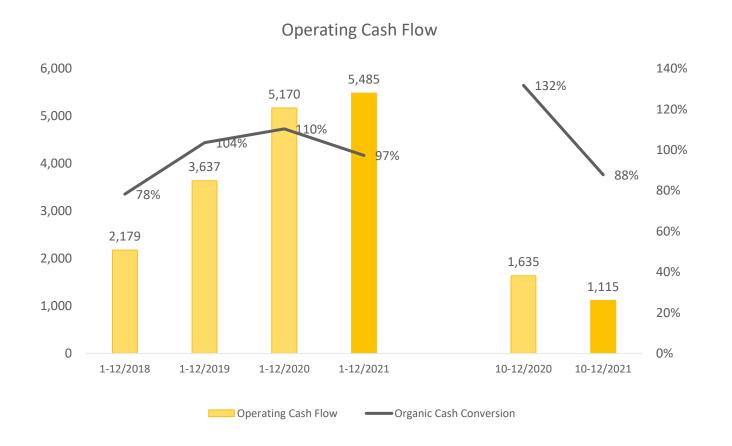
Cost structure

- Gross margin remains high with materials and services only 11 % of net sales
- During Q4/2021, Lemonsoft made significant investments on recruitments to support growth – 13 new employees started at Lemonsoft during the review period
- Other operating costs increased compared to Q4/21 – a new office was established in Oulu and administrative costs increased along with operating as a listed company
- Low depreciations driven by Lemonsoft's history of low level of capitalized costs



^{**} adjusted to exclude one-off items related to M&A and the IPO

Strong cash flow



Factors supporting strong cash flow

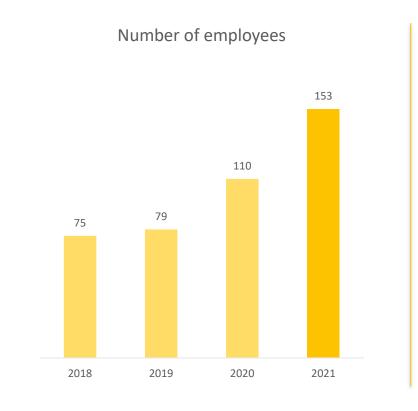
- Lemonsoft continued to generate a strong cash flow based on a profitable business model and high cash conversion
- Typical organic cash conversion for Lemonsoft's business is very high due to low organic capex and no capitalized R&D development costs
- Q4/2021 cash conversion lower than usual due to the purchase of an additional floor in Lemonsoft's headquarters in Vaasa



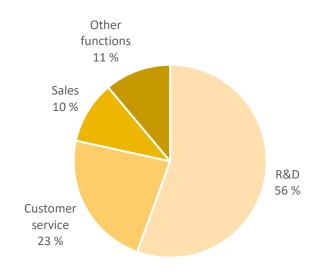
Significant year in developing the organization

Investments in recruitment

- Significant investments into growing our team – almost 50 new employees during 2021, of which 24 through acquisitions
- Key recruitments in all functions management, sales, R&D and administration
- Strong focus both on R&D and the customers, with 56% of employees in R&D and 33% in sales and customer service
- During 2021, employee turnover has been 13.3 % (14.9%)







*Other functions include financial administration, HR, information management and business development



Product launches and roadmap

Examples of development planned in 2022

lemonsmart •

Completely digital and automated financial management solution for micro segment. Target market accounting firms with great number of micro companies as customers.

lemon — online

The wide functionality of Lemonsoft MES in a new form for lighter use in SME manufacturing. Completely paper free manufacturing processes. Target market smaller manufacturing companies with the need to fully digitalize their manufacturing processes.

Okellokortti

A shift planning system for Kellokortti and Lemonsoft customers. Next generation shift planning will be compatible also with several other work time monitoring systems. Target market all SME companies using a compatible work time monitoring system.

lemonsoft •

A complete Warehouse Management System for SME companies. Target market all SME companies with large warehouses and huge number of items.



Acquisitions in 2021 – Integration as planned

Phase 1

Secure existing key accounts to ensure recurring revenue stability and growth

Phase 2

Integrate organization & processes and identify operative synergies

Phase 3

Build further growth by investing in new customer sales and finding cross-sell potential

Phase 4

Determine and execute a clear product development roadmap

PLANMILL

Acquired in 8/2021

- ✓ Growth in current customer base developing well
 - ✓ Investments in new customer sales
- ✓ Integration of organization and internal processes ongoing

TALOSOFTA

Acquired in 6/2021

- Organization and processes immediately integrated into Lemonsoft
- ✓ Focus on serving current customer base and winning new customers in selected areas
- ✓ New version of Talosofta in product development

Metsys WMS Software

Acquired in 2/2021

- ✓ Serving current customers and delivering new projects
- Development of an SMEfocused scalable WMS product



Dividend for 2021

Board's dividend proposal for 2021

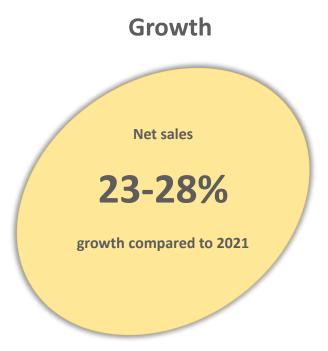
EUR 0.13 per share (0.13)

Proposed dividend distribution in total: EUR 2.4 million (EUR 2.2 million)

Lemonsoft aims to carry out an active dividend policy, provided that any profit distribution does not undermine the targets set out in the company's growth strategy, or other financial targets



Outlook for 2022





Key trends

- We aim to continue strong and stable growth through 1) increasing to serve our existing customer base and provide a larger number of modules 2) expanding our customer base through investing in new sales
- Positive development in digitalization and ERP penetration expected to continue especially in construction as well as in industrial manufacturing and logistics
- Customer retention is expected to remain high as ERP is a critical part of the continuation of our customers' business
- Recruitments made in the second half of 2021 will weaken relative profitability in the first half of 2022 compared to the second half



More information

Upcoming events in 2022

- Publication of 2021 Annual
 Report in the week beginning 14
 March 2022
- Virtual AGM on 5 April 2022
- Interim Report January March
 2022 on Wednesday 27 April
 2022
- Half-year Report January-June
 2022 on Friday, 22 July 2022
- Interim Report January –
 September 2022 on Friday, 28
 October 2022

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