

Lemonsoft Oyj - Strong sales growth continued

Interim Report – January-March 2022



Presenters



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Q1/22: Net sales growth 29.9%, adjusted EBIT 26.5%

- Q1 net sales growth remained strong at 29.9%, driven by new customer acquisition, the acquisitions of Metsys Oy and Planmill Oy and the asset purchase of Talosofta
- SaaS revenue growth (39.3%) and gross margin (88.9%) remained high
- Q1/22 adjusted EBIT was 26.5% of net sales, in line with our expectations, increasing from 25.7 % in Q4/21 profitability was affected by increased salary costs due to front-loaded recruitments as well as higher other operating costs
- Number of employees at the end of Q1/22 increased to 158 from 153 at the end of Q4/22

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 of the period	762	884	-13.8 %	2,272
Profit 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)	0.04	0.05	-19.8 %	0.13
Number of employees at end of period	158	118	33.9 %	153
Outstanding shares at end of period	18,273,726	680		18,273,726
Average outstanding shares during the period	18,273,726	680		5,879,408

Strategy and market update

Strategy

Continued focus on executing growth strategy

- ✓ Product Leadership
 - ✓ Product portfolio roadmap on track with new releases made continuously
 - ✓ LemonSmart – new product: financial automation through accounting firms for micro companies
- ✓ Customer experience
 - ✓ Direct sales focused on key segments winning new deals especially in Manufacturing Industry and Wholesale and Retail segments
 - ✓ Channel sales focused on growing the Accounting segment
 - ✓ Consulting and Services sales at record level
- ✓ Growing the transaction business
 - ✓ In line with plan, 12% growth

Market

Q1 – Strong market demand at the start of the year but macroeconomic uncertainty increasing

- Lead generation Q1/22 the strongest in Lemonsoft's history
 - Market demand high in Manufacturing industry and Wholesale & Retail segments, lower demand in Construction and Professional Services
- Good progress in new customer acquisition, winning multiple deals with top Finnish and international brands for enterprise resource planning
- Quarterly Consulting & Services sales at record high level -> pressure on delivery capacity & capability
- Cross-sell/upsell activities leveraging acquisitions (PlanMill, Talosofta, Metsys) progressing
- Historical milestone of 10 million delivered e-invoices through LemonHub reached in Q1/2022
- Macro-economic uncertainty was reflected in March as the Ukraine war and rising energy and fuel prices made customers postpone buying decisions
 - ETLA forecasts Finnish GDP to grow by 2.1%, 1% less than in previous forecast, driven by exports and consumer spending
- ETLA forecasts investments to grow by 3.5% (1.2% growth in 2021)

Product launches and roadmap



Industrial Manufacturing

The wide functionality of Lemonsoft MES in a new form for lighter use in SME manufacturing.

Completely paperless manufacturing processes.

Targets also smaller manufacturing companies with the need to fully digitalize their manufacturing processes.

lemon ● online



Wholesale & Retail

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

Significant recruitment investments into developing the LemonShop competencies and offering. Seamless integration into Lemonsoft's core ERP system.

Metsys
WMS Software
lemon ● shop



Construction

Talosoftware development continuing to enable Lemonsoft to offer a complete solution for SME companies in the construction sector.

Lemonsoft follow the current and future trends in the sector closely and develops the offering accordingly. Digitalization in the sector is still limited and growing.

TALOSOFTA



PSA

Focus on offering Planmill's existing product to new customers.

Sales and marketing communication and pricing model adjusted to target the right customer segment and to provide an offering best suitable for SME customers.

PLANMILL



Accounting firms

Completely digital and automated financial management solution through accounting firms for micro segment.

LemonSmart is constructed to comply with future changes from the Finnish tax authorities.

Shares a common business logic and database with Lemonsoft core ERP system.

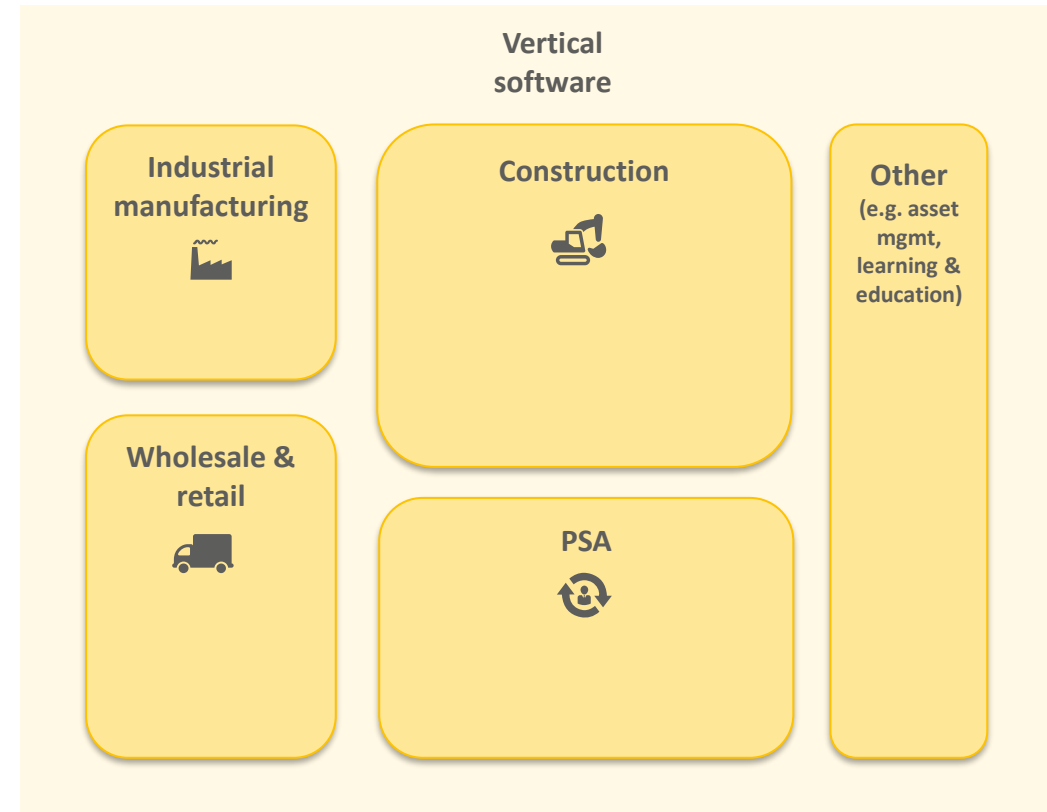
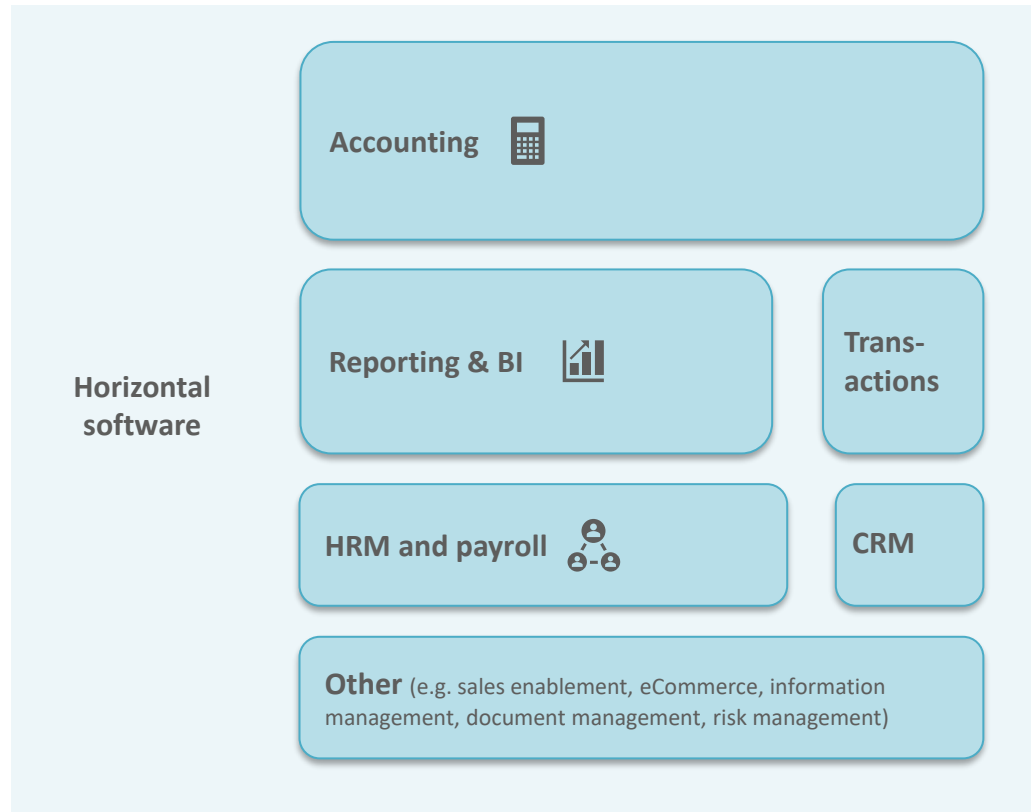
lemonsmart ●

lemonsoft ●

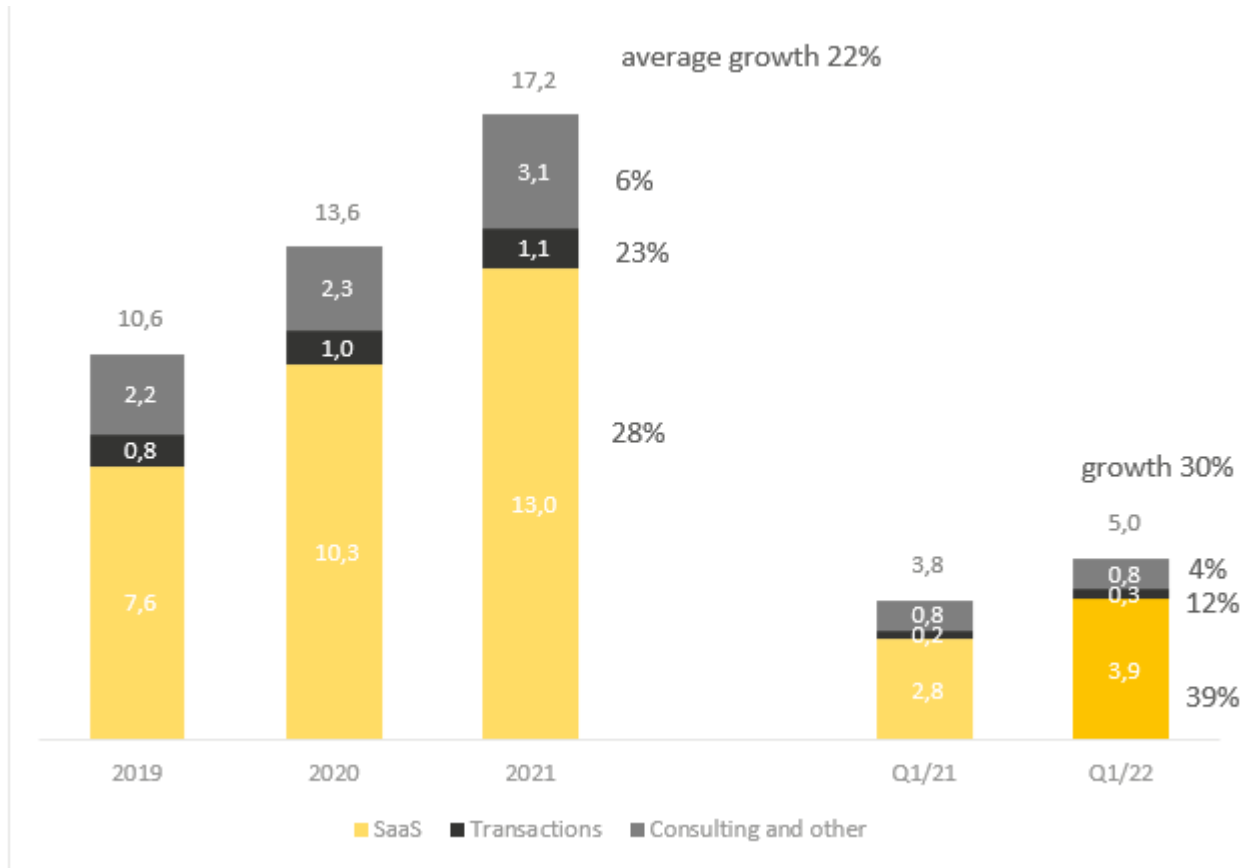
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Lemonsoft's M&A landscape

We continue to actively evaluate possible acquisition targets in several interesting industries and product areas:



SaaS expansion main driver in net sales growth

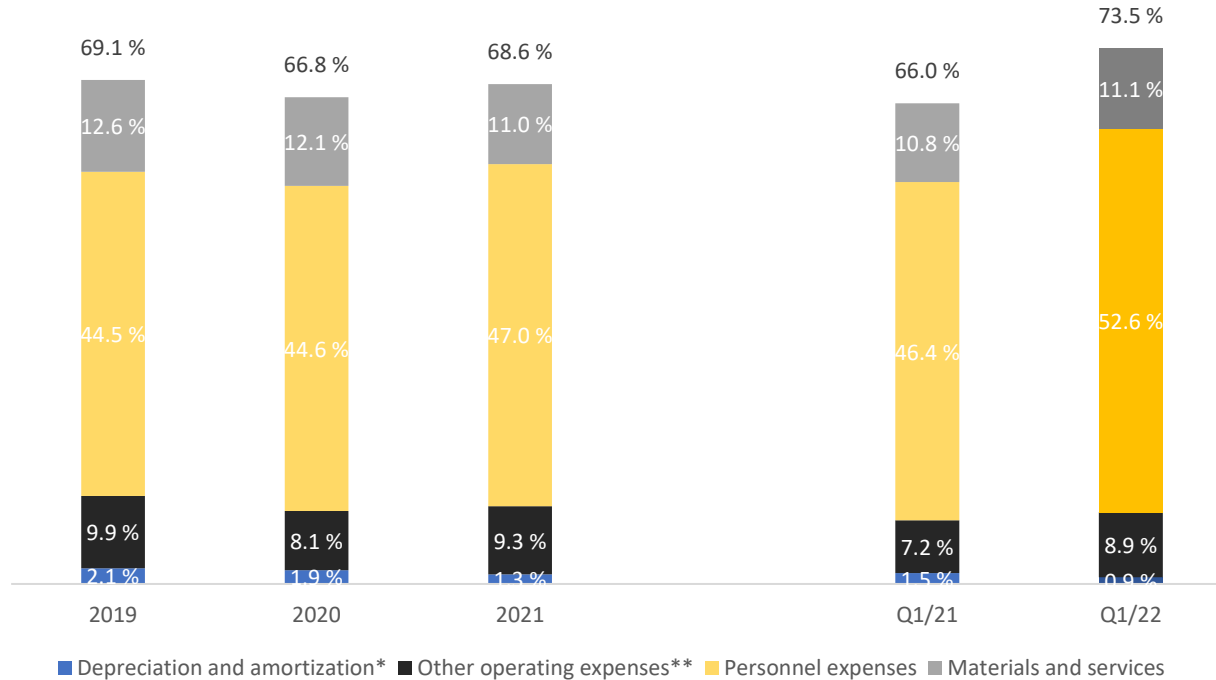


Net sales growth

- Growth mainly driven by SaaS revenue growth. SaaS revenue grew due to new customer acquisition, as well as previous year's acquisitions of PlanMill and Talosofta
- Transaction revenue grew by 12 %
- Organic growth 9.1% in Q1/2022. The comparison period included exceptionally high license sales, which shows as lower organic growth of the review period.
- Number of leads/offers/closed deals has been high during Q1. There were some bottlenecks in implementations, but the situation is improving.

Cost structure – Investments in recruitments

Costs as % of net sales



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

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

Cost structure

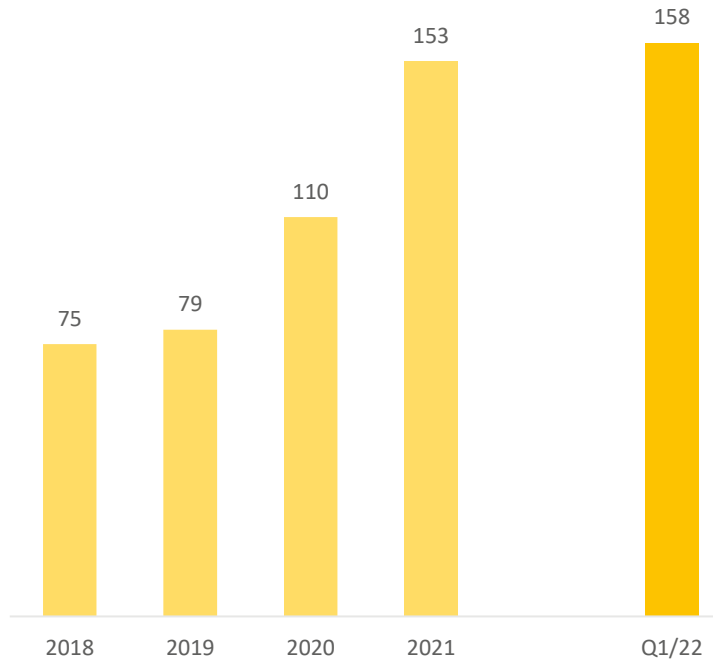
- Gross margin remains high with materials and services only ca. 11 % of net sales
- Recruitments made in the second half of 2021 and during the review period will weaken relative profitability in the first half of 2022 compared to the second half
- Higher other operating expenses mainly due to IPO related, new running cost items
- Low depreciations driven by Lemonsoft's history of low level of capitalized costs

Significant year in developing the organization

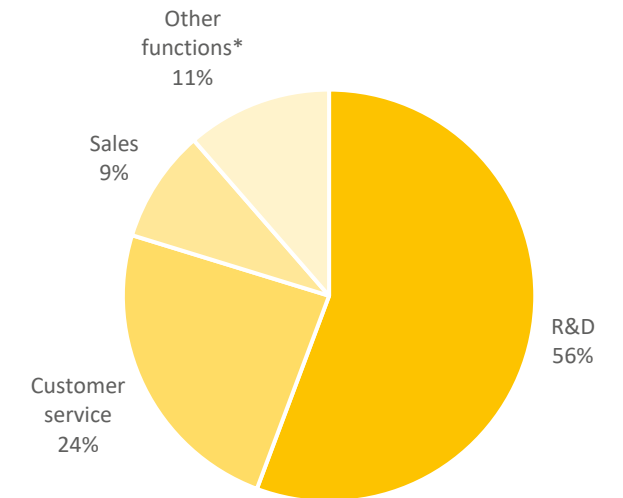
Slower recruitment pace

- Following significant investments into growing the team during the second half of 2021, we slowed down recruitments by increasing personnel by 5 employees during Q1
- Recruitments of the review period have strengthened the R&D and customer service functions to ensure the efficiency of the implementation process

Number of employees



Personnel by function



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

Outlook for 2022

Lemonsoft keeps the profit forecast for the full year 2022 unchanged:

Growth

Net sales

23-28%

growth compared to 2021

Profitability

Adjusted EBIT

30-35%

of net sales

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

- 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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