

Lemonsoft Oyj's Half Year Report

1 January - 30 June 2022



Lemonsoft Oyj's Half Year Report for 1 January - 30 June 2022: Acquisitions accelerate growth strategy

APRIL-JUNE 2022

- Net sales increased 32.7% and were EUR 5,318 thousand (4,008)
- EBITDA was EUR 1,338 thousand (1,264), 25.2% (31.5) of net sales
- Adjusted EBITDA was EUR 1,345 thousand (1,291), 25.3% (32.2) of net sales
- EBIT was EUR 922 thousand (1,024), 17.3% (25.6) of net sales
- Adjusted EBIT was EUR 1,296 thousand (1,233), 24.4% (30.8) of net sales
- Profit of the review period was EUR 628 thousand (808), 11.8% (20.2) of net sales

JANUARY-JUNE 2022

- Net sales increased 31.3% and were EUR 10,320 thousand (7,857)
- EBITDA was EUR 2,695 thousand (2,634), 26.1% (33.5) of net sales
- Adjusted EBITDA was EUR 2,715 thousand (2,659), 26.3% (33.8) of net sales
- EBIT was EUR 1,933 thousand (2,157), 18.7% (27.5) of net sales
- Adjusted EBIT was EUR 2,621 thousand (2,544), 25.4% (32.4) of net sales
- Profit of the review period was EUR 1,390 thousand (1,692), 13.5% (21.5) of net sales

Key figures

EUR 1,000	4-6/2022	4-6/2021	Change	1-6/2022	1-6/2021	Change	1-12/2021
Net sales	5,318	4,008	32.7 %	10,320	7,857	31.3 %	17,227
SaaS	4,036	2,894	39.4 %	7,918	5,681	39.4 %	12,996
Transaction	298	263	13.2 %	576	512	12.4 %	1,084
Consulting and other	984	850	15.7 %	1,827	1,664	9.8 %	3,148
Gross margin	4,631	3,559	30.1 %	9,079	7,006	29.6 %	15,380
Gross margin, % of net sales	87.1 %	88.8 %		88.0 %	89.2 %		89.3 %
EBITDA	1,338	1,264	5.8 %	2,695	2,634	2.3 %	4,231
EBITDA, % of net sales	25.2 %	31.5 %		26.1 %	33.5 %		24.6 %
Adjusted EBITDA ¹⁾	1,345	1,291	4.2 %	2,715	2,659	2.1 %	5,635
Adjusted EBITDA, % of net sales	25.3 %	32.2 %		26.3 %	33.8 %		32.7 %
EBIT	922	1,024	-9.9 %	1,933	2,157	-10.4 %	3,070
EBIT, % of net sales	17.3 %	25.6 %		18.7 %	27.5 %		17.8 %
Adjusted EBIT ²⁾	1,296	1,233	5.1 %	2,621	2,544	3.0 %	5,411
Adjusted EBIT, % of net sales	24.4 %	30.8 %		25.4 %	32.4 %		31.4 %
Profit (Loss) of the period	628	808	-22.3 %	1,390	1,692	-17.9 %	2,272
Profit (Loss) of the period, % of net sales	11.8 %	20.2 %		13.5 %	21.5 %		13.2 %
Equity ratio, %	71.9 %	59.4 %		71.9 %	59.4 %		75.0 %
Net debt	-10,974	-1,87	485.1 %	-10,974	-1,875	485.1 %	-15,760
Gearing, %	-48.8 %	-29.1 %		-48.8 %	-29.1 %		-71.7 %
Earnings per share (EPS) ³⁾	0.03	0.05	-27.9 %	0.08	0.10	-23.7 %	0.13
Number of employees at the end of the period	169	121	39.7 %	169	121	39.7 %	153
Outstanding shares at the end of the period	18,393,440	680		18,393,440	680		18,273,726
Average outstanding shares during the period	18,313,631	680		18,293,678	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 second quarter of 2022 continued to develop in line with our expectations. Despite the current uncertain geopolitical situation, there is still good demand in the market and companies want to make their operations more efficient with a modern ERP system. New sales were particularly strong in the industrial sector. Lemonsoft's net sales were 5.3 million euros, growing 32.7% from the previous year. The adjusted EBIT margin was at an anticipated level, 24.4% of net sales.

The number of customers continued to grow and was approximately 7,300 at the end of Q2 2022, compared to approximately 6,800 at the end of year 2021.

We have continued our active acquisition strategy during the beginning of the year with two acquisitions. Both acquisitions expand our software offering in different product categories and enable us to offer new products to both our current customer base as well as new customers. Our goal is to continue supporting growth through selected acquisitions in the future as well.

In May, we strengthened our position in the wholesale and industrial manufacturing industries by acquiring a software company Logentia Oy, which specializes in optimizing the management of transportation services. Logentia has a strong position within the optimization of transport services in Finland and also in the other Nordic countries. I believe that we will be able to further strengthen Logentia's position and to accelerate the company's sales by offering the solution more widely to Lemonsoft's existing customer base. We have also identified areas into which we can jointly develop new software solutions.

In the beginning of July, we strengthened our offering within financial management solutions by acquiring Finazilla Oy, a software company that offers solutions for reporting, budgeting and forecasting, as well as financial process optimization services which are based on Finazilla's software solution. Finazilla's efficient and flexibly customizable budgeting and forecasting tools make our offering towards financial and sales management even more comprehensive and with higher quality. With Finazilla's software solutions and financial management services, we can offer SMEs and growth companies a comprehensive set of financial management tools.

We have been successful in recruiting and our focus is still on product development. Although the competition for talent is tough in Finland, I feel that we are an attractive place to work. I believe that significant investments in R&D will strengthen our position in the market in the long run.

The third quarter starts off busy, as we are running a high number of implementations. In the beginning of the year, there were bottlenecks in implementations due to limited resources and during the second quarter we have invested in ensuring that the implementations would go smoothly – we have standardized the implementation process better than before, and additionally been successful with recruitments. The situation is improving and I expect implementations to run normally from August onwards.



Group Financial Development

Group financial result and profitability

April-June 2022

Net sales for the review period were EUR 5,318 thousand (4,008). Net sales increased by EUR 1,310 thousand, 32.7%. Organic growth of the review period was 11.7%. Net sales grew especially due to new customer acquisition and the acquisitions of Logentia Oy (2022), PlanMill Oy (2021) and Talosofta business (2021), whose net sales were not included in the comparison period. Logentia's net sales have been included in the review period in June.

The share of SaaS income during the review period was 75.9% (72.2), the share of transaction income 5.6% (6.6), and consulting and other income 18.5% (21.2).

EBITDA was EUR 1,338 thousand (1,264), 25.2% (31.5) of net sales. Adjusted EBITDA (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 1,345 thousand (1,291), 25.3% (32.2) 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 922 thousand (1,024), 17.3% (25.6) of net sales. Adjusted EBIT (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 1,296 thousand (1,233), 24.4% (30.8) 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 628 thousand (808), 11.8% (20.2) of net sales.

Cash flow from operating activities during the review period was EUR 1,195 thousand (930).

January-June 2022

Net sales for the review period were EUR 10,320 thousand (7,857). Net sales increased by EUR 2,463 thousand, 31.3%. Organic growth of the review period was 10.4%. Net sales grew especially due to new customer acquisition and the acquisitions of Logentia Oy (2022), Metsys Oy (2021), PlanMill Oy (2021) and Talosofta business (2021). Out of these, Metsys's net sales were not included in the comparison period in January, and the net sales of Logentia, PlanMill and Talosofta were not included at all in the comparison period. Logentia's net sales have been included in the review period in June.

The share of SaaS income during the review period was 76.7% (72.3), the share of transaction income 5.6% (6.5), and consulting and other income 17.7% (21.2).

EBITDA was EUR 2,695 thousand (2,634), or 26.1% (33.5) of net sales. Adjusted EBITDA (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 2,715 thousand (2,659), 26.3% (33.8) 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 1,933 thousand (2,157), 18.7% (27.5) of net sales. Adjusted EBIT (adjustments specified in the table EBITDA and EBIT Adjustments) was EUR 2,621 thousand (2,544), 25.4% (32.4) 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 1,390 thousand (1,692), 13.5% (21.5) of net sales.

Cash flow from operating activities during the review period was EUR 1,993 thousand (2,208).

Balance sheet, financing and investments

The balance sheet total at the end of the review period was EUR 31,924 thousand (29,798 at the end of the year 2021). The balance sheet total was increased in the review period especially by the acquisition of Logentia Oy.

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 22,505 thousand (21,991 at the end of the year 2021), equity increased EUR 514 thousand.

Equity ratio at the end of the review period was 71.9% (75.0 at the end of the year 2021) and interest-bearing debt was EUR 2,850 thousand (3,300 at the end of the year 2021).

Cash and cash equivalents at the end of the review period were EUR 13,824 thousand (19,060 at the end of the year 2021).

Personnel, management and administration

The Group number of employees was 169 (121) on 30 June 2022. Recruitments of the review period have strengthened the R&D and Customer service functions.

The personnel are divided as follows:

- R&D 95 employees
- Customer service 40 employees
- Sales 13 employees
- Other functions, a total of 21 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 (680) shares. The average number of shares during the review period was 18,313,631 (680).

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 13.98 and the lowest EUR 10.92. The closing price on 30 June 2022 was EUR 12.60. The market value of the company at the closing price of the review period was approximately EUR 231.8 million. Average daily trading volume during the review period was 7,435 shares (EUR 92,881).

On 30 June 2022, the company had a total of 2,500 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 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 may result in e.g. reduced investments by industrial manufacturing companies and decreased need for subcontracting chains. This may also have a negative impact on the demand for ERP systems, which may 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 may also have direct and indirect impacts on Lemonsoft's business. These may 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. A total of about EUR 2,4 million was paid in dividends on 20 April 2022.

Events after the review period

On 8 July 2022, Lemonsoft Oyj strengthened its offering within financial management solutions by acquiring Finazilla Oy, a software company that offers solutions for reporting, budgeting and forecasting, as well as financial process optimization services which are based on Finazilla's software solution.

On 1 July 2022, Lemonsoft Oyj has established a new subsidiary for the development of the transaction business, of which Lemonsoft Oyj owns 80% and Jani Tohmo, the company's CEO, 20%.

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. As ERP is a key system for the management and continuity of a customer's business, customer retention is also expected to remain high.

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

Profit forecast for 2022

Along with the acquisition of Finazilla Oy, Lemonsoft has decided to update its profit forecast for 2022.

Lemonsoft estimates that the net sales for the financial year 2022 will increase by 30-36 percent compared to the financial year 2021, and that adjusted EBIT will be 28-33 percent of net sales in 2022.

Financial information

Lemonsoft Oyj will publish the following financial information in 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 July 22, 2022 at 2:00pm EET. The webcast can be followed online live via this link: <https://lemonsoft.videosync.fi/2022-q2-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.

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Distribution

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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	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
NET SALES	5,318	4,008	10,320	7,857	17,227
Other operating income	0	0	1	14	45
Materials and services	-687	-449	-1,242	-866	-1,893
Personnel expenses	-2,790	-1,969	-5,423	-3,756	-8,091
Depreciation and amortization					
Depreciation	-116	-92	-239	-184	-462
Goodwill amortization	-299	-148	-523	-292	-699
Total depreciation and amortization	-415	-240	-763	-477	-1,161
Other operating expenses	-503	-326	-961	-616	-3,059
EBIT	922	1,024	1,933	2,157	3,070
Financial income and expenses	-6	-7	-11	-6	16
PROFIT (LOSS) BEFORE TAXES	917	1,017	1,922	2,151	3,086
Income taxes	-280	-210	-517	-460	-778
Minority share	9	-1	15	-1	35
PROFIT (LOSS) FOR THE PERIOD	628	808	1,390	1,692	2,272

CONSOLIDATED BALANCE SHEET

EUR 1,000	6/2022	6/2021	12/2021
NON-CURRENT ASSETS			
Intangible assets	12,974	4,548	6,484
Tangible assets	627	559	533
Investments	1,874	1,495	1,874
TOTAL NON-CURRENT ASSETS	15,476	6,602	8,891
CURRENT ASSETS			
Inventories	41	68	52
Current receivables	2,583	1,168	1,795
Cash at bank and in hand	13,824	3,625	19,060
TOTAL CURRENT ASSETS	16,448	4,861	20,907
Total Assets	31,924	11,463	29,798
EQUITY	22,505	6,441	21,991
Minority interest	45	0	30
LIABILITIES			
Non-current liabilities	1,950	1,250	2,400
Current liabilities	7,424	3,772	5,377
TOTAL LIABILITIES	9,374	5,022	7,777
Total equity and liabilities	31,924	11,463	29,798

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Cash flow from operating activities:					
Profit (Loss) before taxes	917	1,017	1,922	2,151	3,086
Adjustments	411	258	763	499	1,182
Cash flow before change in working capital	1,327	1,275	2,685	2,650	4,267
Change in working capital	172	-128	-145	25	328
Cash flow from operating activities before financial items and taxes	1,499	1,147	2,540	2,674	4,595
Net financial items and taxes	-304	-217	-547	-466	-602
Net cash from operating activities (A)	1,195	930	1,993	2,208	3,994
Cash flow from investing activities:					
Acquisition of intangible and tangible assets	-63	-2,805	-172	-2,800	-2,560
Proceeds from sale of tangible and intangible assets	0	0	0	0	107
Other investments	0	0	0	0	-379
Acquired shares in subsidiaries	-4,231	1,772	-4,231	1,577	-1,236
Net cash used in investing activities (B)	-4,294	-1,033	-4,403	-1,223	-4,069
Cash flow from financing activities:					
Dividends paid	-2,376	0	-2,376	-2,210	-2,210
Net cash flow from non-current loans	-450	-250	-450	-250	1,300
Share issue	0	0	0	0	14,945
Net cash from financing activities (C)	-2,826	-250	-2,826	-2,460	14,035
Change in cash at bank and in hand (A + B + C) increase (+) / decrease (-)	-5,925	-353	-5,236	-1,475	13,960
Cash at bank and in hand at the beginning of the period	19,749	3,979	19,060	5,100	5,100
Cash at bank and in hand at the end of the period	13,824	3,625	13,824	3,625	19,060
Change in cash	-5,925	-353	-5,236	-1,475	13,960

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	1-6/2022	1-6/2021	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
Directed share issue/IPO	1,500	0	14,945
Invested unrestricted equity reserve at the end of the period	16,480	36	14,980
Invested unrestricted equity reserve total	16,480	36	14,980
Retained earnings at the beginning of the period *	6,930	6,916	6,935
Dividends distributed	-2,376	-2,210	-2,210
Increase of share capital	0	0	-72
Retained earnings at the end of the period	4,555	4,706	4,658
Profit (Loss) for the period	1,390	1,692	2,272
Total free equity	22,425	6,433	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	22,505	6,441	21,991

* Earnings from subsidiary mergers transferred to Retained earnings in 2021

GROUP'S COMMITMENTS

EUR 1,000	6/2022	6/2021	12/2021
Rental obligations			
Rental obligations < 1 y	189	47	200
Rental obligations > 1 y	0	0	5
Total rental obligations	189	47	205
Lease obligations			
Lease obligations < 1 y	1	1	1
Lease obligations > 1 y	0	0	0
Total lease obligations	1	1	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, % = (Loans from credit institutions - 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	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
EBITDA	1,338	1,264	2,695	2,634	4,231
EBITDA, % of net sales	25.2 %	31.5 %	26.1 %	33.5 %	24.6 %
<i>Business Finland subsidies</i>	0	0	0	-14	-45
<i>M&A and IPO costs</i>	8	26	19	39	1,449
Adjusted EBITDA	1,345	1,291	2,715	2,659	5,635
Adjusted EBITDA, % of net sales	25.3 %	32.2 %	26.3 %	33.8 %	32.7 %

EUR 1,000	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
EBIT	922	1,024	1,933	2,157	3,070
EBIT, % of net sales	17.3 %	25.6 %	18.7 %	27.5 %	17.8 %
<i>Business Finland subsidies</i>	0	0	0	-14	-45
<i>M&A and IPO costs</i>	8	26	19	39	1,449
<i>Goodwill amortization</i>	366	183	669	361	937
Adjusted EBIT	1,296	1,233	2,621	2,544	5,411
Adjusted EBIT, % of net sales	24.4 %	30.8 %	25.4 %	32.4 %	31.4 %

