

# Heeros



## Heeros Q3/2024 Result Briefing

24 October 2024

## Safe Harbor Statement

Certain statements in this presentation are forecasts and are based on the views of Heeros and company management at the time of their issuance. For this reason, they involve risks and uncertainties. Forecasts may also change if there are significant changes in the general financial situation or the company's operating environment.

The information in the presentation is not intended as investment advice, offers or solicitation to trade in Heeros investment products or services.

## Presenting today

**Niklas Lahti**  
Chief Executive Officer

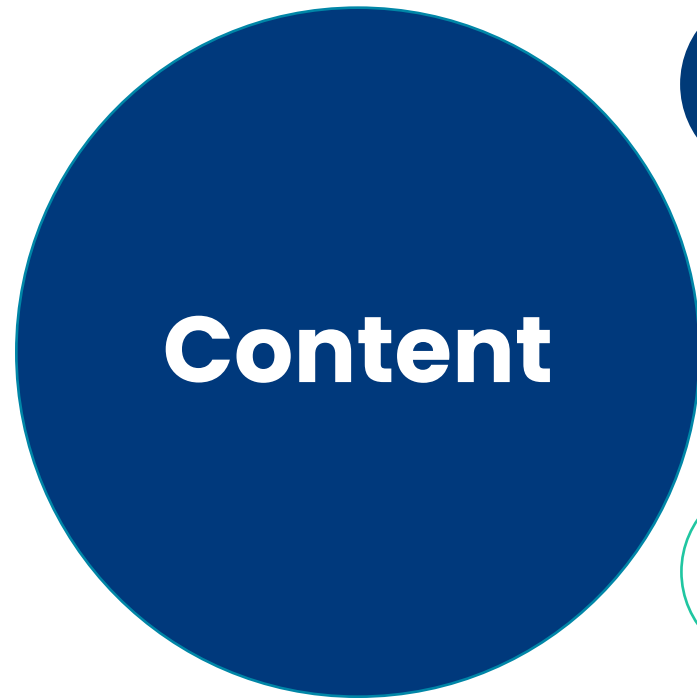


- Background from leading B2B IT and Tech companies, as well as in finance, investments and M&A
- Previously M&A Director at Digia, CEO/Entrepreneur at Nord Software and Analyst at Rite Ventures
- M.Sc. (Econ.) in Finance from Aalto University

**Juho Pakkanen**  
Chief Financial Officer



- Versatile work experience in financial management and business control
- Previously at Sita Finland, FCG Finnish Consulting Group, Fonecta and ThreeFiveEight
- M.Sc. (Econ.) from Lappeenranta University of Technology



# Content

## **Q3 commentary**

Systematic work, solid results

## **Outlook 2024**

Targets achieved for the year

# Key figures Q3 2024

EUR thousand	Q3/2024	Q3/2023	Change %	Jan-Sep/2024	Jan-Sep/2023	Change %	2023
Revenue	2,826	2,820	0 %	8,470	8,486	0 %	11,296
Recurring revenue <sup>1</sup>	2,684	2,695	0 %	8,048	8,061	0 %	10,774
Contract revenue	2,243	2,171	3 %	6,656	6,407	4 %	8,578
Transaction revenue	442	524	-16 %	1,392	1,654	-16 %	2,195
EBITDA	1,242	872	42 %	2,585	1,697	52 %	2,478
EBITDA, % of revenue	44 %	31 %		31 %	20 %		22 %
EBITDA (adjusted) <sup>2</sup>	877	973	-10 %	2,331	1,855	26 %	2,654
EBITDA (adj.), % of revenue	31 %	35 %		28 %	22 %		23 %
Rule of 40, %	44 %	38 %		30 %	24 %		24 %
Rule of 40, % (adjusted) <sup>2</sup>	31 %	41 %		27 %	25 %		25 %

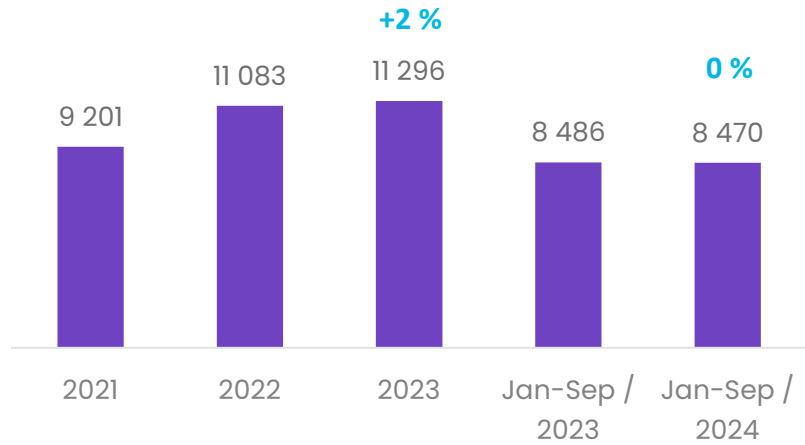
- Revenue was at the level of comparison period at EUR 2.8 (7-9/2023: 2.8) million.
- Contract revenue increased by 3 % to EUR 2.2 (2.2) million.
- Transaction volumes decreased by 6 % and transaction revenue declined by 16 % to EUR 0.4 (0.5) million.
- EBITDA increased by 42 % to EUR 1.2 (0.9) million, representing an EBITDA margin of 44 % (31 %). EBITDA was positively affected by Business Finland's cancellation of EUR 0.5 million in loans related to Taimer Oy's product development projects implemented in 2018-2019.
- Adjusted EBITDA increased by 26 % to EUR 2.3 (1.9) million, representing an EBITDA margin of 28 % (22 %).
- The combined EBITDA margin and revenue growth percentage (Rule of 40, adjusted) was 27% (25%).

<sup>1</sup>Recurring revenue is divided into two parts: contract revenue (fixed usage fees and service agreements) and transaction revenue.

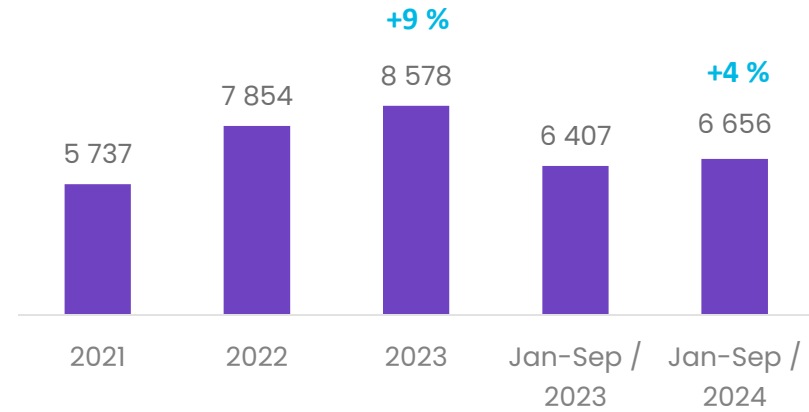
<sup>2</sup> The adjusted figures for Q3/2024 include an adjustment of EUR 524 thousand for extraordinary income and EUR 159 thousand for non-recurring restructuring costs. The adjusted figures for Jan-Sep/2024 include an adjustment of EUR 524 thousand for extraordinary income and EUR 270 thousand for non-recurring restructuring costs.

# Revenue & profitability development

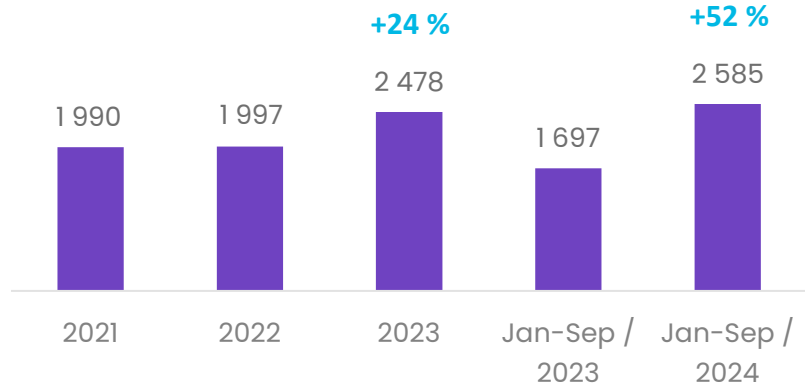
Revenue, EUR 1,000



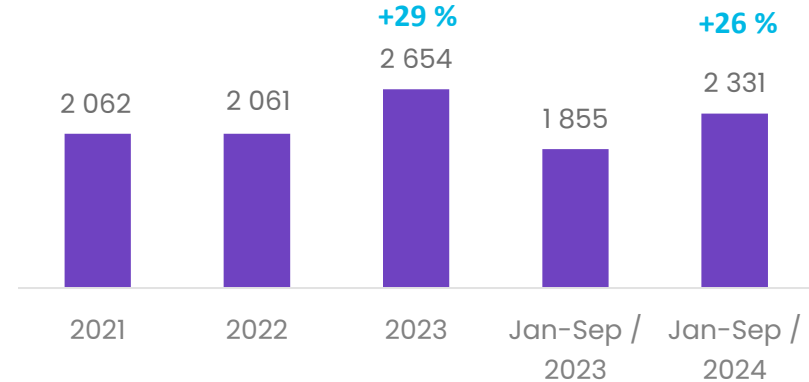
Contract Revenue, EUR 1,000



EBITDA, EUR 1,000

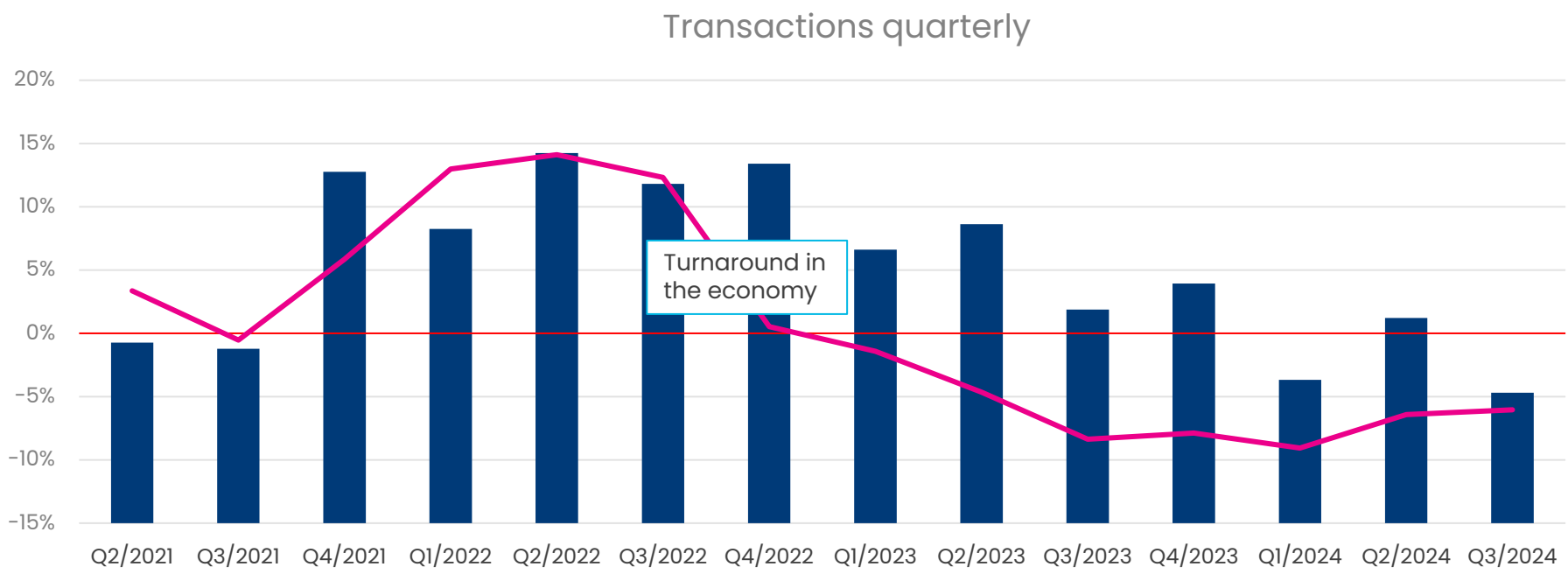


EBITDA (adjusted), EUR 1,000



# Macroeconomic uncertainty

## Transactions trend



# SaaS metrics

## Annual recurring revenue (ARR)

Q3/24: 10.923k EUR (Q3/23: 10.952k EUR)

## Net revenue retention (NRR)

Q3/24: 102 % (Q3/23: 106 %)

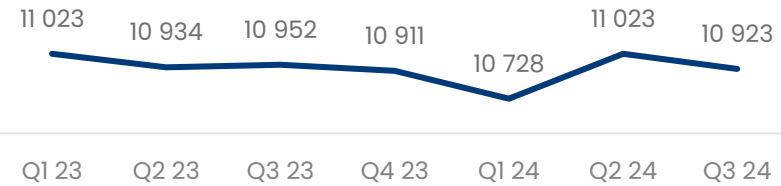
## ARPA, End customer

Q3/24: 58 EUR (Q3/23: 54 EUR)

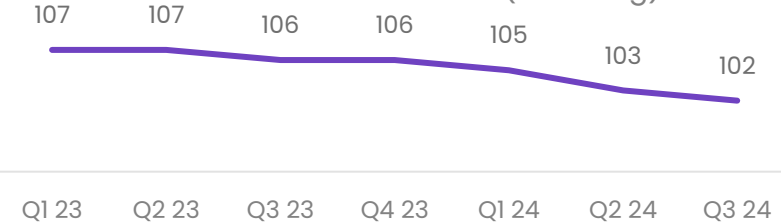
## Order intake, ARR

Q3/24: 122k EUR (Q3/23: 130k EUR)

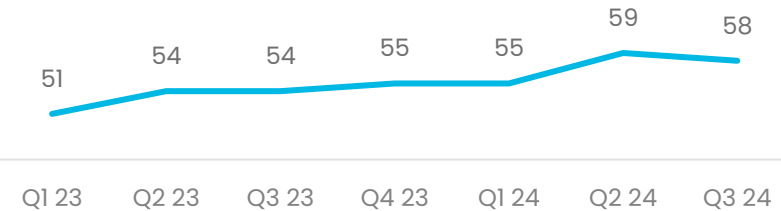
Annual Recurring Revenue, 1,000 EUR



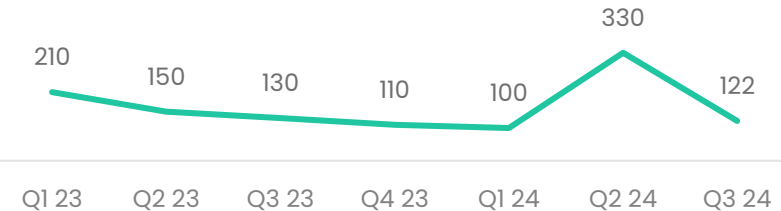
Net Revenue Retention % (recurring)



ARPA, End customer, EUR



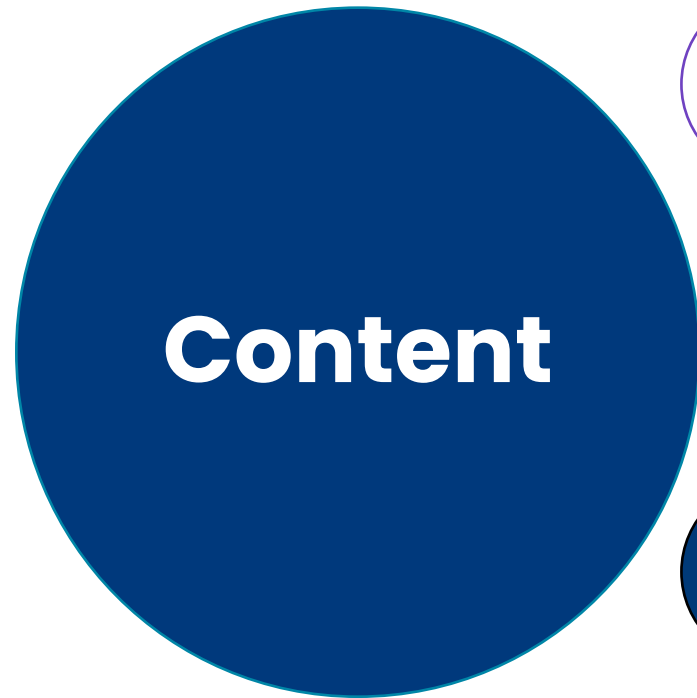
Order intake ARR, 1,000 EUR



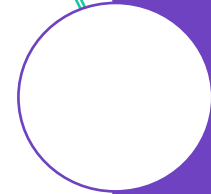


# Key message of Q3/24

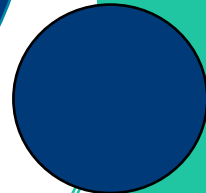
- Q3 went as expected. Systematic work has paid off during last 18 months, with progress aligning with our plans. We met our sales targets, and profitability improved, even though continuing decline in transaction volumes continued to impact revenue growth
  - EBITDA (adj.) decreased by 10% compared to Q3 23, representing 31% (35%) of revenue, contract revenue grew by 3%
  - Small decline in Q3 EBITDA (adj.) was mainly due to a higher performance bonus provision and a smaller release of holiday salary provisions compared to the previous year.
- New ARR intake remained on par with last year at 122 KEUR, reaching targets for the quarter. Jan–Sept orders grew by 16%, reaching 560 KEUR
  - Results were achieved with sharply lower Sales & Marketing spend than a year ago
  - Sales momentum continued to be strong. The number of leads, meetings, and new sales deals increased significantly compared to the same period in the past two years
- Low transaction volumes, driven by still-low economic activity meant that overall development of revenue was still muted
  - As commented in Q2 report, lag from “sold case” to “started invoicing” meant that Q3 revenue did not grow much
  - Quarter ended with at almost exactly 11 MEUR of ARR (Annual Recurring Revenue)
- Net debt position has improved significantly, to be clearly net debt positive at end of September from negative 1.5 MEUR at end of 2023, driven by solid operational profitability, good cash conversion as well as non-collection of two government (Business Finland) loans
- During the quarter, the efficiency of our extensive product portfolio and organization was demonstrated by successfully updating all software and third-party integrations to support the new Finnish VAT rate. This update received praise from customers and partners
  - Despite the need for this sudden adjustment, progress on the planned product development roadmap continued effectively



# Content



**Q3 commentary**  
Systematic work, solid results



**Outlook 2024**  
Targets achieved for the year

# Outlook for 2024

- The strong momentum in new sales will be reflected in revenue starting from the final quarter of the year.
  - Large contracted revenue backlog at the moment (of around ~27 KEUR / month at end of September 24)
  - Most of these customer implementations will be delivered during November and December 2024
  - This means that Heeros has already secured a clear growth trend for Q1 2025 (in a y-o-y comparison)
- Weighted sales pipeline is on a positive level (versus the situation a year ago in 2023, or situation in 2022), but it has limited bearing into actual revenue Q4 2024 due to long sales cycles
  - Still hesitancy in PSA side sales – many larger deals have been pushed back multiple times now
  - Total FINA, Payroll, New HR product as growth drivers
- With only two months left of the year, it is clear that we will reach our internal targets for the year
  - Our key targets have been improving profitability & operational efficiency, whilst also improving sales (as measured in new ARR intake)
  - Targets have been met, and Heeros' financial profile has markedly improved over the year

# Financial outlook 2024

Heeros expects that both revenue and EBITDA for 2024 financial period improve from the 2023 financial period.

# Q&A

Thank you!

# Heeros

Join the growth ride

[www.heeros.com](http://www.heeros.com)

The company's shares are listed on Nasdaq First North Growth Market Finland, under the trading ID HEEROS