

Heeros



Heeros key investment highlights

November 2024

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Heeros introduction



Heeros is a leading provider of SaaS products for Accounting and Financial Management and AP & AR automation for Finnish SMEs

Highlights

SaaS company with a long history of **uninterrupted growth and profitability**

Strong market position in Finland with 17,000 end customers across segments

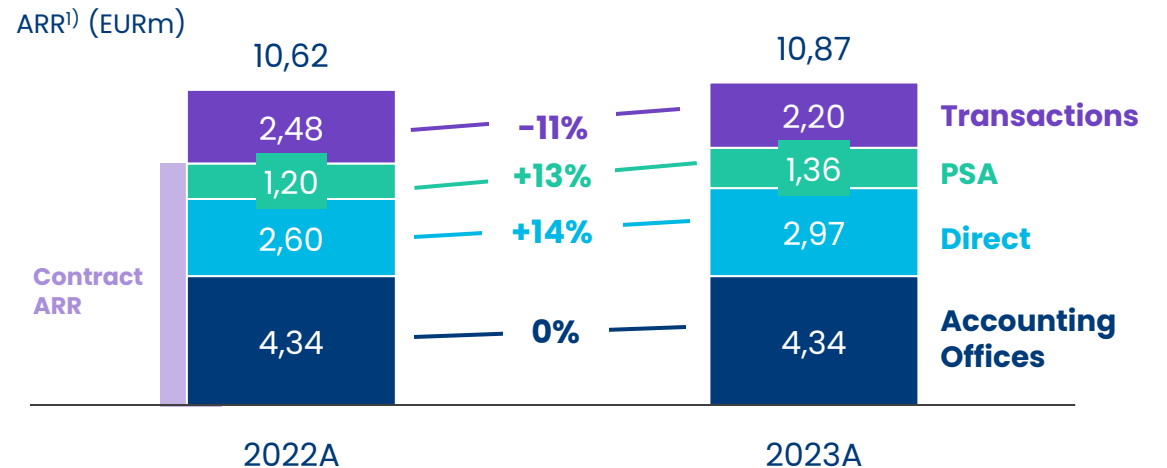
Development **focus recently on market-leading AP/AR automation offering** for direct, mid-sized customers

Accounting Offices, direct SME customers and the PSA vertical as target markets, with wide customer base in each

Refocusing of the organisation executed recently, increasing profitability and enabling future growth

Listed on the Nasdaq First North Growth Market Finland; Two main shareholders [Rite Ventures](#) from Sweden and [Viking Venture](#) from Norway

ARR development and customer segments



Accounting and financial management for Accounting Offices and their end-customers

Portfolio of business-critical products for direct SME customers with AP and AR as spearhead

Vertical ERP product for the PSA vertical (acquired in late 2021)

We target especially CFO buyer personas and intend to have a long-term relationship with the CFO office and its changing needs

What we see is that digitalization is fundamentally transforming the traditional roles and responsibilities in the companies, moving CFO/finance departments towards a business role

For CFOs tasks most impacted by digitalization

- Purchase to pay
- Management reporting & analysis
- Order to cash

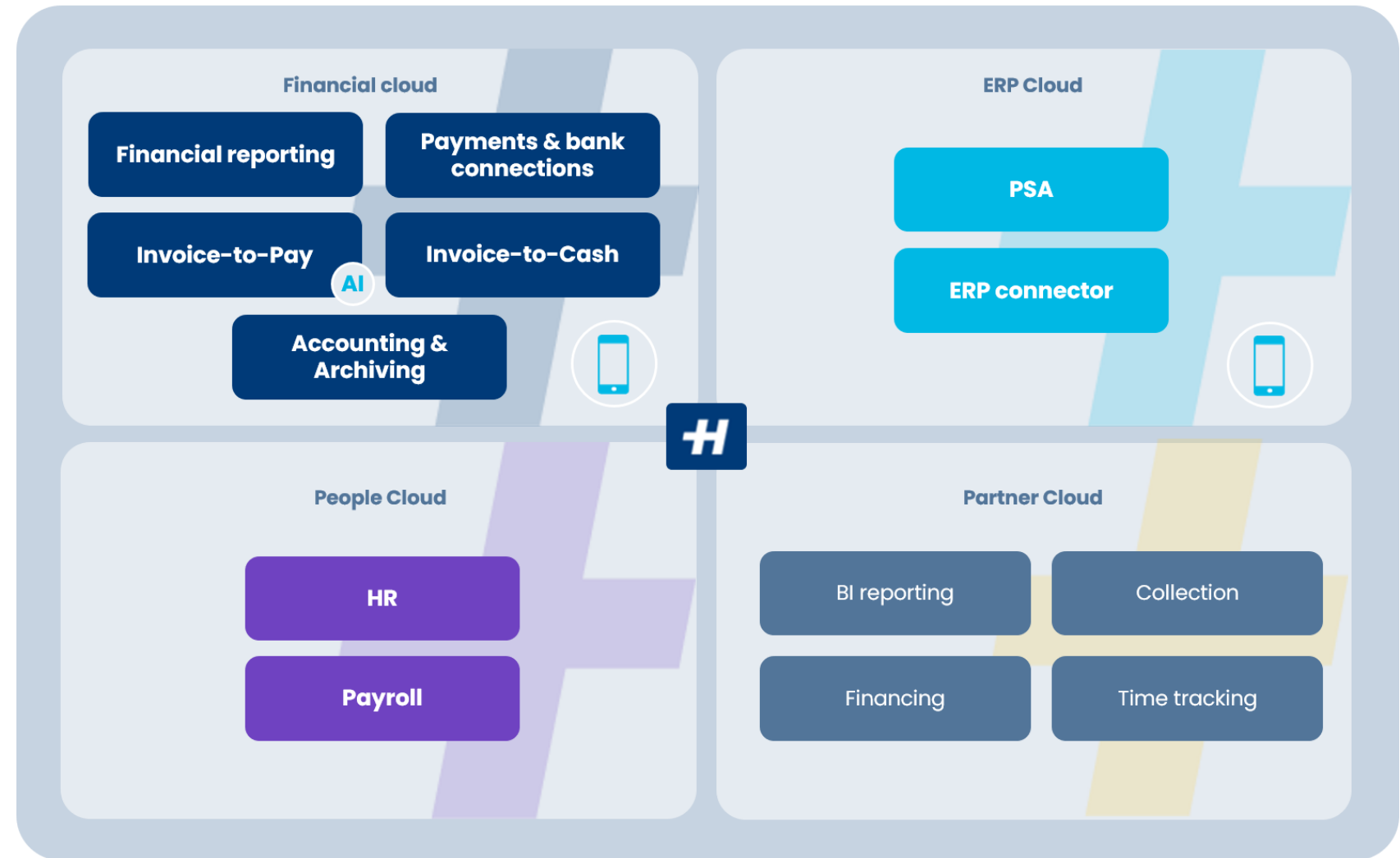
CFOs are looking to invest in an integrated, user-friendly systems used across the organization for

- Enhanced business-decision support
- Better use of high-quality data
- Increased process efficiency, especially in invoicing



Heeros Business Management Cloud

Heeros is expanding
solution offering to meet
changing customer needs



Key investment highlights



Heeros – Key investment highlights

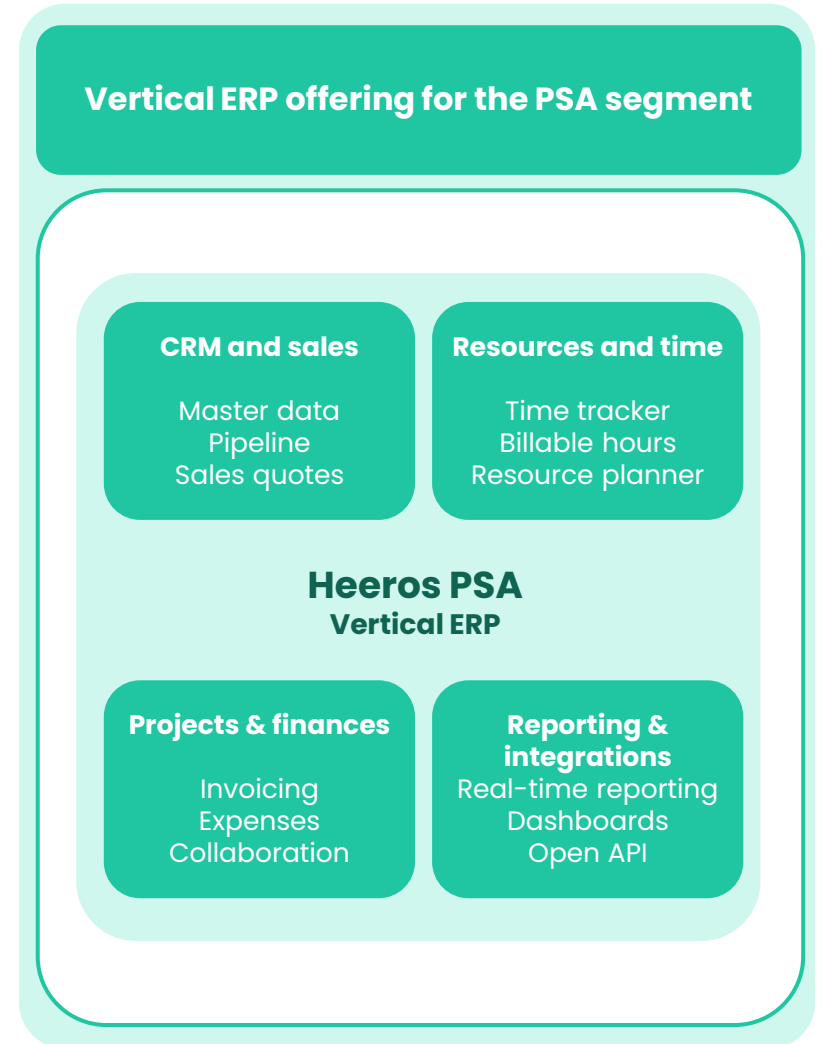
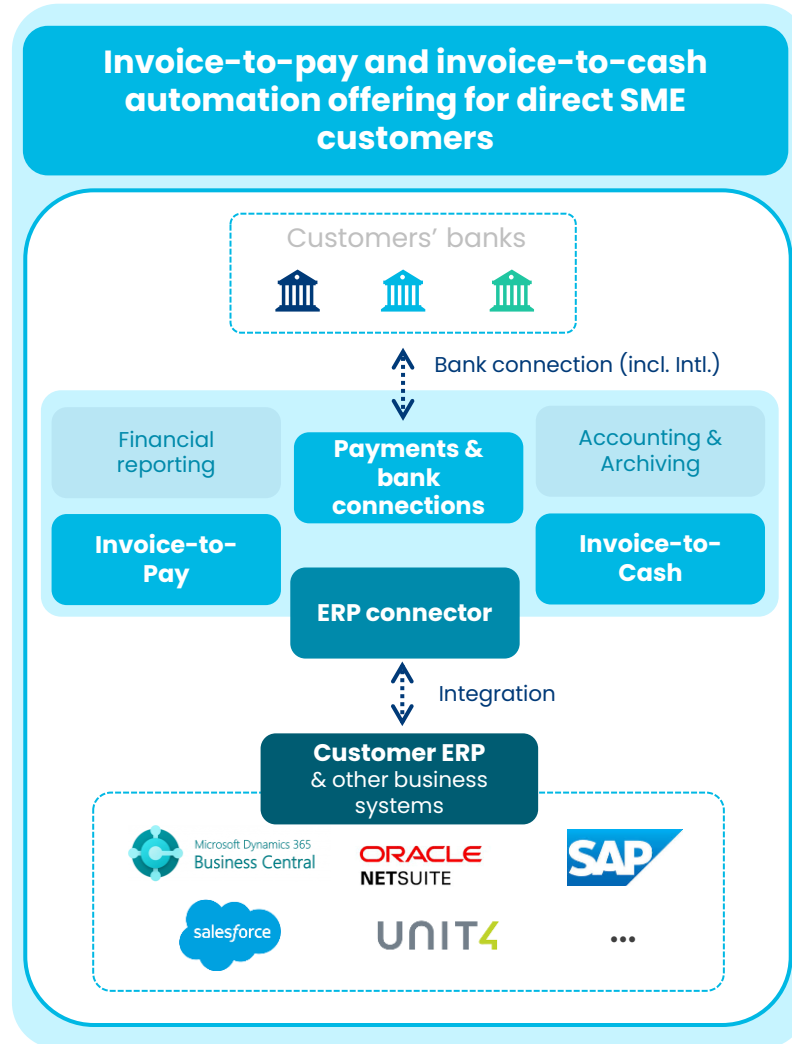
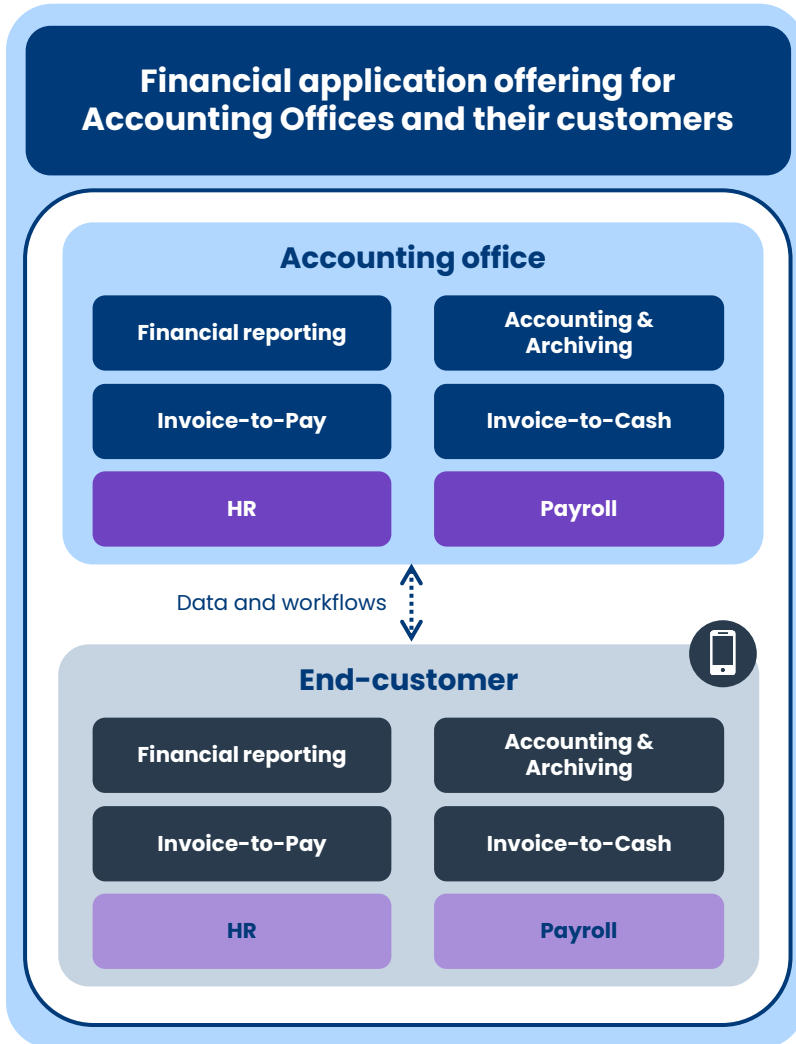


- 01 High-quality portfolio of SaaS products with AP/AR automation as spearhead**
- 02 Strong market position in Finland within Accounting Offices, Direct customers and the PSA vertical**
- 03 Wide customer base consisting of c. 17,000 Finnish SMEs with high satisfaction & loyalty**

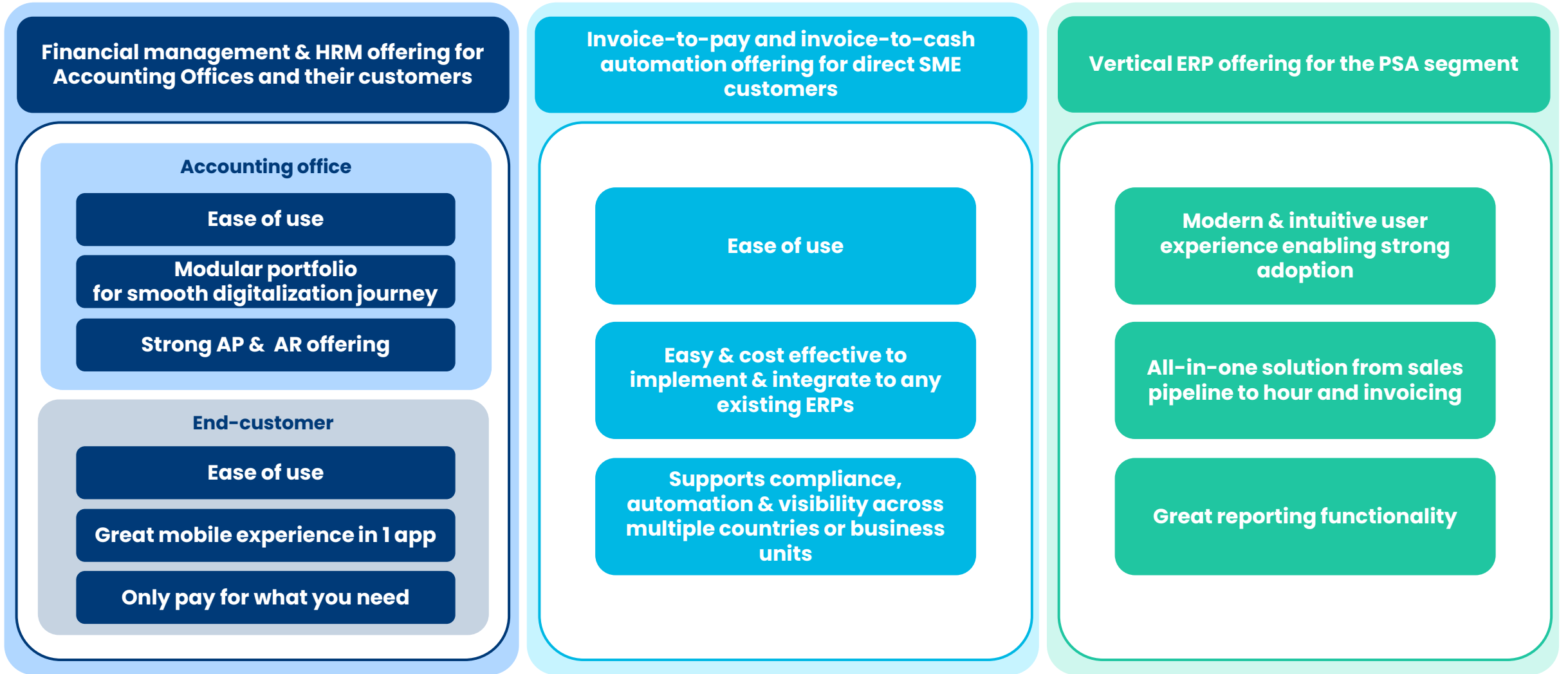


- 04 Scalable, cost-effective business and distribution model**
- 05 Clear pricing power and agenda with limited churn**
- 06 Strongly increasing profitability driven by operational efficiency improvements and scalable cost base**

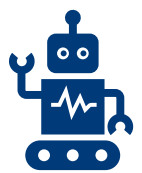
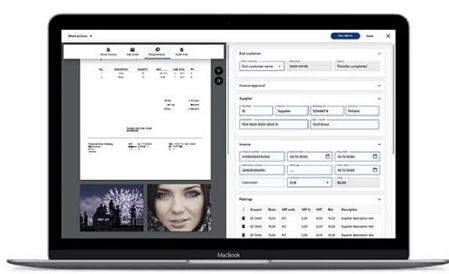
High-quality portfolio of SaaS products with AP/AR automation as spearhead



Our key strengths by segment



Constant gradual renewal of mature product suite



• **New Heeros Purchase Invoices**

• **New Mobile App**

• AI postings

• ERP Connector

• **New Heeros Sales Invoices**

Modern & unified UX



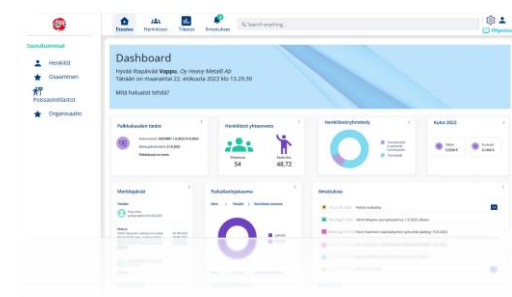
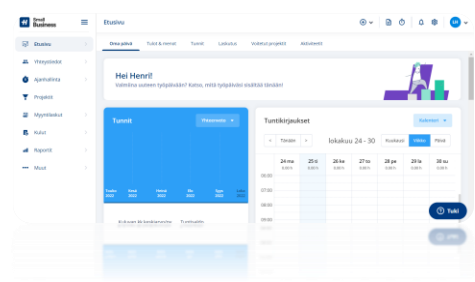
• Fast & easy customer onboarding

• Improved APIs

• **Financial Cloud + PSA integrated**

• **New Heeros HR**

Scalability



KEY THEMES:

Kick off modernization of the portfolio & gain leadership in purchase & sales invoice automation

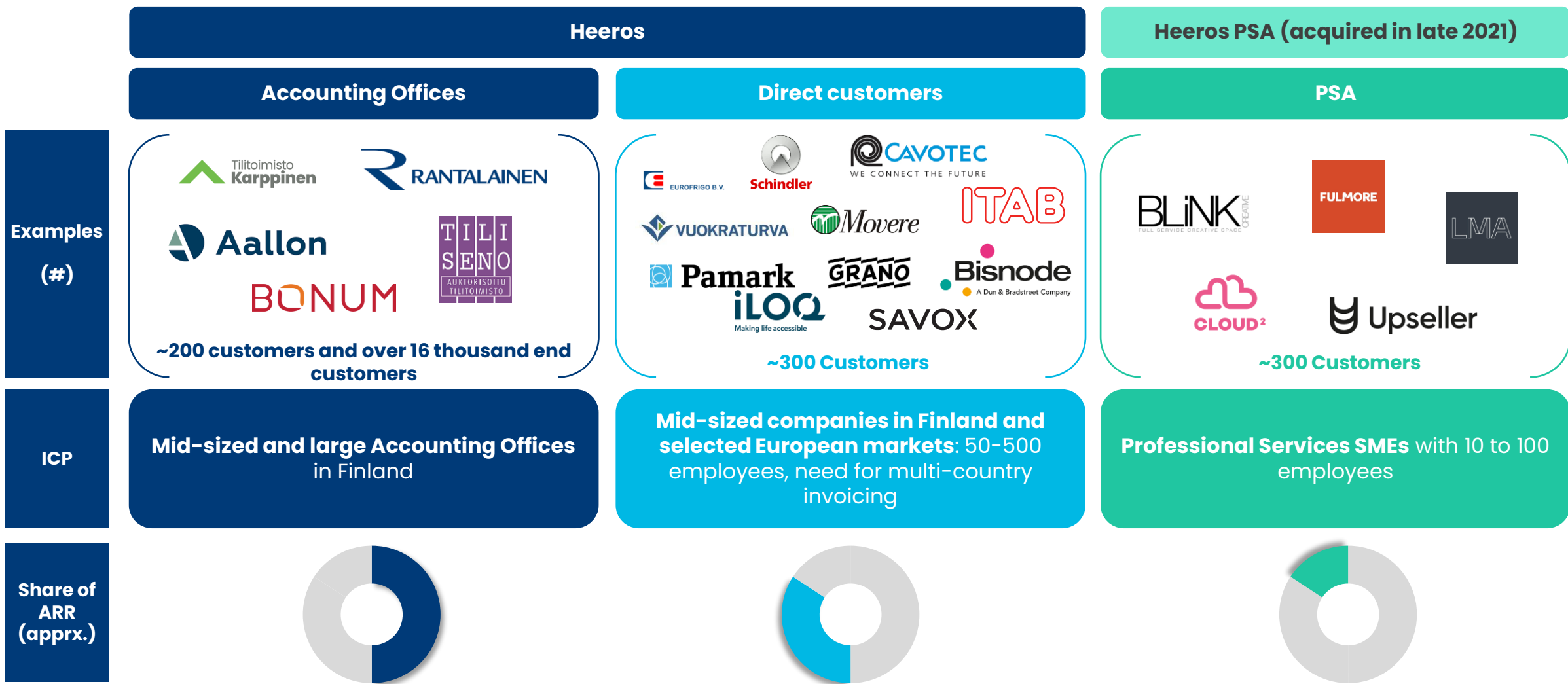
Broadening the portfolio to meet CFOs changing needs for integrated business process management

Continuing focused core portfolio renewal for increased competitiveness towards ICP

Strong market position in Finland within Accounting Offices, direct customers and Professional Services companies

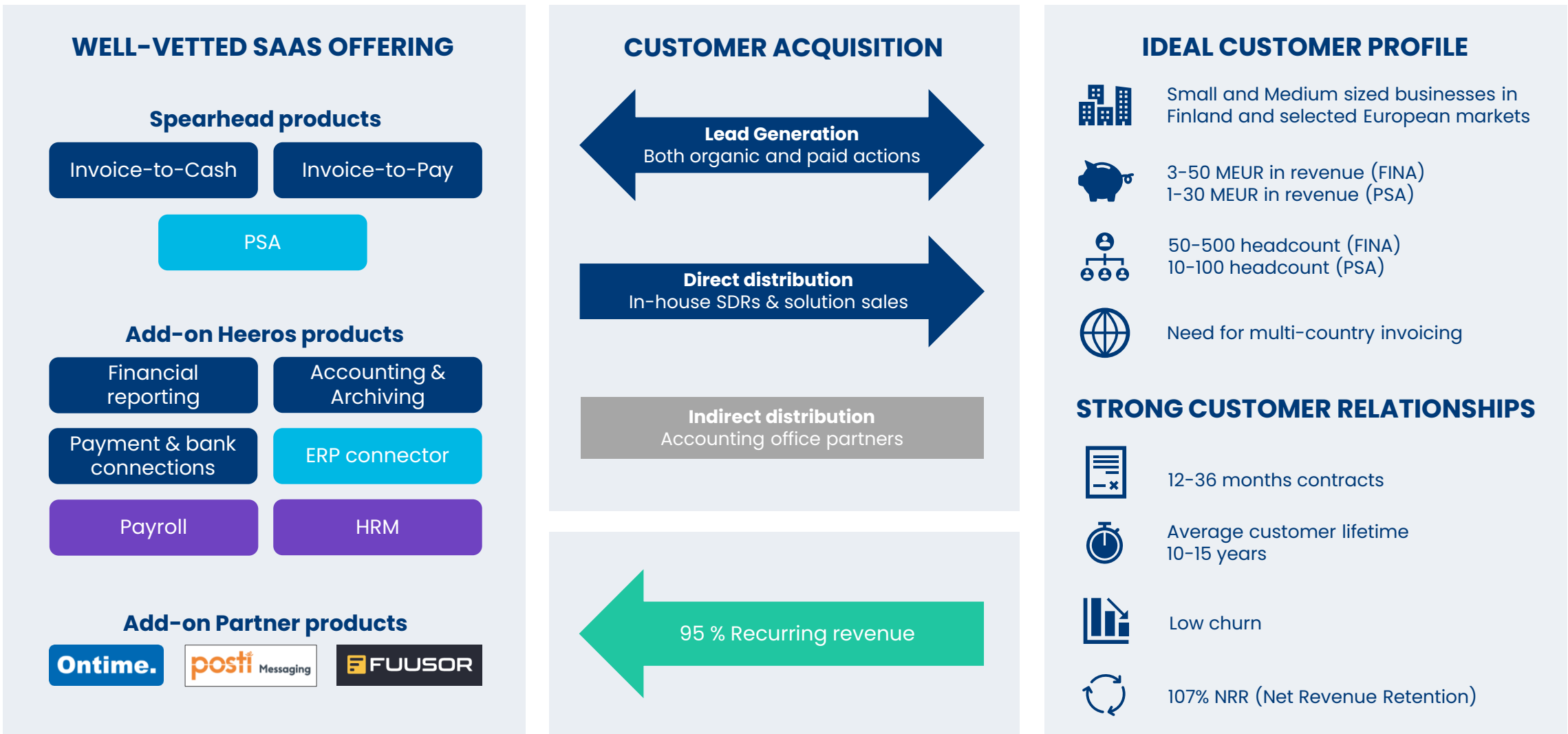


Extremely wide customer base consisting of c. 17,000 Finnish SMEs



Source: Heeros

Heeros sales and distribution model



Our key strengths will help us deliver effectively



Best user experience for business management solutions

64% of direct customers and 31% of accounting offices mentioned ease of use as a Heeros key advantage (Seedi competitiveness analysis 2022)



Service + Software combo

Fast implementation and support together with CSMs valued by customers



Strong ERP integrations

4/5 largest deals won at least partly because of our integration capabilities



Ability to serve mid-segment customers in multiple countries

Heeros invoice solutions are used in >20 countries

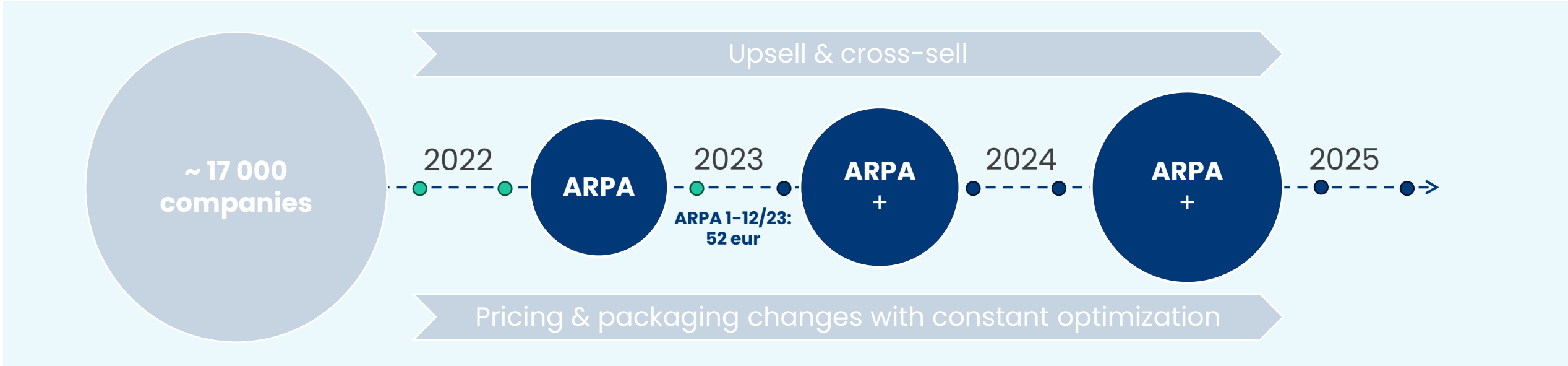


World-class partnerships for innovative services

Strong partnerships with Opentext and Enable Banking for delivering services across multiple countries

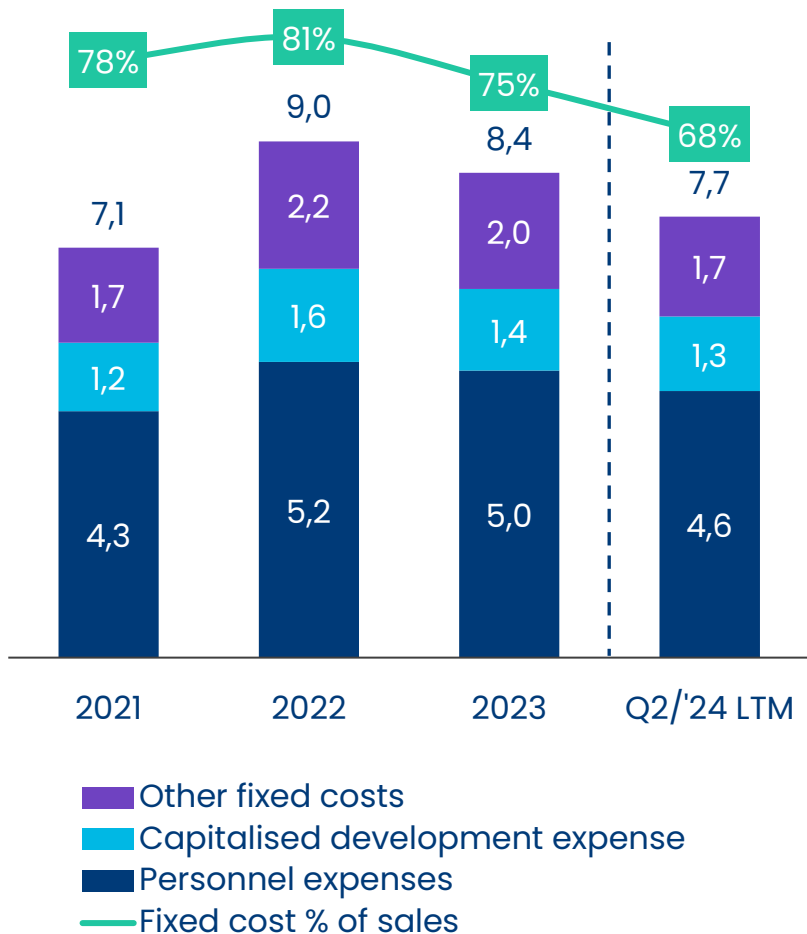
Matching pricing & packaging with constantly increasing customer value

- Heeros is a **price leader** in key customer segments, which together with **constantly developing product portfolio** enables price increases to **match customer value**.
- Heeros has a proven track record of pricing & packaging changes from 2022-2023 with small effects to churn.

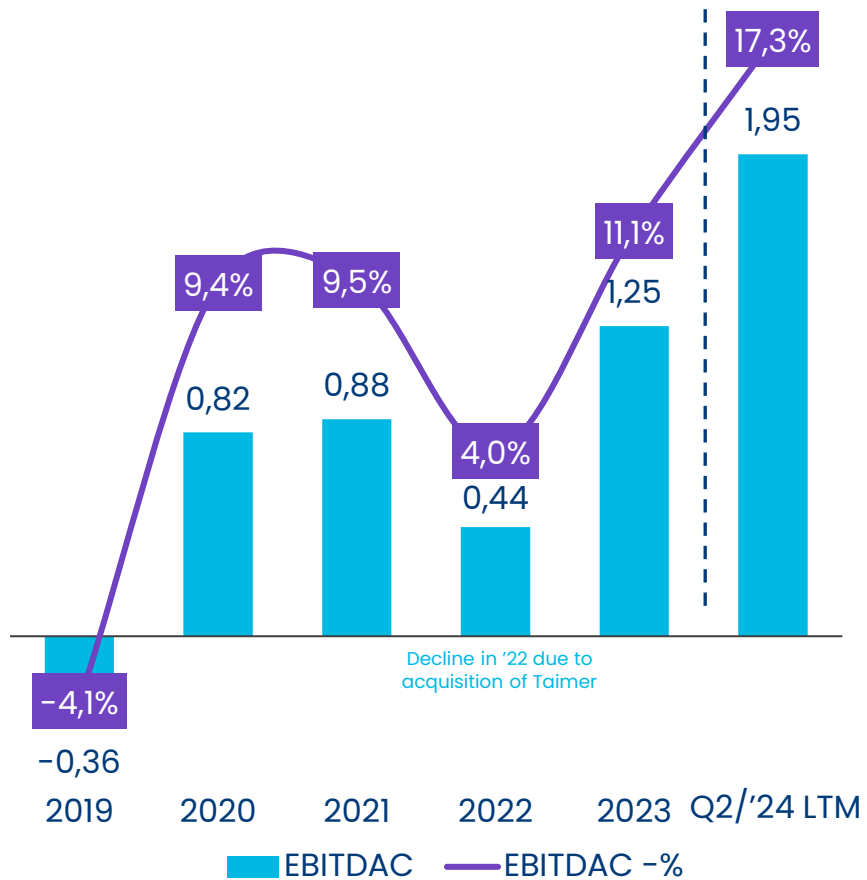


Operational efficiency improvements during 2023-24 starting to decrease fixed costs and improve EBITDAC

Fixed cost base development EURm



Adj. EBITDA-C development EURm



- Fixed cost base increased in 2022 mainly due to the acquisition of Heeros PSA (Taimer) in late 2021
- Refocusing actions started to decrease fixed costs mainly during the second half of 2023
- Run-rate profitability significantly above the level achieved in 2023
- Additional cost savings to improve profitability completed in early 2024
- Cost savings not impacting operations or churn in a major way

Financials, Q3 2024



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 ¹	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) ²	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) ²	31 %	41 %		27 %	25 %		25 %

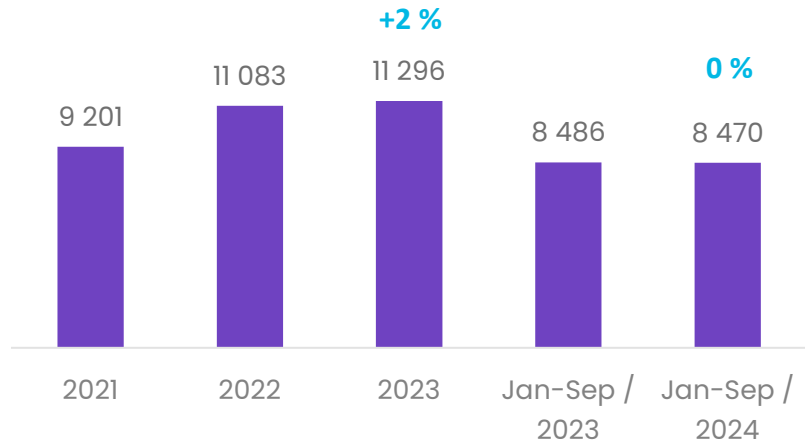
- Revenue was at the level of comparison period at EUR 2.8 (7-9/2023: 2.8) million.
- Contract revenue increased by 3 % to EUR 2.2 (2.2) million.
- Transaction volumes decreased by 6 % and transaction revenue declined by 16 % to EUR 0.4 (0.5) million.
- EBITDA increased by 42 % to EUR 1.2 (0.9) million, 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%).

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

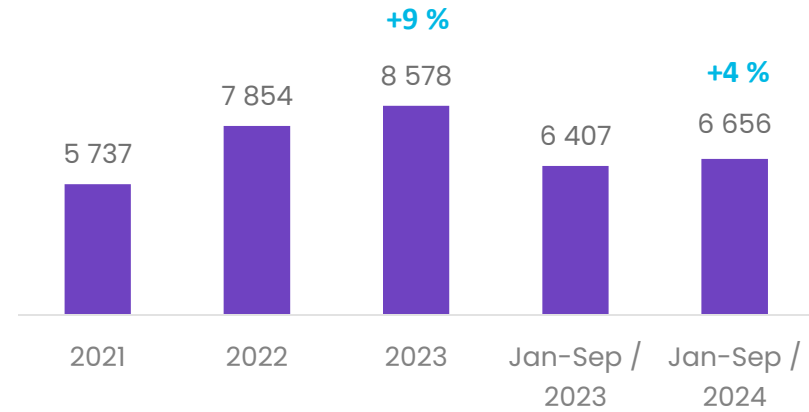
² The adjusted figures for Q3/2024 include an adjustment of EUR 524 thousand for extraordinary income and EUR 159 thousand for non-recurring restructuring costs. The adjusted figures for Jan-Sep/2024 include an adjustment of EUR 524 thousand for extraordinary income and EUR 270 thousand for non-recurring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

Revenue & profitability development

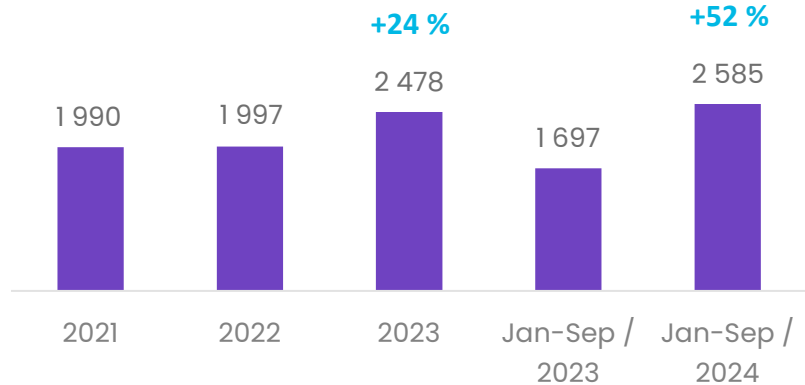
Revenue, EUR 1,000



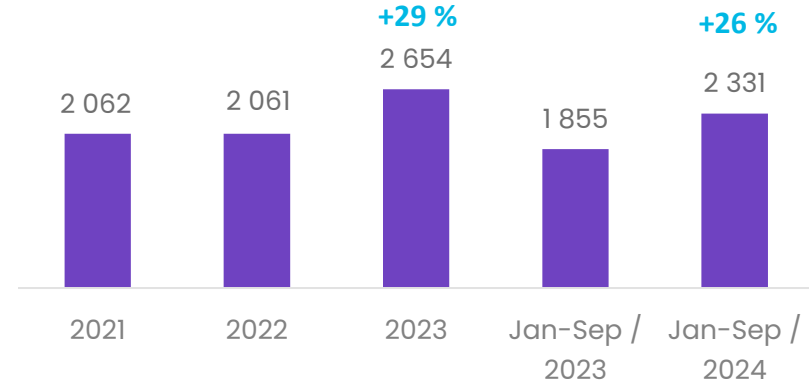
Contract Revenue, EUR 1,000



EBITDA, EUR 1,000

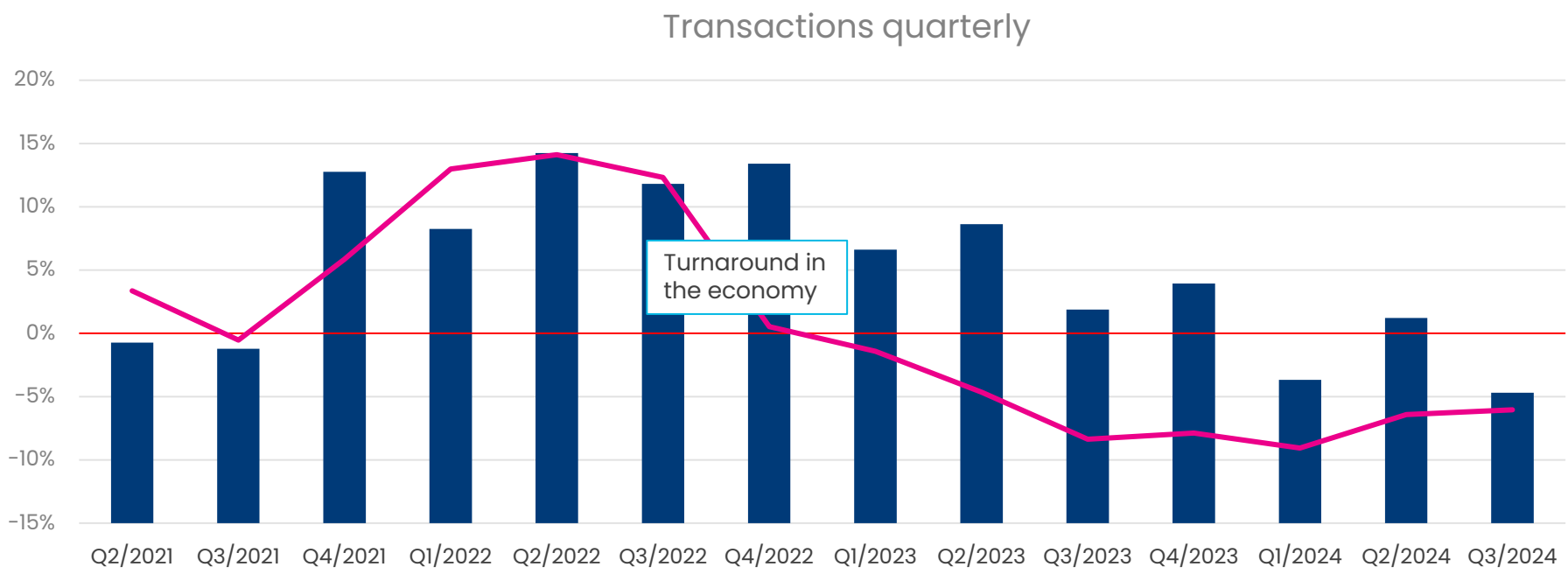


EBITDA (adjusted), EUR 1,000



Macroeconomic uncertainty

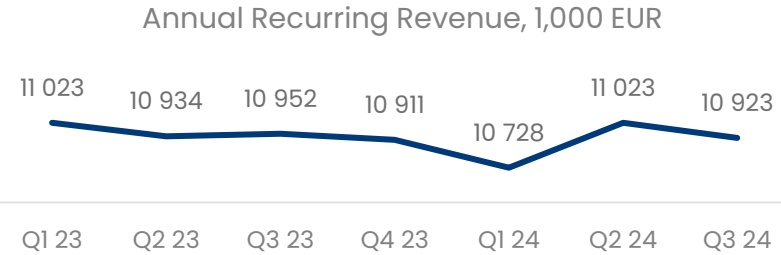
Transactions trend



SaaS metrics

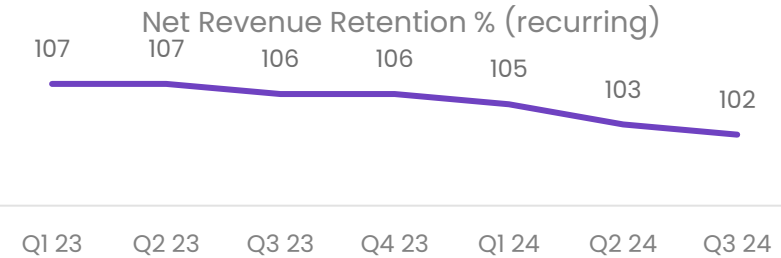
Annual recurring revenue (ARR)

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



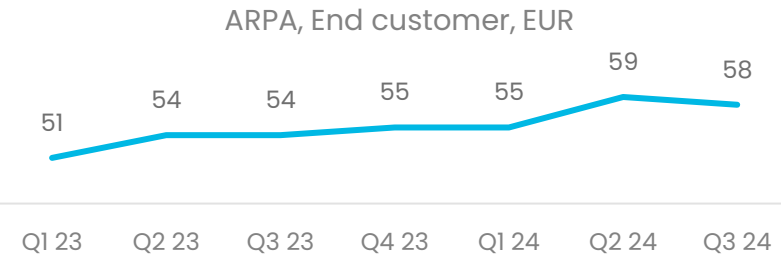
Net revenue retention (NRR)

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



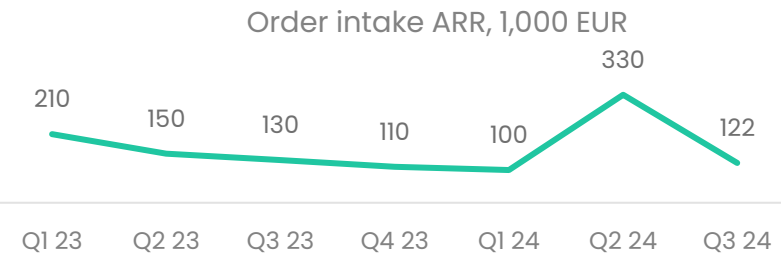
ARPA, End customer

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



Order intake, ARR

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



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

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

Thank you!

A photograph of three people in a modern office setting. A woman with long blonde hair is on the left, wearing a red top. A man with glasses and a beard is in the center, wearing a blue shirt. A woman with short dark hair is on the right, wearing a white top and blue jeans, holding a yellow mug. They are all laughing and looking towards each other. The background features a perforated metal wall and large windows.

Heeros

Join the growth ride

www.heeros.com

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