



Heeros Q3/2023 Result Briefing

26 October 2023

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Heeros speakers

Niklas Lahti



- ✓ Heeros CEO
- ✓ Background from leading B2B IT and tech companies, as well as in finance, investments and M&A
- ✓ M&A Director at Digia
CEO/Entrepreneur at Nord Software, Analyst at Rite Ventures

Juho Pakkanen



- ✓ Heeros CFO
- ✓ Versatile work experience in financial management and Business Control
- ✓ Sita Finland, FCG
Finnish Consulting Group, Fonecta and ThreeFiveEight

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graph LR; Content((Content)) --- Q3[Q3 commentary]; Content --- Outlook[Outlook 2023];
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Q3 commentary
"Predictable SaaS-business model brings certainty in deteriorating market situation"

Outlook 2023

Key figures Q3 2023

1,000 EUR	Q3 2023	Q3 2022	Change, %	Jan-Sep 2023	Jan-Sep 2022	Change, %	Year 2022
Rule of 40, % (adj.)	41 %	41 %		25 %	39 %		39 %
Revenue	2,820	2,640	7 %	8,486	8,190	4 %	11,083
Recurring Revenue	2,695	2,583	4 %	8,061	7,707	5 %	10,332
Contract Revenue	2,171	1,970	10 %	6,407	5,854	9 %	7,854
Transaction Revenue	524	613	-15 %	1,654	1,854	-11 %	2,478
EBITDA	872	631	38 %	1,697	1,346	26 %	1,997
EBITDA, % of revenue	31 %	24 %		20 %	16 %		18 %
EBITDA (adjusted)	973	646	51 %	1,855	1,410	32 %	2,061
EBITDA (adj.), % of revenue	35 %	24 %		22 %	17 %		19 %

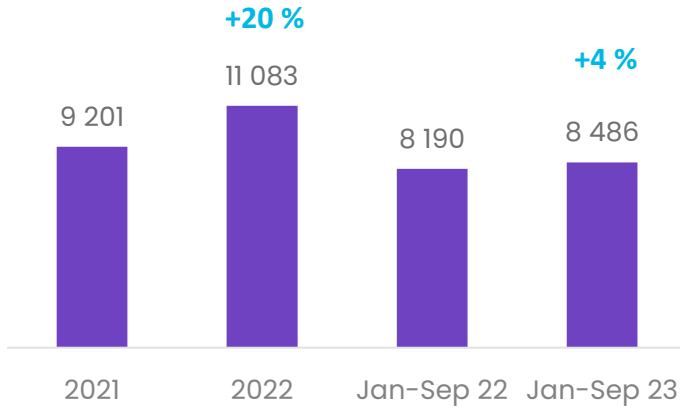
- Revenue increased by 7% year-on-year to EUR 2,820 (2,640) thousand.
- Recurring revenue (contract and transaction revenue) increased by 4% to EUR 2,695 (2,583) thousand. Contract revenue increased by 10% to EUR 2,171 (1,970) thousand.
- Contract revenue at the end of September 2023 was EUR 723 (664) thousand, 9 % year-on-year increase.

The revenue growth rate for 2022 includes the inorganic growth derived from the Taimer Ltd acquisition.

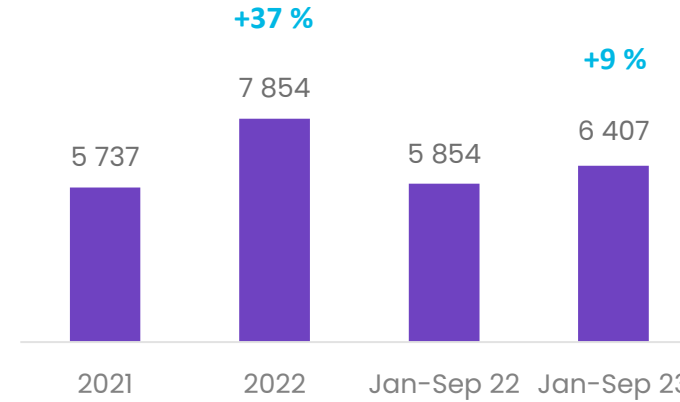
The adjusted figures for 1-9/2023 include an adjustment of EUR 158 thousand for non-recurring restructuring costs.

Revenue & profitability development

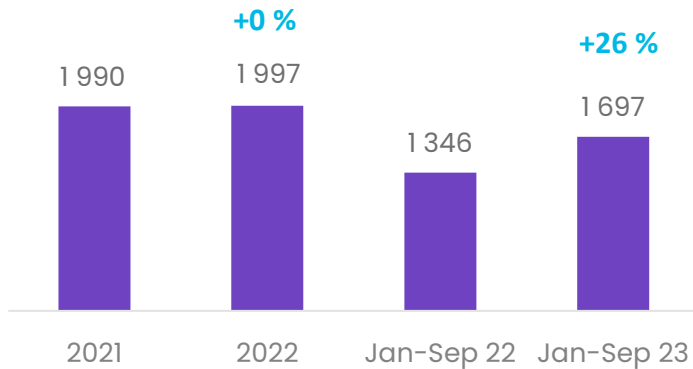
Revenue, EUR 1,000



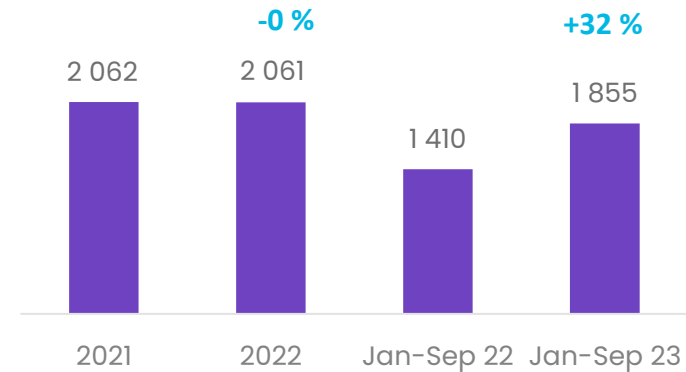
Contract Revenue, EUR 1,000



EBITDA, EUR 1,000



EBITDA (adjusted), EUR 1,000



SaaS-metrics

Net revenue retention (NRR)

Q3/23: 106 % (Q3/22: 109 %)

ARPA, End customer

1-9/23: 53 € (1-9/22: 49 €, +9 %)

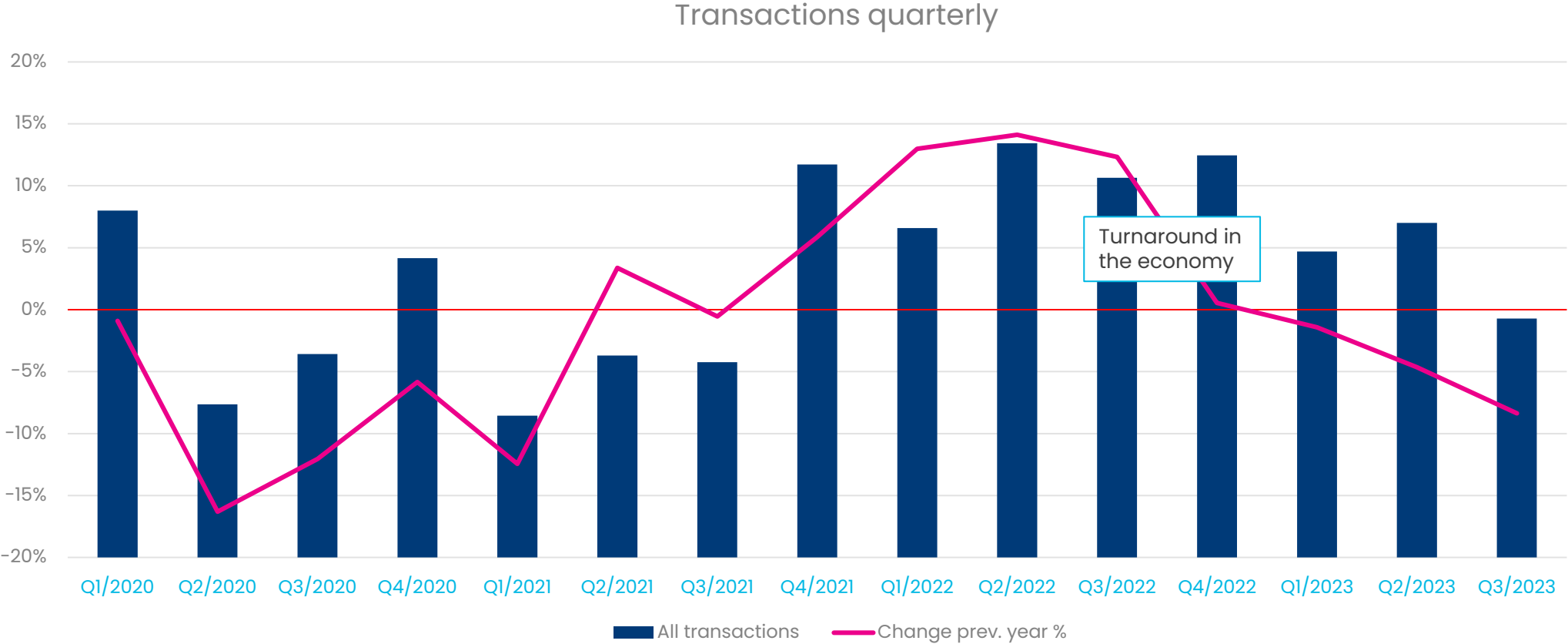
Order intake, ARR

Q3/23: 130k EUR (Q3/22: 190k EUR)



Macroeconomic uncertainty

Transactions trend



Key message of Q3/23

Positives:

- Most important focus area during the quarter was increasing profitability, a goal where we succeeded well
 - EBITDA (adjusted) grew by 51% compared to Q3 2022; contract revenue grew by 10%
- We see effects of cost savings measures enacted during Spring '23 more clearly
 - Headcount fell by 13 FTEs; OPEX base continued to fall; Operative cash flow was rather positive
- Completed three critical projects during "shorter" quarter
 - Updated customer care / segmentation model, bringing us enhanced capabilities in automation-based activation and engagement as well as efficiency gains in customer care
 - Released new web platform with modern and unified UX, completing merging the brands of Heeros and Taimer
 - Outsourced scanning services to Posti, enabling us to cut three outsourced FTEs

To improve:

- Sales success based on pipeline, decision making in customers still very slow
- Transaction revenue (~20% of MRR) worse than anticipated, leading to overall revenue decline
 - More negatively impacted in third quarter (-15%) than in second (-9%) or first quarter (-8%)

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Q3 commentary
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Outlook 2023

Outlook for H2/2023

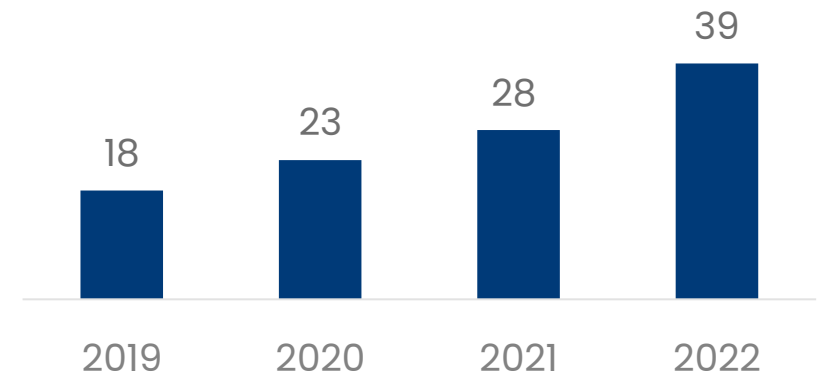
- Overall doing rather well in tough market situation
 - Scalable and predictable SaaS-business model combined with commitment to improving profitability continues to bring certainty in delivering results even amidst a tough market situation
- Still*, even with positive recent profitability developments, revenue + EBITDA growth is not going to reach 30% (Rule of 40 measurement), updated guidance is 23-27%
 - During 2022 R40 was clearly stronger due to inorganic growth (acquisition of Taimer)
- Focus on profitability continues, supported by cost cuts made
 - As noted in earlier reporting, full effects of saving measures are expected to be visible only during 2024
- On product development side:
 - Development of new Heeros Sales Invoice solution with multi-country compliance and bank connectivity continued, aiming for a larger multi-country launch in H1/ 2024
 - Gradual streamlining of product suite continues

*Updated guidance 18 October

Financial outlook 2023 (updated on 18 October)

Heeros estimates that its combined EBITDA margin (EBITDA, % of revenue) and revenue growth percentage (Rule of 40) will be 23–27% during the 2023 financial period. We will focus on securing profitable growth during 2023, and we expect the EBITDA margin to increase in the second half of 2023 compared to the second half of 2022.

Rule of 40 (adj.), %



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Q&A

Thank you!

Heeros

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