

Heeros



Heeros key investment highlights

February 2024

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Heeros introduction

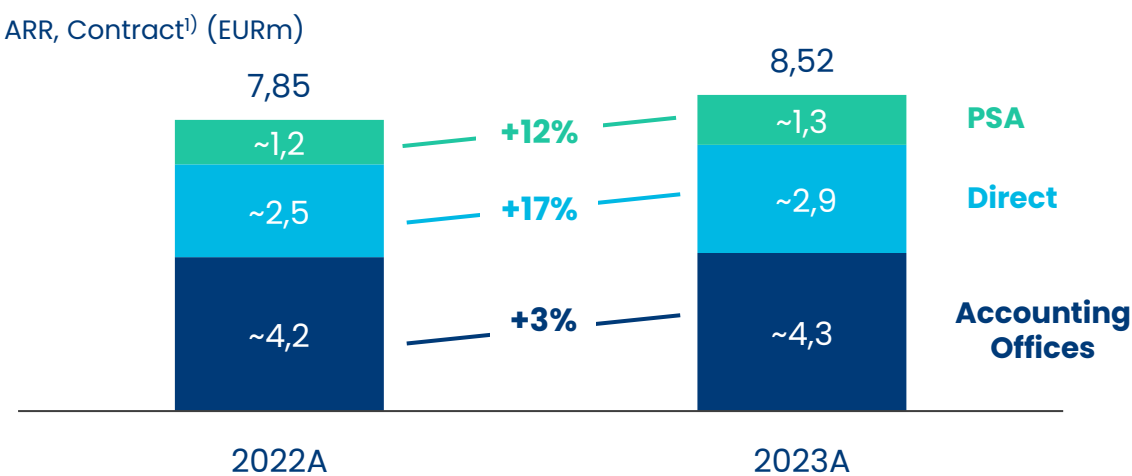


Heeros is a leading provider of SaaS products for AP & AR automation, Accounting and Financial Management for Finnish SMEs

Highlights

- SaaS company with a long history of **uninterrupted growth and profitability, over 95% recurring revenue**
- Strong market position in Finland with 17,000 end customers** across segments
- Development **focus 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 company recently executed**, 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

Contract ARR development and customer segments



Financial accounting and reporting software for Accounting Services firms and their 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)

1) Additionally, the company has c. EUR 2.2 million of stable and recurring transaction revenue; Source: Heeros

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



Tasks of the CFO function that are **most impacted** by digitalization according to respondents

77%
Purchase to pay

64%
Management reporting & analysis

55%
Order to cash

One of the most important **benefits of digitalization** according to respondents

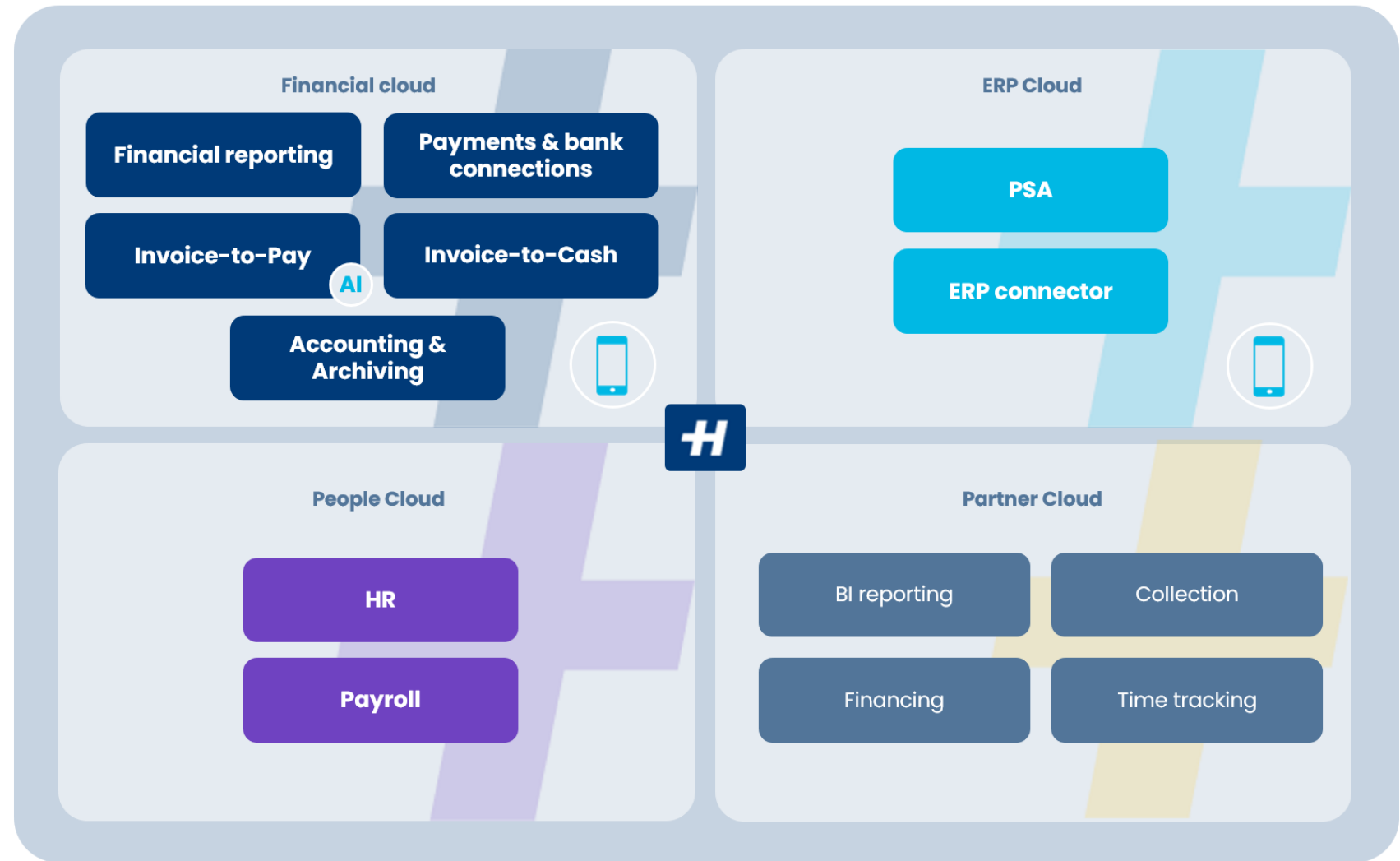
69%
Enhanced business-decision support

60%
Better use of high-quality data

53%
Increased process-efficiency

Heeros Business Management Cloud

Heeros is expanding
solution offering to meet
changing customer needs



Key investment highlights



Heeros – Key investment highlights

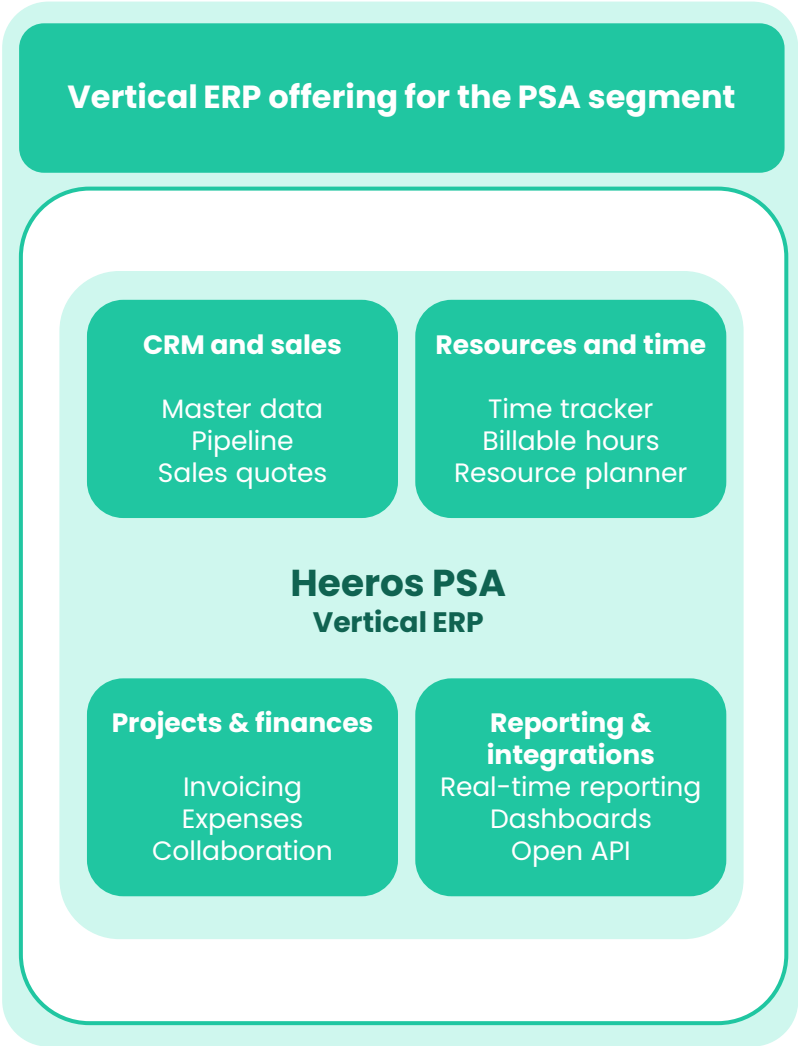
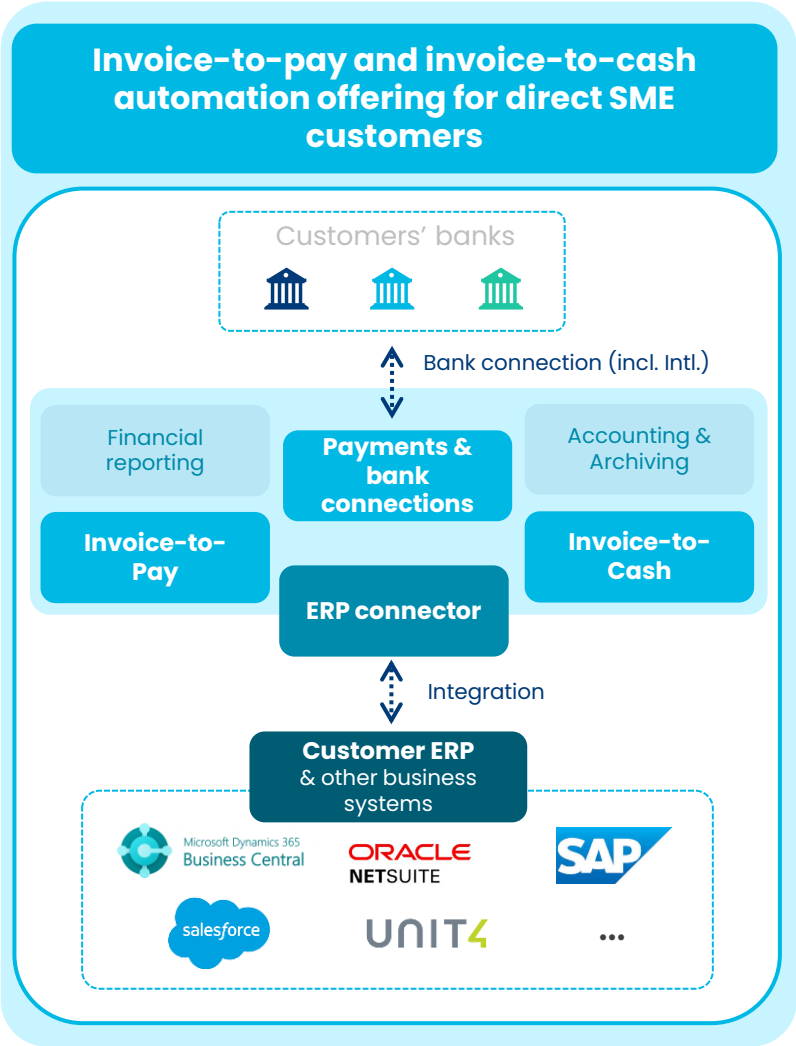
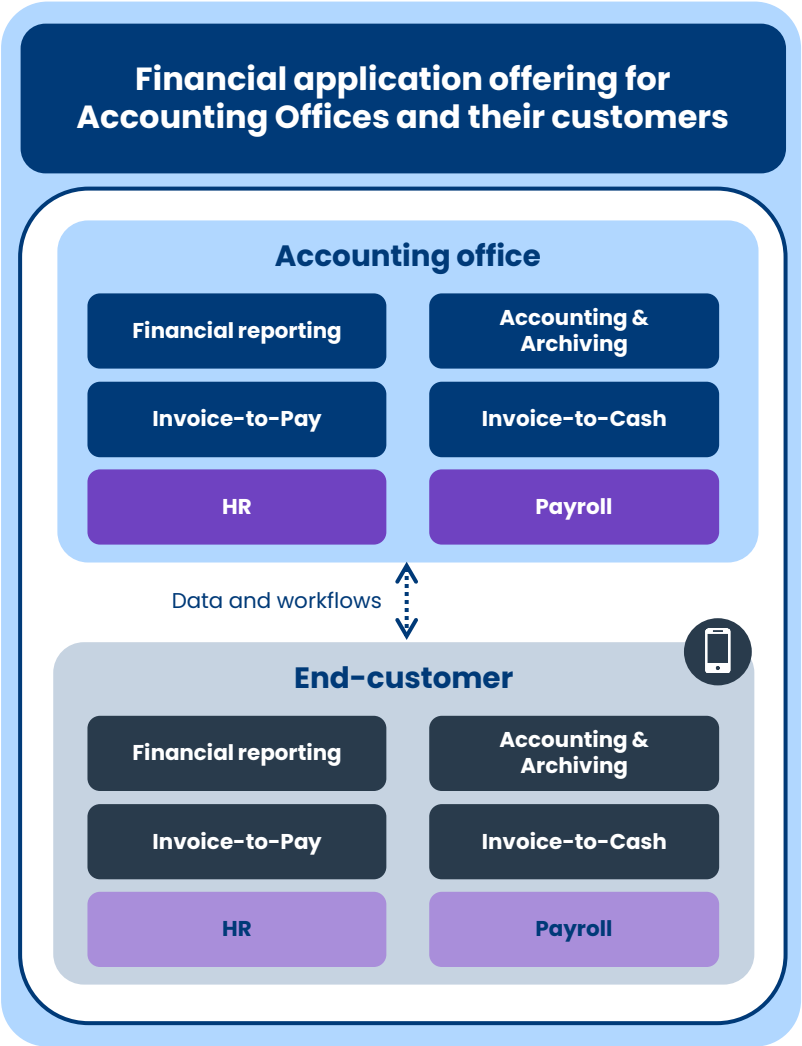


- 01** High-quality portfolio of SaaS products with AP/AR automation as spearhead
- 02** Strong market position in Finland within Accounting Offices, Direct customers and the PSA vertical
- 03** Wide customer base consisting of c. 17,000 Finnish SMEs with high satisfaction & loyalty

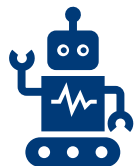
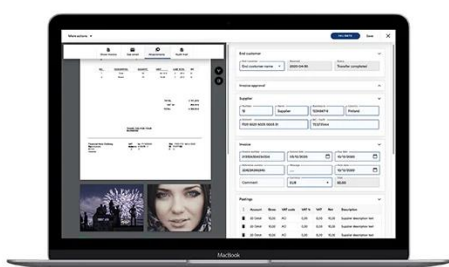


- 04** Scalable, cost-effective business and distribution model
- 05** Clear pricing power and agenda with limited churn
- 06** Strongly increasing profitability driven by operational efficiency improvements and scalable cost base

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



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



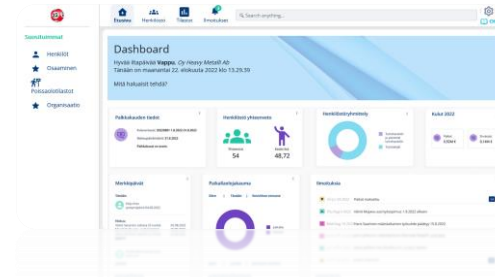
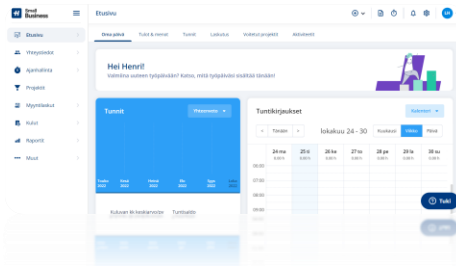
• **Fast & easy customer onboarding**

• **Improved APIs**

• **Financial Cloud + PSA integrated**

• **New Heeros HR**

Scalability



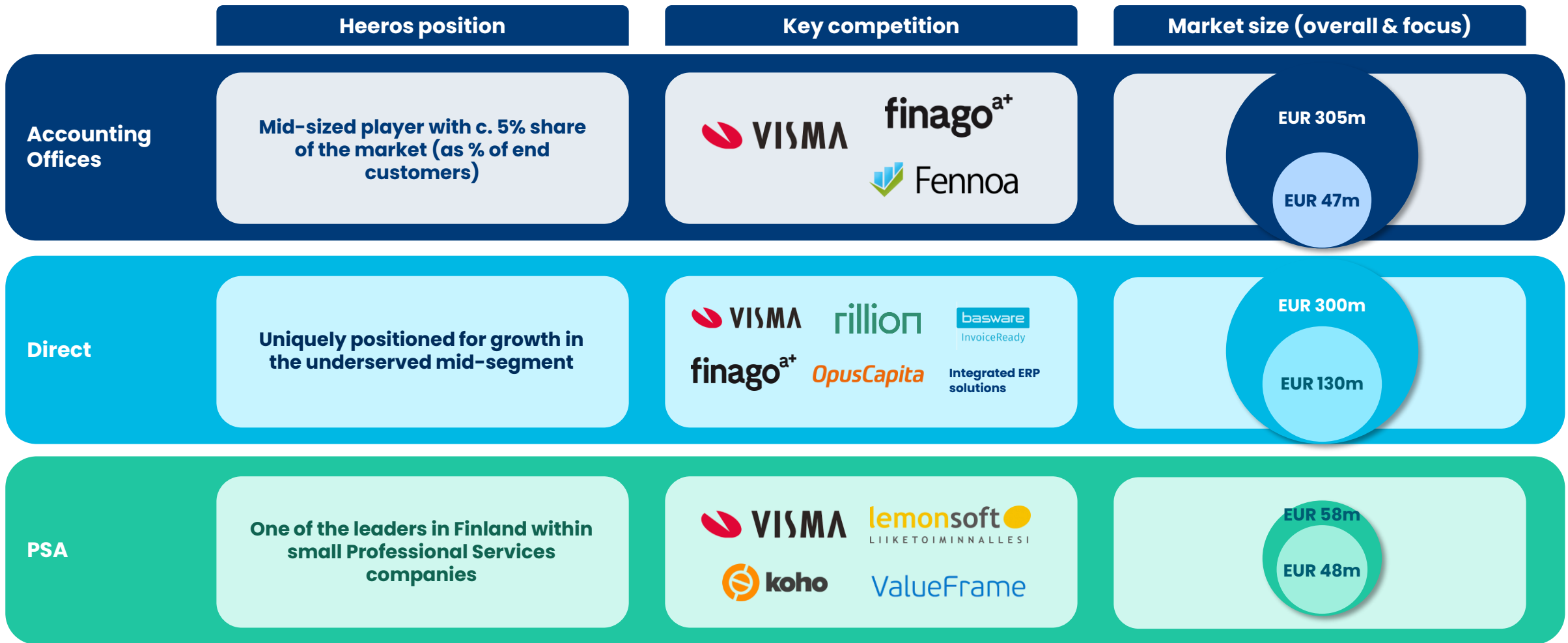
KEY THEMES:

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

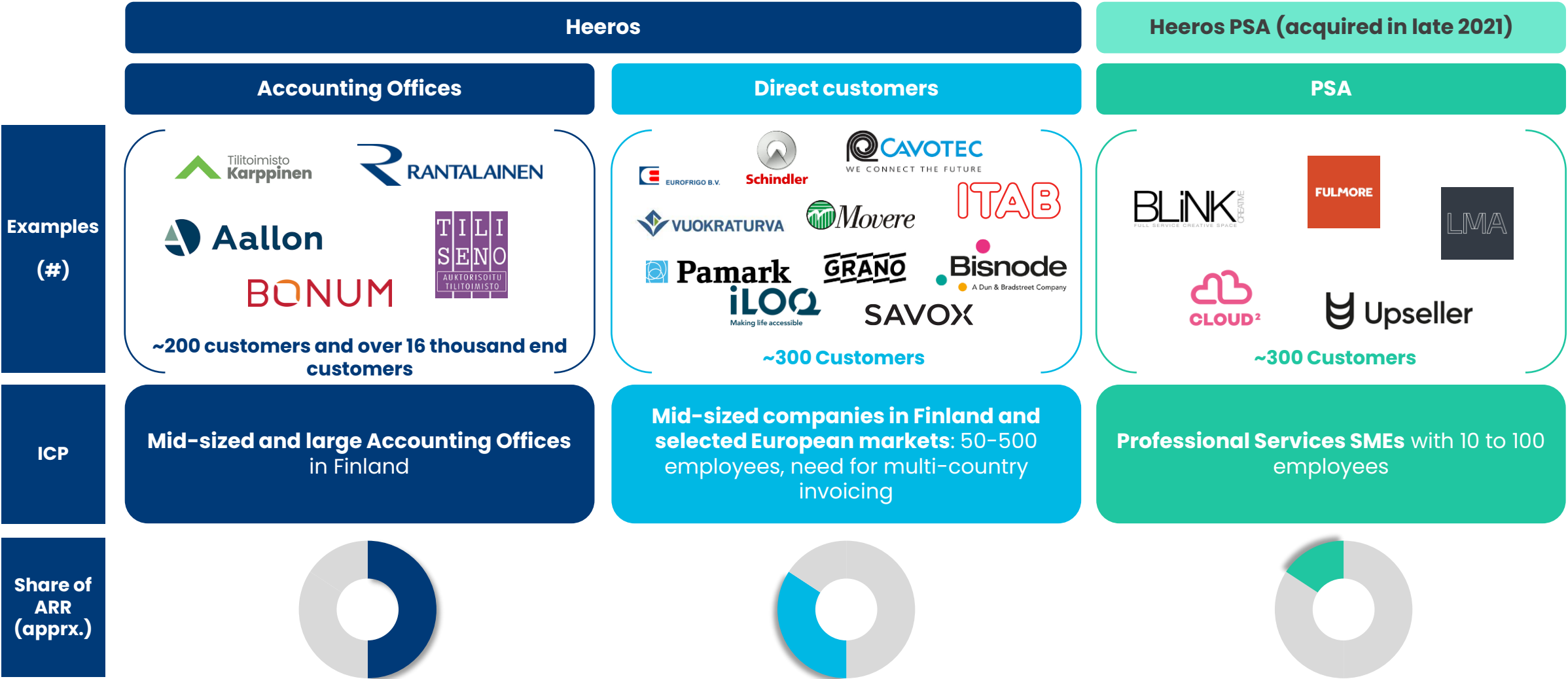
Continuing focused core portfolio renewal for increased competitiveness towards ICP

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



Source: Heeros, Tilastokeskus

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



Source: Heeros

Heeros sales and distribution model

WELL-VETTED SAAS OFFERING

Spearhead products

Invoice-to-Cash

Invoice-to-Pay

PSA

Add-on Heeros products

Financial reporting

Accounting & Archiving

Payment & bank connections

ERP connector

Payroll

HRM

Add-on Partner products

Ontime.

postfi Messaging

FUUSOR

CUSTOMER ACQUISITION

Lead Generation
Both organic and paid actions

Direct distribution
In-house SDRs & solution sales

Indirect distribution
Accounting office partners

95 % Recurring revenue

IDEAL CUSTOMER PROFILE



Small and Medium sized businesses in Finland and selected European markets



3-50 MEUR in revenue (FINA)
1-30 MEUR in revenue (PSA)



50-500 headcount (FINA)
10-100 headcount (PSA)



Need for multi-country invoicing

STRONG CUSTOMER RELATIONSHIPS



12-36 months contracts



Average customer lifetime
10-15 years



Low churn



107% NRR (Net Revenue Retention)

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

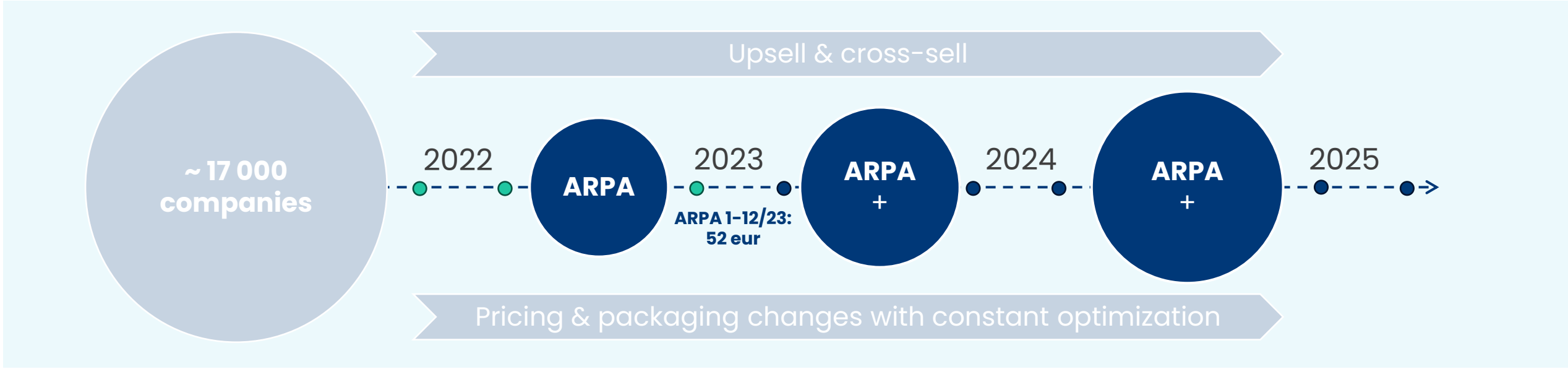


World-class partnerships for innovative services

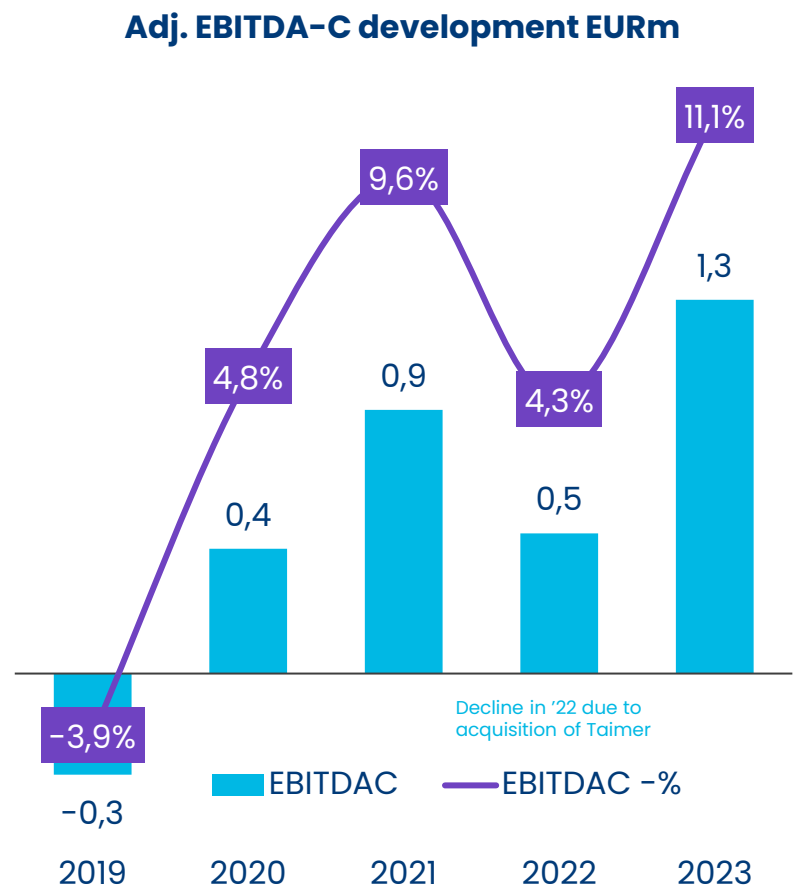
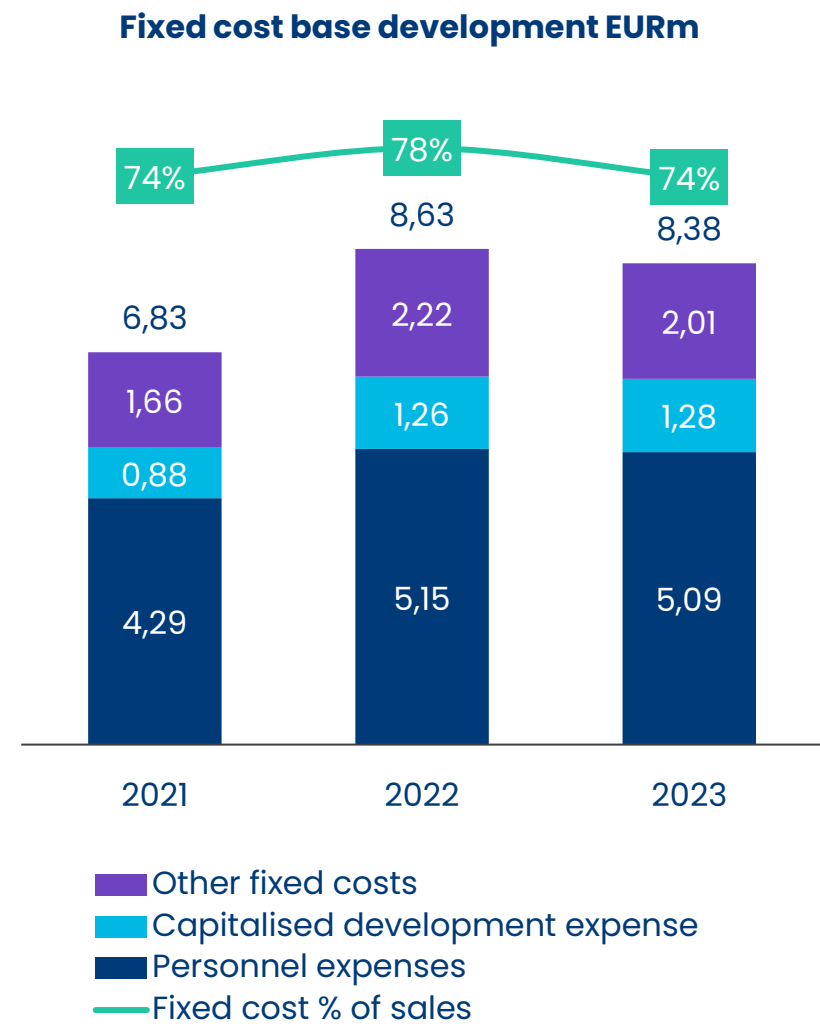
Strong partnerships with Opentext and Enable Banking for delivering services across multiple countries

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 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 announced in early 2024
- Cost savings not impacting operations or churn in a major way

Financials, Q4 2023



Key figures Q4 2023

1,000 EUR	Q4 2023	Q4 2022	Change, %	H2 2023	H2 2022	Change, %	Year 2023	Year 2022	Change, %
Rule of 40, % (adj.) ¹	26 %	38 %		33 %	39 %		25 %	39 %	
Revenue	2,810	2,893	-3 %	5,630	5,534	2 %	11,296	11,083	2 %
Recurring revenue ²	2,712	2,625	3 %	5,407	5,208	4 %	10,774	10,332	4 %
Contract revenue	2,171	2,001	9 %	4,342	3,971	9 %	8,578	7,854	9 %
EBITDA	781	651	20 %	1,653	1,282	29 %	2,478	1,997	24 %
EBITDA, % of revenue	28 %	23 %		29 %	23 %		22 %	18 %	
EBITDA (adjusted) ³	799	651	23 %	1,772	1,298	37 %	2,654	2,061	29 %
EBITDA (adj.), % of revenue	28 %	23 %		31 %	23 %		23 %	19 %	
Profit for the period	222	29	662 %	500	59	743 %	177	-405	
Operational cash flow				1,164	923	26 %	2,063	1,642	26 %
Return on Equity (ROE), %							3 %	-9 %	

1) The revenue growth rate for 2022 includes the inorganic growth derived from the Taimer Ltd acquisition. The adjusted figures for 2023 include an adjustment of EUR 176 thousand for non-recurring restructuring costs.

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

3) The adjusted figures for 2023 include an adjustment of EUR 176 thousand for non-recurring restructuring costs.

Broad portfolio of customers

~17 000 end-customers

~200 international customers

95% recurring revenue

Low churn

Net revenue retention (NRR)

1-12/23: 106 %

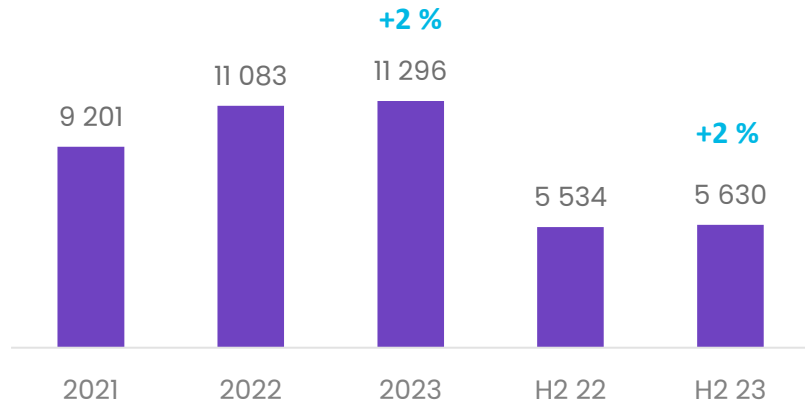
ARPA, End customer

1-12/23: 52 €

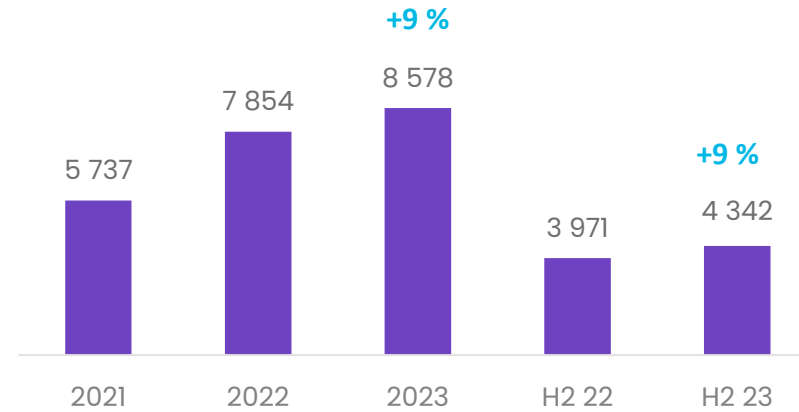


Revenue & profitability development

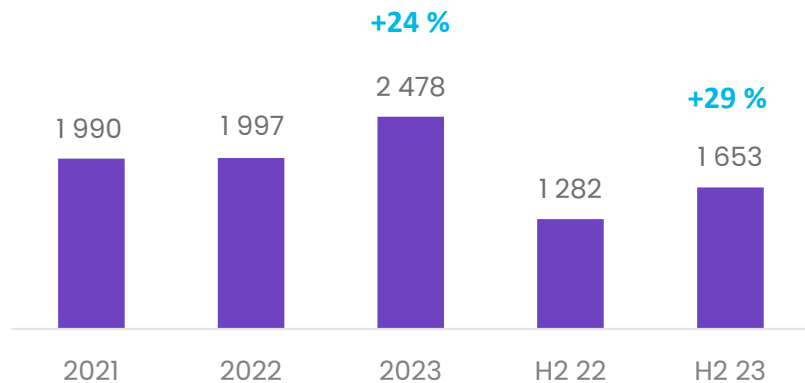
Revenue, EUR 1,000



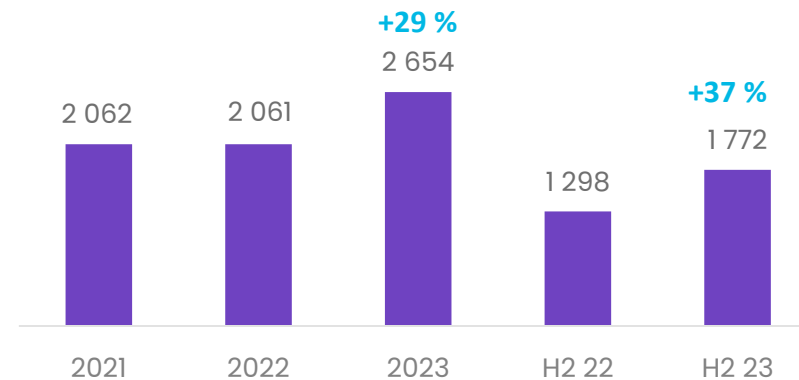
Contract Revenue, EUR 1,000



EBITDA, EUR 1,000



EBITDA (adjusted), EUR 1,000



Key message of Q4/23

- In general, steady quarter with few surprises
 - EBITDA (adjusted) grew by 23% compared to Q4 22, contract revenue grew by 9%
 - Good net revenue retention at 106%, low churn
- Constant increases in profitability throughout the year
 - Headcount reduced by 10 FTEs (to 83 at end of year) with negligible operational impact, OPEX base clearly lower
 - Happy to see Heeros reach profitability on net result level for FY2023
- Challenging environment for new sales with many decisions pushed to 2024
 - Financials look a bit worse than they actually are, comparable Q4/22 had a lot of one-off revenue
 - New ARR intake too low given S&M spend – changes implemented already and continued during Q1/24
- Positive developments in automating Invoice-to-Cash
 - Good momentum in clarifying story of Heeros – both internally and externally – reflected in sales wins as well
- Year of changes for Heeros: New owners, new CEO, new ways of working
 - Change negotiations and cost reductions during year
 - Re-prioritization of R&D efforts to Accounts Payable and Accounts Receivable

Outlook for 2024

- Commitment to profitable growth continues
 - Traditionally Q1 coming up is cyclically lowest quarter, we expect profitability to increase gradually during 2024
- Even after cost cuts, still investing strongly in forward-looking R&D: ~2 MEUR of investments projected in 2024
 - Key focus of investments made during 2024 in Accounts Payable (AP) and Accounts Receivable (AR) automation, with products Heeros Sales Invoices and Heeros Purchase Invoices
 - Expectation to activate ~1.1-1.4 MEUR during 2024, overall activations in 2024 lower than 2022 or 2023
 - Investments made via own R&D/Products personnel, not via outside consultants
- We believe the changing mid-market ERP space presents a growing opportunity for Heeros
 - Rising demand for ERP upgrades positions Heeros strategically well for the future
 - Heeros solutions enable companies to postpone risky and costly ERP upgrades through simple standard integrations to e.g. Odoo, Microsoft NAV, Epicor and many others
 - Focus of sales efforts in Finland and Finnish headquartered companies throughout 2024

Thank you!

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