

# Heeros



## Heeros key investment highlights

April 2024

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

# Heeros introduction

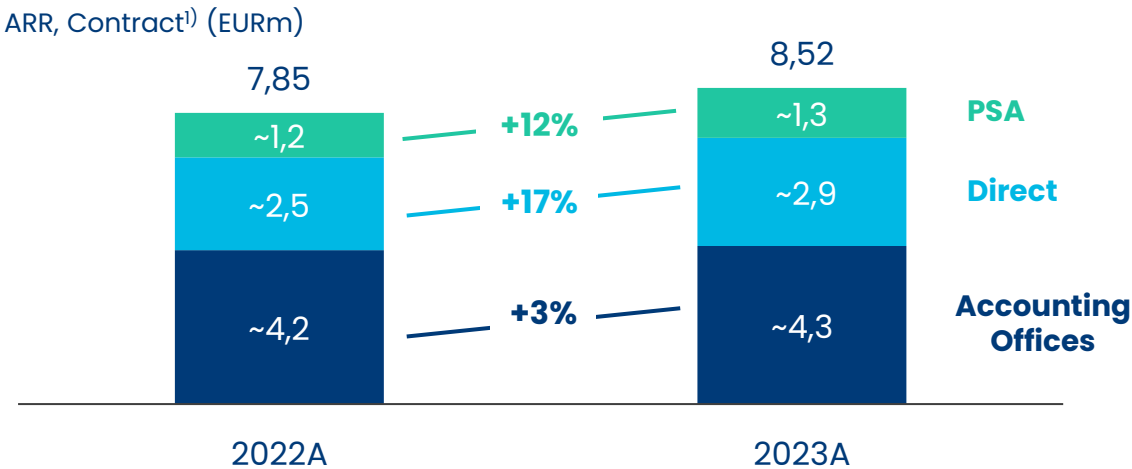


# Heeros is a leading provider of SaaS products for AP & AR automation, Accounting and Financial Management for Finnish SMEs

## 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

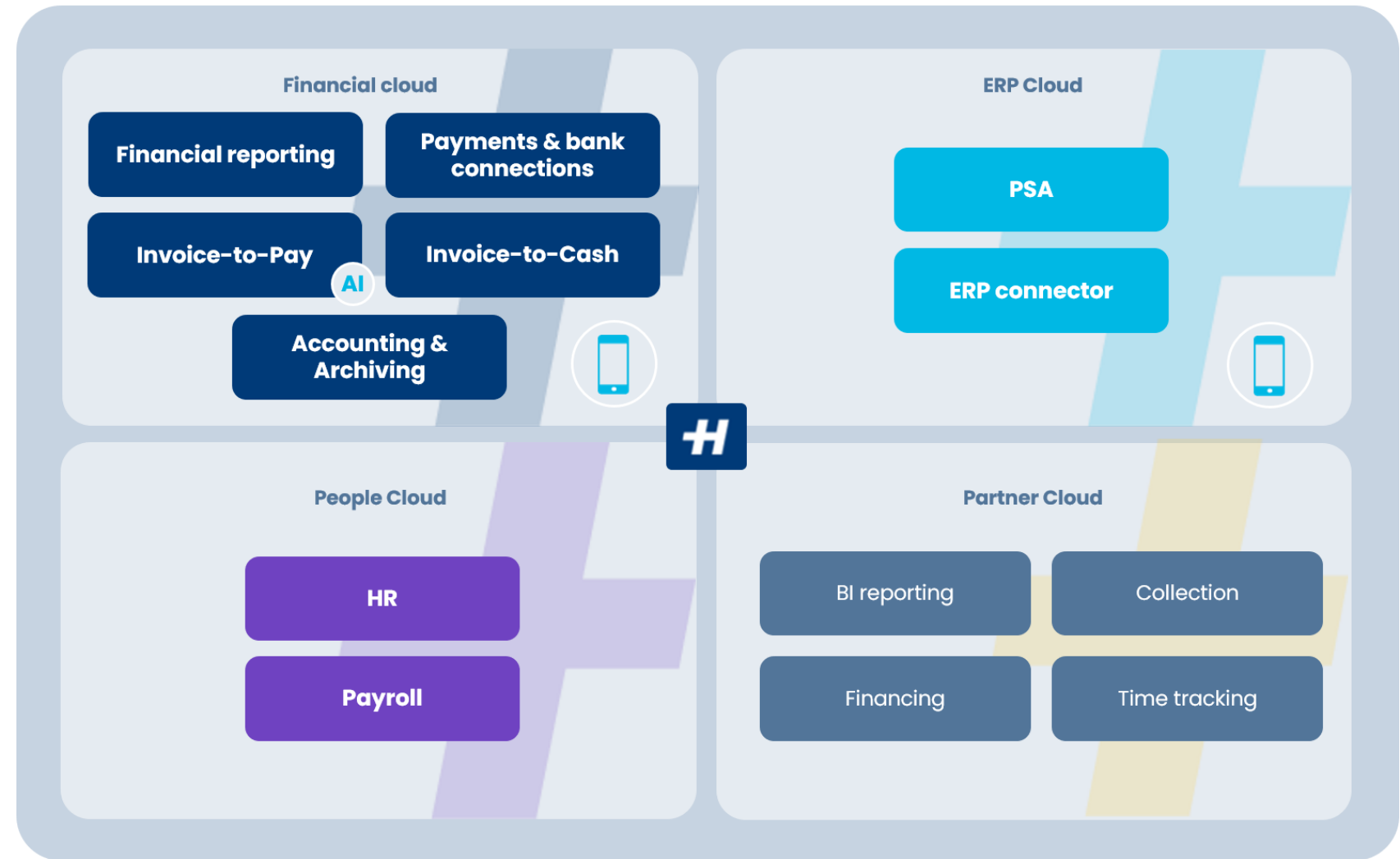
**69%**  
Enhanced business-decision support

**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

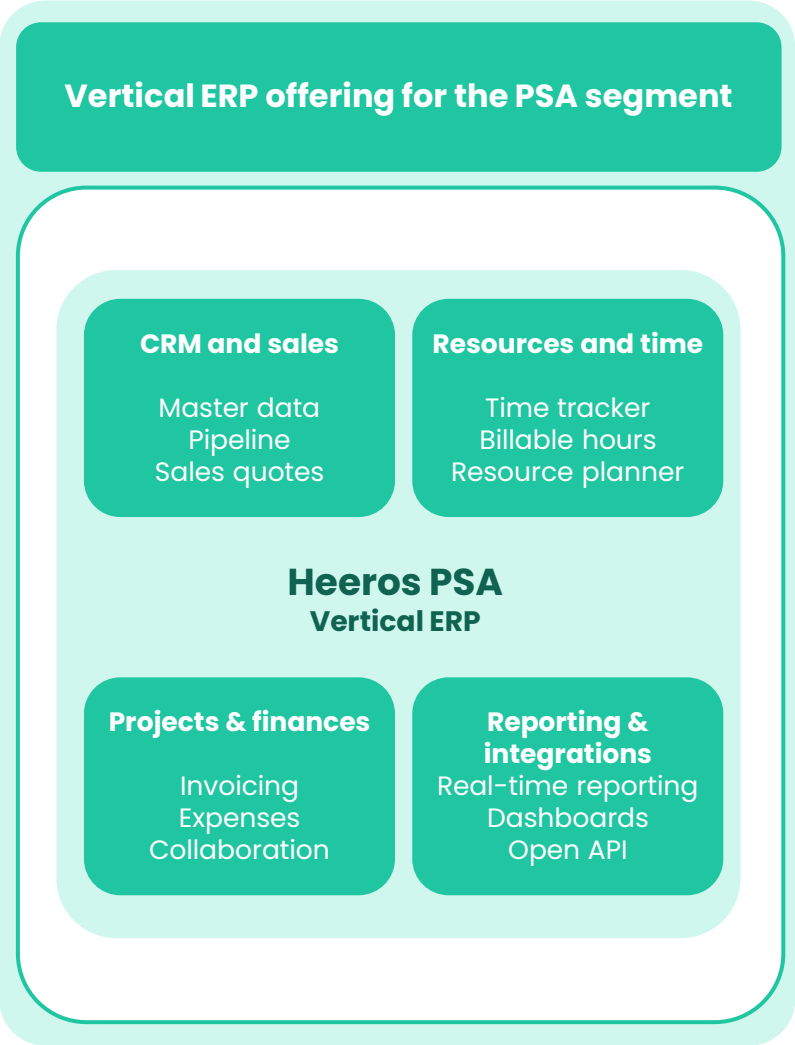
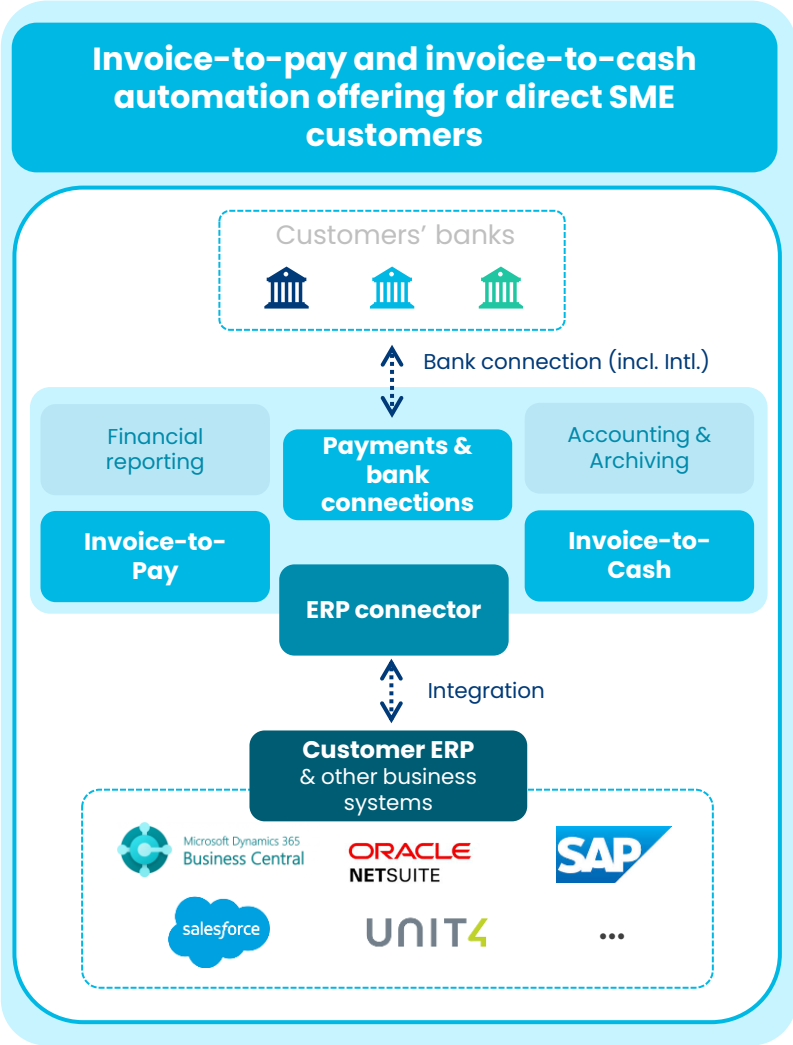
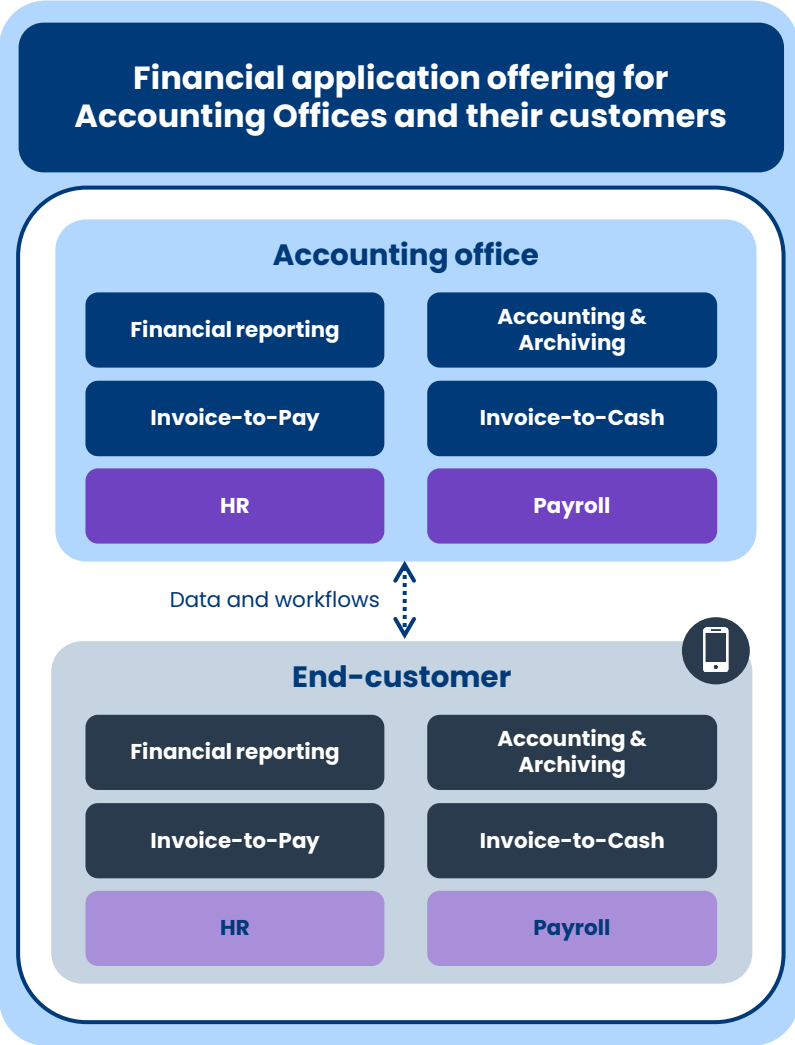


- 01** High-quality portfolio of SaaS products with AP/AR automation as spearhead
- 02** Strong market position in Finland within Accounting Offices, Direct customers and the PSA vertical
- 03** Wide customer base consisting of c. 17,000 Finnish SMEs with high satisfaction & loyalty
- 04** Scalable,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




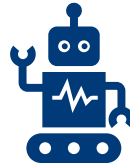

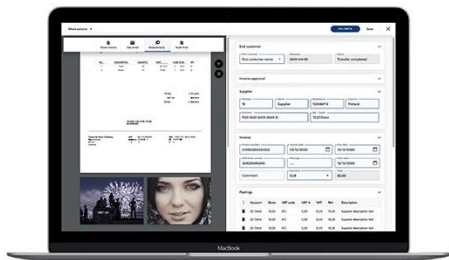


# High-quality portfolio of SaaS products with AP/AR automation as spearhead



Source: Heeros

# 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

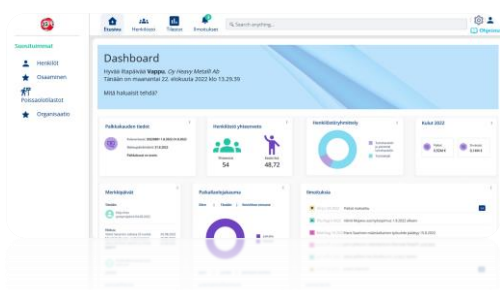
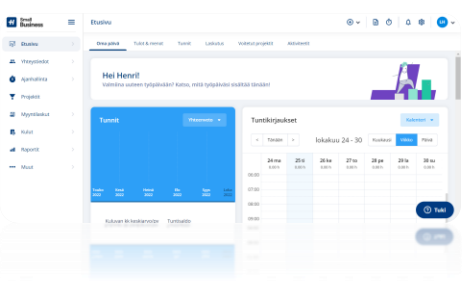
2021

2022

2023 ->

- 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

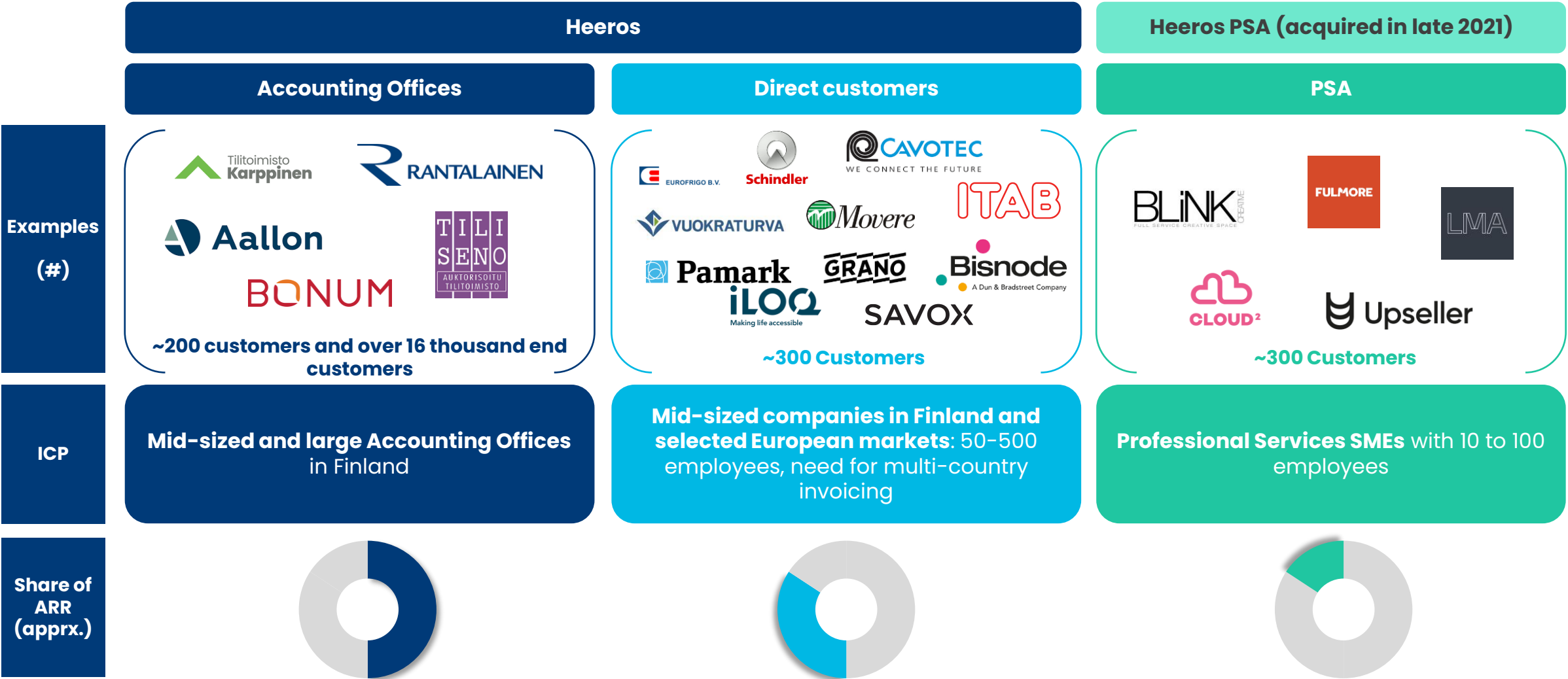
Continuing focused core portfolio renewal for increased competitiveness towards ICP

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



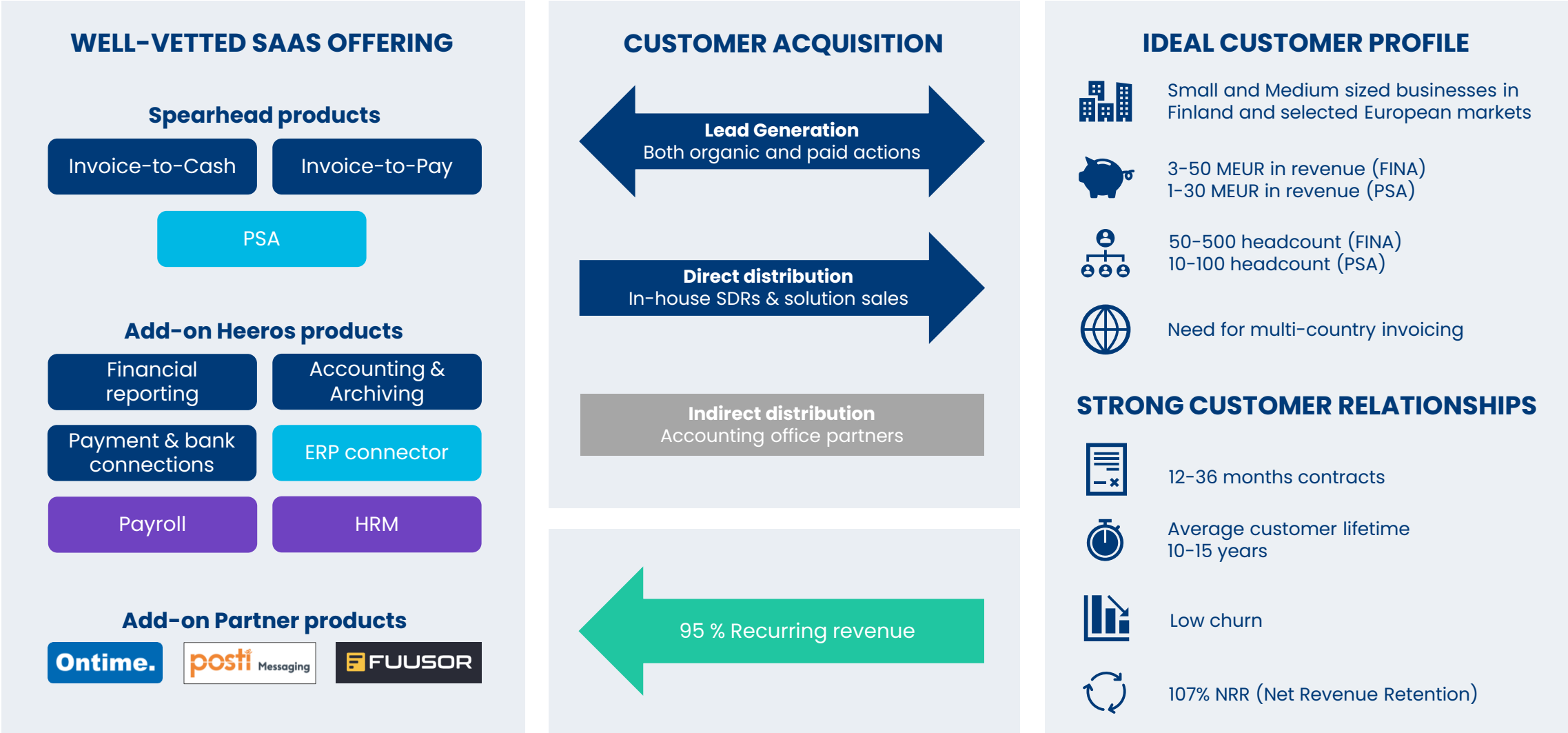
Source: Heeros, Tilastokeskus

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



Source: Heeros

# Heeros sales and distribution model



## 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

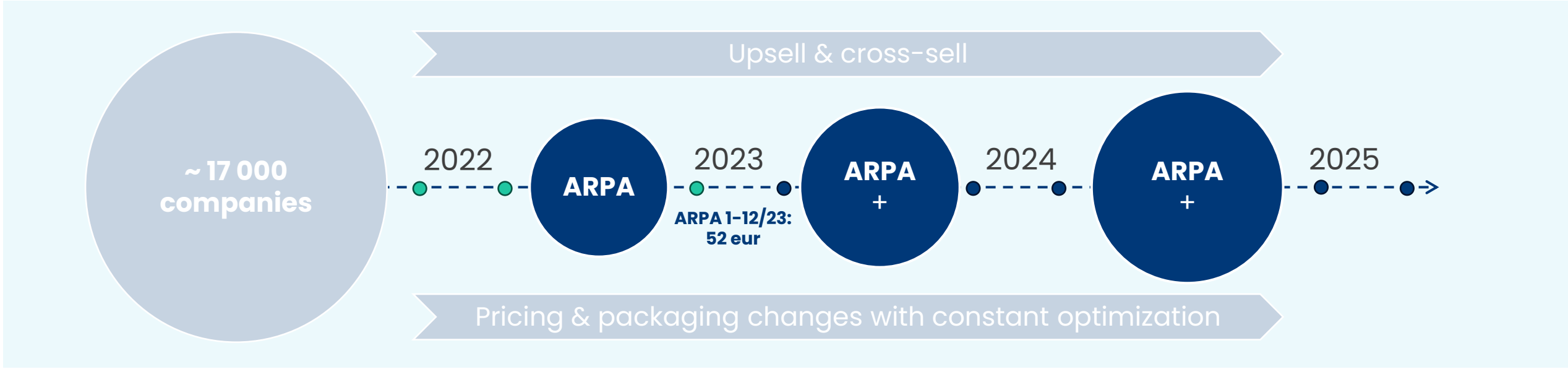


### **World-class partnerships for innovative services**

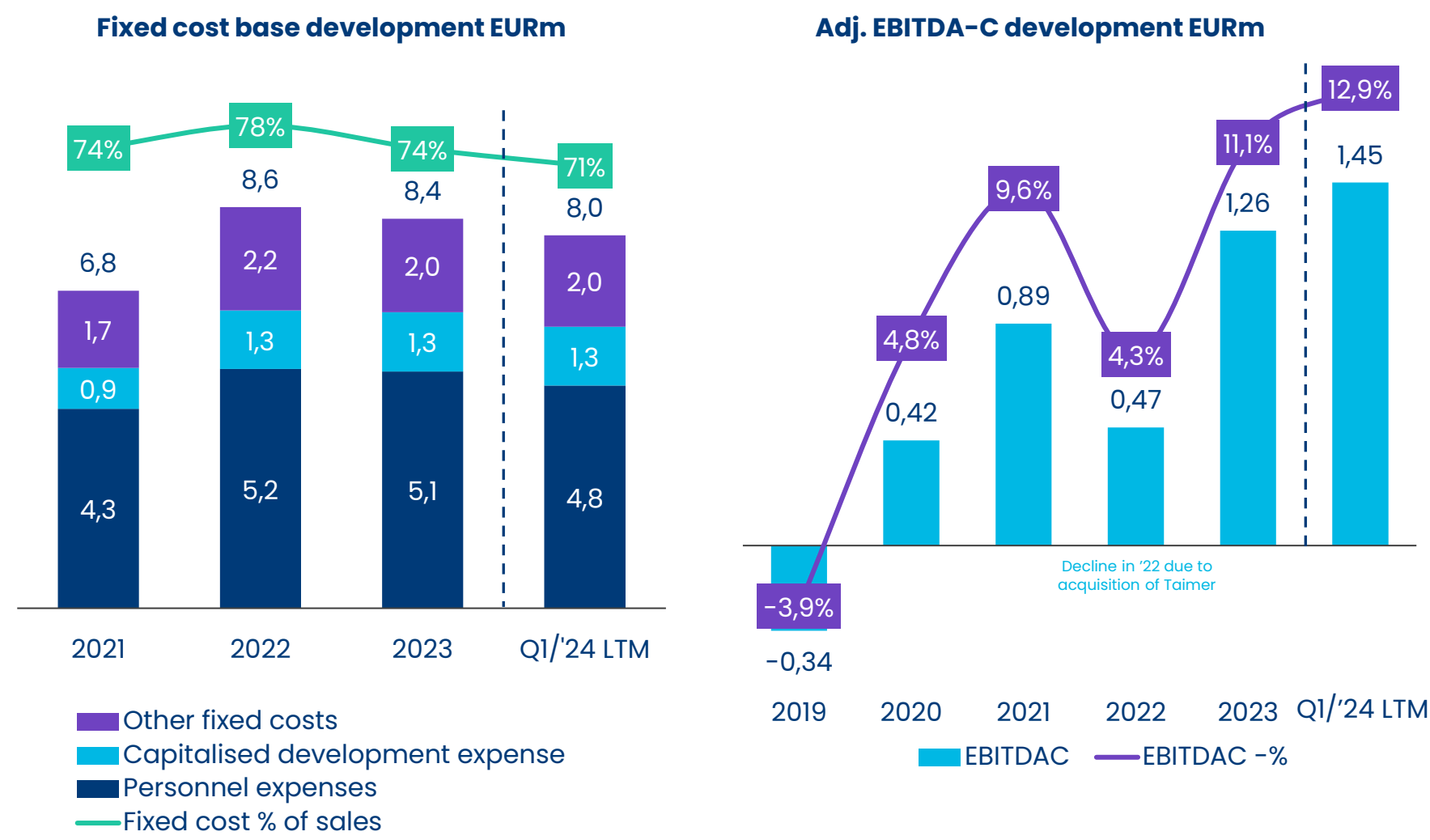
Strong partnerships with Opentext and Enable Banking for delivering services across multiple countries

# 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 completed in early 2024
- Cost savings not impacting operations or churn in a major way
- EBITDAC +450% in Q1 2024



# Financials, Q1 2024



# Key figures Q1 2024

1,000 EUR	Q1 2024	Q1 2023	Change, %	Year 2023
Revenue	2,746	2,807	-2 %	11,296
Recurring revenue <sup>1</sup>	2,605	2,645	-1 %	10,774
Contract revenue	2,144	2,088	3 %	8,578
Transaction revenue	461	556	-17 %	2,195
EBITDA	527	428	23 %	2,478
EBITDA, % of revenue	19 %	15 %		22 %
EBITDA (adjusted) <sup>2</sup>	576	428	35 %	2,654
EBITDA (adj.), % of revenue	21 %	15 %		23 %
Rule of 40, %	17 %	18 %		24 %
Rule of 40, % (adj.) <sup>2</sup>	19 %	18 %		25 %

- Revenue decreased by 2 % year-on-year to EUR 2.7 (2.8) million due to decline in transaction volumes (-9 %).
- Transaction revenue declined by 17 % to EUR 0.5 (0.6) million, which weighed in on overall revenue growth during a macroeconomically challenging environment.
- Contract revenue increased by 3 % to EUR 2.1 (2.1) million.
- Adjusted EBITDA increased by 35 % to EUR 0.6 (0.4) million, which was 21 % (15 %) of revenue.

<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 Q1/2024 include an adjustment of EUR 49 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)**

Q1/24: 105 % (Q1/23: 107 %)

1-12/23: 106 %

**ARPA, End customer**

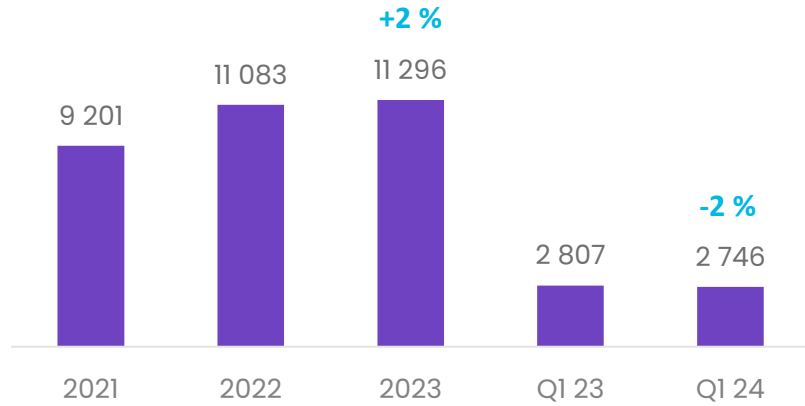
Q1/24: 55 € (Q1/23: 51 €, +8 %)

1-12/23: 52 €

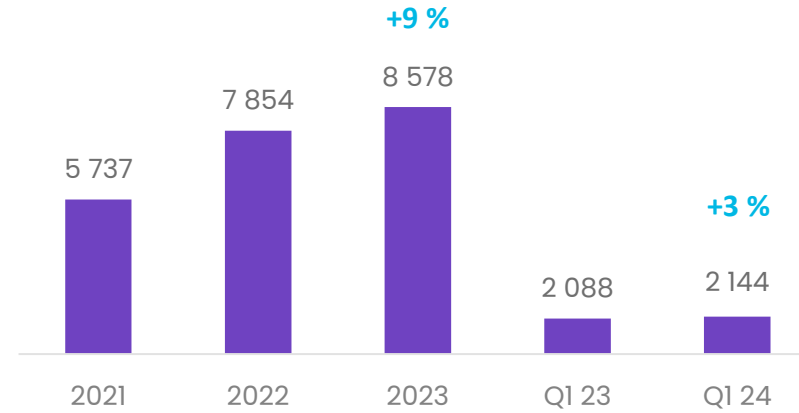


# Revenue & profitability development

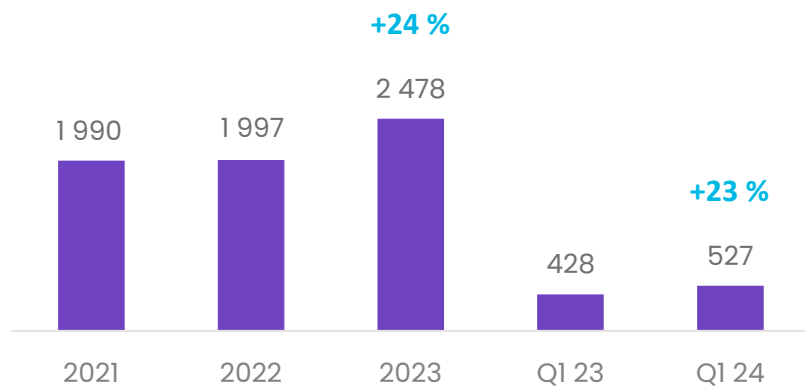
Revenue, EUR 1,000



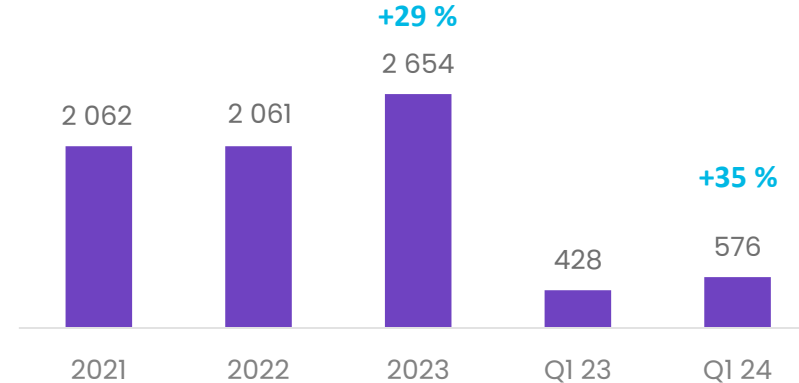
Contract Revenue, EUR 1,000



EBITDA, EUR 1,000



EBITDA (adjusted), EUR 1,000



# Key message of Q1/24

- Excellent developments in profitability and cash flow, clearly cash flow positive now and repaying a large part of net debt during year
  - EBITDA (adj.) grew by 35% compared to Q1 23, contract revenue grew by 3%
  - EBITDA-Cash\* increased by more than 450%, reaching EUR 240 (43) thousand
  - Operational cash flow improved by 90% to EUR 726 (382) thousand
- Journey towards a more focused Heeros continued, headcount at 74 employees at end of period (83 at year end 2023, 96 a year ago)
  - Change negotiations aimed not only to decrease costs but also to address challenges in sales.
  - After completion of extensive software development projects, it was logical to allocate organizational resources elsewhere
- Seasonality and low transaction volumes affected negative development of revenue
  - Still soft ARR intake, though clearly improved in April already
  - Change negotiations during quarter certainly affected team performance in February and March, pipeline looking better now
- Good progress in product development, both in key focus area of Accounts Payable / Receivable as well as in PSA
  - Positive progress in AP/AR software development continues, clearly increased product development velocity
  - PSA reporting update, enabling e.g. more dynamic handling of reports, & saving personal reports moved to customer piloting stage

\*Adjusted EBITDA, where investments in tangible and intangible assets have been deducted from EBITDA

# Outlook for 2024

- As highlighted also in Q4 2023 report – Q1 is cyclically worst quarter, so happy to see we had a good result here
  - We expect profitability to increase gradually during 2024
- Even after cost cuts in February 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
  - Investments made via own R&D/Products personnel, not via outside consultants
- Outlook and strategy for 2024 emphasizes continuity
  - Profitability and our current customers are at the core of our strategy
  - Many changes have been made during past 12 months, ours is a slow-moving business – time to wait & trust that the changes made have been for the better (I do believe they have)



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