

Heeros



Heeros key investment highlights

July 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, 11 MEUR ARR (Q2 2024)**

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

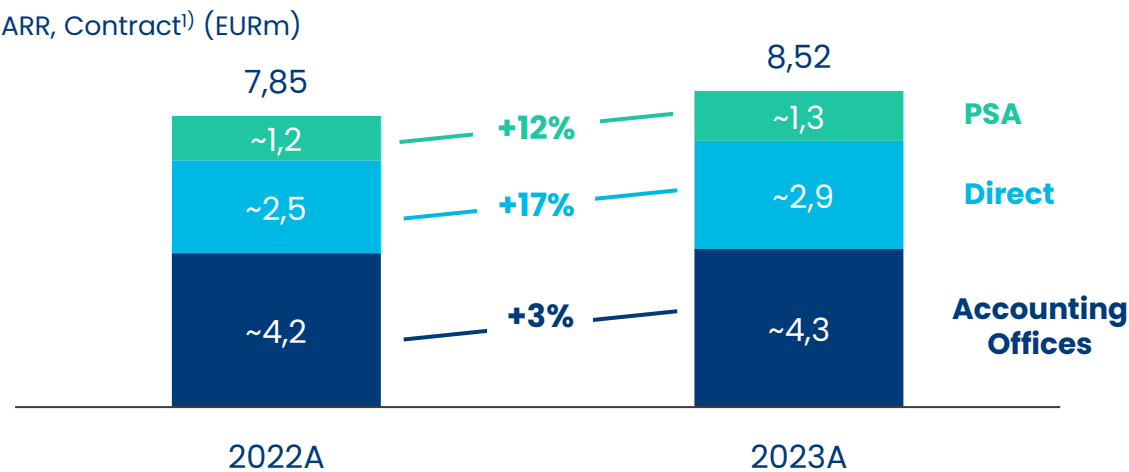
Development **focus on market-leading AP/AR automation** offering for direct, mid-sized customers

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

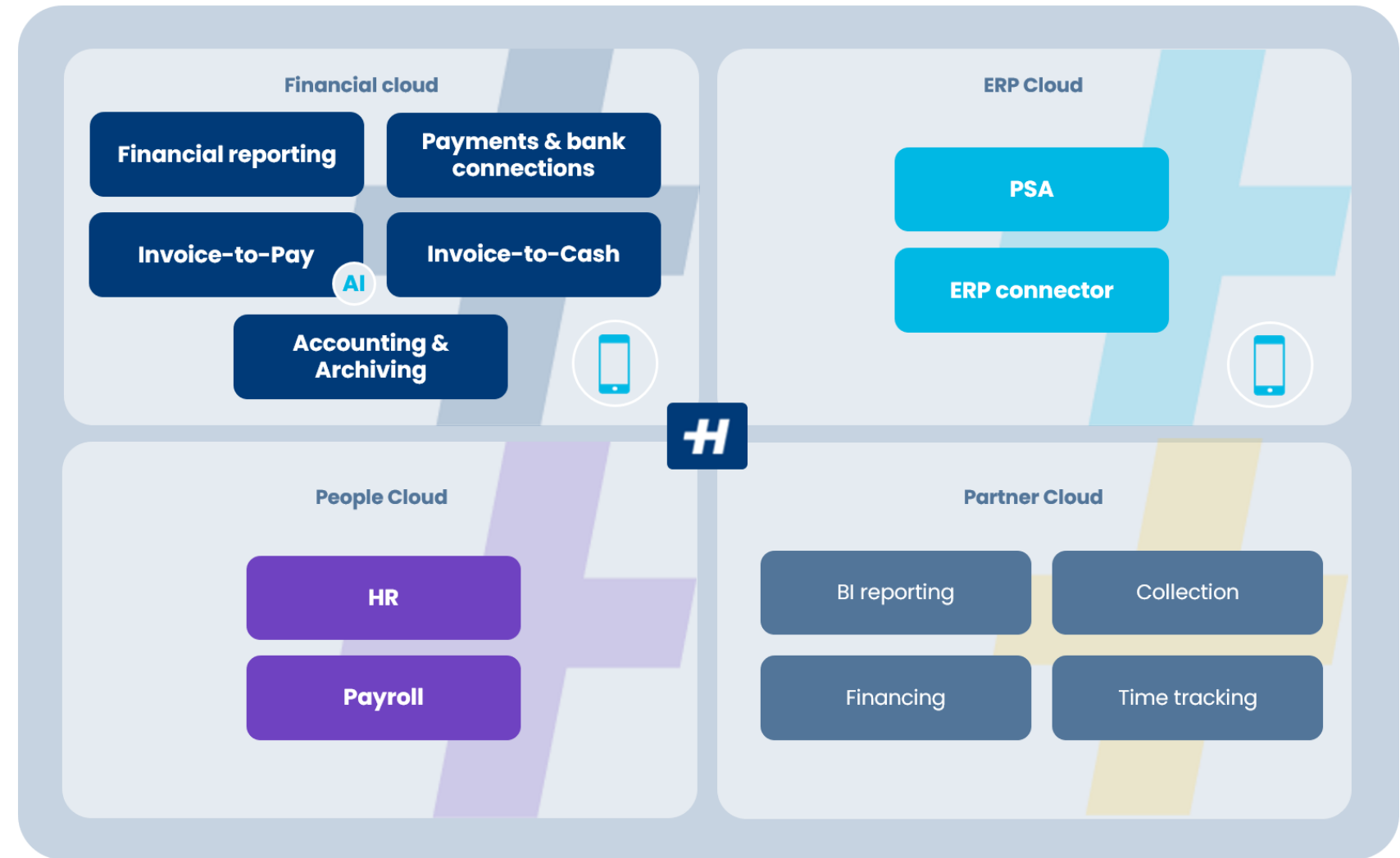
69%
Enhanced business-decision support

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

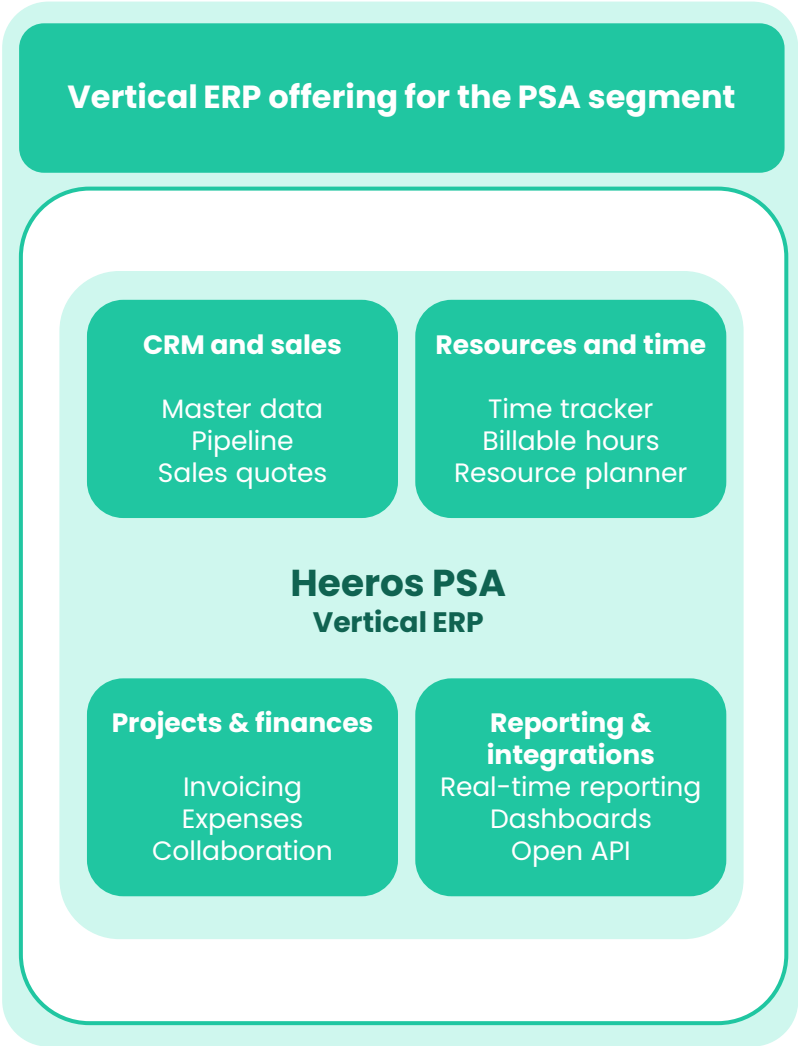
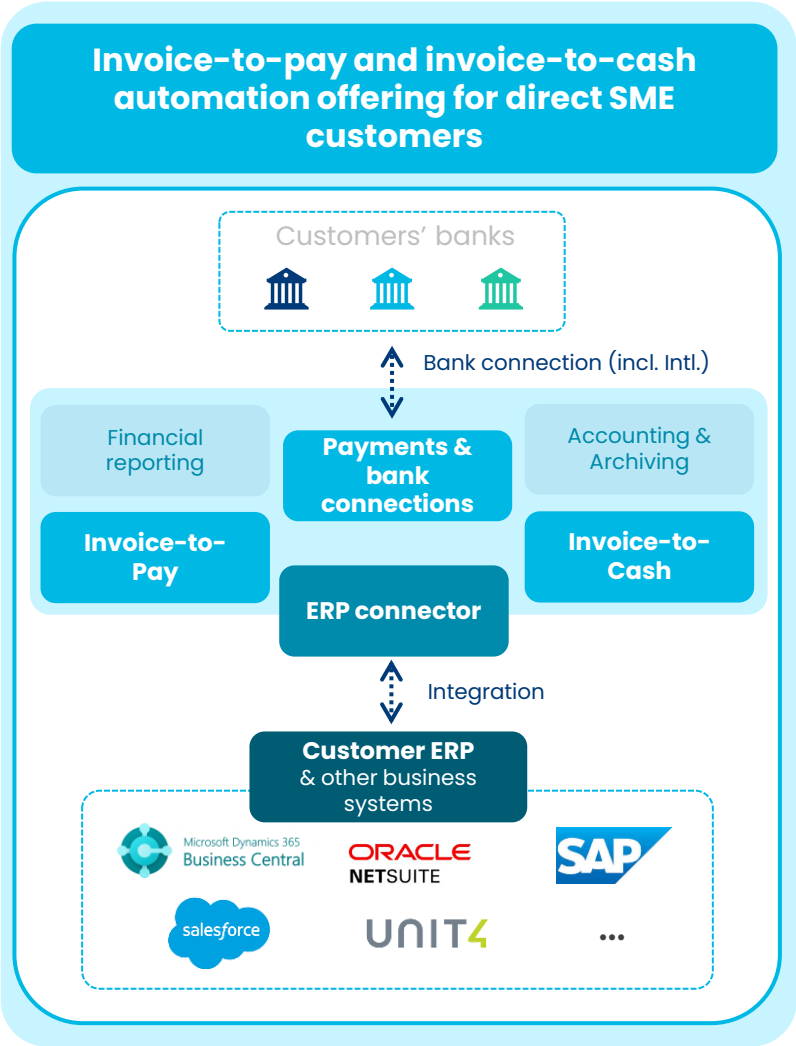
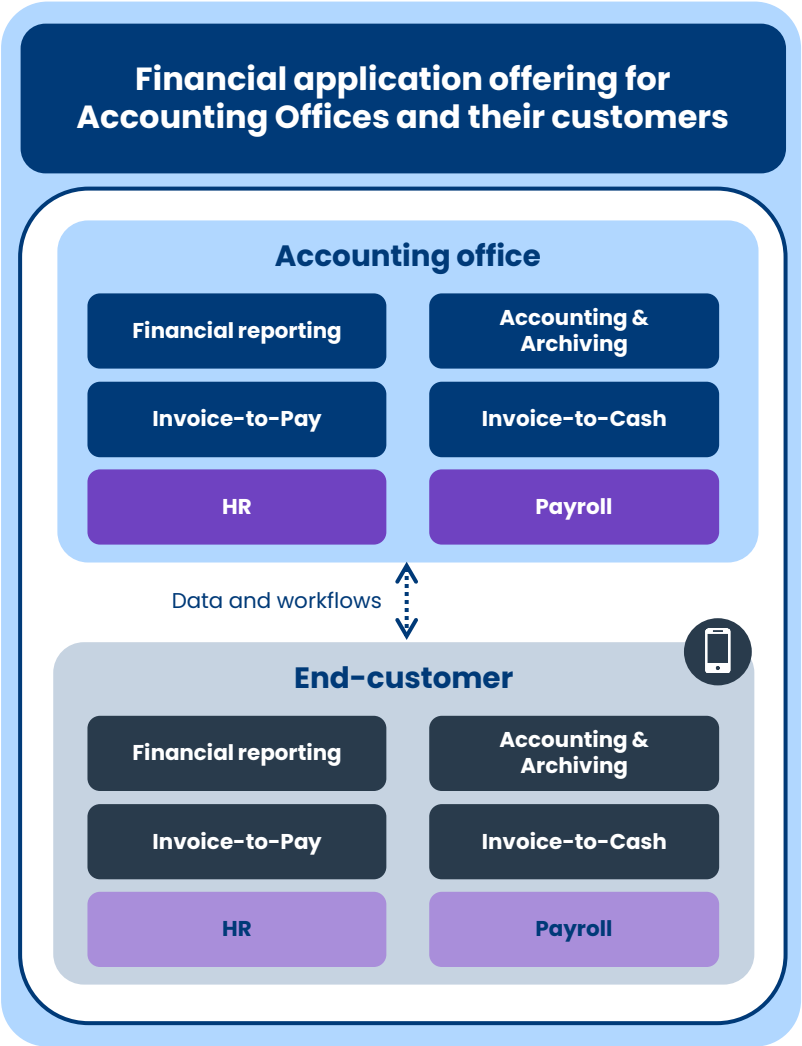


- 01** High-quality portfolio of SaaS products with AP/AR automation as spearhead
- 02** Strong market position in Finland within Accounting Offices, Direct customers and the PSA vertical
- 03** Wide customer base consisting of c. 17,000 Finnish SMEs with high satisfaction & loyalty


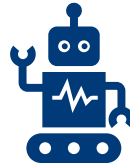

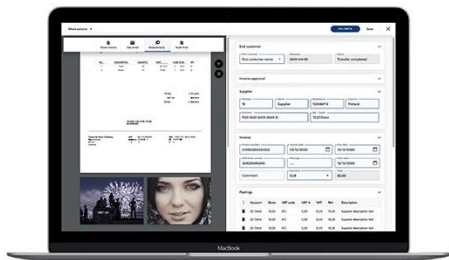


- 04** Scalable, cost-effective business and distribution model
- 05** Clear pricing power and agenda with limited churn
- 06** Strongly increasing profitability driven by operational efficiency improvements and scalable cost base

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



Constant gradual renewal of mature product suite



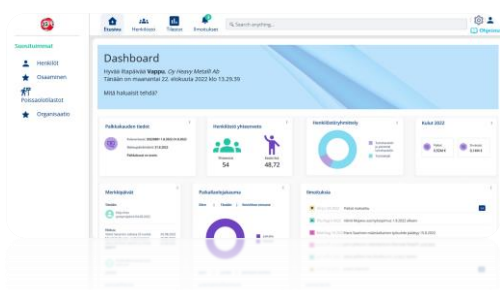
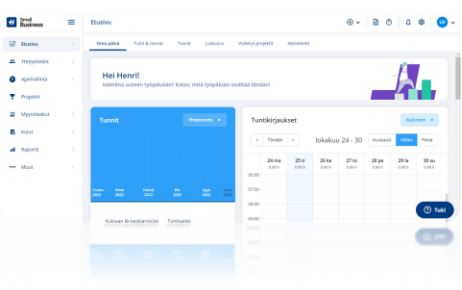
- **New Heeros Purchase Invoices**
- **New Mobile App**
- AI postings
- ERP Connector
- **New Heeros Sales Invoices**

Modern & unified UX

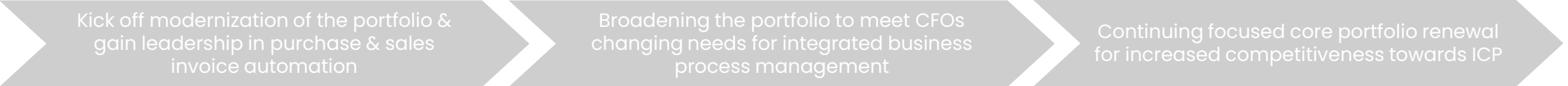


- Fast & easy customer onboarding
- Improved APIs
- **Financial Cloud + PSA integrated**
- **New Heeros HR**

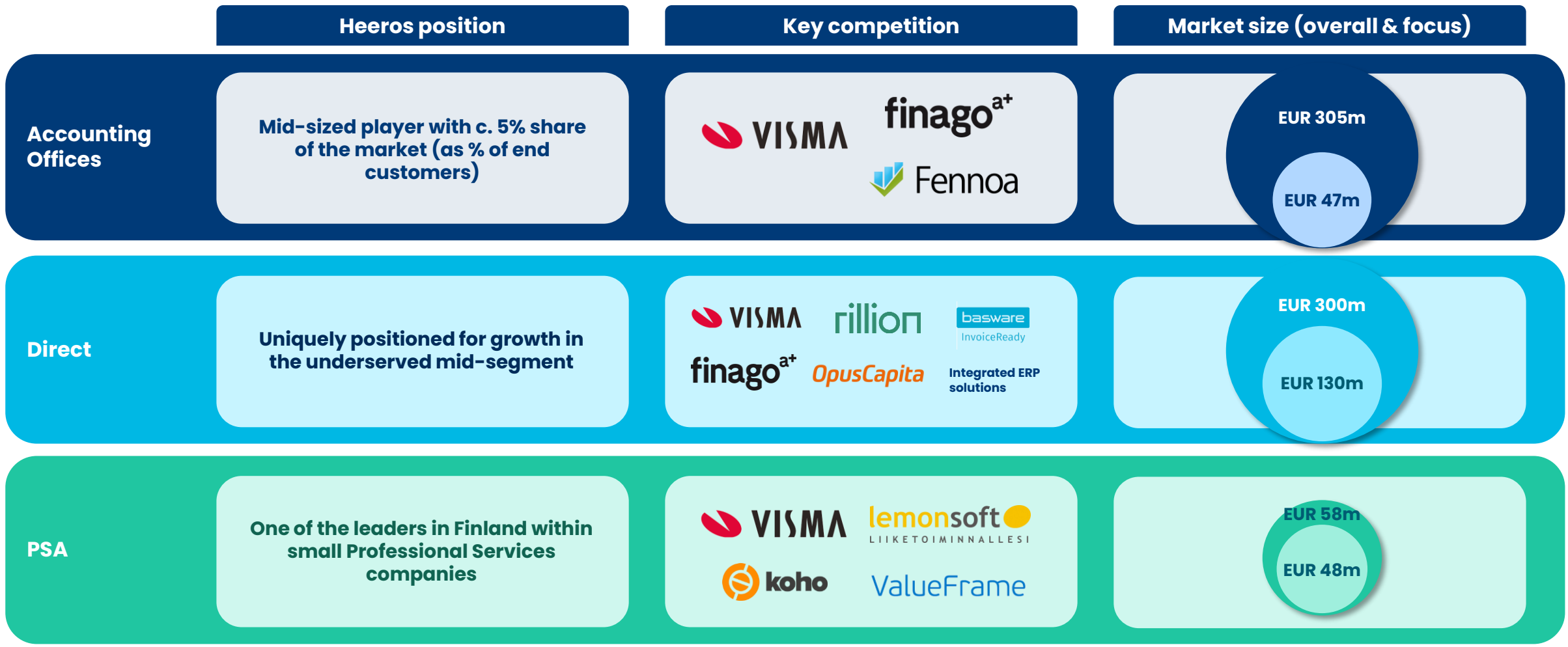
Scalability



KEY THEMES:

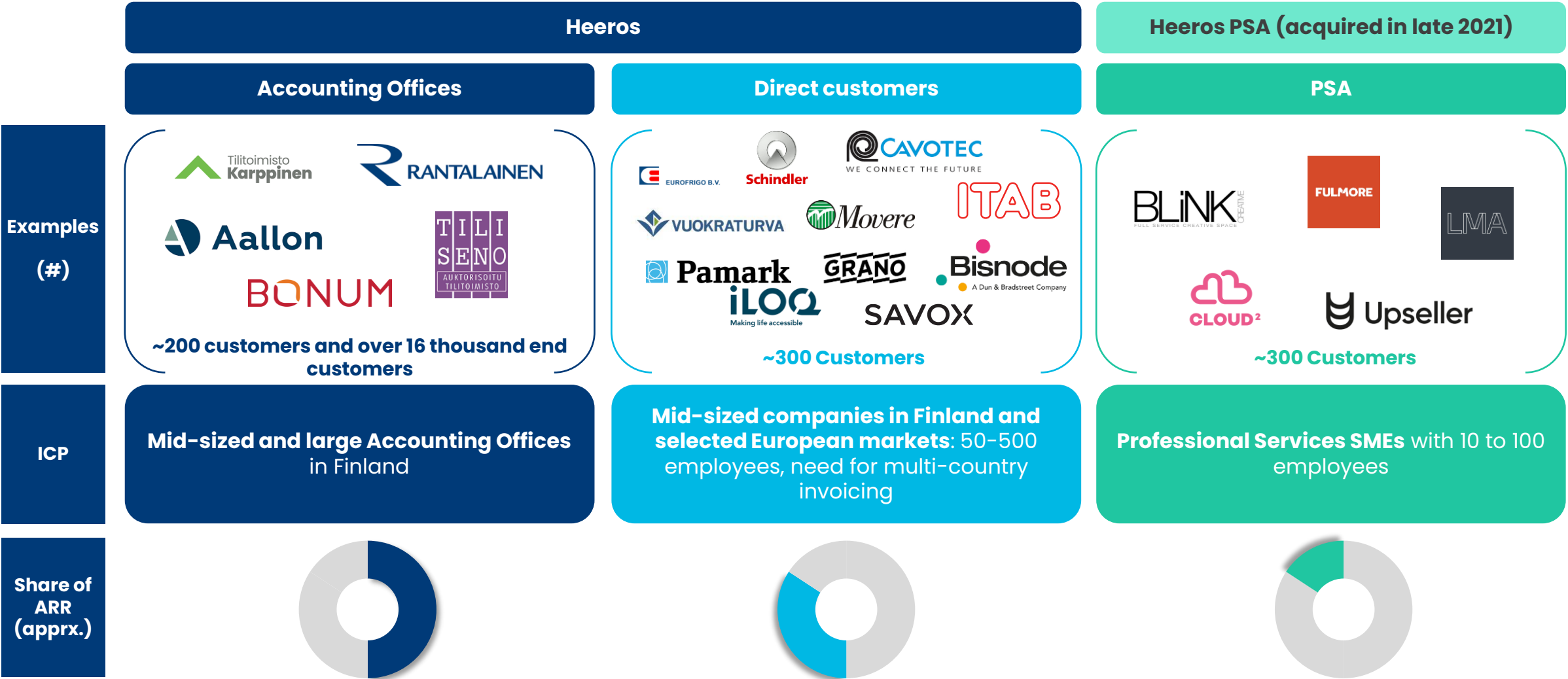


Strong market position in Finland within Accounting Offices, direct customers and Professional Services companies



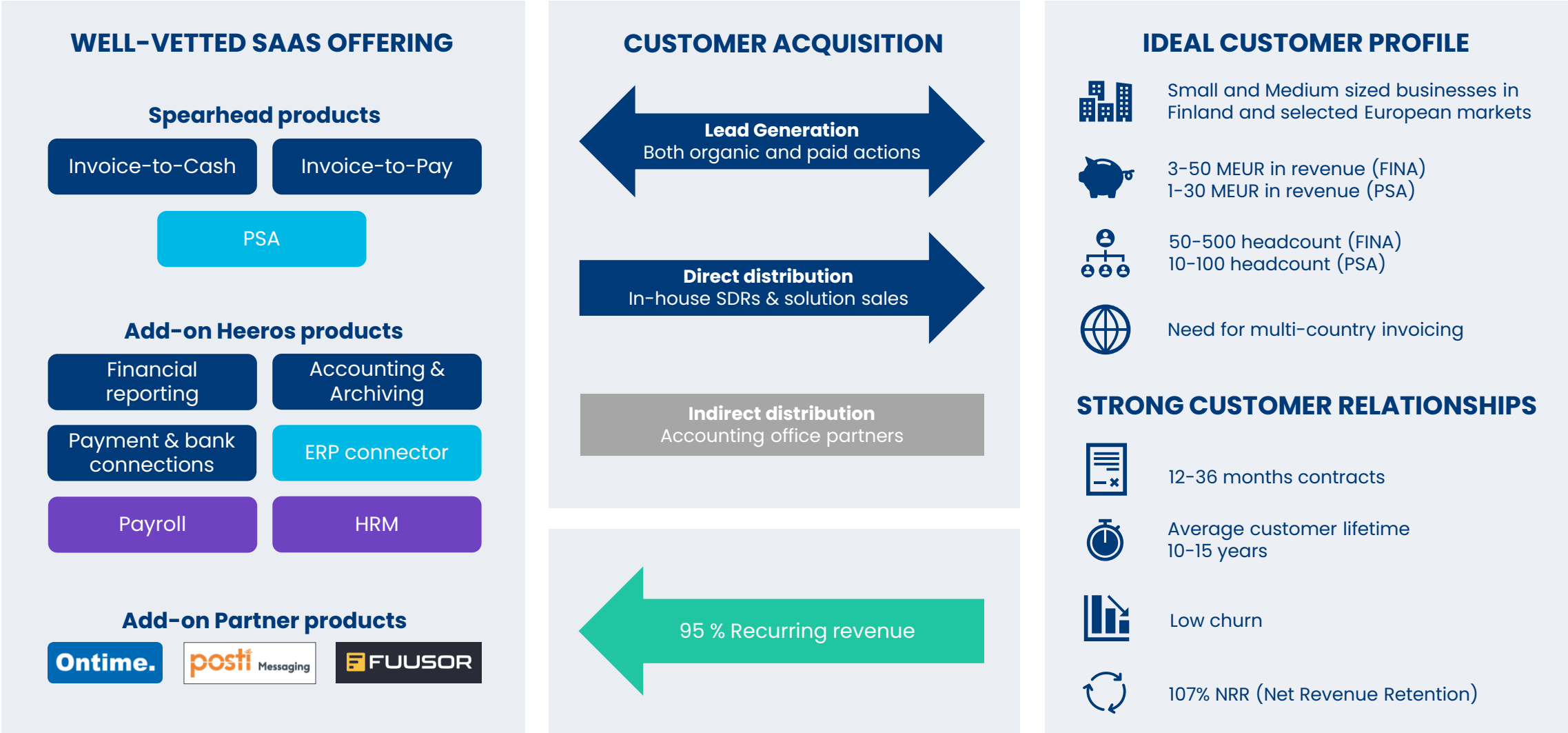
Source: Heeros, Tilastokeskus

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

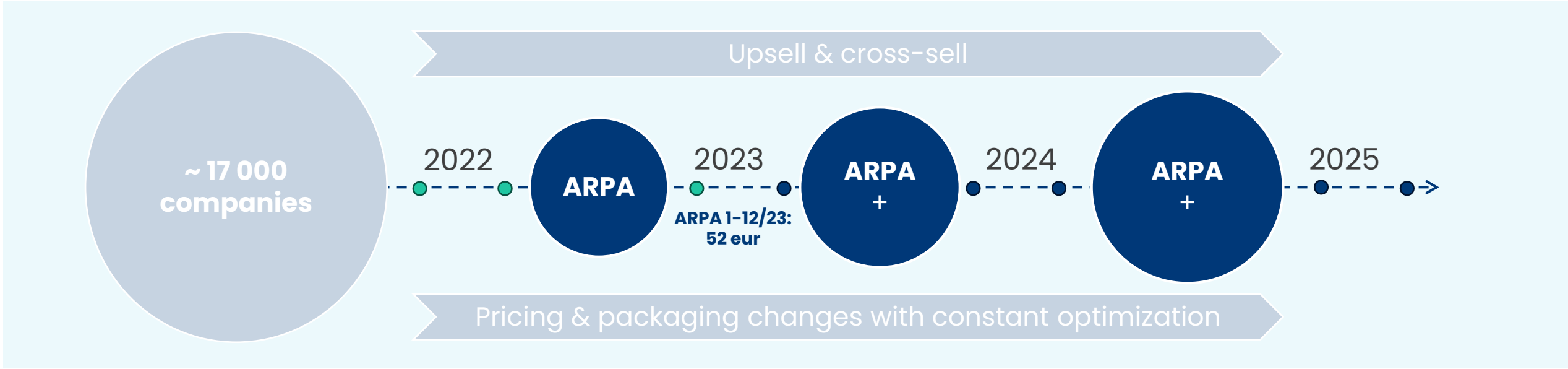


World-class partnerships for innovative services

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.



Financials, Q2 2024



Key figures Q2 2024

EUR thousand	Q2/2024	Q2/2023	Change %	H1/2024	H1/2023	Change %	2023
Revenue	2,898	2,859	1 %	5,644	5,666	0 %	11,296
Recurring revenue ¹	2,758	2,722	1 %	5,363	5,367	0 %	10,774
Contract revenue	2,269	2,148	6 %	4,413	4,237	4 %	8,578
Transaction revenue	490	574	-15 %	950	1,130	-16 %	2,195
EBITDA	816	397	105 %	1,343	825	63 %	2,478
EBITDA, % of revenue	28 %	14 %		24 %	15 %		22 %
EBITDA (adjusted) ²	878	454	94 %	1 455	882	65 %	2,654
EBITDA (adj.), % of revenue	30 %	16 %		26 %	16 %		23 %
EBIT	334	-151		300	-269		293
EBIT, % of revenue	12 %	-5 %		5 %	-5 %		3 %
EBIT (adjusted) ²	396	-94		411	-212		469
EBIT (adj.), % of revenue	14 %	-3 %		7 %	-4 %		4 %
Profit for the period	291	-170		235	-323		177
Profit for the period, % of revenue	10 %	-6 %		4 %	-6 %		2 %
Rule of 40, %	30 %	15 %		23 %	17 %		24 %
Rule of 40, % (adjusted) ²	32 %	17 %		25 %	18 %		25 %
Operational cash flow	628	516	22 %	1,354	898	51 %	2,016
Equity ratio, %				69 %	58 %		66 %
Return on Equity (ROE), %				3 %	-5 %		3 %

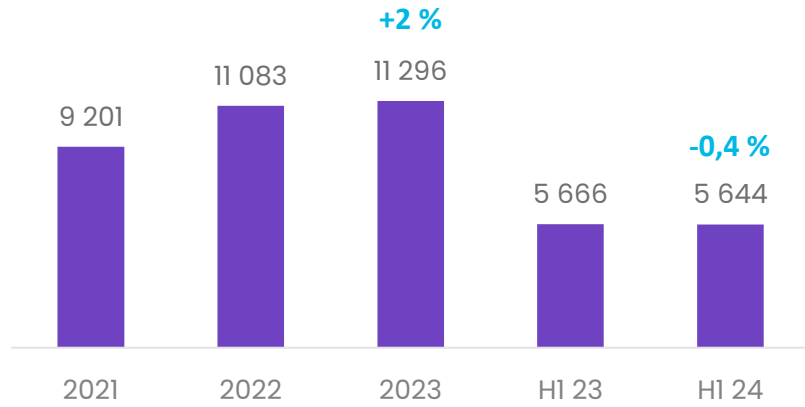
- During the first half of the year contract revenue increased by 4%, adjusted EBITDA by 65% and operational cashflow by 51%.
- During the second quarter both revenue and recurring revenue increased by 1 % year-on-year and contract revenue increased by 6 % to EUR 2.3 (2.1) million.
- Second quarter EBITDA increased by 105 % to EUR 0.8 (0.4) million, which was 28 % (14 %) of revenue.

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

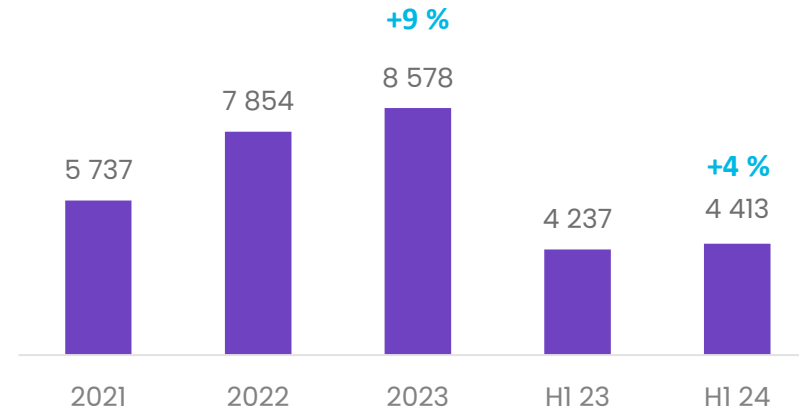
²The adjusted figures for Q2/2024 include an adjustment of EUR 62 thousand and H1/2024 an adjustment of EUR 111 thousand for non-recurring restructuring costs.

Revenue & profitability development

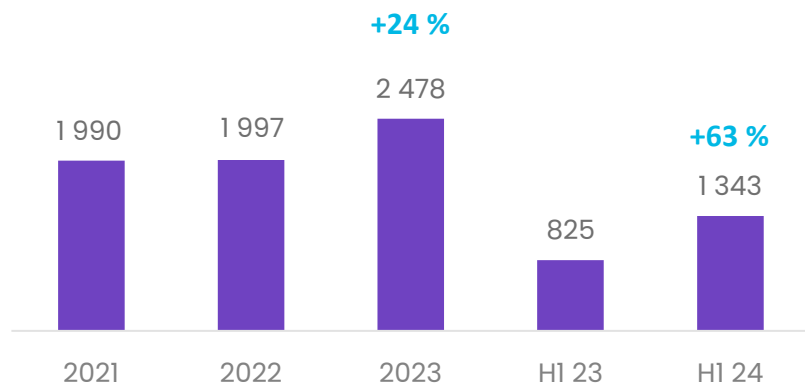
Revenue, EUR 1,000



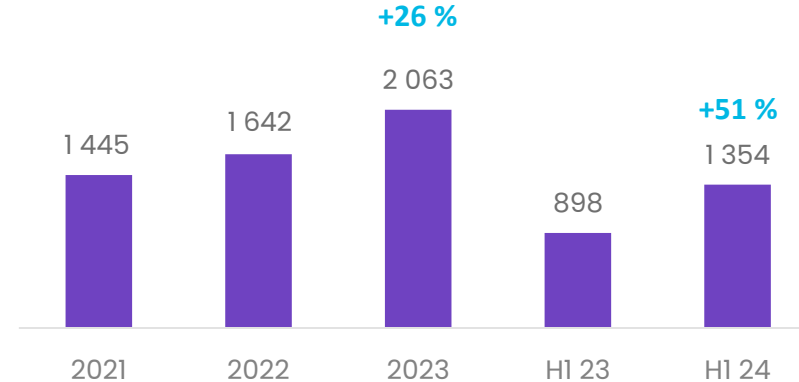
Contract Revenue, EUR 1,000



EBITDA, EUR 1,000

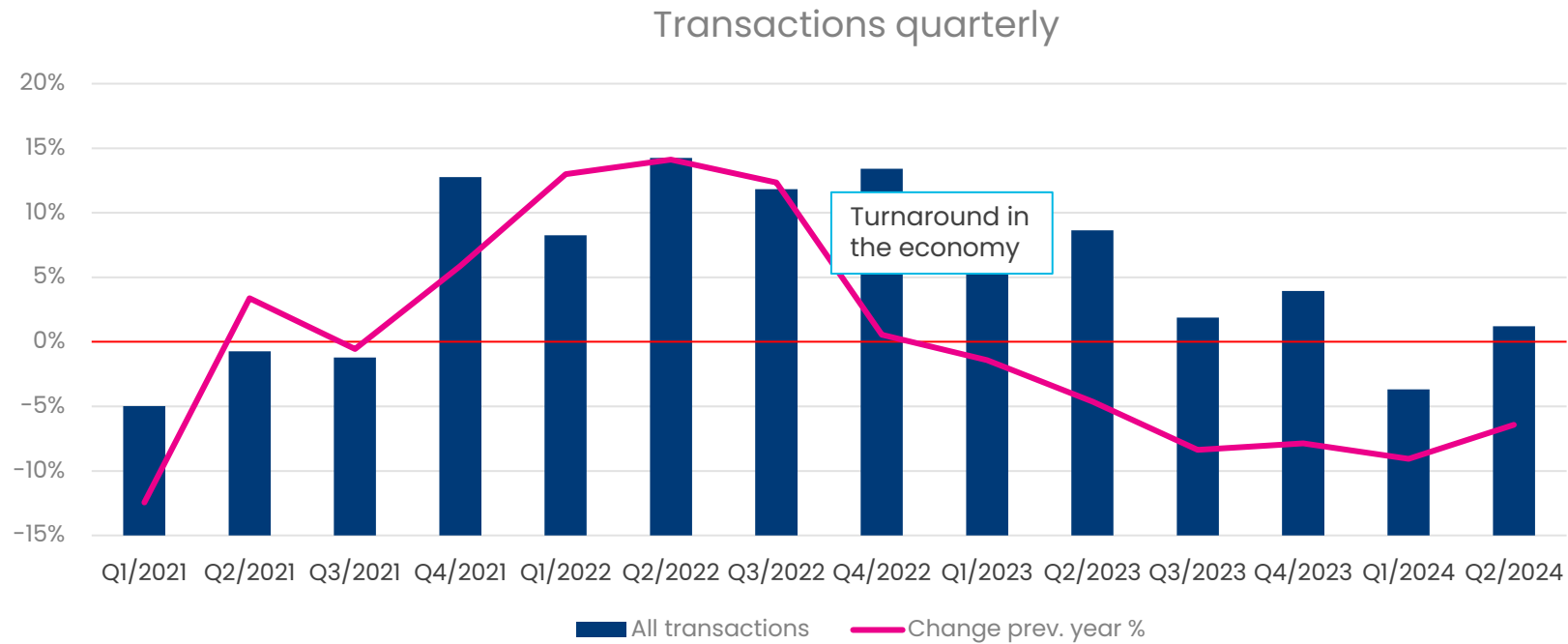


Operational cashflow, EUR 1,000



Macroeconomic uncertainty

Transactions trend



SaaS metrics

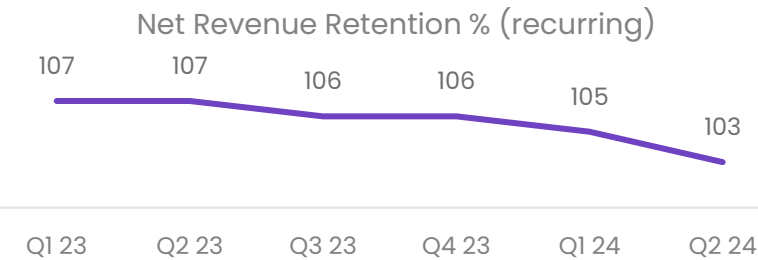
Annual recurring revenue (ARR)

Q2/24: 11.023k EUR (Q2/23: 10.934k EUR)



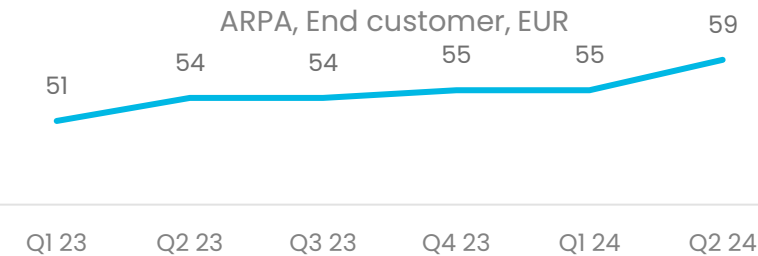
Net revenue retention (NRR)

Q2/24: 103 % (Q2/23: 107 %)



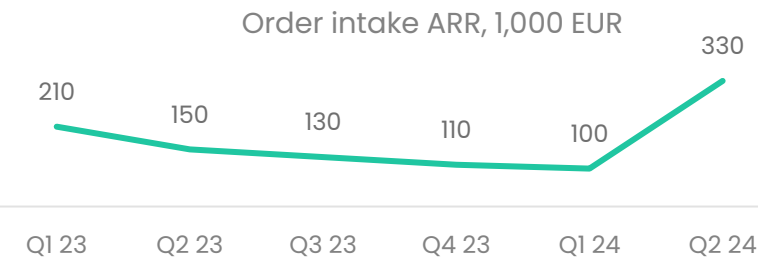
ARPA, End customer

Q2/24: 59 EUR (Q2/23: 54 EUR, +9 %)



Order intake, ARR

Q2/24: 330k EUR (Q2/23: 150k EUR)



Key message of Q2/24

- Second quarter delivered outstanding results across all metrics
 - EBITDA (adj.) grew by 94% compared to Q1 23, representing 30% (16%) of revenue, contract revenue grew by 6%
 - EBITDA-Cash* increased by more than 430%, reaching EUR 612 (115) thousand
 - Profitability improved due to different measures implemented over past 15 months, aimed at enhancing operational efficiency as well as achieved cost savings across all areas of the company
- New ARR intake bounced back to 330 KEUR (+120% y-o-y), with a decline in customer hesitation when making decisions
 - As commented in Q1, change negotiations aimed not only to decrease costs but also to address challenges in sales
 - Happily surprised to see that Q2 sales results were as strong as they were – changes do not happen overnight in our business
 - What is most important is that sales & marketing teams are “on track”, with SQLs and new opportunities increasing substantially
 - Growth driven by mid-market customers ERP changes being more active, several end-of-lives for competitor software
- Low transaction volumes, driven by still-low economic activity meant that overall development of revenue was still muted
 - Lag from “sold case” to “started invoicing” means that Q3 revenue won’t grow much, Q4 2024 and 2025 on track
 - Currently at almost exactly 11 MEUR of ARR (Annual Recurring Revenue)
- Changes in ownership communicated flagged to market as well
 - Main owner Rite Ventures + Ville Skogberg (33.5%), followed by Viking Venture (19.0%)

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

Outlook for 2024

- Q1 is cyclically worst quarter – nevertheless provided good results. Q2 went better than expected
 - We expect profitability to increase gradually during 2024
- Having served as CEO for just over a year, I am pleased to see the positive changes in Heeros
 - From the outset, we focused on profitability, operational efficiency, and demonstrating Heeros' commitment to growth without compromising on profitability
 - These goals have been met, and Heeros' financial profile has markedly improved over the year
- Optimistic about 2024 – especially given great strides made in improving sales & marketing efficiency
 - If trend continues, we expect positive sales momentum to carry on into H2 after several challenging quarters

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