

Tecnotree

Empowering Digitally
Connected Communities

Financial Report Q3 2024

1st Jan – 30th Sep 2024



Tecnotree Corporation Financial Report 1st Jan – 30th Sep 2024 (unaudited)

During the first three quarters, Tecnotree achieved an 11% increase in revenue on constant currency basis and a 28% increase in EBIT on a constant currency basis

The Tecnotree strategy has delivered free cash flow for a second consecutive quarter

January-September 2024

- Net sales EUR 54.0 (56.2) million, -3.9% year on year change
- Net sales in constant currency EUR 63.2 million, +11% increase year on year in constant currency terms
- Operating Profit before one-time expenses EUR 15.9 (16.0) million. In constant currency, up by 28%
- Operating Profit margin before one-time expenses 29.4% (28.5%).
- Foreign exchange losses EUR 2.2 (3.8) million
- Net Income before one-time expenses of EUR 10.7 (8.8) million.
- Net Income for the period EUR 7.8 (8.8) million.
- Gross cash inflow from operating activities EUR 12.8 (7.6) million, an increase of +68.4% year on year
- Earnings per share EUR 0.46 (0.02*)

Third quarter (July-September 2024)

- Positive free cash flow EUR 1.7 (-7.9) million, the second quarter of positive free cashflow
- Net sales EUR 19.0 (21.4) million, -11.2% year on year change
- Net sales in constant currency EUR 20.2 million. 5% decrease in constant currency terms
- Foreign exchange gains EUR 0.3 (-1.9) million.
- Net income for the period EUR 4.1 (3.2) million.
- Gross cash inflow from operating activities EUR 5.5 (1.2) million, an increase of 358% year on year
- Earnings per share EUR 0.24 (0.01*).
- Order book at the end of the period EUR 75.1 (78.0) million.

* On 19 April 2024, Tecnotree executed a reverse split, i.e. the reduction of the number of shares where every 20 old shares in the company corresponds to one new share.

Key figures, MEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Net sales	19.0	21.4	54.0	56.2	78.4
Adjusted operating Profit ¹	5.0	6.2	15.9	16.0	23.8
Exceptional items	0.0	0.0	-2.9	0.0	0.0
Operating profit (EBIT)	5.0	6.2	13.0	16.0	23.8
Pre tax profit	4.9	4.2	9.8	11.2	13.9
Adjusted pre-tax profit result for the period ²	4.1	3.2	10.7	8.8	13.9
Result for the period	4.1	3.2	7.8	8.8	11.2
Earnings per share, basic, EUR	0.24	0.01	0.46	0.03	0.04
Order book	75.1	78.0	75.1	78.0	80.2
Gross cash flow from operating activities	5.5	1.2	12.8	7.6	17.4
Change in cash and cash equivalents	0.2	4.9	-3.8	3.5	8.6
Cash and cash equivalents	17.0	15.5	17.0	15.5	20.8
Equity ratio % (Equity/Total Liabilities)			65.8	70.8	67.5
Debt Equity ratio % (Debt/Equity)			4.5	6.9	6.6
Personnel at end of period			810	836	883

1 Adjusted operating result = operating result before one-time items.

2 Adjusted result for the period = result before one-time items.

3 On 19 April 2024, Tecnotree executed a reverse split, i.e. the reduction of the number of shares where every 20 old shares in the company corresponds to one new share.

Unless otherwise stated, all figures presented below are for the financial period 1-9/2024 and the figures for comparison are for the corresponding period in 1-9/2023.

Prospects 2024 and 2025

Tecnotree revised its guidance on the 6th of September 2024 to provide further clarity on its financial management metrics.

- Revenues for 2024 are expected to grow by 2–7% in constant currency.
- EBIT for 2024 is projected to increase by 7–15% in constant currency.
- Free cash flow for H2 2024 is estimated to be between EUR 2–5 million.
- Capex as a percentage of sales is targeted at 10–12% by 2025.
- Receivables days are expected to range between 100–140 days by 2025.
- Annual free cash flow for 2025 is projected to exceed EUR 3 million.
- Dividend payout policy targets 10% of free cash flow from 2025
- FX exposure to frontier country risk will be reduced to 10–15% within three years.

From the CEO's desk

Delivering on our strategy promise to deliver Free Cashflow

Revenue

In this quarter, Tecnotree achieved revenue of EUR 19.0 million (constant currency EUR 20.2 million) compared to EUR 21.4 million in Q3 2023. During Q1-Q3 2024 revenue earned was EUR 54.0 million (constant currency EUR 63.2 million) compared to EUR 56.2 million in Q1-Q3 2023. Tecnotree's focus has been around changing its revenue mix towards better profitability and cash flow. The company is achieving this through new business growth in the European and North American markets. The share of revenue from North America and Europe in Q3 2024 was 22% compared to 17% in Q3 2023. We see further momentum in our North American and European order book. This has been made possible by Tecnotree's leading product stack and leveraging our new System Integrator partnerships in developed markets.

The company has focused on moving to ARR-based models. While in the first half of the year, the company saw FX losses disproportionately impacting its ARR revenue, the company was able to achieve a 7% revenue growth in ARR in Q3 2024 over Q3 2023.

Order Backlog

In Q3 2024, Tecnotree received new orders worth of EUR 23.8 million compared to EUR 13.4 million in Q2 2024. Tecnotree's order backlog grew modestly to EUR 75.1 million compared to EUR 72.6 million in Q2 2024.

Operating Profit (EBIT)

EBIT in the Q3 2024 was EUR 5.0 million (constant currency EUR 6.5 million) compared to EUR 6.2 million in Q3 2023. For the period Q1-Q3 2024, EBIT stands at EUR 13.0 million (constant currency EUR 20.6) compared to EUR 16.0 million in Q1-Q3 2023.

OpEx Savings

OpEx reduced by 10% in Q3 2024 to EUR 14.0 million (EUR 15.4 million). Q1-Q3 2024 OpEx also reduced by 5% to EUR 38.2 million (EUR 40.4 million).

This aligns with our target to generate EUR 4.5 million in savings by the second half of 2024 and an additional EUR 7.0 million in 2025. These actions reflect Tecnotree's commitment to operational excellence and financial discipline, ensuring long-term profitability and resilience.

Tecnotree

Focus on Free Cashflow

Tecnotree has targeted sustainable free cashflow generation in the second half of 2024 and 2025. Q3 2024 marks the second quarter of free cashflow generation, reporting positive free cash flow EUR 1.7 (-7.9) million. Measures to achieve this include better management of working capital and capex efficiencies. The CapEx to Sales ratio for Q3 2024 stood at 11% as compared to 17% in Q3 2023.

Net Profit

Tecnotree's net profit for Q3 2024 was EUR 4.1 million (EUR 3.2 million), reflecting the positive impact of our cost-efficiency initiatives. Tecnotree earns revenue in multiple currencies, with a significant portion in USD. In Q3 2024, the company achieved exchange gains of EUR 0.3 million (loss of EUR 1.9 million).

Collections

Collections for Q3 2024 totalled EUR 14.8 million (EUR 11.9 million). At the end of the Q3 2024 Accounts Receivable balance reduced by 7.8% to EUR 30.7 million (EUR 33.3 million). This improvement reflects our success in enhancing cash collections. As a result, DSO improved to 153 days, down from 170 days in the previous quarter.

Business Outlook

The investments on productization over the last few years has resulted in sales growth in mature markets and a stable ARR based order book. The productization has also helped us scale by signing new system integrator partnerships. The integration of our AIML investments into our digital stack has led to productivity gains for both our customers and our R&D teams internally. Our continued adherence to TMForum standards, recognitions by Gartner in their Magic Quadrant and 4 Hype Cycles which has resulted in improved market share prospects, particularly in North America and Europe. In addition, Tecnotree has achieved recognition by IDC, a leading telecom analyst firm, for enterprise monetization and by Precision Reports as one of the largest billing and revenue monetization vendors consecutively for 2023 and 2024.

Tecnotree Moments launched a GenAI social commerce agent with a Tier one telco in the MEA region and has been nominated for a "Vendor of the Year" award along with a Tier 1 CSP group in LATAM. Continued demand for our digital platform and Tecnotree moments social commerce agent further validates our strategy.

The company focus for Q4 2024 and beyond is a continuation of the same – building our order book in North America and Europe optimizing the cost, improved working capital, continuing the recent trend in positive free cashflow in 2024 and beyond as per the guidance provided.

Financial Performance

Net sales in the review period were EUR 54.0 (56.2) million being 4.0% lower compared to last year. Net sales from sale of third-party hardware and software were EUR 2.2 (2.3) million, own licenses EUR 8.7 (12.8) million, delivery EUR 20.4 (16.8) million and maintenance and management services EUR 22.7 (24.3) million.

Operating result in the review period was EUR 13.0 million (constant currency EUR 20.6 million) compared to EUR 16.0 million last year. Net result in the review period was EUR 7.8 million and decreased by EUR 1.0 million (-11.5%) compared to EUR 8.8 million last year.

Net sales in the third quarter were EUR 19.0 million (constant currency EUR 20.2 million) compared to EUR 21.4 million compared to last year. Net sales from sale of third-party hardware and software were EUR 0.8 (0.9) million, own licenses EUR 5.5 (5.2) million, delivery EUR 5.1 (7.6) million and maintenance and management services EUR 7.6 (7.6) million.

Operating profit in the third quarter was EUR 5.0 million and decreased by EUR 1.1 million (-19.4%) compared to EUR 6.2 million last year. Net result in the third quarter was EUR 4.1 million and increased by EUR 0.9 (+28.1%) million compared to EUR 3.2 million last year.

The order book at the end of the third quarter stood at EUR 75.1 (78.0) million, 3.7% reduction compared to last year.

Nature of goods and services offered, MEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Sale of third party hardware and software	0.3	0.9	1.7	2.3	2.8
Own licenses	5.5	5.2	8.7	12.8	17.4
Delivery	5.1	7.6	20.4	16.8	29.6
Maintenance and management services	8.1	7.6	23.2	24.3	28.6
Net sales total	19.0	21.4	54.0	56.2	78.4

Methods used to recognise revenue, MEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Point in time:					
Third party hardware and software	0.3	0.9	1.7	2.3	2.8
Own license	5.5	5.2	8.7	12.8	17.4
Overtime:					
Delivery	5.1	7.6	20.4	16.8	29.6
Maintenance and management services	8.1	7.6	23.2	24.3	28.6
Net sales total	19.0	21.4	54.0	56.2	78.4

Recognition of revenue by operating segment, MEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Europe & Americas:					
Third party hardware and software	0.0	0.1	0.2	0.1	0.1
Own license	0.0	0.2	0.0	1.0	1.0
Delivery	1.2	1.1	4.1	2.0	5.3

Maintenance and management services	3.0	2.3	6.3	8.8	10.1
Net sales total	4.2	3.6	10.6	11.9	16.5
MEA & APAC:					
Third party hardware and software	0.3	0.9	1.4	1.3	2.6
Own license	5.5	5.0	8.7	11.7	16.4
Delivery	3.9	6.6	16.4	14.8	24.3
Maintenance and management services	5.2	5.3	16.8	15.5	18.5
Net sales total	14.9	17.7	43.4	44.3	61.8

Order book by operating segment, MEUR	1-9/2024	30.9.2023	1-12/2023
Europe & Americas	7.4	4.6	9.8
MEA & APAC	67.7	73.4	70.4
Order book total	75.1	78.0	80.2

Result analysis

The adjusted operating profit for the review period was EUR 15.9 (16.0) million and the adjusted net income EUR 10.7 (8.8) million. The operating profit after one-time expenses for the review period was EUR 13.0 (16.0) million and the result EUR 7.8 (8.8) million. The operating profit for the third quarter was EUR 5.0 (6.2) million and the result EUR 4.1 (3.2) million.

Financial items before currency effects were EUR 1.0 (-1.1) million in the nine months and EUR -0.4 (-0.1) million in the third quarter. Exchange rate differences in the financial items in the review period were EUR -2.2 (-3.8) million and EUR 0.3 (-1.9) million in the third quarter. It is important to examine Tecnotree's result without the impact of exchange rates, which is why this is shown separately in the table below.

Investments in Product Engineering and third-party software during the review period were EUR 10.4 (10.5) million and EUR 3.1 (3.8) million in the third quarter. Amortizations on total capitalized development costs during the review period were EUR 4.6 (1.5) million and EUR 1.4 (0.5) million in the third quarter.

Income statement, key figures, MEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Net sales	19.0	21.4	54.0	56.2	78.4
Other operating income	-0.0	0.2	0.0	0.2	0.2
Operating costs	-14.0	-15.4	-38.1	-40.4	-54.7
Adjusted operating result ¹	5.0	6.2	15.9	16.0	23.8
One-time items	0.0	0.0	-2.9	0.0	0.0
Operating result	5.0	6.2	13.0	16.0	23.8
Financial items without currency differences	-0.4	-0.1	-1.0	-1.1	-0.2
Exchange rate gains and losses in financial items	0.3	-1.9	-2.2	-3.8	-9.7
Income taxes	-0.8	-1.0	-2.0	-2.4	-2.8
Adjusted result for the period	4.1	3.2	10.7	8.8	-12.7
Result for the period	4.1	3.2	7.8	8.8	11.2

Financial income and expenses for the review period totalled EUR -3.2 (-4.8) million and EUR -0.1 (-2.0) million in the third quarter, including following items:

Financial income and expenses, MEUR

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Interest income	0.1	0.1	0.3	0.4	0.5
Exchange rate gains	1.2	0.3	3.5	4.9	5.6
Other financial income	0.0	-0.0	0.1	-0.0	-0.0
Financial income, total	1.3	0.4	3.9	5.3	6.1
Interest expenses	-0.2	-0.2	-0.5	-0.5	-0.6
Exchange rate losses	-0.9	-2.2	-5.7	-8.7	-15.3
Other financial expenses	-0.4	0.0	-0.8	-1.0	-0.0
Financial expenses, total	-1.5	-2.4	-7.0	-10.2	-16.0
Financial items, total	-0.1	-2.0	-3.2	-4.8	-9.9

Taxes for the review period totalled to EUR 2.0 (2.4) million and EUR 0.8 (1.0) million in the third quarter, including following items:

Taxes in income statement, MEUR

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Withholding taxes paid abroad	-0.7	-0.8	-1.7	-2.3	-2.9
Change in withholding tax accrual	0.0	0.0	0.0	0.9	0.9
Income taxes on the results of Group companies	-0.0	-0.2	0.3	-0.9	-0.6
Other items	-0.1	-0.1	-0.6	-0.1	-0.1
Taxes in income statement, total	-0.8	-1.0	-2.0	-2.4	-2.8

Personnel

At the end of September 2024, Tecnotree employed 810 (836) persons, of whom 23 (39) worked in Finland and 787 (797) globally. Personnel by country were as follows:

Personnel	30.9.2024	30.9.2023	31.12.2023
Personnel, at end of period	810	836	883
Finland	23	39	40
Brazil	5	6	6
India	705	691	734
United Arab Emirates	35	24	25
Other countries	42	76	78
Personnel, average	864	868	869
Personnel expenses (MEUR)	-14.4	-16.9	-24.2

Events after end of the period

No material changes regarding the company's business or financial position have materialized after the end of the review period.

Tecnotree Corporation
Board of Directors

Further information

Padma Ravichander, CEO, tel +97 156 414 1420
Indiresh Vivekananda, CFO, tel +97 156 410 8357
www.tecnotree.com

Table section (unaudited)

The financial figures in the income statement, balance sheet and key indicators are presented in million euros. The figures shown here have been calculated using exact values.

Consolidated income statement, MEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Net sales	19.0	21.4	54.0	56.2	78.4
Other operating income	-0.0	0.2	0.0	0.2	0.2
Materials and services	-2.7	-1.6	-3.8	-3.9	-4.7
Employee benefit expenses	-5.1	-6.6	-14.4	-16.9	-24.2
Depreciation, amortisation and impairment charges	-2.1	-1.2	-5.9	-2.5	-3.9
Other operating expenses	-4.1	-5.9	-17.0	-17.0	-21.9
Operating result	5.0	6.2	13.0	16.0	23.8
Financial income	1.3	0.4	3.9	5.3	6.1
Financial expenses	-1.5	-2.3	-7.0	-10.1	-16.0
Result before taxes	4.9	4.2	9.8	11.2	13.9
Income taxes	-0.8	-1.0	-2.0	-2.4	-2.8
Result for the period	4.1	3.2	7.8	8.8	11.2

Allocated to:

Equity holders of parent company	3.7	3.2	7.8	5.5	11.2
Non-controlling interest	-0.0	-0.0	-0.0	-0.0	-0.0

EPS calculated on the profit attributable to equity holders of parent company:

Earnings per share, basic, EUR	0.24	0.01	0.46	0.03	0.04
Earnings per share, diluted, EUR	0.24	0.01	0.46	0.03	0.04

Consolidated balance sheet, MEUR

	30.9.2024	30.9.2023	31.12.2023
Non-current assets			
Intangible assets - own development	32.2	26.8	27.2
Intangible assets - external	9.0	4.6	6.3
Tangible assets	0.0	0.4	0.4
Deferred tax assets	0.3	0.9	0.5
Other non-current trade and other receivables	2.1	2.0	1.9
Current assets			
Trade receivables	30.7	33.3	32.9
Other receivables	44.6	38.0	38.2
Cash and cash equivalents	17.0	15.5	20.8
Assets total	136.0	121.6	128.2
Shareholders' equity	89.5	86.1	86.5
Compulsory convertible debentures	23.1	14.1	21.1
Non-current liabilities			
Non-current interest-bearing liabilities	0.0	1.2	0.0

Other non-current liabilities	3.9	3.7	3.7
Current liabilities			
Current interest-bearing liabilities	4.0	4.7	5.7
Trade payables and other liabilities	15.4	11.8	11.3
Equity and liabilities total	136.0	121.6	128.2

Consolidated condensed cash flow statement, MEUR

7-9/2024 7-9/2023 1-9/2024 1-9/2023 1-12/2023

Cash flow from operating activities					
Result for the period	4.1	3.2	7.8	8.8	11.2
Adjustments of the result	-1.3	3.4	7.3	8.1	15.5
Changes in working capital	2.7	-5.4	-2.3	-9.3	-9.2
Gross cash flow from operations	5.5	1.2	12.8	7.6	17.4
Financial income and expenses	-0.4	-2.9	-3.1	-2.6	-7.7
Income taxes paid	-0.8	-2.4	-1.8	-3.4	-3.5
Net cash flow from operating activities	4.4	-4.1	7.9	1.6	6.2
Cash flow from investing activities					
Utilized from CCD	2.6	0.0	10.1	0.0	9.0
Investment on tangible and intangible assets	-2.1	-3.0	-8.4	-8.6	-11.9
Investments on third party software	-0.5	-0.8	-1.7	-1.8	-2.0
Advance for Acquisition	0.0	0.0	0.0	0.0	-2.0
Net cash flow from investing activities	0.0	-3.8	0.0	-10.4	-6.9
Cash flow from financing activities					
Compulsory convertible debentures (CCD)	0.0	14.1	2.0	14.1	21.1
CCDs Utilized for Investment activity	-2.6	0.0	-10.1	0.0	-9.0
Repayments of borrowings	-0.7	-3.6	-1.7	-4.5	-4.6
Payment of dividends	0.0	0.0	-0.2	0.0	0.0
New loans	0.0	2.3	0.0	5.5	5.5
Net cash flow from financing activities	-3.5	12.9	-10.0	15.0	12.9
Translation Difference	-0.6	-0.1	-1.7	-2.7	-3.7
Increase (+) and decrease (-) in cash and cash equivalents	0.2	4.9	-3.8	3.3	8.6
Cash and cash equivalents at beg. of period	16.8	10.7	20.8	12.3	12.3
Cash and cash equivalents at end of period	17.0	15.5	17.0	15.5	20.8

Consolidated key financial figures

1-9/2024 1-9/2023 1-12/2023

Return on investment, %	15.2	18.3	16.9
Return on equity, %	11.8	14.1	13.4
Equity ratio, %	65.8	70.8	67.5
Debt/Equity ratio, %	4.5	-11.1	6.6
Investments, MEUR	10.1	0.0	15.9
% of net sales	18.7	18.9	20.3
Order book, MEUR	75.1	78.0	80.2
Personnel, at end of period	810	836	883

Consolidated key figure per share	1-9/2024	1-9/2023	1-12/2023
Earnings per share, basic, EUR	0.46	0.03	0.04
Earnings per share, diluted, EUR	0.46	0.03	0.04
Equity per share, EUR	5.25	0.27	0.27
Number of shares at end of period, x 1,000	17 053	318 956	318 956
Number of shares on average, x 1,000	177 951	318 956	318 956
Share price, EUR			
Average	2.98	0.48	0.42
Lowest	0.27	0.40	0.27
Highest	7.95	0.52	0.51
Share price at end of period, EUR	3.55	0.43	0.34
Market capitalisation of issued stock at end of period, MEUR	60.5	136.8	108.4
Share turnover, million shares	37.4	65.1	94.6
Share turnover, % of total	11.7	20.4	29.66
Share turnover, MEUR	20.9	32.9	42.5
Price/earnings ratio (P/E)	7.8	14.3	9.7

Quarterly key figures	Q3/24	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23
Net sales, MEUR	19.0	18.7	16.3	22.2	21.4	19.3	15.5
Net sales, change %	-1.3	20.2	4.7	10.4	10.9	24.0	17.0
Adjusted operating result ¹	5.0	6.4	4.4	7.9	6.2	6.2	3.6
% of net sales	26.3	34.4	27.2	35.4	28.9	32.1	23.3
Operating result, MEUR	5.0	3.5	4.4	7.9	6.2	6.2	3.6
% of net sales	26.3	18.8	27.2	35.4	28.9	32.1	23.3
Adjusted result for the period, MEUR ²	4.1	5.0	1.6	2.4	3.2	3.7	1.8
Result for the period, MEUR	4.1	2.1	1.6	2.4	3.2	3.7	1.8
Personnel at end of period	810	852	892	883	836	895	884
Earnings per share, basic, EUR	0.24	0.12	0.01	0.01	0.01	0.01	0.01
Earnings per share, diluted, EUR	0.24	0.12	0.01	0.01	0.01	0.01	0.01
Equity per share, EUR	5.25	5.13	0.27	0.27	0.27	0.26	0.25
Net interest-bearing liabilities, MEUR	-13.0	-12.2	-11.2	-15.2	-9.6	-3.6	-6.5
Order book, MEUR	75.1	72.6	74.8	80.2	78.0	68.4	67.8

¹ Adjusted operating result = operating result before one-time items.

² Adjusted result for the period = result for the period before one-time items.

