

Tecnotree

# Half-Year 2023 Financial Results

Investor presentation

August 4, 2023



# Today's presenters



**Padma Ravichander**

CEO



**Indiresch Vivekananda**

CFO

# Agenda

**1** H1 operational highlights

**2** Strategy overview

**3** Financial review

**4** Q&A

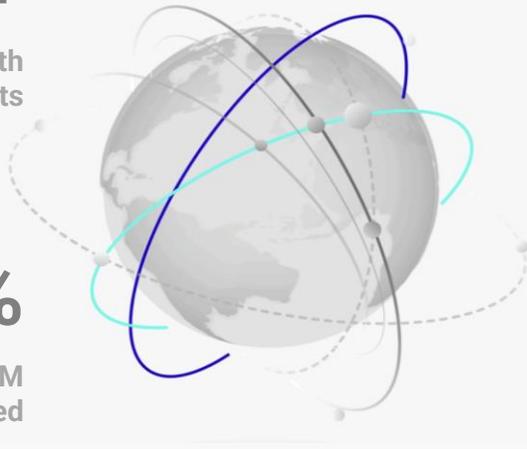
# Tecnotree – Leading Finnish Digitalization Partner for Global CSPs

## About Tecnotree

**70+**  
Countries with  
Product Deployments

**~1 bn**  
Subscribers

**80+%**  
Employees TM  
Forum Certified



**90+**  
Service  
Providers



## Key Customers



stc



telecom  
moritius



DNA



TELE2

## Intellectual Property

**220+** Prebuilt modules available across the Stack to Discover, Sign-up, Shortlist, Buy, Pay, Bill, Modify, Support and Partner with Digitally Enabled Enterprises and Consumers

**50%** Low code/ No Code configurable and SI ready

**114+** Patents in AIML across Ai composition, Ai orchestration, Hyper-personalisation, Ai Trust and Governance

## Awards and recognitions

tmforum



Gartner.  
Since 2017

FORRESTER®  
Scalable AI Platform



Diwa Acheived  
PCiDSS  
Certification



# Tecnotree recognized among top 3 leading vendors for telco digital transformation



2022: Most successful companies in Finland!



Helsinki Stock Foundation  
Change maker of the Year 2022

## Open API Certification leaderboard

Company Name	APIs certified	Latest date	Badge
Jio	See certified APIs (52)	August 2022	OPEN API CERTIFIED
axiata	See certified APIs (50)	June 2023	OPEN API CERTIFIED
Whale Cloud	See certified APIs (47)	July 2023	OPEN API CERTIFIED
<b>Tecnotree</b>	See certified APIs (45)	June 2023	OPEN API CERTIFIED
HUAWEI	See certified APIs (44)	June 2023	OPEN API CERTIFIED
Totogi	See certified APIs (44)	March 2022	OPEN API CERTIFIED
comviva	See certified APIs (29)	May 2022	OPEN API CERTIFIED
amdocs	See certified APIs (24)	July 2023	OPEN API CERTIFIED
ETIYA	See certified APIs (22)	June 2023	OPEN API CERTIFIED
inspur	See certified APIs (21)	January 2022	OPEN API CERTIFIED
verizon	See certified APIs (20)	April 2023	OPEN API CERTIFIED

<https://www.tmforum.org/conformance-certification/open-api-conformance/>

**55** TMF Open APIs conformed with

**5** Real World OPEN API

First Digital Platform Company in the World to be Certified for Real-World Open API Implementation

**24** Full coverage of the functional scope of the component



**12** Full coverage with conformance certification for all mandatory Open APIs

**6+** Digital Stack Go-lives in Tier 1 & Tier 2 OpCos with TMF Framework conformed digital stack

tmforum excellence awards 2023 customer experience

we are finalists

**10** eTOM tmforum certified solution

including provisioning and partner management

# Tecnotree H1 Financial Results, 2023

## OPERATING RESULT

▲ 9.8ME  
▲ YOY 37.3%  
28.2% EBIT  
Margin

## SHAREHOLDER EQUITY

▲ 81.6ME  
YOY 9.7%

## NET INCOME

▲ 5.5ME  
YOY 11.1%  
15.8% Net  
Margin

## NET SALES

▲ 34.8ME  
YOY 10.2%

## Key Highlights



UnitedHealthOne

عمانتل  
Omantel

EMTEL



radian

TELUS  
the future is friendly

tmforum  
excellence 2023  
awards  
we are  
finalists  
customer experience



Gartner®

Customer Experience 2023  
Revenue Monetization 2023

IDC  
Analyze the Future

Convergent Charging and  
Moments B2B2X



# TECNOTREE GROWTH STRATEGY



# Tecnotree's Growth aligned with Connectivity Market Growth

High growth industry

## Demand Drivers

1

Prioritization of upgrades from legacy to Digital BSS by Telecom players, MVNOs, and private networks

2

AIML enabled through 5G can help Telcos monetize beyond connectivity across B2b2x industries and verticals.

3

Increase in complexities in network ecosystem due to 5G & IoT

4

Increase in demand for Cloud Native Solutions & overall cost optimisation

5

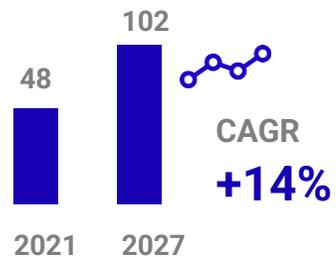
Demand for innovative digital ecosystems (Digital Commerce)

6

Growing utilization of digital platforms for fintech-related services driving hyper-personalized ecosystem banking

### Global OSS/BSS Market Size – USD Bn

Evolving industry leading to sustainable growth



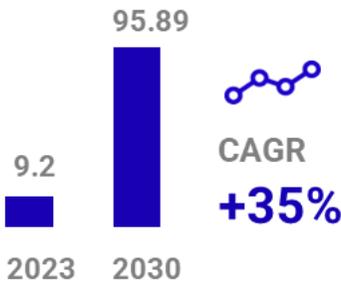
### Cloud OSS/BSS Market Size – USD Bn

Opportunity for SaaS model



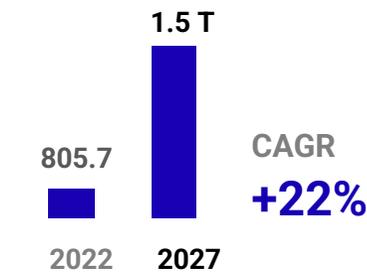
### Global 5G Infrastructure Market Size – USD Bn

Robust opportunity for 5G BSS companies



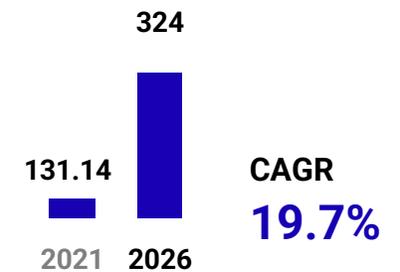
### Global spending on Enterprise IoT Technologies – USD Bn

Robust opportunity for 5G BSS companies



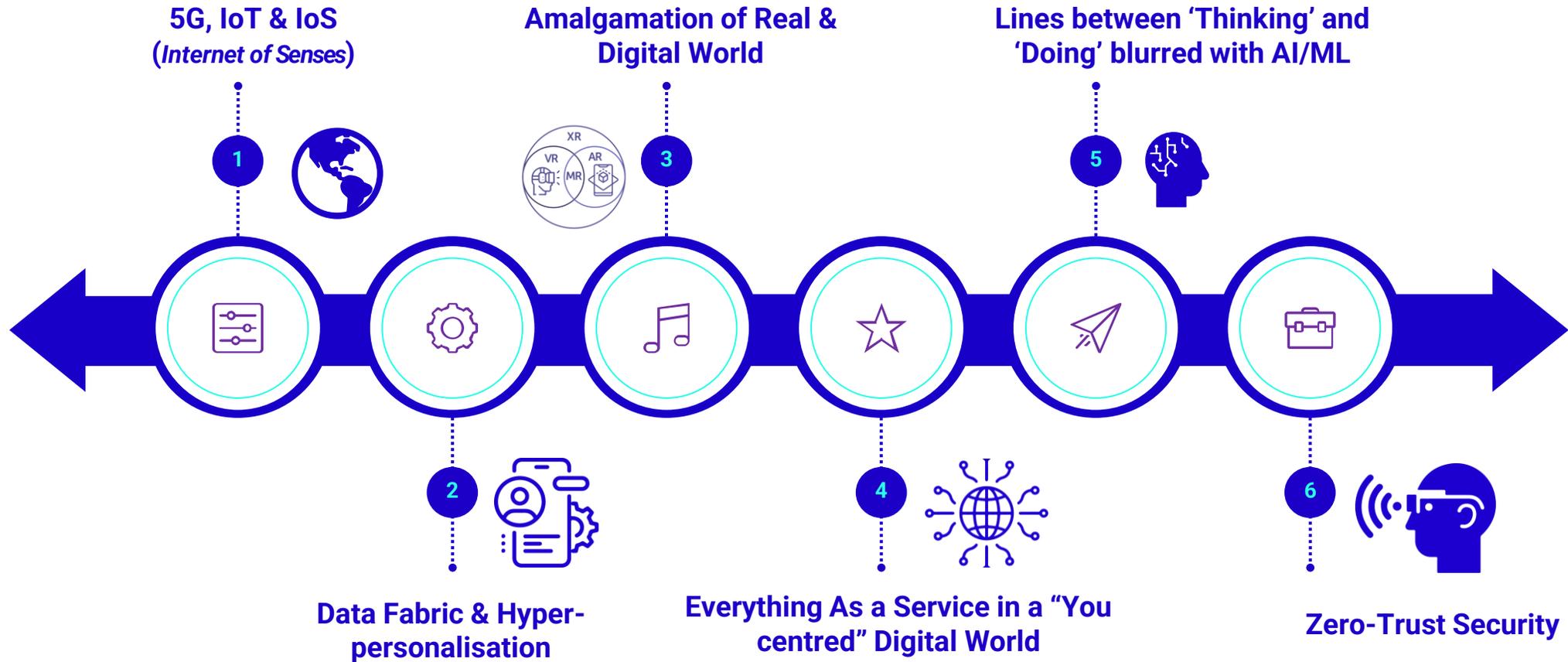
### Global FINTECH TECHNOLOGIES market

Opportunities and forecast, 2021-2023

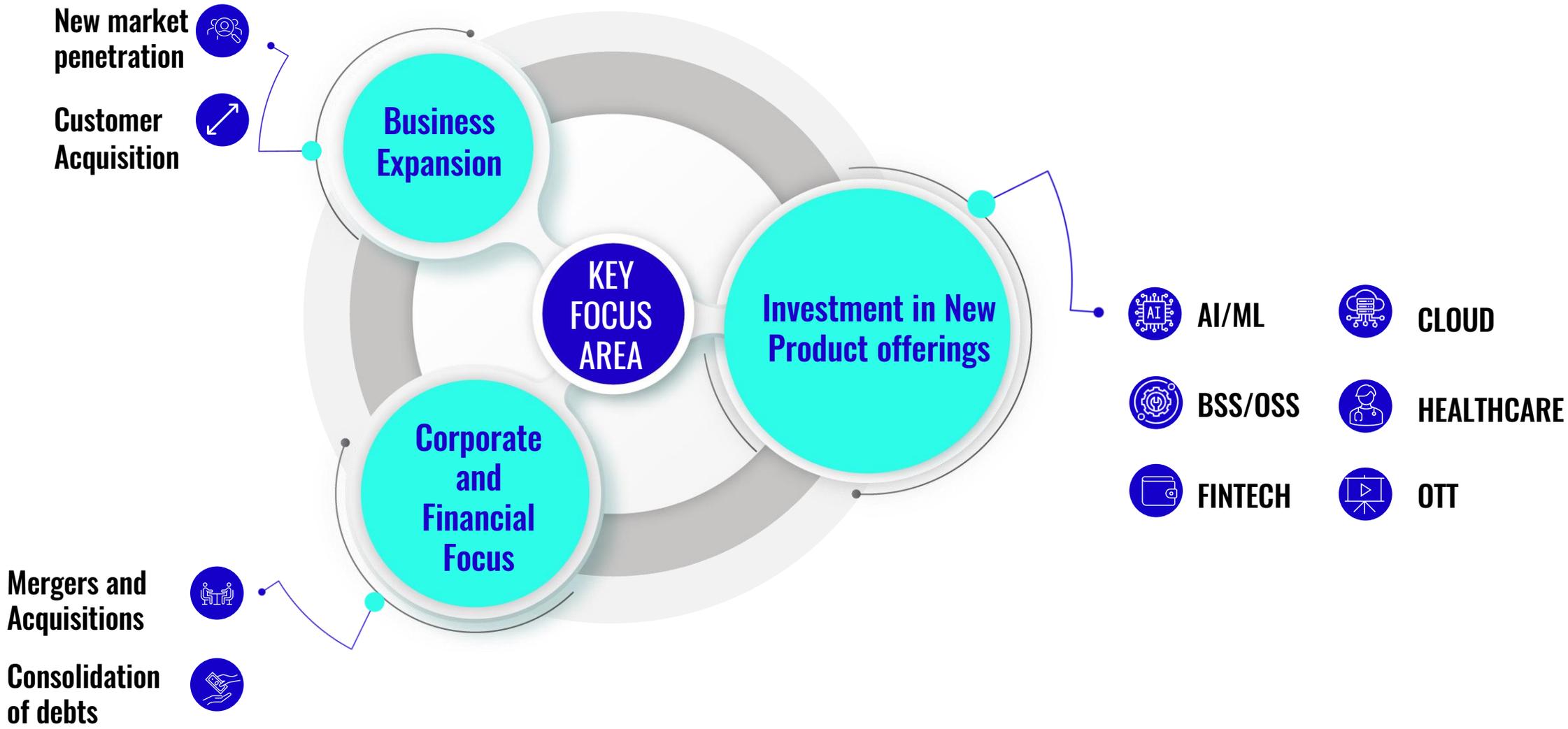


# Tecnotree's portfolio aligned to mega trends in digital economy

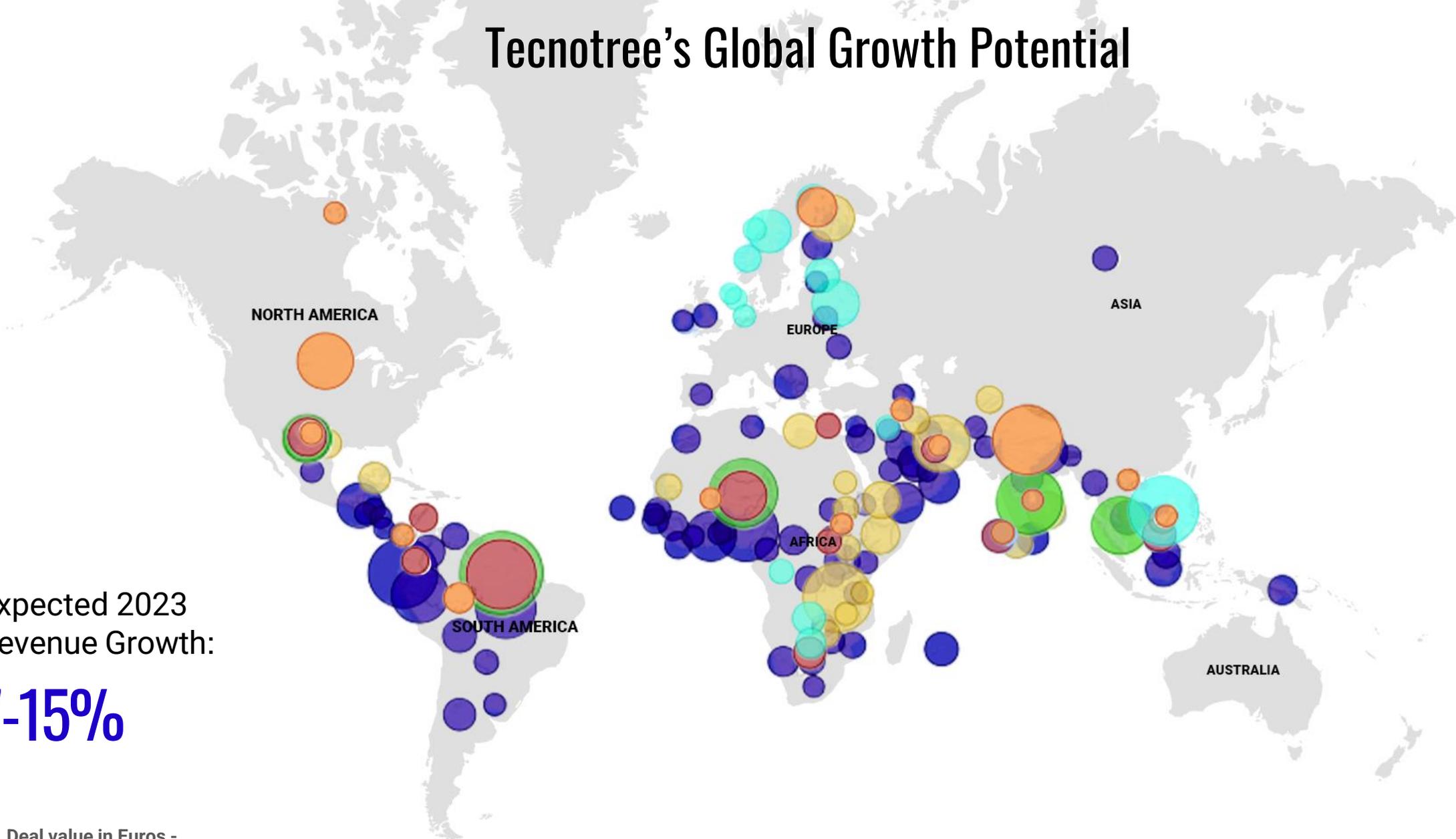
## MEGATRENDS IN DIGITAL ECONOMY



# Tecnotree will look to achieve growth through investment in key focus areas



# Tecnotree's Global Growth Potential



Expected 2023  
Revenue Growth:

**7-15%**

Deal value in Euros -  
Bubble chart scale

		BSS – Telco	Fintech	Moments	SaaS	Sensa	VAS	MVNX (Virtual Operators)
Low	○	10,000	94,877	189,753	2,500,000	142,315	15,000	759,013
High	○	18,609,313	2,700,000	8,371,917	7,400,380	11,385,199	1,814,991	3,036,053

# Diversified revenue streams – investing in market transformation

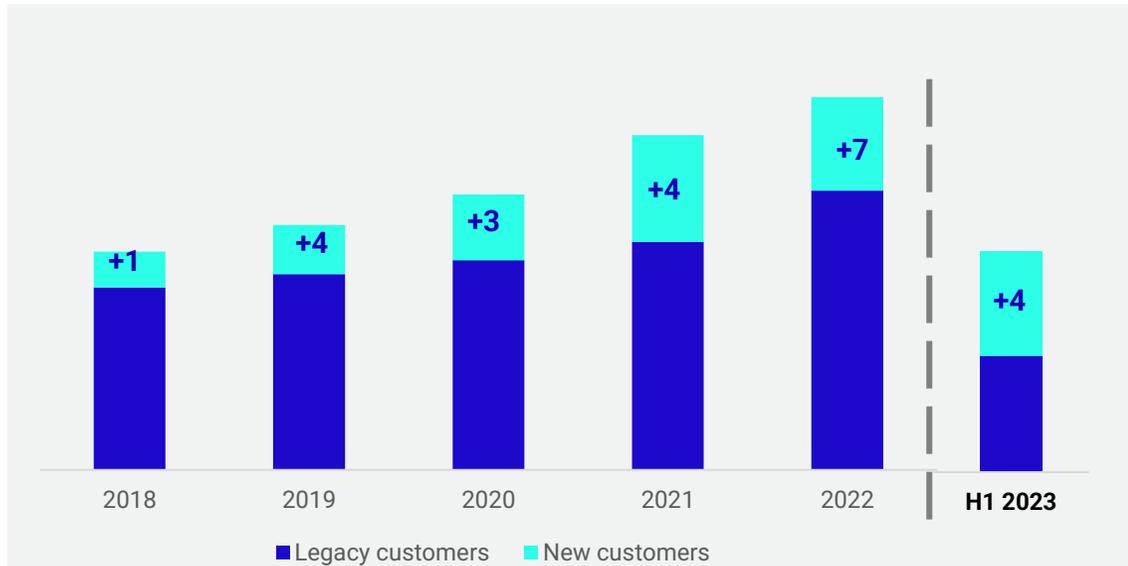
BSS Stack:	BSS Stack:	Moments and DiWa	Sensa
			
<p><b>License and Delivery</b></p> <p>End to end Order-to-cash fulfillment for Telecommunications enabling 5G monetization</p>	<p><b>Managed Services and Maintenance Contracts</b></p> <p>Dev-Ops. Critical maintenance, upgrades and support</p>	<p><b>Moments and DiWa</b></p> <p>B2B2X Ecosystem monetization across industry verticals</p> <p>Portfolio of Fintech products and services</p>	<p><b>AI ML</b></p> <p>AI-powered hyperpersonalisation. Business goal optimization, composition, trust and governance</p>

**Constituting approximately 90% of Tecnotree's current business**

**Tecnotree's main growth drivers in the next 3-5 years**

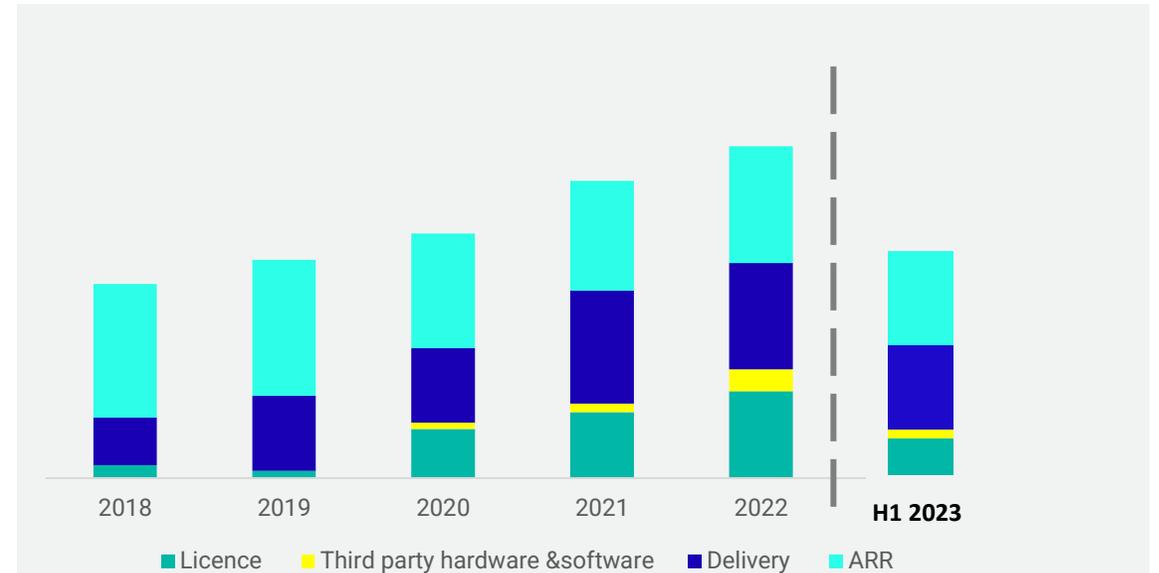


# Diversified revenue mix with stable growth



## Customer profile

- New logos bringing in a steady stream of revenues
- 23 new customers added since 2018 – potential opportunities for cross-sell and up-sell
- 2 Tier 1 legacy customers – Claro and MTN



## Business view

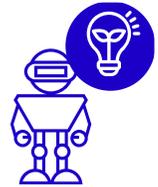
- Steady increase in license revenues 2020 onwards
- Reduced dependency on one time license and delivery
- Acquisition of CognitiveScale is expected to increase share of ARR (license+support) 2023 onwards

# Growing influence of AI technology

**Global AI market is on track to total half a trillion dollars by the end of the decade.**



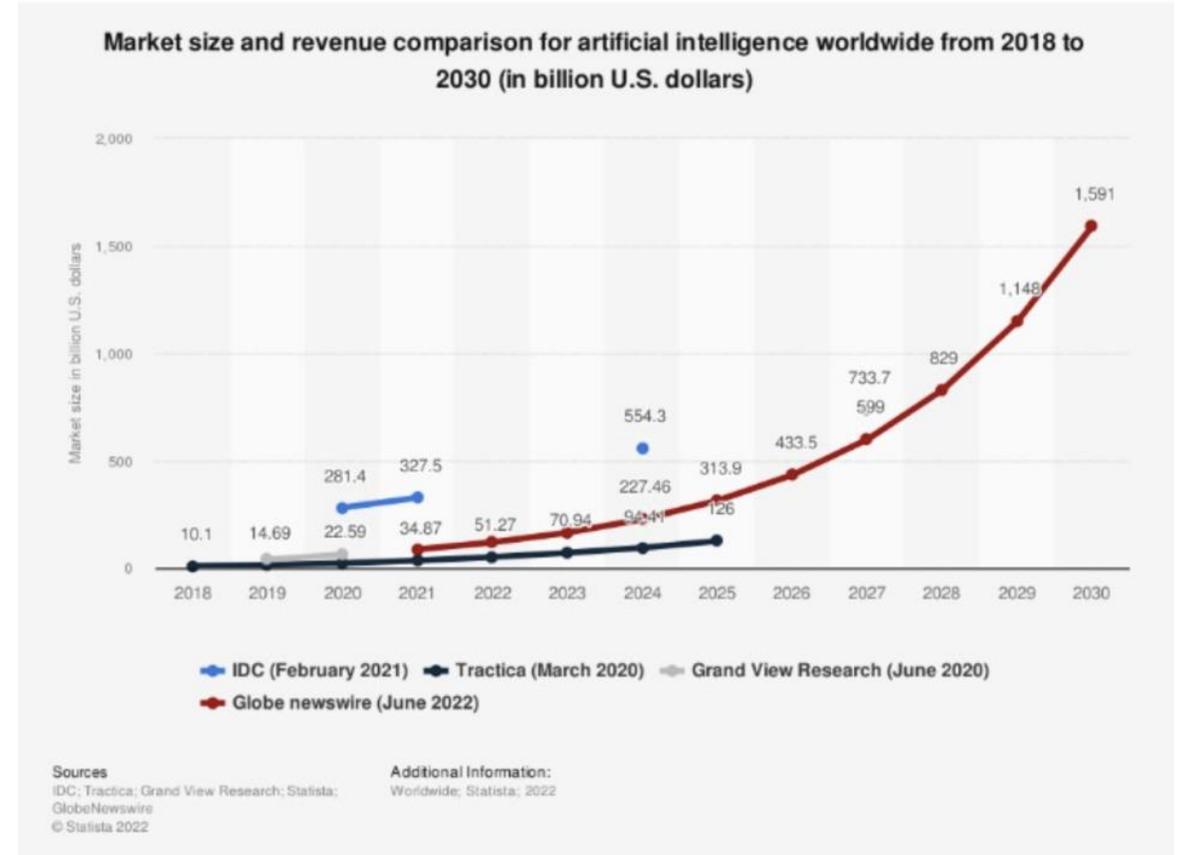
**AI is attracting investment** from largest companies than any other technology



**79%** of companies see Ai innovation as a top-three priority

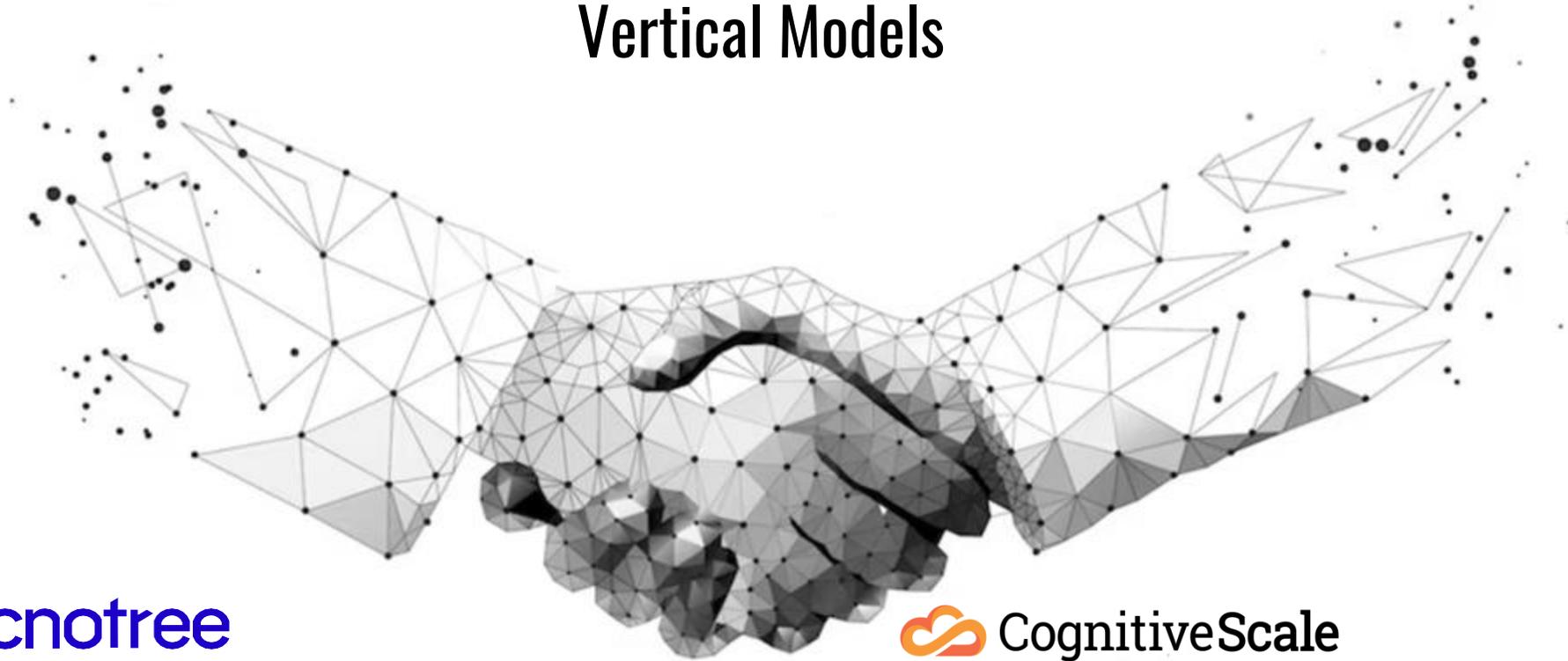


**66%** of companies plan to increase innovation spending



- ❑ Technology's latest cutting edge, artificial intelligence (AI), is driving the rally on Wall Street
- ❑ As per Bank of America, the market value of the 7 Big Tech Ai giants- Amazon, Alphabet, Meta, Apple, Tesla, and NVIDIA is greater than the combined value of all companies in the S&P 500 Index.
- ❑ Technology stocks have advanced nearly 40% in six months, the fastest pace in two decades.
- ❑ They now trade at their highest premium to the market

# Tecnotree Sensa AI (CognitiveScale Acquisition) Platform Trained on Industry Vertical Models



## Tecnotree

Recognized Global Software Leader that operates in [70 countries](#) with [over 1 Billion Subscribers](#) at the intersection of Telecom, Healthcare, Fintech, Education

Pre-integrated ecosystem of Partners in healthcare Global expertise and capacity to support customer needs across Data Science, Data engineering, R&D and QA

Industry leading customer NPS scores and satisfaction – have not lost a single customer in our 40 years of existence

## CognitiveScale

Market leading AI Platform with [114+ patents](#) that delivers intelligent customer experiences across all channels of interaction

Engaged with the Top 4 Healthcare Payor organizations delivering insights to 100m+ members

AI Platform rated as the leader in the Forrester mock wave for AI/ML Platforms (report due in May 2023)



# Impact of Tecnotree Sensa – Roadmap for growth

## AI Revenue Growth Sectors 5 Me Revenue potential in 2023



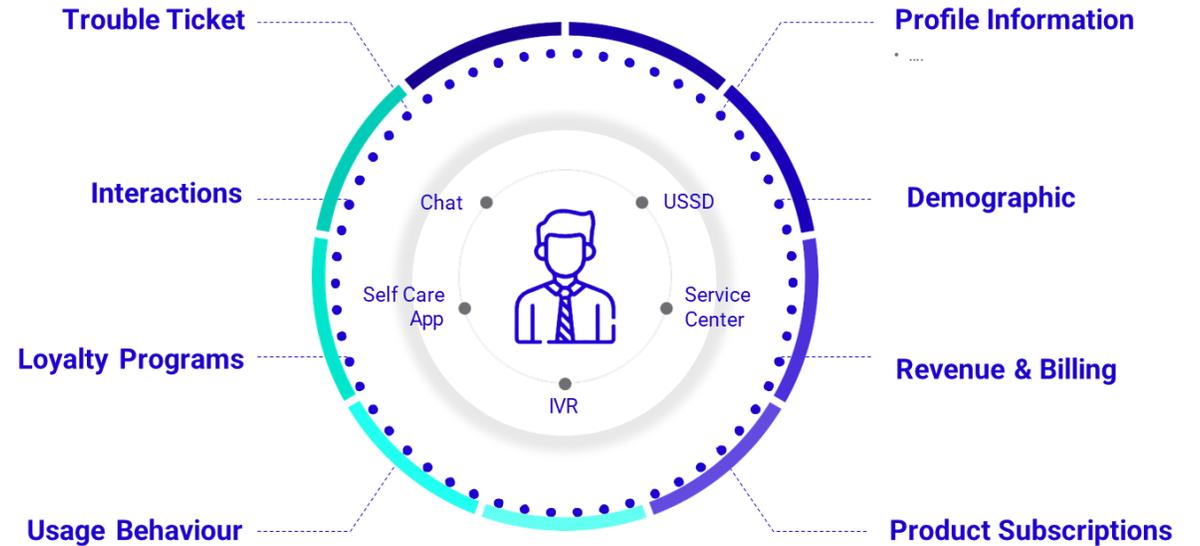
## New Sensa AI Deals in H1 2023



## AI Up/Cross sell opportunities on existing customer base



## Introducing Sensa Profile of One for Hyper-personalization



## Humanizing Digital Experiences



Tecnotree

# January-June 2023 Financials

August 4, 2023



# H1 2023 Financial performance highlights

- ☐ Consistent growth in revenue
- ☐ Strong focus on cash collections
- ☐ Improved EBIT on account of operational cost optimization
- ☐ High impact of forex losses on net income
- ☐ Longer holiday period in EMEA impacting OI and OBL in H1, pushing key large deals to Q3

EUR million	Q2/2023	Q2/2022	H1/23	H1/22	H1/21	H1/20
<b>Net sales</b>	<b>19.3</b>	<b>18.3</b>	<b>34.8</b>	<b>31.6</b>	<b>27.9</b>	<b>24.0</b>
<i>Change YoY%</i>	+5%	+10%	+10%	+9%	+16%	+17%
<b>EBIT</b>	<b>6.2</b>	<b>5.1</b>	<b>9.8</b>	<b>7.1</b>	<b>10.6</b>	<b>7.4</b>
<i>Change YoY%</i>	+20%	-39%	+37%	-33%	+43%	+23%
Financial items	-1.9	0.7	-2.9	0.3	-1.5	-1.1
Taxes	-0.5	-1.9	-1.4	-2.5	-1.4	-1.5
<b>Net income</b>	<b>3.7</b>	<b>4.0</b>	<b>5.5</b>	<b>5.0</b>	<b>7.7</b>	<b>4.8</b>
<i>Change YoY%</i>	-6%	-25%	+11%	-36%	+60%	+76%
<b>SCIF</b>	<b>17.1</b>	<b>15.2</b>	<b>31.5</b>	<b>26.0</b>	<b>24.1</b>	<b>21.9</b>
<i>Change YoY%</i>	+13%	+24%	+21%	8%	10%	56%
<b>Orders received</b>	<b>20.8</b>	<b>25.2</b>	<b>32.1</b>	<b>45.9</b>	<b>50.7</b>	<b>37.3</b>
<i>Change YoY%</i>	-18%	+42%	-30%	0%	36%	23%
<b>Order backlog</b>			<b>68.4</b>	<b>72.8</b>	<b>55.0</b>	<b>39.4</b>
<i>Change YoY%</i>			-6%	32%	40%	19%
<b>EPS</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>

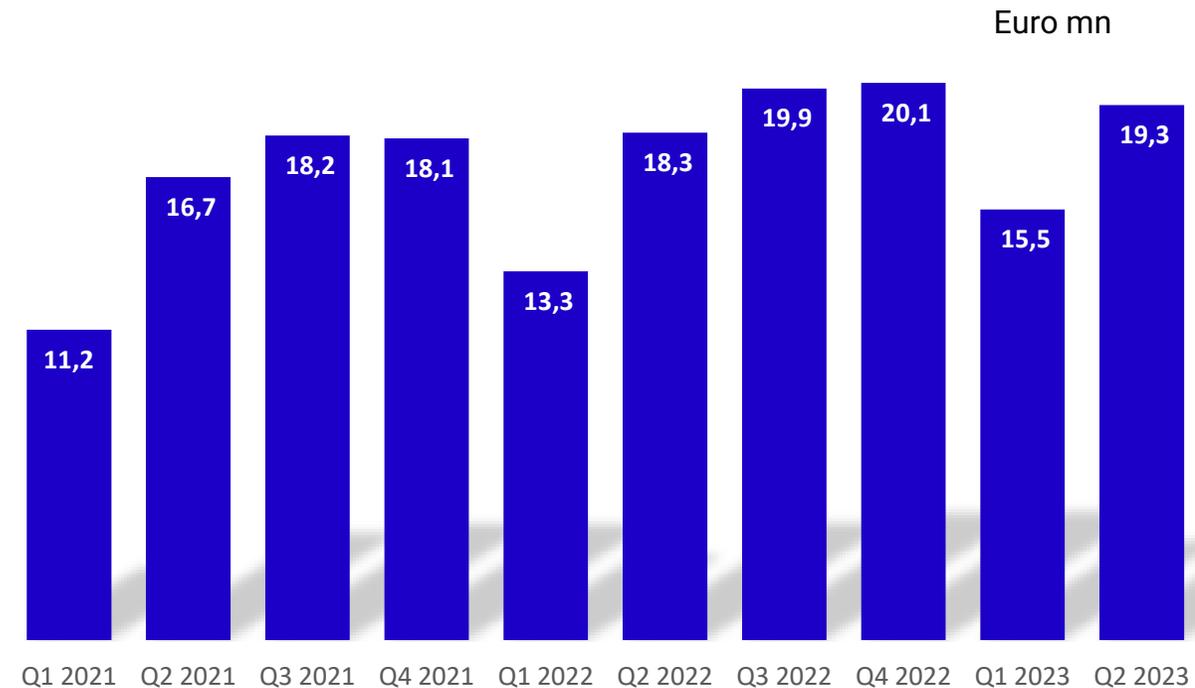


# Revenues driven by market demand and collections secured through focused initiatives and backed by increased delivery capabilities

## Revenue at 34.8 M in H1 2023

10% y-o-y growth

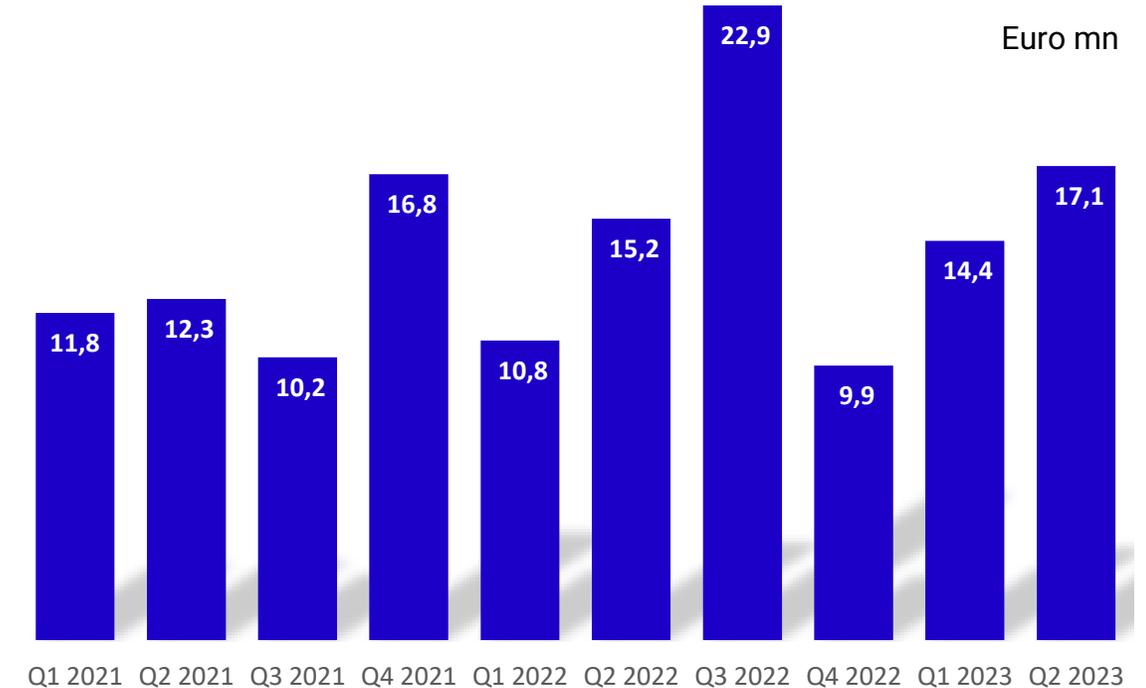
Strong revenue growth driven by new logos and increased demand for digital stack products



## Collections at 31.5 M in H1 2023

21% y-o-y

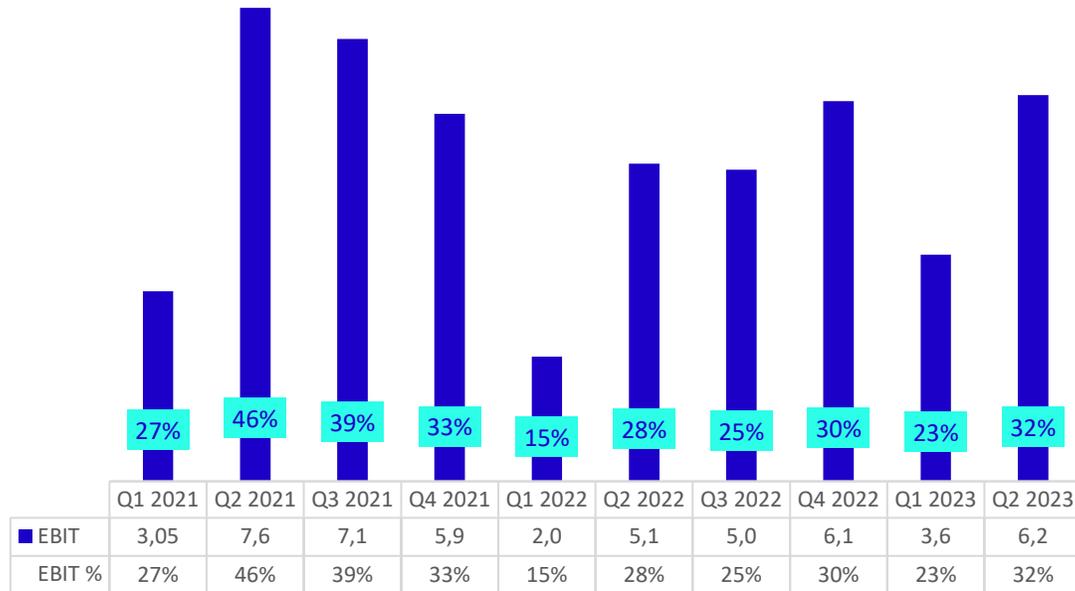
Stack stabilization leading to increased simultaneous deliveries and backlog clearance



# Focus on operational cost optimization along with planned mitigation for FX impact to secure net income

**Operating Result (EBIT) at 9.8 M in H1 2023**  
37% y-o-y growth

Euro mn



**Net income at 5.5 in H1 2023**  
+11% y-o-y

Euro mn



**Strengthening of Euro against USD has impacted our revenue by 1.1 M and receivables by 0.4 M**

**Exchange rate change also reduced costs by 300 K with total negative impact of 1.2 M**

## Risk

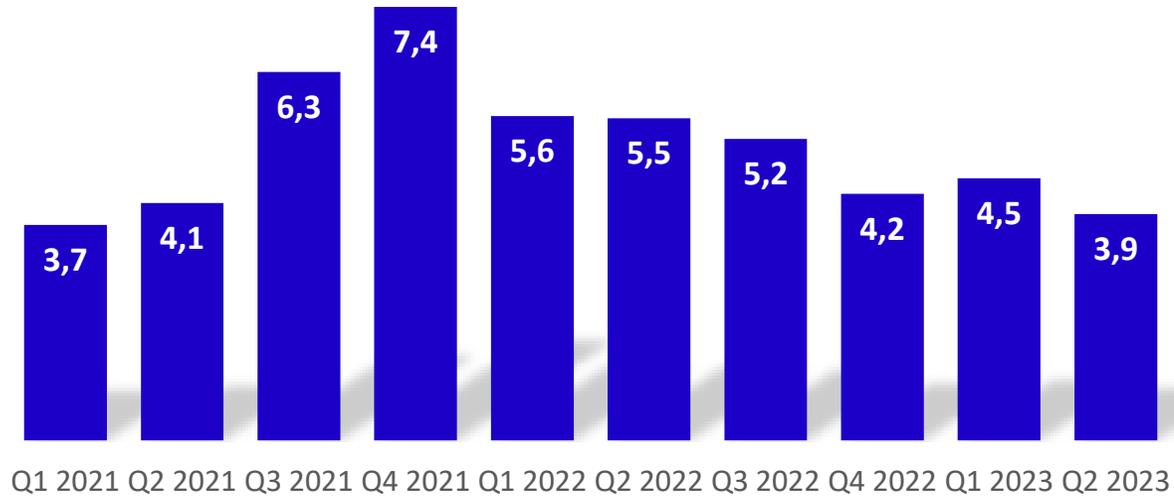
- Central bank restrictions (unavailability of hard currency)
- Unstable geographical and/or economical situation in customer country

## Mitigation

Empowering treasury functions with new financial instruments e.g. currency swaps and forward booking of Fx in key markets

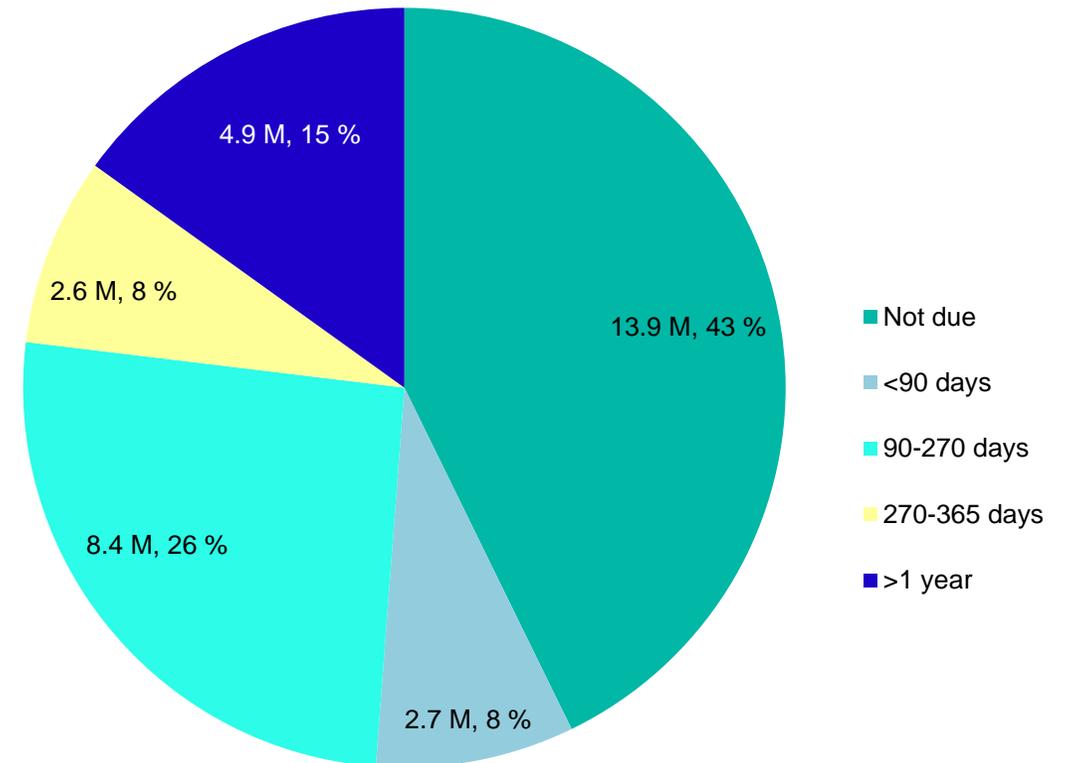
# Stable current asset ratio driven by strong current assets

## Current ratio



## Account receivables ageing

Total AR 32.5 MEUR (out of which 2.6 MEUR is provided for)



## Key initiatives for improving cash collections

Sales incentives linked to collection targets

Exploring facilities for currency swaps and forward booking of Fx in key markets

Reduced payment cycles through saas and transactional revenue models and advanced product readiness

Penalty on customers for delayed payments



# Tecnotree Balance Sheet

Consolidated balance sheet, MEUR	H1 2023	H1 2022	DIFFERENCE
Non-current assets			
Intangible assets	28.9	11.3	156%
Tangible assets	0.2	0.3	-30%
Deferred tax assets	0.6	0.6	-13%
Other non-current trade and other receivables	2.1	1.9	10%
Current assets			
Trade receivables	29.9	34	-12%
Other receivables	33.1	28.9	15%
Cash and cash equivalents	10.7	13.9	-23%
<b>Assets total</b>	<b>105.4</b>	<b>91</b>	<b>16%</b>
<b>Shareholders' equity</b>	<b>81.6</b>	<b>74.4</b>	<b>10%</b>
Non-current liabilities			
Non-current interest-bearing liabilities	1.2	0	
Other non-current liabilities	3.6	2.7	35%
Current liabilities			
Current interest-bearing liabilities	5.8	0	
Trade payables	5.4	4.2	27%
Other liabilities	7.8	9.7	-20%
<b>Equity and liabilities total</b>	<b>105.4</b>	<b>91</b>	<b>16%</b>



# Tecnotree Cash Flow Statement

## Consolidated condensed cash flow statement, MEUR

	Q2 2023	Q2 2022	H1 2023	H1 2022
Cash flow from operating activities				
Result for the period	3.7	4,0	5.5	5
Adjustments of the result	2.2	2.2	4.7	3.5
Changes in working capital	-4.4	-7.2	-3.8	-7.8
Financial income and expenses	1.2	1.1	0.3	0.4
Income taxes paid	-0.1	-1.0	-0.1	-2.1
<b>Net cash flow from operating activities</b>	<b>2.7</b>	<b>-0.9</b>	<b>5.7</b>	<b>-1.0</b>
Cash flow from investing activities				
Capital expenditure on non-current tangible and intangible assets	-3.4	-1.2	-6.9	-3.2
<b>Net cash flow from investing activities</b>	<b>-3.4</b>	<b>-1.2</b>	<b>-6.9</b>	<b>-3.2</b>
Cash flow from financing activities				
Repayments of loans	-0.5	0.0	-1.0	0.0
Proceeds from share issue	0.0	0.0	0.0	0.1
New loans	3.2	0.0	3.2	0.0
Other financial costs	0.0	0.0	0.0	-0.1
<b>Net cash flow from financing activities</b>	<b>2.7</b>	<b>0.0</b>	<b>2.2</b>	<b>0.0</b>
Increase (+) and decrease (-) in cash and cash equivalents	1.9	-2.1	1.0	-4.2
Cash and cash equivalents at beg. of period	10.9	15.6	12.3	17.6
Impact of changes in exchange rates	-2.1	0.5	-2.6	0.6
<b>Cash and cash equivalents at end of period</b>	<b>10.7</b>	<b>13.9</b>	<b>10.7</b>	<b>13.9</b>

# Key risks

## Cost Pressures

1. Geography specific inflation
2. Customer diversification & Geo expansions

### Mitigation

Cost Optimization plan – remote deployment & productization on cloud

# 1

## Key Investments

1. Investment to retire large order book & productization
2. Investments in AI/ML, Fintech, OTT required for diversification from BSS pure-play

### Mitigation

Product Maturity resulting in faster deployment cycles and cash collection

Improved margins –through value based pricing

Clear in-organic growth and diversification strategy

# 2

## Receivables & Currency

1. Cash collection complicated by multiple factors such as revenue concentrations in emerging markets
- 2 Long project gestations, intense repatriation efforts

### Mitigation

focusing on organic and inorganic growth in NA, EU and the Middle-east

Improved product readiness to reduce payment cycles

Empowering treasury functions with new financial instruments

# 3

# Outlook 2023

Revenue to be higher by

**7% - 15%**

Operating profit (EBIT) to be higher by

**10% - 20%**

Cost rationalization by Q4 of 2023 to the tune of

**5% - 7%**

Cash recovery expected to grow by

**12% - 18%**

## Assumptions:

- Continued growth in market demand for our products and solutions
- Short term impact on EBIT combined with long term revenue benefits with investment in AIML capabilities
- Benefits of cost rationalization to be realized Q4 2023 onwards and extending into 2024
- Foreign exchange rates are expected to remain at approximately current levels



# Key investment highlights



**Headroom  
for growth**



**Unique  
position in the  
emerging markets**



**Business  
critical offering**



**Cost-effective  
operating model**



**Proven management  
team and agile  
organization**



**Healthy  
Financials**



Q&A



# THANK YOU

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