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# Tecnotree

Empowering Digitally  
Connected Communities

## Financial Report for Q1 2022

1.1.2022 – 31.3.2022



# Tecnotree Corporation Interim Report

## 1<sup>st</sup> Jan – 31<sup>st</sup> Mar 2022 (unaudited)

Tecnotree is the only full stack digital business management solution player for digital service providers, with over 40 years of deep domain knowledge, proven delivery, and transformation capabilities across the globe. Tecnotree's open-source technology based agile products and solutions comprises of the full range (order-to-cash) of business processes and subscription management for telecom players and other digital service providers. Tecnotree's products and platforms service over 800 million subscribers worldwide. Tecnotree also provides Fintech and B2B2X multi-experience digital marketplace to its subscriber base through the Tecnotree Moments platform to empower digitally connected ecosystems.

### HIGH ORDER BOOK POSITION

First quarter (1<sup>st</sup> Jan – 31<sup>st</sup> Mar 2022)

- Net sales were EUR 13.3 (11.2) million.
- Operating result was EUR 2.0 (3.1) million.
- Net result was EUR 1.0 (2.4) million.
- Order book at the end of the period stood at EUR 64.0 (47.3) million.
- Cash flow after investments was EUR -2.1 (1.7) million.
- Earnings per share were EUR 0.00 (0.01).

Key figures, MEUR	1-3/2022	1-3/2021	1-12/2021
Net sales	<b>13.3</b>	11.2	64.2
Operating result	<b>2.0</b>	3.1	23.7
Result before taxes	<b>1.6</b>	2.9	21.4
Result for the period	<b>1.0</b>	2.4	18.3
Earnings per share, basic, EUR	<b>0.00</b>	0.01	0.06
Order book	<b>64.0</b>	47.3	53.5
Cash flow after investments	<b>-2.1</b>	1.7	4.0
Change in cash and cash equivalents	<b>-2.1</b>	1.7	9.5
Cash and cash equivalents	<b>15.6</b>	10.0	17.6
Equity ratio %	<b>81.6</b>	43.2	85.2
Net gearing %	<b>-22.7</b>	13.0	-26.0
Personnel at end of period	<b>756</b>	679	750

Unless otherwise stated, all figures presented below are for the financial period 1-3/2022 and the figures for comparison are for the corresponding period in 1-3/2021.

## CEO Padma Ravichander: Healthy Revenue Growth Continues But With Elevated Cost

Tecnotree's products continued to witness healthy confidence from customers (both old and new) resulting in strong order book position of EUR 64 million in the first quarter. We expanded our footprint within the Zain Group and won a new full Digital BSS Project from Zain South Sudan. We also recorded a revenue growth of 18.7%, resulting in a revenue of EUR 13.3 million for the quarter.

In terms of our cost budget Q1 was a challenging quarter. Tecnotree's investments in maintaining global talent, deploying consultants to multiple geographies to support multiple deliveries and other costs such as infrastructure, travel and rent are operating expenses that we have to accrue on an equated basis throughout the year. This leaves Tecnotree with the requirement to spend throughout the year to deliver and grow on the record high order book.

Tecnotree's management needs to balance between three different revenue cycles. The first cycle is quarterly where Q1 has historically been the weakest quarter. The second cycle is the annual cycle where Tecnotree has to deliver the order book accrued in 2021 during 2022, through new deployments of its digital stack. The third cycle is where 2022 deliveries directly impact MSO, AMC and license upgrade revenues in 2023 and beyond. Finally, Tecnotree as a part of this third cycle has to also invest in 2023 order book through expanded marketing and sales initiatives in 2022.

With the current order backlog and pending deliveries currently Tecnotree's cost base is sustainable. However, the cost model is subject to additional risks which management will need to take active effort to mitigate such as:

1. Currency risk (Euro directly affecting INR & USD denominated costs);
2. High wage inflation and global demand of top technical talent (we have seen record movement in benchmarks to attract and retain talent especially in markets where our customers and development centres are based);
3. Global supply chain pressures (revenue recognition is based on successful delivery to our customers and is dependent on on-site hardware being available with our customer which has risk of being delayed).

Management is taking additional efforts to control costs and to ensure the above risk do not affect delivery of Tecnotree's ever growing order backlog.

Additionally, Tecnotree also made investments into its new initiatives - Tecnotree Moments, Tecnotree DiWa (Digital Wallet) and SaaS. We are witnessing encouraging response from the market and hope to see revenue in 4 - 6 quarters. Given the promising response, we will continue to evaluate further investment in these initiatives.

### Order intake

New orders recorded during the first quarter totalled to EUR 23.8 million compared to EUR 26.4 million last year. Order book in the end of the first quarter was EUR 64.0 million being 35.2% higher compared to EUR 47.3 million last year.

## Revenue

Revenue in the first quarter was EUR 13.3 million showing 18.7% growth compared to last year. The growth in revenue came from MEA & APAC segment.

## Profitability

Tecnotree's operating result in first quarter was EUR 2.0 million compared to EUR 3.1 million last year.

## Financial situation

Cash and cash equivalents at the end of the first quarter were EUR 15.6 million compared to EUR 10.0 million last year.

## Other business updates

With Tecnotree Moments platform and its Fintech offerings, we hope to synergize new partnerships with communication and Digital Service Providers, eco-system players and internet of things (IOT) providers, to introduce new revenue models and API frameworks to take advantage of the 5G roll-outs world-wide and forge new frontiers to empower digitally connected communities in the sectors of Education, Health, E-commerce, Gaming, Sports and Entertainment.

## Net sales

Tecnotree's net sales for the review period were EUR 13.3 (11.2) million, 18.7 % higher compared to last year. Net sales from sale of third party hardware and software were EUR 0.9 (0.9) million, from own licenses EUR 4.5 (1.6) million, from delivery EUR 1.9 (2.9) million and from maintenance and management services EUR 6.1 (5.8) million.

The order book at the end review period stood at EUR 64.0 (47.3) million.

<b>Nature of goods and services offered, MEUR</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Sale of third party hardware and software	<b>0.9</b>	0.9	0.6
Own licenses	<b>4.5</b>	1.6	16.4
Delivery	<b>1.9</b>	2.9	23.5
Maintenance and management services	<b>6.1</b>	5.8	23.7
<b>Net sales total</b>	<b>13.3</b>	11.2	64.2

<b>Methods used to recognise revenue, MEUR</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Point in time:			
Third party hardware and software	<b>0.9</b>	0.9	0.6
Own license	<b>4.5</b>	1.6	16.4
Overtime:			
Delivery	<b>1.9</b>	2.9	23.5
Maintenance and management services	<b>6.1</b>	5.8	23.7
<b>Net sales total</b>	<b>13.3</b>	11.2	64.2

<b>Recognition of revenue by operating segment, MEUR</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Europe & Americas:			

Third party hardware and software	-	0.9	5.8
Own license	-	-	0.7
Delivery	<b>0.0</b>	0.1	0.0
Maintenance and management services	<b>1.7</b>	1.5	7.4
<b>Net sales total</b>	<b>1.7</b>	2.5	13.9
MEA & APAC:			
Third party hardware and software	0.9	-	-
Own license	4.5	1.6	15.7
Delivery	<b>1.9</b>	2.8	21.2
Maintenance and management services	<b>4.3</b>	4.3	16.3
<b>Net sales total</b>	<b>11.5</b>	8.7	53.2
<b>Order book by operating segment, MEUR</b>			
	<b>1-3/2022</b>	1-3/2021	1-12/2021
Europe & Americas	<b>7.2</b>	8.3	5.1
MEA & APAC	<b>56.8</b>	39.1	48.4
<b>Order book total</b>	<b>64.0</b>	47.3	53.5

## Result analysis

Tecnotree's net sales for the financial period were EUR 13.3 (11.2) million. The operating result was 2.0 (3.1) million and the result for the period was EUR 1.0 (2.4) million.

Capitalization of product development expenses during the review period were EUR 1.6 (1.0) million. Amortizations on total capitalized development costs during the period were EUR 0.8 (0.3) million.

Financial items without exchange rate differences in financial items for the financial period were EUR 0.1 (-0.0) million. Exchange rate differences for the financial period were EUR -0.5 (-0.2) million. 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.

<b>Income statement, key figures, MEUR</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Net sales	<b>13.3</b>	11.2	64.2
Other operating income	<b>0.1</b>	0.1	0.1
Operating costs	<b>-11.3</b>	-8.2	-40.6
<b>Operating result</b>	<b>2.0</b>	3.1	23.7
Financial items without currency differences	<b>0.1</b>	-0.0	0.2
Exchange rate gains and losses	<b>-0.5</b>	-0.2	-2.5
Income taxes	<b>-0.6</b>	-0.5	-3.1
<b>Result for the period</b>	<b>1.0</b>	2.4	18.3

Financial income and expenses during the review period totalled a net loss of EUR 0.4 (net loss of EUR 0.2) million, including following items:

<b>Financial income and expenses, MEUR</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Interest income	<b>0.2</b>	0.1	0.4
Exchange rate gains	<b>0.6</b>	0.5	0.3
Other financial income	<b>-0.0</b>	-0.0	0.0

<b>Financial income, total</b>	<b>0.8</b>	0.6	0.7
Interest expenses	<b>-0.0</b>	-0.1	-0.2
Exchange rate losses	<b>-1.1</b>	-0.7	-2.7
Other financial expenses	<b>-0.0</b>	-0.0	-0.0
<b>Financial expenses, total</b>	<b>-1.2</b>	-0.8	-3.0
<b>Financial items, total</b>	<b>-0.4</b>	-0.2	-2.3

Taxes for the period totalled EUR 0.6 (0.5) million, including following items:

<b>Taxes in income statement, MEUR</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Withholding taxes paid abroad	<b>-0.9</b>	-0.4	-2.0
Change in withholding tax accrual	<b>0.4</b>	0.0	0.1
Income taxes on the results of Group companies	<b>-0.1</b>	-0.1	-0.8
Other items	<b>-0.1</b>	-0.0	-0.4
<b>Taxes in income statement, total</b>	<b>-0.6</b>	-0.5	-3.1

Earnings per share in the review period were EUR 0.00 (0.01) and equity per share at the end of the period was EUR 0.21 (0.09).

## Personnel

At the end of the review period, Tecnotree employed 756 (679) persons, of whom 42 (40) worked in Finland and 714 (639) globally. Personnel by country were as follows:

<b>Personnel</b>	<b>1-3/2022</b>	1-3/2021	1-12/2021
Personnel, at end of period	<b>756</b>	679	750
Finland	<b>42</b>	40	42
Brazil	<b>8</b>	8	8
Argentina	<b>38</b>	38	36
India	<b>537</b>	468	541
United Arab Emirates	<b>21</b>	16	20
Other countries	<b>110</b>	109	103
Personnel, average	<b>753</b>	685	703
Personnel expenses, MEUR	<b>-5.8</b>	-4.4	-22.1

## 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.

## Prospects 2022

While Tecnotree continues to witness encouraging response in the market for its Digital Suite and has a healthy order book position, Tecnotree will make additional investments to convert its order book into revenue through the year.

We further wish to highlight a potential risk where our customers are facing delay in their infrastructure upgradation because of chip shortage and global supply chain challenges. If this challenge persists then there could be a possibility of delay in our delivery revenue realization with no corresponding reduction in cost. Management will have to take additional efforts to mitigate these risks with deeper coordination with our customers to ensure timely deliveries.

Additionally, Tecnotree remains cautious to the risks that the pandemic continues to pose to its customers' operation and employees' well-being. We, however, continue to manage the pandemic situation to ensure there is minimal impact on customer operations.

Tecnotree remains positive on the demand for its Digital BSS suite as customers continues to invest in 5G and IoT infrastructure expansions.

## Tecnotree Corporation

Board of Directors

### Further information

Padma Ravichander, CEO, tel +97 156 414 1420

Priyesh Ranjan, CFO, tel +971 50 955 1188

[www.tecnotree.com](http://www.tecnotree.com)

## Table section (unaudited)

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

<b>Consolidated income statement, MEUR</b>	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>1-12/2021</b>
Net sales	<b>13.3</b>	11.2	64.2
Other operating income	<b>0.1</b>	0.1	0.1
Materials and services	<b>-0.8</b>	-0.3	-2.3
Employee benefit expenses	<b>-5.8</b>	-4.4	-22.1
Depreciation, amortisation and impairment charges	<b>-0.9</b>	-0.3	-1.6
Other operating expenses	<b>-3.8</b>	-3.2	-14.6
Operating result	<b>2.0</b>	3.1	23.7
Financial income	<b>0.8</b>	0.6	0.7
Financial expenses	<b>-1.2</b>	-0.8	-3.0
Result before taxes	<b>1.6</b>	2.9	21.4
Income taxes	<b>-0.6</b>	-0.5	-3.1
Result for the period	<b>1.0</b>	2.4	18.3
Allocated to:			
Equity holders of parent company	<b>1.0</b>	2.4	18.3
Non-controlling interest	<b>0.0</b>	-0.0	0.0
EPS calculated on the profit attributable to equity holders of parent company:			
Earnings per share, basic, EUR	<b>0.00</b>	0.01	0.06
Earnings per share, diluted, EUR	<b>0.00</b>	0.01	0.06

<b>Consolidated balance sheet, MEUR</b>	<b>31.3.2022</b>	<b>31.3.2021</b>	<b>31.12.2021</b>
Assets			
Other intangible assets	<b>10.7</b>	6.1	9.9
Tangible assets	<b>0.3</b>	0.3	0.3
Deferred tax assets	<b>0.6</b>	0.5	0.6
Other non-current trade and other receivables	<b>0.9</b>	0.9	2.2
Right-of-use assets	<b>0.2</b>	0.2	0.1
Current assets			
Inventories	<b>0.0</b>	0.0	0.0
Trade receivables	<b>29.1</b>	19.8	27.8
Other receivables	<b>26.5</b>	20.1	20.8
Cash and cash equivalents	<b>15.6</b>	10.0	17.6
Assets total	<b>84.0</b>	57.9	79.4
Shareholders' equity	<b>68.5</b>	25.0	67.7
Non-current liabilities			
Non-current interest-bearing liabilities	<b>0.0</b>	12.3	0.0



Other non-current liabilities	2.4	6.8	2.6
Lease liability (non-current)	0.2	0.2	0.1
Current liabilities			
Current interest-bearing liabilities	0.0	1.0	0.0
Lease liability (current)	0.1	0.1	0.1
Trade payables and other liabilities	12.8	12.5	8.9
Equity and liabilities total	84.0	57.9	79.4

<b>Consolidated condensed cash flow statement, MEUR</b>	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>1-12/2021</b>
<b>Cash flow from operating activities</b>			
Result for the period	1.0	2.4	18.3
Adjustments of the result	1.3	5.7	12.6
Changes in working capital	-0.7	-4.6	-15.9
Financial income and expenses	-0.7	0.0	-1.4
Income taxes paid	-1.1	-0.7	-3.7
Net cash flow from operating activities	-0.1	2.8	9.9
<b>Cash flow from investing activities</b>			
Capital expenditure on non-current tangible and intangible assets	-2.0	-1.1	-5.9
Net cash flow from investing activities	-2.0	-1.1	-5.9
<b>Cash flow from financing activities</b>			
Repayments of borrowings	0.0	0.0	-16.7
Proceeds from share issue	0.1	0.0	22.3
Other financial expense	-0.1	0.0	-0.2
Net cash flow from financing activities	0.0	0.0	5.5
Increase (+) and decrease (-) in cash and cash equivalents	-2.1	1.7	9.5
Cash and cash equivalents at beg. of period	17.6	8.0	8.0
Impact of changes in exchange rates	0.1	0.2	0.1
Cash and cash equivalents at end of period	15.6	10.0	17.6

## Key figures

<b>Consolidated key financial figures</b>	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>1-12/2021</b>
Return on investment, %	16.4	40.9	48.3
Return on equity, %	42.7	42.7	31.9
Equity ratio, %	81.6	43.2	85.2
Net gearing, %	-22.7	13.0	-26.0
Investments, MEUR	1.7	1.1	5.9
% of net sales	12.4	9.6	9.2
Research and development, MEUR	1.8	1.0	5.7
% of net sales	13.2	8.9	8.8
Order book, MEUR	64.0	47.3	53.5

Personnel, average	<b>753</b>	685	703
Personnel, at end of period	<b>756</b>	679	750

## Consolidated key figure per share

	1-3/2022	1-3/2021	1-12/2021
Earnings per share, basic, EUR	<b>0.00</b>	0.01	0.06
Earnings per share, diluted, EUR	<b>0.00</b>	0.01	0.06
Equity per share, EUR	<b>0.21</b>	0.09	0.21
Number of shares at end of period, x 1,000	<b>318.956</b>	274.628	318.956
Number of shares on average, x 1,000	<b>318.956</b>	274.628	292.528
Share price, EUR			
Average	<b>1.24</b>	0.64	1.02
Lowest	<b>0.97</b>	0.51	0.51
Highest	<b>1.52</b>	0.79	1.71
Share price at end of period, EUR	<b>1.14</b>	0.63	1.47
Market capitalisation of issued stock at end of period, MEUR	<b>363.0</b>	174.1	469.5
Share turnover, million shares	<b>76.1</b>	36.6	293.5
Share turnover, % of total	<b>23.9</b>	13.3	92.0
Share turnover, MEUR	<b>92.8</b>	23.3	312.3

## Quarterly key figures

	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Net sales, MEUR	<b>13.3</b>	18.1	18.2	16.7	11.2	14.2
Net sales, change %	<b>18.7</b>	27.2	24.5	18.5	13.7	0.8
Operating result, MEUR	<b>2.0</b>	5.9	7.1	7.6	3.1	4.3
% of net sales	<b>15.1</b>	32.8	39.0	45.3	27.3	30.5
Result for the period, MEUR	<b>1.0</b>	5.2	5.4	5.3	2.4	4.3
Personnel at end of period	<b>756</b>	750	715	688	679	659
Earnings per share, basic, EUR	<b>0.00</b>	0.02	0.02	0.02	0.01	0.02
Earnings per share, diluted, EUR	<b>0.00</b>	0.02	0.02	0.02	0.01	0.02
Equity per share, EUR	<b>0.21</b>	0.21	0.19	0.11	0.09	0.07
Net interest-bearing liabilities, MEUR	<b>-15.6</b>	-17.6	-13.9	2.1	3.3	5.4
Order book, MEUR	<b>64.0</b>	53.5	58.6	55.0	47.3	32.1

