

Tecnotree

Empowering Digitally
Connected Communities

Financial Report for Q3 2022

1st Jan – 30th Sep 2022



Tecnotree Corporation Interim Report 1st Jan – 30th Sep 2022 (Unaudited)

Steady growth in revenue with continued strong order position

Third quarter (July – September 2022)

- Net sales EUR 19.9 (18.2) million.
- Operating result EUR 5.0 (7.1) million.
- Result for the period EUR 3.4 (5.4) million.
- Cash flow after investments EUR 5.5 (-3.3) million.
- Earnings per share EUR 0.01 (0.02).
- Order book at the end of the period EUR 76.1 (58.6) million.

January - September 2022

- Net sales EUR 51.5 (46.1) million.
- Operating result EUR 12.2 (17.7) million.
- Result for the period EUR 8.3 (13.1) million.
- Cash flow after investments EUR 1.2 (0.2) million
- Earnings per share EUR 0.03 (0.05).

Key figures, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Net sales	19.9	18.2	51.5	46.1	64.2
Operating result	5.0	7.1	12.2	17.7	23.7
Result before taxes	5.1	6.4	12.5	15.5	21.4
Result for the period	3.4	5.4	8.3	13.1	18.3
Earnings per share, basic, EUR	0.01	0.02	0.03	0.05	0.06
Order book			76.1	58.6	53.5
Cash flow after investments	5.5	-3.3	1.2	0.2	4.0
Change in cash and cash equivalents	5.6	3.3	2.3	5.9	9.5
Cash and cash equivalents			19.9	13.9	17.6
Equity ratio %			80.8	83.1	85.2
Net gearing %			-25.2	-22.6	-26.0
Personnel at end of period			798	715	750

Unless otherwise stated, all figures presented below are for the financial period 1-9/2022 and the figures for comparison are for the corresponding period in 1-9/2021.

Prospects 2022 (unchanged)

In the second half of 2022, Tecnotree expects its revenue to be higher compared to the first half of 2022. The full year revenue in 2022 is expected to be 5 to 10% higher compared to 2021 and the full year EBIT in 2022 is expected to be lower compared to 2021. The lower EBIT is on account of the business requirement to fulfil the high order book, investments in new initiatives (Tecnotree Moments, Fintech and SaaS) coupled with headwinds caused by high inflation and adverse currency movement.

CEO Padma Ravichander: Strong growth with focus on cost management

Tecnotree witnessed surge in demand for its products and solutions through the third quarter of the year, resulting in the another record level order book position of EUR 76.1 million (EUR 58.6 million), witnessing a 30% growth compared to Q3 of last year. We continued to receive big orders from large tier 1 Operators for our Digital BSS Suite 5, which require that we invest to deliver these orders expeditiously. This will ensure long term recurring revenue from these new customers.

This quarter, Tecnotree in addition, signed a multi million dollar deal with MTN Nigeria for 5G Digital Transformation to accelerate their business growth. Tecnotree LATAM region acquired a new customer logo, ENTEL Bolivia for our Digital Accelerator Platform (DAP). In addition, Tecnotree also announced an fast-track global ISV partnership with Microsoft to accelerate digital transition to cloud with Microsoft Azure.

This quarter Tecnotree was also recognized by TM Forum, the telecom industry standards body, as the first digital platform company in the world to be certified for real-world open API implementation, which ensures quick and rapid integrations to accelerate business growth and growth in our partner ecosystems in the 5G and Cloud era.

Despite the continuing geo-political issues, our revenue grew by 9% in current quarter at EUR 19.9 million against EUR 18.2 million compared to same quarter last year.

Furthermore, as a product company, we witnessed 28% growth in our license revenue for the review period compared to same period last year, which demonstrates strong trust in Tecnotree and provides credible references to our potential customers.

In the review period we registered an increase of 10% in recurring revenue compared to same period last year, which validates the stability of our platform and our ability to rapidly deliver our digital stack to multiple customers simultaneously.

Our net result margin declined to 16% (28%) as a result of increased cost. Costs increased due to external factors, like wage inflation, but also due to our strategic focus on continuously investing in R&D and also securing global customer deliveries. We remain focused on managing our costs, while we continue to deliver to customers, ensuring that we are monetizing on all opportunities to increase our order intake and meet our deployment commitments on time.

We continue to work with the inherent risks of currency fluctuations, high wage inflation and supply chain pressures and are making necessary efforts to mitigate their impact. Additionally,

we continue our investments on new initiatives – Tecnotree Moments, Tecnotree DiWa (Digital Wallet) and SaaS expecting good response in the next few quarters.

Order intake

New orders recorded during the third quarter totalled to EUR 23.2 million compared to EUR 11.8 million last year. Order book at the end of the third quarter was EUR 76.1 million being 30% higher compared to EUR 58.6 million last year.

Net sales

Net sales in the third quarter were EUR 19.9 million showing 9% growth compared to last year. Correspondently, net sales during the first nine months were EUR 51.5 million and 12% higher than last year. The growth in net sales came from MEA & APAC segment.

Profitability

Tecnotree's operating result in the third quarter was EUR 5.0 million and declined by EUR 2.1 million (-31%) compared to EUR 7.1 million last year. Operating result during the first nine months was EUR 12.2 million and declined by EUR 5.6 million (-31%) compared to EUR 17.7 million last year.

Tecnotree's result in the third quarter was EUR 3.4 million and declined by EUR 2.0 million compared to EUR 5.4 million last year. Result for the review period was EUR 8.3 million and declined by EUR 4.8 million (-37%) compared to EUR 13.1 million last year.

Financial situation

Cash and cash equivalents at the end of the third quarter were EUR 19.9 million compared to EUR 13.9 million last year. While we continue to review receivables, which are mainly from large Tier 1 Operators, as a measure of abundance caution, Tecnotree has made necessary provisions for the same. Tecnotree's financial position remains strong and debt free.

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 51.5 (46.1) million, 11.6% higher compared to last year. Net sales from sale of third-party hardware and software were EUR 4.1 (1.8) million, own licenses EUR 10.9 (8.5) million, delivery EUR 16.6 (17.8) million and maintenance and management services EUR 19.9 (18.1) million.

Net sales for the third quarter were EUR 19.9 million (18.2), 9.1% higher compared to last year. Net sales from sale of third-party hardware and software were EUR 1.9 (0.0) million, own licenses EUR 3.2 (2.8) million, delivery EUR 6.4 (9.2) million and maintenance and management services EUR 8.3 (6.5) million.

The order book at the end review period stood at EUR 76.1 (58.6) million showing 29.9% growth compared to last year.

Nature of goods and services offered, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Sale of third party hardware and software	1.9	0.0	4.1	1.8	0.6
Own licenses	3.2	2.8	10.9	8.5	16.4
Delivery	6.4	9.2	16.6	17.8	23.5
Maintenance and management services	8.3	6.5	19.9	18.1	23.7
Net sales total	19.9	18.2	51.5	46.1	64.2

Methods used to recognise revenue, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Point in time:					
Third party hardware and software	1.9	0.0	4.1	1.8	0.6
Own license	3.2	2.8	10.9	8.5	16.4
Overtime:					
Delivery	6.4	9.2	16.6	17.8	23.5
Maintenance and management services	8.3	6.5	19.9	18.1	23.7
Net sales total	19.9	18.2	51.5	46.1	64.2

Recognition of revenue by operating segment, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Europe & Americas:					
Third party hardware and software	0.2	0.0	0.9	1.8	0.6
Own license	-0.0	-0.0	0.2	0.6	0.7
Delivery	0.6	0.5	1.6	1.3	2.3
Maintenance and management services	2.4	2.1	6.2	5.5	7.4
Net sales total	3.1	2.5	8.9	9.1	11.1
MEA & APAC:					
Third party hardware and software	1.7	-0.1	3.2	0.0	-
Own license	3.3	2.8	10.6	7.9	15.7
Delivery	7.2	8.7	15.1	16.4	21.2
Maintenance and management services	4.6	4.4	13.7	12.6	16.3
Net sales total	16.8	15.7	42.6	37.0	53.2

Order book by operating segment, MEUR	1-9/2022	1-9/2021	1-12/2021
Europe & Americas	6.0	4.8	5.1
MEA & APAC	70.1	53.8	48.4
Order book total	76.1	58.6	53.5

Result analysis

The operating result for the review period was EUR 12.2 (17.7) million and the result EUR 8.3 million (13.1). The operating result for the third quarter was EUR 5.0 (7.1) million and the result EUR 3.4 million (5.4). Earnings per share for the review period were EUR 0.03 (0.05) and EUR 0.01 (0.02) for the third quarter.

Capitalization of product development expenses during the review period was EUR 4.7 (3.7) million and EUR 2.0 (1.4) million in the third quarter. Amortizations on total capitalized development costs during the review period were EUR 0.6 (0.8) million and EUR -1.1 (0.3) million in the third quarter.

Financial items without currency differences in financial items for the review period were EUR 1.0 (0.1) million and EUR 0.6 (0.1) million in the third quarter. Exchange rate differences in the financial items in the review period were EUR -0.6 (-2.3) million and EUR -0.5 (-1.7) 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.

Income statement, key figures, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Net sales	19.9	18.2	51.5	46.1	64.2
Other operating income	0.0	0.0	0.1	0.1	0.1
Operating costs excluding	-14.9	-11.2	-39.4	-28.5	-40.6
Operating result	5.0	7.1	12.2	17.7	23.7
Financial items without currency differences	0.6	0.1	1.0	0.1	0.2
Exchange rate gains and losses in financial items	-0.5	-0.7	-0.6	-2.3	-2.5
Income taxes	-1.7	-1.1	-4.2	-2.4	-3.1
Result for the period	3.4	5.4	8.3	13.1	18.3

Financial income and expenses during the review period totalled a net profit of EUR 0.3 million (net loss of EUR 2.2 million), including following items:

Financial income and expenses, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Interest income	0.5	0.1	1.0	0.3	0.4
Exchange rate gains	0.4	0.1	2.2	0.2	0.3
Other financial income	-0.0	0.0	-0.0	0.0	0.0
Financial income, total	0.8	0.2	3.2	0.5	0.7
Interest expenses	-0.0	-0.0	-0.0	-0.2	-0.2
Exchange rate losses	-0.9	-0.8	-2.8	-2.5	-2.7
Other financial expenses	0.1	0.0	-0.0	-0.0	-0.0
Financial expenses, total	-0.8	-0.8	-2.9	-2.7	-3.0
Financial items, total	0.0	-0.7	0.3	-2.2	-2.3

Taxes for the period totalled EUR 4.2 (2.4) million, including following items:

Taxes in income statement, MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Withholding taxes paid abroad	-1.0	-0.7	-2.9	-1.6	-2.0
Change in withholding tax accrual	0.0	0.0	-0.0	0.0	0.1
Income taxes on the results of Group companies	-0.5	-0.4	-0.9	-0.8	-0.8
Other items	-0.3	0.0	-0.4	-0.1	-0.4
Taxes in income statement, total	-1.7	-1.1	-4.2	-2.4	-3.1

Personnel

At the end of September 2022, Tecnotree employed 798 (31 December 2021: 750) persons, of whom 42 (31 December 2021: 42) worked in Finland and 756 (31 December 2021: 708) globally. The company employed on average 774 (691) people during the review period. Personnel by country were as follows:

Personnel	1-9/2022	1-9/2021	1-12/2021
Personnel, at end of period	798	715	750
Finland	42	43	42
Brazil	7	8	8
Argentina	42	39	36
India	578	491	541
United Arab Emirates	21	16	20
Other countries	108	118	103
Personnel, average	774	691	703
Personnel expenses (MEUR)	-18.3	-16.5	-22.1

Changes in the management

In September, 2022, Tecnotree announced appointment of Indiresch Vivekananda as its new Chief Financial Officer and a member of the Management Board. Indiresch joined Tecnotree in the first week of October 2022.

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

Indiresch Vivekananda, CFO, tel +91 98454 90584

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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/ 2022	7-9/ 2021	1-9/ 2022	1- 9/2021	1-12/ 2021
Net sales	19.9	18.2	51.5	46.1	64.2
Other operating income	0.0	0.0	0.1	0.1	0.1
Materials and services	-3.1	-0.4	-5.4	-1.3	-2.3
Employee benefit expenses	-6.3	-6.8	-18.3	-16.5	-22.1
Depreciation, amortisation and impairment charges	0.9	-0.4	-0.9	-1.1	-1.6
Other operating expenses	-6.5	-3.5	-14.8	-9.6	-14.6
Operating result	5.0	7.1	12.2	17.7	23.7
Financial income	0.8	0.2	3.2	0.5	0.7
Financial expenses	-0.8	-0.8	-2.9	-2.7	-3.0
Result before taxes	5.1	6.4	12.5	15.5	21.4
Income taxes	-1.7	-1.1	-4.2	-2.4	-3.1
Result for the period	3.4	5.4	8.3	13.1	18.3
Allocated to:					
Equity holders of parent company	3.4	5.4	8.3	13.1	18.3
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	0.01	0.02	0.03	0.05	0.06
Earnings per share, diluted, EUR	0.01	0.02	0.03	0.05	0.06

Consolidated balance sheet, MEUR	30.9.2022	30.9.2021	31.12.2021
Non-current assets			
Intangible assets	14.4	8.7	9.9
Tangible assets	0.4	0.3	0.3
Deferred tax assets	0.7	0.7	0.6
Other non-current trade and other receivables	1.7	1.2	2.3
Current assets			
Inventories	0.0	0.0	0.0
Trade receivables	35.8	34.0	27.8
Other receivables	25.0	15.3	20.8
Cash and cash equivalents	19.9	13.9	17.6
Assets total	97.9	74.2	79.4
Shareholders' equity			
	79.1	61.6	67.7
Non-current liabilities			
Non-current interest-bearing liabilities	0.0	0.0	0.0

Other non-current liabilities	3.2	2.5	2.7
Current liabilities			
Current interest-bearing liabilities	0.0	0.0	0.0
Trade payables and other liabilities	15.6	10.0	8.9
Equity and liabilities total	97.9	74.2	79.4

Consolidated condensed cash flow statement, MEUR	7-9/ 2022	7-9/ 2021	1-9/ 2022	1-9/ 2021	1-12/ 2021
Cash flow from operating activities					
Result for the period	3.4	5.4	8.3	13.1	18.3
Adjustments of the result	3.8	3.4	7.3	13.8	12.6
Changes in working capital	2.1	-8.6	-5.7	-17.8	-15.9
Financial income and expenses	0.2	-0.7	0.7	-1.8	-1.4
Income taxes paid	-1.8	-1.3	-3.9	-2.9	-3.7
Net cash flow from operating activities	7.6	-1.8	6.6	4.4	9.9
Cash flow from investing activities					
Capital expenditure on non-current tangible and intangible assets	-2.1	-1.5	-5.4	-4.2	-5.9
Net cash flow from investing activities	-2.1	-1.5	-5.4	-4.2	-5.9
Cash flow from financing activities					
Repayments of borrowings	0.0	-15.9	0.0	-16.7	-16.7
Proceeds from share issue	0.0	22.3	0.1	22.3	22.3
Other financial costs	0.1	0.0	0.0	0.0	-0.2
Net cash flow from financing activities	0.1	6.4	0.1	5.6	5.5
Increase (+) and decrease (-) in cash and cash equivalents	5.6	3.1	1.4	5.8	9.5
Cash and cash equivalents at beg. of period	13.9	10.7	17.6	8.0	8.0
Impact of changes in exchange rates	0.4	0.1	1.0	0.1	0.1
Cash and cash equivalents at end of period	19.9	13.9	19.9	13.9	17.6

Key figures

Consolidated key financial figures	1-9/2022	1-9/2021	1-12/2021
Return on investment, %	23.3	51.3	48.3
Return on equity, %	15.1	42.9	31.9
Equity ratio, %	80.8	83.1	85.2
Net gearing, %	-25.2	-22.6	-26.0
Investments, MEUR	5.4	4.2	5.9
% of net sales	10.5	9.2	9.2

Research and development, MEUR	7.5	3.9	5.7
% of net sales	14.6	8.4	8.8
Order book, MEUR	76.1	58.6	53.5
Personnel, average	774	691	703
Personnel, at end of period	798	715	750

Consolidated key figure per share	1-9/2022	1-9/2021	1-12/2021
Earnings per share, basic, EUR	0.03	0.05	0.06
Earnings per share, diluted, EUR	0.03	0.05	0.06
Equity per share, EUR	0.25	0.19	0.21
Number of shares at end of period, x 1,000	318.956	318.956	318.956
Number of shares on average, x 1,000	318.956	278.336	292.528
Share price, EUR			
Average	0.93	0.90	1.02
Lowest	0.41	0.51	0.51
Highest	1.52	1.71	1.71
Share price at end of period, EUR	0.43	1.19	1.47
Market capitalisation of issued stock at end of period, MEUR	135.9	380.8	469.5
Share turnover, million shares	165.0	220.7	293.5
Share turnover, % of total	51.7	69.2	92.03
Share turnover, MEUR	160.9	212.3	312.3
Price/earnings ratio (P/E)	16.5	0.0	23.5

Quarterly key figures	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Net sales, MEUR	19.9	18.3	13.3	18.1	18.2	16.7	11.2
Net sales, change %	19.1	9.5	18.7	27.2	24.5	18.5	13.7
Operating result, MEUR	5.0	5.1	2.0	5.9	7.1	7.6	3.1
% of net sales	25.2	28.1	15.1	32.8	39.0	45.3	27.3
Result for the period, MEUR	3.4	4.0	1.0	5.2	5.4	5.3	2.4
Personnel at end of period	798	778	756	750	715	688	679
Earnings per share, basic, EUR	0.01	0.01	0.00	0.02	0.02	0.02	0.01
Earnings per share, diluted, EUR	0.01	0.01	0.00	0.02	0.02	0.02	0.01
Equity per share, EUR	0.25	0.23	0.21	0.21	0.19	0.11	0.09
Net interest-bearing liabilities, MEUR	-19.9	-13.9	-15.6	-17.6	-13.9	2.1	3.3
Order book, MEUR	76.1	72.8	64.0	53.5	58.6	55.0	47.3

