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Efecte Plc Half year report 1-6/2022

19 JULY 2022 at 8:30

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This release is unaudited. The amounts in this report have been rounded from exact numbers.

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Efecte Plc's Half-Year Report 1-6/2022 – SaaS +24%, adjusted EBITDA margin +3%

4-6/2022

- Total net sales grew by 19% and was 5.3 million euro (4.5)
- SaaS grew by 24% and international SaaS by 30%
- EBITDA was -0.1 million euro (0.3) and EBIT -0.2 million euro (0.1)
- Adjusted EBITDA¹ was 0.1 million euro (0.3) and adjusted EBIT¹ 0.0 million euro (0.1)
- EBITDA margin was -1% (6%) and adjusted EBITDA margin¹ was 2% (6%)
- Acquisition of conversational AI company InteliWISE was announced and will be included in Efecte group reporting starting Q3

1-6/2022

- Total net sales grew by 19% and was 10.4 million euro (8.7)
- SaaS grew by 24% and international SaaS by 34%
- EBITDA was 0.1 million euro (0.4) and EBIT -0.2 million euro (0.2)
- Adjusted EBITDA was 0.3 million euro (0.4) and adjusted EBIT 0.0 million euro (0.2)
- EBITDA margin was 1% (5%) and adjusted EBITDA margin was 3% (5%)

On 30 June 2022, Efecte issued a positive profit warning and updated its guidance.

GUIDANCE FOR 2022 (from 30 June 2022)

SaaS net sales is expected to grow approximately 25% and EBITDA to be positive, excluding costs from inorganic activities.

PREVIOUS GUIDANCE FOR 2022 (from 11 February 2022 until 30 June 2022)

SaaS net sales is expected to grow over 20% and EBITDA to be positive, excluding costs from inorganic activities.

GROUP KEY FIGURES

1000 EUR	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Net sales	5 320	4 474	10 356	8 686	17 764
EBITDA	-65	256	79	442	935
Adjusted EBITDA	131	256	299	442	935
EBITA	-193	140	-177	215	450
EBIT	-193	136	-182	205	431
Adjusted EBIT	3	136	38	205	431
Profit for the period	450	131	458	199	412
Earnings per share, EUR	0.07	0.02	0.07	0.03	0.07
Equity per share, EUR	0.62	0.51	0.62	0.51	0.53
SaaS MRR	1 097	901	1 097	901	992

3 ¹ Excludes the costs related to inorganic activities amounting to 0.2 million euros. No adjustments included in the comparison period figures.



“We have a clear strategy, our team is stronger than ever, and we execute and grow quarter after quarter towards our vision - becoming the Leading European Alternative in service management.”

– CEO NIILLO FREDRIKSON

CEO NIILLO FREDRIKSON:

The Efecte growth train keeps going. During the second quarter, we progressed well in all four parts of our strategy: Growth, Product, People and M&A.

Solid SaaS performance

Our growth strategy is based on helping customers to digitalize and automate their work. During Q2, we managed to do that well and SaaS growth was strong at 24%. Our pilot in Spain resulted in signing two partners and a first customer, encouraging us to plan for a more established presence starting in the third quarter. While we saw intense competition for many deals, we were able to close new business in all our four regions (Finland, DACH, Scandinavia and New Markets). We have worked hard to expand our presence, and Efecte offerings are now available directly or via partners in 15 countries across EMEA. .

Expanding our capabilities

In product development, the previously hired and contracted additional resources helped us advance on multiple fronts with user experience, product quality and Identity Governance and Administration (IGA) in focus. With the Efecte 2022.2 release we shipped multiple user interface improvements, the new IGA Growth offering and over 60 other enhancements, including an approval workflow feature helping service providers.

When announcing our M&A strategy earlier this year, we mentioned strengthening our technology platform and expanding our market presence as the key goals. With the acquisition of IntelliWISE, we took a first step in both areas: we add conversational AI capabilities to our platform and open Poland as a new direct market for Efecte. Moreover,

IntelliWISE’s talented team fits culturally well into Efecte and adds skills and experience that make us better together.

We are also pleased with the organic part of growing our team: we were able to find high-quality talent we need and recruit according to plan. With attrition remaining low, this resulted in significant year-over-year headcount growth of 29%. We expect the speed of recruiting to slow down towards the end of the year. In H2, a key priority will be the integration of IntelliWISE to build one unified Efecte team.

Looking ahead

While the economic outlook has turned rather cloudy, we remain confident about Efecte’s prospects both in the short and long term. We have a clear strategy, our team is stronger than ever, and we execute and grow quarter after quarter towards our vision - becoming the Leading European Alternative in service management. It’s an exciting journey and our annual Digitalize & Automate event on 27-28 September will be another step forward. We expect again thousands of people to register and be part of making the world a better place through digitalization and automation. Any interested analysts, investors and media are also welcome to join (see www.efecte.com for details).

Additional information

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NET SALES AND TYPE

Net sales, 1000 EUR	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
SaaS	3 310	2 665	6 442	5 195	10 886
Licenses	1	7	15	7	44
Maintenance	229	255	459	505	1 014
Services	1 780	1 547	3 441	2 979	5 820
Group total	5 320	4 474	10 356	8 686	17 764

NET SALES AND PROFIT

Efecte's net sales in 1-6/2022 were 10.4 million euro (8.7), a growth of 19%. Net sales for customers outside Finland were 2.4 million euro (2.1), corresponding to 23% of total net sales (24%).

Software as a Service (SaaS) grew 24% and services net sales increased by 15%. Net sales of perpetual licenses have become insignificant in line with our strategy. Net sales generated by maintenance continued its long-term declining trend. Our total recurring revenue (SaaS and maintenance) amounted to 6.9 million euro (5.7), corresponding to approximately 67% of net sales (66%).

SaaS MRR was 1 097 thousand euro in the end of June, growing 22% year-over-year. Of that growth, 15 percentage points came from existing customers (net retention rate 115%) and 7 percentage points from new customers since 6/2021. Gross churn amounted to 2.2% (4.8%). Our recurring gross margin stood at 81% at the end of June (79%). We determine recurring gross margin on a rolling 12-month basis through subtracting the total cost of support, cloud infrastructure, cloud operations, 3rd party licenses

and enhanced service level packages from our total recurring revenue and dividing the outcome by total recurring revenue.

Our average customer acquisition cost (CAC) on a rolling 12-month basis was 81 thousand euro (92), and the average life-time value (LTV) of an acquired new customer was 1 285 thousand euro (469). Accordingly, the LTV/CAC ratio was 15.9 (5.1). This means that the cost of customer acquisition is earned 15.9 times during the lifetime of the customer. LTV/CAC ratio was exceptionally high as the 12-month period included the large order from the Social Insurance Institution of Finland (Kela) and as low churn increased the life-time value in the calculation. We determine customer acquisition cost through multiplying sales and marketing costs by 0.7 divided by number of new customers. The multiplier 0.7 reflects the fact that some of the sales & marketing cost goes towards serving existing customers. Lifetime value is defined as MRR orders of new customers divided by gross churn multiplied by recurring gross margin divided by number of new customers.

Services net sales developed well during the review period, growing a solid 15%. Our strategy is to focus on growing our SaaS business and Services business is there to support adoption with the help of our partner network. SaaS formed already 62% of total net sales (60%).

Efecte's EBITDA was 0.1 million euro (0.4), and EBIT was -0.2 million euro (0.2). In line with our strategy, profitability was impacted by investments in future growth.

Adjusted EBITDA was 0.3 million euro (0.4) and adjusted EBIT was 0.0 million euro (0.2). Adjusted EBITDA and EBIT are calculated from EBITDA and EBIT by deducting the costs affecting comparability. During the review period these items included costs related to inorganic activities amounting to 0.2 million euros.

Income tax expenses were 0.7 million euro (-0.0) positive due to the recognition of deferred tax assets from unused tax losses in Finnish taxation. Total confirmed losses from years 2013-2020 are 3.1 million euros for Efecte Finland Oy and 3.5 million euros for Efecte Oyj. Total tax impact of 20% is 1.3 million euros of which 0.7 million euros were capitalized during the review period.

Taxes corresponding to the profits in group companies of the period have been entered as tax expenses. Efecte has confirmed tax losses in the taxation for Finland, so there was no income tax expense in Finland.

Net profit for the period was 0.5 million euro (0.2).

FINANCE AND INVESTMENTS

At the end of the reporting period, the balance sheet for Efecte group totaled 13.5 million euro (11.2). Equity ratio was 47% (46%) and net gearing was -43% (-239%).

At the end of the reporting period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 1.7 million euro (7.3).

Cash flow from operating activities for the reported period was 1.6 million euro (1.3) and cash flow from investing activities was -6.5 million euro (-0.3). Cash flow from investing activities was heavily impacted by money transfer of 5.9 MEUR to a brokerage account in Poland ahead of the acquisition of InteliWISE. Investments in tangible and intangible assets were 0.7 million euro (0.3) and were mainly activated R&D expenses. Cash flow from financing activities was 0.1 million euro (0.9). Cash flow from financing activities consisted of subscriptions relating to stock options.

BUSINESS DEVELOPEMENTS

We continued helping people digitalize and automate their work in line with our strategy, which was updated in March this year. With the Efecte service management platform, we address three different solution areas: IT Service Management (ITSM), Enterprise Service Management (ESM) and Identity Governance and Administration (IGA).

While the world around us changed once again with Russia's invasion of Ukraine, we performed well in the first half. We condemn Russia's actions strongly and have supported the people of Ukraine in multiple ways, including donations. We don't have customers or partners in Russia, Belarus or Ukraine. While some of our customers do have business in the directly impacted regions, we saw only a relatively minor business impact from that.

The first half of 2022 was solid with SaaS growth of 24%, supported by strong demand from both existing and new customers. On a rolling 12-month basis, existing customers accounted for 67% of the SaaS MRR growth. We helped our customers expand the usage of Efecte in ITSM, but increasingly also for ESM use cases such as HR, finance, and customer services. We saw especially good traction for our IGA solution, where multiple existing as well as new customers took the solution into use. In total we signed 21 new customers during the review period, of which 10 through partners.

Our existing direct markets in Finland, Scandinavia and DACH continued to grow. We also continued building go-to-market in new markets through expanding our partner network. During Q2, we added our first partners in Spain, Romania and South Africa and, in addition to our existing direct markets, signed

new customers in Poland, Spain and United Kingdom. While we focused on sales enablement of our existing partners, we also continued to build a pipeline of additional partner candidates in multiple markets across the EMEA region (Europe, Middle East and Africa).

During the first half of the year, we started a new direct market pilot in Spain, initially executed by Spanish-speaking personnel based in Finland. We were able to sign two partners and one customer, giving us confidence to start planning for a more established presence starting Q3. In Q2, we were granted 50,000 euros by Business Finland to pilot our offering and support our market entry in Spain.

Our professional services business performed well, growing 15% during H1 2022. This was driven by strong demand from existing and new customers. Our strategy has been to focus on SaaS growth, and that is the plan also going forward. Services play an important role in helping customers adopt Efecte, expand their use and give us invaluable information on our customers' priorities, which we can leverage in further developing our product and operations.

The announced new partnership with Device42 increased our competitiveness in complex IT enterprises through agentless discovery and dependency mapping. We worked previously with Device42 on individual deals and decided to launch a full partnership based on the positive experiences and customer feedback.

The long-term trend of customers moving away from the legacy license and maintenance model continued. We expect this trend to continue.

EMPLOYEES

The number of full-time equivalent employees at the end of the review period was 141 (109). Of these, 118 (90) were in Finland, 7 (7) in Sweden and 17 (12) in Germany. The average number of employees during Q2 was 138 (109) and during H1 it was 134 (108). Our central team in Finland acts globally supporting customers, partners and sales in international markets and includes the headcount responsible for our New Markets operation.

The company's leadership team composition at the end of the review period was the following: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Santeri Jussila (products).

MARKET OUTLOOK

We expect the market opportunity in all our solution areas of ITSM, ESM and IGA continue to grow as organizations are embracing the megatrends of digitalization and servitization (everything as a service). Companies across different industries look for cloud-based solutions to digitalize and automate their operations to provide greater agility to the business, improve end-user experiences, and to save costs.

The move from on-premises software to cloud will also continue. While cloud adoption in the Nordics has reached 70%, cloud adoption in the rest of Europe is still only around 40%. Service management solutions are extremely sticky, with replacement cycles often being five years or longer.

Our estimate of the total current cloud ITSM and ESM market

size in Europe is 1.2 billion euro and the IGA market 1.3 billion euro. Analysts estimate the compound annual growth for these markets to be over 15% in the next three years. Today, the market is being divided by a few strong global players and a large number of smaller local vendors.

“ We expect the market opportunity in all our solution areas of ITSM, ESM and IGA continue to grow as organizations are embracing the megatrends of digitalization and servitization (everything as a service). ”

We have recently seen European customers prioritize privacy, security and data location more than before. This has been particularly visible in public sector decisions to move away from global cloud platforms. With a product that is competitive, combined with cloud deployment models that address European customers' concerns about privacy, security and data location, we have more opportunity than ever before.

The market for digitalizing and automating work remains strong and is less affected than many other industries and markets by the Russian invasion in Ukraine and the current macroeconomic uncertainty. We do not have any customers or partners in Russia, Belarus or Ukraine and are generally well positioned to carry on increased costs to our customers. That said, cost pressures from inflation and competitive pressures from both local players and global goliaths mean that we must stay vigilant and execute our strategy solidly to succeed.

RESEARCH AND DEVELOPMENT

Product development was in high gear during the review period. We benefited from increased internal and external resources and were able to advance on multiple fronts with user experience, product quality and Identity Governance and Administration (IGA) in focus. The InteliWISE acquisition further strengthens our platform through adding new conversational AI capabilities.

Experiences differentiate more than anything else. Customer experience and employee experience dominate the priority lists of business stakeholders, and software user experience plays a big part in today's digital world. Last year, we started a program to renew both the self-service experience for end-users and the user experience for agents who use Efecte as their everyday tool.

The next-generation self-service interface reached beta release phase at the end of Q1 and during Q2 we conducted customer piloting and developed the beta further. When completed, the new interface will enable our customers to provide their end-users with a completely renewed self-service experience including many features requested by customers. With the Efecte 2022.2 release we shipped the first renewals for the agent interface, including new navigation panels and headers.

We developed and deployed also over 90 smaller quality and security improvements across the 2022.1 and 2022.2 releases. These included enhancements to our AI feature Virtual Coach, extended Excel reports, enhanced process control reporting, improved approval workflows for service providers and many usability and accessibility improvements.

The enhancements help the thousands of IT and other specialists who use Efecte every day as their main tool to conduct their work. For these heavy users, small details matter – and we put a lot of focus on providing them with the best possible experience.

With IGA, we got many proof points for the product market fit as we successfully developed and launched IGA Starter and IGA Growth packages. Several customers were deployed in production in record times, showing that we can deliver on the promise of simple and easy identity management.

Through the acquisition of IntelliWISE, we gain conversational AI technology to strengthen our platform, enabling digitalization and automation of work with exceptional experiences for everybody involved. Customers will be able to take their employee experience to the next level and benefit from increased digitalization and automation of any service processes.

As planned and communicated earlier, we increased our R&D investment during the review period, and we expect the investment level as a percentage of net sales to remain higher than usual also for the full year 2022. Efecte’s total research and development investment during the review period was 2.3 million euro (1.5). Research and development costs amounted to 1.6 million euro (1.2). In addition, 0.7 million euro (0.3) was capitalized, and 0.0 million euro (0.0) was covered through public funding. Research and development actions are performed in Efecte Finland Oy. In addition to our own personnel, subcontractors are used to increase flexibility and cost efficiency.

Group’s research and development investment level in H1/2020-H1/2022:

	H1/2022	H1/2021	H1/2020
Research and development investment (million euro)	2.3	1.5	1.3
Research and development investment (% of net sales)	21%	17%	18%

“ Through the acquisition of IntelliWISE, we gain conversational AI technology to strengthen our platform, enabling digitalization and automation of work with exceptional experiences for everybody involved”

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 17 March 2022 adopted the financial statements for 1 January - 31 December 2021 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided that no dividend is distributed for the year 2021.

The Annual General Meeting decided that the annual remuneration for the Chairman of the Board is EUR 45,000 and for the other members of the Board of Directors EUR 25,000 each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Esther Donatz, Pertti Ervi, Turkka Keskinen and Päivi Rekonen were re-elected as members of the Board of Directors, and Eric Gustavsson was elected as a new member of the Board of Directors. The organizational meeting of the Board of Directors elected Pertti Ervi as the Chairman of the Board of Directors.

Ernst & Young Oy was elected as the auditor, with Juha Hilmola as the auditor in charge.

SHARES AND TRADING

The company has one share series, and all shares carry equal rights. At the end of the review period, Efecte Plc's share capital consisted of 6 242 873 shares. The company owned 11 433 treasury shares, approx. 0.2% of the total amount of the shares.

The company's share has been trading on the Nasdaq First North Growth Market Finland marketplace. During the review period the highest share price was 15.35 euro, the lowest price 10.40 euro and the closing price 11.60 euro. The market value of shares was 72.3 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 604 owners on 30 June 2022 (2 865). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

The ownership of the Board members, CEO and their controlled entities totaled approximately 2.4% at the end of the reporting period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 2.3% of the outstanding shares.

The total proportion of nominee registered shares was approximately 26.4 % of all shares.

10 LARGEST SHAREHOLDERS AS OF 30 JUNE 2022:

	Shareholder	Shares	%
1	First Fellow Oy	810 499	12.98
2	Sijoitusrahasto Aktia Nordic Micro Cap	469 269	7.52
3	Oy Fincorp Ab	419 337	6.72
4	Op-Suomi Mikroyhtiöt - Erikoissijoitusrahasto	359 363	5.76
5	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.66
6	Montonen Markku	210 571	3.37
7	Nordea Nordic Small Cap Fund	111 662	1.79
8	Ervi Pertti	89 934	1.44
9	Säästöpankki Pienyhtiöt	80 000	1.28
10	Urpalainen Jörgen	72 181	1.16

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 17 March 2022 authorized the Board of Directors to decide to acquire the company's own shares with distributable funds. A maximum of 450 000 shares may be acquired. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2023.

The Annual General Meeting held on 17 March 2022 authorized the Board of Directors to issue a maximum of 620 000 shares through a share issue and/or by issuing option rights or other special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The Board may decide to issue new shares or shares held by the company. The authorization includes the right to issue shares and option rights and/or other special rights entitling to the shares through private offering, in other words, to deviate from the shareholders' pre-emptive right subject to the requirements set forth in the Limited Liability Companies Act. In addition, the authorization includes a right to issue shares and option rights and/or other special rights entitling to shares with or without payment. Under the authorization, the Board of Directors will be entitled to decide on the terms and conditions of any share issue and the issuance of option rights and other special rights entitling to shares, including the recipients and the remuneration to be paid. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2023.

OPTION PROGRAMS

Option program 2018

Option program 2018 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided to three series: A, B and C series. Series A consists of 170 000 options (of which 163 750 allocated and all of which subscribed) with subscription price of 5.75 euro/share and subscription period of 2 May 2021 - 31 May 2022; series B of 140 000 options (of which 134 325 allocated and 17 333 subscribed) with subscription price of 5.00 euro and subscription period of 2 May 2022 - 31 May 2023; and C series of 140 000 options (of which 140 000 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2024.

In connection with the 2018 option program, the Board of Directors has set a share-ownership requirement for the participants.

Option program 2021

Option program 2021 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided to three series: A series of 150 000 options (of which 149 350 allocated) with subscription price of 15.55 eur/share and subscription period of 2.5.2024 - 31.5.2026; B series of 150 000 options with subscription price EUR 11.23 and subscription period of 2.5.2025 - 31.5.2027; and C series of 150 000 options with subscription price of 20-day volume weighted average price after Q1/2023 results and

subscription period of 2.5.2025 - 31.5.2027. A series options were allocated in 2021, B series in 2022 and C series is intended to be allocated in 2023.

In connection with the 2021 option program, the Board of Directors has set a share-ownership requirement for the participants.

EVENTS AFTER PERIOD-END

Efecte made on 27 May 2022 a voluntary tender offer to the shareholders of InteliWISE S.A. ("InteliWISE") to tender all their shares in InteliWISE to Efecte and on 1 July 2022 the transaction was settled for 90.03% of shares in InteliWISE. The total consideration paid for the 90.03 % of shares in InteliWISE was 5.2 million euros. After the settlement, InteliWISE will be reported as a subsidiary in Efecte group's consolidated financial statements starting 1 July 2022.

Efecte concluded on 1 July 2022 agreements with a major Finnish bank for a loan in the maximum amount of EUR 2 million for the financing of the InteliWISE transaction. The financial loan is secured and will be raised in two tranches, the first one of which in the amount of EUR 1.8 million was raised in the beginning of July 2022 and the second one in the amount of EUR 0.2 million upon the squeeze-out of the remaining shareholders. Covenants and guarantees related to the loan have been agreed with the loan provider.

Approximately EUR 0.9 million of the loan is paid in equal quarterly installments from September 2022 until June 2026 and the remaining EUR 1.1 million in one installment in June 2026. Efecte may also pay the loan back earlier.

The company announced on 6 July 2022 that the Board of Directors had resolved on the same date on a directed share issue of a total maximum of 111 801 new shares to the CEO, CTO and the largest shareholder of InteliWISE, representing approximately 1.8 % of all shares and votes in Efecte after the share issue. The net proceeds from the share issue are approximately EUR 1.2 million. The subscription price for shares is EUR 11.12 per share, equaling to 30-day volume weighted average price of Efecte before the announcement of the tender offer. The subscription period is 14-27 July 2022.

ASSESSMENT OF RISKS AND UNCERTAINTIES

Malfunctioning of the software or failures in operating the company's own services or the outsourced computing capacity and network connections may cause disruptions in services that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could lead to decreases in net sales and profitability.

Risks to data security such as non-intentional or intentional data breaches, including software vulnerabilities and ransomware attacks may cause reimbursement liabilities to customers or other third parties as well as significant reputational harm.

Competition for skillful personnel in the IT sector is increasing.

If the company is unable to recruit and retain employees, the quality of its products and services may decrease, which can decrease revenue and profitability. Part of the research and development and service delivery are provided through subcontractors. If the operations of the subcontractors are disrupted, the effect is equivalent to lack of skilled personnel.

The rate of inflation has increased substantially during 2022. While most of our customer agreements allow Efecte to increase pricing even during the initial fixed contract period, some customer agreements especially in the public sector limit our pricing power in case of rise in the costs of production. If inflation continues to rise, we might not be able to pass on all increasing production and other costs to our customers.

The company is pursuing mergers and acquisitions (M&A) as part of its strategy. Risks relating to the concluded and potential M&A transactions have increased after the acquisition of InteliWISE and include failure in the integration of the acquired business, failure to retain key personnel, target failing to meet forecasted financial performance as well as claims, disputes and litigation relating to the transaction.

The company configures its products to operate with the customer's existing systems. Delays or unexpected warranty work related to customer projects may create costs and liabilities. Although most of the projects are time and materials based, there are also fixed price projects. Potential customer dissatisfaction could result in compensation claims, negative publicity, and loss of future business.

Investments in international growth such as forward-looking recruitments and ongoing investments in the partner program increase fixed costs. The costs may decrease profitability, if

achieving growth turns out to be harder or slower than expected.

Risks relating to intellectual property rights (IPRs) such as the loss/leaking of own IPRs to others, and breaches of third-party IPR by Efecte are material for Efecte. Efecte seeks to minimize the risk with strict control of customer agreements and with careful evaluation of third-party software components taken into use.

Efecte has entered into agreements with its customers concerning the processing of personal data. A failure to comply with contractual obligations in these agreements, or the requirements of the General Data Protection Regulation more broadly, may lead to significant liabilities or reputational harm.

Efecte operates in several jurisdictions and has customers and other business partners also in additional jurisdictions outside these. Exposure to different legal and tax frameworks heighten the risk of perceived or real non-compliance.

The company's equity stands at a sufficient level if the profitability development continues the planned trajectory. If changes in the operating environment or other factors would weaken the company's profitability, the company may have to strengthen its equity on terms that are not favorable to the company.

An upsurge in the COVID-19 pandemic could cause delays in customers' and prospective customers' decision making, delays in purchases and cancellation of subscriptions. If many employees or subcontractors are infected by COVID-19 simultaneously, delays in customer projects or lower customer satisfaction could ensue.

LONG-TERM FINANCIAL TARGETS

By 2025, grow organically to 35 MEUR total net sales, maintain an average SaaS growth of over 20% and reach a double-digit EBITDA margin.

Through organic growth and acquisitions, become eventually the largest European service management vendor with total net sales over 100 MEUR and EBITDA margin exceeding 25 %.

GUIDANCE FOR 2022 (from 30 June 2022)

SaaS net sales is expected to grow approximately 25% and EBITDA to be positive, excluding costs from inorganic activities.

PREVIOUS GUIDANCE FOR 2022 (from 11 February 2022 until 30 June 2022)

SaaS net sales is expected to grow over 20% and EBITDA to be positive, excluding costs from inorganic activities.

NEXT EARNINGS RELEASE

Efecte will publish a business review for 1-9/2022 on 1 November 2022.

Efecte Plc
Board of Directors

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A webcast for analysts, investors and media will be arranged on Tuesday 19 July 2022 at 15:00 Finnish time. Everyone interested can register to the webcast online at <https://efecte.videosync.fi/2022-q2>. The webcast will be held in English and written questions can be presented in the webcast portal. A recording of the webcast and presentation materials will be made available afterwards on the company's investor pages at investors.efecte.com.

Efecte Plc

Efecte helps people digitalize and automate their work. Customers across Europe leverage our cloud service to operate with greater agility, to improve the experience of end-users, and to save costs. The use cases for our solutions range from IT service management and ticketing to improving employee experiences, business workflows, and customer service. We are the European Alternative to the global goliaths in our space. Our headquarters is located in Finland and we have regional hubs in Germany and Sweden. Efecte is listed on the Nasdaq First North Growth Market Finland marketplace.

www.efecte.com

Financial Information

- 1 Consolidated income statement, balance sheet, cash flow statement, statement of changes in equity and reconciliation between adjusted EBITDA and EBITDA.
- 2 Notes
 - 2.1 Basis of Preparation
 - 2.2 Development of Number of Shares
 - 2.3 Commitments
- 3 Key Figures

This release is unaudited. The amounts in this report have been rounded from exact numbers.

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1. CONSOLIDATED INCOME STATEMENT, BALANCE SHEET, CASH FLOW STATEMENT, STATEMENT OF CHANGES IN EQUITY AND RECONCILIATION BETWEEN ADJUSTED EBITDA AND EBITDA.

CONSOLIDATED INCOME STATEMENT

(1 000 EUR)	1-6/2022	1-6/2021	2021
Net sales	10 356	8 686	17 764
Other operating income	31	30	50
Materials and services	-1 058	-922	-1 832
Personnel expenses	-6 702	-5 650	-11 107
Other operating expenses	-2 548	-1 703	-3 940
EBITDA	79	442	935
Other depreciation and amortisation	-256	-227	-485
EBITA	-177	215	450
Goodwill amortisation	-5	-9	-19
Operating profit	-182	205	431
Financial income and expenses	-18	-4	-9
Profit before income tax	-199	201	422
Income tax	657	-2	-11
Profit for the period	458	199	412

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	6/2022	6/2021	12/2021
Non-current assets			
Development expenses	1 674	1 207	1 212
Other intangible assets	129	183	156
Goodwill	-	14	5
Machinery and equipment	7	-	9
Current assets			
Trade and other receivables (long-term)	714	55	52
Trade and other receivables (short-term)	9 240	2 401	2 495
Cash and cash equivalents	1 668	7 318	6 508
Total assets	13 526	11 199	10 541
Equity attributable to owners of the parent Company			
Share capital	80	80	80
Share issue	121	855	23
Reserve of invested non-restricted equity	11 819	10 912	11 779
Retained earnings	-8 132	-8 780	-8 573
Total equity	3 888	3 067	3 308
Current liabilities			
Received advances	5 259	4 584	3 310
Trade payables	723	301	468
Other payables	854	763	819
Accruals	2 802	2 484	2 636
Total liabilities	9 637	8 132	7 233
Equity and liabilities	13 526	11 199	10 541

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-6/2022	1-6/2021	2021
Cash flows from operating activities			
Profit before income tax	-199	201	422
Adjustments to profit for the period	279	241	504
Change in working capital	1 510	897	-89
Interest and other financial cost paid	-18	-4	-9
Income taxes paid	-1	-2	-11
Net cash from operating activities	1 571	1 332	818
Cash flows from investing activities			
Acquisition of tangible and intangible assets	-677	-277	-608
Proceeds from short-term investments	-5 872	-	-
Net cash from investing activities	-6 549	-277	-608
Cash flows from financing activities			
Share issues	138	872	906
Net cash from financing activities	138	872	906
(Decrease)/increase in cash and cash equivalents	-4 840	1 927	1 117
Cash and cash equivalents at the beginning of the period	6 508	5 391	5 391
Cash and cash equivalents at the end of the period	1 668	7 318	6 508

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 EUR	30.6.2022	30.6.2021
Permanent equity		
Share capital 1.1.	80	80
Share capital 30.6	80	80
Permanent equity in total	80	80
Distributable equity		
Share issue 1.1	23	-
Registration of shares	-23	-
Unregistered share issue	121	855
Share issue 30.6.	121	855
Reserve of invested non-restricted equity 1.1.	10 895	10 708
Share issue	17	41
Reserve of invested non-restricted equity 30.6	10 912	10 749
Retained earnings 1.1.	11 779	10 895
Translation differences	40	17
Retained earnings 30.6	11 819	10 912
Profit (loss) for the period	-8 573	-8 976
Distributable equity	-17	-3
Total equity	3 888	3 067

RECONCILIATION BETWEEN ADJUSTED EBITDA AND EBITDA

(1 000 EUR)	1-6/2022	1-6/2021	2021
Adjusted EBITDA	299	442	935
Other operating expenses	-220	-	-
EBITDA	79	442	935

Adjusted EBITDA and EBIT are calculated from EBITDA and EBIT by deducting the costs affecting comparability. During the review period these items included costs related to inorganic activities amounting to 0.2 million euros.

2. NOTES

2.1 BASIS OF PREPARATION

This interim report has been prepared in accordance with the FAS recognition and measurement principles.

2.2 NET SALES BY TYPE

(1 000 EUR)	1-6/2022	1-6/2021	2021
SaaS			
Perpetual licenses	6 442	5 195	10 886
Maintenance	15	7	44
Services	459	505	1 014
Group total	3 441	2 979	5 820

2.3 DEVELOPMENT OF NUMBER OF SHARES

	Number of shares
1.1.2021	6 056 623
Exercise of share options	28 500
30.6.2021	6 085 123
Exercise of share options	150 750
31.12.2021	6 235 873
Exercise of share options	7 000
30.6.2022	6 242 873

On 30 June 2022 Efecte Plc owns 11 433 treasury shares, approx. 0.2% of the total amount of the shares.

2.4 COMMITMENTS

The following tables present the company's commitments not in the balance sheet on 30 June 2022, 30 June 2021 and 31 December 2021

Guarantees given (thousand euro)	30.6.2022	30.6.2021	31.12.2021
Office lease agreements			
Liabilities secured by mortgage	56	51	52
Total	1 000	1 000	1 000

Lease commitment amounts (thousand euro)	30.6.2022	30.6.2021	31.12.2021
During next 12 months			
Later	56	70	50
Total	65	28	9

Lease agreements for computer equipment are mainly three-year lease agreements, and the equipment can be purchased at the end of the period with approx. 2-5% remainder value.

Other commitments

Efecte Plc has a three-year office lease agreement which rent period started on 1 April 2021. The company's lease liability from this contract is approx. 339 thousand euro.

	30.6.2022	30.6.2021	31.12.2021
(thousand euro)			
Payable during the next 12 months	269	165	213
Payable later	251	420	233
Total	520	585	446

3. KEY FIGURES

1000 eur	1-6/2022	1-6/2021	2021	2020
Net Sales	10 356	8 686	17 764	14 888
SaaS	6 442	5 195	10 886	8 806
Licenses	15	7	44	93
Maintenance	459	505	1 014	1 010
Services	3 441	2 979	5 820	4 980
Domestic net sales	7 957	6 569	13 365	11 314
International net sales	2 399	2 118	4 339	3 574
Domestic sales (% of net sales)	77 %	76 %	75 %	76 %
International (% of net sales)	23 %	24 %	25 %	24 %
Recurring revenue	6 901	5 700	11 900	9 815
Recurring revenue (% of net sales)	67 %	66 %	67 %	66 %
SaaS MRR, monthly net sales at the end of the period	1 097	901	992	808
Net sales growth%	19.2 %	17.5 %	19.3 %	7.6 %
EBITDA	79	442	935	126
EBITDA%	0.8 %	5.1 %	5.3 %	0.8 %
Adjusted EBITDA	299	442	935	126
Adjusted EBITDA% ¹	2.9 %	5.1 %	5.3 %	0.8 %
EBITA	-177	215	450	-314
EBITA%	-1.7 %	2.5 %	2.5 %	-2.1 %

1000 EUR	1-6/2022	1-6/2021	2021	2020
EBIT	-182	205	431	-332
EBIT%	-1.8 %	2.4 %	2.4 %	-2.2 %
Adjusted EBIT ¹	38	205	431	-332
Adjusted EBIT%	0.0 %	2.4 %	2.4 %	-2.2 %
Earnings for the period	458	199	412	-368
Earnings/share (EPS), eur	0.07	0.03	0.07	-0.06
Equity/share, eur	0.62	0.51	0.53	0.33
Balance sheet total	13 526	11 199	10 541	8 712
Equity	3 888	3 067	3 308	1 999
Net debt	-1 668	-7 318	-6 508	-5 391
Return on invested capital (ROI)%	26 %	16 %	16 %	-16 %
Equity ratio%	47 %	46 %	46 %	35 %
Net gearing%	-43 %	-239 %	-197 %	-270 %
Research and development cost	1 622	1 242	2 630	2 203
Research and development cost,% of net sales	16 %	14 %	15 %	15 %
Number of employees on average during the period	134	107	114	103
Number of employees at the end of the period	141	109	125	106
Number of shares (on average during period, excluding treasury shares)	6 226 023	6 056 240	6 136 005	5 955 842
Number of shares at the end of the period (excluding treasury shares)	6 231 440	6 068 719	6 219 469	6 032 334

¹⁸ ¹ Excludes the costs related to inorganic activities amounting to 0.2 million euros. No adjustments included in the comparison period figures