

Tecnotree

Empowering Digitally Connected Communities

Short Report Q1 2020



TECNOTREE CORPORATION SHORT REPORT 1 JAN – 31 MAR 2020 (UNAUDITED)

Tecnotree is the only full stack digital business management solution provider for digital service providers, with over 40 years of deep domain knowledge, proven delivery and transformation capability across the globe. Our open source technology based agile products and solutions comprise the full range (order-to-cash) of business process and subscription management for telecom and other digital service providers.

TECNOTREE REPORTS A SOLID FIRST QUARTER PERFORMANCE

KEY FIGURES	1-3/ 2020	1-3/ 2019	1-12/ 2019
Net sales, MEUR	9,8	9,5	47,0
Adjusted operating result, MEUR ¹	2,3	1,0	13,0
Operating result, MEUR	1,1	2,4	14,4
Result before taxes, MEUR	1,0	2,4	11,8
Adjusted result for the period, MEUR ²	1,7	-0,1	6,3
Result for the period, MEUR	0,6	1,3	7,7
Earnings per share, basic, EUR	0,00	0,01	0,03
Order book, MEUR	35,5	22,8	25,5
Cash flow after investments, MEUR	1,2	0,2	0,1
Change in cash and cash equivalents, MEUR	1,3	-0,2	-0,8
Cash and cash equivalents, MEUR	4,5	3,9	3,4
Equity ratio %	15,7	-9,7	9,9
Net gearing %	146,6	-	292,2
Personnel at end of period	616	529	600

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

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

Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Tecnotree's definition, such items include, for example, impairment of assets and the re-measurement to fair value, sale of assets, costs of closing down offices, restructuring measure and personnel related redundancy costs.

With reference to the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA), Tecnotree uses the alternative performance measures “adjusted operating result” and “adjusted result for the period”. These measures are defined in the footnote to the above table, and in the table “Income statement, Key figures” under the section “Result analysis”.

Unless otherwise stated, all figures presented below are for the review period 1-3/2020 and the figures for comparison are for the corresponding period 1-3/2019.

CEO Padma Ravichander: Record high performance continues

In the first quarter of 2020, we continued where we left off last year. New profitability standard introduced was proven also this quarter. In spite of the exceptional global business environment followed by Covid-19 Pandemic, the positive momentum generated last year was reflected again as a record high quarterly result - the adjusted operating profit without out one-time costs was EUR 2.3 million or 23% of the revenue, being the best first quarter result in the company's history.

Revenue

The revenue in the first quarter was EUR 9.8 million (3% higher than the same quarter last year). The growth was continued especially strong in the Middle East and Africa (MEA) region being 28% and the net sales in the region formed 71% of the total first quarter revenue.

Order intake

New orders recorded during the year amounted to EUR 19.8 million and order book grew EUR 10.0 million from previous year-end being at a very comfortable EUR 35.5 million level. The order book consist of 56% of project sales and 44% of recurring sales, whereas in the end of subsequent quarter last year recurring sales represented 73% of the total order book value of EUR 22.8 million, giving clear indication of growing market interest and supports revenue growth. During the last one year period, Tecnotree has recorded EUR 60.0 million worth of new orders.

Financial situation

Positive cash flow in the first quarter further stabilized Tecnotree's financial situation. Investments to product development continued and I'm pleased to hear that product launches for another two new products were completed during the quarter. Increased focus to effective tax planning has also started to bear fruit reducing the amount of taxes paid, while growing the business at the same time.

Other Business Updates

Tecnotree continues to grow its business across global markets by increasing the presence of our brand and taking advantage of the onset of 5G implementations and the digital transformation requirements of our customers. We hope to synergize new partnerships with other internet of things (IOT) providers, to increase our competitive edge, our reach to new markets and to strengthen our customer base globally, so that our customers may benefit from the full range of the Tecnotree Digital BSS Suite 5

products and our high quality digital Deployment, Operational and Managed Services capabilities.

SALES AND NET SALES

Net sales for January-March were EUR 9.8 (9.5) million and included EUR positive 0.1 million currency exchange gains (0.0). In the MEA & APAC market net sales was EUR 0.8 million higher and in the Europe & Americas EUR 0.6 million lower than in the comparative period. Order book in the end of the period was strong amounting to EUR 35.5 (22.8) million

SPECIFICATION OF NET SALES, MEUR	1-3/ 2020	1-3/ 2019	1-12/ 2019
Revenue from maintenance and support	6,6	6,7	29,2
Revenue from goods and services	3,1	2,8	17,9
Currency exchange gains and losses	0,1	0,0	-0,2
TOTAL	9,8	9,5	47,0

NET SALES BY MARKET AREA, MEUR	1-3/ 2020	1-3/ 2019	1-12/ 2019
Europe & Americas	2,7	3,3	14,9
MEA & APAC	7,1	6,3	32,1
TOTAL	9,8	9,5	47,0

CONSOLIDATED ORDER BOOK, MEUR	1-3/ 2020	31.3. 2019	31.12. 2019
Europe & Americas	9,2	6,3	5,6
MEA & APAC	26,3	16,5	19,9
TOTAL	35,5	22,8	25,5

RESULT ANALYSIS

Adjusted operating for the period was EUR 2.3 million being 1.3 million higher than in the comparative period (1.0). Operating result included EUR 1.1 million one-time costs and amounted to EUR 1.1 million (EUR 2.4 million including EUR 1.4 million one-time income). Operating expenses without one-time costs during the review period were EUR 7.6 (8.6) million. Adjusted result for the period was EUR 1.7 million being EUR 1.7 million higher than in the comparative period (-0.1). Result for the period was EUR 0.6 (1.3) million.

INCOME STATEMENT, KEY FIGURES, MEUR	1-3/ 2020	1-3/ 2019	1-12/ 2019
Net sales	9,8	9,5	47,0
Other operating income	0,1	0,1	0,2
Operating costs excluding one-time costs	-7,6	-8,6	-34,3
Adjusted operating result	2,3	1,0	13,0
One-time items	-1,1	1,4	1,4

OPERATING RESULT	1,1	2,4	14,4
Financial items without foreign currency differences	-0,1	-0,1	-0,3
Exchange rate gains and losses in financial items	-0,1	0,1	-2,3
Income taxes	-0,4	-1,1	-4,0
Adjusted result for the period	1,7	-0,1	6,3
One-time items	-1,1	1,4	1,4
RESULT FOR THE PERIOD	0,6	1,3	7,7

The company's financial expenses during the period were EUR -0.1 (0.0) million. The impact of exchange rate changes during the review period were EUR -0.1 (0.1) million. Exchange rates also have a direct impact on shareholders' equity in terms of translation differences arising from foreign companies, which totalled EUR -0.7 (0.3) million in the review period.

Financial income and expenses breakdown are as follows:

FINANCIAL INCOME AND EXPENSES, MEUR	1-3/ 2020	1-3/ 2019	1-12/ 2019
Interest income	0,1	0,1	0,3
Exchange rate gains	0,6	0,2	0,2
Other financial income	0,0	0,0	0,0
FINANCIAL INCOME, TOTAL	0,6	0,3	0,5
Interest expenses	-0,1	-0,2	-0,6
Exchange rate losses	-0,6	-0,1	-2,4
Other financial expenses	-0,0	-0,0	-0,1
FINANCIAL EXPENSES, TOTAL	-0,8	-0,3	-3,1
FINANCIAL ITEMS, TOTAL	-0,1	0,0	-2,6

Taxes for the period totalled EUR 0.4 (1.0) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	1-3/ 2020	1-3/ 2019	1-12/ 2019
Withholding taxes paid abroad	-0,3	-0,9	-2,9
Change in withholding tax accrual	0,2	0,0	-0,4
Income taxes on the results of Group companies	-0,1	-0,1	-0,3
Other items	-0,2	0,0	-0,4
TAXES IN INCOME STATEMENT, TOTAL	-0,4	-1,0	-4,0

Company's equity ratio was 15.7 % (-9.7 %). Earnings per share were EUR 0.00 (0.01). Equity per share at the end of the period was EUR 0.02 (-0.01).

PERSONNEL

At the end of March 2020 Tecnotree employed 616 (529) persons, of which 39 (42) worked in Finland and 577 (487) elsewhere. The company employed on an average 611 (530) people during the review period. Personnel by country were as follows:

PERSONNEL	1-3/2020	1-3/2019	1-12/2019
Personnel, at end of period	616	529	600
Finland	39	42	40
Brazil	9	10	9
Argentina	40	44	41
India	402	342	412
United Arab Emirates	16	14	13
Other countries	110	77	85
Personnel, average	611	530	554
Personnel expenses (MEUR)	-4,5	-4,4	-16,0

EVENTS AFTER THE END OF THE PERIOD

No significant events after the period.

OUTLOOK FOR 2020

The company further strengthened and stabilized its operations and restarted capital deployment to fuel growth in 2019. In 2020 the company will continue to focus on market expansion and profitable growth.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

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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.

	1-3/ 2020	1-3/ 2019	1-12/ 2019
CONSOLIDATED INCOME STATEMENT, MEUR			
NET SALES	9,8	9,5	47,0
Other operating income	0,1	1,5	1,6
Materials and services	-0,5	-0,8	-2,0
Employee benefit expenses	-4,5	-4,4	-16,0
Depreciation, amortisation and impairment charges	-0,4	-0,2	-1,0
Other operating expenses	-3,4	-3,2	-15,2
OPERATING RESULT	1,1	2,4	14,4
Financial income	0,6	0,3	0,5
Financial expenses	-0,8	-0,3	-3,1
RESULT BEFORE TAXES	1,0	2,4	11,8
Income taxes	-0,4	-1,1	-4,0
RESULT FOR THE PERIOD	0,6	1,3	7,7
Allocated to:			
Equity holders of parent company	0,6	1,3	7,7
Non-controlling interest	0,0	-0,0	-0,0
EPS calculated on the profit attributable to equity holders of parent company:			
Earnings per share, basic, EUR	0,00	0,01	0,03
Earnings per share, diluted, EUR	0,00	0,01	0,03

	31.3.2020	31.3.2019	31.12.2019
CONSOLIDATED BALANCE SHEET			
Assets			
Other intangible assets	4,0	0,2	3,0
Tangible assets	0,1	0,4	0,2
Deferred tax assets	0,5	0,6	0,6
Other non-current trade and other receivables	0,8	0,7	0,8
Right-of-use assets	2,0	2,3	2,2
Current assets			
Inventories	0,0	0,0	0,0
Trade receivables	16,0	12,8	15,2
Other receivables	12,7	9,4	11,5
Cash and cash equivalents	4,5	3,9	3,4
TOTAL ASSETS	40,9	30,4	36,8
Shareholders' equity	6,4	-3,0	3,6
Non-current liabilities			

Non-current interest-bearing liabilities	13,4	12,4	13,5
Other non-current liabilities	6,8	8,2	6,8
Lease liability (non-current)	1,3	1,8	1,5
Current liabilities			
Current interest-bearing liabilities	0,5	2,1	0,5
Lease liability (current)	0,7	0,6	0,7
Trade payables and other liabilities	11,6	8,2	10,2
EQUITY AND LIABILITIES, TOTAL	40,9	30,4	36,8

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	1-3/2020	1-3/2019	1-12/2019
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Cash flow from operating activities			
Result for the period	0,6	1,3	7,7
Adjustments of the result	3,2	-0,6	5,3
Changes in working capital	0,1	-1,7	-6,4
Financial income and expenses	-0,5	-0,1	-1,6
Income taxes paid	-1,1	-1,2	-3,8
Net cash flow from operating activities	2,4	-2,2	1,1

Cash flow from investing activities			
Capital expenditure on non-current tangible and intangible assets	-1,2	-0,0	-3,4
Proceeds from disposal of intangible and tangible assets	0,0	2,4	2,4
Net cash flow from investing activities	-1,2	2,4	-0,9

Cash flow from financing activities			
Repayments of borrowings	0,0	-2,4	-3,6
Proceeds from share issue	0,1	2,0	2,9
Other financial expense	-0,0	-0,0	-0,0
Net cash flow from financing activities	0,1	-0,4	-0,7

Increase (+) and decrease (-) in cash and cash equivalents	1,3	-0,2	-0,6
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Cash and cash equivalents at beg. of period	3,4	4,2	4,2
Impact of changes in exchange rates	-0,1	-0,0	-0,2

Cash and cash equivalents at end of period	4,5	3,9	3,4
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KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-3/2020	1-3/2019	1-12/2019
Return on investment, %	37,2	-	105,4
Return on equity, %	12,3	-	-
Equity ratio, %	15,7	-9,7	9,9
Net gearing, %	146,6	-	292,2
Investments, MEUR	1,2	0,0	3,4

% of net sales	12,3	0,1	7,1
Research and development, MEUR	0,9	0,8	3,3
% of net sales	9,2	8,1	7,0
Order book, MEUR	35,5	22,8	25,5
Personnel, average	611	530	554
Personnel, at end of period	616	529	600

CONSOLIDATED KEY FIGURES PER SHARE	1-3/2020	1-3/2019	1-12/2019
Earnings per share, basic, EUR	0,00	0,01	0,03
Earnings per share, diluted, EUR	0,00	0,01	0,03
Equity per share, EUR	0,02	-0,01	0,01
Number of shares at end of period, x 1,000	274 628	225 183	247 628
Number of shares on average, x 1,000	257 287	211 691	235 295
Share price, EUR			
Average	0,20	0,06	0,09
Lowest	0,11	0,05	0,05
Highest	0,30	0,07	0,24
Share price at end of period, EUR	0,15	0,06	0,17
Market capitalisation of issued stock at end of period, MEUR	41,2	14,2	42,1
Share turnover, million shares	15,5	1,7	18,3
Share turnover, % of total	5,6	0,8	7,4
Share turnover, MEUR	3,2	0,1	2,1

QUARTERLY KEY FIGURES	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Net sales, MEUR	9,8	14,1	12,4	11,0	9,5	12,1
Net sales, change %	3,4	16,2	-0,1	12,0	25,9	-22,2
Adjusted operating result ¹	2,3	4,1	4,3	3,6	1,0	4,5
% of net sales	23,0	28,7	34,6	33,2	10,2	37,4
Operating result, MEUR	1,1	4,1	4,3	3,6	2,4	4,0
% of net sales	11,6	28,7	34,6	33,2	25,1	32,6
Adjusted result for the period, MEUR ²	1,7	2,8	2,1	1,4	-0,1	1,7
Result for the period, MEUR	0,6	2,8	2,1	1,4	1,3	1,1
Personnel at end of period	616	600	586	515	529	543
Earnings per share, basic, EUR	0,00	0,01	0,01	0,01	0,01	0,01
Earnings per share, diluted, EUR	0,00	0,01	0,01	0,01	0,01	0,01
Equity per share, EUR	0,02	0,01	0,01	0,00	-0,01	-0,04
Net interest-bearing liabilities, MEUR	9,4	10,6	9,0	11,0	10,7	12,9
Order book, MEUR	35,5	25,5	26,3	33,2	22,8	21,1

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

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

