

RopoHold Oyj, Financial statement 2018 and Business Review

1.10. – 31.12.2018

Group's business operations have developed in line with the planned strategy. During the financial year 2018, the Group's net sales increased to EUR 46 million, with net sales growth of 23%. The Group's EBITDA, adjusted for non-recurring items, increased to EUR 11.9 million (with EBITDA margin of 25%). Reported EBITDA increased 53%. Net sales in October-December increased by 16% and adjusted EBITDA excluding non-recurring expenses increased by 22% compared to previous year.

October - December 2018 in brief

The Group's business operations developed as expected during the fourth quarter. Net sales in October-December increased by 16% and adjusted EBITDA excluding non-recurring expenses increased by 22% compared to previous year. Fourth-quarter net sales and EBITDA growth were mainly due to the completion of the life cycle service deployment projects for several operating customers during the second quarter of the year. Ropo reached a production stage with several new life cycle service customers also in the fourth quarter including utility company **Lassila & Tikanoja** and health care provider **Mehiläinen**. The company expects that the new lifecycle service contracts signed in 2018 will have a positive impact on 2019 EBITDA which is expected to increase from 2018 level.

- Net sales amounted to EUR 11,3 million (9,8): growth of 16 %.
- EBITDA totalled EUR 2,4 million (2,3): growth of 2 %.
- Operating profit was EUR 1,3 million (1,2): growth of 3 %.
- Net profit came to EUR 0,2 million (0,4): growth of -55 %.
- The equity ratio was 4 per cent (17 %).

Reported EBITDA was decreased by non-recurring costs of EUR 0.5 million, which were mainly related to Company's strategy work.

Notable: This is not an interim report as specified in the IAS 34 standard. The company complies with semi annual reporting frequency according to the Finnish Securities Markets Act and additionally discloses quarterly business reviews in accordance with the terms relating its bond issue in December 2017. The figures in the review are unaudited.

Year 2018 in brief

Net sales

During the financial year 2018, the Group's net sales increased to EUR 46 million (2017: EUR 37 million), with net sales growth of 23%. Extending the services offered to the Group's larger information logistics customers to include invoice lifecycle services and the successful sale of invoice lifecycle services to new customers were the key drivers for the net sales growth.

The largest sector in the Group's customer base, measured in net sales, has traditionally been the energy sector, and the Group also has a strong clientele in health care and community services, where growth was driven especially by the successful generation of new business in 2018.

Profitability

Net sales for payment monitoring services increased by 32%, with the growth in the financial business being 35% year-on-year. The Group's EBITDA, adjusted for non-recurring items, increased to EUR 11.9 million (with EBITDA margin of 25%), compared with the previous year's EBITDA of EUR 7.4 million (20%). The Group reported EBITDA of EUR 11.3 million.

The increase in EBITDA reflects the invoice lifecycle services' increased share of the Group's net sales and the reduced share of the information logistics service.

Operating expenses

The number of the Group's employees increased from 133 (at the end of 2017) to 177 (at the end of 2018). During the year, the Group successfully opened a new customer service centre in Kuopio and succeeded well in recruiting. Personnel expenses increased to EUR 8.6 million (28% year-on-year).

Investments

Capitalised investments included in the consolidated balance sheet for the financial year amounted to EUR 0.3 million. Most significant investments included in the balance sheet were related to the capitalisation of consultancy costs related to the development of the Group's analytics tools and the furniture purchases for the Group's Kuopio office.

The company's operating profit is burdened by the depreciation of the acquisition prices allocated to assets from the company acquisitions carried out in the previous years. Depreciation in 2018 amounted to EUR 4.4 million (EUR 4.1 million in 2017).

Cash flow

The cash flow for the Group's operational business remained strong in 2018. The cash flow from operating activities, excluding interest and tax payments, amounted to EUR 11.8 million.

The Group's financial position and equity ratio were weakened by the EUR 12 million repayment of capital from the reserve for invested unrestricted equity, which took place in June 2018. The interest expenses paid by the company are mainly related to the EUR 50 million bond that the company issued in December 2017.

Outlook

Financing services

There is growing demand for various financing services by the Group's clientele. To meet the increased demand, the Group will publish new financing services for customers in 2019.

Internationalisation

Significant demand for invoice lifecycle services has also been identified in other Nordic countries. In autumn 2018, the Group started strategic clarification work to map the various options for internationalisation in order to meet the customers' needs. The results of this work are expected to be available and the subsequent measures completed during the current financial year.

Financial statements, interim reports and business reviews are available on the company's investor website at www.ropocapital.fi/en/company/investors/financial-publications/.

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About Ropo Capital

Ropo Capital is a leading Finnish provider of invoice lifecycle management services covering the whole value chain of receivables management. We compete in the markets as a technological forerunner – our operating model is based on the advantages of digitalisation and advanced automation. The Company employs approximately 160 people and more than 8,000 Finnish companies actively use our services. We deliver one in six invoices in Finland. Our goal is to be the market leader in Finland by 2020.

RopoHold Oyj is the parent company of the Ropo Capital Group.

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