

Tecnotree

Empowering Digitally Connected Communities

Financial Report Q1 2024

1st Jan – 31st Mar 2024



Tecnotree Corporation Interim Report 1st Jan – 31st Mar 2024 (unaudited)

On-track revenue growth, improved profitability while facing currency exchange fluctuations

First quarter (January – March 2024)

- Net sales increased 4.7% to EUR 16.3 (15.5) million.
- Net sales constant currency increased 35% EUR 21.6 (16.0) million
- Operating result increased 22.3% to EUR 4.4 (3.6) million.
- Foreign exchange losses increased 80.3% to EUR 1.7 (1.0) million.
- Result for the period decreased by 10.4% to EUR 1.6 (1.8) million.
- Gross cash inflow from operating activities EUR 1.0 (4.9) million.
- Earnings per share EUR 0.01 (0.01).
- Order book at the end of the period increased by 10.3% to EUR 74.8 (67.8) million.

Key figures, MEUR	1-3/2024	1-3/2023	1-12/2023
Net sales	16.3	15.5	78.4
Operating result	4.4	3.6	23.8
Result before taxes	2.1	2.7	13.9
Result for the period	1.6	1.8	11.2
Earnings per share, basic, EUR	0.01	0.01	0.04
Order book	74.8	67.8	80.2
Gross cash inflow from operations	1.0	4.9	17.4
Change in cash and cash equivalents	-4.4	-0.9	8.6
Cash and cash equivalents	16.4	10.9	20.8
Equity ratio % (Equity/Total Liabilities)	65.9	74.6	67.5
Debt Equity ratio % (Debt/Equity)	6.1	2.5	6.6
Personnel at end of period	892	884	883

*Unless otherwise stated, all figures presented below are for the financial period 1-3/2024 and the figures for comparison are for the corresponding period in 1-3/2023.

Prospects 2024

Tecnotree expects in 2024:

- Revenue to be higher by 2%-7% compared to 2023
- Operating profit (EBIT) to be higher by 7%-15% compared to 2023

Tecnotree

The company will continue its focus on increasing licence sales, while evolving its delivery model to an Annual Recurring Revenue model. This will ensure that the company will have more predictable and stable quarter on quarter revenue. However, revenue will be impacted in the shorter term. Telecom industry growth is poised at 2.1% annually from 2022-2027 and Tecnotree has been growing above the market. Further given the uncertain global economic scenario, the Company expects 2%-7% growth in revenue compared to 2023.

In 2024, the company is expecting higher cost optimisation which will result in higher Operating profit of 7%-15% compared to 2023.

The outlook is based on the constant currency terms

From the CEO's desk

Ontrack revenue growth with higher profitability while foreign exchange losses continue

In Q1 2024, Tecnotree continued to further its embedded AIML offerings in the Middle East with its most recent win for the Sensa Fabric in Jordan. This reinforces Tecnotree's position as a trusted partner for leading Telecommunication partners in AIML powered BSS solutions. As operators focus on de-layering their business models beyond connectivity, to drive accelerated revenue growth in adjacent verticals, Tecnotree announced its third MVNO win in a new market, with Nuh-Digital in Brazil. Nuh-Digital is a dynamic network player in the realm of education services and has selected Tecnotree's comprehensive digital platform to enhance customer experience and accelerate revenue growth.

Revenue

In Q1 2024, Tecnotree continued growth trend and recorded a solid 4.7% increase in revenue totaling to EUR 16.3 million compared to EUR 15.5 million last year. In constant currency terms (exchange rate as at the Dec of previous year) increased by 35% to EUR 21.6 million compared to EUR 15.0 million in the same quarter last year. High exchange volatility volatility has impacted the revenue in the current quarter.

Tecnotree

In the first quarter of 2024, Tecnotree continued to drive sales of its digital platform globally, completing a number of AIML and digital transformations for key customers, thereby increasing revenue from these deliveries.

While Tecnotree had new wins in the LATAM region, EMEA and APAC continue to be the growth markets for the digital platform.

Tecnotree earns revenue in multiple global currencies and predominantly in US dollars. In Q1/2024, one third of revenue was in Nigerian nairas resulting in further currency exchange losses. In terms of mitigating the exchange losses, we continue to work with a number of financial institutions for currency swaps and hedges.

Since February of 2024 the naira has continued to show signs of improvement and this will hopefully minimize our exchange risks going forward.

Cost

Tecnotree began cost optimization last year and continue to embark on a global initiative targeting significant cost optimization also in 2024. The total operating expenses for Q1/2024 was 73% of the revenue, which is lower than 76% in Q1/2023. This has resulted in higher EBIT for the current quarter.

Profitability

The operating result in the first quarter improved by 22.3% to EUR 4.4 million compared to EUR 3.6 million last year. During the quarter, Tecnotree also initiated a new cost rationalization program, and the company expects full-year operating result to be 7% to 15% higher than in 2023. In the first quarter, net profitability continued to be negatively impacted by exchange differences. However the actions taken to mitigate the risk continue and have started to show positive signs for the situation to improve.

Collections

Tecnotree business has a high degree of seasonal variations. A number of digital deliveries were completed in Q1/2024, which have now been invoiced and are due for collection over the next quarter. The overall collections for Q1/2024 totaled EUR 9.5 million and in constant currency it would have been EUR 12.0 million. Q1/2024 also witnessed a heavy period of holidays and lesser number of available banking days, adding further slowing collections.

Order Book

Tecnotree's order book grew in total by 10.3% year on year to EUR 74.8 million and the growth was supported by LATAM, Middle East, Africa and APAC.

Recognitions

In Q1 2024, Tecnotree announced its Partnership with Bytedance, combining its expertise in technology and content creation with Tecnotree Moments' telecom industry insights and innovative solutions. The partnership seeks to create synergies that accelerate digital transformation and unlock value for telecom operators worldwide. Leveraging advanced AI capabilities and high-speed 5G networks. These solutions will empower telecom enterprises to drive new revenue streams and enhance customer engagement.

In Q1/2024, Tecnotree Moments was selected by Global Hitss, an American Movil Group Co. to enhance e-health services across Mexico and Latin America. This digital platform will improve healthcare services by transforming various aspects, such as registration, appointment scheduling, accessing records of patient history, subscription management, and billing processes - ensuring seamless operations across the entire value chain.

Tecnotree Moments in Q1 2024 was also selected as a finalist in the prestigious TMForum 2024 Excellence Awards in the category of network monetization, for enabling B2B2C network monetization in healthcare. The results will be announced in June 2024.

Financial Performance

Net sales in the first quarter were EUR 16.3 million (15.5) being 4.7% higher compared to last year. Net sales from sale of third-party hardware and software were EUR 0.0 (0.5) million, own licenses EUR 0.0 (2.2) million, delivery EUR 8.7 (4.4) million and maintenance and management services EUR 7.6 (8.5) million.

The order book at the end review period stood at EUR 74.8 (67.8) million showing 10.3% growth compared to last year. Operating result in the first quarter was EUR 4.4 million and increased by EUR 0.8 million (22.3%) compared to EUR 3.6 million last year.

Net result in the first quarter was EUR 1.6 million and decreased by EUR 0.2 (10.4%) million compared to EUR 1.8 million last year

Nature of goods and services offered, MEUR	1-3/2024	1-3/2023	1-12/2023
Sale of third party hardware and software	0.0	0.5	2.8
Own licenses	0.0	2.2	17.4
Delivery	8.7	4.4	29.6
Maintenance and management services	7.6	8.5	28.6
Net sales total	16.3	15.5	78.4

Methods used to recognise revenue, MEUR	1-3/2024	1-3/2023	1-12/2023
Point in time:			
Third party hardware and software	0.0	0.5	2.8
Own license	0.0	2.2	17.4
Overtime:			
Delivery	8.7	4.4	29.6
Maintenance and management services	7.6	8.5	28.6
Net sales total	16.3	15.5	78.4

Recognition of revenue by operating segment, MEUR	1-3/2024	1-3/2023	1-12/2023
Europe & Americas:			
Third party hardware and software	0.0	0.0	0.1
Own license	0.0	0.6	1.0
Delivery	2.1	0.1	5.3
Maintenance and management services	1.8	3.1	10.1
Net sales total	3.9	3.8	16.5
MEA & APAC:			
Third party hardware and software	0.0	0.5	2.6
Own license	0.0	1.5	16.4
Delivery	6.6	4.3	24.3
Maintenance and management services	5.8	5.4	18.5
Net sales total	12.4	11.7	61.8

Order book by operating segment, MEUR	31.3.2024	31.3.2023	1-12/2023
Europe & Americas	8.7	7.6	9.8
MEA & APAC	66.1	60.2	70.4
Order book total	74.8	67.8	80.2

Result analysis

The operating result for the first quarter was EUR 4.4 (3.6) million and the result EUR 1.6 (1.8) million. Financial items without exchange rate differences in financial items for the first quarter were EUR -0.6 (0.0) million. Exchange rate differences for the first quarter were EUR -1.7 (-1.0) 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. Investments in Product Engineering during the first quarter was EUR 3.6 (3.3) million. Amortizations on total capitalized development costs during the first quarter were EUR 1.3 (0.5).

Income statement, key figures, MEUR	1-3/2024	1-3/2023	1-12/2023
Net sales	16.3	15.5	78.4
Other operating income	0.0	0.0	0.2

Operating costs	-11.9	-11.9	-54.7
Operating result	4.4	3.6	23.8
Financial items without currency differences	-0.6	0.0	-0.2
Exchange rate gains and losses in financial items	-1.7	-1.0	-9.7
Income taxes	-0.4	-0.9	-2.8
Result for the period	1.6	1.8	11.2

Financial income and expenses for the review period totalled a net loss of EUR 2.4 million (net loss of EUR 1.0 million), including following items:

Financial income and expenses, MEUR	1-3/2024	1-3/2023	1-12/2023
Interest income	0.1	0.2	0.5
Exchange rate gains	2.7	2.9	5.6
Other financial income	0.0	-0.0	-0.0
Financial income, total	2.9	3.1	6.1
Interest expenses	-0.2	-0.1	-0.6
Exchange rate losses	-4.4	-3.9	-15.3
Other financial expenses	-0.6	-0.0	-0.0
Financial expenses, total	-5.2	-4.1	-16.0
Financial items, total	-2.4	-1.0	-9.9

Taxes for the review period totalled EUR 0.4 (0.9) million, including following items:

Taxes in income statement, MEUR	1-3/2024	1-3/2023	1-12/2023
Withholding taxes paid abroad	-0.3	-0.7	-2.9
Change in withholding tax accrual	0.0	0.0	0.9
Income taxes on the results of Group companies	-0.1	-0.1	-0.6
Other items	-0.1	-0.1	-0.1
Taxes in income statement, total	-0.4	-0.9	-2.8

Business description

Tecnotree is a 5G-ready digital Business Support System (BSS) player with AI/ML capabilities and multi-cloud extensibility. It has over 40 years of deep domain expertise and it is amongst the first few companies to attain Platinum Badge in the world for Open API standards by TM Forum. It's agile and open-source Digital BSS Stack comprises of the full range (order-to-cash) of business processes and subscription management for telecommunication players and other digital services providers, creating opportunities beyond connectivity. Tecnotree also provides a Fintech solution and a B2B2X multi-experience digital marketplace to its subscriber base through the Tecnotree Moments platform to empower digitally connected communities across gaming, health, education, OTT and other vertical ecosystems.

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In 2024 and beyond, Tecnotree will continue to offer its digital products and services to expand its reach to help telecom operators globally in their digital transformation journeys. Tecnotree will focus on expanding its footprint within the current geographies and customers and it will also explore new markets in Europe, Oceanic and Asia Pacific and adjacent vertical market opportunities.

With Tecnotree Moments continues to forge new partnerships with digital service providers, eco-system players and internet of things (IOT) providers, with new partnerships to be announced in H1 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.

Tecnotree plans to achieve this with its cloud enabled micro-services based interoperable products and digital platforms that will help its customers to create a “Digital Marketplace and Digital Communities” for their traditional offerings, and an additional ecosystem of partner products and services that fosters true business value and improved revenue models for stakeholders.

Tecnotree’s cutting-edge products enable communication service providers to expand their footprint and transform their business into that of a digital service provider, thus helping expand and increase their value to their subscriber base.

Tecnotree’s business is based on its product licenses, professional services for customization of its products, and maintenance and support services on its products to a global customer base and is planning on capturing subscription and transaction-based business through its B2B2X offerings. Tecnotree has an especially strong footprint in developing markets such as Latin America, Africa and the Middle East, serving more than 1 billion subscribers worldwide and supporting more than 90 operators/CSPs worldwide.

Tecnotree operates globally and has development and operational support centres in LATAM, Europe, Middle East, Africa, USA and Asia.

Personnel

At the end of the first quarter, Tecnotree employed 892 (884) persons, of whom 39 (40) worked in Finland and 853 (844) globally. Personnel by country were as follows:

Personnel	31.3.2024	31.3.2023	31.12.2023
Personnel, at end of period	892	884	883
Finland	39	40	40
Brazil	5	6	6
Argentina	37	37	39
India	741	654	734
United Arab Emirates	28	20	25
Other countries	42	127	39
Personnel, average	892	885	869
Personnel expenses (MEUR)	-4.6	-5.4	-24.2

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.

The Company on 19 April 2024 executed a reverse share split and thereto related directed share issue without consideration, redemption of shares and cancellation of shares. After these measures, the new number of shares in the Company is 15,953,250 (previously 318,956,206)

Tecnotree Corporation
Board of Directors

Further information

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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	1-3/2024	1-3/2023	1-12/2023
Net sales	16.3	15.5	78.4
Other operating income	0.0	0.0	0.2
Materials and services	-0.8	-0.6	-4.7
Employee benefit expenses	-4.6	-5.4	-24.2
Depreciation, amortisation and impairment charges	-1.6	-0.6	-3.9
Other operating expenses	-4.9	-5.4	-21.9
Operating result	4.4	3.6	23.8
Financial income	2.9	3.1	6.1
Financial expenses	-5.2	-4.1	-16.0
Result before taxes	2.1	2.7	13.9
Income taxes	-0.4	-0.9	-2.8
Result for the period	1.6	1.8	11.2
Allocated to:			
Equity holders of parent company	1.6	1.8	11.2
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	0.01	0.01	0.04
Earnings per share, diluted, EUR	0.01	0.01	0.04

Consolidated balance sheet, MEUR	31.3.2024	31.3.2023	31.12.2023
Non-current assets			
Intangible assets	35.7	26.3	33.5
Tangible assets	0.4	0.4	0.4
Deferred tax assets	0.5	0.6	0.5
Other non-current trade and other receivables	1.9	2.2	1.9
Current assets			
Trade receivables	36.5	36.1	32.9
Other receivables	38.6	26.3	38.2
Cash and cash equivalents	16.4	10.9	20.8
Assets total	130.0	102.9	128.2
Shareholders' equity			
	85.6	80.7	86.5
Compulsory convertible debentures	23.1	0.0	21.1
Non-current liabilities			
Non-current interest-bearing liabilities	0.0	2.3	0.0

Other non-current liabilities	4.0	3.5	3.7
Current liabilities			
Current interest-bearing liabilities	5.2	2.0	5.7
Trade payables and other liabilities	12.1	14.3	11.3
Equity and liabilities total	130.0	102.9	128.2

Consolidated condensed cash flow statement, MEUR	1-3/2024	1-3/2023	1-12/2023
Cash flow from operating activities			
Result for the period	1.6	1.8	11.2
Adjustments of the result	4.2	2.5	15.5
Changes in working capital	-4.9	0.6	-9.2
Gross Cash Inflow from operating activities	1.0	4.9	17.4
Financial income and expenses	-1.5	-1.0	-7.7
Income taxes paid	-0.4	-0.9	-3.5
Net cash flow from operating activities	-0.9	3.0	6.2
Cash flow from investing activities			
Utilized from CCD	3.8	0.0	9.0
Investment on tangible and intangible assets	-3.4	-3.4	-11.9
Investments on third party software	-0.5	0.0	-2.0
Advance for acquisition			-2.0
Net cash flow from investing activities	0.0	-3.4	-6.9
Cash flow from financing activities			
Compulsory convertible debentures (CCD)	2.0	0.0	21.1
CCDs Utilized for Investment activity	-3.8	0.0	-9.0
Repayments of borrowings	-0.5	-0.5	-4.6
New loans	0.0	0.0	5.5
Other financial costs	0.0	-0.0	0.0
Net cash flow from financing activities	-2.3	-0.5	12.9
Translation Difference	-1.2	-0.5	-3.7
Increase (+) and decrease (-) in cash and cash equivalents	-4.4	-1.4	8.6
Cash and cash equivalents at beginning of period	20.8	12.3	12.3
Cash and cash equivalents at end of period	16.4	10.9	20.8

Key figures

Consolidated key financial figures	1-3/2024	1-3/2023	1-12/2023
Return on investment, %	11.2	13.4	16.9
Return on equity, %	7.5	9.0	13.4
Equity ratio, %	65.9	74.6	67.5
Debt/Equity ratio, %	6.1	2.5	6.6
Investments, MEUR	3.8	3.4	15.9

% of net sales	23.4	21.9	20.3
Order book, MEUR	74.8	67.8	80.2
Personnel, at end of period	892	884	883

Consolidated key figure per share	1-3/2024	1-3/2023	1-12/2023
Earnings per share, basic, EUR	0.01	0.01	0.04
Earnings per share, diluted, EUR	0.01	0.01	0.04
Equity per share, EUR	0.27	0.25	0.27
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	318.956	318.956
Share price, EUR			
Average	0.30	0.53	0.42
Lowest	0.27	0.41	0.27
Highest	0.36	0.64	0.51
Share price at end of period, EUR	0.28	0.49	0.34
Market capitalisation of issued stock at end of period, MEUR	88.7	155.0	108.4
Share turnover, million shares	22.1	30.8	94.6
Share turnover, % of total	6.9	9.6	29.7
Share turnover, MEUR	6.6	16.4	42.5
Price/earnings ratio (P/E)	55.0	86.3	9.7

Quarterly key figures	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
Net sales, MEUR	16.3	22.2	21.4	19.3	15.5	20.1	19.9	18.3	13.3
Net sales, change %	4.7	10.4	10.9	24.0	-22.7	11.2	19.1	9.5	18.7
Operating result, MEUR	4.4	7.9	6.2	6.2	3.6	6.1	5.0	5.1	2.0
% of net sales	27.2	35.4	28.9	32.1	23.3	30.6	25.2	28.1	15.1
Result for the period, MEUR	1.6	2.4	3.2	3.7	1.8	3.2	3.4	4.0	1.0
Personnel at end of period	892	883	836	895	884	857	798	778	756
Earnings per share, basic, EUR	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Earnings per share, diluted, EUR	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Equity per share, EUR	0.27	0.27	0.27	0.26	0.25	0.25	0.25	0.23	0.21
Net interest-bearing liabilities, MEUR	-11.2	-15.2	-9.6	-3.6	-6.5	-7.5	-19.9	-13.9	-15.6
Order book, MEUR	74.8	80.2	78.0	68.4	67.8	68.9	76.1	72.8	64.0

