

# BasWare in Q1 2006

CEO Ilkka Sihvo

April 11, 2006

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# Business Review of Q1 2006

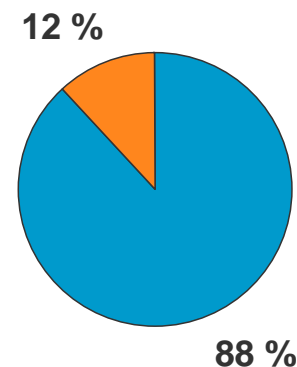


## Key Events in Q1 2006

- ▶ Growth of net sales continued – 67 percent including Analyste
  - Net sales EUR 14 243 thousand (EUR 8 527 thousand)
  
- ▶ Growth of international operations accelerated from Q1 last year
  - International operations 46% of net sales, growth 62 percent (24%)
  - Reseller channel strengthened with 5 new business partners
  
- ▶ Operating profit growth of 151 percent to EUR 1 339 thousand
  
- ▶ Acquisition of Analyste in January
  - 1 463 516 new BasWare shares as a result of two directed offerings
  
- ▶ Annual General Meeting on February 15
  - New Board members Asko Ahonen (former Analyste CEO) and Tom Bangemann (European Practice Leader of The Hackett Group)

# Business Operations in Q1 2006

- ▶ Enterprise Purchase to Pay
  - Growth 75 percent
  - 37 new customer agreements for BasWare main products in 10 countries; 19 agreements for Analyste products in Finland
- ▶ Financial Management
  - Growth 23 percent
  - 7 new agreements for main products in Finland and Sweden
- ▶ Business Transactions
  - Over a million electronic invoices transmitted in the quarter
  - Increase of 108% compared with Q1 2005 and 9% compared with Q4 2005
- ▶ In total 450,000 end users worldwide



## International Operations in Q1 2006

- ▶ Growth of international operations 62 percent (24%)
  - Highest growth figures in the Netherlands and the UK
- ▶ Reseller network strengthened with 5 new business partners
- ▶ In total 41 business partners (i.e. value added resellers) in 21 countries
- ▶ Net share of resellers 32 percent (38%) of international product sales
  - N.B. Iocore Norway operating as partner in Q1 2005

# Nordic Operations in Q1 2006

## Nordic

- Finland and subsidiaries in Sweden, Denmark, Norway
- Mainly direct operations
- Whole BasWare product range in Nordic distribution
- Analyste products in Finland
- Pilot area for new products



## TRADIMUS

### Q1 2006

- Growth of net sales 65% in Finland, 96% in Scandinavia
- One new business partner in Sweden; 33 active resellers in Finland
- Achieved the net sales objective as a whole
  - Units in Finland surpassed their sales objectives
  - Sweden and Denmark achieved their objectives
  - Norway surpassed the objective

# European Operations in Q1 2006

## Europe

- Subsidiaries in Germany, the UK, the Netherlands and France
- Direct sales as main revenue source in the short term
- Focus from direct to indirect sales in the mid-term
- Multiple channel partners in each strategic market



## Q1 2006

- 2 new business partners; 27 partners in total at end of the quarter
- Achieved the net sales objective moderately as a whole
- Growth of net sales 40%; strongest growth in the Netherlands and UK
  - The Netherlands surpassed the sales objective
  - Germany achieved the sales objective moderately
  - UK and France were behind their objectives
  - New country manager started in UK



# Operations outside of Europe in Q1 2006

## North America

- Direct sales as main revenue source in the short term
- Channel network and co-marketing efforts with various business partners
- Focus from direct to indirect sales in the long term



## Q1 2006

- 2 new business partners; 7 partners in total at end of the quarter
- Achieved the net sales objective; growth 56%
- New country manager to start in April



## Asia Pacific

- Main focus on Australia
- Opportunities in other APAC countries to be reviewed

## Q1 2006

- Three business partners
- Achieved the sales objective

# New Customer Agreements Q1 2006



## Acquisition of Analyste in January

- ▶ Acquisition cost approx. EUR 27.8 million
  - Fair value of net assets EUR 11.9 million
- ▶ Extends the product portfolio to cover, for example, payment software
- ▶ Strengthens BasWare's market position in Finland
- ▶ Synergy benefits EUR 0.8–1 million in 2006; EUR 1.3–1.5 million in 2007
- ▶ Restructuring costs EUR 300 thousand in H1 2006
- ▶ Analyste key figures in 2005 (IFRS, un-audited)
  - Net sales in 2005 EUR 9.8 million
  - Operating profit margin 29%
  - 107 employees at end of 2005



# The New Combined Product Portfolio

**BasWare  
main  
products**

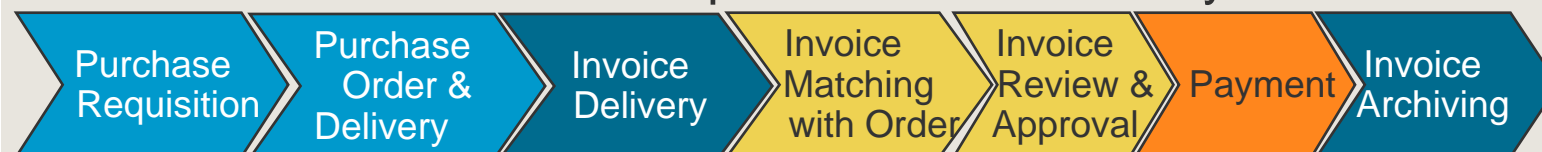
**BasWare  
Purchase  
Management**

**BasWare  
Business  
Transactions**

**BasWare  
Invoice  
Processing**

**BasWare Travel & Expense Management**

**BasWare Enterprise Purchase to Pay**



*From Need to Payment*

**Analyste  
products**

**Analyste e-Office**

**Analyste e-Office**

**Analyste Banking,  
In-House Banking  
and Finance**

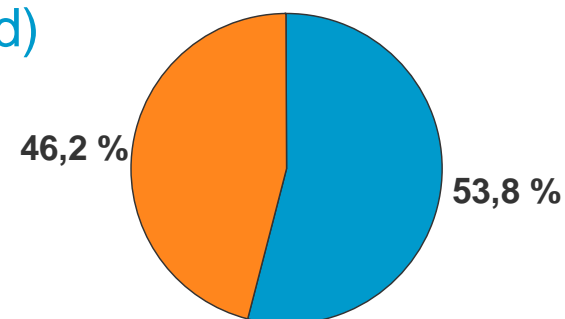
**Analyste iBanking and Point of Service**

# Financial Review of Q1 2006



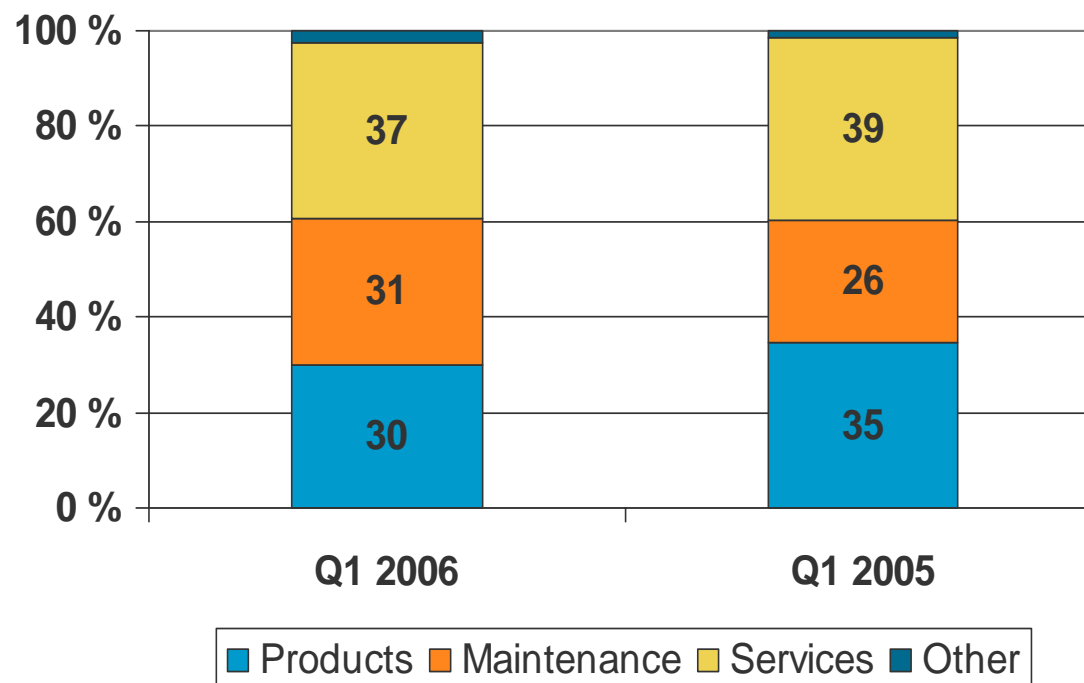
## Development of Net Sales

- ▶ Net sales EUR 14 243 thousand (EUR 8 527 thousand)
  - Growth 67 percent; 35 percent compared with the Q1 2005 pro forma net sales (BasWare + Analyste)
- ▶ Resellers' share 19 percent (22%) of total product sales
  - EUR 820 thousand (EUR 648 thousand)
- ▶ Resellers' share 32 percent (38%) of international product sales
- ▶ Growth of international net sales 62 percent (24%)



■ Finland ■ International

# Net Sales by Operation



## *Note new segment division*

### **Products =**

License sales of own software products, also through ASPs

### **Maintenance & Support =**

Continuous, annually charged fees (18-20% of license sales) + maintenance services

### **Consulting & Services =**

Installation and other consulting services related to products; also Business Transactions service fees

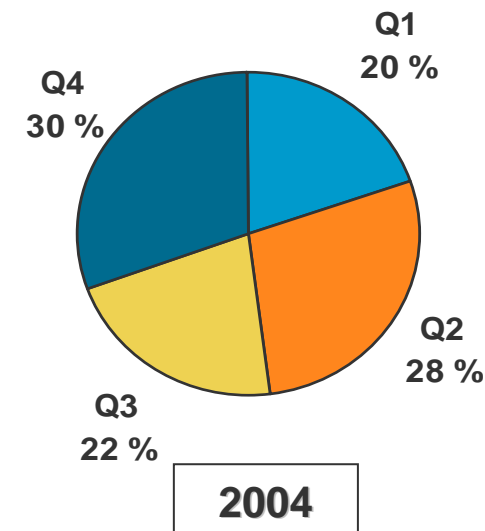
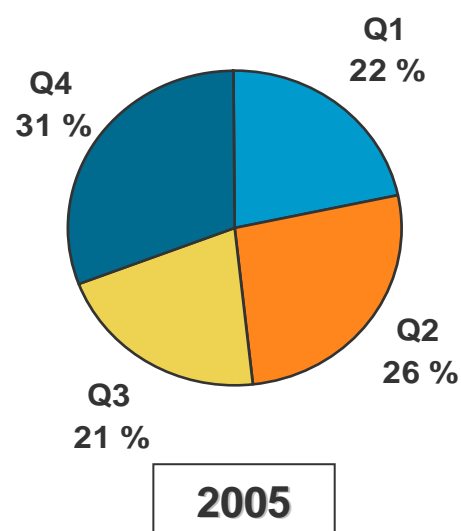
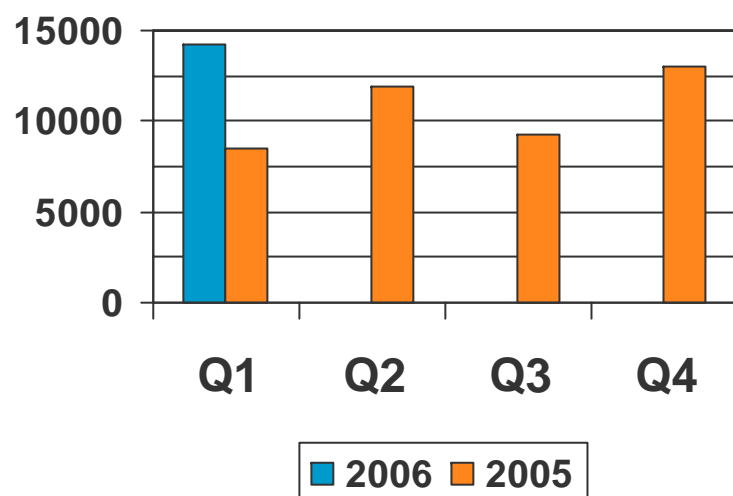
### **Other =**

Mainly sales and maintenance of third party hardware and software

- ▶ Growth of product sales 41 percent
- ▶ Growth of maintenance revenue 104 percent
- ▶ Growth of services revenue 62 percent

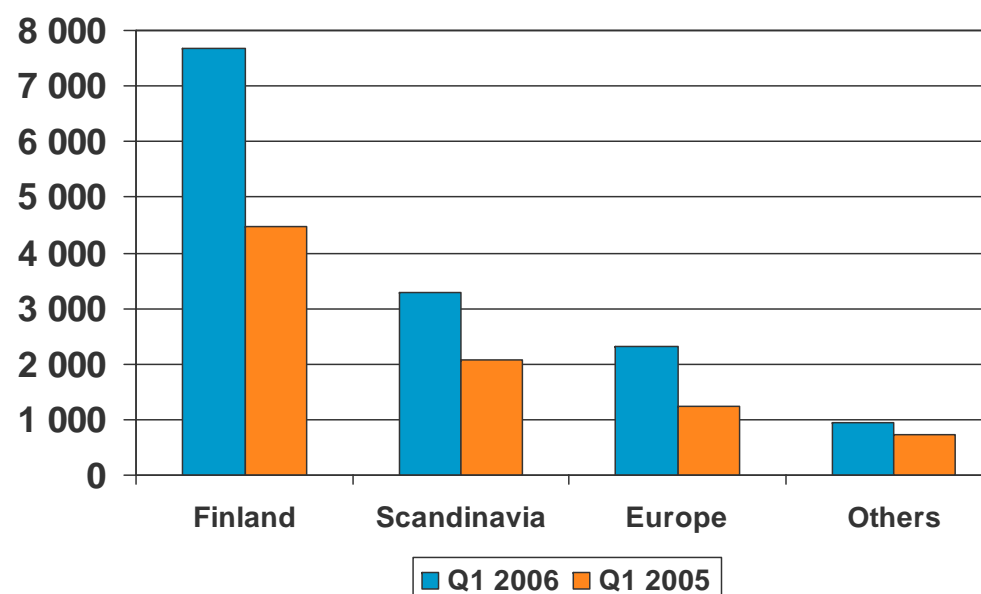
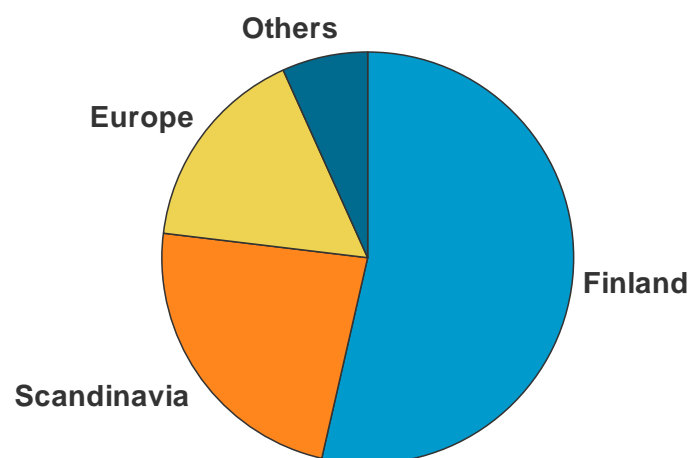
## Development of Quarterly Net Sales

<i>EUR thousand</i>	Q1/06	Q1/05	Q2/06	Q2/05	Q3/06	Q3/05	Q4/06	Q4/05
<b>Net sales</b>	<b>14 243</b>	<b>8 527</b>		<b>11 963</b>		<b>9 289</b>		<b>13 031</b>
<b>Growth %</b>	<b>67,0 %</b>	<b>16.2%</b>		<b>33.8%</b>		<b>31.7%</b>		<b>23.4%</b>
Other operating income	41	21		13		13		13
Materials and services	778	694		1 031		778		669
Personnel expenses	8 259	4 743		6 375		4 847		6 604
Depreciation & amortization	453	217		267		316		277
Other operating expenses	3 454	2 360		2 953		2 794		3 190
<b>Operating profit</b>	<b>1 339</b>	<b>534</b>		<b>1 349</b>		<b>567</b>		<b>2 305</b>



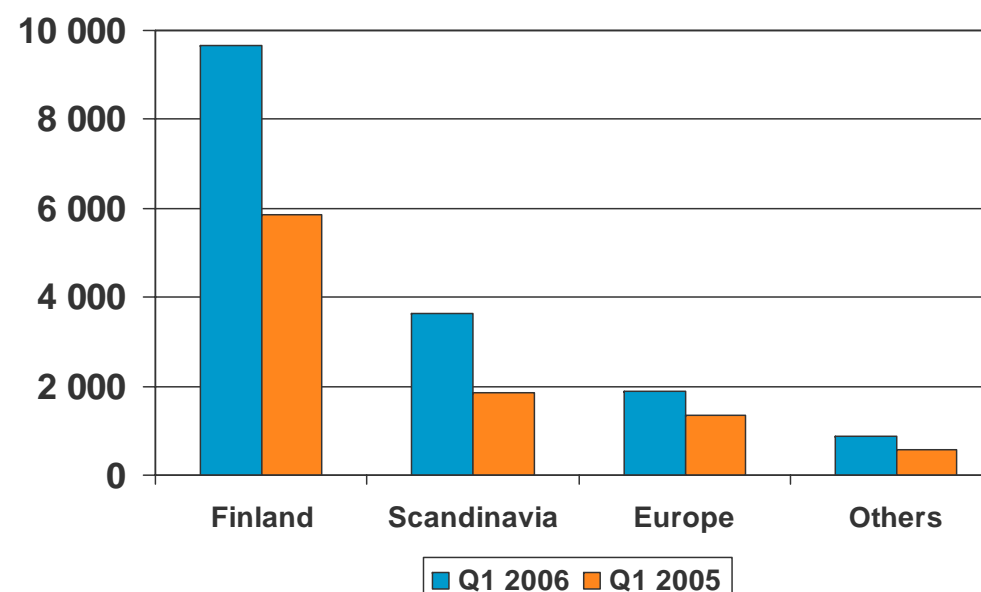
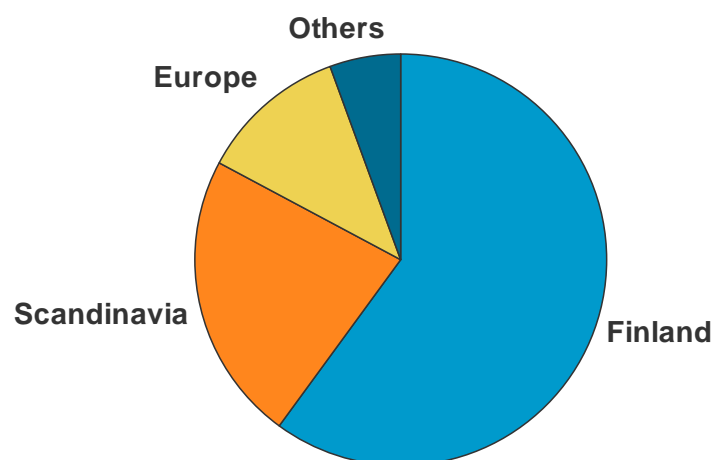
## Net Sales by Geographic Area

Net sales	1-3/2006	1-3/2005	Change, %
Finland	7 666	4 464	71.7
Scandinavia	3 298	2 087	58.0
Europe	2 328	1 241	87.5
Others	951	734	29.6
<b>Group total</b>	<b>14 243</b>	<b>8 527</b>	<b>67.0</b>



## Net Sales by Primary Segment

Net sales	1-3/2006	1-3/2005	Change, %
Finland	9 661	5 857	65.0
Scandinavia	3 653	1 867	95.7
Europe	1 901	1 359	39.9
Others	884	565	56.3
Net sales between segments	-1 857	-1 121	65.6
<b>Group total</b>	<b>14 243</b>	<b>8 527</b>	<b>67.0</b>

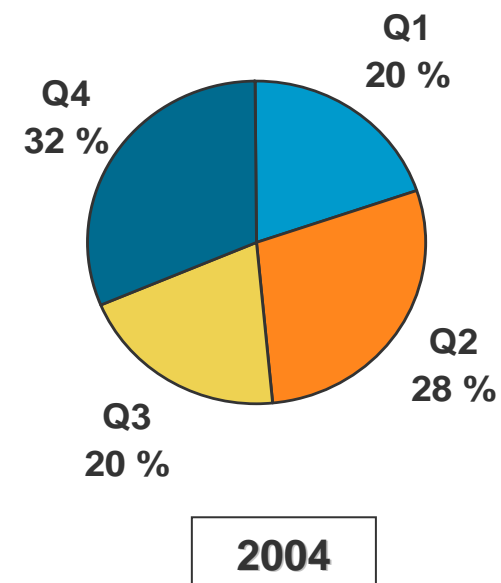
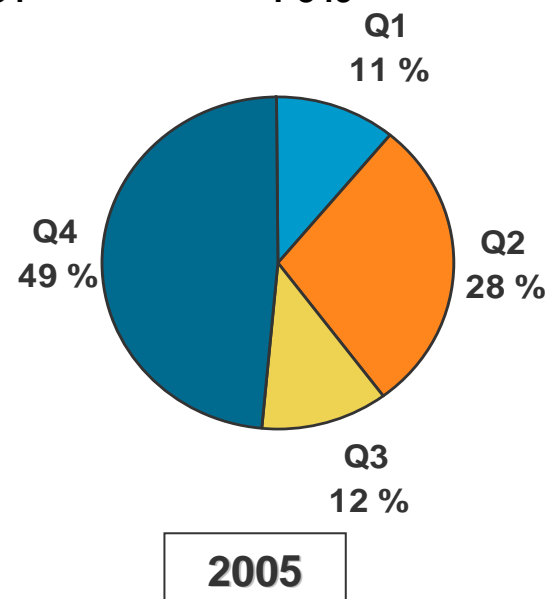
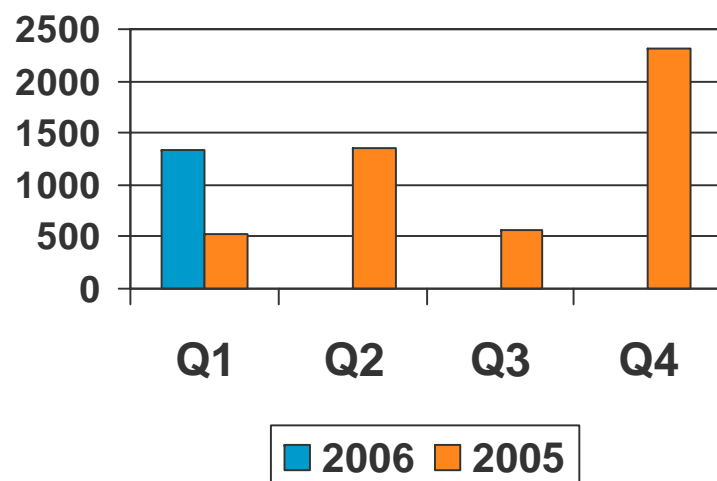


## Development of Profit

- ▶ Operating profit EUR 1 339 thousand (EUR 534 thousand)
  - 9 percent (6%) of net sales
  - Increase 151 percent; 74 percent compared with the Q1 2005 pro forma
  
- ▶ Fixed costs EUR 11 713 thousand (EUR 7 103 thousand)
  - Personnel costs EUR 8 259 thousand (EUR 4 743 thousand)
  - Re-structuring costs due to the acquisition approx. EUR 170 thousand
  
- ▶ Profit before tax EUR 1 417 thousand (EUR 539 thousand)
- ▶ Profit for the period EUR 1 112 thousand (EUR 117 thousand)
- ▶ EPS EUR 0.11 (EUR 0.01)

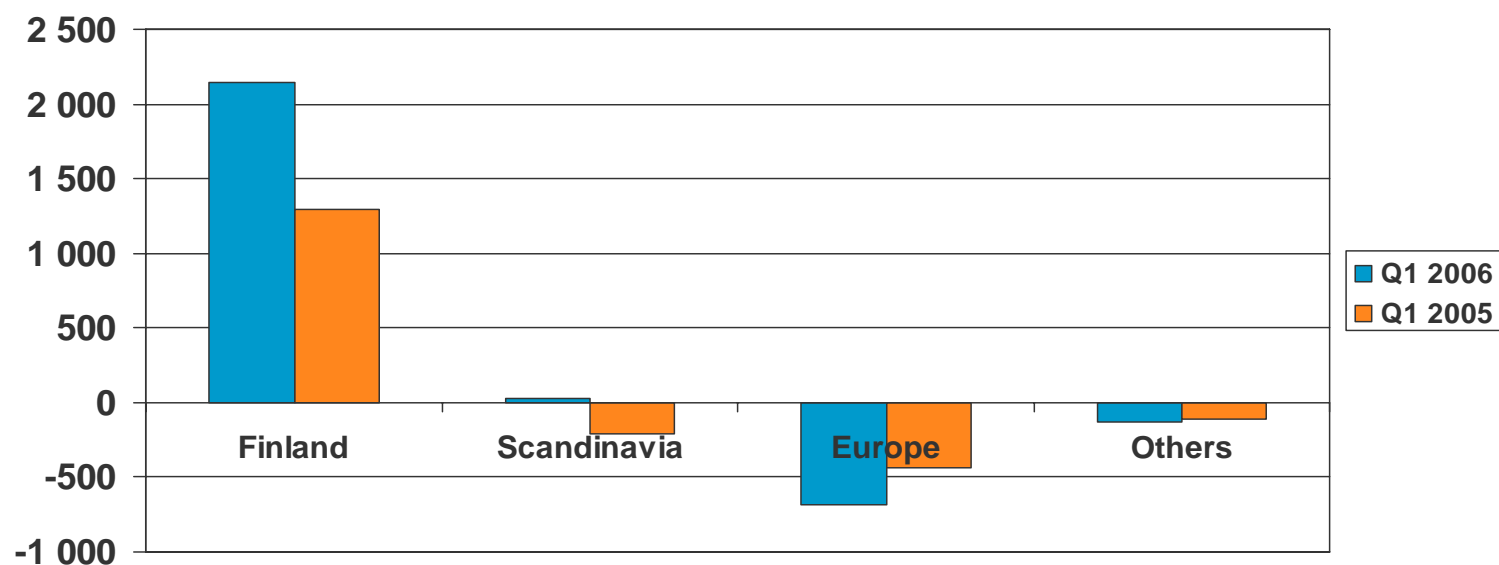
## Development of Quarterly Profit

<i>EUR thousand</i>	Q1/06	Q1/05	Q2/06	Q2/05	Q3/06	Q3/05	Q4/06	Q4/05
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## Operating Profit by Primary Segment

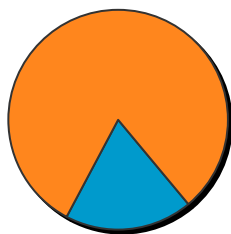
Operating profit	1-3/2006	1-3/2005	Change, %
Finland	2 146	1 290	66.3
Scandinavia	28	-212	113.1
Europe	-685	-434	-57.9
Others	-134	-110	-21.3
Op. profit b/w segments	-16		
<b>Group total</b>	<b>1 339</b>	<b>534</b>	<b>150.7</b>



## Finance and Investments

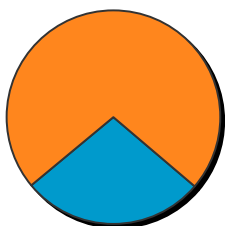
- ▶ Total assets on the balance sheet EUR 59 730 thousand (EUR 26 927 t)
- ▶ Cash and liquid assets EUR 11 153 thousand (EUR 10 847 t)
  - Cash and cash equivalents EUR 5 318 thousand
  - Financial assets at fair value through profit or loss EUR 5 835 thousand
- ▶ Cash flow from operations EUR 6 294 thousand (EUR 1 389 t)
  
- ▶ Equity ratio 69 percent (68%); gearing -24 percent (-51%)
- ▶ Return on equity 14 percent (3%); return on investment 37 percent (13%)
  
- ▶ Total gross investments EUR 21 754 thousand (EUR 492 thousand)
  - Capital expenditure EUR 218 thousand
  - Capitalized R&D costs EUR 573 thousand
  - Acquisitions EUR 20 964 thousand

# Research and Development



19% of  
net sales

- ▶ Product development costs
  - EUR 2 639 thousand (EUR 1 319 thousand)
  - Growth by 100%; comparable growth 36%
  - EUR 573 thousand i.e. 22% of costs capitalized

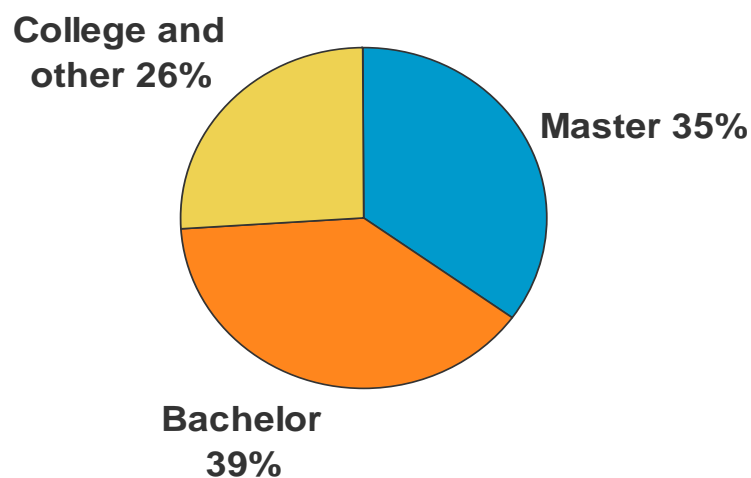


27% of  
personnel

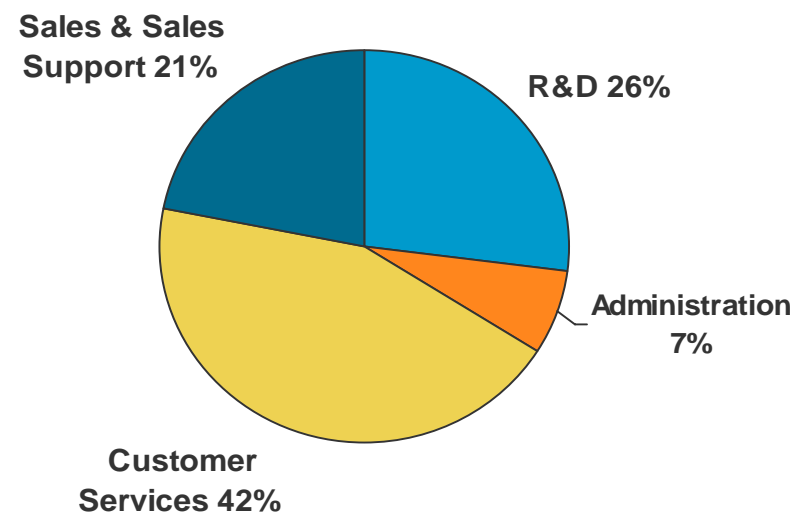
- ▶ Software production personnel 141 (75)
  - Analyste R&D personnel 55 people
  - Units in Finland and Norway

# Personnel

- ▶ In total 513 (319) employees at end of Q1
- ▶ Growth 30 % compared with the previous quarter; 2 % without acquisitions
- ▶ 69 percent in Finland; 31 percent abroad
- ▶ Average age 35.4 years



Education



Personnel Groups

# Share and Shareholders



- ▶ Number of shares 11 340 774 (9 503 933)
- ▶ Share capital EUR 3 402 thousand (EUR 2 851 thousand)
  - Increased with two directed offerings, EUR 439 thousand in total
  
- ▶ Number of shareholders 21 058 (23 650) at end of Q1
  
- ▶ Share price development during the quarter:
  - Average price of the share EUR 13.35 (EUR 8.37)
  - Highest EUR 14.40, lowest EUR 11.85
  - Closing price EUR 13.55 (EUR 8.70)
  
- ▶ Traded shares 2 554 816 thousand (630 607 thousand)
  - 24 percent (7%) of all shares
  
- ▶ Market capitalization EUR 153 667 488 (EUR 82 684 217)

## New Warrant Program 2006

- ▶ Approved in the Board meeting on April 7, 2006
  - Based on the authorization given by the AGM on February 15, 2006
  - For the key personnel of BasWare
  
- ▶ Three series of warrants
  - 2006A: subscription period April 1, 2008–March 31, 2009
  - 2006B: subscription period April 1, 2009–March 31, 2010
  - 2006C: subscription period April 1, 2010–March 31, 2011
  
- ▶ Share subscription prices: the volume-weighted average share price on the Helsinki Stock Exchange in January–March of 2006 (series A), 2007 (series B) and 2008 (series C)

## Outlook for 2006

- ▶ Growth of net sales approx. 45 percent
  - Compared with BasWare's net sales of the financial year 2005
- ▶ Operating profit over 15 percent of net sales
  
- ▶ International growth
  - Own sales activities by subsidiaries
  - Further development of the reseller channel, especially in Europe and USA
- ▶ Growth in Scandinavia
  - Enhancing product portfolio: new Travel & Expense Management, enhanced Purchase Management, the e-invoicing service, Financial Management
- ▶ Growth in Finland
  - Acquisition of Analyste significantly increases the position in Finland
  
- ▶ Review of acquisition possibilities to continue
  - Possibility to expand the sales channel and product portfolio
  - Possibility to strengthen the position in the electronic invoicing market

# Thank you!

[www.basware.com](http://www.basware.com)