

# BasWare in Q1 2007

CEO Ilkka Sihvo  
April 17, 2007

# Contents

- ▶ BasWare in Brief
- ▶ Key Operations in Q1 2007
- ▶ Business Review of Q1 2007
- ▶ Financial Review of Q1 2007
- ▶ Future Outlook



# BasWare in Brief

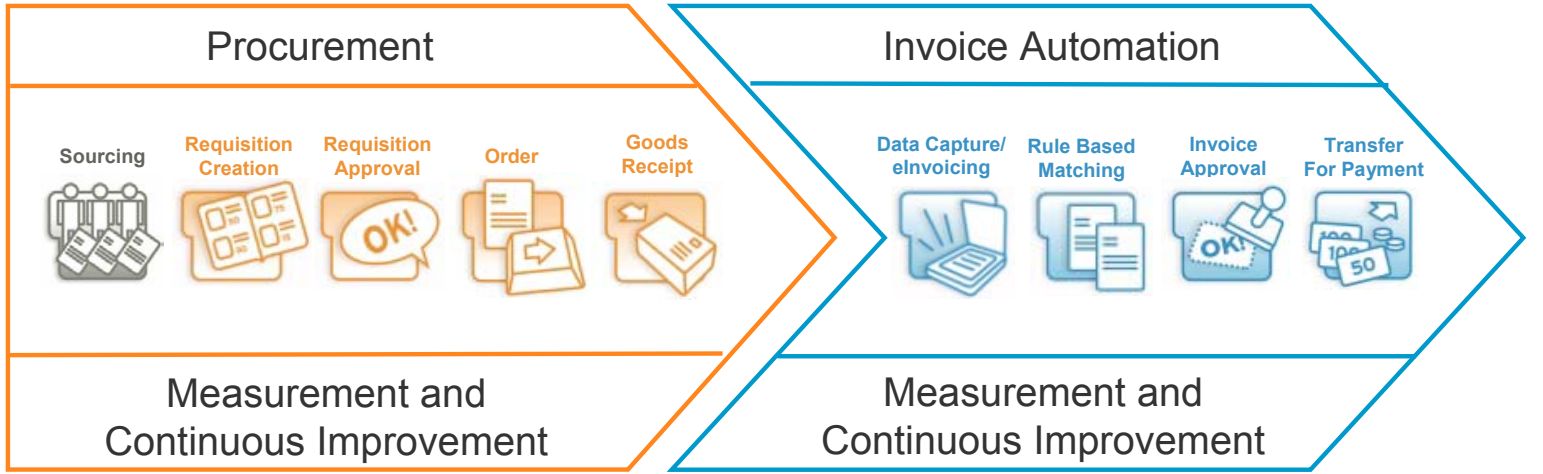
- ▶ Headquarters in Espoo, eight subsidiaries in Europe and in the US
- ▶ Presence in more than 40 countries, on 5 continents
- ▶ 500,000 users globally in 1000+ large organizations
- ▶ Net sales in 2006 approx. EUR 60 million
- ▶ 533 employees at end of March 2007
  
- ▶ ***Breakthrough to Global Leader***



# BasWare Enterprise Purchase to Pay Solution



## External Integration



## Internal Integration



## Archiving

# Key Operations in Q1 2007



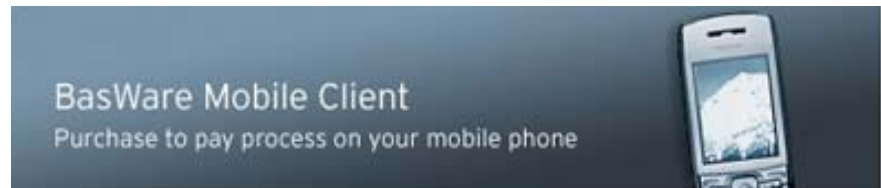
# Highlights of Q1 2007

---

- ▶ Growth of net sales continued
  - Net sales EUR 17 038 thousand (EUR 15 432 thousand)
  - Growth 10%
  
- ▶ Profitability
  - Operating profit EUR 1 409 thousand (EUR 2 529 thousand)
  - decrease 44%
  - A formal bad debt reservation of EUR 1.3 million has been realized in sales receivables which is expected to dissolve during the financial year
  
- ▶ License sales
  - Growth 24%
  
- ▶ Growth of international operations
  - International operations 45% (41%) of net sales
  - Growth 23%
  
- ▶ Partner channel expanded with 6 new partners
  - Resellers' share 17% (23%) of product sales

# BasWare Mobile Client

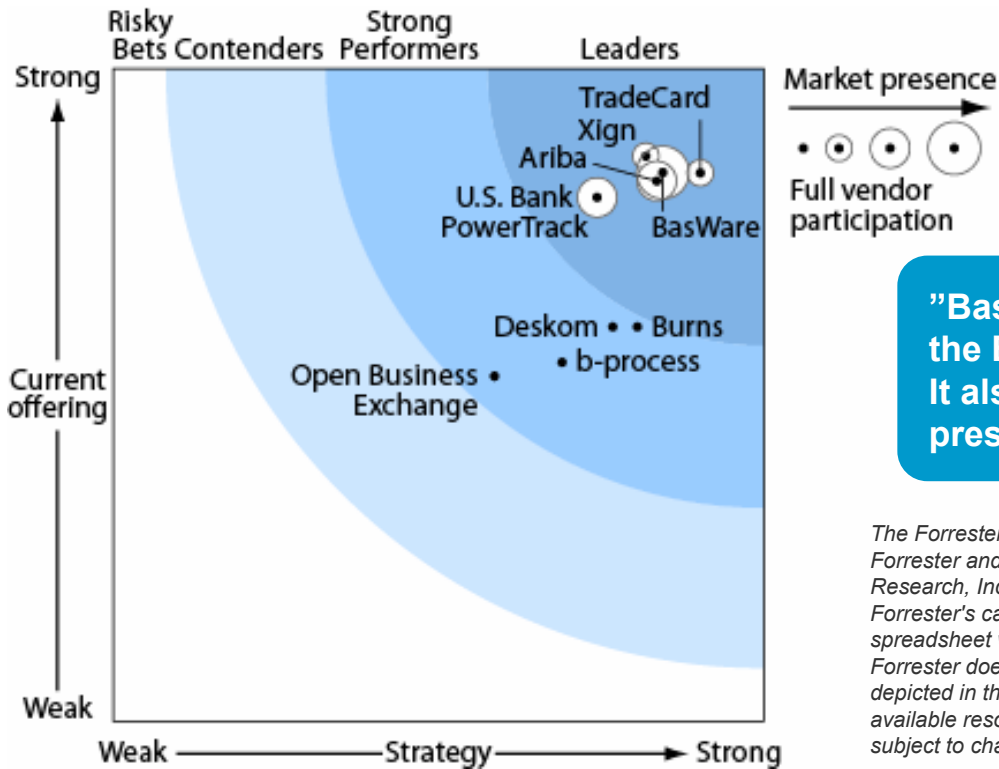
- ▶ BasWare is the first to introduce a mobile application for controlling the purchase to pay process
  - *BasWare Mobile Client* delivers 24/7 access to *BasWare Invoice Processing* and *BasWare Purchase Management*
- ▶ Key benefits
  - Uninterrupted control of spending in the organization
  - Timely handling of purchase invoices to capture early payment discounts and avoid late payments
  - Easy-to-use application, using secure technology
- ▶ Supported by e.g. Nokia E-series, N-series, 9300/9300i & Blackberry: 7000-series, 8000-series



# Competitive Situation

Forrester Wave™: Accounts Payable EIPP, Q3 '05

A survey made in the US of Electronic Invoice Presentment & Payment vendors



**”BasWare stands out among the European vendors. It also had the largest market presence of all vendors.”**

*The Forrester Wave is copyrighted by Forrester Research, Inc. Forrester and Forrester Wave are trademarks of Forrester Research, Inc. The Forrester Wave is a graphical representation of Forrester's call on a market and is plotted using a detailed spreadsheet with exposed scores, weightings, and comments. Forrester does not endorse any vendor, product, or service depicted in the Forrester Wave. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change.*

# Business Operations in Q1 2007

---

- ▶ Enterprise Purchase to Pay
  - Growth 9%
  - New customers Sato Oyj, BNP Paribas SA, Continental AG, Peverel OM Ltd
- ▶ Financial Management
  - Growth 20%
  - New customers Incap Oyj and Lemminkäinen Oyj
- ▶ Business Transactions
  - Over 1.5 million electronic invoices transmitted in Q1
  - Increase of 45% compared with Q1 2006

# New Customer Agreements Q1 2007



Asplan Viak



OULUN DIAKONIAOPISTO



C. Steinweg Handtsveen B.V.



BEC



WEGENER dagbladen

Meer bereiken. Met Wegener



Peverel M



HORBACH  
UNABHÄNGIGE WIRTSCHAFTSBERATUNG  
Ein Unternehmen der AWD Gruppe



# Business Review of Q1 2007



# International Operations in Q1 2007

- ▶ International share of net sales 45 percent (41%)
- ▶ Growth 23 percent
  
- ▶ Enterprise Purchase to Pay operations
  - In all BasWare units globally
  
- ▶ Financial Management operations and Business Transactions
  - In the Finnish and Scandinavian units
  
- ▶ Eight international subsidiaries: Sweden, Denmark, Norway, Germany, the Netherlands, United Kingdom, France, United States
  
- ▶ Software installations at customer premises in over 20 countries

## Reseller Channel Q1 2007

- ▶ Resellers share of international product sales 14% in Q1 2007 (20%)
- ▶ 59 business partners (i.e. value added resellers) in over 20 countries at end of March 2007
- ▶ Highlight: BasWare to partner with Kofax in the US



- ▶ Actions taken to strengthen Reseller Channel during Q1 2007:
  - Channel building and partner evaluation in Asia and Russia initiated during the quarter
  - Channel Managers nominated to Australia and Singapore
  - Translations into Russian and Chinese ongoing in full speed

# Nordic Operations in Q1 2007

## Nordic

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



**In Q1 2007, Nordic operations achieved the net sales objective as a whole**

- Finnish EPP unit achieved its objective
- Finnish Financial Management fell somewhat behind the objective
- Scandinavian unit exceeded its objective

# European Operations in Q1 2007

## 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 2007

- 37 partners in total at end of the quarter
- The area as a whole fell slightly behind the objective
  - The Netherlands exceeded its sales objective
  - UK, Germany and France developed all positively nevertheless remaining behind their sales objectives

# Operations outside of Europe in Q1 2007

## 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 2007

- In total, 9 partners at end of the year
- North America fell behind its sales objective. However, the volume of orders promising for the Q2 2007



## Asia Pacific

- More focus on Australia
- Channel building in APAC

## Q1 2007

- Asia Pacific fell behind its sales objective.

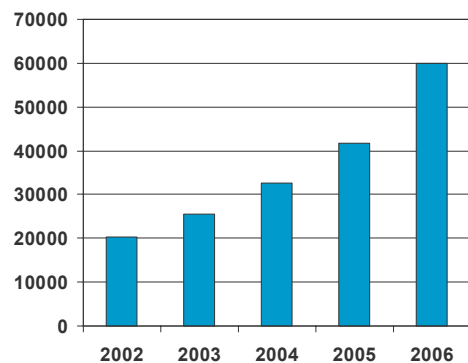
# Financial Review of Q1 2007



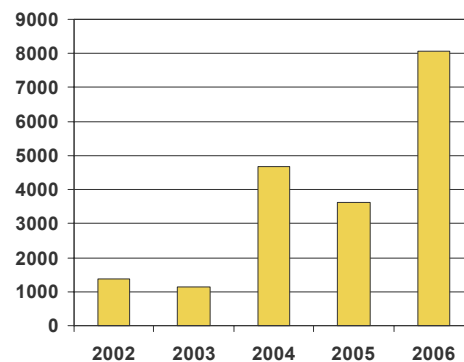
# Key Financials 2002–2006

<i>EUR thousand</i>	FAS			IFRS	
	2002	2003	2004	2005	2006
Net sales	20 263	25 597	32 640	41 666	59 954
Growth of net sales, %	63.4%	26.3%	27.5%		43.9%
Operating profit	1 370	1 133	4 663	3 611	8 078
% of net sales	6.8%	4.4%	14.3%	8.7%	13.5%
Personnel, 31.12.	244	254	302	395	528

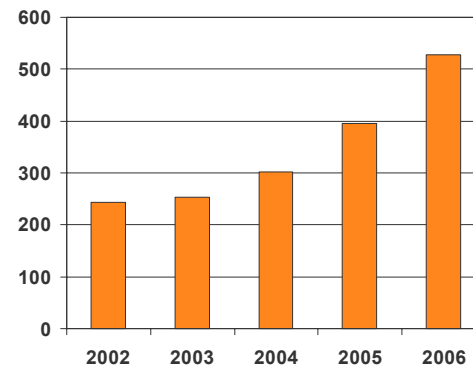
tEUR ■ Net sales



tEUR ■ Operating profit



■ Personnel



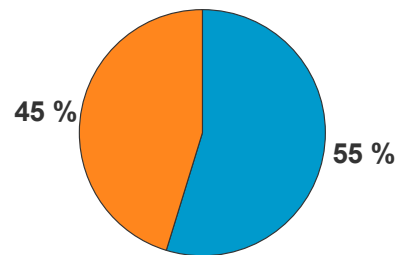
## Q1 2007 Financials in Brief

- ▶ Net sales EUR 17 038 thousand (EUR 15 432 thousand), growth 10 percent
- ▶ Operating profit EUR 1 409 thousand (EUR 2 529 thousand)
  - A formal bad debt reservation of EUR 1.3 million has been realized in sales receivables which is expected to dissolve during the financial year
- ▶ Share of international operations 45 percent (41%)
- ▶ Earnings per share EUR 0.08 (EUR 0.19)

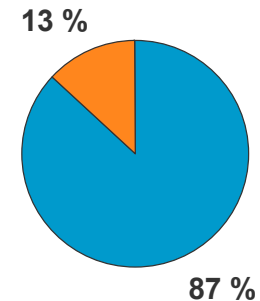


# Development of Net Sales

- ▶ Net sales EUR 17 038 thousand (EUR 15 432 thousand)
  - Growth 10%
- ▶ Resellers' share 17 percent (23%) of total product sales
  - EUR 1 114 thousand



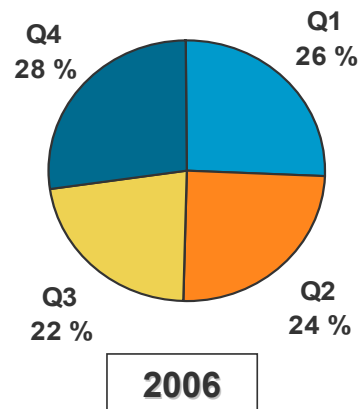
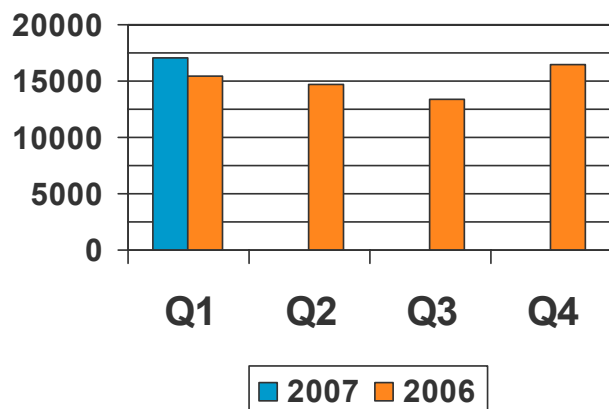
■ Finland ■ International



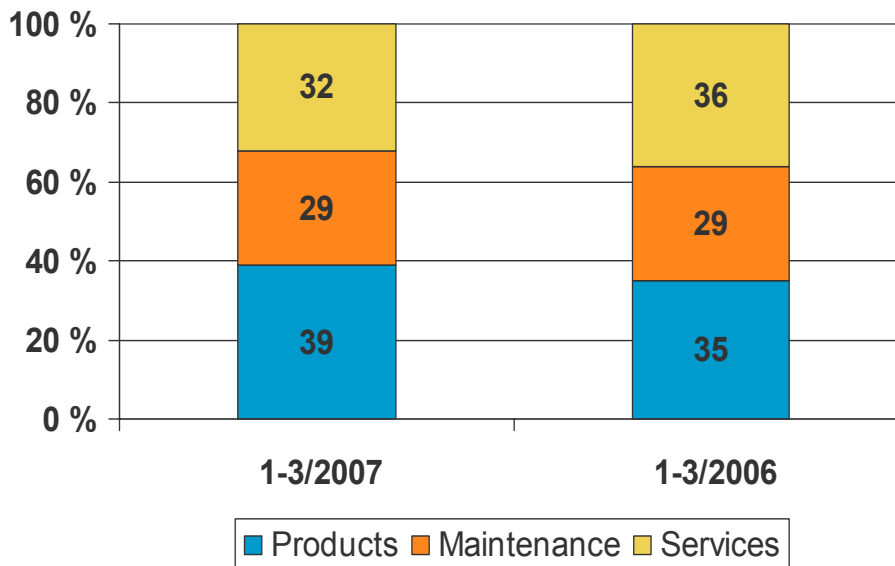
■ Enterprise Purchase to Pay  
■ Financial Management

# Development of Quarterly Net Sales

<i>EUR thousand</i>	Q1/07	Q1/06	Q2/07	Q2/06	Q3/07	Q3/06	Q4/07	Q4/06
<b>Net sales</b>	<b>17 038</b>	<b>15 432</b>		<b>14 651</b>		<b>13 363</b>		<b>16 508</b>
<b>Growth %</b>	<b>10.4%</b>	<b>89.7%</b>		<b>50.3%</b>		<b>40.9%</b>		<b>52.5%</b>
Other operating income	15	41		61		25		50
Materials and services	819	778		689		468		658
Personnel expenses	9 243	8 259		8 710		6 942		9 042
Depreciation and write-offs	571	453		488		520		572
Other operating expenses	5 010	3 454		3 578		2 963		4 479
<b>Operating profit</b>	<b>1 409</b>	<b>2 529</b>		<b>1 247</b>		<b>2 495</b>		<b>1 807</b>



# Net Sales by Operation



## Services =

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

## Maintenance =

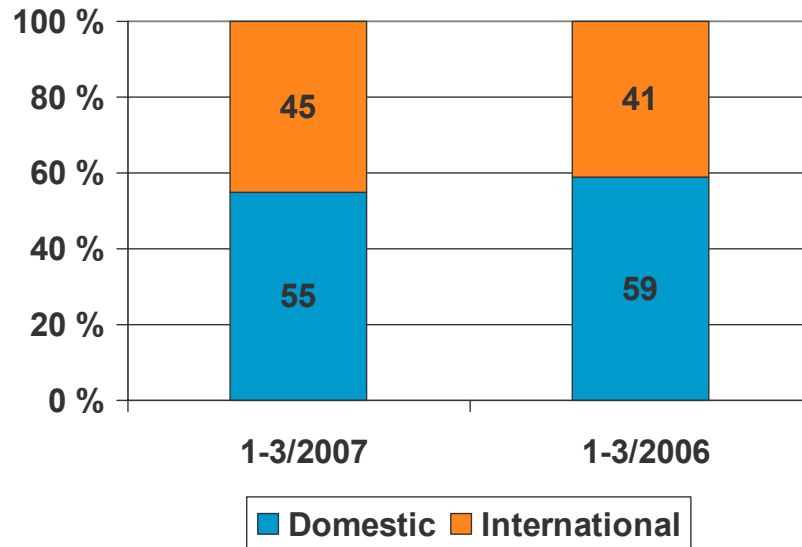
Continuous, annually charged fees (18-20% of license sales)

## Products =

License sales of own software products

- ▶ Growth of product sales 24 percent
- ▶ Growth of maintenance revenue 11 percent
- ▶ Growth of services revenue -3 percent

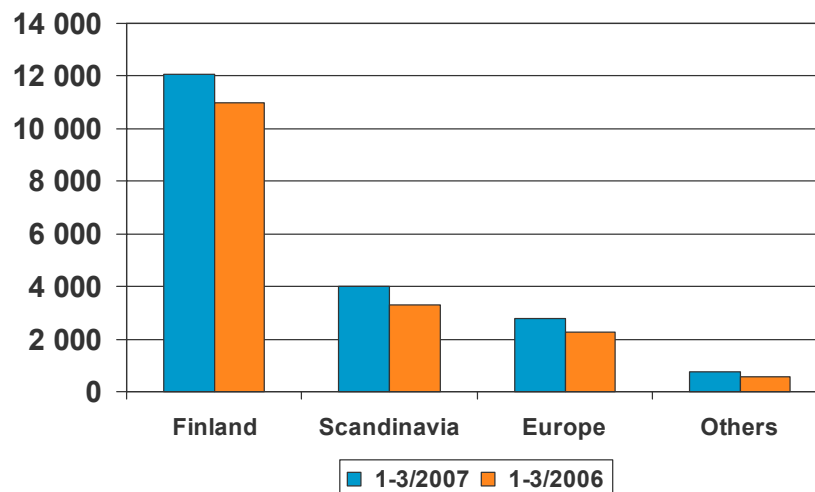
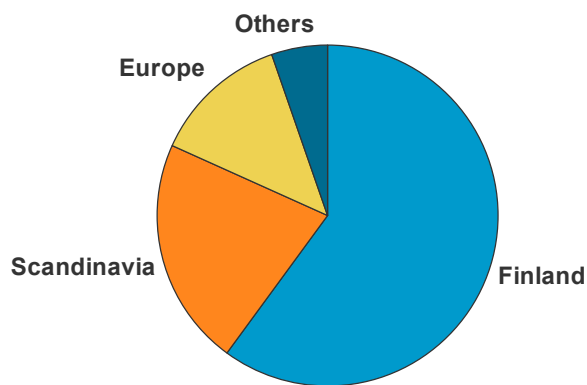
# Net Sales by Geographic Area



- ▶ Growth of domestic net sales 2 percent
- ▶ Growth of international net sales 23 percent

# Net Sales by Primary Segment

Net sales	1-3/2007	1-3/2006	Change, %
Finland	12 057	11 003	9.6
Scandinavia	4 030	3 279	22.9
Europe	2 799	2 284	22.6
Others	752	573	31.2
Net sales between segments	-2 600	-1 705	-52.5
<b>Group total (IFRS)</b>	<b>17 038</b>	<b>15 432</b>	<b>10.4</b>

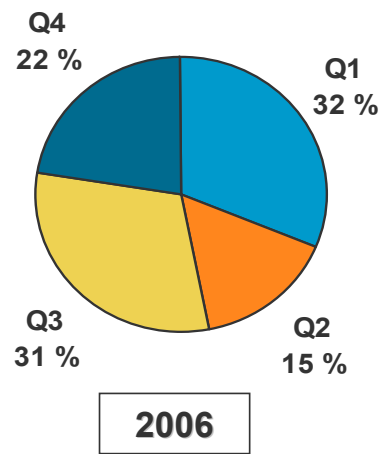
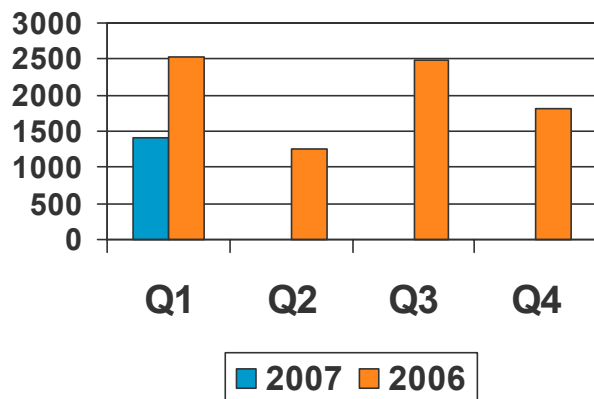


# Development of Profit

- ▶ Operating profit EUR 1 409 thousand (EUR 2 529 thousand)
  - 8.3 percent (16.4%) of net sales
  - Decrease 44 percent
  - A formal bad debt reservation of EUR 1.3 million has been realized in sales receivables which is expected to dissolve during the financial year
  
- ▶ Fixed costs EUR 14 253 thousand (EUR 11 713 thousand)
  - Personnel costs EUR 9 243 (EUR 8 259 thousand)
  - R&D costs total EUR 3 091 thousand (EUR 2 639 thousand), of which EUR 440 thousand capitalized
  
- ▶ Profit before tax EUR 1 459 thousand (EUR 2 606 thousand)
- ▶ Profit for the period EUR 884 thousand (EUR 1 994 thousand)
- ▶ EPS EUR 0.08 (EUR 0.19)

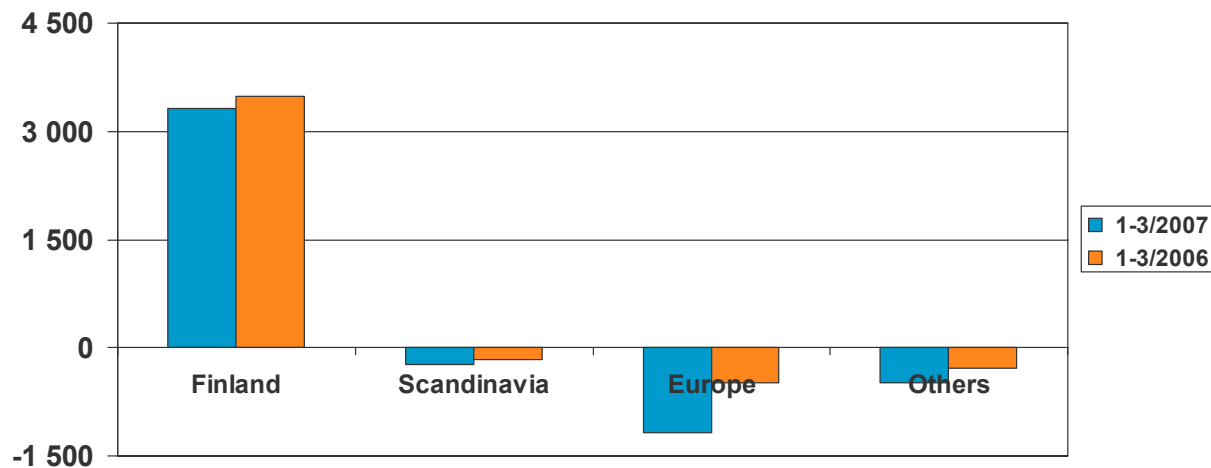
# Development of Quarterly Profit

EUR thousand	Q1/07	Q1/06	Q2/07	Q2/06	Q3/07	Q3/06	Q4/07	Q4/06
<b>Net sales</b>	<b>17 038</b>	<b>15 432</b>		<b>14 651</b>		<b>13 363</b>		<b>16 508</b>
Growth %	10.4%	89.7%		50.3%		40.9%		52.5%
Other operating income	15	41		61		25		50
Materials and services	819	778		689		468		658
Personnel expenses	9 243	8 259		8 710		6 942		9 042
Depreciation and write-offs	571	453		488		520		572
Other operating expenses	5 010	3 454		3 578		2 963		4 479
<b>Operating profit</b>	<b>1 409</b>	<b>2 529</b>		<b>1 247</b>		<b>2 495</b>		<b>1 807</b>



# Operating Profit by Primary Segment

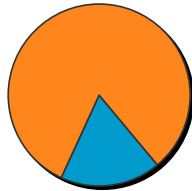
Operating profit	1-3/2007	1-3/2006	Change, %
Finland	3 315	3 487	-4.9
Scandinavia	-229	-159	-43.8
Europe	-1 179	-494	-138.6
Others	-482	-289	-66.9
Operating profit between segments	-15	-16	6.3
<b>Group total (IFRS)</b>	<b>1 409</b>	<b>2 529</b>	<b>-44.3</b>



# Finance and Investments

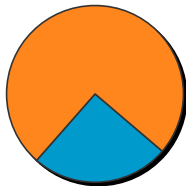
- ▶ Total assets on the balance sheet EUR 63 679 thousand (EUR 58 237 t)
- ▶ Cash and cash equivalents EUR 12 713 thousand (EUR 11 153 t)
- ▶ Cash flow from operations EUR 6 054 thousand (EUR 6 294 t)
  
- ▶ Equity ratio 68.8% (68.8%)
- ▶ Gearing -27.5% (-25.1%)
  
- ▶ Total gross investments EUR 767 thousand (EUR 21 695 thousand, including acquisitions and capitalized R&D costs) including capitalized R&D costs

# Research and Development



18% of  
net sales

- ▶ Product development costs
  - EUR 3 091 thousand (EUR 2 639 thousand)
  - Growth by 17 percent (100%)
  - EUR 440 thousand i.e. 14% of costs capitalized



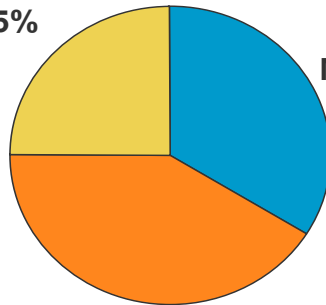
26% of  
personnel

- ▶ Software production personnel 136 (141)
  - Units in Finland and Norway

# Personnel

- ▶ In total 533 (511) employees at end of Q1 2007
- ▶ Growth 4 percent
- ▶ 66 percent in Finland; 34 percent abroad
- ▶ Average age 35.4 years

College and other 25%

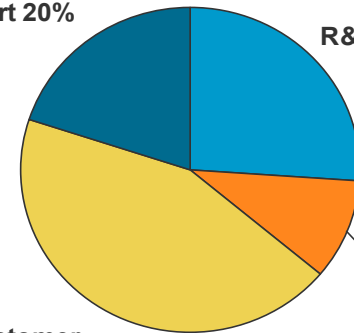


Bachelor  
41%

Master 34%

Education

Sales & Sales Support 20%



R&D 26%

Administration  
10%

Customer Services  
44%

Personnel Groups

# Share and Warrant Information 31.3.2007

- ▶ Number of shares 11 468 124 (11 340 774)
- ▶ Share capital 3 440 437.20 EUR (EUR 3 402 232,20)
  
- ▶ Warrant Program 2007
  - Subscription period of starts April 1, 2009
  - Based on the warrant program, a maximum of 200 000 warrants can be granted to the key personnel of BasWare Group
  
- ▶ Warrant Program 2006
  - Subscription period of starts April 1, 2008
  - Based on the warrant program, a maximum of 300 000 warrants can be granted to the key personnel of BasWare Group

# Share and Shareholders



- ▶ Number of shareholders 18 951 (21 058) on 31 March, 2007
- ▶ Share price development during Q1:
  - Average price of the share 12.19 EUR (EUR 13.35)
  - Highest EUR 14.00, lowest EUR 10.48
  - Closing price EUR 11.30 (EUR 13.55)
- ▶ Traded shares 1 114 729 (2 554 816)
  - 10% (24%) of all shares
- ▶ Market capitalization EUR 129 589 801 (EUR 153 667 488)

# Outlook for 2007

---

- ▶ **Growth of net sales 15-20 percent**
- ▶ **Operating profit 10-15 percent of net sales**
  
- ▶ Direct sales
- ▶ Indirect sales: Europe, US, Russia, Asia, Southern Europe
- ▶ Scandinavia & Finland focus on profitability, mild growth
- ▶ New products: BasWare Mobile Client, BasWare RFX, BasWare Contract Lifecycle Management
  
- ▶ Review of acquisition possibilities

# Markets and approaches 2007

## Global Alliances ...

### North America – high growth

- Direct sales investment
- Channel investment
- Services investment
- PM as a new product

### Europe – high growth

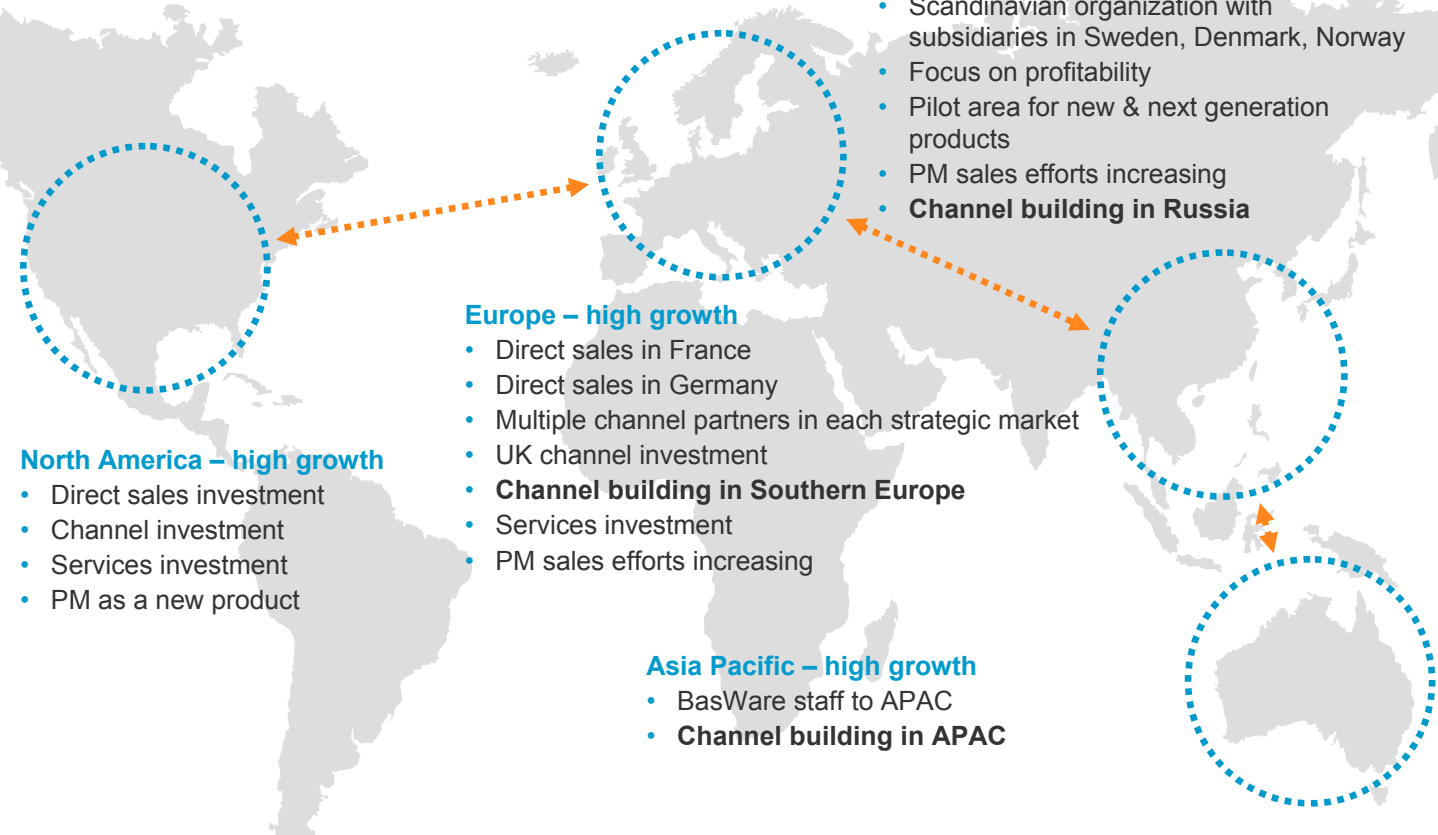
- Direct sales in France
- Direct sales in Germany
- Multiple channel partners in each strategic market
- UK channel investment
- **Channel building in Southern Europe**
- Services investment
- PM sales efforts increasing

### Asia Pacific – high growth

- BasWare staff to APAC
- **Channel building in APAC**

### Finland and Scandinavia – mild growth

- Scandinavian organization with subsidiaries in Sweden, Denmark, Norway
- Focus on profitability
- Pilot area for new & next generation products
- PM sales efforts increasing
- **Channel building in Russia**



# Thank you!

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