

ANNUAL GENERAL MEETING, 4 APRIL 2019

Jari Jaakkola, Chief Executive Officer
QPR1V: (Nasdaq Helsinki)

QPR SOFTWARE IN BRIEF

- > Software and solution provider specialized in process mining, process and enterprise architecture modeling and performance management.
- > Own R&D, located in Helsinki and Oulu, Finland. Several patents in the United States.
- > Software product portfolio renewed in recent years, funded from cashflow from operations.
 - New process mining software and new User Interface for all software products.
 - Extension of process modeling product to enterprise architecture product.
- > Customers in over 50 countries.
 - 54% of net sales from Finland, 46% from international markets.
 - Software accounts for 70% of net sales, implementation and consulting 30% of net sales
- > Strong financial position, negative net debt.



OUR OFFERING



NET SALES AND OPERATING RESULT IMPROVED

FINANCIAL RESULTS 2018

JANUARY - DECEMBER

- Net sales increased by 12% to EUR 10.047 million
- Recurring revenue 54% of net sales
- 27% increase in international net sales
- Operating profit improved to EUR 521 thousand
- Cash flow from operating activities EUR 1.335 million (+36%)

OCTOBER- DECEMBER

- Net sales increased 27% to EUR 2,671 thousand
- Recurring revenue 48% of net sales
- 44% increase in international net sales
- Operating profit improved EUR 130 thousand

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	Note	2018	2017
Net sales	3	10,047	8,942
Other operating income	4	-10	18
Materials and services	6	1,196	1,154
Employee benefit expenses	7	6,142	5,682
Depreciation and amortization	8	949	913
Other operating expenses	9	1,229	1,320
Total expenses		9,516	9,070
Operating result		521	-110
Financial income	10	9	10
Financial expenses	10	-196	-48
Financial items, net		-187	-38
Result before tax		335	-148
Income taxes	12	-15	-146
Result for the year		320	-294
Other items in comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		179	-7
Other items in comprehensive income, net of tax		179	-7
Total comprehensive income		499	-302
Earnings per share, EUR			
Undiluted, euros	13	0.027	-0.025
Diluted, euros	13	0.027	-0.025

BUSINESS AND STRATEGY



BUSINESS MODELS

SOFTWARE PRODUCT BUSINESS

Process Mining
– QPR ProcessAnalyzer

SOFTWARE APPLICATION BUSINESS

Performance
Management
- QPR Metrics

Business
Management
System
- QPR ProcessDesigner
- QPR EnterpriseArchitect

CONSULTING BUSINESS

Business
Optimization

STRATEGY IN BRIEF

Product development is focused on process mining and analytics.

We continue to speed up our product development by increasing resources in a controlled manner.

We pay great attention to excellent user experience in product development.

We aim to gain a significant share of the rapidly growing process mining market. We actively seek strategic partnerships to strengthen our product development and international software sales.

Profitable growth and cash flow from process and EA modeling business in Finland.

GROWTH FROM INTERNATIONAL SOFTWARE SALES

- > Our target is to reach in average 15 – 20% annual growth in the next three years.
 - The target is mainly based on **growth in international software sales and consulting services in our home market, Finland.**
- > We foresee significant growth potential especially in the **process mining business**, where we aim for an annual growth of more than 50%.
- > Due to required growth investments, the Board of Directors does not intend to propose distribution of dividends to the Annual General Meeting.
 - The Board proposes to re-invest cash flow from operating activities into growth.

PROCESS MINING MARKET TRENDS

- > Europe is leading in process mining adaptation, especially German speaking region
- > Market size in 2018 over EUR 100 million. In 2023, the market size is estimated to exceed EUR 1 billion.
- > The market started rapid growth in North America in 2018
- > In 2019, Asian markets are entering growth phase
- > The most mature ecosystem is SAP
- > Advanced verticals
 - Telecom operators and telecom network vendors are currently making their process mining platform selections
 - Banking & finance is exploring process mining opportunities in combination with robotic process automation.



PROGRESS IN IMPLEMENTING OUR STRATEGY 2018

- > We focused on strengthening our product competitiveness.
- > We increased the size of our customer accounts.
- > We published 17 significant new contracts, including:
 - Process Mining Software to Fennovoima
 - Saudi Railway Company chooses QPR Software
 - Process Mining Software to Terumo, a global medical device company
 - Process Mining Software to Piraeus Bank
 - Finnish Ministry of Interior chooses QPR as provider of enterprise architecture consulting services
 - Finnish Ministry of Finance chose QPR to analyze government productivity and digitalization
 - QPR delivers Process Mining software and professional services to a global high-tech company
 - QPR delivers Process Mining Software to a Leading European Telecommunications Operator



OUTLOOK 2019

OUTLOOK 2019

BUSINESS OUTLOOK

- > Demand for process mining and analytics software and related services will continue to grow rapidly in 2019.
- > Competition in software business for process and enterprise architecture modeling and performance management is expected to remain tight in developed markets.
 - However, growth potential for these products is available in developing markets.

FINANCIAL OUTLOOK

- > We estimate our net sales to grow in 2019.
- > The most significant sources for growth are
 - International process mining software sales of QPR ProcessAnalyzer
 - Consulting services supporting QPR's software business in Finland.
- > Due to increasing investments in growing business segments we estimate that
 - Operating result will be lower than in the previous year, while still remaining positive (2018: 5.2% of net sales).



INCENTIVES

INCENTIVES

- > The Company has a short term incentive system for all personnel
 - Annual Bonus Plan
 - Rewards for sales and net sales growth
 - Cost of the system in 2018 was slightly over EUR 170 thousand (less than 3% of all personnel costs)
- > For long term incentives, the Company launched in 2019 a new key employee stock option plan.
- > The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value and to retain the key employees.
 - The number of shares subscribed by exercising stock options issued corresponds to a maximum total of 6.81% of all shares and votes of the shares in the Company.
 - Maximum number of shares for subscription is 910,000. QPR holds 457,009 own shares.
 - Two series, share subscription prices are EUR 1.70 EUR/share and 2.55 EUR/share. The share subscription periods in 2022 - 2024.
 - Annual IFRS 2 cost in P&L is slightly over EUR 50 thousand

Dare to improve.

