

AVIDLY PLC STRATEGY Q&A

11 December 2020

This document aims to answer key questions about Avidly's revised strategy for the period 2020–2025 and relates strategic and financial targets. The Q&A is divided into three parts:

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NUMERICAL GUIDANCE AND FINANCIAL REPORTING

1. **Why are you decreasing your 5-year revenue targets from €100M to €50M? Has the outlook changed since 2019?**

We still have a very ambitious growth strategy for the next 5 years, but we wanted to make it more realistic and reachable. We believe that the updated targets are still challenging, but at the same time reachable.

2. **Why are you not giving specific numbers for the “middle-years” before 2025?**

There might be some fluctuation between the years in the middle, even though we would firmly go towards our 2025 targets. The idea is to indicate the direction towards the targeted 2025 numbers but also not tie ourselves into any specific numbers as such.

3. **What is your estimated organic growth going forward?**

Annual organic growth 10%.

4. **What is your estimated growth with M&A going forward?**

We have not published any specific target, but if we think of our >€50M target for 2025, that will require growth through M&A in addition to the targeted 10% organic growth. M&A remains an important part of our growth strategy.



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6. Where do you focus your growth efforts primarily during the strategy period?

We have recognised three areas for growth: market expansion, service expansion and market growth. Within these areas, we drive growth by focusing on the following areas:

- a. Accelerating international growth
- b. Solving for the customer
- c. Investing in growth platform, people and networks
- d. Supporting digital transformation acceleration.

7. Are you planning to expand your geographical reach during the strategy period?

When we consider international growth, we seek growth especially in the DACH region, in Scandinavia, and possibly in other areas in Europe.

8. What is your M&A strategy going forward?

M&A remains an important part of our growth strategy. In addition to direct acquisitions, we are also looking at strategic partnerships as a starting point.

9. Why are you changing the segment reporting structure?

The split between Marketing Services / Inbound Services has been somewhat artificial and it has not reflected well enough the reality in which we operate on a daily basis. The previous reporting model has signalled that these would be separate businesses. In reality, these are well-matching offering areas that complement each other and are managed as one business. We have had a “real-life testing laboratory in Helsinki” already in H2/2020 where we combined the teams and the results have been promising. A customer does not buy Inbound or other Marketing Services separately. They buy solutions.

10. What are the benefits of uniting former Marketing Services and Inbound Services segments?

To be able to provide customers with a unified offering & solutions instead of 2 different offerings.

11. Is Inbound Services not the growth area anymore?

It is very much part of the growth strategy, but it is not a separate segment anymore.

12. How fast are “International” operations growing?

The growth was +67% in H1/2020 vs. H1/2019

13. Can you give country-specific details (outside Finland) or office-specific details (in Finland) on financial development?

No.



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15. What about growth financing during the new strategy period: do you really believe that you don't need extra financing?

The intention at this point is to utilise the gathered funding from 2020 and cash flows in the coming years. Of course, situations might change and other financing needs will be considered on a needs basis. But it is the decision of the AGM if we would talk about e.g. share issues.

16. If your expenses are growing less than revenue and EBITA will be increased to +10% level by the end of 2025, are you not investing enough on growth? Wouldn't it be better to have €100M in revenue and only slightly positive EBITA?

We aim for growth and executing growth strategy is our first priority, but at the same time we aim to secure good profitability and find ways to increase productivity and scalability.

17. Do you have scalability effects that could justify why you are able to grow and improve profitability at the same time?

We are looking into building a more scalable platform when it comes to Operational excellence (global systems, utilising cross-country network, subcontracting network etc.). We also have a scalable commission revenue portion and we are looking at scalability when we think about new offerings going forward as well.

18. KPI's that you are reporting?

Revenue, Gross profit, EBITDA, EBITA, Net Profit, EPS, Equity ratio, Gearing, Cash & Cash flow.

19. How should we model Avidly's business/value it?

- a. Avidly can be seen as a disruptor, as we are fundamentally changing the way of thinking and implementing impactful marketing, sales and technology. Our business model combines a range of services that customers typically buy from several agencies, and therefore we also have a wide range of different kinds of competitors with none of them offering as holistic offering as we do.
- b. As a service company, we're answering customer needs with a holistic offering from brand strategies and innovation to content creation and solution implementation. And all this driven by a human and data-centric approach. (see our strengths under Business and strategy overview).
- c. Avidly share is a growth share, and the targets we have set for our financial performance give the background for modelling our future growth and profitability.



BUSINESS ENVIRONMENT: TRENDS, MARKETS, COMPETITION

1. How do you see that the megatrends would especially benefit Avidly?

- a. **The main megatrends affecting our operating environment are the following: technology shift/digital transformation, sustainability, ecosystem thinking and experience economy. All these create a unique opportunity.**
 - i. **Digital transformation:** Worldwide spending on digital transformation will reach \$2.3 trillion in 2023 and the distribution and services sectors will outpace the overall market. Especially, this shift to the service sector benefits us; the focus from logistics and finance to services like sales and marketing gives us a good tailwind.
 - ii. **Sustainability:** There is clear customer demand and a raised level of awareness that our offering is well suited for. People of this planet (our customers) are demanding companies to not only focus on profit but also create strong purpose-led offerings. Also, by pretty much every measure of brand health, customers are more likely to try, stay loyal, pay more, and advocate for brands that genuinely do good and focus on sustainability: people, profit, planet. Our impact-driven strategy addresses sustainability comprehensively.
 - iii. **Ecosystem thinking:** Networks and interaction will have more and more influence in the future as networking and building new networks will be essential for businesses. We're already part of the network economy (e.g. HubSpot Elite partner, member of AMIN network) and continue to build on those. Our positioning as a Martech service provider grows from this world. So, the network is the model to do business in the future. This includes our own offices, partners and customers; the biggest value is built in these networks where everyone benefits and shares the same goals.
 - iv. **Experience economy:** The experience economy is defined as "an economy in which many goods or services are sold by emphasizing the effect they can have on people's lives." Experiences are their own category, just like "goods" and "services". For us, this means that trust is built in every phase of the customer experience and thus the importance of brand experience grows. Customer experience will become the winning factor on top of branding, marketing, sales and service. This is why we're focusing on winning the trust of the customer through great holistic customer experiences.



3. Do you see that there is a gap in the market that Avidly could fill?

- a. According to several global studies, companies struggle to effectively manage their marketing technology stack and leave the growth potential untapped. Marketing leaders report utilizing only 58% of their martech stack's potential, down from 61% in 2018.
- b. System integration and identifying and recruiting the right martech talent are the largest hurdles companies must overcome. At the same time, trust in external teams has increased significantly (+20%).
- c. Companies struggle to effectively manage their marketing technology stack and leave the growth potential untapped. Marketing leaders report utilizing only 58% of their martech stack's potential, down from 61% in 2018.
- d. We're the catalyst in the middle of everything - you don't need to familiarise with 10,000 players from start-ups to big unicorns, we have done that for you. Also, we're coming from a strong brand, experience and creative background which is now widely missed among the customers. And everything we do is based on combining innovation in technology with innovation in creativity. All this is harnessed to boost our customers' growth.

4. Who are your competitors?

- a. Competition is increasing fast. The rising importance of customer experience is bringing new competitors to the market. Big consulting firms are acquiring marketing agencies and working their way down from C-suite and sales to marketing.
- b. We have different competitors in different countries. On high-level the competition comes from the following categories:
 - i. Integrators (Accenture Deloitte, PwC),
 - ii. Martech service providers (Avaus/Siili, Generaxion, Columbia Road)
 - iii. Traditional Ad/marketing agencies (TBWA, SEK),
 - iv. Inbound & HubSpot partner agencies (WEBITMD, Lounge Lizard, Bookmark),
 - v. Modern engineering companies (Futurice, Reaktor, Mutual mobile, Cefriel, Siili),
 - vi. Martech platform provides (HubSpot, Salesforce, IBM, Google, Squarespace),
 - vii. Media companies building service capabilities (Sanoma)
 - viii. Customers internal departments



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Business & Strategy overview

1. What is martech?

- a. Martech is the blending of marketing and technology. Virtually anyone involved with digital marketing is dealing with martech, as digital, by its very nature, is technology-based. The term "martech" especially applies to major initiatives, efforts and tools that harness technology to achieve marketing goals and objectives
- b. As a category, martech combines:
 - i. Advertising & promotion
 - ii. Content & experience
 - iii. Social & relationships
 - iv. Commerce & sales
 - v. Data
 - vi. Management

In Avidly, we like to add strategy to this list.

2. What does it mean that you are a martech service provider?

- a. As a service company, we're answering customer needs with a holistic offering from brand strategies and innovation to content creation and solution implementation. With all this driven by a human and data-centric approach.
- b. We are not a technology provider with our own software, but have very high technological implementation capabilities including programming and coding.

3. Do you have the right competencies to support this strategy?

- a. Yes, we do, especially when we combine the best assets from different countries. By doing this, we're able to compete and shine in the champions league, so to speak. Of course, we need to keep developing all the time and make sure that our employees have the necessary ambition and framework to grow.
- b. Also, it's important to highlight that we have the required skills already, quite many of our competitors are leaning towards this direction but we're already a couple years ahead of the curve.

4. Does this mean that Avidly will become more of a Tech company going forward?

- a. We're combining the best of both worlds. This is why we're focusing on creating innovation in creativity and technology in order to boost our customers' business.
- b. With heightened demand for digital transformation and technology-driven capabilities, this combination will create a powerful new proposition for clients as a leading Martech solutions company with a worldwide footprint.



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- c. While we are digital native with modern marketing and sales, we are not digital only.
5. **Your offering looks very broad. Wouldn't it be better to try to focus more?**
- a. We believe that the holistic model is the way to go. With this approach, we can harness different skills to create growth for our customers. This model also enables ROI and ROM management when the different strings are coordinated.
 - i. Driving efficiency in performance, media spending, and other selections can free up as much as 20 percent of the budget which then can be used in the other activities.
 - b. Also, we do have hubs (in different countries) which are focusing on the selected themes and will create world-class, deep-knowledge competence centers for us.
6. **How does HubSpot fit into this strategy?**
- a. HubSpot is an important part of our strategy and is a great platform for many of the things we're providing for our customers. We're among the top 13 players in the world and we're planning to stay there. HubSpot gives us a solid foundation for many things, but above all we're our customers' trusted partners and will solve their business problems from a tech agnostic framework. Our customers' best interest is always our guiding principle.
7. **What is your positioning in the market?**
- a. A leading European Martech service company.
 - b. Our clients want outstanding creativity & sales-results powered by technology expertise and delivered on a global scale. Our crystallized strategy is designed to meet those needs and is another important step forward in building our future-facing offer for clients.
8. **What will be the next steps in 2021 and the following years to realise the market potential?**
- a. Executing our growth strategy (market extension, service expansion and building market growth)
 - b. Continue to build Avidly growth platform
 - i. Skills
 - ii. Operational model(s)
 - iii. Brand
9. **Who do you compete with?**
- a. See above under Business Environment.



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11. What is your competitive advantage?

- a. An agile operating model that combines outstanding creativity & sales-results, powered by technology expertise and delivered on a global scale.
- b. Our unique competence pool
- c. HubSpot expertise
- d. Own experience from building and developing our own sales and marketing model
- e. International coverage, offices in 5 countries
 - i. The Nordics are a great launchpad for Martech service companies; the ratio of people and Martech platforms is the best in the world and we're in the middle of the action.
- f. Leadership with a track record of building international service companies

12. What is your differentiating factor?

- a. Operation in 5 countries
- b. Hubspot Elite partner status: 1/13 in the world
- c. Our operating model: Tomorrowbound
- d. Digital native
- e. Broad customer portfolio
- f. Publicly listed company: transparency for the customers

13. What are the weaknesses of Avidly operations at the moment compared to the updated strategy?

- a. We're aiming high and need to develop all the time in all service areas but some areas need to be scaled-up faster than others. Some of the areas we need to focus on are listed below:
 - i. Profitable operation - need to keep-up the pace.
 - ii. Lean customer-centric operation models
 - iii. Tech & data competences, from platform to service company.

