

TextMagic

TextMagic AS is publicly offering up to 500,000 Offer Shares,
together with all Shares to be admitted to trading on Nasdaq Tallinn
First North multilateral trading facility (MTF)

TABLE OF CONTENTS

| | |
|--|----|
| IMPORTANT INFORMATION | 2 |
| SUMMARY | 4 |
| 1. INTRODUCTORY INFORMATION | 6 |
| 2. DESCRIPTION OF THE ISSUER AND THE GROUP | 7 |
| 3. REASONS FOR THE OFFERING AND USE OF PROCEEDS | 26 |
| 4. SHARE CAPITAL, SHARES AND SHAREHOLDERS | 27 |
| 5. MANAGEMENT AND TEAM | 28 |
| 6. TERMS AND CONDITIONS OF THE OFFERING | 32 |
| 7. RELATED-PARTY TRANSACTIONS | 37 |
| 8. RISK FACTORS | 37 |
| 9. INFORMATION REGARDING CERTIFIED ADVISER | 41 |
| 10. FINANCIAL INFORMATION AND MANAGEMENT GUIDANCE | 42 |
| 11. ESTONIAN TAXATION SYSTEM | 46 |
| 12. GLOSSARY | 47 |

COMPANY DESCRIPTION

TextMagic AS is publicly offering up to 500,000 Offer Shares (the “**Offering**”), together with all Shares to be admitted to trading on Nasdaq Tallinn First North multilateral trading facility (MTF)

IMPORTANT INFORMATION

This company description (the “**Company Description**”) has been prepared by TextMagic AS (public limited company registered in Estonia under the registry code 16211377 (the “**Issuer**”, together with its subsidiaries the “**Group**” or “**TextMagic Group**” or “**TextMagic**”, TextMagic also referring to operations and services provided by the companies belonging to the TextMagic Group)) in connection with the Offering of new shares (the “**Offer Shares**”) and subsequent admission to trading of all Shares on the First North MTF operated by Nasdaq Tallinn AS (the “**Exchange**”). The Company Description has been prepared in accordance with the rules and regulations established by the Exchange for the First North MTF (the “**Rules and Regulations**”).

This Company Description may not be used for any other purpose without prior permission from the Issuer. The Offering of the Offer Shares will be conducted only in Estonia pursuant to Article 3(2)(b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council (the “**Prospectus Regulation**”) and subsection 15(1) of the Securities Market Act of the Republic of Estonia (the “**SMA**”), according to which a public offer prospectus does not need to be published if the total consideration of the public offering of securities does not exceed EUR 2.5 million in total calculated during a one-year period.

This Company Description is not a prospectus within the meaning of the Prospectus Regulation or the SMA. The Offering will be conducted only in Estonia and the Offer Shares will not be offered in any other jurisdiction. No measures have been nor will be taken in any other jurisdiction than Estonia that would allow the possession and distribution of the Company Description nor any other documents pertaining to the Company Description. The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended or under any relevant securities authority in any state or other jurisdiction in the United States and may not be offered or sold within the United States. The Company Description does not constitute an offer to sell, or an invitation to offer to buy, the Offer Shares in any jurisdiction where such offering is unlawful.

The Offering is aimed at Estonian retail and institutional investors who are qualified investors as defined in Article 2(e) of the Prospectus Regulation. In addition to the Offering, the Issuer may offer the Offer Shares to institutional investors from outside of Estonia in the European Union member states, provided that such investors can be considered qualified investors within the meaning of Article 2(e) of the Prospectus Regulation.

The Issuer has filed an application with the Exchange for admission to trading of all of the Issuer’s shares, including the Offer Shares (the “**Shares**”), on the Exchange’s First North MTF.

Participation in the Offering, subscription for and investing on the secondary market in Shares carries certain risks. Prospective investors are advised to read this Company Description fully before making any investment decision. In particular, we advise reading Section 8 “Risk Factors” for information on risk factors to consider when investing in Issuer’s Shares. Although the Issuer has made all reasonable efforts to ensure that this Company Description provides an accurate and adequate overview of the Group, its operations, and the Offer Shares, the value of an investor’s investment in the Offer Shares may be affected to a significant degree by circumstances, which had not arisen by the date of publishing this Company Description, or which are not reflected in this Company Description. The information presented in this Company Description should not be construed as legal, financial, or tax advice. This Company Description has not been prepared as investment advice or a recommendation to purchase the Offer Shares. Whether investing in the Offer Shares matches the prospective investor’s financial capabilities and investment objectives and whether such investment is in accordance with the rules, requirements, and restrictions to which the prospective investor is subject to should be decided by each prospective investor independently, engaging the services of a professional legal, financial, or tax adviser where necessary.

Please note that information available at the website of the Issuer or any other publicly available information or information obtained from third parties or otherwise regarding the prospects,

expectations, promises or estimates regarding the future economic performance of the Issuer or the Group does not form part of this Company Description, unless specifically referred so in this Company Description and cannot be relied on while deciding whether to subscribe for and invest in the Shares.

SUMMARY

Introduction

This summary is prepared to provide a conclusive overview of main aspects related to the Issuer, the TextMagic Group and the Offering and does not attempt to provide any full and exhaustive overview of all aspects relevant in the context of the Issuer, the TextMagic Group or the Offering. To acquire a sufficient overview of the Issuer, the TextMagic Group and the Offering, the Company Description shall be read in full.

Main information regarding the Issuer and the Group

The Issuer is a parent company of TextMagic Group. TextMagic Group consists of the Issuer, two fully owned subsidiaries of the Issuer (TextMagic Ltd. and TM Ops OÜ) and a subsidiary of TM Ops OÜ (TM Marketing Ops Srl). The activities of TextMagic were initiated in 2001 with the founding of TextMagic Ltd. The TextMagic Group as it exists and operates as at the time of the Offering was formed in 2021 as a result of a restructuring process during which the shareholders of the Issuer transferred to the Issuer by a way of non-monetary contributions the shareholdings in TextMagic Ltd. and TM Ops OÜ and other material assets required for conducting the business of TextMagic.

The current and operating product of TextMagic is an application-to-person (A2P) SMS platform which permits sending of notifications, alerts, reminders, order confirmations, carrying out SMS marketing campaigns, surveys, 2-way chats and 2-factor authentication. TextMagic is also working on the development of a new product, customer engagement platform (Touchpoint). The new platform connects various communication channels and is attempting to cover the needs and preferences of more customers. The new platform is planned to be launched in 2023.

Before the Offering, the shareholders of the Issuer are Monday Media OÜ, registry code 10904323, a company under the control of Priit Vaikmaa, holding 7,376,000 Shares, which form 92.2% of the share capital of the Issuer, OÜ Edly, registry code 14567503, a company under the control of Eduard Tark, holding 312,000 Shares, which form 3.9% of the share capital of the Issuer and Merkatiko OÜ, registry code 12496265, a company under the control of Kärtu Vaikmaa, holding 312,000 Shares, which form 3.9% of the share capital of the Issuer.

The management board of the Issuer (the “**Management Board**”) is composed of one member and as at the time of the Offering, the Management Board member is Priit Vaikmaa. The supervisory board of the Issuer (the “**Supervisory Board**”) is composed of three members. As at the time of the Offering, members of the Supervisory Board are Kärtu Vaikmaa (chairman of supervisory board), Eduard Tark and Iryna Avdus.

Main information regarding the Offering

During the course of the Offering, up to 500,000 Offer Shares are being offered by the Issuer. The Offer Shares are ordinary shares of the Issuer, with all the rights and obligations prescribed under the Articles of Association and applicable laws for such type of shares.

The period during which the Offer Shares can be subscribed for commences on 29 November 2021 at 10:00 and terminates on 9 December 2021 at 16:00 (Estonian local time) (the “**Offer Period**”).

The price which shall be paid for subscribing the Offer Share (the “**Offer Price**”) is EUR 5.00 per Offer Share.

The allocation of the Offer Shares will be announced on or about 10 December 2021 with settlement taking place on or about 14 December 2021. The goal of the allocation is to maximize the liquidity of the Shares in the secondary market while providing a wide and stable new shareholder base for the Issuer.

The trading of the Shares is expected to commence on First North MTF on or about 15 December 2021.

Assuming that the Offering is fully subscribed for and the existing shareholders do not subscribe for the Offer Shares, after the Offering, the Shares held by Monday Media OÜ will form approximately 86.78% of the share capital of Issuer, the Shares held by OÜ Edly will form approximately 3.67% of the share capital of the Issuer, the Shares held by Merkatiko OÜ will form approximately 3.67% of the share capital of the Issuer and the Shares held by the new shareholders (participants of the Offering) will form approximately 5.88% of the share capital of the Issuer.

1. INTRODUCTORY INFORMATION

1.1. Applicable law

This Company Description has been prepared in accordance with the legislation of the Republic of Estonia and with the Rules and Regulations of First North, and it is governed by the laws of the Republic of Estonia.

Any disputes arising from or in relation to this Company Description shall be resolved in Harju County Court as a court of first instance.

1.2. First North MTF

First North is a multilateral trading facility (MTF) within the meaning of subsection 3(3) of the SMA and is operated by the Exchange, and it is not a regulated market within the meaning of the SMA or any other legislation. The entities the securities of which and the securities which are traded on First North MTF are not required to fulfil the regulations established regarding a regulated market, but requirements foreseen in the Rules and Regulations. These requirements and regulations are milder compared to the ones applicable in respect of entities admitted to trading on a regulated market. An investment in an entity that is traded on First North MTF may therefore encounter higher risks than an investment in an entity that is traded on a regulated market. All entities with shares admitted to trading on First North MTF have a certified adviser that monitors a company's compliance with the Rules and Regulations. The approval of admitting to trading on First North MTF is in the competence of the Exchange.

1.3. Responsible persons and Management Board confirmation

The persons responsible for the information provided in this Company Description are the members of the management board. They bear responsibility for the validity and accuracy of the information presented in this Company Description.

To the best of the Management Board's knowledge, the Management Board is aware that the information in this Company Description is accurate, and information provided hereunder is complete and correct.

1.4. Information regarding legal proceedings

The Issuer is not a party to any ongoing legal proceeding and during the previous reporting periods there have been no legal proceedings against the Issuer. No insolvency application of the Issuer has been submitted and no insolvency proceedings instituted in respect of the Issuer. There are no legal proceedings in connection with fraud or other economic violations in which Management Board or Supervisory Board or other senior officers of the Issuer have been involved.

1.5. Presentation of Information

The capitalised terms in this Company Description carry the meanings defined in [Section 12](#) or elsewhere in this Company Description.

Numerical and quantitative values contained in this Company Description (e.g., monetary values, percentages *etc.*) have been given with a degree of precision deemed by the Issuer to be reasonably sufficient and adequate for the purposes of information, while avoiding excessive detail. Quantitative values have in some cases been rounded to the nearest decimal place or whole number to avoid excessive detail. Due to this, data presented as percentages may not always add up to 100%.

In this Company Description, financial information is presented in euro (EUR), the official currency of the Republic of Estonia and the European Union Member States in the Eurozone.

This Company Description is drawn up based on information which was valid as at 9 November 2021. Where information is presented as at a date other than 9 November 2021, this is identified by either specifying the relevant date or by the use of expressions "to date", "until the date hereof" and other similar expressions.

1.6. Forward-looking statements

Historical facts, information gained from historical performance, present facts, circumstances and information and assumptions from all or any of these are not a guide to the future. Statements as to TextMagic Group's aims, targets, plans and intentions and any other forward-looking statement referred to or contained herein are no more than that and do not comprise forecasts. Any such forward looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors which may cause the actual results, outcome, financial condition, performance, achievements or findings of TextMagic Group to be materially different from any future results, performances or achievements expressed or implied by such forward looking statements.

1.7. Accessibility and supplementary materials

This Company Description and its annex together with supplementary materials can be accessed on the website of the Issuer (<https://investor.textmagic.com/>).

2. DESCRIPTION OF THE ISSUER AND THE GROUP

2.1. General corporate information of the Issuer

The business name of the Issuer is TextMagic AS. It was registered in the Estonian Commercial Register under the registry code 16211377 on 21 April 2021. TextMagic has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts*) and is established for an indefinite term. Its legal entity identifier (LEI) is 98450071E4AE12E99369.

The Issuer is the parent entity of the TextMagic Group.

Contact information:

- Address: Mõisa 4, Tallinn, Estonia 13522
- Website: <https://www.textmagic.com/>
- E-mail: support@textmagic.biz
- Phone: +372 50 34 224

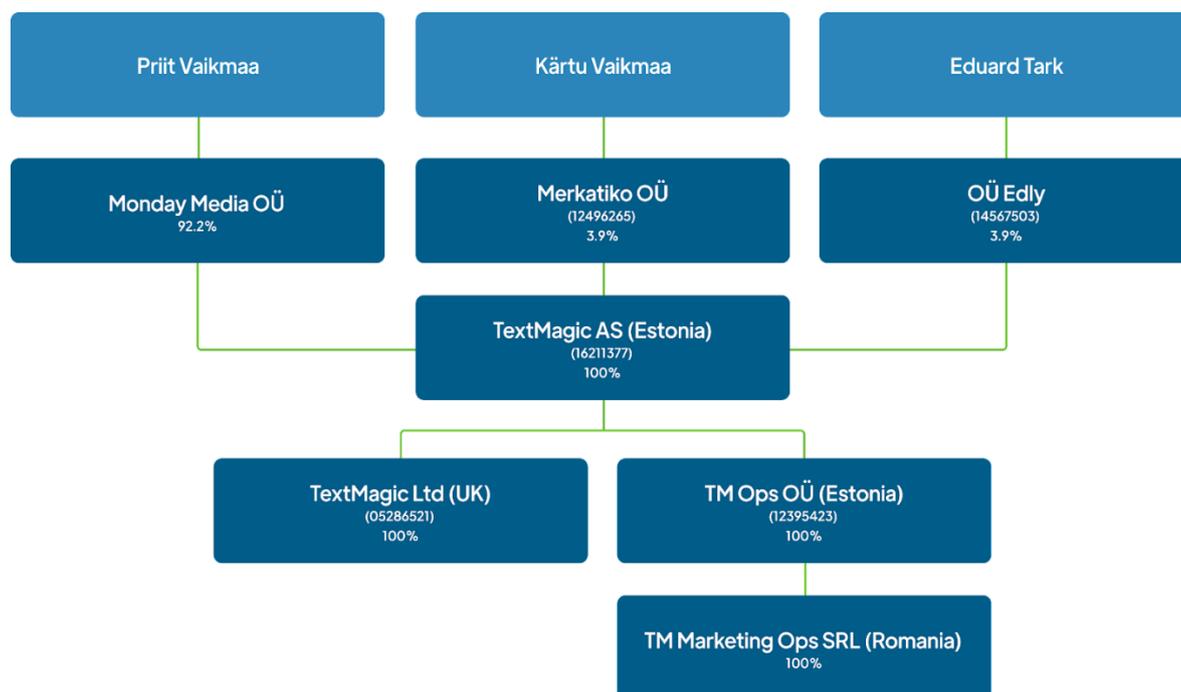
2.2. History of the Group



TextMagic Ltd. was founded in 2001 by Dan Houghton. In 2007, the current CEO, Priit Vaikmaa, joined TextMagic Ltd. TextMagic has been wholly owned by Estonians since 2013, after Dan vendor-financed a management buyout (MBO). In 2014 TextMagic expanded to the United States market and in 2015 the company exceeded annual sales of EUR 1 million. In 2020 the TextMagic Group recorded sales revenue of EUR 7.9 million, a 45% increase over 2019. TextMagic Group, as it exists at the time of the Offering, was created in September 2021.

2.3. Organisational structure

The ownership structure of the Group as at 29 November 2021 is as follows:



The Issuer is the parent entity of the Group.

In September 2021, the shareholdings in TextMagic Ltd. and TM Ops OÜ were transferred to the Issuer as a non-monetary contribution by its shareholders. During the transfer of the shares as a non-monetary contribution, the former shareholders of TextMagic Ltd. (Monday Media OÜ, former owner of 900 shares forming 90% of the share capital of TextMagic Ltd., OÜ Edly, former owner of 50 shares of TextMagic Ltd., forming 5% of the share capital of TextMagic Ltd. and Merkatiko OÜ, former owner of 50 shares of TextMagic Ltd., forming 5% of the share capital of TextMagic Ltd.) transferred all shares of TextMagic Ltd. to the Issuer and the Issuer became the sole shareholder of TextMagic Ltd. and the former shareholders of TM Ops OÜ (Monday Media OÜ, former owner of the share of TM Ops OÜ with a nominal value of EUR 2,250, forming 90% of the share capital of TM Ops OÜ, OÜ Edly, former owner of the share of TM Ops OÜ with a nominal value of EUR 125, forming 5% of share capital of TM Ops OÜ and Merkatiko OÜ, former owner of the share of TM Ops OÜ with a nominal value of EUR 125, forming 5% of the share capital of TM Ops OÜ) transferred all shares of TM Ops OÜ to the Issuer and the Issuer became the sole shareholder of TM Ops OÜ. As a result of the foregoing, TextMagic Ltd. and TM Ops OÜ are now fully owned by the Issuer.

Together with transferring the shares of TextMagic Ltd. and TM Ops OÜ, Monday Media OÜ also transferred to the Issuer an A2P SMS marketing software “TextMagic”, customer engagement software “Touchpoint”, trademarks “TextMagic” and domains textmagic.com and touchpoint.com.

As a part of the process, those shareholdings as non-monetary contributions and other assets as non-monetary contributions transferred to the Issuer in exchange for the shares of the Issuer were appraised by the Management Board and in its appraisal the Management Board did not deviate from the outcome of an independent appraisal conducted by LHV Pank AS. The appraisal was independently audited by the Issuer’s auditors, Grant Thornton Baltic OÜ, as required by law.¹

2.4. Brief overview of the Group

The Group is active in the field of provision of SMS marketing services. It provides services to business clients globally and helps its clients to transform their customer experiences with the easy-to-use text messaging marketing software of TextMagic. TextMagic’s application-to-person (A2P) SMS platform

¹ For further details see Note 1 in Section 10.

permits sending of notifications, alerts, reminders, order confirmations, carrying out SMS marketing campaigns, surveys, 2-way chats and 2-factor authentication.

Small and medium-sized businesses (SMEs) can have a hard time engaging their clients. Communication channels other than SMS have lower penetration and response rates. The mission of TextMagic is to be a reliable cooperation partner helping its customers to reach their clients, targets and partners in an easy, immediate and reliable manner.

The operations of what is now the TextMagic Group commenced in 2001 with the establishment of TextMagic Ltd. in the United Kingdom. TextMagic Ltd. continues to function as the company through which the business activities of TextMagic Group are performed: it is the client-facing entity. Since the United Kingdom is a well-known jurisdiction both for its general stability as well as its legal and commercial environment, having a United Kingdom company function as the client-facing entity makes TextMagic more visible, attractive and trustworthy for clients all over the world. It also minimises questions about the origin of the company and fears about impacts of the environment of the jurisdiction of its location on its services. Overall, that helps to extend the ease of acceptability of services of TextMagic and thereby also increase the client base. In recent years the United States has become the dominant market for TextMagic. Based on the information regarding the last 12 months (as at September 2021), the United States and United Kingdom together represent around 88% of the SMS volume of TextMagic, other important markets for TextMagic Group are Canada, Australia and Ireland.

TM Ops OÜ, an Estonian private limited liability company, is a company providing back-office services for other TextMagic Group companies.

TM Marketing Ops SRL is the newest member entity of TextMagic Group. It was established to provide marketing and support services to other TextMagic Group companies.

2.5. Overview of TextMagic's Group business model

TextMagic's solution enables the clients of TextMagic Group to reach their target customers in an easy and straightforward manner – via SMS. The services of TextMagic Group are provided to the registered business clients.

Before starting to use TextMagic's platform for a fee, a potential client can create a free trial account to test the platform. The trial unlocks all of the platform's features. TextMagic operates on a low-touch model: offering a free trial before a paid account, in-product onboarding, and a self-service experience. If satisfied, the services of TextMagic can be enjoyed by the client after completion of two simple steps on the webpage or via the app (available both for Android and iOS) of TextMagic – buying credit and uploading/entering a contact list. Thereafter all is set up for the client to start sending SMSs.

In addition to the possibility to send text messages via TextMagic's platform, TextMagic also enables clients to manage the SMS replies, either through e-mail to SMS, call forwarding or communications management (via the desktop or mobile app or the web platform). For the overview of features provided, please see Section 2.6.

All of the services of TextMagic can be used based on prepayments made by the client, the fees for certain services are based on standardised price lists. If the client wishes to stop using the services of TextMagic before the prepayment made by the client is used in full, the client needs to inform TextMagic and the unused prepayments made are refunded to the client in accordance with the terms and conditions of the service.

For provision of its services, including ensuring the performance of client identification obligations and provision of smooth and uninterrupted services as well as ensuring safety of clients' banking data, TextMagic uses several well-known cooperation partners and if considered necessary for protection of the interests of TextMagic, it takes additional measures for that purpose.

For onboarding TextMagic uses a third-party service provider, Veriff, which is an automated online identity verification platform that permits the performance of compliance and know-your-client (KYC) functions. TextMagic has concluded a service agreement with Veriff for the verification of users'

identities. All suspicious payments made by customers are processed through Veriff, which has effectively removed any fraud from the platform.

In addition to the foregoing, TextMagic performs a manual review of its users for fraud detection where the sum of payment for a new client is USD 100 or higher. As part of this, TextMagic's support staff manually search for hints of fraud on the users' accounts and on that basis decide whether to keep or close the relevant accounts. TextMagic has also identified a list of blocked countries, from which users are unable to access the TextMagic services. As a result, TextMagic has taken the necessary steps to ensure that clients from countries where it is not possible to properly verify identity, that are classified as high-risk countries, that have legislative restrictions or other such issues, are not able to access TextMagic's services.

TextMagic uses a payment widget, which means that no credit or debit card information is stored on its website. All payment data is securely stored by a third-party PCI-compliant payment gateway, making the service secure to use for any customer. The secure payment gateway is operated by Spreedly, Wise, PayPal, and Stripe, which process payments on TextMagic's behalf.

TextMagic does not have a proprietary network of telecommunications service providers (TSPs) and buys the bulk SMS service from external cooperation partners. This means that in the case of connectivity or network issues TextMagic can contact just one service provider for quick problem solving without having to approach each network provider separately, furthermore, this reduces TextMagic's need for staff for managing such relationships. Often this also enables to achieve better price rates in comparison with having to negotiate each relationship separately.

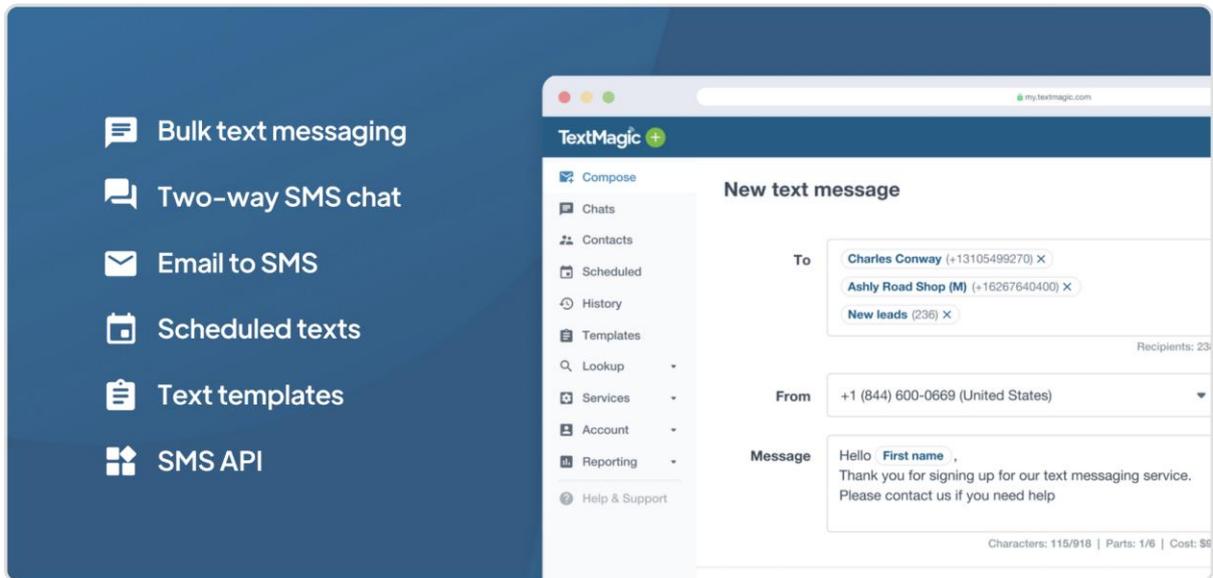
In order to safeguard the security on TextMagic's platform, TextMagic performs external security penetration tests at least annually, with any detected vulnerabilities analysed and remediated appropriately. TextMagic also undergoes independent third-party assessments to test security and compliance controls. TextMagic has an Information Security Programme in place, which is communicated throughout the group entities and follows the criteria set forth by the SOC 2 Framework.

The current platform of TextMagic enjoys a high level of customer satisfaction. Of the customer feedback received over a period of 30 days (between 1 September 2021 – 30 September 2021), 74% rated the service with either 9 or 10 out of 10, 18% rated the service with a 7 or 8, and only 8% of users rated the services with a 6 or below.² TextMagic has not been involved in any material customer disputes. Disputes with customers generally involve the repayment of a small fee, as the business model of TextMagic is such that no customers are in large-scale long-term relationships with TextMagic Group. The reviews from customers of TextMagic can be read on G2.com, Capterra, or TrustPilot and TextMagic's case studies are available at the web-page of TextMagic (textmagic.com).

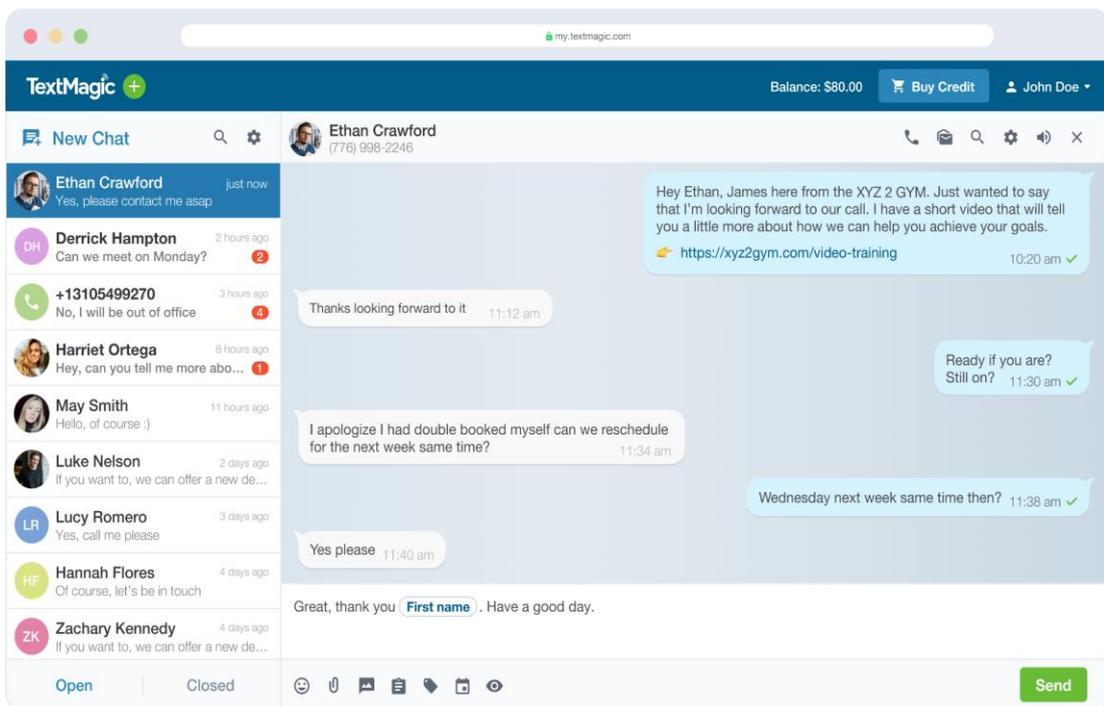
2.6. Product

TextMagic's SMS platform provides the following features:

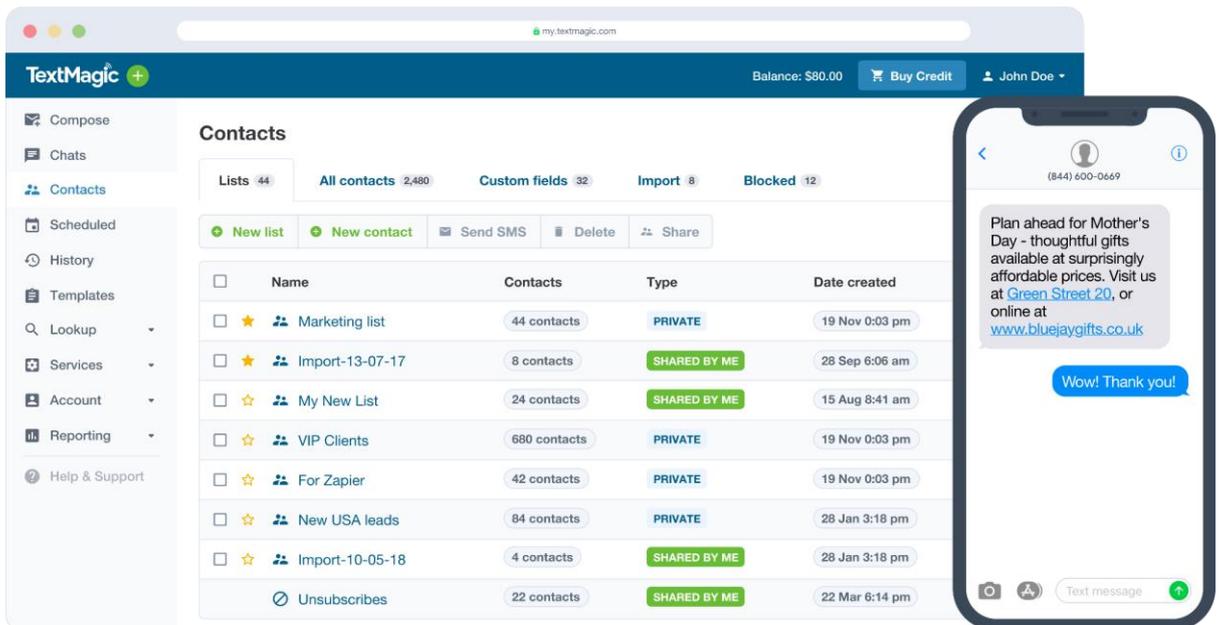
² *NPS feedback was collected using the Delighted.com service from users after they have made a payment with TextMagic. TextMagic uses the Delighted software to collect NPS surveys from paying customers. The value represented above refers to the average NPS score of TextMagic between September 01 - September 30, 2021



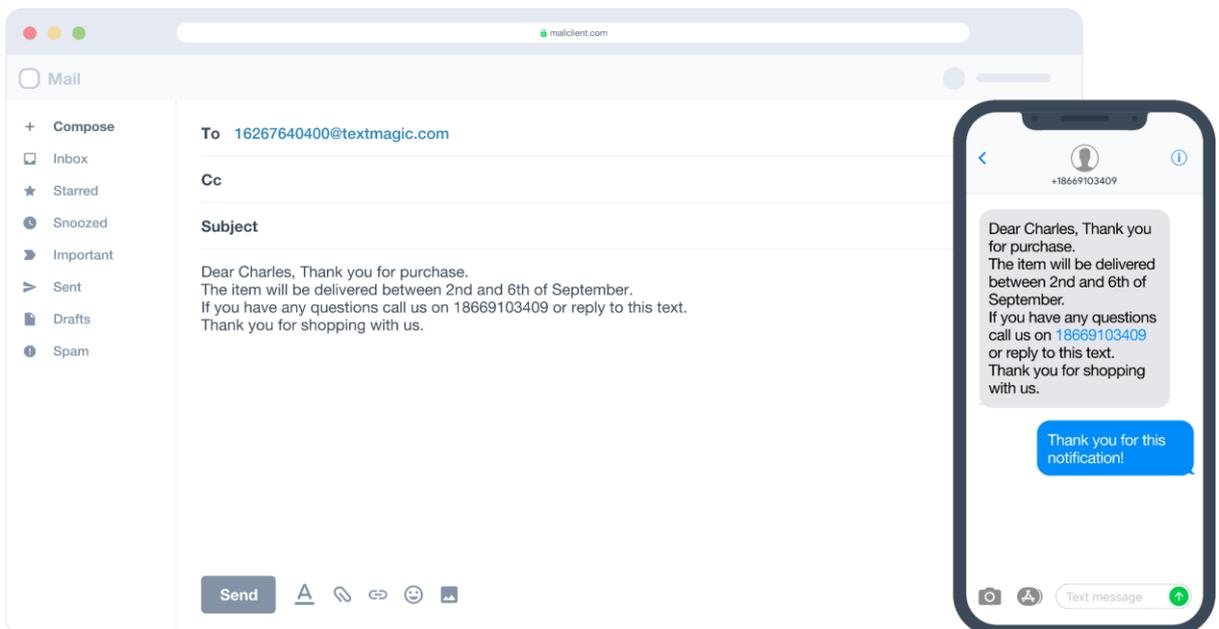
- **Two-way conversations with SMS chat:** feature that enables TextMagic users to view SMS as chats.



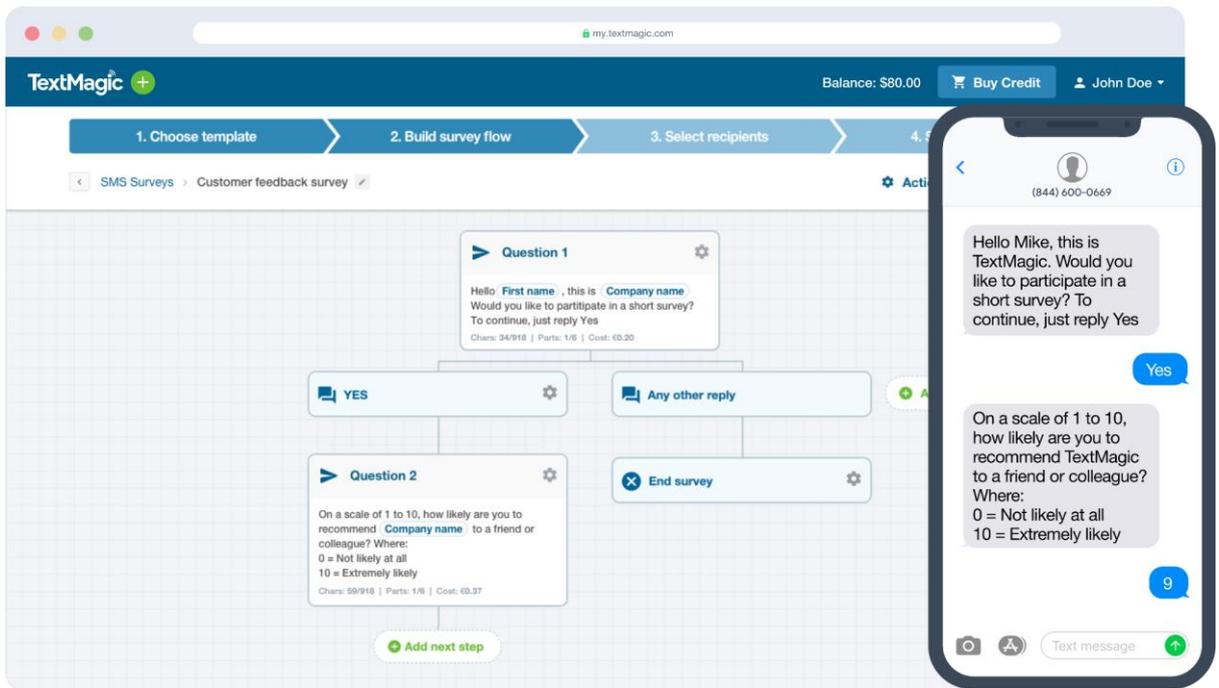
- **SMS marketing list and contact management:** feature that enables TextMagic users to import contacts from excel sheets or manually to create their own SMS database for mobile marketing campaigns.



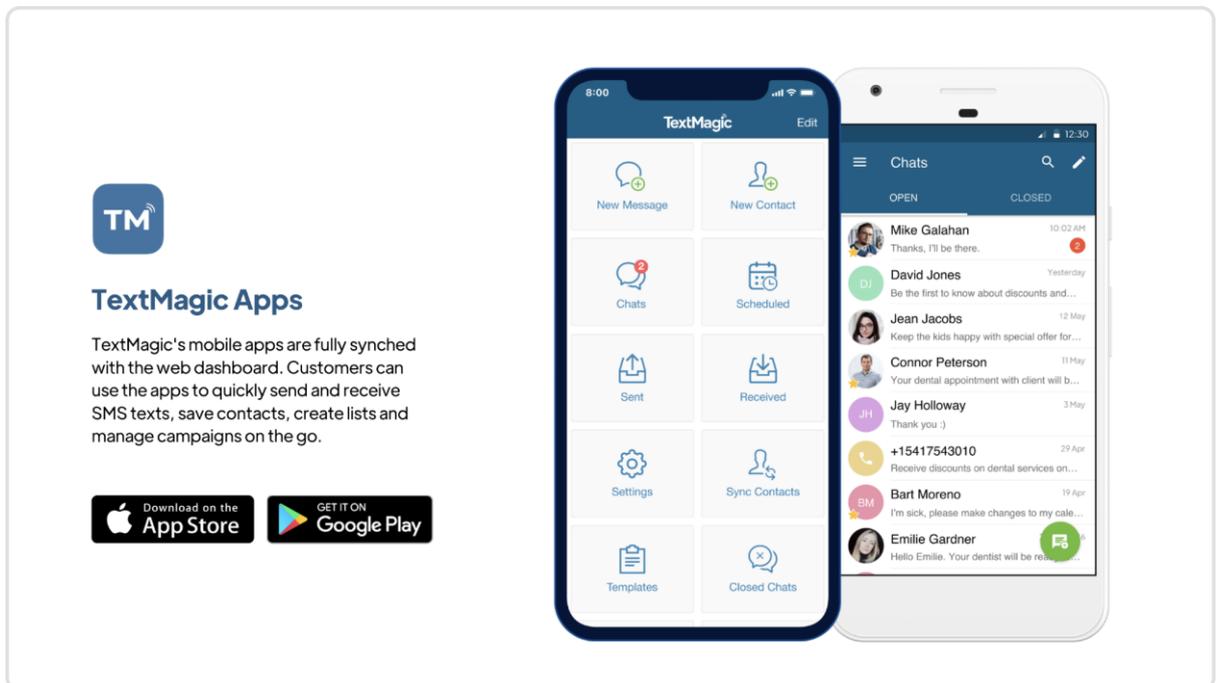
- **Email to SMS gateway:** feature that converts emails into text messages and delivers them to recipient phones. SMS replies arrive to the TextMagic user as emails.



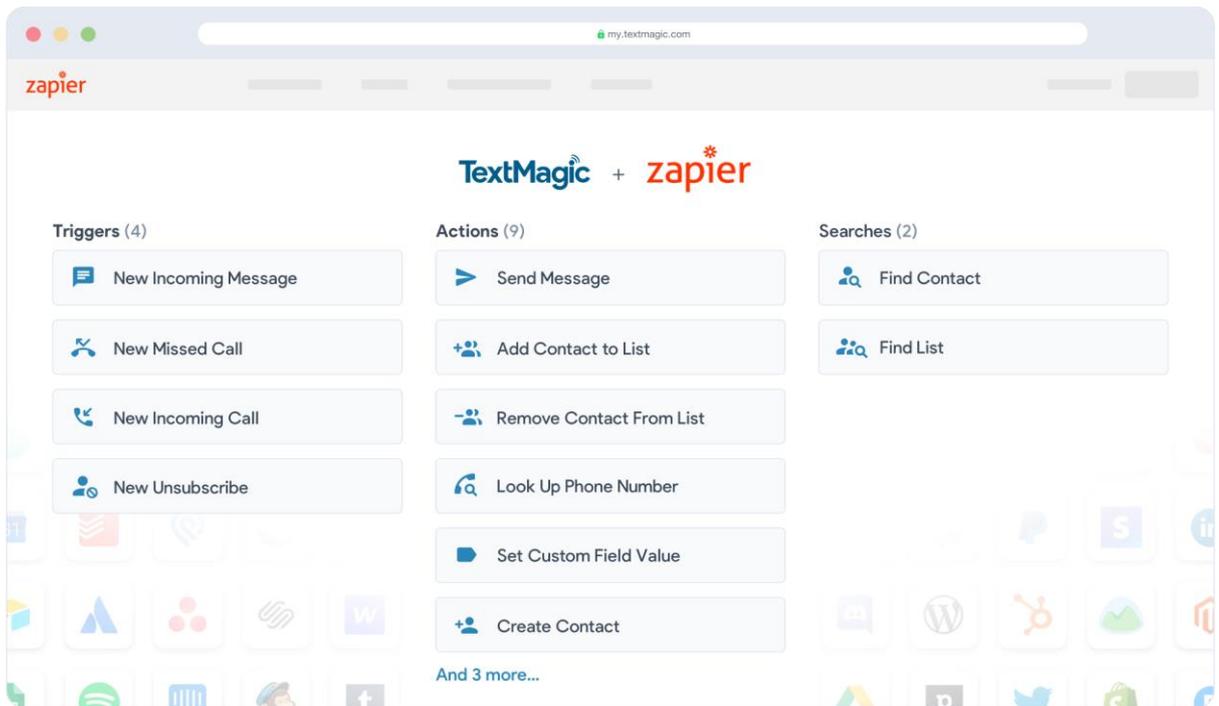
- **SMS surveys:** predefined SMS survey templates and auto-responders that TextMagic customers can use to obtain feedback from their target audience.



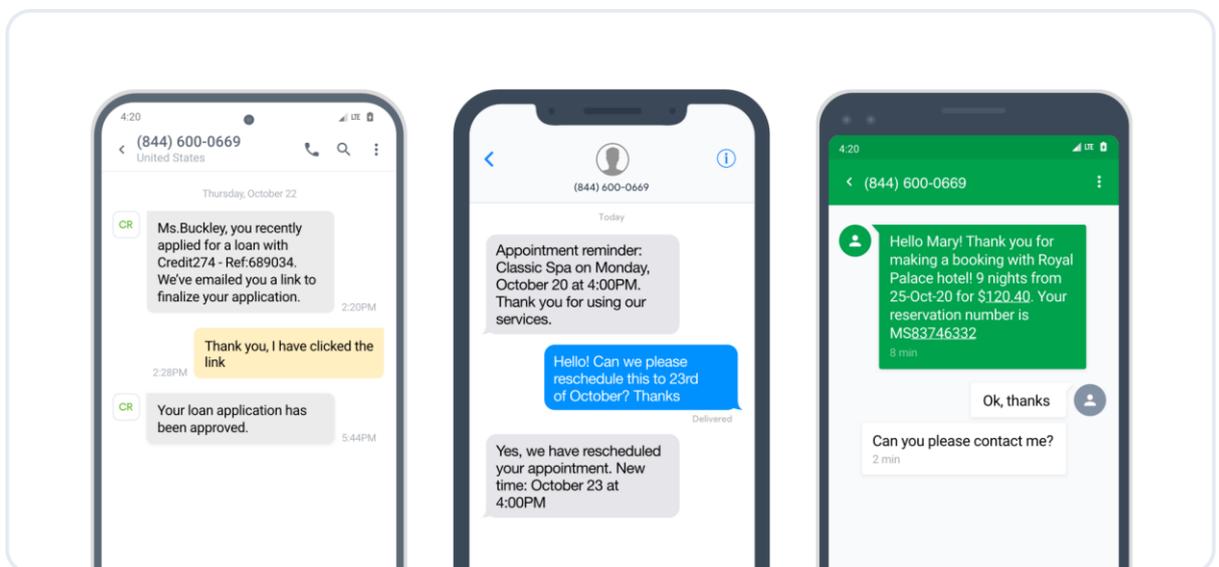
- **Mobile apps:** iOS and Android apps that allow users to create and manage contacts, send SMS campaigns, and more.



- **Zapier SMS integrations:** the TextMagic A2P SMS platform connects to Zapier, enabling users to create easy automations with third-party apps.



- **SMS Gateway:** feature that allows customers to integrate TextMagic within their own business system or software.



- **Virtual mobile numbers:** dedicated business numbers that can be rented for a monthly subscription, or toll-free numbers, that businesses can use to send text messages to their customers.

Numbers

Buy a new number | Text enable your landline

| TextMagic Number | Account | Price | Next renewal | Forward calls to | Actions |
|--------------------|---------------|-----------------|--------------|---------------------|---------|
| +18669103409 (US) | John Doe | \$4.00 / month | 20 Nov 2020 | (978) 845-6035 | ⚙️ |
| +16267640400 (US) | John Doe | \$4.00 / month | 20 Nov 2020 | (660) 828-6203 | ⚙️ |
| +18336963521 (US) | John Doe | \$4.00 / month | 20 Nov 2020 | (483) 520-2277 | ⚙️ |
| +18669103409 (CA) | John Doe | \$4.00 / month | 22 Nov 2020 | SMS Chat | ⚙️ |
| +18669100934 (CA) | John Doe | \$4.00 / month | 22 Nov 2020 | (630) 735-4626 | ⚙️ |
| +447451289970 (GB) | Olive Padilla | \$4.10 / month | 22 Nov 2020 | SMS Chat | ⚙️ |
| +61428102137 (AU) | Jack Martinez | \$15.00 / month | 22 Nov 2020 | Activate forwarding | ⚙️ |
| +61428104678 (AU) | Leo Hansen | \$15.00 / month | 22 Nov 2020 | Activate forwarding | ⚙️ |
| +61428102137 (AU) | Jack Martinez | \$15.00 / month | 22 Nov 2020 | SMS Chat | ⚙️ |

- **SMS attachments:** ability to attach files and images to texts, without having to pay extra.

New text message

To: VIP customers (88) X

From: +1 (844) 600-0669 (United States)

Message: 10% Off for all dental services!
Please, use flyer attached below to get your discount.
Download flyer from here:
<https://my.textmagic.com/click/8h1g4>

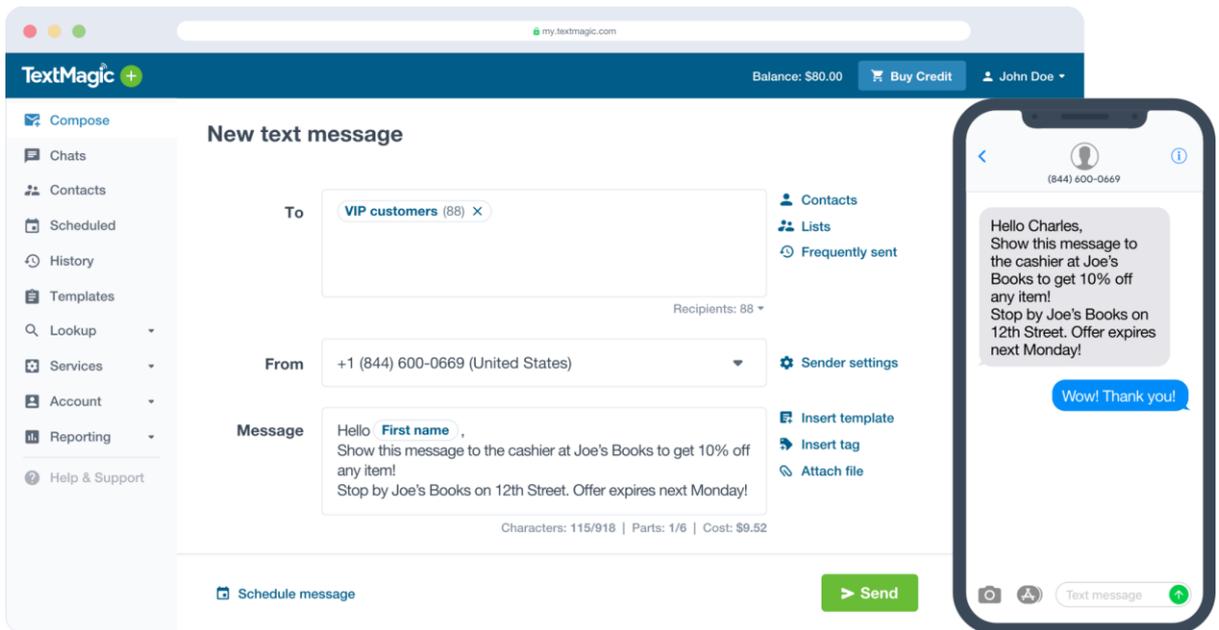
Characters: 115/918 | Parts: 1/6 | Cost: \$9.52

Schedule message | Send

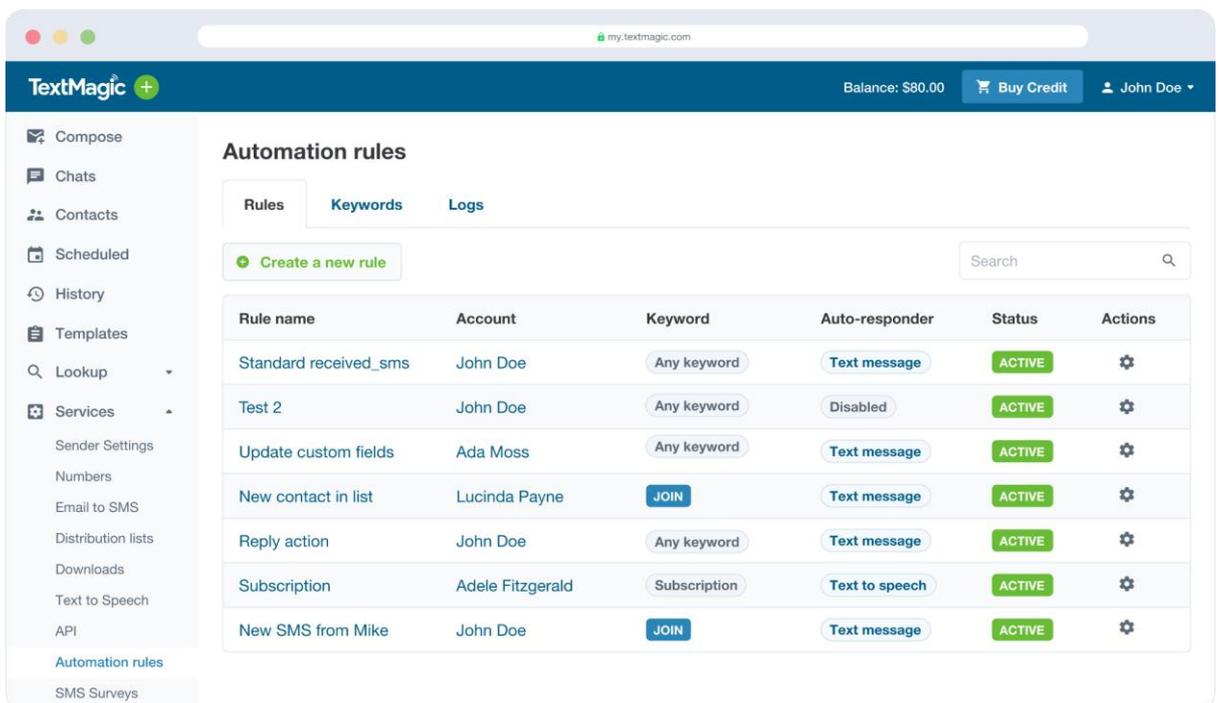
Contacts, Lists, Frequently sent, Sender settings, Insert template, Insert tag, Attach file

Download file

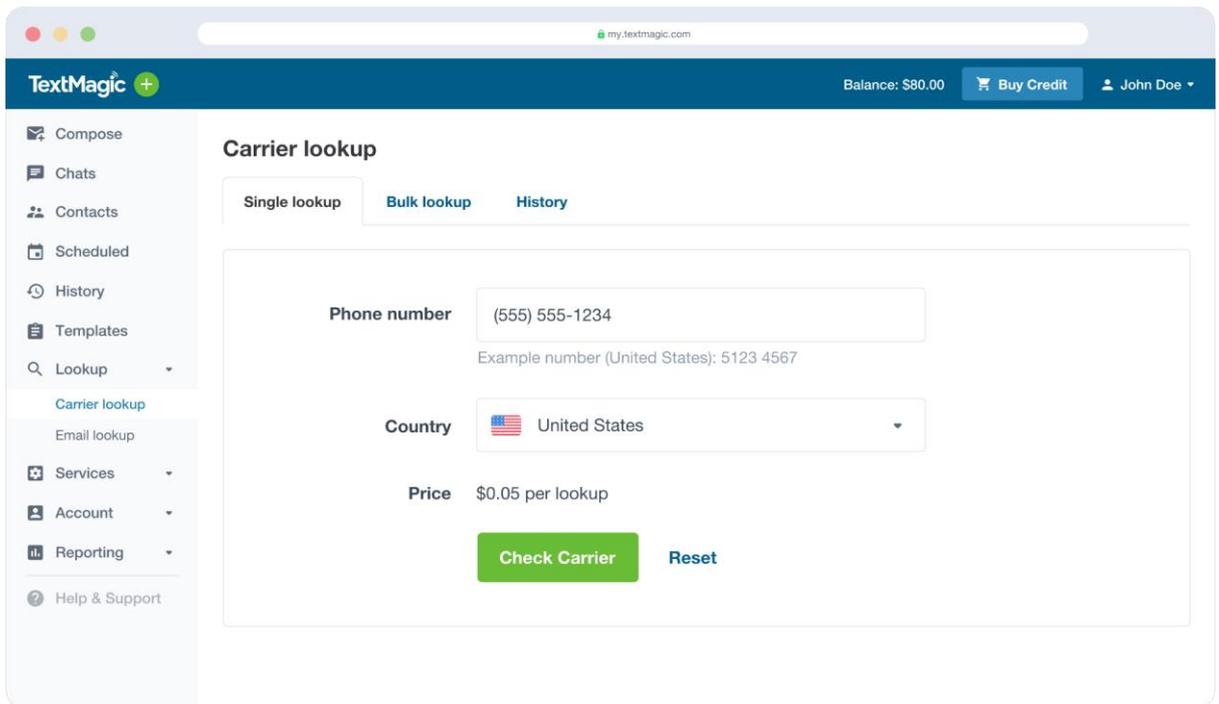
- **Mail merge and SMS templates:** feature that inserts predefined merge tags into SMS templates to personalize SMS communications based on contact information.



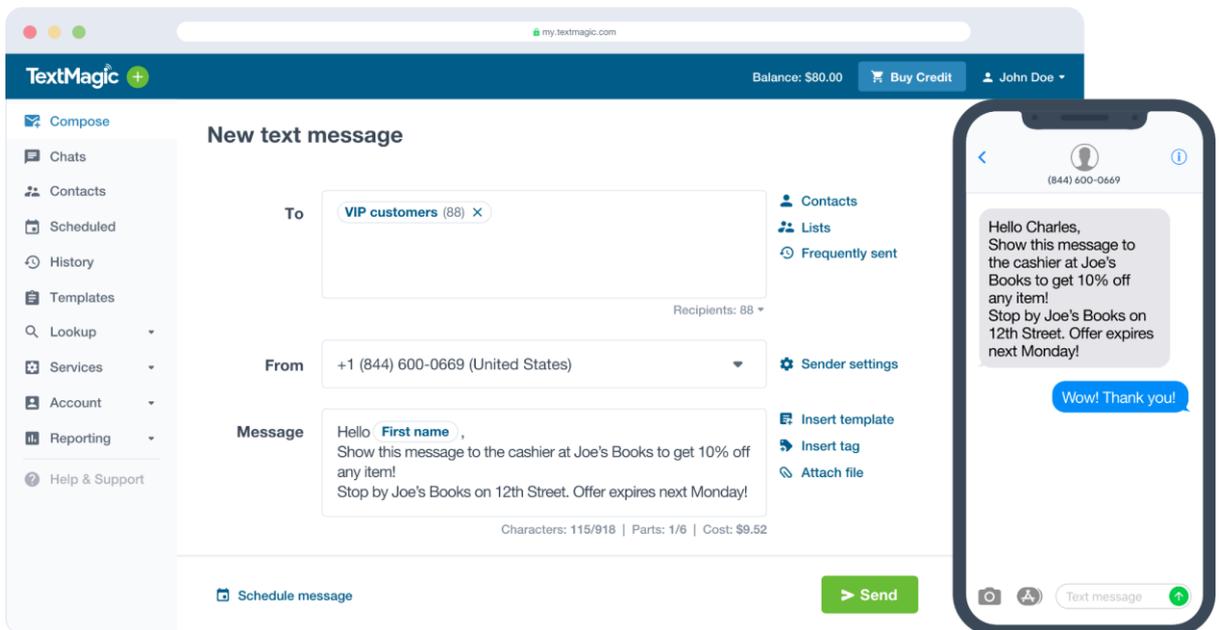
- **Incoming message automation:** feature that creates automatic rules for processing incoming text messages based on various triggers or keywords.



- **Carrier and email validation:** feature that allows users to check the status of phone numbers or emails before sending a communication and remove invalid contacts from the database.



- **Bulk SMS:** online texting solution that allows the distribution of text messages anywhere in the world.



- **Other features:** long text messages, text message scheduling, language and unicode SMS, voice call forwarding, voice call broadcast, reporting and analytics, sub-accounts for team members, enterprise SMS solutions, SMS opt-out management, text marketing lists.

2.7. Overview of main assets used in business of TextMagic

TextMagic Group's main asset is the software required to manage and operate the platform used for the provision of SMS marketing services.

Overview of software owned and used

While conducting its business, the main software to run the current platform is developed by and for TextMagic and the Issuer owns all rights related to the software. The software also allows users to integrate the SMS gateway into users' own applications via pre-written scripts.

TextMagic is currently developing software for the new customer engagement platform. The software is owned by the Issuer.

In addition to the software owned by the Issuer, TextMagic uses the software solutions provided by several well-known service providers, e.g., OVHcloud, Amazon Web Solutions, Google Cloud, Zendesk, Newrelic etc.

Overview of servers and databases used

TextMagic itself does not own any significant hardware and respectively is not responsible for maintenance of such technology and has outsourced all such operations to several external service providers. The usage of several service providers helps TextMagic to ensure that if there is a problem with one of the secure servers, the users' data is backed up and will not be lost.

TextMagic's servers are located in secure data centres in Europe, in restricted areas with no physical access available to third parties. More specifically, the production data is hosted on OVHCloud bare metal servers in France, online database backup is hosted on the Google Cloud Platform located in the US, and offline database backups are hosted on Amazon Web Services also located in the US. These are subject to TextMagic's data retention policy.

Databases are encrypted at rest, as well as use an industry-standard Transport Layer Security (TLS) to create a secure connection, making it impossible to connect to TextMagic without TLS. All requests to TextMagic's infrastructure are routed through Cloudflare's CDN network, which is built to withstand complex and large DDoS attacks. All of the TextMagic sites and web services are secured with SSL/HTTPS. All users are able to delete all of their data with just a few clicks, making them in control of the information they have shared with TextMagic.

Overview of registered intellectual property

The Issuer is an owner of a trademark "TextMagic" registered in the European Union Intellectual Property Office, filing number 011692233 and registered for Nice classes 35, 38, 42, 45 (expiry date 26 March 2023) and trademark "TextMagic", registered in the United States Patent and Trademark Office, serial no 88181479, registration date 11 June 2019. This trademark is registered in classes IC 038 and IC 042.

The Issuer has acquired the abovementioned trademarks from its shareholder Monday Media OÜ as a non-monetary contribution. The agreement to transfer the trademarks was concluded on 23 September 2021.

Additionally, the Issuer is an owner of trademark "TextMagic Touchpoint", registered in the European Union Intellectual Property Office, filing number 018481743 and registered for Nice classes 9, 35, 38 and 42 (expiry date 29 May 2031). This trademark is registered by the Issuer.

The Issuer has submitted the applications to register the trademark "Touchpoint" in the European Union and in the United States and "TextMagic Touchpoint" also in the United States. The registration process thereof is still ongoing.

Material contracts

As at the date of this Company Description the Issuer has not entered into any agreements which can be seen as material in terms of their value, *i.e.*, the Issuer has not entered into any agreement value of which exceeds 10% of the consolidated equity of the Issuer.

The TextMagic Group in general does not have material contracts with clients as the service-model is built and the service is provided on a pay-as-you-go (PAYG) basis. This is, however, likely to change with the launching of the new customer engagement platform (Touchpoint), which will be subscription-based and is therefore expected to see a significant number of new clients that use the services on a longer-term basis.

On the supplier side, TextMagic has around 80 main suppliers that it uses for the provision of its services ranging from social media to cloud and fraud protection services. While none of the contracts exceeds the volume-based materiality threshold, the contracts with certain suppliers are material inasmuch they are necessary to ensure the ability of the TextMagic Group to provide uninterrupted services to its clients. These would include contracts with Bandwidth, Twilio and Vonage.

2.8. Market overview and competitive situation

2.8.1. TextMagic A2P SMS Market Overview and Competitive Situation

A2P messaging (application-to-person messaging) is the process of sending SMS messages from a business application to a mobile user. These messages are also known as professional or enterprise messages. A2P has become the go-to-market strategy for businesses, especially since the COVID-19 pandemic³.

The benefits of A2P SMS:

- **Easy** - Thanks to push notifications on the lock screen, most messages can be read and understood quickly.
- **Asynchronous** - Both parties don't need to be available at the same time.
- **Informal** - No subject lines, intros or signatures are required. Type your message, hit send and you're done.
- **Focused** - The last message sent (or received) is the one people are most likely to read or return to, because it's always at the top.
- **Connected** - One of the most compelling aspects of SMS messaging is the context and continuity of a long-lived conversation.
- **Convenient** - Every phone comes with a messaging app that can process SMS. Convenience always wins when it comes to communication.

The A2P SMS market is expected to reach over USD 72.8 billion by 2025 from USD 62.1 billion in 2017⁴, with the number of sent messages also expected to increase from 1.7 trillion in 2017 to 2.8 trillion in 2022⁵. Furthermore, there are over five billion unique mobile subscribers, expected to reach six billion by 2025⁶.

Currently TextMagic is estimated to be one of the top ten providers in its segment of small and medium enterprises (SMEs) in both the United States and United Kingdom market.

A2P SMS Use Cases for Business

- **Appointment reminders** - Appointment reminder texts give busy clients a friendly reminder, significantly increasing their chances of showing up on time.
- **SMS marketing campaigns** - A2P SMS apps allow businesses to automate their text marketing campaigns with the help of features such as bulk texting, SMS scheduling, and more.
- **Feedback and reviews** - With A2P SMS solutions businesses can have two-way communication with their customers to request feedback via SMS polls or reviews once an action is completed.

³ A2P has become the go-to-market strategy for businesses, especially since the COVID-19 pandemic. (2020, July 20). Analysys Mason. Retrieved September 30, 2021, from <https://www.analysismason.com/research/content/articles/covid19-a2p-communication-rdmv0/>

⁴ A2P Messaging Market by Component, Application, Deployment Mode, SMS Traffic, End User, and Region - Global Forecast of 2025. (2021, January). MarketsAndMarkets.com. Retrieved September 30, 2021, from <https://www.marketsandmarkets.com/Market-Reports/premium-sms-44.html>

⁵ Global A2P SMS Traffic to grow from 1.7 trillion to 2.8 trillion messages by 2022. (2018, February 18). MobileSquared.co.uk. Retrieved September 30, 2021, from <https://mobilesquared.co.uk/2018/02/18/global-a2p-traffic-growth-by-2022/>

⁶ Global unique mobile subscribers from 2010 to 2025, by Region. (2018, February). Statista. Retrieved September 30, 2021, from <https://www.statista.com/statistics/740154/worldwide-unique-mobile-subscribers-by-region/>

- **Urgent notifications** - SMS notifications inform recipients about an event, such as an order update or service alert. They can be scheduled through an A2P SMS app or triggered by other services.
- **Customer support** - A2P SMS enables businesses to answer customer queries instantly with SMS auto-responders configured on frequently used keywords.
- **Internal team communication** - Create separate contact lists within an A2P SMS app to communicate with staff members or collaborators in real-time using two-way SMS.

SMS has the best engagement rates out of all communication mediums. It has an open rate of 98%, with 95% of SMS being read within 3 minutes of being received, and a response rate of 45%⁷. Also, 45% of potential clients would choose a product or brand after receiving an SMS⁸. Consumers want to receive texts about shipment tracking (75%), order statuses or confirmations (65%), scheduling or appointment reminders (46.3%), and special offers (35%), from the brands they follow⁹. Furthermore, 95% of businesses are seeking new ways to engage with their clients.

Due to being an online-based service provider, TextMagic’s operations are global, which means that its potential competitors are all companies operating in the field of text messaging and customer engagement services. TextMagic takes into account competitors on a global scale as well as those operating in the markets that TextMagic considers key markets in its operations. Currently these are the United States, the United Kingdom and the European Union.

The main competitors of TextMagic are other text message marketing service providers, for example MessageMedia, which was recently acquired by Sinch for \$1.3 billion,¹⁰ Zipwhip, which was acquired by Twilio for \$850 million,¹¹ Commify, which owns 12 brands such as Essendex, FastSMS, Textanywhere, and Textmarketer in the A2P SMS segment (in the United States) and TextLocal (in the United Kingdom).

Strategic competitor acquisitions of A2P SMS companies similar to TextMagic, as well as their volume of SMS sent per year:

| |  |  |  |  |
|-------------------------|---|---|---|---|
| Pricing model | Pay-as-you-go \$0.04/SMS | Subscription from \$39/month | Subscription from \$25/month | Unique for each SMS brand under Commify |
| SMS Sent in 2021 | 200 million | 5 billion | 1 billion | 3.5 billion |
| Active clients | 20,000+ | 60,000 | 30,000+ | N/A |
| Estimated ARR | €12.2 million | \$151 million | \$21.5M | Over €100million |
| Team size | 40 | 218 | 275 | 246 |
| Other | IPO planned for November 2021 | Acquired by Sinch for \$1.3b | Acquired by Twilio for \$850m | Owens 12 business SMS brands |

● MessageMedia acquired by Sinch to expand its total addressable market (TAM) and position Sinch for growth with small and medium-sized businesses.
 ● Some of the A2P SMS brands operated under Commify:








⁷ Pemberton, C. (2016, November 03). *Tap into the Marketing Power of SMS*. Gartner. Retrieved September 30, 2021, from <https://www.gartner.com/en/marketing/insights/articles/tap-into-the-marketing-power-of-sms>

⁸ Pope, L. (2020, October 09). *45 SMS Marketing Statistics Your Customers Wish You Knew*. G2. Retrieved September 30, 2021, from <https://learn.g2.com/sms-marketing-statistics>

⁹ Wilkinson, D. (n.d.). *2020 SMS Marketing Report*. SimpleTexting. Retrieved September 30, 2021, from <https://simpletexting.com/text-message-marketing-report/>

¹⁰ *Sinch to acquire MessageMedia, accelerating growth with small and medium-sized businesses*. (2021, June 09). Sinch. Retrieved September 30, 2021, from <https://www.sinch.com/news/sinch-to-acquire-messagemedia-accelerating-growth-with-small-and-medium-sized-businesses/>

¹¹ *Twilio*. (2021, July 14). Twilio Completes Acquisition of Zipwhip, a Leading Provider of Toll-Free Messaging in the United States. Retrieved September 30, 2021, from <https://www.twilio.com/press/releases/twilio-completes-acquisition-of-zipwhip-a-leading-provider-of-toll-free-messaging-in-the-united-states>

Also, TextMagic sees different chat application and other marketing service providers as potential competitors of TextMagic, as the (potential) customers might prefer other channels offered by such service providers for marketing and communication.

Compared to its competitors, TextMagic sees its payment model as the main competitive advantage of TextMagic. TextMagic payment model enables the customers to pay only for the services used and does not apply any fees based solely on the subscription for the services of TextMagic. The pay-as-you-go payment model has also been pointed out as an advantage of TextMagic's business in the Business News Daily Staff overview regarding message marketing services¹².

The business is easily scalable so as to make use of the size of the market.

2.8.2. Customer Profile and Customer Acquisition Strategy

A customer of TextMagic can be described as follows: wants to communicate with the target audience, wants the message to be read and reacted upon, wants a comprehensive communication management platform and prefers strong customer support with fast reaction time.

With the current business model, the main customers of TextMagic are small and medium-sized enterprises (SMEs), however, clients also include the public sector, NGOs and the education industry. Typical clients work in business services, ICT, data analytics, management, internet, media and entertainment, brick and mortar shops and stores, the medical sector, travel agents and services, colleges, universities and schools, restaurants and bars, transportation, other services such as security, automotive repair and delivery, real estate, e-commerce and internet businesses, banking and insurance, telephone service providers and carriers, freight hauling and logistics, charity organisations and foundations.

An internal survey of 240 TextMagic customers conducted between 1 November 2020 and 30 January 2021 revealed that 50% of new paying customers discover the platform with the help of search engines, 25% were recommended by a colleague, 8% read a third-party review, 2% clicked on an ad, and 3% read a blog or publication on the TextMagic website. In the third quarter of 2021, 50.8% (413,944) of all TextMagic website traffic came from search engines, 32.8% (267,805) from direct sources, 10.7% (87,793) from paid campaigns, and 4% (32,285) from referral.

The main marketing activities and customer acquisition strategies include: search engine optimization (SEO), affiliate marketing, content marketing, the creation and promotion of free tools, PPC and retargeting campaigns on platforms such as Google, Bing, Facebook, Twitter, LinkedIn, and Quora.

2.8.3. Touchpoint Market Size and Competitive Situation

The software as a service (SaaS) market is growing by 18% each year¹³. The customer engagement solutions market is projected to grow at a CAGR of 10.5% between 2018 and 2023¹⁴. Moreover, 70% of CIOs claim that agility and scalability are two of the top motivators for using SaaS applications.¹⁵

The client profile of the new customer engagement platform (Touchpoint) will be predominantly small to medium-sized businesses that are similar to the TextMagic client profile, but do not overlap, allowing the company to increase TAM (total addressable market) organically. Touchpoint's new capabilities are expected to allow the TextMagic Group to tap into a new audience that is the main driver of mobile

¹² Kuligowski, K. (2021, October 27) The Best Text Message Marketing Services of 2021, from <https://www.businessnewsdaily.com/15044-best-text-message-marketing-solutions.html>

¹³ Shiff, L., & Kidd, C. (2021, September 17). *The State of SaaS in 2022: Growth Trends & Statistics*. BMC. Retrieved September 30, 2021, from <https://www.bmc.com/blogs/saas-growth-trends/>

¹⁴ *Customer Engagement Solutions Market by Component, Organization Size, Vertical, and Region - Forecast for 2023*. (2018, July). MarketsAndMarkets. Retrieved September 30, 2021, from <https://www.marketsandmarkets.com/Market-Reports/customer-engagement-solutions-market-119293967.html>

¹⁵ Shiff, L., & Kidd, C. (2021, September 17). *The State of SaaS in 2022: Growth Trends & Statistics*. BMC. Retrieved September 30, 2021, from <https://www.bmc.com/blogs/saas-growth-trends/>

SaaS growth. By the end of 2021, 99% of organizations will be using one or more SaaS solutions¹⁶. In 2021, the SaaS market is estimated to be worth approximately USD 145.5 billion¹⁷.

The new platform is expected to have higher stickiness thanks to a subscription-based business model and a comprehensive customer engagement product. As the new platform provides various marketing possibilities and other solutions for the customers, it is estimated to attract also customers currently not using the services of TextMagic because the current solution of TextMagic does not meet their needs for marketing channels, e.g., customers preferring to organize their online marketing via a different channel than SMS.

TextMagic anticipates that the platform also attracts customers from markets where the services of TextMagic are not currently popular, among others, TextMagic also aims to increase its client base in Estonia.

TextMagic has identified the main competitors for the Touchpoint platform as services such as Zendesk, HubSpot, Freshworks, Pipedrive, and other similar platforms.

| |  |  |  |  |  |
|-------------------------|--|--|--|--|---|
| Public Company | N/A | Yes | Yes | No | Yes |
| Services | <ul style="list-style-type: none"> Contact Management Task Management Deals and CRM SMS, Email, Virtual Call Center Reporting & Analytics | <ul style="list-style-type: none"> Zendesk for service Zendesk for sales Sunshine platform Marketplace | <ul style="list-style-type: none"> Marketing Hub Sales Hub Service Hub CMS Hub Operations Hub | Sales software (CRM) | <ul style="list-style-type: none"> Freshservice Freshdesk Freshsales Freshmarketer Freshteam |
| Revenue (2020) | N/A | \$1.03 billion | \$883.0 million | \$65 million+ | \$249.7 million |
| Revenue Growth | N/A | 26% | 31% | N/A | 44.7% |
| Trial available? | Yes | Yes | Marketing, sales, and service hub are available for free | Yes, 14-days | Yes, in select countries |

*Revenue numbers for public companies extracted from investor presentations, SeekingAlpha, and GetLatka.com.

2.9. Future plans

TextMagic intends to grow and further increase its revenue. The opportunities for business growth of the TextMagic Group can be developed from the current business model, developing new products and commencing the provision of new services, which are foreseen to attract new segments of clients.

The current business model of TextMagic has the following growth opportunities:

- to increase usage of active marketing, such as paid advertising, which TextMagic has so far not done to a considerable extent, approaching clients directly and using other paid digital marketing channels, to attract attention of new potential clients and thereby increase the client base of TextMagic;
- to make further use of search-engine optimization (SEO), focusing on the conversion rate of new clients;
- to educate existing clients on the advanced uses of TextMagic, thus increasing ARPU (average revenue per user) and the number of SMS sent per year;
- to develop new platform features requested by high LTV (life-time value) clients;
- to introduce monthly subscription plans alongside the pay-as-you-go system already used by TextMagic;

¹⁶ Shiff, L., & Kidd, C. (2021, September 17). *The State of SaaS in 2022: Growth Trends & Statistics*. BMC. Retrieved September 30, 2021, from <https://www.bmc.com/blogs/saas-growth-trends/>

¹⁷ *Public cloud application services/software as a service (SaaS) end-user spending worldwide from 2015 to 2022*. (2020, August). Statista. Retrieved September 30, 2021, from <https://www.statista.com/statistics/505243/worldwide-software-as-a-service-revenue/>

- to implement strategies for churn-rate reduction and old user re-activation;
- to grow the affiliate channel and find industry leaders to promote the TextMagic product.

Out of the above mentioned opportunities, in the coming years, TextMagic plans to increase the usage of active marketing to attract the attention of new potential clients.

More importantly, in the coming years, TextMagic plans to launch a new platform – Touchpoint, which enables TextMagic to provide its clients more various services and therefore is expected to bring in new clients. The development of the software required for managing the new platform commenced in 2020.

Touchpoint is a significant enhancement of TextMagic’s current product. It is customer engagement software for sales, marketing, and customer support – an all-in one platform that is being developed to help small and medium-sized businesses focus on their customers and growing their business. By using it, companies can integrate various communication channels (SMS, email, text applications, and calls) into one environment. It will combine engagement and communication channels required to find customers, close deals, and provide customer support. It will also offer user-friendly reporting, analytics, and collaboration capabilities. The launch of Touchpoint is planned for 2023.

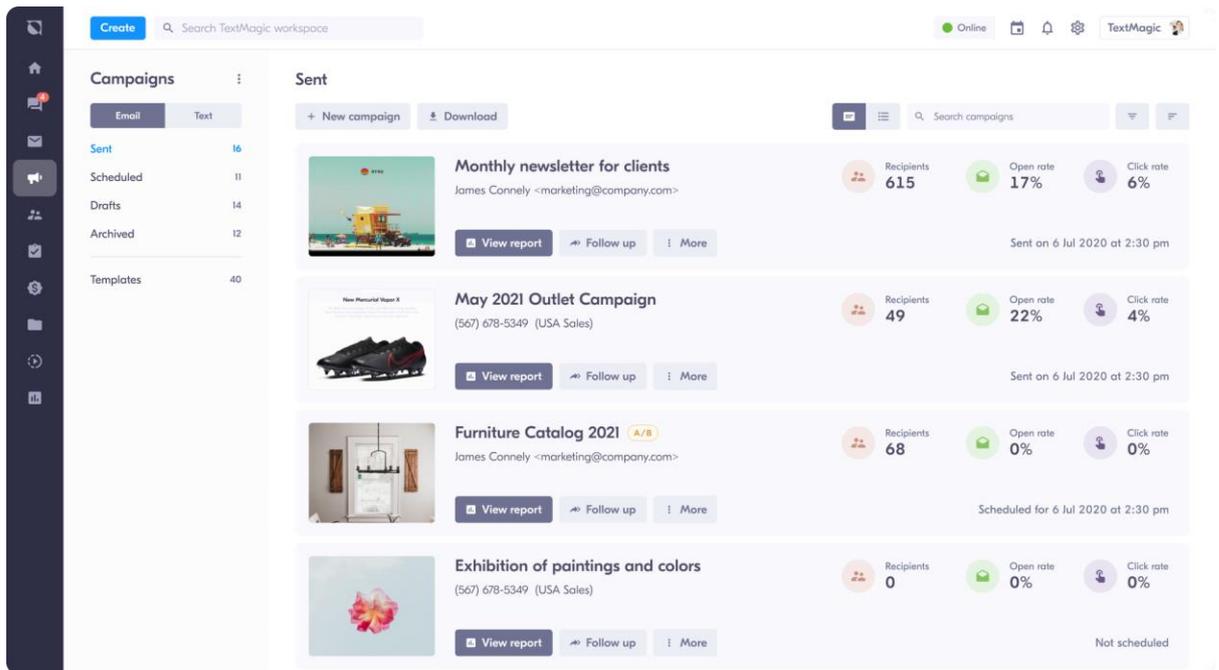
According to Wikipedia a touchpoint can be defined as any way a consumer can interact with a business, whether it be person-to-person, through a website, an app or any form of communication like SMS, e-mails, voice calls and messaging apps. By the end of 2021, 99% of organizations will be using one or more SaaS solutions.¹⁸

| The Problem | The Solution |
|--|---|
| <p>The average company with 200 to 500 employees uses about 120+ SaaS applications these days.*</p> | <p>A software platform that brings messaging products for sales, marketing, and customer support together.</p> |
| <ul style="list-style-type: none"> ✗ Extra costs for multiple apps ✗ The complexity of apps setup and onboarding ✗ Poorly synced tools ✗ Dev power is required to sync business tools ✗ Rapidly changing stacks ✗ Unused subscriptions | <ul style="list-style-type: none"> ✓ Simple one-time setup that takes minutes ✓ Few clicks integrations with most business apps ✓ Marketing, sales and support departments synced ✓ 360-degree contact history view ✓ Easy to use app for any person in the company ✓ Simple subscription with per-user price |
| <p>Sources: *New Report: Most companies have "orphaned" SaaS apps in their stacks - Martech</p> | |

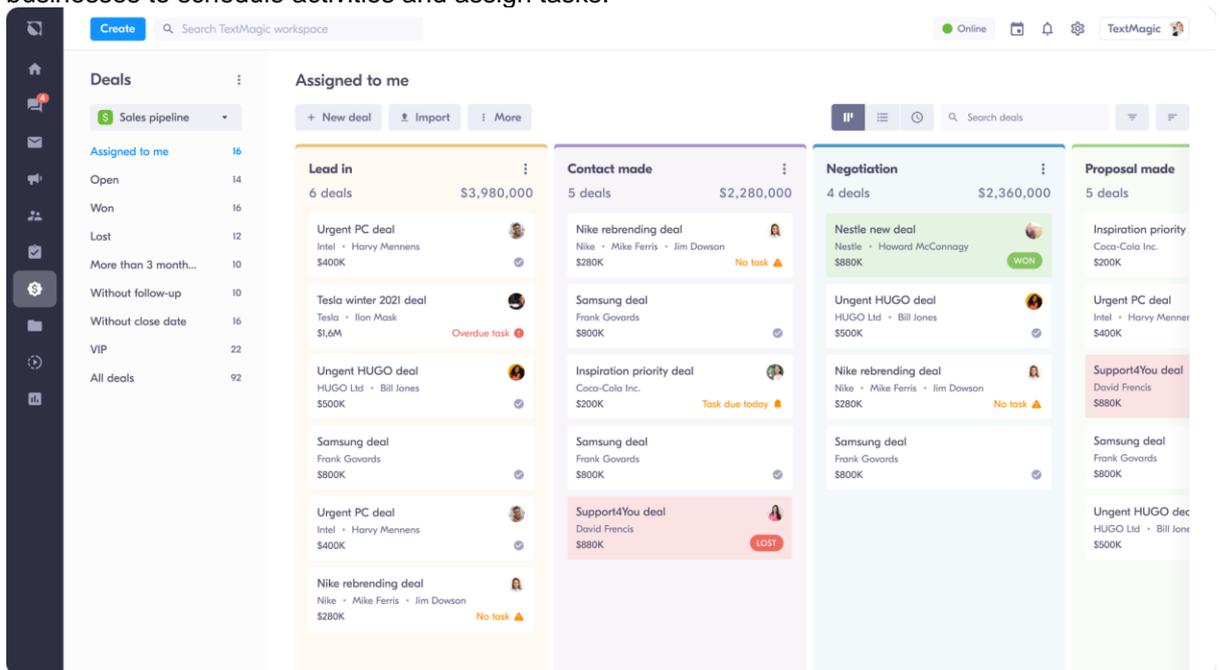
Touchpoint main features:

- **Promote:** Omnichannel marketing tool that allows business owners to promote their products or services and generate more leads.

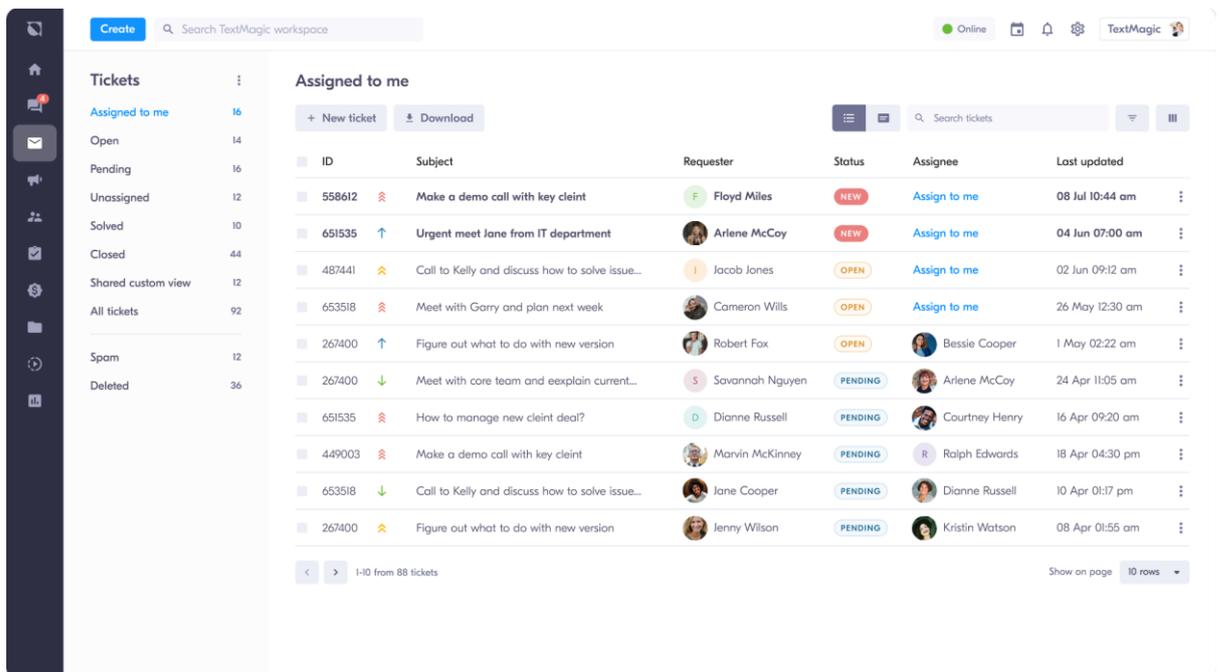
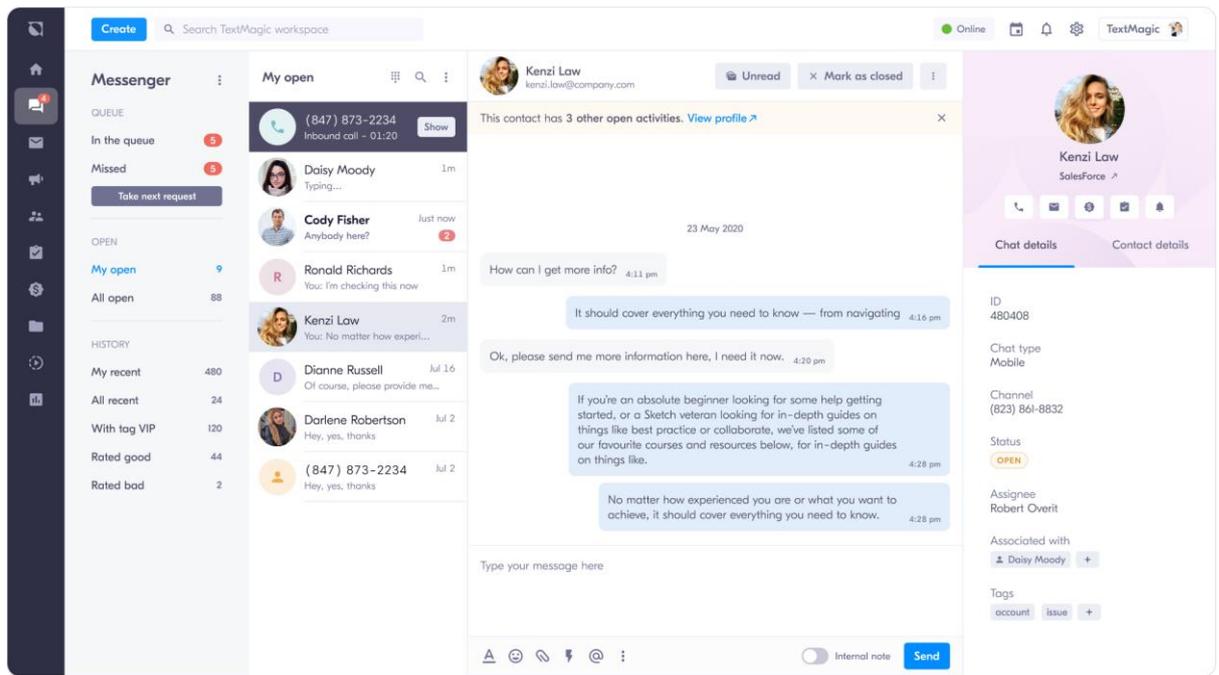
¹⁸ Shiff, L., & Kidd, C. (2021, September 17). The State of SaaS in 2022: Growth Trends & Statistics. BMC. Retrieved September 30, 2021, from <https://www.bmc.com/blogs/saas-growth-trends/>



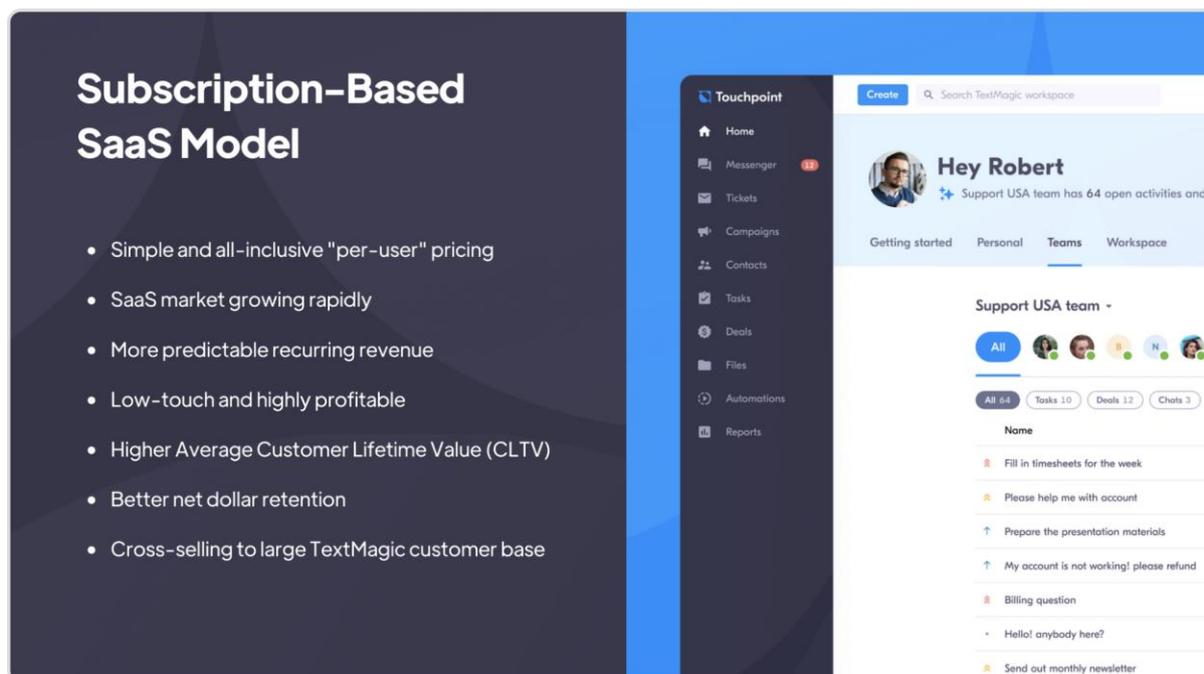
- **Sell:** CRM environment for closing and organizing deals based on previous interactions. Allows businesses to schedule activities and assign tasks.



- **Serve:** Service module for small and medium-sized businesses that want to manage all customer support interactions from one dashboard.



Also, the new platform uses a subscription-based model and enables clients to choose from several options the one most suitable for the client's needs and use the services covered by the packages chosen by the client for a monthly or annual subscription fee, leading to more predictable recurring revenue. In addition to the services covered by the chosen package, the client can use metered services with the available service plans being based on the number of contracts for an additional fee.



Considering the above, TextMagic plans to grow its business and raise further capital.

3. REASONS FOR THE OFFERING AND USE OF PROCEEDS

The main reason for the Offering is to attract capital for further investments in the Group's business developments as described in more detail in Section 2.9. In addition, by admitting its Shares to trading on First North MTF, the Issuer will increase the liquidity of its Shares and thereby increase the attractiveness of the Shares as a tool to attract and retain quality employees by aligning stakeholders' interests via employee options. Moreover, the reputability of being a Nasdaq-listed entity is foreseen to be a further hallmark of quality.

The net proceeds from the Offering will be mainly used for further growth of the business and product development, with particular emphasis on the creation of a working capital buffer for ensuring smooth development and the launch of the new customer engagement platform (Touchpoint). Furthermore, this includes recruiting more team members to support the growth of TextMagic and develop the new product, but also for development of new features that TextMagic users need.

As at the date of this Company Description, TextMagic does not engage in direct sales and paid advertising and TextMagic's website is the main tool for acquiring new clients. Organic search is the primary channel for reaching TextMagic and as far TextMagic has invested in SEO and content building, and appears among the first results in organic searches. Paid advertising has been used only to a minor extent. As TextMagic's competitors do use paid advertising for digital marketing, TextMagic also sees this as untapped growth potential and also plans to use this in order to reach a larger share of the market.

In addition to development expenses related to the platforms, the Issuer also plans to undertake an increase in the expenses related to marketing of the services of TextMagic and engage in new forms of marketing, including direct sales, affiliate marketing, and paid advertising and thereby increase the awareness and attract the attention of new potential clients and scale TextMagic to an even better known brand in the A2P SMS market.

Provided that all 500,000 Offer Shares are subscribed for, the expected gross proceeds of the Offering are EUR 2,500,000. Expenses directly related to the Offering are estimated to be approximately EUR 250,000. Therefore, the net proceeds of the Offering are expected to be EUR 2,250,000.

The Issuer plans to use the net proceeds of the Offering as follows:

- approximately 1/3 for product development, including for recruitment;
- approximately 1/3 for different marketing activities;
- approximately 1/3 for other costs associated with the activities planned for.

The foregoing distributions are estimates and the Management Board has the right to allocate the net proceeds of the Offering in a different manner compared to the foregoing, considering the best interests of TextMagic. If all Offer Shares are not subscribed for and respectively the net proceeds of the Offering are lower than indicated above, the Management Board has the right to allocate the collected funds at its own discretion, considering the best interests of TextMagic, also management has the right to decrease the amounts indicated above planned for different expenses, so that the decrease of the planned expenses is not in proportion to the decrease of other items or the net proceeds of the Offering.

4. SHARE CAPITAL, SHARES AND SHAREHOLDERS

4.1. Share capital and shareholders holding more than 5% of shares

The current registered Issuer's share capital is EUR 800,000 and is divided into 8,000,000 Shares of the same class. The Shares are shares with no par value. The Shares are registered in the Estonian Central Register of Securities (ECRS), maintained by Nasdaq CSD, under ISIN EE3100073438.

The shareholder structure of the Issuer as at the date of this Company Description is indicated in the table below:

| Shareholder | Relationship to TextMagic | Number of Shares | % |
|-----------------|---|------------------|------|
| Monday Media OÜ | company of Priit Vaikmaa, member of the Management Board, CEO | 7,376,000 | 92.2 |
| OÜ Edly | company of Eduard Tark, member of the Supervisory Board | 312,000 | 3.9 |
| Merkatiko OÜ | company of Kärtu Vaikmaa, member of the Supervisory Board | 312,000 | 3.9 |

All Shares of the Issuer are held indirectly by the key members of its management team. The only shareholder holding more than 5% of the Shares is Monday Media OÜ. All shareholders are subject to a lock-up agreement (the "**Lock-Up Agreement**"), see more in the Section 6.12.

4.2. Rights of shareholders

Shareholders have the following rights:

- to buy, sell, pledge or otherwise dispose of their Shares;
- to participate in the distribution of the Issuer's profit in accordance with the decision of the general meeting of shareholders and the number of shares, if the Issuer decides to distribute the profit;
- to participate and vote at the general meeting of shareholders in accordance with the provisions of Issuer's Articles of Association, based on the number of shares owned by the shareholder;
- to receive information on the activities of the Issuer to the extent and pursuant to the procedure provided by law.

4.3. Option programme

To motivate and engage the employees and service providers of the Group, the Issuer is preparing an option programme according to which the employees, service providers, management board members and supervisory board members chosen and eligible for option programme are granted the right to acquire Shares of the Issuer in accordance with the option agreement concluded between the Issuer and respective employee/service provider. The options are granted annually.

At no time the outstanding options, i.e. the options which are not exercised yet, the exercise of which requires increasing the share capital, do not form more than 5% of the issued share capital of the Issuer. In addition to the options exercise of which requires increasing the share capital of the Issuer, the contemplated option programme entitles granting of options which grant the option holder a right to acquire Shares which are already paid up.

The main terms and conditions of the contemplated option programme and options are:

- number of shares granted under the plan: 425,000 newly issued shares, 425,000 currently issued and outstanding shares;
- body authorized to decide matters related to the option programme, including increase of the share capital through issuing new shares: Supervisory Board;
- vesting period: 3 years;
- exercise of option: after passing of three years as of grant date;
- underlying instrument: the shares of the Issuer;
- exercise price: set by the Supervisory Board.

The confirmation of the option programme and conclusion of the option agreements are planned to be completed within two weeks as of the date of this Company Description.

As at the date of this Company Description, the Issuer has entered into two option agreements whereunder the option holders can acquire, after passing of the vesting period and three years as of granting, 176,000 Shares of the Issuer (paid-up shares) in total. The option holders are Eduard Tark (option agreement concluded on 3 November 2021, vesting start date 3 November 2021, vesting period 3 years as of vesting start date) and Kärtu Vaikmaa (option agreement concluded on 3 November 2021, vesting start date 3 November 2021, vesting period 3 years as of vesting start date).

5. MANAGEMENT AND TEAM

According to Estonian law, the operational management of the Issuer is structured in a two-tier system divided between the Management Board and Supervisory Board.

5.1. Management Board

The Management Board is responsible for the daily management of Textmagic's operations and has a right to represent the Issuer in accordance with the law and the Articles of Association. Pursuant to the Articles of Association, the Management Board shall comprise of 1 to 3 members, appointed by the Supervisory Board for a term of three years. Currently, Management Board of the Issuer consists of one member.

Priit Vaikmaa is the sole member of the Management Board of the Issuer and the CEO of TextMagic. Priit Vaikmaa was born in 1978. He graduated from the Estonian Business School in 2007 with a bachelor's degree in business administration and management.

Priit Vaikmaa owns 92.2% of the Shares through the company Monday Media OÜ.

He joined TextMagic Ltd. in 2007 and has been actively engaged in the management and development of TextMagic's services since then.

Priit Vaikmaa oversees the overall development of TextMagic (including the Issuer) and sets the direction and strategy. Priit Vaikmaa has over 20



years of experience in digital services and in starting, running and growing online businesses. Priit's main areas of competence are SMS, telecommunications, SaaS, web applications, product management, web development, online payments, fraud prevention, user interface, conversion rate optimisation, business development, marketing, sales, web design, internet marketing, leadership, start-ups. Before taking up the position of CEO of TextMagic, Priit Vaikmaa worked as a marketing manager at Modera – Web content Management Systems.

Priit Vaikmaa is also actively engaged in and leading the development of the new customer engagement platform (Touchpoint), which TextMagic is planning to launch as an additional service to its currently offered prepaid service.

5.2. Supervisory Board

The Supervisory Board is responsible for planning the activities, organizing the management and supervising the activities of the Management Board. Pursuant to the Articles of Association, the Supervisory Board shall consist of 3 to 5 members, to be elected for a term of five years.

Currently the Supervisory Board is composed of three members – two of the three members - Kärtu Vaikmaa and Eduard Tark, are the representatives of the minority shareholders of the Issuer and among others, their purpose is to monitor the developments of the Issuer from the viewpoint of minority shareholders. The third member of the Supervisory Board – Iryna Avdus, is the representative of the employees and service providers of TextMagic and her purpose as a supervisory board member is, among others, to support the development of the Issuer from the viewpoint of the employee/service provider.

The potential conflict of interest between the role of the member of the Supervisory Board and other roles in TextMagic is managed by defining the duties and liabilities relating to different positions clearly, excluding the possibility of termination of any other relationship due to fulfilment of role in the Supervisory Board and acknowledging the possible risk of conflict.

Kärtu Vaikmaa – chairman of the Supervisory Board

Kärtu Vaikmaa holds a bachelor's degree in international business administration from the Estonian Entrepreneurship University of Applied Sciences (in Estonian: *Eesti Ettevõtluskõrgkool Mainor*), and a master's degree in international business administration from Estonian Business School.

Kärtu Vaikmaa joined TextMagic Ltd. in 2018 and started working as a director in TextMagic Ltd. She is responsible for the customer support team. Before joining TextMagic, Kärtu Vaikmaa gained proficiency as a marketing manager at Metro Capital and as a project manager in various Estonian advertising agencies. Combining many years of accumulated knowledge relating to customer experience, the needs of the clients of TextMagic together with previous involvement in successful project management and marketing, Kärtu Vaikmaa is properly equipped to estimate and supervise the product developments at TextMagic. This ensures that the amendments to the existing product and development of additional ones meet the needs of the market as well as the requirements and expectations of clients.

Kärtu Vaikmaa is the spouse of Priit Vaikmaa.

Kärtu Vaikmaa indirectly owns 3.9% of the Shares through her company Merkatiko OÜ.



There is an option agreement entered into between the Issuer and Kärtu Vaikmaa whereunder Kärtu Vaikmaa has a right to acquire 88,000 Shares of the Issuer (option agreement concluded on 3 November 2021, vesting start date 3 November 2021, vesting period 3 years as of vesting start date). The shares underlying the options are paid-up shares of the Issuer and the exercise of the options by Kärtu Vaikmaa does not result in a need to increase the share capital of the Issuer.

Kärtu Vaikmaa is also an employee of TextMagic.

Eduard Tark

Eduard Tark graduated from Tallinn University of Technology in 2011 with a bachelor's degree in economy – business management and marketing. Eduard Tark joined TextMagic Ltd. in 2013. Since then, he has risen “through the ranks”, having initially started as a senior technical support agent, moving on to the position of product manager to that of a chief product officer. He is very familiar with the various aspects of the business of TextMagic and has experience and knowledge to contribute to and support the further development of TextMagic. Over the years, Eduard Tark has developed in-depth knowledge and clear understanding of TextMagic business, its bottlenecks and opportunities, and thereby is properly equipped with skills to monitor and contribute to further developments and future success of TextMagic.



The area currently subject to his supervision is IT development of the Group.

Before joining TextMagic, Eduard Tark gained experience as a customer service representative at Triobet, the Nordic Gaming Group, as well as a customer service representative, senior technical support agent and finally supervisor/team leader at Arvato Services OÜ.

Eduard Tark indirectly owns 3.9% of the Shares through his company OÜ Edly.

There is an option agreement entered into between the Issuer and Eduard Tark whereunder Eduard Tark has a right to acquire 88,000 Shares of the Issuer (option agreement concluded on 3 November 2021, vesting start date 3 November 2021, vesting period 3 years as of vesting start date). The shares underlying the options are paid-up shares of the Issuer and the exercise of the options by Eduard Tark does not result in a need to increase the share capital of the Issuer.

A company related to Eduard Tark provides services to TextMagic.

Iryna Avdus

Iryna Avdus holds a master's degree in German language and literature from the Zaporizhzhia State University, Ukraine. She joined TextMagic Ltd. in January 2020 as a product manager, where she works with design teams on producing product prototypes, conducts market research and obtains feedback on products from clients, designers and engineers in order to adjust product specifications, and coordinates departments and creative teams.



She has been working as a project manager since 2010, when she started working at FACE IT in Ukraine and therefore has significant experience the field. Having deep knowledge about the product of TextMagic and product development in general helps Iryna Avdus to contribute to the business and product development and supervise and support the developments in the field.

As at the date of this Company Description, Iryna Avdus does not own any Shares of the Issuer. After confirming the option program of the Issuer, the Issuer and Iryna Avdus plan to entered into an option agreement whereunder Iryna Avdus acquires a right to acquire 4,000 Shares of the Issuer. The shares underlying the options are paid-up shares of the Issuer and the exercise of the options by Iryna Avdus does not result in a need to increase the share capital of the Issuer. The other main terms of the option agreements are as pointed out under Section 4.3

Iryna Avdus is also an employee of TextMagic.

Future plans

Once members of the general public have become shareholders of the Issuer and the Shares have been admitted to trading on the Exchange, the Issuer plans to have an independent member appointed to the Supervisory Board. The appointment is expected within six months of the commencement of trading in Shares on the Exchange.

5.3. General meeting of Shareholders

The highest managing body of the Issuer is the general meeting of shareholders. The shareholders can participate in the corporate governance of the Issuer through the general meeting of shareholders which has the competence to decide on certain important corporate matters such as amendment of the Articles of Association, increase and decrease of the share capital, issue of convertible bonds, election and removal of the members of the Supervisory Board and the auditor, deciding the conducting of a special audit, approval of the annual report and deciding whether or not to distribute the profits, deciding to undertake a merger, divide or commence reorganisation of the Issuer and certain other matters.

5.4. Team

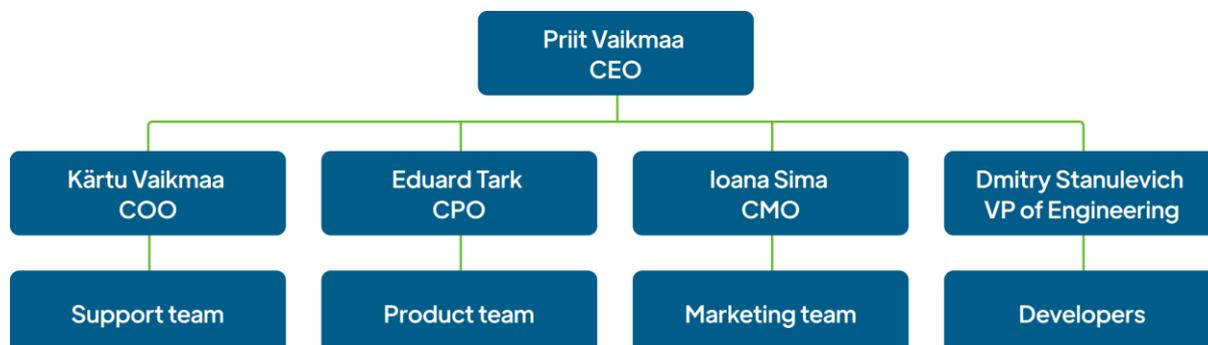
TextMagic Group is a lean and effective employer with an international team.

As at the date of this Company Description, the Group employs or has contracted with around 40 people that are located in Estonia, Russia, Ukraine and Romania. The current sizes of the teams are the following: 23 people in the development team, 6 people in the product team, 8 people in the marketing team, and 5 people in the support team. Considering the contemplated business developments, in the coming years, the size of the team of the Group is expected to increase.

The staff includes customer support, digital marketing, developers, SEO experts and designers. While TextMagic needs only 2 developers for keeping the current TextMagic platform up and running, additional staff was brought in for the development of the new customer engagement platform (Touchpoint) and this makes up around 90% of the development costs of TextMagic. Work is arranged

in shifts to cover the working hours of the most important markets for the company – the United States, the United Kingdom and the European Union.

Internal organisation structure of TextMagic



The main positions in teams:



Marketing Team

Bucharest Office

- ✓ SEO & CRO specialists
- ✓ Email marketing specialists
- ✓ SaaS copywriters
- ✓ Marketing managers



Development Team

Novosibirsk Office

- ✓ QA Engineers
- ✓ Front-end developers
- ✓ Back-end developers



TextMagic Product

Tallinn Office

- ✓ Product managers
- ✓ VP of product



Touchpoint Product

Russia and remote

- ✓ Product managers
- ✓ VP of product

6. TERMS AND CONDITIONS OF THE OFFERING

6.1. Type of financial instruments

The Offer Shares are the ordinary shares of the Issuer, with all the rights and obligations prescribed under the Articles of Association and applicable laws for such type of shares. For the more detailed information regarding the rights of the shareholders, please see [Section 4.2](#) of this Company Description.

The Shares are freely transferable and are not subject to any restrictions on trading or pledging.

6.2. Size of the Offering

In the course of the Offering, up to 500,000 new shares are being offered by the Issuer.

Before issuing the Offer Shares, the share capital of the Issuer is EUR 800,000. Assuming that all Offer Shares are subscribed for by investors in the course of the Offering, the registered share capital of the Issuer after the increase of share capital resulting from the Offering will be EUR 850,000 and the total number of Shares will be 8,500,000.

Assuming that the Offering is fully subscribed for and the existing shareholders do not subscribe for the Offer Shares, the shareholdings in the Issuer immediately before and after the Offering will be the following:

| | Number of Shares before the Offering | % of the share capital of the Issuer before the Offering | Number of Shares after the Offering | % of the share capital of the Issuer after the Offering |
|------------------------------|--------------------------------------|--|-------------------------------------|---|
| Monday Media OÜ | 7,376,000 | 92.2 | 7,376,000 | 86.78 |
| OÜ Edly | 312,000 | 3.9 | 312,000 | 3.67 |
| Merkatiko OÜ | 312,000 | 3.9 | 312,000 | 3.67 |
| Participants of the Offering | 0 | 0 | 500,000 | 5.88 |
| In total: | 8,000,000 | 100% | 8,500,000 | 100% |

6.3. Offer Period and Indicative Timeline

During the Offer Period persons eligible to participate in the Offering may submit subscription undertakings to subscribe for the Offer Shares.

The Offer Period commences on 29 November 2021 at 10:00 and terminates on 9 December 2021 at 16:00 (all in Estonian local time).

The indicative timeline of the Offering

| | |
|--|------------------------------|
| Start of the Offer Period | 29 November 2021 |
| End of the Offer Period | 9 December 2021 |
| Announcement of the results of the Offering and Allocation | On or about 10 December 2021 |
| Settlement of the Offering | On or about 14 December 2021 |
| First trading day on the Exchange | On or about 15 December 2021 |
| Registration of increase of share capital | On or about 20 December 2021 |

6.4. Offer Price

The Offer Price is EUR 5.00 per Offer Share. The Offer Price will be the same for all prospective investors.

6.5. Persons eligible to participate in the Offering

The retail offer of the Offer Shares will take place only in Estonia and will be targeted to Estonian residents who are not professional investors. Participation in the Offering will be open to legal and natural persons who are considered to be "in Estonia". For the purposes of the Offering, a natural person is considered to be "in Estonia", if such person has a securities account with the account operator at

the Nasdaq CSD Estonian branch (“**Nasdaq CSD**”). A legal person is considered to be “in Estonia”, if such person has a securities account with the account operator at the Nasdaq CSD. Please see the list of account operators here: <https://nasdaqcsd.com/list-of-account-operators/>.

The institutional offering will be carried out as a private offer to Baltic and European Economic Area institutional investors, targeting only qualified institutional buyers.

6.6. Submitting subscription undertaking

Investors can subscribe for the Offer Shares by submitting a subscription undertaking.

Investors are obliged to ensure that the information contained in their subscription undertakings is correct, complete, and legible. Incomplete, incorrect, or illegible subscription undertakings, subscription undertakings submitted outside of the Offer Period, and subscription undertakings otherwise not in conformity with the terms set forth herein may be refused.

Subscription undertakings may only be submitted during the Offer Period. Investors participating in the Offering may subscribe for Offer Shares only for the Offer Price. In the event of the receipt of multiple subscription undertakings from a single investor, the orders will be merged into a single order for the purpose of allocating the Offer Shares. Investors participating in the Offering may only submit subscription undertakings in euros. Subscription undertakings may only be submitted for a whole number of shares. Investors shall pay all costs and fees payable in connection with the submission, cancellation, and amendment of their subscription undertakings according to the price list of the Nasdaq CSD account operator who accepted the subscription undertaking.

To subscribe for Offer Shares, the investor must have a securities account with a Nasdaq CSD account operator. Submitted subscription undertakings will be registered in the Nasdaq CSD. In order to subscribe for Offer Shares, the investor must contact the account operator managing their Nasdaq CSD securities account and submit a subscription undertaking for purchasing the Offer Shares during the Offer Period using the form below. Investors may submit subscription undertakings using any method offered by the account operator (e.g., by visiting the customer service office of the account operator in person, via an online banking system, or by other means). Subscription undertakings must be submitted to the account operator before the end of the Offer Period.

By submitting a subscription undertaking, every investor:

- affirms that they have read and understood this Company Description and that they accept the terms of the Offering set forth herein;
- affirms that they are based in Estonia as specified in Section 6.5 and are not subject to the laws and regulations of any other jurisdiction that prohibit them from submitting the subscription undertaking;
- accepts that the submission of the purchase order does not in itself entitle them to acquire the Offer Shares nor entail the conclusion of a contract of sale for the Offer Shares;
- accepts that the number of Offer Shares indicated by the investor in the subscription undertaking is the maximum number of Offer Shares the investor wishes to acquire, and recognises that the investor may receive fewer, but not more, Offer Shares than indicated in the subscription undertaking;
- undertakes to acquire the number of Offer Shares allocated to them, which shall not exceed the number of Offer Shares indicated in the subscription undertaking, and to pay for them in accordance with the terms set forth herein;
- affirms that they are aware of the investment risk associated with investing in the shares, including the risk of losing part or all of the invested sum;
- accepts and agrees that the Issuer has the right to receive daily information from the registrar of the Estonian register of securities regarding submitted subscription undertakings;

- authorises and orders the account operator to process and forward the subscription undertaking as registered to the Nasdaq CSD;
- authorises the Issuer, counter-party and the Nasdaq CSD to process their personal data to the extent necessary for participation in the Offering;
- authorises the account operator or financial institution managing the investor's securities account or the Nasdaq CSD, as appropriate, to amend the investor's subscription undertaking, including (a) to specify the value date of the transaction and (b) to specify the number of Offer Shares to be purchased by the investor as well as the total value of the transaction, which shall be calculated by multiplying the Offer Price by the number of Offer Shares allocated to the investor.

Investors may amend or cancel their subscription undertakings at any time before the end of the Offer Period. To do this, the investor must contact the Nasdaq CSD account operator through whom the relevant subscription undertaking has been submitted and take the actions required by the account operator for the amendment or cancellation of subscription undertakings (different account operators and financial institutions may have different processes). The amendment or cancellation shall take effect from the moment of amendment or withdrawal of the transaction order by the account operator.

Required form for subscription undertaking:

| | |
|---|--|
| Owner of the securities account: | [name of investor] |
| Securities account: | [number of the investor's securities account] |
| Account operator: | [name of investor's account operator] |
| Security: | TEXTMAGIC AKTSIA |
| ISIN code: | EE3100073438 |
| Number of shares: | [Number of Offer Shares the investor wishes to subscribe for] |
| Price (per one Offer Share): | EUR 5.00 |
| Transaction amount: | [Number of Offer Shares the investor wishes to subscribe for, multiplied by the price per one Offer Share] |
| Counterparty: | AS LHV Pank |
| Securities account of the counterparty: | 99104086627 |
| Account operator of the counterparty: | AS LHV Pank |
| Transaction type: | Subscription |
| Payment method: | delivery versus payment (DVP) |

6.7. Payment for the Offer Shares

An investor may only submit subscription undertakings if the bank account linked to their securities account with a Nasdaq CSD account operator contains sufficient funds to cover the entire transaction value specified in the subscription undertaking. By submitting a subscription undertaking, the investor authorises the Nasdaq CSD account operator managing the bank account linked to the investor's securities account to immediately block off an amount corresponding to the total value of the transaction

on the investor's bank account until the settlement is completed or the funds are released. The amount blocked off shall be equal to the amount obtained by multiplying the Offer Price by the number of Offer Shares indicated in the subscription undertaking. If the Offer Shares cannot be paid for because the investor's cash account does not contain sufficient funds, the subscription undertaking submitted via the securities account linked to the cash account will be refused and the investor will lose all rights to the Offer Shares specified in the subscription undertaking.

6.8. Allocation principles

The Issuer will decide on the allocation of the Offer Shares at its own discretion after the end of the Offer Period, at the latest on or around 10 December 2021. In the allocation, all investors will be treated equally under identical circumstances. In addition to the Offering, the Issuer may allocate Offer Shares at its discretion to institutional investors, provided that such investors can be considered qualified investors within the meaning of Article 2(e) of the Prospectus Regulation.

There is no pre-assigned institutional allocation percentage and such orders will be evaluated separately. The minimum subscription amount is one share.

6.9. Settlement and Trading

The Offer Shares allocated to investors will be transferred to their securities accounts on or about 14 December 2021 through the DVP ('delivery versus payment') method. The settlement is arranged by AS LHV Pank. For that purpose, AS LHV Pank, the Issuer and Monday Media OÜ have entered into a share lending agreement whereunder Monday Media OÜ lends 500,000 shares to AS LHV Pank, which uses these shares for the settlement. The Issuer adopts a share capital increase resolution whereunder the number of shares equal to the number of shares subscribed for during the Offering is issued. The new shares are issued to AS LHV Pank which uses the proceeds of the Offering to pay for the new shares. As soon as possible after registering of the new shares AS LHV Pank transfers the shares to Monday Media OÜ. The increase of share capital is planned to be registered on or about 20 December 2021.

Trading with the Shares is expected to commence on First North MTF on or about 15 December 2021.

6.10. Release of funds

If the Offering or a part thereof is cancelled, if an investor's subscription undertaking is rejected in part or in whole, or the number of allocated Offer Shares is different from the number of Offer Shares subscribed for, the relevant account operator will release the funds blocked or a part thereof (in the amount exceeding the sum to be paid for the Offer Shares) on the bank account of the investor in accordance with the account operator's terms presumably within two business days. The Issuer cannot be held liable for the release of the respective funds nor for the payment of interest on the released funds for the period during which they were blocked, if any.

6.11. Cancellation of the Offering

The Issuer has the right to cancel the Offering in full or in part or alter the terms and dates thereof at any time before the publishing of the allocation of the Offer Shares. Information regarding any alteration of the terms of the Offering or the cancellation of the Offering will be published on Issuer's website and as an exchange announcement via the information system of the Exchange.

All rights and obligations of the parties in relation to the cancelled part of the Offering would be considered terminated as of the moment when such announcement is made public.

6.12. Lock-up

All three current shareholders of the Issuer have agreed to be subject to a Lock-Up Agreement.

The existing shareholders of the Issuer have agreed without the prior written consent of AS LHV Pank not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Issuer owned by it during the period commencing on the date of the lock-up agreement

(entered into on or about the start of the Offer Period) and ending after the lapse of 12 calendar months from the date of the Lock-Up Agreement. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Issuer and to any swap or other agreement or any transaction, the economic consequence of which would be the transfer of the ownership of the Shares of the Issuer. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Issuer has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period. The obligations foreseen under the lock-up agreement do not limit the rights of Monday Media OÜ to enter into option agreements which underlying assets are the Shares.

7. RELATED-PARTY TRANSACTIONS

The Issuer has entered into a licensing agreement with TextMagic Ltd. Under the licensing agreement entered into between the Issuer and TextMagic Ltd., the Issuer grants to TextMagic Ltd. a worldwide and non-exclusive right to use the intellectual property owned by TextMagic AS (software, trademarks, domains) in the business activity of TextMagic Ltd. and TextMagic Ltd. undertakes to pay the Issuer an annual license fees calculated in accordance with instructions stipulated under the transfer pricing policy prepared by AS PricewaterhouseCoopers. The license agreement is concluded for an unspecified term.

TM Ops OÜ provides TextMagic with several back-office services. As according to the transfer pricing policy, TM Ops OÜ is characterised as a limited risk back-office services provider, the remuneration payable to TM Ops OÜ for provision of services is based on a cost-plus principle.

The Issuer has not entered into any agreement with its shareholders. However, the ultimate beneficial owners of shareholders are fulfilling various roles in TextMagic as described in this Company Description.

8. RISK FACTORS

8.1. General

Investment in the Offer Shares and TextMagic Group activities in general is subject to various risks that, either individually or in combination, may adversely affect TextMagic and the value of the Issuer's shareholders' investment or affect the ability to subsequently sell the shares. Any prospective investor should carefully consider all of the information provided in this Company Description, including the risk factors described further in this Section.

It should be noted that the factors listed in this Section are not intended to be exhaustive and do not necessarily include all of the risks to which TextMagic is or may be exposed or all those associated with an investment in the Offer Shares. In particular, TextMagic's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets.

There may be additional risks and uncertainties that are not currently known to the Issuer or that the Issuer does not currently consider to be material, but which may also have an adverse effect upon TextMagic Group and affect TextMagic Group or the price of the Offer Shares. If any of the risks referred to in this Section materialise, the Issuer's and/or TextMagic Group business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Offer Shares could decline, and investors may lose all or part of their investment.

The Management Board finds that the following reflects the most significant risks related to investing in the Offer Shares.

8.2. Risk factors related to TextMagic's business

Competition risks

The sector where TextMagic is operating in is and can be intensely competitive. Considering the main business lines of TextMagic and its global nature, there is a possibility that TextMagic will compete with other local as well as international companies, including potentially larger competitors with access to

greater financial, technical and other resources than TextMagic, which may give them a competitive advantage. TextMagic's success depends on innovative, successful and useful technical solutions developed and offered to its clients. Generally, this means that the competitors of TextMagic can also be new technology companies, having a little starting capital, but a product helping the clients meet their needs in an innovative manner. Considering the above mentioned, there can be no assurance that TextMagic will continue to be able to compete successfully with its rivals.

Dependence on Google search engine on attracting new customers

TextMagic is attracting a large portion of its new customers through the Google search engine and in particular due to its position on the first page of search results with certain keywords. Revenue growth rates depend on TextMagic's ability to maintain such a position in Google search results with certain keywords covering its existing and future services and products.

Possible failure of technology used in TextMagic's business

As TextMagic's business is reliant on technology, any failures in such technology may have a significant impact on TextMagic's operations and therefore, also its revenue. This includes problems with TextMagic's own technology as well as that of its service providers. If the technology fails, the services of TextMagic cannot be provided in part or in full and this respectively influences the financial position of TextMagic and value of investors' investments.

Dependence on the Management Board member's and key service provider's competence and knowhow

The future success of the Group is substantially dependent on the continued services and continuing contributions of its sole Management Board member Priit Vaikmaa. The loss of the services of Priit Vaikmaa could have a material adverse effect on TextMagic's business and its future, including its ability to successfully continue conducting its current business and its ability to develop and apply new services. In addition to being reliant on the Management Board member, the Group's operations require individuals with a high degree of professional skills and knowledge of the business of TextMagic. So, the risk of losing key skills within TextMagic or being unable to attract key skills to TextMagic might also influence the business and financial performance of TextMagic.

Risk of being used in conducting cyber-crimes and possible disputes and reputational damages resulting therefrom

Considering the business model of TextMagic and its simpleness and global availability and possibility to reach numerous persons globally, TextMagic and its services might attract interest of persons planning or conducting cyber-crimes and other undesired activities abusing the platform of TextMagic for such purpose. As the content of SMS sent via the platform or the purpose of sending the SMS are not controlled and verified before the services of TextMagic can be used, the content of and/or the purpose of sending the message can be in violation of public order, may incite the receiver of message to undesired and possibly damaging activities, spread false news or otherwise affect the receiver's personal well-being or well-being of community in a negative manner. This might result in claims submitted against TextMagic and reputational damage suffered by TextMagic and this in turn can affect the value of investors investment in a negative manner.

Possibility to be subject to various tax systems and requirements of countries where the services of TextMagic Group are provided

Considering the global nature of the activity of TextMagic, various tax systems and taxation-related requirements might be deemed applicable to the activities of TextMagic. This might mean that the places where the services of TextMagic are provided can be seen as permanent establishments of TextMagic and that consequently TextMagic is subject to registration and possible other obligations (including the obligation to pay certain taxes) related to having a permanent establishment in the relevant country. Further, the provision of services globally makes TextMagic open to the possibility that various tax systems might be applicable to the activities of TextMagic, again meaning that the activities of TextMagic might be subject to additional tax obligation.

The software currently in the ownership of the Issuer was acquired by the Issuer as a result of the transfer of software by way of a non-monetary contribution; the software was previously held by TextMagic Ltd. The transactions were effected on the basis of tax analysis conducted by reputable tax advisers. However, in view of the complexity of the situation the risk of authorities seeking to levy taxation cannot be fully ruled out at this stage; that might affect the financial position of TextMagic.

Possible risk of application of local taxes on the past, current and future activities of TextMagic in the United States

TextMagic has been providing services to customers located in the United States, and in recent years, the extent of provision of services to such customers has been increasing. As there are several taxation systems applicable in the United States (federal taxes, state taxes and local taxes) and although TextMagic has no employees in the United States, the risk that United States tax systems might be applied on the activities of TextMagic in the United States cannot be unequivocally and finally excluded. This might result in the application of additional taxes to the activities of TextMagic, increase of the tax burden and affect the financial position of TextMagic and value of an investor's investment.

Risks related to launching of new product

The main future growth of business and revenue of TextMagic is planned to result from the launch of a new platform, providing different services compared to the current ones, which have proven successful with clients during the years. There is no assurance that the services provided via the new platform will be successful and that these services will meet the needs and expectations of the clients and potential clients. If the new services provided via a platform, which have been developed as a result of substantial investments, are deemed to be less successful than planned, this might affect the future success and financial position, including the revenue of TextMagic.

Dependence on the core service providers

Rather than building its own communications infrastructure from scratch, TextMagic uses cloud-based APIs from CPaaS (Communications Platform as a Service) vendors to add real-time communications into its A2P SMS platforms. Communications built on a cloud communications platform are available without the burdens of capacity planning, carrier contracts, telecom hardware integration, and fragmented security. While conducting its activities TextMagic uses core service providers which play an important role in the functioning and success of the business of TextMagic. Such service providers are Vonage (offers flexible and scalable voice, messaging, video and data capabilities across unified communications, contact centers and Communications APIs. Vonage enables communication without compromising privacy and connects TextMagic to telecommunication networks), Twilio (cloud communication platform, which provides building blocks that are used in TextMagic's platform. Cloud communications platforms like Twilio bring the world of communications to every web and mobile developer in the programming languages they already use), and Bandwidth (gives TextMagic the power to communicate, with a cloud platform that solves communications complexities globally, and at scale). Possible termination of the services of such core service providers might influence the conduction of the business of TextMagic in a material way and therefore, also have a negative impact on the financial position of TextMagic.

8.3. Legal and economic risks

Uncertainty and lack of clarity regarding data protection requirements applicable on business activities of TextMagic

Considering the cross-border nature of TextMagic business, the data, including personal data, is also forwarded globally, including to the countries which do not apply requirements similar to the ones arising from European Union data protection regulations and requirements. This is the case also in regard to the US, and also after the Schrems II judgement by the European Court of Justice (C-311/18), which has become the most important market for TextMagic during the recent years. No additional safeguards introduced with the Schrems II judgements are currently being applied while the past EU-US regime (the privacy shield) was invalidated by the European Court of Justice in Schrems II. There are no clear regulations currently in place which shall be followed while forwarding the data to the US. On the one hand, this means that there is no guarantee that the activities of TextMagic in this regard are compliant

with the applicable requirements. On the other hand, it means that if there are any further and clear requirements established for such a purpose in the future, TextMagic needs to comply with such requirements. This possibly results in a need to bear substantial expenses, including legal and technical expenses in the future to set up/change current systems and fulfil the needs foreseen. In addition to the submission of data to the United States for the purpose of provision of its services, TextMagic uses service providers from countries outside the European Union, including service providers working in the Russian Federation and Ukraine, who for the purpose of provision of the services also have access to the information stored by TextMagic, including personal data. The existence of such access might result in non-compliance with the applicable data protection requirements and in a need to set up an additional documentation and processes for the elimination of such non-compliance.

Regulatory environment and its changes

TextMagic is subject to a broad range of laws, regulations and standards and TextMagic must ensure consistent compliance with applicable legislation, including KYC and compliance, data protection, consumer protection, taxation, direct marketing and other similar regulation. Future changes in applicable laws, regulations, standards and changes in their enforcement or regulatory interpretation could result in changes in legal requirements applicable to TextMagic Group, which could have a material adverse impact on TextMagic current operations and future projects.

TextMagic's policy is to require that all of its activities, including activities of its subsidiaries and sub-contractors comply with applicable laws, regulations and standards. This requires a proactive approach from TextMagic in order to remain aware of any changes in legislation and tailor its business practices accordingly. This in turn brings about legal expenses and possible other expenses to enforce requirements, periodically.

Also, violations of such laws, regulations and standards could result in possible damages, fines or other sanctions, increase costs of compliance with potential reputational damage and potential loss of current and future clients.

Need to understand economic situation of new geographical areas and obligation to understand and enforce possible further legal requirements

As TextMagic Group plans to expand its activities geographically it also means that TextMagic needs to perform market research regarding the potential areas to ensure the appropriate value offering and also understand the legal requirements of the geographical areas to which the activities of TextMagic are expanded to. These requirements shall be considered and followed while expanding the activities. This respectively means that TextMagic shall bear legal expenses to understand the requirements applicable and thereafter possible other expenses, like those related to setting up and enforcing systems and policies, to enforce the applicable requirements.

Potential requirements for future financing

TextMagic may need to seek additional sources of financing to implement its growth strategy. There can be no assurance that TextMagic will be able to raise those funds, whether on acceptable terms or at all. For information regarding the risks connected with obtaining further financing by issuing new equity securities, please see risk New issues and share dilution below.

TextMagic may also seek debt finance to fund all or part of any future activities. There can be no assurance that TextMagic will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, TextMagic Group ability to raise further finance and its ability to operate its business may be subject to restrictions.

Possible changes in currency exchange rates

Considering the international nature of the business of TextMagic, it is exposed to changes in currency exchange rates. Such changes can have an impact on the financial performance of TextMagic Group in a negative manner.

8.4. Risks related to Shares, the Offering and admission to trading

Payment of dividends is not guaranteed

The Issuer has no obligation to pay dividends and the Issuer cannot guarantee the regular payment of dividends in the future and the amount of the dividends. The management's recommendations for profit distribution are based on financial results, working capital requirements, investment needs, and strategic considerations which may not coincide with the short-term interests of all shareholders. The payment of dividends and their amount depends on the decision of the general meeting of shareholders. In the future, the Issuer plans to invest profits into the Group and is not planning to pay dividends to shareholders in the foreseeable future.

Share options

As detailed in Section 4.3, the Issuer has issued share options to, amongst other, certain contractors and employees. The Issuer may, in the future, issue further share options to subscribe for new ordinary Shares to certain employees, contractors, managers, and consultants of the Group. The exercise of any such options and any warrants (should any be granted in the future) would result in a dilution of the shareholdings of other investors.

New issues of shares and share dilution

In the future, the Issuer may issue new shares for a variety of reasons, including for financing the company's development or reducing debt. If the current shareholders decide not to subscribe for additional shares within the offer of new shares, the issue of new shares may result in the dilution of shares to the existing shareholders. This may reduce the proportional holding and voting rights of shareholders in the Issuer. Also, the new shares may carry rights, privileges and preferences superior to the Offer Shares.

Cancellation of and under-subscription for the Offering

Although the Issuer will make every effort to ensure that the Offering is successful, the Issuer cannot guarantee the success of the Offering or that investors will receive the Offer Shares that they subscribed for. The Issuer has the right to cancel the Offering until the allocation is decided. The offer may also be cancelled partially. In the event of under-subscription and partial cancellation of the Offering, the Issuer will need to find alternative sources of financing for the planned growth strategy published in the Company Description or make the growth strategy more conservative, reduce the volume of investments, or extend the investment schedule.

Risk related to admission to trading

The Issuer has applied for the admission of Shares to trading on First North MTF and will take all appropriate measures to act in accordance with the rules and regulations and applicable law for the exchange to satisfy Issuer's application. Despite the Issuer's actions, the Issuer cannot guarantee that the shares will be admitted to trading on First North MTF.

Liquidity risk

First North MTF is more volatile and less liquid than the regulated market. The Issuer cannot guarantee that an active secondary market for the shares on First North will be established after admission to trading. Therefore, the liquidity of the shares on First North may be limited or insufficient. Relatively low market capitalisation and liquidity may restrict the investors' ability to sell or buy shares on First North or increase the volatility. Due to the low level of investor activity in the market, the impact of individual transactions may have a significant impact on the market price of a security and the difference between purchase and sale prices may be greater than usual.

9. INFORMATION REGARDING CERTIFIED ADVISER

According to the Rules and Regulations, the Issuer shall use the services of certified advisers. The person acting as a certified adviser shall be a legal person corresponding to the requirements foreseen under the Rules and Regulation and who has entered into a contract with Nasdaq Tallinn AS foreseeing the right of the certified adviser to act as a certified adviser at First North and assist the Issuer in the meaning of the Rules and Regulations.

The certified adviser of the Issuer is Osühing Advokaadibüroo Eversheds Sutherland Ots & Co (registration no.: 10639559), an Estonian law-firm, whose main field of activity is the activities of lawyers and law firms. The certified adviser's representatives, who provide advisory services to the Issuer are Maivi Ots (e-mail: Maivi.Ots@eversheds-sutherland.ee) and Artjom Luik (e-mail: Artjom.Luik@eversheds-sutherland.ee). The Issuer has entered into a contract of indefinite duration with the certified adviser.

The certified adviser does not hold any Shares in the Issuer.

10. FINANCIAL INFORMATION AND MANAGEMENT GUIDANCE

Unaudited selected financial information and pro forma EBITDA

This section contains the following financial statements of the Issuer:

- unaudited consolidated statement of balance sheet as at 30 September 2021 and unaudited consolidated statement of profit or loss for the period ended 30 September 2021;
- the calculation of pro forma EBITDA from the business operations for the nine months ended 30 September 2021, 31 December 2020 and 31 December 2019.

The Issuer prepares the financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Purpose of presentation of pro forma EBITDA

The calculation of pro forma EBITDA (noting that EBITDA is an alternative performance measure) from the business operations is presented for illustrative purposes only to give effect to the Issuer consolidated financial information as if the business combinations for entities under common control had been completed at an earlier date. The pro forma EBITDA is unaudited.

The pro forma EBITDA addresses a hypothetical situation and is not therefore necessarily indicative of what the financial performance actually would have been had the business combination been as of the dates indicated. The actual results reported in periods following may differ significantly from that reflected in the pro forma EBITDA report for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the EBITDA and actual amounts.

The calculated pro forma EBITDA does not attempt to predict or estimate the future results of the TextMagic Group and should not be used for this purpose.

Use of judgements and estimates

The pro forma EBITDA calculations are based upon available information and certain assumptions that the Issuer's management believes are reasonable under the circumstances. These include certain assumptions related to the consideration transferred, the fair value of the net assets acquired for business combinations among entities under common control.

All amounts in the selected information are rounded and presented in thousands of euros unless otherwise indicated.

Unaudited consolidated statement of balance sheet of the Issuer

| <i>in thousands of EUR</i> | 30 September 2021 |
|----------------------------|-------------------|
| Assets | |

| | |
|---|---------------|
| Current Assets | |
| Cash and cash equivalents | 3 254 |
| Trade and other receivables | 104 |
| Prepayments | 176 |
| Total current assets | 3 534 |
| | |
| Non-Current Assets | |
| Property, plant and equipment | 75 |
| Intangible assets and goodwill (Note 1) | 51 666 |
| Total non-current assets | 51 741 |
| Total Assets | 55 275 |
| | |
| Liabilities | |
| Current Liabilities | |
| Trade and other payables | 1 790 |
| Deferred income | 1 376 |
| Total current liabilities | 3 166 |
| Total liabilities | 3 166 |
| | |
| Equity | |
| Total equity attributable to the equity holders of the parent | 52 109 |
| Total equity | 52 109 |
| Total liabilities and equity | 55 275 |

Unaudited statement of profit or loss for the Issuer for the period ended 30 September 2021

The Issuer was established on 21 April 2021 and the business combination took place on 23 September 2021 (please see Note 1 for additional information).

| <i>In thousands of EUR</i> | 2021 9M* |
|-------------------------------|-----------------|
| Revenue | 225 |
| Cost of services provided | (83) |
| Other operating expenses | (72) |
| Depreciation / amortization | (90) |
| Operating profit/loss | (20) |
| Financial income/expense | 0 |
| Profit/loss before tax | (20) |
| Income tax | 0 |
| Profit/Loss | (20) |

* The Issuer is a newly established company that acquired functional business operations on 23 September 2021. Above statement of profit or loss is projected proportionally for the 7 days in September when the Issuer acquired the shares of TextMagic Ltd. and TM OPS OÜ.

Unaudited pro forma EBITDA calculations from business operations

| <i>in thousands of EUR</i> | 2021 9M | 2020 | 2019 |
|----------------------------|----------------|-------------|-------------|
| Revenue | 7 767 | 7 922 | 5 466 |

| | | | |
|---------------------------|--------------|--------------|--------------|
| Other Income | 9 | 0 | 19 |
| Cost of services provided | (2 845) | (3 435) | (2 241) |
| Other operating expenses | (1 305) | (1 234) | (962) |
| EBITDA (Note 2) | 3 626 | 3 253 | 2 282 |

Notes to the selected financial information

Note 1. Business combination

As mentioned in Section 2.3, on 23 September 2021 the Issuer acquired via a non-monetary contribution from its shareholders the following assets:

- all the shares of TextMagic Ltd.;
- all the shares of TM Ops OÜ;
- the software which TextMagic uses to conduct its business, viz., A2P SMS marketing software “TextMagic”;
- the customer engagement software “Touchpoint”;
- trademarks “TextMagic”; and
- two domains, textmagic.com and touchpoint.com.¹⁹

The assets were transferred to the Issuer by its shareholders in exchange for shares in the Issuer. In total the shareholders received 7,750,000 Shares for their contributions.²⁰ The contributions were made at a premium, *i.e.*, the value of the contributions was appraised to exceed the no-par value (in Estonian: *arvestuslik väärus*) of the Shares. The value of the contributions was appraised by the Management Board, based on an independent appraisal conducted by LHV Pank AS, to amount to 52,117 kEUR.

The latter appraisal was conducted using three internationally-recognised valuation methods: the discounted cash flow method (DCF), the guideline public company method (GPCM) and the guideline transactions method (GTM). The assets were appraised using each of the methods, and the overall valuation represented a weighted average, with the result obtained via the discounted cash flow method being attributed 60% of the total weight, and the results obtained via each of the other two methods, 20% of the total weight. As mentioned in Section 2.3, the appraisal was, as required by law, independently audited by Grant Thornton Baltic OÜ, the firm appointed as the Issuer’s statutory auditors, which issued an unqualified opinion in respect of the appraisal.

Thus, the result of the non-monetary contribution was the transfer to the Issuer of the aforementioned assets which were appraised to value 52,117 kEUR in exchange for the issue of 7,750,000 Shares.

Pursuant to IFRS 3,

- a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses, and
- an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities.

¹⁹ Please see Section 2.3 for information which shareholder transferred which asset.

²⁰ Monday Media OÜ received 7,151,000 Shares, Merkatiko OÜ, 299,500 Shares, and OÜ Edly, likewise 299,500 Shares. For the number of Shares held by each of them, please refer to Section 4.1.

While business combinations involving entities under common control, such as the non-monetary contribution referred to above, are excluded from the scope of IFRS 3, the management may refer to IFRS 3 in determining a policy for such transactions and decide to adopt the acquisition method in their accounting policy. The Issuer's management considers this transaction to be as a business combination as the Issuer has acquired a business rather than merely a collection of disparate assets.

The Issuer's management has made the allocation of the consideration transferred (*viz.*, of the value of the non-monetary contribution) based on estimates that are considered reasonable. For pro forma purposes, unaudited financial information of TextMagic Ltd and TM Ops OÜ as at 30 September 2021 was used for the allocation.

As at 30 September 2021, intangible assets carried in the amount of 51,666 kEUR, include the assets acquired via the business combination. The useful lives of acquired intangible assets are considered to be 5 to 10 years. The amortization of the Touchpoint platform (*i.e.*, the customer engagement software "Touchpoint") will start when the platform is taken into use. The amortization of assets in use will amount to approximately 5,000 kEUR per year based on the book-value of the intangible assets as at 30 September 2021.

Note 2. Profitability and cash flows

The Issuer's business operations are profitable. EBITDA for the 9 months of 2021 in the amount of 3,626 kEUR exceeds the EBITDA of the previous year. The compound annual growth rate (CAGR) of EBITDA for the last three years is 51.8%. TextMagic Group's cash flows from operating activities before restructuring have been in the same range as EBITDA year by year. The cash flows from operating activities have been sufficient to maintain and grow the business. So far there has been no need to use external financing.

The whole group has been profitable in the presented periods. The net profit or loss have been excluded from the calculations of pro forma financial information as it would not present an entity's financial position fairly due to the developments of TextMagic SMS platform during the presented periods, which only have financial impact on future periods. The amortization of assets in use will be approximately 5 000 kEUR per year based on the intangible assets' cost value as at 30 September 2021. The actual profit or loss will depend on the revenue increase during the following years. The amortization of the Touchpoint platform will start when the platform is taken into use.

Purely for general illustrative purposes, sensitivity analysis of useful lives and the related amortization expense of intangible assets (in thousands of EUR) are presented in the below table:

| Intangible asset at cost value / Useful life | 5 years | 7 years | 10 years |
|--|---------|---------|----------|
| 35 000 | 7 000 | 5 000 | 3 500 |
| 50 000 | 10 000 | 7 143 | 5 000 |
| 75 000 | 15 000 | 10 714 | 7 500 |

Management has estimated the useful lives of intangible assets based on historical experience in the field and future prospects. Amortization rates will be reviewed if the useful life turns out to be shorter than initially forecast or in case of the assets being technically obsolete then the respective assets will be written off.

Key financial ratios

| | 30 September 2021 |
|---|-------------------|
| Debt to assets, % <i>Total Liabilities / Total Assets</i> | 5.7 |
| Debt to equity, % <i>Total Liabilities / Equity</i> | 6.1 |
| Working capital, kEUR <i>Current Assets - Short Term Liabilities</i> | 368 |
| Current ratio, x <i>Current Assets / Short Term Liabilities</i> | 1.1 |

| | |
|--|-----|
| Quick ratio, x (Cash & Cash Equivalents + Trade Receivables) / Short Term Liabilities | 1.1 |
|--|-----|

Revenue and EBITDA based on the pro forma financial information

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021* |
|------------------------|-------|-------|-------|-------|-------|--------|
| Total revenue, kEUR | 1 960 | 2 695 | 3 828 | 5 466 | 7 922 | 10 356 |
| Revenue growth rate, % | - | 37.5% | 42.0% | 42.8% | 44.9% | 30.7% |
| EBITDA, kEUR | 615 | 925 | 1 186 | 2 281 | 3 253 | 4 572 |
| EBITDA margin, % | 31.4% | 34.3% | 31.0% | 41.7% | 41.1% | 44.1% |

*2021 year projection is extrapolated based on 9 month financial information. This projection is done considering that the business combination had been completed at an earlier date. The Issuer acquired the shares on 23 September 2021, therefore the annual report for year 2021 will include consolidated results of approximately 3 months after acquisition.

FINANCIAL TARGETS

| <i>in thousands of EUR</i> | 2022 | 2023 | 2024 |
|-----------------------------|--------------|--------------|---------------|
| Revenue | 13 500 | 17 600 | 23 800 |
| Cost of services provided | (5 300) | (6 900) | (8 600) |
| Other operating expenses | (2 440) | (3 660) | (4 760) |
| EBITDA | 5 760 | 7 040 | 10 440 |
| EBITDA margin | 42.7% | 40.0% | 43.9% |
| Depreciation / amortization | (4 940) | (7 060) | (7 470) |
| Operating profit | 820 | (20) | 2 970 |
| Financial income/expense | (140) | (150) | (170) |
| Profit before tax | 680 | (170) | 2 800 |
| Income tax | 0 | 0 | 0 |
| Profit/Loss | 680 | (170) | 2 800 |

In 2022, the main focus will be on developing the new customer engagement platform (Touchpoint) and at the same time to maintain the revenue growth rate at 30% with the current A2P SMS platform. To achieve the revenue growth, the plan is to increase usage of active marketing, such as paid advertising (affecting operating expenses), which TextMagic has not done so far to a considerable extent and also make further use of SEO optimisation, focusing on the conversion rate of active users. For the cost of services a similar margin has been considered as per the historical margin. Touchpoint is planned to be rolled out during 2023, affecting the cost of services margin, higher marketing expenses and having an impact on amortisation expense.

11. ESTONIAN TAXATION SYSTEM

This Section provides a brief overview of some main taxation-related aspects relevant in regard to the Estonian taxation system applicable to companies registered in Estonia and their shareholders. The following summary is not in any way exhaustive, is not intended as professional advice to anyone and does not cover taxation-related matters of any jurisdiction other than Estonia.

Corporate income tax

The corporate income taxation system currently applicable in Estonia differs from the ordinary corporate income taxation model by moving the point of corporate income taxation of companies from the moment of earning of income to the moment of its distribution. In Estonia corporate income tax is charged in Estonia only on distributed profits. Corporate income tax is charged on distributions of profits, such as dividends, payments exceeding equity contributions upon the share capital being reduced or own shares being bought back, as well as indirect profit distributions, such as fringe benefits, gifts, donations and entertainment expenses, and costs and payments not related to the trade of the company. All the profit distributions are subject to corporate income tax at the rate of 20/80 (25% of the net amount of the profit distribution), i.e., 20% of the gross amount of the distribution.

As an exception, in the event of regular making of profit distributions (e.g., payment of dividends) the applicable corporate income tax rate is 14/86 (14% of the gross amount of the profit distribution). A profit distribution which does not exceed the average amount of the taxed profit distributions made during the preceding three calendar years is deemed a regular one.

The aforementioned corporate income tax on distributed profits is payable by the company, viz., the company is responsible for the calculation, declaration and payment of the relevant corporate income tax. This tax is not a withholding tax within the meaning of international conventions for the elimination of double taxation and is, thus, not subject to the rules on withholding taxes set out in such conventions.

Repayments of equity contributions (e.g., reduction of share capital or repurchase of own shares) previously made to a company are not subject to corporate income tax at the level of said company.

Taxation of dividends

As a rule, Estonia does not subject profit distributions (e.g., dividends) received from Estonian companies to income tax in the hands of the recipients, i.e., in Estonia recipients of dividends do not ordinarily have to pay income tax on the dividends they receive from Estonian companies. However, if a regular profit distribution (occasioning corporate income tax at the rate of 14/86) is made to a natural person (whether a resident of Estonia or not), additional income tax at the rate of 7% is withheld from the profit distribution as income tax due from the recipient (if the recipient is not resident in Estonia, this may be reduced by the relevant convention for elimination of double taxation).

If the recipient of a profit distribution made by an Estonian company is an Estonian-resident legal person which holds less than 10% of the shares of the company making the distribution, then the recipient will be liable to corporate income tax on the profit distribution it receives. The corporate income tax will be due when it, in turn, distributes its profits made up of the profit distribution it has received.

Gains from sale or exchange of shares

The gains received by Estonian tax residents who are natural persons upon selling or exchanging shares is subject to income tax at the rate of 20%. Upon receiving gains from a sale of shares, income tax is charged on the difference between the sales price and the acquisition cost of the shares, less documented costs related to the sale of the shares. Gains from an exchange of shares are made up of the difference between the market price of the received assets and the acquisition cost of the exchanged shares; documented costs directly related to the exchange of the shares can be deducted from the gains of the person exchanging his or her shares.

The gains received by Estonian resident legal persons upon selling or exchanging shares are subject to standard corporate income tax. The rules described above in the section entitled "Corporate income tax" apply.

Estonian-resident natural persons and non-residents are subject to income tax (at the rate of 20%) on gains received from an Estonian company upon reduction of the latter's share capital or repurchase by it of its own shares. The gains are made up of the difference between the amount so received from the company and the acquisition price of the shares concerned, except for amounts in respect of which the company has already been subjected to corporate income tax.

12. GLOSSARY

| | |
|-----------------------------------|---|
| Articles of Association | the Articles of Association of TextMagic effective as at the date of this Company Description |
| Company Description | this document |
| DVP | delivery versus payment is a method where securities are transferred to investors' securities accounts simultaneously effecting the payment for such shares |
| Exchange | First North MTF operated by Nasdaq Tallinn AS |
| First North MTF | the Nasdaq First North multilateral trading facility (also known as an alternative market) operated by Nasdaq Tallinn AS |
| Group | TextMagic AS together with its subsidiaries |
| Issuer | TextMagic AS, a public limited company (in Estonian: <i>aktsiaselts</i>) registered in and operating under the laws of Estonia with the registry code 16211377 and legal address: Mõisa 4, Tallinn, Estonia 13522 |
| Lock-Up Agreement | agreement concluded between AS LHV Pank and shareholders (Monday Media OÜ, OÜ Edly and Merkatiko OÜ) of the Issuer |
| Management Board | the management board of the Issuer |
| Nasdaq CSD | Nasdaq CSD SE (Societas Europaea), the regional Baltic central securities depository (CSD), register code 40003242879. Registered address Valņu iela 1, Riga, LV-1050, Latvia. In Estonia operating as Nasdaq CSD SE Estonian Branch, address Maakri 19/1, 10145 Tallinn, Estonia |
| Offering | public offering of 500,000 Offer Shares in accordance with the terms and conditions of this Company Description |
| Offer Period | the period during which the Offer Shares can be subscribed for |
| Offer Price | the final price per each Offer Share, which is a fixed price of EUR 5.00 |
| Offer Shares | up to 500,000 new ordinary shares of the Issuer |
| Prospectus Regulation | Regulation (EU) 2017/1129 of the European Parliament and of the Council |
| Rules and Regulations | the Nasdaq Tallinn Rules of Multilateral Trading Facility First North |
| Section | a section of this Company Description |
| Shares | all shares of the Issuer including the Offer Shares |
| SMA | the Securities Market Act of the Republic of Estonia |
| SMS | short message service |
| Supervisory Board | the supervisory board of the Issuer |
| TextMagic; TextMagic Group | TextMagic AS together with its subsidiaries and the activities thereof, TextMagic also referring to operations and services provided by the companies belonging to the TextMagic Group |

Total revenue, TEUR

Revenue + Other income

Average revenue per user, EUR

Total revenue/ average number of total users

| | |
|-----------------------|--|
| EBITDA, TEUR | Operating Profit + Depreciation, amortisation and impairment of non-current assets |
| EBITDA margin, % | EBITDA/Total revenue*100 |
| Debt to assets, x | Total Liabilities / Total Assets |
| Debt to equity, x | Total Liabilities / Equity |
| Working capital, TEUR | Current Assets - Current Liabilities |
| Current ratio, x | Current Assets/ Current Liabilities |
| Quick ratio, x | (Cash & Cash Equivalents + Trade and other receivables) / Current Liabilities |

Annex 1 – Articles of Association of TextMagic AS