

Q4 2019

Strong fourth-quarter performance –
integration of TietoEVRY progressing well

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Outline

- CEO opening
- TietoEVERY summary
- Tieto Q4 and 2019
- EVERY Q4 and 2019
- CFO report
- Integration status
- Guidance 2020

Q4 in brief

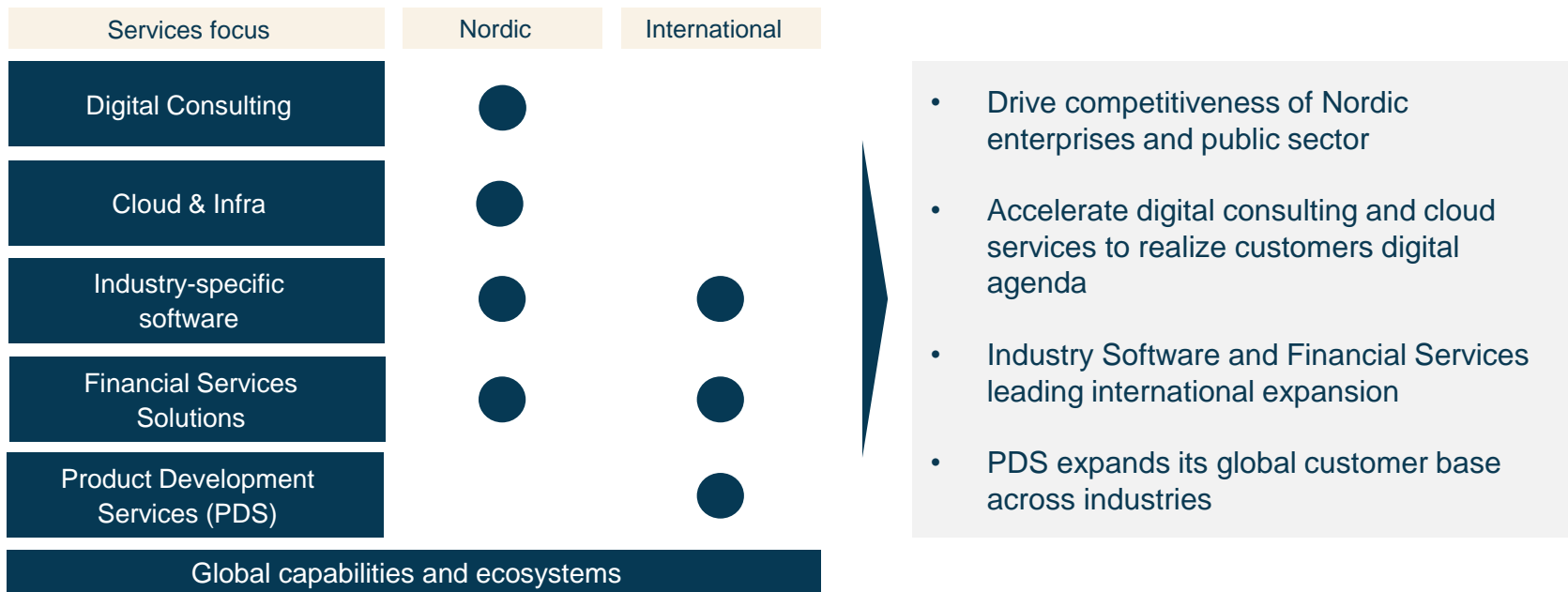
Strong fourth-quarter performance – integration of TietoEVERY progressing well

- Merger to create a leading Nordic digital services company completed in the fourth quarter
- Tieto stand-alone: revenue growth 2%, adjusted operating margin over 13% - healthy performance driven by Hybrid Infra
- EVERY stand-alone: revenue growth 4%, adjusted operating margin over 13% and strong order backlog in Financial Services
- Dividend proposal EUR 1.27 per share

Our value proposition & strategy

Creating digital advantage for businesses and society

We are the backbone of the Nordic society, transforming businesses with expertise, technology and data, to harness the biggest opportunities of our time



Note: Other businesses in the portfolio include a) local businesses in Austria, Latvia, Lithuania, Estonia, Russia and b) non-Nordic customers served from India and Ukraine, with own go-to-market

The Nordic IT market remains dynamic

TietoEVRY expects the Nordic IT services market to grow by 2–3% in 2020

New services built around data and design, cloud adoption, multi-cloud management and automation is anticipated to grow in double digits

Business continuity and efficiency continue to be of high importance

A leading community for digital professionals

- Building the company culture on Nordic heritage and values of openness, trust and diversity
- Combined recruitment in 2019 of over 4 800 new professionals – over 2000 in the Nordics
- Continued priority to be an attractive company, aiming to be the best opportunity to grow and learn
- Our work for diversity and inclusion received external recognitions
 - Among the top 3 of global tech companies in Equileap's 2019 Global Gender Equality Ranking
 - TietoEVRY was also listed on the 2020 Bloomberg Gender-Equality Index (GEI)
 - EVRY's listing as Norway's best technology company for women by the SHE Index



European Institute
for Gender Equality



Official reported financials*

(IFRS)

Q4 2019	Revenue € 543m	EBIT € 31.5m	EBIT Adj.** € 71.4m
	Growth 28.7%	EBIT % 5.8%	EBIT Adj.%** 13.1%
FY 2019	Revenue € 1.734m	EBIT € 124.2m	EBIT Adj.** € 196.4m
	Growth 8.4%	EBIT % 7.2%	EBIT Adj.%** 11.3%

The board proposes
a dividend at
EUR 1.27

Representing a
dividend yield of
4.6%

* EVRY consolidated from 5 December 2019

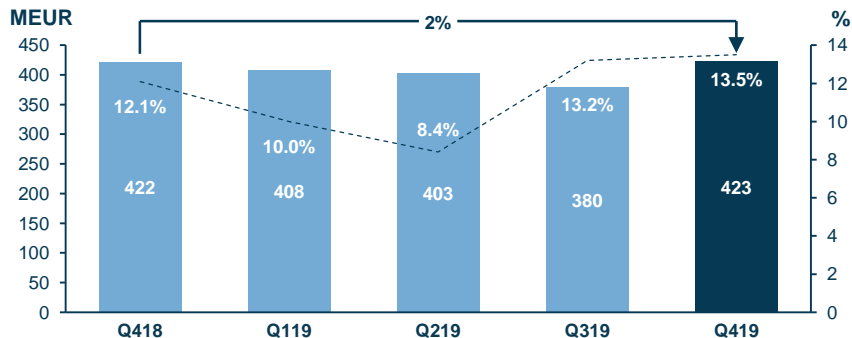
**Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Q4 stand-alone performance

Tieto

Healthy growth in Hybrid Infra and Industry Software

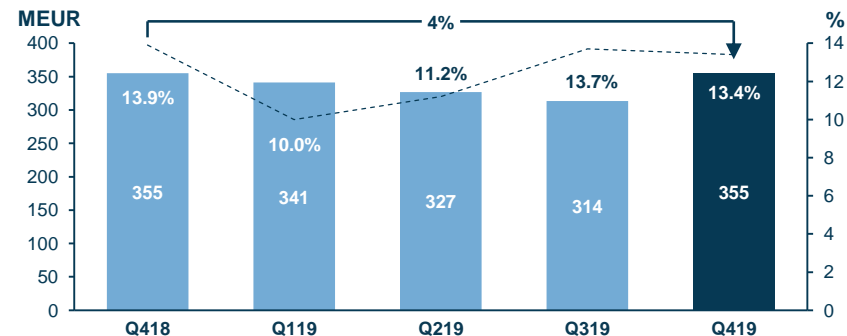
Revenue € 423m	EBIT Adj.* € 57m	Backlog €1 642m
Growth** 2%	EBIT Adj.%* 13.5%	



EVRY

Solid growth and EBIT margin

Revenue € 355	EBIT Adj.* € 48m	Backlog € 1 998m
Growth*** 4%	EBIT Adj.%* 13.4%	



*Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

** Local Currency

*** Organic growth

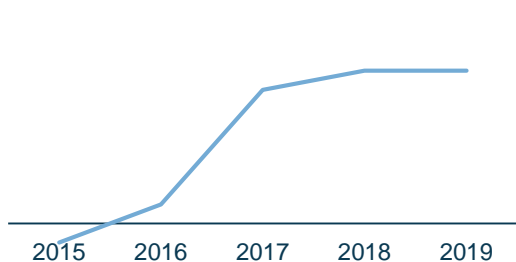
Tieto stand-alone performance

Tieto Q4 - main highlights

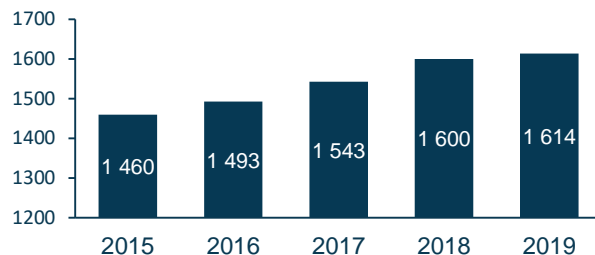
- Healthy growth in Hybrid Infra and Industry Software with 5% and 4% growth, respectively
- Continued adjusted operating margin improvement to over 13% driven by strong performance from Hybrid Infra at 16%
- Successful execution of the strategy and efficiency program supported profit expansion

Tieto multi-year performance improvement

CUSTOMER EXPERIENCE / NPS

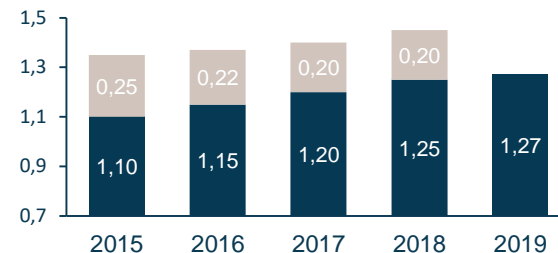


REVENUE GROWTH



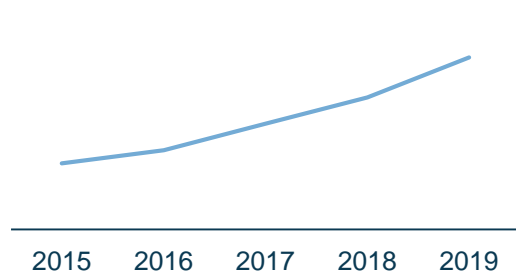
■ Net Sales, EUR million

DIVIDEND/SHARE, EUR

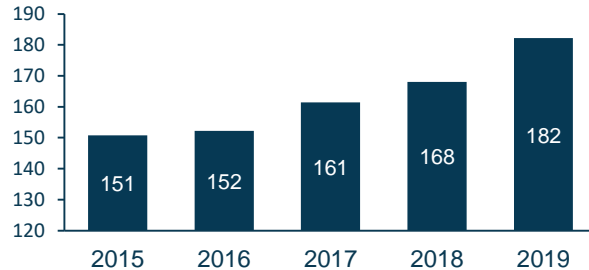


■ Base dividend

EMPLOYEE ENGAGEMENT SCORE

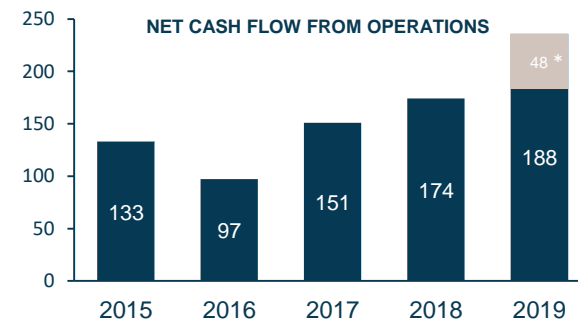


ADJUSTED EBIT



■ Adjusted EBIT, EUR million

NET CASH FLOW FROM OPERATIONS



■ Net cash flow from operations, EUR million

* IFRS 16 2019 impact

Tieto Q4 2019 key figures

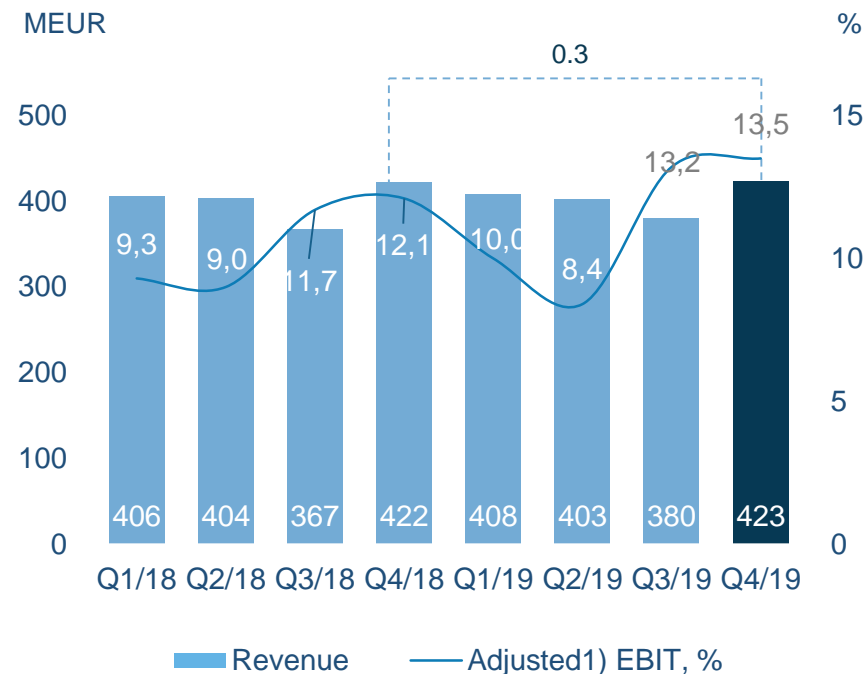
Revenue up by 0.3%

- › EUR 423.0 (421.9) million
- › Growth in local currencies 2%
- › Organic growth in local currencies 2%

Adjusted EBIT margin 13.5% (12.1%)

- › EBIT EUR 31.9 (45.7) million, 7.6% (10.8%)
 - › Includes EUR 25.3 million* in adjusted items
- › Adjusted** EBIT EUR 57.2 (51.0) million, **13.5%** (12.1%)

Order backlog EUR 1 642 (1 698) million



* excludes EUR 3.2 million PPA amortization from TietoEVERY merger.

** adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Digital Experience

Revenue Q4

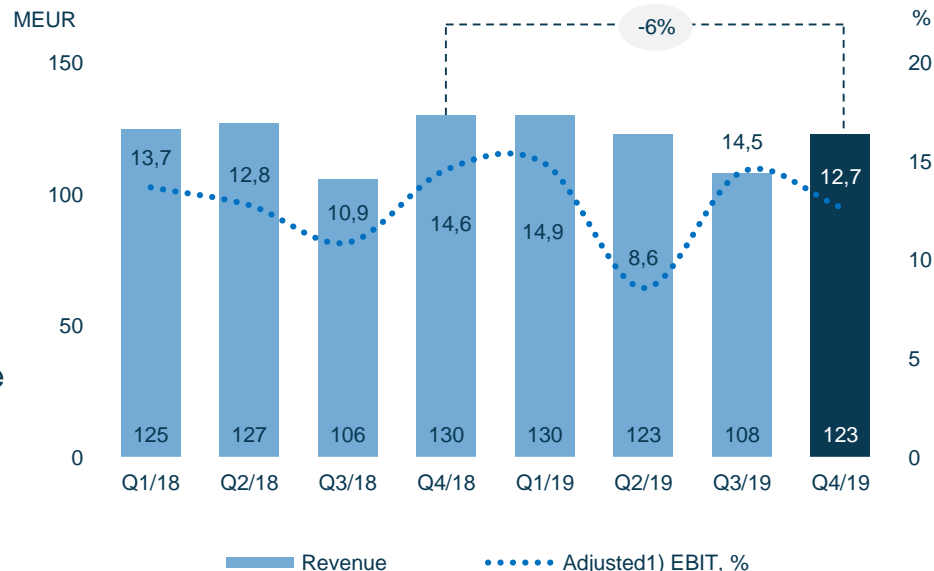
- › EUR 123 (130) million
- › Down by 6%, or 4% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 15.5 (19.0) million, 12.7% (14.6)

Q4 highlights

- › Application Services continued to be impacted by one large customer insourcing
- › Contract transfer to a joint venture had a negative impact of over 1%-point on growth
- › Adjusted operating margin was affected by decline in sales and a significant project over-run
- › In Q120 adjusted operating margin is anticipated to be below Q1/2019 level



¹⁾ adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Hybrid Infra

Revenue in Q4

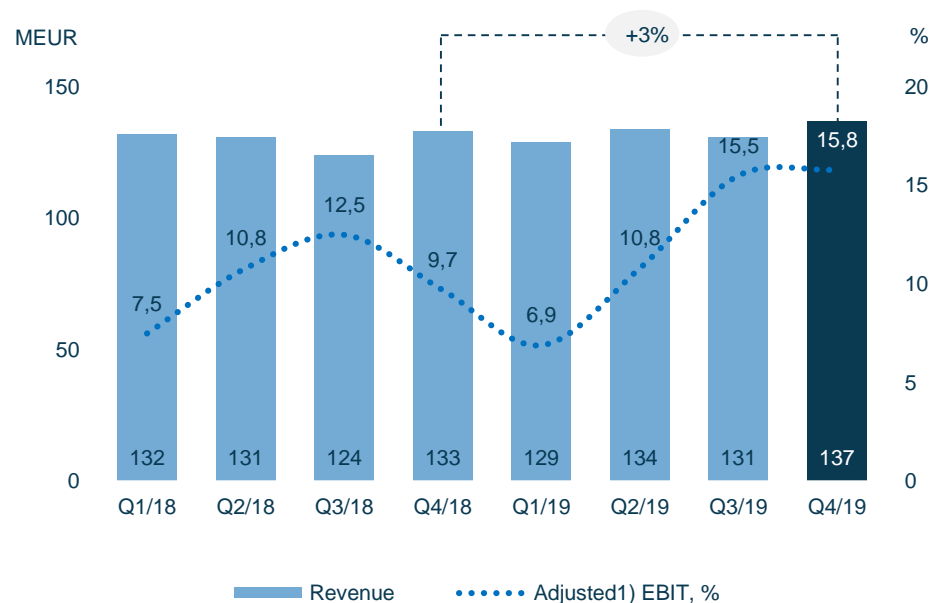
- › EUR 137 (133) million
- › Up by 3%, or 5% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 21.8 (12.9) million, 15.8% (9.7)

Q4 highlights

- › Growth driven by infrastructure cloud, up by 20% in local currencies
- › Traditional infrastructure services' revenue at Q4/2018 level
- › Security Services' revenue increased by 17%
- › Clear improvement in EBIT margin, supported by strong growth, lower quality cost and the company's efficiency measures
- › In Q1, adjusted EBIT margin anticipated to be above the level of Q1/2019



¹⁾ adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Industry Software

Revenue Q4

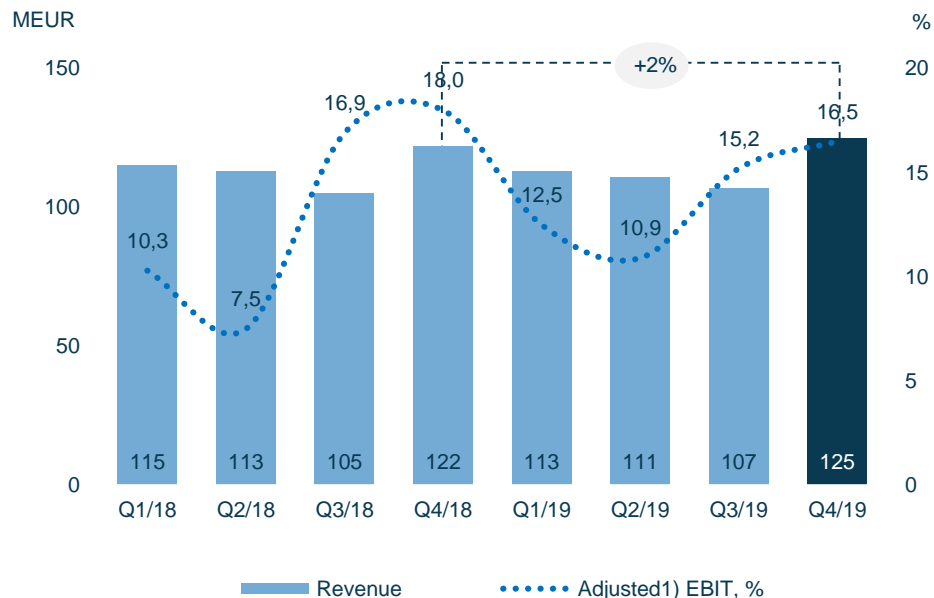
- › EUR 125 (122) million
- › Up by 2%, 4% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 20.6 (22.0) million, 16.5% (18.0)

Q4 highlights

- › Strong growth of Healthcare solutions continued, up by 14%
- › Case Management and oil and gas solution growth of 18% and 10% respectively
- › The ongoing technological renewal of SmartUtilities continued to affect profitability in the fourth quarter
- › SmartUtilities packaged software development and customer implementation's scope are larger than originally anticipated – will require increased investments in 2020
- › In Q1, EBIT margin anticipated to be at the level of Q1/2019



¹⁾ adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Product Development Services

Revenue Q4

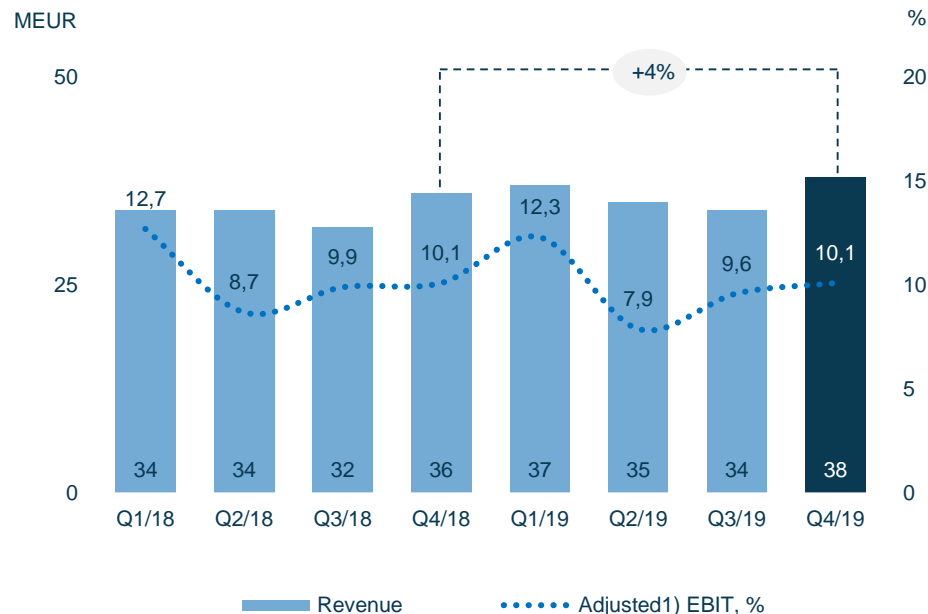
- › EUR 38 (36) million
- › Up by 4%, or 7% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 3.8 (3.7) million, 10.1% (10.1)

Q4 highlights

- › Strong volume development with the largest key customers focused on Radio and 5G technologies
- › Good development also continued in the automotive segment which has experienced strong growth throughout the year with expansion to new key customers
- › In Q1, adjusted EBIT margin anticipated to be below the level of Q1/2019



¹⁾ adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Finland country growth **2%**

- › Industry Software growth driven by Healthcare solutions
- › Strong demand for cloud services continued
- › Digital Experience affected by a large customer insourcing

Sweden country growth **1%** in local currencies

- › Growth driven by Hybrid Infra, up by 4% in local currencies
- › Industry Software growth impacted by continued renewal of Tieto SmartUtilities

Norway country growth **8%** in local currencies





- › Growth across businesses
- › Strongest growth in Hybrid Infra and Digital Experience

EVERY stand-alone performance

EVERY Q4 - main highlights

- Strong organic growth of 3.9% and adjusted EBIT margin of 13.4%
- Financials Services showing strong momentum with high order backlog in Q4
- Strategic direction supports solid growth in Consulting services and application services by 7.1% and 9.4% respectively
- Still challenges in Sweden but positive development according to plan

Group financial highlights

		EVERY group		Norway		Sweden		Financial Services		Organic growth Q4 /FY 2019
		Q4 2019	FY 2019	Q4 2019	FY 2019	Q4 2019	FY 2019	Q4 2019	FY 2019	
REVENUE €m		355.2	1,336.9	158.8	601.7	82.6	314.8	97.5	365.1	Consulting Services 7.1%/ 5.6%
Organic growth ¹		3.9%	1.7% (3.4*)	8.6%	2.8%	-4.6%	-4.2%	7.3%	6.1%	Application Services 9.4%/8.3%
Adj. EBIT ² €m		47.7	160.9	18.7	64.7	5.9	16.7	13.0	47.5	Digital Platform Services -3.1%/-0.7%
Adj. EBIT margin ²		13.4%	12.1%	11.8%	10.8%	7.1%	5.3%	13.4%	13.0%	Fulfilment Services 4.3%/-16.2%

In Q1/2020, adjusted EBIT margin anticipated **to be at the level** of Q1/2019.

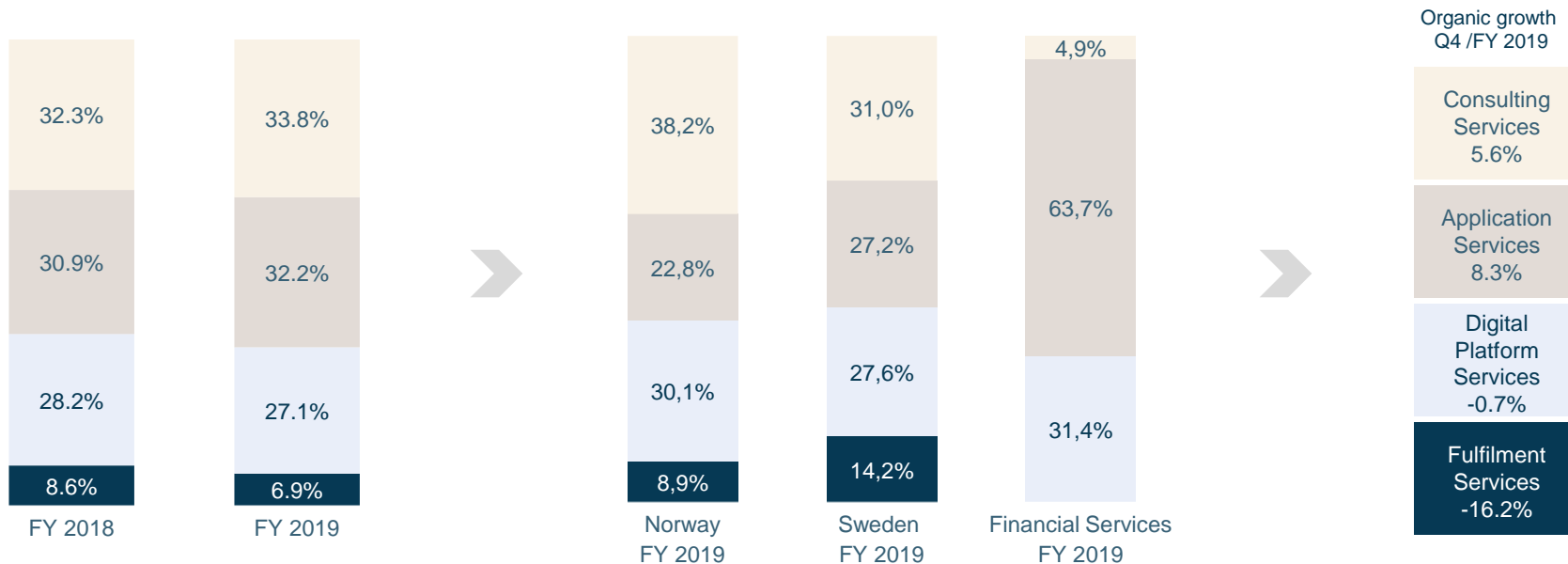
1) Adjusted for currency effects, acquisitions and divestments

2) adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability – comparable to EVERYs EBITA before other income and expenses

3) * Excluding fulfilment

Service mix development in line with strategy

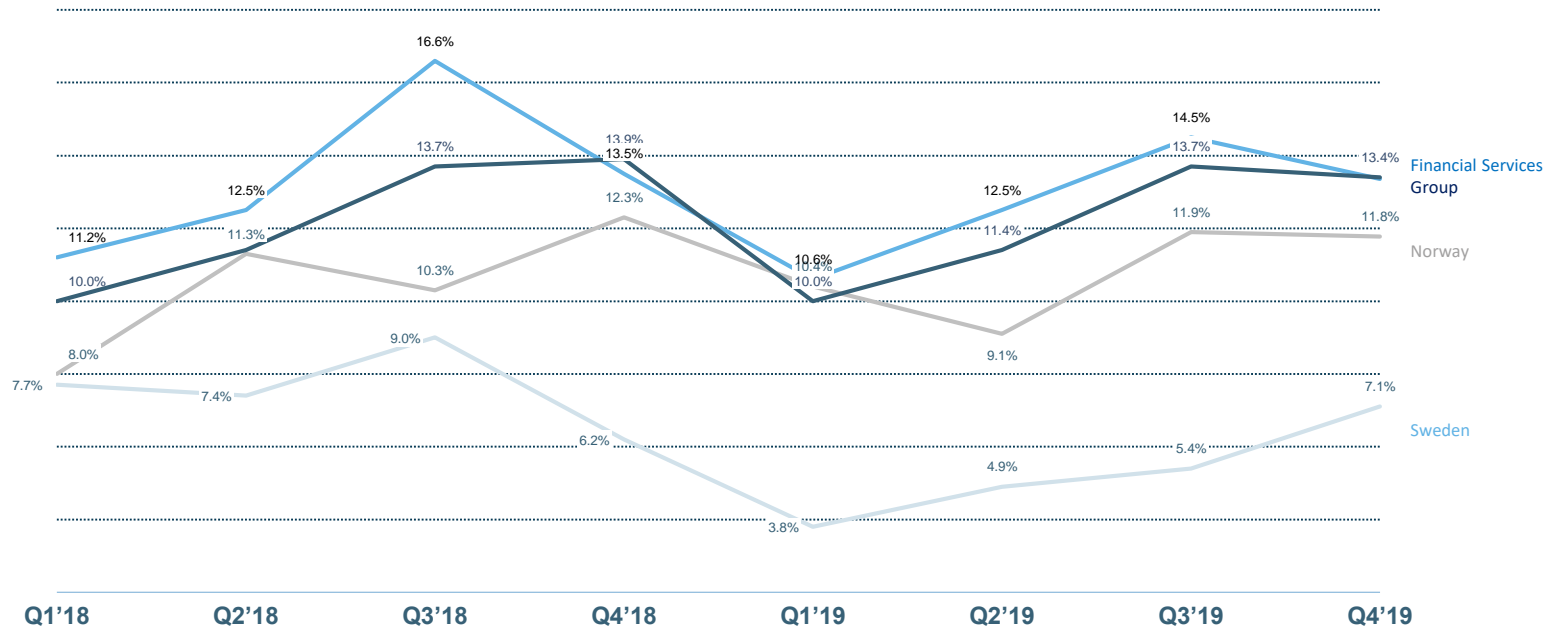
Financial year



■ Consulting Services
 ■ Application Services
 ■ Digital Platform Services
 ■ Fulfilment Services

Positive development in Sweden continues

Adj. EBIT margin¹



¹) adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Financial Services with solid performance in Q4

- Organic growth of 7.3% in Q4
- Strong adjusted EBIT margin of 13.3%
- Continuing vote of confidence with strong order intake and high order backlog at EUR 989 million

DSS

A new 6-year agreement with nine savings banks to provide a complete portfolio of banking services. TCV of approx. NOK 600 million over the period

Sparebanken Sør

New comprehensive 5-year agreement to provide a complete portfolio of banking services. TCV of NOK 650 MNOK million over the period

Other signings

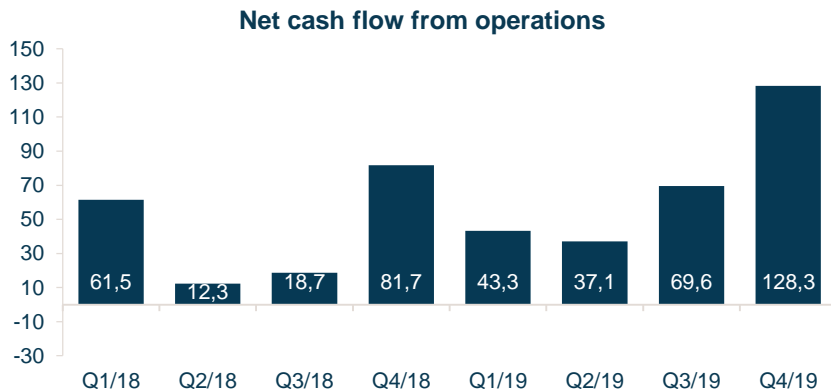
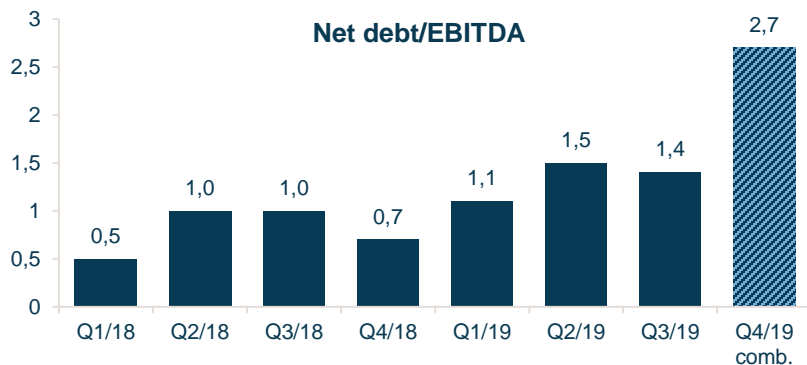
Several new agreements with a group of Norwegian banks to provide a complete portfolio of banking services. TCV of approx. NOK 450 million over the period

CFO report

CFO highlights

- Strong fourth-quarter performance in revenue, profit and cashflow from both companies
- Reported numbers impacted by adjusted items, primarily related to the merger and integration of TietoEVERY
- Merger of TietoEVERY completed and preliminary Purchase Price Allocation (PPA) prepared
- Segment information, according to new operating model, available for Q2 or Q3 2020
- Updates on synergy planning and realization provided in the coming quarterly reports
- Long term financial ambitions will be provided in the next CMD

Net debt / EBITDA starts at 2.7x - Strong cash flow continued



● Net debt / EBITDA TietoEVRY *combined* at ~2.7x* (~2.4x ex IFRS 16 impact)

● Target level Net debt/EBITDA TietoEVRY < 2 in 2-3 years

● Strong cashflow in the fourth quarter

- Positive working capital development
- Favorable workday impact
- Affecting QoQ comparability;
 - IFRS 16 EUR 14 million
 - EVRY impact EUR 40 million

* Combined Net debt EUR 1.070 million and EBITDA EUR 390 million (including EVRY 12 mth EBITDA)

TietoEVERY merger completed - Purchase accounting summary

Merger consideration (IFRS)	EUR million
Consideration in shares	1 195
Consideration in cash	196
Replacement of share based payment awards	7
Total Merger Consideration	1 398

Preliminary purchase price allocation	EUR million
Goodwill	1 556
Identified intangible assets	261
Deferred tax liability on allocations (PPA)	-55
Acquired net assets	-365
Recognized net assets from acquisition	1 398

- Total merger consideration amounted to EUR 1 398 million
- Preliminary purchase price allocation results in EUR 1 556 million of goodwill
- Identified intangible assets consists of inhouse developed software, customer relations , EVERY brand and order backlog
- Annual amortization from identified intangible assets amounts to approximately EUR 38 million

Summary of 2019 adjustment items impacting reported EBIT

Tieto stand-alone FY2019	EUR million
Restructuring cost	28
Merger and integration cost	21
Amortization of aquisition related intangible assets	8
Other	4
Total adjustment items	61

- Restructuring cost mainly relates to 2019 efficiency programme
- Merger and integration costs relate mainly to advisory services, integration cost and success and retention bonuses
- Other consists mainly of Tietokarhu JV impairment loss

EVERY stand-alone FY2019	EUR million
IBM – Infrastructure partnership	32
Merger and integration cost	20
STIP	1
Total adjustment items	53

- IBM includes cost related to the transition and transformation programme, cost for compensating activities relating to quality and legal cost relating to the filed arbitration
- Merger and integration costs relate mainly to advisory services, integration cost, success and retention bonuses and CEO agreement

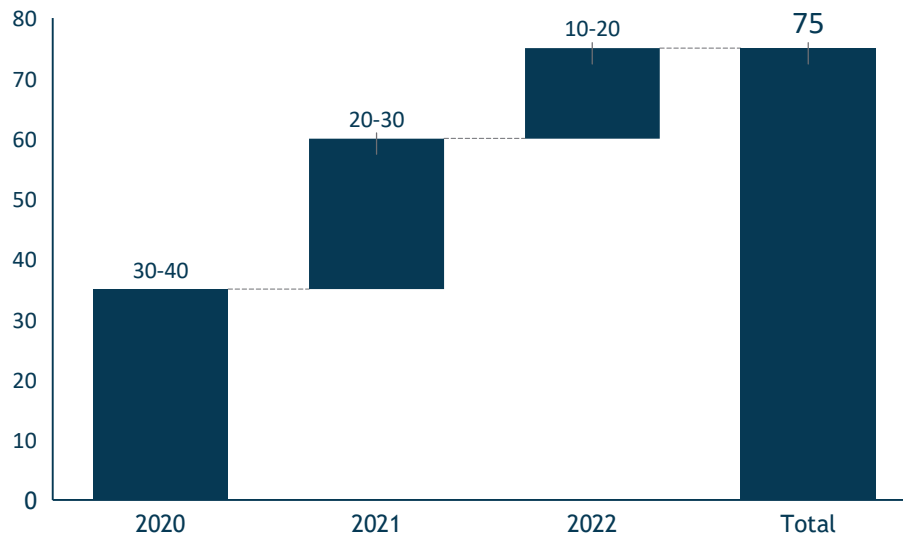
Synergy planning progressing well, total target of EUR 75 million confirmed with goal to realize EUR 30-40 million run-rate synergies by year-end 2020

Integration and synergy work progressing well

- Group management team and next layer below appointed
- 11 synergy streams established to finalize planning and drive execution
- Total synergy target of EUR 75 million confirmed by current plans
- Synergy target split per category to be updated in Q1
- Integration cost estimated to be approximately EUR 40-50 million in 2020

EUR 75 million synergies achieved within three years

Synergies run-rate impact at end of year (MEUR)



EUR 120-140 million of one-time integration costs expected in 2020-2022



Merger and integration update

- Merger closed on 5 December
- Integration work progressing well with high intensity and strong employee engagement
- New operating model deployed – focusing on maximum customer value, efficiency and speed

Integration progressing as planned

Status end of January 2020, 8 weeks post merger acceptance

Integration focus area	Progress*	Current status
Integrated structure and leadership		<ul style="list-style-type: none"> • TietoEVERY operating model launched • Group leadership and next level nominated
Common processes and systems		<ul style="list-style-type: none"> • Collaboration actively enabled • Common core tool choices being finalized
Integrated go-to-market and service portfolio		<ul style="list-style-type: none"> • Unified customer teams and integrated services • Cloud and infra strategic partnerships
Employee engagement and cultural integration		<ul style="list-style-type: none"> • High cultural similarities identified • Employee onboarding and engagement
Synergy planning and realization		<ul style="list-style-type: none"> • Planning ongoing per business and function • Overall progress on schedule

Continuous focus on customer engagement, delivery quality and efficiency continues during integration

*Progress relative to target-state as an integrated TietoEVERY

Performance drivers during the first year of integration

Annual performance drivers

- **Long term**, TietoEVRY aims to **grow faster than the market.**
- **Adjusted operating profit** to improve from previous year supported by underlying business performance and synergy contribution
- **Salary inflation** is anticipated to be over 3%
- Continued **annual productivity improvement**, incl. automation, offshoring, pyramid management

Merger specific performance drivers

- Moderate growth during 2020 in light of **integration and** discontinued contracts and businesses
- **Run-rate of EUR 30-40 million in cost synergies expected** at year end
- **One-time integration costs** are expected to be in the range of **EUR 40-50 million**
- **EVRY infrastructure partnership (IBM)** – continuation of costs related to transition and transformation, quality and legal for 2020 estimated to be EUR 15-20 million

Guidance for 2020

TietoEVERY expects its comparable full-year adjusted operating profit (EBIT) to increase from the previous year's level (Tieto's and EVERY's adjusted operating profit combined amounted to a total of EUR 343.1 million in 2019)¹⁾

1) Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

tieto *EVRY*