

**Q4 2020**

**Strong profitability and cash flow**

Kimmo Alkio, President and CEO  
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Q4 in brief

## Strong profitability and cash flow

Fourth-quarter adjusted operating margin 15% driven by Industry Software and Digital Consulting

Fourth-quarter revenue down by 6% organically – affected by Covid-19 and anticipated short-term decline in Cloud & Infra

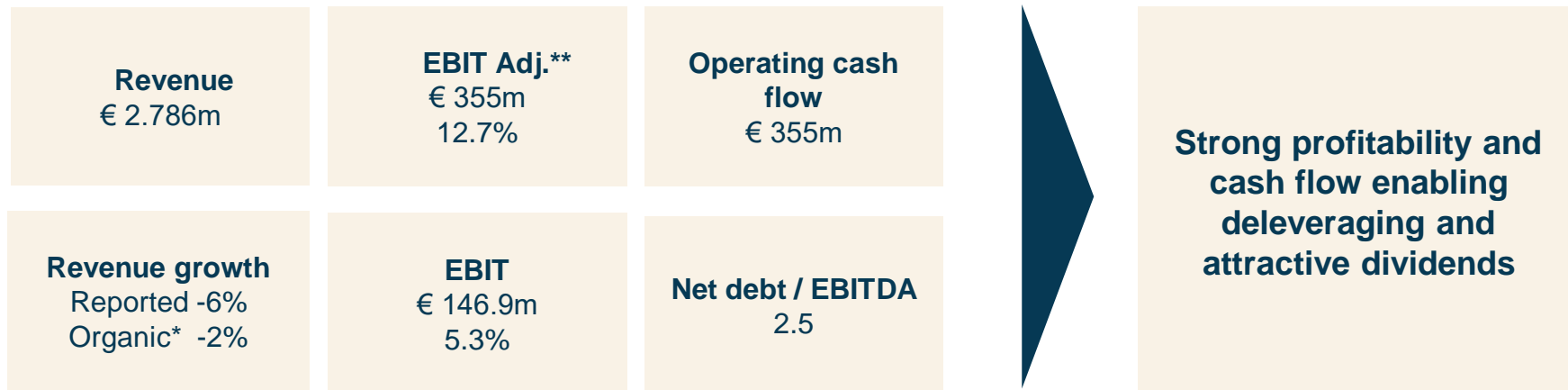
Run-rate of EUR 80 million achieved in merger synergies – integration fully on schedule

Strong operative cash flow of EUR 355 million in the full year – good cash conversion

Dividend EUR 1.32 per share proposed\*

\* Dividend to be paid in equal installments in April and October

## 2020 key financial figures – strong performance in a year of integration and Covid-19



**The Board proposes a dividend at EUR 1.32 per share - representing a dividend yield of 4.9%**

\* Adjusted for currency effects, acquisitions and divestments

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

# Key highlights in 2020

## Integration

- Key integration actions on schedule
- Customer trust creation
- Employee engagement and cultural foundation
- Competitive cost structure and synergy drive
- Realizing value potential of the merger

## Performance

- Mitigation of Covid-19 impact operationally and financially
- Continued strength in Software businesses
- Strong synergy realization throughout 2020

## Competitiveness

- Increased competitiveness through combined capabilities
- Significant large wins in all markets and industries
- Q4 new contracts in Financial Services software, e.g. Nordea, Eika Bank

# Major customer wins cross all Service Lines and countries during 2020

Norway

Finland

Sweden



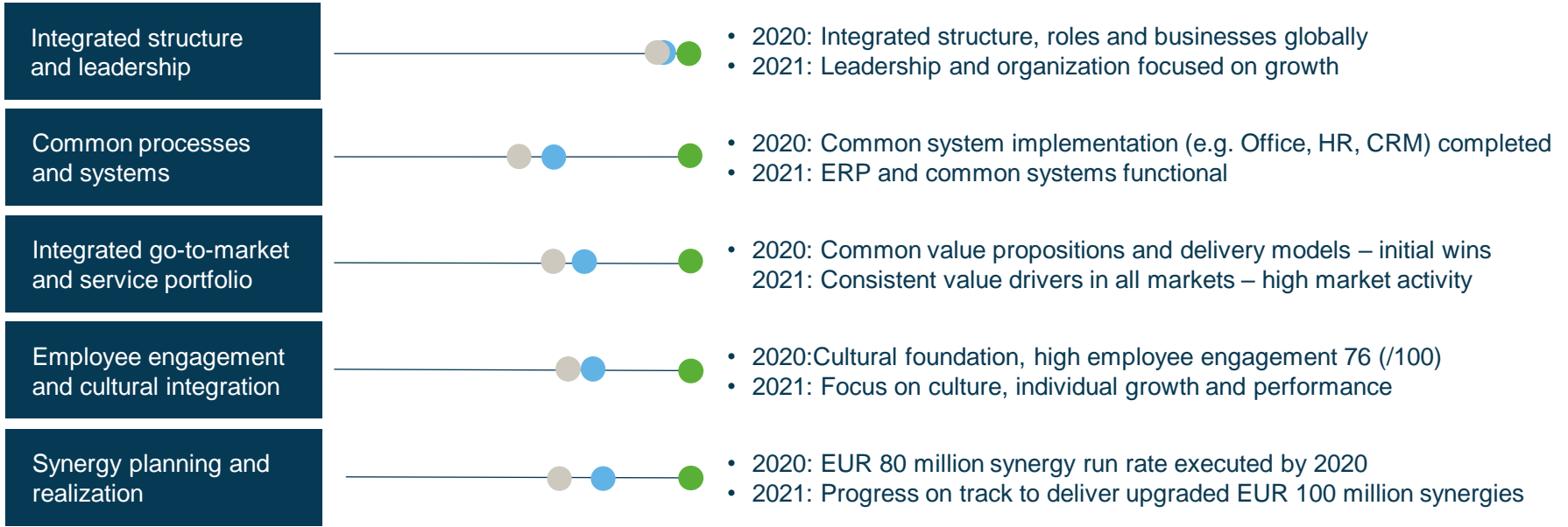
VÄSTERÅS STAD



# Integration fully on schedule and consistently realizing merger benefits

## Integration focus area

## Current status



● Q3 status    
 ● Q4 status    
 ● 2021 ambition

# TietoEVERY signed a definitive agreement with Aucerna, a Quorum Software affiliate to sell its Oil & Gas software business

## Background

### TietoEVERY Oil & Gas software

- Globally leading software for Hydrocarbon management and personnel & material logistics
- Serving customers in 50+ countries, Revenue ~ EUR 50 million and 400+ employees



### Quorum software

- Largest Digital technology provider for Energy sector business operations
- Serving 1 800 energy customers in 55 countries

## Drivers & rationale

TietoEVERY's strategy to drive focus and scale for its businesses

Greater global market reach and growth opportunities for Oil & Gas software through this transaction

Exciting global careers and growth opportunities for people

**Closing before summer  
subject to regulatory  
approvals**

**Enterprise value EUR 155  
million, implied revenue  
multiple of 3.2**

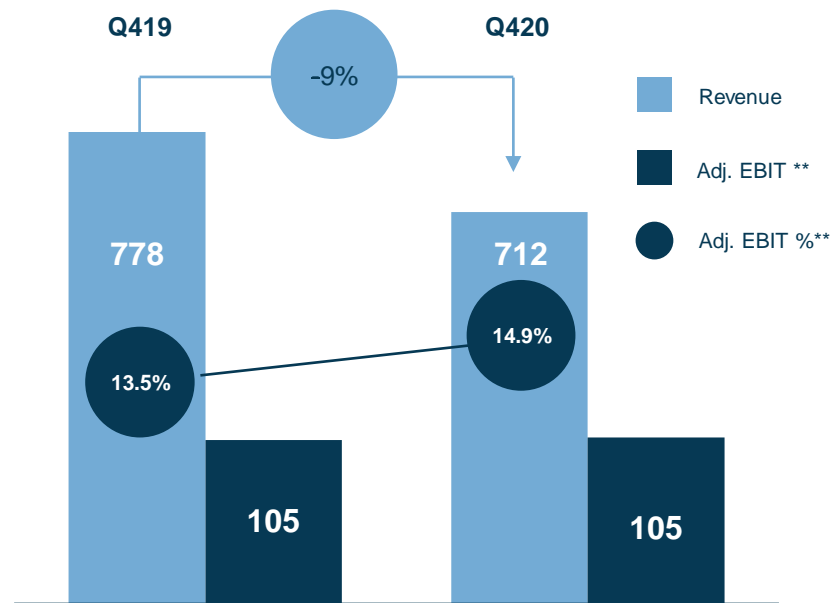
# Q4 financial performance



# TietoEVRY

## Business highlights

- **Revenue EUR 712 million, organic growth\* -6.3%**
  - Reported growth -8.5%, currency impact EUR -12.6 million /1.8%
- **Adjusted EBIT\*\* EUR 106.4 (105.2) million, 14.9% (13.5)**
  - Currency impact EUR -2.0 million
- **Reported EBIT EUR 77.8 (56.7) million, 10.9% (7.3)**
  - One-time items EUR 28.5 million as planned
- Covid-19 impact appr. -4% on revenue
- Profitability improvement driven by synergy contribution and strong profitability in Industry Software and Digital Consulting
- Strong order intake with book-to-bill 1.3
- Strong operative cash flow of EUR 125 million



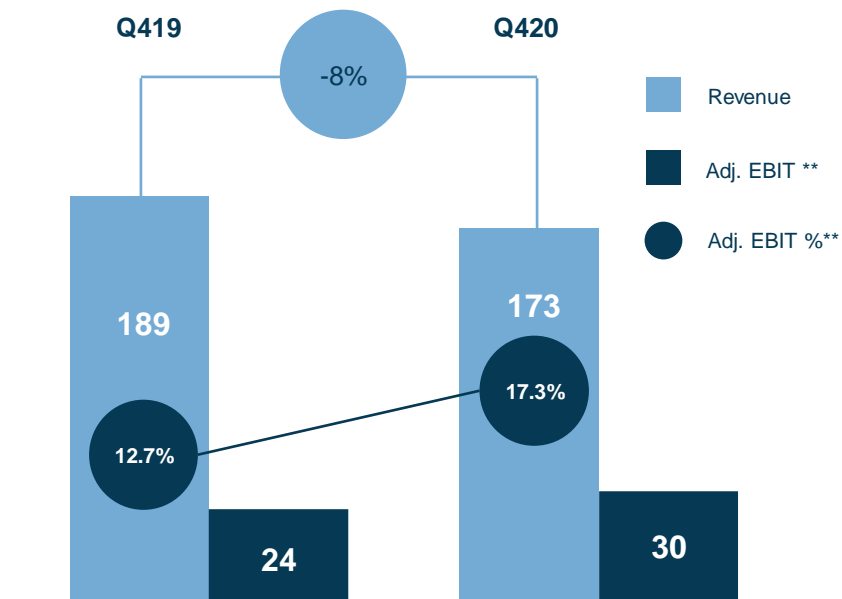
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\*\*Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

# Digital Consulting

## Business highlights

- Revenue EUR 173 million, organic growth\* -5.7%
- Adjusted EBIT\*\* EUR 29.9 (24.0) million, 17.3% (12.7)
- Covid-19 impact appr. -6% on revenues
- Revenue level temporarily impacted by integration and project portfolio quality improvement with focus on profit
- Profitability development driven by continuous efficiency improvement and mitigation of Covid-19
- Digital Consulting is anticipated to return to growth in H2'21 as Covid-19 situation is expected to improve
- In Q1'21:
  - Covid-19 impact anticipated to remain at Q4'20 level
  - Adjusted operating margin anticipated to be at or above Q1'20 level



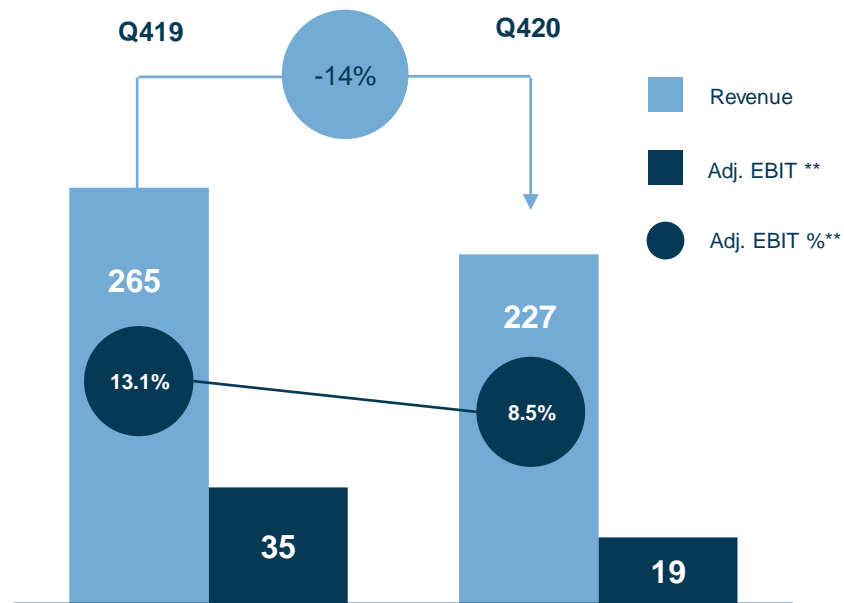
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# Cloud & Infra

## Business highlights

- Revenue EUR 227 million, organic growth\* -13.4%
- Adjusted EBIT\*\* EUR 19.3 (34.7) million, 8.5% (13.1)
- Revenue decline caused by:
  - Lost customers during 2019 – impact appr. 7%
  - High comparative in Q4'19 - impact appr. 5%
  - Covid-19 impact appr. 2%
- Temporarily lower profitability until summer 2021 due to volume development and incremental costs relating to quality improvement and process harmonization from renewed IBM partnership
- Quality improvements gaining customer trust – no new contract losses from any sizeable customers since mid-2020.
- In Q1'21:
  - Pre-merger customer losses estimated to peak in Q1'21, impact appr. 11%
  - Revenue decline slightly more than Q4'20 - anticipated to bottom out in Q1'21
  - Adjusted operating margin anticipated to be below Q1'20 level



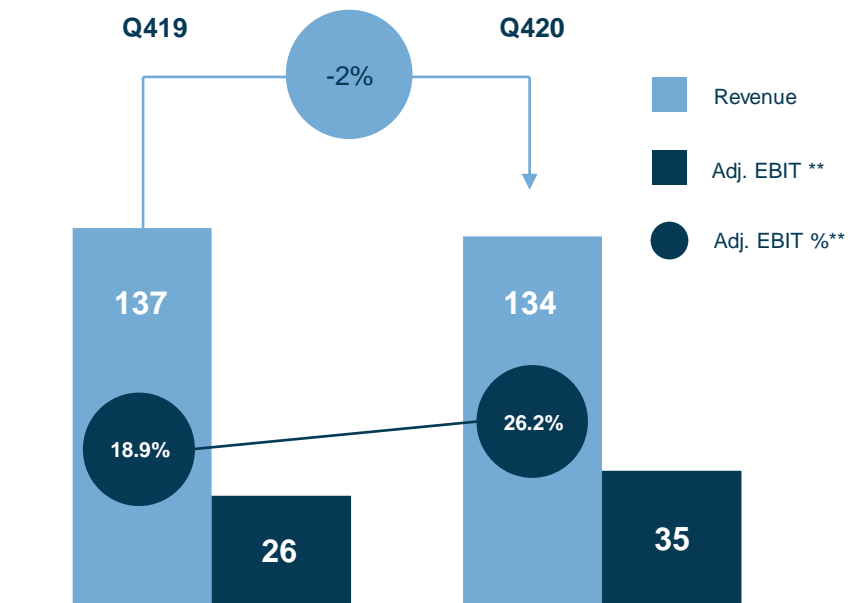
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# Industry Software

## Business highlights

- Revenue EUR 134 million, organic growth\* -0.6%
- Adjusted EBIT\*\* EUR 35.1 (25.8) million, 26.2% (18.9)
- Covid-19 impact appr. -3%, primarily in industrial sector
- Continuing strong growth in Welfare, up by 24%
- Strong profit development driven by systematic transformation of global software R&D practices and continuous efficiency improvement
- In Q1'21;
  - Covid-19 impact anticipated to remain at Q4'20 level
  - Adjusted operating margin anticipated to be above Q1'20 level



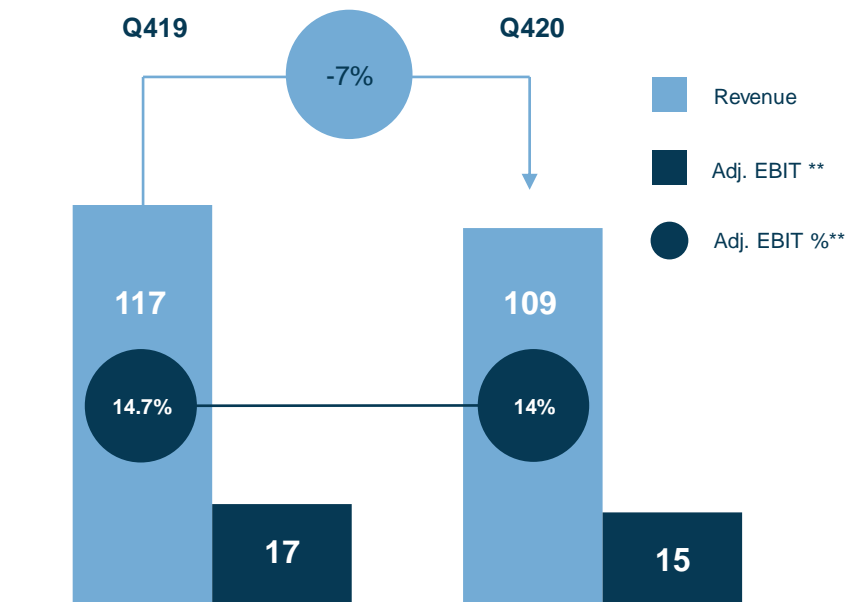
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# Financial Services Solutions

## Business highlights

- Revenue EUR 109 million, organic growth\* -2.9%
- Adjusted EBIT\*\* EUR 15.2 (17.2) million, 14.0% (14.7)
- Significant large new customer wins (Nordea, Eika Bank) supporting growth agenda
- Revenue impacted by Covid-19 appr. -3% mainly due to lower activity in Cards services, high comparative in Q4'19
- Investment level maintained high to support delivery of won new business
- In Q1'21;
  - Covid-19 impact anticipated to remain at Q4'20 level
  - Adjusted operating margin anticipated to remain at Q1'20 level



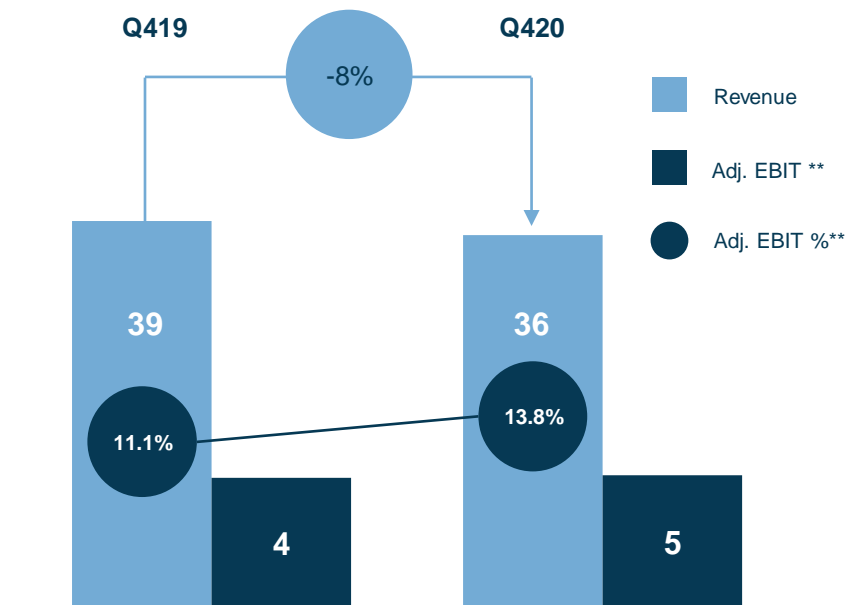
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# Product Development Services

## Business highlights

- Revenue EUR 36 million, organic growth\* -9.7%
- Adjusted EBIT\*\* EUR 5.0 (4.4) million, 13.8% (11.1)
- Covid-19 impact appr. -6% mostly affecting the automotive industry
- High market activity and pipeline development in 5G Radio and 5G Core continue
- Increased profitability driven by effective cost base management and mitigation of Covid-19
- In Q1'21;
  - Covid-19 impact anticipated to remain at Q4'20 level
  - Adjusted operating margin anticipated to be below Q1'20 level



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# CFO report



## CFO highlights Q4

- Strong profitability driven by synergy contribution, Digital Consulting and Industry Software
- Continuing strict cost discipline to offset Covid-19 impact
- One-time items on planned level and estimated to be significantly lower in 2021
- Synergy execution progressing well - EUR 80 million run-rate executed by year end
- FX headwind continued in Q4
- Solid operating cash flow of EUR 125 million

## CFO summary of 2020

### Revenue - impacted by exceptional events

- Covid impact of appr. -3%, FX impact of appr. -3% (primarily NOK and SEK)
- Cloud & linfra lost customers prior to the merger, impact appr. -1% for the company

### Profitability – strong execution

- Synergy contribution P&L EUR 30 million, run-rate EUR 80 million
- Negative Covid impact successfully mitigated through temporary cost savings

### De-risking the company – solid platform for the future

- EUR 300 million bond issued, securing a balanced debt portfolio
- Renewed IBM partnership - foundation for future and settlement of past disputes
- End of life TSU platform development - future profit leakage eliminated

### Cash flow – high cash conversion

- EUR 355 million operative cash flow, 2.3x free cash flow conversion from net profit
- Lower receivables and increase in provisions driving NWC improvement, improved DSO and DPO
- Improved leverage from 2.7x to 2.5x net debt / EBITDA

### Dividend – continued commitment to dividend attractiveness

- Strong profitability and cash flow - foundation for dividend proposal of EUR 1.32 per share, representing 4.9% dividend yield

## One-time items in accordance with plan – significantly lower in 2021

One-time items (EUR million)	Q4 2020 actual	FY2020 actual	FY2021 estimate
Integration cost	9	84	26-36
IBM transition of services	8	17	6 <sup>(1)</sup>
IBM old agreement items	0	19	0
Tieto SmartUtilities (TSU)	0	40	0
Other one time items (e.g. M&A)	0	2	10-15
<b>Total one-time items affecting EBITA</b>	<b>17</b>	<b>162</b>	<b>42-57</b>
Amortization of acquisition related intangible assets	11	46	46
<b>Total one-time items affecting EBIT</b>	<b>28</b> (Prior estimate 25-30)	<b>208</b> (Prior estimate 205-210)	
Cash flow impact <sup>(2)</sup>	~35 (Prior estimate 50-60)	~90 (Prior estimate 105-115)	~65-80

- Q4 and FY2020 one-time items in line with prior estimates
- Cash flow impact of one-time items in 2020 lower than prior estimate, increasing 2021 estimate accordingly
- On track to stabilize one-time items around 1% of revenue over time

<sup>(1)</sup> Impacting H1 2021.

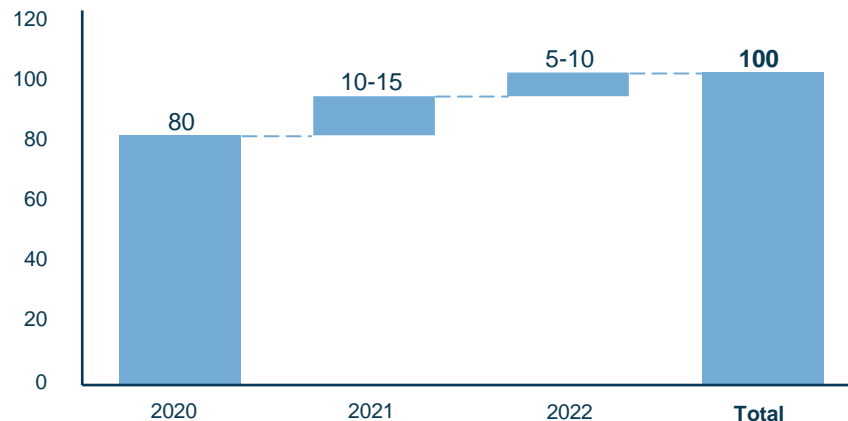
<sup>(2)</sup> Cash flow impact differs from P&L profile, e.g. for restructuring accruals the cash flow impact is back-end loaded.

## Merger efficiencies of EUR 80 million executed at end of 2020 – on track to achieve EUR 100 million

- Target merger efficiencies unchanged at EUR 100 million, merger efficiency run rate of EUR 80 million executed by end of 2020
- 2020 EBIT impacted by synergies of EUR 30 million
- Merger efficiency run-rate of EUR 90-95 million expected by end of 2021
- Consultations for restructuring, initiated in September, largely completed. Process expected to be finalized in Q1'21
- One-time integration costs in 2020 of EUR 84 million, total cost estimate of EUR 110-120 million unchanged

### EUR 100 million merger efficiencies achieved within three years

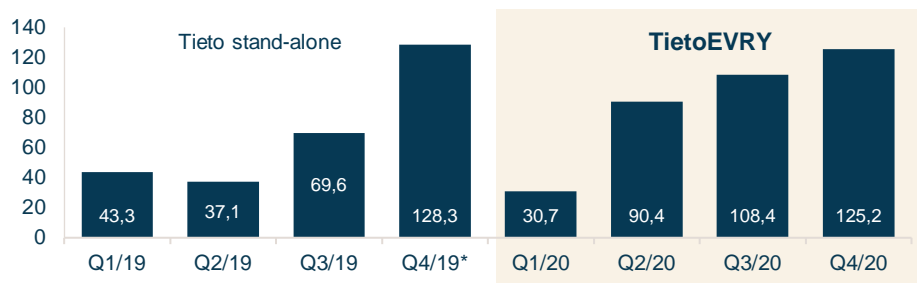
Merger efficiency run-rate at end of year (EUR million)



EUR 110-120 million of one-time integration cost expected in 2020-2022

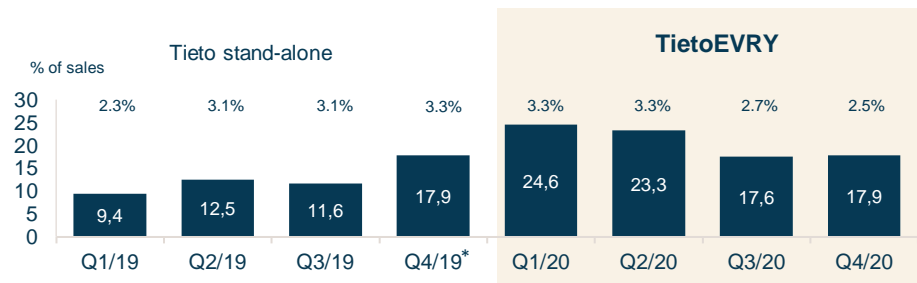
# Strong cash flow driven by improved profitability

## Net cash flow from operations



- EUR 125.2 million cash flow from operations driven by strong profitability
- Working capital decreased by EUR 17.8 million mainly due to favorable receivables development and seasonal increase in personnel accruals
- Collection of receivables was on good level with no major overdues – no Covid-19 impact visible

## Capital expenditure (capex)



- Capex at lower level in H220 due to end of life of TSU platform development and lower development costs in the banking platform as a result of R&D roadmap consolidation
- Main capex components 2020; 1/3 fixed assets, primarily related to datacenter investments, and 2/3 in-house developed SW, primarily related to Banking platform in Financial Services Solutions

\* Including 25 days EVRY impact

# 2021 agenda





# Shifting to a growth agenda in 2021

## Drivers

Market driven by Cloud first strategies and data richness in customers' operations

Covid-19 negatively impacting market growth in H1, normal market conditions from H2

Integration focus shifting to growth - growth programs launched in all key markets

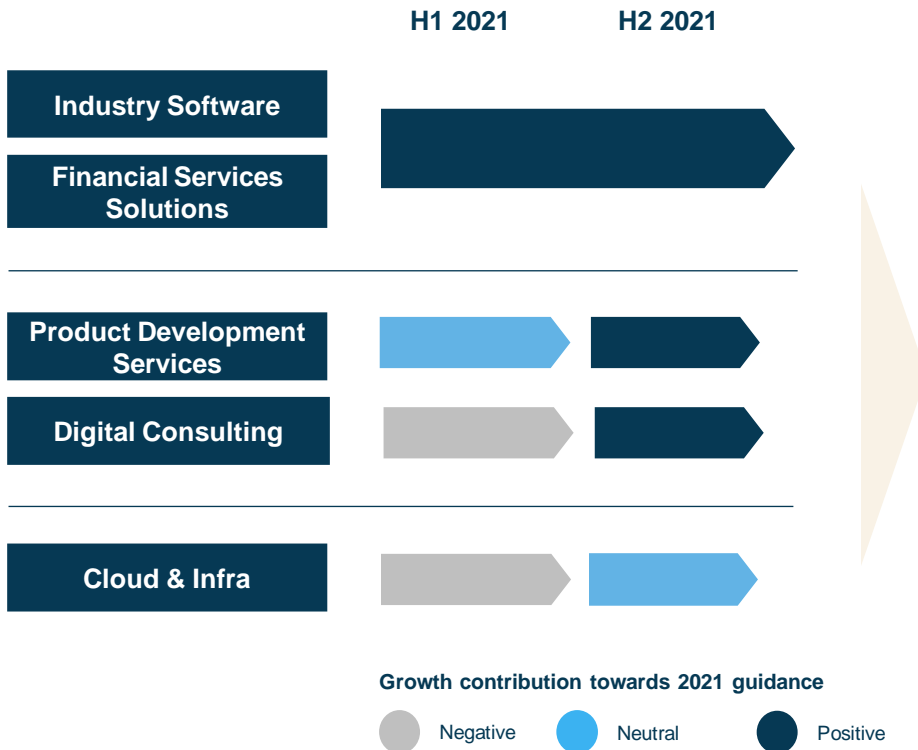
**TietoEVERY expects market to grow 0–2%, reflecting the impact from pandemic**

**All Service Lines expected to grow in 2021, except Cloud & Infra**

**TietoEVERY expects revenue to grow -1 to 2% impacted by lost customer headwinds from Cloud & Infra of appr. -2.5%**

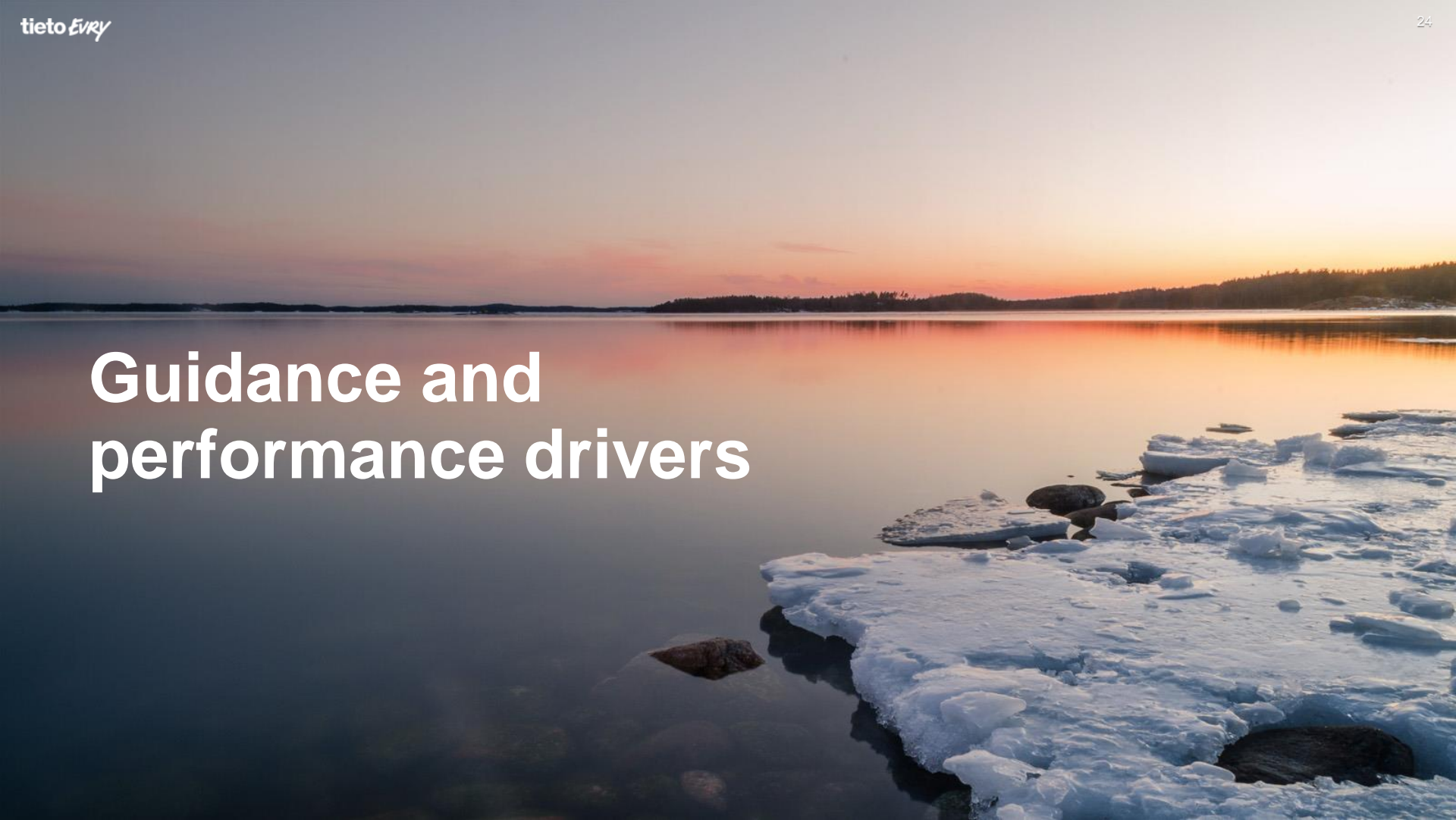
**Realize value from the merger and begin market share gains**

# Accelerating growth in 2021



- Resilient and strong software businesses – Financial Services Solutions supported by recent strong wins
- Growth choices with Cloud, Data and Devops to drive scale H2’21 – impacting Digital Consulting and Cloud & Infra
- Product Development Services returning to growth post Covid-19
- Negative organic growth expected in Q1’21
- Growth accelerating during H2’21

# Guidance and performance drivers

A wide-angle photograph of a calm lake at sunset. The sky is a gradient of soft colors from pale blue to warm orange and red. The water is still, reflecting the sky. In the foreground, several large, irregular ice floes are scattered across the water, some partially submerged. The background shows a dark, silhouetted shoreline with trees under the twilight sky.

## Performance drivers – Q1 2021

### Covid-19 impact

- Revenue impact appr. -4%
- Profit impact being mitigated through active cost saving measures

### Synergy impact

- Anticipated year-end synergy run-rate EUR 90-95 million, up from EUR 80 million run-rate at year end 2020

### FX impact

- Estimated positive revenue impact ~EUR 8 million

### Other operational drivers

- Cloud & Infra pre-merger lost customer impact peaking in Q1 – impact on the Group growth ~3.5%
- 1.2 working days less in Q1'21 having negative 1-1.5% impact on revenue

# Guidance 2021

**TietoEVERY expects its organic<sup>1)</sup> growth to be -1% to +2%<sup>2)</sup>  
(Revenue in 2020: EUR 2 786.4 million)**

**The company estimates its full-year adjusted operating margin  
(adjusted EBITA)<sup>3)</sup> to increase to 13–14%  
(12.7% in 2020)**

1) Adjusted for currency effects, acquisitions and divestments

2) High dependency on the Covid-19 pandemic development. Assuming normal business environment from Q3 2021

3) Adjusted operating profit (EBITA) is fully comparable with previous definition for adjusted operating profit (EBIT). According to both definitions, amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, impairment charges and other items affecting comparability are excluded - whereas amortizations of other intangible assets and depreciations are included

## Solid foundation for the future

**Strong integration**

**Financial strength**

**Growth agenda**

**tieto** *EVRY*