

# Q1 2021

Solid profitability driven by Industry  
Software and Digital Consulting

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Q1 in brief

# Solid profitability driven by Industry Software and Digital Consulting

**Revenue organically down by 6% as anticipated – growth outlook for H2 2021 maintained**

**Adjusted operating margin of 11.5%**

**Cloud & Infra transformation continues – efficiency measures initiated**

**Continued healthy cash flow**

## Market showing signs of recovery

Key wins in a market driven by customers' digital agenda – focus on enterprise agility with cloud and data

Covid-19 impact on customer activity gradually reducing, normalized business environment expected for H2 2021

Future of Work – refining employee engagement, learning and working practices in preparation for post-Covid new normal

Integration on schedule – 2021 focus emphasizing growth agenda, solution competitiveness and synergy realization

**Growth momentum picking up in multiple businesses supporting H2 growth ambitions**

# Significant wins in multi-cloud and enterprise transformation services

## Lyse extends its relationship with TietoEVRY

- Transforming Lyse to new multi-cloud environment
- Securing the best solution from both public and private cloud
- The contract covers 3+2 years – contract value EUR 18 million



## LocalTapiola expands the use of cloud services

- Infrastructure and multi-cloud services
- End-user services and application development
- The contract covers 3+2 years – contract value EUR 45 million



# TietoEVERY's active climate agenda recognized with top rankings

## Amongst top 1% - platinum level on Ecovadis rating

Ecovadis has rated 75 000 companies in 160 countries and 200 industries with focus on overall sustainability agenda

- TietoEVERY recognized for long term commitments especially in CO2 reductions and gender balance ambitions



## CDP 'A List' ranking for tackling climate change

The Carbon Disclosure Project (CDP) is a non-profit organization helping businesses get a better overview of their climate impact.

- TietoEVERY recognized for progress in reductions of greenhouse gas emissions (GHG) and hardware circularity



# TietoEVRY Q1'21

## Business highlights

Revenue EUR 712 million, organic growth\* -6%

- Reported growth -4%, currency impact EUR 12 million

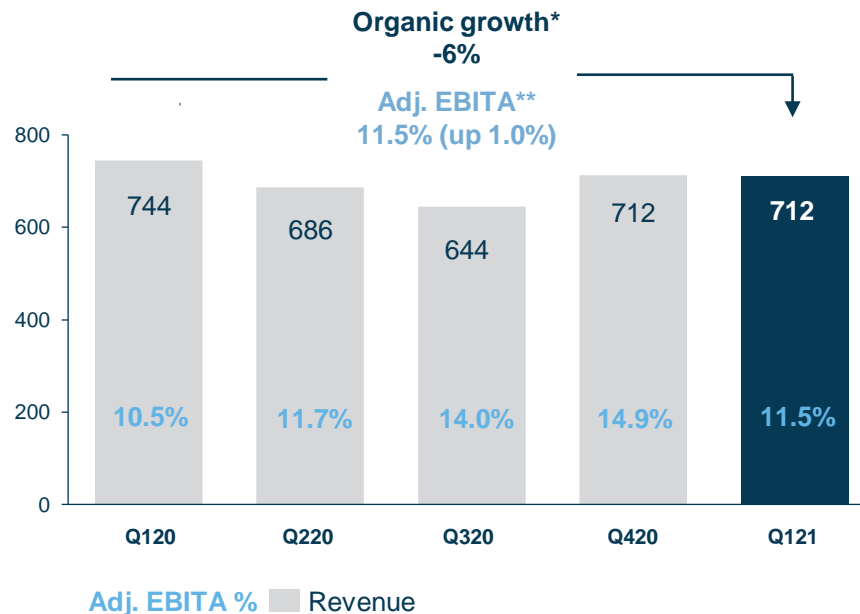
Adjusted EBITA\*\* EUR 82.1 (78.2) million, 11.5% (10.5)

Covid-19 impact appr. -3% on revenue

Revenue impact from lost customers in Cloud & Infra  
appr. 3.5%

Profitability improvement driven by Industry Software,  
Digital Consulting and synergy contribution

Continued healthy cash flow – operating cash flow EUR  
95 million



\* Adjusted for currency effects, acquisitions and divestments

\*\* Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability

# Digital Consulting

## Business highlights

Revenue EUR 175 million, organic growth\* -5%

Adjusted EBITA\*\* EUR 26.5 (23.9) million, 15.1% (13.0)

Covid-19 impact appr. 5% on revenues, negative working day impact around 1.5%

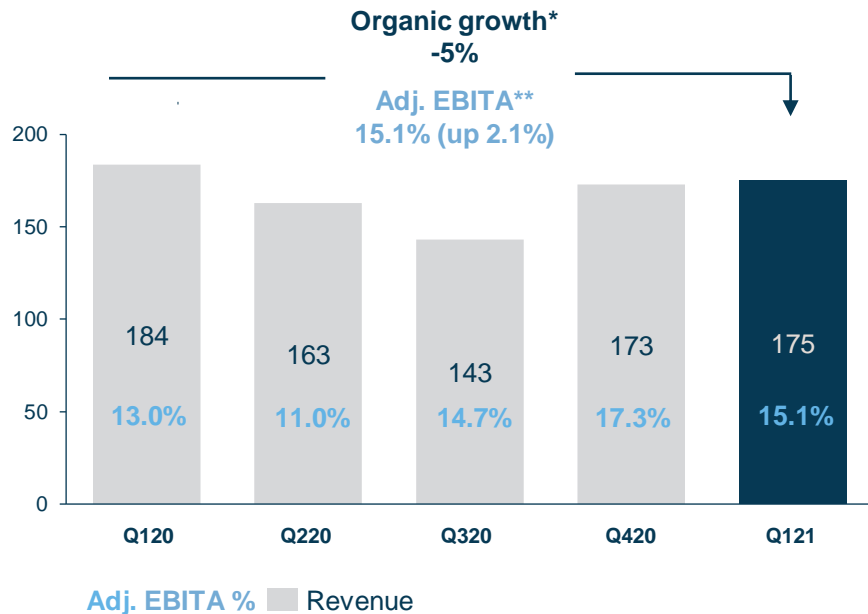
Profitability development driven by continuous efficiency improvement

Healthy order intake towards end of Q1 contributing to Q2 growth potential

Digital Consulting anticipated to return to growth by H2'21

### In Q2'21:

- Adjusted operating margin anticipated to be above Q2'20 level



# Cloud & Infra

## Business highlights

Revenue EUR 216 million, organic growth\* -17%

Adjusted EBITA\*\* EUR 8.6 (23.7) million, 4.0% (9.4)

### Revenue decline caused by:

- Customers lost during 2019 – impact appr. 10%
- High comparative in Q1'20 - impact appr. 5%
- Covid-19 impact appr. 2%

### Measures to improve profitability:

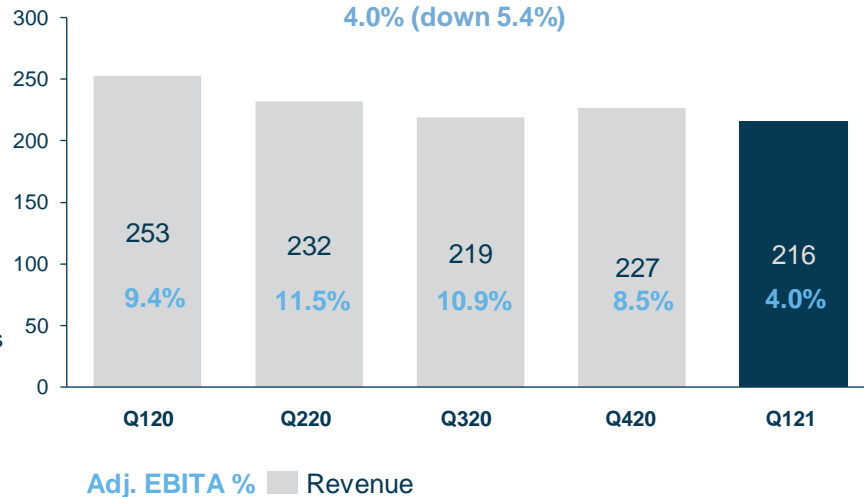
- Reducing production capacity and headcount
- End of IBM related quality improvement costs by summer 2021
- Continue to transform old IBM workloads to new automated environment
- Growth in higher margin cloud services and add on volumes

### In Q2'21 and H2'21:

- Q2 revenue decline expected to be less than Q1'21 and adjusted operating margin above Q1'21 level
- H2'21 adjusted operating margin expected to be above H1'21

Organic growth\*  
-17%

Adj. EBITA\*\*  
4.0% (down 5.4%)



\* Adjusted for currency effects, acquisitions and divestments

\*\* Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability

# Industry Software

## Business highlights

Revenue EUR 136 million, organic growth\* 3%

Adjusted EBITA\*\* EUR 27.3 (13.1) million, 20.1% (10.1)

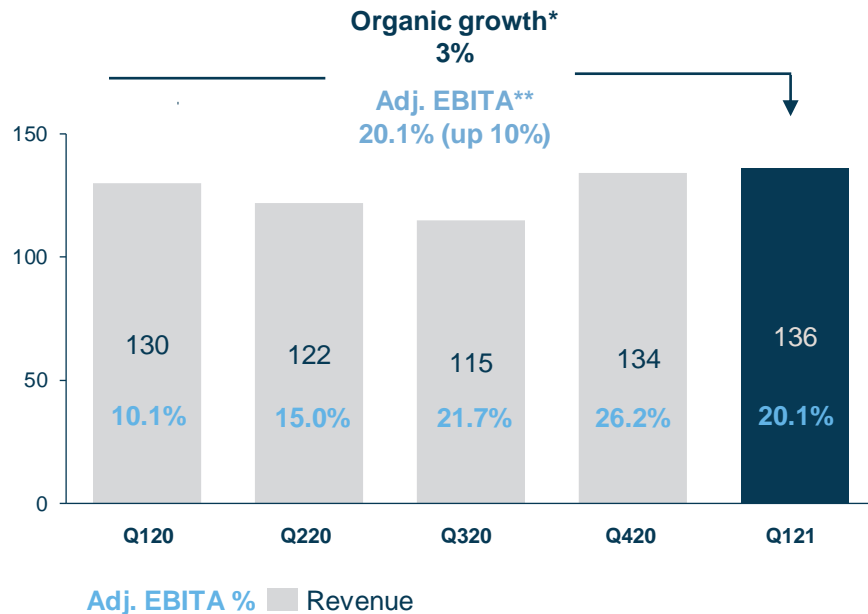
Covid-19 impact appr. -2%

Strong growth in Welfare (16%) and Healthcare (10%)

Profit development driven by systematic transformation of global software R&D practices and continuous efficiency improvement

### In Q2'21:

- Adjusted operating margin anticipated to be above Q2'20 level



\* Adjusted for currency effects, acquisitions and divestments

\*\* Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability

# Financial Services Solutions

## Business highlights

Revenue EUR 112 million, organic growth\* 3%

Adjusted EBITA\*\* EUR 12.3 (11.7) million, 10.9% (11.0)

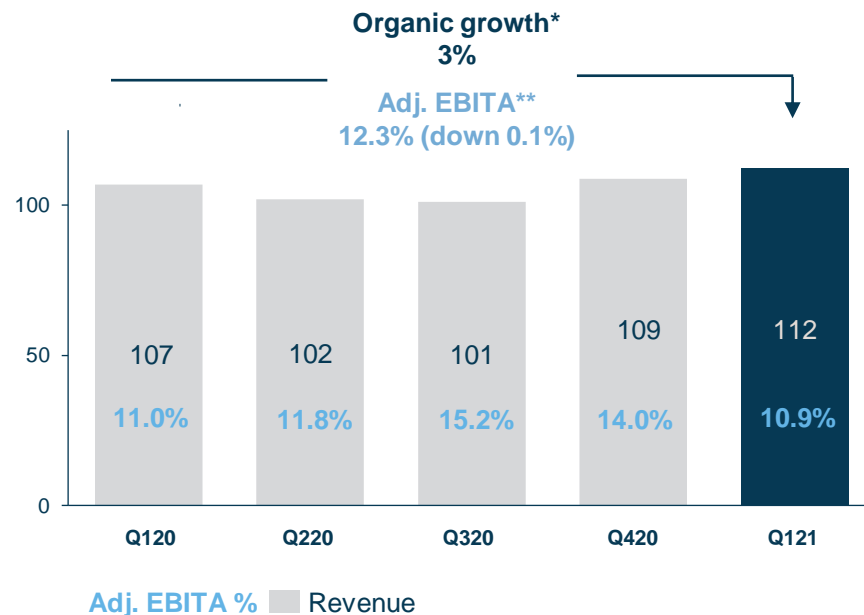
Covid-19 impact appr. -3%

Growth primarily driven by Cards services

Investment level maintained to support delivery of won new business in cards and core banking

### In Q2'21:

- Adjusted operating margin anticipated to be at or above Q2'20 level



\* Adjusted for currency effects, acquisitions and divestments

\*\* Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability

# Product Development Services

## Business highlights

Revenue EUR 37 million, organic growth\* -8%

Adjusted EBITA\*\* EUR 4.4 (5.0) million, 12.0% (12.9)

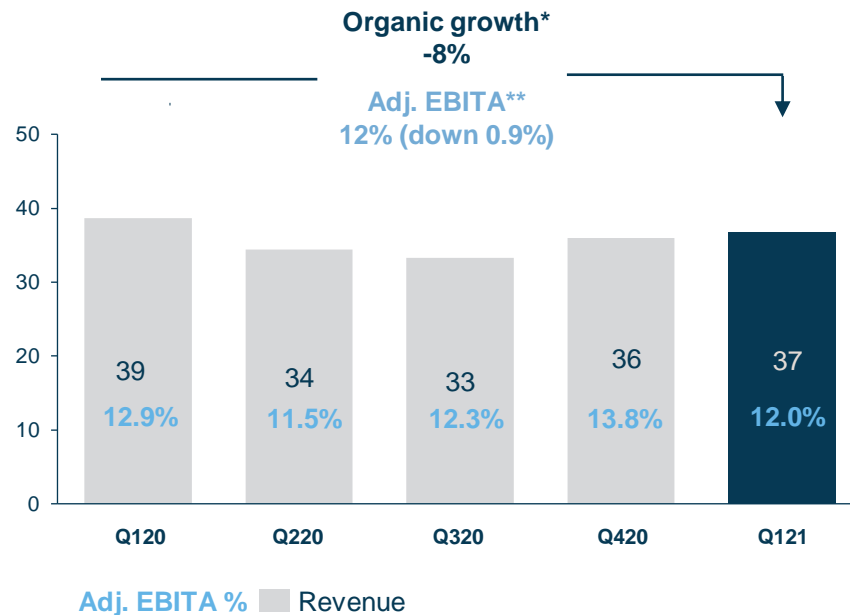
Covid-19 impact appr. -5% mostly affecting automotive industry

Healthy profitability maintained

Automotive industry starting to recover and telecom / 5G picking up – supporting growth outlook

### In Q2'21:

- Adjusted operating margin anticipated to be at Q2'20 level



\* Adjusted for currency effects, acquisitions and divestments

\*\* Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability

# International Operations – serving European and US customers

**Consistent revenue growth and solid business opportunities within future digital services**

## **Focus on digital and data**

- cloud transformation
- cloud-native software development
- data and analytics

**Strong cloud-oriented partnerships, particularly with SAP and Microsoft**

2020 revenue

**EUR 130  
million**

Organic growth in Q1

**22%**

## **About International Operations**

- Digital consulting services for markets outside the Nordics
- Deliveries through scalable centers in India and Ukraine
- Focus on industrial, public and telecom sectors in Europe, healthcare, insurance and professional services in the US
- International operations included in reporting segment Other

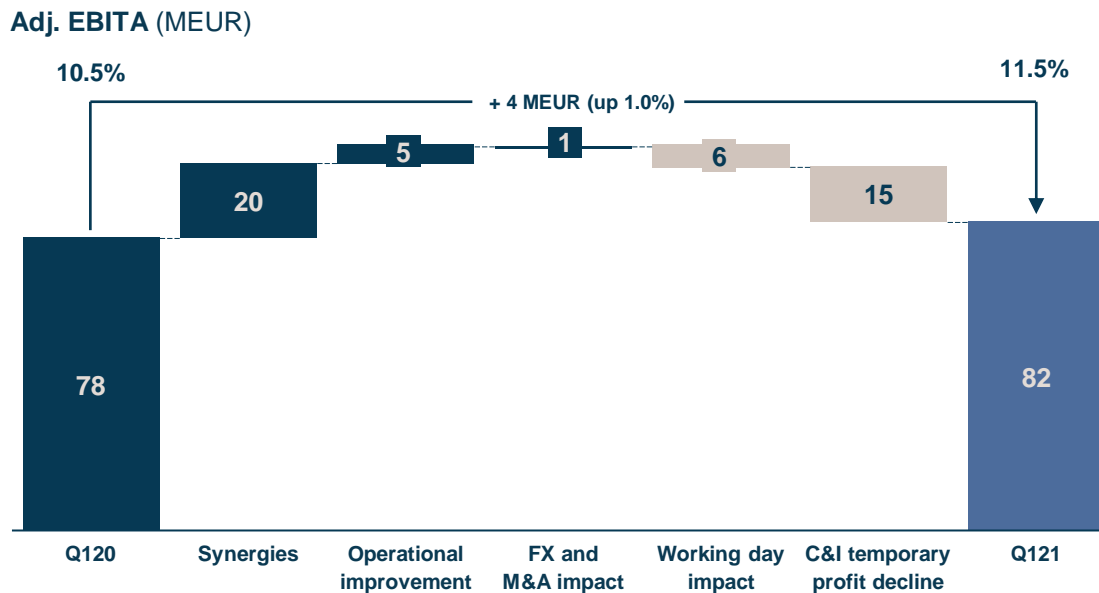
# CFO report



## CFO highlights Q1

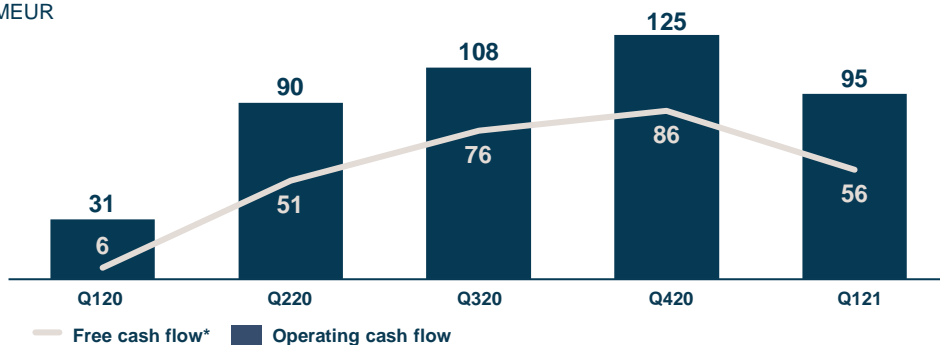
- Improved profitability driven by strong performance in Industry Software and Digital Consulting - synergy contribution supporting overall profitability
- Temporary lower profitability in Cloud & Infra
- Continued cost discipline to offset Covid-19 impact
- One-time items estimate for 2021 updated to include estimated positive impact from Oil & Gas divestment
- FX tailwind EUR 12 million driven by appreciation of NOK and SEK
- Continued healthy cash flow

# Cloud & Infra temporary profit decline diluting synergy realization



# Continued healthy cash flow contributing to fast deleveraging

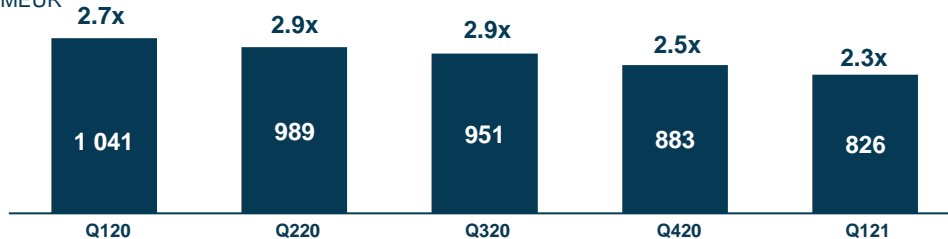
MEUR



EUR 95 (31) million cash flow from operations driven by improved profitability and stable working capital development

Free cash flow of EUR 56 million, representing cash conversion of 1.5 from net profit

MEUR



Net debt/EBITDA reached 2.3x by end of Q1

Following the closing of the Oil & Gas divestment (expected during Q2) we estimate to be close to our leverage target

Target net debt / EBITDA < 2x by 2022

\*Operating cash flow – Capital expenditures – Payment of lease liabilities

# Well on track to achieve EUR 100 million synergies by 2022

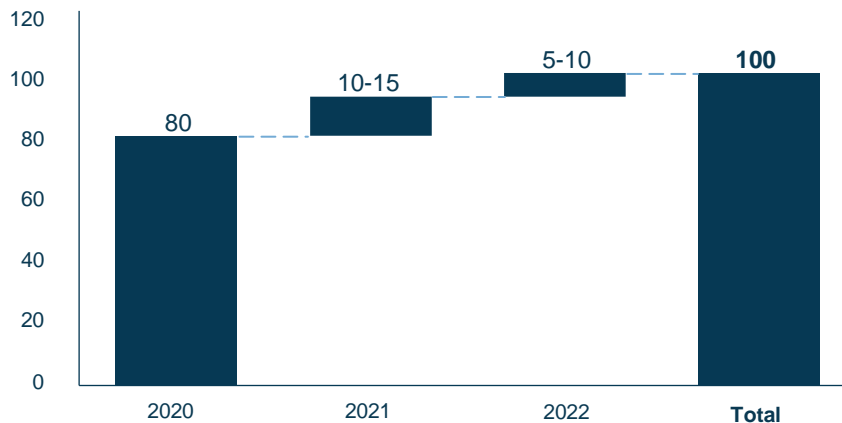
Target merger efficiencies unchanged at EUR 100 million, with merger efficiency run-rate of EUR 82 million executed by end of Q1 2021

Q1 operating profit includes EUR 20 million of synergies

Merger efficiency run-rate of EUR 90-95 million expected by end of 2021

Accumulated one-time integration costs per Q1'21 of EUR 90 million, with total guidance of EUR 110-120 million remaining unchanged

## EUR 100 million merger efficiencies achieved within three years



■ Merger efficiency run-rate at end of year (MEUR)

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

## One-time items positively impacted by Oil & Gas divestment

One-time items (MEUR)	Q1 2021 actual	FY2021 estimate
<b>Oil &amp; Gas divestment (net gain)</b>	<b>-2</b>	<b>~70</b>
Integration cost	6	26-36
IBM transition of services	5	6*
Other one-time items	1	15-20
<b>Total costs</b>	<b>12</b>	<b>47-62</b> (prior estimate 42-57)
<b>Total one-time items affecting EBITA</b>	<b>14</b>	<b>+8 to +23</b>
<i>Cash flow impact*</i>	<i>~30</i>	<i>~70-85</i>

- Oil & Gas divestment results in positive one-time items effect of appr. EUR 70 million
- Integration cost estimate for 2021 unchanged at EUR 26-36 million, with total integration cost at EUR 110-120 million
- Other one-time items estimate increased by EUR 5 million due to further actions initiated to improve Cloud & Infra profitability
- Consistent reduction in one-time items as planned

\* Impacting H1 2021.

\*\*Excluding Oil & Gas divestment proceeds. Cash flow impact differs from P&L profile, e.g. for restructuring accruals the cash flow impact is back-end loaded.

## Other finance related topics

### Oil & Gas divestment

Expected closing during Q2'21

Oil & Gas business classified as assets held for sale in Q1'21

Enterprise value (EV) EUR 155 million

Estimated P&L impact from divestment appr. EUR 70 million

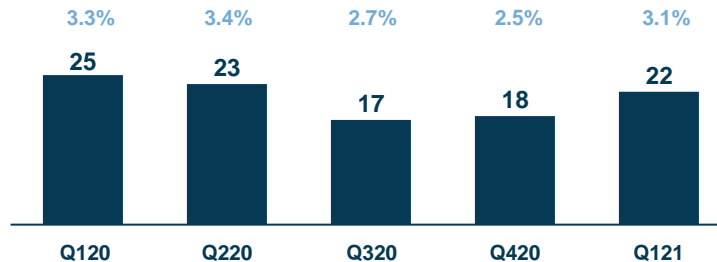
- EV adjusted for changes in net working capital, transaction costs and net assets and liabilities, incl. goodwill

Tax impact – effective tax rate reduced

- Non-taxable transaction for the Group
- Reducing effective tax rate for 2021 appr. 4%

### Capex

Capex in % of revenue



Q1'21 capex at normalized levels - capex levels for 2021 estimated to be at the level of 2020

Main capex components; 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

## Performance drivers – Q2'21

### Revenue drivers

- Impact from Covid-19 estimated to be less than Q1
- Cloud & Infra pre-merger lost customer impact on the Group's growth ~3.5%

### Profit drivers

- Synergy impact slightly above EUR 20 million
- In Cloud & Infra, temporarily lower profitability – adjusted operating margin expected to be above Q1'21
- Covid-19 impact being mitigated through active cost saving measures

### Other drivers

- Estimated positive FX impact on revenue ~ EUR 26 million
- 0.5 working days more having positive 0.5% impact on revenue

# Positioned for growth acceleration



# Software and cloud leading growth recovery

## Market growth driver

- 1 Accelerating digital – cloud and data
- 2 Renewing technology core
- 3 Data-driven products and operations



- Cloud and data-driven services growth accelerating
- International operations organic growth ~22%
- High activity in DevOps embedded services



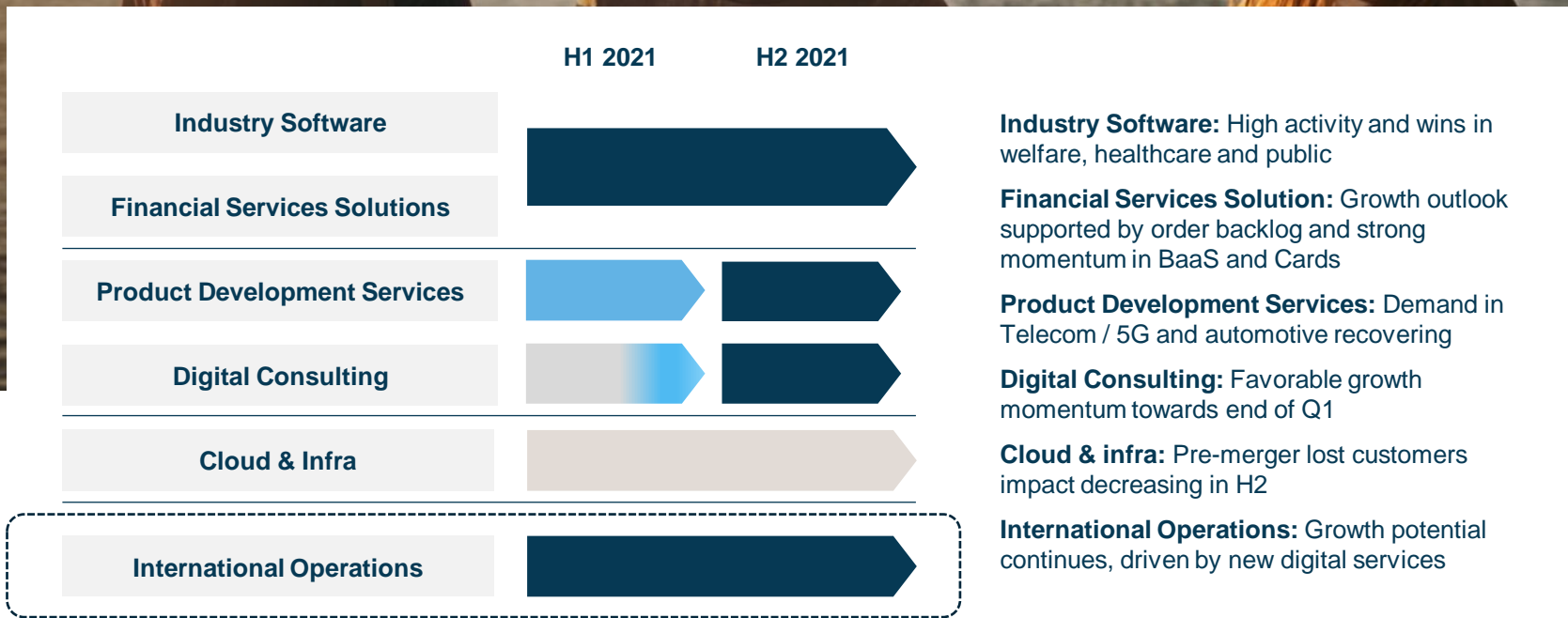
- Healthcare and public software growth ~10%
- Payments and Cards growth 8%



- Return to growth in automotive and consumer electronics
- Growth momentum building on telecom and 5G

\*Cloud services, Data, DevOps and automated application services

# Growth dynamics 2021 – back to growth H2



**Industry Software:** High activity and wins in welfare, healthcare and public

**Financial Services Solution:** Growth outlook supported by order backlog and strong momentum in BaaS and Cards

**Product Development Services:** Demand in Telecom / 5G and automotive recovering

**Digital Consulting:** Favorable growth momentum towards end of Q1

**Cloud & infra:** Pre-merger lost customers impact decreasing in H2

**International Operations:** Growth potential continues, driven by new digital services

Growth contribution towards 2021 guidance

● Negative   ● Neutral   ● Positive

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**Continued healthy cash flow**

**tieto** *EVRY*