

# Q2 2021

Turning to growth – solid profitability

Kimmo Alkio, President and CEO  
Tomi Hyryläinen, CFO



Q2 in brief

## Turning to growth – solid profitability

**Organic growth  
2% – adjusted  
operating  
margin 12.2%**

**Strong  
performance in  
software  
businesses –  
growth of 13% in  
Industry Software  
and 9% in Financial  
Services Solutions**

**Significant wins  
demonstrating  
competitiveness  
– top 5 contracts  
represent EUR  
300 million**

**Objective for  
leverage  
achieved – net  
debt/EBITDA  
below 2**

# Market dynamics and growth momentum

**High activity level –  
business impact from the pandemic reducing**

**Digital accelerating –  
growth captured in cloud & data and industry specific software**

**Dynamic talent market –  
increasing recruitment capacity to support growth ambitions**

**Future of Work – refining employee engagement and flexible working practices**

## Significant wins in the quarter

- Healthy order intake, backlog growth 3%\* from Q1'21
- Top 5 wins representing EUR 300 million
- Strong book to bill 1.4 in Cloud & Infra with significant renewals and new multi-cloud contracts

### DNB

**Extends infrastructure and Financial Services partnership – TCV EUR 200 million**



**Modern end-user and workplace services for Region Skåne – TCV EUR 60 million**



**Advanced software development services in PDS for major global high tech industry leader – TCV over EUR 30 million\*\***

\*Adjusted with Oil & gas investment

\*\*Signed in July - not included in Q2'21 order backlog

# TietoEVRY Q2'21

## Business highlights

Revenue EUR 722 million, organic growth\* 2%

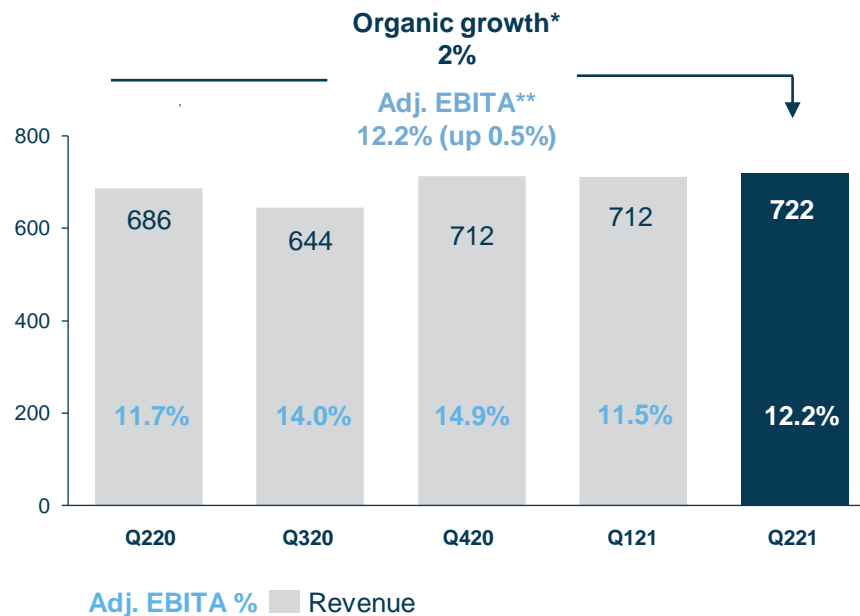
- Reported growth 5%, currency impact EUR 30 million
- Adjusted EBITA\*\* EUR 88.3 (80.4) million, 12.2% (11.7)

Growth profile in all businesses improved from Q1'21

Strong growth in Industry Software (13%) and Financial Services Solutions (9%)

Impact from pre-merger lost customers in Cloud & Infra appr. 3.5%

Profitability improvement driven by solid performance in software businesses and synergy contribution



\* 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 172 million, organic growth\* 1%

Adjusted EBITA\*\* EUR 23.0 (17.8) million, 13.4% (11.0)

Growth accelerating in cloud and technology consulting and data & analytics

Margin improvement driven by merger-related synergies and continuous efficiency improvement

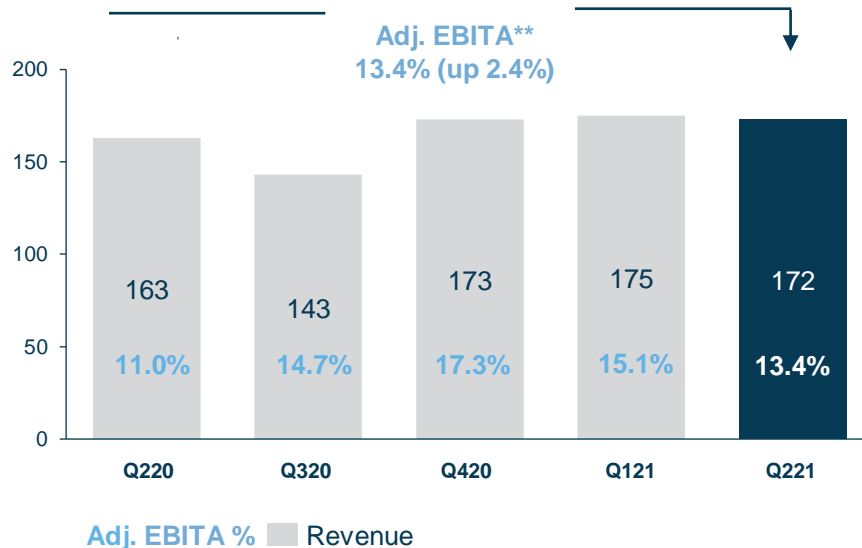
Additional recruitment activities initiated to offset active talent market and to support growth in cloud, data and business applications

### In Q3'21:

Adjusted operating margin anticipated to be below Q3'20 level

Organic growth\*  
1%

Adj. EBITA\*\*  
13.4% (up 2.4%)



\* Adjusted for currency effects, acquisitions and divestments

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

# Cloud & Infra

## Business highlights

Revenue EUR 219 million, organic growth\* -10%

Adjusted EBITA\*\* EUR 13.2 (26.6) million, 6.0% (11.5)

Pre-merger lost customer impact of appr. 10% on revenue

Turnaround programme on schedule:

- Continued quality improvement demonstrated
- Capacity reduction in legacy services and automation driving profit improvement in H2'21

Strong book to bill 1.4 – significant renewals and new multi-cloud contracts

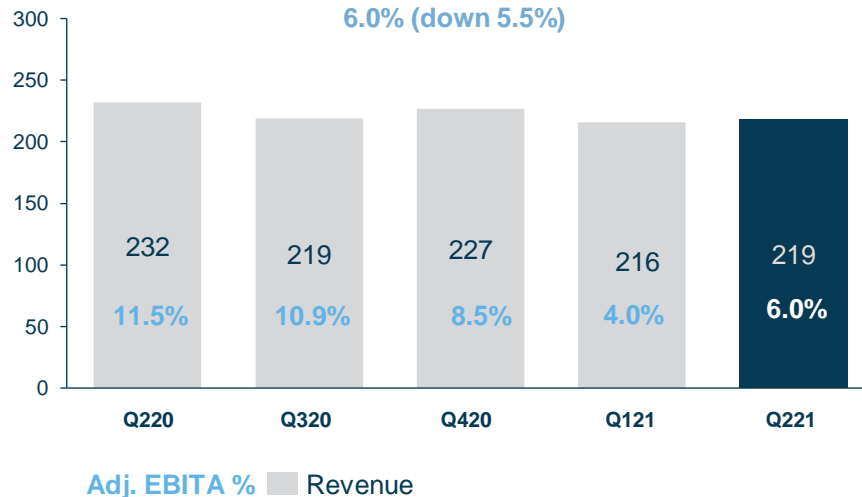
### In Q3'21:

Revenue decline expected to be less than Q2'21

Adjusted operating margin expected to be above Q2'21 and below Q3'20 level

Organic growth\*  
-10%

Adj. EBITA\*\*  
6.0% (down 5.5%)



\* 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 139 million, organic growth\* 13%

Adjusted EBITA\*\* EUR 32.2 (18.4) million, 23.1% (15.0)

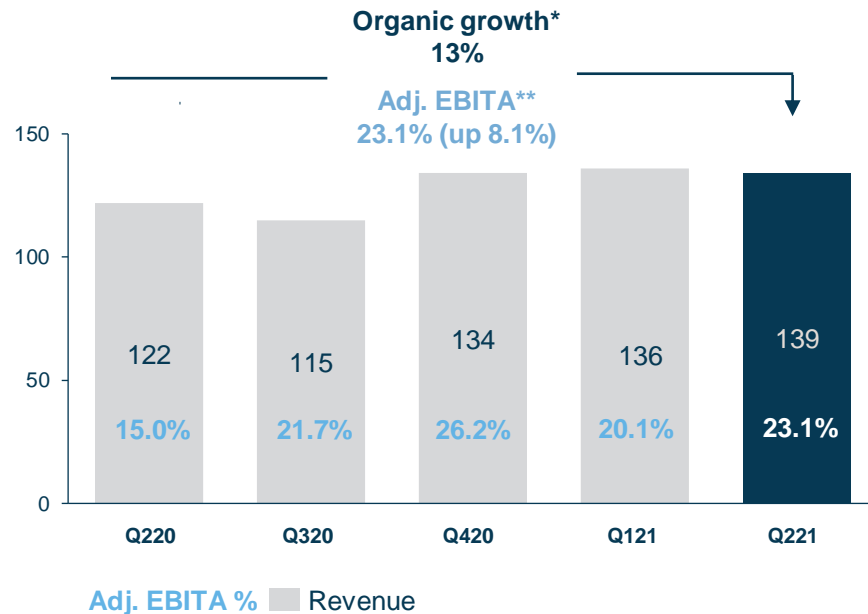
Continued strong growth in healthcare and welfare business

Profit development driven by revenue growth and continuous efficiency improvement

Oil & Gas divestment closed on 7 June

### In Q3'21:

Adjusted operating margin anticipated to be at the level of Q3'20



\* 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 119 million, organic growth\* 9%

Adjusted EBITA\*\* EUR 16.3 (12.0) million, 13.7% (11.8)

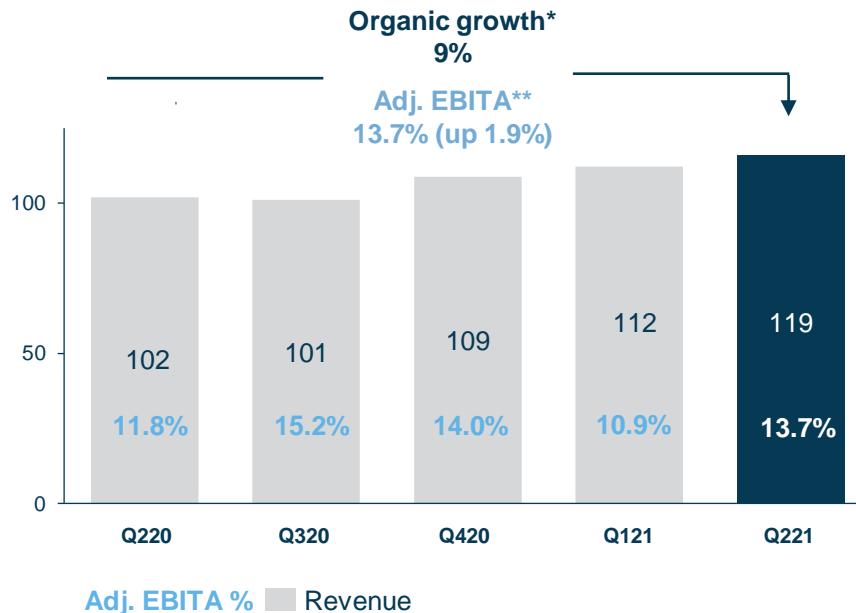
Growth driven by strong performance in core banking, payments and cards businesses

Profit development driven by revenue growth and continuous efficiency improvement

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

### In Q3'21:

Adjusted operating margin anticipated to be at or above Q3'20 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 36 million, organic growth\* 2%

Adjusted EBITA\*\* EUR 3.7 (4.0) million, 10.4% (11.5)

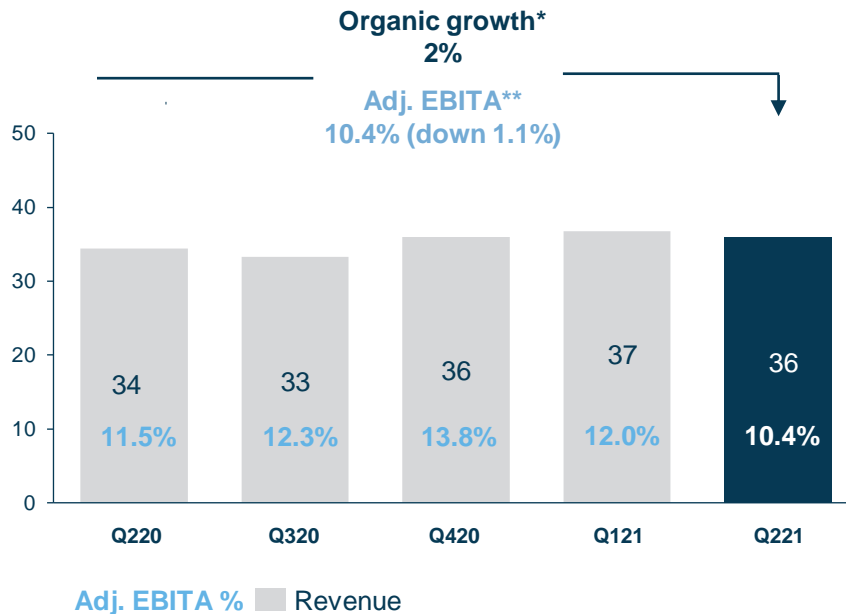
Market activity and demand increasing in all key industries

Additional recruitment activities initiated to offset active talent market and to support H2 growth opportunities

Significant over EUR 30 million contract over 2 years signed with a major global tech industry leader

### In Q3'21:

Adjusted operating margin anticipated to be at Q3'20 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 – strong capabilities in digitalization and cloud

## Capturing demand for transformation and future digital services

- Enhancement of digital customer and citizen experiences
- Digitalization of business processes e.g., supply chain and financial management
- Transition to cloud-based applications and infrastructure services

Leveraging capabilities in SAP and Microsoft technologies as well as custom cloud-native software development and testing

Q2 revenue

**EUR 37  
million**

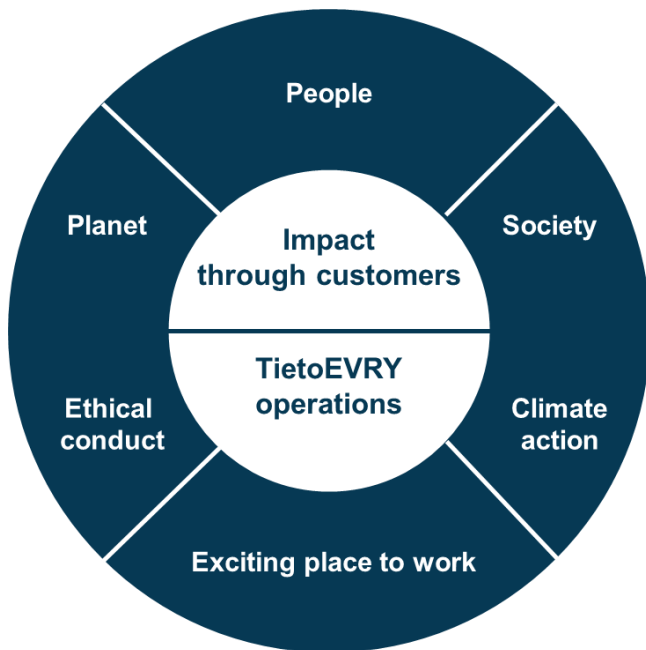
Organic growth in Q2

**19%**

### About International Operations

- Digital consulting services for markets outside the Nordics
- Deliveries through scalable centres 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

# Advancing in our sustainability agenda



## Making ESG data visible for our customers

- Transparent CO2 reporting on TietoEVRY's services through a Sustainability dashboard



## Accelerating diversity and gender balance

To achieve a 50/50 gender split by 2030, a new approach to recruitment ads was piloted:

- Changing gendered content in the job ads, increased female applicants to 32% (from 14%).
- The pilot was in the Nordics for Front-End Developer, Customer Architect and Software Developer roles – implementation in recruitment practices ongoing.

# CFO report



## CFO highlights

### Q2 financials – continued solid profitability

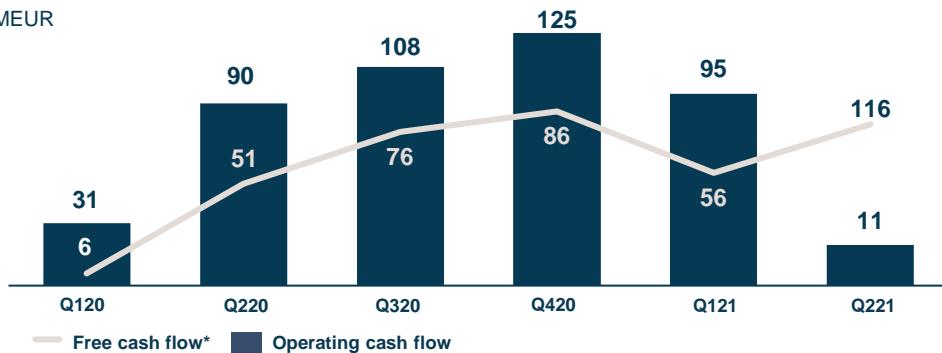
- Organic growth 2% – adjusted operating margin 12.2%
- Strong reported operating profit at EUR 139.7 (-9.8) million, 19.4% (-1.4%), supported by capital gain from Oil and Gas divestment
- Earnings per share EUR 0.99 (-0.12)
- Cash flow from operations EUR 11 (90) million
- Leverage target achieved – Net debt / EBITDA 1.6

### Other Q2 items

- Synergy impact EUR 21 million in Q2'21. Not fully visible in the P&L due to temporary profit decline in Cloud & Infra
- One-time items in line with estimate. Q2'21 includes positive impact from Oil & Gas divestment
- FX revenue tailwind EUR 30 million driven by appreciation of NOK and SEK
- Oil & Gas divestment completed on 7 June

# Leverage target achieved

MEUR

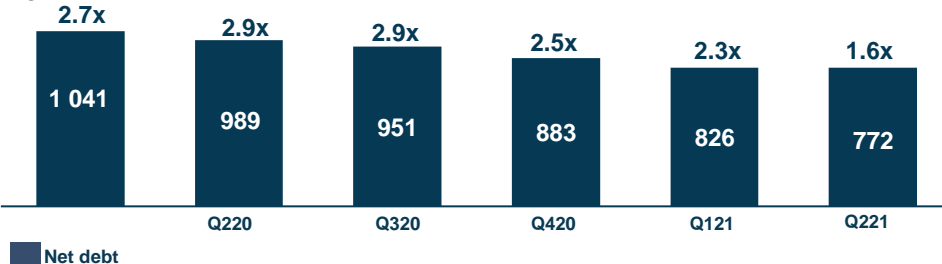


EUR 11 (90) million cash flow from operations impacted by increase in working capital.

Cash generation foundations remains healthy – no structural changes

Free cash flow of EUR 116 million, impacted positively by Oil & Gas divestment proceeds

MEUR



Net debt/EBITDA reached 1.6x by end of Q2 (excluding Oil & Gas divestment 1.9x)

Net debt/EBITDA target of <2x achieved

\*Operating cash flow less cash flow from investing activities less Payments of lease liabilities

# Synergy realization on track

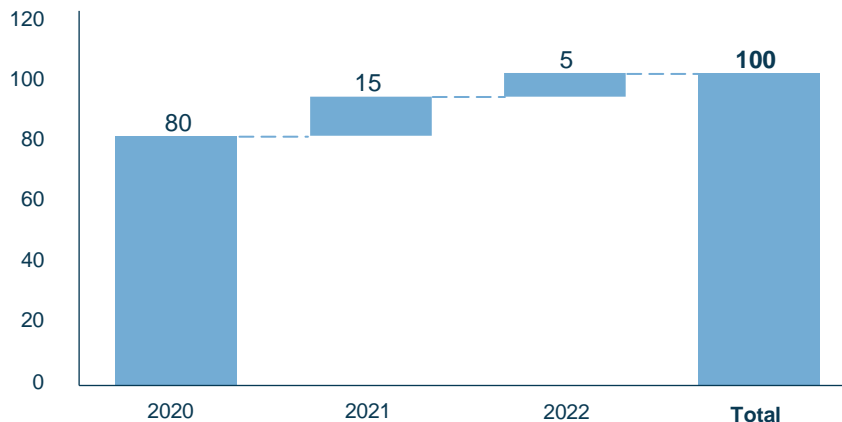
Q2'21 operating profit includes EUR 21 million of synergies

Run-rate of EUR 85 million executed by end of Q2'21

Run-rate of EUR 90-95 million expected by end of 2021

Accumulated one-time integration costs per Q2'21 of EUR 94 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 in line with estimates

One-time items (MEUR)	Q1 2021	Q2 2021	H1 2021	FY2021 estimate
<b>Oil &amp; Gas divestment (net gain)</b>	-2	73	71	71
Integration cost	-6	-3	-9	-(26-30)
IBM transition of services	-5	-1	-6	-6
Other one-time items	-1	-5	-6	-(15-20)
<b>Total costs</b>	<b>-12</b>	<b>-9</b>	<b>-21</b>	<b>-(47-56)</b>
<b>Total one-time items affecting EBITA</b>	<b>-14</b>	<b>+63</b>	<b>+50</b>	<b>+15 to +24</b>
<i>Cash flow impact*</i>	~30	~10	~40	~70-80

- Oil & Gas divestment resulted in positive one-time items effect of EUR 71 million
- Integration cost estimate for 2021 EUR 26-30 million, with total integration cost unchanged at EUR 110-120 million
- Consistent reduction in one-time items as planned

\*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

Closing completed on 7 June – minor part of asset transfers will be completed during autumn

Enterprise value (EV) EUR 155 million

P&L impact from divestment EUR 71 million

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

Cash impact in Q2'21 EUR 142.5 million

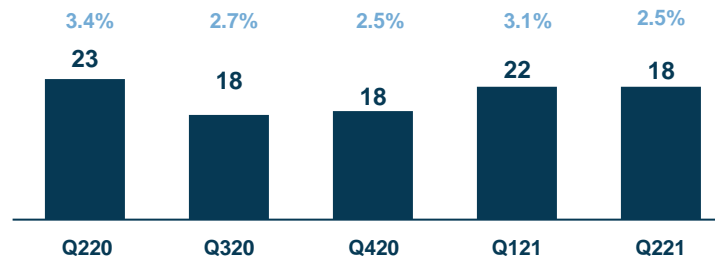
- Cash compensation of EUR 2 million subsequent to the completion of asset transfers taking place during autumn

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



Capex levels for 2021 estimated to be at or slightly above 2020 level with some quarterly fluctuations

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 – Q3'21

### Revenue drivers

- Cloud & Infra pre-merger lost customer impact on the Group's growth ~2%

### Profit drivers

- Synergy impact slightly above EUR 21 million
- Capacity reduction in legacy services and automation driving profit improvement in H2'21

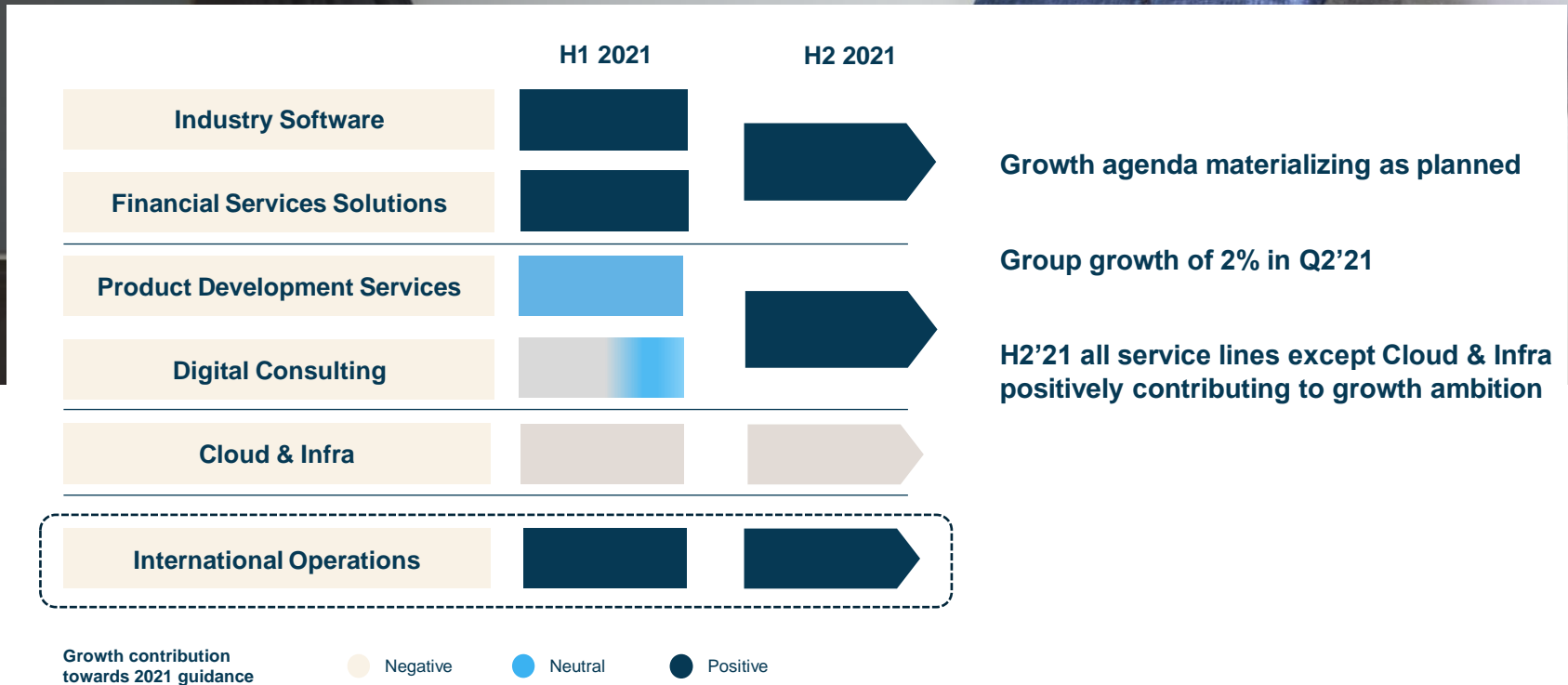
### Other drivers

- Estimated positive FX impact on revenue ~ EUR 16 million
- Working day impact neutral

# Growth momentum



# Growth dynamics 2021



## Solid foundation for H2 2021

**Healthy market  
sentiment**

**Continued growth  
agenda**

**Cloud & Infra  
turnaround  
on schedule**

**Foundation for  
solid financial  
returns**

**tieto** *EVRY*