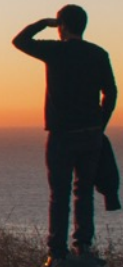


# Q3 2021

**Solid profitability – strong performance in software businesses**

Kimmo Alkio, President and CEO  
Tomi Hyryläinen, CFO



Q3 in brief

## Solid profitability – strong performance in software businesses

**Adjusted operating margin 14.5% – organic growth 1%**

**Strong growth and profitability in software businesses – growth of 10% in Industry Software and 7% in Financial Services Solutions**

**Over 1 600 new recruitments demonstrating strong employer attractiveness**

**New strategy announced – specialized businesses driving growth and expansion**

## Market dynamics

**Customers' investments shifting into cloud, data and modernization**

**Talent market active, while stabilizing – accelerated new hirings globally**

**Hybrid working model in effect – continued care and attention on pandemic development**

**New strategy well received with clarity in direction – strong value propositions to all stakeholders**

# Customer wins



**Telia and TietoEVRY continues as a strategic IT partner**

Digital transformation and development of cloud-first strategy



**OP Financial Group and TietoEVRY sign multi-year agreement**

Renewal and modernization of application development, and maintenance collaboration



**Aibel chooses TietoEVRY to accelerates its digitalization journey**

Infrastructure and cloud-based services in Europe, Singapore and Thailand



**Ilmarinen and TietoEVRY agree on strategic partnership**

Digitalizing pivotal process areas and application maintenance services

# TietoEVRY Q3'21

## Business highlights

Revenue EUR 648 million, organic growth\* 1%

- Reported growth 1%, currency impact EUR 11 million

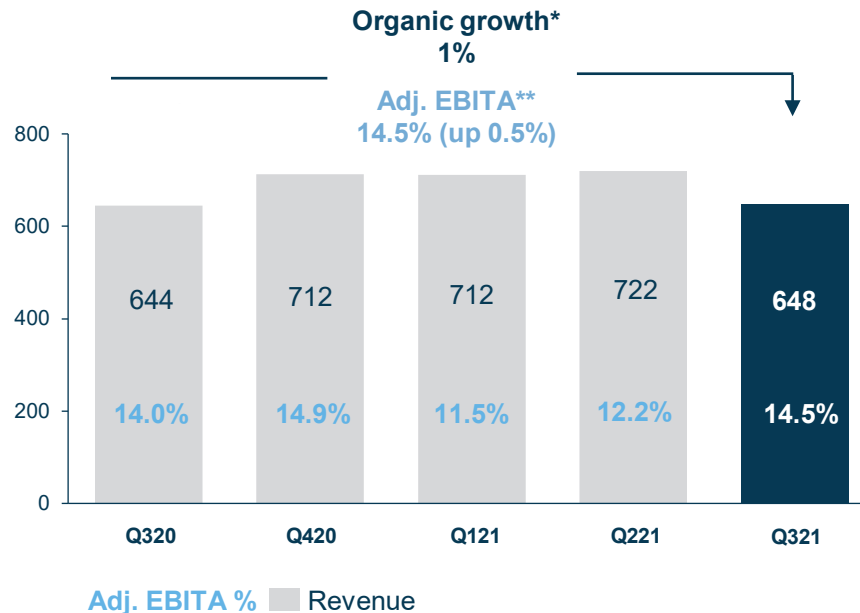
Adjusted EBITA\*\* EUR 94.0 (90.2) million, 14.5% (14.0)

Strong organic growth in Industry Software, Financial Services Solutions, Product Development Services and International Operations

Revenue impact from pre-merger lost customers in Cloud & Infra appr. 2%

Profitability improvement driven by strong performance in software businesses and synergy contribution, while higher attrition and salary inflation constrain profitability

Healthy cashflow – operating cashflow EUR 92 (108) 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 144 million, organic growth\* -1%

Adjusted EBITA\*\* EUR 18.7 (21.1) million, 13.0% (14.7)

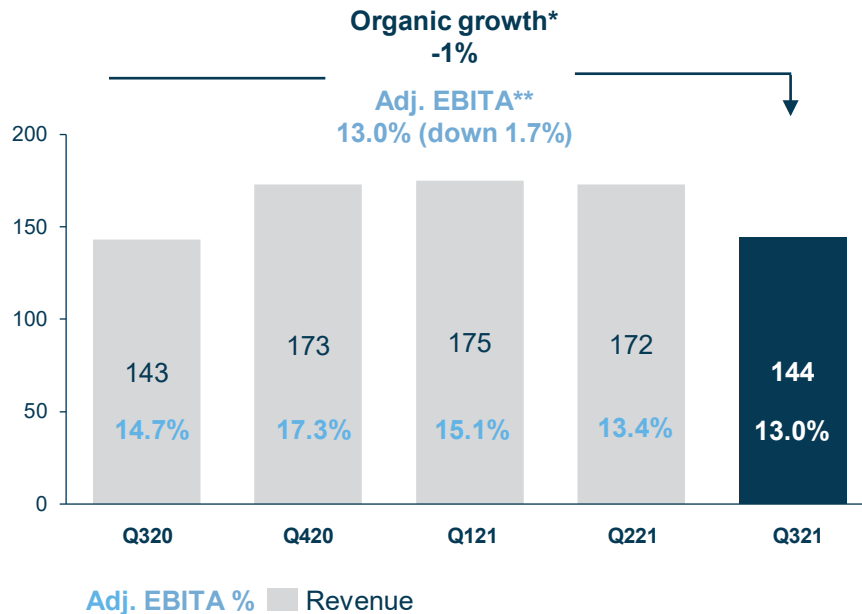
Growth continues to accelerate in Cloud, Data & Analytics

Traditional application services continue to decline as anticipated

Productivity impacted by higher attrition – net increase of 140 in personnel since Q2'21, up by 2%

### In Q4'21:

Adjusted operating margin anticipated to be below Q4'20 level



\* 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 201 million, organic growth\* -10%

Adjusted EBITA\*\* EUR 18.5 (24.0) million, 9.2% (10.9)

Revenue decline impacted by:

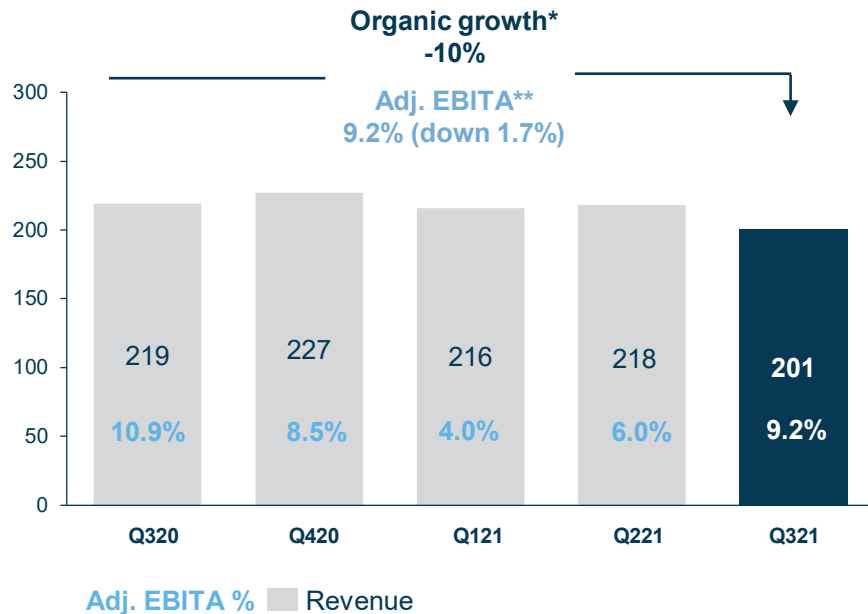
- Pre-merger lost customer appr. 6%
- Reduced hardware sales due to global supply chain disruptions appr. 3%

Turnaround program on schedule – capacity reduction in legacy services and automation driving profit improvement

### In Q4'21:

Revenue decline expected to be less than Q3'21

Adjusted operating margin expected to be at or above Q4'20 level



\* 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 116 million, organic growth\* 10%

Adjusted EBITA\*\* EUR 32.2 (25.0) million, 27.8% (21.7)

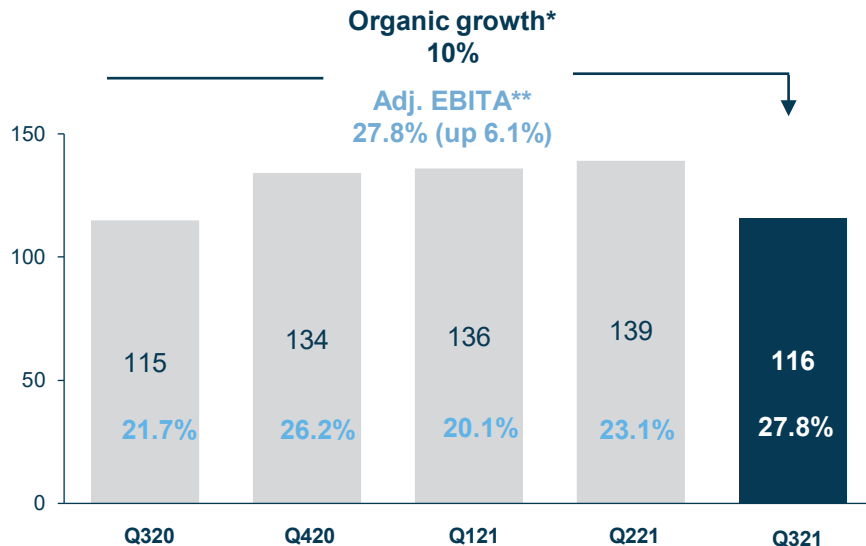
Strong growth across the businesses, including Health & Care

Profit development driven by growth and continuous productivity improvement

Continued portfolio development – three small business divestments in Industrial sector as announced

### In Q4'21:

Adjusted operating margin anticipated to be below Q4'20 level



\* Adjusted for currency effects, acquisitions and divestments

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

Adj. EBITA % ■ Revenue

# Financial Services Solutions

## Business highlights

Revenue EUR 111 million, organic growth\* 7%

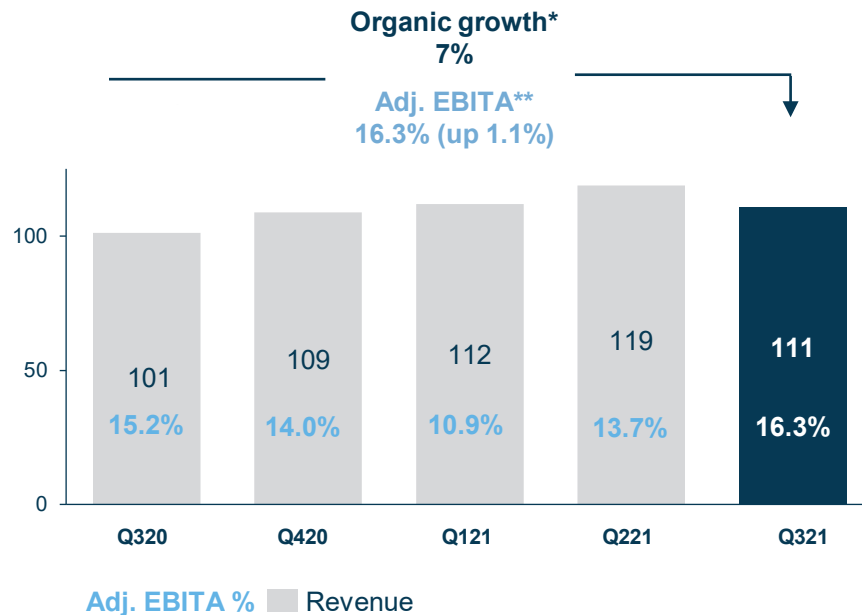
Adjusted EBITA\*\* EUR 18.1 (15.4) million, 16.3% (15.2)

Continued growth driven by strong performance in core banking, credit and cards businesses

Profit development driven by revenue growth and continuous efficiency improvement

### In Q4'21:

Adjusted operating margin anticipated to be at or above Q4'20 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\* 7%

Adjusted EBITA\*\* EUR 4.1 (4.1) million, 11.3% (12.3)

Growth driven by Mobile Networks and Automotive industries

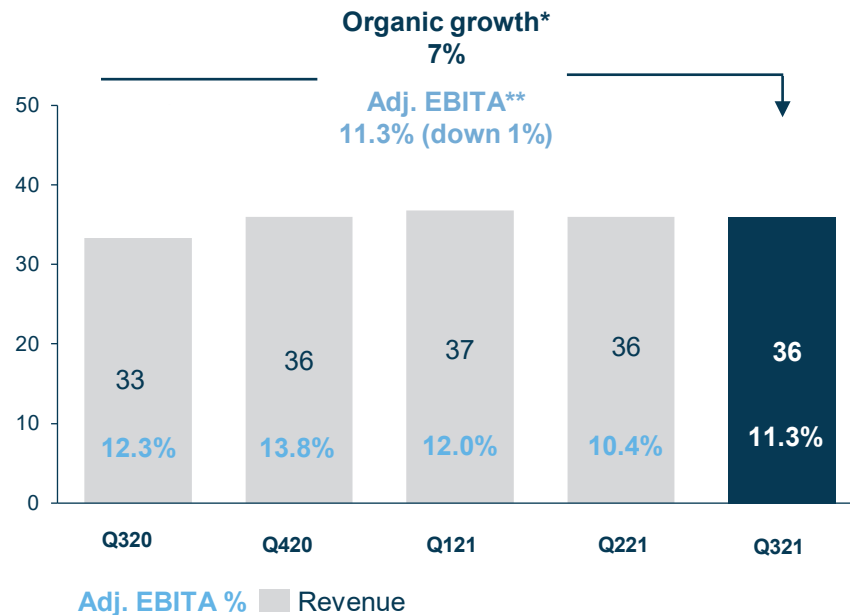
New customers in Electronics and strong overall pipeline supporting future growth

Profitability impacted by attrition, increased subcontracting and salary inflation.

Extended partnership with Ericsson to build R&D center in Nanjing, China. Revenue contribution starting in November with 330 employees having joined the company.

### In Q4'21:

Adjusted operating margin anticipated to be below Q4'20 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 cloud and data

## Capturing demand for transformation and future digital services

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

Leveraging strong capabilities in cloud technologies, architecture and cloud-native software development and testing

Q3 revenue

**EUR 39 million**

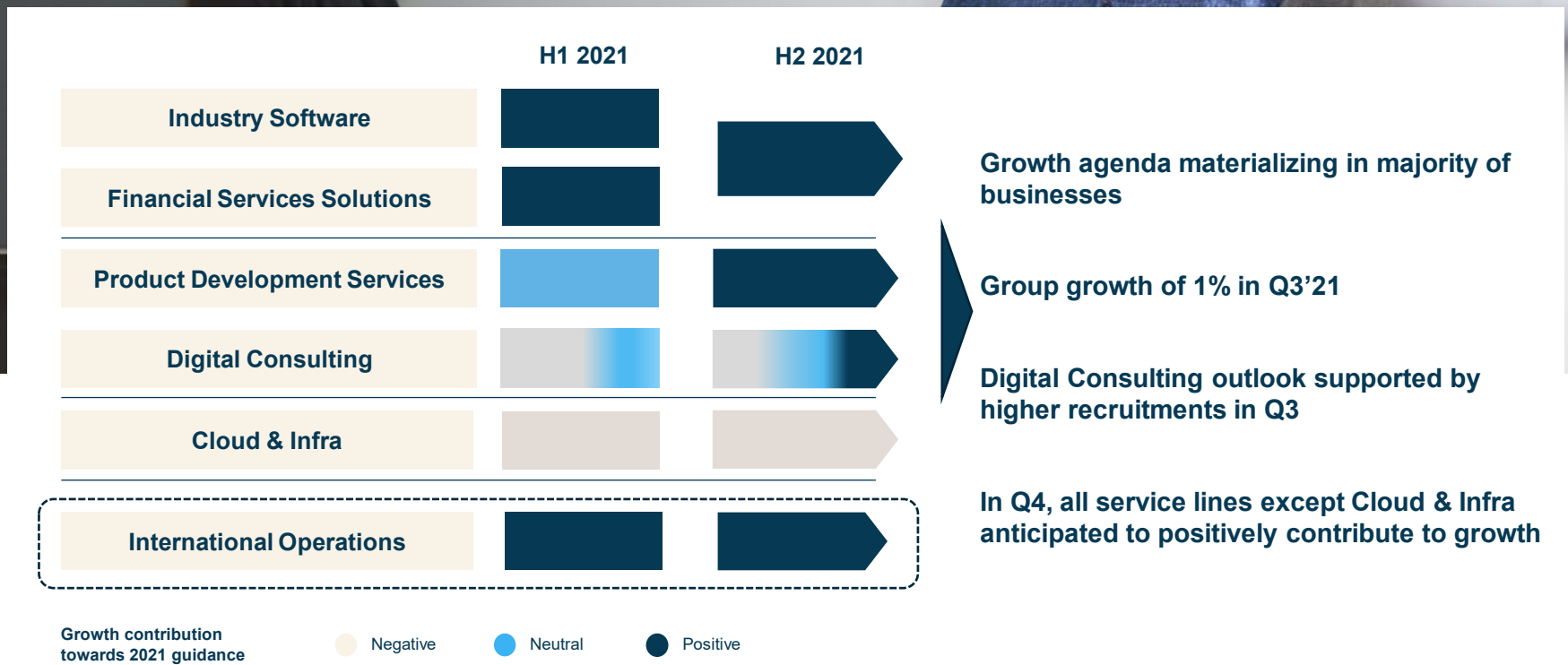
Organic growth in Q3

**22%**

## 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

# Growth dynamics 2021



# CFO report



# CFO highlights

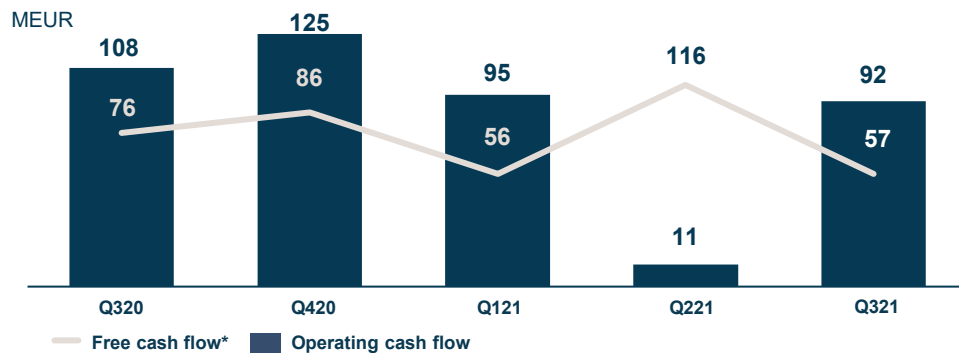
## Q3 financials – healthy profitability development

- Organic growth 1% – adjusted operating margin 14.5%
- Reported operating profit at EUR 72.2 (28.6) million, 11.1% (4.4%)
- Adjustment items EUR 10.1 (50.1) million
- Earnings per share EUR 0.41 (0.16)
- Cash flow from operations EUR 92 (108) million
- Net debt / EBITDA 1.4

## Other Q3 items

- Synergy impact EUR 11 million (net) in Q321
- One-time items according to plan
- FX revenue tailwind EUR 11 million driven by appreciation of NOK and SEK
- Second instalment of dividend paid in October €0.66 / share, total EUR 78 million

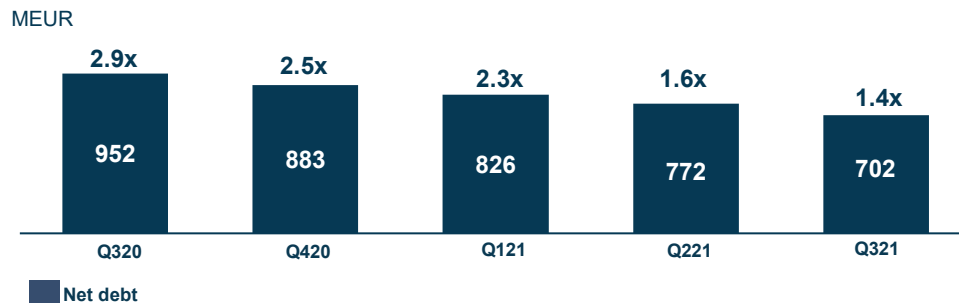
# Healthy cash flow development and leverage level



EUR 92 (108) million cash flow from operations

Increase of EUR 11.6 million in net working capital due to seasonality

Free cash flow of EUR 57 million



Net debt/EBITDA 1.4x (2.9x) at end of Q3

Interest bearing net debt EUR 702 (952) million at end of Q3

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

# Synergy realization on track

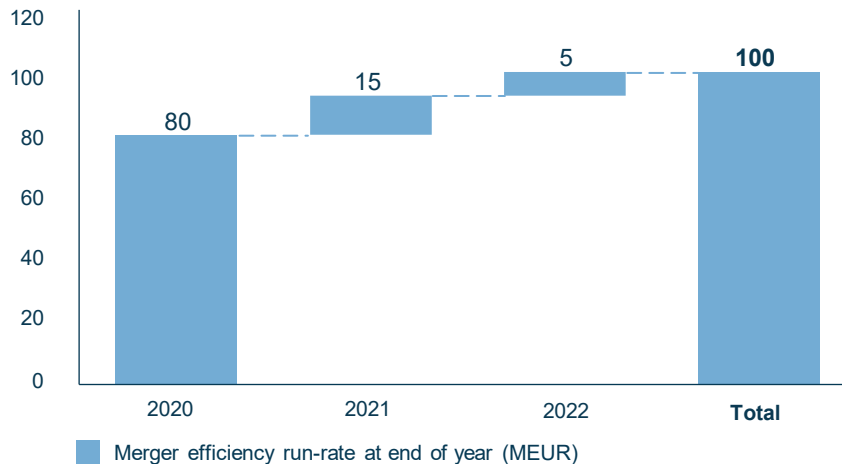
Q3'21 operating profit includes EUR 11 million (net) of synergies

Run-rate of EUR 90 million executed by end of Q3'21

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

Accumulated one-time integration costs per Q3'21 of EUR 99 million, with total guidance of EUR 110-120 million remaining unchanged

## EUR 100 million merger efficiencies achieved within three years



## One-time items according to plan

One-time items (MEUR)	H1 2021	Q3 2021	Q4 2021 estimate	FY2021 estimate
<b>Divestment (net gain)</b>	<b>71</b>	<b>-</b>	<b>26</b>	<b>97</b>
Integration cost (prior estimate)	-9	-5	-10-12	-24-26 -(26-30)
IBM transition of services	-6	-	-	-6
Other one-time items (prior estimate)	-6	-5	0-2	-11-13 -(15-20)
<b>Total costs (prior estimate)</b>	<b>-21</b>	<b>-10</b>	<b>-10-14</b>	<b>-41-45</b> -(47-56)
<b>Total one-time items affecting EBITA</b>	<b>+50</b>	<b>-10</b>	<b>+12 to +16</b>	<b>+52 to +56</b>

- Divestment of three software businesses estimated to impact one-time items by positive EUR ~26 million in Q4'21
- FY2021 total cost estimate reduced to EUR 41-45 million

## Other finance related topics

### Industry software divestment

On 13 October, TietoEVERY signed an agreement to divest three small software businesses in construction, retail, and transport markets

- Alystra, Jydacom and TRYGG/2000

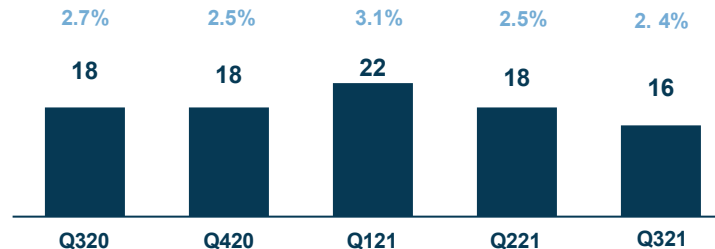
Total combined revenue appr. EUR 13 million in 2020, with appr. 80 employees in Finland and in Sweden

Capital gain EUR 26 million to be booked as OTI at closing

Closing of the transaction expected during Q4

### Capex

Capex in % of revenue



Capex levels for 2021 estimated to be below 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 – Q4'21

### Revenue drivers

- Cloud & Infra pre-merger lost customer impact on the Group's growth ~1%
- Supply chain challenges for hardware sales expected to continue in Q4, estimated negative ~1% impact on Group's growth

### Profit drivers

- Synergy impact appr. EUR 5 million (net)
- Higher attrition and salary inflation constrain profitability

### Other drivers

- Estimated positive FX impact on revenue ~ EUR 17 million
- 1 working day more having positive 1% impact on growth

A photograph of three people sitting on a large rock on a beach, looking out at the ocean during a sunset. The sky is filled with colorful clouds in shades of orange, pink, and purple. The people are silhouetted against the bright light of the setting sun. The person on the right is wearing a red cap. The text "New strategy announced – driving customer value through specialization" is overlaid in white on the image.

**New strategy announced – driving customer value through specialization**

# Solid foundation to rethink our future

Attractive market with high opportunities

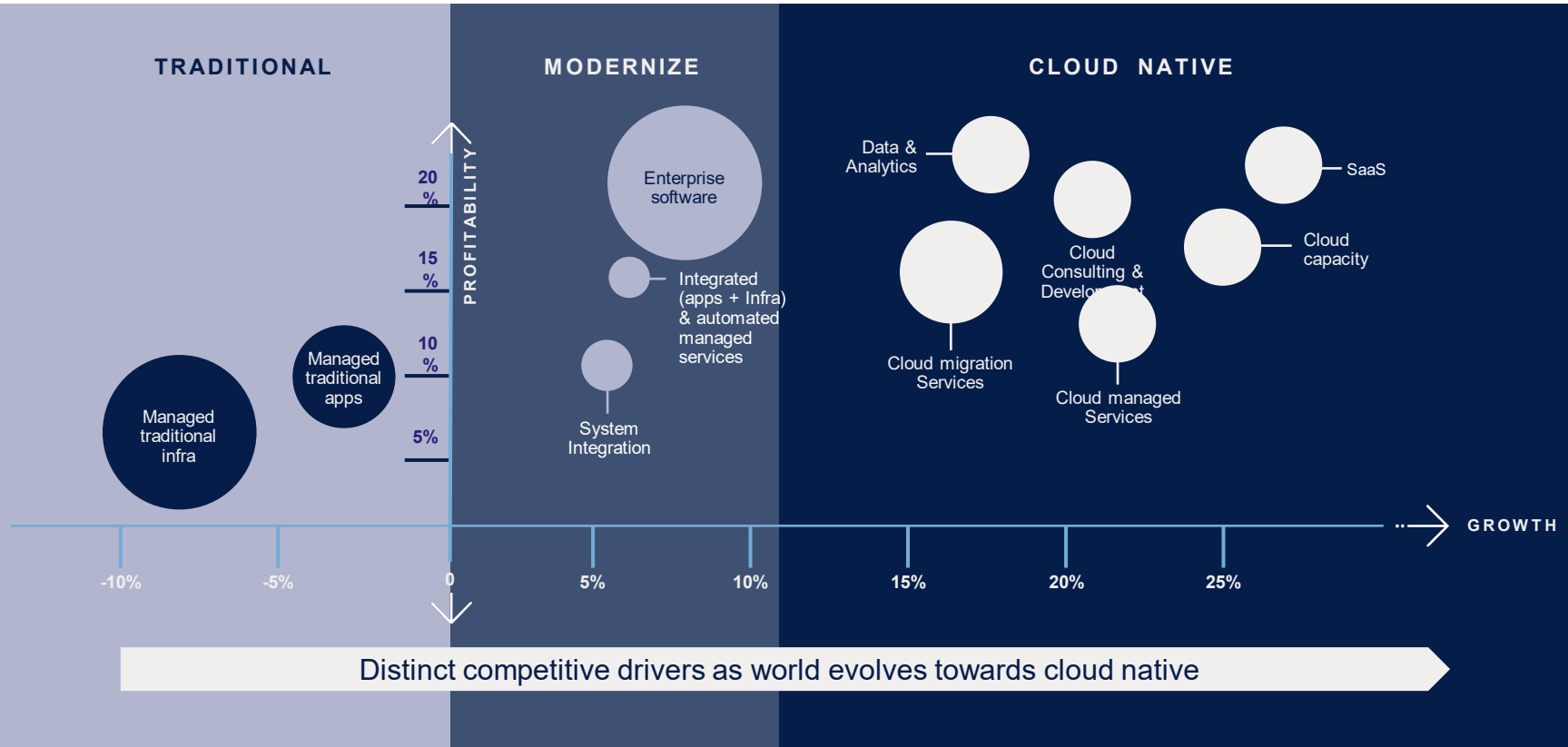
Solid integration progress

Competitive services, software and capabilities

Strong customer base and market position

Time to step ahead  
and reshape the  
future!

# Technology industry reshaping with cloud as the foundation



# TietoEVRY reshaping businesses to drive customer value and growth through specialization

## STRATEGIC CHOICES

1

Clear business choices to capture market growth and expansion opportunity

2

End-to-end businesses with full accountability and broader options to scale

3

Focus investments to expand cloud native capabilities and scalable software businesses

4

Drive partnerships to scale in managed application and infrastructure services

## TO DRIVE ...

Specialist customer engagement

Employee learning and growth

Attractive shareholder returns

# Investment priorities geared towards sustainable high growth businesses

## Invest to expand

- Invest to accelerate products, services and capabilities
- Prioritized M&A

## Partner to scale

- Invest in capabilities to drive scale and automated managed services
- Seek partners (operational and structural) to jointly invest and scale

## Focus for value

- Optimize investments for selected businesses
- Develop portfolio to increase focus



Business Design & Engineering



Health & Care Software



Enterprise Modernization



Financial Services Solutions



Cloud Platform Services



Industry Software

Active portfolio development to drive focus and scale in all businesses



# Financial targets maintained – new strategy support potential for enhanced performance



Financial targets as announced at CMD

ACHIEVED



Accelerating growth  
to 5% by 2023

EBITA adjusted  
15% by 2023

One-time items  
~1% of revenues by  
2022

Increased dividends  
annually

Net debt / EBITDA  
<2 by end of 2022



Solid foundation for improved shareholder returns

Improved  
growth profile  
and profit

Continued  
strong cash flow  
generation

Reduced  
leverage level  
enabling investment  
flexibility

Continued dividend  
attractiveness

Reduced discount  
to SoTP valuation



# Summary: Renewed strategy to drive focus, specialization and expansion

- 1 Hyperconnected data enabled by cloud is redefining customer priorities and reshaping technology industry
- 2 Growth and expansion opportunity for TietoEVERY by specializing in cloud, data, engineering and software
- 3 Reshaping TietoEVERY future through specialized end-to-end businesses and prioritized investments
- 4 Structure and leadership aligned to renewed strategy - Go-live by January 2022
- 5 Financial targets\* maintained – new strategy supports potential for enhanced performance

\* Financial targets as communicated at CMD 2020: 5% growth, 15% EBITA adj. by the end of 2023

## Summary of Q3 2021

**Continued solid performance led by software businesses – cloud, data and software driving the growth agenda**

**Strong global recruitment focus – record high number of recruitments**

**New strategy announced – driving growth and expansion through specialization**

**tieto** *EVRY*