

# Q4 2021

Solid organic growth of 3% and strong cash flow

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# Solid organic growth of 3% and strong cash flow

Q4 in brief

Growth driven by software businesses and over 20% growth in Product Development Services and International Operations

Strong wins during the quarter – order backlog up by 5% YoY and 11% QoQ

Healthy adjusted operating margin of 13.9% – strong cash flow

Dividend proposal EUR 1.40 per share

Performance acceleration in Cloud & Infra to drive cloud growth and achieve adjusted EBITA margin of over 10% by 2023 – annual savings target of EUR 50 million announced

# 2021 key financial figures

## Revenue

€ 2 823m

Organic growth\* 0%  
(-2%)

## EBITA Adj.\*\*

€ 368m / 13.0%

(12.7%)

## Operating cash flow

€ 368m  
(€ 355m)

## Order backlog

€ 3 513m / +5% YoY  
(€3 350m)

## EBIT

€ 382m / 13.5%  
(5.3%)

## Net debt / EBITDA

1.1x  
(2.5x)

Improvement across all  
key financial indicators

Dividend at EUR 1.40 per share proposed - representing a dividend yield of 5.4%\*\*\*

\* Adjusted for currency effects, acquisitions and divestments

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

\*\*\* Shareprice as at 14 Feb 2022

# Key highlights 2021



**Growth agenda materializing** – H2 acceleration in software businesses, Product Development Services and International Operations

**Integration program completed** with main targets achieved – successful operational integration and synergy realization

**High employee attractiveness** with over 5 700 recruitments with female participation up by 4 p.p.

**Focused, specialized and expansion driven strategy** announced with six end-to-end businesses

# Significant wins in the quarter

## Consulting



Next-generation IT services



Accelerate Equinor's business optimization and digitalization through cloud and data services



Development of modern and secure ERP system



Multiple new contracts in automobile industry and consumer electronics signed in **Product Development Services**

## Cloud & Infra



SAP S/4HANA implementation on Microsoft Azure



Partner for the transition to a cloud-based architecture



Services to help ~6 000 users in hospitals and health centres



Hybrid cloud infrastructure service



Infrastructure, service desk, application operations, end user and mobility services

## Software



Extended collaboration in Cards production and personalization



Extended collaboration in Cards, incl. fraud detection and prevention



Customized payment cards made from ocean plastics



Advanced AI and Machine Learning to support fast decisions



Leasing and asset finance SaaS platform



Cloud based case management and archive system



End to end ATM services



# Driving positive climate impact across our value chain

## Launching sustainability data services for our customers

- Enabling automated measuring of sustainability performance for our customers

## Reducing CO2 emissions in own operations and in supply chain

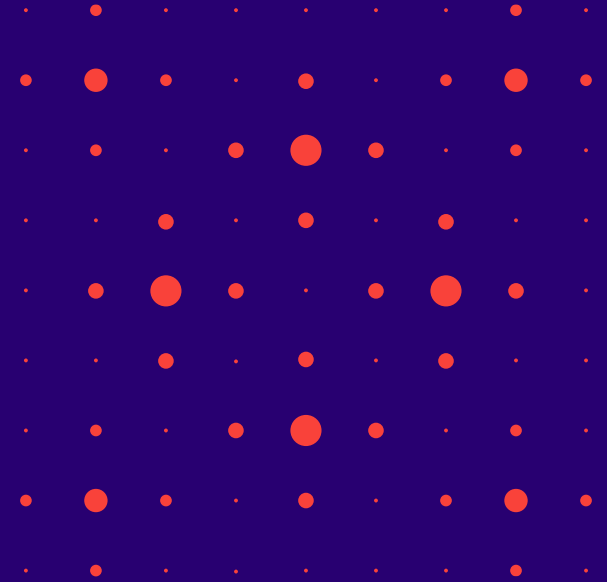
- Carbon neutral in own operations by 2025
- Committed to Science Based Targets – limiting the global warming below 1.5 degrees

## Implementing EU Taxonomy

- Tietoevry as a tech company - low environmental impact
- Large potential to support our clients' transition to greener operations through our services

Creating purposeful technology that reinvents the world for good

# Q4'21 financials



# Tietoevry Q4'21

## Business highlights

Revenue EUR 742 million, organic growth\* 3%

Reported growth 4%, currency impact EUR 25 million

Adjusted EBITA\*\* EUR 103.3 (106.4) million, 13.9% (14.9)

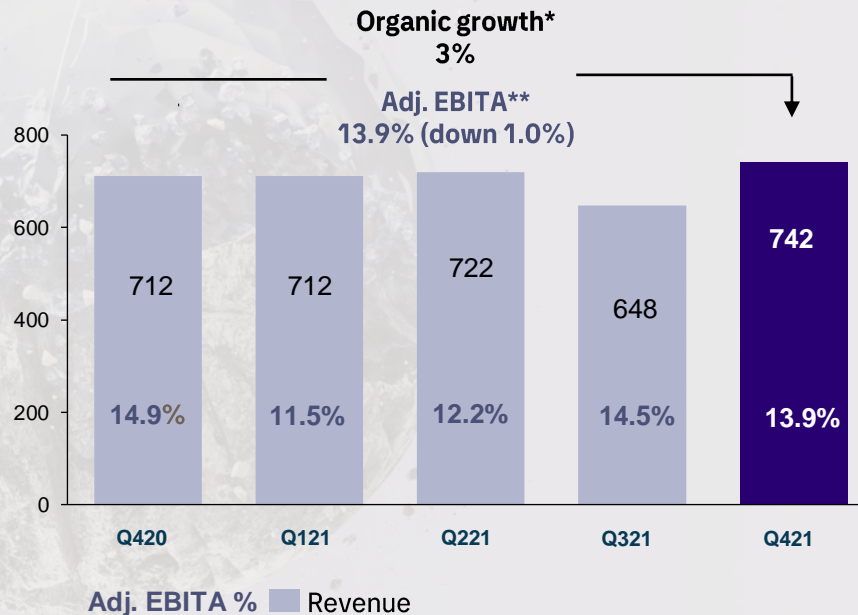
Strong growth in software businesses, PDS and International Operations

Negative revenue impact of appr. 1% for the Group from pre-merger lost customers in Cloud & Infra

Higher attrition and salary inflation impact growth and profitability across businesses

Operating cash flow EUR 169 (125) million

Strong order backlog up by 5% YoY and 11% QoQ



\* 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 218 million, organic growth\* -7%

Adjusted EBITA\*\* EUR 20.8 (19.3) million, 9.5% (8.5)

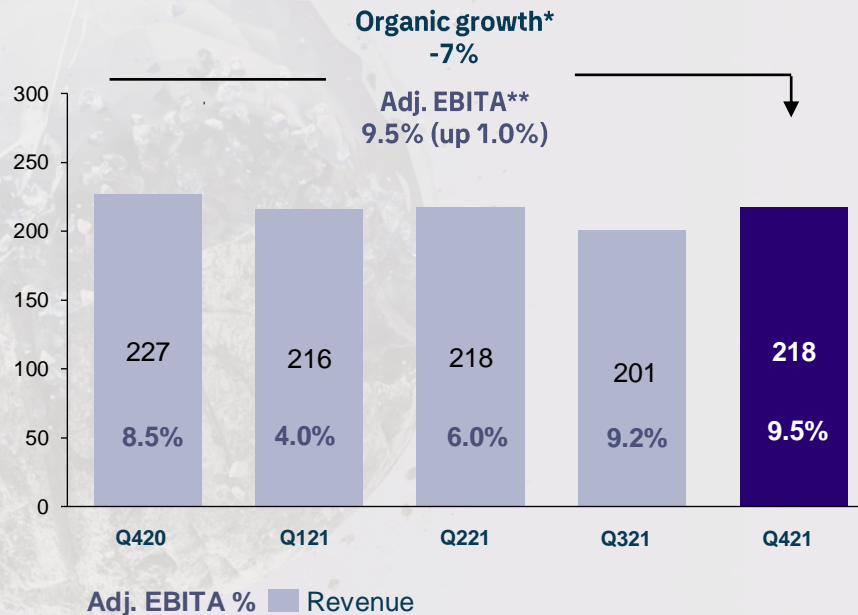
Revenue decline due to pre-merger lost customers -3%,  
reduced hardware sales -2%

Decline in traditional infrastructure continues

Cloud growth +5%, Security Services +57%

Strong order intake and increase in order backlog

Performance acceleration announced to drive cloud growth  
and profit improvement



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# Industry Software

## Business highlights

Revenue EUR 131 million, organic growth\* 7%

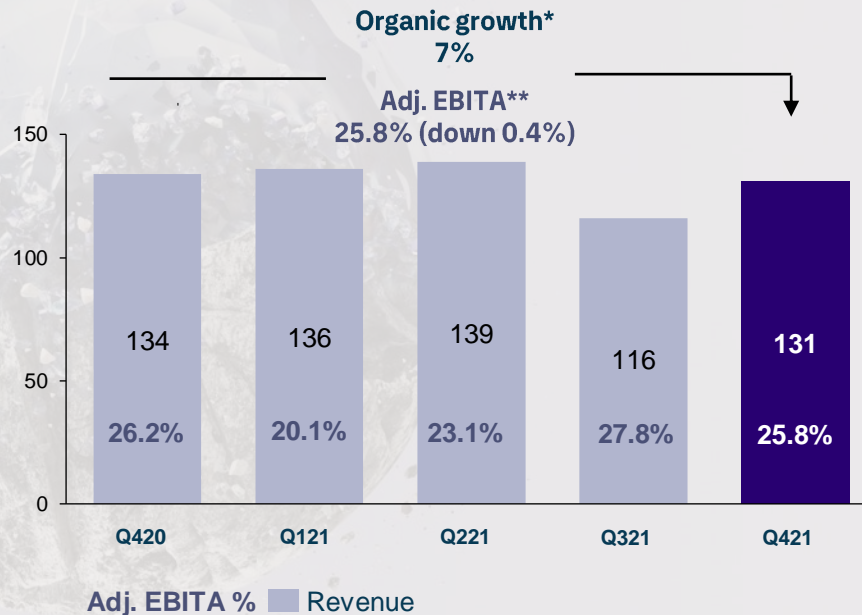
Adjusted EBITA\*\* EUR 33.9 (35.1) million, 25.8% (26.2)

Strong performance across all main businesses

Significant growth and new wins in Public 360 SaaS business and healthy growth in Health & Care

Healthy profit level driven by growth and continuous productivity improvement incl. software development practices

Divestment of three smaller software businesses – Alystra, Jydacom and TRYGG/2000 – closed in December



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# Financial Services Solutions

## Business highlights

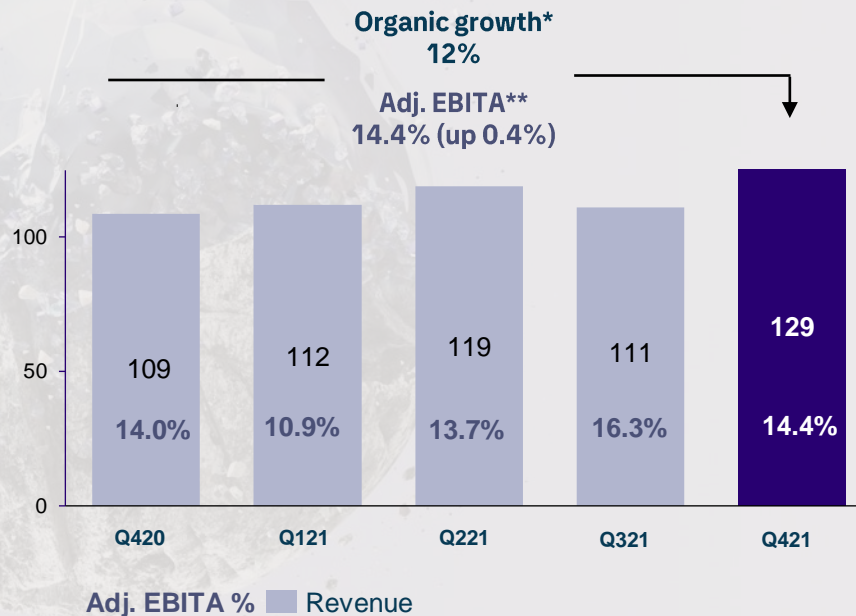
Revenue EUR 129 million, organic growth\* 12%

Adjusted EBITA\*\* EUR 18.5 (15.2) million, 14.4% (14.0)

Continuing strong growth across portfolio especially in Credit, Banking as a Service and Cards business

Investments continued to support growth and expansion opportunities

Profit development driven by revenue growth and continuous efficiency improvement



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# Product Development Services

## Business highlights

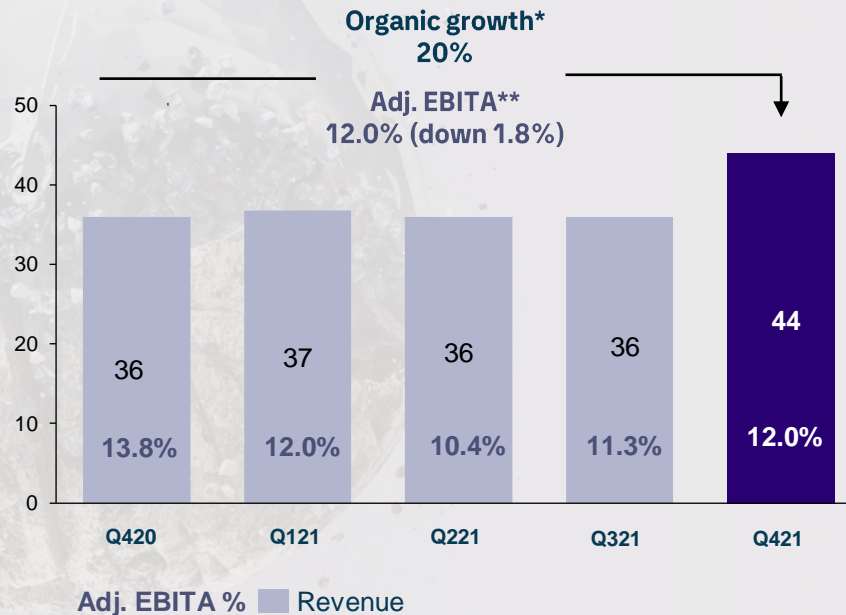
Revenue EUR 44 million, organic growth\* 20%

Adjusted EBITA\*\* EUR 5.4 (5.0) million, 12.0% (13.8)

Strong growth driven by Telecom and successful Nanjing R&D center site opening and recruitment

Several new customers and extended contracts in automotive and consumer electronics

Profitability impacted by attrition, increased subcontracting and salary inflation



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

# International Operations – strong growth across all markets

## Performance Drivers

- Focus as innovation oriented partner for new cloud and data technologies – modern DevOps as standard
- Healthy demand for new business in Fortune500 companies (US primarily)
- Proven high quality as a positive network effect for new customers
- Strong capabilities in cloud, data and software engineering
- Delivery model utilizing strength of our Global Delivery Operations

Q4 revenue

**EUR 43 million**

Organic growth\* in Q4

**26%**

## 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

\* Adjusted for currency effects, acquisitions and divestments

# Performance acceleration in Cloud & Infra to drive cloud growth and achieve over 10% profitability

## Market drivers

### Declining traditional infrastructure services – multi-cloud driving growth

- Traditional infrastructure services volumes continue to decline
- Multi-cloud (public-private) volumes and cloud transformation driving market growth
- Automation key for efficiency and customers' cloud adoption

## Tietoevry way forward

### Align cost structure and accelerate multi-cloud growth

- Align cost structure to volume shift from traditional to cloud
- Market leading private cloud services now available in NO, SE, FI
- Accelerate multi-cloud market attack and capabilities with cloud focused sales and solutioning teams

## Measures initiated

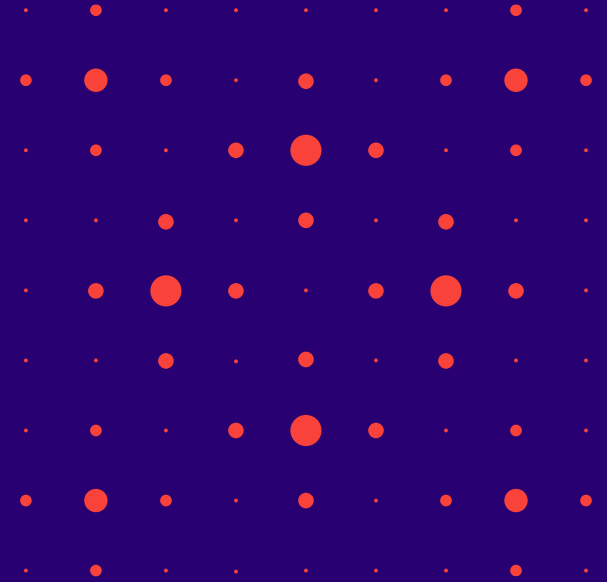
### Cost saving program initiated - annualized savings of EUR 50 million

- Savings related to personnel and external purchases
- Potential impact max. 600 roles in NO, SE and FI during 2022
- Planning initiated according to country procedures on personnel negotiations



Announced actions support Tietoevry strategy and plans to reach Cloud & Infra financial targets for 2023

# CFO report



# CFO highlights



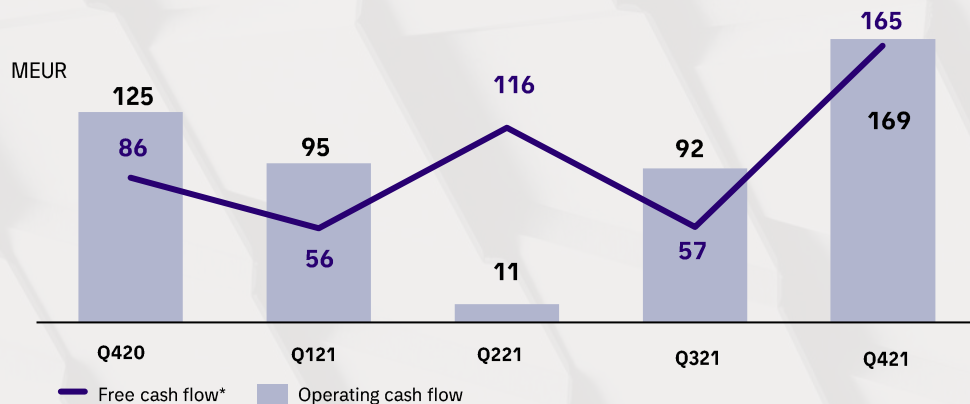
## Q4 financials – solid growth and strong cashflow

- Organic growth 3% - driven by software businesses, Product Development Services and International Operations
- Adjusted operating margin 13.9% - impacted by continued higher salary inflation and attrition levels
- Reported operating profit at EUR 113.4 (77.8) million, 15.3% (10.9%) – supported by positive OTI development
- Strong operative and free cash flow
- Net debt / EBITDA 1.1x

## Other items

- Dividend of EUR 1.40 / share, total EUR 165 million proposed for FY2021 – EPS EUR 2.46 (0.80)
- Divestment of three software businesses was closed as planned in December
- Synergy run rate of EUR 97 million reached – substantially completing the program
- FX revenue tailwind of EUR 25 million

# Strong cash flow development – net debt / EBITDA 1.1x

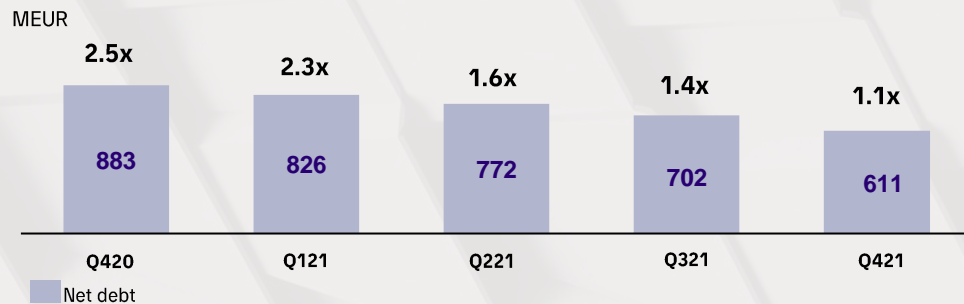


EUR 169 (125) million cash flow from operations

Decrease of EUR 68.5 million in net working capital mainly relating to AP increase and seasonal net working capital changes

Divestment cash impact EUR 38 million

Free cash flow of EUR 165 (86) million, representing net profit cash conversion of 1.9x and 1.35x for the full year



Net debt/EBITDA 1.1x (2.5x) at end of Q4

Interest bearing net debt EUR 611 (883) million at year end

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



# One-time costs according to plan – significant reduction from 2020

One-time items (MEUR)	YTD Q3 2021	Q4 2021	FY2021
<b>Divestment (net gain)</b>	<b>71</b>	<b>33</b>	<b>104</b>
Integration cost (prior estimate)	-14	-11 -(10-12)	-26 -(24-26)
IBM transition of services	-6	-	-6
Other one-time items (prior estimate)	-11	0 -(0-2)	-11 -(11-13)
<b>Total costs (prior estimate)</b>	<b>-31</b>	<b>-11</b> -(10-14)	<b>-43</b> -(41-45)
<b>Total one-time items affecting EBITA</b>	<b>+40</b>	<b>+22</b>	<b>+61</b>

Reduction of one-time cost from EUR 162 million in 2020 to EUR 43 million, executed according to plan

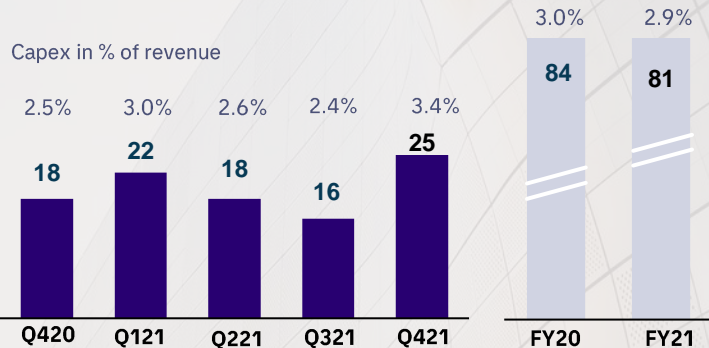
Jydacom, TRYGG/2000 and Alystra transaction closed in December with EUR 31 million capital gain. Total one-time divestment gains for the year amounted to EUR 104 million.

2021 integration cost amounted to EUR 26 million in line with estimate. The remaining integration cost of approx EUR 7 million will be incurred in 2022.

In 2022 one-time costs are expected to be around 1.5–2.0% of revenue, primarily driven by C&I turnaround. Going forward, one-time item costs are expected to stabilize around 1% of revenue

# Other finance related topics

## Capex



Higher Capex in Q4 stemmed primarily from business related software licenses and datacenter investments

Capex for the full year was EUR 81 million, which is at the same level as 2020

## Industry software divestment

Divestment of three smaller software businesses Alystra, Jydacom and TRYGG/2000 closed in December

Divestment resulted in capital gain of EUR 31 million, which was booked as one time item

Cash flow impact of the divestment was EUR 38 million

## Effective tax rate 2021

Effective tax rate for the year was 17.6%, impacted by non-taxable divestment gains, reducing the effective tax rate by appr 5%

# Performance drivers – Q1'22

## Revenue drivers

- Continued good momentum in software businesses, Product Development Services and International Operations
- Cloud & Infra: No impact from pre-merger lost customers, while the decline in traditional infrastructure services is anticipated to continue







## Profit drivers

- Attrition and salary inflation remaining at high level
- Operating environment normalizing post covid - driving somewhat higher cost level
- In Cloud & Infra, annual customer price discounts realize in January - profit improvement from performance acceleration program contributes in H2

## Other drivers

- Transition to new operating structure - potential impact to productivity
- Positive FX impact on revenue ~ EUR 2 million
- 0.7 working days more – positive 0.6% impact on growth

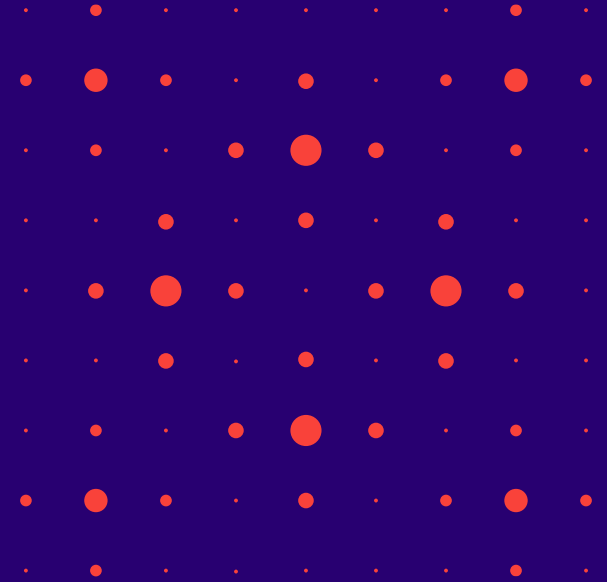
# Businesses executing towards long term targets

	2021		2023 Targets		Progress towards target
	Org. growth	EBITA adj.	Growth	EBITA adj.	
Industry Software	8%	24%	6-8%	20-22%	
Financial Services Solutions	8%	14%	6-8%	18-22%	
Product Development Services	5%	12%	8-10%	12-14%	
Digital Consulting	-2%	14%	7-9%	15-17%	
Cloud & Infra	-11%	7%	0-2%	11-13%	
Tietoenvy	0%	13%	5%	15%	



- Most businesses well on track towards CMD targets
- Cloud native and software market momentum supporting growth and profitability expansion
- Cloud & Infra turnaround essential

# Way forward and 2022 guidance



# Strategy implementation on track and end-to-end businesses live

## 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

## Solid implementation

- Live with end-to-end businesses
- Updated brand & Identity
- Strong market focus and wins
- High employee engagement



# Cloud native and software leading market growth, while traditional services decline

High demand continues for enterprise software especially for SaaS

Accelerated demand for cloud native applications, data and software engineering services

Significant price erosion in managed services renewals and high focus on transformation to cloud

Heavy decline in traditional capacity, while accelerated cloud volumes (private and public)

High attention and investments for privacy, security and compliance

- Software and Cloud native services growth c.a. 10%
- Decline in traditional managed services continues -5 to -10%
- Average Tietoevry addressable market growth is expected to be ~3% in 2022

# Guidance 2022

Tietoevry expects its organic<sup>1)</sup> growth to be 2% to 4%

(Revenue in 2021: EUR 2 823.4 million)

The company estimates its full-year adjusted<sup>2)</sup> operating margin (adjusted EBITA) to be 13.1–13.6%

(13.0% in 2021)

1) Adjusted for currency effects, acquisitions and divestments

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

Strong order backlog and healthy market supporting growth ambition

Software business performance momentum to continue

Underperforming Cloud & Infra due to traditional volume decline and price erosion – demanding turnaround actions continue during 2022

Salary inflation and high attrition continue to impact the speed of performance improvement

# Exciting year ahead



## Developers of Digital Futures

Growth agenda  
materializing –  
execution through six  
end to end businesses

Solid financial position  
as foundation for  
strategy execution

Go-to place for tech  
professionals –  
developers of digital  
futures

Thank you

