



# Q2 2022

Strong organic growth of 5% –  
growth outlook for the year upgraded

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 tietoevry



# Strong organic growth of 5% – growth outlook for the year upgraded

Q2 in brief



Growth driven by Tietoevry Create, up by 12%, and Tietoevry Banking, up by 10%

Adjusted operating margin 10.7% impacted by salary inflation – ongoing efficiency measures driving uplift in H2'22

Successful talent attraction with 1 200 new joiners – personnel attrition rates stabilizing

Full-year growth outlook upgraded to 3–5% from the previous range of 2–4%

Strategic review of Tietoevry Banking initiated to unlock its full value potential

# Continued active market with high growth potential



Our market growth estimate of 3% for 2022 unchanged

Market driven by cloud-native services and software with decline in traditional managed services

While macro economic uncertainties exist, market activity level remains healthy with no significant change in customer behaviour observed

Talent market continues to be active – attrition and salary inflation impacting growth and profitability

Continued high recruitment pace demonstrates good talent attraction

# Initiating strategic review of Tietoevry Banking to unlock its full value potential as an independent listed company



## Tietoevry Banking today

- Leading position in financial services software in the Nordics and global footprint
- Annual revenue EUR ~500 million with ~3 600 experts serving >400 customers globally
- Highly competitive software and platforms for Nordic and global financial institutions
- Proven financial performance with expansion potential

## Objectives of strategic review

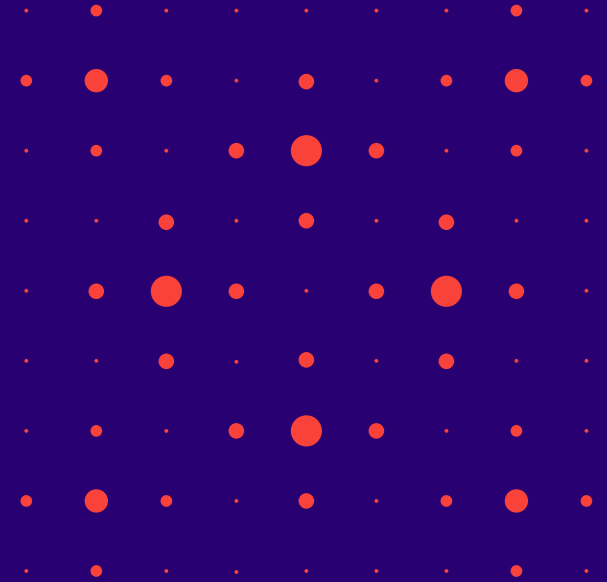
- Clear identity in a global Fintech software market
- Focused investments into software at a higher scale
- Attract best global Fintech talent
- Increased growth, expansion and value potential

## Process and way forward

- Strategic review incl. carve-out and potential listing expected to take 12–18 months
- Business continues to operate as-is until strategic review is concluded

Unlocking value for Tietoevry shareholders

# Q2'22 financials



# Tietoevry Q2'22

## Business highlights

Revenue EUR 739.1 million, organic growth\* 5%

Reported growth 2.4%, currency and divestment impact EUR 17 million (negative)

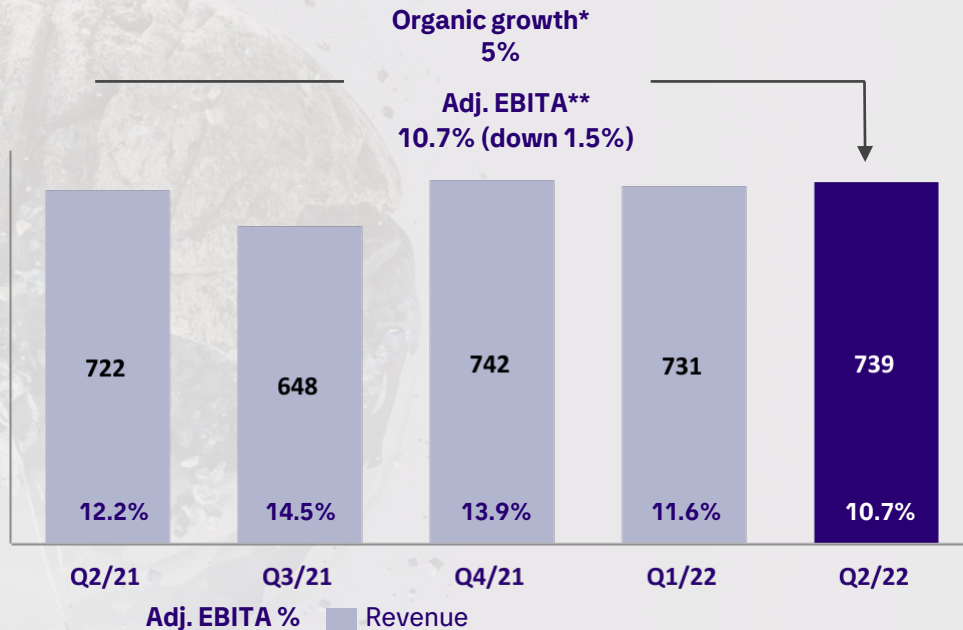
Adjusted EBITA\*\* EUR 78.7 (88.3) million, 10.7% (12.2)

Strong growth in Tietoevry Create and Tietoevry Banking

Profitability impacted by high inflation – performance acceleration ongoing in Tietoevry Connect, Tietoevry Banking and Tietoevry Transform

Operating cash flow EUR 8 (11) million

Healthy order backlog, up by 4%



\* Adjusted for currency effects, acquisitions and divestments

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

# Tietoevry Create

Digital consulting, analytics and software engineering services

## Business highlights

Revenue EUR 210.3 million, organic growth\* 12%

Adjusted EBITA\*\* EUR 26.5 (23.1) million, 12.6% (12.2)

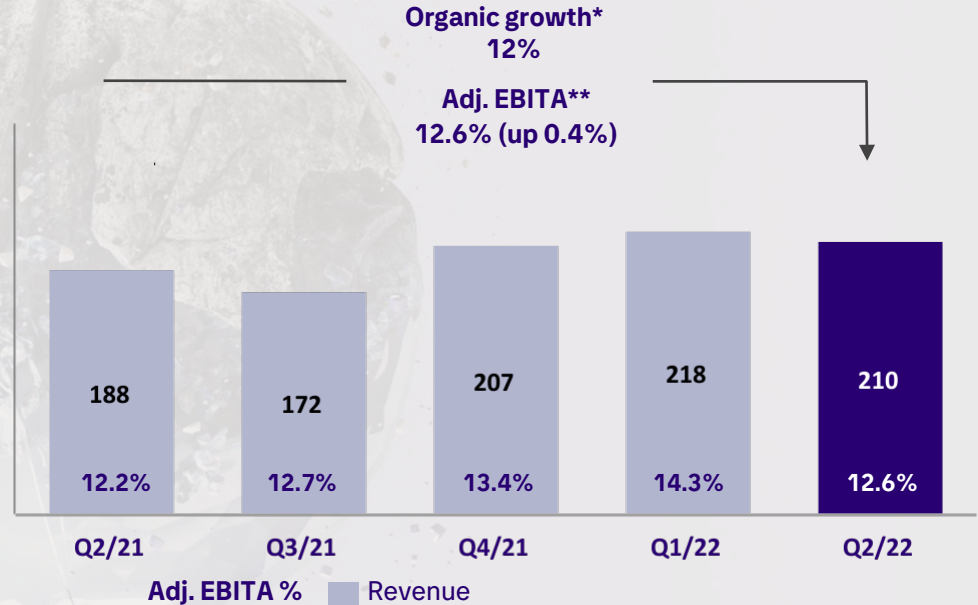
High market activity in cloud native, data and software engineering services

Continued strong growth in International – new Nanjing R&D centre contributing to growth

Limited financial impact from the war in Ukraine in Q2'22

Profitability slightly above Q2'21 level

In Q3'22, adjusted operating margin anticipated to be at Q3'21 level



\* Adjusted for currency effects, acquisitions and divestments

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

# Tietoevry Banking

Software for financial institutions

## Business highlights

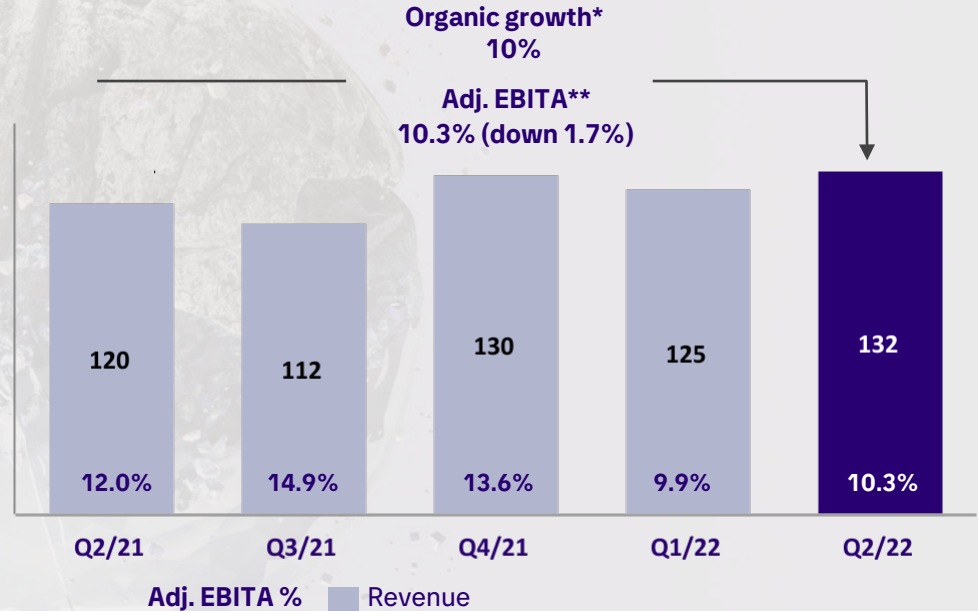
Revenue EUR 132.3 million, organic growth\* 10%

Adjusted EBITA\*\* EUR 13.6 (14.4) million, 10.3% (12.0)

Healthy growth driven by Cards and Financial Crime Prevention

Profitability below Q2'21 level – efficiency measures contributing to H2'22 profit improvement

In Q3'22, adjusted operating margin anticipated to be above Q3'21 level



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# Tietoevry Care

Software for health and care services

## Business highlights

Revenue EUR 58.3 million, organic growth\* -4%

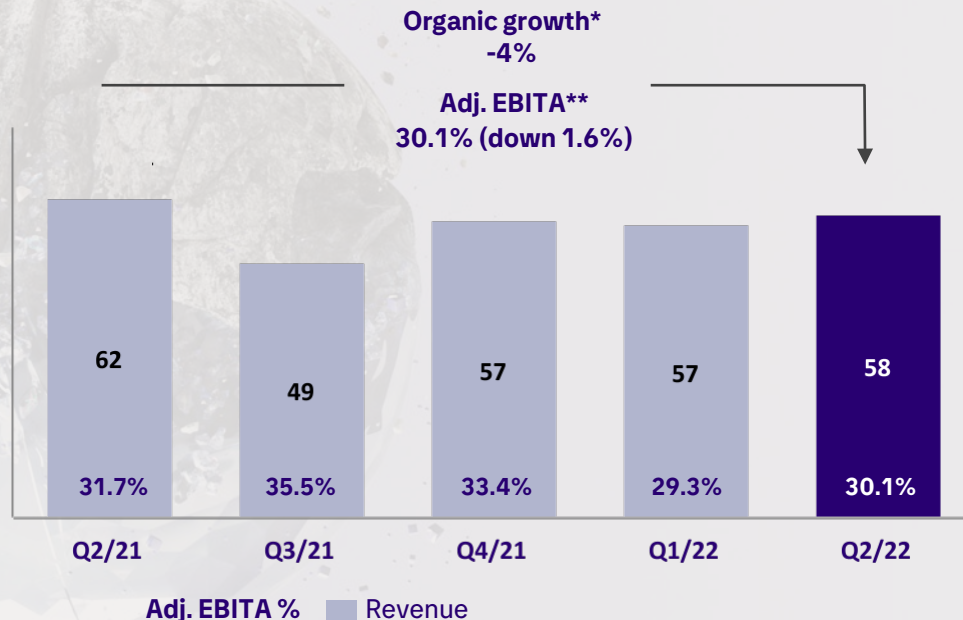
Adjusted EBITA\*\* EUR 17.5 (19.5) million, 30.1% (31.7)

Growth impacted by high comparable – Q2'21 one-time revenue impact of ~10%

Underlying growth of 6% driven by Healthcare and Welfare businesses

Healthy profitability – increased investments for the year focusing on roadmap acceleration and reinforced go-to-market

In Q3'22, adjusted operating margin anticipated to be below Q3'21 level



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

# Tietoevry Industry

Industry-specific software and data platforms

## Business highlights

Revenue EUR 68.3 million, organic growth\* 3%

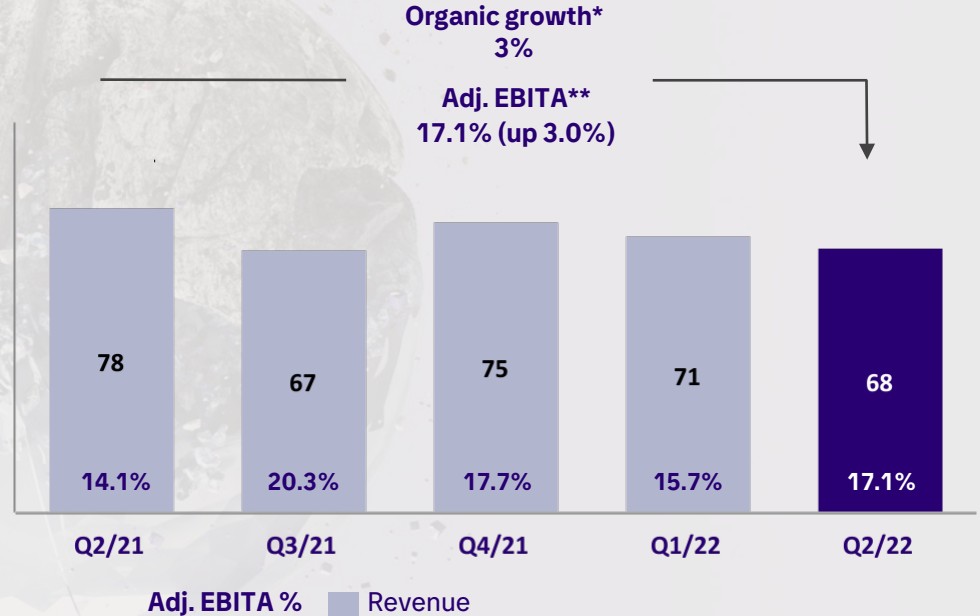
Adjusted EBITA\*\* EUR 11.7 (11.0) million, 17.1% (14.1)

Organic growth of 3% driven by Public 360 and Pulp and Paper

Large customer contract ending in Data Platform Services with negative impact of 3 %-points

Healthy profitability above Q2'21 level

In Q3'22, adjusted operating margin anticipated to be below Q3'21 level



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

# Tietoevry Transform

Enterprise IT services for selected customers

## Business highlights

Revenue EUR 118.7 million, organic growth\* 0%

Adjusted EBITA\*\* EUR 5.4 (11.9) million, 4.5% (10.0)

Healthy growth in Industry & Forest segment - decline in Telecom & Consumer segment

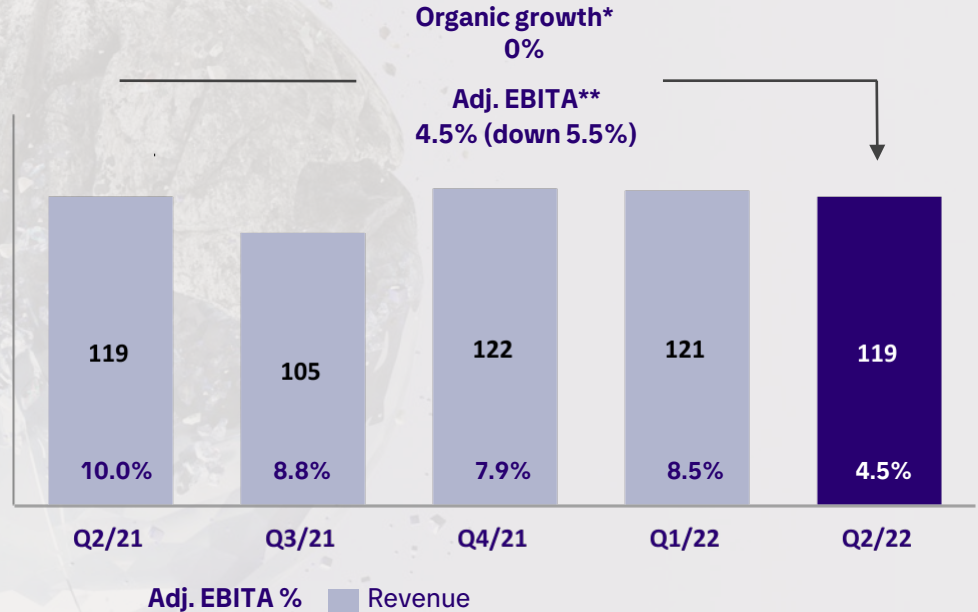
Combination of flat growth and high inflation impacting profitability

Continued strong order intake – book-to-bill of 1.3

Enhanced measures to drive improved performance

- increase automation, re-deploy talent and improve utilization rates
- profit improvement beginning to materialize towards the end of 2022

In Q3'22, adjusted operating margin anticipated to be at Q3'21 level



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# Tietoevry Connect

## Infrastructure capacity and services

### Business highlights

Revenue EUR 230.7 million, organic growth\* 1%

Adjusted EBITA\*\* EUR 12.0 (15.6) million, 5.2% (6.7)

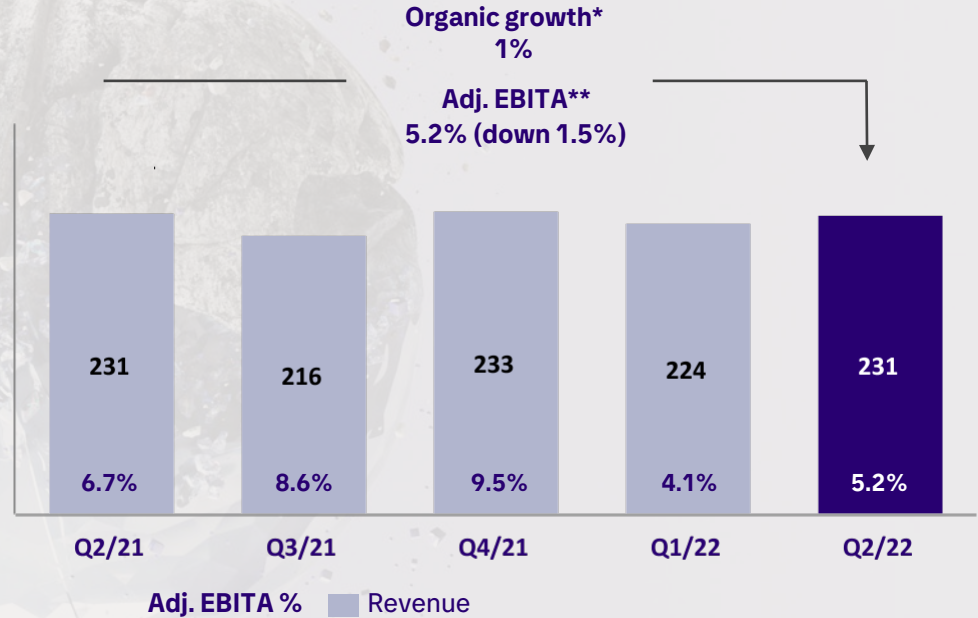
Strong growth continues in cloud platforms and security services, up by 14%

Traditional infrastructure services revenue declined by 6%

Profitability below Q2'21 level, impacted by high inflation

Efficiency measures announced in February on schedule – anticipated to contribute to H2'22 performance

In Q3'22, adjusted operating margin anticipated to be above Q3'21 level



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# Guidance 2022 – growth guidance upgraded

## Growth guidance upgraded to 3–5% (previously 2–4%)

Following strong organic<sup>1)</sup> growth of 4.6% in H1'22 and anticipated revenue development in H2'22, Tietoevry upgrades its growth outlook for the year

The company estimates its full-year organic<sup>1)</sup> growth to be 3% to 5% (previously 2% to 4%)

The company anticipates over 4% growth to be feasible while recognizing macroeconomic related risks

<sup>1)</sup> Adjusted for currency effects, acquisitions and divestments.

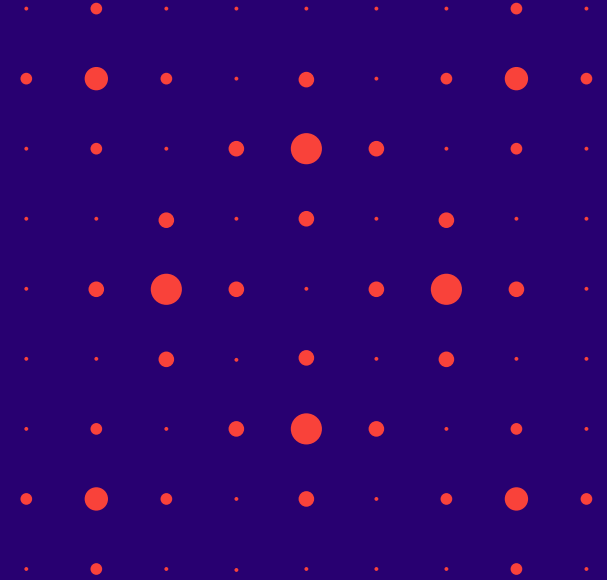
## Profit guidance 13.1–13.6% unchanged

H1'22 profitability of 11.1% supports trend towards lower end of the guided range

### Performance uplift in H2'22 compared to H1'22 is anticipated:

- Performance acceleration programmes in Tietoevry Connect, Tietoevry Banking and Tietoevry Transform expected to contribute ca. **2–2.5%-points** to profitability
- Vacation impacts due to seasonality in vacation periods – impacts profitability by ca. **2.5–3%-points**
- Salary inflation continues at high level, impacting profitability by ca. **-1%-point**

# CFO report



# CFO highlights



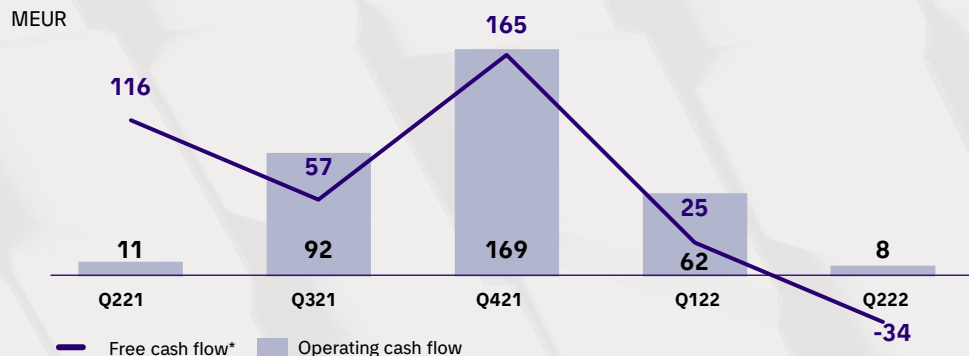
## Q2'22 financials – continued strong growth

- Organic growth 5% – driven by Tietoevry Create and Tietoevry Banking
- Adjusted operating margin EUR 78.7 million / 10.7% – below Q2'21, impacted by high attrition, salary inflation, and returning post-pandemic costs
- Reported operating profit at EUR 39.7 (139.7) million, 5.4% (19.4%) – prior year included capital gain of EUR 71.4 million
- Operative cash flow of EUR 8 (11) million
- Net debt / EBITDA 1.6x (1.6)
- Order backlog up by 4% year-on-year

## Q2'22 other

- CAPEX of EUR 23.9 million (18.5), representing 3.2% of revenue (2.6)
- One-time items (OTI) EUR 27.1 million, impacted by performance acceleration programs, exit from Russia and war in Ukraine

# Seasonally low Q2 cash flow – Net debt / EBITDA 1.6x

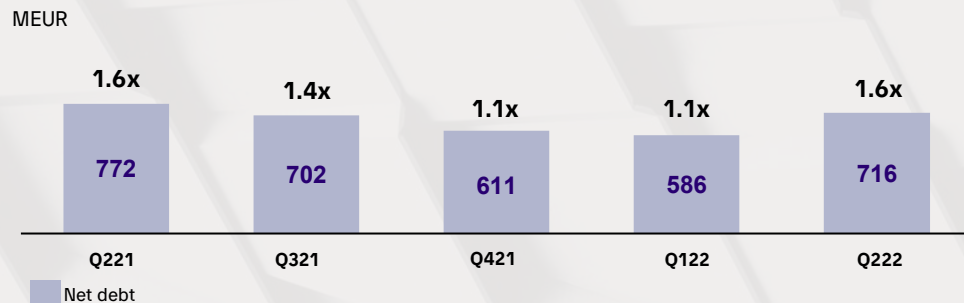


EUR 8 (11) million cash flow from operations

- Seasonal net working capital increase of EUR 57 million – mainly driven by liabilities
- Impacted by one-time items

Free cash flow of EUR -34 (116/-27\*\*) million

Cash generation foundation remains healthy



Net debt/EBITDA 1.6x (1.6x) at end of Q2'22 – well below target level of <2.0x

Interest bearing net debt EUR 716 (772) million, impacted by dividend payment, negative FCF and increased in IFRS 16 lease liabilities

New sustainability-linked revolving credit facility of EUR 250 million to refinance the earlier facility

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

\*\* Excluding cash flow impact of EUR 142.5 million from oil & gas divestment

# Attrition and inflation at high levels

High attrition level continues – rolling 12-month attrition stabilized at 16.3% in Q2'22 (16.5% in Q1'22), compared to 11.7% in Q2'21

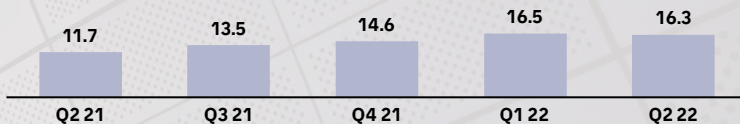
Net personnel increase in Q2'22 when adjusting for divestments – driven by approx. 1 200 new hires

- Tietoevry Create has successfully increased personnel base by ~850 employees since Q2'21 (approx. +11%)
- Tietoevry Connect performance improvement programme contributed to net reduction of ~300 personnel from Q2'21 (approx. -6%), while increasing offshore ratio by ~6% to ~50%
- Divestment of Russian legal entity reduced Group personnel by approx. 100 in Q2'22

Estimated salary inflation approximately 4% in 2022 – annual salary increases took effect from 1 April

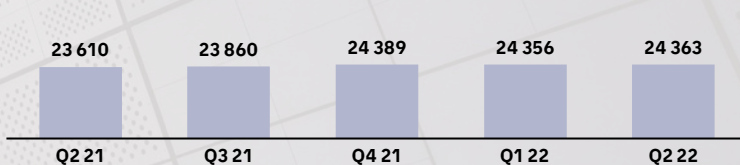
## Attrition

% last twelve months (voluntary)



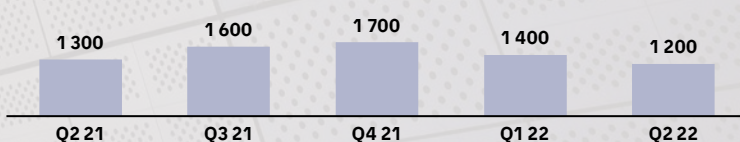
## Personnel

End of period



## New hires

In quarter



# Performance drivers – Q3'22

## Growth drivers

- Continued good momentum in Tietoevry Create and Tietoevry Banking
- Growth in Tietoevry Care back to healthy level
- Tietoevry Industry growth impacted by a large customer contract ending in Data Platform Services – negative impact ~3%-points

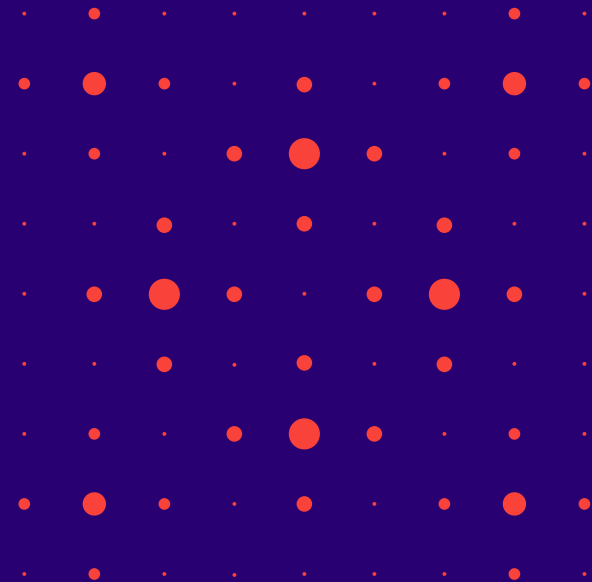
## Profit drivers

- Efficiency measures in Tietoevry Connect, Tietoevry Banking and Tietoevry Transform contributing to profit improvement
- Employee attrition and inflation continue at high levels, impacting profit
- Vacation period having positive impact on profitability

## Other drivers

- Negative FX impact on revenue ~EUR 5 million
- No working day impact

# Recognitions and way forward



# Recent recognitions



Recognized for quality and customer value in Sweden by Radar



Partner of the year 2022 for Microsoft in Finland



Platinum level on global Ecovadis Sustainability rating



# Summary and way forward



## Developers of Digital Futures

Growth momentum to continue in H2'22 – full-year growth guidance upgraded to 3–5%

Efficiency measures in place to drive performance in H2'22 – business resilience through enhanced performance management

Continued high attention to employee engagement and talent attraction

Strategic review of Tietoevry Banking initiated to unlock its full value potential

Thank you

