

# Q1 2023

Good start for the year –  
strong growth and solid  
profitability

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Tomi Hyryläinen, CFO





# Good start for the year – strong growth and solid profitability

Growth of  
**8%**

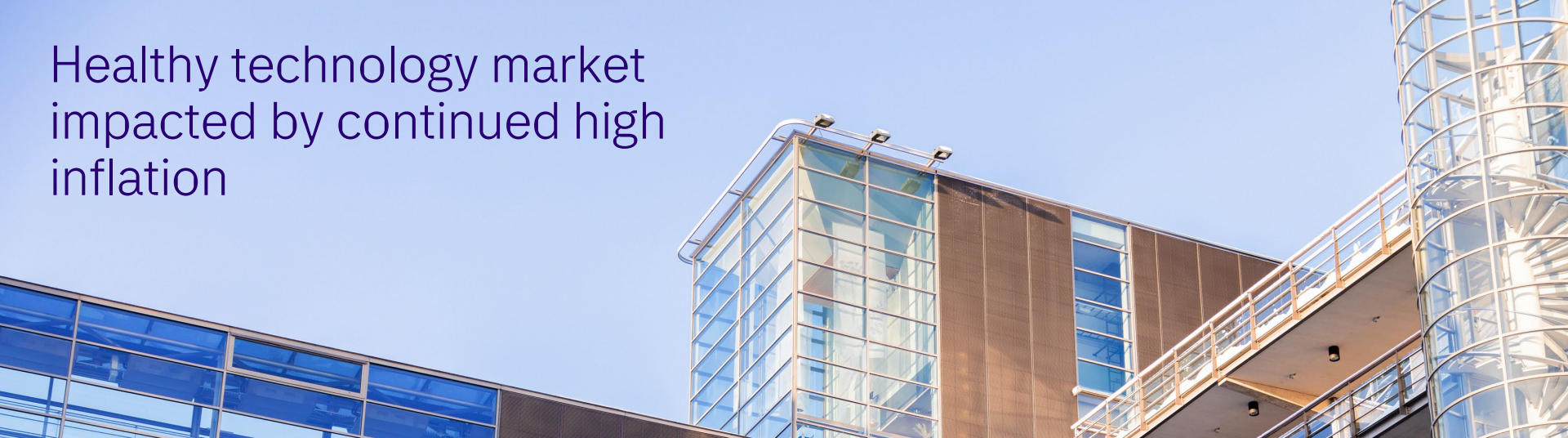
driven by Tietoevry  
Banking, Care and  
Create

Adj. EBITA margin of  
**12.3%**

– profitability improved  
in all businesses

Strategic reviews of  
Tietoevry Banking and  
Tietoevry Tech Services  
progressing as planned

# Healthy technology market impacted by continued high inflation



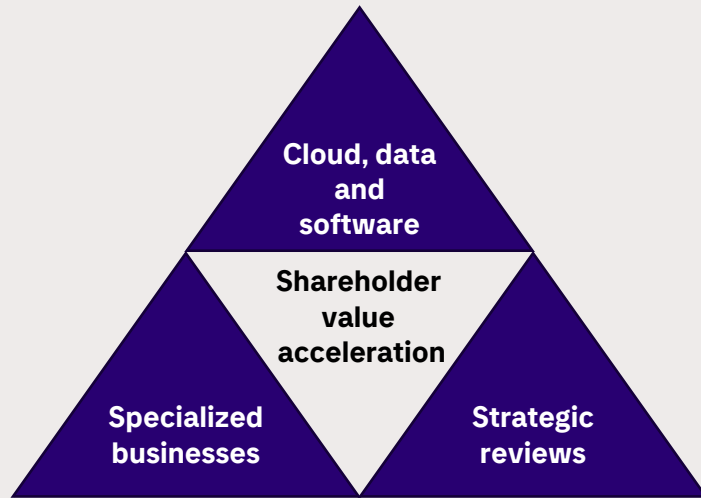
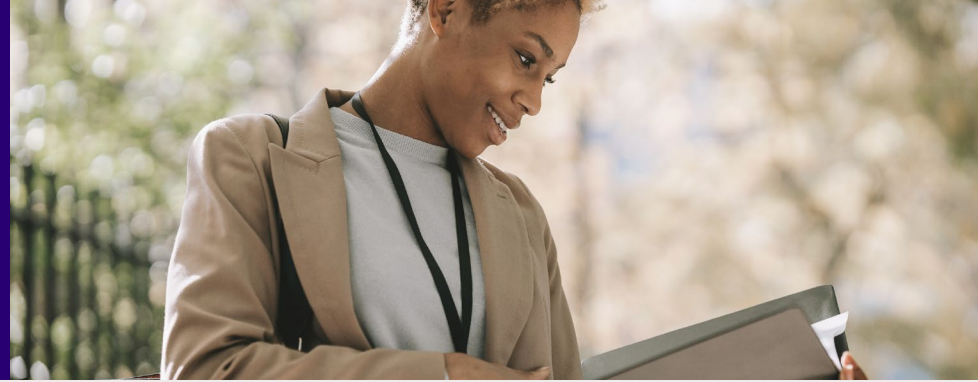
Continued healthy demand for cloud, data and security services

Customer focus on resilience, efficiency and business continuity

Cost inflation to remain at high levels requiring continued attention to pricing and efficiency

Full commitment to support safety and well-being of our Ukrainian colleagues

# Consistent value creation building on cloud, data and software mega trends



Specialized businesses taking advantage of cloud, data and software market growth

Strategic reviews to accelerate value creation - Banking and Tech services

Repositioning Tietoevry as a leading software and digital engineering company

# Our commitments to limit global warming below 1.5 degrees



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## 1. Absolute reduction target:

Tietoevry commits to 90% reduction of CO2e emissions in scope 1 and 2 by 2026 from 2020 base-year.

Achievement to date:

70%

## 2. Renewable electricity target:

Tietoevry commits to increase annual sourcing of renewable electricity from 80% in 2020 to 100% by 2026.

Achievement to date:

95%

## 3. Intensity target:

Tietoevry commits to reduce scope 3 business travel GHG emissions with 47% per average full-time employee by 2030 comparing with base-year 2019.

Achievement to date:

83%

## 4. Supplier engagement target:

Tietoevry commits to that 70% of its significant suppliers by emissions, covering purchased goods and services will have science-based targets by 2026.

Achievement to date:

34%

# Recent customer wins across specialized businesses



**Goodyear** partners with Tietoevry Create for increased efficiency, sustainability and competitiveness provided by the state-of-the-art fleet and tyre management solutions



Market expansion with 12 counties in Finland adopting Tietoevry Care Health Data Platform, latest **Kanta-Häme** region, enabling 360° patient history for higher care quality and care personnel experience



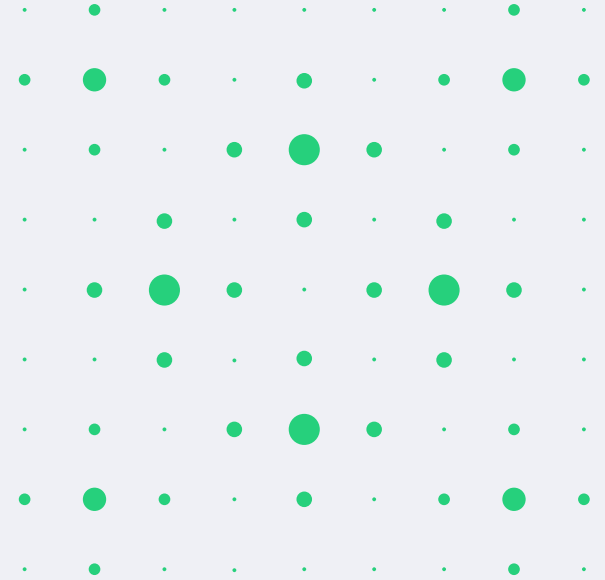
**If Insurance** extends its partnership with Tietoevry Tech Services for modernization and advisor on their cloud journey



**Sparebanken Vest** extends agreement with Tietoevry Banking for payment, core banking, card solutions as well as Financial Crime Prevention services

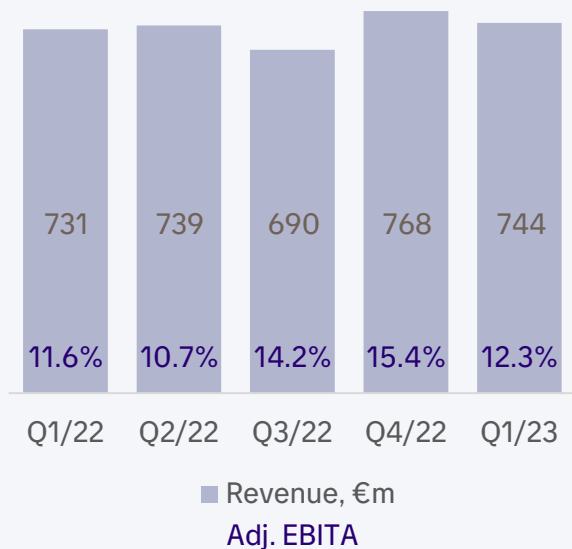


# Business highlights



# Tietoevry Group

Good start for the year – strong growth and solid profitability



Organic growth<sup>1</sup>

8%

(5%)



Adj. EBITA<sup>2</sup>

12.3%

(11.6%)

€92m (85)



Cash flow from operations

€104m

(€62m)



Order backlog

€3 392m

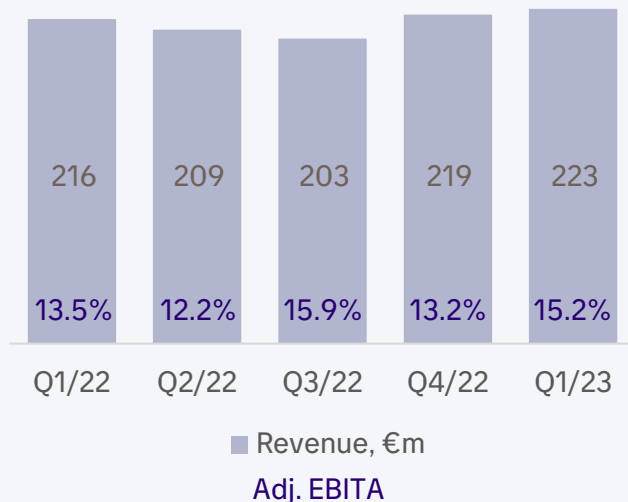
(€3 468m)

+5%<sup>1</sup>



# Tietoevry Create

## Solid growth and profitability



Organic growth

# 9%

(15%)

Adj. EBITA

# 15.2%

(13.5%)

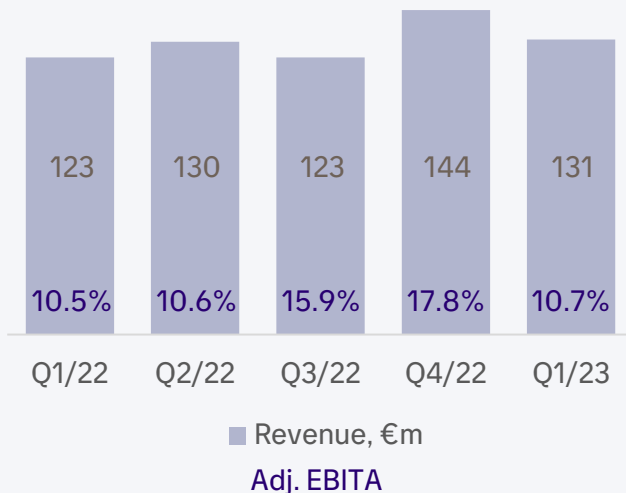
€34m (29)

## Highlights

- High market activity in digital and software engineering services continued – early signals of delays in customers' decision making
- Strong growth in International business >15% and Norway >10%
- Profitability supported by growth and productivity improvement

# Tietoevry Banking

## Continued strong revenue growth



Organic growth

# 15%

(8%)

Adj. EBITA

# 10.7%

(10.5%)

€14m (13)

## Highlights

- Strong growth driven by Cards, Wealth, Credit and Financial Crime Prevention
- Profitability supported by growth and 2022 efficiency measures
- High technology and personnel cost inflation impacting speed of profitability improvement

# Tietoevry Care

Strong growth and profitability



Organic growth

## 15%

(5%)

Adj. EBITA

## 30.4%

(29.3%)

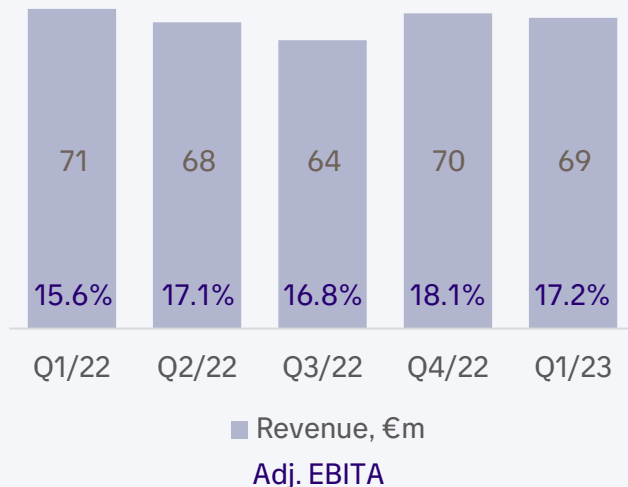
€19m (17)

## Highlights

- Strong growth – Healthcare up by >20%
- Finland's social and health reform driving Q1 growth – potentially lower demand in H2
- Continued strong profitability driven by scalable software businesses

# Tietoevry Industry

## Consistent healthy profitability



Organic growth

# 4%

(3%)

Adj. EBITA

# 17.2%

(15.6%)

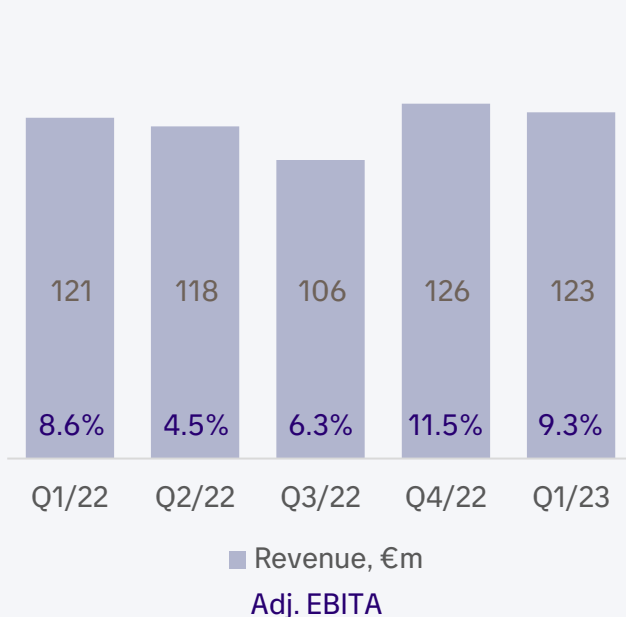
€12m (11)

## Highlights

- Strong growth in Case Management >20% and Pulp & Paper >10%
- Large customer contract ending in Data Platform Services had a negative impact of 2 pp. on growth
- Consistent healthy profitability continued

# Tietoevry Transform

Healthy growth and improved profitability



Organic growth

6%

(0%)

Adj. EBITA

9.3%

(8.6%)

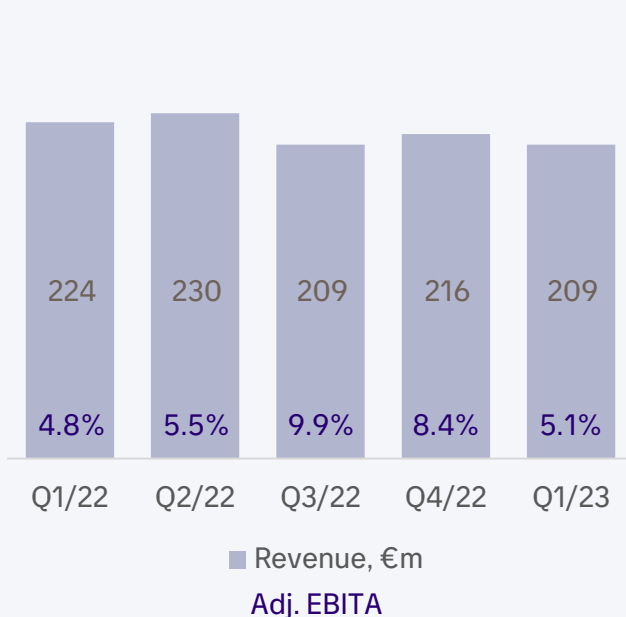
€12m (10)

## Highlights

- Strong growth of >10% in both Industry & Forest and Public, decline in Retail & Financial Services
- Profitability improvement driven by growth and continued focus on efficiency incl. contribution from 2022 measures
- Early signals of delays in customers' decision making

# Tietoevry Connect

## Profitability impacted by seasonality



Organic growth

# 0%

(-1%)

Adj. EBITA

# 5.1%

(4.8%)

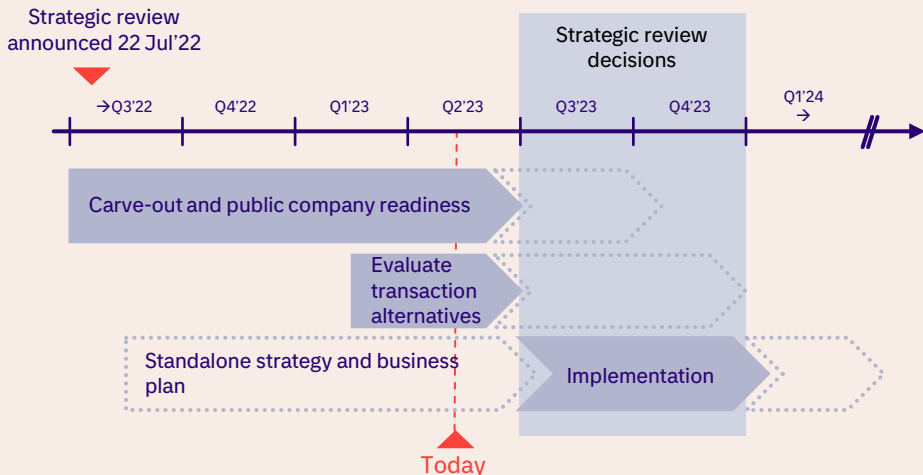
€11m (11)

## Highlights

- Strong growth of 16% in Cloud Platforms and Security Services
- Traditional infrastructure services' revenue declined by 6%
- Profitability supported by 2022 performance improvement programme – impact partly offset by annual price discounts and high personnel and technology cost inflation

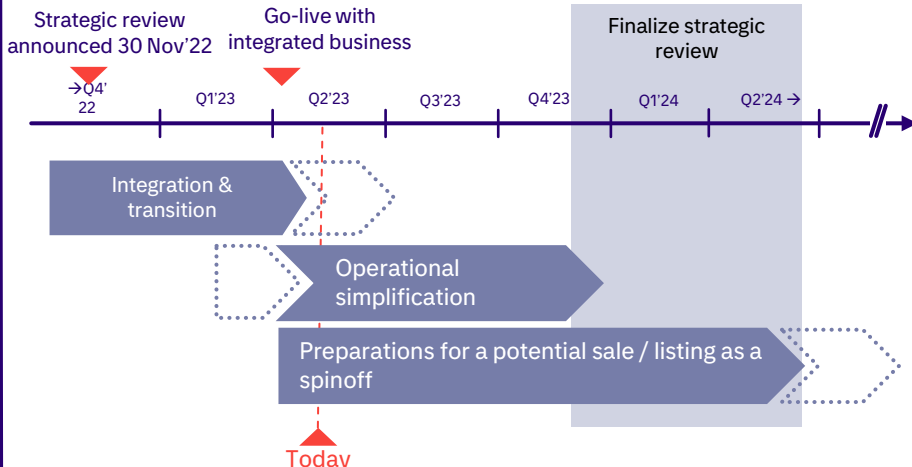
# Strategic reviews of Banking and Tech Services to accelerate value creation – progressing on schedule

## TIETOEVRY BANKING STRATEGIC REVIEW



- Standalone legal structure design completed – implementation ongoing
- Main activities to define the standalone strategy, long term business plan and financials ongoing
- Preparations towards a standalone listed company ongoing, strategic review decisions during Q3-Q4

## TIETOEVRY TECH SERVICES STRATEGIC REVIEW



- Integrated business live as of 1<sup>st</sup> April 2023 (Q2 reporting in the new structure)
- Operational simplification and efficiency measure initiated, potentially impacting up to 500 roles
- Preparations for standalone strategy, long term business plan and financials ongoing – aiming at a potential sale or listing as a spinoff

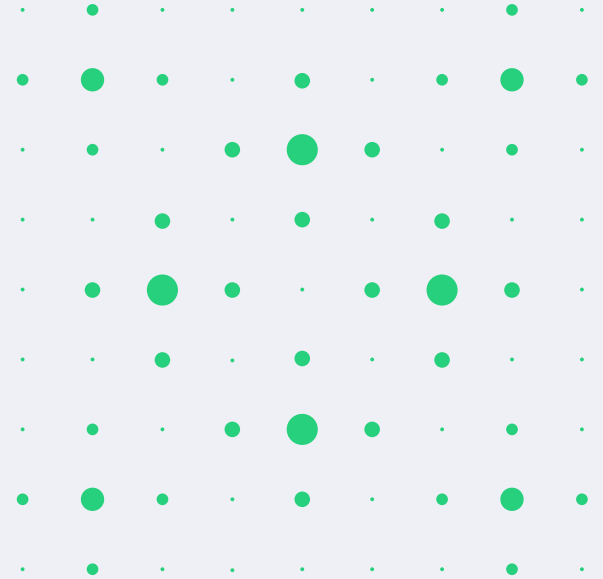
# Tietoevry Tech Services driving integration and strengthening its competitiveness

Full-stack capabilities for driving enterprise-wide transformation; transforming and modernizing processes, applications and IT infrastructure, including multi-cloud services

Focus of integration to improve competitiveness through customer centric operating model and drive operational simplification including efficiency across all functions and geographies

Tietoevry Tech Services initiates employee processes – may lead to the potential reduction of up to 500 roles globally during 2023

# CFO report



# Q1'23 financials – strong performance during high inflation era

## Q1'23 highlights

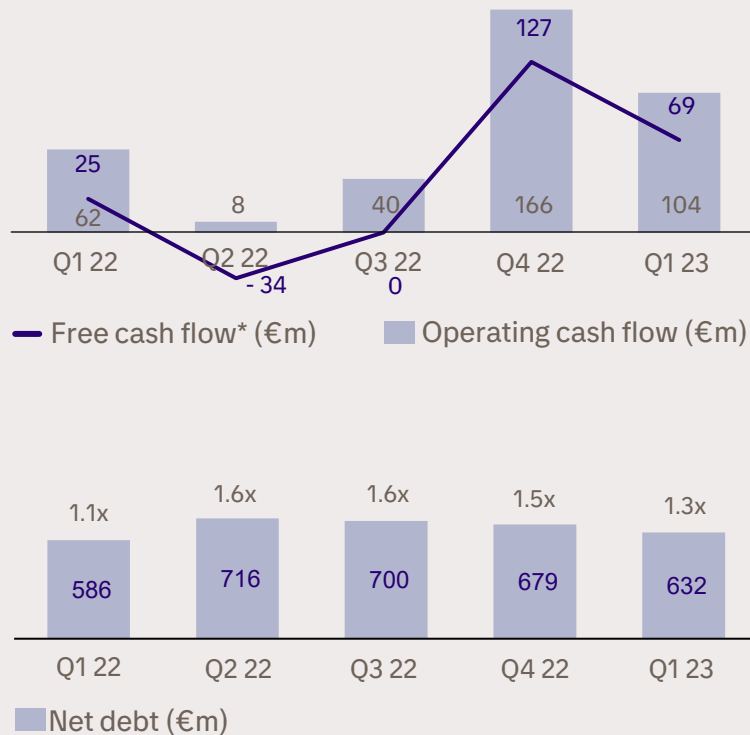
- Strong organic growth driven by Tietoevry Create, Tietoevry Banking and Tietoevry Care
- Reported growth impacted by FX headwind of €46m – mainly driven by depreciation of NOK and SEK
- Solid profitability in high inflation era – profit improvement supported by growth, continuous attention to efficiency and 2022 performance improvement programmes
- Strong cash generation – leverage within target range
- One-time items estimate for FY23 unchanged at 1% of revenue – Strategic Reviews expected to generate additional one-time cost of ~1.5% of revenue
- Corporate income taxes are accounted for using estimated effective tax rate for the full year

	Q1'23	Q1'22
<b>Revenue and growth</b>		
Revenue	744	731
Reported growth	2%	3%
Organic growth	<b>8%</b>	<b>5%</b>
FX revenue impact	-46	1.7
Order backlog	3 392	3 468
<b>Profitability</b>		
Adj. EBITA	92	85
Adj. EBITA margin	<b>12.3%</b>	<b>11.6%</b>
One-time items	13	27
EBIT	69	46
EBIT margin	<b>9.2%</b>	<b>6.3%</b>
<b>Cash flow and leverage</b>		
Operative cash flow	<b>104</b>	<b>62</b>
Free cash flow	69	25
Net debt	632	586
Leverage (net debt/EBITDA)	1.3x	1.1x
CAPEX	21	21

All numbers in €m

# Strong Q1 operating cash flow – Net debt / EBITDA 1.3x

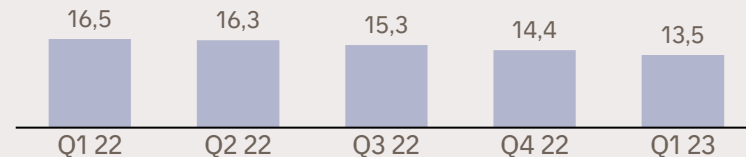
- €104m (62) cash flow from operations
    - Operating profit (EBIT) increased by €23m
    - Net working capital decrease of €14m, mainly due to normal seasonality
  - Free cash flow\* of €69m (25)
  - Healthy cash generation foundation
- 
- Net debt/EBITDA 1.3x (1.1x) at end of Q1'23 – within target level of 1-2x
  - Interest bearing net debt €632m (586)



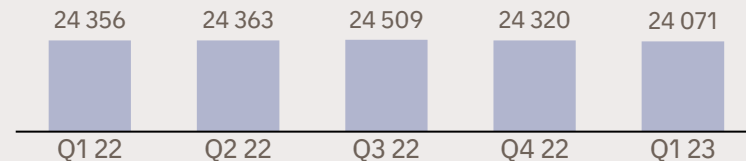
# Attrition continues to decrease – salary inflation remains high

- LTM attrition continues to decrease – down 0.9 pp. since Q4'22
- Performance improvement programmes in Tietoevry Connect and Tietoevry Transform driving net reduction of ~500 roles year-over-year (-6%)
- Organic increase of talent base in Tietoevry Create of ~300 roles (+3%) since Q1'22
- New hires in line with Q4'22 in response to lower attrition – recruitment pace to increase in H2 driven by graduate hires
- Group-level salary inflation is expected to be 4-5% on average for 2023

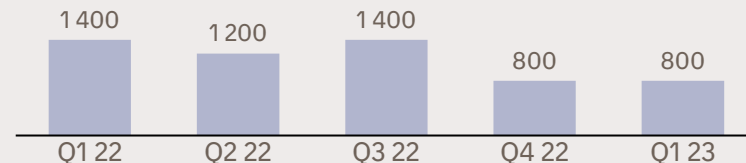
Attrition  
% last twelve  
months  
(voluntary)



Personnel  
End of period



New hires  
In quarter



# Performance drivers – Q2'23

## Growth drivers



- Continued good momentum in Tietoevry Create, Tietoevry Banking and Tietoevry Care
- Decline in traditional infrastructure services anticipated to continue, driven by acceleration of cloud transformation

## Profit drivers



- Continued high inflation – demanding agenda to maintain and expand margins
- High technology cost inflation impacting especially Tietoevry Banking and Tietoevry Connect
- Increased costs in Tietoevry Banking resulting from legal separation (profit impact to Banking ~1.5pp)
- Continued impact from performance improvement programmes executed during 2022

## Other drivers



- Negative FX impact on revenue ~€46m
- 1.3 working days less – negative ~1.4% impact on organic growth

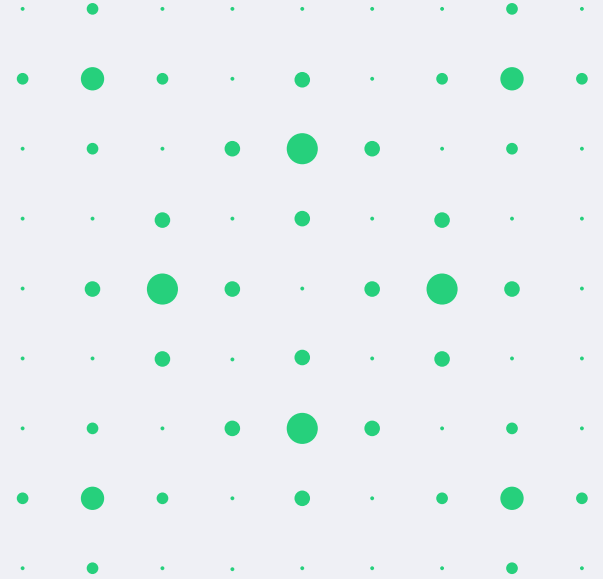
# Q2 profitability outlook



Business	Q2'22 adj. EBITA %	Profitability outlook
Tietoevry Create	12.2%	<b>At or above</b> Q2'22 level
Tietoevry Banking	10.6%	<b>Above</b> Q2'22 level
Tietoevry Care	30.1%	<b>At or below</b> Q2'22 level
Tietoevry Industry	17.1%	<b>Below</b> Q2'22 level
Tietoevry Transform*	4.5%	<b>Above</b> Q2'22 level
Tietoevry Connect*	5.5%	<b>At or above</b> Q2'22 level

\* To be reported as combined Tietoevry Tech Services as of Q2'23

# Our way forward



# Way forward – specialization at the core of competitiveness



Continued profitable growth in software and digital engineering businesses

Tietoevry Banking and Tietoevry Tech Services strategic reviews for value acceleration

Continued emphasis on efficiency, price increases and productivity in a high inflation era

Go to place for tech professionals –build on strong engagement foundation