

April 29, 2026

Tieto Corporation

Q1 2026

QUARTR



Speakers



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Prepared Remarks



Tommi Järvenpää

Head of Investor Relations | Tieto

Good morning. Welcome to Tieto's first quarter 2026 earnings webcast. My name is Tommi Järvenpää, the Head of Investor Relations at Tieto. In Q1, we delivered strong profitability and solid performance in software businesses. This morning, we will present our financial results for the quarter and provide an update on the progress of the strategy execution. After the presentation, we will open the line for questions. With me here are our Chief Executive Officer, Endre Rangnes, and Chief Financial Officer, Tomi Hyryläinen. Now I will hand over to Endre. Go ahead.



Endre Rangnes

President and CEO | Tieto

Thank you, Tomi, welcome to Tieto's Q1 2026 presentation. I would say that we have clearly been through an eventful quarter with execution of our four strategic priorities, also coupled with the market development. As part of this, we clearly see strong momentum from the rapid adoption of AI across the line. At Tieto, we regard this as a clear opportunity. AI is an integral part of all our businesses and is already helping us create value and to drive efficiency. In Q1, we again see the effects of the cost-efficiency program implemented last year. I would say also, despite the challenging market conditions, we have improved the profitability by more than 4 percentage points if you look at Q1 2026 versus Q1 2025.



Endre Rangnes

President and CEO | Tieto

We continue to move forward towards our 2028 strategic ambitions and goals, which was also communicated in connection with Capital Markets Day. I would also remind you about our strategy. Our ambition is to become a European software and tech consulting market leader within selected industries and niches. We are executing this through four main strategic priorities. Number one, customers first, second one, simplified core, thirdly, selective expansion internationally, number four, a competitive cost base to position us for the future. We have also set out clear ambitions in terms of financial targets. To be more than 5% growth CAGR 2027-2028, about 16% margin by end of 2028, and we are tracking towards these targets still. Let's see how we are progressing then on these priorities in practice.



Endre Rangnes

President and CEO | Tieto

Let's start off with number one. I will say, overall, the execution is continuing across all the four main areas, importantly, we are making tangible progress. It starts with the market and with the customers. During Q1, we have been focused on making the organization more customer-oriented and then commercially sharper. This is visible now in how we are strengthening client governance and sales, and we are already seeing this reflected in increased AI-related demand from customers, and the backlog buildup is happening. Also reminding us about the announcement last week, the Microsoft partnership is also quite important for us and will contribute to strengthening our market position going forward. At the same time, we are simplifying the company to improve focus and scalability.



Endre Rangnes

President and CEO | Tieto

The divestments we have announced and completed are about freeing up capital and also management attention and capacity. While the harmonization of the Tieto Tech Consulting operating model is a key enabler for scaling our business more efficiently going forward, we continue to expand selectively also in Europe from a kind of growth point of view. These are very targeted moves. We see clear opportunities going forward. Tieto Iberia is a good example where our acquisition end of last year, beginning of this year, created an entry point, and we are now building on that with two new signings in Q1, O2 Madrileña and then FORVIA. Similarly, we see that Tieto Indtech's moves in the U.K. and Denmark reflects also expansion in areas where we have attractive opportunities.



Endre Rangnes

President and CEO | Tieto

At the same time, we are actively managing our cost base while we are making good progress on our savings.

**Endre Rangnes**

President and CEO | Tieto

We have also today announced additional actions in Tieto Tech Consulting to adjust to the current market environment and to ensure competitiveness going forward. Overall, this is about disciplined execution across all levers, strengthening the commercial side, simplifying the structure, investing selectively in the different markets, adjusting the cost base going forward. AI is for sure reshaping the tech industry, and understandably, there is a question in the market around disruption, who benefits and who are at risk? Overview is that the impact is not uniform. In fact, AI tends to benefit vendors that are deeply embedded in the customer's core operations through local presence and that manage business-critical data and operates in regulated environments where security, industry expertise, and long-term relationships are essential.

**Endre Rangnes**

President and CEO | Tieto

In other words, the parts of the market where customer relationships matters, where data is sensitive, and where systems are mission-critical, those are structurally more resilient to disruption. This is exactly where Tieto is positioned. We have a strong foundation with deep presence in vertical software through high regulatory requirements, a large install base, and long-term customer relationships, and our software and services are already embedded in core processes. Again, AI is not something is new for us. It's already integrated into our products, deliveries, and modernization work, and we continue, of course, to invest in this area. Our position is also supported by what we see in the market.

**Endre Rangnes**

President and CEO | Tieto

According to our Nordic AI survey, which we completed in February, organizations are now clearly moving from experiments to production with around one-third of the participant in the survey already using AI actively.

**Endre Rangnes**

President and CEO | Tieto

At the same time, the biggest barriers are security, skills, and governance, areas where customers typically rely on trusted partners. For us, this is not about theory. AI is already embedded across our operations and offerings. We have AI tooling in all our software units with multiple tools in place. We have also very advanced AI innovation center in Bangalore that is now going to be replicated to other geos. We are also using AI in areas such as sales, business development, and automation of internal processes. This is also visible in concrete customer and business use cases. For example, in BankTech, we are already embedding agentic AI into core solutions such as lending, ATM, financial crime prevention.

**Endre Rangnes**

President and CEO | Tieto

In CareTech, we have moved from proof of concepts to production in several solutions in Lifecare, such as Lifecare Smart Notes, which is a kind of AI-assisted documentation solution that helps healthcare and social care professionals to create high-quality notes using speech or text. Last week, we took a further concrete step to accelerate this through the strategic partnership with Microsoft. Together, we are moving AI from pilots to production at scale and building also capabilities across 5,000 consultants within our Tech Consulting business. Overall, we absolutely see AI as an opportunity to strengthen our role in the value chain and also increase our relevance in the years ahead. Let me summarize the key highlights from Q1. Overall, we delivered strong profitability and solid performance within our software businesses.

**Endre Rangnes**

President and CEO | Tieto

I must also say that I'm not satisfied with the revenue at -3%. However, it's also important to note that this includes around 2 percentage points of expected headwinds from legacy runoffs in BankTech and CareTech. Adjusting for these effects, the underlying growth in our software businesses remain healthy. At the same time, the weak market environment in Tech Consulting continues also to impact overall growth. On profitability, we saw a strong improvement with adjusted EBITDA increasing by over 4 percentage points year-over-year to 14.7%. This is driven by our cost optimization program as well as strong margins in the software businesses. Given the continued softness in the Tech Consulting market, we have also initiated additional cost actions to ensure competitiveness going forward.



Endre Rangnes
President and CEO | Tieto

As mentioned earlier, our strategic transformation continues, including large-scale AI capability buildup, and then strengthening of the key partnerships, like we saw with Orange, like you have seen also with Microsoft, and there is more to come. Overall, while the market environment remains mixed, we are improving profitability, continuing to execute our strategy, and as communicated in connection with Capital Markets Day, we regard 2026 as a year of transition for Tieto. As mentioned, underlying growth in our software businesses was healthy, and profitability clearly improved during the quarter. In addition to that, let me highlight a few other points. First of all, the leverage improved significantly and is now at 1.3x, supported by the completion of the Bekk Consulting AS divestment and also reflecting a strong balance sheet position. Secondly, our order backlog continued to grow.



Endre Rangnes
President and CEO | Tieto

It's up 8% year-over-year, providing good visibility going forward. It's also important to understand that we delivered a very high order intake in Q1 of 2025, and despite that we are up 8%. Finally, cash flow from operations was solid. If you compare like for like, we are actually up 9%. The number that you can see to the right includes some last year, including tech services and then Bekk Consulting AS. Like for like, up 9%. I will say that overall, alongside the profitability improvements, we are also strengthening our financial position and maintaining good forward visibility. Let's then have a look at the four different business units, starting off with Tech Consulting. I would say that the market environment in Tech Consulting has remained weak.



Endre Rangnes
President and CEO | Tieto

We have recently seen that increased geopolitical uncertainty has continued to delay decisions, and the overall demand remains soft. I think I read this new article this morning from BCG, and I think the kind of geopolitical picture was impacting a lot of different industries. We can also see that this is reflected in our performance. Growth was somewhat below our internal initial expectations for the quarter. Lower activity levels have also then impacted utilization, which again has impacted then the profitability. Based on this, we have taken additional actions to protect profitability. This includes targeted capacity adjustments in the delivery side, ensuring that we remain competitive while aligning with current demand levels. At the same time, we are ensuring simplification and strong execution going forward.



Endre Rangnes
President and CEO | Tieto

As part of this, we have also made a leadership change in the business. Johan Nygaard, who previously led our Indtech business, is taking over the leadership. This is to maintain momentum and execution while we initiate a broader search for a permanent leader. While the short-term market remains a bit challenging, our long-term transformation continues, including strengthening our AI capabilities and partnerships, as discussed earlier. Based on actions initiated, we have good reason to believe that we will improve the relative performance already in Q2 2026. Furthermore, we see that AI is well visible in our agreements during the quarter. For example, our partnership with Park Holidays is focused on AI-enabled enhancement, helping them improve customer-facing digital platforms. We have also helped one of our clients offshore Qualific with enhanced end-user functionality through AI.



Endre Rangnes
President and CEO | Tieto

AI is used on the supplier portal for qualification and follow-up of suppliers within the energy and utility sector. Again, overall, we are adapting to the market conditions while continuing to drive the transformation of the Tech Consulting business. Moving to BankTech, here we continue to see good momentum. Profitability was strong during the quarter, and underlying growth remains solid. Reported organic growth was impacted by a legacy contract runoff, communicated earlier, which reduced the growth by approximately 5 percentage points. At the same time, the quarter included a one-off positive impact from a customer contract, also resulting in a kind of two-year extension of that specific contract. Adjusting for these items, underlying growth is around 3%, which we see as a solid performance in the quarter.



Endre Rangnes

President and CEO | Tieto

Profitability clearly improved 17.3%, supported by our cost optimization measures initiated last year. We are now operating at a strong margin level within BankTech. In addition to this, our order backlog remains strong, providing good long-term visibility, 2027, 2028, based on also signings back in 2025 and now during Q1 of this year. This is absolutely visible in the backlog. We have concluded also several agreements during the quarter. We entered into a strategic partnership with Danish BEC Financial Technologies. Our modern cash management solution will provide large corporate customers with real-time visibility of the liquidity. We also entered into a multi-year agreement with SpareBank 1 on the development of a new mortgage solution.



Endre Rangnes

President and CEO | Tieto

This solution is built on modern technology, real-time data that will automate assessments, decisions, and process flows, of course, enabled by AI, and also microservices components as part of this, which makes it a kind of open industry standard solution to be also resellable. Overall, BankTech continues to deliver stable growth, strong profitability, and a good forward visibility. Looking at CareTech, we continue to see strong and stable performance. As in BankTech, reported organic growth is impacted by legacy business decline, which is washed out when we come into 2027, but which is also reducing the growth by around 5 percentage points in Q1. Adjusting for this underlying organic growth is around +3%, like in BankTech, which we see as a solid level. Profitability, as you can see, 26% margin, is a very strong number, also improvement year-over-year.



Endre Rangnes

President and CEO | Tieto

During Q1, we also saw strong order intake supporting future growth. Importantly, we continue to develop our offerings with AI-enabled solutions. For example, AI is already being used across the care pathway from data capture, imaging, to clinical decision support and risk prediction, helping them improve both efficiency and quality of care. On agreements, we have made good progress across the Nordic countries. During the quarter, we signed a significant agreement with City of Stockholm to deliver life care solutions for municipalities and welfare services. Agreement is valid for up to 13 years. Our solutions offer support in daily operations, enabling efficient workflows across the entire care process from planning, follow-up to documentation and a mobile work.



Endre Rangnes

President and CEO | Tieto

In Norway, we've delivered a life care workforce planner solution to Nittedal Municipality, providing a modern resource management system to support workforce planning across the municipality. Overall, CareTech continues to deliver stable growth, very strong profitability, and I would say a good momentum going forward. Finally, in Indtech, we continue to see solid overall performance. Growth was 2% for the quarter, and it's worth noting that this includes clear negative impact from our pulp, paper and fiber segment. Absolutely also part of the geopolitical picture where the customer's activity has slowed due to the current situation.



Endre Rangnes

President and CEO | Tieto

With them, also projects being postponed globally. This alone is around 2 percentage points negative effect for Indtech impacting then the overall growth. Excluding this, the rest of the businesses are performing well with solid growth across most areas. Profitability again improved further and remains at good solid levels, supported by both the momentum of what we did last year in terms of cost efficiency, but also the top line growth of course.



Endre Rangnes

President and CEO | Tieto

From a strategic perspective, a highlight in the quarter was the expansion of our multichannel and BIX offerings into the U.K. market, which is an important step in scaling the business. At the same time, the order backlog remains healthy, supporting forward visibility. As mentioned earlier, we have also announced the divestment of Edlevo and HR & Payroll businesses, which is expected to be closed in Q2 of this year. We have also strengthened our position in the Danish public sector. We were selected by Danmarks Nationalbank to deliver an electronic case and documentation management system based on our Public 360 solution. Furthermore, Butterfield Bank chose Tieto Multichannel to consolidate document distribution, this bank is a full service bank and wealth manager operating across Bermuda, Cayman Islands, Guernsey, Jersey, the Bahamas, Switzerland and Singapore and the U.K.



Endre Rangnes

President and CEO | Tieto

With our platform, Butterfield will consolidate document distribution across digital and physical channels. Overall, Indtech continues to perform well, solid underlying growth and good strategic progress. Tomi, that leaves us with the Chief Financial Officer report.



Tomi Hyryläinen

CFO | Tieto

Thank you, Endre, and good morning, everyone. Q1 highlights were significant profitability uplift in accordance with our plan and solid performance in our software businesses. Group overall growth was impacted by known legacy contract runoffs and continued weak market demand inTech Consulting, as mentioned. Our profitability improvement of 4.1% compared to prior year was driven mainly by our successful cost optimization program, which aims for a significant EUR 50 million cost base reset. Good to note that we continue to compare against prior year with IFRS 5 cost burden, which accounted for 1.8 percentage point of the improvement. Our one-time items for Q1 were positive by EUR 15 million, impacted by gain on sale from BEC divestment of EUR 20 million. Full year one-time item expectation is unchanged at 1.5% of revenues, excluding the capital gains.



Tomi Hyryläinen

CFO | Tieto

Other Q1 highlights would be our strong cash flow and continued solid order backlog with 8% year-on-year improvement. Our EUR 150 million share buyback program, which returns BEC sales proceeds to our shareholders, is ahead of the original timeline. We expect to finalize that early September. As mentioned, we delivered strong operative cash flow of EUR 85 million in Q1. Our networking capital decrease of EUR 14 million was seasonal. This is resulting primarily from the prepayments received in the beginning of the year. Note that Q1 2025, so prior year cash flow, includes contribution from the divested businesses as the cash flows are not restated for prior periods. On comparable basis, our Q1 operating cash flow has improved approximately 9% compared to prior year.



Tomi Hyryläinen

CFO | Tieto

We also delivered strong free cash flow of EUR 202 million, which included net cash proceeds of EUR 147 million from the BEC divestment. As discussed already in our Q4 report, our net debt/EBITDA improved significantly and was 1.3x at the end of Q1. Main reason for the improvement is the BEC divestment, with divestment proceeds decreasing the net debt and the gain on disposal increasing the EBITDA.



Tomi Hyryläinen

CFO | Tieto

During the year when we execute the share buyback program, our leverage will gradually increase and on fully adjusted basis, our leverage at the end of Q1 is already at targeted level, so slightly below 2x when we consider the impact of the BEC divestment, completion of our share buyback program and the IFRS 5 cost burden impact. A few words on our cost optimization program where we have reached EUR 105 million run rate savings by end of Q1, and we're fully on track to deliver the full EUR 130 million run rate savings by end of 2026. As communicated earlier, this program aims for a permanent cost base reset of approximately EUR 50 million, while mitigating the cost burden from tech services divestment and reducing the overcapacity in the consulting business primarily.



Tomi Hyryläinen

CFO | Tieto

Our estimate of the one-time cost from the program are unchanged with EUR 55 million to EUR 60 million, of which we have incurred EUR 46 million by end of Q1. On employee matters, LTM attrition remained at low levels, being 7.6% at the end of Q1. This reflects the soft market environment. During the quarter, our net personnel reduction was 800 FTEs, of which 430 FTEs relate to M&A activities, namely BEC divestment and Tieto Iberia acquisition. Overall personnel reduction year-on-year amounts to approximately 14%. We expect group salary inflation for the year to be between 3% and 4% compared to 4% in 2025. The lower inflation expectation reflects the overall softer market environment. Next, some outlook remarks for Q2 2026. On growth, we expect group revenue growth to improve from Q1 levels.



Tomi Hyryläinen

CFO | Tieto

Tech Consulting will continue to be impacted by weak demand across all markets. We expect growth nevertheless to improve from Q1, but still to remain negative. The improvement is primarily driven by easier comparables. Tieto BankTech continues to be impacted by legacy contracts run-off impact of 6%, which is an increase of 1 percentage point from Q1. However, revenue growth is supported by continued underlying growth in the software businesses. Tieto CareTech continues also to be impacted by legacy contract run-offs by negative 5 percentage points, which is at the same level as Q1. However, revenues are supported by continued underlying growth in the modern software portfolio. Tieto Indtech growth continues to be supported by strong order backlog. On profit remarks, cost optimization program contributes to profit improvement across the whole company.



Tomi Hyryläinen

CFO | Tieto

Consistent with prior year, our annual salary increases take effect in April. On other remarks, there is only minor impact from the working days. As usual, Q2 profitability outlook per business. We expect Tech Consulting, BankTech, and Indtech to be above prior year profitability level and CareTech to be at or above prior year. As the year 2026 includes some specific headwinds, we created this table in Q4 to help everyone to navigate the growth dynamics of 2026 on a quarterly basis. The outlook for the year remains unchanged in terms of the growth dynamics. We continue to believe on neutral growth momentum for Tech Consulting in Q4. To note, CareTech legacy run-off impact in Q1 was 5% instead of the estimated 6%, which we have adjusted in this table. Remaining of the year is unchanged.



Tomi Hyryläinen

CFO | Tieto

In summary, these specific headwinds amount to negative 3 percentage points at group level and are fully accounted for in our guidance, which remains unchanged. Now back to you, Endre Rangnes.



Endre Rangnes

President and CEO | Tieto

Thank you, Tomi. Summarizing the quarter, Tech Consulting performance was slightly behind our expectations. However, we are taking good progress with transformation and also taking new actions to ensure a future competitive cost base. Secondly, our software businesses are delivering according to plan, I would say actually slightly ahead. Thirdly, we have a good order backlog build in the quarter, giving high visibility going forward. Number four, leverage is at a healthy level. Number five, we delivered a very good cash flow in the quarter. I would say that our focus remains unchanged. We keep focused on execution of strategic priorities. Our direction is clear. With that, we should open for the Q&A. Tomi, I don't know if you have got any questions so far. Yes, we have.

Q&A



Operator

If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial star five again on your telephone keypad. The next question comes from Daniel Gerber from Handelsbanken. Please go ahead.



Daniel Gerber

Analyst | Handelsbanken

Thank you, operator, and good morning, Endre and Tomi, and thanks for the detail and good work on transformation. I have a question on Tieto BankTech. Looking at your current customer installed base and annual exposure, do you have knowledge or should we expect any more, you know, of these additional legacy extensions in the remaining part of 2026 similar to what we saw here in Q1?



Endre Rangnes

President and CEO | Tieto

I would say that on the negative side, we have, the one mainframe contract that was terminated end of August of 2025, which given all this five headwind or -5 percentage points in the quarter. That will be ended in the earlier comparison, as we all understand, and when it comes to end of August this year. When it comes to the kind of one-off effect related to that specific contract, we also have the kind of two years extension of that contract, which also gives us a order backup buildup. I don't know if that's, kind of answering your question.



Daniel Gerber

Analyst | Handelsbanken

I guess it's hard to be more detailed. May I ask you on Tieto Tech Consulting on the continuous work there with up to 500 employees. Can you comment a little bit on early days I guess, but regions involved? Will you also be in, you know, U.S. with the MentorMate, and will it also include some, you know, divestments or similar such as MentorMate?



Endre Rangnes

President and CEO | Tieto

I would say that this will be more or less equally divided between offshore and nearshore, and then it's based, of course, on who are on the bench in which geos. That's the deciding factor. 1/3, like you saw in the Q1 presentation, 1/3d of this is related to already announced reductions of SG&A. 1/3 is related to people on the bench, which is, I would say, equally divide more or less between the different geos. The last third is related to one specific client where we are in a transition from one geo to another geo, and we have to carry part of that cost as part of the transition.



Daniel Gerber

Analyst | Handelsbanken

Okay. Fair enough. Also if I may ask you on the solid order backlog up 8% for the group, you commented that you have a strong backlog in bank tech and good order intake in care tech, but no real comments on Indtech in terms of backlog or order Indtech. Is it a big deviation within Indtech, or can you give any more colors would be good?



Endre Rangnes

President and CEO | Tieto

Of course, we have the different business units or the entities that we have with Indtech, but I would rather say that we didn't comment this specifically related to Indtech, but we have for second half a very solid backlog based on signings that we did in Q4 last year. For elements that has not yet been put into production, there's a ramp-up period for some of these contracts. We have high level of comfort in terms of delivering on the guidance for all the software entities based on the visibility we have on the backlog. The thing is also quite important to factor in when we look at the different quarters. Q1 is traditionally the weakest quarter. Second half is also traditionally a better half compared to first half.



Endre Rangnes

President and CEO | Tieto

I think, I mean, that is also why we keep the guidance levels when we look at both the top line and the profitability. This is basically based on the visibility that we have in terms of the backlog. I would also say that we have good early signs of the results from what we have invested into in terms of sales. It's that's part of the explanation why we have the backlog buildup, and we can also clearly see this in the CRM measurements that we have now at a quite close monitoring going forward.



Daniel Gerber
Analyst | Handelsbanken

Perfect. Thank you, Endre and Tomi, and good luck in Q2.



Endre Rangnes
President and CEO | Tieto

Thank you. Thanks a lot.



Operator

The next question comes from Felix Henriksson from Nordea. Please go ahead.



Felix Henriksson
Associate Director, Equity Research | Nordea

Hi, guys. Thanks for taking my questions. I have three. I can take them all individually. It seems like, you know, inTech Consulting, there are additional cost savings on the table beyond the current program from the new headcount reductions as well as the Orange capacity agreement. Can you quantify these by any means in terms of monetary value, or is there a reason why you choose not to do so?



Tomi Hyryläinen
CFO | Tieto

Can you be more specific?



Endre Rangnes
President and CEO | Tieto

He was talking about the monetary value effect of the 500 reductions because, like I said, 1/3 is already factored into the cost-saving program that we have announced, and then the two-third was related then to people on the bench, and then one-third related to one specific client where we have a transition from one geo to another geo, where we have already built up 150 people approximately in the new geo. The reason why we are taking that 1/3 of the 500 is that we have to take the cost of the reductions in the one geo, transferring to the next geo. The monetary effect of this, Tomi?



Tomi Hyryläinen
CFO | Tieto

I would probably break it into these elements. This SG&A is part of this EUR 50 million cost-based resets which I have commented and also how it's intended to be visible in our P&L. EUR 15 million was visible in 2025, incremental EUR 25 million visible in 2026, and the remaining 10 in 2027. This is how the skew of the cost-based reset will be in our P&L. That 1/3 is embedded in that, and all the OTIs are also in our OTI 1.5% guidance. The second one is taking out the bench from Tieto Tech Consulting and of course, that's a one-to-one because these people are now not contributing to revenue, so that's kind of a one-to-one of the 1/3. The remaining 1/3 is more of a shift from other geo to the other.



Tomi Hyryläinen
CFO | Tieto

Yes, there's no revenue implication per se, and the cost implication works similarly to the bench, what we take out because we need to pay some of this cost ourselves.



Felix Henriksson
Associate Director, Equity Research | Nordea

Okay. Thanks. The capacity agreement with Orange, is that a meaningful savings contributor as well?



Tomi Hyryläinen
CFO | Tieto

Absolutely it is.

**Endre Rangnes**

President and CEO | Tieto

Absolutely. That's, there are two factors into the Orange deal. First of all, we are transitioning from different vendors into a consolidated environment of Orange, which will give cost reductions when we come into 2027, so there is very limited effects of this in 2026. The second part of the strategic partnership with Orange is that, in order to do the expansion internationally, the selective expansion that we have announced, we also need a strong infrastructure partner. Orange being a global player, that's a quite important thing for us then to have that in the different delivery structures that we have going forward. Of course, in addition to what they have done now with Microsoft in terms of also public cloud, Azure, et cetera. We have several partners playing on this.

**Endre Rangnes**

President and CEO | Tieto

The two angles of Orange, one is the kind of cost reductions, one is the revenue growth.

**Felix Henriksson**

Associate Director, Equity Research | Nordea

Got it. Also on the Microsoft deal, it seems like, you know, correct me if I'm wrong, but this is kind of a way for you to make the consulting business more productized as an implementation partner and less dependent on time and materials-based billing. Is that the correct way to think about it? Are there other similar deals in the pipeline with other vendors?

**Endre Rangnes**

President and CEO | Tieto

Yeah. I think this is actually spot on. We have been quite transparent on this before that part of the market growth has been clearly related to application development and maintenance, and not necessarily time and material. We have been too heavy on time and material. That's why we have been through now this transitioning within tech consulting, of course, still ongoing. This is also quite important. When we look at the ecosystem of Microsoft, that's a big part of the IT spending. That's a big part of application development and maintenance, and also handling then I would say the infrastructure management towards public or private cloud. It's a quite fundamental shift. We are talking about 5,000 people that will go through upskilling eventually during 2026 and 2027.

**Endre Rangnes**

President and CEO | Tieto

Also to become, like you say, to become more relevant in terms of where is the market demand.

**Felix Henriksson**

Associate Director, Equity Research | Nordea

Got it. Final one from me. You know, you mentioned the low leverage, and you also have these two divestments in Indtech closing soon. Would you consider upsizing the existing buyback program after that? Are there any other, you know, ways to just sort of act with that, what additional capital?

**Endre Rangnes**

President and CEO | Tieto

We need to go back to what we communicated on Capital Markets Day. We have a clear capital allocation principle, and not yet decided what we will do with the surplus from that sale. We have also communicated that with surplus capital, that will be delivered back to the shareholders. If it's dividend, extraordinary dividend or share buyback, that will be decided when we come to the closing of those two deals expected to happen first half of June this year. There is a board decision what to do, and we will of course communicate it immediately after having kind of closed that deal, what we will do with that surplus.

**Felix Henriksson**

Associate Director, Equity Research | Nordea

Perfect. Thank you.

**Operator**

The next question comes from Sami Sarkamies from Danske Bank Markets. Please go ahead.

**Sami Sarkamies**

Head of TMT, Equity Research | Danske Bank Markets

Okay. I have two topics. We'll take this one by one. Continuing on that tech consulting, you're clearly not happy with Q1 results as you're doing these leadership changes and announce new cost programs. Can you help us to understand what part of the sort of disappointment is market-related and what is related to your, like, own actions that you can improve during the rest of the year?

**Endre Rangnes**

President and CEO | Tieto

First of all, I think, this is spot on, and I would say that like we are seeing now on the cost measures, 1/3 is related to people on the bench, and that is partly explained by the geopolitical picture. It's partly explained by the kind of supply, demand and supply in the market that we are not necessarily 100% relevant. That is also why we announced this Microsoft upskill structure. When it comes then to looking forward and based on the cost measures now taken and also previously announced related to the 1/3 SG&A, which is 1/3 of the EUR 500, we are quite comfortable that we have seen the bottom of the fall in Tech Consulting, and that we will deliver according to the plan rest of the year.

**Endre Rangnes**

President and CEO | Tieto

The reason for saying that we have pretty good now visibility on Q2. We need also to keep in mind that the relative performance we had weak Q2, Q3, and Q4 in 2025, so based on the transformations that we have been through, based on the cost initiatives that we have been through, based on also then the upskilling that we do, we are now seeing that tech consulting is tractioning towards what we have communicated in connection with Capital Markets Day.

**Sami Sarkamies**

Head of TMT, Equity Research | Danske Bank Markets

Okay. Second question related to Tech Consulting. Just trying to understand that how much lower your capacity will be, let's say, during the second half of the year once you have implemented all these actions relative to the starting position in first half last year?

**Endre Rangnes**

President and CEO | Tieto

If you're talking about upskilling, is that your question?

**Sami Sarkamies**

Head of TMT, Equity Research | Danske Bank Markets

No. Like delivery capacity, like FTEs.

**Endre Rangnes**

President and CEO | Tieto

Yeah. I would say that we have now come to the FTE level, where we can start also then performing at the higher utilization rate. Of course, the implementation of this upskilling of 5,000 people, like I said, that will happen gradually. It's not going to be in one big chunk. This will happen gradually during 2026 and 2027, not necessarily impacting the top line. This is a quite important thing that we need to have a very thorough plan now geo by geo, skill level by skill level, how to execute on this going forward. It'll be a combination, of course, of some weekend training, some evening training, some on-the-job training, et cetera.

**Endre Rangnes**

President and CEO | Tieto

The important thing here is that the different eight geos that we have, they need to be accountable and responsible for the implementation and execution of this. It doesn't help that group headquarters is driving this. This needs to be driven by the different geos. Any comments, Tomi?

**Tomi Hyryläinen**

CFO | Tieto

No. What we now today released, as the reductions, this is accounted for now as what we commented on the Tieto Tech Consulting of stabilizing growth momentum towards the end of the year. Of course we size this to the way that our utilization is at the reasonable levels.



Sami Sarkamies

Head of TMT, Equity Research | Danske Bank Markets

Okay. Then I have final, like, detail question for Tomi. Just to clarify, sort of EUR 4 million one-time item you booked at Banktech in Q1 related to this contract renewal that was visible in both sales and adjusted EBITA. When we think ahead, there's not gonna be, like, a change to the run rate of this agreement?



Tomi Hyryläinen

CFO | Tieto

Yeah, that's correct.



Endre Rangnes

President and CEO | Tieto

That's correct. The only change-



Sami Sarkamies

Head of TMT, Equity Research | Danske Bank Markets

Okay. Thanks.



Endre Rangnes

President and CEO | Tieto

... is that the only change is that they got two years extension on the contract. That's the change.



Sami Sarkamies

Head of TMT, Equity Research | Danske Bank Markets

Okay. No, no further questions.



Endre Rangnes

President and CEO | Tieto

Super. Thank you, Sami.



Operator

As a reminder, if you wish to ask a question, please dial star five on your telephone keypad. The next question comes from Deepshikha Agarwal from Goldman Sachs. Please go ahead.



Deepshikha Agarwal

VP | Goldman Sachs

Okay. Hi, thank you. Thanks so much for taking my questions. Just, I had 2 basically. First one on the margin trajectory. Clearly, this quarter was helped by the cost optimization program as well as the software business being strong, which we see is also helped by that contract in banking. How should we be thinking about, you know, the margin trajectory over the course of this year, especially keeping in mind it's typically for Tieto it's always second half-weighted. I don't know, the line was, I think, a bit unclear when you talked about the employee reduction in Tieto Tech Consulting. Is there any one-off cash costs related to those reductions that we should be mindful of? That's on the margin side of things.



Deepshikha Agarwal

VP | Goldman Sachs

The, the other one is basically, you've talked about, like, the, this, the ongoing, you know, simplification of the core, and there are two assets which are which have been announced today and which are to be closed. Are there any, like, are there any more assets that you're looking at? Any color on, you know, how do you plan to go about this further simplification of core for Tieto?



Endre Rangnes

President and CEO | Tieto

First, on the margin, maybe also, Tomi, you can comment on this one, but I would say that we have communicated the target of EUR 130 million run rate by end of this year based on the cost efficiency program that we launched in 2025. As you have seen, we are at end of Q1 at EUR 105, you will see also then for the next quarters the cost-saving efficiency coming through in the following quarters. Second comment on this one is that Q1, like I said, is usually the weakest quarter in the year. Second half is usually the best quarter. That has been the historic trend since many years.

**Endre Rangnes**

President and CEO | Tieto

We are also, when you add on then the visibility that we have in terms of backlog, especially for the software businesses, we don't have a high level of visibility in Tech Consulting for second half. Quite good for second quarter. When you look at the software businesses, we have very good visibility now for the full year. I think that is also impacting the bottom line for sure, meaning the revenue coming through, the revenue growth coming through going forward. I think that is basically the main effect on the bottom line-

**Tomi Hyryläinen**

CFO | Tieto

Yeah.

**Endre Rangnes**

President and CEO | Tieto

...margin.

**Tomi Hyryläinen**

CFO | Tieto

I would maybe still comment that yes, you will continue to see the benefits coming from the cost-saving program throughout 2026. When we reach the latter part of 2026, we start to have the comparables also including some of the impact from this program. If you model that, you should be mindful for that change. The delta will become lower, but of course, the profit levels are higher. In terms of the Q2, we typically, as I commented, have our annual salary inflation kicking in Q2. That's why seasonally, typically Q2 is lower from the profit point of view than Q1. The second half, as you yourself mentioned, that is typically stronger.

**Tomi Hyryläinen**

CFO | Tieto

One of the driver is Q3 vacation periods and, of course, sort of getting towards the year-end and getting the growth in as we have commented. That strengthens the profit profile towards the year-end.

**Endre Rangnes**

President and CEO | Tieto

It probably also worthwhile mentioning that the headwind in BankTech with the big mainframe contract from a top-line point of view, which was also kind of a negative margin, will also kind of help the year-over-year comparison when we go to Q4, already actually from Q3 September. That's also worthwhile factoring in. When it comes to simplification, as you have seen, we have a lot of initiatives ongoing. For example, we have now integrated more or less all the components, the different entities within Tech Consulting. Talking about Infopulse, MentorMate, we have sold out Bekk Consulting AS. We have EVRY India, which is now integrated, and the last piece out was the kind of conglomerate of entities in Sweden called Avega, which will be now fully integrated during Q2.

**Endre Rangnes**

President and CEO | Tieto

That's a quite important part of the simplification. Of course, when it comes to M&A, we don't have any plans in terms of adding on any large M&A. It's also important to say that we are kind of having the shareholder value creation view on what gives top-line growth and what gives a solid bottom-line effect for each and every single entity that we have in the company. That's the kind of optimization and simplification that we will constantly be working on. I think that's basically it.

**Tomi Hyryläinen**

CFO | Tieto

I would still comment on your question of the 500 FTE reduction and the cash impact. It's not one-time cash impact. Typically, as we commented in here, these reductions will happen during Q2 and Q3. Once these reductions happens, it's typically between three to nine months, three to 12-month period when this cash flow, cash outflow happens, just to be clear.

**Deepshikha Agarwal**

VP | Goldman Sachs

Okay. Thank you so much. Thanks a lot.

**Endre Rangnes**

President and CEO | Tieto

Thank you.



Tommi Järvenpää
Head of Investor Relations | Tieto

Thank you, and thank you, Endre Rangnes and Tomi. There's no further questions at this point. I would like to thank everyone for participating, and have a great rest of the day.



Endre Rangnes
President and CEO | Tieto

Thank you very much.



Tomi Hyryläinen
CFO | Tieto

Thank you.