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QUARTR



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Tommi Järvenpää

Head of Investor Relations | Tieto

Good morning, welcome to Tieto's second quarter earnings webcast. My name is Tommi Järvenpää, the Head of Investor Relations at Tieto. In the second quarter, the market weakened further, which impacted our growth. At the same time, we delivered a significant improvement in our profitability, underlining the resilience of our business and the progress we have made over the past year. This morning, our President and CEO, Endre Rangnes, and CFO, Tomi Hyryläinen, will walk you through the highlights of the quarter and our financial performance. After the presentation, we will host a Q and A as usual. With that, I would like to hand over to Endre. Please go ahead.



Endre Rangnes

President and CEO | Tieto

Thank you, Tommi, good morning, welcome to Tieto's Q2 presentation. As Tommi alluded on, the second quarter was shaped by two distinct developments. On one hand, market conditions became more challenging than expected, particularly in tech consulting. On the other hand, we delivered a significant improvement in profitability, 5.5 percentage points compared to Q2 last year, confirming that the measures implemented over the past year are developing and delivering tangible results. During this presentation, we will address both these developments. We will outline the market dynamics we experienced during the quarter, discuss the actions we are taking in response, and explain why we remain confident in our long-term strategy and outlook. With that, let me start by briefly revisiting the strategy that we presented at our Capital Markets Day last fall.



Endre Rangnes

President and CEO | Tieto

As communicated back then in November of last year, 2026 will be a year of transition and execution. Our objective this year has not been to maximize short-term performance, but to build a stronger company for the years ahead. During the past 12 months, we have fundamentally reshaped our cost base, we have simplified the organization, and we have strengthened execution across the group. These actions are now clearly visible in our profitability. While market conditions have become more challenging than anticipated, particularly in technology consulting, our strategic priorities, the four, are the same and unchanged. We are confident that the actions we are taking today is strengthening the company's competitiveness and supporting the medium-term ambitions we presented at our Capital Markets Day. Let me now illustrate how the strategy has translated into concrete progress during second quarter, as we also did for Q1 of this year.



Endre Rangnes

President and CEO | Tieto

Starting then with customers first. We continue to invest in customer-facing capabilities. AI has become an increasingly important part of customer discussions across the group, and we are seeing clearly growing customer interest in particular in AI applications. At the same time, we have invested heavily in developing our own people, with now 1,500 employees already completing Microsoft Rapid AI Skilling program. The simplification of the group has continued according to plan. In Q2, we completed the divestment of Edlevo and HR & Payroll businesses within Indtech, and we continue to accelerate the transformation of tech consulting through competence renewal and also organizational changes. Our expansion priorities also continue to progress well. We are seeing encouraging momentum in our target markets, particularly in DACH and Iberia, with new customer wins and a healthy commercial pipeline supporting future growth.



Endre Rangnes

President and CEO | Tieto

Our cost optimization program continues to deliver ahead of plan. We have already achieved annual run rate savings of EUR 115 million and remain firmly on track towards our EUR 130 million target. More importantly, I would say that cost discipline is now embedded across the organization and has become part of how we operate on daily basis. Of course, it's one theme that cuts across all four strategic priorities, and that is artificial intelligence. AI is no longer a separate initiative within Tieto. It is increasingly integrated into our products, customer solutions, and the way we develop software also internally. AI continues to be one of the most important long-term technology shifts shaping our industry. During the past year, the discussion have evolved rapidly from R&D and experimental projects towards practical deployment at scale.



Endre Rangnes
President and CEO | Tieto

We see increasingly also competitive advantage is built in on trusted software, deep domain expertise, and also business-critical customer workflows, rather than access to AI models alone. We believe that this plays directly into Tieto's strengths and our client base. While AI investments continue to increase, we are not yet seeing a broad-based recovery in technology consulting. Instead, customers are prioritizing targeted AI use cases, data foundation, and productivity improvement over large-scale transformation programs. We believe this represents a transition in how technology budgets are allocated rather than a reduction in overall technology demand. The slide that we have ahead of us illustrates a few examples from across our businesses. AI is now embedded into our software portfolio, customer solutions from software engineering and tech consulting to anti-money laundering in BankTech, clinical documentation in CareTech, and then financial automation in Indtech.



Endre Rangnes
President and CEO | Tieto

The common denominator across all of these examples is that AI is solving real customer problems and creating measurable business values. At the same time, we are applying AI internally across the company. AI tooling increasingly become a part of how we develop software, improving engineering productivity, and enabling us to deliver solutions to customers faster and more efficient. This is, of course, the request that we daily get from our clients as well. I would say that this is an important capability that supports all our businesses as we speak. Turning now to Q2 itself. The quarter was characterized by two very different developments with the market conditions weakening further, particularly in technology consulting, resulting in revenue development below both our own and market's expectations.



Endre Rangnes
President and CEO | Tieto

On the other hand, we also did see that our profitability remained very strong, an improvement of 5.5 percentage points versus Q2 of last year, demonstrating that the actions we have taken over the past year are clearly delivering results. The market environment became more challenging during the quarter than we anticipated at the beginning of the year as customers continued to postpone larger transformation programs. We also saw some softer demand in parts of our software portfolio. As a result of that, we have updated our full-year revenue growth outlook to reflect the current weaker market environment, and also the shift on customer spending. At the same time, our execution continues to be strong. The cost optimization program is delivering according to plan. Profitability improved across all four businesses, and we continue to accelerate the transformation of Tech Consulting.



Endre Rangnes
President and CEO | Tieto

As discussed earlier, this includes reshaping our competence base, investing in AI capabilities, and strengthening the business for next phase of growth. During the quarter, we also completed the divestment of Edlevo and HR & Payroll businesses. Following the completion of the transaction, we have decided to launch a new EUR 90 million share buyback program, and the current program has been completed. This, again, is in line with our capital allocation principles and our commitment to return excess capital to shareholders. Overall, while the market environment has become more challenging, the quarter reinforces our confidence that the company is becoming stronger operationally and strategically. Let me then briefly summarize the quarter through the key financial metrics. Revenue for the quarter was, as you can see to the left, EUR 427 million, corresponding to an organic growth of -5%, again, mainly driven by the -6% in Tech Consulting.



Endre Rangnes
President and CEO | Tieto

As discussed, the weaker development was primarily by the deterioration of the consulting market, while our software business continued to be affected by previously communicated legacy headwinds, like we have said, with Tieto Banktech and Tieto Caretech, and slightly softer market conditions also in selected areas. The highlight of the quarter was clearly profitability. As you can see to the right, the upper right, Adjusted EBITDA improved to EUR 63 million, or 14.9%, reflecting the structural benefits of our cost optimization program, together also with improved operational execution across the group. We are now seeing the tangible financial impact of the actions that we have taken now over the past year. Also, the balance sheet seems to be not seems to be, it remains to be very strong. Net debt to EBITDA was 1x at the end of the quarter.



Endre Rangnes
President and CEO | Tieto

Even if you exclude the temporary impact from the recent divestment proceeds, leverage would remain comfortably below the target range of approximately 1.9x, providing financial flexibility. Order backlog declined by 4% year-over-year, and this is primarily reflecting the exceptionally strong comparison period last year when we signed several large contracts in Tieto Banktech, and together also with a slightly softer market demand during the quarter. Finally, cash flow from operating activities remained healthy at EUR 21 million. This is 16% up year-over-year. If you then are factoring in from a comparison point of view that we also had the divested businesses in the 51 that you can see below the 21 number. With that overview, let me then move into each of the four business areas. Starting off with Tech Consulting.



Endre Rangnes
President and CEO | Tieto

As mentioned, market conditions continued to weaken during Q2, and as discussed earlier, increased geopolitically uncertainty. The technology shift driven by AI resulted in customers postponing larger transformation programs, leading to lower demand than we had anticipated, and this is reflected in the organic growth of -6%. At the same time, the quarter also demonstrates that actions we have taken are working. Despite the weaker market, profitability improved significantly to 12.7%, supported by higher utilization and continued cost optimization. You need to keep in mind that if you are excluding now the divested businesses from Tech Consulting, the headcount reduction is -16%, revenue is -6%, and we have improved profitability to 12.7%. So it's important to underline that our focus is not only on managing today's market, we are also preparing the business for where the market is heading. AI is changing the consulting market rapidly.



Endre Rangnes
President and CEO | Tieto

Customers increasingly expect higher productivity, smaller delivery teams, and faster execution. This is why competence renewal, AI capabilities, and software engineering productivity has become a central part of the transformation of Tieto Tech Consulting. Our competence shift is well underway. As mentioned, around 1,500 consultants have completed Microsoft Rapid AI Skilling Program. More than 400 employees are participating in advanced AI training for rapid certification, and we continue targeted recruitment in areas where we see future customer demand developing. We also continue to strengthen our position within strategic customers. During the quarter, we expanded engagement with customers such as EFC, as you can see on the bottom, and PVA, Austrian pension company, supporting their business transformation and technology modernization initiatives. These engagements reinforce our strong customer relationship and demonstrate that customers continue to invest business-critical capabilities despite the weaker market environment. Turning then into Banktech.



Endre Rangnes
President and CEO | Tieto

Organic growth remained affected then again by the previously communicated legacy contract runoff, which reduced the growth by approximately six percentage points in Q2. Excluding this impact, growth was around zero, which is clearly below our ambitions. Market conditions were also a bit more challenging during the quarter. Customer decision-making took a bit longer time than normal and delaying then partly the timing of new business. However, despite the weaker market environment, profitability improved significantly from 10.5% last year to 15.6% this year, supported by continued cost optimization and disciplined operational execution across the business. Looking ahead, we remain encouraged about the strength of our order backlog, which provide good visibility into second half and beyond. We continue to see good customer interest in our strategic software offerings, although project timing partly remains affected by the current environment.



Endre Rangnes
President and CEO | Tieto

Despite the softer market environment, we continue to strengthen our customer base through several strategic wins. During the quarter, Luminor selected our cloud-native payment as the service platform. NOBA adopted our Verification of Payee solution, helping them strengthening fraud prevention. NorgesGruppen extended its partnership with Tieto Banktech for another five years with modernized card services and FCP solutions. We also signed a new agreement with the leading Australian bank to modernize its cash management platform. Again, these agreements reinforce our position as a trusted provider of a business-critical banking software and support also our long-term growth ambition. Turning then to Caretech. Underlying business continued to perform well during Q2. Growth of -2% affected then by the legacy business decline, which reduced growth by approximately five percentage points.



Endre Rangnes
President and CEO | Tieto

In addition, we have two customer contracts currently waiting for regulatory approval that had the modest also impact on the growth during the quarter. Excluding these temporary factors, the modern software portfolio continued to develop well. We saw particularly strong performance in our social care business in Sweden, reflecting continued customer demand for the modern software solutions. Caretech continues to deliver excellent profitability, 25.3% margin, as you can see, and that is demonstrating the strength of our Lifecare product portfolio and the operational discipline that we have built into this specific business. We also have a good second-half order backlog in Caretech, and our European expansion also continues to progress according to plan. During the quarter, we signed two new customers in the DACH region and continue to build a healthy commercial pipeline that supports the long-term international growth ambitions.



Endre Rangnes
President and CEO | Tieto

Finally, the quarter also demonstrated continued customer confidence in our software portfolio. We expanded our customer base across both healthcare and social care, including new wins such as Sophies Minde and additional deployment of Lifecare platform in Finland. These examples support our ambition to expand our software business beyond the Nordic core markets as well. Finally, turning to Indtech. Organic growth was flat during the quarter, which was below our own expectations. The weaker development was primarily driven by two factors. First of all, our pulp paper fiber business continued to be affected by challenging market conditions. Secondly, softer demand impacted our volume-based business during the quarter due to customer driving their internal efficiency impacting our volumes. It's also quite important that these challenges were isolated to specific parts of the portfolio.



Endre Rangnes
President and CEO | Tieto

At the same time, several of the software businesses within Indtech continued to perform well with a continued solid growth in both eye-share and Public 360°, demonstrating the resilience of the modern software portfolio that we have built. We also saw that we have now, we're going into second half, we have a solid backlog in Indtech, providing good visibility for second half and beyond. Profitability was another clear highlight from 10.2% last year to 16.2% this year, supported primarily by the continued cost optimization program and disciplined execution across the business. The quarter also marked an important strategic milestone with the successful completion of the divestment of Edlevo and HR & Payroll businesses, further simplifying the portfolio in line with the strategy that we outlined at our Capital Markets Day. In Q2, we also continued to strengthen customer relationships across our software portfolio.



Endre Rangnes
President and CEO | Tieto

During that quarter, we signed new agreements with customers, reinforcing our position in energy, financial services, and document distribution, while continuing to expand on our modern software offerings. We are moving to the CFO report. Tomi, please.



Tomi Hyryläinen
CFO | Tieto

Thank you, Endre, and good morning, everyone. From CFO point of view, Q2 highlights were improved profitability in all businesses and launch of our new EUR 90 million share buyback program. As discussed, our growth of negative 5% in Q2 was not at the level we expected. This was primarily due to weaker market demand. However, we were able to significantly increase our profitability by over 5%, as mentioned. This confirms the success of our cost-based reset program and the company's resilience, even in weaker market conditions. In addition to Adjusted EBITDA improvement, we also improved reported EBIT by EUR 35 million or over 170% after adjusting for M&A gains and non-cash impairments. Our one-time items for Q2 were positive by EUR 50 million, which was impacted by gain on sale from Indtech divestments of EUR 57 million.



Tomi Hyryläinen
CFO | Tieto

Full year one-time items expectation is unchanged at 1.5 percentage point of revenues, excluding capital gains. Other Q2 events include issuance of a new five-year EUR 300 million bond, which secures our long-term financing needs, and updating our full year growth outlook, as Endre mentioned, reflecting the softer market conditions. To our new EUR 90 million share buyback program. The program is connected to the sales proceeds from the divestment of Edlevo and HR & Payroll software businesses, which were closed 1st of June. The share purchases will begin after completion of the current EUR 150 million share buyback program, which is expected to be completed early September. In accordance with our capital allocation policy, we aim to keep our leverage level close to 2x and distribute excess capital to shareholders.



Tomi Hyryläinen
CFO | Tieto

This EUR 90 million share buyback program will ensure continued effective capital structure and deliver solid shareholder returns in tax-efficient way. The shares will be bought in public trading in NASDAQ Helsinki and canceled on a monthly basis. The execution of the program will take approximately five months, depending on the trading volumes of our shares. In Q2, we delivered healthy operative cash flow of EUR 21 million, which was supported by improved profitability. Our net working capital increased by EUR 29 million due to normal seasonal decrease in liabilities. Note that Q2 2025 cash flows include contribution from the divested businesses as cash flows are not restated for prior periods. On comparable basis, as mentioned, Q2 operative cash flow improved approximately 16%. On reported net debt EBITDA, it improved further from Q1 being 1x at the end of Q2.



Tomi Hyryläinen
CFO | Tieto

Main reason for the sharp decline in leverage are the divestments, with divestment proceeds decreasing the net debt and the gain on sale increasing the EBITDA. During the year when we execute the share buyback programs, our leverage will gradually increase. On a fully adjusted basis, our leverage at the end of Q2 is at targeted levels, so slightly below 2x. To our cost optimization program, where we have reached EUR 115 million run rate savings at the end of Q2 and are well on track to deliver the full EUR 130 million by the end of 2026. As communicated earlier, this program aims for a permanent cost-based reset of approximately EUR 50 million while mitigating the cost burden from Tech Services divestment and reducing overcapacity primarily in consulting business. Our estimate of the one-time cost from the program is unchanged at EUR 55 million-EUR 60 million, of which we have incurred EUR 49 million at the end of Q2.



Tomi Hyryläinen
CFO | Tieto

On employee matters, LTM attrition was at very low level, being 7.3% at the end of Q2. These low levels are market-driven. We consider normal healthy attrition to be around 10%. During the quarter, we have continued with planned personnel reductions impacting primarily Tech Consulting. Group personnel reduction year-over-year has been significant with 15% reduction, of which approximately 4% relates to acquisition and divestments. We expect group salary inflation for the year to be lower than last year, with 3%-3.5%. Outlook remarks for Q3. On growth remarks, Tech Consulting will continue to be impacted by weak market demand, and we expect Q3 growth to be slightly below Q2 level. Banktech growth is impacted by the known events in 2025, namely the legacy contract run-off with negative four percentage points and SP1 one-time income with negative 14 percentage points. Q3 revenues are supported by strong order backlog.



Tomi Hyryläinen
CFO | Tieto

Caretech continues to be impacted by legacy contract run-off with negative five percentage points, which is at the same level as in Q2. Revenues continue to be supported by growth in the modern software portfolio and the strong order backlog. Indtech growth momentum is expected to improve from Q2, which is supported by strong order backlog. On profit remarks, the cost optimization program continues to contribute to profitability in all businesses and to note is that comparison period Q3 2025 included SP1 one-time income, which had positive impact on Banktech level at 11.9 percentage points and at group level, 4.1 percentage points. On other remarks, there is only minor impact from working days. As usual, Q3 profitability outlook per business. We expect Tech Consulting and Banktech to be below prior year. Here you can see Banktech's high comparable at 28.1%, which I just commented.



Tomi Hyryläinen
CFO | Tieto

Excluding the SP1 one-time income, we expect Banktech to improve profitability from prior year. We expect Caretech to be at and Indtech to be at or above prior year profitability level. Overall, we start to reach higher comparables as the cost optimization program benefits become visible in prior year numbers. A few words on our updated guidance. Last Friday, we updated our full-year growth outlook due to weaker than expected market demand, especially impacting Tech Consulting. The geopolitical uncertainty has further softened the market, which we expect to continue for the rest of 2026. Accordingly, we lowered our growth outlook to -5% to -3% from previous -2% to 0%.



Tomi Hyryläinen
CFO | Tieto

On the other hand, we maintained our profitability outlook of 14.8%-15.8% EBITDA Adjusted, as discussed earlier, we have been successful in executing our cost optimization program and have delivered consistent profitability improvement. Our H1 profitability was at 14.8%, with seasonally strongest quarters still ahead of us. As the year 2026 includes some specific headwinds, we created this growth dynamic slide to help everyone to navigate the growth expectations on a quarterly basis. We have updated the information to reflect weaker outlook for Tech Consulting for the remaining of the year. In addition, we have adjusted the Q2 to reflect the actual growth outcome, which included some softness, as discussed earlier. Back to you, Endre.



Endre Rangnes
President and CEO | Tieto

Thank you so much, Tomi. I would like to summarize now as we are 22 days into Q3 already, I would like to summarize a bit of where we stand with the company. As we have discussed today, market conditions have become more challenging than we anticipated, particularly than in Tech Consulting. This has affected our short-term growth, and we have updated our revenue outlook accordingly. However, our strategic direction has not changed. As we have outlined at our Capital Markets Day, 2026 remains a year of transition and execution for Tieto. Given the pace of the technology change and also what's happening with AI, I believe that 2026 has actually become a year of transformation. We are reshaping the company, strengthening our competitiveness, and preparing the business for the next phase of growth. Across the group, we have continued to execute against our strategic priorities.



Endre Rangnes
President and CEO | Tieto

We are simplifying our portfolio, strengthening customer relationships, expanding into selected growth areas, and building a more competitive cost base. At the same time, we continue to invest heavily in future capabilities through large-scale AI upskilling, targeted recruitment, and continuous competence renewal, ensuring that our people have the skills needed for the next generation of software and consulting. Everything starts in the market, and that's a driving factor for everything we do. We are only halfway through the year. There is still a great deal of work ahead of us, and the coming quarters will continue to require discipline, focus, and execution. Having said that, I'm really proud of the progress that we have made over the past year. The actions we have taken are strengthening the company, and they give me confidence that we are building a stronger Tieto going forward.



Endre Rangnes
President and CEO | Tieto

With that, we are opening up for Q and A.

Q&A



Operator

Pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Mark Hyatt from Morgan Stanley. Please go ahead.



Mark Hyatt

Analyst | Morgan Stanley

Hi. Morning, Endre and Tomi. Thanks very much for having me on and taking the questions. I've got three to start with, please. Firstly, just on the growth guidance revision, obviously H1 organic growth is about minus 4%. The new negative 5% to negative 3% range still implies quite a wide range of outcomes into the second half. Could you just explain what the main swing factors between the top and the bottom end of that range, in particular, what you're assuming for the sequential growth trajectory, in Tieto Tech Consulting and the software businesses through Q3 and Q4? Secondly, on Tieto Tech Consulting, specifically, you said that the market demands deteriorated further and customers are postponing investment decisions, and delaying transformation programs. Could you give us a bit more color on specifically what types of projects are being cut or postponed?



Mark Hyatt

Analyst | Morgan Stanley

What reasons are you hearing from clients? Are customers prioritizing spend elsewhere in the short term, for example, on AI projects or hardware procurement? Just a bit more color on that would be really helpful. Then finally, on the cost savings plan, clearly, having a big impact, the margin result very solid. How much of that EUR 115 million that you've already achieved was already reflected in the second quarter P&L, and how much have you still got left to flow through? Once the current program's finished, what are the remaining levers to help protect margins, particularly if revenue, performance in Tech Consulting remains challenged? Thanks very much.



Endre Ranges

President and CEO | Tieto

Let's take the first one first, related to the full-year outlook, -3% to -5%. As already mentioned by Tomi, when you look at now the Q3 number and the guidance related to the top line for Tech Consulting, we are saying that that's going to be weaker than we had in Q3, indicating that this has an impact on the overall picture for the total group. Tech Consulting is approximately 40% of the revenue of the group. That, of course, has a huge impact on the totality as you understand. When you put this into perspective, I think that is quite important. Like they say in Spain, [Non-English content] . I think it's quite important that there are some EUR millions, taken out now of the outlook, but from a EUR 1.7 billion company, this is not a big amount.



Endre Ranges

President and CEO | Tieto

We need to keep that in mind all the time. From the software businesses point of view, we have a very strong visibility on second half in terms of the backlog. The impact in second quarter, why we came in a bit short, relative to expectations on Banktech and Indtech, was mainly related to some of the volume-based business, which is part of those software entities. Looking at second half for both of them, we are quite confident that they will deliver underlying solid growth. Tech Consulting, when we are talking about postponement of your second question about postponement of investment, I would say that still there is a level of uncertainty how AI is impacting the processes and the different kind of industries and companies. Still a bit wait and see. How is this going to affect us? What should we invest into?



Endre Ranges

President and CEO | Tieto

What is happening month by month with the new launch of different softwares impacting the software development through AI tooling? Again, I think it's also still a level of uncertainty, what will be the cost driver related to all the prompts and all the kind of program that you do with AI tooling? What's the hardware effect of that, and what's the total cost effect of that? Still a bit wait and see from the clients. I think it's also important to say that when you look at the overall, and this was communicated also in connection with Q2, sorry, Q1 from my side, is that we still are coming into 2026 with a too high level of time and material in Tech Consulting, that is where we clearly see the market turning down.



Endre Rangnes
President and CEO | Tieto

You see the more agile project through smaller teams jointly developing with clients. That is the market now growing and not necessarily time and material. That is also part of why we explained that Capital Markets Day, that 2026 will be a year of transition and transformation, especially in Tech Consulting.



Tomi Hyryläinen
CFO | Tieto

Maybe I take that question.



Endre Rangnes
President and CEO | Tieto

You should take that one. Absolutely.



Tomi Hyryläinen
CFO | Tieto

That's a good question. We're now EUR 150 million into EUR 130 million. This translates into EUR 10 million quarterly impact from the structural cost reset of in total EUR 50 million. When we're maxed with the EUR 50 million cost reset program, we deliver EUR 12.5 million on a quarterly basis improvement. Now we're at EUR 10 million, which is roughly two and a half percentage points impact to the company's profitability. When we think about going forward, obviously all successful companies need to grow the top line in order to protect the margin and improve the margins going forward.



Endre Rangnes
President and CEO | Tieto

I think there's also one more element into that is that, we are coming from a situation, starting off in June of last year, where we had north of 20% SG&A in the company. That is what we have taken down massively. My point is that this needs to be monitored closely, unit by unit, based on market demand, based on how are we delivering the top line to ensure that this is now part of the monthly cadence of the company to monitor revenue and the cost and the bottom line. If the revenue is not coming, we need to have the discipline in the company to reduce the cost. That is the very simple equation in this business.



Mark Hyatt
Analyst | Morgan Stanley

Super helpful. Thanks very much, guys.



Operator

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



Felix Henriksson
Analyst | Nordea

Hi, guys. Thanks for taking my questions. I got two, please. One is on Indtech. Basically, just wondering what gives you the confidence to expect growth going into Q3 and the second half of the year. I think you were quite confident previously about Q2 as well, thanks to the backlog. Just want to hear about the puts and takes on that and how much of that business is actually volume-based, where the weakness was in Q2. Secondly, as you think about your 2027, 2028 revenue growth target of over 5% as a CAGR, do you think that's realistic if the market doesn't improve? If not, what are you sort of prepared to do to generate earnings growth and incremental shareholder value? Thanks.



Endre Rangnes
President and CEO | Tieto

Very good, Felix. Thank you. First of all, on Indtech, I would say that when we look now at Q3 and Q4, we have, as I said, very good visibility on the backlog, which is a contracted backlog. Part of what happened in Q2 is that the projects that we were kind of expecting to come in Q2 has been postponed to Q3. Already started up, but not giving effect in Q2. That's why we have very high visibility on the backlog. Then on top of the backlog, of course, we have the pipeline, which we are monitoring also quite closely for all the businesses. That's why we're confident about second half of Indtech.

**Endre Rangnes**

President and CEO | Tieto

When it comes to the 5% CAGR, 2027, 2028, we are still looking now at the backlog that we have for all the software businesses, especially Banktech, going also into 2027 and 2028. Looking at the comparables for Tech Consulting, there is no reason to adjust the CAGR target that we communicated at CMD at this stage. Like you said, if something extraordinary should happen, of course we need to take necessary cost measures to protect the bottom line. We have still the ambition to deliver more than 16% margin by end of 2028 and the CAGR of 5% by 2027, 2028 stands.

**Felix Henriksson**

Analyst | Nordea

Got it. Very good. Thank you.

**Operator**

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

**Sami Sarkamies**

Analyst | Danske Bank Markets

Hi, I have three questions. We'll take this one by one. Firstly, on Tech Consulting, you're expecting a slightly weaker top-line development in the third quarter. Do you have any visibility on improvements thereafter?

**Endre Rangnes**

President and CEO | Tieto

Improvements in terms of top line or?

**Sami Sarkamies**

Analyst | Danske Bank Markets

In terms of top line, yes.

**Endre Rangnes**

President and CEO | Tieto

Yeah. We give guidance quarter by quarter, then we have the full-year guidance. If you factor in the -3% to -5%, you factor in what we have said about the software businesses, you can understand that we are still expecting a negative Q4 year-over-year in Tech Consulting. Having said that, we also now are looking at the bottom line, which we delivered 12.7% in Q2, we are quite comfortable that we will deliver solid margins also going forward based on the outlook we have for the top line and based on the cost measures that we have already implemented.

**Sami Sarkamies**

Analyst | Danske Bank Markets

When it comes to the top-line guidance downgrade, was that purely driven by Tieto Tech Consulting outlook for the second half, or have you also changed your assumptions regarding some software segments that saw weakness in Q2?

**Endre Rangnes**

President and CEO | Tieto

It's mainly driven by two elements. First of all, second quarter coming in a bit weaker than anticipated, especially in Tieto Tech Consulting. The main effect for second half is driven by Tieto Tech Consulting, for sure. We are still maintaining the internal outlook for the software businesses, adjusted for what happened in Q2. Any comments from your side, Tomi?

**Tomi Hyryläinen**

CFO | Tieto

Yeah, that's it. Of course, in Tech and Banktech, the slow Q2 from the volume businesses, we'll put that into our full-year forecast, obviously.

**Sami Sarkamies**

Analyst | Danske Bank Markets

Yeah.



Tomi Hyryläinen
CFO | Tieto

Those are the elements.



Sami Sarkamies
Analyst | Danske Bank Markets

Okay. Regarding cost actions, I guess you didn't announce any new plans today, but are these likely during the second half of the year, or do you think you will be sticking with this EUR 130 million savings target throughout the year?



Endre Rangnes
President and CEO | Tieto

Yeah, that should be sufficient. We are sticking to that one, of course. I would say that we have pretty good now visibility on the cost levers. Like I said, we have reduced the manning in, if you exclude the sales of Tech Consulting, we have reduced the manning with 16% within Tech Consulting. Of course, we are now monitoring closely what's happening, number of people on the bench, et cetera, and we will take immediate actions if the market continues to be weakened during second half. I would say that this is also, when you look at the risk picture that we have for Tech Consulting, we have a very modest risk currently.



Sami Sarkamies
Analyst | Danske Bank Markets

Okay, finally, I'd like to get some additional color on the software weakness in the second quarter. I think you mentioned that some of the projects didn't start, let's say, during Q2 as anticipated, so like some timing factors. You also talked about volume-based contracts not materializing. Can you be a bit more specific on what you mean there?



Endre Rangnes
President and CEO | Tieto

Yeah. I would say that if you take Banktech as the first one, I would say that we have, as you know, volume-based business there in ATM, in card issuing, card personalization, et cetera, and part of that came in a bit slower than we anticipated for Q2. No reason to believe that this will continue in second half. That's the main effect in Banktech during Q2. Related to Caretech, we are more or less spot on where we should be. A couple of court cases or escalations to the court, hopefully then coming in with a positive decision, and then we will put those into production now in second half. When you look at Indtech, we had two main effects.



Endre Rangnes
President and CEO | Tieto

One was related to pulp paper fiber, which has been weak during the whole year, more or less one and a half year now, based on the market conditions. We also saw some of the volume-related business within Indtech coming in a bit slower than anticipated due to also cost-saving programs with our clients. I think that was the main effect. On top of that, as I mentioned, and like you referred to, is that part of the project that we signed end of last year was anticipated to go into production in second quarter, early second quarter. They are now in production but giving effect in Q3 and Q4. That was kind of the main elements. Of course, we have solid growth in eye-share Public 360° and the new modern software, which will continue also during second half.



Sami Sarkamies
Analyst | Danske Bank Markets

Okay. Thank you. I don't have any further questions.



Endre Rangnes
President and CEO | Tieto

Just alluding a bit more



Operator

The next question comes from Matti Riikonen from DNB Carnegie Investment Bank. Please go ahead.



Matti Riikonen
Analyst | DNB Carnegie Investment Bank

Hi, it's Matti Riikonen, DNB Carnegie. How would you compare your softness related to Accenture and IBM, who have reported or communicated of more headwinds as they see for this year? Do you think that your challenges are basically the same as IBM has been talking about shifting, customers shifting their purchasing from traditional IT projects to more like AI. Is this a concern, or do you think that your problem are basically the same as before and related to specific customers and specific cases?



Endre Rangnes
President and CEO | Tieto

Yeah, I would say partly, we see the same picture, of course, as IBM and Accenture, that there's partly shift and partly clients holding back on investments in terms of wait and see what's happening with AI. Having said that, when you look at the software businesses as such, they are very robust in terms of having a lot of legacy, which is very difficult to substitute with completely new modernized solutions. We have very deep competence in terms of the industries for Banktech, Caretech, and also within Indtech. We have very high level of integration, which creates complexity. From that point of view, I would say that for the software businesses, it's quite difficult to disrupt what we have.



Endre Rangnes
President and CEO | Tieto

When you then compare Tech Consulting to Accenture and IBM, I would say that we came into 2026 with probably a higher content of time and material resources compared to those companies. I would say that partly, yes, we are seeing wait and see based on AI impact, but partly also something is unique for Tieto, that we have the too high content of time and material compared to some of the competitors. I think that's fair to say. That is also why we have now accelerated this AI upskilling through the whole Tech Consulting organization and of course, for the software entities as well. This is a very detailed program happening as we speak. Still we have an ambition to go through 5,000 people within the company to do full upskilling of AI with the Microsoft upskilling program.



Matti Riikonen
Analyst | DNB Carnegie Investment Bank

All right. Thank you for the answer. I have no further. My questions have been asked already.



Operator

The next question comes from Jaakko Tyrväinen from SEB. Please go ahead.



Jaakko Tyrväinen
Analyst | SEB

Good morning, gentlemen. Still a couple ones from me. Starting from the order book, which was down 4% after being several quarters in more favorable development. You already touched it a bit, could you give a bit more color what caused this? Especially, is this largely reflecting the momentum in consulting?



Endre Rangnes
President and CEO | Tieto

Yeah. It's quite clear that we are coming from a comparable point of view. 2025 Q2, we signed several large deals within Banktech. I don't exactly remember. We had SpareBank 1 prolonging two years. We had SpareBank Norge. We had Frendegruppen. We had a lot of signings during Q2. I would say that we had a kind of all-time high situation back to Q2 in 2025. From a comparable point of view, we are still quite confident that we are on a good traction on the backlog situation going into second half. The visibility, as you know, in tech consulting is usually quite low, has historically been, and it is also currently. Reflecting to or going back to what I said about also large implementation projects, we don't see that currently happening.



Endre Rangnes
President and CEO | Tieto

It's more like in the software businesses, we are looking quite optimistic on the second half and into 2028.



Jaakko Tyrväinen
Analyst | SEB

Okay. Good, thanks. On the kind of current new sales in software, how is the sales pipeline and the activity looking if you compare it, for example, a year ago? Especially I'm curious on the momentum in the international arena.



Endre Rangnes
President and CEO | Tieto

Yeah. That is like you have seen, we have now signed two smaller contracts in Iberia. We have a very strong pipeline now into second half in Iberia. That goes mainly for Banktech and partly tech consulting and partly also Caretech. We are also looking at the market opportunities related to digitalization of invoices and tax reporting in Spain as a specific segment tying into our Nexus business. That's an opportunity maybe into 2027. Also, when we look at the DACH region with Care tech, we signed two deals during Q2. I would say smaller deals as well, but as a kind of pilot starting point, hopefully to ramp up. We have several, I would say numerous deals in Europe related to our new EHR or Caretech product.



Endre Rangnes
President and CEO | Tieto

We are, according to my view now, we are on track towards what we communicated on Capital Markets Day in terms of the international expansion. Just to clarify, we are of course monitoring this closely through our business review cadence that we have at monthly basis, looking at the development of the backlog. Both for install base but then also new business or hunting. This is followed up quite thoroughly.



Jaakko Tyrväinen
Analyst | SEB

Okay. Good, thanks. That is all from me.



Tommi Järvenpää
Head of Investor Relations | Tieto

Thank you, Jaakko, thanks, Endre and Tomi. There are no further questions at this stage. I would like to thank everyone for active discussion and watching. See you next time. Have a good day.