

# Q1 2018

## Strong start for 2018

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# Q1 2018 in brief

## Strong start for 2018

- › Growth in local currencies 6%, organically 3%
- › Strong profitability in Technology Services and Modernization and Product Development Services
- › Industry Solutions renewal progressing – investments continue
- › Order backlog supports the growth ambitions for 2018

# Outlook in the Nordic IT market remains healthy

- › Solid economic outlook continues to support IT market
- › Current currency trend unfavorable for Tieto
- › Tieto expects the Nordic IT services market to grow by ~2% in 2018



# Market drivers in the data-driven world

**New  
businesses  
and innovation**

**Agility and  
efficiency**

- › Design-led services
  - › Advanced analytics/AI
  - › Software driven
  - › Ecosystems
- › Cyber security, DevOps, SIAM
- › Cloud
  - › Business process optimization
  - › Technology modernization
  - › Robotics process automation



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# Business mix change driven by growth businesses and application services\*

WE AIM TO GROW FASTER THAN THE MARKET\*

SHARE OF IT SERVICES Q1/2018

GROWTH Q1/2018



\*IT market growth expectation (CAGR 2015–2020) for the Nordics at 1.5–3%

\* Application services growth in local currencies 8%, incl. in traditional services

\*\* Growth solution portfolio described on the next slide

\*\*\* Including Avega

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# Enhanced solution portfolio to drive growth

Up by 9% in local currencies

Customer Experience Management



+12%

Data-Driven Businesses



+34%

Cloud services



+23%

Security services



-2%

Selected industry solutions +5%

Lifecare



Credit solutions



Payments



Case management



Production excellence



SmartUtilities



Hydrocarbon management



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# Q1 2018 key figures

## Net sales up by 3.4%

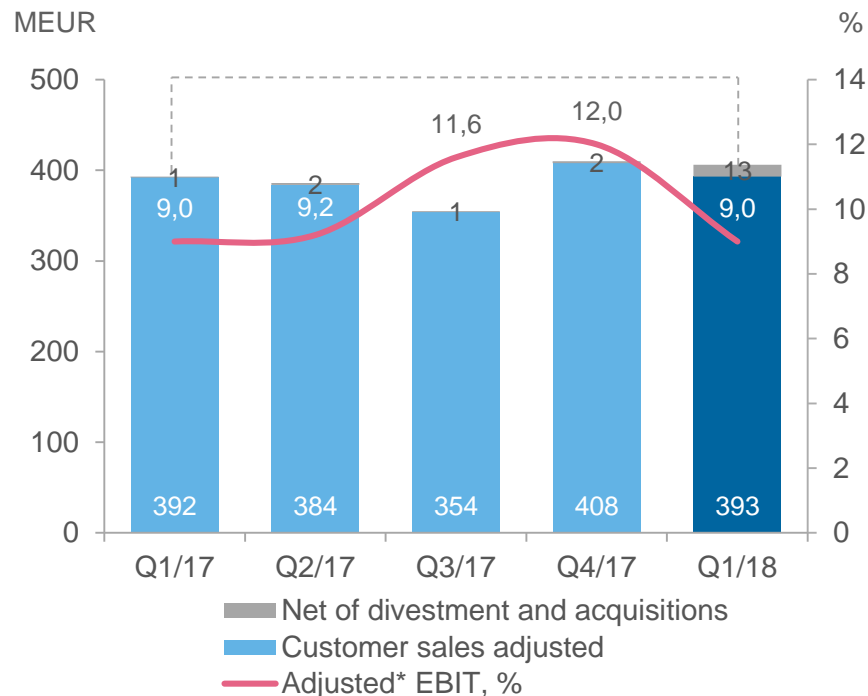
- › EUR 406.3 (393.1) million
- › Growth in local currencies 6%
- › Organic growth in local currencies 3%

## EBIT margin 9.2% (5.6%)

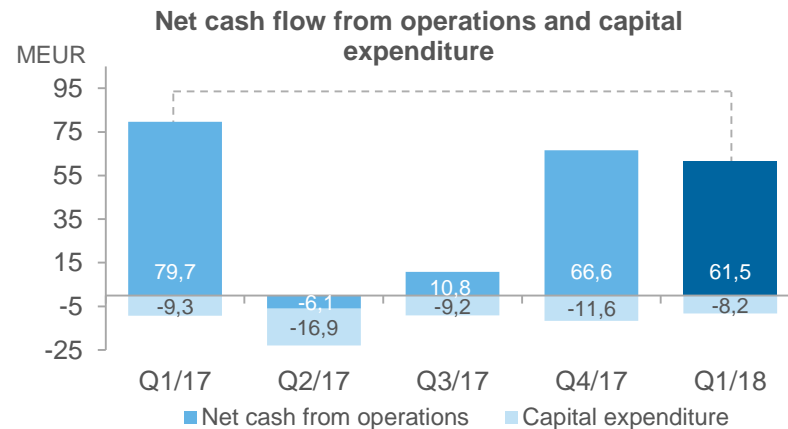
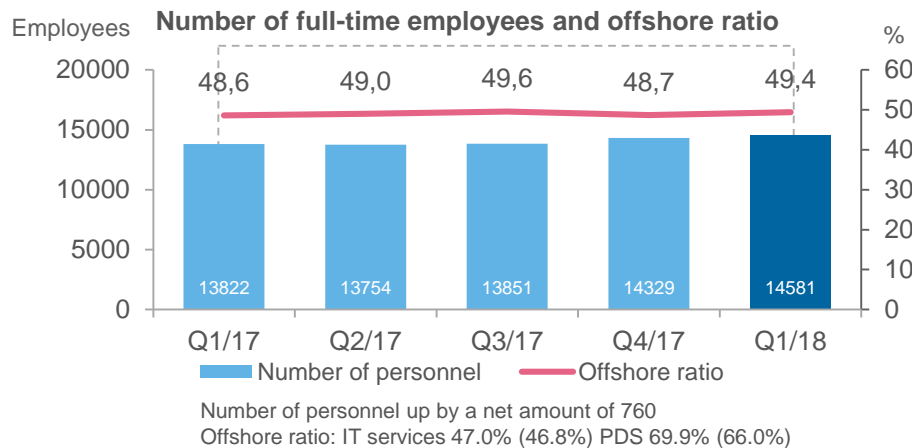
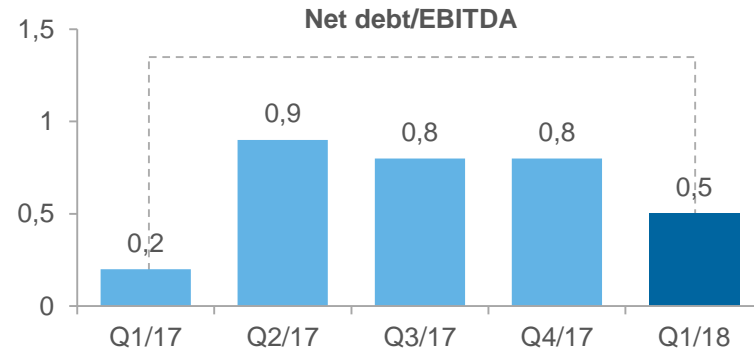
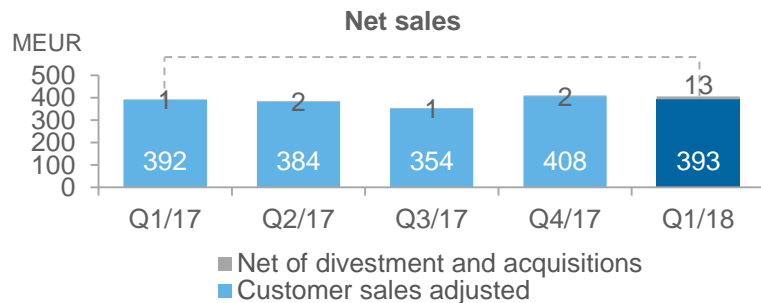
- › EBIT EUR 37.3 (22.0) million
- › Adjusted\* EBIT EUR 36.6 (35.6) million, 9.0% (9.0%)

## Order backlog EUR 1 787 (1 864) million

- › Negative currency impact
- › Order backlog for 2018 provides support for the growth ambitions for the year

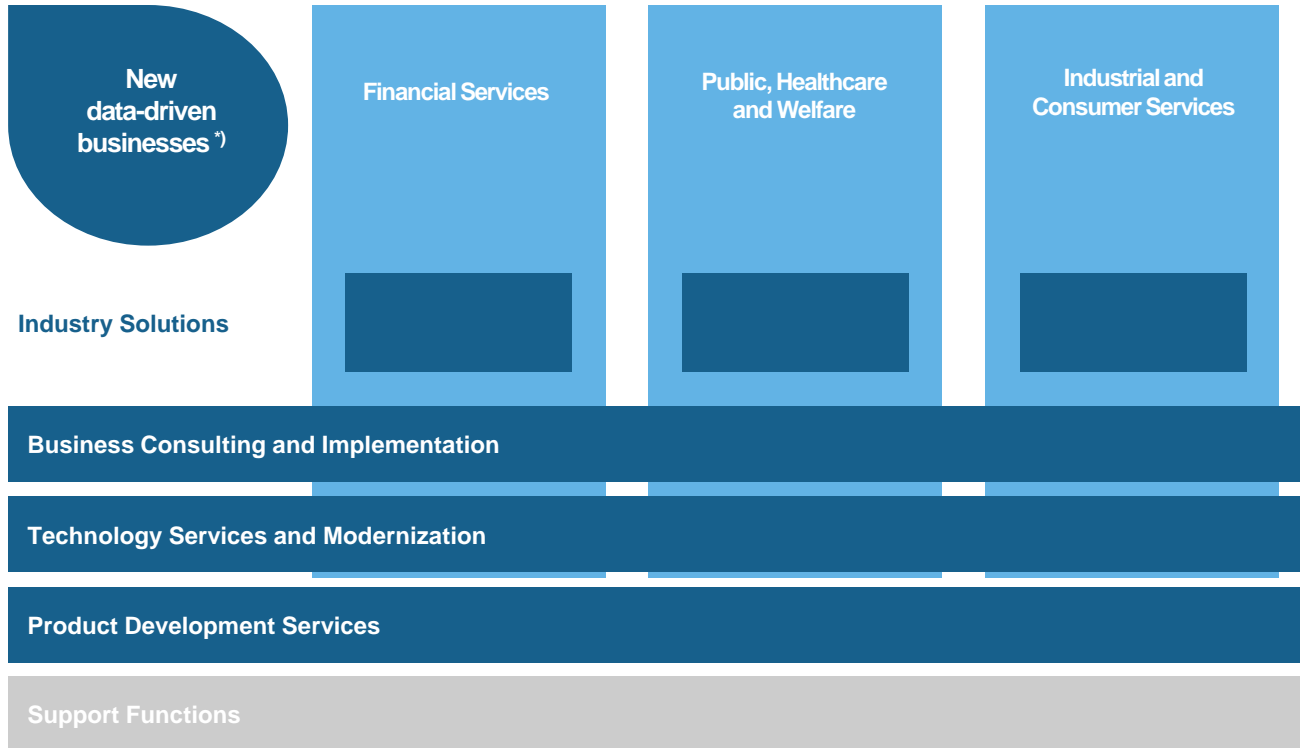


# Quarterly development





# Service Lines



# Technology Services and Modernization

## Customer sales in Q1

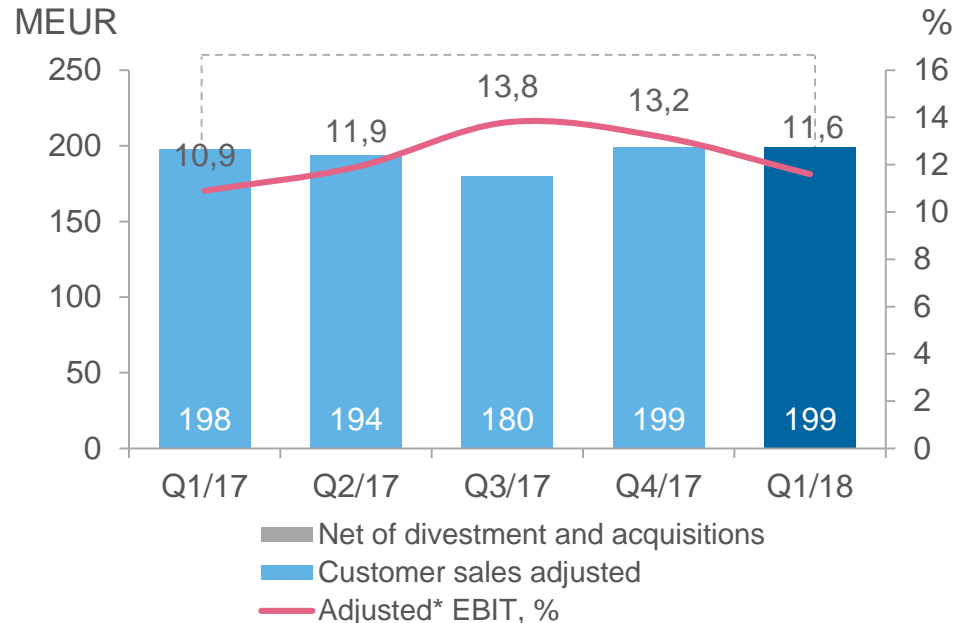
- › EUR 199 (198) million, +1%, or +3% in local currencies

## EBIT

- › Adjusted\* EBIT EUR 23.1 (21.6) million, 11.6% (10.9)

## Q1 highlights

- › Growth (in local currencies) driven by infrastructure cloud, up by 23%, and application services, up by 8%
- › Decline in traditional infrastructure services continued, down by 6%
- › Continued service standardization and strong add-on sales contributed to profitability
- › Q2 profitability anticipated to be close to Q2/2017 level



# Business Consulting and Implementation

## Customer sales Q1

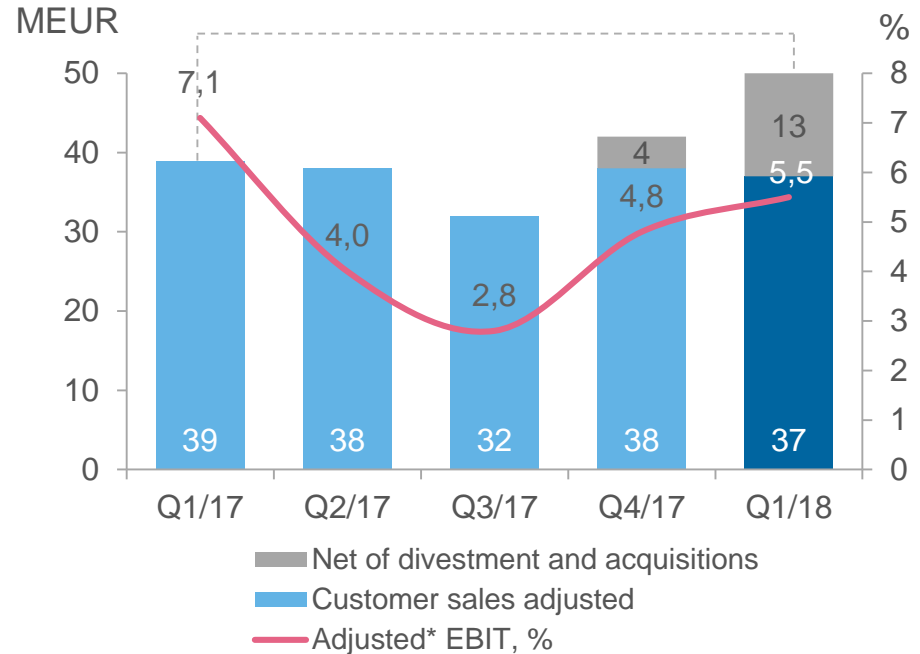
- › EUR 50 (39) million, +28%, or +31% in local currencies
- › Organic growth in local currencies -3%

## EBIT

- › Adjusted\* EBIT EUR 2.8 (2.8) million, 5.5% (7.1)

## Q1 highlights

- › Growth supported by the acquisition of Avega
- › Good growth in CEM continued
- › Lower number of working days and currency changes impacted both growth and profitability
- › Ari Järvelä appointed as Head of BCI as from 1 April
- › Q2 profitability anticipated to improve from Q2/2017



# Industry Solutions

## Customer sales Q1

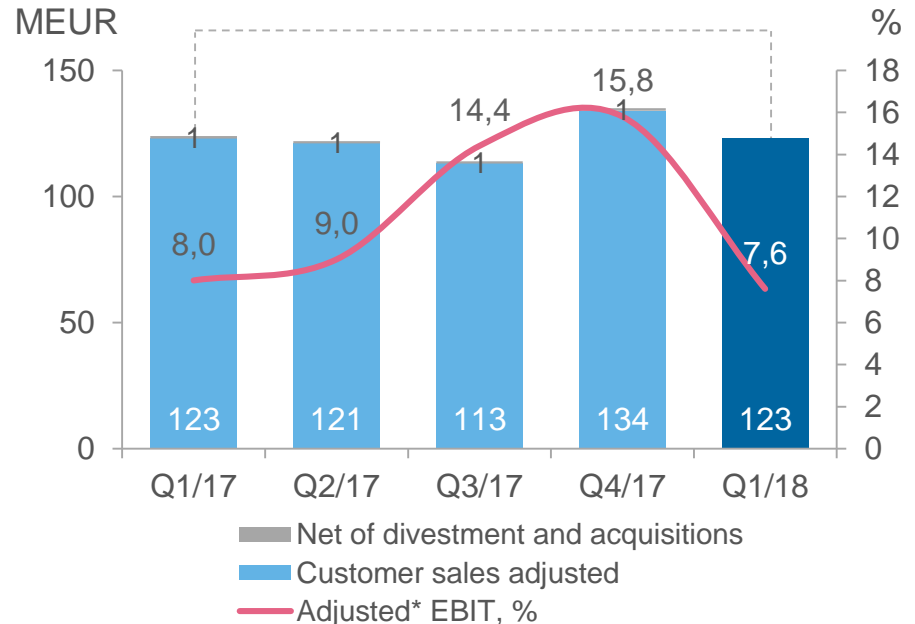
- › EUR 123 (124) million, -1%, or +3% in local currencies

## EBIT

- › Adjusted\* EBIT EUR 9.4 (9.9) million, 7.6% (8.0)

## Q1 highlights

- › Good growth in SmartUtilities, Production Excellence and Case Management
- › Lifecare growth slightly above the market
- › Sales for Payments lower – preparations for new product launch ongoing
- › Technology renewal and business model change continue in a number of key solutions
- › Adjusted EBIT affected by technology investments and negative currency effects
- › Q2 adjusted operating margin expected to remain close to Q2/2018 level



# Product Development Services

## Customer sales Q1

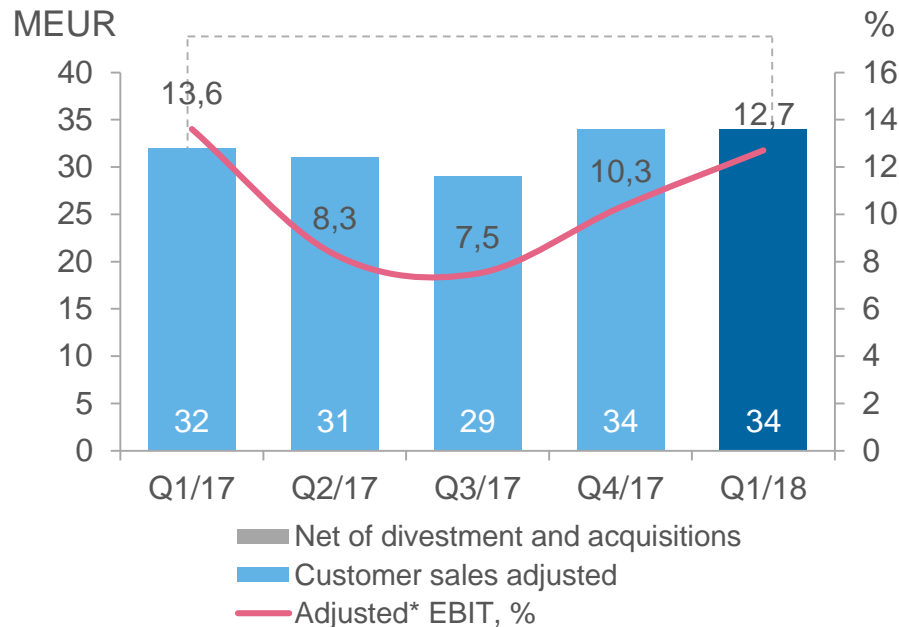
- › EUR 34 (32) million, +7%, or +11% in local currencies

## EBIT

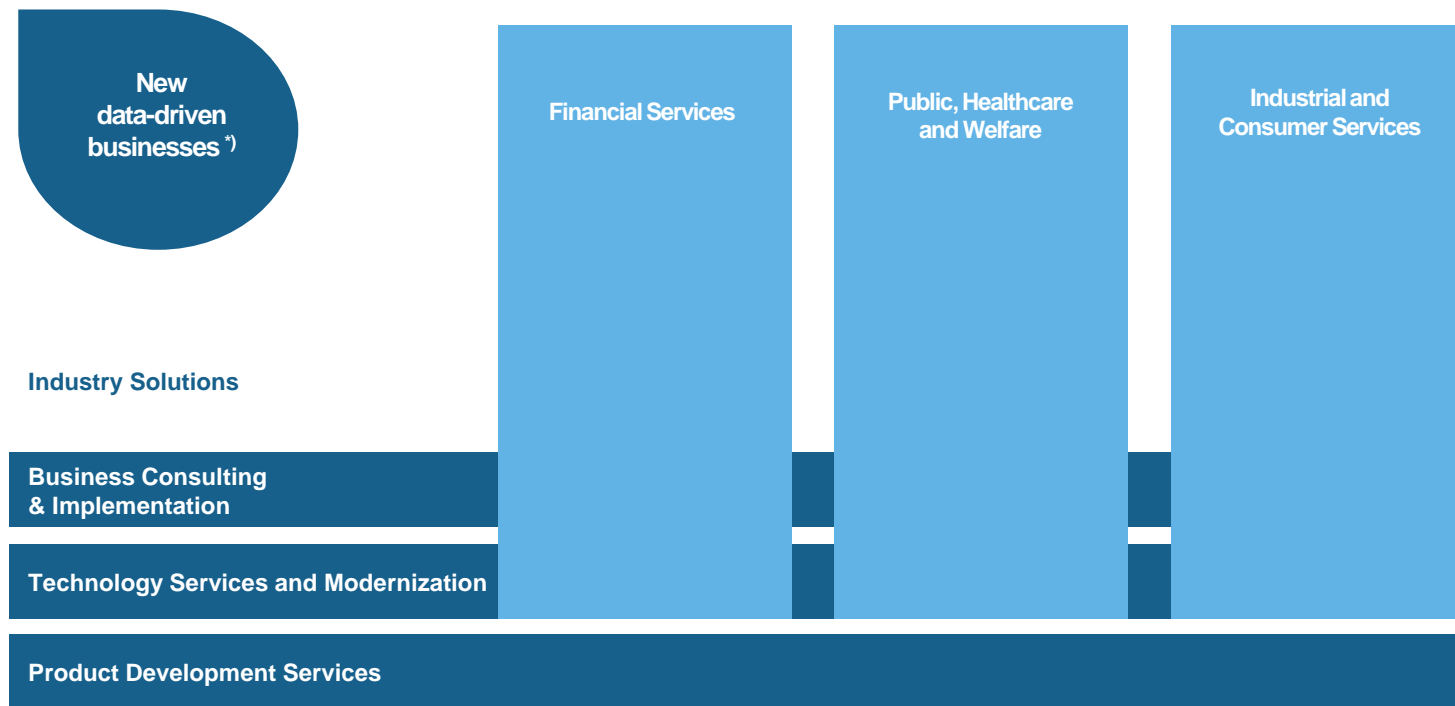
- › Adjusted\* EBIT EUR 4.3 (4.3) million, 12.7% (13.6)

## Q1 highlights

- › Strong volume development with the largest key customers and good development in automotive
- › Periodical licence sales contributed to growth and profitability
- › Strong EBIT margin despite the negative working day impact
- › Q2 adjusted EBIT margin anticipated to be at Q2/2017 level



# Industry Groups



# Financial Services

## Customer sales Q1

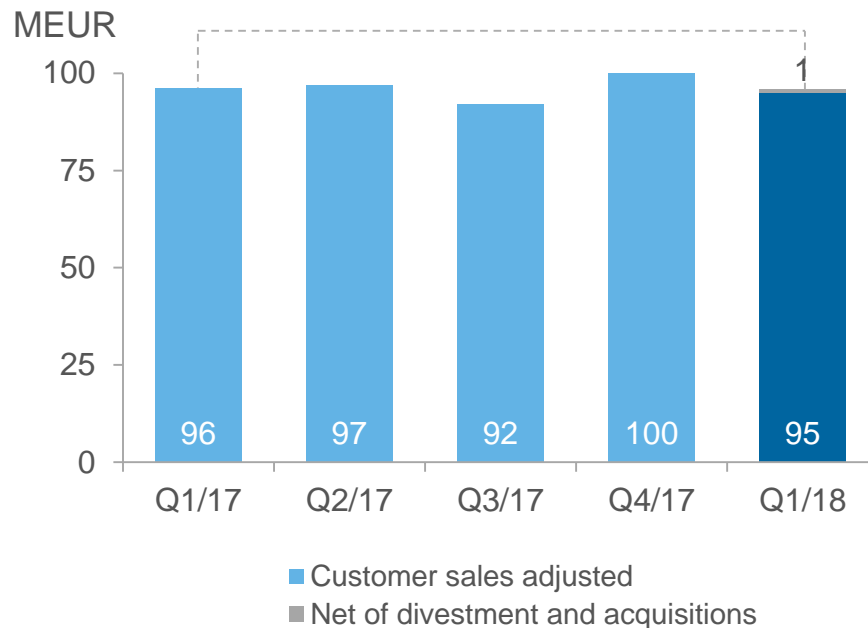
- › EUR 96 (96) million, at Q1/2017 level, +3% in local currencies

## Sales split by service line

	Q1/2018	Q1/2017
TSM	58%	57%
BCI	6%	5%
IS	36%	38%

## Q1 highlights

- › Good development in TSM, especially in cloud-based platform services, volume growth and new agreements in application services
- › Investments, specifically in Payments, to drive future growth
- › New agreements include Kraft Bank and Ilmarinen



# Public, Healthcare and Welfare

## Customer sales Q1

- › EUR 133 (128) million, +4%, or +7% in local currencies

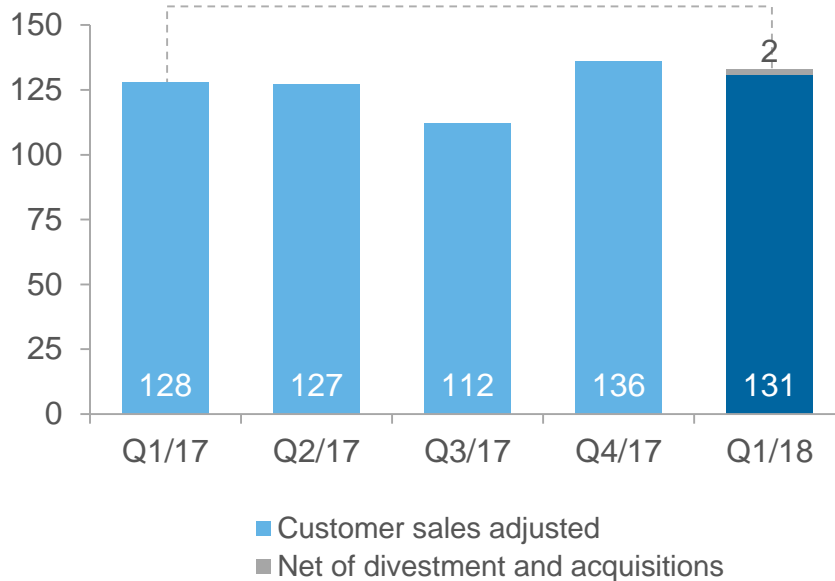
## Sales split by service line

	Q1/2018	Q1/2017
TSM	47%	47%
BCI	9%	8%
IS	44%	45%

## Q1 highlights

- › Development strongest in Technology Services and Modernization, driven by cloud, end-user and application services
- › Large Electronic Medical Record procurements ongoing in all Nordic countries while delays in some large-scale renewal projects
- › Several agreements, e.g. Nynäshamn and Värmdö municipalities

MEUR





# Industrial and Consumer Services

## Customer sales Q1

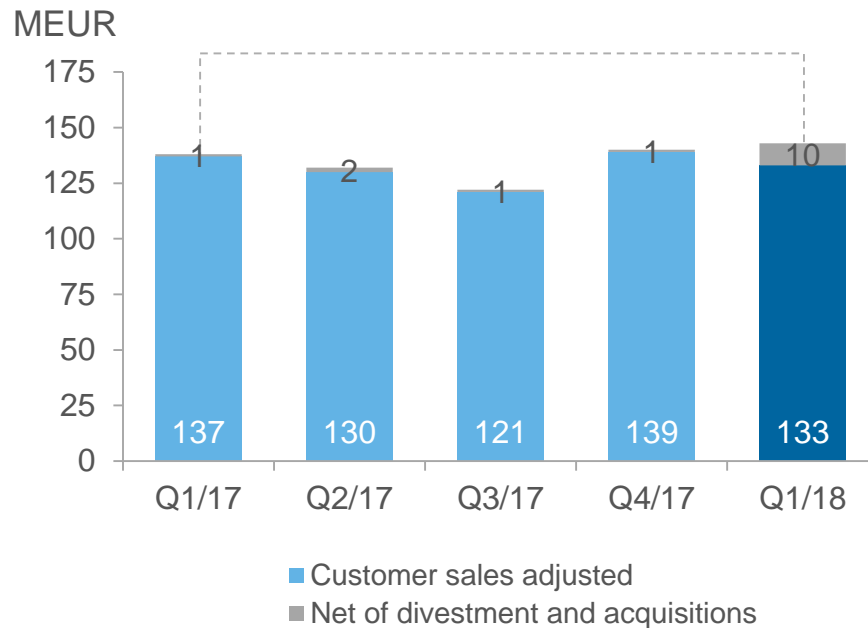
- › EUR 143 (138) million, +4%, or +6% in local currencies
- › Organically, sales in local currencies at Q1/2017 level

## Sales split by service line

	Q1/2018	Q1/2017
TSM	56%	60%
BCI	22%	17%
IS	22%	23%

## Q1 highlights

- › Growth supported by the acquisition of Avega
- › Healthy development in Energy Sweden continued
- › Good growth especially in SmartUtilities and Production Excellence solutions
- › New agreements include Posti, S Group, Sodexo



# Way forward

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# Performance drivers

## 2018 – IT services

- › We aim to **grow** faster than the market
- › Based on current rates, **currency** impact on is ~EUR 37 million and on profit ~EUR 8 million
- › Efficiency programme: drive for productivity continues
- › Offering development costs around 5% of Group sales
- › Restructuring costs 1–2% of Group sales

## Q2 revenue and profitability

- › Negative currency effects
- › A higher number of working days



# Guidance for 2018 unchanged

- › Tieto expects its full-year adjusted<sup>\*)</sup> operating profit (EBIT) to increase from the previous year's level (EUR 161.4 million<sup>\*\*)</sup> in 2017)

<sup>\*)</sup> Adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

<sup>\*\*)</sup> Restated due to the adoption of IFRS 15



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# 2018 – strong start for the year

## Market

Dynamic  
**data-driven** world

## Employees

Celebrating  
**Tieto50**

## Shareholders

**Value creation and  
sustainability**

2018 THOMSON REUTERS

**TOP 100**  
GLOBAL TECH LEADER

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