



digia

Digia Plc

DIGIA'S BUSINESS REVIEW **1-9/2022**

January–September 2022

Softaa
sydämellä

Net sales grew by 15.4 per cent in the third quarter, and the EBITA margin was 8.8 per cent. The end of the quarter was strong.

July–September 2022

- Net sales: EUR 38.3 (33.2) million, up 15.4 per cent
- Operating profit (EBITA): EUR 3.4 (4.0) million, down 16.9 per cent; EBITA margin: 8.8 (12.2) per cent of net sales
- Operating profit (EBIT): EUR 2.4 (3.3) million, operating margin (EBIT): 6.3 (9.9) per cent of net sales
- Earnings per share: EUR 0.08 (0.10)
- 1 July 2022: acquisition of Productivity Leap Oy
- 20 September 2022: agreement on the acquisition of the entire share capital of Avalon Oy

January–September 2022

- Net sales: EUR 122.0 (111.2) million, up 9.7 per cent
- Operating profit (EBITA): EUR 10.6 (12.8) million, down 16.8 per cent; EBITA margin: 8.7 (11.5) per cent of net sales
- Operating profit (EBIT): EUR 8.5 (10.5) million, down 18.7 per cent; EBIT margin: 7.0 (9.4) per cent of net sales
- Earnings per share: EUR 0.27 (0.31)
- Return on investment: 11.6 (15.6) per cent
- Equity ratio: 45.6 (48.5) per cent
- Acquisition of MOST Digital Oy and Productivity Leap Oy
- Digia Business Engine management system successfully deployed
- Profit guidance remains unchanged: Digia's net sales will grow year-on-year and its EBITA margin will be over 10 per cent of net sales.

Unless otherwise stated, the comparison figures provided in parentheses refer to the corresponding period of the previous year.

Group key figures

EUR 1,000	7-9/ 2022	7-9/ 2021	Change, %	1-9/ 2022	1-9/ 2021	Change, %	2021
Net sales	38,318	33,194	15.4%	122,019	111,189	9.7%	155,939
Operating profit (EBITA)	3,354	4,035	-16.9%	10,630	12,772	-16.8%	17,739
- as a % of net sales	8.8%	12.2%	-27.9%	8.7%	11.5%	-24.3%	11.4%
Operating profit (EBIT)	2,418	3,299	-26.7%	8,505	10,466	-18.7%	14,680
- as a % of net sales	6.3%	9.9%	-36.4%	7.0%	9.4%	-25.5%	9.4%
Result for the period	2,126	2,749	-22.7%	7,258	8,296	-12.5%	11,772
- as a % of net sales	5.5%	8.3%		5.9%	7.5%		7.5%
Return on equity, %				14.1%	17.6%		18.3%
Return on investment, %				11.6%	15.6%		16.3%
Cash flow from operations							16,648
Interest-bearing net liabilities				22,316	19,017		10,663
Net gearing, %				32.2%	29.3%		15.7%
Equity ratio, %				45.6%	48.5%		48.0%
Number of personnel at period-end				1,421	1,343	5.8%	1,339
Average number of personnel	1,427	1,334	7.0%	1,387	1,329	4.4%	1,334
Shareholders' equity				69,328	64,896	6.8%	68,072
Balance sheet total				155,079	135,358	14.6%	143,040
Earnings per share, EUR	0.08	0.10	-22.2%	0.27	0.31	-13.5%	0.44
Earnings per share (diluted), EUR	0.08	0.10	-22.2%	0.27	0.31	-11.8%	0.44

CEO's Review:

"2022 has been a year of renewal for Digia. Our most significant innovation has been the introduction of the Digia Business Engine (DBE). Harnessing this platform – coupled with new operating models – will support our future growth and competitiveness. Its concrete benefits will gradually reach their full potential over the coming years.

During the third quarter, we continued to implement our long-term profitable growth strategy, even though customers in some service areas postponed their procurement decisions and projects started up more slowly than expected. In spite of these delays, we picked up speed considerably towards the end of the review period: September was very strong in terms of both net sales and profitability. Our net sales increased by 15.4 per cent to EUR 38.3 (33.2) million during the third quarter. Our operating profit (EBITA) stood at EUR 3.4 (4.0) million, with an EBITA margin of 8.8 (12.2) per cent. Profitability was impacted by a slower post-vacation startup to our business than in previous years.

In the third quarter, net sales grew strongly in data analytics, the Digia Hub subcontracting network, and Microsoft Business Central and Oracle NetSuite ERP solutions. Net sales in these areas increased by more than 30 per cent in relation to the comparison period. Good growth trends also continued in Digia's strong Integration and API business. Our service and maintenance business generated about 62 per cent of net sales, and the project business about 38 per cent.

The third quarter was also strong in terms of sales, and we recorded 27 per cent more sales in July–September than in the corresponding period of the previous year. Sales were weighted towards the end of the quarter: 76 per cent of third-quarter sales were recorded in September. In terms of contract value, September was one of the best months for sales in Digia's history.

During the review period, CSC – IT Center for Science chose Digia as its supplier for the Digivisio 2030 project. This project will run from 2022–2026 and has a total value of about EUR 30–35 million, of which Digia's share is around EUR 10.5–12.5 million. We also signed agreements with the City of Helsinki and DigiFinland. The

agreement with the City of Helsinki covers expert services for customer relationship management systems, including a Microsoft Dynamics 365 solution and associated technologies. It is a four-year framework agreement, and the total value of the procurement is estimated at EUR 12 million. The contract signed with DigiFinland covers a solution that will enable the archiving of customer and patient data from social welfare and healthcare providers' old, disused systems and the importing of data from the new wellbeing services counties' systems into the Kanta service. The estimated value of this four-year tendered contract is EUR 2.85 million.

The Digia Hub subcontracting network proved its strength during the review period. Although resourcing projects through Digia Hub increases subcontracting costs, from a strategic standpoint it provides a flexible channel for resourcing projects when a particular type of expertise is required or when there is an urgent need for resources. At the end of the review period, a total of 411 subcontractors were working in our customer projects (212 subcontractors on 31 December 2021). We had 1,421 (1,334) employees at period-end.

In January–September, our net sales grew by 9.7 per cent to EUR 122.0 (111.2) million. Operating profit (EBITA) was EUR 10.6 (12.8) million with an EBITA margin of 8.7 (11.5) per cent. Profitability in January–September was significantly impacted by the introduction of the Digia Business Engine platform, which has required Digia employees to put a great deal of time and effort into learning new things. In January–June, the project had a cost impact of EUR -2.2 million. We believe that our productivity and efficiency will increase in the medium term as we put this business platform to full use.

I am particularly pleased that we have been able to scale up our business growth with the companies we have acquired. In spring 2022, we acquired a SaaS robotics platform based on Most Digital Oy's open-source code. Demand for this platform has been strong, as the service is sold together with other Digia expertise. The value of the new contracts signed in the third quarter exceeded Most Digital Oy's full-year net sales for 2021. Productivity Leap's business has also developed well. These acquisitions have strengthened our position as a supplier to the wellbeing service counties that will start up on 1 January 2023.

Digia's strategy is to generate sustainable growth. This means lifelong learning, continuous dialogue with customers, and renewing our business and service offering. During the review period, we completed the renewal of our Intelligent Solutions service area, which means we can now offer a comprehensive range of data-driven services. In September, we joined forces with Avalon, a company that has been focusing on customer experience development and digital marketing. The acquisition was completed on 1 October 2022, after the end of the review period, and will flesh out Digia's offering in the Intelligent Solutions service area.

Digia is perfectly placed to continue its sustainable growth, even though the global economic situation is bringing uncertainty to the market. We believe that the strong underlying demand for digital solutions will continue, and that our offering will meet our customers' needs. We are also seeing indications in the market that customers are reducing the number of suppliers they use, and are consolidating their procurements on the strongest players. We believe that this will open up new opportunities for Digia as well.

I would like to warmly thank all of our customers, Digia's own professionals and our partners for their good cooperation in this challenging global situation. The smart solutions of the future will be built together."

Events after the review period

On 20 September, we announced that we would acquire the entire share capital of Avalon Oy. The acquisition was carried out on 1 October 2022. Avalon offers its customers comprehensive digital marketing and customer experience development services based on the utilisation of data and analytics. This acquisition will further strengthen Digia's market position as a leading comprehensive digitalisation partner.

Briefing invitation

A briefing for analysts will be held at 9:00 am on 28 October 2022 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 9:00 am on 28 October 2022 on the company's website: digia.com/en/investors/reports-and-presentations.

Financial reporting in 2023

Digia will publish its 2022 Financial Statement Bulletin on Friday 10 February 2023 at 3:00 pm. The 2022 Annual Report will be published on 1 March 2023. The Annual General Meeting is scheduled for Thursday 23 March 2023 at 10:00 am.

- The 1–3/2023 Business Review will be published on Thursday 4 May 2023 at 3:00 pm.
- The 1–6/2023 Half-year Report will be published on Thursday 10 August 2023 at 3:00 pm.
- The 1–9/2023 Business Review will be published on Friday 27 October 2023 at 3:00 pm.

For further information, please contact:

President & CEO Timo Levoranta, tel. (exchange) +358 (0)10 313 3000

Distribution

Nasdaq Helsinki
Key media
digia.com

*Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,400 of us working at Digia. Our roots are in Finland and we operate both in our home country and internationally. We are building a world in which digitalisation makes a difference – together with our customers and partners. Digia's net sales totalled EUR 156 million in 2021. The company is listed on Nasdaq Helsinki (DIGIA).
digia.com*