



**DIGIA PLC**

**BUSINESS REVIEW**

January–September 2021

## Net sales grew by 12.8 per cent in the third quarter and the EBITA margin was 12.2 per cent.

### July–September 2021

- Net sales: EUR 33.2 (29.4) million, up 12.8 per cent
- Operating profit (EBITA): EUR 4.0 (4.1) million, down 2 per cent; EBITA margin: 12.2 (14.0) per cent of net sales
- Operating profit (EBIT): EUR 3.3 (3.7) million, down 10 per cent; EBIT margin: 9.9 (12.4) per cent of net sales
- Earnings per share: EUR 0.10 (0.10)
- Acquisition of Solasys Oy

### January–September 2021

- Net sales: EUR 111.2 (101.2) million, up 9.9 per cent
- Operating profit (EBITA): EUR 12.8 (11.4) million, up 11.9 per cent; EBITA margin: 11.5 (11.3) per cent of net sales
- Operating profit (EBIT): EUR 10.5 (10.0) million, up 4.2 per cent; EBIT margin: 9.4 (9.9) per cent of net sales
- Earnings per share: EUR 0.31 (0.29)
- Return on investment: 15.6 (15.7) per cent
- Equity ratio: 48.5 (50.2) per cent
- Acquisition of Climber International AB
- Profit guidance remains unchanged: Growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

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/ 2021	7-9/ 2020	Change, %	1-9/ 2021	1-9/ 2020	Change, %	1-12/ 2020
Net sales	33,194	29,423	12.8%	111,189	101,181	9.9%	139,049
Operating profit (EBITA)	4,035	4,113	-1.9%	12,772	11,409	11.9%	16,000
- as a % of net sales	12.2%	14.0%		11.5%	11.3%		11.5%
Operating profit (EBIT)	3,299	3,658	-9.8%	10,466	10,042	4.2%	14,102
- as a % of net sales	9.9%	12.4%		9.4%	9.9%		10.1%
Result for the period	2,749	2,761	-0.5%	8,296	7,666	8.2%	10,627
- as a % of net sales	8.3%	9.4%		7.5%	7.6%		7.6%
Return on equity, %				17.6%	18.4%		18.7%
Return on investment, %				15.6%	15.7%		16.5%
Interest-bearing net liabilities				19,017	14,290	33.1%	10,531
Net gearing, %				29.3%	24.7%		17.3%
Equity ratio, %				48.5%	50.2%		50.7%
Number of personnel at period-end				1,343	1,257	6.8%	1,258
Average number of personnel	1,334	1,255	6.3%	1,329	1,260	5.5%	1,261
Shareholders' equity				64,896	57,887	12.1%	60,737
Balance sheet total				135,358	117,248	15.4%	121,078
Earnings per share, EUR	0.10	0.10	-0.1%	0.31	0.29	8.3%	0.40
Earnings per share, diluted	0.10	0.10	-0.5%	0.31	0.29	8.2%	0.39

In April 2021, the IFRS Interpretations Committee (IFRIC) issued its final agenda decision on the accounting treatment of configuration or customisation costs in a cloud computing

arrangement (IAS 38 Intangible Assets). In this decision, the Interpretations Committee examined whether, applying IAS 38, configuration and customisation of software shall be recognised as an intangible asset and, if an intangible asset is not recognised, how these configuration and customisation costs are to be recognised. IFRIC agenda decisions do not have an effective date; it is expected that they are applied as soon as possible. As Digia is introducing cloud computing arrangements related to its new business platform (Digia Business Engine), it has started analysing whether this agenda decision has an effect on the accounting principles applied to the deployment costs of Digia's cloud services. Digia will carry out this analysis in autumn 2021; any impacts will be taken into account retrospectively in the 2021 financial statements. By 30 September 2021, we had capitalised a total of EUR 2.7 million from this project.

## CEO's Review:

"I am satisfied with both our net sales and profitability performance in the third quarter. Our net sales grew by 12.8 per cent to EUR 33.2 (29.4) million. During the review period, we continued to invest in building our long-term competitiveness and renewing our operations. In spite of our outlays, our EBITA margin weakened only slightly year-on-year, but improved compared to the first half of the year and was at a good level, 12.2 per cent of net sales. Euro-denominated operating profit (EBITA) was on a par with the comparison period at EUR 4.0 (4.1) million. Unlike in the comparison period, the coronavirus pandemic no longer had a positive impact on the cost level.

In January–September, our net sales grew by 9.9 per cent to EUR 111.2 (101.2) million. Our service and maintenance business generated about 68 per cent of net sales, and the project business about 32 per cent. Operating profit (EBITA) for January–September was up 11.9 per cent to EUR 12.8 (11.4) million. The EBITA margin also improved slightly, rising to 11.5 (11.3) per cent of net sales. Our liquidity is at a good level and our financial position is stable.

In the third quarter, no significant changes occurred in the market situation or demand compared to the first half of the year. Demand has continued to be driven by the need for business renewal. The search for efficiency gains and the development of new business with digital solutions have been reflected in demand. This is an ongoing digital transformation that emphasises the importance of data utilisation. Digia's strong growth areas in the third quarter were cloud-based ERP and CRM solutions.

During the review period, we expanded our cooperation with customers such as the City of Espoo and the S-Bank Group. The City of Espoo selected Digia as the service provider

of its integration platform through an open tender. The value of this non-fixed term agreement as calculated for a four-year period is about EUR 8 million. The delivery comprises the management, design, development and maintenance of service provision on the integration platform as well as information security-related tasks. We have engaged in earlier cooperation with the City of Espoo on projects such as integration platform development.

S-Bank Fund Management Ltd, which is part of the S-Bank Group, decided to outsource fund back-office functions to Digia in 2016, including fund valuation and the technical maintenance of the share register system, for instance. In early 2021, the asset management and real-estate investment services S-Bank acquired from Fennia were included in the service package. In September, the cooperation between S-Bank Fund Management and Digia was expanded to cover private equity fund management processes. The backend system for the outsourced services is Digia Financial Systems. Rounding out the offering with back-office services for the private equity market nicely supports our goal of serving the financial sector as a wide-ranging partner.

We also continued to execute our strategy by acquiring the entire share capital of Solasys Oy on 1 September 2021. In the financial period ending in June, Solasys had net sales of about EUR 1.3 million. Nine experts joined Digia as a result of the acquisition. Previously, Digia had a 10 per cent holding in Solasys Oy. Solasys has long served as a partner in the delivery and development of the Digia Enterprise ERP system. In addition, the company has robust expertise in reporting and analytics. The acquisition supports our strategy of combining analytics solutions with good expertise in core business systems.

We have supported our efforts to build up expertise and delivery scalability with training, recruitment and the expansion of our Digia Hub freelancer network. The network has around 2,000 freelancers in Finland. Digia Hub has also expanded abroad – through our partners, our near shore network has around 10,000 freelancers in Estonia, Latvia, Lithuania and Poland. Digia Hub is a key element in Digia's ecosystem and network. The number of people working through it in our customer projects has increased to around 90 experts. Our personnel at period-end amounted to 1,334.

The most important development projects in Digia's own operations in the third quarter were our own business platform (Digia Business Engine) and Digia Campus, our future way of working. Both of these promote the symbiosis of humans and software – a

community where people do meaningful work while AI and automation handle routine tasks.

The Digia Business Engine project, in which we are building a smart growth platform to support future growth and productivity, has progressed in line with plans. During the review period, we capitalised EUR 0.6 million in costs from the project, which had an impact of approximately EUR -0.1 million on earnings. In total, we have capitalised EUR 2.7 million from this project, and it had an impact of EUR -0.3 million on earnings in January–September. Digia Business Engine will be introduced in 2022.

The Digia Campus combines a modern work environment, diverse ways of working and Digia's work culture. During the review period, we made preparations for post-pandemic hybrid work – according to our employee satisfaction survey, Digia's time- and location-independent way of working is very meaningful to personnel. Among other things, we give Digia employees the opportunity to get equipment to improve work ergonomics at home. We will also continue to modernise our premises to ensure they enable smooth collaboration and support the sense of community that Digia employees value. Alongside location-independent work, great latitude in choosing flexible working hours gives experts more freedom to schedule their days. As remote work has become well established, Digia's model of working has been overhauled to suit the times.

At Digia, we believe that the growth trend in digitalisation and data utilisation will remain strong in the long term as well. We envision a world in which business value is created in ecosystems, making intelligent use of data."

## Profit guidance for 2021

Profit guidance for 2021 remains unchanged: growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

## Briefing invitation

A briefing for analysts will be held at 10:00 am on Friday, 29 October 2021 as a Teams meeting. Attendance instructions have been emailed to participants.

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The material and presentation for the event will be available from 10:00 am on 29 October 2021 on the company's website: [digia.com/en/investors/reports-and-presentations](https://digia.com/en/investors/reports-and-presentations).

## For further information, please contact:

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Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,300 of us working at Digia. Our roots are in Finland and we operate with our customers in Finland and abroad. We are building a world in which digitalisation makes a difference – together with our customers and partners. Digia's net sales totalled EUR 139 million in 2020. The company is listed on Nasdaq Helsinki (DIGIA). [digia.com](https://digia.com)