

Digia Plc
 Stock exchange release
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Digia Plc's business review January–March 2020

Net sales up 15 per cent, EBITA operating profit improves by 42 per cent

January-March 2020

- Net sales: EUR 36.6 (31.9) million, up 14.6 per cent
- EBITA operating profit: EUR 3.2 (2.2) million, up 42.0 per cent; EBITA margin: 8.7 (7.0) per cent of net sales
- EBIT operating profit: EUR 2.7 (2.0) million, up 37.2 per cent; EBIT operating margin: 7.5 (6.2) per cent of net sales
- Earnings per share: EUR 0.08 (0.06)
- Return on investment: 13.8 (12.3) per cent
- Equity ratio: 46.2 (49.2) per cent
- Profit guidance for 2020 remains unchanged: Digia's net sales will grow and operating profit (EBITA) will improve compared to 2019.

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

GROUP KEY FIGURES

EUR 1,000	1–3/ 2020	1–3/ 2019	Change %	1-12/ 2019
Net sales	36,565	31,897	14.6%	131,824
Operating profit (EBITA)	3,184	2,242	42.0%	11,003
- as a % of net sales	8.7%	7.0%		8.3%
Operating profit (EBIT)	2,729	1,989	37.2%	9,648
- as a % of net sales	7.5%	6.2%		7.3%
Result for the period	2,187	1,489	46.8%	7,090
- as a % of net sales	6.0%	4.7%		5.4%
Return on equity, %	16.6%	12.5%		14.0%
Return on investment, %	13.8%	12.3%		13.5%
Interest-bearing net liabilities	20,762	19,630	5.8%	22,616
Gearing, %	39.8%	41.4%		42.5%
Equity ratio, %	46.2%	49.2%		47.2%
Number of personnel at period-end	1,260	1,114	13.1%	1,266
Average personnel	1,260	1,114	13.1%	1,186
Shareholders' equity	52,155	47,453	9.9%	53,190
Balance sheet total	115,131	97,809	17.7%	114,116
Earnings per share, EUR	0.08	0.06	47.0%	0.27

PRESIDENT & CEO TIMO LEVORANTA:

“Digia’s performance in the first quarter was in line with our plans in spite of the coronavirus epidemic. Our net sales were up 15 per cent on the previous year and amounted to EUR 36.6 million. Our EBITA operating profit rose to EUR 3.2 million, up 42 per cent. All our service areas posted growth in net sales and operating profit saw year-on-year improvement. In my opinion, this shows that our extensive offering caters well to market demand and that our organisation can perform effectively even when circumstances change. During the first quarter, we deployed many business-critical implementations for our customers. For instance, Oy Woikoski Ab adopted an extensive business solution that we delivered in the Microsoft Azure cloud, consisting of Microsoft D365 ERP and CRM, a customer portal implemented with Magento technology, an IoT solution and the Digia Iiris monitoring solution. This is a good example of our extensive overall offering. Sales of new projects and service agreements developed well during the first quarter.

The share of net sales accounted for by continuous services and maintenance has risen steadily – in the first quarter, it amounted to about 65 per cent, which I consider to be a good level. The project business in turn accounted for around 35 per cent of net sales.

Due to the coronavirus epidemic, we introduced extensive contingency arrangements at the beginning of March to ensure the safety of our personnel and customers, continuity of our operations and uninterrupted service provision. Most of our employees now work remotely and we have been able to provide our services without interruption. We transitioned to these exceptional circumstances smoothly. In spite of the change in working conditions, we are operating as usual. The contingency arrangements for the coronavirus epidemic and the implementation of the necessary measures are led by Digia’s safety organisation under the leadership of the Chief Security Officer (CSO). This organisation also anticipates and reacts to deviations under normal operating conditions. During the review period, we once again fulfilled the maintenance requirements of our customers’ business processes in accordance with the agreed service levels. This wonderfully demonstrates Digia employees’ robust professional skills, customer-focused attitude and ability to adapt to rapidly changing situations. I would like to thank all our employees for their excellent performance. At the end of the review period, Digia had 1,260 employees. We also employed around 160 people through our subcontractor network.

Digital solutions are an increasingly integral aspect of our customers’ core business. In these exceptional circumstances, it is even more important than ever to ensure business continuity and keep solutions up and running without interruptions. During the review period, we successfully expanded our service and maintenance business to new technology platforms for our existing customers. We also acquired new customers facing greater monitoring and management requirements. This development gained momentum towards the end of the review period, as many customers shifted to around-the-clock business processes due to the current exceptional circumstances. Capacity utilisation and the number of events have grown substantially among customers in both the public and private sectors.

In February, we announced Digia’s new strategy for the 2020-2022 period. Our “Next Level” strategy revolves around continuous change in digital business. We enable our customers to take their digital business to the next level as a controlled whole. Smart and responsible data utilisation in both services and business processes comprises an important cornerstone of strategy implementation. Data utilisation already provides a competitive edge today – in the future, the importance of data will be increasingly emphasised. The core of our service offering is a smart and functional package of digital services, business systems, integrations and analytics. We take care of the life cycle of solutions from development to maintenance. We also invest in the opportunities provided by data and analytics in our own operations. For instance, during the first quarter, we continued to develop the forecasting features of the Digia Iiris monitoring solution. This enables us to even more effectively ensure the operational reliability of our customers’ systems while also enhancing our own operational efficiency. Our goal is to continuously launch even smarter new features and solutions in our service offering.

The uncertainty caused by the coronavirus epidemic also has an impact on Digia's business, but it is currently difficult to estimate its extent. At Digia, we also expect that the coronavirus crisis will lead to a recession – it will most likely have a stronger impact on Digia's business in the latter half of the year. In the first quarter, we recognised a write-down on receivables amounting to EUR 316 thousand when a customer submitted a restructuring application. In addition, we have increased our provisions for projects, as the epidemic has a very strong impact on the fields of business of some of our customer companies. The uncertainty caused by the coronavirus also poses additional risks in new sales. On the other hand, I believe that Digia's extensive offering and the large share of operations accounted for by continuous services and maintenance partly mitigate the potential impacts. Systematic and cost-aware operations in the first months of the year and the restrictions imposed by the state of emergency have reduced travel, meeting and marketing costs. On the other hand, we have also invested in safeguarding continuity. Our liquidity is at a good level and our financial position is stable.

The outlook for net sales and earnings during the present year involves significantly more uncertainty than usual, but on the basis of the current information, we have no reason to change the profit guidance we provided in our financial statement release. We still estimate that our net sales will grow in 2020 and that our operating profit before goodwill amortisation will improve compared to 2019.

Digitalisation will not come to a halt, but it will change form. We want to help our customers take their digital business to the next level. The future involves the cooperation of data and people. At Digia, we believe in a world in which value is created in ecosystems through smart data management."

CHANGES IN THE GROUP STRUCTURE

In early 2020, to clarify its group structure, Digia started a subsidiary merger process in which Mirosys Oy was merged into Mavisystems Oy, which in turn was merged into Digia Finland Oy. The mergers came into effect on 29 February 2020.

At the end of the review period, the Digia Group includes the parent company Digia Plc and its subsidiaries Digia Finland Oy and Digia Sweden AB.

STRATEGY FOR THE PERIOD 2020-2022

On 7 February 2020, Digia announced its new Next Level strategy for the period 2020-2022. In the strategy period, Digia seeks annual net sales growth exceeding 10 per cent including organic growth and acquisitions. The target level of profitability improvement is an EBITA margin of 10 per cent by the end of the strategy period.

PROFIT GUIDANCE FOR 2020

The profit guidance for 2020 remains unchanged: Digia's net sales will grow and operating profit (EBITA) will improve compared to 2019.

BRIEFING INVITATION

A briefing for analysts will be held at 11 am on Thursday, 7 May 2020 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 11 am on 7 May 2020 on the company's website: www.digia.com/en/investors/reports-and-presentations.

FURTHER INFORMATION

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digia.com

Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,200 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 net sales were EUR 131.8 million in 2019. The company is listed on Nasdaq Helsinki (DIGIA). digia.com