

Digia Plc
 Stock exchange release
 31 October 2019 at 08:00 am

Digia Plc's business review January-September 2019

Net sales +16% and operating profit +31%, profitable growth continues

July-September 2019

- Net sales: EUR 29.5 (25.2) million, up 17 per cent
- Operating profit: EUR 1.8 (1.5) million, up 16 per cent
- Operating margin: 6.1 (6.1) per cent of net sales
- Earnings per share: EUR 0.04 (0.04)
- Acquisition of Accountor Enterprise Solutions Oy, which specialises in Microsoft Dynamics 365 and Oracle NetSuite solutions

January-September 2019

- Net sales: EUR 94.1 (80.9) million, up 16 per cent
- Operating profit: EUR 6.6 (5.1) million, up 31 per cent
- Operating margin: 7.1 (6.3) per cent of net sales
- Earnings per share: EUR 0.18 (0.13)
- Return on investment: 12.5 (10.8) per cent
- Equity ratio: 45.9 (52.8) per cent
- Profit guidance for 2019 remains unchanged: Digia's net sales will continue to grow and operating profit will improve compared to 2018.

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

GROUP KEY FIGURES

EUR 1,000	7-9/2019	7-9/2018	Change	1-9/2019	1-9/2018	Change	2018
Net sales	29,496	25,200	17.0%	94,144	80,941	16.3%	112,122
Operating profit	1,791	1,544	16.0%	6,647	5,075	31.0%	6,494
- as a % of net sales	6.1%	6.1%		7.1%	6.3%		5.8%
Result for the period	1,121	954	17.5%	4,855	3,547	36.9%	4,704
- as a % of net sales	3.8%	3.8%		5.2%	4.4%		4.2%
Return on equity, %				13.1%	10.4%		10.2%
Return on investment, %				12.5%	10.8%		10.6%
Interest-bearing net liabilities *				28,743	17,964	60.0%	12,707
Gearing, %*				56.7%	38.5%		26.6%
Equity ratio, %*				45.9%	52.8%		54.9%
Number of personnel at period-end				1,271	1,077	18.0%	1,091
Average personnel	1,226	1,078	13.7%	1,158	1,062	9.1%	1,069
Shareholders' equity				50,733	46,684	8.7%	47,782
Balance sheet total*				111,792	89,263	25.2%	88,104
Earnings per share, EUR	0.04	0.04	18.0%	0.18	0.13	37.4%	0.18

* Digia has adopted IFRS 16 Leases retrospectively as from 1 January 2019; comparative information has not been restated, but the impacts of the adoption of IFRS 16 have been recorded as adjustments in the opening balance sheet for 2019. The effect of IFRS 16 on the lease payment obligation recognised in Digia's balance sheet as at 1 January 2019 amounted to EUR 11.2 million. Right-of-use assets as per IFRS 16 amounted to EUR 11.2 million on 1 January 2019 and EUR 9.8 million on 30 September 2019. The adoption of IFRS 16 has impacted on certain key figures calculated from the balance sheet and on the cash flow statement, for instance. IFRS 16 does not have a material impact on the operating profit or result for the review period.

PRESIDENT & CEO TIMO LEVORANTA:

“Digia's net sales continued to grow both during the third quarter and the entire review period in line with our objectives. Third-quarter net sales amounted to EUR 29.5 (25.2) million, a year-on-year increase of 17 per cent. Net sales for the review period increased by 16.3 per cent year-on-year to EUR 94.1 (80.9) million. Organic growth amounted to 6.8 per cent during the third quarter and to 8.3 per cent during the review period. Both the service and maintenance business and the project business saw steady growth. The service and maintenance business accounted for 60.6 (59.7) per cent of net sales. The project business accounted for 39.4 (40.3) per cent.

Our operating profit developed favourably during the review period. Operating profit was EUR 1.8 (1.5) million in the third quarter and EUR 6.6 (5.1) million in January-September. The operating margin stood at 6.1 (6.1) per cent of net sales in the third quarter and at 7.1 (6.3) per cent in January-September.

I am especially pleased that all five of our service areas increased their net sales in both the third quarter and the entire review period. I am also satisfied with our growth in both existing and new customerships. This demonstrates the effectiveness of Digia's overall offering. We do not offer just separate, isolated solutions to our customers – instead, we provide an effective, continuously developed entity in which smart data utilisation is at the heart of business operations. Net sales decreased as expected in the Incomes Register project that we are implementing with the Tax Administration.

Particularly strong growth was seen in business systems, integrations and API, and business analytics during the review period. In business systems, demand for Microsoft ERP systems was notably good. Growth in the analytics business is driven by the increasing need for expertise in knowledge-based management and data warehouses. Companies are modernising their data storage environments by transferring them to the cloud. The benefits of modern cloud-based storage environments include the ability to more easily utilise both structured data and unstructured data such as images, audio and text. As efficient data utilisation and knowledge-based management become increasingly important, new integrations and effective, reliable interfaces are required between systems, which has created demand in all our strong growth areas.

We harness artificial intelligence in our advanced analytics services, for instance. Our customers include Veho, which we have helped utilise artificial intelligence and machine learning in its pricing, and Valvira, whose data warehouse we are developing further. Valio has partnered with Digia to modernise its knowledge-based management platform to a cloud-based solution.

The good trend in our service and maintenance business is driven by our customers' need to ensure the uninterrupted operation of their digital business platforms. During the review period, we have continued to systematically develop our own monitoring concept for the management of our customers' business platforms. It replaces numerous manual monitoring measures and provides a continuous operational overview of the performance of business platforms. Some of our customers are already using this concept. During the review period, its use has expanded gradually in new customer environments.

To bolster our position in digital business solutions, in the third quarter we acquired the entire share capital of Accountor Enterprise Solutions Oy (AES), which specialises in Microsoft Dynamics 365 and Oracle NetSuite solutions. As a result of the acquisition, 113 employees transferred to Digia. Integration of AES into Digia's ERP and CRM business was started up in the third quarter and will be completed by the end of the year.

Skilled and enthusiastic personnel who are committed to the objectives of our customers are the cornerstone of our operations. During the review period, we continued to develop our operating methods to provide our experts with the best possible framework to succeed in their work. For instance, we have bolstered a variety of methods for sharing information, developed job rotation opportunities and management, and provided greater learning opportunities and more coaching for employees. Our culture is built on the concept of continuous learning: we complete our work, but our self-development is never over. During the review period, our personnel count grew by 127 and averaged 1,226.

As part of our responsible operations, we organised the Digiarmo 2019 competition during the review period. The competition sought implementable ideas that generate value by developing wellbeing in our society through digitalisation. The prize was EUR 100,000 worth of Digia's professional expertise to help implement the project. A total of 93 competition entries were submitted. The winner was announced on 24 September. The winner was the Finnish Red Cross's "Kukaan ei jää ilman apua" (No one will be left alone) service, which digitally connects volunteers with people who need help. With the competition, we wanted to encourage all Finns to put their heads together to come up with ideas for using technology to facilitate daily life.

We believe in a world in which value is created in ecosystems through smart data management."

COMPANY ACQUISITIONS

On 31 January 2019, Digia Plc and the owners of Starcut Oy signed an agreement whereby Digia Plc acquired Starcut Oy's entire share capital. With this acquisition, Digia bolstered its Digia Digital service area, which comprises service design, analytics, e-commerce and agile application development. Following the acquisition, Starcut's 19 employees transferred into Digia's employ.

On 27 June 2019, Digia announced that it had signed an agreement with Accountor Holding Oy whereby Digia will buy the entire share capital of Accountor Enterprise Solutions Oy (AES). The acquisition was carried out on 1 August 2019. With this acquisition, Digia strengthened its Microsoft and Oracle ERP and CRM system service area. Following the acquisition, Accountor Enterprise Solutions Oy's 113 employees transferred into Digia's employ.

CHANGES IN THE GROUP STRUCTURE

In early 2019, to clarify its group structure, Digia started the merger process of its subsidiaries Avarea Oy and Starcut Oy into Digia Finland Oy. The Avarea merger came into effect on 31 May 2019 and that of Starcut on 31 August 2019.

At the end of the review period, the Digia Group includes the parent company Digia Plc and its subsidiaries Digia Business Platforms Oy (formerly Accountor Enterprise Solutions Oy), Digia Finland Oy, Mavisystems Oy, Mirosys Oy, and Digia Sweden AB.

FLAGGING NOTIFICATIONS

On 3 January 2019, Digia Plc was notified of a change in the company's ownership, in accordance with Chapter 9 section 10 of the Finnish Securities Market Act. Erkki Etola informed Digia that the combined holding of Tiiviste-Group Oy and Etola Oy, two companies under his control, exceeded the flagging limit of 10 per cent of Digia's shares and votes. Companies controlled by Erkki Etola held a total of 2,930,495 Digia Plc shares, corresponding to 10.93 per cent

of all Digia shares and votes. At the same time, Etola Oy's ownership exceeds 5% of the flagging limit. After the change in holdings, Etola Oy owned 1,605,495 Digia Plc shares.

On 13 May 2019, Digia Plc was notified of a change in the company's ownership, in accordance with Chapter 9 section 10 of the Finnish Securities Market Act. Ingman Development Oy Ab informed Digia that its holding of Digia's shares and votes exceeded the flagging limit of 25 per cent. After the change in holdings, Ingman Development Oy Ab owned 7,000,000 Digia Plc shares, corresponding to 26.10 per cent of all Digia shares and votes.

PROFIT GUIDANCE FOR 2019

Digia's profit guidance for 2019 remains unchanged: Digia's net sales will continue to grow and operating profit will improve compared to 2018.

BRIEFING INVITATION

Digia will hold a briefing for analysts on Thursday, 31 October 2019 at 11 am at the Business Meeting Park, Helsinki (Forum, Mannerheimintie 20 B). Welcome.

The material and presentation for the event will be available from 11 am on 31 October 2019 in the Investors section of the company's website: www.digia.com/en/investors/reports-and-presentations

FURTHER INFORMATION

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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 1,200 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 112.1 million in 2018. The company is listed on Nasdaq Helsinki (DIGIA). digia.com