

Digia Plc
 Stock exchange release
 30 October 2020 at 15:00

Digia Plc's business review January–September 2020

Net sales up 7.5 per cent, operating profit (EBITA) improves by 51 per cent

July–September 2020

- Net sales: EUR 29.4 (29.5) million, down 0.2 per cent
- Operating profit (EBITA): EUR 4.1 (2.2) million, up 89.7 per cent; EBITA margin: 14.0 (7.3) per cent of net sales
- Operating profit (EBIT): EUR 3.7 (1.8) million, up 104.2 per cent; EBIT margin: 12.4 (6.1) per cent of net sales
- Earnings per share: EUR 0.10 (0.04)

January–September 2020

- Net sales: EUR 101.2 (94.1) million, up 7.5 per cent
- Operating profit (EBITA): EUR 11.4 (7.5) million, up 51.4 per cent; EBITA margin: 11.3 (8.0) per cent of net sales
- Operating profit (EBIT): EUR 10.0 (6.6) million, up 51.1 per cent; EBIT margin: 9.9 (7.1) per cent of net sales
- Earnings per share: EUR 0.29 (0.18)
- Return on investment: 15.7 (12.5) per cent
- Equity ratio: 50.2 (45.9) 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 | 7–9/ 2020 | 7–9/ 2019 | Change % | 1–9/ 2020 | 1–9/ 2019 | Change % | 1–12/ 2019 |
|-----------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|---------------|
| Net sales | 29,423 | 29,496 | -0.2% | 101,181 | 94,144 | 7.5% | 131,824 |
| Operating profit (EBITA) | 4,113 | 2,168 | 89.7% | 11,409 | 7,534 | 51.4% | 11,003 |
| - as a % of net sales | 14.0% | 7.3% | | 11.3% | 8.0% | | 8.3% |
| Operating profit (EBIT) | 3,658 | 1,791 | 104.2% | 10,042 | 6,647 | 51.1% | 9,648 |
| - as a % of net sales | 12.4% | 6.1% | | 9.9% | 7.1% | | 7.3% |
| Result for the period | 2,761 | 1,121 | 146.2% | 7,666 | 4,855 | 57.9% | 7,090 |
| - as a % of net sales | 9.4% | 3.8% | | 7.6% | 5.2% | | 5.4% |
| Return on equity, % | | | | 18.4% | 13.1% | | 14.0% |
| Return on investment, % | | | | 15.7% | 12.5% | | 13.5% |
| Interest-bearing net liabilities | | | | 14,290 | 28,743 | -50.3% | 22,616 |
| Net gearing, % | | | | 24.7% | 56.7% | | 42.5% |
| Equity ratio, % | | | | 50.2% | 45.9% | | 47.2% |
| Number of personnel at period-end | | | | 1,258 | 1,271 | -1.0% | 1,266 |
| Average personnel | 1,256 | 1,226 | 2.4% | 1,261 | 1,158 | 8.8% | 1,186 |
| Shareholder's equity | | | | 57,887 | 50,733 | 14.1% | 53,190 |
| Balance sheet total | | | | 117,248 | 111,792 | 4.9% | 114,116 |
| Earnings per share, EUR | 0.10 | 0.04 | 142.3% | 0.29 | 0.18 | 57.5% | 0.27 |

PRESIDENT & CEO TIMO LEVORANTA:

“Our profitability improved substantially in the third quarter, but the general economic uncertainty caused by the coronavirus epidemic was evident in net sales, which remained on par with the previous year at EUR 29.4 (29.5) million. Third-quarter operating profit (EBITA) rose by 90 per cent from EUR 2.2 million to EUR 4.1 million. The EBITA margin for July–September also improved significantly, rising to 14.0 (7.3) per cent of net sales. Profitability has been improved by our steps to enhance process efficiency and achieve cost savings, and especially by our more efficient project management. Our cautious approach to recruitment in the spring also played a part in this.

In January–September, our net sales grew by 7.5 per cent to EUR 101.2 (94.1) million. Operating profit (EBITA) for the same period was up 51 per cent to EUR 11.4 (7.5) million. The EBITA margin for January–September also improved, rising to 11.3 (8.0) per cent of net sales.

Our service and maintenance business generated about 66 per cent of net sales in January–September, and the project business about 34 per cent. Our liquidity is at a good level and our financial position is stable.

General economic uncertainty was reflected in demand for services, especially in the third quarter. As could already be seen in the second quarter, some customers have postponed projects and in certain cases also downscaled service development volumes. Efforts to safeguard core functions were prioritised in the first part of the year and this remains a key focus for many customers. On the other hand, we also serve customers who consider that this is the right time to pursue the digitalisation of their business operations.

In July–September, we saw growth particularly in our business areas focusing on ERP systems based on Microsoft technology and the implementation of customised solutions for a wide range of customers regardless of industry. Growing interest in knowledge-based management and data utilisation was also still evident in the demand for our services. One example is the agreement we made with the State Treasury in August, under which we expanded our cooperation in data warehousing, reporting and data utilisation. The solutions to be implemented will be based on modern cloud technologies.

Net sales of services for the financial sector based on our own product solution also saw growth. During the third quarter, we launched new corporate financing system projects for both the Finnish Fund for Industrial Cooperation Finfund and Elo Mutual Pension Insurance Company. We are also developing the basic version of our own Digia Enterprise platform in close cooperation with our customers. During the third quarter, we continued our development projects with Laattapiste and the Etola Group.

I am satisfied with our third-quarter profitability. From the very start of the coronavirus epidemic, our priorities have been to ensure the safety of our personnel and uninterrupted services for our customers. We have still continued to develop both our services and own operations. We are continuing to work almost entirely remotely, which has saved on the costs of travel and office work. That said, it’s wonderful that our profitability has improved largely thanks to the development of our operations.

To support growth, we have continued to make investments in projects that promote our strategy and personnel development in line with our plans. The main themes have been cloud platforms and management in exceptional circumstances. For instance, we have developed remote management by coaching our supervisors and project managers on questions concerning leadership during the pandemic. In accordance with our cultural principles, we

constantly provide a wide variety of training for our personnel, now online. During the third quarter, we also released our company wide Cloudmaster training programme.

We upgraded our service offering in cloud platforms and enhanced our expertise by means of both recruitments and adding training. Digia's cloud offering is based on architecture and advisory services, implementing transitions to cloud services for customers and highly automated maintenance of cloud services. We utilise major public cloud platforms in our services: Microsoft Azure, Google Cloud and Amazon Web Services. In line with our strategy, analytics solutions and data warehouses on these platforms comprise a key element in our offering. We also implement high-security cloud solutions.

During the exceptional circumstances we have faced this year, we have focused on the continuity and profitability of our own operations. We have taken a very moderate approach to recruitment, and our number of personnel is at around the same level as at the beginning of the year. We increased hiring in selected growth areas in the third quarter. At the same time, we have continued to utilise our subcontracting network, and our subcontracting costs in July–September saw a slight year-on-year increase.

As part of our growth strategy, we launched the Digia Hub operating model towards the end of the first half of the year. Digia Hub is a network for small entrepreneurs in the IT sector, uniting small entrepreneurs, Digia and customers into an ecosystem that creates value. Through this network, we can provide small entrepreneurs with appealing tasks and our customers with even wider-ranging expertise under a flexible delivery model. The operating model was well received and we expanded it with an acquisition at the beginning of October. After the end of the review period, we signed an agreement on 1 October 2020 to acquire the entire share capital of NSD Consulting Oy. The key element of NSD's operations is a professional network with more than 1,600 freelancers, through which NSD provides its customers with first-rate programming expertise. In 2019, the company had net sales of EUR 3.5 million and 14 in-house employees.

We expect the market to remain uncertain, which will slow down growth in Digia's net sales in the short term. When the uncertainty caused by the coronavirus pandemic eases off, we believe that our customer base will take a bolder approach to investments. The digitalisation trend remains strong. Our success in the market is supported by our extensive product and service portfolio, which is not tied to any single field of business or customer account, and by the fact that a significant share of our operations is accounted for by continuous services.

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

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.

EVENTS AFTER THE REVIEW PERIOD

On 1 October 2020, Digia Plc and the owners of NSD Consulting Oy signed an agreement whereby Digia Plc acquired NSD Consulting Oy's entire share capital. The NSD acquisition significantly expands Digia Hub, the freelancer network

Digia launched in June. Going forward, Digia Hub will offer a network of more than 1,800 professionals. Companies in different fields of business can acquire top-notch professionals for their own software development projects straight from this network. Following the acquisition, NSD Consulting Oy's 14 employees transferred into Digia's employ. About 40 consultants were working on projects at the time of the transaction.

BRIEFING INVITATION

A briefing for analysts will be held at 15:30 on Friday, 30 October 2020 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 15:30 on 30 October 2020 on the company's website: 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