

Digia Plc
Stock exchange release
30 October 2018 at 8:00 am

Digia Plc's business review January-September 2018

Net sales were up by 20.6 per cent, operating profit improved by EUR 4.4 million

July-September 2018

- Net sales EUR 25.2 (20.5) million, up 22.6 per cent
- Operating profit EUR 1.5 (-0.8) million, operating margin 6.1 (-3.7) per cent
- Earnings per share EUR 0.04 (-0.03)
- Acquisition of Mavisystems Oy and Mirosys Oy, which specialise in Microsoft ERP and CRM systems

January-September 2018

- Net sales EUR 80.9 (67.1) million, up 20.6 per cent
- Operating profit EUR 5.1 (0.7) million, operating margin 6.3 (1.0) per cent
- Earnings per share EUR 0.13 (0.01)
- Return on investment 10.8 (1.7) %
- Equity ratio 52.8 (53.2) %
- Profit guidance for 2018 remains unchanged: Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017.

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

GROUP KEY FIGURES (Figures for 2017 adjusted)

EUR 1,000	7-9/2018	7-9/2017	Change, %	1-9/2018	1-9/2017	Change, %	2017
Net sales 1)	25,200	20,548	22.6%	80,941	67,096	20.6%	94,537
Operating profit 2)	1,544	-751		5,075	675	651.6%	1,852
- as a % of net sales	6.1%	-3.7%		6.3%	1.0%		2.0%
Result for the period	954	-865		3,547	82		974
- as a % of net sales	3.8%	-4.2%		4.4%	0.1%		1.0%
Return on equity, %				10.4%	0.3%		2.5%
Return on investment, %				10.8%	1.7%		3.4%
Interest-bearing net liabilities				17,964	5,092		4,772
Gearing, %				38.5%	11.7%		10.8%
Equity ratio, %				52.8%	53.2%		51.0%
Number of personnel at period-end				1,075	978	9.9%	1,005
Average number of personnel				1,058	942	12.3%	954
Shareholders' equity				46,684	43,365	7.7%	44,130
Balance sheet total				89,263	82,314	8.4%	86,616
Earnings per share, EUR				0.13	0.01		0.04

1) IFRS 15 adjustment to consolidated net sales: 7-9/2017 EUR -351 thousand, 1-9/2017 EUR -1,159 thousand and full-year 2017 net sales EUR -1,685 thousand.

2) IFRS 15 adjustment to consolidated operating profit: 7-9/2017 EUR -60 thousand, 1-9/2017 EUR -74 thousand and full-year 2017 operating profit EUR 6 thousand.

PRESIDENT & CEO TIMO LEVORANTA

“Digia’s net sales developed favourably during the third quarter and the entire review period. Third-quarter net sales saw year-on-year growth of 22.6 per cent and amounted to EUR 25.2 million. Net sales for January-September were EUR 80.9 million, up 20.6 per cent, of which 13.5 percentage points was organic growth. Business grew in all service areas, with particularly strong growth in the integration and information management service as well as the modern e-commerce solutions business. The Income Register project that Digia is implementing with the Tax Administration supported net sales growth. The Tax Administration plans to launch the first phase of the new Income Register on 1 January 2019.

Demand for integration solutions was maintained by customers’ need to network across organisational boundaries and to improve the interoperability of their own systems. Solutions for Application Programming Interface (API) management in particular saw growth.

Demand for digital services, such as e-commerce and e-service solutions and related service design, also remained good during the third quarter. We have successfully bolstered our role in numerous customer relationships thanks to our extensive offering, and we are increasingly often serving as part of our customers’ development teams.

Demand for ERP and financial sector systems has remained steady. ERP demand is typically driven by companies’ digitalisation projects. Digia’s offering includes ERP systems for companies of different sizes in different fields of business, based on either Digia’s own or Microsoft solutions. Supported by the acquisition we carried out during the review period, we further strengthened our position as a supplier of ERP systems.

Our operating profit has developed favourably during the entire review period. This good trend continued during the third quarter. Profitability has improved substantially thanks to net sales growth and better project management. Our operating profit was 6.3 (1.0) per cent of net sales in January-September and 6.1 (-3.7) per cent in the third quarter.

Our long-term goal is to increase the service business’s share of net sales through service contracts that involve the tracking of project phases and which cover the entire lifecycle of the service. The service and maintenance business accounted for 48.5 (51.2) per cent of net sales in January-September. During the third quarter, net sales of the service business surpassed net sales of projects, and accounted for 50.3 per cent of the company’s net sales.

Skilled employees are a vitally important competitive factor for Digia as an expert company. We continually renew our competence and provide our employees with opportunities for continuous development. Our personnel count grew by 70 people during the review period.

In Digia’s view, the strongest demand in IT services is developing in a direction in which customers gradually shift from individual projects to comprehensive building of digital business. Customers’ business operations are networked over industry boundaries. Value is increasingly often created in operating models in which data utilisation and the end-user experience are critical success factors. The user experience emphasises a suitable user interface combined with technical reliability. Combining data from different sources requires creating well-managed interfaces with both in-house and external data sources.

ERP systems and related expertise are also important in the development of digital services. These systems are companies’ internal platforms on top of which new services are built. For instance, the dynamic management of webshop inventories requires seamless integration with the ERP system. Operational reliability and continuous (24/7) support for solutions are also key in business operations.

Digia seeks to be a company that builds deep customer experiences and digital ecosystems. We help our customers succeed in the platform economy. Our aim is to further strengthen our position in the Finnish IT service market and to keep growing profitably at a faster rate than the IT market. The growing market for digital services, process digitalisation and increasing our service business serve as the spearheads of our growth.”

NET SALES AND RESULT

Net sales for January–September 2018 totalled EUR 80.9 (67.1) million, up 20.6 per cent on the previous year. Operating profit for January–September 2018 amounted to EUR 5.1 (0.7) million, earnings after taxes to EUR 3.6 (0.1) million and earnings per share to EUR 0.04 (0.01). The figures for the comparison period were weakened by a project loss provision booked in the third quarter of 2017.

OUTLOOK FOR 2018

Profit guidance for 2018 remains unchanged: “Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017.”

BRIEFING INVITATION

Digia will hold a briefing for analysts on Tuesday 30 October 2018 at 11 am, in the Tapiola cabinet at Hotel Scandic Simonkenttä, Simonkatu 9, 00100 Helsinki, Finland. Welcome.

The presentation for the event will be available from about 11 am on 30 October 2018 in the Investors section of the company's website: www.digia.com/en/investors/reports-and-presentations.

FURTHER INFORMATION

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