

Digia Plc

Stock exchange release

3 May 2019 at 8:00 am

Digia Plc's business review January–March 2019

Net sales up 18.7 per cent, operating profit improves by 25.2 per cent

JANUARY-MARCH 2019 (2018)

- Net sales: EUR 31.9 (26.9) million, up 18.7 per cent
- Operating profit: EUR 2.0 (1.6) million, up 25.2 per cent
- Operating margin: 6.2 (5.9) per cent of net sales
- Earnings per share: EUR 0.06 (0.04)
- Return on investment: 12.3 (11.0) per cent
- Equity ratio: 49.2 (51.6) per cent
- Acquisition of Starcut Oy, a mobile app development company
- 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.

DIGIA'S PRESIDENT & CEO TIMO LEVORANTA COMMENTS ON THE FIRST QUARTER OF 2019

“We are satisfied with the strong growth of our net sales and particularly with our success in increasing our net sales in many different offering areas. Our net sales amounted to EUR 31.9 (26.9) million, with year-on-year growth of 18.7 per cent. Our organic growth was 10.0 (9.9) per cent. Our online business solution, which combines service design, e-commerce platforms, agile development and analytics, was a major growth area. Integration and API solutions are playing an increasingly important role in digital business. Both solutions grew well during the review period. Demand for cloud-based ERP systems was also strong.

Operating profit saw year-on-year growth of 25.2 per cent and amounted to EUR 2.0 (1.6) million. Operating margin improved to 6.2 (5.9) per cent of net sales. We are pleased with the development of our project management and the fact that quality management is more firmly integrated into all our operations, as demonstrated by the renewal of our ISO 9001 certificate on 18 March 2019. The project business grew by 23.6 per cent and accounted for 50.5 (48.5) per cent of net sales.

Our service and maintenance business grew by 14.9 per cent in the first quarter and accounted for 49.5 (51.5) per cent of net sales. In our view, digital platforms will become even more business critical for our customers, which will contribute to the growth of our service and maintenance business. 24/7 services are our strength – we provide support to our customers to keep their environments and services up and running as well as continuously develop them over their entire lifecycle. In line with our strategy, we will continue to make outlays on this service area. During the review period, we developed our monitoring and control technologies in particular.

Business development in the first quarter

Digia's strategy is to renew customers' business operations and to serve as a trusted partner to them, from the design and implementation of services to maintenance and continuous development. We take care of the entire lifecycle of services. With our solutions, we enhance the competitiveness of our customers and Finnish society as a whole.

At the beginning of the review period, on 1 January 2019, we launched the first phase of the Incomes Register. The Incomes Register is a national electronic database of income information. After its launch, the Tax Administration and Digia will continue to cooperate in the maintenance of the system and the development of the benefits phase and additional functionalities.

During the first quarter, we bolstered our mobile expertise by acquiring Starcut Oy, which specialises in mobile apps and cloud services. Mobile service availability is an essential element of the modern customer experience. One example of Digia's strengths in combining mobile customer experiences with continuous services is the decision taken by Helsinki Region Transport (HSL) to select Digia to further develop and maintain the HSL app and its platform. HSL has been a Digia customer since 2017.

During the review period, Digia and Atostek won a tender for the delivery of an integration and data management solution to UNA Oy, which is owned by the hospital districts and municipalities. This framework agreement includes solution delivery, maintenance services and further development. The integration and data management solution harnesses information on social and healthcare services, which can be used to develop and modernise the services. The delivered solution will enable social and healthcare professionals to use customer information nationwide with the consent of the customer.

During the review period, we also initiated the first reference delivery release in Finland employing the cloud-based Microsoft Dynamics 365 Talent system. In line with our strategy, we have expanded our offering to include the delivery of cloud-based systems. Digia has a robust overall offering of ERP solutions, including Digia Enterprise, MS Dynamics 365 and MS D365 Business Central.

At Digia, we believe in a world where value is created intelligently by using data in ecosystems. In 2019, we will continue to strengthen our offering and take further steps to improve our profitability."

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 now hold 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. Etola Oy owns 1,605,495 Digia Plc shares.

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 bolsters 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.

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.

GROUP KEY FIGURES

EUR 1,000	1-3/2019	1-3/2018	Change	2018
Net sales	31,897	26,882	18.7%	112,122

EUR 1,000	1-3/2019	1-3/2018	Change	2018
Operating profit	1,989	1,589	25.2%	6,494
- as a % of net sales	6.2%	5.9%		5.8%
Result for the period	1,489	1,102	35.1%	4,704
- as a % of net sales	4.7%	4.1%		4.2%
Return on equity, %	12.5%	10.0%		10.2%
Return on investment, %	12.3%	11.0%		10.6%
Interest-bearing net liabilities *	19,630	12,164	73.1%	12,707
Gearing, %*	41.4%	27.6%		26.6%
Equity ratio, %*	49.2%	51.6%		54.9%
Number of personnel at period-end	1,114	1,063	4.8%	1,091
Average personnel	1,114	1,035	7.6%	1,069
Shareholders' equity	47,453	44,102	7.6%	47,782
Balance sheet total*	97,809	86,196	15.1%	88,104
Earnings per share, EUR	0.06	0.04		0.18

*The effect of IFRS 16 on the lease payment obligation recognised in Digia's balance sheet as at 1 January 2019 amounts to EUR 8.3 million. Right-of-use assets as per IFRS 16 amounted to EUR 11.2 million on 1 January 2019 and EUR 10.4 million on 31 March 2019. The amount decreased by EUR 0.9 million during the review period. The standard does not have a material impact on the operating profit or result for the review period.

BRIEFING INVITATION

Digia will hold a briefing for analysts on Friday, 3 May 2019 at 11 am at the Business Meeting Park, Helsinki (Forum, Mannerheimintie 20 B). You are most welcome to attend the briefing.

The material and presentation for the event will be available from 11 am on 3 May 2019 in the Investors section of the company's website: (www.digia.com/en/investors/reports-and-presentations).

FURTHER INFORMATION

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DISTRIBUTION

Nasdaq Helsinki
Key media
www.digia.com

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