

Digia Plc
 Stock exchange release
 4 May 2021 at 3:00 pm

Digia Plc's business review January–March 2021

Net sales up 7.6 per cent, operating profit (EBITA) improves by 65 per cent

January–March 2021

- Net sales: EUR 39.4 (36.6) million, up 7.6 per cent
- Operating profit (EBITA): EUR 5.3 (3.2) million, up 65.1 per cent; EBITA margin: 13.4 (8.7) per cent of net sales
- Operating profit (EBIT): EUR 4.5 (2.7) million, up 63.3 per cent; EBIT margin: 11.3 (7.5) per cent of net sales
- Earnings per share: EUR 0.13 (0.08)
- Return on investment: 15.8 (13.8) per cent
- Equity ratio: 42.4 (46.2) per cent
- Acquisition of Climber International AB
- Profit guidance for 2021 remains unchanged: Growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

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/ 2021	1–3/ 2020	Change %	1–12/ 2020
Net sales	39,357	36,565	7.6%	139,049
Operating profit (EBITA)	5,256	3,184	65.1%	16,000
- as a % of net sales	13.4%	8.7%		11.5%
Operating profit (EBIT)	4,456	2,729	63.3%	14,102
- as a % of net sales	11.3%	7.5%		10.1%
Result for the period	3,544	2,187	62.0%	10,627
- as a % of net sales	9.0%	6.0%		7.6%
Return on equity, %	23.5%	16.6%		18.7%
Return on investment, %	19.5%	13.8%		16.5%
Interest-bearing net liabilities	15,826	20,762	-23.8%	10,531
Net gearing, %	26.2%	39.8%		17.3%
Equity ratio, %	42.4%	46.2%		50.7%
Number of personnel at period-end	1,323	1,260	5.0%	1,258
Average number of personnel	1,322	1,260	4.9%	1,261
Shareholders' equity	60,301	52,155	15.6%	60,737
Balance sheet total	144,134	115,131	25.2%	121,078
Earnings per share, EUR	0.13	0.08	62.5%	0.40

PRESIDENT & CEO TIMO LEVORANTA:

“The first quarter of 2021 went according to plan. Our net sales were up 7.6 per cent on the previous year and amounted to EUR 39.4 million. Our good financial performance continued. Our operating profit (EBITA) grew by 65.1 per cent to EUR 5.3 (3.2) million. Our liquidity is at a good level and our financial position is stable.

Our operating profit (EBITA) slightly outperformed expectations; it was increased by savings made during the coronavirus pandemic, systematic operational development, and the dissolution of a EUR 0.4 million risk provision for project activities. Our service and maintenance business generated about 66 (65) per cent of net sales in January–March, and the project business about 34 (35) per cent.

Demand during early 2021 reflected customers’ need to develop and renew their digital business. In particular, uncertainty arising from coronavirus pandemic has increased the importance of data utilisation and having a good understanding of the current situation. All sectors require modern core systems in order to successfully digitalise their business. This has been reflected as increased demand for ERP systems. Our orders for Microsoft cloud ERPs have tripled on the previous year.

Walki is just one example of these new system deliveries: the international packaging company has chosen Digia as their system renewal partner, and the ERP will be implemented using Microsoft Dynamics cloud-based technology. The Indoor Group has also chosen Digia to supply Finland’s first retail solution based on Microsoft Dynamics 365 Commerce. This solution will help the Indoor Group to provide an even better multichannel customer experience and to standardise the IT systems used by a total of 92 stores in the Sotka and Asko chains. There has been strong growth in demand for Digia’s own Enterprise ERP system. Net sales of financial-sector services based on our own product solutions also rose.

One of the most significant projects to be completed during the review period was the Incomes Register, a large-scale project that we implemented for the Tax Administration. We will continue to be responsible for the system’s maintenance and will also be involved in its further development.

As part of our growth strategy, we acquired the entire share capital of the Swedish company Climber International AB on 7 January 2021. The acquisition concerns Climber’s operations in Sweden, Finland, Denmark and the Netherlands. [Climber’s](#) business is largely based on the use of advanced Qlik technologies and an operating model that strongly focuses on consulting. After the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics. I am very pleased to say that the first steps in Digia and Climber’s shared journey have been in line with our expectations. Joint sales projects have already been launched in all of our operating countries, and our personnel’s expertise is highly complementary. Our strategy is to harness our synergies and work together as a single unit, so as to provide customers with an even wider range of knowledge-based management solutions.

At Digia, we anticipate that analytics solutions, ERPs and an increasing number of new applications will be transferring to the cloud. For Digia, this transition is both a growth opportunity and one of the focal areas of our strategy. During the first quarter, we therefore recruited new experts to strengthen our sales and delivery capacity in cloud platform solutions for major customers. Cloud expertise was also our focus in personnel development. More than 100 Digia employees took training at the Digia Cloud Academy during early 2021. In addition to our own expertise, we also actively utilised our Digia HUB network in customer projects. We are seeking to further accelerate the creation of new capabilities in cloud service solutions. As Digia does not own any of its own datacentres, the transition to the cloud is a clear business opportunity for us.

The upgrade of our business platform (Digia Business Engine) is proceeding as planned. We are building a smart growth platform to support future growth and productivity. During the review period, we capitalised EUR 0.4 million

in costs from the programme, which had an impact of approximately EUR -0.1 million on earnings. We have capitalised a total of EUR 1.2 million from this programme to date. Digia Business Engine will be introduced in 2022.

As part of our continual efforts to improve quality, an external audit of Digia's operations and quality system was carried out in March and resulted in the renewal of our ISO 9001 quality certification. During early 2021, we also updated our key principles, targets and indicators for responsibility. In addition to environmental responsibility and digital expertise, our principles highlight the responsible utilisation of data. Through our customers, we want to promote the safe and sustainable digitalisation of society, while taking the environment into consideration.

We predict that market uncertainty will gradually ease and that our customer base will gain stronger confidence to make investments. The digitalisation trend in the market 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. Digia has also successfully positioned itself in growth areas in the IT industry, and the firm foundation that our systematic developments have created over the past few years will provide a good springboard for the future.

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

PROFIT GUIDANCE FOR 2021

Profit guidance for 2021 remains unchanged: Growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

BRIEFING INVITATION

A briefing for analysts will be held at 3:30 pm on Tuesday, 4 May 2021 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 3:30 pm on 4 May 2021 on the company's website: digia.com/en/investors/reports-and-presentations.

FURTHER INFORMATION

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DISTRIBUTION

Nasdaq Helsinki
Key media
digia.com

Digia is a software and service company that helps its customers renew themselves in the networked world. There are almost 1,300 of us working at Digia. Our roots are in Finland and we operate both in Finland and abroad. We are building a world in which digitalisation makes a difference – together with our customers and partners. Digia's net sales totalled EUR 139 million in 2020. The company is listed on Nasdaq Helsinki (DIGIA). digia.com