

An aerial photograph of a city, likely Helsinki, showing a mix of residential and commercial buildings. In the foreground, there's a large, modern industrial or warehouse building with a curved roof. The city extends to the water in the background under a clear blue sky.

# Digia's growth continues and profitability improves

Digia Plc | Half year financial report 2016

Timo Levoranta

12 August 2016

# Digia and Qt demerger came into force on 1 May 2016

- The AGM approved the demerger plan on 16 March and decided on the partial demerger of Digia Plc
- Demerger came into force on 1 May 2016
- According to the demerger plan all assets, liabilities and responsibilities related to Qt business were transferred to a new company established in the demerger called Qt Group Plc
  - Juha Varelius assumed the position of President and CEO of Qt Group Plc
- The current business of Digia Plc corresponds to the operations of the former Digia's domestic business

## **Desired benefits of the demerger:**

- To enable the development of Qt and Domestic business as two separate listed companies focusing on distinct sectors
- To clarify corporate structures, management and financing
- To enable investments to be targeted at certain business operations, clarify financial supervision and valuation of business operations, and to increase the potential for higher share value for investors

# Digia's offering

We help to build a smoother digital world.



## Digital services

E-services  
E-commerce  
Electronic working environments  
Developing customer experience  
Service mobilisation  
Service management



## Steering operations

Enterprise resource planning  
Workforce management  
Customer relationship management



## Utilising information

Integration  
Analytics  
Internet of Things  
Core data management  
Data security



# We support companies in the digital revolution





**January-June 2016**



# Highlights of the first half of 2016



**+9.9%**

increase in  
net sales



**6.2%**

operating profit  
as % of net sales



**+5.0%**

Increase of  
employees\*



New customers e.g.  
**Kuopion Energia**  
**Kymppivoima**  
**Feon**



Acquisition of  
**Igence Oy Ab**  
Customers e.g.  
Yliopiston Apteekki  
VV-Auto



**Outlook  
unchanged**

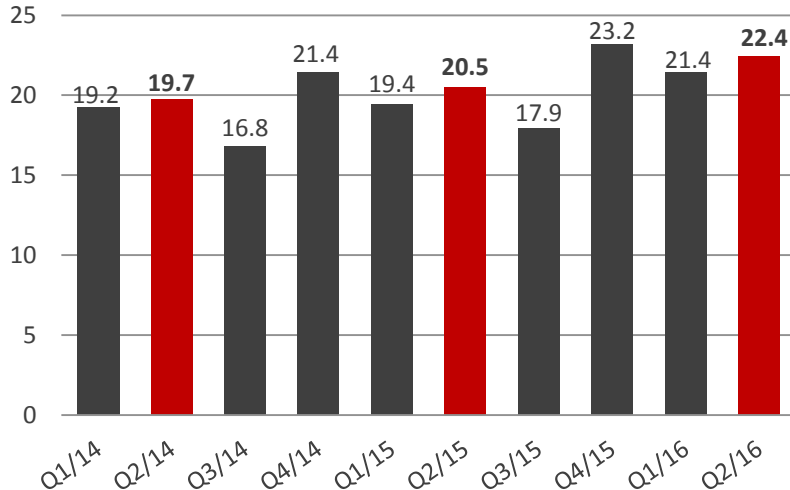
\* Compared to year-end 2015

# Net Sales growth of nearly 10%

Growth in net sales outperformed general IT market growth in many areas of operations

## Quarterly Net Sales

€ million

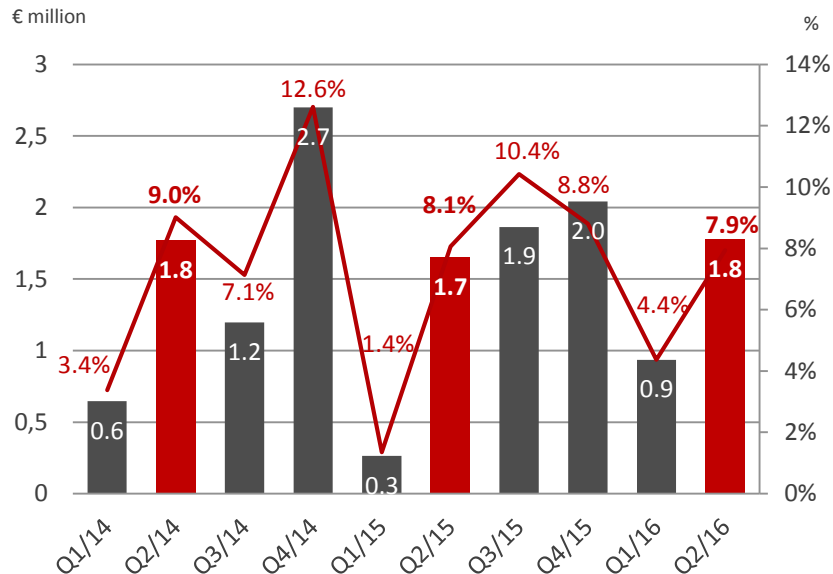


- Demand remained good for integration and analytics services
- In ERP and MES, company's ERP business based on own technologies developed favourably
- ERP business based on Microsoft technologies also saw growth, gaining momentum in Q2 thanks to good licence sales
- Net sales growth in the Microsoft-based solution business was down
- Financial-sector software solutions also continued to grow in Finland
- Good demand supported growth in the customised solution service business
- Net sales of the product business were 31.8 (29.1) % of total net sales

# Profitability improved in the first half

- The profitability of integration and analytics services was good
- Operating result of the ERP business based on own technologies developed favourably
- In the ERP business based on Microsoft technologies the operating result was burdened by delays encountered in starting new projects, as well as greater-than-usual sales outlays in the solution business based on Microsoft technologies
- Recruitments in financial-sector software solutions business and investments in the service business continued to burden profitability in Finland
- Operating result in Sweden is still burdened by the ending of a significant long-term maintenance customer relationship

Quarterly operating profit and margin



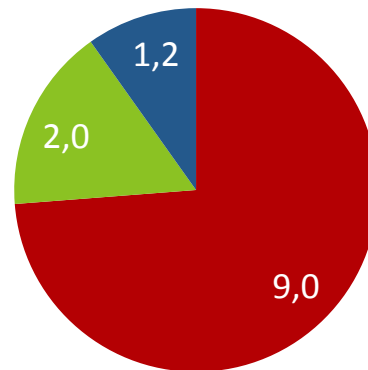


# New financial loan arrangement

Total EUR 17 million

- On 14 April 2016, Digia agreed on a new three-year financial loan arrangement with Danske Bank Plc
  - The new arrangement replaced Digia's earlier loan portfolio, which totalled EUR 12 million
  - The new financial arrangement totals EUR 17 million
  - Includes customary covenants concerning the company's solvency and debt-servicing capability
- 
- Net gearing at the end of June was 33.9 %

**Interest-bearing liabilities on 30 June 2016,  
EUR 12.2 million**



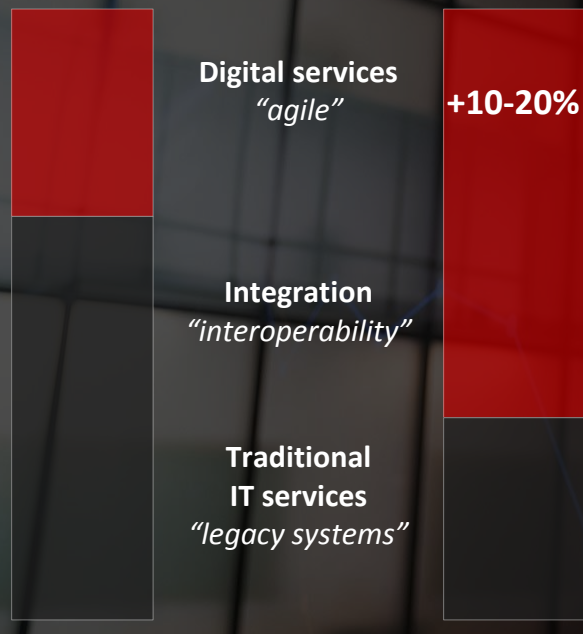
- Long-term loans from financial institutions
- Short-term loans from financial institutions
- Financial leasing liabilities



# Digia's growth strategy

# Digia is at the core of the changing market

## Structure of IT services is changing



Total market growth: 1-2% per annum

## Impacts on Digia

Customers are in the middle of a revolution in IT services

Greater utilisation of digitalisation

Service business is growing everywhere

Solutions are moving into cloud

Integration – interoperability – is at the heart of it all



# Growth strategy 2016-2019

The aim is to strengthen company's position, particularly in the growing markets for digital services, process digitalisation and service business.

Digia wants to grow at a much faster pace than the IT market and seeks average annual growth of 15 per cent.

- Digia seeks growth from areas that are seeing stronger growth than the traditional IT market, such as digital services and process development
- We are expanding our international presence together with our customers
- Growth is sought both organically and inorganically
- The company plans to hire about 100 new experts during the next year

During the first part of the strategy period, the company will focus on strengthening the foundation.

## Key themes of Digia's strategy

- Digitalisation of services and processes
- Adapting the offering for selected industries
- Bolstering the service business
- Deep partnership with customers
- Expert and enthusiastic employees

# Focus on strengthening the foundation

## Development of company structure

- Digital services - supporting growth
- Horizontal services - creating synergies

## Acquisition

- Through Igence Oy Ab acquisition, Digia strengthens its expertise in the growing e-commerce market



### **Igence acquisition in a nutshell;**

- Igence's net sales 2015 were EUR 2.26 million
- Igence has 24 employees
- Acquisition was carried out on 1 July
- Acquisition price is not published
- The acquisition has no effect on Igence personnel's employment terms

# Outlook unchanged

- The company reiterates its earlier guidance estimating that;
  - demand will remain reasonable,
  - net sales will continue to grow in 2016,
  - the operating margin will remain on a par with the previous year.





# Thank you!

[www.digia.com](http://www.digia.com)

Next event in the IR calendar:  
Q3/2016 report on 28 October 2016

digia

# Key Figures

	4-6/2016	4-6/2015	Change%	1-6/2016	1-6/2015	Change%	2015
Net sales	<b>22,397</b>	20,489	9.3%	<b>43,829</b>	39,888	9.9%	80,946
Operating profit	<b>1,777</b>	1,653	7.5%	<b>2,714</b>	1,914	41.8%	5,854
- % of net sales	<b>7.9%</b>	8.1%		<b>6.2%</b>	4.8%		7.1%
Net profit	<b>1,542.8</b>	1,554	-0.7%	<b>2,242</b>	1,604	39.7%	4,246
- % of net sales	<b>6.9%</b>	7.6%		<b>5.1%</b>	4.0%		4.8%
Return on equity, %	<b>15.3%</b>	17.9%		<b>11.2%</b>	10.4%		13.5%
Return on investment, %	<b>15.9%</b>	18.0%		<b>12.4%</b>	12.4%		15.6%
Interest-bearing liabilities	<b>12,228</b>	15,229	-19.7%	<b>12,228</b>	15,229	-19.7%	13,513
Cash and cash equivalents	<b>1,752</b>	4,842	-63.8%	<b>1,752</b>	4,842	-63.8%	6,710
Net gearing, %	<b>33.9%</b>	27.5%		<b>33.9%</b>	27.5%		16.6%
Equity ratio, %	<b>50.6%</b>	51.8%		<b>50.6%</b>	51.8%		53.7%
Earnings per share, EUR, undiluted	<b>0.07</b>	0.07		<b>0.11</b>	0.08		0.20
Earnings per share, EUR, diluted	<b>0.07</b>	0.07		<b>0.11</b>	0.08		0.20