

A person with blonde hair, wearing a green ribbed sweater, is holding a silver smartphone with both hands. They are sitting at a dark wooden table. In the foreground, there is a red ceramic mug. The background is dark and out of focus, showing some circular light patterns. The overall lighting is warm and soft.

# Digia's growth continues, significant steps taken to implement the strategy

Digia Plc | Interim report Q3/2016

Timo Levoranta  
28 October 2016

# January-September highlights



**+8,7%**

increase in  
net sales



**6,1%**

operating profit  
as % of net sales



**+10,5%**

Growth in # of  
personnel\*



Entry into a new  
business

**Outsourcing  
agreement with  
FIM**



Acquisition of  
**Igence Oy Ab**

Customers e.g.  
Yliopiston Apteekki  
VV-Auto



**Outlook  
and  
guidance  
unchanged**



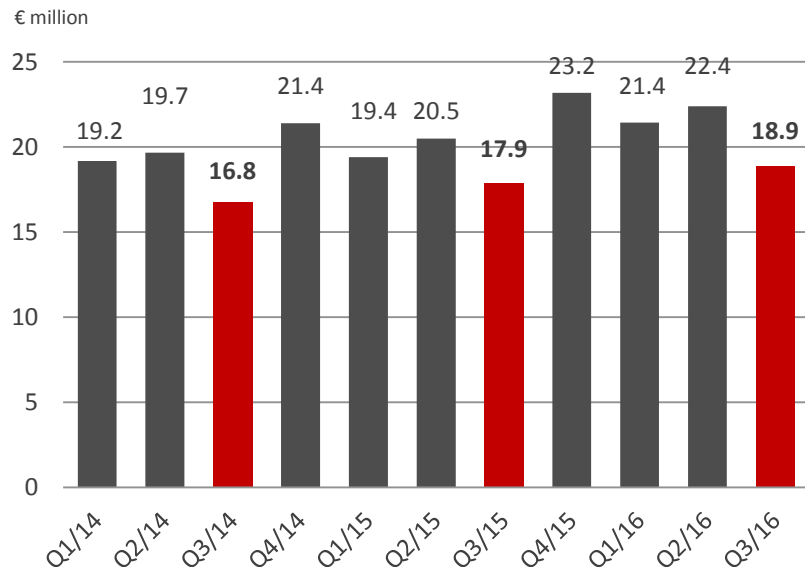
# After the review period the Finnish Tax Administration announced that it had chosen Digia as the supplier of the national income register



- Digia has made substantial sales investments during the competitive tendering for the national income register solution.
- On 14 October, the Finnish Tax Administration announced that it had chosen Digia as the supplier.
- It is intended that the register will be launched at the beginning of 2019.
- The solution will be delivered as a fixed-price project worth EUR 13.7 million.
- The project will be started in late 2016.
- The package also includes the system's maintenance and further development.
- **Digia's share of the overall value of the solution over a 15-year contract period is about EUR 60 million, including the fixed-price component of the project,** provided that the solution is implemented according to the assumptions made in the Tax Administration's invitation to tender.

# Net sales in Jan-Sep grew nearly 9%

## Quarterly Net sales



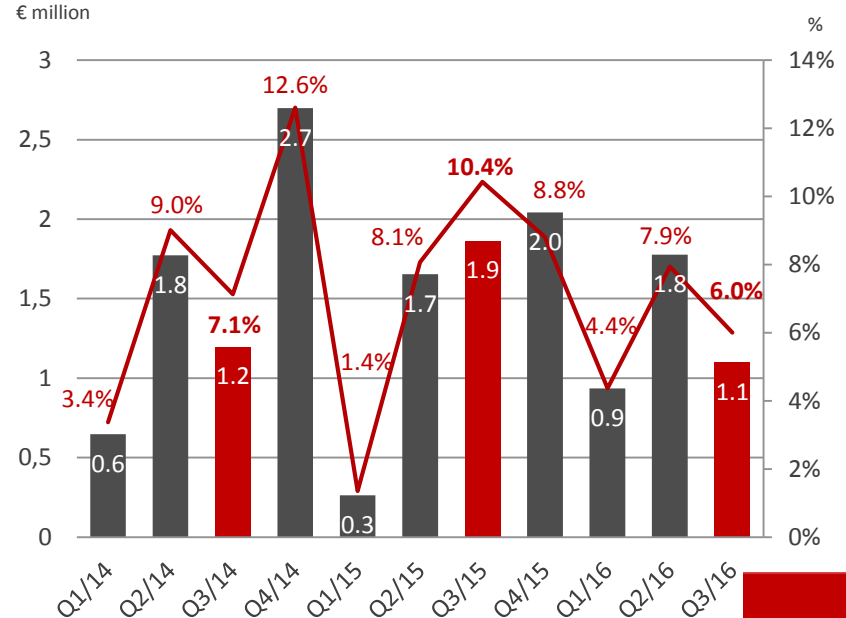
- Trend in Net Sales was supported particularly by growth in:
  - customised solutions service business,
  - ERP business based on the company's own technologies, and
  - integration business.
- Net Sales decreased in:
  - Microsoft-based solution business .
  - Financial-sector software solutions in Q3 especially in Sweden.
  - The site optimisation business
- Share of product business were 31.3 (28.6)% of total net sales.

# Operating profit margin in Jan-Sep was at 6.1%

Growth in # of personnel and and substantial sales investments weakened profitability in Q3

- Profitability was good and developed favourably in:
  - integration services,
  - ERP business based on Digia's own technologies, and in
  - customised solution service business.
- Profitability was weakened by:
  - Major investments made in the development of product and business models for site optimisation.
  - ERP business based on Microsoft technologies.
  - Substantial sales outlays in the solution business based on Microsoft technologies.
  - Financial-sector software solutions especially in Sweden.

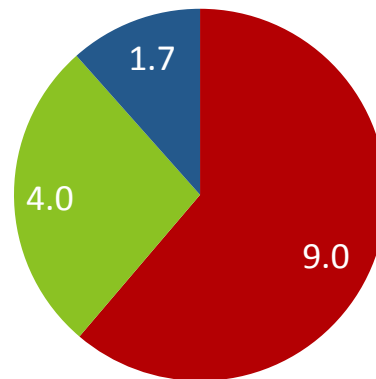
## Quarterly operating profit and margin



# Financing, cash flow and expenditure

- **Key figures on 30 Sep 2016:**
  - Equity ratio: 50.1%
  - Net gearing: 43.2%
  - Cash and cash equivalents: EUR 1.0 million
  - Return on investment: 11.1% \*
  - Return on equity: 10.3% \*
- **Cash flow 1-9/2016:**
  - from operating activities: EUR 1.0 million
  - from investments: -3,8 milj. euroa
    - Including acquisition of Igence
  - after investments: EUR -0.5 million

**Interest-bearing liabilities on 30 Sep 2016,  
EUR 14.7 million**



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

\* 1-9/2016

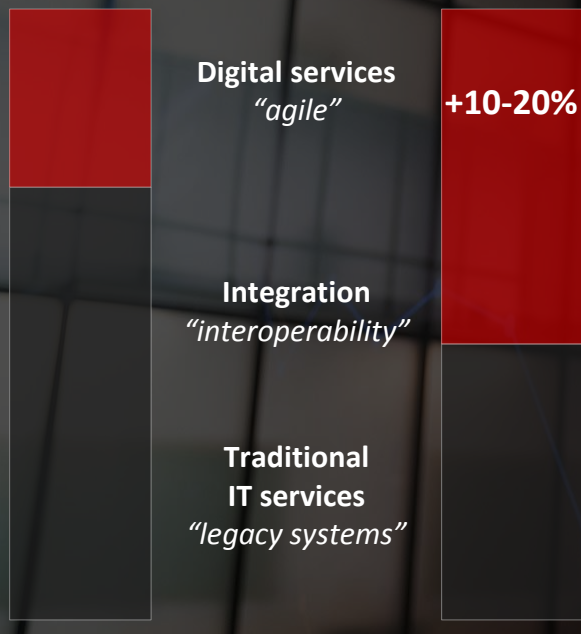




# Digia's growth strategy

# Digia is at the core of the changing market

## Structure of IT services is changing



Total market growth: 1-3% 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 our customers
- Expert and enthusiastic employees



## Customers

SALES, MARKETING AND COMMUNICATIONS

DIGITAL  
SERVICES

INFORMATION  
MANAGEMENT  
SERVICES

INDUSTRY  
SOLUTIONS

FINANCIAL  
SOLUTIONS AND  
SERVICES

HORIZONTAL SERVICES

BUSINESS SUPPORT

# Digia's offering



Digital  
services

Integration

Operating  
systems



# Significant steps to implement the strategy

## Acquisition

Through Igence 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

## Bolstering the service business

This agreement marks entry into a whole new business focusing on financial back office services.



### FIM outsourcing agreement in a nutshell;

Digia will take responsibility for NAV calculation and shareholder register maintenance and will also be carrying out administrative tasks for discretionary asset management portfolios.

## Deep partnership with customers

The new framework agreement places all of Digia's expertise e.g. consulting, projects and continuous services at Varma's disposal.



### Deepening partnership with Varma;

Partnership is based on integration cooperation of several years and an ongoing modernisation of Varma's core system launched earlier this year.

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# Outlook unchanged

- The company reiterates its earlier guidance estimating that;
  - demand will remain reasonable,
  - net sales will continue to grow during the rest of 2016, and
  - the operating margin will remain on a par with the previous year.
- The national income register -project has no impact on the outlook or guidance for 2016.







# Thank you!

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

digia

# Key Figures

	7-9/2016	7-9/2015	Change, %	1-9/2016	1-9/2015	Change, %	2015
Net sales	18,939	17,874	6.0%	62,768	57,762	8.7%	80,946
Operating profit	1,132	1,864	-39.3%	3,819	3,816	0.1%	5,854
- % of net sales	6.0%	10.4%		6.1%	6.6%		7.1%
Net profit	818.3	1,526	-46.4%	3,034	2,962	2.4%	4,246
- % of net sales	4.3%	8.5%		4.8%	5.1%		4.8%
Return on equity, %	10.1%	17.9%		10.3%	13.3%		13.5%
Return on investment, %	10.3%	18.0%		11.1%	15.0%		15.6%
Interest-bearing liabilities	14,709	15,229	-3.4%	14,709	15,153	-2.9%	13,513
Cash and cash equivalents	1,027	3,397	-69.8%	1,027	3,397	-69.8%	6,710
Net gearing, %	43.2%	27.5%		43.2%	29.9%		16.6%
Equity ratio, %	50.1%	51.8%		50.1%	53.8%		53.7%
Earnings per share, EUR, undiluted	0.04	0.07		0.15	0.15		0.20
Earnings per share, EUR, diluted	0.04	0.07		0.15	0.15		0.20