

enfo

Enfo Oyj

Interim report Q1, 2021



Enfo Group's interim report Q1 January 1 – March 31, 2021

Enfo Q1/2021: Profitability improved compared to last year

Q1/2021

- Net sales were EUR 30.3 (30.9) million
- EBITDA was EUR 3.3 (2.5) million
- EBIT was EUR 0.7 (0.2) million
- Profit for the period was EUR -0.1 (-2.0) million
- Earnings per share were EUR -0.9 (-3.5)
- Operating cash flow was EUR 1.6 (2.9) million

The numbers in brackets refer to the value in the corresponding period a year earlier, unless otherwise stated.

Key figures

	1.1.–31.3.2021	1.1.–31.3.2020	1.1.–31.12.2020
Net sales, EUR million	30.3	30.9	114.6
EBITDA	3.3	2.5	11.4
% of Net sales	10.8	8.1	10.0
Operating profit, EUR million	0.7	0.2	2.0
% of Net sales	2.3	0.7	1.7
Profit before taxes, EUR million	0.2	-1.6	0.7
% of Net sales	0.6	-5.3	0.6
Profit for the period, EUR million	-0.1	-2.0	0.0
% of Net sales	-0.2	-6.6	0.0
Earnings per share, EUR	-0.9	-3.5	-2.6
Return on investment, % *	3.2	4.8	3.6
Equity ratio, %	39.8	39.6	40.1
Net gearing, %	88.0	88.3	86.1
Interest-bearing net debt, EUR million	41.0	40.1	40.8
Equity per share, EUR	58.9	58.0	60.7
Average number of employees	889	922	907
Number of shares	747,978	761,484	747,978

* Rolling 12months

CEO's review

Mikko Valorinta, Enfo's CEO since March 1, 2021, comments on the first quarter:

The corona pandemic still affected the markets in the first quarter of 2021 and our net sales remained on the same level as in 2020. However, our profitability improved from the corresponding period last year. The pandemic continues to affect some of our customer sectors, such as travel and hospitality, as well as certain service areas, like our onsite services. As the pandemic ceases, we expect to see increased activity especially when it comes to new digital initiatives and broad-scale development projects. Also, the pandemic has further accelerated digitalization and demand for remote, secure access to data and applications in many organizations.

This year is about building for our future growth. I started as the CEO of Enfo in the beginning of March and during the next 3–6 months we will evaluate our next strategic steps and priorities to accelerate profitable growth and enhance our vision of a more intelligent Nordics.

From the profitability perspective, a key area is to make sure our utilization levels remain healthy. Concerning our growth, we will further strengthen our capabilities and offerings in the areas where we want to achieve market leadership. We will drive our growth ambitions with active recruitment and training, and well-targeted go-to-market efforts. All in all, we see that our expertise is well aligned with market growth areas such as cloud, data & analytics, digital trust, and integrations.

In January, we published the results from our customer experience survey done in late 2020 indicating great customer satisfaction, as 98% of the respondents were willing to recommend Enfo. It was especially reassuring to see that our customers consider expertise as one of our key strengths. Also, based on our monthly eNPS surveys and the more extensive employee satisfaction survey from late 2020, our employee satisfaction is on a very good level. Committed employees are of special



importance in our industry where the competition for talent remains tough. In 2021, as the impact of the pandemic on our clients' businesses decreases, we expect to accelerate our recruitment efforts and investments in learning and development.

Our core business is managing our customers' business-critical data and applications. And our clients choose us because they trust we will develop and manage their data and applications professionally and responsibly. I see responsibility becoming an even more critical driver of success in our industry. Our ambition is to be recognized as the most responsible supplier and employer in our ecosystem.

I look forward to working closely with the Board, management and all Enfonians to develop our strategy, help our clients in their digitalization initiatives, and ensure Enfo is a great, diverse, and energetic place to work.



Net sales and profit

Q1/2021

Enfo Group's net sales in the first quarter of 2021 were EUR 30.3 (30.9) million. EUR 13.6 million of the net sales were generated in Finland and EUR 16.6 million in Sweden. Sales from recurring services amounted to EUR 11.3 (11.6) million, sales from consulting to EUR 15.3 (16.0) million and intermediary sales to EUR 3.7 (3.2) million.

EBITDA for the first quarter was EUR 3.3 (2.5) million. Operating profit (EBIT) was EUR 0.7 (0.2) million, or 2.3% of net sales. Profit before taxes was EUR 0.2 (-1.6) million and profit for the period was EUR -0.1 (-2.0) million. Earnings per share amounted to EUR -0.9 (-3.5).

Investments and financing

Enfo's net investments in January–March amounted to EUR 2.5 (1.5) million, consisting of additions in right-of-use assets.

Interest-bearing liabilities at the end of March amounted to EUR 42.4 (40.6) million and were composed of EUR 30.4 (28.5) million in bank loans and EUR 12.0 (12.1) million in lease liabilities.

Enfo's loan agreements contain financial covenants which are tested bi-annually, at the end of the second and fourth quarter.

At the end of the first quarter, Enfo had credit limits amounting to EUR 16.7 (13.7) million, of which EUR 10.1 (8.4) million had been withdrawn. Of these credit limits, EUR 3.0 million were agreed with the company's financiers due to the corona crisis during the second quarter in 2020 and will expire in May 2021.

The company's equity ratio at the end of the period was 39.8% (39.6) and net gearing was 88.0% (88.3). The net financial items of the Group were EUR -0.5 (-1.9) million. Net cash flow from operations amounted to EUR 1.6 (2.9) million. The balance sheet totaled EUR 117.0 (115.1) million.

Management

Mikko Valorinta took up the position as CEO on March 1, 2021. At the end of March 2021, the Group Management Team consisted of CEO Mikko Valorinta, Nina Annila (EVP, Care and Data platforms, Finland), Björn Arkenfall (EVP, Applications and Information management, Sweden), Erik Brügge (EVP, Care and Data platforms, Sweden), Antti Hemmilä (General Counsel), Sami Kähkönen (EVP, Applications and Information management, Finland), Henrik Norell (EVP, People operations) and Mari Orttenvuori (CFO).

Shares

Enfo Oyj had a total of 747,978 shares on March 31, 2021. Enfo had 124 direct shareholders, excluding foreign shareholders whose shares are nominee-registered. The company has one series of shares, and the shares are connected to Euroclear Finland Oy's book-entry system.

Enfo Oyj is the parent company of Enfo Group, which belongs to Osuuskunta KPY Group. The parent company of Osuuskunta KPY Group is Osuuskunta KPY. Enfo Group comprises subsidiaries in Finland, Sweden, Denmark, and Norway. Enfo Oyj has a branch office in the UK.

At the end of March, the company's ten largest shareholders were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Rongo Cap Oy, the Gösta Serlachius Fine Arts Foundation, Keskiuomalainen



Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy, Kallax Oy and Unieke Oy. Osuuskunta KPY holds 85.81% of Enfo's shares.

In the first quarter of 2021, Enfo proceeded to execute the new long-term share incentive scheme (LTI 2021) resolved by the Board in December 2020. The participants of the new scheme were agreed upon, including all the participants of the earlier share incentive scheme (which lapsed as a result). The maximum amount of new reward shares is confirmed during the second quarter.

Personnel

Enfo employed an average of 889 employees (922) during January–March and a total of 889 employees (923) at the end of the period. On average, 405 (396) employees were in Finland and 483 (526) were in Sweden.

Annual General Meeting

Enfo Oyj's Annual General Meeting was held on March 24, 2021 in Kuopio. The Annual General Meeting decided that no dividend would be paid for the year 2020.

Kaisa Olkkonen, Mikko Laine, Ari Virtanen and Jani Vahvanen were elected as members of the Board of Directors. At the constitutive meeting held after the Annual General Meeting, the Board of Directors elected Kaisa Olkkonen as the Chairperson. The Board of Directors appointed Anssi Lehtikainen as observer to the Board of Directors.

Outlook

The IT services market is expected to continue growing, with digitalization driving customer demand. The impact of the corona pandemic on investment decisions and purchasing behavior will have a significant effect on growth.

The Group's net sales and EBITDA are expected to grow in 2021 compared to 2020.

Risks and uncertainties

Enfo's short- and medium-term risks are related to, among other things, the ongoing corona pandemic. The extent of its effects will depend on the progress of the virus, the availability of vaccines and the measures taken by governments to limit the spread of the virus. The duration and severity of the financial impact on business ecosystems and entities are significant uncertainties that may affect companies' decisions on IT investments and their timing. Our customers' possible decisions to scale down services or postpone projects would have an impact on Enfo, as would a decrease in our customers' ability to pay and possible demands for the renegotiation of contract terms.

Enfo's success in customer deliveries depends on skilled personnel. The rapid advance of technology in the ICT industry requires the continuous expansion and renewal of competencies. The availability of certain human resources is limited in the Finnish and Swedish markets, which poses a risk to the development of Enfo's business. To manage this risk, Enfo strives to maintain a positive employer brand and retain highly competent personnel by investing in the continuous development of its personnel and keeping employee satisfaction high.

The company's operations involve risks related to information security and data privacy. At Enfo, information security is managed centrally, and operations are based on risk management and responsibilities, roles and



documentation approved by the management. The confidentiality, integrity and availability of our customers' data are ensured with multi-level controls.

The IT services market is expected to continue growing, with digitalization driving customer demand. However, any slowdown in market growth and increased price competition could have an adverse impact on market conditions and thus increase risking profitable growth. This could affect Enfo's operations, financial position and cash flows.

In the long term, Enfo's growth will be influenced by its customers' willingness and ability to migrate business-critical solutions to cross-platform environments and manage them in these environments.

Timetable for financial reporting in 2021

The interim report Q1/2021 is published on April 23. Enfo will synchronize its financial reporting timetable with its main owner, Osuuskunta KPY, and thus Q2/2021 will be published on August 31 and Q3/2021 on November 12.

Accounting principles

This interim report has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS) and the accounting principles published in the 2020 financial statements.

The figures in the tables have been rounded to the nearest million euros, so they may not add up to precise totals. The figures presented in the tables are unaudited.

Consolidated statement of income

EUR million

	1.1.–31.3.2021	1.1.–31.3.2020	1.1.–31.12.2020
Net sales	30.3	30.9	114.6
Other operating income	0.0	1.2	1.2
Materials and services	-6.4	-7.2	-25.5
Employee benefit expenses	-18.9	-19.8	-70.6
Depreciation, amortization and impairment	-2.6	-2.3	-9.4
Other operating expenses	-1.8	-2.6	-8.2
Operating profit	0.7	0.2	2.0
Financial income	0.3	1.1	1.1
Financial expenses	-0.8	-3.0	-2.4
Profit before taxes	0.2	-1.6	0.7
Income taxes	-0.2	-0.4	-0.7
Profit for the period	-0.1	-2.0	0.0
Attributable to			
Owners of the parent company	-0.7	-2.5	-1.9
Non-controlling interests	0.6	0.5	1.9
Earnings per share, EUR	-0.9	-3.5	-2.6

Consolidated statement of comprehensive income

EUR million

	1.1.–31.3.2021	1.1.–31.3.2020	1.1.–31.12.2020
Profit for the period	0.0	-2.0	0.0
Exchange rate differences caused by net investments in foreign subsidiaries	0.0	-0.9	0.0
Other translation differences	-0.7	0.9	1.6
Comprehensive income for the period	-0.7	-2.0	1.6
Attributable to			
Owners of the parent company	-1.4	-2.4	-0.4
Non-controlling interests	0.6	0.4	2.0

Consolidated statement of financial position

EUR million

	31.3.2021	31.3.2020	31.12.2020
Assets			
Non-current assets			
Tangible assets	11.6	11.8	10.9
Goodwill	67.4	64.1	68.4
Other intangible assets	8.3	8.9	9.2
Available-for-sale investments	0.1	0.1	0.1
Receivables	1.1	0.9	1.1
Deferred tax assets	1.5	1.4	1.5
Total non-current assets	90.0	87.3	91.2
Current assets			
Trade receivables	20.4	21.0	21.2
Other receivables	5.3	6.4	5.9
Cash and cash equivalents	1.3	0.5	0.2
Total current assets	27.0	27.8	27.3
Total assets	117.0	115.1	118.5
Equity and liabilities			
Equity			
Share capital	0.3	0.3	0.3
Other reserves	31.0	29.8	31.0
Translation differences	-0.9	-1.6	-0.2
Retained earnings	13.6	14.8	14.3
Total equity attributable to owners of the parent company	44.0	43.4	45.4
Non-controlling interests	2.6	2.1	2.0
Total equity	46.6	45.4	47.4
Non-current liabilities			
Interest-bearing liabilities	29.0	27.5	28.0
Provisions	0.1	0.1	0.1
Deferred tax liabilities	0.5	0.5	0.5
Total non-current liabilities	29.5	28.1	28.6
Current liabilities			
Interest-bearing liabilities	13.4	13.1	13.1
Trade payables	2.4	4.8	5.8
Other liabilities	23.8	22.4	22.2
Tax liabilities based on the period's taxable income	1.1	1.1	1.1
Provisions	0.2	0.2	0.3
Total current liabilities	40.9	41.6	42.5
Total liabilities	70.4	69.7	71.1
Total equity and liabilities	117.0	115.1	118.5

Condensed statement of cash flows

EUR million

	1.1.–31.3.2021	1.1.–31.3.2020	1.1.– 31.12.2020
Cash flow from operations			
Profit for the period	-0.1	-2.0	0.0
Adjustments to the profit for the period	3.3	4.6	10.5
Change in working capital	-0.7	1.0	1.7
Interest paid and received	-0.4	-0.4	-1.1
Taxes paid	-0.5	-0.2	-0.6
Net cash flow from operations	1.6	2.9	10.5
Cash flow from investments			
Investments in tangible and intangible fixed assets	-1.2	-1.2	-7.7
Purchase of investment	0.0	-4.1	0.0
Sales of tangible and intangible fixed assets	0.1	0.0	0.2
Disposal of business	0.8	0.0	0.0
Net cash flow from investment activities	-0.3	-5.2	-7.5
Cash flow from financing activities			
Changes in loans	0.5	-1.2	-0.5
Rights issue	0.0	4.2	4.2
Other changes in equity	0.0	0.0	-1.7
Repayment of lease liabilities	-0.9	-1.6	-5.5
Net cash flow from financing activities	-0.4	1.4	-3.6
Changes in cash and cash equivalents	0.9	-0.9	-0.6
Net foreign exchange difference on cash and cash equivalents	0.2	0.4	-0.1
Cash and cash equivalents at the beginning of the period	0.2	1.0	1.0
Cash and cash equivalents at the end of the period	1.3	0.5	0.2

Changes in shareholders' equity

EUR million

	Share capital	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on Jan 1, 2020	0.3	-1.1	-1.7	26.8	17.4	41.7	1.7	43.4
Profit/loss for the period					-2.5	-2.5	0.5	-2.0
Comprehensive income								
Other comprehensive income items								
Exchange rate differences caused by net investment in foreign subsidiaries			-0.9			-0.9		-0.9
Other translation differences			0.9			0.9	-0.1	0.8
Other comprehensive income items for the period after taxes		0.0	0.1	0.0	0.0	0.1	-0.1	0.0
Comprehensive income for the period	0.0	0.0	0.1	0.0	-2.5	-2.4	0.4	-2.1
Transactions with owners								
Share issue				4.2		4.2		4.2
Share bonuses		0.0			-0.1	-0.1		-0.1
Redemption obligation					0.0	0.0		0.0
Total transactions with owners	0.0	0.0	0.0	4.2	-0.1	4.1	0.0	4.1
Equity on March 31, 2020	0.3	-1.1	-1.6	30.9	14.8	43.3	2.1	45.4

Changes in shareholders' equity

EUR million

	Share capital	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on Jan 1, 2021	0.3	0.0	-0.2	31.0	14.3	45.4	2.0	47.4
Profit/loss for the period					-0.7	-0.7	0.6	-0.1
Comprehensive income								
Other comprehensive income items								
Other translation differences			-0.7			-0.7		-0.7
Other comprehensive income items for the period after taxes		0.0	-0.7	0.0	0.0	-0.7	0.0	-0.7
Comprehensive income for the period	0.0	0.0	-0.7	0.0	-0.7	-1.4	0.6	-0.7
Equity on March 31, 2021	0.3	0.0	-0.9	31.0	13.6	44.0	2.6	46.6

Commitments and contingencies

EUR million

	31.3.2021	31.3.2020	31.12.2020
Leasing liabilities	0.2	0.5	0.3
Other rental liabilities	0.0	0.0	1.9
Bank guarantees	0.1	0.3	0.1
Total other liabilities	0.3	0.8	2.2

Formulas

The key figures were calculated using the following formulas:

EBITDA

Operating profit + depreciation + amortization

Earnings per share (EPS)

Profit/loss belonging to the holders of the parent company's ordinary shares / Weighted average number of outstanding ordinary shares

Return on capital employed (ROCE) (%)

$(\text{Profit before taxes} + \text{interest and other financing expenses}) / (\text{Balance sheet total} - \text{Current liabilities (average)}) * 100$

Equity ratio (%)

$\text{Equity} / (\text{Balance sheet total} - \text{advance payments received}) * 100$

Net gearing (%)

$\text{Interest-bearing net financial liabilities} / \text{Equity} * 100$

Interest-bearing net financial liabilities

Interest-bearing financial liabilities - cash and cash equivalents and other liquid financial assets

Equity per share

$\text{Equity attributable to the parent company's shareholders} / \text{Undiluted number of shares at the end of the period}$

Additional information



Mikko Valorinta, CEO since March 1, 2021

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Enfo Oyj Business ID:

2081212-9

Enfo

Data-driven business transformation

Enfo is a Nordic IT service company enabling its customers' data-driven business transformation. With our niche expertise in hybrid platforms, information management and applications, we bring together relevant data for more intelligent operations. We both build and run digital solutions – supporting our customers in mastering complexity. We are 900 experts working for a more intelligent world, in which technology empowers people, businesses and societies.

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