



digia

Digia Plc

BUSINESS REVIEW

January–March 2024 (unaudited)

Digia's profitable growth continued: net sales up 7.2 per cent in the first quarter, operating profit (EBITA) up 13.2 per cent

January–March 2024

- Net sales: EUR 53.6 (50.0) million, up 7.2 per cent
- Operating profit (EBITA): EUR 5.5 (4.9) million, up 13.2 per cent; EBITA margin: 10.3 (9.7) per cent of net sales
- Operating profit (EBIT): EUR 4.8 (4.1) million, up 14.8 per cent; operating margin: 8.9 (8.3) per cent of net sales
- Earnings per share: EUR 0.13 (0.11)
- Return on equity (ROE): 18.4 (17.2) per cent
- Equity ratio: 43.8 (43.1) per cent
- Profit guidance remains unchanged: Digia's net sales (EUR 192.1 million in 2023) and operating profit (EBITA) (EUR 16.7 million in 2023) will increase compared to 2023.

Unless otherwise stated, the comparison figures provided in parentheses refer to the corresponding period of the previous year.

Group key figures

EUR 1,000	1-3/2024	1-3/2023	Change, %	1-12/2023
Net sales	53,648	50,034	7.2%	192,087
Operating profit (EBITA)	5,510	4,870	13.2%	16,727
- as a % of net sales	10.3%	9.7%		8.7%
Operating profit (EBIT)	4,751	4,137	14.8%	13,835
- as a % of net sales	8.9%	8.3%		7.2%
Result for the period	3,415	3,021	13.0%	9,872
- as a % of net sales	6.4%	6.0%		5.1%
Return on equity, %	18.4%	17.2%		13.5%
Return on investment, %	17.0%	16.2%		12.9%
Interest-bearing net liabilities	22,060	18,802	17.3%	24,771
Net gearing, %	30.1%	27.1%		32.8%

EUR 1,000	1-3/2024	1-3/2023	Change, %	1-12/2023
Equity ratio, %	43.8%	43.1%		46.7%
Number of personnel at period-end	1,547	1,451	6.6%	1,527
Average number of personnel	1,544	1,441	7.1%	1,465
Shareholders' equity	73,215	69,444	5.4%	75,420
Balance sheet total	173,770	166,731	4.2%	168,157
Earnings per share, EUR	0.13	0.11	12.1%	0.37
Earnings per share (diluted), EUR	0.13	0.11	13.0%	0.37

CEO's Review:

"I'm pleased that despite the challenging market situation, we achieved the highest net sales and operating profit (EBITA) in Digia's history in the first quarter. In addition to growth, we also improved our profitability.

In January–March, our net sales grew by 7.2 per cent to EUR 53.6 (50.0) million. Organic growth was 1.5 per cent. Our operating profit (EBITA) increased by 13.2 per cent to EUR 5.5 (4.9) million. Our EBITA margin improved to 10.3 (9.7) per cent of net sales.

The market situation remained challenging in the first quarter: Competition continued to be tight, and the general economic situation resulted in cautiousness among customers, which was evident in delays in decision-making, for instance. We see an ongoing trend in customers' purchasing behaviour, in which they are centralising their purchases and relying on stable operators with broader expertise and offerings. Digia competes in the market with its strong expertise and versatile overall offering.

Digia's offering consists of four service areas, three of which increased their net sales during the review period. In the service areas, particularly strong growth was seen in Digia's automation and AI platform and CRM solutions.

Demand for Digia's automation and AI platform remained strong, with a robust bid volume. Net sales in this area increased by more than 50 per cent in relation to the comparison period. Digia's platform has proven itself to be a concrete and rapid means of harnessing automation and AI in business processes. The automation and AI platform is part of the ISO 27001-certified operations of our Managed Services area. The market breakthrough of AI will continue in 2024–2025. Digia's automation and AI platform business has already surpassed the annual sales milestone of five million euros. We will continue to invest in utilising AI in both our own operations and customer offerings.

Our CRM solutions also grew by 25 per cent during the review period. Our solutions combine Digia's service design, marketing automation and integration expertise, and Microsoft CRM and Power Platform solutions.

Furthermore, our net sales were boosted by Top of Minds, a Swedish company which joined Digia in October 2023. The company also saw good organic growth. International business accounted for 12.3 per cent of our net sales in the review period.

The service and maintenance business is an important element in Digia's business model. The service and maintenance business accounted for 50.6 per cent and the project business for 49.4 per cent of net sales in the review period. The significant share accounted for by the service and maintenance business provides stability to Digia's operations in the uncertain market.

Major agreements were signed during the review period with the Finnish Ice Hockey Association, Servica Oy and the City of Helsinki, among others. We also made an agreement with the Finnish Defence Forces on additional procurements for a network information system provided by Digia. In addition to software licences, this includes expert work to be carried out in 2024–2030. In addition, we made further agreements valued at EUR 15.2 million. In March, we deployed R-Kioski's ERP system into production. It is based on Microsoft Dynamics 365 Finance and Operations and Microsoft Dynamics 365 Commerce solutions. Marimekko's global Microsoft Dynamics 365 Commerce store solution was moved under continuous services.

Personnel and sustainability

Our number of personnel increased by 20 new experts in the first quarter. During the review period, we forged ahead with our responsibility development efforts. Digia completed the UN Global Compact Network Finland Target Gender Equality training programme, which focused on issues such as promoting gender equality and diversity. In addition, we signed the Women's Empowerment Principles established by UN Women and UN Global Compact. We believe that a diverse and inclusive work community is the key to the company's sustainable success.

As part of the continuous improvement of Digia's operations, we decided to modernise our premises in Helsinki. The aim is to facilitate hybrid work, strengthen our sense of community, reduce Digia's carbon footprint and achieve cost savings. We will change over to a two-office model – we will renovate our current premises in Pitäjänmäki and open a new office in Kamppi in the heart of Helsinki. Digia's new office strategy will achieve total cost savings of about EUR 0.5 million annually. In addition, the shift will have a positive impact on CO₂ emissions from Digia's own operations. The office modernisation will be carried out in the first half of 2025.

2024 is the second year in our three-year strategy period. Intelligent business forms the core of our strategy: automation and intelligence are becoming an increasingly integral aspect of all services, solutions and processes. Our mission is to keep our customers at the forefront of digital evolution. There is still short-term uncertainty in the market, but we foresee healthy market growth in the longer term. We are constantly renewing and adjusting our operations in line with market conditions. Our aim is to build sustainable and profitable growth – we have now been on this journey for eight years.

After the end of the review period, we announced changes in Digia's Management Team. Tapani Ojaluoma was appointed as the new head of the Business Platforms service area, effective as from 2 April 2024. I welcome Tapani to Digia to build future profitable growth!"

Profit guidance for 2024 remains unchanged

Digia's profit guidance for 2024: Digia's net sales (EUR 192.1 million in 2023) and operating profit (EBITA) (EUR 16.7 million in 2023) will increase compared to 2023.

Events after the review period

There have been no major events since the report period.

Briefing invitation

A briefing for analysts will be held at 9 am on Wednesday, 8 May 2024 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 9:00 am on 8 May 2024 on the company's website: digia.com/en/investors/reports-and-presentations.

Financial reporting in 2024

Digia will publish its half-year interim report for 2024 at 8:00 am on Friday, 9 August 2024, and its business review for January-September 2024 at 8:00 am on Friday, 25 October 2024.

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Digia is a software and service company that combines technological possibilities and human capabilities to build intelligent business, society and a sustainable future. Our mission is to ensure that our customers are at the forefront of digital evolution. There are more than 1,500 of us working at Digia and we operate globally with our international customers. Digia's turnover in 2023 was EUR 192,1 million. The company is listed on Nasdaq Helsinki (DIGIA).