

# Tietoevry

## Company report

10/25/2024 09:30 am EEST



**Joni Grönqvist**  
+358 40 515 3113  
joni.gronqvist@inderes.fi

This report is a summary translation of the report “Tech Services liiketoiminnan myyntiprosessi edennyt” published on 10/25/2024 at 7:35 am EEST.

**inde  
res.**

# Tech Services divestment process advanced

We reiterate our Buy recommendation and EUR 22.0 target price for Tietoevry. The big picture of Tietoevry's Q3 performance was already known with the figures the company released last week in its earnings warning. The focus was therefore on the strategic review of Tech Services, and the report revealed that the sale process is nearing completion, which is a cautiously positive signal. We have left our forecasts largely unchanged and expect revenue to decline slightly in 2024-25, but profitability to remain at last year's level, supported by ongoing efficiency measures. Despite some near-term operating pressure, the valuation picture remains very attractive from multiple perspectives (2024e adj. P/E 9x, DCF EUR 25, SOTP EUR 24 and a dividend of 8%).

## Q3 figures were even better than expected, but weakened towards the end of the quarter

Tietoevry's revenue decreased by 1% to 655 MEUR, slightly below our forecasts before the guidance downgrade, but in line with our updated forecasts. Organically, revenue decreased by 1%. The company said the decline in demand has spread to more geographic markets and more activities. This means that the weakness is much more widespread than in the past. Tietoevry's adjusted EBITA was 88 MEUR or 13.5% of revenue (Q2'23: 73 MEUR). The result was therefore slightly above our and pre-warning consensus forecasts, but in line with our subsequently updated forecasts. The improvement in profitability was driven by efficiency improvements in all businesses.

## Tech Services sale process advanced to the home stretch with a buyer

Tietoevry said that the strategic review of the Tech Services business is progressing and that the company is in exclusive negotiations with a non-industrial player. As a result, we believe the sale process is in its final stages. Depending on when the process was initiated, we estimate that this could take a few months. We believe it would have been easier for an industrial buyer to realize synergies from the deal. On the other hand, a non-industrial buyer may have other means to extract value from the target, such as solutions to optimize the financing structure, which will naturally affect the price the buyer can pay for Tech Services. This means that there are still uncertainties, in particular about the price, but also about the closing of the transaction. The divestment could also act as a catalyst to unwind the undervaluation. As we see it, Tech Services remaining part of Tietoevry would be negative news.

## The company issued a slight revenue warning and revised its profitability guidance last week

Due to the continued weak market situation, Tietoevry updated its revenue growth guidance last week and now expects organic growth to be around -2% in 2024 (prev. 0-3%). In addition, the company now expects its full-year adjusted EBIT margin to be in the range of 12.3% to 12.7% (prev. 12.0% to 13.0%). We have left our forecasts largely unchanged and expect organic revenue to decline next year (1%) and then return to growth (~3%) in 2026. In addition, we expect the company's adjusted EBITA margin to be close to 13% in the coming years, supported by ongoing efficiency measures.

## Valuation picture is very attractive and a strong dividend provides a good base return

On our estimates, the adjusted P/E and EV/EBIT multiples for 2024-25 are ~9x. The multiples are and ~40% below peers. The corresponding reported ratios are 12-15x, but almost half of the adjustments are PPA depreciation, which do not affect cash flow and we also adjust these for peers. In our view, the absolute valuation of the share is attractive and the relative valuation is very attractive. The expected return on the share also rises to an attractive level of over 10% on the back of 3% earnings growth and an 8% dividend yield alone. Moreover, the sum-of-the-parts calculation (EUR 24) clearly indicates a higher value than today and is a relevant way to look at the valuation, even if the Banking business remains part of the whole, at least for now. The DCF calculation (EUR 26) also indicates a clear upside.

## Recommendation

**Accumulate**

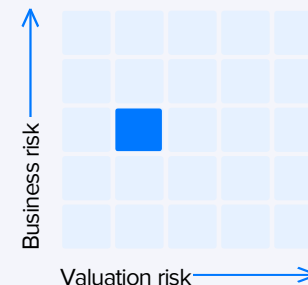
(was Buy)

**EUR 22.00**

(was EUR 22.00)

**Share price:**

18.92



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	2851	2823	2792	2861
<b>growth-%</b>	-2.6 %	-1.0 %	-1.1 %	2.5 %
<b>EBIT adj.</b>	359	354	356	369
<b>EBIT-% adj.</b>	12.6 %	12.5 %	12.7 %	12.9 %
<b>Net Income</b>	172	148	168	186
<b>EPS (adj.)</b>	2.14	2.01	2.05	2.16
<b>P/E (adj.)</b>	10.1	9.4	9.2	8.8
<b>P/B</b>	1.6	1.4	1.5	1.5
<b>Dividend yield-%</b>	6.8 %	7.9 %	8.2 %	8.5 %
<b>EV/EBIT (adj.)</b>	9.7	9.2	9.0	8.5
<b>EV/EBITDA</b>	8.6	8.0	7.5	7.2
<b>EV/S</b>	1.2	1.1	1.1	1.1

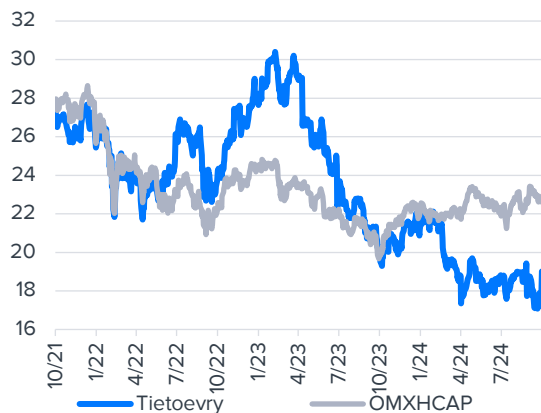
Source: Inderes

## Guidance

(Unchanged)

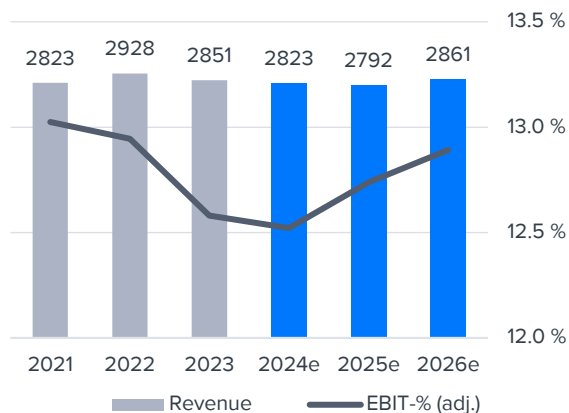
Tietoevry expects its organic growth to be around -2% for the current year. In addition, the company expects its EBITA margin to be 12.3-12.7% (was 12.0-13.0%)

## Share price



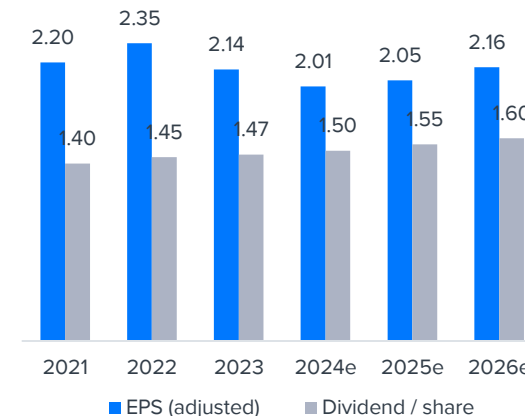
Source: Millistream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



### Value drivers

- Strengthened growth outlook
- Increase in the share of highly profitable software product business
- Growth in the share of modern IT services
- Acquisitions and divestments of non-strategic businesses
- Business separation



### Risk factors

- Decline in competitive position among large customers
- Continuous transformation creates a constant need for restructuring
- Accelerating wage inflation, high employee revenue and a failure in talent competition

Valuation	2024e	2025e	2026e
Share price	18.9	18.9	18.9
Number of shares, millions	118.4	118.4	118.4
Market cap	2240	2240	2240
EV	3235	3190	3144
P/E (adj.)	9.4	9.2	8.8
P/E	15.1	13.3	12.0
P/B	1.4	1.5	1.5
P/S	0.8	0.8	0.8
EV/Sales	1.1	1.1	1.1
EV/EBITDA	8.0	7.5	7.2
EV/EBIT (adj.)	9.2	9.0	8.5
Payout ratio (%)	120.1%	109.1%	101.8%
Dividend yield-%	7.9%	8.2%	8.5%

Source: Inderes

# Q3 figures were even better than expected, but weakened towards the end

## Revenue down and slightly below expectations

Tietoevry's revenue decreased by 1% to 655 MEUR, slightly below our forecasts before the guidance downgrade, but in line with our updated forecasts. Organically, revenue dropped by 1% and working-day adjusted revenue decreased by 2%. Exchange rates had only a marginal (-2 MEUR) negative impact on revenue. M&A supported revenue by a total of 5 MEUR. In the big picture, the sluggish development continues to be driven by a weak demand environment.

The company said the decline in demand has spread to more geographic markets and more activities. This means that the weakness is much more widespread than in the past.

By business area, organic growth was supported by Tietoevry Banking (+5%), Tietoevry Industry (+1%) and Tietoevry Care (+3%). Other segments saw a decline,

with Tietoevry Create's organic revenue down 4% and Tietoevry Tech Services down 3%. At the business level, the sluggish market is having a particular impact on Create and Tech Services.

## Earnings rows slightly exceeded our expectations in Q3

Tietoevry's adjusted EBITA was 88 MEUR or 13.5% of revenue (Q2'23: 73 MEUR). The result was therefore slightly above our and pre-warning consensus forecasts, but in line with our subsequently updated forecasts. The improvement in profitability was driven by efficiency improvements in all businesses.

By business area, Tietoevry Tech Services' profitability increased to 11%, driven by efficiency measures (Q3'23: 10%). The profitability of the Banking segment was flat year-on-year, while the profitability of Create and Care improved. In addition, the profitability of the industrial business deteriorated

compared to the prior-year period.

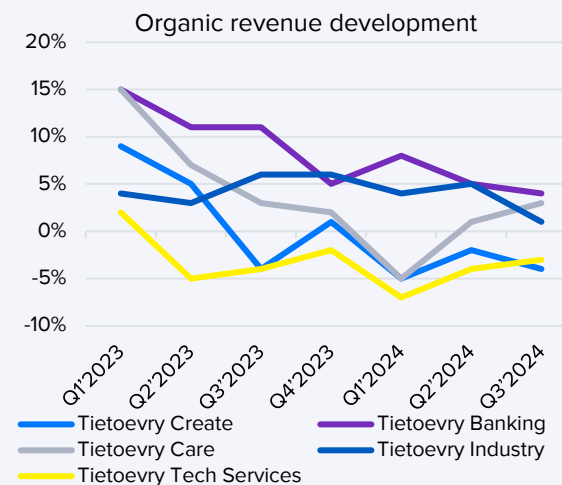
One-off expenses were slightly (6 MEUR) lower than expected. As a result, reported EBIT landed at 64 MEUR, above our forecast of 56 MEUR. Other earnings rows were broadly in line with expectations and adjusted EPS declined two cents to EUR 0.49 in Q3, in line with our and market expectations. Reported EPS landed a few cents above our forecast.

In the big picture, cash flow was in line with our expectations in Q3. Cash flow alone should be sufficient to increase the dividend, and even if it falls slightly short, we believe the company will still prioritize dividend growth (especially if Tech Services is sold).

As expected, the company will implement further efficiency measures in Q4. At the same time, the company raised its forecast for one-off costs to 2% of revenue in 2024.

Estimates	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	660	655	674	663	654	669	-3%	2823
EBIT (adj.)	86	88	86	84	77	87	3%	354
EBIT	62	64	56	58	53	69	13%	241
PTP	53	50	44	47	43	59	13%	191
EPS (adj.)	0.51	0.49	0.49	0.48	0.44	0.51	0%	2.01
EPS (reported)	0.35	0.32	0.29	0.31	0.28	0.39	9%	1.25
Revenue growth-%	-4.4 %	-0.7 %	2.1 %	0.6 %	-0.8 %	1.4 %	-2.8 pp	-1.0 %
EBIT-% (adj.)	13.0 %	13.5 %	12.7 %	12.6 %	11.8 %	12.9 %	0,8 %-yks.	12.5 %

Source: Inderes & Vara Research, 10 forecasts (consensus)



# We kept our forecasts virtually unchanged

## Estimate revisions 2024e-2026e

- We already lowered our forecasts last week after the profit warning.
- Following that, we have kept our operational estimates almost unchanged.
- We increased one-time expenses related to Q4 restructuring. We also added a one-off gain of 4 MEUR from the sale of the Buypass business.

## Forecasts for 2024e-2026e

- We forecast Tietoevry's revenue to decline organically by 2% in 2024, -1% in 2025 and grow by 3% in 2026. The forecasts are therefore well below the 8-10% financial targets driven by market weakness.
- We expect adjusted EBITA% to increase slightly to just under 13% in 2026, driven mainly by scalable software and efficiency improvements. Forecasts are below the company's 15-16% target due to demand challenges, continued inflationary headwinds (particularly in emerging markets) and challenges in translating these pressures into customer prices.

## Operational result drivers 2024e:

- Price increases support the development somewhat
- Efficiency programs support development (now in all segments)
- Tietoevry estimates wage inflation to be around 4.5% in 2024 (2022: 4% and 2023: 5%). In addition, employee turnover has decreased, which supports profitability
- Tietoevry expects non-recurring costs to be about 2.0 % of revenue in 2024 (was 1.5%).

## Financial targets

- Tietoevry is targeting a growth rate of 8-10%
- In terms of profitability, the company is targeting an adjusted EBITA margin of 15-16% by 2025
- In terms of solvency, the company aims to maintain a net debt/EBITDA ratio between 1-2x
- For the dividend, the objective is to continue to increase each year

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	2819	2823	0%	2796	2792	0%	2865	2861	0%
EBITDA	408	403	-1%	425	424	0%	436	435	0%
EBIT (exc. NRIs)	352	354	1%	356	356	0%	370	369	0%
EBIT	245	241	-2%	261	261	0%	282	281	0%
PTP	197	191	-3%	214	213	0%	239	236	-2%
EPS (excl. NRIs)	2.01	2.01	0%	2.06	2.05	0%	2.18	2.16	-1%
DPS	1.50	1.50	0%	1.55	1.55	0%	1.60	1.60	0%

Source: Inderes

## Tietoevry Interim Report Q3/2024



# Valuation 1/2

## Peer group

We have used Finnish, Nordic and global peers in Tietoevry's peer group. We consider the median of this peer group to be a good yardstick for Tietoevry's valuation level. We base the relative valuation on the company's size, competitive position, and scalability, continuity and know-how of the expert portfolio, as well as geographical diversification and predictable business. A lower valuation is supported by the weak revenue development and profitability in the largish Tech Services business (hopefully to be separated in 2024). We have also considered the 'constant' restructuring costs, which are higher for Tietoevry than its peers. Tietoevry expects restructuring costs to be 2.0% of revenue (excluding costs of strategic assessments), which corresponds to just over 15% of the operating result. As the company shows strengthening economies of scale and competitive advantages, a slight premium can be accepted for the share compared to the sector valuation.

## Valuation multiples

On our estimates, the adjusted P/E and EV/EBIT multiples for 2024-25 are ~9x. The multiples are ~40% below peers. In our view, the absolute valuation of the share is 15x but and the relative valuation is highly attractive. The company adjusts its earnings for about 15% more expenses than its Finnish peers, which means that the stock is still at least attractively priced. The corresponding reported multiples are 12-15x but include PPA depreciation of just over 10% of EBIT or 40 MEUR per year, which we adjust for peers as they do not affect cash flow and reflect operational performance. In addition, dividend yield (8%) provides a good baseline return.

According to our view, dismantling the long-standing undervaluation can be unwound by the continuation of organic growth back to the levels at the turn of 2022-23 (6-9%). The second "undervaluation unwinder" are the

planned business separations that would clarify the structure and bring better growth and profitability conditions for the new business entities. However, this has been put on hold by recent decisions in the Banking business. Tech Services is now close to divestment.

The company has been communicating for some time that it is active on the M&A front, which may involve acquisitions (like MentorMate) and smaller divestments in addition to the current spin-offs (such as BuyPass AS in Q3). This could further strengthen (acquisitions) or clarify the structure (divestments) and reduce the undervaluation. We believe that the drivers for unwinding the undervaluation have weakened, at least in the short term, as only Tech Services is being spun off.

## Components of the expected return for the share

We examine the expected return for Tietoevry's share based on earnings growth, dividend yield and the accepted valuation level. We estimate that the company has the potential for ~3% annual earnings growth in 2025-2026 (compared to 2024 level), driven by growth and profitability. Our growing dividend projections take the payout ratio above 100%, but cash flow should be sufficient to support a growing dividend, implying a dividend yield of ~8%. Cash flow continuously strengthens the balance sheet and provides a good basis for profit distribution and/or inorganic growth. In addition, the Tech Service divestment allows for an additional dividend, which depends on the sales price and gearing at the time.

In our view, there is also some upside in the valuation multiples of the stock at the moment. The expected return on the stock, based on dividend yield and earnings growth alone, is 15%, and almost 20% if the upside in valuation multiples is taken into account. This is a particularly attractive level, especially given the relatively low risk profile of the company's business.

Valuation	2024e	2025e	2026e
Share price	18.9	18.9	18.9
Number of shares, millions	118.4	118.4	118.4
Market cap	2240	2240	2240
EV	3235	3190	3144
P/E (adj.)	9.4	9.2	8.8
P/E	15.1	13.3	12.0
P/B	1.4	1.5	1.5
P/S	0.8	0.8	0.8
EV/Sales	1.1	1.1	1.1
EV/EBITDA	8.0	7.5	7.2
EV/EBIT (adj.)	9.2	9.0	8.5
Payout ratio (%)	120.1 %	109.1 %	101.8 %
Dividend yield-%	7.9 %	8.2 %	8.5 %

Source: Inderes

# Valuation 2/2

## Sum of the parts

With Tietoevry's strategy and especially the business separations, it's very natural to look at the valuation of the share also from the perspective of the sum of the parts. Tietoevry has announced that the Tech Services business will be spun off separately and the Banking business will continue to be a part of Tietoevry. The sale of Tech Services is in the final stages and will hopefully be completed.

The very mature phase of the Tech Services businesses has depressed Tietoevry's development. Businesses have developed very moderately in terms of revenue and profitability is under constant pressure from fierce price competition. However, profitability developed well in Q3. The clearest risk in our view is that the company will not be able to price enough buyer synergies in the purchase price.

In our view, the EV/EBITA multiples we use reflect

growth and profitability profiles, peers and business continuity. We have used our 2024 projections for the businesses.

However, the valuation at the time of separation depends to a large extent on the current development of the business (growth and profitability), the market situation, the potential, the share of software and the share of recurring revenue.

With the multiples we apply, Tietoevry's unleveraged value is 3.8 BNEUR, which corresponds to a per share value of EUR 24.2 with the estimated net debt at the end of 2024 (was EUR 24) Thus, there is a clear upside in the share through the sum of the parts.

## Tech Services sale process advanced to the home stretch with a buyer

Tietoevry said in Q3 that the strategic review of the Q3: Tech Services business is progressing and that

the company is in exclusive negotiations with a non-industrial player. Therefore, we estimate that the sales process is in the final stretch, but we do not know exactly at what stage of the final stretch. Depending on when the process was initiated, we estimate that this could take a few months. We believe it would have been easier for an industrial buyer to realize synergies from the deal. On the other hand, a non-industrial buyer may have other means to extract value from the target, such as solutions to optimize the financing structure, which will naturally affect the price the buyer can pay for Tech Services. This means that there are still uncertainties, in particular about the price, but also about the closing of the transaction. As we see it, Tech Services remaining part of Tietoevry would be negative news.

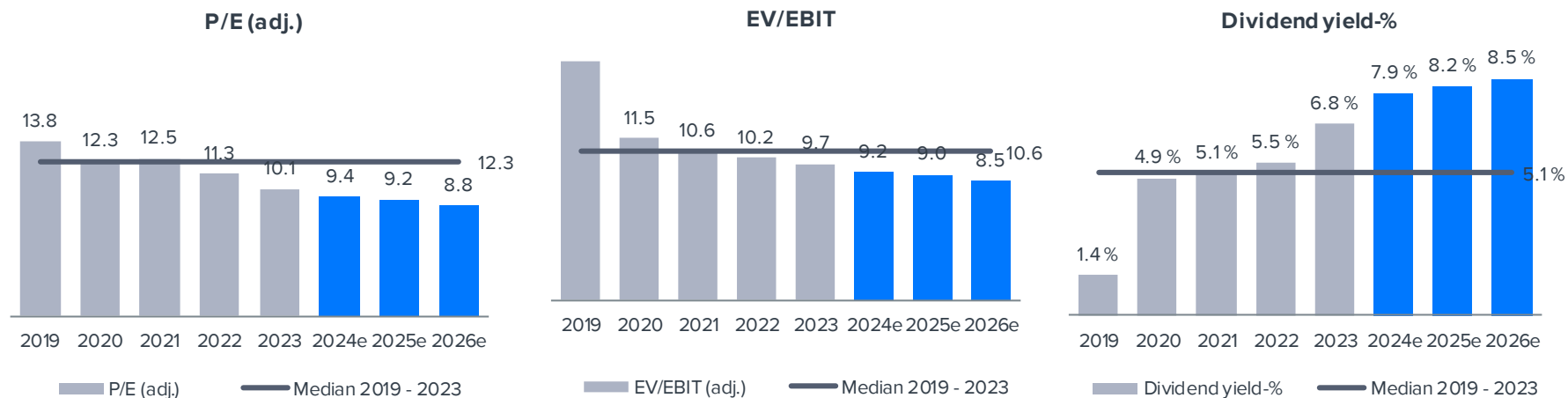
## Sum-of-the-parts calculation

Segments	Revenue growth		EBITA	EV/EBITA multiple	EV	EBITA-%	
	2024	2024				target	target 2025
Tietoevry Create	-1%	13%	105	12.0x	1261	14-16%	14-16%
Tietoevry Banking	3%	12%	72	12.0x	863	10-12%	16-18%
Tietoevry Care	-1%	29%	68	13.0x	885	12-14%	28-30%
Tietoevry Industry	2%	16%	43	11.0x	471	8-10%	20-22%
Tietoevry Tech Services	-6%	9%	89	6.5x	576	2-4%	10-12%
Other			-23	10.9x	-251		
<b>Group total</b>	<b>-1.0%</b>	<b>12.5%</b>	<b>354</b>	<b>10.8x</b>	<b>3806</b>		
Net debt					995		
<b>Market cap</b>					<b>2811</b>		
Share price					23.7		

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	27.7	26.9	27.5	26.5	21.5	18.9	18.9	18.9	18.9
Number of shares, millions	67.9	118.4	118.4	118.4	118.4	118.4	118.4	118.4	118.4
Market cap	3283	3181	3254	3140	2551	2240	2240	2240	2240
EV	4067	4097	3900	3851	3494	3235	3190	3144	3123
P/E (adj.)	13.8	12.3	12.5	11.3	10.1	9.4	9.2	8.8	8.4
P/E	23.8	33.7	11.2	16.7	14.8	15.1	13.3	12.0	11.4
P/B	1.9	2.0	1.8	1.8	1.6	1.4	1.5	1.5	1.4
P/S	1.9	1.1	1.2	1.1	0.9	0.8	0.8	0.8	0.8
EV/Sales	2.3	1.5	1.4	1.3	1.2	1.1	1.1	1.1	1.1
EV/EBITDA	17.7	12.7	7.1	9.0	8.6	8.0	7.5	7.2	7.1
EV/EBIT (adj.)	20.7	11.5	10.6	10.2	9.7	9.2	9.0	8.5	8.3
Payout ratio (%)	59.5 %	165.4 %	56.9 %	91.1 %	101.1 %	120.1 %	109.1 %	101.8 %	99.7 %
Dividend yield-%	1.4 %	4.9 %	5.1 %	5.5 %	6.8 %	7.9 %	8.2 %	8.5 %	8.7 %

Source: Inderes





# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Digia*	145	158	8.0	6.8	6.7	5.7	0.8	0.7	9.9	8.8	3.5	3.9
Digital Workforce*	45	30	29.0	12.4	24.7	11.4	1.1	0.9	46.2	20.5		
Gofore*	341	317	12.3	11.3	10.7	9.9	1.7	1.6	16.5	15.3	2.3	2.7
Loihde*	65	62	15.7	9.6	6.1	4.6	0.5	0.4	20.7	12.5	3.4	5.2
Innofactor*	60	67	13.7	11.5	9.3	7.5	0.8	0.8	17.4	14.3	4.8	5.3
Netum Group*	36	42	9.7	9.1	9.3	8.7	0.9	0.9	13.4	10.7	5.0	5.7
Siili Solutions*	52	56	12.5	11.8	7.6	6.5	0.5	0.5	17.9	16.1	2.0	2.3
Solteq*	12	37	28.1	11.6	9.8	7.5	0.7	0.6		30.7		
Vincit*	33	23	20.1	7.3	14.1	5.6	0.3	0.3	39.4	13.7	5.0	7.5
Witted Megacorp*	25	17	11.3	7.3	14.2	7.1	0.3	0.3	18.7	13.3		
Bouvet	594	640	14.9	13.4	12.1	11.1	1.9	1.7	17.7	16.1	5.0	5.6
CombinedX	59	60	8.7	7.0	5.5	4.7	0.7	0.7	11.0	8.8		
Knowit	359	441	20.1	13.2	8.6	7.1	0.8	0.7	25.8	15.3	2.5	4.1
Avensia AB	29	34	11.4	8.8	7.3	6.5	0.9	0.9	12.9	9.5	3.4	5.6
Netcompany Group	2050	2365	20.9	17.2	15.5	13.1	2.7	2.4	26.0	19.9		
Wipro	31563	28047	18.8	17.4	15.1	14.3	2.8	2.9	26.4	23.4	1.0	1.5
Tata Consultancy	162390	157675	24.2	22.8	22.4	20.7	5.9	5.5	32.2	29.6	1.8	2.6
Atos SE	80	5181	35.8	15.3	7.0	5.2	0.5	0.5	1.3	0.4		
Capgemini SE	31190	34749	12.4	11.6	10.0	9.5	1.6	1.5	15.3	14.4	1.9	2.1
IBM	198978	236705	22.4	21.0	16.2	15.7	4.0	3.8	22.9	21.7	2.9	3.0
Accenture	231492	228589	24.6	22.7	20.3	18.4	3.8	3.6	31.0	28.8	1.4	1.5
<b>Tietoevry (Inderes)</b>	<b>2240</b>	<b>3235</b>	<b>9.2</b>	<b>9.0</b>	<b>8.0</b>	<b>7.5</b>	<b>1.1</b>	<b>1.1</b>	<b>9.4</b>	<b>9.2</b>	<b>7.9</b>	<b>8.2</b>
<b>Average</b>			<b>17.8</b>	<b>14.2</b>	<b>12.5</b>	<b>9.8</b>	<b>1.6</b>	<b>1.5</b>	<b>25.4</b>	<b>16.8</b>	<b>3.1</b>	<b>3.9</b>
<b>Median (all)</b>			<b>15.7</b>	<b>11.7</b>	<b>10.3</b>	<b>8.1</b>	<b>0.9</b>	<b>0.9</b>	<b>18.7</b>	<b>15.3</b>	<b>2.9</b>	<b>3.9</b>
<i>Diff-% to median</i>			-42%	-23%	-22%	-7%	25%	31%	-50%	-40%	172%	111%
<b>Median Finnish companies</b>			<b>13.1</b>	<b>10.4</b>	<b>9.6</b>	<b>7.3</b>	<b>0.7</b>	<b>0.7</b>	<b>17.9</b>	<b>14.0</b>	<b>3.5</b>	<b>5.2</b>
<i>Diff-% to median</i>			-30%	-14%	-16%	3%	59%	72%	-47%	-34%	125%	58%
<b>Median international companies</b>			<b>20.1</b>	<b>15.3</b>	<b>12.1</b>	<b>11.1</b>	<b>1.9</b>	<b>1.7</b>	<b>22.9</b>	<b>16.1</b>	<b>2.2</b>	<b>2.8</b>
<i>Diff-% to median</i>			-54%	-41%	-34%	-32%	-40%	-34%	-59%	-43%	258%	192%

Source: Refinitiv / \*Inderes adjusted forecast. NB: The market value used by Inderes does not take into account treasury shares held by the company.

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>2928</b>	<b>744</b>	<b>695</b>	<b>660</b>	<b>752</b>	<b>2851</b>	<b>734</b>	<b>715</b>	<b>655</b>	<b>719</b>	<b>2823</b>	<b>2792</b>	<b>2861</b>	<b>2946</b>
Tietoevry Create		188	188	172	207	851	224	214	191	210	839	822	838	871
Tietoevry Banking		114	120	112	130	567	149	148	138	151	586	593	635	673
Tietoevry Care		54.4	61.5	48.9	57.1	236	58.6	58.6	53.3	62.9	233	236	251	266
Tietoevry Industry		82.9	78.5	67.4	74.6	263	69.8	67.3	61.7	67.9	267	268	284	301
Tietoevry Tech Services		121	119	105	122	1075	263	256	236	258	1013	980	956	932
Eliminations		-76	-77	-73	-83	-141	-30	-29	-25	-30	-115	-108	-102	-97
<b>EBITDA</b>	<b>429</b>	<b>107</b>	<b>80.2</b>	<b>98.1</b>	<b>123</b>	<b>408</b>	<b>103</b>	<b>88</b>	<b>104</b>	<b>108</b>	<b>403</b>	<b>424</b>	<b>435</b>	<b>443</b>
Depreciation	-162.2	-39	-39	-36	-38	-152	-41	-41	-40	-41	-163	-164	-154	-154
<b>EBIT (excl. NRI)</b>	<b>379</b>	<b>92</b>	<b>73</b>	<b>86</b>	<b>108</b>	<b>359</b>	<b>89</b>	<b>78</b>	<b>88</b>	<b>98</b>	<b>354</b>	<b>356</b>	<b>369</b>	<b>378</b>
<b>EBIT</b>	<b>266</b>	<b>69</b>	<b>41</b>	<b>62</b>	<b>84</b>	<b>256</b>	<b>63</b>	<b>48</b>	<b>64</b>	<b>67</b>	<b>241</b>	<b>261</b>	<b>281</b>	<b>289</b>
Group items and NRIs	-112.9	-23	-32	-24	-24	-103	-26	-31	-25	-32	-113	-95	-88	-89
Net financial items	-23.7	-6	-7	-8	-14	-35	-12	-12	-14	-12	-50	-48	-45	-41
<b>PTP</b>	<b>243</b>	<b>62</b>	<b>35</b>	<b>53</b>	<b>71</b>	<b>221</b>	<b>51</b>	<b>36</b>	<b>50</b>	<b>54</b>	<b>191</b>	<b>213</b>	<b>236</b>	<b>248</b>
Taxes	-54.2	-14	-7	-12	-16	-49	-12	-8	-12	-11	-43	-45	-49	-52
<b>Net earnings</b>	<b>188</b>	<b>48</b>	<b>27</b>	<b>41</b>	<b>55</b>	<b>172</b>	<b>38</b>	<b>28</b>	<b>39</b>	<b>43</b>	<b>148</b>	<b>168</b>	<b>186</b>	<b>196</b>
<b>EPS (adj.)</b>	<b>2.35</b>	<b>0.56</b>	<b>0.44</b>	<b>0.51</b>	<b>0.63</b>	<b>2.14</b>	<b>0.50</b>	<b>0.44</b>	<b>0.50</b>	<b>0.57</b>	<b>2.01</b>	<b>2.05</b>	<b>2.16</b>	<b>2.25</b>
<b>EPS (rep.)</b>	<b>1.59</b>	<b>0.41</b>	<b>0.23</b>	<b>0.35</b>	<b>0.46</b>	<b>1.45</b>	<b>0.32</b>	<b>0.24</b>	<b>0.33</b>	<b>0.36</b>	<b>1.25</b>	<b>1.42</b>	<b>1.57</b>	<b>1.66</b>
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	3.7 %	1.8 %	-6.0 %	-4.4 %	-2.0 %	-2.6 %	-1.4 %	2.8 %	-0.7 %	-4.4 %	-1.0 %	-1.1 %	2.5 %	3.0 %
<b>Adjusted EBIT growth-%</b>	3.1 %	8.5 %	-7.6 %	-12.5 %	-7.9 %	-5.4 %	-3.4 %	7.1 %	3.4 %	-9.4 %	-1.5 %	0.6 %	3.7 %	2.5 %
<b>EBITDA-%</b>	14.6 %	14.4 %	11.5 %	14.9 %	16.3 %	14.3 %	14.1 %	12.4 %	15.9 %	15.0 %	14.3 %	15.2 %	15.2 %	15.0 %
<b>Adjusted EBIT-%</b>	12.9 %	12.3 %	10.5 %	13.0 %	14.4 %	12.6 %	12.1 %	10.9 %	13.5 %	13.7 %	12.5 %	12.7 %	12.9 %	12.8 %
<b>Net earnings-%</b>	6.4 %	6.5 %	3.9 %	6.3 %	7.3 %	6.0 %	5.2 %	3.9 %	5.9 %	6.0 %	5.2 %	6.0 %	6.5 %	6.7 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>2565</b>	<b>2619</b>	<b>2597</b>	<b>2570</b>	<b>2556</b>
Goodwill	1847	1907	1886	1886	1886
Intangible assets	337	340	317	264	224
Tangible assets	299	285	313	340	365
Associated companies	14.2	11.6	11.6	11.6	11.6
Other investments	16.2	16.7	10.0	10.0	10.0
Other non-current assets	20.6	34.7	34.7	34.7	34.7
Deferred tax assets	31.4	24.5	24.5	24.5	24.5
<b>Current assets</b>	<b>829</b>	<b>899</b>	<b>808</b>	<b>743</b>	<b>733</b>
Inventories	5.6	8.6	0.0	0.0	0.0
Other current assets	23.6	17.5	17.5	17.5	17.5
Receivables	550	654	621	586	572
Cash and equivalents	250	220	169	140	143
<b>Balance sheet total</b>	<b>3394</b>	<b>3518</b>	<b>3405</b>	<b>3314</b>	<b>3288</b>

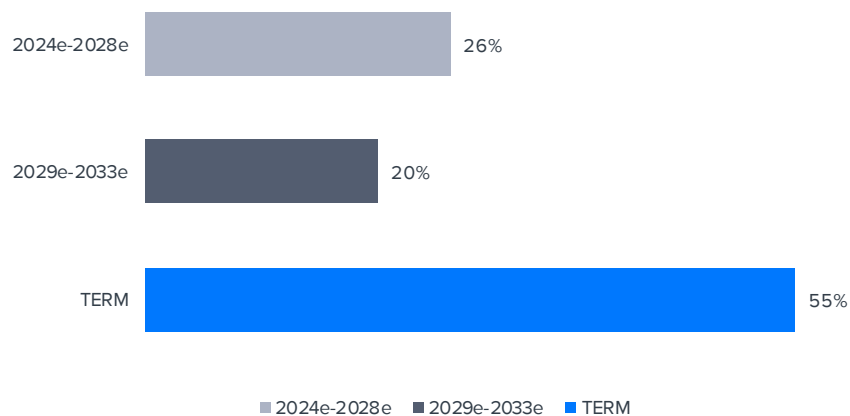
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>1719</b>	<b>1612</b>	<b>1546</b>	<b>1537</b>	<b>1539</b>
Share capital	116	116	75.8	75.8	75.8
Retained earnings	400	293	267	257	260
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	1204	1204	1204	1204	1204
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>891</b>	<b>803</b>	<b>923</b>	<b>893</b>	<b>891</b>
Deferred tax liabilities	24.6	47.5	47.5	47.5	47.5
Provisions	21.7	17.1	17.1	17.1	17.1
Interest bearing debt	795	701	821	791	789
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	49.4	37.3	37.3	37.3	37.3
<b>Current liabilities</b>	<b>783</b>	<b>1103</b>	<b>936</b>	<b>884</b>	<b>858</b>
Interest bearing debt	165	462	343	298	257
Payables	619	641	593	586	601
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>3394</b>	<b>3518</b>	<b>3405</b>	<b>3314</b>	<b>3288</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-2.6 %	-1.0 %	-1.1 %	2.5 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	9.0 %	8.5 %	9.3 %	9.8 %	9.8 %	11.0 %	11.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
<b>EBIT (operating profit)</b>	<b>256</b>	<b>241</b>	<b>261</b>	<b>281</b>	<b>289</b>	<b>334</b>	<b>344</b>	<b>320</b>	<b>328</b>	<b>337</b>	<b>342</b>	
+ Depreciation	152	163	164	154	154	154	165	159	156	154	153	
- Paid taxes	-18.8	-42.9	-44.7	-49.5	-52.1	-61.8	-65.3	-60.8	-63.0	-65.2	-66.8	
- Tax, financial expenses	-7.8	-11.4	-10.2	-9.6	-8.7	-8.5	-7.0	-6.6	-6.2	-5.7	-5.1	
+ Tax, financial income	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
- Change in working capital	-78.1	-6.9	28.2	28.6	0.8	0.9	0.9	0.8	0.8	0.8	0.5	
<b>Operating cash flow</b>	<b>304</b>	<b>342</b>	<b>398</b>	<b>405</b>	<b>383</b>	<b>419</b>	<b>438</b>	<b>413</b>	<b>416</b>	<b>420</b>	<b>423</b>	
+ Change in other long-term liabilities	-16.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-216.3	-140.3	-137.3	-139.1	-141.2	-143.4	-145.6	-147.5	-149.5	-151.4	-131.0	
<b>Free operating cash flow</b>	<b>70.5</b>	<b>202</b>	<b>260</b>	<b>265</b>	<b>242</b>	<b>275</b>	<b>292</b>	<b>266</b>	<b>266</b>	<b>269</b>	<b>292</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	70.5	202	260	265	242	275	292	266	266	269	292	4541
<b>Discounted FCFF</b>		<b>199</b>	<b>238</b>	<b>224</b>	<b>189</b>	<b>199</b>	<b>196</b>	<b>165</b>	<b>153</b>	<b>143</b>	<b>144</b>	<b>2233</b>
Sum of FCFF present value		4083	3884	3646	3422	3233	3033	2838	2673	2520	2377	2233
<b>Enterprise value DCF</b>		<b>4083</b>										
- Interest bearing debt		-1163.1										
+ Cash and cash equivalents		220										
-Minorities		0.0										
-Dividend/capital return		-174.1										
<b>Equity value DCF</b>		<b>2965</b>										
<b>Equity value DCF per share</b>		<b>25.0</b>										

Cash flow distribution

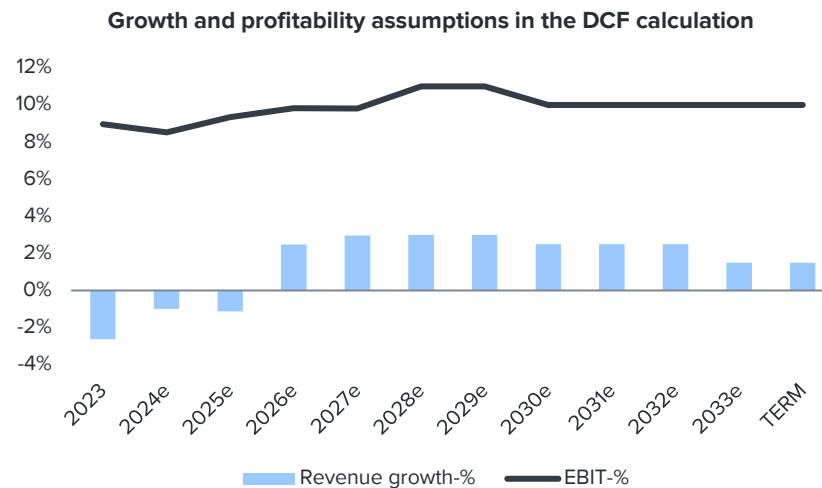
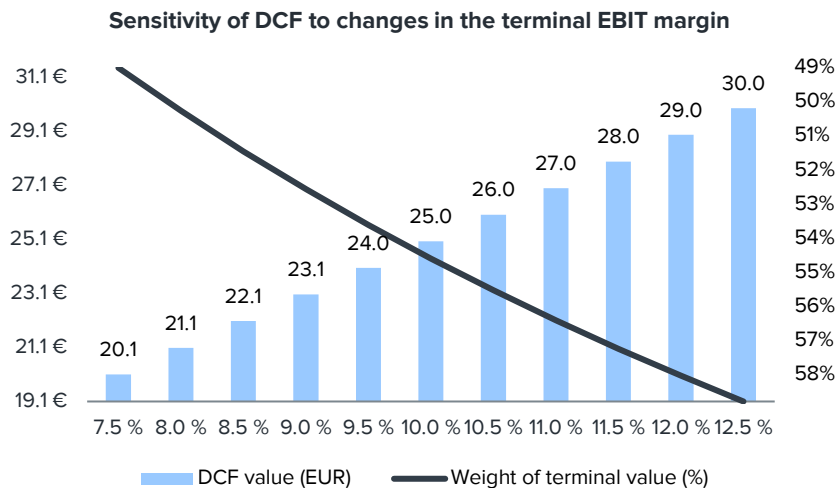
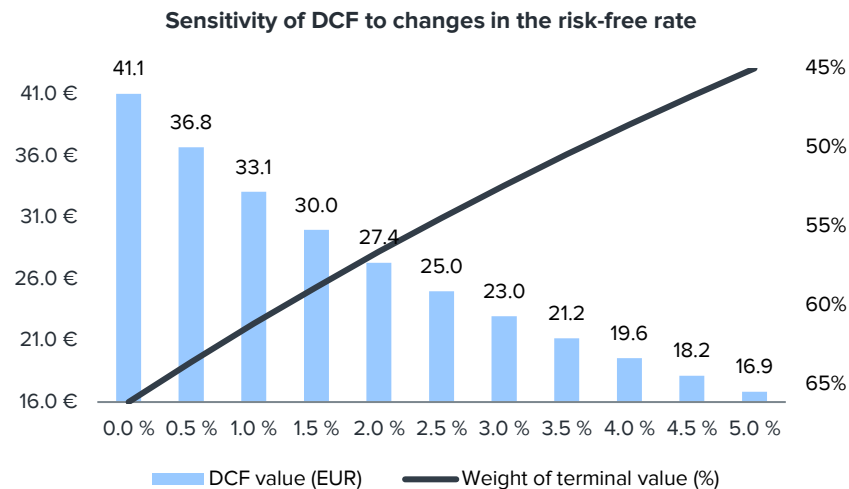
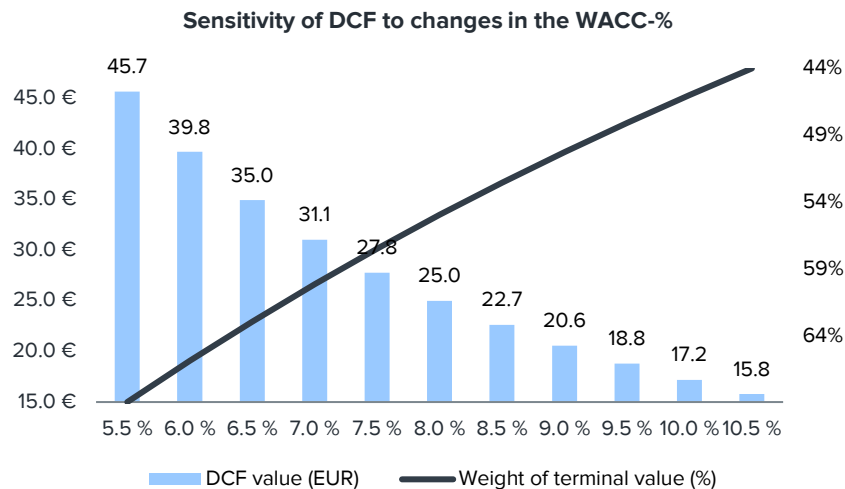


## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	5.5 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.0 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	2823	2928	2851	<b>2823</b>	<b>2792</b>	EPS (reported)	2.46	1.59	1.45	<b>1.25</b>	<b>1.42</b>
EBITDA	552	429	408	<b>403</b>	<b>424</b>	EPS (adj.)	2.20	2.35	2.14	<b>2.01</b>	<b>2.05</b>
EBIT	382	266	256	<b>241</b>	<b>261</b>	OCF / share	4.42	2.37	2.56	<b>2.89</b>	<b>3.36</b>
PTP	354	243	221	<b>191</b>	<b>213</b>	FCF / share	3.27	2.04	0.60	<b>1.70</b>	<b>2.20</b>
Net Income	292	188	172	<b>148</b>	<b>168</b>	Book value / share	15.38	14.52	13.62	<b>13.06</b>	<b>12.98</b>
Extraordinary items	14	-113	-103	<b>-113</b>	<b>-95</b>	Dividend / share	1.40	1.45	1.47	<b>1.50</b>	<b>1.55</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	3587	3394	3518	<b>3405</b>	<b>3314</b>	Revenue growth-%	1%	4%	-3%	<b>-1%</b>	<b>-1%</b>
Equity capital	1821	1719	1612	<b>1546</b>	<b>1537</b>	EBITDA growth-%	71%	-22%	-5%	<b>-1%</b>	<b>5%</b>
Goodwill	1944	1847	1907	<b>1886</b>	<b>1886</b>	EBIT (adj.) growth-%	4%	3%	-5%	<b>-1%</b>	<b>1%</b>
Net debt	646	710	944	<b>995</b>	<b>949</b>	EPS (adj.) growth-%	1%	7%	-9%	<b>-6%</b>	<b>2%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	19.6 %	14.6 %	14.3 %	<b>14.3 %</b>	<b>15.2 %</b>
EBITDA	552	429	408	<b>403</b>	<b>424</b>	EBIT (adj.)-%	13.0 %	12.9 %	12.6 %	<b>12.5 %</b>	<b>12.7 %</b>
Change in working capital	19	-83	-78	<b>-7</b>	<b>28</b>	EBIT-%	13.5 %	9.1 %	9.0 %	<b>8.5 %</b>	<b>9.3 %</b>
Operating cash flow	523	281	304	<b>342</b>	<b>398</b>	ROE-%	16.9 %	10.6 %	10.3 %	<b>9.4 %</b>	<b>10.9 %</b>
CAPEX	-111	-15	-216	<b>-140</b>	<b>-137</b>	ROI-%	13.7 %	9.8 %	9.4 %	<b>8.8 %</b>	<b>9.8 %</b>
Free cash flow	387	242	71	<b>202</b>	<b>260</b>	Equity ratio	50.8 %	50.7 %	45.8 %	<b>45.4 %</b>	<b>46.4 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	35.5 %	41.3 %	58.5 %	<b>64.3 %</b>	<b>61.8 %</b>
EV/S	1.4	1.3	1.2	<b>1.1</b>	<b>1.1</b>						
EV/EBITDA	7.1	9.0	8.6	<b>8.0</b>	<b>7.5</b>						
EV/EBIT (adj.)	10.6	10.2	9.7	<b>9.2</b>	<b>9.0</b>						
P/E (adj.)	12.5	11.3	10.1	<b>9.4</b>	<b>9.2</b>						
P/B	1.8	1.8	1.6	<b>1.4</b>	<b>1.5</b>						
Dividend-%	5.1 %	5.5 %	6.8 %	<b>7.9 %</b>	<b>8.2 %</b>						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/26/2018	Reduce	29.00 €	29.86 €
7/23/2018	Accumulate	28.00 €	25.96 €
10/25/2018	Reduce	27.00 €	26.30 €
11/29/2018	Reduce	27.00 €	25.70 €
2/7/2019	Reduce	27.00 €	26.70 €
4/26/2019	Reduce	27.00 €	27.50 €
7/22/2019	Accumulate	26.00 €	23.10 €
10/25/2019	Reduce	26.00 €	25.92 €
12/11/2019	Reduce	27.00 €	26.86 €
2/17/2020	Reduce	29.00 €	30.30 €
3/30/2020	Accumulate	21.00 €	18.69 €
4/29/2020	Accumulate	25.00 €	21.94 €
7/27/2020	Accumulate	28.00 €	26.24 €
10/21/2020	Buy	30.00 €	25.90 €
10/28/2020	Buy	30.00 €	22.66 €
2/18/2021	Buy	30.00 €	26.34 €
4/30/2021	Buy	34.00 €	28.98 €
7/21/2021	Buy	34.00 €	28.36 €
10/27/2021	Buy	34.00 €	26.94 €
2/18/2022	Buy	32.00 €	25.70 €
5/6/2022	Buy	31.00 €	22.72 €
7/25/2022	Buy	31.00 €	26.14 €
10/28/2022	Accumulate	28.00 €	24.34 €
12/11/2022	Accumulate	29.00 €	25.92 €
2/16/2023	Accumulate	33.00 €	29.58 €
5/5/2023	Accumulate	31.00 €	26.56 €
7/24/2023	Accumulate	26.00 €	22.34 €
9/20/2023	Accumulate	25.00 €	21.52 €
10/27/2023	Buy	25.00 €	19.51 €
1/17/2024	Accumulate	25.00 €	21.86 €
2/16/2024	Accumulate	25.00 €	22.10 €
4/26/2024	Buy	24.00 €	17.35 €
7/24/2024	Buy	24.00 €	18.81 €
10/18/2024	Buy	22.00 €	17.58 €
10/25/2024	Buy	22.00 €	18.92 €



**Inderes democratizes investor information by connecting investors and listed companies.**

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

**Inderes Oyj**

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE  
ANALYST AWARDS  
FROM REFINITIV**



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020



**Connecting investors  
and listed companies.**