

# TIETOEVRY

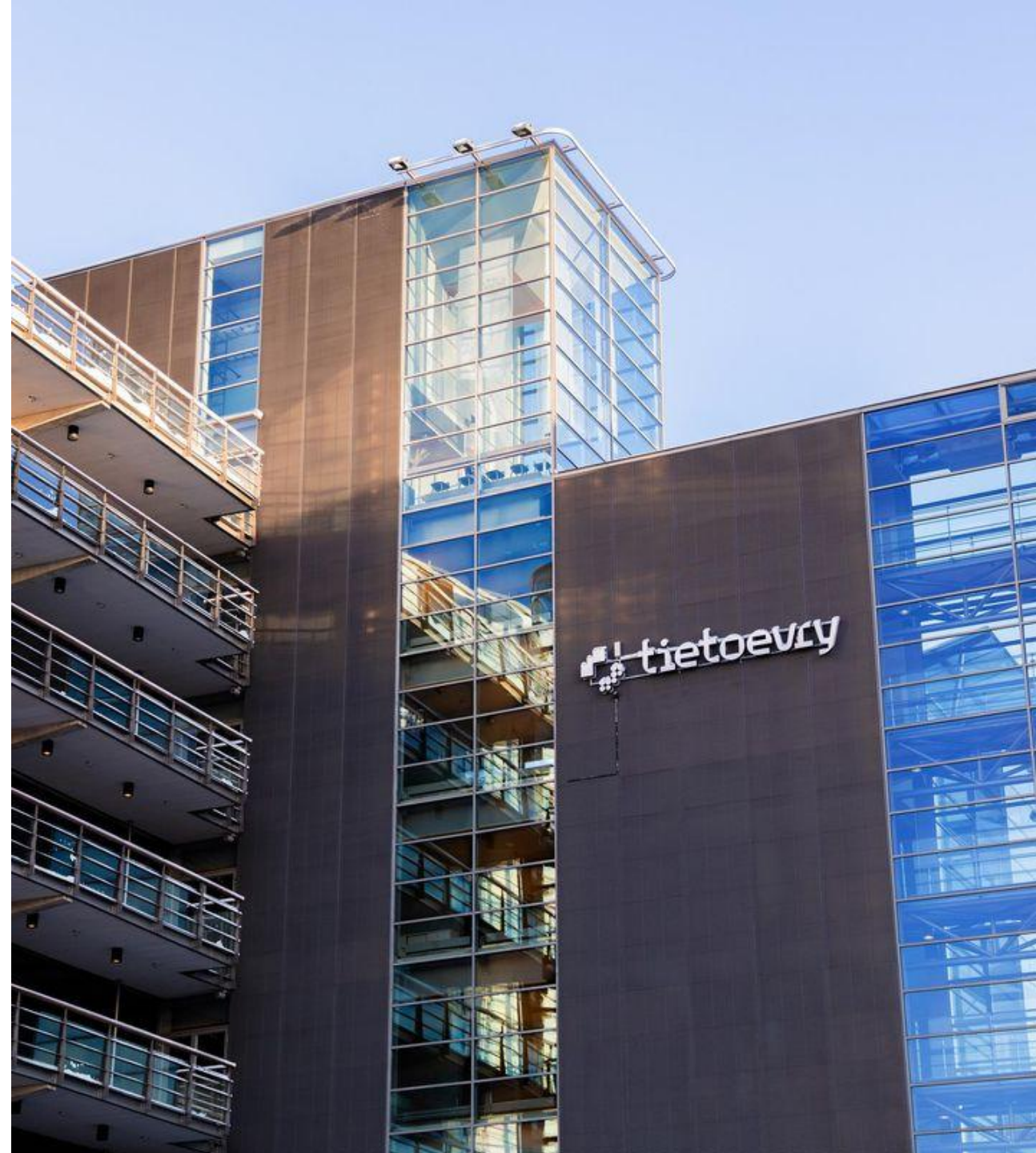
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This is a translated version of "Tech Servicesin myynnistä lisää tietoa maaliskuussa" report, published on 2/17/2025



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

# COMPANY REPORT



# More information on the sale of Tech Services in March

We reiterate our Buy recommendation and EUR 22.0 target price for Tietoevry. Tietoevry's Q4 was slightly weaker than our low expectations. The market environment remains challenging and the guidance points to a similar performance as last year, after which we expect the company to return to a better earnings growth path. The company also said that the strategic review of Tech Service will be completed in March, but that there is more pressure on the selling price than before. Despite near-term operating pressure, the valuation picture of the share remains very attractive from multiple perspectives (2025e DCF EUR 23, SOTP EUR 23 and dividend-% 9%).

## Q4 was weaker than expected

Tietoevry's revenue went down by 7% to 699 MEUR in Q4, slightly below our and consensus estimates. Broadly speaking, the sluggish performance was driven by a weaker demand environment at the end of Q3 and the impact of the cyber attack at the beginning of the year on Q4 revenue. Exceptionally, all businesses declined organically. Tietoevry's adjusted EBITA was 89 MEUR or 12.7% of revenue (Q4'23: 108 MEUR). The result was almost 10% below our and consensus forecasts and down almost 20% from the comparison period. The result level can therefore be considered disappointing, and it was driven by the decline in revenue. The company has ongoing efficiency measures in all business units. The reported result was also burdened by a significant non-cash goodwill impairment loss of 200 MEUR related to the Tech Services area. Adjusted EPS was EUR 0.49 for Q4 and EUR 1.92 for the full year 2024. The board of directors proposed a dividend of EUR 1.50 per share for the year 2024.

## Details of Tech Services sale process in March

The sale of Tech Services is in the final stages and the company expects to complete its strategic review during March. However, in Q4 Tech Service's revenue decreased significantly and Tietoevry recorded a write-down of 200 MEUR related to the business. For the above reasons, we believe it is likely that the company will not receive the price we previously expected for the business. Based

on the weak revenue trend and the substantial write-down, we have lowered our approved EV/EBITA ratio for Tech Service from 6.5x to 6.0x, giving an enterprise value of 507 MEUR. However, we also note that there are still uncertainties about the price, as well as the closing of the overall transaction. Keeping Tech Service as part of Tietoevry would initially be negative news, but if the purchase price falls very low, keeping the business as part of Tietoevry starts to make sense for cash flow reasons.

## Guidance indicates flat result year-on-year

Tietoevry expects the company's organic growth to be between -3% and +1%. The company estimates its full-year adjusted EBITA-% to be 12.0-13.0% (12.3% in 2024). As a baseline, the company expects a 3% decline in revenue if the market remains at current levels. The mid-point of the guidance will be reached if the market recovers in H2 and the upper limit if the market recovers at the beginning of the year. Due to a weaker-than-expected demand and pricing environment, we slightly lowered our profitability expectations and thus our earnings forecasts by around 5%. We expect revenue to fall by 1% and then return to growth track (~3%) in 2026-27. In addition, we expect the company's adjusted EBITA-% to reach 12.3% in 2025 and then rise to nearly 13% in 2027, supported by revenue growth and scaling.

## Valuation picture is very attractive, and strong dividend provides good basis for expected return

On our estimates, the adjusted P/E and EV/EBIT multiples for 2025-26 are ~9x. The multiples are ~45% below peers. The corresponding reported ratios are 11-14x, 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 about 15% on the back of 5% earnings growth and a 9% dividend yield alone. In addition, the sum-of-the-parts (EUR 23) and cash flow calculations (EUR 23) suggest a much higher value than today.

## Recommendation

**Buy**  
(was Buy)

## Target price:

**EUR 22.00**  
(was EUR 22.00)

**Share price:**  
18.32

## Business risk



## Valuation risk



	2024	2025e	2026e	2027e
<b>Revenue</b>	2803	2771	2839	2923
<b>growth-%</b>	-1.7 %	-1.1 %	2.5 %	3.0 %
<b>EBIT adj.</b>	345	339	362	378
<b>EBIT-% adj.</b>	12.3 %	12.3 %	12.7 %	12.9 %
<b>Net Income</b>	-63	156	181	195
<b>EPS (adj.)</b>	1.57	1.94	2.11	2.24
<b>P/E (adj.)</b>	10.8	9.4	8.7	8.2
<b>P/B</b>	1.6	1.8	1.8	1.8
<b>Dividend yield-%</b>	8.8 %	8.5 %	8.7 %	9.0 %
<b>EV/EBIT (adj.)</b>	8.5	9.2	8.5	8.1
<b>EV/EBITDA</b>	15.3	7.6	7.2	6.9
<b>EV/S</b>	1.0	1.1	1.1	1.1

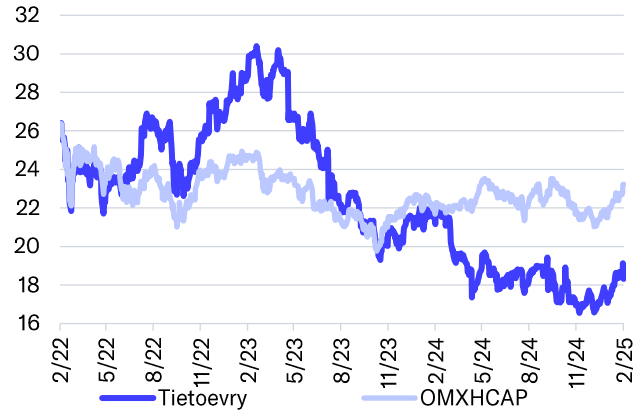
Source: Inderes

## Guidance

(New guidance)

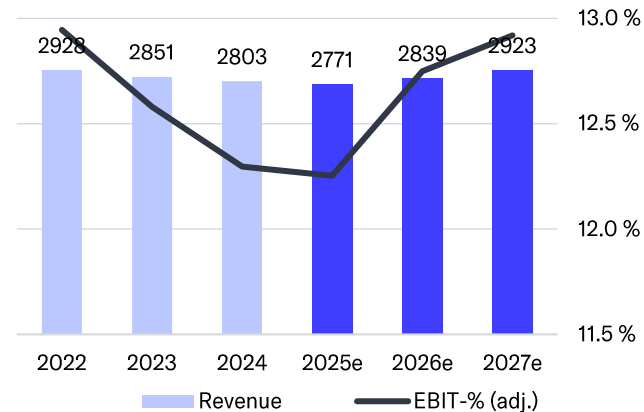
Tietoevry expects the company's organic growth to be between -3% and +1%. The company expects its full-year adjusted EBITA-% to be 12.0-13.0%.

## Share price



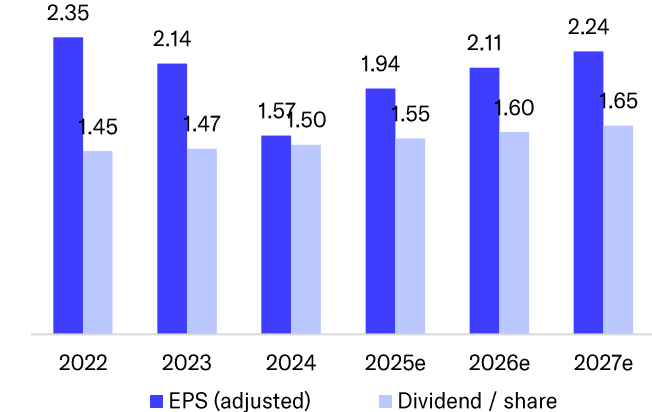
Source: Millstream Market Data AB

## 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	2025e	2026e	2027e
<b>Share price</b>	18.3	18.3	18.3
<b>Number of shares, millions</b>	118.6	118.6	118.6
<b>Market cap</b>	2173	2173	2173
<b>EV</b>	3107	3095	3076
<b>P/E (adj.)</b>	9.4	8.7	8.2
<b>P/E</b>	14.0	12.0	11.1
<b>P/B</b>	1.8	1.8	1.8
<b>P/S</b>	0.8	0.8	0.7
<b>EV/Sales</b>	1.1	1.1	1.1
<b>EV/EBITDA</b>	7.6	7.2	6.9
<b>EV/EBIT (adj.)</b>	9.2	8.5	8.1
<b>Payout ratio (%)</b>	118.2 %	104.9 %	100.2 %
<b>Dividend yield-%</b>	8.5 %	8.7 %	9.0 %

Source: Inderes

# Q4 was weaker than expected

## Organic revenue decline in all businesses in Q4

Tietoevry's revenue went down by 7% to 699 MEUR in Q4, slightly below our and consensus estimates. Acquisitions or working days had no impact on revenue. Exchange rates had a negative impact on revenue of 9 MEUR. Broadly speaking, the sluggish performance was driven by a weaker demand environment at the end of Q3 and the impact of the cyber attack at the beginning of the year on Q4 revenue (impact of about 1 pp).

All businesses declined organically. Tech Services declined the most (-11%), Create -9%, Industry -5%, Banking -3% and Care -2%. The situation therefore appears to be very subdued at the moment and the company expects this to continue in Q1. However, the company expects the market to improve in H2'25.

## Adjusted result down year-on-year and below expectations

Tietoevry's adjusted EBITA was 89 MEUR or 12.7% of revenue (Q4'23: 108 MEUR). The result was almost 10% below our and consensus forecasts and down almost 20% from the comparison period. The result level can therefore be considered disappointing, and it was driven by the decline in revenue. The company has ongoing efficiency measures in all of its business units.

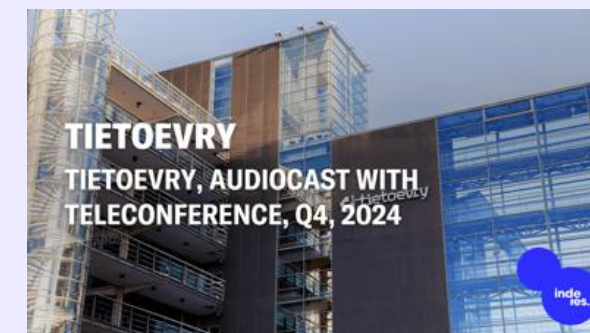
The reported result was also burdened by a significant non-cash goodwill impairment loss of 200 MEUR related to the Tietoevry Tech Services area. Other non-recurring expenses amounted to 33 MEUR and were in line with our expectations. Reported EBIT was thus -144 MEUR and, due to the write-down, of course significantly below our forecast as well as negative. The other result lines were in line with expectations, and adjusted EPS was EUR 0.49 in Q4 and EUR 1.92 in 2024.

The company's board proposed a dividend payout of EUR 1.50 per share for 2024, a slight increase compared to last year's dividend of EUR 1.47 per share. Operating cash flow was 128 MEUR in Q4, bringing the full year cash flow to 327 MEUR, well above the previous year's level of 267 MEUR. Free cash flow for the full year was 254 MEUR or 2.14 EUR per share.

Estimates MEUR / EUR	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		Difference (%)	2024 act.
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	752	699	719	716	709	- 729	-3%	2803
EBIT (adj.)	108	89	98	96	90	- 99	-9%	345
EBIT	84	-144	67	68	61	- 80		29.8
PTP	71	-158	54	56	48	- 91		-21.8
EPS (adj.)	0.63	0.49	0.57	0.55	0.40	- 0.72	-14%	1.92
EPS (reported)	0.46	-1.41	0.36	0.37	0.32	- 0.61		-0.05
DPS	1.47	1.50	1.50	1.50	1.47	- 1.60	0%	1.50
Revenue growth-%	-2.0 %	-7.1 %	-4.4 %	-4.9 %	-5.7 %	- -3.1 %	-2.7 pp	-1.7 %
EBIT-% (adj.)	14.4 %	12.7 %	13.7 %	13.5 %	12.6 %	- 13.6 %	-0.9 pp	12.3 %

Source: Inderes & Vara Research, 14 estimates (consensus)

## Tietoevry, Audiocast with teleconference, Q4'24



# We slightly lowered our profitability expectations

## Estimate revisions

- We slightly lowered our profitability expectations driven by billing rate challenges and the negative impact of wage inflation and customer prices.

## Forecasts for 2025e-2027e

- We forecast Tietoevry's revenue to decline by 1% organically in 2025 and to grow by 3% in 2026 and 2027. The forecasts are thus well below the economic targets of 8-10%, which were, nevertheless, made for a better and more "normal" situation.
- We estimate adjusted EBITA % to be flat year-on-year at 12.3% in 2025, constrained by billing rate challenges and the negative impact of wage inflation and customer prices. In 2026, we expect profitability to improve slightly, driven by higher revenue growth, scalable software and efficiency improvements. However, forecasts for the next few years 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 earnings drivers:

- Efficiency programs support development (now in all segments)
- Tietoevry estimates a wage inflation of 4-5% in 2025 (2024: 4-5%). In addition, employee turnover has decreased, which supports profitability
- Tietoevry expects non-recurring costs to be 1.0-1.5% of revenue in 2025 (about 2.0% in 2024).
- Price increases support the development somewhat

## Financial targets

- In terms of growth, Tietoevry is targeting a growth rate of 8-10%, compared to -3% and -2% in 2023 and 2024, respectively
- In terms of profitability, the company is targeting an adjusted EBITA margin of 15-16% by 2025, compared to 12.3% in 2024
- In terms of solvency, the company aims to maintain a net debt/EBITDA ratio of 1-2x, compared to 2.2x at the end of Q4'24
- For the dividend, the objective is to continue to increase each year, which has been achieved

Estimate revisions	2024 act.	2024 act.	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	2823	2803	-1%	2792	2771	-1%	2861	2839	-1%
EBITDA	403	192	-52%	424	406	-4%	435	428	-1%
EBIT (exc. NRIs)	354	345	-3%	356	339	-5%	369	362	-2%
EBIT	241	29.8	-88%	261	244	-6%	281	274	-2%
PTP	191	-21.9	-111%	213	197	-8%	236	229	-3%
EPS (excl. NRIs)	2.01	1.57	-22%	2.05	1.94	-5%	2.16	2.11	-2%
DPS	1.50	1.50	0%	1.55	1.55	0%	1.60	1.60	0%

Source: Inderes

# Dividend yield alone is enough for a positive view

## 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 our view of 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 2025). 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.

## Valuation multiples

On our estimates, the adjusted P/E and EV/EBIT multiples for 2025-26 are ~9x. The multiples are ~45% below peers. In our view, the absolute valuation of the share is attractive 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 11-14x but include PPA depreciation of just over 10% of EBIT, which we adjust for peers as it does not affect cash flow and reflect operational performance. Additionally, the dividend yield (9%) provides a good basis for the expected return.

In our view, the unwinding of the long-standing undervaluation can be triggered by: 1) the planned business separations that would clarify the structure and bring better growth and profitability conditions for the new business entities (details on Tech Service in March) or 2) an

acceleration in organic growth closer to 2022-23 levels (6-9%).

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 ~5% annual earnings growth in 2026-2027 (compared to 2025 level), driven by growth and profitability. Our growing dividend projections take the payout ratio already above 100%, but cash flow should be sufficient to support a growing dividend, implying a dividend yield of ~9%. 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. Thus, the expected return on the share, consisting solely of dividend yield and earnings growth, is ~15% and considering the upside in multiples ~20%. This is a particularly attractive level, especially given the relatively quite low risk profile of the company's business, even though it has produced a number of disappointments over the past year or so.

Valuation	2025e	2026e	2027e
Share price	18.3	18.3	18.3
Number of shares, millions	118.6	118.6	118.6
Market cap	2173	2173	2173
EV	3107	3095	3076
P/E (adj.)	9.4	8.7	8.2
P/E	14.0	12.0	11.1
P/B	1.8	1.8	1.8
P/S	0.8	0.8	0.7
EV/Sales	1.1	1.1	1.1
EV/EBITDA	7.6	7.2	6.9
EV/EBIT (adj.)	9.2	8.5	8.1
Payout ratio (%)	118.2 %	104.9 %	100.2 %
Dividend yield-%	8.5 %	8.7 %	9.0 %

Source: Inderes

# Sum of the parts

## 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 the company expects to complete its strategic review during March. The sales process with a non-industrial player is therefore at an advanced stage.

In our view, the EV/EBITA multiples we use reflect growth and profitability profiles, peers and business continuity. We have used our 2025 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 3.6 BNEUR, which corresponds to a per share value of EUR 22.7 with the estimated net debt at the end of 2025 (was EUR 24). Thus, there is a clear upside in the share through the sum of the parts.

### Details of Tech Services sale process in March

The declining phase of the Tech Services business has depressed Tietoevry's development. Tech Services has developed weakly in terms of revenue and profitability is under constant pressure from fierce price competition. However, in Q4 Tech Service's revenue decreased significantly and Tietoevry recorded a write-down of 200 MEUR related to the business. For the above reasons, we believe it is likely that the company will not receive the price we previously expected for the business (was

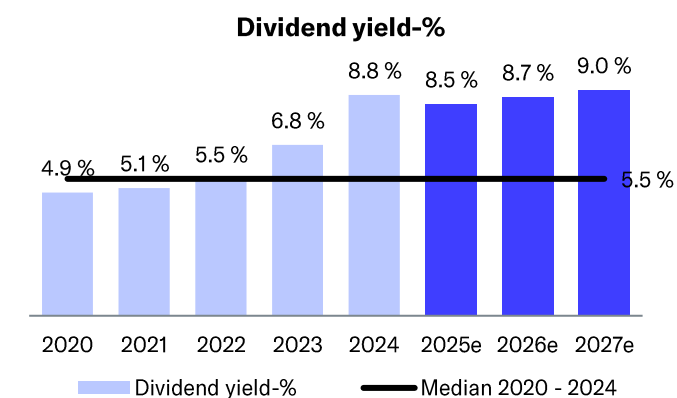
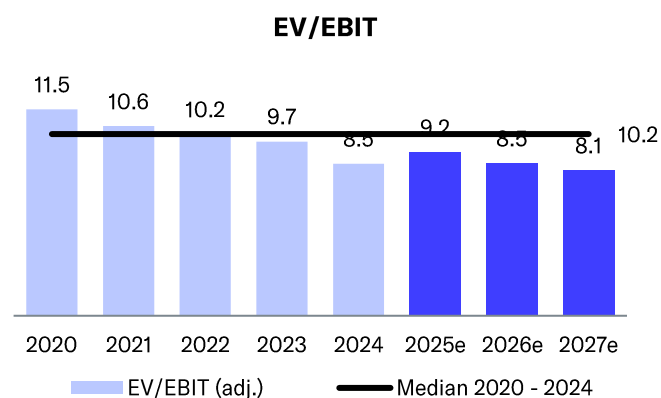
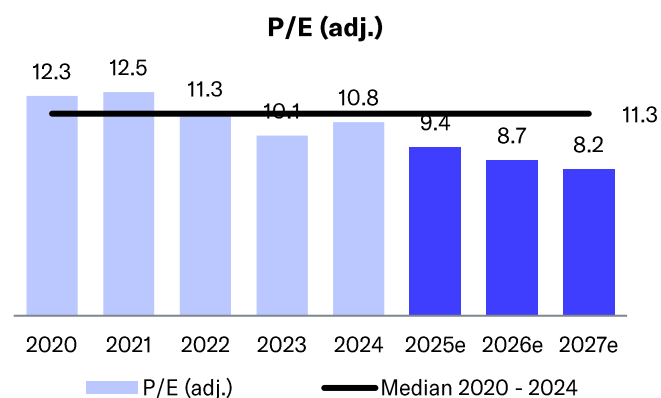
576 MEUR and now 507 MEUR). Based on the weak revenue trend and the substantial write-down, we have lowered our approved EV/EBITA ratio for Tech Service from 6.5x to 6.0x. However, we also note that there are still uncertainties about the price, as well as the closing of the overall transaction. Keeping Tech Service as part of Tietoevry would initially be negative news, but if the purchase price falls very low, keeping the business as part of Tietoevry starts to make sense for cash flow reasons.

Segments	Revenue growth 2025e	EBITA-% 2025	EBITA	EV/EBITA multiple	EV
Tietoevry Create	-2%	12%	98	<b>12.0x</b>	1179
Tietoevry Banking	1%	12%	73	<b>12.0x</b>	880
Tietoevry Care	1%	29%	67	<b>13.0x</b>	868
Tietoevry Industry	0%	15%	41	<b>11.0x</b>	447
Tietoevry Tech Services	-3%	9%	84	<b>6.0x</b>	507
Other			-24	<b>10.8x</b>	-259
<b>Group total</b>	<b>-1.1%</b>	<b>12.3%</b>	<b>339</b>	<b>10.7x</b>	<b>3622</b>
Net debt					933
<b>Market cap</b>					<b>2688</b>
Share price					22.7

# Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	26.9	27.5	26.5	21.5	17.0	18.3	18.3	18.3	18.3
Number of shares, millions	118.4	118.4	118.4	118.4	118.6	118.6	118.6	118.6	118.6
Market cap	3181	3254	3140	2551	2019	2173	2173	2173	2173
EV	4097	3900	3851	3494	2929	3107	3095	3076	3046
P/E (adj.)	12.3	12.5	11.3	10.1	10.8	9.4	8.7	8.2	7.6
P/E	33.7	11.2	16.7	14.8	neg.	14.0	12.0	11.1	10.1
P/B	2.0	1.8	1.8	1.6	1.6	1.8	1.8	1.8	1.7
P/S	1.1	1.2	1.1	0.9	0.7	0.8	0.8	0.7	0.7
EV/Sales	1.5	1.4	1.3	1.2	1.0	1.1	1.1	1.1	1.0
EV/EBITDA	12.7	7.1	9.0	8.6	15.3	7.6	7.2	6.9	6.5
EV/EBIT (adj.)	11.5	10.6	10.2	9.7	8.5	9.2	8.5	8.1	7.6
Payout ratio (%)	165.4 %	56.9 %	91.1 %	101.1 %	neg.	118.2 %	104.9 %	100.2 %	93.7 %
Dividend yield-%	4.9 %	5.1 %	5.5 %	6.8 %	8.8 %	8.5 %	8.7 %	9.0 %	9.3 %

Source: Inderes





# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e
Digia*	183	183	8.3	7.4	7.0	6.3	0.9	0.8	10.6	10.1	3.1	3.2
Digital Workforce*	45	28	12.7	6.3	11.6	5.9	0.9	0.7	20.7	12.5	1.5	2.3
Gofore*	339	297	11.5	9.6	9.9	8.4	1.5	1.3	15.9	13.8	2.7	3.1
Loihde*	71	77	14.1	10.7	6.6	5.2	0.5	0.5	19.4	13.1	4.8	5.8
Innofactor*	61	65	11.6	9.3	7.6	6.4	0.8	0.7	14.4	11.9	5.3	5.9
Netum Group*	35	40	8.5	7.6	8.1	7.3	0.9	0.8	11.1	9.5	5.8	6.5
Siili Solutions*	49	46	7.6	5.9	5.1	3.8	0.4	0.4	10.4	8.8	3.3	3.8
Solteq*	12	32	12.9	9.0	7.4	6.2	0.7	0.6		23.1		
Vincit*	29	20	6.9	5.3	5.6	4.4	0.3	0.2	12.3	9.3	8.5	9.7
Witted Megacorp*	23	14	12.2	7.5	11.5	7.3	0.3	0.2	20.1	14.4	1.3	1.3
Bouvet	710	741	15.4	13.6	12.6	11.4	2.0	1.8	19.1	16.9	4.8	5.4
CombinedX	59	60	7.9	7.1	4.9	4.6	0.7	0.7	9.9	8.8		
Knowit	337	392	15.9	11.3	7.2	6.2	0.7	0.7	18.7	12.1	2.9	4.1
Avensia AB	27	31	7.8	7.2	5.7	5.5	0.8	0.7	8.8	8.1	6.0	
Netcompany Group	1920	2217	16.8	14.3	12.9	11.3	2.4	2.2	19.4	15.5	0.1	
Wipro	35316	31281	18.9	17.7	15.9	14.9	3.2	3.0	25.2	23.6	1.8	2.2
Tata Consultancy	156019	150392	22.1	19.7	20.1	18.2	5.4	5.0	28.9	26.1	3.0	3.0
Atos SE	483	5579	16.8	13.2	5.8	5.0	0.6	0.6		0.9		
Capgemini SE	31742	35282	12.5	11.9	9.9	9.3	1.6	1.5	15.5	14.3	2.0	2.1
IBM	229897	268203	23.3	21.8	16.5	15.8	4.3	4.1	24.4	22.9	2.6	2.7
Accenture	231052	228842	22.1	20.6	18.4	16.9	3.5	3.3	30.3	27.8	1.5	1.6
<b>Tietoenvy (Inderes)</b>	<b>2173</b>	<b>3107</b>	<b>9.2</b>	<b>8.5</b>	<b>7.6</b>	<b>7.2</b>	<b>1.1</b>	<b>1.1</b>	<b>9.4</b>	<b>8.7</b>	<b>8.5</b>	<b>8.7</b>
<b>Average</b>			<b>13.6</b>	<b>11.3</b>	<b>10.0</b>	<b>8.6</b>	<b>1.5</b>	<b>1.4</b>	<b>17.6</b>	<b>14.4</b>	<b>3.4</b>	<b>3.9</b>
<b>Median (all)</b>			<b>12.7</b>	<b>9.6</b>	<b>8.1</b>	<b>6.4</b>	<b>0.9</b>	<b>0.7</b>	<b>18.7</b>	<b>13.1</b>	<b>3.0</b>	<b>3.1</b>
<i>Diff-% to median</i>			-28%	-11%	-6%	13%	29%	49%	-50%	-34%	185%	178%
<b>Median Finnish companies</b>			<b>11.5</b>	<b>7.5</b>	<b>7.5</b>	<b>6.2</b>	<b>0.7</b>	<b>0.7</b>	<b>14.4</b>	<b>12.2</b>	<b>3.3</b>	<b>3.8</b>
<i>Diff-% to median</i>			-21%	13%	2%	16%	54%	64%	-35%	-29%	156%	129%
<b>Mediaani international companies</b>			<b>16.8</b>	<b>13.6</b>	<b>12.6</b>	<b>11.3</b>	<b>2.0</b>	<b>1.8</b>	<b>19.2</b>	<b>15.5</b>	<b>2.6</b>	<b>2.7</b>
<i>Diff-% to median</i>			-45%	-37%	-39%	-36%	-43%	-38%	-51%	-44%	220%	225%

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	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue</b>	<b>2851</b>	<b>734</b>	<b>715</b>	<b>655</b>	<b>699</b>	<b>2803</b>	<b>715</b>	<b>704</b>	<b>652</b>	<b>699</b>	<b>2771</b>	<b>2839</b>	<b>2923</b>	<b>3013</b>
Tietoevry Create	851	188	188	172	207	837	215	207	189	208	820	836	869	904
Tietoevry Banking	567	114	120	112	130	580	149	150	141	148	588	629	666	706
Tietoevry Care	236	54.4	61.5	48.9	57.1	231	58.6	59.2	54.4	62.0	234	248	263	279
Tietoevry Industry	263	82.9	78.5	67.4	74.6	264	69.1	67.3	62.3	66.2	265	281	298	316
Tietoevry Tech Services	1075	121	119	105	122	1001	253	248	229	238	968	944	920	897
Eliminations	-141	-76	-77	-73	-83	-111	-29	-28	-24	-23	-104	-98	-94	-89
<b>EBITDA</b>	<b>408</b>	<b>103</b>	<b>88.4</b>	<b>104</b>	<b>-103.6</b>	<b>192</b>	<b>99</b>	<b>93</b>	<b>100</b>	<b>114</b>	<b>406</b>	<b>428</b>	<b>443</b>	<b>467</b>
Depreciation	-152.4	-41	-41	-40	-41	-162	-41	-41	-41	-41	-162	-154	-154	-154
<b>EBIT (excl. NRI)</b>	<b>359</b>	<b>89</b>	<b>78</b>	<b>88</b>	<b>89</b>	<b>345</b>	<b>83</b>	<b>77</b>	<b>84</b>	<b>95</b>	<b>339</b>	<b>362</b>	<b>378</b>	<b>403</b>
<b>EBIT</b>	<b>256</b>	<b>63</b>	<b>48</b>	<b>64</b>	<b>-144</b>	<b>30</b>	<b>59</b>	<b>52</b>	<b>60</b>	<b>74</b>	<b>244</b>	<b>274</b>	<b>289</b>	<b>313</b>
Group items and NRIs	-103.1	-26	-31	-25	-233	-315	-25	-25	-25	-22	-95	-88	-89	-90
Net financial items	-34.9	-12	-12	-14	-14	-52	-12	-12	-12	-12	-48	-45	-42	-41
<b>PTP</b>	<b>221</b>	<b>51</b>	<b>36</b>	<b>50</b>	<b>-158</b>	<b>-22</b>	<b>47</b>	<b>40</b>	<b>48</b>	<b>62</b>	<b>197</b>	<b>229</b>	<b>247</b>	<b>272</b>
Taxes	-48.6	-12	-8	-12	-10	-41	-10	-8	-10	-13	-41	-48	-52	-57
<b>Net earnings</b>	<b>172</b>	<b>38</b>	<b>28</b>	<b>39</b>	<b>-168</b>	<b>-63</b>	<b>37</b>	<b>32</b>	<b>38</b>	<b>49</b>	<b>156</b>	<b>181</b>	<b>195</b>	<b>215</b>
<b>EPS (adj.)</b>	<b>2.14</b>	<b>0.50</b>	<b>0.44</b>	<b>0.50</b>	<b>0.14</b>	<b>1.57</b>	<b>0.47</b>	<b>0.43</b>	<b>0.48</b>	<b>0.56</b>	<b>1.94</b>	<b>2.11</b>	<b>2.24</b>	<b>2.42</b>
<b>EPS (rep.)</b>	<b>1.45</b>	<b>0.32</b>	<b>0.24</b>	<b>0.32</b>	<b>-1.42</b>	<b>-0.53</b>	<b>0.31</b>	<b>0.27</b>	<b>0.32</b>	<b>0.41</b>	<b>1.31</b>	<b>1.53</b>	<b>1.65</b>	<b>1.81</b>

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue growth-%</b>	-2.6 %	-1.4 %	2.8 %	-0.7 %	-7.1 %	-1.7 %	-2.5 %	-1.5 %	-0.5 %	0.1 %	-1.1 %	2.5 %	3.0 %	3.1 %
<b>Adjusted EBIT growth-%</b>	-5.4 %	-3.4 %	7.1 %	3.4 %	-17.6 %	-3.9 %	-6.1 %	-1.8 %	-4.8 %	6.6 %	-1.5 %	6.6 %	4.3 %	6.8 %
<b>EBITDA-%</b>	14.3 %	14.1 %	12.4 %	15.9 %	-14.8 %	6.9 %	13.9 %	13.2 %	15.4 %	16.3 %	14.7 %	15.1 %	15.1 %	15.5 %
<b>Adjusted EBIT-%</b>	12.6 %	12.1 %	10.9 %	13.5 %	12.8 %	12.3 %	11.6 %	10.9 %	12.9 %	13.6 %	12.3 %	12.7 %	12.9 %	13.4 %
<b>Net earnings-%</b>	6.0 %	5.2 %	3.9 %	5.9 %	-24.0 %	-2.2 %	5.1 %	4.5 %	5.8 %	7.0 %	5.6 %	6.4 %	6.7 %	7.1 %

Source: Inderes

# Balance sheet

Assets	2023	2024	2025e	2026e	2027e
<b>Non-current assets</b>	<b>2619</b>	<b>2288</b>	<b>2257</b>	<b>2242</b>	<b>2229</b>
Goodwill	1907	1648	1648	1648	1648
Intangible assets	340	314	261	221	181
Tangible assets	285	258	286	311	337
Associated companies	11.6	0.0	0.0	0.0	0.0
Other investments	16.7	15.5	10.0	10.0	10.0
Other non-current assets	34.7	37.4	37.4	37.4	37.4
Deferred tax assets	24.5	14.7	14.7	14.7	14.7
<b>Current assets</b>	<b>899</b>	<b>767</b>	<b>697</b>	<b>714</b>	<b>734</b>
Inventories	8.6	7.1	0.0	0.0	0.0
Other current assets	17.5	13.7	13.7	13.7	13.7
Receivables	654	551	544	558	574
Cash and equivalents	220	195	139	142	146
<b>Balance sheet total</b>	<b>3518</b>	<b>3054</b>	<b>2954</b>	<b>2955</b>	<b>2963</b>

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
<b>Equity</b>	<b>1612</b>	<b>1298</b>	<b>1236</b>	<b>1234</b>	<b>1239</b>
Share capital	116	115	75.8	75.8	75.8
Retained earnings	293	-20.5	-42.9	-45.8	-40.3
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>803</b>	<b>818</b>	<b>884</b>	<b>909</b>	<b>840</b>
Deferred tax liabilities	47.5	34.2	34.2	34.2	34.2
Provisions	17.1	23.3	23.3	23.3	23.3
Interest bearing debt	701	712	778	803	734
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	37.3	48.7	48.7	48.7	48.7
<b>Current liabilities</b>	<b>1103</b>	<b>938</b>	<b>834</b>	<b>813</b>	<b>884</b>
Interest bearing debt	462	393	294	261	315
Payables	641	545	539	553	569
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>3518</b>	<b>3054</b>	<b>2954</b>	<b>2955</b>	<b>2963</b>

# DCF-calculation

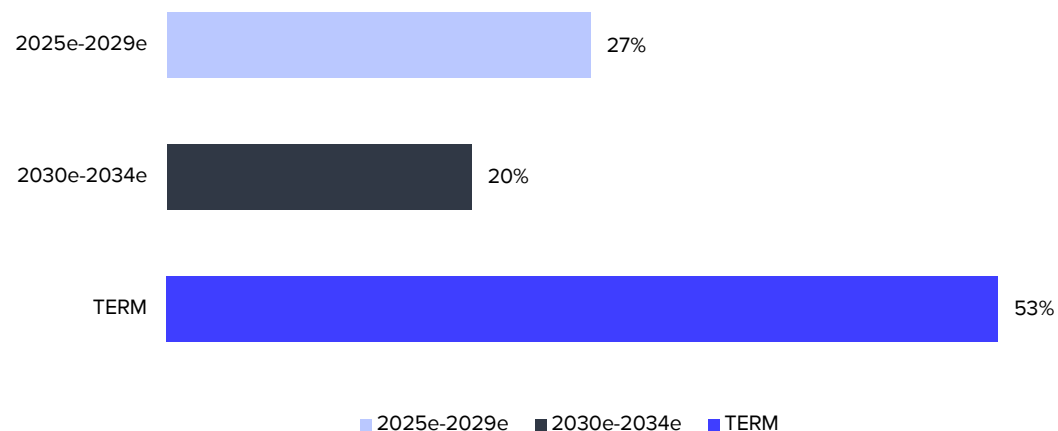
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-1.7 %	-1.1 %	2.5 %	3.0 %	3.1 %	3.0 %	2.5 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	1.1 %	8.8 %	9.7 %	9.9 %	10.4 %	11.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
<b>EBIT (operating profit)</b>	<b>29.8</b>	<b>244</b>	<b>274</b>	<b>289</b>	<b>313</b>	<b>341</b>	<b>318</b>	<b>326</b>	<b>334</b>	<b>343</b>	<b>348</b>	
+ Depreciation	162	162	154	154	154	149	147	147	148	149	150	
- Paid taxes	-44.5	-41.3	-48.1	-51.9	-57.2	-64.5	-59.9	-61.9	-64.1	-66.3	-67.8	
- Tax, financial expenses	-10.5	-10.2	-9.6	-8.9	-8.7	-7.4	-7.1	-6.7	-6.3	-5.9	-5.4	
+ Tax, financial income	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
- Change in working capital	12.7	7.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	
<b>Operating cash flow</b>	<b>150</b>	<b>362</b>	<b>371</b>	<b>382</b>	<b>401</b>	<b>418</b>	<b>399</b>	<b>405</b>	<b>411</b>	<b>419</b>	<b>424</b>	
+ Change in other long-term liabilities	17.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	148	-131.5	-138.8	-140.9	-143.1	-145.3	-147.3	-149.2	-151.2	-153.2	-157.0	
<b>Free operating cash flow</b>	<b>315</b>	<b>231</b>	<b>232</b>	<b>241</b>	<b>258</b>	<b>273</b>	<b>251</b>	<b>255</b>	<b>260</b>	<b>266</b>	<b>267</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	315	231	232	241	258	273	251	255	260	266	267	4155
<b>Discounted FCFF</b>		<b>216</b>	<b>201</b>	<b>193</b>	<b>191</b>	<b>187</b>	<b>160</b>	<b>150</b>	<b>142</b>	<b>134</b>	<b>125</b>	<b>1937</b>
Sum of FCFF present value		3636	3420	3219	3026	2835	2648	2488	2338	2196	2062	1937
<b>Enterprise value DCF</b>		<b>3636</b>										
- Interest bearing debt		-1104.7										
+ Cash and cash equivalents		195										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>2726</b>										
<b>Equity value DCF per share</b>		<b>23.0</b>										

## 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>

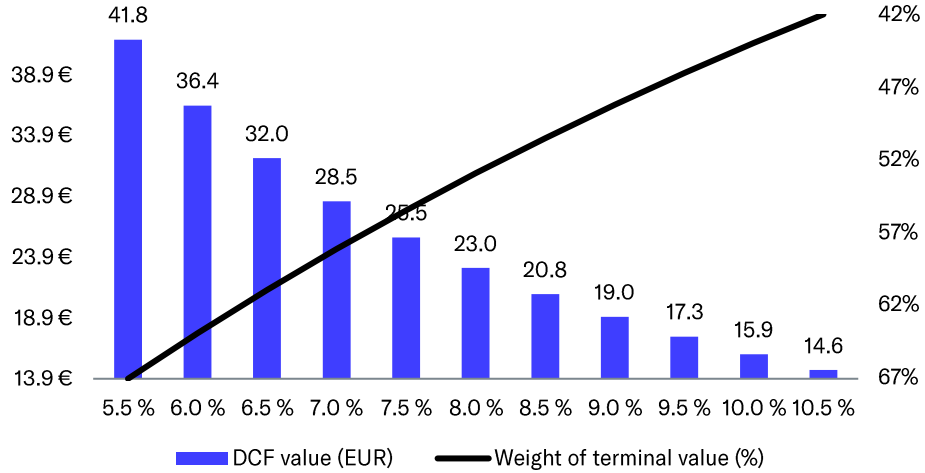
Source: Inderes

## Cash flow distribution

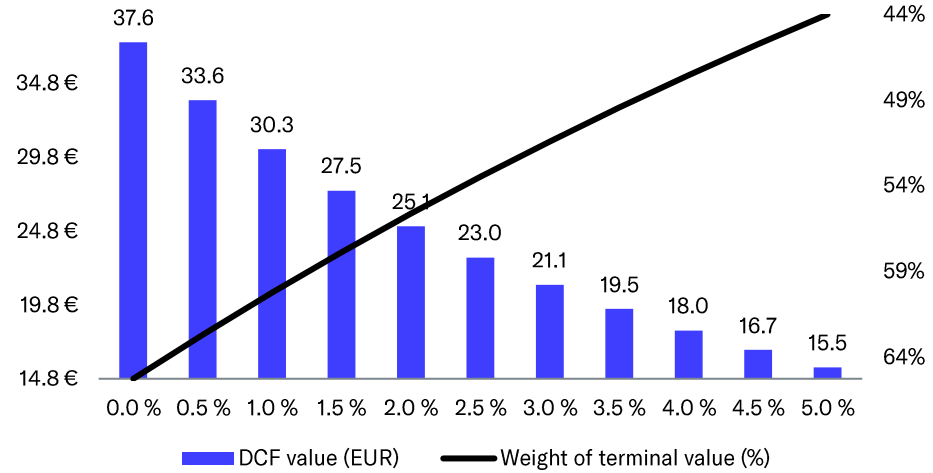


# DCF sensitivity calculations and key assumptions in graphs

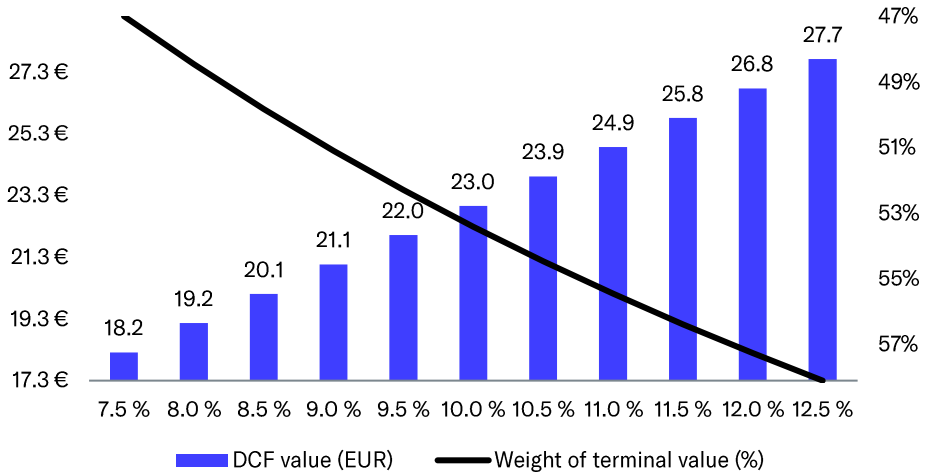
Sensitivity of DCF to changes in the WACC-%



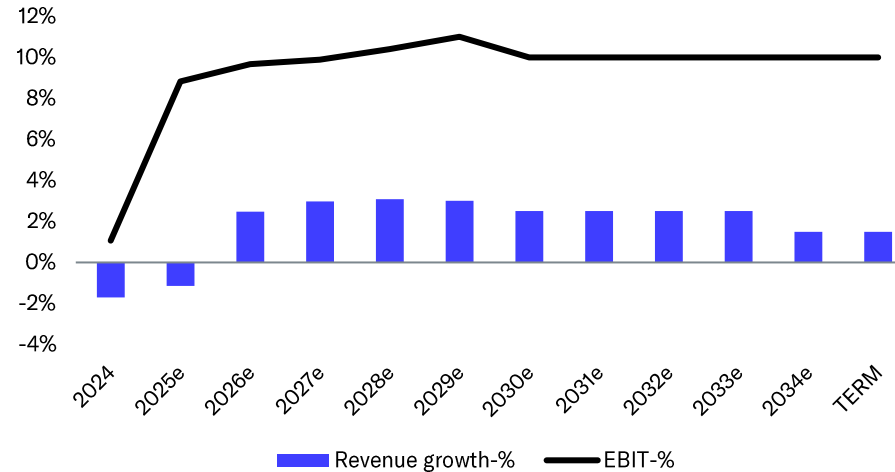
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

# Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	2928	2851	2803	<b>2771</b>	<b>2839</b>	EPS (reported)	1.59	1.45	-0.53	<b>1.31</b>	<b>1.53</b>
EBITDA	429	408	192	<b>406</b>	<b>428</b>	EPS (adj.)	2.35	2.14	1.57	<b>1.94</b>	<b>2.11</b>
EBIT	266	256	30	<b>244</b>	<b>274</b>	OCF / share	2.37	2.56	1.26	<b>3.05</b>	<b>3.12</b>
PTP	243	221	-22	<b>197</b>	<b>229</b>	FCF / share	2.04	0.60	2.66	<b>1.95</b>	<b>1.95</b>
Net Income	188	172	-63	<b>156</b>	<b>181</b>	Book value / share	14.52	13.62	10.94	<b>10.42</b>	<b>10.40</b>
Extraordinary items	-113	-103	-315	<b>-95</b>	<b>-88</b>	Dividend / share	1.45	1.47	1.50	<b>1.55</b>	<b>1.60</b>
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	3394	3518	3054	<b>2954</b>	<b>2955</b>	Revenue growth-%	4%	-3%	-2%	<b>-1%</b>	<b>2%</b>
Equity capital	1719	1612	1298	<b>1236</b>	<b>1234</b>	EBITDA growth-%	-22%	-5%	-53%	<b>112%</b>	<b>5%</b>
Goodwill	1847	1907	1648	<b>1648</b>	<b>1648</b>	EBIT (adj.) growth-%	3%	-5%	-4%	<b>-1%</b>	<b>7%</b>
Net debt	710	944	910	<b>933</b>	<b>921</b>	EPS (adj.) growth-%	7%	-9%	-27%	<b>24%</b>	<b>9%</b>
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	14.6 %	14.3 %	6.9 %	<b>14.7 %</b>	<b>15.1 %</b>
EBITDA	429	408	192	<b>406</b>	<b>428</b>	EBIT (adj.)-%	12.9 %	12.6 %	12.3 %	<b>12.3 %</b>	<b>12.7 %</b>
Change in working capital	-83	-78	13	<b>7</b>	<b>0</b>	EBIT-%	9.1 %	9.0 %	1.1 %	<b>8.8 %</b>	<b>9.7 %</b>
Operating cash flow	281	304	150	<b>362</b>	<b>371</b>	ROE-%	10.6 %	10.3 %	-4.3 %	<b>12.3 %</b>	<b>14.7 %</b>
CAPEX	-15	-216	148	<b>-132</b>	<b>-139</b>	ROI-%	9.8 %	9.4 %	1.2 %	<b>10.4 %</b>	<b>11.9 %</b>
Free cash flow	242	71	315	<b>231</b>	<b>232</b>	Equity ratio	50.7 %	45.8 %	42.5 %	<b>41.9 %</b>	<b>41.7 %</b>
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	41.3 %	58.5 %	70.1 %	<b>75.5 %</b>	<b>74.7 %</b>
EV/S	1.3	1.2	1.0	<b>1.1</b>	<b>1.1</b>						
EV/EBITDA	9.0	8.6	15.3	<b>7.6</b>	<b>7.2</b>						
EV/EBIT (adj.)	10.2	9.7	8.5	<b>9.2</b>	<b>8.5</b>						
P/E (adj.)	11.3	10.1	10.8	<b>9.4</b>	<b>8.7</b>						
P/B	1.8	1.6	1.6	<b>1.8</b>	<b>1.8</b>						
Dividend-%	5.5 %	6.8 %	8.8 %	<b>8.5 %</b>	<b>8.7 %</b>						

Source: Inderes

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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.

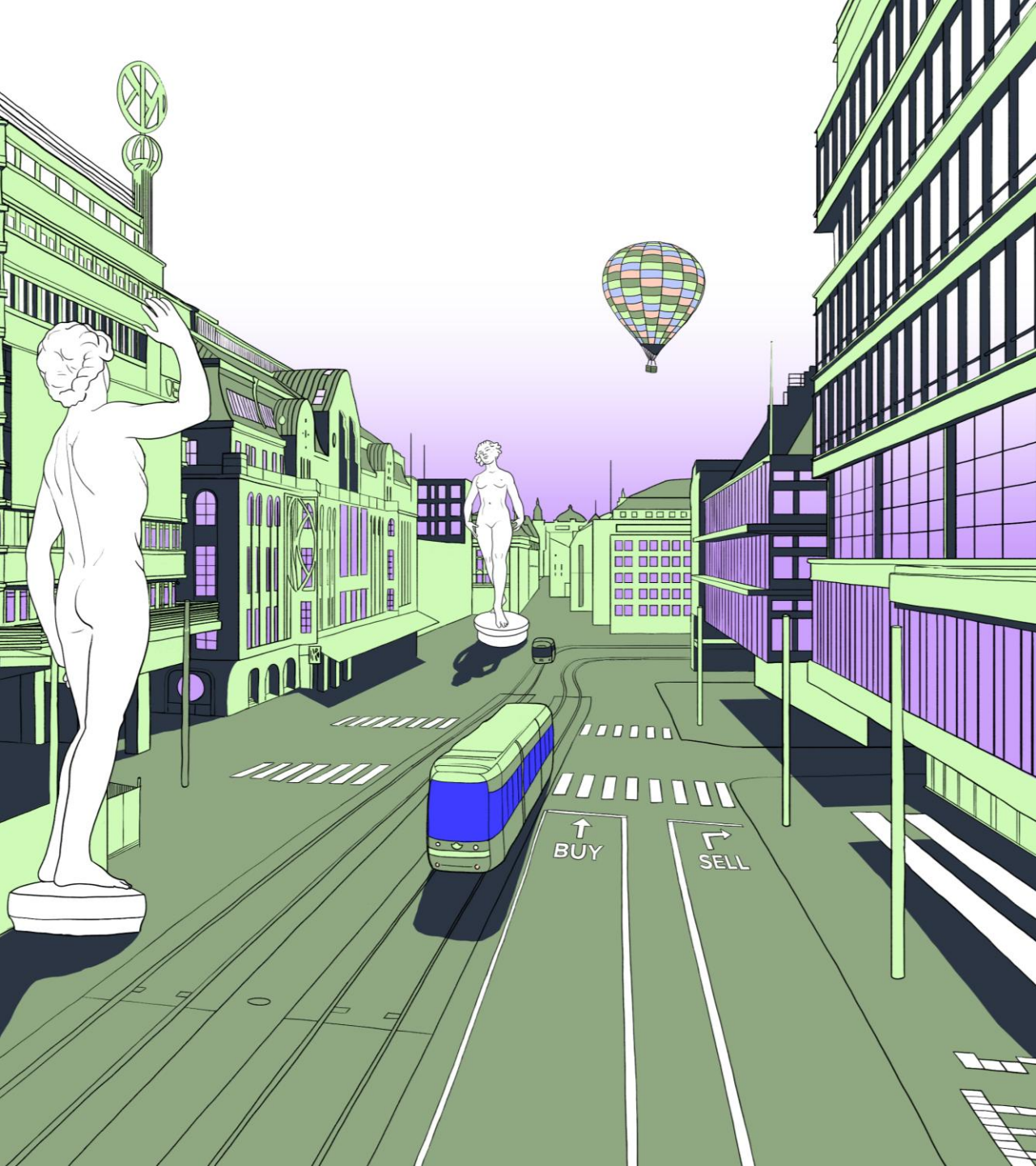
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## Recommendation history (>12 mo)

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 €
12/1/2022	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 €
2/17/2025	Buy	22.00 €	18.32 €



# CONNECTING INVESTORS AND COMPANIES.

Inderes connects investors and listed companies.

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## **Inderes Ab**

Brunnsgatan

Stockholm

+358 10 219 4690

[inderes.se](https://www.inderes.se)

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