

# TIETOEVRY

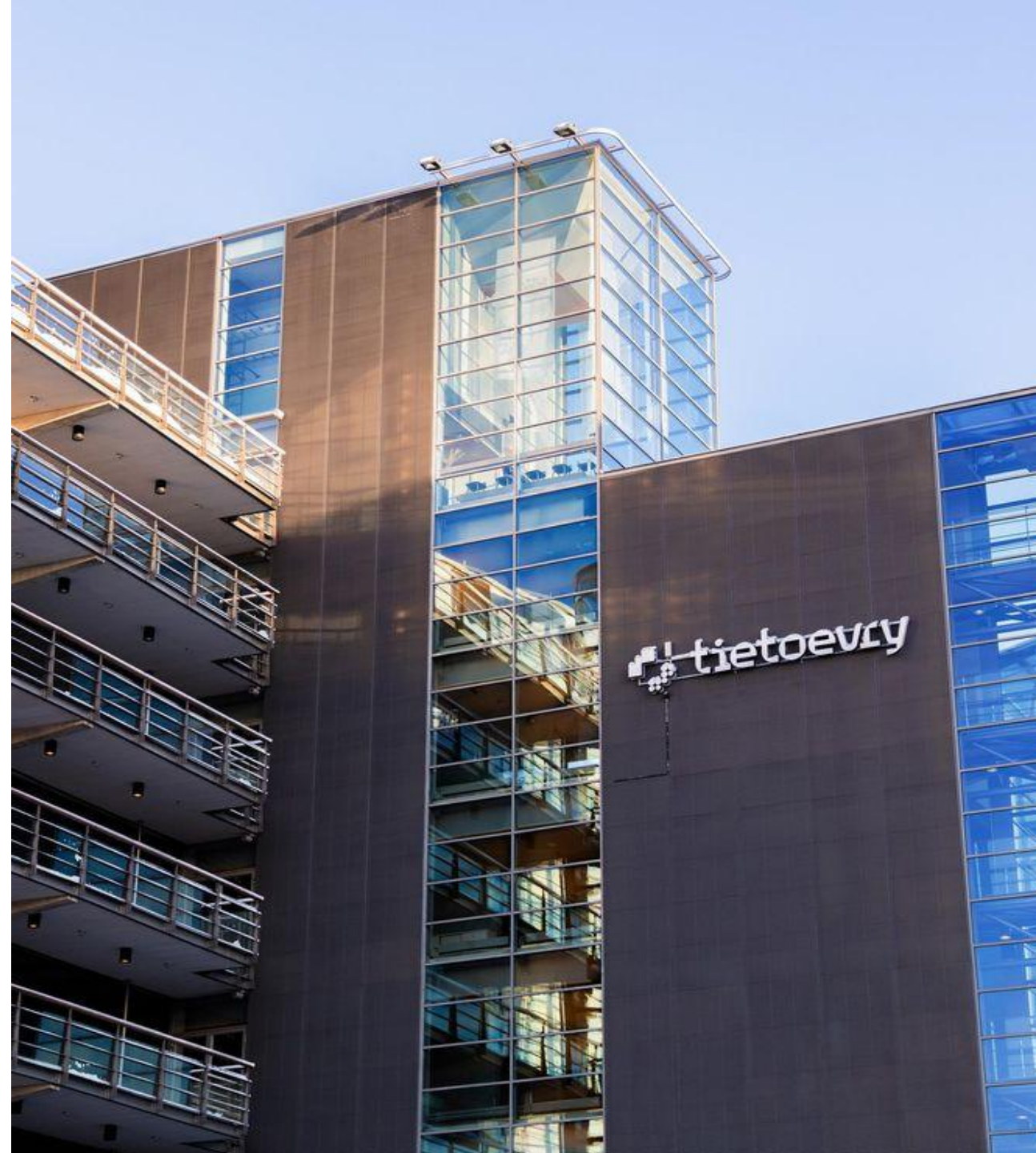
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## COMPANY REPORT



# It's tough, but it gets better

We reiterate our Accumulate recommendation for Tietoevry and lower our target price to EUR 17.0 (was EUR 19.0) reflecting estimate changes and increased uncertainty of a turnaround. Tietoevry's Q2 was weaker than our low expectations. On the positive side, the order book continued good development. As expected, the company announced new efficiency measures, which were, however, more extensive than anticipated. In addition, the company announced its focus areas for the near future under the leadership of the new CEO. We have slightly lowered our estimates and forecast that the company will have to issue a profit warning for this year. Next year, revenue should moderate, and efficiency measures already clearly support this. The share's valuation is attractive despite elevated uncertainty (2026e P/E 13x and adj. 10x, DCF EUR 20.0 and dividend yield 9%).

## Q2 was weaker than expected

Tietoevry's Q2 revenue decreased by 3% to 463 MEUR, weighed down by the persistently weak IT market. While the overall development was weaker than expected, the trend for all other businesses except Create improved from Q1. The development of the order book was also positive, growing 18% year-on-year and 4% from the previous quarter. Tietoevry's adjusted EBITA decreased by 14% to 44 MEUR and was 9.4% of revenue. Earnings in Q2 were pressured by widespread salary increases coming into effect, pressures on pricing and demand due to the weak IT market, and the costs of Tech Service's group functions. In addition, the reported result was burdened by a 80.4 MEUR non-cash impairment loss. Profitability was supported by extensive efficiency measures across all business operations.

## Near-term focus and new significant efficiency measures

The new CEO stated that the overall strategy would remain unchanged, but clarifications were already provided regarding the near-term focus areas. Near-term focus areas are 1) customer first, thereby restoring customer trust, 2) accelerating the return to a growth trajectory by investing in the sales organization, and 3)

seeking a competitive cost structure through a new, more extensive than expected, 75 MEUR cost-saving program, which supports profitability in H2'25 and in 2026. The company will hold a CMD in November, where we expect it to reveal the new remaining entity (excluding Tech Service), its financial targets, and the implementation of its strategy in more detail.

## Risk of a profit warning is evident, cash flow is temporarily weak

Tietoevry reiterated its guidance and estimated the company's organic growth to be between -2% and +1% and the adjusted EBITA-% to be 12.0-13.0%. Following the Q2 report, we made slight downward revisions to our estimates for the current year, and we expect the company to issue a profit warning for revenue and profitability. Next year we expect revenue to stabilize and efficiency measures to drive profitability improvement. Operating cash flow will be weak this year, pressured by the earnings level and large one-off costs. However, we consider a 'good' dividend payout likely, as the sale of Tech Services and the Sparebank1 dispute are likely to provide 24 MEUR in funds in H2'25.

## Tietoevry is a turnaround company

Tietoevry is clearly a turnaround company, which weighs on its valuation. However, with the Tech Services transaction, Tietoevry's structure simplifies and the remaining parts are positioned in the market's growing sub-segments. Tietoevry will be a more focused international company offering software services and development and consulting services. Based on our estimates, the adjusted P/E multiples for 2025-26 are 10x (2026e reported 13x) and EV/EBIT multiples are 11x-9x. Roughly two-thirds of the 2026e one-off items are "justifiably" adjusted PPA amortizations. The multiples are nearly 40% below international peers. In our view, the absolute valuation of the share is attractive and the relative valuation is even very attractive. For the coming years, with our estimates at the lower end of consensus (consensus 2025e EUR 1.40 and Inderes EUR 1.37 per share), the dividend yield is ~9% and provides support for ownership through uncertainty, even if the cash flow does not temporarily cover the entire dividend.

## Recommendation

**Accumulate**

(was Accumulate)

## Target price:

**EUR 17.00**

(was EUR 19.00)

## Share price:

EUR 14.45

## Business risk



## Valuation risk



	2024	2025e	2026e	2027e
Revenue	1879	1836	1850	1902
growth-%	-34.1 %	-2.3 %	0.8 %	2.8 %
EBIT adj.	226	216	249	268
EBIT-% adj.	12.0 %	11.8 %	13.5 %	14.1 %
Net income	70	-5	128	144
EPS (adj.)	1.15	1.45	1.51	1.66
P/E (adj.)	14.8	10.0	9.5	8.7
P/B	1.6	1.7	1.7	1.7
Dividend yield-%	8.8 %	9.0 %	9.1 %	9.3 %
EV/EBIT (adj.)	13.0	10.9	9.4	8.6
EV/EBITDA	12.3	18.3	8.1	7.5
EV/S	1.6	1.3	1.3	1.2

Source: Inderes

## Guidance

(Unchanged)

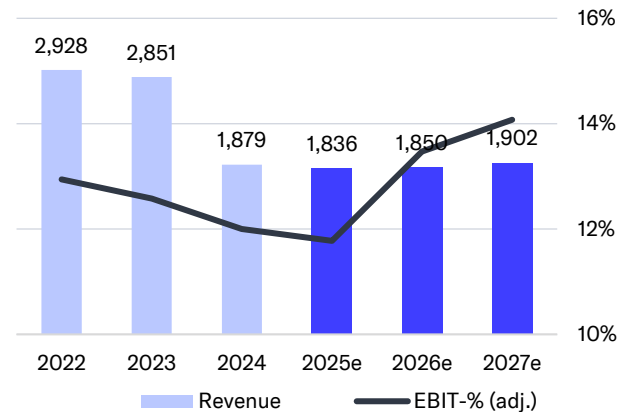
Tietoevry expects its organic growth to be in the range of -2% to +1% and an adjusted EBITA margin of 12.0-13.0%.

## Share price



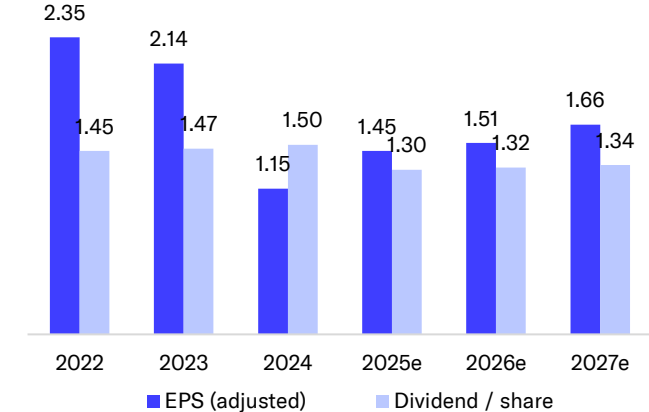
Source: Millistream Market Data AB

## Revenue and EBIT-% (adj.)



Source: Inderes

## EPS and dividend



Source: Inderes

## Value drivers

- Medium-term demand outlook remains good
- 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
- Historically weak track record of capital allocation

Valuation	2025e	2026e	2027e
Share price	14.5	14.5	14.5
Number of shares, millions	118.6	118.6	118.6
Market cap	1714	1714	1714
EV	2351	2338	2308
P/E (adj.)	10.0	9.5	8.7
P/E	neg.	13.4	11.9
P/B	1.7	1.7	1.7
P/S	0.9	0.9	0.9
EV/Sales	1.3	1.3	1.2
EV/EBITDA	18.3	8.1	7.5
EV/EBIT (adj.)	10.9	9.4	8.6
Payout ratio (%)	neg.	122.7 %	110.1 %
Dividend yield-%	9.0 %	9.1 %	9.3 %

Source: Inderes

# Q2 was weaker than expected

**Revenue continued to decline clearly in Q2, but the trend improved in several business areas and order book development was positive**

Tietoevry's Q2 revenue decreased by -3% to 463 MEUR, under pressure from the continued weak IT market, but slightly weaker than our expectations (468 MEUR). Organically, revenue decreased by 4%. FX had a positive impact of 2 MEUR, which is currently strengthening into a 6 MEUR tailwind in Q3.

By business area, Tietoevry Create's revenue decreased by 7%, Banking by 2%, Care by 1%, and Industry turned to growth (+1%). Thus, even though the quarter was weak, the trend for all other businesses except Create improved from Q1.

The development of the order book was also positive, growing 18% year-on-year and 4% from the previous quarter. The development of the order book in recent

quarters has been particularly supported by new ~10-year agreements with practically all savings banks in Norway.

Tietoevry completed the sale of Tech Services in March. Tech Services has been reported as a discontinued operation. Tietoevry still expects the transaction to close in Q3.

**Adjusted result once again down year-on-year and below expectations in Q2**

Tietoevry's adjusted EBITA decreased by 14% to 44 MEUR and was 9.4% of revenue (Q2'24: 51 MEUR). Earnings in Q2 were pressured by widespread salary increases coming into effect, pressures on pricing and demand due to the weak IT market, and the costs of Tech Service's group functions. In addition, reported profit was weighed down by Tietoevry Banking's 80.4 MEUR non-cash impairment loss on capitalized development costs.

Profitability was supported by extensive efficiency

measures across all business operations. The company also announced new significant 75 MEUR efficiency measures, which will support profitability in H2'25 and in 2026.

Reported EBIT was -66 MEUR and, driven by a write-down, below our expectations, but other one-off costs were also 10 MEUR above our expectations. Other expense lines were in line with our expectations, and thus the adjusted EPS landed at EUR 0.19 (Inderes estimate 0.27 and consensus 0.24).

Operating cash flow was 51 MEUR (continuing and discontinued operations combined) in Q2 and was below 68 MEUR in the comparison period. Thus, in H1, cash flow was 149 MEUR and ~10 MEUR above H1'24. Investments are around 20 MEUR quarterly and lease liability payments ~15 MEUR. Thus, the structural cash flow is approximately 80 MEUR.

Estimates	Q2'24	Q2'25	Q2'25e	Q2'25e	Consensus	Difference (%)	2025e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low High	Act. vs. inderes	Inderes
Revenue	479	463	468	470	457 - 482	-1%	1836
EBIT (adj.)	51	44	50	49	44 - 54	-13%	216
EBIT	31	-66	30	29	23 - 33	-321%	31.7
PTP	21	-76	21	20	12 - 21	-467%	-3.5
EPS (adj.)	0.26	0.19	0.27	0.24	0.20 - 0.28	-31%	1.45
EPS (reported)	0.13	-0.52	0.14	0.13	0.08 - 0.14		-0.05
Revenue growth-%	-31.1 %	-3.3 %	-2.2 %	-2.0 %	-4.6 % - 0.6 %	-1.1 pp	-2.3 %
EBIT-% (adj.)	10.7 %	9.4 %	10.7 %	10.5 %	9.7 % - 11.2 %	-1.3 pp.	11.8 %

Source: Inderes & Vara Research,  
7-11 forecasts (consensus)

# Near-term focus areas, significant cost-saving program, dispute resolved in Tietoevry's favor

## A new major cost-saving program

Tietoevry announced a new cost-saving program as expected. The cost-saving program was only more extensive than expected. The company aims for 75 MEUR in savings by the end of 2026 primarily through staff reductions and reducing costs of external services. Potential reductions of up to 450 people will affect both administrative work and delivery capacity. The new program is a continuation of the efficiency measures decided in the first half of the year, which aim to reduce approximately 800 employees primarily in the Create and Industry areas. Thus, the efficiency measures will total 115 MEUR by 2026.

With the 2025 measures, the company aims for a total cost-saving run-rate of 70-80 MEUR by the end of 2025. At the same time, the company naturally raised its guidance for one-off costs related to continuing operations and expects these to be roughly 3% of revenue.

At the business unit level, the current measures aim to improve profitability, especially in the Industry, Banking, and Create business units.

## Near-term focus

Under the leadership of the new CEO, the company launched new short-term focus areas: 1) customer first, thereby restoring customer trust; 2) accelerating the return

to a growth path by investing in the sales organization; and 3) pursuing a competitive cost structure through a new extensive 75 MEUR cost-saving program.

We do not believe there is a need to address the overall strategy, despite the change of CEO. The new CEO wants to simplify and sharpen the focus. He emphasized stronger strategy implementation in the earnings release. There have been significant changes in the management team in recent months, as 7 out of 11 management team members have been replaced.

Strategic fine-tuning includes, for example, slightly changing the focus of the Create business, strengthening geographical ownership, while still keeping global delivery capacity in mind. It appears that customer satisfaction has declined due to 'excessive' global delivery.

Tietoevry will host a Capital Markets Day in November, where the company will elaborate on its long-term strategy and financial targets.

## Dispute resolution likely to provide earnings support for H2'25

The court decision related to the significant dispute between Tietoevry and Sparebank1 is expected to have a positive impact in Q3. Norway's Borgarting Court of Appeal ruled in Tietoevry's favor in June. According to the resolution, the fixed price between the companies is

increased by approximately 35 MEUR, of which approximately 23 MEUR is paid for services previously delivered, over 4 MEUR for the remainder of 2025, and nearly 9 MEUR for 2026. The decision can be appealed to the Supreme Court by August 18, 2025. The revenue for these periods will be recognized after the appeal process has concluded, i.e., according to our understanding, 23 MEUR will be recognized as revenue now, which goes directly to the result. The decision on the dispute was made in early June, and since no appeal has yet been filed, we consider it likely that this will be recognized as income as mentioned above already for H2'25.

# We slightly lowered our estimates

## Estimate revisions

- We made minor downward revisions to our current year's estimates following a weaker-than-expected Q2.
- Our forecasts do not include the probable revenue from the Sparebank1 dispute and its impact on the result.

## Forecasts for 2025e-2027e

- We forecast Tietoevry's revenue to decline by 2.7% organically in 2025 and to grow by 1% and 3% in 2026 and 2027. Tietoevry's new remaining structure is significantly better positioned in the growth areas of the market and well equipped for profitable growth with some market traction.
- We estimate the adjusted EBITA-% to decrease slightly due to price pressure and weak demand, and to be 11.8%. Profitability is supported by numerous efficiency measures, but they are not enough. In 2026, we expect profitability to improve to 13.5%, driven by numerous and extensive efficiency measures (115 MEUR). Profitability is further supported by revenue growth, scalable software, and the easing of headwinds from costs related to the IFRS 5 standard.
- There is clear uncertainty in the dividend estimates, as operating cash flow will likely not be sufficient for dividend payment. Cash flow will be weighed down towards the end of the year by somewhat weak profitability and large restructuring costs. The cash flow profile will improve partially in H1'26, but more significantly not until H2'26, once all current efficiency measures have been completed and their effects are visible. Our dividend estimates are, however, unchanged (EUR 1.30 per share) and they were at the lower end of the consensus before the Q2 report (average EUR 1.37 and median EUR 1.50 per share). We therefore consider a 'good' dividend payment likely, as 24 MEUR in funds are likely to be received from the sale of Tech Services and the Sparebank1 dispute in H2'25.

## Operational earnings drivers

- Efficiency programs support development (now in all units) and are expected to deliver a total of 115 MEUR by 2026, compared to the 2024 level.
- Tietoevry estimates wage inflation to be 4-4.5% (was 4-5%) in 2025 (2024: 4-5%). The company is mitigating these impacts through price increases, further offshoring, automation, management of the competence pyramid and overall cost efficiency across businesses.
- The company expects one-off costs related to continuing operations to be 3% (previously 1.5-2.0%) of revenue in 2025 (2024 approximately 2.0%).

## Financial targets (new ones will probably be provided in Q4)

- In terms of growth, Tietoevry targets 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	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	1851	1836	-1%	1866	1850	-1%	1922	1902	-1%
EBITDA	236	128	-45%	290	288	-1%	313	307	-2%
EBIT (exc. NRIs)	224	216	-3%	251	249	-1%	274	268	-2%
EBIT	139	31.7	-77%	191	189	-1%	213	207	-3%
PTP	104	-3.5	-103%	160	162	1%	183	181	-1%
EPS (excl. NRIs)	1.25	1.45	16%	1.47	1.51	3%	1.64	1.66	1%
DPS	1.30	1.30	0%	1.32	1.32	0%	1.34	1.34	0%

# Dividend yield alone is enough for a positive view

## Tietoevry is a turnaround company

Tietoevry is clearly a turnaround company, which weighs on its valuation. However, with the Tech Services transaction, Tietoevry's structure simplifies and the remaining parts are positioned in the market's growing sub-segments. For years, the now sold Tech Services business has been a brake on the group's development. Tietoevry will be a more focused international company offering software services and development and consulting services.

## 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. We have also considered the 'constant' restructuring costs, which are higher for Tietoevry than its Finnish peers. Tietoevry expects restructuring costs to be higher than usual again at 3% of revenue (previously 1.5-2.0%) in 2025, which corresponds to >30% of adjusted EBIT. In 2026, one-off costs should again decrease significantly and largely consist of PPA amortizations that are justifiably adjusted.

## Valuation multiples

Based on our estimates, the adjusted P/E multiples for 2025-26 are 10x (2026e reported 13x) and EV/EBIT multiples are 11x-9x. Roughly two-thirds of the 2026e one-off items are "justifiably" adjusted PPA amortizations. The multiples are nearly 40% below international peers. In our

view, the absolute valuation of the share is attractive and the relative valuation is even very attractive. The company typically adjusts its earnings for around 15% more expenses (over 30% in 2025e) compared to its Finnish peers. Even considering this, the share remains attractively priced, despite the elevated uncertainty. In addition, with our estimates for the coming years at the lower end of consensus (consensus 2025e EUR 1.40 and Inderes EUR 1.37 per share), the dividend yield is ~9% and provides support for ownership through the uncertainty, even if cash flow does not temporarily cover the entire dividend.

## 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 ~10% annual earnings growth in 2026-2027 (compared to 2025 level), driven mainly by profitability. With the new structure and our increasing dividend forecasts, the dividend payout ratio now rises to over 100%, but operating cash flow should fully cover the dividend next year or by 2027e at the latest, which means a dividend yield of >9%. This year, the Tech Services sale and likely the resolution of the Sparebank1 dispute will strengthen the balance sheet.

In our view, there is clear upside in the stock's valuation multiples as uncertainty decreases. Thus, the expected return on the share, consisting solely of dividend yield and earnings growth, is almost at 20% and considering the upside in multiples >20%. This is a particularly attractive level, but uncertainty still keeps us somewhat more cautious, as the company has delivered several disappointments over the past year or so.

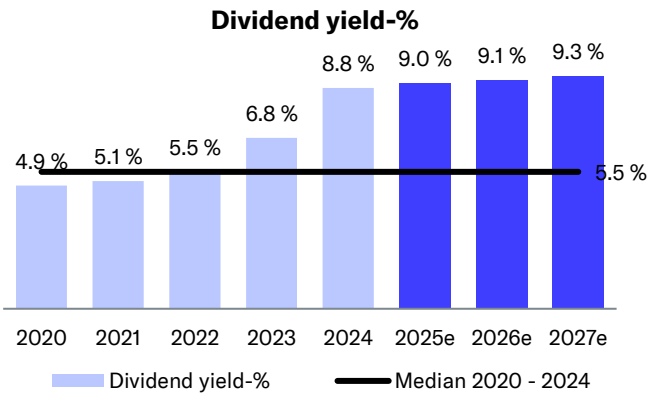
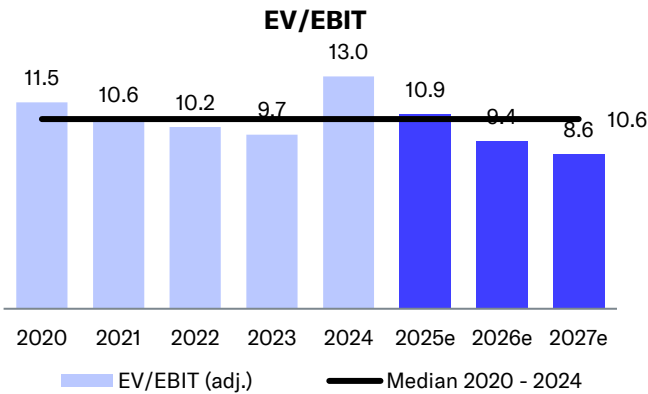
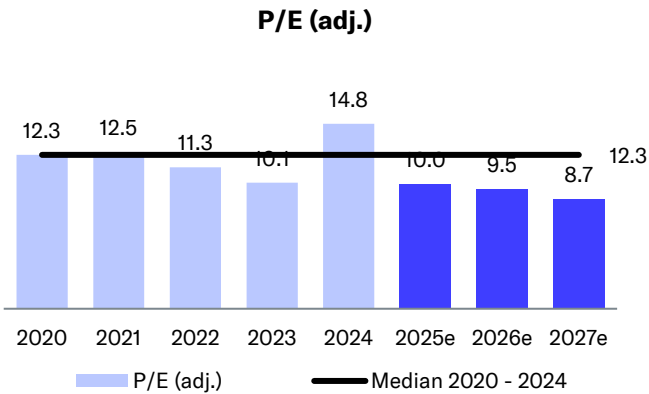
Valuation	2025e	2026e	2027e
Share price	14.5	14.5	14.5
Number of shares, millions	118.6	118.6	118.6
Market cap	1714	1714	1714
EV	2351	2338	2308
P/E (adj.)	10.0	9.5	8.7
P/E	neg.	13.4	11.9
P/B	1.7	1.7	1.7
P/S	0.9	0.9	0.9
EV/Sales	1.3	1.3	1.2
EV/EBITDA	18.3	8.1	7.5
EV/EBIT (adj.)	10.9	9.4	8.6
Payout ratio (%)	neg.	122.7 %	110.1 %
Dividend yield-%	9.0 %	9.1 %	9.3 %

Source: Inderes

# Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	26.9	27.5	26.5	21.5	17.0	14.5	14.5	14.5	14.5
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	1714	1714	1714	1714
EV	4097	3900	3851	3494	2929	2351	2338	2308	2264
P/E (adj.)	12.3	12.5	11.3	10.1	14.8	10.0	9.5	8.7	8.0
P/E	33.7	11.2	16.7	14.8	28.8	neg.	13.4	11.9	10.7
P/B	2.0	1.8	1.8	1.6	1.6	1.7	1.7	1.7	1.7
P/S	1.1	1.2	1.1	0.9	1.1	0.9	0.9	0.9	0.9
EV/Sales	1.5	1.4	1.3	1.2	1.6	1.3	1.3	1.2	1.1
EV/EBITDA	12.7	7.1	9.0	8.6	12.3	18.3	8.1	7.5	6.9
EV/EBIT (adj.)	11.5	10.6	10.2	9.7	13.0	10.9	9.4	8.6	7.9
Payout ratio (%)	165.4 %	56.9 %	91.1 %	101.1 %	253.5 %	neg.	122.7 %	110.1 %	100.3 %
Dividend yield-%	4.9 %	5.1 %	5.5 %	6.8 %	8.8 %	9.0 %	9.1 %	9.3 %	9.4 %

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

# 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*	202	211	9.3	7.8	8.1	6.8	1.0	0.8	11.7	10.3	2.5	2.8
Digital Workforce*	40	34	22.3	11.0	39.8	10.3	1.2	0.9	26.4	13.8	1.8	2.6
Gofore*	285	244	12.7	10.2	11.1	8.6	1.4	1.3	18.0	15.3	2.7	2.8
Loihde*	66	74	16.3	11.2	7.1	5.2	0.5	0.5	21.3	13.7	5.2	6.3
Innofactor*	61	66	11.7	9.4	7.6	6.4	0.8	0.7	14.5	11.9	5.3	5.9
Netum Group*	23	28	7.9	7.1	7.5	6.9	0.7	0.7	13.4	11.2	6.5	7.5
Siili Solutions*	54	50	8.1	6.4	5.5	4.2	0.4	0.4	11.7	9.5	3.0	3.5
Solteq*	12	33	14.2	9.3	8.3	6.7	0.7	0.6		24.0		
Vincit*	24	28	67.2	7.9	8.0	3.6	0.4	0.4		9.6	6.9	7.6
Witted Megacorp*	24	16	14.2	7.8	13.6	7.6	0.3	0.3	23.6	14.5	1.3	1.3
Bouvet	661	676	15.9	14.2	13.1	11.9	2.0	1.8	20.2	18.1	4.8	5.1
CombinedX	66	64	8.0	6.8	4.9	4.4	0.7	0.7	10.7	8.9		
Knowit	300	357	21.7	14.7	8.2	6.7	0.7	0.6	23.9	15.4	2.2	3.6
Avensia AB	35	38	8.3	7.2	6.2	5.8	0.9	0.9	9.6	8.2	4.7	
Netcompany Group	1647	1952	15.8	13.2	11.7	10.2	2.1	1.9	18.6	14.8		0.1
Wipro	27004	23324	15.6	15.4	13.1	13.1	2.6	2.6	21.2	20.0	2.2	3.8
Tata Consultancy	113192	109587	17.9	17.1	16.2	15.7	4.3	4.2	23.2	22.4	3.8	3.9
Atos SE	538	1608	8.6	5.0	2.1	1.9	0.2	0.2		16.5		
Capgemini SE	23389	26299	9.9	9.4	7.8	7.4	1.2	1.2	12.0	11.2	2.5	2.7
IBM	226209	265354	24.8	23.1	17.3	16.3	4.7	4.5	26.1	24.5	2.4	2.4
Accenture	150468	147427	15.9	14.9	13.2	12.3	2.5	2.4	21.9	20.5	2.0	2.2
<b>Tietoenvry (Inderes)</b>	<b>1714</b>	<b>2351</b>	<b>10.9</b>	<b>9.4</b>	<b>18.3</b>	<b>8.1</b>	<b>1.3</b>	<b>1.3</b>	<b>10.0</b>	<b>9.5</b>	<b>9.0</b>	<b>9.1</b>
<b>Average</b>			<b>16.3</b>	<b>11.0</b>	<b>10.9</b>	<b>8.3</b>	<b>1.4</b>	<b>1.3</b>	<b>18.0</b>	<b>14.8</b>	<b>3.6</b>	<b>3.8</b>
<b>Median (all)</b>			<b>14.2</b>	<b>10.2</b>	<b>8.3</b>	<b>7.4</b>	<b>1.0</b>	<b>0.9</b>	<b>18.3</b>	<b>14.5</b>	<b>2.7</b>	<b>3.5</b>
Diff-% to median			-24%	-8%	120%	10%	33%	49%	-46%	-34%	234%	161%
<b>Median Finnish companies</b>			<b>14.2</b>	<b>9.3</b>	<b>8.1</b>	<b>6.8</b>	<b>0.7</b>	<b>0.7</b>	<b>14.7</b>	<b>11.9</b>	<b>4.1</b>	<b>4.7</b>
Diff-% to median			-23%	1%	126%	20%	88%	94%	-32%	-20%	120%	95%
<b>Median international companies</b>			<b>15.7</b>	<b>13.7</b>	<b>11.2</b>	<b>10.1</b>	<b>2.0</b>	<b>1.9</b>	<b>20.2</b>	<b>15.9</b>	<b>2.4</b>	<b>2.7</b>
Diff-% to median			-31%	-32%	64%	-20%	-37%	-32%	-51%	-40%	282%	243%

Source: Refinitiv / \*Inderes's adjusted estimate. Note: Inderes's market capitalization does not take into account the company's treasury shares..

# Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	2851	492	479	436	472	1879	471	463	429	473	1836	1850	1902	1973
Tietoevry Create	851	224	214	191	208	837	211	199	183	204	797	801	821	849
Tietoevry Banking	567	149	148	138	146	580	141	145	137	147	570	573	590	613
Tietoevry Care	236	58.6	58.6	53.3	60.8	231	57.3	58.0	52.8	61.4	229	232	239	246
Tietoevry Industry	263	69.8	67.3	61.7	64.9	264	68.3	67.8	62.3	66.2	265	267	274	284
Tietoevry Tech Services	1075	0.0	0.0	0.0	0.0	0	0	0	0	0	0.0	0.0	0.0	0.0
Eliminations	-141	-9	-9	-8	-8	-33	-7	-6	-6	-6	-25	-22	-21	-20
EBITDA	408	66	55	59	58	237	50	-42	56	65	128	288	307	328
Depreciation	-152.4	-24	-24	-23	-24	-95	-24	-24	-24	-24	-97	-99	-100	-101
EBIT (excl. NRI)	359	60	51	56	59	226	50	44	57	66	216	249	268	288
EBIT	256	42	31	35	34	142	26	-66	31	40	32	189	207	227
Group items and NRIs	-103.1	-18	-20	-20	-25	-83	-24	-110	-26	-26	-185	-60	-60	-61
Net financial items	-34.9	-11	-10	-12	-12	-45	-9	-10	-9	-7	-35	-28	-27	-26
PTP	221	31	21	23	22	97	17	-76	22	33	-4	162	181	201
Taxes	-48.6	-9	-6	-7	-6	-27	-5	15	-5	-7	-2	-34	-36	-40
Net earnings	172	23	15	17	16	70	12	-61	17	26	-5	128	144	161
EPS (adj.)	2.14	0.31	0.26	0.28	0.30	1.15	0.28	0.40	0.35	0.42	1.45	1.51	1.66	1.80
EPS (rep.)	1.45	0.19	0.13	0.14	0.13	0.59	0.10	-0.51	0.15	0.22	-0.05	1.08	1.22	1.36

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	-2.6 %	-33.8 %	-31.1 %	-33.9 %	-37.3 %	-34.1 %	-4.4 %	-3.3 %	-1.6 %	0.2 %	-2.3 %	0.8 %	2.8 %	3.7 %
Adjusted EBIT growth-%	-5.4 %	-34.6 %	-30.0 %	-34.9 %	-45.8 %	-37.1 %	-17.0 %	-14.5 %	2.0 %	12.2 %	-4.1 %	15.3 %	7.4 %	7.5 %
EBITDA-%	14.3 %	13.4 %	11.4 %	13.4 %	12.3 %	12.6 %	10.7 %	-9.1 %	12.9 %	13.7 %	7.0 %	15.6 %	16.2 %	16.6 %
Adjusted EBIT-%	12.6 %	12.2 %	10.7 %	12.8 %	12.4 %	12.0 %	10.6 %	9.4 %	13.2 %	13.9 %	11.8 %	13.5 %	14.1 %	14.6 %
Net earnings-%	6.0 %	4.6 %	3.1 %	3.9 %	3.3 %	3.7 %	2.5 %	-13.2 %	4.1 %	5.6 %	-0.3 %	6.9 %	7.6 %	8.2 %

Source: Inderes, 2024 figures adjusted to account for the sale of Tech Services

# Balance sheet

Assets	2023	2024	2025e	2026e	2027e
<b>Non-current assets</b>	<b>2619</b>	<b>2288</b>	<b>1861</b>	<b>1823</b>	<b>1784</b>
Goodwill	1907	1648	1414	1414	1414
Intangible assets	340	314	221	178	136
Tangible assets	285	258	164	168	172
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>528</b>	<b>532</b>	<b>546</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	330	333	342
Cash and equivalents	220	195	184	185	190
<b>Balance sheet total</b>	<b>3518</b>	<b>3054</b>	<b>2389</b>	<b>2354</b>	<b>2330</b>

Source: Inderes

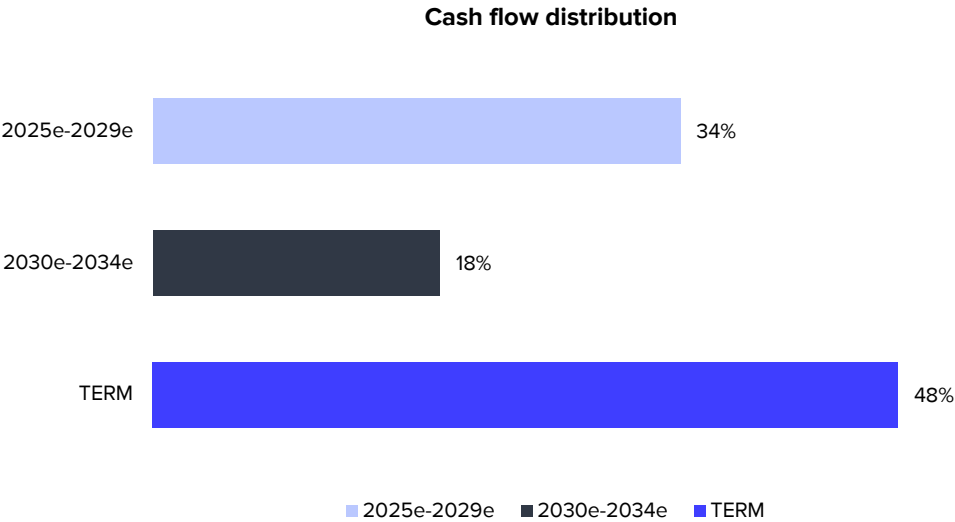
Liabilities & equity	2023	2024	2025e	2026e	2027e
<b>Equity</b>	<b>1612</b>	<b>1298</b>	<b>1022</b>	<b>995</b>	<b>983</b>
Share capital	116	115	75.8	75.8	75.8
Retained earnings	293	-20.5	-257.3	-284.1	-296.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	1204	1204	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>832</b>	<b>705</b>	<b>655</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	726	599	549
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>535</b>	<b>654</b>	<b>692</b>
Interest bearing debt	462	393	94.1	210	235
Payables	641	545	441	444	457
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>2389</b>	<b>2354</b>	<b>2330</b>

# DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-34.1 %	-2.3 %	0.8 %	2.8 %	3.7 %	3.0 %	2.5 %	2.5 %	2.5 %	2.5 %	1.7 %	1.7 %
EBIT-%	7.6 %	1.7 %	10.2 %	10.9 %	11.5 %	12.5 %	12.5 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>142</b>	<b>31.7</b>	<b>189</b>	<b>207</b>	<b>227</b>	<b>254</b>	<b>260</b>	<b>277</b>	<b>284</b>	<b>292</b>	<b>296</b>	
+ Depreciation	95.1	96.8	99.0	100.0	101	79.0	72.3	69.8	68.3	67.5	67.2	
- Paid taxes	-31	-2	-34	-36	-40	-46	-47	-51	-53	-54	-55	
- Tax, financial expenses	-13	-7	-6	-6	-5	-5	-5	-5	-4	-4	-4	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	13	123	1	3	4	4	3	3	3	3	2	
<b>Operating cash flow</b>	<b>207</b>	<b>242</b>	<b>249</b>	<b>269</b>	<b>287</b>	<b>286</b>	<b>284</b>	<b>295</b>	<b>299</b>	<b>304</b>	<b>307</b>	
+ Change in other long-term liabilities	18	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	215	330	-60	-61	-62	-63	-64	-65	-66	-67	-70	
<b>Free operating cash flow</b>	<b>440</b>	<b>572</b>	<b>189</b>	<b>208</b>	<b>224</b>	<b>222</b>	<b>219</b>	<b>230</b>	<b>233</b>	<b>237</b>	<b>237</b>	
+/- Other	-133	-53	0	0	0	0	0	0	0	0	0	
FCFF	307	518	189	208	224	222	219	230	233	237	237	3546
<b>Discounted FCFF</b>		<b>500</b>	<b>168</b>	<b>170</b>	<b>170</b>	<b>155</b>	<b>141</b>	<b>136</b>	<b>127</b>	<b>119</b>	<b>110</b>	<b>1642</b>
Sum of FCFF present value		3438	2938	2770	2599	2430	2275	2134	1998	1871	1752	1642
<b>Enterprise value DCF</b>		<b>3438</b>										
- Interest bearing debt		-1105										
+ Cash and cash equivalents		195										
-Minorities		0										
-Dividend/capital return		-178										
<b>Equity value DCF</b>		<b>2350</b>										
<b>Equity value DCF per share</b>		<b>19.8</b>										

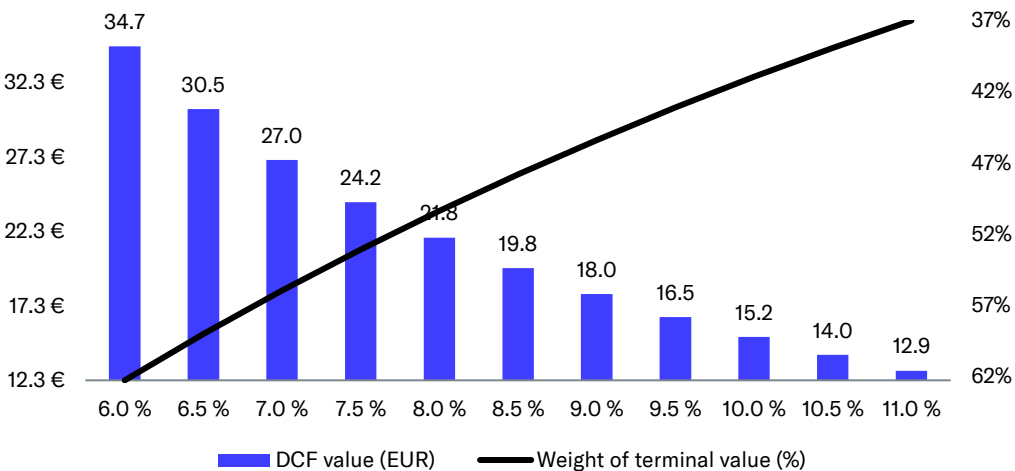
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	5.5 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.5 %</b>

Source: Inderes

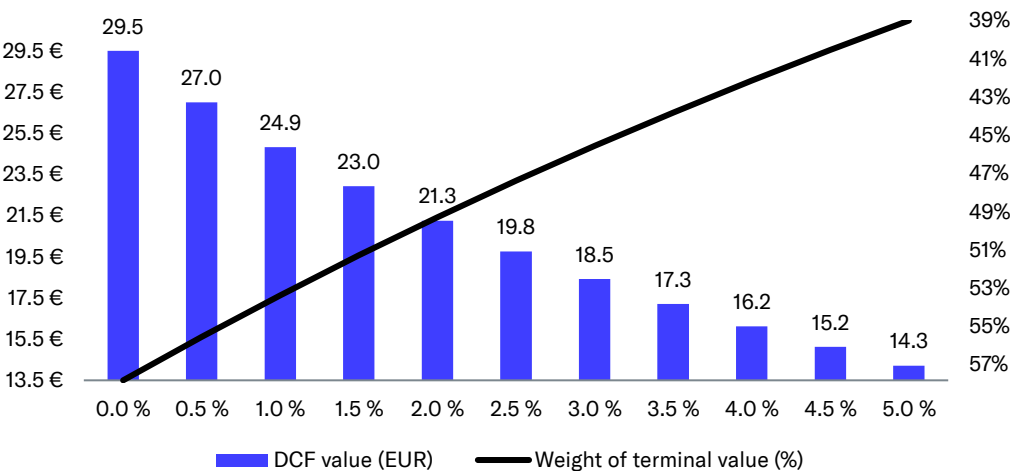


# DCF sensitivity calculations and key assumptions in graphs

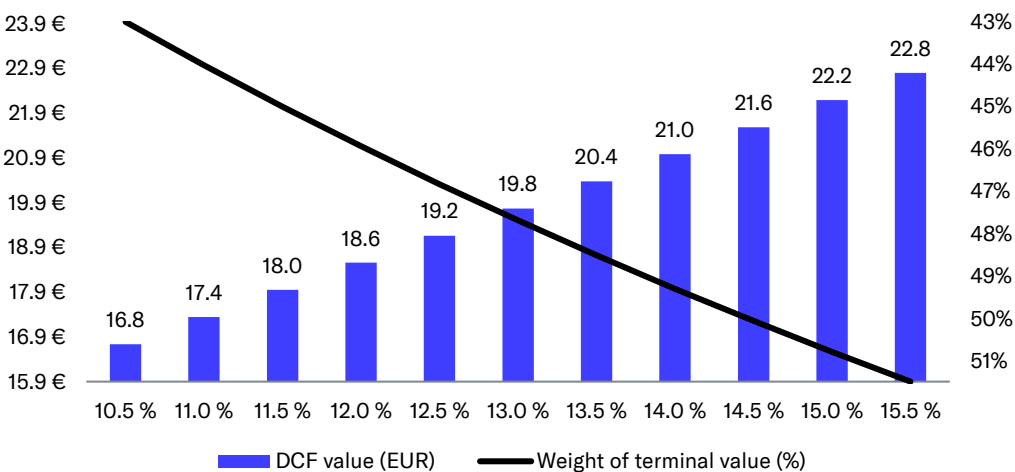
Sensitivity of DCF to changes in the WACC-%



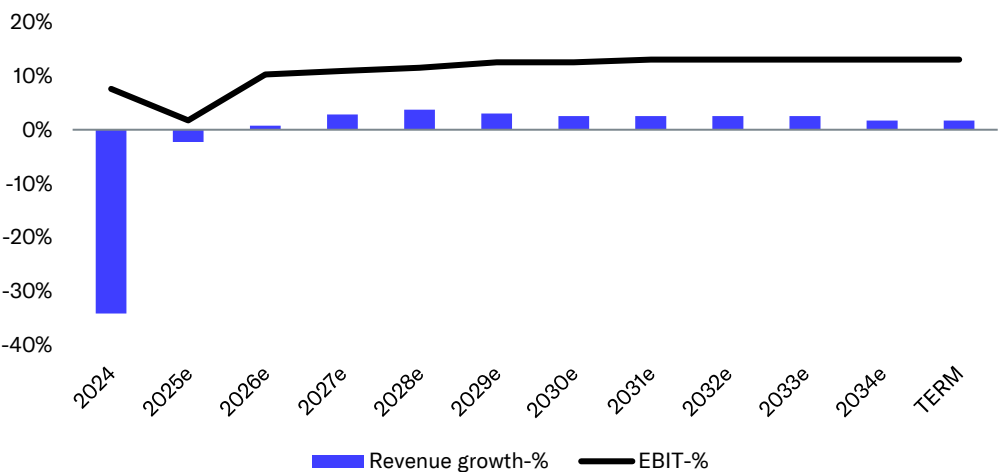
Sensitivity of DCF to changes in the risk-free rate



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	1879	1836	1850	EPS (reported)	1.59	1.45	0.59	-0.05	1.08
EBITDA	429	408	237	128	288	EPS (adj.)	2.35	2.14	1.15	1.45	1.51
EBIT	266	256	142	32	189	OCF / share	2.37	2.56	1.75	2.04	2.10
PTP	243	221	97	-4	162	OFCF / share	2.04	0.60	2.58	4.37	1.59
Net Income	188	172	-63	-59	128	Book value / share	14.52	13.62	10.94	8.61	8.39
Extraordinary items	-113	-103	-83	-185	-60	Dividend / share	1.45	1.47	1.50	1.30	1.32
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	3394	3518	3054	2389	2354	Revenue growth-%	4%	-3%	-34%	-2%	1%
Equity capital	1719	1612	1298	1022	995	EBITDA growth-%	-22%	-5%	-42%	-46%	124%
Goodwill	1847	1907	1648	1414	1414	EBIT (adj.) growth-%	3%	-5%	-37%	-4%	15%
Net debt	710	944	910	637	624	EPS (adj.) growth-%	7%	-9%	-46%	26%	4%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	14.6 %	14.3 %	12.6 %	7.0 %	15.6 %
EBITDA	429	408	237	128	288	EBIT (adj.)-%	12.9 %	12.6 %	12.0 %	11.8 %	13.5 %
Change in working capital	-83	-78	13	123	1	EBIT-%	9.1 %	9.0 %	7.6 %	1.7 %	10.2 %
Operating cash flow	281	304	207	242	249	ROE-%	10.6 %	10.3 %	4.8 %	-0.5 %	12.7 %
CAPEX	-15	-216	215	330	-60	ROI-%	9.8 %	9.4 %	5.5 %	1.5 %	10.4 %
Free cash flow	242	71	307	518	189	Equity ratio	50.7 %	45.8 %	42.5 %	42.8 %	42.3 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	41.3 %	58.5 %	70.1 %	62.3 %	62.7 %
EV/S	1.3	1.2	1.6	1.3	1.3						
EV/EBITDA	9.0	8.6	12.3	18.3	8.1						
EV/EBIT (adj.)	10.2	9.7	13.0	10.9	9.4						
P/E (adj.)	11.3	10.1	14.8	10.0	9.5						
P/B	1.8	1.6	1.6	1.7	1.7						
Dividend-%	5.5 %	6.8 %	8.8 %	9.0 %	9.1 %						

Source: Inderes

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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.

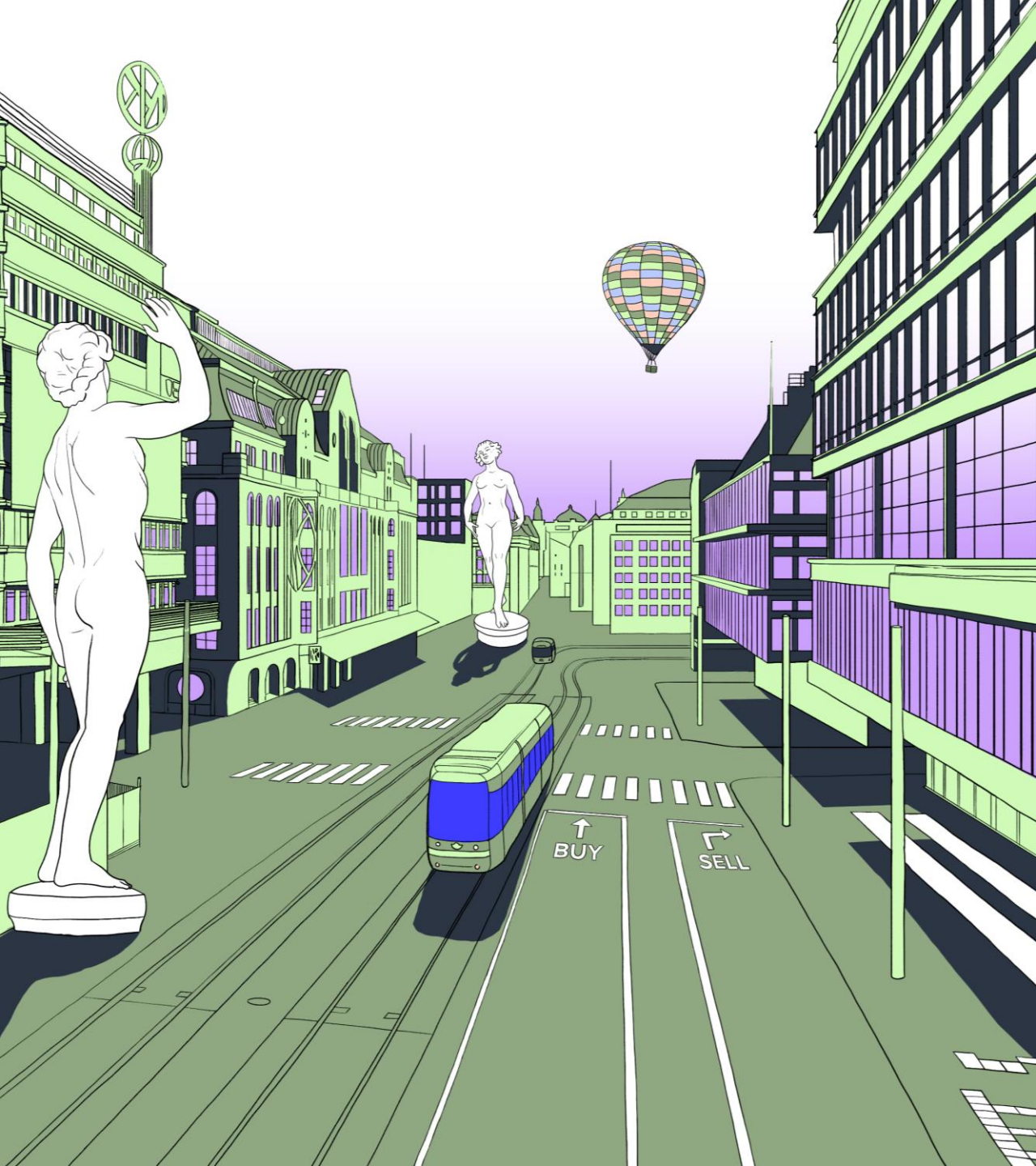
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## Recommendation history (>12 mo)

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 €
3/25/2025	Accumulate	21.00 €	18.27 €
4/25/2025	Accumulate	20.00 €	16.03 €
4/30/2025	Accumulate	19.00 €	15.74 €
7/23/2025	Accumulate	17.00 €	14.45 €



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