

# Enfo Oyj

Interim report Q1, 2020



# Enfo Group's interim report Q1 January 1 – March 31, 2020

**Enfo Q1: The year 2020 opened positively until the corona crisis suspended growth in March. EBITDA increased in the first quarter compared to the year before.**

## Q1/2020

- Net sales in January–March were EUR 30.9 (31.3) million
- EBITDA was EUR 2.5 (1.7) million
- Operating profit (EBIT) was EUR 0.2 (-0.3) million
- Profit for the period was EUR -2.0 (-1.0) million
- Earnings per share were EUR -3.5 (-2.3)
- Operating cash flow was EUR 2.0 (0.7) million

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

### Key figures

	1.1.–31.3.2020	1.1.–31.3.2019	1.1.–31.12.2019
Net sales, EUR million	30.9	31.3	121.5
Operating profit, EUR million	0.2	-0.3	1.4
% of Net sales	0.7	-0.9	1.1
Profit before taxes, EUR million	-1.6	-0.8	-0.1
% of Net sales	-5.3	-2.5	-0.1
Profit for the period, EUR million	-2.0	-1.0	-1.4
% of Net sales	-6.6	-3.2	-1.1
Earnings per share, EUR	-3.5	-2.3	-4.6
Return on investment, % *	4.8	neg	3.4
Equity ratio, %	39.6	39.4	36.4
Net gearing, %	88.3	95.2	96.0
Interest-bearing net debt, EUR million	40.1	42.9	41.6
Equity per share, EUR	58.0	64.4	62.6
Average number of employees	922	895	903
Number of shares	761,484	679,251	679,251

\* Rolling 12months

## CEO's review

### Seppo Kuula, Enfo's CEO, comments on the first quarter in 2020:

We had a good start to 2020 until the corona pandemic created challenges. Corona did not hit us directly, but some of our customers entered the eye of the storm already in the early phase, and we had to stand tall in supporting them, while taking care of our owns. To ensure health in our ecosystem, we introduced travel restrictions and remote work. We have also taken actions to secure short-term cash flow for business resilience in different scenarios, and we have looked into new business opportunities in this exceptional situation. In March, we held cooperation negotiations concerning possible temporary layoffs in Finland due to the impact on customer demand. These resulted in a flexible local model where negotiations are held weekly, giving us the possibility to react if customers make decisions impacting the scope of our services. In Sweden, we are looking into possible adjustments measures. We are a company used to transformation, and we are able to adapt also to this external threat. Our strategy as the business-critical applications, data and workplace service provider makes us relevant at any time.

The year started with two important steps to advance our offering around management of business-critical applications and data. Enfo acquired Solteq Oyj's SAP ERP business in end of December 2019 and the business was integrated into Enfo during the first quarter of 2020. In January's rights issue of some EUR 4.2 million all shares were subscribed. The proceeds were used to finance the acquisition of the SAP ERP business.

Enfo and TIBCO Software Inc, a global leader in enterprise data, announced a strategic partnership in January making Enfo an exclusive reseller of TIBCO solutions in the Nordic and Baltic Countries.

In the beginning of the year 2020, we increased local leadership within our organization, giving our business area heads responsibility for two business



areas each per country. Our competence management program is now up and running and we expect this to affect positively both business control and profitability.

In March, Enfo sold the Swedish Zervicepoint business to FoF family office.

In 2020, our plan was to continue to the third phase of our current strategy – profitable growth. This, after having built a sustainable business foundation in 2018 and focused on profitability in 2019. The corona crisis challenges our growth aspirations. The length and depth of the crisis remains to be seen, as well as its impact on our operations. We promise our customers to master complexity, have confidence in cloud and provide genuine care. All of these aspects, as well as our strategy of managing business-critical applications and data in a cross-platform environment, remain crucial also in a world of corona and beyond.



## Outlook

Due to corona outbreak, the Group's outlook has changed considerably. In an unstable business environment, Enfo is not giving any outlook. The previous annual guidance stated that net sales and profitability would improve in 2020 compared to 2019.

## Net sales and profit

The Group net sales in the first quarter decreased by 1.4% to EUR 30.9 (31.3) million, with the corona crisis impacting end of the period. EUR 13.8 million of the net sales were generated in Finland and EUR 17.0 million in Sweden. Sales from recurring services amounted to EUR 11.6 (11.6) million, sales from consulting to EUR 16.0 (16.9) million and intermediary sales to EUR 3.2 (2.8) million in the first quarter.

EBITDA increased to EUR 2.5 (1.7) million in January–March, mainly due to the gain from the divestment of Zervicepoint. Operating profit (EBIT) for the first quarter was EUR 0.2 (-0.3) million, or 0.7% of net sales. Profit before taxes was EUR -1.6 (-0.8) million and profit for the period was EUR -2.0 (-1.0) million. Net finance expenses in Q1 2020 were impacted by the weakening of the Swedish krona as well as an increase in borrowing costs resulting from the renewed financing package in May 2019. Earnings per share amounted to EUR -3.7 (-2.3).

## Investments and financing

Enfo's net investments in January–March amounted to EUR 1.5 (2.8) million. The total consisted of a EUR 0.2 million investment in a competence management program and EUR 1.4 (2.8) million in additions in right of use assets.

Interest-bearing liabilities at the end of March amounted to EUR 40.6 (42.9) million and were composed of EUR 28.5 (20.3) million in bank loans, EUR 12.1 (12.7) million in lease liabilities and EUR 0.0 (10.0) million in bonds. Enfo's loan agreements contain financial covenants which are tested bi-annually at the end of the second and the fourth quarter.

At the end of March, Enfo had EUR 13.7 (15.0) million short-term credit limit of which EUR 8.4 (10.5) million was withdrawn at the end of March.

On December 30, 2019 the Board of Directors resolved on a rights issue of approximately EUR 4.2 million with pre-emptive subscription rights for the company's current shareholders, as authorized by the Annual General Meeting of March 27, 2019. The full number of shares was subscribed in January 2020, and the 82,233 new subscribed shares were entered in the Trade Register in February 2020. The proceeds from the rights issue were used to finance the acquisition of the SAP ERP business of Solteq Oyj, done in December 2019.

The company's equity ratio at the end of March was 39.6% (39.4) and net gearing was 88.3% (95.2). The net financial expenses of the Group were EUR 1.9 (0.5) million. Net cash flow from operations was EUR 2.0 (0.7) million. The balance sheet at the end of the period totaled EUR 115.1 (114.7) million.

## Risks and uncertainties

The primary short-term and mid-term risks are related to the corona crisis, affecting the whole of Enfo's ecosystem. The scope of the impacts will depend on the advancement of the virus and the public measures



implemented to reduce the spread of the virus. A major uncertainty is the length and depth of the economic effects on business environments and societies.

To address the coronavirus outbreak, Enfo established a preparedness group in February, reporting to the management. In March, the internal work to handle and mitigate the effects of the crisis was organized into three streams focusing on employees, customers and finance respectively.

Enfo's first priority is and has been the health of employees, customers, partners and societies. Guidance to employees and communications with customers have been continuous. Enfo is impacted by customers' possible decisions to scale down services or postpone projects. In addition, customers' ability to pay and demands on renegotiating terms affect Enfo. On the other hand, the crisis may give Enfo new business opportunities in ensuring smooth remote work as well as the availability and security of platforms, operating systems and data. For example, while on-site support services have dropped significantly, service center support has experienced increased demand. Contingency plans have been created for the businesses and new business opportunities addressed.

On the finance side, actions have been taken to ensure adequate working capital. Tight recruitment and cost control has been implemented. In Finland, Enfo and employees have agreed on a local flexible model where cooperation negotiations are held weekly related to the impact of the corona epidemic on customer demand and possible needed workforce adjustments. Temporary layoffs agreed in the first quarter concerned a team of 12 persons. Also in Sweden, possible adjustment measures regarding workforce have been considered.

In the long term, beyond the corona crisis, Enfo's growth will be influenced by the market's willingness to migrate business-critical solutions to cross-platform environments.

## Personnel

Enfo employed an average of 922 employees (895) during January–March and a total of 923 employees (908) at the end of the period. On average, 396 (343) employees were in Finland and 526 (549) were in Sweden.

## Management

In March 2020, the Group's Management Team consisted of CEO Seppo Kuula, Nina Annila (EVP, Care and Data platforms Finland), Björn Arkenfall (EVP, Applications and Information management Sweden), Erik Brügge (EVP, Care and Data platforms Sweden), Antti Hemmilä (General Counsel), Sami Kähkönen (EVP, Applications and Information management Finland), Henrik Norell (EVP, People operations) and Mari Orttenvuori (CFO).

## Shares

Enfo Oyj had a total of 754,104 shares on March 31, 2020. According to the company's list of owners, the company had a total of 126 direct shareholders at the end of the period, including the company itself. This figure does not include foreign shareholders whose shares are nominee-registered. At the end of the period, the company held 13,506 treasury shares (1.77% of all of the shares). The company has one series of shares, and the shares are connected to Euroclear Finland Oy's book-entry system.

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



At the end of March, the company's ten largest shareholders were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Rongo Cap Oy, the Gösta Serlachius Fine Arts Foundation, Seppo Kuula, Keski-suomalainen Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy and Kallax Oy. Osuuskunta KPY holds 84.29% of Enfo's shares.

## **Timetable for financial reporting in 2020**

The Annual General Meeting will be held on April 24, 2020. The interim reports for 2020 will be published as follows: Q1/2020 on April 24, Q2/2020 on August 27 and Q3/2020 on October 29.

## **Accounting principles**

This Interim report has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS). Enfo has applied the same accounting principles in the preparation of this Interim report as in its Financial Statements for 2019, except for the adoption of new standards and interpretations effective during 2020 that are relevant to its operations, the changes of which did not have a material impact on the Interim Report.

The information presented in this Interim Report has not been audited.

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

## Consolidated statement of income

EUR million

	1.1-31.3.2020	1.1.-31.3.2019	1.1.-31.12.2019
<b>Net sales</b>	30.9	31.3	121.5
Other operating income	1.2	0.0	0.2
Materials and services	-7.2	-7.5	-29.3
Employee benefit expenses	-19.8	-18.6	-70.9
Depreciation, amortization and impairment	-2.3	-2.0	-8.1
Other operating expenses	-2.6	-3.6	-12.0
<b>Operating profit</b>	0.2	-0.3	1.4
Financial income	1.1	0.2	1.4
Financial expenses	-3.0	-0.8	-2.9
<b>Profit before taxes</b>	-1.6	-0.8	-0.1
Income taxes	-0.4	-0.2	-1.3
<b>Profit for the period</b>	-2.0	-1.0	-1.4
Attributable to			
Owners of the parent company	-2.5	-1.5	-3.0
Non-controlling interests	0.5	0.5	1.7
Earnings per share, EUR	-3.5	-2.3	-4.6

## Consolidated statement of comprehensive income

EUR million

	1.1.-31.3.2020	1.1.-31.3.2019	1.1.-31.12.2019
<b>Profit for the period</b>	-2.0	-1.0	-1.4
Exchange rate differences caused by net investments in foreign subsidiaries	-0.9	-0.2	-0.3
Other translation differences	0.9	0.1	0.2
<b>Comprehensive income for the period</b>	-2.0	-1.1	-1.5
Attributable to			
Owners of the parent company	-2.4	-1.6	-3.1
Non-controlling interests	0.4	0.5	1.7

## Consolidated statement of financial position

EUR million

	3/31/2020	3/31/2019	12/31/2019
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	11.8	12.4	12.4
Goodwill	64.1	65.5	66.5
Other intangible assets	8.9	4.1	9.5
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.9	0.9	0.9
Deferred tax assets	1.4	1.5	1.5
<b>Total non-current assets</b>	<b>87.3</b>	<b>84.4</b>	<b>91.0</b>
<b>Current assets</b>			
Trade receivables	21.0	24.5	22.0
Other receivables	4.5	4.0	3.9
Tax assets based on the period's taxable income	1.9	1.5	1.7
Cash and cash equivalents	0.5	0.2	1.0
<b>Total current assets</b>	<b>27.8</b>	<b>30.2</b>	<b>28.6</b>
<b>Total assets</b>	<b>115.1</b>	<b>114.7</b>	<b>119.6</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	0.3	0.3	0.3
Other reserves	29.9	25.6	25.6
Retained earnings	13.3	17.0	15.8
<b>Total equity attributable to owners of the parent company</b>	<b>43.4</b>	<b>42.9</b>	<b>41.7</b>
<b>Non-controlling interests</b>	<b>2.1</b>	<b>2.2</b>	<b>1.7</b>
<b>Total equity</b>	<b>45.4</b>	<b>45.0</b>	<b>43.4</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	26.4	7.0	26.9
Other liabilities	0.1	0.4	0.1
Deferred tax liabilities	0.5	0.6	0.5
<b>Total non-current liabilities</b>	<b>27.0</b>	<b>8.0</b>	<b>27.5</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	14.2	36.1	15.7
Trade payables	4.8	4.1	6.3
Other liabilities	23.7	21.4	26.7
<b>Total current liabilities</b>	<b>42.7</b>	<b>61.7</b>	<b>48.7</b>
<b>Total liabilities</b>	<b>69.7</b>	<b>69.6</b>	<b>76.3</b>
<b>Total equity and liabilities</b>	<b>115.1</b>	<b>114.7</b>	<b>119.6</b>



## Condensed statement of cash flows

EUR million

	1.1.–31.3.2020	1.1.–31.3.2019	1.1.– 31.12.2019
<b>Cash flow from operations</b>			
Profit for the period	-2.0	-1.0	-1.4
Adjustments to the profit for the period	4.6	2.7	10.9
Change in working capital	0.1	-0.7	2.8
Interest paid and received	-0.4	-0.2	-1.2
Taxes paid	-0.2	-0.1	-1.8
<b>Net cash flow from operations</b>	<b>2.0</b>	<b>0.7</b>	<b>9.3</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible fixed assets	-0.3	-0.3	-1.4
Purchase of investment	-4.1	0.0	0.0
Sales of tangible and intangible fixed assets	0.0	0.0	0.2
<b>Net cash flow from investment activities</b>	<b>-4.3</b>	<b>-0.3</b>	<b>-1.2</b>
<b>Cash flow from financing activities</b>			
Changes in loans	-1.2	1.2	1.1
Rights issue	4.2	0.0	0.0
Other changes in equity	0.0	0.0	-1.6
Repayment of lease liabilities	-1.6	-1.6	-6.6
<b>Net cash flow from financing activities</b>	<b>1.4</b>	<b>-0.4</b>	<b>-7.1</b>
<b>Changes in cash and cash equivalents</b>	<b>-0.9</b>	<b>0.1</b>	<b>1.0</b>
Net foreign exchange difference on cash and cash equivalents	0.4	0.0	-0.2
Cash and cash equivalents at the beginning of the period	1.0	0.2	0.2
Cash and cash equivalents at the end of the period	0.5	0.2	1.0

## Changes in shareholders' equity

EUR million

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity on Jan 1, 2019</b>	<b>0.3</b>	<b>0.0</b>	<b>-1.1</b>	<b>-1.6</b>	<b>26.7</b>	<b>20.1</b>	<b>44.5</b>	<b>1.6</b>	<b>46.1</b>
Profit/loss for the period						-1.5	-1.5	0.5	-1.0
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0.2			-0.2		-0.2
Other translation differences				0.1			0.1		0.1
Other comprehensive income items for the period after taxes		0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>-1.5</b>	<b>-1.6</b>	<b>0.5</b>	<b>-1.1</b>
<b>Transactions with owners</b>									
Purchase of treasury shares							0.0		0.0
Redemption obligation							0.0		0.0
Total transactions with owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity on March 31, 2019</b>	<b>0.3</b>	<b>0.0</b>	<b>-1.1</b>	<b>-1.6</b>	<b>26.7</b>	<b>18.6</b>	<b>42.8</b>	<b>2.2</b>	<b>45.0</b>

## Changes in shareholders' equity

EUR million

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity on Jan 1, 2020</b>	<b>0.3</b>	<b>0.0</b>	<b>-1.1</b>	<b>-2.1</b>	<b>26.7</b>	<b>17.8</b>	<b>41.6</b>	<b>1.7</b>	<b>43.3</b>
Profit/loss for the period						-2.5	-2.5	0.5	-2.0
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0.9			-0.9		-0.9
Other translation differences				0.9			0.9	-0.1	0.8
Other comprehensive income items for the period after taxes		0.0	0.0	0.1	0.0	0.0	0.1	-0.1	0.0
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>-2.5</b>	<b>-2.4</b>	<b>0.4</b>	<b>-2.1</b>
<b>Transactions with owners</b>									
Share issue					4.2		4.2		4.2
Share bonuses			0.0			-0.1	-0.1		-0.1
Redemption obligation						0.0	0.0		0.0
<b>Total transactions with owners</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.2</b>	<b>-0.1</b>	<b>4.1</b>	<b>0.0</b>	<b>4.1</b>
<b>Equity on March 31, 2020</b>	<b>0.3</b>	<b>0.0</b>	<b>-1.1</b>	<b>-2.0</b>	<b>30.9</b>	<b>15.2</b>	<b>43.3</b>	<b>2.1</b>	<b>45.4</b>

## Changes in tangible fixed assets

EUR million

	1.1.–31.3.2020	1.1.–31.3.2019	1.1.–31.12.2019
Carrying amount at the beginning of the period	12.4	2.8	2.8
Translation differences	-0.3	0.0	-0.1
Increases	1.4	2.5	7.5
Decreases	0.0	-0.1	-0.2
Increases based on standard change	0.0	8.7	8.7
Depreciation and amortisation	-1.7	-1.5	-6.3
Carrying amount at the end of the period	11.8	12.4	12.4

## Commitments and contingencies

EUR million

	3/31/2020	3/31/2019	12/31/2019
Leasing liabilities	0.5	0.4	0.1
Other rental liabilities	0.0	0.0	2.8
Bank guarantees	0.3	0.3	0.1
Total other liabilities	0.8	0.7	3.0

## Additional information



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# Enfo

## Data-driven business transformation

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

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