

enfo

# Enfo Oyj

Interim report Q3, 2020



# Enfo Group's interim report Q3 July 1 – September 30, 2020

## Enfo Q3: Focusing on maintaining profitability amidst pandemic

### Q3/2020

- Net sales during July–September were EUR 24.1 (27.1) million
- EBITDA was EUR 2.1 (2.7) million
- Operating profit (EBIT) was EUR -0.2 (0.7) million
- Profit for the period was EUR -0.5 (0.1) million
- Earnings per share were EUR -1.2 (-0.3)
- Operating cash flow was EUR 1.7 (0.8) million

### Q1-Q3/2020

- Net sales during January–September were EUR 84.3 (89.7) million
- EBITDA was EUR 7.6 (6.3) million
- Operating profit (EBIT) was EUR 0.6 (0.4) million
- Profit for the period was EUR -0.9 (-1.7) million
- Earnings per share were EUR -3.1 (-4.4)
- Operating cash flow was EUR 8.6 (5.2) million

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

### Key figures

	1.7.– 30.9.2020	1.7.– 30.9.2019	1.1.– 30.9.2020	1.1.– 30.9.2019	1.1.– 31.12.2019
Net sales, EUR million	24.1	27.1	84.3	89.7	121.5
EBITDA	2.1	2.7	7.6	6.3	9.4
% of Net sales	8.7	10.0	9.0	7.0	7.8
Operating profit, EUR million	-0.2	0.7	0.6	0.4	1.4
% of Net sales	-1.0	2.7	0.7	0.5	1.1
Profit before taxes, EUR million	-0.4	0.3	-0.4	-1.1	-0.1
% of Net sales	-1.6	1.0	-0.5	-1.2	-0.1
Profit for the period, EUR million	-0.5	0.1	-0.9	-1.7	-1.4
% of Net sales	-2.2	0.4	-1.1	-1.9	-1.1
Earnings per share, EUR	-1.2	-0.3	-3.1	-4.4	-4.6
Return on investment, % *	7.7	2.1	7.7	2.1	3.4
Equity ratio, %	41.3	39.7	41.3	39.7	36.4
Net gearing, %	81.9	100.1	81.9	100.1	96.0
Interest-bearing net debt, EUR million	38.3	42.7	38.3	42.7	41.6
Equity per share, EUR	57.7	62.3	57.7	62.3	62.6
Average number of employees	901	896	910	902	903

\* Rolling 12months

## CEO's review

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

“The challenging business environment continued to affect our operations in the third quarter of the year. Since the spring, we have taken swift action to respond to the pandemic's consequences. Cost consciousness has compensated for a decline in net sales.

We have managed to keep up a reasonably good pace, although we have seen that many customers refrain from investing in extensive long-term development projects in an uncertain business environment, leaving a vacuum in the market.

All players in the market now focus on the short-term. In sectors heavily affected by corona, such as travelling and hospitality, activity has, for understandable reasons, gone down to a minimum and customers have been downscaling and cancelling services. On the other hand, the continuous investments we have done to cross-platform information systems are still feeding us new opportunities, and there is also a growing demand for some operative development projects supporting customers to cope with the current situation, especially related to data management and security in a distributed work environment. In the third quarter, we succeeded in closing a fair amount of new deals, but as short-term projects did not compensate for long-term development projects that are to a large extent on hold, we have seen a decrease in total net sales from the corresponding period last year. I am happy to see though, that after the strong immediate reactions among our customers at the corona outbreak, leading to decreasing utilization rates at ours, we have been able to improve utilization in the third quarter.

Throughout the corona period, we have succeeded in keeping our experts engaged, collectively responding to the situation: employee satisfaction based on monthly eNPS measures remains on a high level, even improving.



Our cooperation with Fidelix and Pharamdata are examples of strategy realization. This summer, we realized one of Finland's most extensive Azure migrations, as we supported Fidelix, a pioneer in smart building automation, in transferring its data to the cloud. Since the start of the corona period, a new data warehouse as well as reporting system have supported Pharamdata, producing information systems, to provide Finnish pharmacies real-time and accurate data to steer their operations.

The corona crisis has postponed our growth aspirations to 2021. This autumn our focus is on profitability and our expectation is to turn our gaze toward profitable growth next spring. Our business is on a stable foundation and we are well-equipped to wait out the pandemic. Enfo supports its customers in managing business-critical applications and data in a cross-platform environment and ensuring a modern workplace. These services remain relevant now and in the future.”

## Outlook

We anticipate that the corona crisis will continue to affect us throughout this year and into 2021. Enfo estimates that the net sales in 2020 will decrease from last year. However, EBITDA is estimated to improve from last year.

## Net sales and profit

### Q3/2020

The Group's net sales in the third quarter decreased by 11.2% to EUR 24.1 (27.1) million. EUR 11.5 (12.5) million of the net sales were generated in Finland and EUR 12.6 (14.6) million in Sweden. Sales from recurring services amounted to EUR 10.4 (11.7) million, sales from consulting to EUR 11.2 (12.8) million and intermediary sales to EUR 2.5 (2.6) million during the third quarter.

EBITDA was EUR 2.1 (2.7) million in July–September. Operating profit (EBIT) for the third quarter was EUR -0.2 (0.7) million. Profit before taxes was EUR -0.4 (0.3) million and profit for the period was EUR -0.5 (0.1) million. Earnings per share amounted to EUR -1.2 (-0.3).

### Q1-Q3/2020

Net sales in January–September decreased by 6.0% to EUR 84.3 (89.7) million. EUR 38.2 (39.7) million of the net sales were generated in Finland and EUR 46.1 (50.0) million in Sweden. Sales from recurring services amounted to EUR 33.2 (35.1) million, sales from consulting to EUR 41.6 (46.3) million and intermediary sales to EUR 9.5 (8.3) million.

EBITDA was EUR 7.6 (6.3) million in January–September. Operating profit (EBIT) for January–September was EUR 0.6 (0.4) million, or 0.7% of net sales. Profit before taxes was EUR -0.4 (-1.1) million and profit for January–September was EUR -0.9 (-1.7) million. Earnings per share amounted to EUR -3.1 (-4.4).

## Investments and financing

Enfo's net investments in July–September amounted to EUR 1.4 (1.8) million, consisting of additions in right-of-use assets. Net investments in January–September amounted to EUR 3.9 (5.7) million, consisting of a EUR 0.3 million investment in a competence management program and EUR 3.6 million in additions in right-of-use assets.

Interest-bearing liabilities at the end of September amounted to EUR 40.0 (42.9) million and were composed of EUR 28.7 (31.1) million in bank loans and EUR 11.3 (11.8) million in lease liabilities.

Enfo's loan agreements contain financial covenants which are tested bi-annually at the end of the second and fourth quarters.

At the end of September, Enfo had short-term credit limit of EUR 16.7 (13.7) million, of which EUR 8.6 (11.2) million was withdrawn. In response to the corona crisis, Enfo has agreed on increases of credit limits with its financiers.

The company's equity ratio at the end of September was 41.3% (39.7) and net gearing was 81.9% (100.1). Net financial items in July–September were EUR -0.1 (-0.5) million and in January–September EUR -1.0 (-1.6) million. The third quarter net cash flow from operations was EUR 1.7 (0.8) million and for January–



September EUR 8.6 (5.2) million. The balance sheet at the end of the period totaled EUR 112.1 (107.8) million.

## Risks and uncertainties

The primary short-term and mid-term risks are related to the continued corona crisis. The scope of the impacts will depend on the advancement of the virus and the public measures implemented to reduce its spread. A major uncertainty is the length and depth of the economic effects on business environments and societies.

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. During the second and third quarter, Enfo witnessed a slowdown in decision-making among customers, however the immediate strong customer reactions visible at the outbreak of the corona crisis did not continue.

On the finance side, actions have been taken to ensure adequate working capital. Increased credit limits have been agreed upon with the financiers and recruitment and cost control has been implemented. Enfo has implemented temporary layoffs in both Finland and Sweden, most of which have been part time. Temporary layoffs in Finland mainly ended in the summer. In Sweden, temporary layoffs continued during the third quarter. Due to these prompt responses, we have been able to keep up profitability.

In the long term, Enfo's growth will be influenced by the market's preparedness and capability to migrate and manage business-critical solutions in cross-platform environments.

## Personnel

Enfo employed an average of 901 employees (896) during July–September and a total of 900 employees (897) at the end of the period. On average, 402 (362) employees were in Finland and 498 (534) were in Sweden.

## Management

In September 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).

## Events since the review period

In the end of September, the Board of Directors decided to nullify Enfo's 13,506 treasury shares. This change was registered and effective in October.

## Shares

Enfo Oyj had a total of 761,484 shares on September 30, 2020. According to the company's list of owners, the company had a total of 128 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). In the end of September, the Board of Directors decided to nullify Enfo's 13,506 treasury shares. This change was registered and went into effect in October.

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. The Enfo Group comprises subsidiaries in Finland, Sweden, Denmark, and Norway. Enfo Oyj has a branch in the United Kingdom.

At the end of September, 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, Keskisuomalainen Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy and Kallax Oy. Osuuskunta KPY held 84.29% of Enfo's shares at the end of September.

## Timetable for financial reporting in 2021

Enfo's financial statement bulletin for 2020 will be published on March 2. The Annual Report will be published in week 10. The interim reports for 2021 will be published as follows: Q1/2021 on April 23, Q2/2021 on August 20, and Q3/2021 on October 25.

## 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. These changes 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

	1.7-30.9.2020	1.7-30.9.2019	1.1.-30.9.2020	1.1.-30.9.2019	1.1.-31.12.2019
<b>Net sales</b>	24.1	27.1	84.3	89.7	121.5
Other operating income	0.0	0.0	1.1	0.1	0.2
Materials and services	-5.7	-6.8	-19.2	-21.9	-29.3
Employee benefit expenses	-14.6	-15.0	-52.6	-52.4	-70.9
Depreciation, amortization and impairment	-2.3	-2.0	-7.0	-5.8	-8.1
Other operating expenses	-1.7	-2.6	-6.0	-9.1	-12.0
<b>Operating profit</b>	-0.2	0.7	0.6	0.4	1.4
Financial income	0.3	0.0	0.8	0.1	0.1
Financial expenses	-0.5	-0.5	-1.9	-1.6	-1.6
<b>Profit before taxes</b>	-0.4	0.3	-0.4	-1.1	-0.1
Income taxes	-0.1	-0.2	-0.5	-0.6	-1.3
<b>Profit for the period</b>	-0.5	0.1	-0.9	-1.7	-1.4
Attributable to					
Owners of the parent company	-0.9	-0.2	-2.3	-2.9	-3.0
Non-controlling interests	0.4	0.3	1.4	1.2	1.7
Earnings per share, EUR	-1.2	-0.3	-3.1	-4.4	-4.6

## Consolidated statement of comprehensive income

EUR million

	1.7-30.9.2020	1.7-30.9.2019	1.1.-30.9.2020	1.1.-30.9.2019	1.1.-31.12.2019
<b>Profit for the period</b>	-0.5	0.1	-0.9	-1.7	-1.4
Exchange rate differences caused by net investments in foreign subsidiaries	0.0	-0.2	0.0	-0.7	-0.3
Other translation differences	-0.3	0.1	-0.3	0.5	0.2
<b>Comprehensive income for the period</b>	-0.8	0.0	-1.3	-1.8	-1.5
Attributable to					
Owners of the parent company	-1.2	-0.2	-2.6	-3.0	-3.1
Non-controlling interests	0.3	0.2	1.3	1.2	1.7

## Consolidated statement of financial position

EUR million

	30.9.2020	30.9.2019	31.12.2019
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	11.0	11.5	12.4
Goodwill	66.0	64.2	66.5
Other intangible assets	7.7	4.0	9.5
Available-for-sale investments	0.1	0.1	0.1
Receivables	1.0	1.0	0.9
Deferred tax assets	1.5	1.5	1.5
<b>Total non-current assets</b>	<b>87.3</b>	<b>82.3</b>	<b>91.0</b>
<b>Current assets</b>			
Trade receivables	16.8	19.3	22.0
Other receivables	6.3	6.1	5.6
Cash and cash equivalents	1.8	0.2	1.0
<b>Total current assets</b>	<b>24.8</b>	<b>25.5</b>	<b>28.6</b>
<b>Total assets</b>	<b>112.1</b>	<b>107.8</b>	<b>119.6</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	0.3	0.3	0.3
Other reserves	29.8	25.6	25.6
Retained earnings	13.1	15.6	15.8
<b>Total equity attributable to owners of the parent company</b>	<b>43.2</b>	<b>41.5</b>	<b>41.7</b>
<b>Non-controlling interests</b>	<b>3.0</b>	<b>1.2</b>	<b>1.7</b>
<b>Total equity</b>	<b>46.2</b>	<b>42.7</b>	<b>43.4</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	26.1	26.3	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>26.7</b>	<b>27.3</b>	<b>27.5</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	13.9	16.6	15.7
Trade payables	3.6	2.8	6.3
Other liabilities	20.0	17.4	25.5
Tax liabilities based on the period's taxable income	1.7	1.1	1.2
<b>Total current liabilities</b>	<b>39.2</b>	<b>37.9</b>	<b>48.7</b>
<b>Total liabilities</b>	<b>65.9</b>	<b>65.1</b>	<b>76.3</b>
<b>Total equity and liabilities</b>	<b>112.1</b>	<b>107.8</b>	<b>119.6</b>



## Condensed statement of cash flows

EUR million

	1.1.–30.9.2020	1.1-30.9.2019	1.1.– 31.12.2019
<b>Cash flow from operations</b>			
Profit for the period	-0.9	-1.7	-1.4
Adjustments to the profit for the period	8.5	8.0	10.9
Change in working capital	2.5	0.3	1.8
Interest paid and received	-1.1	-0.7	-1.2
Taxes paid	-0.5	-0.6	-0.8
<b>Net cash flow from operations</b>	<b>8.6</b>	<b>5.2</b>	<b>9.3</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible fixed assets	-2.6	-1.1	-1.4
Business acquisitions	-4.1	0.0	0.0
Sales of tangible and intangible fixed assets	0.1	0.0	0.2
<b>Net cash flow from investment activities</b>	<b>-6.5</b>	<b>-1.1</b>	<b>-1.2</b>
<b>Cash flow from financing activities</b>			
Changes in loans	-1.4	2.4	1.1
Rights issue	4.2	0.0	0.0
Other changes in equity	0.0	-1.6	-1.6
Repayment of lease liabilities	-4.4	-4.7	-6.6
<b>Net cash flow from financing activities</b>	<b>-1.6</b>	<b>-3.9</b>	<b>-7.1</b>
<b>Changes in cash and cash equivalents</b>	<b>0.5</b>	<b>0.1</b>	<b>1.0</b>
Net foreign exchange difference on cash and cash equivalents	0.3	-0.1	-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	1.8	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						-2.9	-2.9	1.2	-1.7
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0.7			-0.7		-0.7
Other translation differences				-0.6		1.1	0.6		0.6
Other comprehensive income items for the period after taxes		0.0	0.0	-1.2	0.0	1.1	-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>-1.2</b>	<b>0.0</b>	<b>-1.8</b>	<b>-3.0</b>	<b>1.2</b>	<b>-1.8</b>
<b>Transactions with owners</b>									
Distributed dividends								-1.6	-1.6
Total transactions with owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.6	-1.6
<b>Equity on September 30, 2019</b>	<b>0.3</b>	<b>0.0</b>	<b>1.1</b>	<b>-2.8</b>	<b>26.7</b>	<b>18.4</b>	<b>41.4</b>	<b>1.3</b>	<b>42.7</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				0.0		-2.3	-2.3	1.3	-0.9
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				0.0			0.0		0.0
Other translation differences				-0.6		0.3	-0.4		-0.4
Other comprehensive income items for the period after taxes		0.0	0.0	-0.7	0.0	0.3	-0.4	0.0	-0.4
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.7</b>	<b>0.0</b>	<b>-2.0</b>	<b>-2.7</b>	<b>1.3</b>	<b>-1.3</b>
<b>Transactions with owners</b>									
Share issue					4.2		4.2		4.2
Acquisition of treasury shares			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>0.0</b>	<b>4.2</b>	<b>0.0</b>	<b>4.2</b>
<b>Equity on September 30, 2020</b>	<b>0.3</b>	<b>0.0</b>	<b>1.1</b>	<b>-2.8</b>	<b>30.9</b>	<b>15.9</b>	<b>43.2</b>	<b>3.0</b>	<b>46.2</b>

## Commitments and contingencies

EUR million

	30.9.2020	30.9.2019	31.12.2019
Leasing liabilities	0.2	0.7	0.1
Other rental liabilities	0.0	0.0	2.8
Bank guarantees	0.1	0.3	0.1
Total other liabilities	0.3	1.0	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.

[enfogroup.com](https://enfogroup.com)