

# Q2

## Enfo Oyj

Interim report April 1 – June 30,  
2019

# Enfo Group's interim report

## April 1 – June 30, 2019

### Enfo Q2: Efficiency improving

#### Key points of the interim report

- Turnover was EUR 31.3 million in April–June (corresponding period 2018: 32.7).
- The operating margin (EBITDA) was EUR 1.9 (1.0) million in April–June. EBITDA improved from the first quarter of 2019.
- Operating profit (EBIT) was EUR 0.0 (0.0) million in April–June.
- Profit before taxes in April–June amounted to EUR -0.6 (-0.5) million, impacted by exchange rates.
- Earnings per share in April–June were EUR -1.8 (-1.5).
- Cash flow from operating activities totaled EUR 3.6 (1.4) million in April–June.
- At the end of June, Enfo employed a total of 910 (875) people.

Enfo improved efficiency and continued to execute transformation in the second quarter of 2019. Business areas Data platforms and Care continued their profitability with success in sales, while progress was seen in the consulting business. Operating profit was, as in the first quarter, affected by costs related to closing down the business unit Care Transform Karlskrona.

#### Enfo's business

Enfo Oyj is the parent company of Enfo Group. Enfo is a Nordic IT service company enabling data-driven business transformation. Enfo builds and runs data-driven solutions and services with its customers and employs approximately 900 experts in Finland and Sweden.

#### Outlook for 2019

The Group's operating margin (EBITDA) is expected to continue to improve in the second half of 2019. The improvement is based on the enhancement of competence management, alignment of Sales and Business Areas, as well as better operational efficiency and business control. Revenue is not expected to grow as Enfo has ended non-profitable business and is focusing on profitability throughout the year, after that focusing on profitable growth.

## Risks and uncertainties

Competition for experts is a major factor in terms of growth, and the main short-term risks are related to the recruiting and efficient onboarding of employees. The internal capability to develop competence management, advance tools for maneuverability, and continue to execute renewed story, offering and structure is essential in the short term. Enfo's growth in the long term will be impacted by the markets' moves towards bringing together data assets, as well as the pace of the shift towards cloud.

## CEO's review

Seppo Kuula, Enfo's CEO, comments on the review period:

"In the first half of the year we continued our transformation journey. This year our focus is on profitability, after building a sustainable business foundation in 2018. Efficiency and operating margin EBITDA developed positively in the second quarter of the year and was adequately meeting expectations. We have executed efficiency measures and in Q2 managed to keep down general cost. Among our 16 business units a couple still struggle. During Q2 we made rearrangements to ensure efficiency. To enhance profitability further, we are working on developing business control and competence management in the second half of the year. Attrition has been on the targeted level since the beginning of the year.

We agreed on a new financing package repaying a bond due in June 2019 and supporting our journey over the next years. Our financiers are Finland's leading banks and pension insurers.

Based on our strategy review in June, we are continuing with our current strategy. Our winning aspiration is to be a Nordic leader in data-driven business transformation, supporting enterprise software system transformation to the modern digital age. The strategic issue we tackle is changing business-critical IT environments from on-premise to cross-platform. Moving towards 2020 we are transforming some of the license-based data center solutions with pay-as-you-go cloud solutions, thus the change we are driving brings mandatory uncertainty to future margins.

In June, we launched our competence management solution, that will enable us to manage our business and competence acquisition based on market demand. We are expecting to see results from this in the second half of the year. We continue to work on developing our financial processes and tools to enhance proactive transparency and expect the improved visibility and quality of data to affect positively on maneuverability and results.

In 2018, we built the Enfo shared story, offering and aligned structure, defined our values and leadership philosophy and built the basis for process and tools development supporting steering. In the spring 2019 we have focused on developing profitability and value creation, reorganized Sales and launched our new visual identity and website, supporting our storyline. Our environmental management system and quality system were audited, and we worked on the Enfo Code of Conduct. With the aim to strengthen our common culture, we continued to develop our onboarding procedures.

We have aligned of our sales and business management both in Finland and Sweden in 2019 and in the summer also took actions to secure better alignment of Marketing with both Business Areas and Sales. Sales in Finland in the first half of the year were strong, while in Sweden we should see improvement with the alignment of sales and business management. Throughout the year, we aim at increasing business operations related to cloud and information management and continuing to develop trusted partnerships with our customers."

## Turnover and profit

Enfo Group's turnover was EUR 31.3 (32.7) million in April–June. EUR 13.6 million of the turnover was accrued in Finland and EUR 17.7 million came from Sweden.

The operating margin (EBITDA) increased from the comparable period, being EUR 1.9 (1.0) million in April–June. Changes in IFRS 16 from the beginning of the year affected significantly to this, but also operational efficiency was clearly improving. As the standard does not require companies to implement the IFRS changes retroactively this has not been done. EBITDA also improved from the first quarter of 2019. The operating profit (EBIT) for the period was EUR 0.0 (0.0) million, representing 0.0% (0.0%) of turnover. Profit before taxes was EUR -0.6 (-0.5) million in April–June, impacted by exchange rates. Profit for the review period amounted to EUR -0.8 (-0.5) million. Enfo decided earlier to close down the business unit Care Transform Karlskrona. As a reliable partner Enfo committed to provide customers services from Karlskrona until end of H1/2019 conveying costs. However, customers have withdrawn before the end of June, decreasing revenue and thus affecting Enfo's profitability.

The Group's net financing costs amounted to EUR 0.6 (0.5) million during Q2. Earnings per share in April–June were EUR -1.8 (-1.5).

## Financing and investments

Enfo's net investments in April–June totaled EUR 1.1 (0.9) million. The company's equity ratio was 38.5% (45.0%) at the end of the review period. Interest-bearing net liabilities at the end of June amounted to EUR 41.5 (31.1) million and net gearing was 97.4% (63.2%). Net debt increased by EUR 8.7 million at the start of the year due to appliance of IFRS16 standard and the net effect on debt caused by applying IFRS16 standard in 2019 was EUR 0.4 million.

In May, Enfo signed a new EUR 20 million financing package with the consortium of creditors, including previous lenders Nordea Bank and OP Corporate Bank, as well as Ilmarinen and LähiTapiola as new lenders. The financing package included repayment of the EUR 10 million multi-issuer bond due in June 2019 and re-financing of existing long-term bank financing. As a result, Enfo is no longer in breach of financing covenants and the maturity of the long-term loans was extended to 2022.

## Personnel

In April–June, Enfo employed an average of 910 (877) employees. At the end of June, the Group had a total of 910 (875) employees. During the review period, Enfo employed an average of 353 (317) in Finland and 557 (559) in Sweden.

## Events since the review period

Mari Orttenvuori has been appointed CFO for Enfo Group and member of the Management Team. She will start in her position on September 23. Orttenvuori joins Enfo from M-Brain Oy, where she has been CFO managing global financial operations. Christian Homén, who has been CFO at Enfo since 2015, has decided to leave the company. He will continue in the Management Team until the end of Q3.

## Shares

On June 30, 2019, Enfo Oyj had a total of 679,251 shares. According to the company's list of owners, the company had a total of 134 shareholders at the end of the review period, including the company itself. However, this figure does not include foreign shareholders whose shares are nominee registered. At the end of June, the company held 13,388 treasury shares (1.97% of all the shares). The company has one series of shares, and the shares are connected to Euroclear Finland Oy's book-entry system.

At the end of the review period, 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 83.56% of Enfo s shares.

## **Timetable for financial reporting in 2019**

The interim report for Q2/2019 will be published on August 27, and Q3 on October 30, 2019.

## **Accounting principles**

This interim report has been prepared using the same measurement and accrual principles as in the annual financial statements, but this interim report has not been prepared according to the IAS 34 standard.

Enfo has applied the standard IFRS16 starting January 1, 2019. Assets were valued to an amount corresponding to the lease agreement debt at the time of the implementation of the standard. The exemption of the standard IFRS16, according to which leases of less than 12 months that do not include purchase option are not recognized on the balance sheet, was applied. In addition, the Group did not recognize immaterial contracts on the balance sheet.

The application of the standard IFRS16 increased fixed assets and debt by EUR 8.7 million. Of the debt, EUR 3.6 million was booked as short term and EUR 5.1 million as long term. The effect on EBITDA during 2019 has been EUR 1.6 million. Of leasing costs EUR 1.6 million was booked as depreciation and EUR 0.1 million as finance costs during 2019. Due to standard change from beginning of 2019 net cash flow from operations improved and net cash flow from financing activities weakened comparing to previous period by EUR 1.6 million.

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

## Consolidated income statement

EUR million	1.4-30.6.2019	1.4-30.6.2018	1.1-30.6.2019	1.1-30.6.2018	1.1-31.12.2018
<b>Turnover</b>	31,3	32,7	62,6	64,8	125,6
Other operating income	0,0	0,1	0,0	0,2	0,7
Materials and services	-7,6	-8,2	-15,1	-15,4	-30,3
Employee benefit expenses	-18,9	-18,9	-37,4	-38,1	-73,4
Depreciation, amortization and impairment	-1,9	-1,0	-3,9	-2,1	-6,2
Other operating expenses	-3,0	-4,6	-6,5	-9,5	-18,8
<b>Operating profit</b>	0,0	0,0	-0,3	0,0	-2,5
Financial income	0,4	0,7	0,7	1,1	2,0
Financial expenses	-1,0	-1,2	-1,7	-2,4	-3,2
<b>Profit before taxes</b>	-0,6	-0,5	-1,4	-1,3	-3,6
Income taxes	-0,2	0,0	-0,4	-0,1	-0,8
<b>Profit for the period</b>	-0,8	-0,5	-1,8	-1,4	-4,5
Attributable to					
Ow ners of the parent company	-1,2	-1,0	-2,7	-2,5	-6,1
Non-controlling interests	0,4	0,5	0,9	1,1	1,6
Earnings per share, EUR	-1,8	-1,5	-4,1	-3,8	-9,2

## Consolidated comprehensive income statement

EUR million	1.1-30.6.2019	1.1-30.6.2018	1.1-31.12.2018
<b>Profit for the period</b>	-1,8	-1,4	-4,5
Exchange rate differences caused by net investments in foreign subsidiaries	-0,5	-1,0	-0,6
Other translation differences	0,4	0,3	-0,1
<b>Comprehensive income for the period</b>	-1,9	-2,1	-5,2
Attributable to			
Ow ners of the parent company	-2,8	-3,1	-6,8
Non-controlling interests	0,9	1,0	1,6

## Consolidated balance sheet

EUR million	30.6.2019	30.6.2018	31.12.2018
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	11,1	3,0	2,8
Goodwill	64,8	66,7	66,1
Other intangible assets	4,2	4,9	4,2
Available-for-sale investments	0,1	0,1	0,1
Receivables	1,0	0,8	0,9
Deferred tax assets	1,5	1,5	1,5
<b>Total non-current assets</b>	<b>82,6</b>	<b>77,0</b>	<b>75,5</b>
<b>Current assets</b>			
Inventories	0,0	0,0	0,0
Trade receivables	23,6	24,0	24,4
Other receivables	2,2	3,5	3,6
Tax assets based on the period's taxable income	2,3	3,1	1,8
Available-for-sale investments	0,0	0,0	0,0
Cash and cash equivalents	0,2	2,1	0,2
<b>Total current assets</b>	<b>28,4</b>	<b>32,6</b>	<b>30,0</b>
<b>Total assets</b>	<b>111,0</b>	<b>109,7</b>	<b>105,5</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	0,3	0,3	0,3
Share premium account	0,0	0,0	0,0
Other reserves	25,6	25,6	25,6
Retained earnings	15,8	22,3	18,6
<b>Total equity attributable to owners of the parent company</b>	<b>41,7</b>	<b>48,1</b>	<b>44,5</b>
<b>Non-controlling interests</b>	<b>0,9</b>	<b>1,1</b>	<b>1,6</b>
<b>Total equity</b>	<b>42,6</b>	<b>49,2</b>	<b>46,1</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	26,2	1,2	1,2
Other liabilities	0,4	0,4	0,4
Deferred tax liabilities	0,6	0,7	0,7
<b>Total non-current liabilities</b>	<b>27,2</b>	<b>2,3</b>	<b>2,3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	15,5	32,0	31,0
Trade payables	4,9	5,8	4,9
Other liabilities	20,9	20,4	21,2
<b>Total current liabilities</b>	<b>41,2</b>	<b>58,2</b>	<b>57,1</b>
<b>Total liabilities</b>	<b>68,4</b>	<b>60,5</b>	<b>59,4</b>
<b>Total equity and liabilities</b>	<b>111,0</b>	<b>109,7</b>	<b>105,5</b>

## Condensed statement of cash flows

### EUR million

	1.1-30.6.2019	1.1-30.6.2018	1.1-31.12.2018
<b>Cash flow from operations</b>			
Profit for the period	-1,8	-1,4	-4,5
Adjustments to the profit for the period	5,5	3,5	7,9
Change in working capital	1,9	1,2	1,4
Interest paid and received	-0,6	-0,6	-0,7
Taxes paid	-0,7	-1,1	-1,9
<b>Net cash flow from operations</b>	<b>4,3</b>	<b>1,6</b>	<b>2,3</b>
<b>Cash flow from investments</b>			
Acquisition of subsidiaries less cash and cash equivalents on the acquisition day	0,0	0,0	0,0
Investments in tangible and intangible fixed assets	-1,5	-0,7	-1,1
Sales of tangible and intangible fixed assets	0,6	0,0	0,1
Investments: Investments accounted for using the equity method	0,0	0,0	0,0
Sale of subsidiary less cash and cash equivalents on the sale date	0,0	0,0	0,0
Loans issued	0,0	0,0	0,0
<b>Net cash flow from investment activities</b>	<b>-0,9</b>	<b>-0,7</b>	<b>-1,0</b>
<b>Cash flow from financing activities</b>			
Changes in loans	1,4	2,5	1,0
Changes in equity	-1,6	-1,7	-1,6
Repayment of financial leasing liabilities	-3,0	-1,1	-2,3
<b>Net cash flow from financing activities</b>	<b>-3,2</b>	<b>-0,3</b>	<b>-2,9</b>
<b>Changes in cash and cash equivalents</b>	<b>0,2</b>	<b>0,7</b>	<b>-1,6</b>
Effect of exchange rate changes on cash and cash equivalents	-0,1	-0,5	-0,1
Cash and cash equivalents at the beginning of the period	0,2	1,9	1,9
Cash and cash equivalents at the end of the period	0,2	2,1	0,2



<b>Key figures</b>	<b>1.1-30.6.2019</b>	<b>1.1-30.6.2018</b>	<b>1.1-31.12.2018</b>
Turnover, EUR million	62,6	64,8	125,6
Operating profit, EUR million	-0,3	0,0	-2,5
% of turnover	-0,5	0,0	-2,0
Profit before taxes, EUR million	-1,4	-1,3	-3,6
% of turnover	-2,2	-2,0	-2,9
Profit for the period, EUR million	-1,8	-1,4	-4,5
% of turnover	-2,9	-2,2	-3,6
Earnings per share, EUR	-4,1	-3,8	-9,2
Return on investment, %	0,9	2,7	neg
Return on equity, %	neg	neg	neg
Equity ratio, %	38,5	45,0	43,8
Net gearing, %	97,4	63,2	69,5
Interest-bearing net debt, EUR million	41,5	31,1	32,0
Equity per share, EUR	62,6	72,3	66,8
Average number of employees	901	885	884
Number of shares	679 251	679 251	679 251

**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, 2018</b>	0,3	0,0	-0,4	-0,3	26,1	25,1	50,8	1,7	52,5
Profit/loss for the period						-2,5	-2,5	1,1	-1,4
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-1,0			-1,0		-1,0
Other translation differences				-0,9		1,3	0,4	-0,1	0,3
Other comprehensive income items for the period after taxes		0,0	0,0	-1,8	0,0	1,3	-0,6	-0,1	-0,7
<b>Comprehensive income for the period</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-1,8</b>	<b>0,0</b>	<b>-1,2</b>	<b>-3,1</b>	<b>1,0</b>	<b>-2,1</b>
<b>Transactions with owners</b>									
Distributed dividends								-1,7	-1,7
Share issue						0,7	0,7		0,7
Purchase of treasury shares			-0,7				-0,7		-0,7
Redemption obligation						0,5	0,5		0,5
<b>Total transactions with owners</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,7</b>	<b>0,0</b>	<b>0,7</b>	<b>0,5</b>	<b>0,4</b>	<b>-1,7</b>	<b>-1,3</b>
<b>Equity on June 30, 2018</b>	<b>0,3</b>	<b>0,0</b>	<b>-1,1</b>	<b>-2,1</b>	<b>26,8</b>	<b>24,4</b>	<b>48,2</b>	<b>1,1</b>	<b>49,2</b>

	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>	0,3	0,0	-1,1	-1,6	26,7	20,1	44,5	1,6	46,1
Profit/loss for the period						-2,7	-2,7	0,9	-1,8
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0,5			-0,5		-0,5
Other translation differences				-0,4		0,8	0,4		0,4
Other comprehensive income items for the period after taxes		0,0	0,0	-0,9	0,0	0,8	-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>-0,9</b>	<b>0,0</b>	<b>-1,1</b>	<b>-2,8</b>	<b>0,9</b>	<b>-1,9</b>
<b>Transactions with owners</b>									
Distributed dividends								-1,6	-1,6
Purchase of treasury shares							0,0		0,0
Redemption obligation							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>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-1,6</b>	<b>-1,6</b>
<b>Equity on June 30, 2019</b>	<b>0,3</b>	<b>0,0</b>	<b>-1,1</b>	<b>-2,4</b>	<b>26,7</b>	<b>19,0</b>	<b>41,7</b>	<b>1,0</b>	<b>42,6</b>

## Changes in tangible fixed assets

<b>EUR million</b>	<b>1.1-30.6.2019</b>	<b>1.1-30.6.2018</b>	<b>1.1-31.12.2018</b>
Carrying amount at the beginning of the period	2,8	3,5	3,5
Increases	3,1	0,7	1,7
Decreases	-0,6	-0,1	-0,2
Increases based on standard change	8,7	0,0	0,0
Depreciation and amortisation	-2,9	-1,1	-2,2
Carrying amount at the end of the period	11,1	3,0	2,8

## Commitments and contingencies

<b>EUR million</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>31.12.2018</b>
Leasing liabilities	0,2	4,7	3,7
Other rental liabilities	0,0	6,9	5,8
Other contract liabilities	0,0	0,2	0,2
Bank guarantees	0,3	0,3	0,3
Total other liabilities	0,5	12,1	9,9

## 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 the complexity. We are 900 experts working for a more intelligent world, with technology empowering people, businesses and societies.

For more information, visit [enfogroup.com](https://enfogroup.com)

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