

Vincit Plc

Unofficial translation of the company release April 27, 2023, at 9:00 EET

In case the document differs from the original, the Finnish version prevails.

Business review January 1 - March 31, 2023 (unaudited)

Figures in brackets refer to the corresponding period of the previous year, unless otherwise specified.

Good start for the year for Vincit

The implementation of Vincit's new strategy is progressing and the company reform continues in terms of customer offering and brand. The start of the year was steady in terms of the European services business and profitability developed in a good direction after the fall period. In the USA, a turn for the better still requires greater success on the new sales front.

January-March 2023:

- Revenue was EUR 27.8 million (17.5). Revenue grew by EUR 10.2 million, or 58.6%.
- Adjusted EBIT (EBIT before goodwill amortization) was EUR 2.4 million (1.8) or 8.7% (10.4) of revenue.
- The equity ratio was 67.3% (65.9).
- The number of employees at the end of the review period was 788 (Dec. 31, 2022: 803).
- Total capacity (FTE) averaged 835 (590) over the reporting period, of which the share of subcontracting was 87 (40).

CEO Julius Manni comments:

"The first quarter of 2023 was twofold. In Europe, the profitability of the service business recovered back to the 10% level from the fall period. At the same time, revenue increased by 70% from the comparison period with the Bilot merger. Ongoing customer projects progressed as expected, but new sales continued to be difficult. In the USA, the business continued with a zero profit, as utilization rates remained low and sales was seeking a new boost. We are now building a more sustainable base for the next growth phase in our USA business.

Since January, we have implemented our new strategy and we will continue to renew Vincit both in terms of the offering and the brand. Technically, the integration work associated with the Bilot merger has been successfully completed, but Vincit is not yet sufficiently known in the new playing fields. We are now investing in developing the Vincit brand to be aligned with our new strategy. We also have many opportunities in our existing customer relationships for new openings and creating higher customer value.

The near future involves uncertainties linked to the macro-economic outlook and companies' willingness to invest. The outlook for SAP-related business is good, but there are still considerable question marks especially in the demand for custom software development, due to changes in customer demand and a tougher competitive field when looking toward the end of the year. We have adjusted our personnel to the current demand situation and continue to exercise caution in new recruitment.

In the ongoing transformation, we will continue to focus on improving Vincit's ability to create value, activating new sales and continuously improving profitability. We are now a much stronger player, both in the short and long term, and have wider shoulders to take on even stronger headwinds.

As regards to personnel, the atmosphere has turned more positive after the merger year. Vincit has a built-in responsibility for our personnel and we want to continue to deliver on our promise for better Mondays. I would like to thank all Vincitizens for a good start to the year and, above all, our customers for their trust in us."

Guidance for 2023:

In 2023, Vincit's revenue is estimated to be more than 105 million euros. Adjusted EBIT (EBIT before goodwill amortization) is estimated to be between 7–11 percent of revenue.

Vincit's business areas

Vincit's business comprises two areas: the Service business in Europe (Vincit Europe) and the US (Vincit USA), and the Product business focusing on the Finnish market. Customers include both enterprises and public sector actors.

Service business

Vincit's aim is to be a partner for customers in transforming commercial abilities and accelerating digital development in the Nordic countries and the US.

MEUR	Q1/2023	Q1/2022	Change, %	2022
Revenue	27.0	16.9	59.9%	82.3
Adjusted EBIT	2.4	1.8		3.1
% of revenue	9.0%	10.4%		3.8%

Revenue of the Service business during the review period was EUR 27.0 million (16.9), up 59.9% year-on-year.

During the review period, adjusted EBIT of the Service business was EUR 2.4 million (1.8) or 9.0% (10.4) of revenue.

Vincit Europe

In Europe, the revenue of Vincit's Service business developed as expected in the first quarter and profitability recovered back to a good level. We have continuously improved our operational efficiency. The cost and pricing measures launched last fall are now positively visible in the first quarter result. The outlook for SAP-related business remains good, but demand for customized software development involves a lot of uncertainty for the remainder of the year.

MEUR	Q1/2023	Q1/2022	Change, %	2022
Revenue	24.5	14.5	68.4%	71.9
Adjusted EBIT	2.4	1.4		2.3
% of revenue	9.9%	9.8%		3.2%

Vincit Europe's revenue during the review period was EUR 24.5 million (14.5), up 68.4% year-on-year.

During the review period Vincit Europe's adjusted EBIT was EUR 2.4 million (1.4) or 9.9% (9.8) of revenue.

Vincit USA

Vincit USA's business continued to be challenging in the beginning of the year as utilization rates remained low and profitability was zero. The failure of new sales in the fall was reflected in revenue development, which remained stagnate in the first quarter compared to the corresponding period last year. We are now updating our customer value promise for the market in the USA and building a more sustainable basis for the next phase of Vincit's growth in the USA.

MEUR	Q1/2023	Q1/2022	Change, %	2022
Revenue	2.8	2.9	-0.7%	12.6
Adjusted EBIT	0.0	0.3		0.8
% of revenue	0.6%	11.4%		6.6%

Vincit USA's revenue during the review period was EUR 2.8 million (2.9), down -0.7% year-on-year.

During the review period, Vincit USA's adjusted EBIT was EUR 0.0 million (0.3) or 0.6% (11.4) of revenue.

Product business

The Product business includes VincitEAM that is an easy-to-use solution for materials, maintenance and services management.

The year started with positive signs for the Product business, even though investments in sales and marketing depressed profitability. Recurring revenue (MRR) increased by 29% from the comparison period. This growth is driven by strong demand from existing customers, related to both projects and implementation of the VincitEAM system in new plants.

MEUR	Q1/2023	Q1/2022	Change, %	2022
Revenue	0.8	0.7	17.3%	2.7
Adjusted EBIT	-0.0	0.1		0.0
% of revenue	-1.3%	7.5%		0.9%

Revenue of the Product business during the review period was EUR 0.8 million (0.7), up 17.3% year-on-year.

During the review period, adjusted EBIT of the Product business was EUR -0.0 million (0.1) or -1.3% (7.5) of revenue.

This Business Review is not prepared in accordance with the IAS 34 standard. The company follows the half-yearly reporting requirements under the Securities Markets Act and publishes business reviews for the first three and nine months of the year presenting key information on the company's financial performance. The financial information presented in this Business Review is unaudited. Figures in brackets refer to the corresponding period of the previous year, unless otherwise specified.

Additional information:

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Vincit Plc in brief:

Vincit is a digital business agency that helps customers accelerate digital development and transform their business, to make Mondays better for us all. Vincit Plc's shares are listed on the Nasdaq First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Ltd., trading code VINCIT. www.vincit.com