



VINCIT PLC BUSINESS REVIEW Q1 2024

1 January – 31 March 2024 (unaudited)



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VINCIT PLC'S BUSINESS REVIEW 1 JANUARY – 31 MARCH 2024 (UNAUDITED)

Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented.

Revenue decreased as expected, EBITA 3.2%

January–March 2024

- Revenue was EUR 23.0 (27.8) million. Revenue declined by EUR 4.8 million, or 17.2% (+58.6%).
- EBITA was EUR 0.7 (2.5) million, or 3.2% (9.0%) of revenue.
- EBIT was EUR -0.3 (1.5) million, or -1.2% (5.5%) of revenue.
- Earnings per share were EUR -0.02 (0.07).
- Total capacity (FTE) averaged 685 (841) over the reporting period, of which subcontracting was 67 (87) FTEs.
- At the end of the review period, the Group employed a total of 639 (788) people.

Outlook for 2024 (unchanged)

With a lower headcount than last year, revenue in 2024 is expected to be lower than in 2023, but relative profitability is expected to improve year-on-year.

Financial targets for the strategy period 2023–2025

In the strategy period 2023–2025, Vincit aims to achieve 20% annual revenue growth. The goal is to achieve the growth targets with a combination of organic growth and inorganic growth focused outside Finland. The adjusted EBITA (operating profit before goodwill depreciation) target level is over 10% of revenue during the whole strategy period. The company continues its internationalization and aims for revenue from the USA to represent around 30% of Group revenue by the end of the strategy period. The company aims to keep its equity ratio above 60%.



Key figures

Group

EUR 1,000	1-3/2024	1-3/2023	Change %	2023
Revenue	22,982	27,765	-17.2%	98,085
EBITDA ¹⁾	782	2,563	-69.5%	1,968
% of revenue	3.4%	9.2%		2.0%
EBITA ¹⁾	728	2,503	-70.9%	1,721
% of revenue	3.2%	9.0%		1.8%
EBIT	-268	1,538	-117.4%	-2,196
% of revenue	-1.2%	5.5%		-2.2%
Profit/loss for the period	-385	1,197	-132.2%	-2,853
Equity ratio %	63.1%	68.1%	-7.4%	63.4%
ROE %	-2.5%	14.0%	-117.9%	-7.5%
ROI %	-2.0%	15.0%	-113.3%	-5.1%
Net Debt %	-30.4%	-23.9%	27.0%	-33.4%
Number of personnel at period end	639	788	-18,9%	720
EPS, EUR	-0.02	0.07	-128.6%	-0.17

- 1) The company presents alternative performance measures EBITDA and EBITA to better describe the financial development of its business.





Vincit CEO Julius Manni

The first quarter of 2024 was in line with our expectations in a still challenging environment. The year-on-year decrease in revenue reflects the market downturn in the custom software development business and the planned reduction in Vincit's headcount, which was due to the decline in demand for custom software development services. At the same time, Vincit's strategic transformation journey is moving in the right direction as we seek to apply our expertise more deeper into our customers' business-critical operations. To support this, we are currently recruiting across a broad front for more than 40 open specialist positions.

In the Nordics, our digital commerce-focused business continues to grow, and the foundation for growth and demand for the SAP S/4HANA business is solid. To strengthen our strategic position, we created a new business unit focused on data, analytics and AI. Profitability trend in the Nordic countries improved compared to the second half of last year and we will only take on projects where long-term price levels are sustainable. We will continue to focus on business-driven solution selling and end-to-end project deliveries.

In the US, we continued our disciplined approach to customer acquisition with a sharpened customer offering and announced significant customer contract renewals during the period. Our billing rates in the US are still low, but as new projects materialize, our profitability can quickly turn positive. We still see great potential for Vincit in the US market.

Vincit is now at a turning point in many areas of its business. However, it takes time for our change to have an impact on earnings, and sales cycles for larger projects are currently significantly longer due to the uncertainty caused by the general economic situation.



Financial review January–March 2024

Consolidated revenue

Revenue in January–March decreased by 17.2% to EUR 23.0 (27.8) million. Slow sales and reductions in FTE capacity in services business impacted revenue negatively in the first quarter.

Group profitability and earnings development

EBITDA was EUR 0.8 (2.6) million or 3.4% (9.2%) of revenue during the review period. EBITA was EUR 0.7 million (2.5) or 3.2% (9.0%) of revenue during the review period. EBIT was EUR -0.3 million (1.5) or -1.2% (5.5%) of revenue. Year-on-year profitability impacted by decrease in revenue and project overruns.

The profit for January–March was EUR -0.4 (1.2) million.

Vincit's business areas

Vincit's business comprises two areas: the Service business in the Nordics (Vincit Nordics) 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 aims to be a comprehensive technology and business partner for our clients to streamline business operations, transform commercial capabilities and accelerate digital development. Vincit's service offering combines business-driven design, agile software development, data & AI capabilities, and extensive platform expertise especially in SAP ecosystem solutions.

MEUR	1-3/2024	1-3/2023	Change %	2023
Revenue	22.1	27.0	-18.0%	95.1
EBITA	0.7	2.5	-70.3%	2.1
% of revenue	3.3%	9.2%		2.2%

Revenue of the Service business in January–March was EUR 22.1 million (27.0), down 18.0% year-on-year.

During January–March, EBITA of the Service business was EUR 0.7 (2.5) million or 3.3% (9.2%) of revenue.

Vincit Nordics

Vincit Nordics revenue decreased year-on-year due to a significant reduction in FTE capacity. Profitability decreased year-on-year, but improved from the second half of 2023. Utilizations on average were on a good level. We continue to see fierce



price-driven competition in the custom software market, whereas demand is good in our Commerce and Core business areas that focus on business critical core processes and systems. Especially the SAP S/4HANA ERP related transformation projects are picking up speed and we are putting a lot of effort to succeed in sales in this area.

MEUR	1-3/2024	1-3/2023	Change %	2023
Revenue	20.2	24.1	-16.4 %	84.7
EBITA	1.0	2.5	-60.7%	2.9
% of revenue	4.8%	10.2 %		3.2%

Vincit Nordics' revenue in January–March was EUR 20.2 million (24.1), down 19.6% year-on-year.

During January–March, Vincit Nordics' EBITA was EUR 1.0 million (2.5) or 4.8% (10.2%) of revenue.

Vincit USA

Vincit USA revenue was significantly behind last year in the first quarter, due to weak sales. Despite the cost saving measures the quarter was unprofitable. During the quarter, a lot of effort was put into developing our commercial processes. Vincit USA also received two major purchase orders with a combined value of 4.4 million euros. The orders are continuations to product development work done for large technology company clients.

MEUR	1-3/2024	1-3/2023	Change %	2023
Revenue	2.0	2.8	-31.3%	10.4
EBITA	-0.2	0.0	-1,562.2%	-0.9
% of revenue	-11.9%	0.6%		-8.4%

Vincit USA's revenue in January–March was EUR 2.0 (2.8) million, down 31.3% year-on-year.

During January–March, Vincit USA's EBITA was EUR -0.2 (0.0) million or -11.9% (0.6%) of revenue.

Product business

Vincit's own product solution VincitEAM helps companies automate their maintenance operations and asset management.



VincitEAM business revenue grew in the first quarter compared to last year. Revenue growth was driven by the new customers that started their journey with VincitEAM and increased the recurring revenue.

MEUR	1-3/2024	1-3/2023	Change %	2023
Revenue	0.9	0.8	8.4%	3.0
EBITA	0.0	0.0	-138.0%	-0.3
% of revenue	-0.9%	2.7%		-17.5%

Revenue of the Product business in January-March was EUR 0.9 million (0.8), up 8.4% year-on-year.

During the review period, EBITA of the Product business was EUR 0.0 (0.0) million or -0.9% (2.7%) of revenue.



Table section

Consolidated Income Statement (FAS)

EUR 1,000	1-3/2024	1-3/2023	2023
Revenue	22,982	27,765	98,085
Other operating income	4	0	147
Materials and services			
Purchases during the period	-662	-415	-1,939
External services	-3,015	-3,522	-13,458
Personnel expenses			
Salaries and fees	-12,344	-14,064	-52,162
Pensions	-1,914	-2,281	-8,450
Other indirect employee expenses	-153,0	-488,2	-1,848
Depreciation, amortization and impairment			
Depreciation according to plan	-153	-135	-585
Goodwill amortization	-897	-891	-3,579
Other operating expenses	-4,116	-4,431	-18,408
EBIT	-268	1,538	-2,196
Financial income and expenses			
Interest income and other financial income	93	52	213
Interest expenses and other financial expenses	-21	-178	-480
Profit / Loss after financial items	-196	1,412	-2,463
Income taxes	-187	-193	-441
Non-controlling interest	-1	-22	51
Profit/ Loss for the period	-385	1,197	-2,853



Consolidated balance sheet (FAS)

EUR 1,000	31/3/2024	31/3/2023	31/12/2023
ASSETS			
Non-current assets			
Intangible assets			
Development expenditure	1,355	716	1,225
Goodwill	19,840	23,322	20,709
Other capitalized long-term expenditure	319	474	350
Tangible assets			
Machinery and equipment	523	699	557
Other tangible assets	4	4	4
Investments			
Other shares and holdings	30	15	20
Other non-current loan receivables	297	282	295
Total non-current assets	22,368	25,511	23,160
Current assets			
Non-current receivables			
Deferred tax assets		142	
Receivables from associates		100	
Loan receivables	1,377	1,439	1,388
Total non-current receivables	1,377	1,681	1,388
Current receivables			
Trade receivables	16,230	20,362	16,927
Receivables from associates		118	
Loan receivables	2		2
Other receivables	484	2,033	1,415
Prepayments and accrued income	3,057	2,687	1,908
Total current receivables	19,774	25,201	20,252
Cash in hand and in banks	10,408	10,341	12,158
Total current assets	31,558	37,223	33,798
TOTAL ASSETS	53,927	62,735	56,958
EUR 1,000	3/2024	3/2023	2023
LIABILITIES			



Equity			
Share capital	545	545	545
Reserve for invested unrestricted equity	33,274	33,139	33,274
Retained earnings	562	7,553	5,127
Profit for the period	-385	1,197	-2,853
Total equity	33,996	42,435	36,093
Non-controlling interest	24	311	23
Liabilities			
Non-current liabilities			
Loans from financial institutions	77	119	79
Total non-current liabilities	77	119	79
Current liabilities			
Trade payables	4,345	3,251	5,520
Loans from financial institutions		8	27
Liabilities to associates		8	8
Other liabilities	3,463	3,921	3,504
Accrued expenses and deferred income	12,021	12,682	11,704
Total current liabilities	19,830	19,869	20,763
Total liabilities	19,906	19,989	20,843
TOTAL LIABILITIES	53,927	62,735	56,958



Consolidated cash flow statement (FAS)

EUR 1,000	1-3/2024	1-3/2023	2023
Cash flow from operating activities			
Profit(loss) before appropriations and taxes	-196	1,412	-2,463
Adjustments to operating profit (loss) for:			
Depreciation according to plan	1,049	1,026	4,164
Unrealised foreign exchange gains and losses	-58	-93	-93
Other non-cash income and expenses	37		1,383
Financial income and expenses	-71	126	267
Other adjustments			-89
Cash flow from operating activities before change in working capital	761	2,470	3,168
Change in working capital:			
Increase/decrease of trade receivables and other receivables	426	-1,836	1,538
Increase/decrease of trade payables and other non-interest-bearing liabilities	-897	-369	545
Operating cash flow before financing items and taxes	290	265	5,252
Interest and other financial expenses paid relating to operating activities	-5	-12	-148
Interest received relating to operating activities	9	2	68
Income taxes paid	-116	66	85
Cash flow from operating activities (A)	178	321	5,256
Cash flow from investment activities			
Investments in tangible and intangible assets	-213	-275	-1,007
Proceeds from sale of tangible and intangible assets			50
Loans granted			-312
Other investments	-10		-5
Repayments of loan receivables	11	30	465
Gains on the sale of investments			89
Interest received on investments	4	3	18
Dividends received on investments			1
Shares purchased in subsidiaries			-268
Disposals of subsidiary shares			65
Cash flow from investment activities (B)	-208	-243	-903
Cash flow from financing activities			



Proceeds from issuance of equity			135
Repayment of current loans			-42
Repayment of non-current loans	-31	-31	
Interest and other financing expenses paid	-2	-1	-7
Dividends paid	-1,700		-2,584
Cash flow from financing activities (C)	-1,733	-31	-2,499
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	-1,763	47	1,854
Liquid assets at beginning of fiscal period	12,158	10,320	10,320
Exchange rate differences	12	-26	-16
Group's total cash and cash equivalents at the end of the financial year	10,408	10,341	12,158



Alternative performance measures

The company presents alternative performance measures EBITDA and EBITA to better describe the financial development of its business. In addition, EBITA is applied as the profitability indicator in its 2024 financial guidance. EBITA replaces the Adjusted EBIT (EBIT before goodwill amortization) previously used by the company, and it is calculated by adding amortization and impairment to operating profit. The presentation of segment revenue has changed, and it no longer includes internal revenue between segments. Quarterly comparable segment figures can be found in the tables below.

Group

	Q1 / 23	Q2 / 23	Q3 / 23	Q4 / 23	2023	Q1 / 24
Revenue	27.8	25.0	21.7	23.6	98.1	23.0
EBITA	2.5	-0.3	1.3	-1.8	1.7	0.7
EBITA-%	9.0%	-1.1%	6.2%	-7.8%	1.8%	3.2%
non-recurring items	-0.1	0.0	-0.1	-1.8	-2.0	0.0
adj. EBITA	2.6	-0.3	1.4	0.0	3.7	0.7
adj. EBITA-%	9.4%	-1.2%	6.7%	-0.2%	3.8%	3.2%

Service business

	Q1 / 23	Q2 / 23	Q3 / 23	Q4 / 23	2023	Q1 / 24
Revenue	27.0	24.3	21.0	22.8	95.1	22.1
EBITA	2.5	-0.2	1.3	-1.5	2.1	0.7
EBITA-%	9.2%	-0.9%	6.3%	-6.7%	2.2%	3.3%
non-recurring items	-0.1	0.0	-0.1	-1.8	-2.0	0.0
adj. EBITA	2.6	-0.2	1.4	0.3	4.1	0.7
adj. EBITA-%	9.6%	-1.0%	6.7%	1.3%	4.3%	3.3%



Nordics

	Q1 / 23	Q2 / 23	Q3 / 23	Q4 / 23	2023	Q1 / 24
Revenue	24.1	21.8	18.2	20.6	84.7	20.2
EBITA	2.5	0.0	0.9	-0.4	2.9	1.0
EBITA-%	10.2%	-0.2%	4.9%	-1.8%	3.5%	4.8%
non-recurring items	-0.1	0.0	-0.1	-0.9	-1.1	0.0
adj. EBITA	2.6	-0.1	1.0	0.6	4.1	1.0
adj. EBITA-%	10.7%	-0.3%	5.4%	2.7%	4.8%	4.8%

USA

	Q1 / 23	Q2 / 23	Q3 / 23	Q4 / 23	2023	Q1 / 24
Revenue	2.8	2.6	2.8	2.2	10.4	2.0
EBITA	0.0	-0.2	0.4	-1.1	-0.9	-0.2
EBITA-%	0.6%	-6.8%	15.5%	-52.3%	-8.4%	-11.9%
non-recurring items	0.0	0.0	0.0	-0.9	-0.9	0.0
adj. EBITA	0.0	-0.2	0.4	-0.3	0.0	-0.2
adj. EBITA-%	0.6%	-6.8%	15.5%	-12.1%	0.1%	-11.9%

Product business

	Q1 / 23	Q2 / 23	Q3 / 23	Q4 / 23	2023	Q1 / 24
Revenue	0.8	0.7	0.7	0.8	3.0	0.9
EBITA	0.0	-0.1	0.0	-0.3	-0.3	0.0
EBITA-%	2.7%	-9.5%	4.0%	-41.7%	-11.7%	-0.9%
non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
adj. EBITA	0.0	-0.1	0.0	-0.3	-0.3	0.0
adj. EBITA-%	2.7%	-9.5%	4.0%	-41.7%	-11.7%	-0.9%



Formulas for key indicator calculation

EBITDA	=	Operating profit + depreciation, amortization and impairment
EBITA	=	Operating profit + amortization and impairment
EBIT	=	Revenue+ Other operating income - Materials and services - Personnel expenses - Other operating expenses - Depreciation, amortization and impairment
Return on investment (ROI), %	=	----- Profit after financial items + Interest and other financial expenses Balance sheet total - Non-interest-bearing liabilities (average over one year)
Return on equity (ROE), %	=	----- Profit after financial items - Income taxes Equity + minority interest (average over the year)
Gearing ratio, %	=	----- interest-bearing liabilities - Cash in hand and in banks
Equity ratio, %	=	----- Equity + Minority interest Equity + Minority interest
Earnings per share (EPS)	=	----- Balance sheet total - advances received Profit or loss for the financial year excluding minority interest
		----- Average number of shares adjusted for share issues excluding own shares



VINCIT PLC

Board of Directors

Additional information

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Vincit Plc in brief

Vincit turns digital into business results, to create better Mondays for our people, our customers and the world. 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

