

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

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

### **Vincit Plc's half-year report January 1 – June 30, 2023 (unaudited)**

This release is a summary of Vincit's half-yearly review from 1 January to 30 June 2023. The full half-year review is attached to this release and available on the company's website at <https://investors.vincit.com/en/>.

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

### **Vincit is renewing itself in a turbulent market**

The positioning after the Bilot merger has opened a new customer market for Vincit and the move upwards in customers' value chain is progressing according to the strategy. The renewal of Vincit continues by developing commercial expertise, clarifying the customer value promise and broader offering. At the same time, Vincit continues measures to improve profitability and adapt its business to the changed market situation.

### **January-June 2023**

- Revenue was EUR 52.8 million (35.8). Revenue grew by EUR 17.0 million, or 47.5%.
- Adjusted EBIT (EBIT before goodwill amortization) was EUR 2.1 million (2.6), or 3.9% (7.4) of revenue.
- Adjusted EBIT before non-recurring items was EUR 2.2 million (2.6), or 4.1% (7.4) of revenue.
- The number of employees at the end of the review period was 766 (Dec. 31, 2022: 803).
- Total capacity (FTE) averaged 829 (602) over the reporting period, of which the share of subcontracting was 89 (41).
- Earnings per share were EUR -0.02 (0.10).
- In May, Vincit updated the composition of its Leadership Team and initiated change negotiations in service production.
- In June, Vincit lowered its guidance on 2023 revenue and relative profitability.

### **Key figures**

#### **Group**

EUR 1,000	<b>1-6/2023</b>	<b>1-6/2022</b>	<b>Change %</b>	<b>2022</b>
Revenue	52,805	35,797	47.5	84,789
EBITDA <sup>1)</sup>	2,339	2,846	-17.8	3,619
% of revenue	4.4%	8.0%		4.3%
Adjusted EBIT (EBIT before goodwill amortization) <sup>1)</sup>	2,061	2,640	-21.9	3,136
% of revenue	3.9%	7.4%		3.7%
Adjusted EBIT (EBIT before goodwill amortization) before non-recurring items <sup>1)</sup>				
<sup>2)</sup>	2,153	2 640		5,197
% of revenue	4.1%	7.4%		6.1%

EBIT	278	1,599	-82.6	235
% of revenue	0.5%	4.5%		0.3%
Profit for the period	-284	1,191	-123.9	-277
Return on investment (ROI) <sup>1)</sup> , %	-0.5%	13.7%		1.3%
Return on equity (ROE) <sup>1)</sup> , %	-1.4%	10.6%		-0.4%
Gearing ratio, %	-28.5%	-18.9%		-24.8%
Equity ratio, %	66.5%	66.2%		67.1%
Number of personnel at the end of the period	766	605		803
EPS, EUR	-0.02	0.10		-0.02

- 1) The company presents alternative performance measures EBITDA, adjusted EBIT (operating profit before goodwill amortization), adjusted EBIT (operating profit before goodwill amortization) before non-recurring items, return on investment (ROI), and return on equity (ROE) to better describe the financial development of its business.
- 2) The non-recurring costs from the Bilot Oyj merger in the second half of 2022 were approximately EUR 2.1 million.

### Outlook for 2023 (updated on June 21, 2023)

Vincit's 2023 revenue is estimated to be over EUR 95 million and the adjusted EBIT (EBIT before goodwill amortization) is estimated to be between 3 and 8% of revenue.

Previous guidance published in connection with the Financial Statement Release on February 28, 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 and 11% of revenue.

### Financial targets for the strategy period 2023-2025

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

### CEO Julius Manni comments:

“Vincit’s revenue increased by almost 50% from the comparison period, driven by the Bilot merger. Vincit’s traditional strength, tailored software development, is, however, in a faster-than-expected market turbulence due to a change in customer demand and strong price competition. This weakens our expectations for revenue growth and profitability in the second half of the year, which led us to lower our guidance in June. Simultaneously, the move upwards in our customers’ value chain is progressing according to our strategy. We will continue to renew Vincit by developing new commercial expertise and updating our brand during the fall season. With the Bilot merger, our strength in the SAP ecosystem has repositioned Vincit and opened a new customer market for us. We are also investing in developing a strategic partnership with Microsoft, especially linking SAP technologies to Azure cloud solutions and utilizing AI in software development.

In the United States, our business was slightly in the red and the turn for the better requires us to succeed in new sales in a wider range of industries. We have adapted the operative costs of Vincit USA to the new situation and renewed the local management model in terms of sales and marketing. In Europe, our profitability was weakened by the one-off payment to the entire personnel allocated in the second quarter based on the collective agreement in Finland, as well as high overhead costs. We have increased measures to improve profitability and our focus on costs. During the review period, we merged the DevOps & Platforms unit to the Talent & Delivery unit, which in the future is responsible for the service production of the entire company. At the same time, we streamlined the Leadership Team, implemented personnel reductions and lay-offs, and continued to reduce premise costs.

There are still uncertainties on the horizon, which are related to the macroeconomic outlook and reflected in companies' willingness to invest, especially when it comes to new digital services. Although this year seems challenging at the moment, I am confident that Vincit is well positioned in the changing IT industry landscape, as our own ongoing journey progresses."

### **Short-term risks and uncertainties**

There are still uncertainties on the horizon, which are related to the macroeconomic outlook and reflected this year in companies' willingness to invest, especially when it comes to new digital services. Despite the general uncertainty of the global economy, demand for Vincit's services is expected to remain positive in the long term, but the competitive landscape will toughen and customers' purchasing behavior is changing. In the United States, the start-up-oriented customer portfolio constitutes a higher credit loss risk for this year.

The Bilot merger has been completed with a successful integration project, and Vincit continues to develop a more international management system. Success in acquisitions and subsequent integrations continue to be important for Vincit's growth.

Vincit continues to invest in organization culture development and a employer image. This is to ensure employee engagement in the future and the company's ability to continue successful recruitment. Wage inflation still puts pressure on transferring increased wage costs to customer prices, although the worst wage competition in the market has calmed down for the time being.

Russia's military aggression in Ukraine can affect our customers' business and thus their customer projects, but so far, the war has had no direct impact on Vincit's business. Vincit does not have own staff in Russia, Ukraine or Belarus.

In the future, various market disruptions, including potential external disruptions in the IT market are not excluded. As a result, Vincit also aims to be prepared for rapid changes in its operations.

Vincit will continue to invest in the product business, where commercialization in addition to opportunities also involves uncertainties.

### **Events after the reporting period**

On July 6, 2023, Vincit announced that Kimmo Kärkkäinen (M.Sc. (Econ)) has been appointed CFO of Vincit Plc and a Member of the Leadership Team as of August 1, 2023. He reports to CEO Julius Manni.

### **Financial reporting**

Vincit will publish a business review for January-September on October 26, 2023.

### **Press and analyst conference**

A conference for analysts and the media will be arranged on July 27, 2023, starting at 10 am EEST. The conference will be streamed live and can be watched at <https://vincit.videosync.fi/h1-2023>. A recording of the conference can be viewed at the same address later on the same day.

Vincit's CEO Julius Manni will review the result of the period and the outlook for the rest of the year. The event is arranged in Finnish. It will also be possible to ask the management questions in writing during the event. Questions will be answered after the presentation.

The presentation material is available on the company's website at <https://investors.vincit.com/> after the conference is over.

Helsinki, June 27, 2023

## **VINCIT PLC**

### **Board of Directors**

### **Additional information:**

Vincit Plc, CEO Julius Manni, phone: +358 50 424 3932

Certified advisor: Aktia Alexander Corporate Finance Oy, phone: +358 50 520 4098

### **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](http://www.vincit.com)