

Vincit Plc's business review January 1 – September 30, 2023 (unaudited): Vincit's revenue decreased, profitability improved

Vincit Plc

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

Vincit's revenue decreased, profitability improved

Vincit's revenue decreased from the comparison period, but profitability turned for the better. Vincit continues its strategic renewal and measures to improve profitability to strengthen the company's competitiveness.

July-September 2023

- Revenue was EUR 21.7 million (22.7). The revenue declined by -4.3%.
- Adjusted EBIT (EBIT before goodwill amortization) was EUR 1.3 million (0.8), or 5.8% (3.5) of revenue.
- Adjusted EBIT before non-recurring items was EUR 1.4 million (2.0) or 6.3% (8.8) of revenue.
- The number of employees at the end of the review period was 746 (Sep. 30, 2022: 844).
- Total capacity (FTE) averaged 791 (882) over the reporting period of which the share of subcontracting was 75 (67).
- Kimmo Kärkkäinen was appointed Chief Financial Officer of Vincit as of August 1, 2023.
- Jens Krogell was appointed Chief Commercial Officer of Vincit on September 12, 2023.

January-September 2023

- Revenue was EUR 74.5 million (58.5). Revenue growth was 27.5%.
- Adjusted EBIT (EBIT before goodwill amortization) was EUR 3.3 million (3.5), or 4.5% (6) of revenue.
- Adjusted EBIT before non-recurring items was EUR 3.5 million (4.7) or 4.7% (8.0) of revenue.
- The equity ratio was 68.3% (71.1).
- In May, Vincit updated the composition of its Executive Team and initiated change negotiations in service production.
- In June, Vincit lowered its guidance on 2023 revenue and relative profitability.

Significant events after the review period

On October 11, 2023, Vincit announced that it would initiate change negotiations in all Finnish companies, with the exception of Vincit Solutions Oy, and that it is targeting EUR 3 million cost savings for 2024.

CEO Julius Manni comments:

"Vincit's revenue decreased from the comparison period, but our profitability improved thanks to the active measures we have taken. Especially custom software development is undergoing a rapid market transformation. The players who have a deep understanding of their customers' business and apply their expertise to the challenges of different industries are now successful in the market."

Vincit's SAP ecosystem business has remained very strong and many companies continue to invest in the renewal of core systems and processes. An example of this is our partnership with the steel manufacturer Outokumpu in developing a digital sales and service channel. The demand for AI projects and related data projects is also constantly growing. In cooperation with the construction company SRV, we are redesigning their tailored ERP system by utilizing generative AI such as Microsoft CoPilot and ChatGPT. We have systematically invested in training our experts in AI and this year we certify over 100 Vincit employees in AI technologies.

The rapidly changing operating environment still requires measures from us to renew the company and strengthen our competitiveness. We carry out measures to improve profitability in all countries and aim to save EUR 3 million in personnel costs in 2024.

We drive our strategy forward systematically and continue to renew Vincit to move upward in the customer value chain. Our brand, renewed in September, supports this direction, emphasizing Vincit's role as an even more customer-centric transformation partner. We have a unique combination of expertise and excellent tools to support our customers who are in the midst of productivity pressures and the evolution of business models to achieve success."

Guidance for 2023 (unchanged, last 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.

Vincit's business areas

Vincit's business comprises two areas: the Service business in Europe (Vincit Europe) and the USA (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 their commercial abilities and accelerating digital development in the Nordic countries and the USA.

MEUR	Q3/2023	Q3/2022	Change %	1-9 / 2023	1-9 / 2022
Revenue	21.0	22.1	-4.8%	72.4	56.6
Adjusted EBIT	1.3	0.8	59.9%	3.5	3.4
% of revenue	6.1%	3.6%		4.8%	6.0%

Revenue of the Service business in the third quarter was EUR 21.0 million (22.1), down -4.8% year-on-year.

In the third quarter, adjusted EBIT of the Service business was EUR 1.3 million (0.8) or 6.1% (3.6) of revenue.

Vincit Europe

The revenue of Vincit's service business in Europe decreased due to market changes in custom software development. However, we managed to increase the share of public sector projects, which helped compensate for the strong decline in demand in the private sector. The dual nature of the market is reflected by the simultaneous strong demand surrounding customers' core systems and business

processes, ERP, cloud transition and AI. Profitability improved despite decreasing revenue due to synergy benefits of the Vincit-Bilot merger and improved utilization rates.

MEUR	Q3/2023	Q3/2022	Change %	1-9 / 2023	1-9 / 2022
Revenue	18.6	19.2	-3.1%	65.2	48.5
Adjusted EBIT	0.8	0.3	182.2%	3.2	2.1
% of revenue	4.6%	1.6%		4.9%	4.3%

Vincit Europe's revenue in the third quarter was EUR 18.6 million (19.2), down -3.1% year-on-year.

In the third quarter, Vincit Europe's adjusted EBIT was EUR 0.8 million (0.3) or 4.6% (1.6) of revenue.

Vincit USA

The quarter was twofold for Vincit USA. Revenue decreased from the previous year's record level, but increased from the previous quarter. Adjusting the cost structure to the business situation also turned operations profitable compared to the first half of the year. In the third quarter, we managed to expand our customer portfolio with new customers, but achieving stronger growth requires more success in new sales in a wider range of industries. We will continue this work especially in developing the commercial process and new sales.

MEUR	Q3/2023	Q3/2022	Change %	1-9 / 2023	1-9 / 2022
Revenue	2.8	3.5	-20.1%	8.2	9.8
Adjusted EBIT	0.4	0.5	-13.5%	0.3	1.3
% of revenue	15.5%	14.3%		3.3%	13.3%

Vincit USA's revenue in the third quarter was EUR 2.8 million (3.5), down -20.1% year-on-year.

In the third quarter, Vincit USA's adjusted EBIT was EUR 0.4 million (0.5) or 15.5% (14.3) of revenue.

Product business

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

VincitEAM's revenue and MRR that is important for the product business, increased from the previous year. Profitability continues to develop positively with new customers and delivery projects. The amount of work increased in September in the form of new delivery projects and project work from existing customers.

MEUR	Q3/2023	Q3/2022	Change %	1-9 / 2023	1-9 / 2022
Revenue	0.7	0.6	11.5%	2.2	2.0
Adjusted EBIT	-0.0	0.1	-117.9%	-0.1	0.1
% of revenue	-2.8%	17.3%		-6.1%	5.0%

Revenue of the Product business in the third quarter was EUR 0.7 million (0.6), up 11.5% from the corresponding period in the year before.

In the third quarter, adjusted EBIT of the Product business was EUR 0.0 million (0.1) or -2.8% (17.3) of revenue.

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