

Gofore's Business Review

January-March 2022

Gofore's growth continued and profitability improved – Organic growth 23%, employee number exceeded 1,000

This business review is not an IAS 34 compliant interim report, and the numbers are unaudited.



Highlights in January-March 2022

- Net sales grew by 40% and were 35.4 (25.2) million euros. The organic growth of net sales, 23% was especially significant and even faster than during good year-end 2021.
- Adjusted EBITA grew by 46% and was 5.1 million euros. Profitability improved compared to the corresponding period and was 14.4% (13.9%), although profitability was weakened by exceptionally high recruiting activity and a higher than normal level of sick leave due to the COVID-19 pandemic situation.
- The number of employees grew to a total of 1,043 (792) people, the overall capacity standing at 959 (735) people. The number of employees grew by 191 during the quarter, with the Devecto acquisition and highly successful recruiting.
- The excellent net sales increase from private sector customers was 61%, net sales growth from public sector customers was 30%.
- Integrating Devecto, a company specialised in software development and testing of smart devices and machinery, and related testing systems, into Gofore has proceeded as planned.

Group key figure summary, MEUR	1-3/2022	1-3/2021
Net sales	35.4	25.2
Net sales, LTM, pro forma	122.9	
Net sales organic growth, %	23%	8%
Adjusted EBITA	5.1	3.5
Adjusted EBITA, %	14.4%	13.9%
EBITA	4.6	3.3
EBIT	3.7	2.8
Earnings per share (EPS)*	0.17	0.14
Number of employees at end of period	1,043	792
Overall capacity at end of period (FTE)	959	735

* Earnings per share is equal whether diluted and undiluted.

Devecto Oy's figures have been consolidated with Gofore Group's numbers as of 3 January, 2022.

CCEA Finland Oy's figures have been consolidated with Gofore Group's numbers as of 1 March 2021.

Qentinel Finland Oy's figures have been consolidated with Gofore Group's numbers as of 1 September 2020.

CEO's thoughts

“Our organic growth accelerated further in the first quarter compared with the good year-end we had. This was driven by customer demand that continues to be strong, as well as our excellent success in recruiting. Employee turnover rate is also showing signs of slowing down compared with the challenging year 2021.

Sales continued its growth rate especially within the private sector, but we also continued our good efforts on the public sector. What's worth noting is that we are able to continuously expand our key accounts and deepen these good relationships.

What counts in deepening customer relationships is our growing capability. Our important priority in the beginning of the year, integrating Devecto that we acquired last January into Gofore, proceeded as planned. The intelligent industry access that this acquisition enables is a significant contribution to our growth!

Also, we've been happy to once again find that Gofore is a company that an acquired company is easy to integrate to. Most importantly, we have focused on good management of our joint customers together with the Devecto team.

Russia's invasion to Ukraine has caused us too concern, and we hope for a fast ending to the human suffering there. Gofore has no business operations in Russia, Belarus or Ukraine. The conflict is, however, possibly expected to have indirect impact through customer business risks.

The coronavirus pandemic has recently been less of a challenge to us, as our entire staff is accustomed to hybrid work. We have had a higher than normal amount of sick leave in the beginning of the year, but the virus has not endangered our service ability or our growth.”

Mikael Nylund
Chief Executive Officer
Gofore Plc



Market outlook unchanged – Russian invasion impacts small for the time being



Digitalisation continues

Gofore estimates digitalisation to remain a megatrend also going forward, which reinforces the demand for the cutting-edge expertise offered by Gofore in the long term. The corona virus pandemic has accelerated the digitalisation of the public and private sectors and the related investments which are further evolving from the implementation of individual digital services towards organisation-wide digital transformation and the evolution of digital capabilities. The ability and willingness of Gofore's customers to invest in digital transformation will according to company's estimation continue to depend on economic development in both the public and private sectors.

The structural reform of the public sector accelerates

Gofore expects digitalisation investments in the Finnish public sector to continue due to the structural reform. The long-term nature of public sector IT investments and long-term cooperation agreements render demand relatively predictable. The legislative package adopted by the Finnish Parliament in June 2021 launched the reform of social services and healthcare in Finland. The reform itself is a momentous project, and the acute development need for digitalisation of healthcare will also feature more prominently on the agenda. The competitive landscape in the public sector has remained stable, and Gofore expect its position in the market to remain solid.

Good outlook of the export industry

In Finland's private sector, digitalisation remains one of the most important priorities. IT development still partially remains the internal activity of companies and organisations, and companies and organisations hire specialists of the field for various IT tasks. Both domestic and international IT service providers continue to offer top external expertise to Finnish private sector operators. The outlook of the export industry, being of particular relevance for Gofore, is rather good, and the company estimates this to improve investments by export companies also in the field of digitalisation. Gofore's comprehensive selection of digital advisory services is estimated to cater well to the private sector demand.

The investments enabled by EU's recovery tool, relating to the years 2021–2023, in the green transition and digitalisation is likely to generate increased demand for Gofore's services.

The demand on experts remains intense

In a business based on top-level expertise, competition for the best talent is still intense. The willingness of specialists, especially of technical experts and software developers, to change jobs has increased as the coronavirus pandemic persists. Freelance work, location-independent work, and similar models have also proliferated. Partially these changes are a direct consequence of the coronavirus

pandemic and remote working and partially they stem from a novel type of examination of working life and priorities, initiated by the pandemic.

The demand for skilled workforce will continue to be high and will increasingly also apply to digitalisation experts other than experienced technical and software developers. Due to the high demand, the risk of wage inflation has increased.

Markets outside of Finland, especially in Germany, are developing broadly in line with the Finnish market. Outside of Finland, Gofore's customers are mainly within the private sector. The global shortage of talents manifests itself in the market through international companies being more active in the search for partners, for instance, in Finland. In the long term, the company continues to estimate demand for its services to be on the rise, owing to their extensive market potential.

Low risk due to Russia

Gofore carries a low risk resulting from the Russian invasion or sanctions targeted on the country. Gofore doesn't have business operations in Russia, Belarus or Ukraine. The conflict is, however, possibly expected to have indirect impact through customer business risks.

The content has been abbreviated since the previous financial report, and an addition of the Russia-related risk has been made.



Social & healthcare reform expanding

- Implementing the Finnish social and healthcare reform will carry on throughout 2022. In early 2023, 21 new welfare areas will become responsible for social, healthcare and emergency services.
- ICT remains a significant part of implementation; Gofore widely networked with several welfare areas and national parties closely involved in the reform, expanding its customer relationships.
- Majority of areas will need state subsidies on ICT actions and digitalisation also in 2023.
- New sales agreements made, e.g.
 - A software developer team for school trip subsidy system agreed on with Social Insurance Institution of Finland, **Kela**, for until end of 2023.
 - Gofore one of the framework agreement partners for **DigiFinland** in an expert service framework agreement for the next three years (+ 2 optional years).
 - Gofore involved as a project management expert service provider in **Helsinki University Hospital's** tendering for a set of expert service frame agreements.





The Realtime Economy project

- Two sales agreements signed on public administration's significant Realtime Economy project; Finnish Patent and Registration Office and State Treasury.
- The agreements are on e.g. a wide implementation of e-commerce vouchers such as e-receipts, procurement messages and e-invoices, as well as consultancy on managing digital networks and cyber security.
- Gofore strongly involved in upcoming tendering that intends to ensure project planning and implementation in 2022–2024.
- Realtime Economy is a national realtime ecosystem project of financial operators, compatible with other Nordic countries.

More on the project: [Yrityksen digitalous - Yrityksendigitalous](#)





Cyber security service in rising demand

- Cyber security is an increasingly important trend grown by e.g. an unstable world situation, public sector's preparedness for risks and industrial digitalisation.
- This could clearly be seen in Q1 as growing requests for offers from both the public and the private sector and abroad.
- We have recruited new staff for this area of expertise around Finland, supported by our strong employer image.
- In addition, we have started internal development programmes to expand our experts' skills to cyber security.
- Gofore already has a comprehensive service portfolio for this, with services from offensive to defensive cyber security operations.





A happy, growing team

- Record strong recruitment combined with a lower rate of attrition contributed very positively to growth in number of employees.
- Strong performance expected to continue in Q2, but a slightly slower pace is expected.
- Number of employees up 22% from year-end 2021 to end of Q1/2022.
- Devecto team well integrated into Gofore’s systems and services during Q1.
- Employee experience investment paying off; work satisfaction improving from 2021.

	Q1/2022	Q1/2021	FY2021
Number of employees at the end of period	1,043	792	852



Key figures

EUR thousand	1-3/2022	1-3/2021	Change	1-12/2021
Net sales	35,398	25,232	10,166	104,509
Growth in net sales, %	40.3%	34.1%		34.1%
EBITDA	5,142	3,990	1,153	17,062
EBITDA margin, %	14.5%	15.8%		16.3%
EBITA, adjusted	5,109	3,505	1,604	14,646
EBITA, adjusted, margin %	14.4%	13.9%		14.0%
EBITA	4,573	3,312	1,261	14,451
EBITA margin, %	12.9%	13.1%		13.8%
Operating profit (EBIT)	3,676	2,815	861	12,197
Operating profit (EBIT) margin, %	10.4%	11.2%		11.7%
Profit for the period	2,673	1,960	713	9,073
Average overall capacity, FTE	939	701	238	745
Average subcontracting, FTE	152	113	39	113
Number of employees at the end of the period	1,043	792	251	852

EUR thousand	1-3/2022	1-3/2021	Change	1-12/2021
Earnings per share (EPS), EUR*	0.17	0.14	0.03	0.61
Return on equity (ROE), %	16.7%	22.1%		18.6%
Return on investment (ROI), %	18.0%	21.4%		19.1%
Equity ratio, %	53.1%	43.0%		61.5%
Net gearing, %	-22.9%	4.6%		-41.1%

* Earnings per share is equal whether diluted and undiluted.

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Adjusted EBITA can be found on page 20.

Monthly business development

Month 2022	Net sales, MEUR ¹	Pro forma LTM net sales ²	Number of employees ³	Number of working days in Finland	Overall capacity, FTE ⁴	Subcontracting, FTE ⁵
March	13.3 (9.7)	122.9	1043 (792)	23 (23)	959 (735)	155 (118)
February	11.3 (8.1)	120.3	1015 (736)	20 (20)	942 (698)	153 (111)
January	10.8 (7.5)	118.5	993 (727)	20 (19)	917 (697)	147 (109)

Unless otherwise stated, all figures presented in brackets refer to the comparison period, i.e. the same time period in 2021. Devecto Oy's figures have been consolidated with the figures of the Gofore Group as of 3 January 2022.

1) Net sales, MEUR (net sales in 2021) indicates the unaudited net sales for the relevant month.

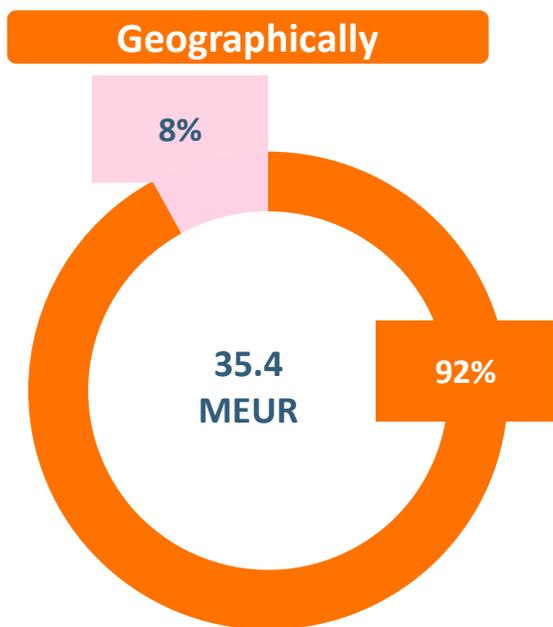
2) The consolidated pro forma net sales for the preceding 12 months utilised by the company in its business reviews illustrates the net sales under the group structure as at the time of the review. The pro forma net sales figures include the effect of corporate acquisitions and divestments, if any. The pro forma net sales figure is unaudited.

3) Number of employees at the end of the review period.

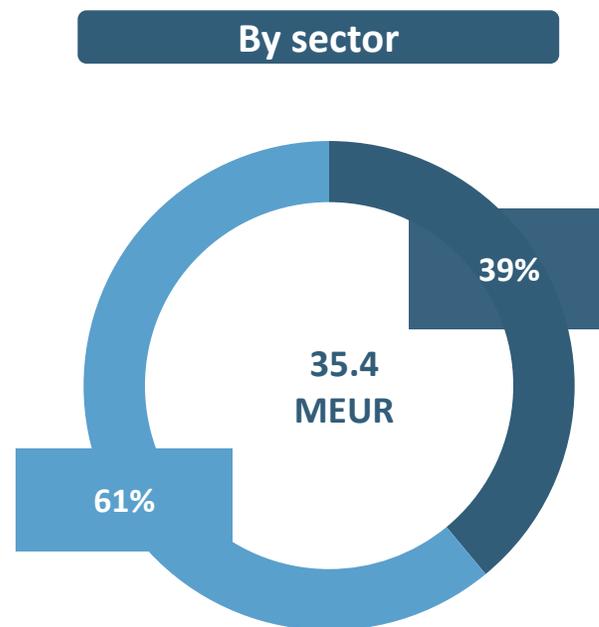
4) The Overall Capacity, FTE (Full Time Equivalent) figure shows the overall capacity of the Group's personnel, converted into a value corresponding to the number of full-time employees. The figure includes the entire personnel, regardless of their role. The figure is not affected by annual leave, timeoff in lieu of overtime, sick leave or other short-term absences. Part-time agreement sand other long-term deviations from normal working hours reduce the amount of overall capacity in comparison with the total number of employees. The personnel capacity of corporate acquisitions has been accounted for as of the date of the acquisition.

5) The Subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiceable work, converted into a value corresponding to the number of full-time employees. The subcontracting of the companies acquired by Gofore has been accounted for as of the date of the acquisition.

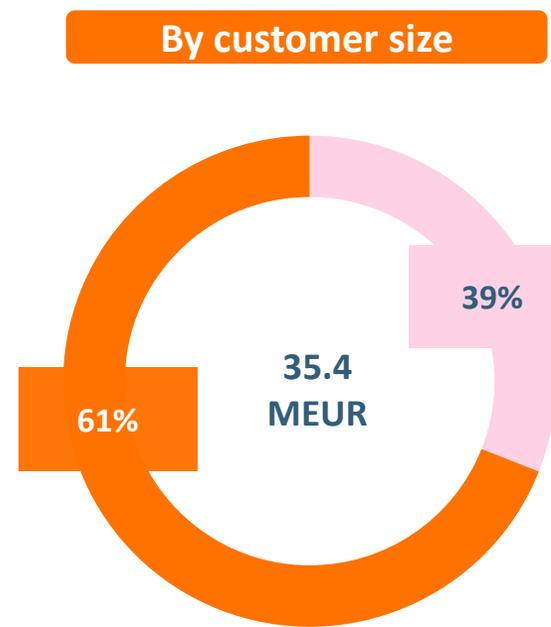
Net sales distribution 1-3/2022



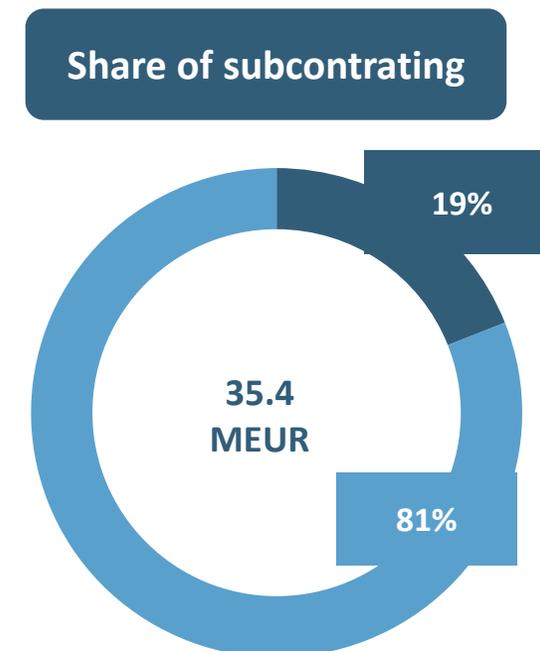
■ Finland ■ Abroad



■ Private ■ Public



■ Top 5 ■ Others



■ Subcontracting ■ Personnel

The table format details of net sales distribution can be found on page 21.

Gofore's long term financial targets

Long-term target to continue rapid and profitable growth

GROWTH

>20 % annual net sales growth, of which organic growth accounts for approximately half

PROFITABILITY

15 % adjusted EBITA margin

DIVIDEND

At least 40 % of annual net profit

Targets remain unchanged from the previous financial report.

Three avenues of strategy execution

Growth in Finland

1. Become #1 in digital transformation business for the public sector
2. Become tier 1 service provider for several Top 100 private firms

International growth

1. Grow with international clients served from Finland
2. Expand physical presence and operations in Germany

Disciplined M&A

1. Keep up M&A growth at least at the historical pace
2. Acquire targets that fit to Gofore strategy

20% total annual growth

~10% annual organic growth

Growing portfolio of large customers in and outside Finland

Increasing presence outside Finland, reaching >10% of net sales in 2025

The content remains unchanged from the previous financial report.



We think digitalisation can and should be a force for good.

We expedite your journey of growth and sustainable development by combining our technology, design and change capabilities – while putting people first.

Neuvonta

20

YEARS IN BUSINESS

+1000

GOFOREANS

104.5

MEUR
NET SALES 2021

12

OFFICES
IN EUROPE



Thank you!

Let's keep in touch:

InvestorRelations@gofore.com

Our upcoming financial reports:

Half Year Report January – June 2022

15 August 2022

Business Review January – September 2022

18 October 2022

Monthly Business Reviews in May, June and July

Appendix

Consolidated statement of profit and loss

EUR thousand	1-3/2022	1-3/2021	Change (%)	1-12/2021
Net sales	35,398	25,232	40.3%	104,509
Production for own use	34	56	-39.6%	140
Other operating income	25	60	-58.1%	128
Materials and services	-5,822	-4,303	35.3%	-17,547
Employee benefit expenses	-20,196	-14,175	42.5%	-58,943
Depreciations, amortisations and impairment	-1,466	-1,175	24.8%	-4,865
Other operating expenses	-4,298	-2,881	49.2%	-11,226
Operating profit (EBIT)	3,676	2,815	30.6%	12,197
Finance costs	-127	-293	-56.7%	-902
Finance income	2	9	-71.7%	40
Profit before tax	3,552	2,531	40.3%	11,335
Income tax	-879	-571	54.0%	-2,261
Profit for the financial period	2,673	1,960	36.3%	9,073

Consolidated statement of financial position

EUR thousand	31 Mar 2022	31 Mar 2021	Change (%)	31 Dec 2021
Assets				
Non-current assets				
Goodwill	41,316	26,897	54%	26,897
Other intangible assets	20,014	13,062	53%	11,257
Tangible assets	458	518	-12%	427
Right-of-use assets	4,148	6,182	-33%	4,409
Other receivables	364	804	-55%	1
Deferred tax assets	48	15	217%	37
Total non-current assets	66,349	47,479	40%	43,029

EUR thousand	31 Mar 2022	31 Mar 2021	Change (%)	31 Dec 2021
Current assets				
Trade receivables	20,749	14,768	40%	15,980
Contract assets	1,049	1,150	-9%	709
Other current assets	2,409	2,929	-18%	2,346
Income tax receivables	16	2	750%	144
Securities	549	551	0%	575
Cash and cash equivalents	36,019	16,060	124%	39,114
Total current assets	60,791	35,460	71%	58,869
Total assets	127,140	82,939	53%	101,898

Consolidated statement of financial position

EUR thousand	31 Mar 2022	31 Mar 2021	Change (%)	31 Dec 2021
Equity and liabilities				
Equity				
Share capital	80	80	0%	80
Translation differences	0	19	-100%	0
Other reserves	165	0	100%	0
Fund for unrestricted equity	46,843	20,515	128%	40,103
Retained earnings	19,071	14,081	35%	20,822
Equity attributable to equity holders of the parent	66,160	34,696	91%	61,005
Non-controlling interests	372	180	106%	304
Total equity	66,531	34,876	91%	61,309

EUR thousand	31 Mar 2022	31 Mar 2021	Change (%)	31 Dec 2021
Non-current liabilities				
Interest-bearing loans and borrowings	13,371	9,400	42%	7,450
Other payables	149	1,455	-90%	0
Lease liabilities	2,302	3,952	-42%	2,644
Deferred tax liabilities	3,895	2,461	58%	2,111
Total non-current liabilities	19,718	17,269	14%	12,205
Current liabilities				
Trade and other payables	20,281	13,892	46%	11,199
Contract liabilities	1,876	1,746	7%	2,217
Interest-bearing loans and borrowings	3,743	2,600	44%	2,600
Lease liabilities	1,888	2,268	-17%	1,807
Accrued expenses	12,689	10,017	27%	10,028
Income tax payable	414	272	52%	533
Total current liabilities	40,891	30,794	33%	28,384
Total liabilities	60,609	48,063	26%	40,589
Total equity and liabilities	127,140	82,939	53%	101,898

Alternative performance measures; adjusted EBITA

Adjusted EBITA and EBITDA, EUR thousand	1-3/2022	1-3/2021	Change, %	1-12/2021
EBIT	3,676	2,815	30.6%	12,197
Amortisation of intangible assets identified in purchase price allocation	896	497	80.4%	2,254
EBITA	4,573	3,312	38.1%	14,451
Transaction costs from business combinations	551	193	185.8%	195
Transaction costs from business combinations	0	0	0.0%	-1
Gains or losses from sales of fixed assets	-14	0	100.0%	0
Adjusted EBITA	5,109	3,505	45.8%	14,646
EBIT	3,676	2,815	30.6%	12,197
Depreciations	570	678	-15.9%	2,610
Amortisation of intangible assets identified in purchase price allocation	896	497	80.4%	2,254
EBITDA	5,142	3,990	28.9%	17,062

Net sales distribution

Net sales by customer sector, EUR thousand	1-3/2022	1-3/2021	Change, %	1-12/2021
Private sector sales	13,744	8,573	61.2	36,570
Public sector sales	21,654	16,660	29.6	67,939

Net sales by origin of customer, EUR thousand	1-3/2022	1-3/2021	Change, %	1-12/2021
Finland	32,446	22,900	41.7	95,463
Other countries	2,952	2 332	26.6	9,046

Net sales by personnel / subcontracting, EUR thousand	1-3/2022	1-3/2021	Change, %	1-12/2021
Net sales, personnel	28,544	20,290	40.7	84,226
Net sales, subcontracting	6,854	4,942	38.7	20,283

Net sales by agreement types, EUR thousand	1-3/2022	1-3/2021	Change, %	1-12/2021
Time and material based projects	32,731	22,968	42.5	94,199
Fixed price projects	1,962	1,539	27.5	7,544
Maintenance services	670	643	4.2	2,351
Third party commissions	35	82	-57.7	416
Net sales, Group total, EUR thousand	35,398	25,232	40.3	104,509

Key figure calculation formulas 1/2

Figure	Definition
EBITDA	Operating profit + depreciations and amortisation
EBITDA margin, %	Operating profit + depreciations and amortization divided by net sales and multiplied by a hundred
Operating profit before amortisation of intangible assets identified in PPA and impairment of goodwill (EBITA)	Operating profit + amortisation of intangible assets identified in purchase price allocation (PPA) + impairment of goodwill
Operating profit before amortisation of intangible assets identified in PPA and impairment of goodwill (EBITA) margin, %	Operating profit + amortisation of intangible assets identified in purchase price allocation (PPA) + impairment of goodwill divided by net sales and multiplied by a hundred
Operating profit (EBIT) margin, %	Operating profit divided by net sales and multiplied by a hundred
Earnings per share (EPS), diluted, euros	Profit for the period attributable for shareholders of the company divided by the weighted average number of shares outstanding during the financial period adjusted for share issues, multiplied by a hundred
Return on equity (ROE), %	Profit for the period (annualised) divided by average total equity, multiplied by a hundred
Return on investment (ROI), %	Profit before taxes (annualised) + financial expenses (annualised) divided by average total equity + average interest-bearing loans and borrowings, multiplied by a hundred
Equity ratio, %	Total equity divided by balance sheet total – advances received, multiplied by a hundred
Net gearing, %	Non-current interest-bearing liabilities + Non-current lease liabilities + Current interest-bearing liabilities + Current lease liabilities – Cash and cash equivalents – Other rights of ownership under Current and Non-current investments, divided by total equity and multiplied by a hundred
Average overall capacity, FTE	Overall capacity of the Group's personnel, converted into a value corresponding to the number of full-time employees. The figure includes the entire personnel, regardless of their role. The figure is not affected by annual leave, time-off in lieu of overtime, sick leave or other short-term absences. Part-time agreements and other long-term deviations from normal working hours reduce the amount of overall capacity in comparison with the total number of employees. The capacity of acquired companies' personnel has been considered as of the acquisition date.
Average subcontracting, FTE	Overall amount of subcontracting used in invoiced work, converted into a value corresponding to the number of full-time employees. Subcontracting used by acquired companies has been included as of the acquisition date.
Number of employees at the end of financial period	The number of employees at the end of the financial period.

Key figure calculation formulas 2/2

Alternative Performance Measure	Definition
Adjusted EBITA	Reported EBITA + (+ goodwill impairment +/- costs/gains directly related to acquiring business combinations + restructuring costs of business structure - gains of sales of fixed assets + losses of sales of fixed assets).
Organic growth	Organic growth is defined by comparing the quarterly net sales in the Group income statement with the net sales of the previous reporting period's corresponding quarter. The growth is calculated with a comparable Group structure using the Group structure of the time of reporting to calculate pro forma net sales for the corresponding period. The pro forma net sales include the impact of acquisitions and divestments and is unaudited.