

GOFORE PLC  
1 - 12/2022

# Financial Statements Release 2022

A record year for Gofore – net sales growth  
43%, adjusted EBITA +50%

17 February 2023  
Unaudited



**GOFORE**

**Teppo Talvinko**  
CFO



**Mikael Nylund**  
CEO

Gofore is a growing  
and profitable digital  
transformation  
consultancy

43%  
Growth

2022 NET SALES

149.9 MEUR

(104.5 MEUR in 2021)

2022 EBITA %, ADJUSTED

14.7%

(14.0 in 2021)

H2/2022 NET SALES

77.4 MEUR

(52.8 MEUR in H2/2021)

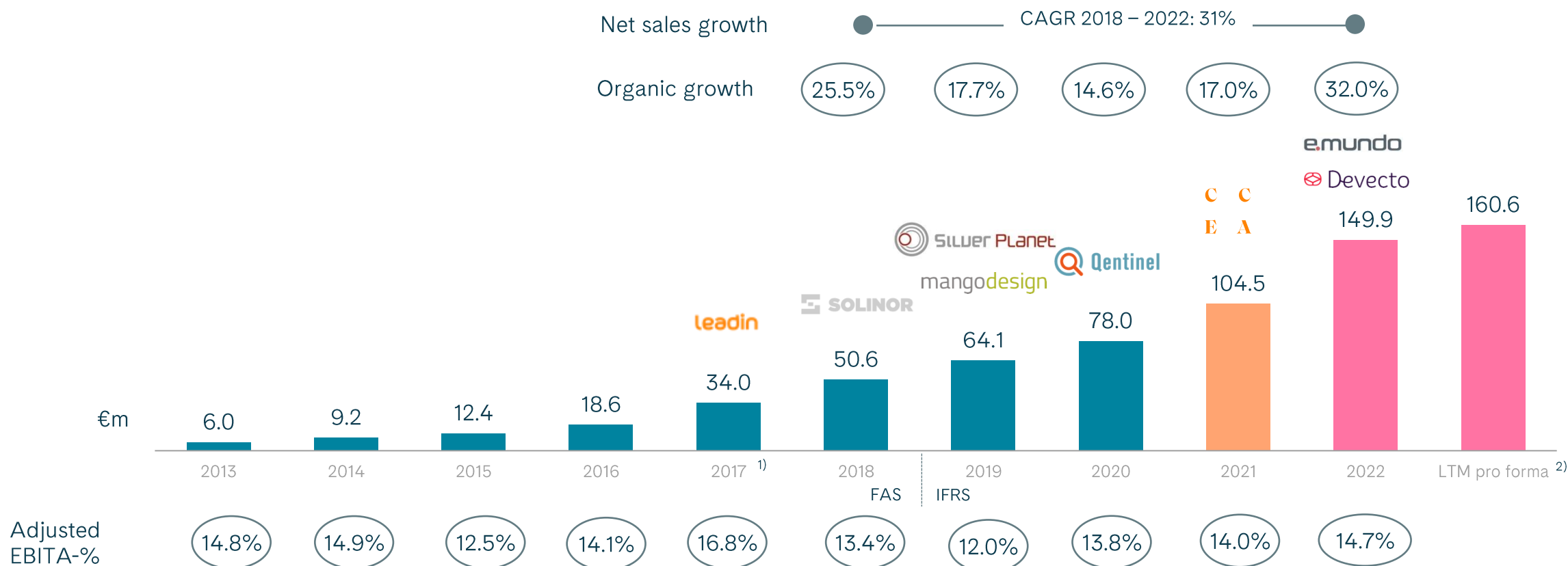
H2/2022 EBITA %, ADJUSTED

14.6%

(14.6 in H2/2021)

47%  
Growth

# Growing & profitable



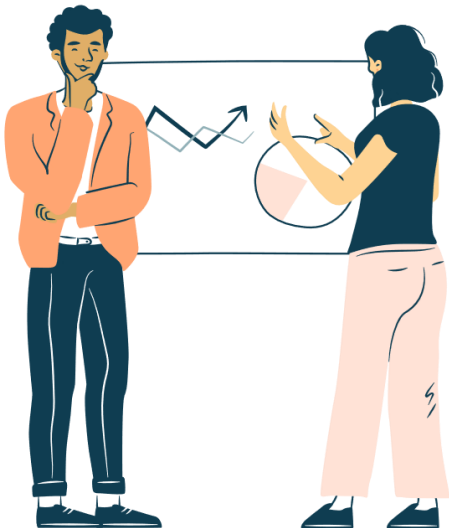
2013-2018 figures presented as FAS figures, 2019- presented as IFRS figures.

1) Figures for the financial period in 2017 are not comparable to the financial period in 2016 due to changes in Group structure.

2) LTM pro forma net sales calculated for 1/2022-1/2023, includes eMundo's full-year figures.

# Full-year 2022 Highlights

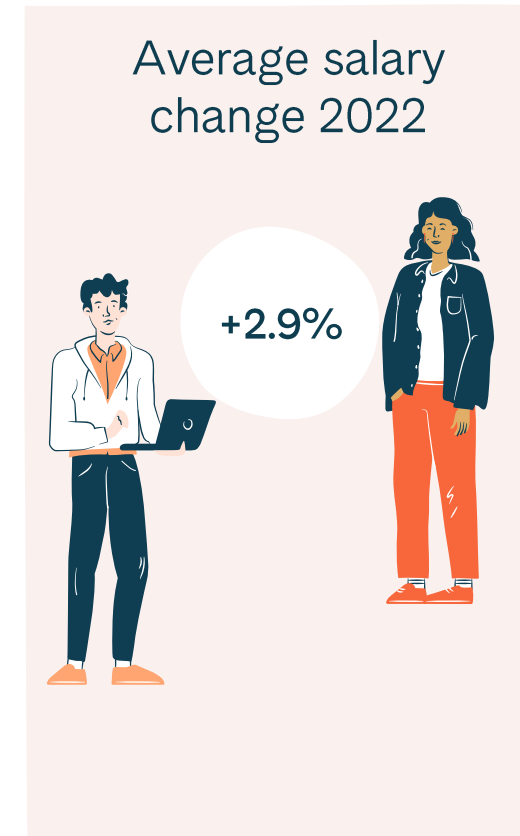
A record year for Gofore –  
Net sales +43%, adjusted  
EBITA +50%



- Net sales grew by 43% and was 149.9 (104.5) million euros. Organic net sales growth, 32%, was very strong.
- Profitability was strengthened from comparison period and was 14.7% (14.0%).
- Number of employees grew by 52% and totaled 1,297 (852) people. Recruiting was very successful and attrition rate significantly lower than previous year.
- Rising customer pricing more than compensated for salary changes; customer pricing growth during the year on average +3.5% and average salary change +2.9% <sup>2)</sup>
- Acquired in January, Devecto's business developed as expected. DACH area business was strengthened by the eMundo acquisition in 11/2022.

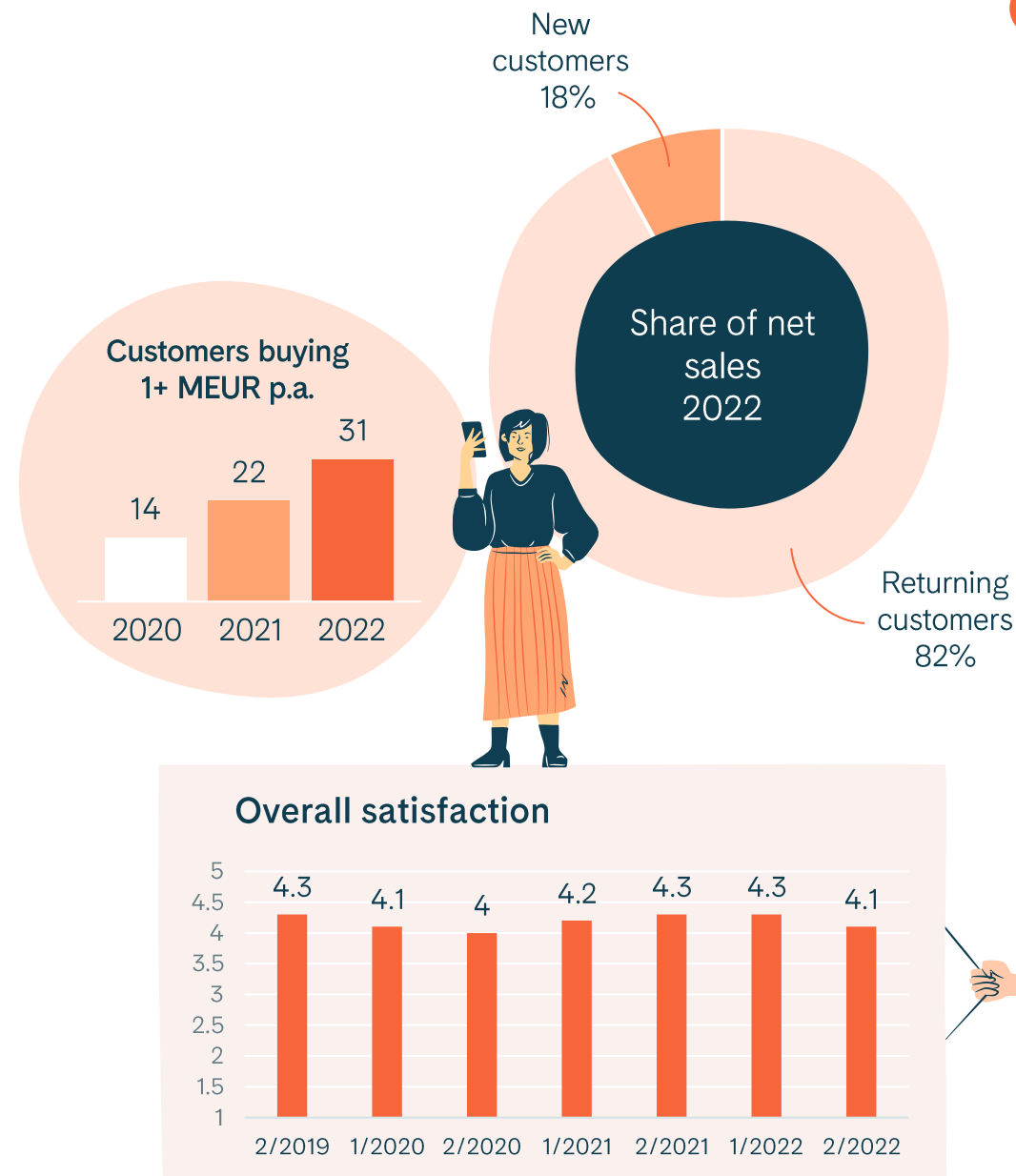
# Customer pricing and salaries in good balance under inflation pressures

- Operatively good year shows that Gofore's business scales well. Customer demand was on a very good level and typical growth bottleneck, recruitment, worked very well.
- Most important indicators of operative effectiveness – billing rate, customer prices and average salary – developed well.
- Customer price change during the year was +3.5%.
- Average salary change was +2.9 % (+6.1 % in 2021).
  - Average salary rise on a healthy level, 6.2%
  - Hiring new employees kept the average salary change on a healthy level despite salary inflation.
- Billing rate stayed on a good level throughout the year, being especially good on the last quarter.
- Personnel expense share of net sales stayed close to the 2021 level and was 56.8% (56.4%). Subcontracting share grew somewhat and was 19.8% (19.4%).



# Customer size and satisfaction on the rise

- Customer size grew significantly in 2022
- Deepening relationships, returning customers' share of net sales 82%
- Large projects with growing impact
- Excellent customer satisfaction; NPS 43 (benchmark 37) and overall satisfaction with Gofore 4.1
  - We exceed expectations
  - Versatile expertise
  - Smooth collaboration
  - We are trustworthy
- Preferred brand out of 15 peers  
(Brand awareness study 2022, respondents were not current customers)



# Digital Society: LähiTapiola

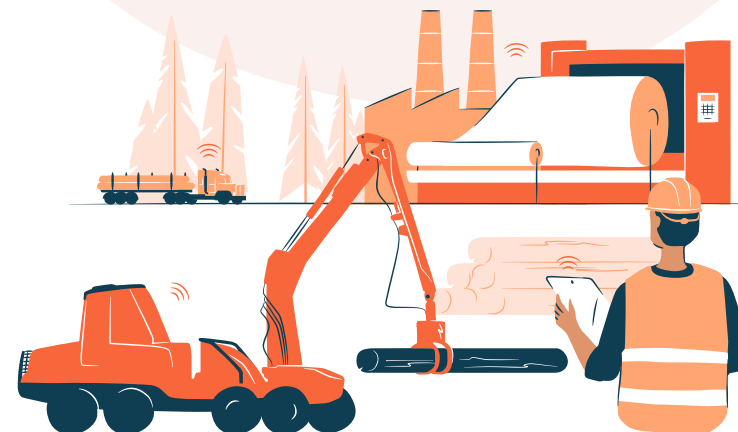
## Intelligent Industry: Metso Outotec

Great examples of long customer relationships on both strategic sectors in the report attachment.

See more

LähiTapiola and Metso Outotec customer cases featured in the report attachment at

<https://gofore.com/media/gofores-financial-statements-release-2022.pdf>



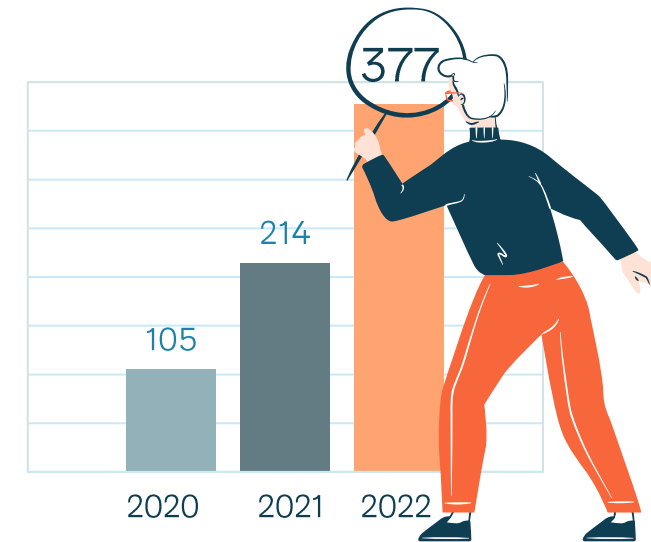


# Human-centric culture brought results

Strong employer brand and investment into work satisfaction sped up growth in 2022

- Gofore's number of employees grew by 52% to 1,297 people
- Record successful recruiting; 377 people recruited during the year
- Employee attrition rate decreased from 17% in 2021 to 12% (target 10%)
- Share of unexpected leavers even smaller than targeted, 9%
- Employee net promoter score improved from the spring (eNPS 30) to fall; eNPS 43

Recruitment  
growth  
76 %



# Financial information

January-December 2022

# Strong organic growth accelerates

Net sales  
growth, %

34%

43%

30%

47%

Organic  
growth, %

13%

32%

18%

33%

Net sales,  
MEUR

104.5

149.9

52.8

77.4

2021

2022

H2/2021

H2/2022

Net Sales growth, 2022 y-o-y

Total 43%

Finland 40%

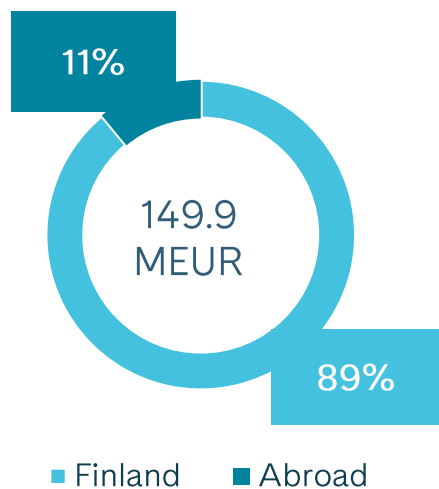
International 77%

Public sector 33%

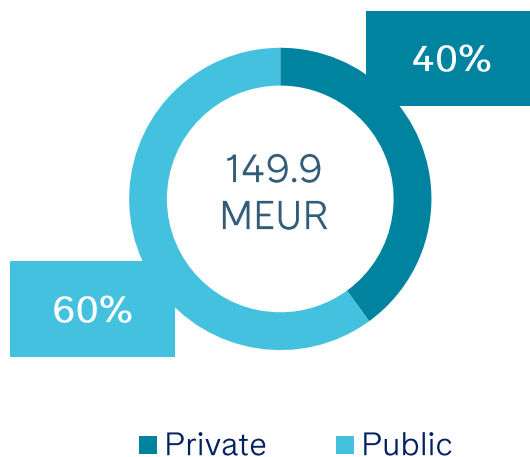
Private sector 64%

# Net Sales Distribution

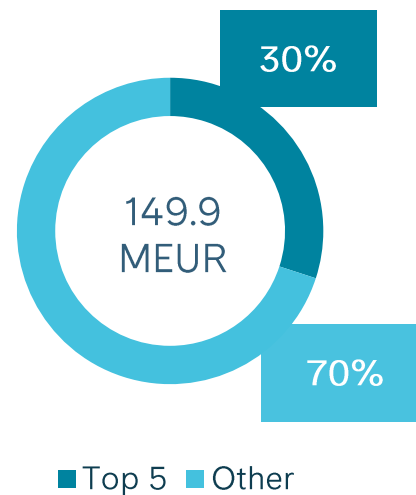
Geographically



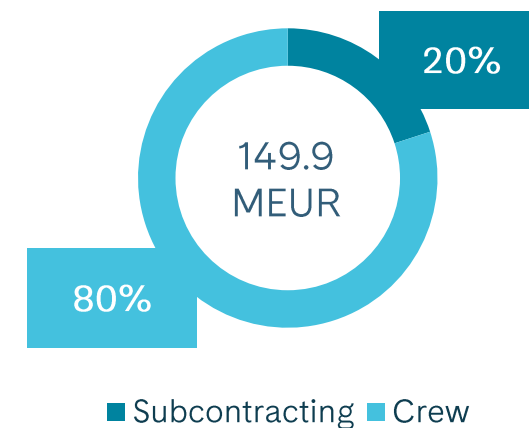
By Sector



By Customer Size



Share of Subcontracting



# Profitability on a stable track

Adjusted  
EBITA, %

13.8%

14.0%

14.7%

14.6%

14.6%

Adjusted  
EBITA,  
MEUR

10.8

14.6

22.0

7.7

11.3

2020

2021

2022

H2/2021

H2/2022

## Strong y-o-y development in 2022

- Profitability improved year on year, driven by organic growth, billing rates and a lean operating model
- Good balance of customer pricing and salaries
- Billing rate development positive throughout 2022
- Strong Q4; adjusted EBITA EUR 7.5 million, 16.5%

# Quarterly Performance & January 2023

EUR thousand unless otherwise specified	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Net sales	45,686	31,717	37,120	35,398	31,203	21,627	26,446	25,232
Change in Net sales, %	46%	47%	40%	40%	29%	33%	43%	34%
Adjusted EBITA	7,521	3,743	5,613	5,109	4,997	2,706	3,438	3,505
Adjusted EBITA, %	16.5%	11.8%	15.1%	14.4%	16.0%	12.5%	13.0%	13.9%
Change in Adjusted EBITA, %	51%	38%	63%	46%	53%	44%	40%	11%
Organic growth of Net sales, %	29%	32%	27%	23%	21%	13%	9%	8%

JANUARY 2023	Net sales, MEUR	LTM pro forma	No. of Employees	Overall Capacity, FTE	Subcontracting FTE	No. of Working Days in Finland
Key Figures (January 2022)	15.8 (10.8)	160.6	1,318 (993)	1,225 (917)	186 (147)	21 (20)

See more

Monthly key figures at  
[gofore.com/en/invest/financial-information/monthly-review/](https://gofore.com/en/invest/financial-information/monthly-review/)



# Financing

EUR thousand, unless stated otherwise	31 December 2022
Cash and cash equivalents	44.1
Interest-bearing net debt	-23.6
Equity ratio	54%
Net gearing	-29.5%

## Solid financial situation

- Strong cash position
- Solid balance sheet
- Negative debt position
- High equity ratio
- Enables adequate and inexpensive loan financing if needed
- Creates a strong foundation for continuing M&A activity
- ~70 % of loans hedged



# Targets & Outlook



# Outperforming targets set in 2020

## KEY GROWTH LEVERS

2020 targets

1 Growth in Finland

2 International growth

3 Disciplined M&A

**20%**  
total annual growth

**~10%**  
annual organic growth

Growing portfolio  
of large customers in  
and outside Finland

Increasing presence  
outside Finland, reaching >10%  
in 2025

Delivered in 2022

**43%**  
net sales growth

**32%**  
Organic net sales growth

**64%**  
Private sector net sales  
growth

**15%**  
of net sales  
from outside of Finland  
(pro forma 2022),  
organic growth 76%

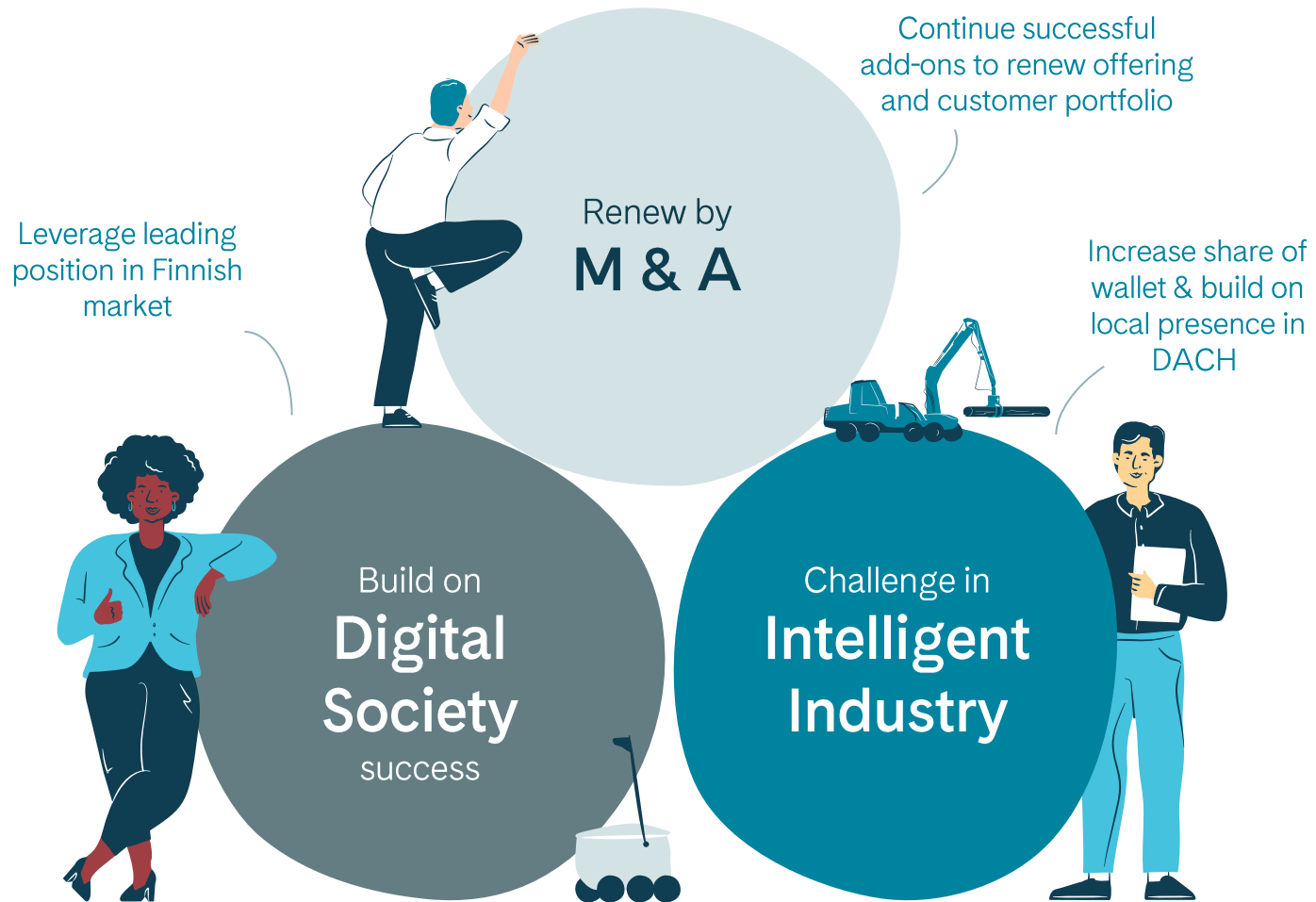
All numbers full year 2022. Pro forma net sales outside Finland include eMundo's retroactive full-year net sales.

# Updated long-term financial targets

Gofore's organic growth has been exceeding both the IT services market overall as well as the company's own targets.



# Three avenues to growth



Gofore's strategic focus themes are

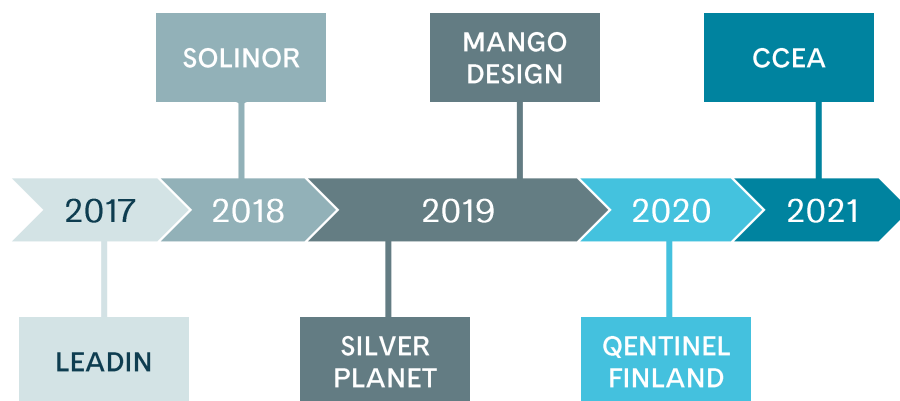
- Future of work
- Industry focus
- Sustainability
- International

Three strategic growth avenues are:

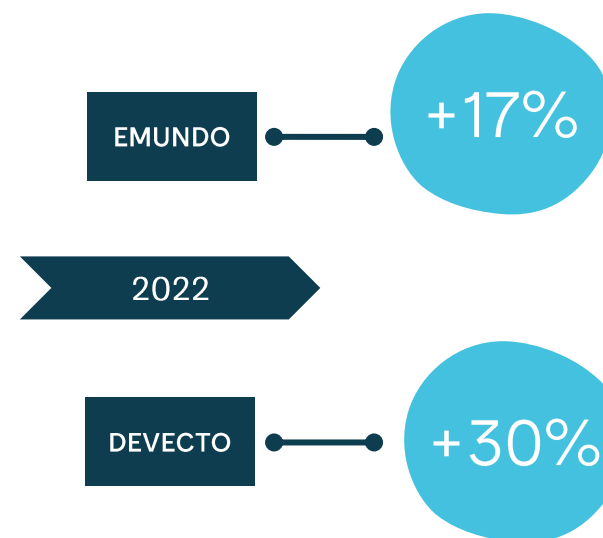
- Digital Society sector
- Intelligent Industry sector
- Mergers & Acquisitions

# Proven track record of value-creative M&A

M&A Track 2017–2022



Net Sales Growth 2022



# Digital transformation's outlook strong in the mid and long term

Short-term outlook shadowed by macro-economical uncertainty that affects demand.



## Public sector digitalisation continues

Gofore expects digitalisation investments in the Finnish public sector to continue due to continuing digitalisation and the structural reform. Election spring may temporarily slow down demand.

## Private investments cycle dependent

New and more digital products have been a clear priority, although economic cycle may slow down demand in 2023. Gofore's offering is a good fit with private sector demand.

## International market uncertain

Markets outside of Finland are developing broadly in line with the Finnish market. Gofore's foothold in the DACH area has strengthened. Global customer companies may face a downturn this year.

## Talent market challenging but may be alleviated in the short term

Competition for the best talent will continue in the IT industry, but Gofore may benefit from a slowdown on other sectors than IT services. Gofore mitigates the risk of wage inflation with its own salary agreement.

# Public sector digitalisation continues

Gofore expects digitalisation investments in the Finnish public sector to continue, due to continuing digitalisation and the structural reform. Election spring may temporarily slow down demand.

- Momentum with big projects will carry on from strong 2022 into 2023
- Parliamentary elections in Finland April 2023
  - Earlier experience shows that there will be slower period in tender activity resulting in less new projects starting over a limited time
  - Elections will have no effect on ongoing projects and development
- A slow down in the whole market will also to some extent be reflect on the public sector market – higher risk of price competition
- Structural reform in social services and healthcare continues with new regions started 1.1.2023
  - Gofore has strong position with several regions and middle-men (publicly owned IT-services companies), but long-term agreements have not been put into place for all customers yet
- During 2023, one current major framework agreement is expected to be put out to tender. Effects of the tender will be visible to Gofore in 2024
- Public finances under pressure due to deficit and interest hikes. However, this is not expected to have an effect on willingness to invest into digital development
  - New government program after elections will give better visibility

# Private investments cycle dependent

New and more digital products have been a clear priority, although economic cycle may slow down demand in 2023. Gofore's offering is a good fit with private sector demand.

- Private sector demand mostly affected by macro-economic cycles
  - Risk of short-term impact bigger than for public sector
- Outlook of customers is still quite good and customers on average are optimistic about 2023
  - Gofore customer portfolio includes especially technology industries with export dependent order books
  - Customer order books are on the average still on a strong level
- Green and digital transition is driving investments
- A national plan and legislation to raise R&D funding (to 4% of GDP by 2030), is expected to support customer demand

# Talent market challenging but may be alleviated in the short term

Competition for the best talent will continue in the IT industry, but Gofore may benefit from a slowdown on other sectors than IT services. Gofore mitigates the risk of wage inflation with its own salary agreement.

- Short-term, the organic growth bottleneck is expected to swift from talent availability to customer demand
- As evidenced by performance in 2022, Gofore employer brand and recruiting operations are performing well
- Wage inflation has been accelerated by economic inflation
  - Gofore's own salary agreement anchors basic wage development to company performance – sharing the benefits of success
  - Track record of managing growth in terms of average salary development is good
- Medium and long-term it's expected that there will be no change in talent market and shortage of talent will continue
  - Essential to continue improving on core recruiting operations, strengthen employer brand, broaden the offering for talent and look at possibilities to expand geographically into new talent markets



# Short-term risks and uncertainties in the operating environment



● ● ● ○ ○ MEDIUM RISK

## Macro-economical situation

Economical uncertainty has been significant in 2023. Uncertainty of the economy and economic growth is seen in investments. Inflation and a changed interest situation affect the operating environment. Impacts on Gofore are related to inflation developments and general customer demand. Adding costs raised by the inflation on customer pricing has gone well so far. There has been no sign of essential weakening of customer demand.

● ○ ○ ○ ○ VERY LOW RISK

## Public sector customer market

The public sector is more resilient to macro-economical changes than the private sector. Weakening public economy may affect the public sector's IT investment. Finnish parliamentary elections in April 2023 are expected to temporarily affect market activity. Gofore believes its public sector market position is strong and therefore sees this risk as very low.

● ● ● ○ ○ MEDIUM RISK

## Private sector customer market

Companies are more vulnerable to political situation or country-specific macro-economical risks. Especially Finnish export companies have on average a strong order intake in the start 2023. Gofore currently sees this risk as medium. In the mid and long term, digitalisation is high on private company agendas, and Gofore's offering creates high added value to customers.

● ● ○ ○ ○ LOW RISK

## Talent market

Demand for skilled workforce continues high in the industry. Short-term uncertainty of the economy has slowed down the labor market, as e.g. international technology businesses and SaaS companies have slowed down recruitment and even laid off staff. Despite this, Gofore only sees a low risk here, thanks to its strong employer brand and the flexible work it enables.

● ● ● ○ ○ MEDIUM RISK

## M&A market

Gofore intends to continue disciplined acquisitions by acquiring companies that fit its strategy. The M&A market has slowed down somewhat with the developments of the economical situation. Integration of acquired companies includes uncertainty. In Finland, Gofore is an experienced, valued buyer. In the new market area, German-speaking Europe, it faces a higher risk.

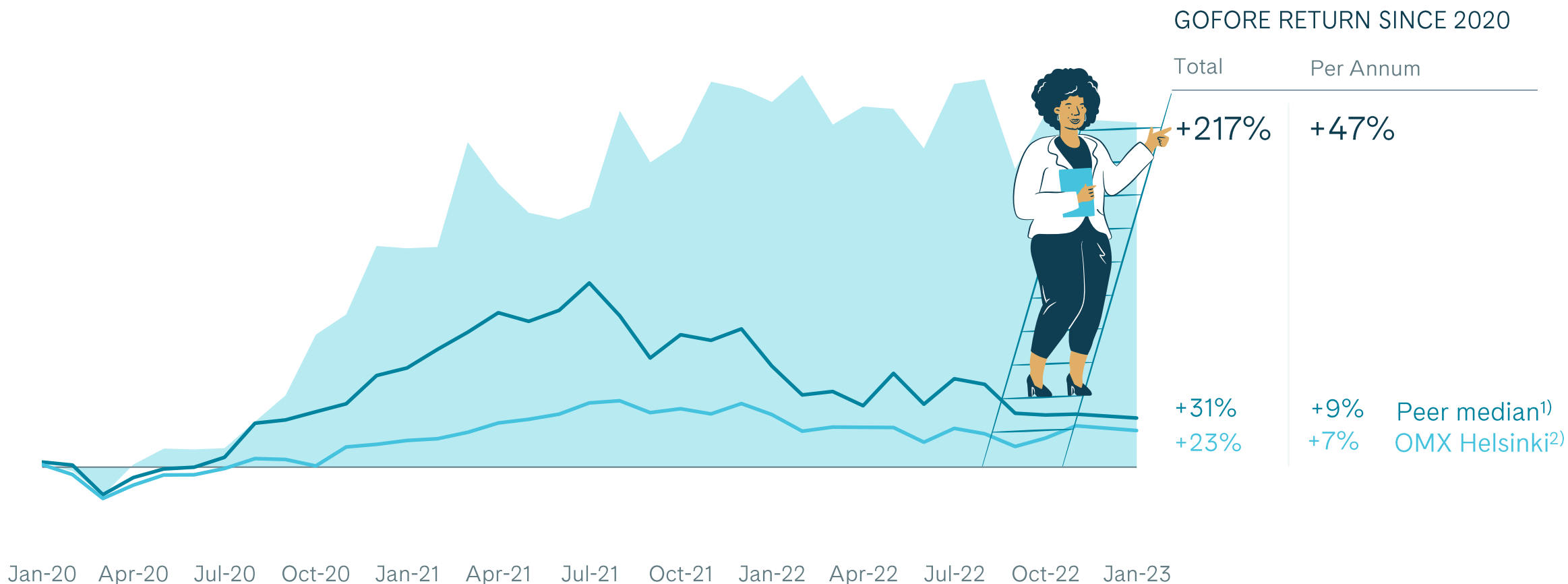
● ○ ○ ○ ○ VERY LOW RISK

## Geopolitical situation

Russia's invasion was or the limitations imposed on the country continue to have very little *direct* impact on Gofore. Gofore has no operations in Russia, Ukraine or Belorussia. The conflict has had a negative impact on some customer businesses.

# We create significant shareholder value

Cumulative total shareholder return over time.



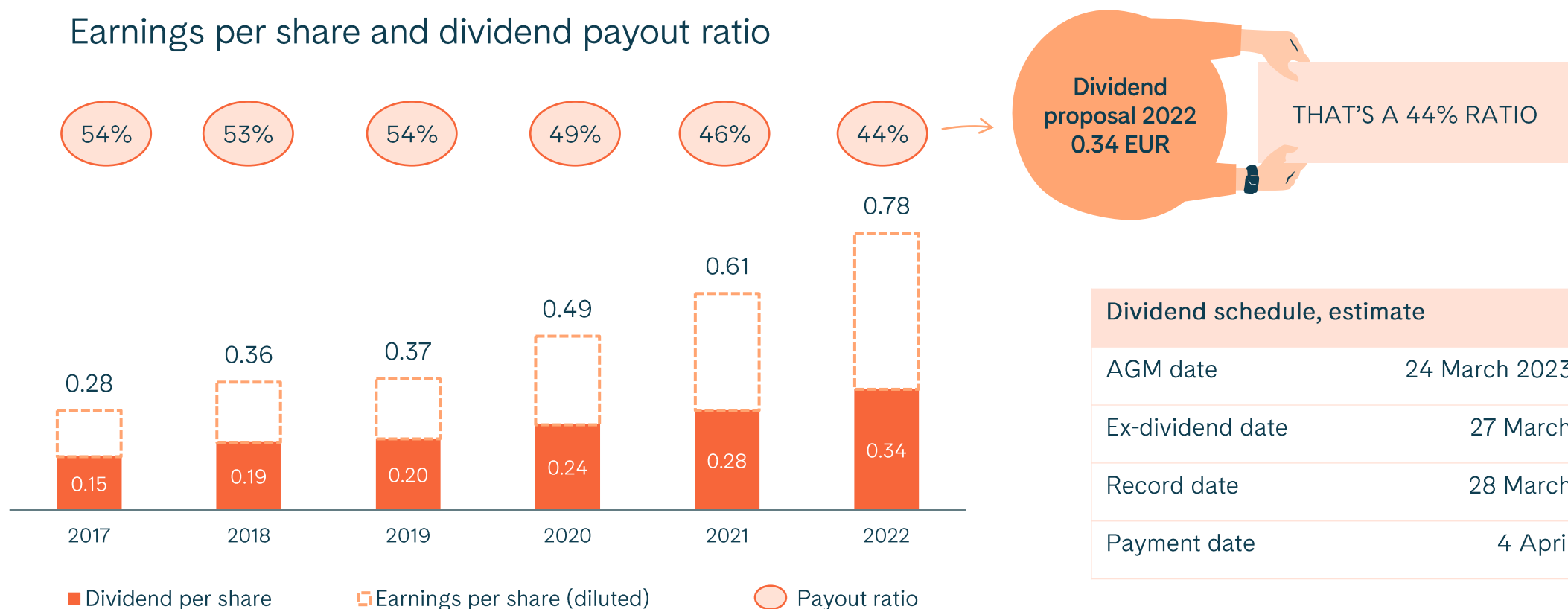
1) Peer median comprises Netcompany, Siili, Vincit, Digia, Knowit, Bouvet, TietoEVRY, CGI, Atos, Globant, EPAM, Endava, Kainos and Thoughtworks

2) OMX Helsinki All-Share

Source: FactSet

# Continuously improving earnings and dividends

## Earnings per share and dividend payout ratio



# Disclosure and Guidance

As of February 2022, Gofore has not provided forecasts about the revenue or profit for the financial year. Before, Gofore may have presented an estimate of the company's revenue or performance guidance in the financial statement release or half-year report.

Gofore continuously develops the content of its monthly business reviews and interim reports, in an effort to further improve the company's transparency and more real-time monitoring of financial developments.

# Pioneering an ethical digital world.



## Upcoming financial reporting

- Gofore's Annual Report 2022 is published on 2 March 2023
- The full Financial Statements are available in the Gofore headquarters at Kalevantie 2, 33100 Tampere, Finland
- Q1 Interim Report on 25 April 2023
- Monthly Business Reviews are always published in the beginning of the next month

Stay in touch!  
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