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CORPORATE PARTICIPANTS**Tomi Hyryläinen** *TietoEVERY Oyj - CFO***PRESENTATION****Unidentified Analyst**

So now the clock is 11:00 a.m. Central European Time.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Hello. It's Tomi Hyryläinen.

Unidentified Analyst

Hi, Tomi. Most welcome to the call. And we also move work well on (inaudible) on the call. And everybody else is also very welcome. (Operator Instructions)

(technical difficulty) Just to recall, Tom has been with Tieto for [some] 20 months and was previously in Finland after long tenures and authorized public accountant. (inaudible) has worked with you EVERY since 2019 after a long career at [indiscernible] as a treasury manager and Head of Treasury. Myself has been technology analysts for some 20 years, 5 years with Hannes Bank. And we actually covered yet. So (inaudible) close to 20 years. I've seen many shapes and forms to develop.

Also, I would like to -- we'll have a start of this session with barely 10, 15 minutes with (inaudible), a bit of Q2 and integration and so on. And then I will start off the Q&A session before letting you all in with your questions. (Operator Instructions)

So with no further ado, Tomi and (inaudible), the line is yours.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Thank you, and good afternoon, everyone. So I'll do 10 to 15 minutes, as mentioned, and then we'll move into Q&A and have a -- and so overall, Q2 was a good quarter for us. It was a very dynamic and demanding, and I'll explain you why. There are 4 key messages from Q2. Now I assume that everyone received a summary slides that we sent. So I'll start from the first stage Q2 in brief. So 4 key messages from Q2. So first of all, solid underlying operational performance in all businesses, delivering an 11.7% adjusted profit. We demonstrated good resilience towards COVID as we anticipated, and I'll talk about that later on more.

The second one, integration. Of course, this is a year of integration following the merger. So integration is well on schedule. The other one -- the other point is the delivery against the merger business case. So we delivered well. We reached a run rate synergies of EUR 45 million by end of Q2 and increased merger business case from EUR 75 million to EUR 100 million of synergy targets. Thirdly, we did book large onetime items in Q2, which I'll cover later on as well for future profit contribution and derisking the company as well. We also opened up the full view of the onetime items for 2020 and 2021 to make sure that the picture of high onetime -- or large onetime items in 2020. And then for 2021, back to normal with synergy onetime items and the noncash PPA, the only ones remaining. Then the fourth component would be dividends. So there was a decision to pay out 50% of the AGM mandate for dividend. Drivers being, and this is, of course, important. Drivers being the COVID uncertainty is expected to continue. A strong operational performance that we have demonstrated for the first half of the year in Q1 and Q2. Our integration, which is on schedule and the good progress there with the synergy targets already or synergy run rate being achieved and the target increased, and then the large onetime items, which we booked in Q2 and for the full year of 2020.

So those who are the 4 main messages from Q2. Now I move in to the next page and a brief comment on the Cobi. So this is the page which continues adapting to COVID. So we keep our market outlook as it relates to COVID, unchanged. So we expect the COVID impact to be minus 2% to minus 5% for the full year revenues. As you recall, we estimated Q2 impact to be roughly minus 2%, which was, I think, demonstrating the resilience that we thought to have against the COVID. And then again, the profitability, we were able to mitigate the negative profit impact of this top line, COVID minus 2%. The short-term saving actions, we will continue throughout 2020. Of course, as we all know, no one knows what will happen with the COVID for the rest of the year or even '21. But we see that the short-term saving actions, which we have started, will be able and will continue throughout 2020.

Then let's move on to the next page, which is the summary financial base for the group. So Q2 organic growth, minus 1%. Adjusted EBIT, as I mentioned, strong 11.7% to EUR 80.4 million. So strong performance in all of our businesses. Reported EBIT, minus EUR 9.8 million. So negative due to the onetime items, which I'll briefly cover as well. They account -- amounted to EUR 90 million in Q2. Good growth in our software businesses of 6% and 3%. In our industry software, primarily driven by health care, welfare and our public sector software and in FSS by our card services. COVID impact, as mentioned, fully litigated in Q2. And as I reflected in the earnings call as well, if we turn that into euros, it's roughly EUR 12 million to EUR 30 million cost savings being taken during Q2. And the majority of those cost savings were cutting the external cost and only minor part less than 1% of our workforce in FTE terms were impacted by our temporary layoffs during the Q2.

Then I will move into the next page. So this is the building the foundation for future so I'll talk about briefly the large onetime items. So in practice, there are 3 areas which are listed in here, first one being the integration now integration-related onetime items. These are the merger-related items, and they are as fully as we planned. So the only thing here is that they are slightly accelerated due to the good progress that we have made with the merger integration. So the total integration cost, we keep the EUR 120 million to EUR 140 million. So conceptually, no change in here, just a slight acceleration due to the good progress being made. Then the 2 next ones, so redefined IBM partnership. So this was to do with resolving the dysfunctional relationship, which we had, which did not function for us, not for IBM or our customers. So this was to build a foundation for future business with high quality and flown acceleration and these onetime costs, which we booked in through both settling of the old agreement and transition into the new setup. Good to understand that those were separately also discussed in the call and in our slides. And in Q2, we booked all the old agreement-related onetime costs.

The third component being the (inaudible) of PSU. So this was the right decision. Of course, a difficult one. This resulted in EUR 41 million of bookings in Q2, where we booked all the risks. Now EUR 9 million of this was noncash booking the existing asset from the balance sheet, and rest relates to settlements and restructuring of that business. Rationale of the PSU being, the program was delayed. It would have needed additional investments, and we had customer cancellations. So the resulting future financial outlook was not attractive. So the right decision, as I mentioned at this point in time.

Then I'll move into the next slide, which details the large onetime items. And I guess the point thing here that I want to just emphasize this that in Q2, we booked EUR 90 million. For the full year, we estimate EUR 200 million to EUR 210 million, of which the cash impact would be EUR 105 million and EUR 215 million. Now important to note that then in 2021 is less than half. So EUR 85 million to EUR 100 million with cash flow impact, EUR 45 million to EUR 55 million. So the integration costs will continue in '21 as planned, as I mentioned before. And then the PPA noncash of EUR 43 million, which will be an annual out onetime item. And then I put just for the completeness of this picture, some estimate of few millions, whether it's M&A-related or other onetime costs. For EUR 5 million to EUR 10 million. Then moving into the next slide, which talks about the merger efficiency target increasing to EUR 100 million. So this is expanding the merger business case from EUR 75 million of synergies, EUR 100 million. And the estimated run rate for the end of the year 2020, being EUR 70 million to EUR 80 million, with EUR 45 million, as I mentioned, already executed by Q2.

Now the year-end run rate, that was up from EUR 45 million to EUR 55 million to EUR 70 million to EUR 80 million. Again, highlighting the good progress being made in that front. There is no change as mentioned as it relates to integration cost, only the slight acceleration, as I mentioned before. Then the following page, it's derisking the integrated company. So I think it's important to highlight this aspect of what did we do during Q2. So delivering and expanding on the merger business case with the EUR 100 million, EUR 45 million run rate delivered against that plan. We did demonstrate relatively good resilience on top line to COVID and that we were able to mitigate the negative profit impact at these revenue decline levels. The third component being completing our financing arrangements from the merger and our liquidity situation, which currently stands

relatively good with EUR 250 million revolving facility untouched. And the corporate paper market, providing sufficient liquidity short-term for us, currently. We only have EUR 40 million-ish corporate papers out in the market.

The fourth component, as we discussed earlier, so agreeing with the new partnership set up with IBM, where all the past disputes were settled. Again, derisking the company. End of lighting TSU, the decision, again, booking all the risks and eliminating future potential profit leakage. If we would have continued. That page, which I cover, the performance drivers now for the remaining of the year. So COVID -- so we continue to believe in the 2% to 5%, as mentioned, and we continue with our cost-saving measures. The synergy acceleration, quite practically the run rate achieved by now will deliver roughly EUR 23 million of profit improvement for the remainder -- for the rest of the year. And then the negative FX impact from NOK and SEK, quite [tactically] EUR 80 million on top line and roughly EUR 30 million at the adjusted EBIT level. Now as I looked at the last month rates, it's slightly less than still roughly at those levels.

In view of the other performance drivers to comment, overall, we think that we enter the H2 with healthy business momentum with many of the risks being mitigated during Q2, as discussed. We see a slight cost base increase in Cloud & Infra during H2 due to the IBM transition and the earlier discussed, expiring customer contracts. So this was discussed 2019 will have a negative impact of approximately 3% on Cloud & Infra revenues during H2.

These were the performance drivers, and this concludes my opening. So now we can move into Q&A.

QUESTIONS AND ANSWERS

Unidentified Analyst

Thank you very much, Tomi. This is (inaudible), again. I will start off the Q&A. (Operator Instructions)

But I would like to start just to understand the underlying result in Q2 (inaudible). You mentioned the EUR 12 million cost savings and a bit less than 1% of employees were impacted by temporary layoffs. But does this EUR 12 million also include lower social insurance costs, for example, in Sweden, [10%] taxes instead of like [33%] or something. And so if we could have at least a ballpark on the underlying adjusted, the EBIT would be great.

Tomi Hyryläinen - TietoEVRY Oyj - CFO

So if I understood that the question correctly, does that include all the cost saving actions, the [EUR 12 million], which we did.

Unidentified Analyst

Yes. Or do you have also benefits from lower social insurance costs, et cetera, in the quarter on top of this EUR 12 million (inaudible)

Tomi Hyryläinen - TietoEVRY Oyj - CFO

No. Those are included there. So those -- there is a few million of contribution from those, right? Yes. And that's sort of embedded in that number of mitigating the COVID impact by reducing the cost levels.

Unidentified Analyst

Yes. And out of the total EUR 12 million, how much would we say is internal savings and how -- or savings from less traveling and temporary cost reductions? And how much is from governmental support?

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Most of it is, it's internal cost control or saving and less from the governmental.

Unidentified Analyst

Perfect. And then I would like to ask a little bit on -- you mentioned that you continue with this short-term saving actions to mitigate COVID-19 impact and for the second half as well. Is it possible to give any targeted magnitude of these, again, perhaps versus EUR 12 million you mentioned in Q2 for the second half? So if it (inaudible) so...

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

We can increase some of those. But maybe it would be good to sort of about these in 3 different categories. One would be where we get savings like all the companies, no matter what it's due to COVID. No one is traveling, full stop. So that sort of comes automatically. Then there's a second bucket, which is due to, let's say, the goodness of us, which is managing the external cost which doesn't automatically come as a result of COVID. And then the third category is the cost, which is more in the longer-term variable. And those impacts are not yet visible or they are not yet -- we cannot get those yet. So if we talk about these 3 different buckets. So for example, travel, there's relatively (inaudible) any company can do to still lower, though. So it is roughly at the level rate plans. And some of the other costs come into that bucket as well like some of the external trainings or representation and things like that. Then the second bucket is where we can have more flexibility and work more with -- still with the cost. And in that bucket, there are various, various costs like external of course, subcontracting is one. So balancing that with our own employees versus external consultants for any projects and postponing those. Then there is, let's say, a -- I talked about laptops and PCs and the replacement cycles for those sort of various different elements that we can impact and influence. And those we can still get more savings. Then the third category, if this one prolongs, then we will try to get some of those, let's say, more fixed cost as well on the lost (technical difficulty) we need as much facility space as we have used the lead, how will people work in the future and want to work. Hopefully that answered your question.

Unidentified Analyst

Yes. It did. So it's really great that you identify a temporary process that are going to be long-term (inaudible) out also post COVID 19. I was thinking your first slide, it was about in a very calm thing. And I asked myself the any hidden messages there, i.e., is the market very home or is it more like steady as she goes or that you're trying to show us?

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

That's an excellent question that Shelan picks these pictures. And I like the sort of when everything around us sort of is very hectic and dynamic. This is sort of the state of mind that we need to have in order to navigate well in this environment.

Unidentified Analyst

Sounds wet. Great. So it's not the market total (inaudible), I guess.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

This is our internal mindset.

Unidentified Analyst

Yes. Perfect. And a couple of words on your business segment would be great, I think. To me, the digital consulting, obviously, holds the largest risk stake due to COVID-19, it would be great to understand some how the end of summer, the pickup in August in the utilization and perhaps the outlook on the extremely important month of September looks like for the consulting, if you have any comments there.

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. So digital consulting, of course, as we have discussed. So this is sort of less resilient to COVID. There is the application services part in the digital consulting, where there are longer-term contracts. But then this sort of time and material-based consulting work, whether it's customer experience or a business consulting. That get -- it is more impacted by COVID. As commented earlier as well, we see some pipeline improvement across all our markets. So there is sort of, I think, slight in the turnover but of course, that's something we look at very carefully, and it would not be fair to say that our billing and utilization rates are as normal. No, they're not. And we, of course, our mind also to make sure that we, let's say, manage those well and as well as we can. As you saw, the organic growth was minus 6%. So of course, it's a practice which has been hit. And hopefully, then now towards the end of the year and beginning of next year, we see a pickup in that one as well.

Unidentified Analyst

And then industry software, the public sector and healthcare and welfare are growing with like 10% or more in Q2. I was wondering if this had to do with any project-related benefits in the quarter or if you should expect this strong momentum for this sector to continue also in the second half?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. So this was kind of -- of course, we hope that this -- let's say, what I would at least classify as more resilient markets in the COVID era would perform well, but this was, of course, a positive good surprise for us as well that this did so good over 10% growth. It's really difficult now to say whether it will continue towards the end of the year. I mean if one would be thinking that how to keep the society up and running and invest into the right areas, now I know we invest in roads and infrastructure, but sort of it would be wise for our public sector, governments to invest into IT and digitalizing the societies. So I would tend to be hopeful that there would still be money in the future and even more than what we have seen in the past, but really, really difficult to give any sort of firm answer on that question.

Unidentified Analyst

Perfect. Now I think it's time to pellet some of the external calling participants to ask questions.

(Operator Instructions)

So who will be first? Okay. While you are thinking, I will continue with another question then. And that is on the Financial Services solutions. Also a solid Q2, I would say, despite some growth investments. You have taken some efficiency measures is (inaudible) that will contribute you to profitability already in the second half just ambitiously. Can you give some more color on this? And also perhaps on your internal midterm margins for this segment would be great to just understand a little more how you're thinking is also if possible to give some color on the EVERY model, how it look like (inaudible). Please also (inaudible)

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. That's a really good question. And I think to open up in more detail, the longer meter -- longer-term view of these businesses, we will have to wait until the CMD. Now quite practically, of course, the FS is a combination of (inaudible) payment software and -- and core and payment software

and every FS software unit. So of course, we're doing now the integration and the longer term plans. But it would be premature to now talk about it in this call. We will be open this up in our CMD, which we hope to keep in the Q4.

Now when it relates to the efficiency improvement actions and the merger efficiencies. Of course, we are looking to build a competitive cost structure for the whole company what is the right level, of course, that this company needs to run considering our strategic ambitions. And then it has to do with all of our service lines, including Financial Services Solutions.

Unidentified Analyst

Perfect. Good answer. I would also like to talk about a little bit about the dividend, you have the quarters decided now to pay out 50% of the original proposed [1 27] for 2019. But just to get your thinking, as a shareholder, given if you would have financial room and market stability and so forth in the end of this year or starting next year, would it be fair to think that the remaining 50% could be paid as an extraordinary dividend for 2020? Or should we forget about the last 50% from 2019?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

So of course, really, really good question. So now it was decided to pay the 50%. And one should look at this as an, let's say, abnormal year, and we would get back to the normal attractive dividend levels in 2021.

Unidentified Analyst

Okay. And then I think I will open up again for questions from the audience. (Operator Instructions)

Do you have any questions?

Unidentified Analyst

Yes. It's (inaudible) from (inaudible). Just a question on the increased synergy target where you find another EUR 25 million. Can you talk a little bit about where those kind of EUR 25 million popped open? And how easy they are to achieve? And if it's more -- even more to come?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. Really a relevant, a good question. So the way we have run this project overall, as I mentioned, we started from -- let's look at the company and the overall, i.e., direct synergies, what could those be with? But essentially, the program is about finding the right cost base for the new integrated company. And when we look at it through those lenses, and this is, of course, an iterative process, which we work on every day and my (inaudible) i.e. do you think and some targets, of course, for ourselves, (inaudible) target. But time is different. So this additional EUR 25 million is from no specific area. And it would be more (inaudible) for me an externally talk about any specific area. But it was mainly from all the areas when we make better progress with our work then we found more possibility to streamline the cost structure of the company.

Unidentified Analyst

Does that mean that -- just a follow-up, does that mean, for instance, for digital consulting that you say, okay, for this part of the business, the right cost structure is x, which yield kind of a margin of 30%, for instance? Or is that kind of the way of thinking that you kind of have a target profitability target or EBIT target in mind and interest in that cost base to get there? Or...

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

That's 1 stream of the thinking as we would expect, of course. Not largely that's direct (inaudible) way. But of course, I mean we look at -- of course, at what levels of profit growing we should be doing from these sort of different types of businesses and services. And then we look at how to get there. But it's -- as I mentioned, of course, there are a lot of other considerations in, as just mentioned.

Unidentified Analyst

Another one, if I might ask you. If you kind of think about the overall, let's say, growth profile of TietoEVERY. Do you think that will be served by this? Just excluding the revenue synergies, sorry, but just from the cost synergies that, are you kind of hoping the long-term or the medium-term growth rate.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

So I think we should be looking at this year now desperately. So this is the year of integration in 2020. And of course, now when we got coking on top of that. So we were expecting to grow this year organically, either we are integrating the company, setting ourselves a -- let's say, fit the future growth and the future profits delivery. So finding the right cost structure for the new company and integrating the company. And then as it relates to the need and long-term growth ambitions, we will talk about those in later. But of course, we will not expect to grow less than the market. So we will -- going forward grow higher than the market, and then we'll sort of really say that what does that mean then for the individual service lines, once we have the CMD.

Unidentified Analyst

And other question is on (inaudible)

Unidentified Analyst

It's Bill from (inaudible) Asset Management. I've got 3 quick questions, if that's okay. The first question is, could you talk a little bit about please, about the trends you're seeing in underlying staff turnover and wage inflation?

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Yes. Thank you for a really good question. And I'm happy to tell you that actually our rotation attrition levels are even lower than what they were pre COVID. So we are not actually seeing any attrition increase. Now it's, of course, as you would understand, it's slightly difficult to put that (inaudible) together, what is the impact of COVID because -- like everyone, I think that during the time of COVID, the attrition probably goes down. But then there's the other component of the integration and the merger, I think in general public would take that the attrition goes up. We did not believe that either prior to COVID. And now during COVID, we don't see a big swing either way, slightly less attrition than before.

Now as it relates to inflation rate, which, of course, as you know, that we track it very carefully, and that's one of the, I would say, production or profit element for us to mitigate every year. I would -- if I don't go through country by country, I would, in general say that the inflation is probably slightly less than what we have experienced earlier, which would be the general assumption as well.

Unidentified Analyst

Okay. And could you just maybe quantify the attrition that you were seeing before COVID? So I'm not sure what that number is.

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Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Our attrition.

Unidentified Analyst

Yes. What was it before the start of COVID.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

(inaudible), do you have that number? It was in the range of EUR 11 million.

Unidentified Company Representative

Yes. Something on that level. I don't have the specific number in that area, yes.

Unidentified Analyst

Right. Okay. And the second question...

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

I would categorize that as very healthy. At the lower end, probably if we would compare our peer companies.

Unidentified Analyst

Yes. Okay. And the second question is, as a result of COVID, do you expect it to be much of a change in the competitive landscape in terms of what maybe the large global firms are doing in the region and/or even with the smaller competitors. How do you see that?

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Yes. Good question. And the way we sort of see this currently is that there is slightly more aggressiveness from some of the competitors, but not (inaudible). But some of that behavior is (inaudible) in the market in the means of more aggressive pricing, for example. From that perspective, yes, it's kind of there. Again, that one would expect, but nothing dramatic yet.

Unidentified Analyst

And that's from your global competitors? Now, I don't want to sort of actually call out my reflection from a set of discussions. Now I would probably not want to put a generic statement out there from -- which has come from.

Unidentified Analyst

Yes. Understand. And my last question is, I guess, related to that. Is it possible to win new clients at the moment? You mentioned that your pipeline is improving. But can you actually win new business when principally, there's more (inaudible) get in front of people at the moment?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. It definitely is possible. It is more demand, that's for sure. And we, like all companies are trying to find ways, how do we work now in this remote setting and win new clients, of course, continue base with our existing in. But it's definitely possible. And it requires maybe more work and more activity level.

Unidentified Analyst

Okay. Any more questions? (Operator Instructions)

As the next question. Okay. Then it might be me. And I was thinking if you could talk a bit down, how to think about the integration cost. If we sum up the integration costs for 2020 to 2022, get it to EUR 110 million to EUR [145] million. But then you have like EUR 21 million recognized for Tieto stand-alone in 2019. So my -- given this, the initial range given EUR 120 million to EUR 140 million is still in play, although not the very low end. But given your current insight, what could trigger a need for you to abandon this range in full in terms of cost -- the additional cost for the integration?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Currently, I don't see -- I think we are -- relatively accurate numbers that we are now dealing with. I mean now if we think about this quite practically from when we started the -- really integration work that started at the time of closing, which was the fifth of December. So we have now been working, let's say, 8 to 9 months fully. So we have now relatively good understanding. So I wouldn't sort of try to question any of those numbers from that perspective.

Unidentified Analyst

Just for my understanding, the EVERY EUR 21 million that was recognized for full 2019 for Tieto, is that excluded from the EUR 120 million to EUR 140 million? Or should we include part of that from fifth of December in this (inaudible)

Tomi Hyryläinen - TietoEVERY Oyj - CFO

No. No, no. That -- so there was the M&A-related cost, which both companies recognized. And then there was something in the December still. But that was all in the '19 numbers. So this EUR 20 million number is the integration, and that's where the EUR 120 million to EUR 140 million starts in.

Unidentified Analyst

Perfect. Fully in play still. And then I have a question on -- you had a bit of a project failure with the (inaudible) one could say. It's the comment platform the least. And we had some quite large customers like (inaudible) yet to start, et cetera. How has the what we call it reputation risk, et cetera, paying out (inaudible) being a Nordic leading -- Nordic software house, what has been the reaction among clients that you had to shut it down or close it down.

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. I guess anyone who's been dealing with software companies knows that time to time some of the software development work does not work out, and they have to be discontinued. This was one of our software product that did not work. And quite practically, that did not work because it was tailored to be a standardized module, which was supposed to be implemented into highly customized environments of the Nordic utility companies. So it would never have then worked appropriately for what it was built for, unfortunately. (inaudible) the decision has to be taken, really difficult one, as I mentioned. But as all sort of software companies. Time to time, these things happen. And this, unfortunately, now happened to us. That's the right decision. I have to underline that.

Unidentified Analyst

Yes. And you mentioned that you will keep some of the remaining customers on a project-base delivery? And should we expect that you will regain some profits there? Or is it more like end-of-life projects that you will come back (inaudible)

Tomi Hyryläinen - TietoEVERY Oyj - CFO

(inaudible) like end of life. So one should not expect bigger profits from here, but we have booked all the risks.

Unidentified Analyst

Perfect. And then again, any questions from the audience, please? Okay. Then I'll continue with another question. And that was a little bit -- if you read the presentation that you also have with it is at the trough from COVID-19 was likely to hit second half or Q3 (inaudible) Q2 due to delays, I guess, from order intake to invoicing just to recognize, I guess, that is still your message that it will be a bit tougher here in Q3 than we have seen in Q2 because of these delays, et cetera (inaudible)

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. You're right. That's still the view. Now I think that probably (inaudible) still to remind everyone that the COVID -- we do -- no one knows what and how severe the wave 2, which seems to be coming now will be. So this is sort of a continue -- continuously changing target for the company to follow-up and make necessary changes.

Unidentified Analyst

Perfect. And another question, if I may, would be on the IBM partnership. You commented in the report that it will be accretive to future financial objectives long term for business, but we aim in front, but the -- for coming 12 to 18 months, it would be neutral. But I was just wondering if this word neutral. Does it mean breakeven? Or is it in line with the underlying margin for the segment?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Okay. Good that you asked. So good that we can clarify that this is neutral to at the same level is meant to say. And this is now with the new Cloud & Infra setup as we restated now in Q2 as well. Perfect.

Unidentified Analyst

(Operator Instructions) I would like to continue just to understand your recruitment strategy right now. It is more on a replacement recruitment rather than trying to define organic growth given the -- for (inaudible), I guess, but also the integration. Is that correct?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Well, we, of course -- there's certain talent that gets recruited all the time. And that's sort of in the area of, if I call it, cloud-native app development analytics and the likes, so those type of capabilities are continuously being recruited. But when we look at sort of the top line growth, of course, we need to be mindful of where do we stand with our overall FTE cost base and our utilization ratios. So I would sort of say that we are not currently heavily recruiting. We are now integrating, but also being mindful of not sort of missing any important areas where we need to build competencies and for the future.

Unidentified Analyst

Perfect. I was a little bit surprised in Q2 that you were able to be ahead of schedule. I was actually telling my clients that you most likely were behind schedule COVID-19, but so I was (inaudible). So I was wondering again how you were able to work faster to get this extra EUR 20 million for onetime integration cost for 2020, but also a higher run rate on efficiency gains given this COVID-19 and so on?

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Yes. Good question. And probably I'm not going to say how good the tools nowadays are. We use teams a lot here in TietoEVERY. But I think everyone now during the COVID era has noticed that these tools that are available are actually really effective way to do meet things, make decisions, and most of us have probably see that the meetings are the shorter in this are we are remotely working. And from that perspective, I think my answer to you would be that we haven't seen any inefficiency in the way we run this program due to working remotely. I think where most of the impact of this remote work is that when you try to do more strategic and demanding, let's say, exercise, it's more difficult to do in the deals environment. But the execution sort of project management. And that type of things are actually relatively efficient to do with teams, as I mentioned, which we use. And then I think what companies need to be now mindful if this continues is the social aspect, the motivation of people and the cultural social aspect of people getting distancing from the company and the way of working and the likes. But that, obviously, now in the short term, once we are now -- what we are still doing. If COVID now goes away, we probably never see these impacts. But at least that's something I have started to think about, and we here try to sort of understand what that means. So that we don't lose the good efficiency momentum, which I was referring to.

Unidentified Analyst

Perfect. I also had a question on your TietoEVERY, both has been working (inaudible), I would say, and here are not shoring for many, many years. And my thinking is given the COVID-19 new ways of working and so on. How would you use your sources and the strength in this field? Is it possible to increase it further? And that is your help by this working by distance remotely (inaudible) assuring -- can you give us your most updated strategy on your (inaudible) would be great.

Tomi Hyryläinen - TietoEVERY Oyj - CFO

Maybe the whole sort of an overall comment, first, 96% of our people work outside of office. And we have seen relatively (inaudible) any negative impact from that so far. And this one has to do with all our sort of, let's say, Nordic employees as well as our offshore, near-shore resources. So no sort of differentiation there. So this, to us, is not sort of a, let's say, a trigger for [less] increase offshoring because it works so great this working method. So it doesn't have to do anything with that, to be clear and answer your question.

Now I think what sort of overall, it's interesting to see how almost all of the companies have been, not just TietoEVERY, converting into this way of remote working and what that would mean for them and the whole society. That's the -- I think 1 of the interesting questions going forward.

Unidentified Analyst

And now I think I will open up the last time for the audience to ask questions to TietoEVERY CFO's. Any more questions? (Operator Instructions)

Unidentified Analyst

This is to (inaudible) from (inaudible) Asset Management. I have a question on the transition of customers from IBM back to TietoEVERY, you could give you some more specifics on how many customers in total it is? If there's a split between SME and enterprise and on the time line, how much is done? And how much you're going to do per quarter going forward and finishing in first half of 2021 as far as I understand.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Yes. I don't, unfortunately, now have the number of customers and the transition schedule and that is being worked on, yes, it includes the SME and the larger customers, and we anticipate that to be done -- finalized in the first half of next year, Q1-ish. So it is a continuation or continuing progress process which we carry on. And of course, now prepare for it and make sure that the quality of the services to our customers remain high at all times. But I don't have to know any more details for you (inaudible).

Unidentified Analyst

Just a follow-up on that. Could you say anything about the distribution of customers when they come back to TietoEVERY? Is it basically, they are being you're landing on TietoEVERY's platform? Or is there also some use of other external platforms for the customers coming back?

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

So the whole purpose of this is now to deliver this service from the standardized TietoEVERY platform for all of the customers, consistent with (inaudible) has done before.

Unidentified Analyst

Okay. So it's purely to the (inaudible) or the whole Tieto platform basically where the customers are landing.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Exactly. And of course, we are continuously working on that platform as well and reviewing all our partnerships. That's, of course, business as usual.

Unidentified Analyst

So I take any more questions from the audience? We might have 1 or 2 more. Okay. And then I have a question the last for my side, and that is, if you can remind us about the total level of recurring revenues for the group as you would say is fully recurring or hybrid or an almost full year Calender?

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

We have used the number 50% share. And I confirm with (inaudible).

Unidentified Company Representative

Yes.

Unidentified Analyst

Perfect. Then I would like to just to thank you all for calling into this conference call. And a big thank you, Tomi and (inaudible) for hosting this for helping out as hosting this.

And I would like to -- so I tell you a good luck here in Q3 as well, of course. And thank you very much for calling in. Goodbye.

Tomi Hyryläinen - *TietoEVERY Oyj - CFO*

Thank you. Thank you, everyone.

Unidentified Company Representative

Thank you.

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