

TIETO

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COMPANY REPORT



Tieto's company coverage ends

We are discontinuing our research coverage of Tietoenvy, and therefore we no longer issue a target price (was EUR 18.0) or recommendation (was Reduce) for the share. We recommend that investors continue to follow the company's own stock exchange and investor communications. In addition, the company's announcements and related discussions can be found on the Inderes website.

Tieto is now more purely international company, offering software, development and consulting services

Tieto's revenue decreased organically by 2% last year to 1,852 MEUR, and the adjusted EBITA-% was 13.8%. The company's business segments are Tieto Tech Consulting, Tieto Banktech, Tieto Caretech and Tieto Indtech. With the Tech Services transaction, the company's structure was simplified, and the remaining parts are positioned in the market's growing sub-segments. The company is now more purely an international provider of software, development and consulting services. Buoyed by its new structure, the company held a Capital Markets Day in November, where it presented its strategy and, in its typical manner, explained when and how it expects growth and profitability improvements to materialize. Our more comprehensive comments on this can be read [here](#).

2026 is an interim year before growth accelerates in 2027-2028

Yesterday, Tieto provided guidance for the current year, expecting organic growth to be between -2% and 0% and the full-year adjusted EBITA margin to be 14.8-15.8%. Prior to Thursday's Q4 report, the updated consensus forecast predicted a 2% decrease in the company's revenue this year (organically -0.5%) and an adjusted EBITA margin of 14.1%. Thus, due to the market situation, the current year will still be challenging in terms of revenue. However, the profitability guidance and better-than-expected cost savings create some upward pressure on consensus estimates. In 2027-2028, the

company's target is over 5% annual revenue growth and an adjusted EBITA margin of over 16% by 2028. These financial targets are higher than the consensus estimates. Most of the improvement in profitability in 2027-2028 is expected to come through growth, which is why it is important for the company to succeed in turning to significantly stronger growth.

Share valuation level is relatively neutral

According to the consensus estimates for the current and next year (prior to the Q4 earnings report), Tieto's adjusted P/E ratios are around 13-12x, and the corresponding EV/EBITA multiples are 11-10x. Both multiples are in line with the company's 5-year average (12x and 11x). Based on consensus forecasts, the company will offer investors a dividend yield of approximately 5.5% in the coming years. In our view, from an investor's perspective, Tieto is seen in a way as a turnaround company, as growth and the profitability turnaround are yet to be proven, which limits the valuation. However, the latest guidance gives reason to believe that earnings will turn around.

Inderes' research coverage ends after around 17 years

Tieto has institutional analyst coverage from several other analysis providers. We also recommend that investors continue to follow the company's stock exchange and investor communications. You can also continue to follow the company's news feed on our Tieto company page. Our investor community will continue to discuss the company on the Inderes investment forum. Information about the company as an investment target is also available on its own investor pages. The coverage ends due to Inderes' decision. In our view, the research market is gradually shifting towards a model of target company-funded research that is open to all investors. Due to this and our internationalization strategy, we are focusing our monitoring resources on our company clients, a select group of the largest companies on Nasdaq Helsinki and a few large international companies.

Recommendation

-
(was Reduce)

Target price:

-
(was EUR 18.00)

Share price:

EUR 19.01

Guidance

(New guidance)

Tietoenvy expects its organic growth to be in the range of -2% to 0% and the full-year adjusted EBITA margin to be 14.8-15.8%.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/24/2023	Lisää	26.00 €	22.34 €
9/20/2023	Lisää	25.00 €	21.52 €
10/27/2023	Osta	25.00 €	19.51 €
1/17/2024	Lisää	25.00 €	21.86 €
2/16/2024	Lisää	25.00 €	22.10 €
4/26/2024	Osta	24.00 €	17.35 €
7/24/2024	Osta	24.00 €	18.81 €
10/18/2024	Osta	22.00 €	17.58 €
10/25/2024	Osta	22.00 €	18.92 €
2/17/2025	Osta	22.00 €	18.32 €
3/25/2025	Lisää	21.00 €	18.27 €
4/25/2025	Lisää	20.00 €	16.03 €
4/30/2025	Lisää	19.00 €	15.74 €
7/23/2025	Lisää	17.00 €	14.45 €
9/16/2025	Lisää	17.00 €	15.70 €
10/23/2025	Vähennä	18.00 €	18.20 €
11/26/2025	Vähennä	18.00 €	17.84 €
12/23/2025	Vähennä	18.00 €	18.15 €
2/13/2026	-	-	-



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