

ASIAKASTIETO GROUP PLC

COVID-19 Readiness and Resilience

Q&A by CEO Jukka Ruuska

The rapidly evolving situation of COVID-19 i.e. corona-virus outbreak has raised many questions on the impacts on our operations. To shed some more light on our thinking, our CEO Jukka Ruuska responds below to the most burning questions: how we see the possible impacts both on our operations and financials, and how we have responded to the situation.

PROCESS AND READINESS

What is your Corona-readiness level? What actions have you taken to secure your operations?

We are taking the situation seriously and following it closely. We have established four Corona action streams (People, Business continuity, Customers and offering and Finance) to work and evaluate the situation from different angles. The executive management team follows the status of that work on a weekly basis.

Firstly, people's health and safety are our number one priority. We have taken several actions to ensure that our people are safe. We have already for the last 3.5 weeks worked remotely in all our locations and at the same time, we have focused on ensuring constant motivation and productivity through active communications, guidelines and targeted actions.

We have contingency plans in place, and we are well prepared for exceptional situations. We have back-up mechanisms and procedures planned to secure that our operations can be run with good quality at all times, in any situation.

In terms of the financials, we have built different scenarios to understand the possible effects and different outcomes. We have taken proactively securable actions, to ensure that we can maintain financial sustainability at all times. At the same time, we want to actively seize new opportunities emerging in this situation and serve our customers with their changing needs, as well as secure service development and long-term growth.

FINANCIAL IMPACTS

How has the Corona affected your business and financials so far?

So far, the beginning of the year has been according to our expectations and we have not seen any material changes or effects to our business, but the visibility for the future is poor.

We are constantly following the situation of any signs and trends in the markets and have readiness to act accordingly.

How do you see the effects on your financials in the near future?

The situation is exceptional and different from any other recession before, which is why the outlook is very uncertain and visibility nearly non-existent. We see both positive and negative drivers that may affect our business and financials, but due to the unusualness of the situation, full financial impacts are impossible to forecast. Therefore, we have also cancelled our guidance for the time being.

What are the main drivers affecting your financials in this situation?

We believe that the overall decrease in business and consumer activity will affect negatively on our volumes, as the activity in terms of new loans will most likely decrease. Also, rapid changes in regulatory environment, such as plans to implement new interest rate cap in Finland, increases the uncertainty in the loan markets and if implemented, the volumes will be further affected. However, increased liquidity needs of companies and consumers, and the following restructurings of current loans is expected to mitigate that impact. Likewise, increased need for risk management and monitoring of counter-party risks is likely to increase the demand of our services.

From the business area point of view, Risk Decisions has many resilient elements in its offering, while Customer Data Management is expected to suffer most when companies adjust their marketing and sales actions and spend.

Do you see any new opportunities rising in this situation?

We definitely see that there are many ways how we can help the customers even more in this exceptional situation. We have a lot of knowledge and data, and we know how to automate processes and there is definite need for our services in these exceptional times. As an example, we are studying possibilities to build so called Corona-scoring, to help our customers to better interpret the corona impacts on their customers. We are also looking on ways how we could support customers and governmental actors for instance in terms of quickly facilitating new subsidy and financing support processes initiated by government.

SECURING FINANCIALS: COST SAVINGS AND OTHER ACTIONS

What kind of actions have you taken to secure your financials?

So far, the business has developed strongly according to our expectations and as said, we have not seen any material impacts to our demand. But as the Nordics have fallen into recession and visibility for future is limited, we want to proactively and prudently secure our short-term profitability and cash-flow whatever may come.

First of all, some 25 % of our cost base is variable, consisting of variable data acquisition costs and commissions. To protect our financial sustainability in this exceptional situation, we have also decided on 5-million-euro savings concerning our planned fixed cost base for the remaining year. On top of that, we have re-prioritized our development activities and levelled down our capital expenditure in terms of consultancy spend. We want to keep our service development on good level

to secure growth opportunities and therefore are focusing on projects that will generate cash-flow and revenue in the short-to-mid-term. We also want to be able to quickly respond to any new needs evolving in this situation, but on the other hand we are postponing the long-term development activities.

What does the 5 MEUR savings consist of?

The 5 Meur consists of savings in our planned and actual fixed costs for the remaining year. As a responsible company, we are emphasizing cost consciousness especially at these times, but the situation also naturally decreases our own activity levels in terms of travelling, training, events and any similar. We have decided to put recruitments on hold for the moment, until visibility is improved, and we are also redirecting our marketing efforts to better reflect the new situation and levelling down our internal development activities.

How will you ensure that you reach the savings? What if the situation changes?

We have built detailed plans for the savings and will follow those internally on a monthly basis. If the situation were to change dramatically, we are both able to quickly ramp-up our operations back to planned levels or adjust more in case needed.

FINANCIAL POSITION & DIVIDEND

What is the situation with the financial position?

Our financial position is strong. At year end our leverage, i.e. Net debt to Adjusted EBITDA was at 2.9, which is below our long-term target of 3 and covenant level 3.5 of our long-term interest-bearing loan. We don't have any loans maturing in the near future, as our long-term interest-bearing loan matures at 2023. In terms of liquidity, we had some 20 million euro of cash at year-end, and we have 35 million euro fully unused credit facilities in place.

Will you change the dividend payment?

The Board of Directors has not discussed dividends further than what is the current proposal. Regarding the annual general meeting, the Board of Directors will send a new invitation. According to our articles of association, AGM needs to be held before the end of June this year.