Sitowise

Extensive report

9/5/2023

Olli Koponen
+358 44 274 9560
olli.koponen@inderes.fi

Inderes corporate customer

This report is a summary translation of the report “Rakennetun ympäristön asiantuntija” published on 9/5/2023 at 7:50 am EEST.

Expert in the built environment

We reiterate Sitowise's Buy recommendation and our target price of EUR 5.00 with the extensive report. Sitowise, which focuses on technical consulting and digitalization of buildings and infrastructure, is at the forefront of an industry supported by strong megatrends. Sitowise's efficient business model allows for some of the best profitability in the industry and strong cash flow to continue implementing an acquisition-driven growth strategy in a fragmented industry. In the coming years, dark clouds are caused by the uncertainty around the market picking up, to which the stabilization of the financial market will also be linked. Despite the risks and uncertainties, we believe valuations are at attractive levels for the coming years.

Expert house on the built environment

Sitowise is a Finnish specialist company focused on technical consulting and design of the built environment and its digital solutions. In 2022, around 85% of Sitowise's business (2021: 90%) came from technical consulting in the building and infrastructure market and about 15% (2021: 10%) from digital solutions. Founded at the end of 2017, Sitowise has grown at around 13% per year until 2022. Over the same period, profitability has been around 11% (adj. EBITA %), which has been among the best in the industry. However, profitability has deteriorated in recent years and the company is aiming to bring it back above 12%. At the same time, the company is pursuing growth in line with its strategy of targeting annual growth of more than 10% (incl. acquisitions). Achieving these targets will be slowed by an uncertain market for house building and higher costs due to inflation. However, the strong traction of other businesses and Sitowise's good track record of acquisition-led growth lend credence to the strategy. The company's efficient and profitable business model generates strong cash flow, enabling growth investments to increase both net sales and earnings to higher levels in the future.

Good preconditions for earnings growth

Sitowise expects net sales to grow in 2023, with an adjusted EBITA margin at around the 2022 level (2022: 10.0%). The market outlook is weak for the Buildings business, but the growth outlook is supported by an order book growing by around 4%, good traction in the infrastructure market and demand for digital solutions. In the next few years, we expect an annual growth of around 5%. However, we expect organic growth to start picking up in 2024. Profitability is forecast to improve from a level depressed by inflation and weaker market conditions towards historical levels and the company's targets (2024-26e: 11.8%) as market challenges recede, volumes rise, and the share of digital services increases. We expect earnings growth (EBITA) to be at a good level of around 10% for the coming years. In addition to organic growth, the company is actively seeking acquisitions that create a good growth option for the company.

Upside in valuation

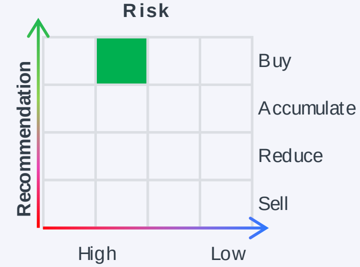
The valuation of Sitowise is attractive for the coming years despite the current slightly lower-than-normal profitability (2023-24e avg: EV/EBITDA: 7x, P/E: 11x). At the lower end of our valuation range (EV/EBITDA: 8-10x, P/E: 14-18x) the share has an upside of 20%. The expected return is also boosted by the dividend yield that has risen to around 3%. Compared to a good peer group, Sitowise is valued at a 30% discount for the next few years, when we believe Sitowise should be at least in line with its peers based on its performance. The value of our DCF calculation (EUR 5.6) is also clearly higher than the current share price, which supports our recommendation.

Recommendation

Buy
(previous Buy)

EUR 5.00
(previous EUR 5.00)

Share price:
4.00



Key figures

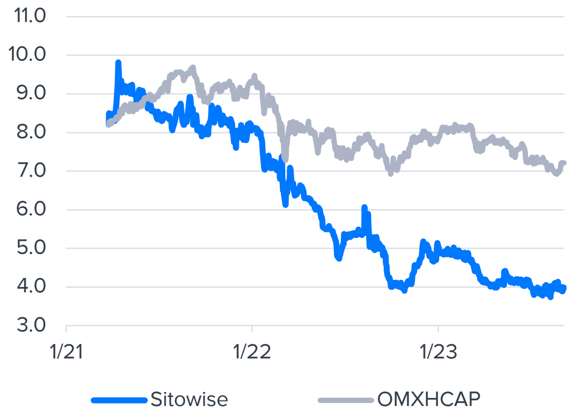
	2022	2023e	2024e	2025e
Revenue	204.4	220.1	226.5	236.5
growth-%	14%	8%	3%	4%
EBIT adj.	17.5	17.6	22.8	27.0
EBIT-% adj.	8.5 %	8.0 %	10.0 %	11.4 %
Net Income	7.8	10.8	15.0	18.4
EPS (adj.)	0.34	0.31	0.42	0.52
P/E (adj.)	15.0	13.0	9.4	7.7
P/B	1.6	1.1	1.1	1.0
Dividend yield-%	1.9 %	3.0 %	3.5 %	4.5 %
EV/EBIT (adj.)	15.4	12.4	9.0	7.1
EV/EBITDA	11.3	7.7	6.2	5.2
EV/S	1.3	1.0	0.9	0.8

Source: Inderes

Guidance (Unchanged)

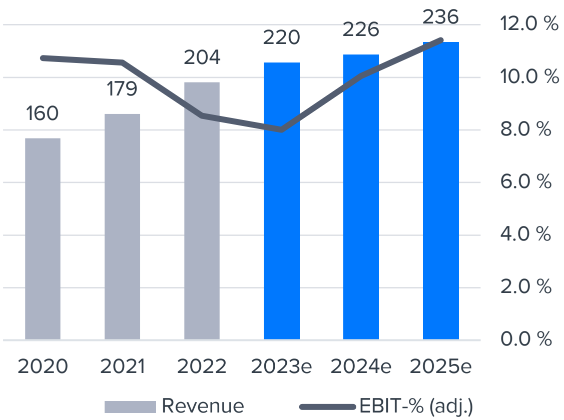
Sitowise Group estimates that its net sales will increase (2022: 204 MEUR), and that its adjusted EBITA margin (%) will be broadly at the same level as the adjusted EBITA margin of 2022. 10.0%).

Share price



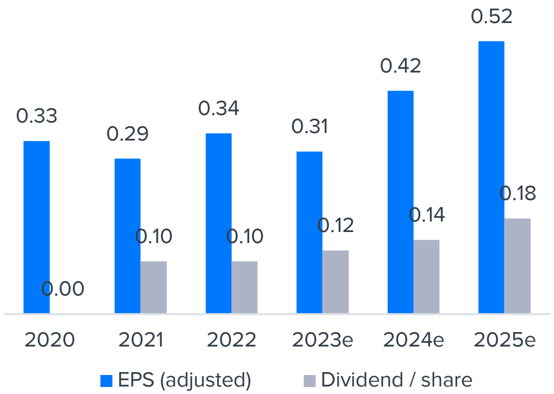
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Stronger organic growth than market growth and acquisitions
- Maintaining best-in-class profitability
- Expansion into Nordic countries
- Extending the offering
- Strong cash flow and low investment need
- Efficient and fragmented business model, as well as digitalization expertise create competitive advantage
- Increasing share of consulting and planning in construction value chain supported by megatrends
- Opportunities created by sustainable development regulation

Risk factors

- Cyclicality of the underlying construction market
- Sustainably maintaining high profitability levels
- A clear and prolonged market downturn after good years
- Challenges created by Nordic expansion and a new market
- Failure in acquisitions
- Dependency on personnel and adequacy of incentives for key personnel

Valuation	2023e	2024e	2025e
Share price	3.99	3.99	3.99
Number of shares, millions	35.5	35.5	35.5
Market cap	142	142	142
EV	219	206	191
P/E (adj.)	13.0	9.4	7.7
P/B	1.1	1.1	1.0
EV/Sales	1.0	0.9	0.8
EV/EBITDA	7.7	6.2	5.2
EV/EBIT (adj.)	12.4	9.0	7.1
Payout ratio (%)	39.4 %	33.1 %	35.0 %
Dividend yield-%	3.0 %	3.5 %	4.5 %

Source: Inderes

Contents

Sitowise in brief

Sitowise is an expert organization specialized in solutions for buildings and infrastructure and digital transformation of the built environment.

2017
Sitowise Group is established

2021
IPO

204 MEUR (14% vs. 2021)
Net sales 2022

+13% 2018-2022
Annual average net sales growth

20.4 MEUR (10.0% of net sales)
Adjusted EBIT excluding amortization of intangible assets (EBITA)

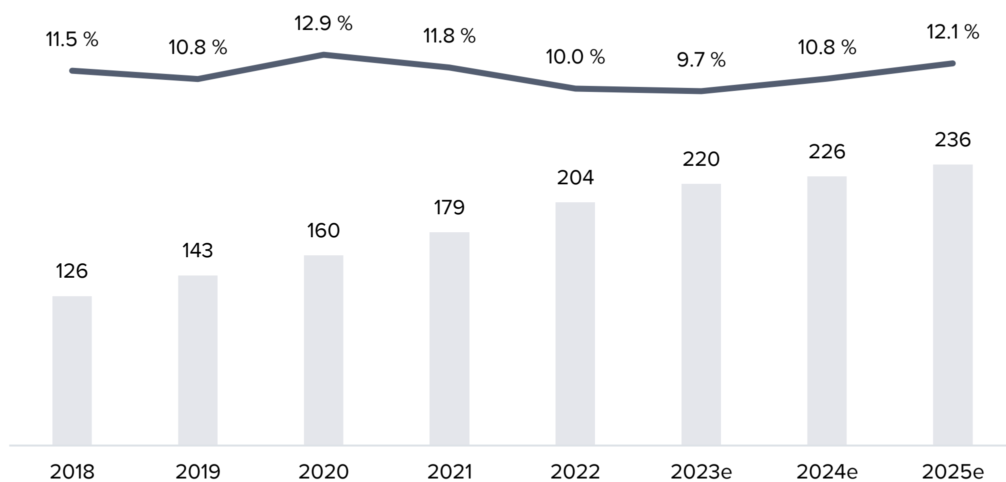
11.4% 2018-2022
Average EBITA margin (adjusted)

10%
Average ROCE-% 2018-2022

Net sales and EBITA (adjusted) development and estimates 2018-2025e

- Sitowise was founded at the end of 2017
- The company's roots have a history and experience in the field since the 1970's
- The company grew rapidly in 2018-2020 and expanded to Sweden in 2019
- The market situation has supported the development, but most of the growth has come from acquisitions
- In 2020, the COVID crisis hits, but the business proceeds as planned, and the company benefits from cost savings
- IPO in 2021
- Strong growth continued in 2021-2022, but profitability was weakened from high levels

- In 2023, growth is expected to be more moderate than in the past due to a weaker market, fewer working days and inorganic growth slowing down from high levels
- The number of working days also has a negative impact on profitability
- Cost pressures are also present
- The aim for the coming years is to continue our acquisition-driven growth in Finland and Sweden
- Aiming to increase profitability towards the historical level of 12%
- Diversified business and strong order book support a weaker new construction market



Source: Sitowise, Inderes

Company description and business model 1/6

Company description

Enabler of smart cities

Sitowise is a Finnish expert organization providing planning and consulting services for the built environment. Sitowise has created the built environment for over 40 years, which provides a strong business experience.

The company's strategy is linked to the development of cities and the built environment. Examples of individual major projects for Sitowise in recent years have been, e.g., the New Children's Hospital, the Jokeri Light Rail, and infrastructure design of the Kalasatama center in Helsinki. The offering covers a wide range of project design and consulting services.

Specialist in solutions for buildings and infrastructure

Sitowise's main business is to provide planning and expert services related to building and infrastructure to customers throughout the construction lifecycle. We believe this area covers approximately 86% of the company's business. The remaining some 14% of the company's business comes from the Digital Solutions business, which focuses on offering built environment and mobility related digital solutions to customers.

From the investors' point of view, the buildings business can be seen as partly cyclical and fluctuating with construction trends. However, the high weight of infrastructure construction and renovation (estimated at 50%) at Sitowise provides stability compared to new construction. Digitalization solutions for built environment provide the company with an interesting platform for growth, utilizing the solid and broad customer base of the core business.

A significant share of the company's business concentrates on the Nordic countries and especially on Finland. In 2022, almost 80% of net sales came from Finland and some 20% from Sweden. Sitowise has expanded into Sweden through several acquisitions and its share has increased significantly from previous years (in 2020 it was only around 10%).

Growth orientation visible in numbers

The company's net sales in 2022 were EUR 204 million, up 14% on the previous year. Since its establishment, Sitowise has grown by some 13% annually (2018-2022 CAGR-%). Growth has taken place both organically and inorganically through acquisitions. In the future, the company aims for annual growth of over 10% (incl. acquisitions).

Profitability has reasonably kept pace with growth. In 2022, the company's adjusted EBITA margin was 10.0%, while it has on average been the same 11.4% over the past 5 years. In its strategy, the company aims for a margin of at least 12%. Profitability has been among the best in the sector but has clearly faded from its peak levels (2020: 12.9%).

Sitowise's headcount has grown in line with net sales and at the end of 2022, Sitowise employed an average of almost 2,150 people. The offices are geographically diversified to ensure local service and lower cost levels.

Net sales distribution*

Solutions for buildings and infrastructure 86%

Digital solutions 14%

Geographical net sales distribution

79%

21%

Source: Inderes, Sitowise
*Inderes calculation 2022

Company description and business model 2/6

Business Areas

Sitowise has one reportable segment, but the company's businesses can be divided into different areas. The company also reports net sales for these business areas.

Buildings business

Sitowise's biggest business area is the design and consulting business for buildings. In 2022, the net sales of the Buildings business grew by about 10% to EUR 79 million (2021: 72 MEUR). The Buildings business accounted for around 40% of the group's net sales in 2022, which was the largest share among the different areas. In the Buildings business, the slowdown in the market due to the COVID pandemic was visible as general caution in 2021, but the situation improved clearly in 2022. In 2023, however, the market has weakened again, with new construction going down which has been reflected in a decline in the share of the business area.

The services provided by the Buildings business cover the entire construction lifecycle extensively. This means that Sitowise can be involved in the initial planning and mapping of projects, in the expertise and design of zoning, in the structural and construction design of the project and in the expertise during the project as well as in the expertise after completion.

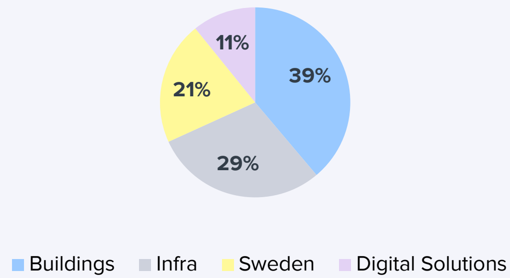
According to Sitowise, the largest service areas in the Buildings business are structural engineering, building services engineering and repair construction services, in addition to which the business area comprises several specific competence areas. New construction is estimated to account for about half of the net sales of Buildings. Of this, housing construction, which has been hit hard recently, is estimated to account for half (10% of the company's net sales). Renovation constitutes the other half of the Buildings business. The large share of repair construction can be seen as stabilizing Sitowise 's business against cyclical fluctuations. Going forward, the company will focus on areas of stronger profitability, such as specialized services, energy planning and other energy-related services, and safety-critical services.

Infrastructure business

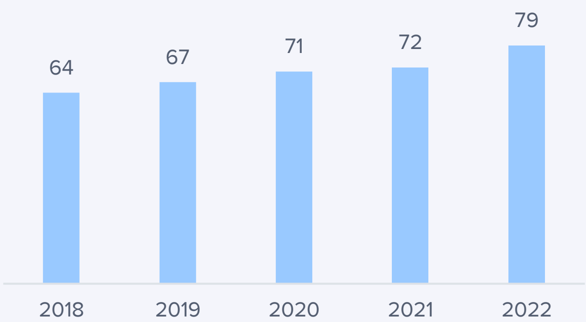
The second largest business area is the Infra business, which provides infrastructure design and expert services in Finland. Net sales of the Infra business increased by about 6% in 2022 to EUR 60 million (2021: 56 MEUR). The Infra business has grown in recent years, helped by a well-driven market, and growth accelerated in 2022. The outlook for the current year is better than for other new construction, and growth has been strong in the early part of the year. The business area accounted for 29% of the group's net sales in 2022, with its large share providing a hedge against cyclical fluctuations in other new construction.

Infra businesses' services cover the entire infrastructure sector from underground facilities to the planning of above-ground urban spaces. Services include, e.g., road and railway design with all associated services like tunnels, bridges and subgrade reinforcement.

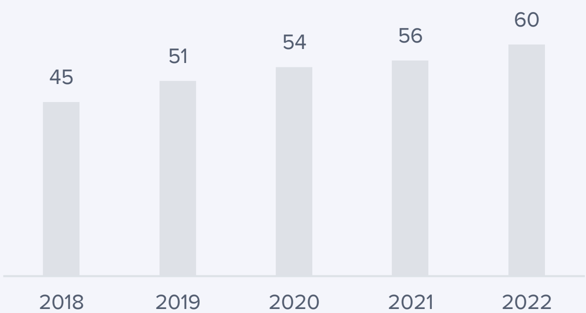
Net sales breakdown 2022



Buildings business (net sales, MEUR)



Infra business (net sales, MEUR)



Source: Inderes, Sitowise

Company description and business model 3/6

Projects related to the green transition (e.g. environmental risk management, wind power engineering services, environmental impact assessments, environmental reports, etc.) have supported strong growth, especially in 2022 and 2023.

Swedish businesses

The Swedish businesses are a separate business area at Sitowise. In Sweden, Sitowise provides design and consulting services for buildings and infrastructure in selected segments. The business has grown significantly over the last three years with successful acquisitions. Net sales have increased from close to zero in 2018 to about EUR 43 million by the end of 2022, representing some 21% of Group net sales.

In 2022, demand in the Swedish market remained more stable than in Finland and the order book stayed at a high level. Uncertainty increased recently, especially in new residential construction, but demand for infrastructure projects and certain customer segments have stayed at a good level.

The Swedish business has grown strongly through M&A, and the company was active on this front also in 2022. In January, Sitowise acquired the construction consultancy Mavacon AB, in June the electrical engineering specialist E60 Elkonsult AB, and in October Convia Ingenjörsbyrå AB and Convia Infrastructure AB, which provide consulting services for building construction and infrastructure.

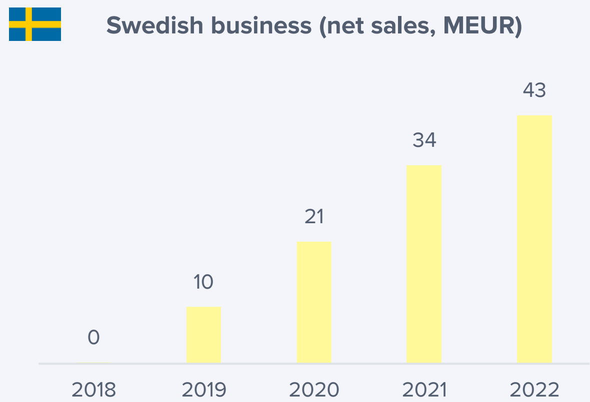
Digital Solutions

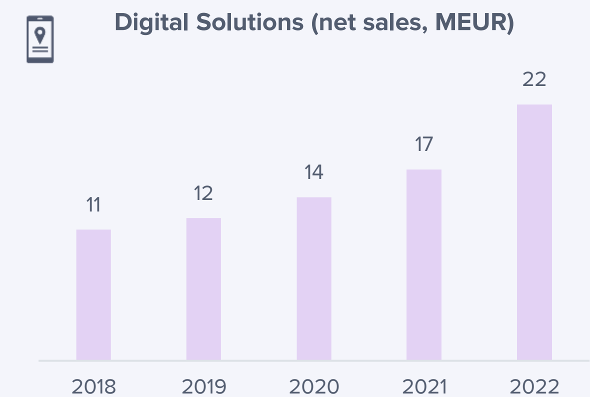
In the Digital Solutions business, Sitowise combines its building expertise with IT, programming and digital skills, making Sitowise's offering to some extent unique in the competitive landscape. This can also be seen as a competitive advantage for the company.

Digital Solutions accounted for around 11% of the company's net sales in 2022, but last year net sales grew by more than 30% to around EUR 22 million (2021: 17 MEUR). Sitowise offers its customers expert services, consulting, and develops its own products. In particular, the company has a strong position as a provider of information systems and services for mobility and infrastructure in all modes of transport in Finland. At the core of the development of its own products are Louhi, a geographic information platform for municipalities, and AURA, a virtual solution for the built environment. Last year, the company acquired Bitcomp Oy, a provider of forestry SaaS solutions, whose Leafpoint SaaS solution is growing rapidly. This supports in particular the share of continuous and profitable growth to Sitowise's business.

As a concrete example of Digital Solutions projects, Sitowise was awarded a major contract in 2022 for the Finnish Ministry of the Environment's Ryhti project to develop an information system for the built environment. In addition to products, Sitowise aims to add lifecycle services to its digital services to support recurring revenue generation.

The business area's net sales have become a more important part of the group as the digitalization megatrend has progressed. We believe that the broad customer base of the company's core business will also provide a good basis for future demand in the still relatively moderately digitized construction sector.





Source: Inderes, Sitowise

Company description and business model

Buildings

- Design and consulting services in building construction
- About 50% new construction
- About 50% renovations
- The offering covers the entire project lifecycle from project development to the building's use and maintenance phase

Infra

- Infrastructure design and consulting services
- Extensive development of cities and areas
- Includes, e.g., roads, networks, underground areas, groundwork, bridges, tunnels, urban planning, geotechnics, research
- Green transition projects

Digital Solutions

- Digital services for the built environment
- Combines building expertise with IT, programming and technology know-how
- Services include, e.g., IT system development, data analysis, digital consulting, information management, geoinformation, service design

Project lifecycle	Project development	Design	Project implementation	Operating phase
Sitowise's possible role in the project	*Consulting in the investment phase*	*Project planning and research*	*Project management, control and overall management*	*Maintenance and sustainable building development*

+Digital solutions at every stage

Source: Inderes, Sitowise

Company description and business model 4/6

Business model

Sitowise's business is personnel-dependent expert work. Although the company is active in the construction sector, Sitowise is not involved in the actual construction, but does expert and consulting business. Considering this, there are no similar project risks as in conventional construction business. In addition, compared to conventional construction, the sector is generally more profitable, less capital intensive, more resilient to cyclicality and more stable in terms of cash flow generation. The business model is more like that of consulting companies than construction companies.

Optimization of utilization rate

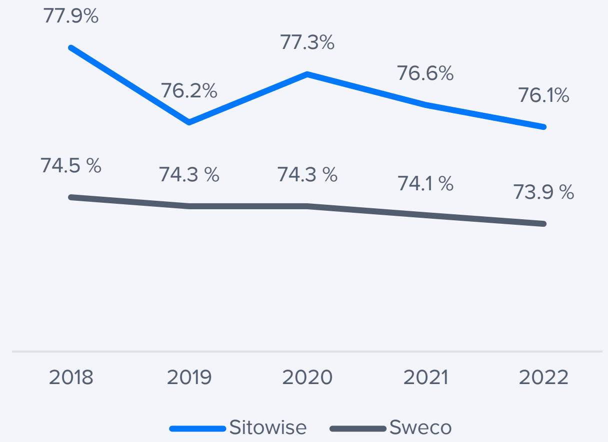
One of the most important things in Sitowise's business is to get employees to spend as much of their time as possible on client projects. This would ensure that resources are used as effectively as possible. In principle, the company's business aims to optimize its utilization rate.

The utilization rate shows how much of their working time employees spend on billable project work. Another name for this might be billable or resource utilization. Changes in utilization rate also has a big impact on the company's profitability. When the cost structure is relatively fixed in the short term, changes in the utilization rate are largely reflected in profitability. According to a sensitivity analysis commissioned by Sitowise's competitor, Sweco, a 1 percentage point increase in the utilization rate would increase its operating profit by more than 10%. Sitowise has not provided precise sensitivity calculations for the utilization rate, but due to the similar business model, we estimate the sensitivity to be in the same range. However, Sitowise has provided sensitivity calculations on the impact on profit levels of changes in the number of working days, exchange rate movements and sick leaves, which have a major impact on both net sales and profit. These are presented on the right.

We believe some 70-80% can be seen as a good billable utilization in the industry. In the general scale for the industry, Sitowise's figures have been at a very good level as the graph on the right-hand side indicates. This indicates that Sitowise is more efficient than its competitors with one indicator and can also through this generate better profitability than its competitors.

Another factor that affects the business is the average price of the company's resources, the rise or fall of which can have a major impact on the company's net sales and earnings. We believe this is where the company's competitive advantages and expertise stand out. There is probably more competition in the easiest projects and over-pricing can often mean you are excluded from the project. In demanding and specialist projects, companies can have pricing power. We estimate that pricing is generally close to each other for competing companies but may vary by project or special expertise and by country.

Sitowise's utilization rate is at a good level



Sitowise's sensitivity calculation	Change	Impact (MEUR)	Area
Number of working days	+/- 1 working day	+/- 0.7-0-9	Net sales + profitability
Sick leaves	+/- 1 pp	-/+ 2	Net sales + profitability
SEK/EUR change	+/- 10%	+/- 4	Net sales

Source: Inderes, Sitowise, Sweco

Company description and business model 5/6

Project-based business, but controlled risks

Sitowise's business is mainly based on hourly billing, where compensation is based on the number of hours spent on a project. In this model, the company does not invest in the project itself or carry the risks associated with the project. Sitowise estimates that around 64% of net sales is generated under this model.

Around one third of the company's net sales are generated either through fixed-price invoicing or invoicing with a cost cap. In a fixed-price project, the company also bears the risk that the costs of its own work will exceed the revenues. However, most of the projects are being undertaken as hourly billable work.

Although the projects are based on invoiced work, the company's business can still be characterized as project-based, as the share of purely recurring revenue was around 4% at the beginning of 2023, based on the company’s CMD material. However, the aim is to increase this to 10%. Partnerships or possible framework agreements with customers as such provide some continuity to the business, but there is still little work with just recurring invoicing. There are already clear growth initiatives for this in Digital Solutions, but their share is still small in the big picture.

Economic cycles have an effect, but the business also has stabilizing elements

In the construction market, the company's focus is on new construction, renovation and infrastructure in building construction. New construction is more susceptible to cyclical fluctuations and projects are often shorter than in infrastructure.

Infrastructure construction, in turn, stabilizes the effects of cyclical fluctuations. In general, it can be said that the infrastructure business performs reasonably well even in a weaker economic climate. In a weak economic environment, the public sector boosts the economy and infrastructure investment has often been a notable target for these efforts.

We believe Sitowise's business is far less susceptible to changes in the economic cycle than construction itself. Projects are often long-term and often last longer than the construction itself. Sitowise can to some extent be involved throughout the lifecycle of the construction project.

Construction consultancy is also characterized by the fact that, as the most intense phase of construction fades, new ones are already planned well ahead of time to prepare for the next boom. In addition, real estate development and maintenance during operation are also likely to stabilize fluctuations and bring service-nature to the company's business.

The company's customer base is widespread and mainly consists of stable sources. Almost half of net sales come from the public sector, and a majority is based on framework agreements. Housing companies are also a large customer group. In addition, construction companies stand out as a separate customer group.

Characteristics of Sitowise's business

- Project-based business
- Project risks are, however, moderate
- Most of the work based on hourly and project-based billing
- Still a minority of clearly continuous businesses, but aiming to increase their share to 10%
- Infrastructure and renovation stabilize the business against economic cycle
- Many projects are long-term and often run over economic cycles
- Small and medium-sized projects ensure continuity in acute market changes
- Diversified customer base
- Almost half of net sales come from the public sector

Source: Inderes, Sitowise

Company description and business model 6/6

Industry transformation gathers momentum

As an industry construction and related services are changing slowly, but technology, especially within the building and real estate, is constantly changing, increasing the need for suppliers to modernize their offering and invest in digitalization. More and more data is collected on projects and completed ventures, such as the conditions of the building, energy consumption, road conditions and road use. This increases the technological and digitalization requirements of projects and will benefit players that offer them. We feel that Sitowise is well positioned at the forefront of digitalization and technological development through its Digital Solutions business. The company has significant references, know-how and a clear track record of digitalization projects, which helps strengthen the company's position.

Costs are mostly variable

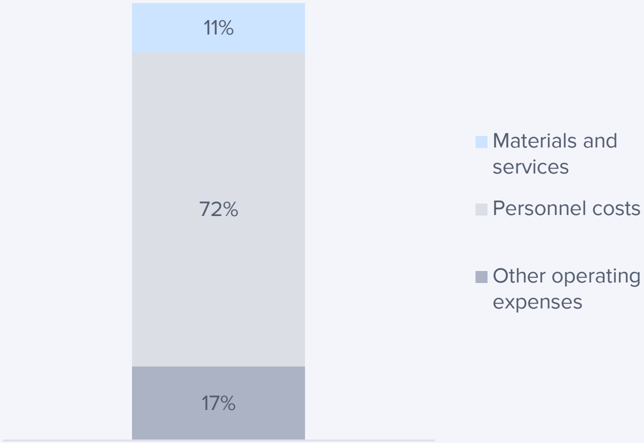
We feel the scalability of the company's business is relatively weak, as most of the costs (before EBITDA) are variable. We estimate that some 85-90% of the company's operating costs are variable and the rest fixed. The company's largest expenses are expected to be related to personnel costs (2022: 72%) and the rest of the variable costs come from purchases of materials and services produced (2022: 11%). Other operating costs (ICT, rents, marketing) accounted for around 17% of costs in 2022 and we estimate that most of these are fixed costs. We believe the company's business is highly dependent on the number of employees, and in order to raise net sales the number of employees often has to be increased.

Almost 15% of the company's net sales are generated by the company's Digital Solutions business area. However, this area is also largely expert work, where scalable digital products or services exist, but not yet on a significant scale. The share of scalable services or products is growing, e.g., through the acquisition of Bitcomp, a specialist in forest information systems. With the various SaaS solutions or software that Bitcomp brings to the table, the company's productivity can improve and cost scalability can start to occur more widely. To a very large extent, however, the company's business is still personnel-dependent.

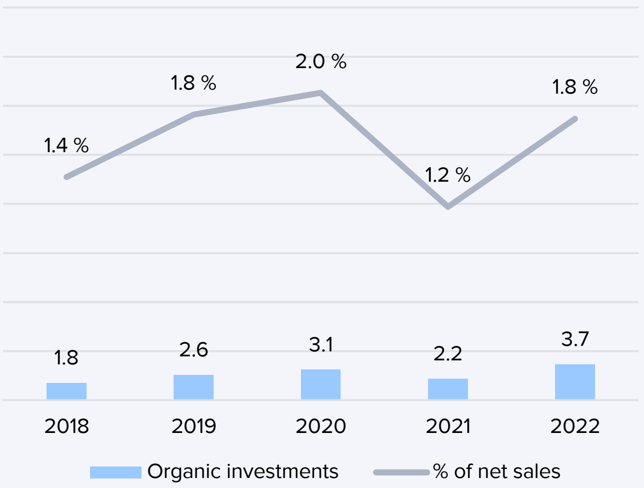
Low capital intensity

The company's business does not tie up a significant amount of capital and its investment needs are low, as it does not need large machinery or real estate for its business. In recent years, the company's maintenance investments (organic investments) have been roughly 1-2% of net sales, which is a reasonably low level. Growth investments (e.g. acquisitions) do, however, consume capital. The business model's low capital commitment and low investment requirements allow for strong cash flow and good return on capital potential. Sitowise's ROCE % (5-year average) has been at a reasonably good level of 10%, but declining in recent years (2022: 6.5%). The number and valuation of acquisitions has increased the balance sheet, while profitability has weakened, which has lowered the return on capital ratios.

Cost structure 2022

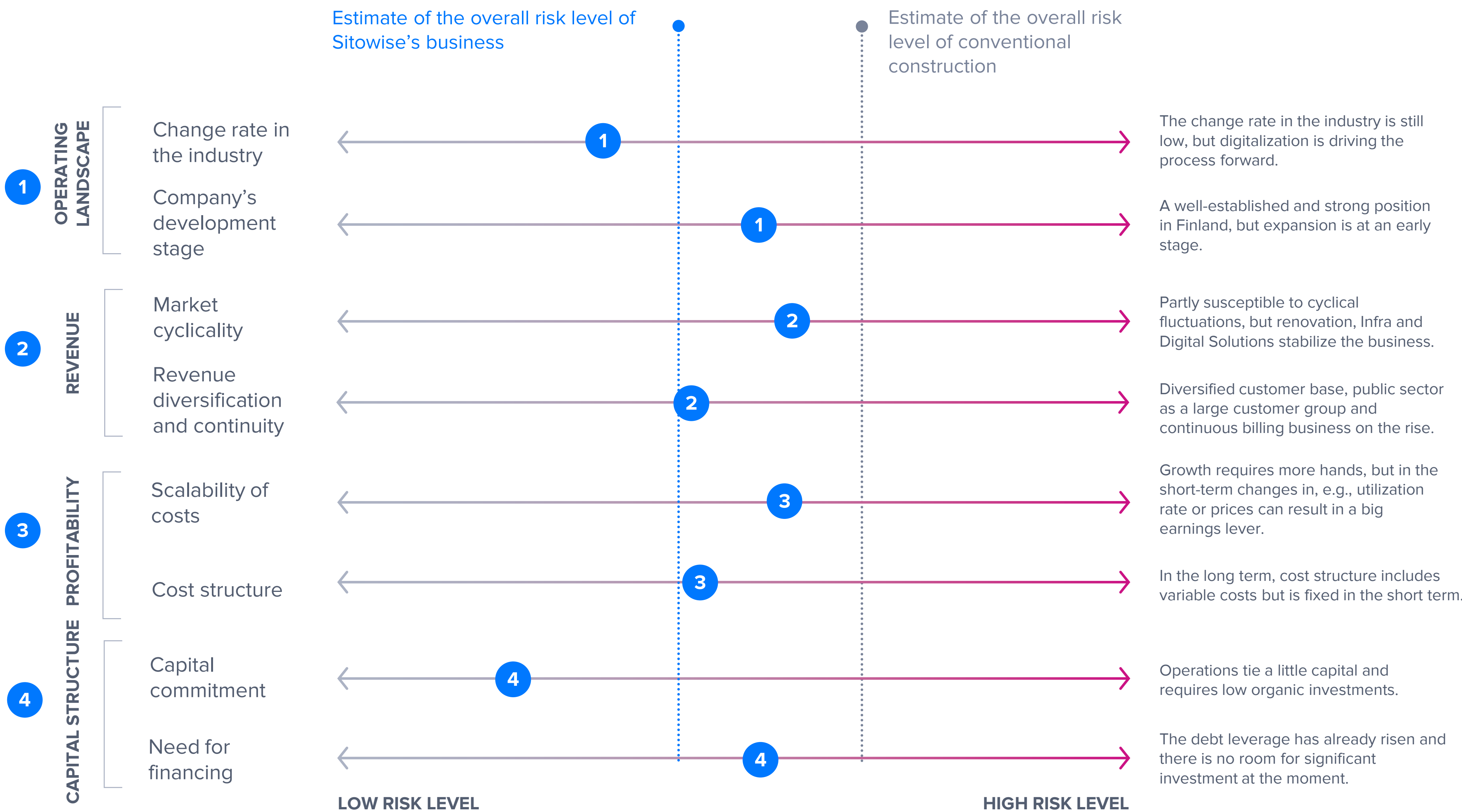


Low investment needs



Source: Inderes, Sitowise

Risk profile of the business model



Source: Inderes

Investment profile

1. Strong position in high value-added areas of the built environment value chain

2. Stronger growth than the market with better profitability than the sector

3. Countercyclical business portfolio

4. Success of acquisitions and expansion in other Nordic countries

5. Light business model and strong cash flow ensure resources for acquisitions and dividends

Potential

- Profitable growth in the core business
- Digitalization in the construction sector creates a concrete growth option for the company
- Competitive advantages include decentralized organization, local cost structure, own digital tools, acquisition model, significant references and investments in innovation in all business areas.
- The demand outlook on the market is supported by the increase in the penetration rate of consulting and the digitalization of the sector

Risks

- Cyclical fluctuations in the market can be large in the customer interface
- A slowdown in the market may result in tighter price competition
- Small changes in business efficiency (e.g. utilization rate) will result in big changes in the result
- The risks of acquisitions or expansion
- Dependence on staff and adequate incentives

Source: Inderes

Strategy 1/4

Strategy 2023-2025

At the beginning of 2023, Sitowise announced its updated strategy for 2023-2025, focusing on innovation, sustainability and efficiency. The renewed strategy builds on Sitowise's strengths as an industry expert and the successes of the previous strategy. Through organic growth and acquisitions, Sitowise has expanded its climate and sustainability services, SaaS business, special design, renovation and business growth in Sweden over the last strategy period.

In line with the strategy, Sitowise will continue to focus on growth. Sitowise is seeking growth in both Finland and Sweden in its existing businesses, both in building and infrastructure consulting and in Digital Solutions.

In our view, Sitowise's strategy is based on proven sustainable themes, especially from an investor's perspective. We believe it is important for the company to strengthen its sustainability and responsibility businesses in the light of megatrends, even though all of the businesses already support this. Growth will continue as per usual (+10% incl. acquisitions), but in the future there will also be a clear focus on recurring revenue. Digital project lifecycle opportunities or the development of digital SaaS solutions (Leafpoint, Louhi, etc.) as part of the company's offering will create continuity and decentralization beyond the company's core businesses (Buildings and Infra). There are also clear stepping stones to improving profitability, but at the mercy of an even weaker housing market in the short term.

Innovation, responsibility and efficiency are the key themes of the strategy

1) Most innovative: Sitowise will continue to develop innovation in the sector through its own The Smart City Lab. According to Sitowise, The Smart City Lab is an operating model that brings together Sitowise's innovation activities and enables a creative culture that serves customer needs and generates new business. The strategy period will aim to improve the culture of innovation, find new SaaS solutions, and improve design tools, e.g., by bringing Sitowise's Power Platform to customers. We also believe that Sitowise's innovation is clearly reflected in its digitalization expertise.

With the continuous development of innovations, Sitowise's ambition is to increase the share of recurring revenue to 10% of net sales in the 2023-2025 strategy period (currently around 4%). We estimate that the Digital Solutions business will play an important role. Business is one of the cornerstones of the company's growth and is constantly developing new services to increase its recurring business (SaaS). At the core of the development of our own products, as mentioned above, are the municipal geographic information platform, Louhi, and the virtual solution for the built environment, AURA. Bitcomp Oy's Leafpoint SaaS solution, which joined the company last year, is growing rapidly and is a good example of a continuous business that supports scalable profitable growth in Sitowise's business.

Objectives of the strategy's key themes

Most innovative:

Increasing the share of recurring* revenue to 10%

Most responsible

Doubling the net sales of sustainability services** from the current level of ca. EUR 5 million

Most efficient:

Increase the utilization rate to over 78% (2022: 76%)

Source: Inderes, Sitowise
*SaaS, digital products and continuous service contracts
**Data-based strategic sustainability services

Strategy 2/4

2) Most responsible: Sustainability is at the heart of Sitowise's business. Sitowise aims to double its net sales in sustainability services from the current level of around EUR 5 million over the strategy period. According to the company, it is being developed from three perspectives: 1) identifying and developing the sustainability impacts of your current business, 2) creating new business based on sustainability, and 3) investing in sustainability of your own operations. Sitowise has created its own sustainability tool for use in projects, both for internal sustainability development and for client projects. In the company's own operations, it aims for carbon-neutrality, equality, thought leadership and sustainable business.

3) Most efficient: Sitowise will continue to maintain and develop its own systems and its Voima platform to take the efficiency of the company as a whole to new levels. We believe there are three clear drivers of operational efficiency. First, the company's decentralized business and organizational model creates efficiency. The company has dozens of offices in four countries from which experts are working. Local decision-making and presence improve agility to respond to market changes and supports customer relationships. Furthermore, perhaps the most important thing is that the cost level is lower in provinces than in big cities. Office rents and salary costs are at local level, but thanks to modern systems work can be done on a national or even global level. When the price of labor is set by the market in almost the same way, but costs are flexible, this creates operational efficiency.

Involved personnel also helps to improve operational efficiency. Sitowise is an attractive employer and according to Sitowise's surveys employee satisfaction is among the best in the industry and turnover is low. A decentralized organization model, local decision-making, strong ownership and entrepreneurial spirit commit the staff to work for common interests and operational efficiency.

The third and perhaps most obvious difference is the company's proprietary digital collaboration platform **Voima**. Voima is a data management and project work tool that ensures a collaborative and efficient way of working. It allows employees to use the best practices they have identified in their work and avoid unnecessary repetition and time-consuming routine procedures. The Voima platform includes key tools for project work, project management and planning.

Voima allows Sitowise to increase billable hours (i.e. improve the utilization rate) by making everything but the project work itself as easy as possible. Voima also provides tools for cost monitoring, which, according to the company, reduces the risk of budget overruns. Voima can also help create sustainable development objectives for projects and ensure the quality of work through consistent ways of working.

A key feature of Voima for the company's acquisition strategy and growth is the ability to integrate acquisition targets. The tool makes it easier for the acquired company to adapt to Sitowise's culture and, at the same time, to extract operational efficiencies from the companies.

Sitowise's sources of operational efficiency improve the company's competitiveness

Fragmented business model
Low cost structure
Decision-making
Quick reaction

+

Involved personnel
Attractive employer
Ownership and incentives

+

Voima platform
Project management tool
Making routine tasks efficient
Integration

=

Top profitability in the sector

Source: Inderes, Sitowise

Strategy 3/4

The Voima platform is also an indication of the company's digital tools which helps the company in the digitalization competition in the construction sector. In the future, project data and planning systems will increasingly be integrated to Voima, which will increase efficiency further. Getting customers onto the platform is also an objective that could further deepen the company's customer relationships and even create network effects. The aim is to increase the utilization rate to the previous level of 78% (2022: 76%) through efficiency measures, but we estimate that this target will still require a pick-up in the housing market.

Acquisitions

Acquisitions are a very important part of Sitowise's strategy. The company has carried out over 60 acquisitions since 2010 and acquired more than EUR 100 million in net sales. In Finland, in particular, the market is still very fragmented and has consolidation potential.

The criteria for the companies are that they are in good financial health, are part of Sitowise's strategy and work together culturally. We do not believe that Sitowise would buy a poorly performing business to turn around its profitability, but rather look for good businesses where you can achieve better efficiency and synergies by combining practices and systems. Therefore, the acquisition targets must complement Sitowise's offering or create new services and/or customers. Acquisitions are also intended to achieve a wider geographical coverage across operating countries. In addition, management and staff must be committed and fit into Sitowise's company culture.

Competition for acquisition targets is tough, but we feel that Sitowise's culture, the decentralized business model, ownership and entrepreneurial spirit attract companies. According to Sitowise, the EV/EBITDA multiple for acquisitions has averaged 4-6x, which is a high price for the private market, but cheap compared to the listed market.

While the multiples remain moderate, the company creates shareholder value through acquisitions, as its own multiples are higher on the stock market. So far, however, in terms of return on capital employed (ROCE-% 5-year average: 10%), Sitowise should be able to do better already by looking at the performance of peers to be presented later. We estimate that prices on the digital side and the Swedish market are slightly higher than Sitowise has historically been, which may have affected acquisition prices and hence returns on capital, in addition to lower profitability.

Sitowise's good digital systems and integration process ensure a quick merger, which contributes to lower purchasing costs. A significant binding element in Sitowise's acquisitions has also been the fact that, as part of the contract, the seller has historically invested around 20% of the price back into Sitowise. This encourages players to continue to run their business successfully. At the same time, companies will have access to modern systems and can also create synergies through common cost management.

Acquisition criteria

- Strong financial performance
- Complements offering and opportunities
- Creates new services and customer segments
- Geographic expansion
- Committed personnel
- Cultural equivalence

Source: Inderes, Sitowise

Strategy 4/4

Long-term financial targets

Sitowise's long-term financial targets focus on profitable growth. The company targets over 10% annual growth including acquisitions. At the same time, the company aims to maintain strong profitability of at least 12% adjusted EBITA margin. The gearing target is linked to profitability and the ratio of net debt to adjusted EBITDA should not exceed 2.5x. However, this limit may be temporarily exceeded as a result of acquisitions. Despite its strong growth orientation, the company aims at paying 30-50% of its net result as dividends.

The company has grown by around 13% annually over the last five years, so the growth target is very realistic and achievable. We do not expect this to be achieved organically in the long term and acquisitions are required. In this sense, our estimates differ from the target levels as they do not take into account future acquisitions.

In terms of profitability, the company already reached an EBITA margin of around 13% in 2020. 2020 was an exceptionally good year, but stresses that Sitowise has a clear chance of meeting its targets. We don't think the company is reaching too high, which we think is a good approach at a time when growth is also very much part of the strategy. The return towards 12% margins will be supported by an increase in the share of business with a better cost structure (SaaS, Digital Solutions, sustainability services), but it will also require an improvement in the housing market, according to our estimates. In a better market, utilization rates could be brought closer to previous levels (78%), which would also lead to better margins.

Gearing has risen recently and at the end of Q2 net debt/adjusted EBITDA was 2.4x. This is very close to the upper end of the target, but we would not be concerned about the level given the capital-light nature of the business model, good cash flow and low investment needs. We expect cash flow to improve towards the end of the year, which should lower net debt levels and ease debt pressures. However, the target levels do not in themselves provide significant room for major investment at this stage.

While the company grows, it also wants to distribute dividends. The company's business model that generates good cash flow enables this, but we believe that the bigger value driver for the owners at this stage is the earnings growth generated by the combination of growth and profitability. After the growth phase, the company has the chance to become a strong dividend payer.

Long-term financial targets

Growth
Annual growth over 10%, incl. acquisitions

Profitability
Adjusted EBITA% at least 12%

Indebtedness*
Net debt/adjusted EBITDA < 2.5x

Dividend
30-50% of net result

Source: Inderes, Sitowise
*excl. momentary overshoot as a result of an acquisition

Markets

Finland and Sweden at the core

When describing Sitowise's industry, Finland and Sweden are the key markets at the moment. The consulting and design sector is part of the overall construction market, which is worth almost EUR 80 billion in Finland and Sweden, according to Sitowise's analysis at the time of the IPO. Based on Sitowise's analysis and development, the consulting and design market in Finland and Sweden is estimated to be around EUR 5 billion. Of this, Finland accounts for around 2 billion and the Swedish market for around 3 billion.

In Finland, the market is highly fragmented and has clear consolidation potential. Based on the IPO analysis, 45% of the market share was held by the top 10 companies, compared to 24% in Sweden at the same time. In Sweden, consolidation has already clearly taken place, but on the other hand, there are far more smaller companies in Sweden than in Finland, according to Sitowise's prospectus. The above figures are indicative, as the market has changed since the pandemic and Russia's war of aggression in Ukraine, among other things, but they give an indication of the structure of the market.

Growth outlook for the industry is good

We believe that the sector's long-term outlook is positive, and that growth will exceed GDP growth in the operating countries. We estimate that growth will also exceed the growth of the total construction market as the market penetration of consulting rises. According to Sitowise, the penetration rate could rise to 5.2% in Finland by 2025 from about 3.6% in 2005. The development is further ahead in Sweden as the penetration rate is expected to rise to some 7.5% by 2025. We believe the increase in the market share of consulting is supported by, e.g., the increase in technology, growth in dense construction, increase in infrastructure requirements, sustainable development, and digitalization.

In the short term, however, the market will suffer from a drop in new construction, which will affect the Buildings business in particular. Sitowise expects growth over the next few years to be more moderate than in recent years. In the Buildings business, Sitowise expects growth to remain below 3% annually until 2025. Following weaker growth, the drivers will be a pick-up in new construction volumes (2024→), energy renovations and renovation debt, as well as rising demand for technical skills. According to the company, the infrastructure businesses will continue their good above-market development with an annual growth rate of 3-10% until 2025. In Infra, the market trajectory is positive, and profitability is currently better than the housing market. According to the company, Sitowise's Infra unit is making very good profitability compared to the sector as a whole. Digital Solutions and Sweden are estimated to grow at a much faster annual rate than these two areas (+10% CAGR). Digital services are attractive, the market situation is better in Sweden and there are good takeover opportunities for businesses.

The market provides a good basis for organic growth in several business areas, as in our view Sitowise's digitalization expertise and strong growth-oriented players on the building and infrastructure side will keep Sitowise's growth above that of the market also in the future.

Market outlook

	Growth prospects 2023-2025	CAGR-%*
Buildings		< 3%
Infra		3-10%
Digital Solutions		+10%
Sweden		+10%

Source: Inderes, Sitowise, IPO prospectus
*Sitowise estimate/forecast

Competition

Among market leaders in Finland, a challenger in Sweden

Sitowise's market position is strong in Finland, and in Sweden the company is profiled as a strongly growing challenger. In Finland, the company's position is well established, but conquering Sweden as a challenger is a more difficult task. The established players in Sweden are much larger and have strong local connections. Based on the acquisitions made, Sitowise seems to be able to attract financially very strong local players, which has been encouraging to see. Our estimates and calculations place the company among the four largest players in Finland, but in Sweden the company's market share is still very small.

In Finland, the competitive environment consists of large Nordic and international players (Ramboll, Sweco, AFRY, WSP, Rejlers), large local players (e.g. Granlund, A-Insinöörit) and smaller players (Solwers, FCG). In Sweden, the competitive environment is composed of the same large players as in Finland, and there are also large and purely local players (e.g. Tyréns, Projektengagemang).

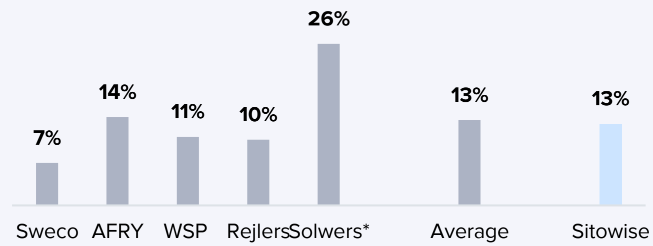
Profitability good, but return on capital still needs work

In order to gain a little insight into Sitowise's competitiveness, we compared its financial figures with the nearest listed peers. Sitowise's growth has been in line with the average (+13%) and slightly faster than the larger companies between 2018 and 2022. Growth in technical consulting has been strong overall, but largely inorganic. For smaller operators, growth has been stronger from low starting levels, while for the larger ones, acquisitions do not significantly affect the overall picture. It is therefore not meaningful to compare growth rates.

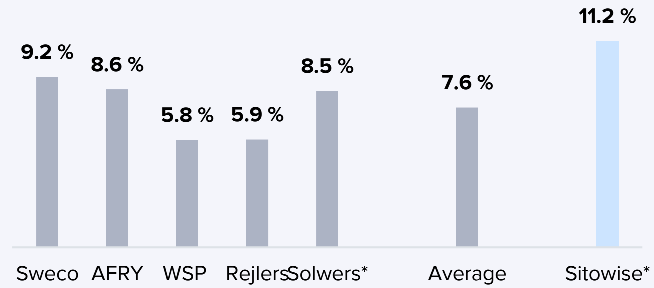
Over the last five years (2018-22), Sitowise's EBITA-% has been among the best in the industry (11.2%). The average for peers has been around 7.6%. On average, the highest profitability among peers has been closer to 9%. We believe that profitability is driven by the operational efficiency created by Sitowise's modern systems and entrepreneurial staff. The Voima platform aims to minimize external work on the project, which translates into better utilization rates and gives leverage for profitability. At the same time, a broad local presence also ensures a local cost level, including wages and other expenses. In recent years, profitability at Sitowise has come down from its record levels and the gap with others is no longer so wide.

Sitowise's return on capital employed (ROCE-%: 10%) has been below the level of its peers (11%). In our view, Sitowise would have the potential to achieve even higher return on capital ratios by combining the lightness of its business model with a good level of profitability. Profitability, which has fallen in recent years, is currently undermining the level, but the amount of capital employed is also higher and the earnings level is not as good in relation to that. In our view, this levels the playing field in terms of profitability.

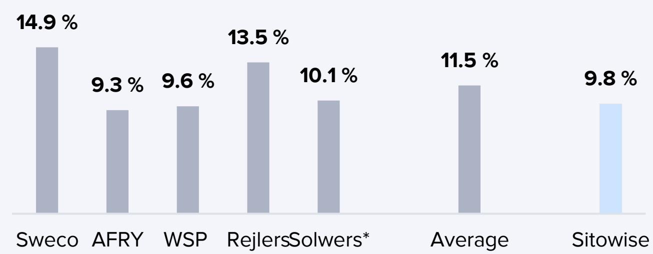
Net sales growth (CAGR-%, 2018-22)



Comparable EBITA margin (2018-22 average)



ROCE-%, 2018-22 average



Source: company materials, Inderes
*adjusted IFRS 16 depreciation from EBITA, ROIC-%

Financial position

Good financial position

Sitowise is in a good financial position. Over the past three years, the equity ratio has averaged around 39% and net gearing around 53%. Here it should be noted that IFRS-16 has significantly increased the amount of debt and without these the ratios would be better. We analyze the financial situation in H1'2023, although some of the figures may look different at the end of the year.

After H1, the equity ratio remained stable at around 43% (Q2'22: 43%) and the gearing ratio fell slightly to 48% (Q2'22: 51%) year-on-year. The company's net debt/adjusted EBITDA ratio has been around 2.2x over the last three years, which is a reasonably good level considering the business model. The situation at the end of Q2 (2.4x) was also below target, as we reported earlier. Sitowise's gearing and solvency ratios are therefore at a good level, although we do not think they can tolerate a significant increase. However, we expect cash flow to improve this year, which we believe will reduce net debt.

Balance sheet consists mainly of goodwill

Acquisitions emphasize goodwill in the balance sheet. The balance sheet total at the end of H1'23 was about EUR 273 million, of which EUR 156 million was goodwill. Thus, it accounted for 57% of the balance sheet total. Goodwill is accumulated in the balance sheet from acquisitions and is not amortized in accordance with IFRS. However, other intangible assets generated by the transactions is depreciated so EBITA is therefore used to measure profitability in order to improve comparability.

We believe that at this stage the write-down risk of goodwill is low, but larger changes in the market situation or parameters may generate write-down risks. Therefore, negative scenarios should also be considered with the large goodwill. However, we believe the parameters used by the company are currently at a sustainable level.

The second largest asset item was receivables with a share of around EUR 58 million. The third largest is tangible assets (29 MEUR), but we estimate that most of this is IFRS 16 lease liabilities. At the end of 2022, the value of rental commitments was EUR 28 million. Otherwise, the company has little fixed assets and the balance sheet is light.

Cash assets also stand out as they stood at EUR 16 million at the end H1. Cash levels have fallen from pre-IPO levels due to acquisitions, but remain at a good level in mid-2023, providing security for liquidity.

Slightly more debt accumulated

On the liabilities side equity stood at some EUR 116 million. Equity covers a large part of the balance sheet, and has increased thanks to earnings and a previous IPO.

Of non-current liabilities around EUR 1 million were non-interest-bearing and around EUR 91 million interest-bearing (H1'22: 88 MEUR). However, we estimate that around EUR 20 million of the interest-bearing liabilities are rental liabilities (IFRS 16).

Interest-bearing current liabilities totaled about EUR 8 million in the balance sheet, of which about EUR 7 million consisted of lease liabilities (2022 IFRS 16 liabilities 7 MEUR). Net interest-bearing debt (excl. IFRS 16 liabilities) amounted to EUR 57 million at the end of H1'23 and consisted mainly of trade payables.

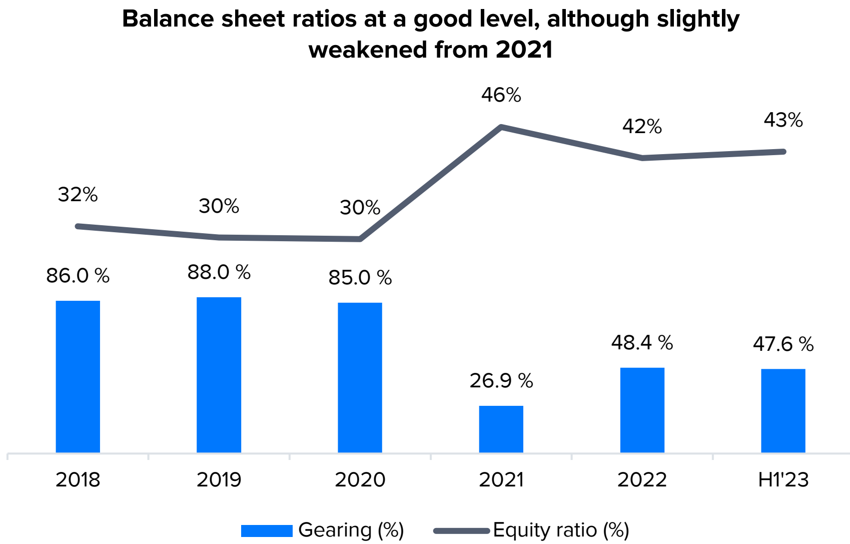
Cash flow is good

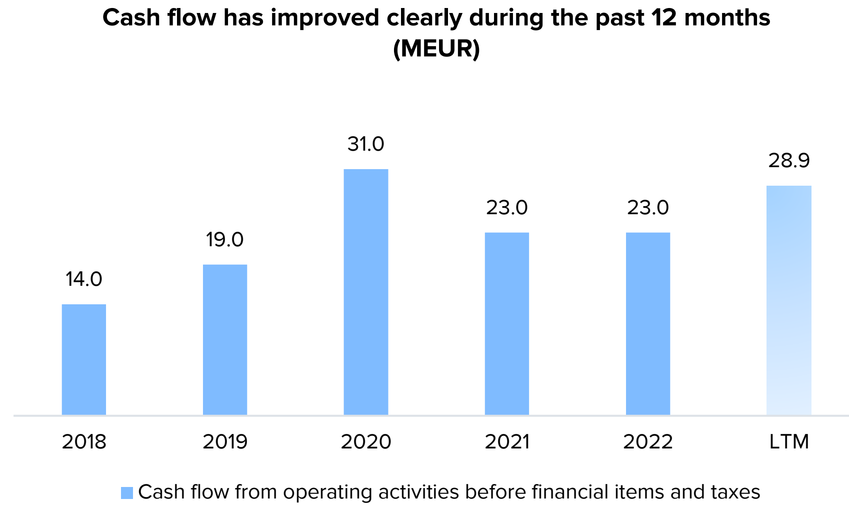
Balance sheet indebtedness has increased, slightly tightening the balance sheet position. However, Sitowise's business model generates good cash flow. Over the last five years, the company has generated an average annual operating cash flow (cash flow before financial items and taxes) of around EUR 22 million. This corresponds to about 100% of the company's adjusted EBITDA, indicating a good level of cash conversion (over 90%).

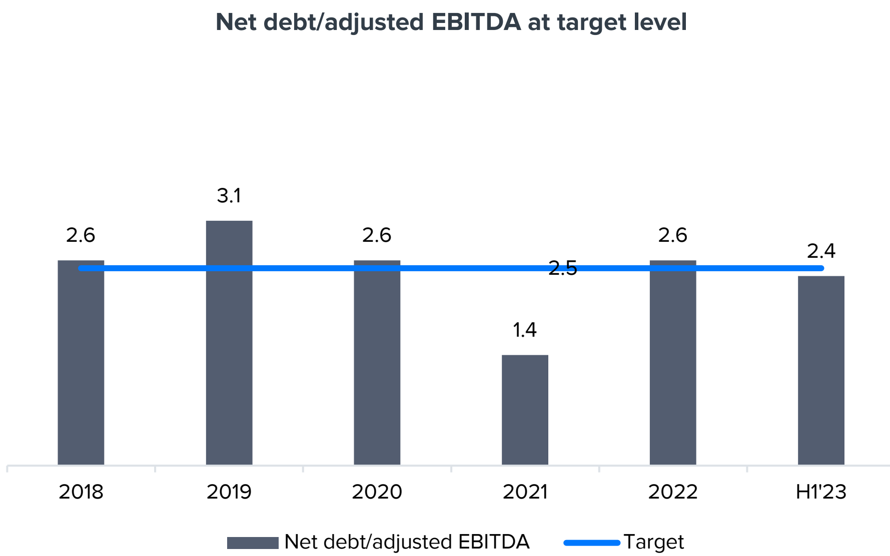
In recent years, cash and financing has been needed mainly for acquisitions. Of the around EUR 120 million invested in the last five years, about EUR 100 million has been spent on acquisitions. As we said earlier, there is no significant cash flow for maintenance, which gives room for financing and investment.

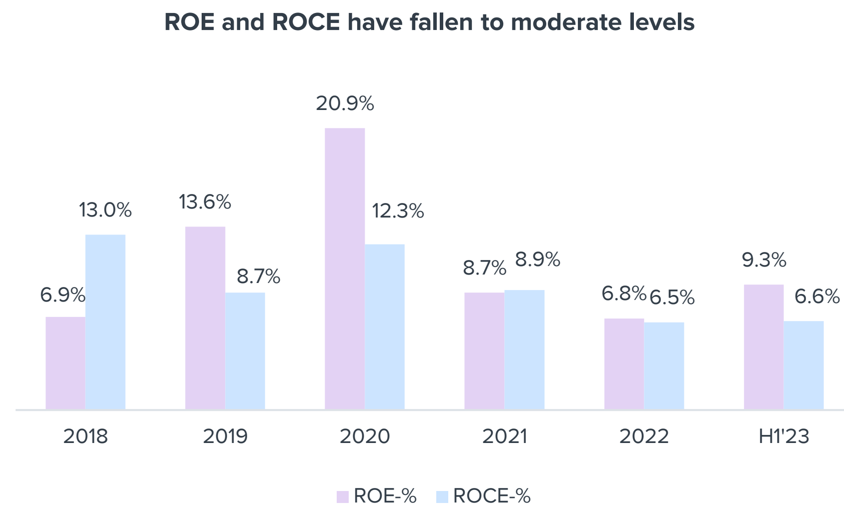
Sitowise also agreed in February 2023 to extend its financing with its funders. This extension will be of the same amount and under the same conditions as the original arrangement. The funding is now valid until March 2026.

Financial position









Source: Inderes, Sitowise

Estimates 1/3

Basis for the estimates

We estimate the development of Sitowise's business in the big picture mainly through market development, the company's acquisitions and the composition of the cost structure. In Sitowise, it is important to consider the number of hours worked per year and per quarter, which may cause even notable differences in comparability. At the same time, we monitor and try to assess the company's billable utilization, as its changes will have a major impact on the company's performance.

In the big picture, we see Sitowise continuing to grow, but growth in the coming years will be slower than in the past. We expect Sitowise to make several acquisitions and also to grow organically slightly faster than the market with its broad and competitive offering and digital services. However, growth efforts, a weak market and inflation will continue to weigh on relative profitability in the coming years (2023-24), keeping it below the target level (>12% EBITA).

Our estimates do not account for possible acquisitions due to their low predictability. However, we stress that they play an important role in Sitowise's development.

Acquisitions to support growth in 2023

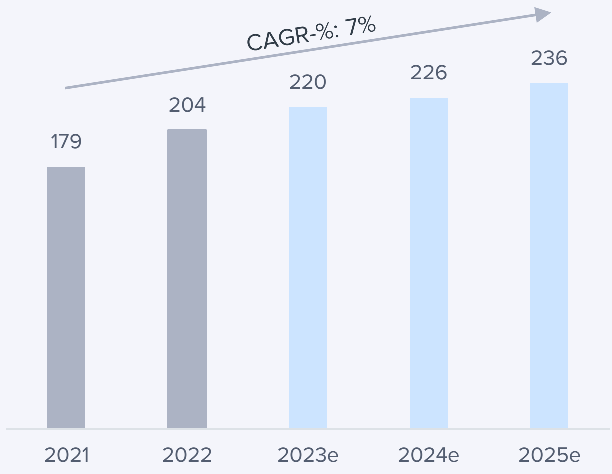
We expect growth to slow in 2023, but to be reasonably in relation to the market. The market situation was very good until 2022, when activity recovered from the COVID pandemic. However, in 2023, the downturn in new construction, especially residential construction, has weakened the growth prospects of the Buildings business.

The company's guidance expects net sales to grow in 2023 (2022: 204 MEUR), and that its adjusted EBITA margin (%) will be broadly at the same level as the adjusted EBITA margin of 2022. 10.0%). Since H1, the company's net sales have increased by 12% to EUR 112.5 million and the adjusted EBITA margin was 9.9% (H1'22: 10.1%). However, we expect the rest of the year to be more challenging in terms of growth.

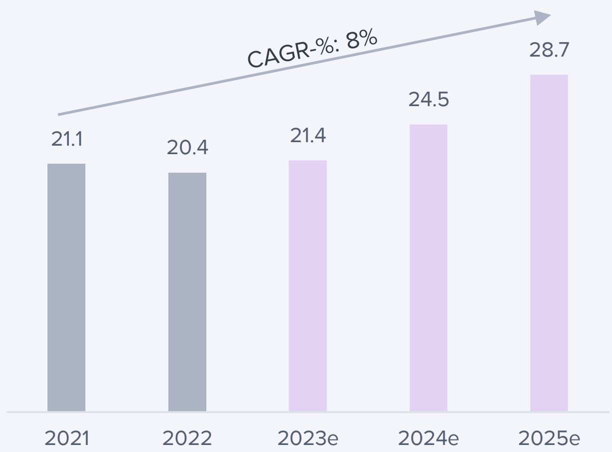
We expect total net sales to grow by 8% to around EUR 220 million in 2023. Organic growth is supported by the company's expanded offering and good long-term market trends, as well as an increase in the consultation penetration rate and Sitowise's digitalization expertise. Organic growth is, however, slowed down by the postponement and uncertainty in the Buildings business. Acquisitions are expected to support growth by around EUR 10 million in 2023. On this basis, we forecast organic growth at around 2-3%.

The gradual easing of market challenges (inflation, uncertainty related to construction), better use of resources, depreciation of front-loaded growth costs and improved billing ratio will, in our opinion, strengthen the preconditions for the operating result improving in the coming years. However, in 2023 these effects will still be moderate. We predict that the adjusted EBITA for 2023 will rise to EUR 21.4 million and that the margin will be 9.7% (2022: 10.0%).

Net sales (MEUR)



Adjusted EBITA (MEUR)



Source: Inderes

Estimates 2/3

In the expense lines we estimate that the share of materials and services will slowly decrease as the amount of subcontracting declines in the company with the expanding offering. We see upward pressure on personnel costs this year, both relative to net sales and in absolute terms. Wage settlements are raising salaries by several percent, while competition for talent has remained fierce, especially on the digital side. In other operating expenses, we see a clear decline from the exceptionally high level of the comparison period. In the longer term, we also see the relative share decreasing due to the company's decentralized business model and low administrative burden. We expect financing costs to rise sharply as the company's debt increases and interest rates are higher. Due to fewer adjustment items, we expect the reported result in the bottom lines to rise faster than the operating result. We estimate that reported EPS will considerably to EUR 0.30 per share from EUR 0.22 in the comparison period.

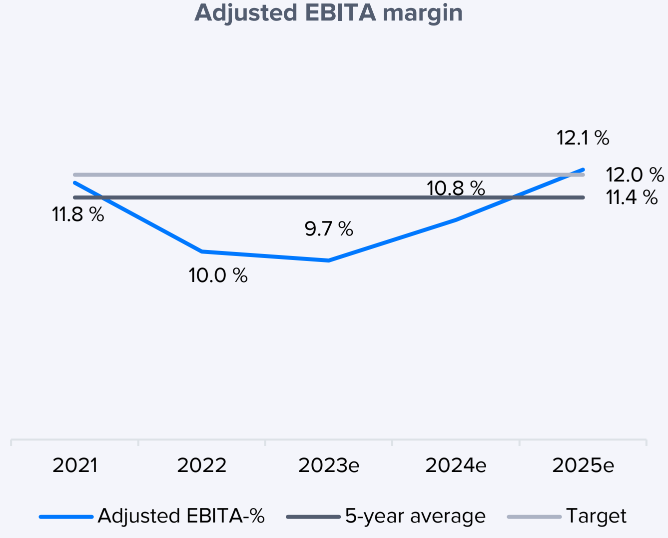
The biggest risk in our estimates is a more pronounced cooling of market growth in line with the economy, which would affect growth but also, we estimate, Sitowise's utilization rate. Maintaining a high level of profitability can also be challenging if growth and integration of acquisitions do not proceed as planned. Current profitability levels are high for the sector and sustaining similar performance may be challenging. Compared to historical profitability levels (5-year average: 11.4%), the current level is already low and has clear potential for improvement, provided there is no significant turn for the worse in the market situation.

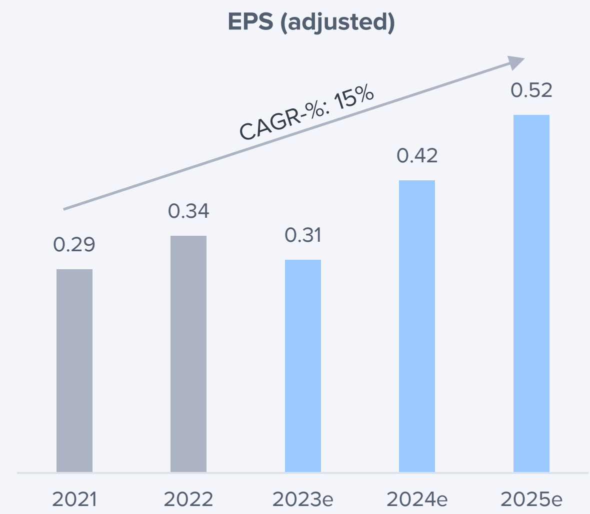
Growth will be more moderate in 2024

For 2024, we see overall growth slowing to 3% and net sales rising to EUR 227 million. Acquisitions have an impact of around EUR 0.5 million on our estimates and we expect organic growth to pick up, especially towards the end of the year. We see the market picking up in the housebuilding market and offering better opportunities for organic growth than in 2023. We expect growth to remain strong in Digital Solutions and in Sweden. The outlook for Infra is reasonably good, but we see no scope for significant organic growth in a weak investment environment.

In 2025, growth is forecast to be slightly stronger at around 4%, in line with the market's growth potential. Growth in the coming years will be supported by a recovering market, an expanded offering, good long-term trends in the market, an increase in the penetration rate of consulting and Sitowise's digitalization expertise.

With stronger organic growth, we also see growth in margins and earnings. The company will be better able to put its resources to work and cost pressures will ease. We estimate that 2024 EBITA will be EUR 25 million and EUR 29 million in 2025. We expect the margin to increase to around 10.8% in 2024 and further to some 12.1% in 2025. This would bring the company back to historical and target profitability levels in 2025.





Source: Inderes

Estimates 3/3

In the medium term, we expect the company's net sales growth to be 3-5%, and in the long term our growth estimate settles at about 1%. In terms of profitability, we expect that in the long-term profitability will settle at around 11% adjusted EBITA margin. This is in line with the company's historical level (5-year average: 11.4%), but still below the company's target (+12%).

Acquisition scenario

A large share of Sitowise's business growth has come through acquisitions in the past. This is also the direction in the future. Therefore, our purely organic growth-based estimates may give a distorted impression of the company's business development. In line with the company's good historical acquisition history and the objectives of the strategy, we have estimated that the company's net sales would grow by around 11% annually until the end of the strategy period (2025). By 2025, the company would achieve net sales of about EUR 280 million in the scenario and with our unchanged profitability estimate, EBITA would rise to some EUR 34 million in 2025.

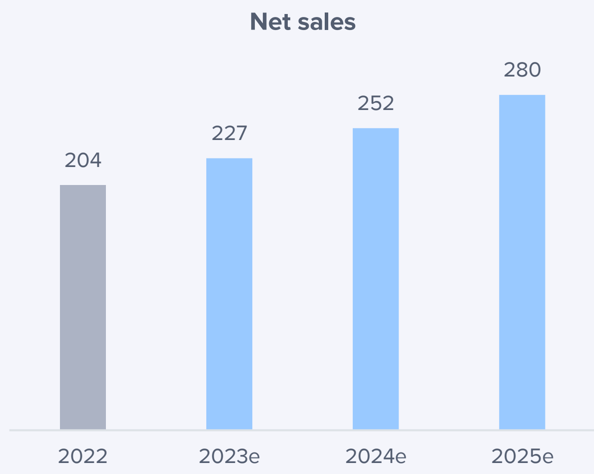
Financing is possible, but would put notable pressure on the balance sheet

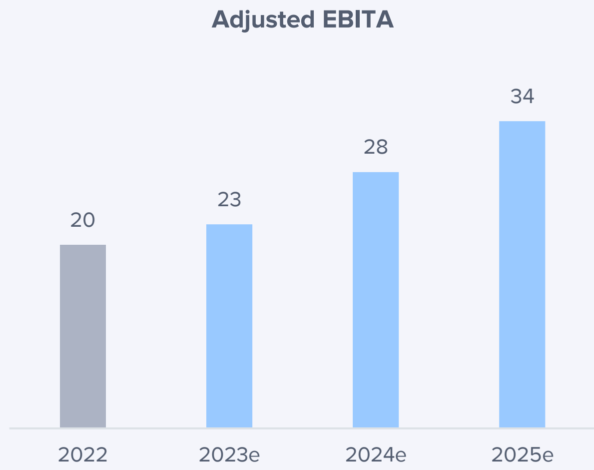
Compared to our organic net sales growth estimates, net sales would amount to EUR 45 million more at the end of 2025. While Sitowise aims to keep its profitability at a high level, the profitability of acquisition objects can be expected to be close to the same levels as Sitowise now has. Over the last five years, Sitowise has averaged around 15% in terms of EBITDA-%. With net sales of EUR 45 million, this gives an EBITDA of some EUR 6.3 million. According to Sitowise, its historical acquisition price has been around 5.5x EV/EBITDA. An EBITDA of just over EUR 6 million multiplied by a factor of 5.5x gives a total estimated acquisition price of around EUR 35 million.

However, we believe that the financial situation currently requires some further improvement in cash flow to enable acquisitions to be made at the target gearing level. However, the company had around EUR 16 million in cash at the mid-year point, which already gives it good resources to make moves in the market. The leverage ratio is at the target level, but the company itself says that it may be exceeded in the event of acquisitions. Thus, with its own assets and debt financing the company would have good chances to implement the scenario. However, it should also be borne in mind that the cost of debt has risen significantly, which increases the risks of acquisitions. The company holds its own shares, which can be used as a means of payment in connection with acquisitions, but due to the low valuation of the share, the valuation of the company being bought should also be moderate.

At this stage, we believe it is likely that there will be no significant new acquisitions in the current weak market. The digestion of past acquisitions and the improvement in cash flow could already free up more resources for use as the market is expected to pick up.

Acquisition scenario





Source: Inderes

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**160.1**	**179.3**	**49.2**	**51.7**	**45.9**	**57.6**	**204.4**	**56.1**	**56.5**	**48.2**	**59.4**	**220.1**	**226.5**	**236.5**	**244.7**
EBITDA	**26.3**	**25.8**	**5.4**	**5.2**	**6.5**	**6.7**	**23.8**	**8.5**	**6.4**	**6.3**	**7.3**	**28.5**	**32.9**	**36.5**	**37.4**
Depreciation	-8.0	-9.4	-2.5	-2.5	-2.7	-2.9	-10.6	-3.0	-2.8	-2.6	-2.7	-11.0	-10.2	-9.5	-8.9
EBITA (oik.)	**20.6**	**21.1**	**5.2**	**4.9**	**4.9**	**5.3**	**20.4**	**6.6**	**4.5**	**4.6**	**5.7**	**21.4**	**24.5**	**28.7**	**30.2**
EBITA	**19.5**	**18.6**	**3.5**	**3.3**	**4.5**	**4.7**	**16.1**	**6.2**	**4.4**	**4.5**	**5.5**	**20.6**	**24.5**	**28.7**	**30.2**
EBIT	**18.3**	**16.4**	**2.9**	**2.7**	**3.7**	**3.8**	**13.2**	**5.5**	**3.6**	**3.7**	**4.7**	**17.5**	**22.8**	**27.0**	**28.5**
Net financial items	-2.4	-6.1	-1.4	-0.3	-0.4	-0.7	-2.9	-1.1	-0.9	-0.9	-1.0	-3.9	-3.8	-3.8	-3.8
PTP	**15.9**	**10.3**	**1.5**	**2.4**	**3.3**	**3.0**	**10.3**	**4.4**	**2.7**	**2.8**	**3.7**	**13.6**	**19.0**	**23.2**	**24.7**
Taxes	-3.2	-2.4	-0.4	-0.8	-0.5	-0.6	-2.4	-0.9	-0.6	-0.6	-0.7	-2.8	-3.9	-4.7	-5.0
Minority interest	-0.1	-0.1	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Net earnings	**12.6**	**7.8**	**1.1**	**1.5**	**2.8**	**2.4**	**7.8**	**3.5**	**2.2**	**2.2**	**2.9**	**10.8**	**15.0**	**18.4**	**19.5**
EPS (adj.)	**0.33**	**0.29**	**0.08**	**0.09**	**0.09**	**0.08**	**0.34**	**0.11**	**0.05**	**0.06**	**0.08**	**0.31**	**0.42**	**0.52**	**0.55**
EPS (rep.)	**0.36**	**0.22**	**0.03**	**0.04**	**0.08**	**0.07**	**0.22**	**0.10**	**0.06**	**0.06**	**0.08**	**0.30**	**0.42**	**0.52**	**0.55**

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	11.9 %	12.0 %	15.0 %	11.2 %	16.0 %	14.1 %	14.0 %	13.9 %	9.2 %	5.0 %	3.1 %	7.7 %	2.9 %	4.4 %	3.5 %
Adjusted EBITA growth-%		2.4 %	10.8 %	-17.0 %	0.6 %	-5.2 %	-3.6 %	27.0 %	-8.4 %	-6.4 %	6.9 %	5.1 %	14.3 %	17.3 %	5.2 %
Adjusted EBITA-%	12.9 %	11.8 %	10.6 %	9.5 %	10.7 %	9.2 %	10.0 %	11.8 %	8.0 %	9.6 %	9.6 %	9.7 %	10.8 %	12.1 %	12.3 %

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	220	220	0%	226	226	0%	236	236	0%
EBITDA	28.5	28.5	0%	32.9	32.9	0%	36.5	36.5	0%
EBITA (oik.)	21.4	21.4	0%	24.5	24.5	0%	28.7	28.7	0%
EBITA	20.6	20.6	0%	24.5	24.5	0%	28.7	28.7	0%
PTP	13.6	13.6	0%	19.0	19.0	0%	23.2	23.2	0%
EPS (excl. NRIs)	0.31	0.31	0%	0.42	0.42	0%	0.52	0.52	0%

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**177**	**202**	**199**	**197**	**196**
Goodwill	135	158	158	158	158
Intangible assets	7.5	10.2	7.2	4.3	2.6
Tangible assets	31.4	31.8	31.8	32.5	32.7
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.9	1.9	1.9	1.9	1.9
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.1	0.9	0.9	0.9	0.9
Current assets	**72.7**	**78.3**	**89.6**	**104**	**122**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	53.3	62.9	66.0	67.9	70.9
Cash and equivalents	19.4	15.4	23.5	36.3	51.0
Balance sheet total	**250**	**281**	**289**	**302**	**318**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**115**	**117**	**124**	**135**	**148**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	18.8	23.4	30.7	41.5	54.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.3	0.3	0.3	0.3	0.3
Other equity	95.5	92.8	92.8	92.8	92.8
Minorities	0.2	0.3	0.3	0.3	0.3
Non-current liabilities	**72.6**	**94.6**	**91.6**	**91.6**	**91.6**
Deferred tax liabilities	1.6	1.6	1.6	1.6	1.6
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	71.0	93.0	90.0	90.0	90.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**62.3**	**69.2**	**73.3**	**75.1**	**77.8**
Short term debt	7.6	7.9	10.0	10.0	10.0
Payables	51.0	59.6	61.6	63.4	66.2
Other current liabilities	3.7	1.6	1.6	1.6	1.6
Balance sheet total	**250**	**281**	**289**	**302**	**318**

Valuation 1/5

Basis for valuation

When valuing Sitowise, we primarily utilize earnings-based valuation multiples, which we can also compare with a relevant and extensive peer group. In addition, Nordic peers provide a good basis for the acceptable valuation of the company.

We particularly favor EV/EBITDA and P/E multiples in the valuation. Due to Sitowise's business model and light balance sheet, P/B is not the best metric for the company. We believe that sales-based (EV/S) valuation is a good earnings-neutral way of gauging the valuation, from which to assess the possibility of clear mispricing. However, we use it mainly to support other valuation methods.

Acceptable valuation

Sitowise has a light balance sheet, business that ties up little capital, it generates very strong cash flow, grows strongly, and has a good profitability level considering the industry. Therefore, we believe that even high valuation multiples relative to Nasdaq Helsinki are acceptable for Sitowise (P/E (FW) 2005-22 avg: around 14x).

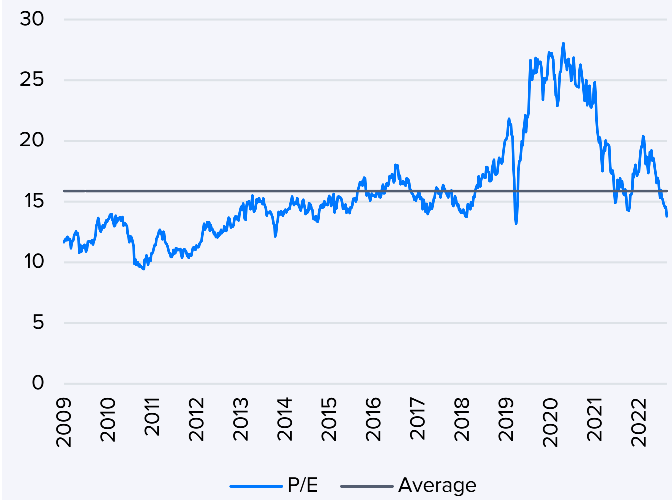
We believe that the best benchmark and valuation level can be found in the company's Nordic peers Sweco, Rejlers and AFRY. The peers are very close to Sitowise in terms of their business profile and market, although Sweco and AFRY are still far bigger, more diversified and more established players.

Since 2010 the forward-looking P/E ratio has been about 16x and EV/EBITDA about 9x for these peers. The multiples have just recently fallen from the very high levels seen in 2017-2021. In our view, the high levels of valuation at that time signal not only the good performance of technical consulting companies, but also the increased valuations of the zero-interest period. Acquisitions with cheap financing also helped companies to grow and clearly improved their profit levels. It is now estimated that the implementation of this strategy has become more difficult as the cost of financing (equity and debt) has risen. We therefore believe that lower multiples should be accepted for companies than in recent years, when the overall valuation picture has also suffered from rising interest rates and required returns.

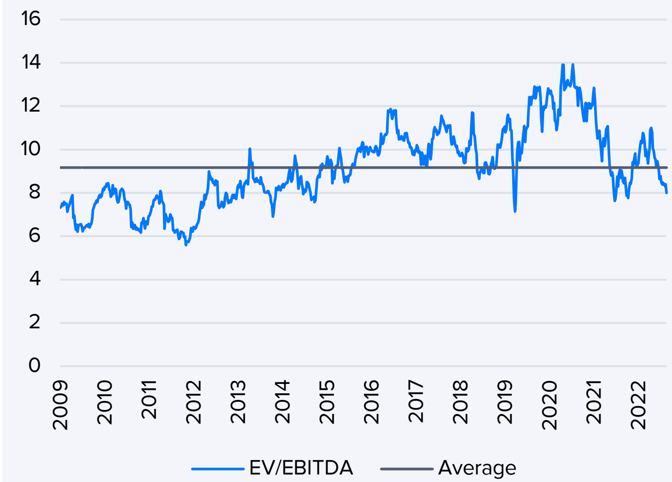
In Sitowise's case, we believe that the company deserves a valuation around peer level due to its good historical performance, strong growth ambitions and superior profitability. However, due to the deterioration in Sitowise's profitability and lower return on capital, we do not currently accept a premium over peers. Our acceptable valuation range for Sitowise is: P/E 14-18x and EV/EBITDA: 8-10x.

In our view, there is no significant upside to the acceptable range in the current environment, even if the company manages to continue to grow at its historical rate and raise its profitability to the target level. However, we believe that a further fall below Nasdaq Helsinki average (P/E: 14x) is possible if profitability and growth fall short of our expectations.

Peer group P/E (FW)



Peer group EV/EBITDA (FW)



Source: Refinitiv (consensus), Inderes
*Sweco, AFRY, Rejlers

Valuation 2/5

Absolute multiples

With Sitowise, we monitor the valuation level in 2023 and 2024. We see Sitowise's performance in 2023 as hint below normal, but already improving slightly closer to historical levels (+11%) in 2024. What is noteworthy in Sitowise's valuation is that intangible amortization related to the acquisitions weigh on earnings and thus elevate the P/E ratio. This has no cash flow impact, which is why we emphasize the EV/EBITDA multiple in our valuation.

The valuation of the share has fallen, following in the footsteps of its peers. When you take the lower-than-normal profitability into account, we believe that Sitowise's valuation at current levels is still very attractive for the coming years (2023-24e average: EV/EBITDA: 7x, P/E: 11x). At the lower end of our valuation range (EV/EBITDA: 8-10x, P/E: 14-18x) the share has an upside of 20%.

We are currently leaning towards the lower end of the acceptable range. Earnings growth is at a reasonably good level for the coming years, but moving to the upper end of the range would also require improved conditions in the construction market and in the financial markets (lower interest rates). In addition, although consulting and design companies are valued higher than average on the stock exchange, the quality and performance of the company is already well reflected in our range.

Dividend supported by strong cash flow

We expect the company to pay an increasing dividend over the coming years due to the strong cash generation of the business model and rising earnings. However, in our view, the dividend is not the most important driver for the stock at this stage of growth. At the current level of around 3-4%, it provides little support for expected returns.

Overview of the peer group

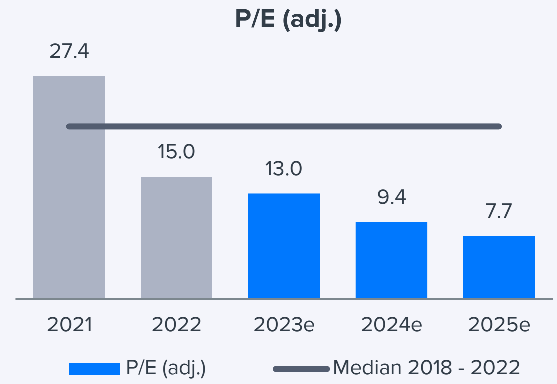
There is a good peer group available for Sitowise consisting of listed international and Nordic companies in the industry. In our view, the best peers are Sweco and AFRY from Sweden due to their similar investor profile, business that is relatively close, Nordic market and similar profitability profile.

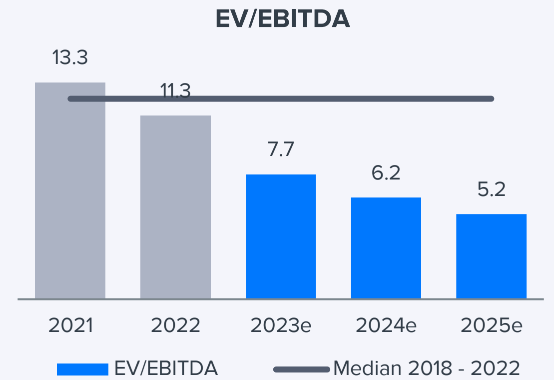
Of smaller peers that focus on the Nordic markets, Swedish Rejlers is also a good example although the industry division is slightly different to Sitowise, and performance has been clearly weaker in recent years. The internationally active WSP is a good peer, as it is one of Sitowise's main competitors, although it is much larger in size and operates in a larger market. A good smaller peer from Finland is Solwers that also operates in the technical consulting area.

We have also included the Finnish Etteplan and the internationally operating Arcadis in the peer group, which are not directly Sitowise's key competitors. We do, however, believe that it is justified to include one of the biggest European players in the sector, as well as a peer from Nasdaq Helsinki with a similar business model even if the sector division is not exactly the same.

Valuation	2023e	2024e	2025e
Share price	3.99	3.99	3.99
Number of shares, millions	35.5	35.5	35.5
Market cap	142	142	142
EV	219	206	191
P/E (adj.)	13.0	9.4	7.7
P/B	1.1	1.1	1.0
EV/Sales	1.0	0.9	0.8
EV/EBITDA	7.7	6.2	5.2
EV/EBIT (adj.)	12.4	9.0	7.1
Payout ratio (%)	39.4 %	33.1 %	35.0 %
Dividend yield-%	3.0 %	3.5 %	4.5 %

Source: Inderes





Source: Inderes

Valuation 3/5

Peer group valuation

The valuation of peers has fallen sharply in recent times. In previous extensive reports, we considered valuation expectations to be reasonably high, but in the current environment of uncertainty in the financial and construction markets, valuation is already clearly at a more attractive level.

The median 2023e and 2024e P/E multiples for the peer group shown below are around 17x, while the corresponding EV/EBITDA multiples are around 10x. The peer group shows that international and large players with strong business performance are priced higher on the stock market (Sweco, WSP). Some companies may also show a premium of a quality company, which has also raised the ratios over previous years due to the lack of alternative investments.

For the period 2023-2024, Sitowise's earnings multiples are on average 30% below peers. Companies' similar business profiles improve the comparability of multiples, but for example, for P/E ratios the decisive factor is depreciation of intangible assets, which weakens comparability. Due to differences in the market situation, there are large variations in earnings forecasts, which has reduced the usefulness of the peer valuation.

We believe Sitowise should be priced at the level of its peers

We believe it is justified to price Sitowise at least on par with the peer group due to the combination of historical profitability and future growth potential. In recent years, Sitowise's profitability and earnings growth have been stronger than for peers and the company is currently in a clear growth phase.

We believe that Sitowise's performance could in the future justify similar pricing to the top of the sector (Sweco, WSP), but at this stage we believe the difference is justified. However, the company's development and expansion phase, the Group's short history, the smaller size compared to some peers, and the more concentrated business decrease the acceptable level. Risk profiles are also potentially lower for larger and more diversified companies than Sitowise. For these reasons, we consider a valuation in line with peers (0%) to be justified.

Peer group valuation	Market cap	EV	EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Sweco AB	3210	3775	13.2	12.2	1.6	1.5	19.5	17.5	2.7	2.8
Afry AB	1362	2008	8.3	7.8	0.9	0.9	12.5	10.9	4.3	4.8
Rejlers AB	222	276	7.5	6.7	0.8	0.8	12.8	11.1	3.6	4.1
WSP Global Inc	16242	19182	14.7	13.4	2.6	2.4	28.3	24.8	0.8	0.8
Solwers Oyj	41	72	10.0	9.0	1.2	1.1	41.4	15.9	2.2	2.4
Etteplan Oyj	397	468	9.8	9.0	1.3	1.2	18.5	16.2	2.5	2.9
Arcadis NV	3902	5081	10.2	9.4	1.2	1.1	16.1	14.2	2.1	2.4
Sitowise (Inderes)	**142**	**219**	**7.7**	**6.2**	**1.0**	**0.9**	**13.0**	**9.4**	**3.0**	**3.5**
Average			**10.5**	**9.6**	**1.4**	**1.3**	**21.3**	**15.8**	**2.6**	**2.9**
Median			**10.0**	**9.0**	**1.2**	**1.1**	**18.5**	**15.9**	**2.5**	**2.8**
Diff-% to median			***-23%***	***-31%***	***-17%***	***-17%***	***-30%***	***-41%***	***19%***	***26%***

Source: Refinitiv / Inderes

Valuation 4/5

DCF valuation

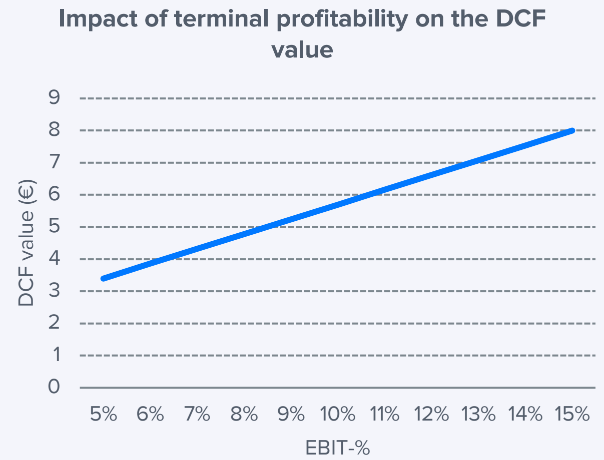
We also use DCF in the valuation. However, due to the company's acquisition-driven growth, our organic growth-based estimates do not necessarily give the best picture of the company's valuation. In addition, the cash flow model is sensitive to variables such as the terminal period, as we show below.

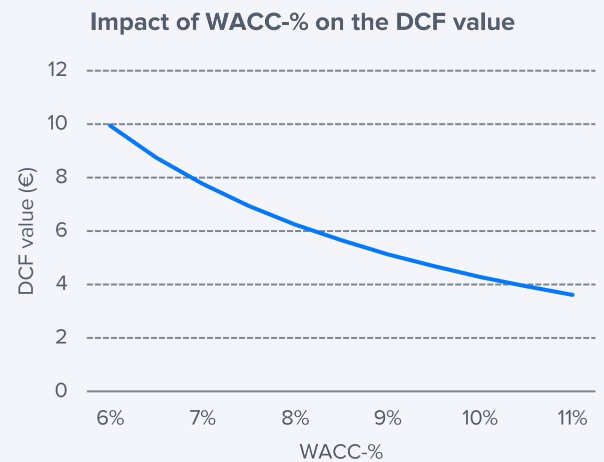
Our DCF model indicates a share value of EUR 5.6, well above the current share price. In our model, the company's net sales growth stabilizes at 1% in the terminal period after stronger medium-term growth, and the EBIT margin is 10.0% of net sales. This corresponds to an EBITA margin of around 11%, which is below the company's target level (+12%).

We consider our estimate of a sustainable level of profitability to be realistic based on the company's history and business model. To bring the current share price (ca. EUR 4) into the DCF calculation, the EBIT margin would have to fall to around 6% in the terminal period (other things being unchanged). In our view, this is well below even a pessimistic estimate. In relation to the target share price (EUR 5), profitability should fall to around 8% in the terminal for this to be a good estimate of fair value in the long term. In this sense, we see that the current share price already contains a safety margin against disappointments. Raising profitability at the terminal closer to the company's target (12%) brings the DCF calculation to around EUR 7.

The average cost of capital (WACC) used is 8.4% and the cost of equity is 10.5%. In our opinion, the required return level is relatively neutral compared to the average of the stock exchange and, in our opinion, there is no room for downside in the current environment.

The change in the required return parameter also has a clear impact on the value given by the DCF calculation and could also justify the current low share price. As the required return rises to 11%, the value of the DCF calculation falls below EUR 4, all other factors remaining unchanged. At 6-7%, the value rises to closer to EUR 10 levels. We therefore estimate that the market does not currently expect Sitowise to be able to maintain its current profitability in the terminal period, and we also estimate that the market's required return is higher than ours.





Source: Inderes

Valuation 5/5

Acquisition scenario

Growth through acquisitions could be clearly stronger than our current estimates as we showed in the previous paragraph. Therefore, we have also determined the value of the company if our scenario materialized as expected.

In our scenario, the company would generate some EUR 280 million in net sales and EUR 34 million EBITA in 2025. This would correspond to an EBITDA of approximately EUR 41 million. We have used the lower end of our range (8-10x) as the acceptable valuation, which would mean an EV of some EUR 327 million in 2025.

In terms of net debt, we have estimated that it would be double compared to EBITDA, i.e., below the company's target level (net debt/EBITDA<2.5x). Thus, the market cap would be around EUR 246 million in 2025. The value of the share would then be EUR 6.9.

At the current share price, the share's annual return based on the share price increase would be about 30% until 2025, assuming that the scenario would materialize as assumed. The return is clearly above, e.g., our return on equity rate (10%) indicating the potential of the option provided by the acquisition scenario. Thus, we feel that in the acquisition scenario the required return should be clearly attractive due to the uncertainty and risks involved. At this return level and in the light of Sitowise's good acquisition history, we feel that the acquisition scenario supports the share.

Target price and recommendation

We reiterate Sitowise's Buy recommendation and our target price of EUR 5.00 with the extensive report. In our valuation, we primarily utilize accepted valuation multiples, as well as the peer group and DCF calculation with a lower weight. We believe Sitowise is priced fairly moderately considering the company's current performance and earnings growth potential.

Acquisition scenario

Performance level (MEUR)	
Revenue 2025e	**280**
EBITA	**34**
EBITDA	**41**
Acceptable valuation level	
EV/EBITDA	**8**
Value of share capital (MEUR)	
EV 2025e	**327**
Net debt 2025e (2 x EBITDA)	**82**
Market cap 2022e (MEUR)	**246**
Share value 2025e (EUR)	**6.9**
Annual return at current share price	**31.5%**

Source: Inderes

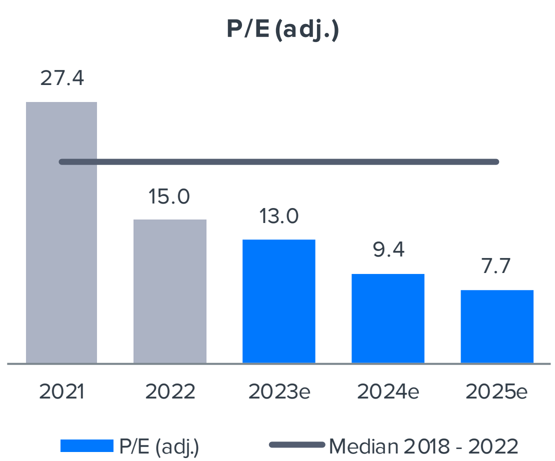
Target price formation

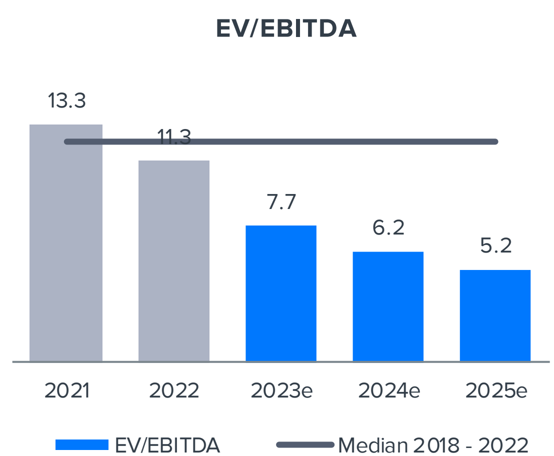
Source: Inderes

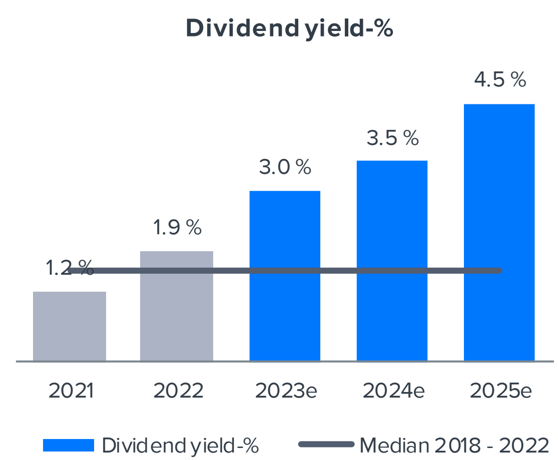
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				8.05	5.14	**3.99**	**3.99**	**3.99**	**3.99**
Number of shares, millions				35.4	35.5	**35.5**	**35.5**	**35.5**	**35.5**
Market cap				285	182	**142**	**142**	**142**	**142**
EV				345	268	**219**	**206**	**191**	**177**
P/E (adj.)				27.4	15.0	**13.0**	**9.4**	**7.7**	**7.3**
P/B				2.5	1.6	**1.1**	**1.1**	**1.0**	**0.9**
EV/Sales				1.9	1.3	**1.0**	**0.9**	**0.8**	**0.7**
EV/EBITDA				13.3	11.3	**7.7**	**6.2**	**5.2**	**4.7**
EV/EBIT (adj.)				18.2	15.4	**12.4**	**9.0**	**7.1**	**6.2**
Payout ratio (%)				45.2 %	45.2 %	**39.4 %**	**33.1 %**	**35.0 %**	**37.0 %**
Dividend yield-%				1.2 %	1.9 %	**3.0 %**	**3.5 %**	**4.5 %**	**5.1 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Sweco AB	3210	3775	13.2	12.2	1.6	1.5	19.5	17.5	2.7	2.8	3.5
Afry AB	1362	2008	8.3	7.8	0.9	0.9	12.5	10.9	4.3	4.8	1.3
Rejlers AB	222	276	7.5	6.7	0.8	0.8	12.8	11.1	3.6	4.1	1.4
WSP Global Inc	16242	19182	14.7	13.4	2.6	2.4	28.3	24.8	0.8	0.8	3.7
Solwers Oyj	41	72	10.0	9.0	1.2	1.1	41.4	15.9	2.2	2.4	1.1
Etteplan Oyj	397	468	9.8	9.0	1.3	1.2	18.5	16.2	2.5	2.9	3.4
Arcadis NV	3902	5081	10.2	9.4	1.2	1.1	16.1	14.2	2.1	2.4	3.2
Sitowise (Inderes)	**142**	**219**	**7.7**	**6.2**	**1.0**	**0.9**	**13.0**	**9.4**	**3.0**	**3.5**	**1.1**
Average			**10.5**	**9.6**	**1.4**	**1.3**	**21.3**	**15.8**	**2.6**	**2.9**	**2.5**
Median			**10.0**	**9.0**	**1.2**	**1.1**	**18.5**	**15.9**	**2.5**	**2.8**	**3.2**
Diff-% to median			***-23%***	***-31%***	***-17%***	***-17%***	***-30%***	***-41%***	***19%***	***26%***	***-64%***

Source: Refinitiv / Inderes

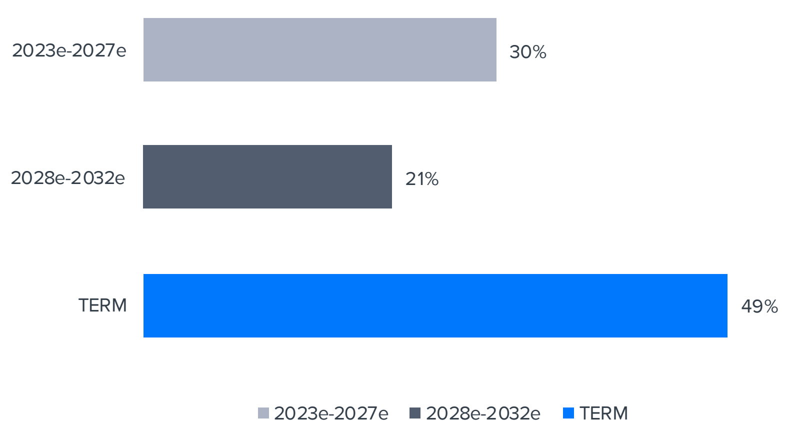
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	14.0 %	7.7 %	2.9 %	4.4 %	3.5 %	3.0 %	4.0 %	2.5 %	2.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	6.4 %	7.9 %	10.0 %	11.4 %	11.6 %	11.0 %	10.5 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
EBIT (operating profit)	**13.2**	**17.5**	**22.8**	**27.0**	**28.5**	**27.7**	**27.5**	**26.9**	**27.4**	**27.7**	**28.0**	
+ Depreciation	10.6	11.0	10.2	9.5	8.9	8.5	8.3	8.2	8.1	8.0	8.0	
- Paid taxes	-2.2	-2.8	-3.9	-4.7	-5.0	-4.9	-4.9	-4.8	-4.9	-4.9	-5.0	
- Tax, financial expenses	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-3.0	-1.2	-0.1	-0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	
Operating cash flow	**17.9**	**23.8**	**28.2**	**30.8**	**31.4**	**30.4**	**30.0**	**29.4**	**29.8**	**30.0**	**30.2**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-36.1	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	
Free operating cash flow	**-18.2**	**15.8**	**20.2**	**22.8**	**23.4**	**22.4**	**22.0**	**21.4**	**21.8**	**22.0**	**22.2**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-18.2	15.8	20.2	22.8	23.4	22.4	22.0	21.4	21.8	22.0	22.2	303
Discounted FCFF		**15.4**	**18.1**	**18.9**	**17.9**	**15.8**	**14.3**	**12.8**	**12.0**	**11.2**	**10.4**	**142**
Sum of FCFF present value		289	274	256	237	219	203	189	176	164	153	142
Enterprise value DCF		**289**										
- Interest bearing debt		-101.0										
+ Cash and cash equivalents		15.4										
-Minorities		-0.3										
-Dividend/capital return		-3.6										
Equity value DCF		**200**										
Equity value DCF per share		**5.6**										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	25.0 %
Cost of debt	3.0 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	1.30%
Risk free interest rate	2.5 %
Cost of equity	**10.5 %**
Weighted average cost of capital (WACC)	**8.4 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	160.1	179.3	204.4	**220.1**	**226.5**
EBITDA	26.3	25.8	23.8	**28.5**	**32.9**
EBIT	18.3	16.4	13.2	**17.5**	**22.8**
PTP	15.9	10.3	10.3	**13.6**	**19.0**
Net Income	12.7	7.8	7.8	**10.8**	**15.0**
Extraordinary items	1.1	-2.6	-4.3	**-0.1**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	221.5	249.8	280.7	**289.0**	**301.5**
Equity capital	66.9	114.9	116.9	**124.1**	**134.9**
Goodwill	118.1	135.2	157.6	**157.6**	**157.6**
Net debt	86.5	59.3	85.6	**76.5**	**63.7**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	26.3	25.8	23.8	**28.5**	**32.9**
Change in working capital	2.1	-3.2	-3.0	**-1.2**	**-0.1**
Operating cash flow	27.9	17.7	17.9	**23.8**	**28.2**
CAPEX	-33.1	-25.8	-36.1	**-8.0**	**-8.0**
Free cash flow	-5.1	-8.2	-18.2	**15.8**	**20.2**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	0.6	1.9	1.3	**1.0**	**0.9**
EV/EBITDA (adj.)	3.8	13.3	11.3	**7.7**	**6.2**
EV/EBIT (adj.)	5.9	18.2	15.4	**12.4**	**9.0**
P/E (adj.)	0.0	27.4	15.0	**13.0**	**9.4**
P/B	0.0	2.5	1.6	**1.1**	**1.1**
Dividend-%		1.2 %	1.9 %	**3.0 %**	**3.5 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.36	0.22	0.22	**0.30**	**0.42**
EPS (adj.)	0.33	0.29	0.34	**0.31**	**0.42**
OCF / share	0.79	0.50	0.50	**0.67**	**0.79**
FCF / share	-0.15	-0.23	-0.51	**0.44**	**0.57**
Book value / share	1.90	3.24	3.29	**3.49**	**3.79**
Dividend / share	0.00	0.10	0.10	**0.12**	**0.14**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	12%	12%	14%	**8%**	**3%**
EBITDA growth-%	36%	-2%	-8%	**20%**	**16%**
EBIT (adj.) growth-%	130%	10%	-8%	**1%**	**29%**
EPS (adj.) growth-%	144%	-10%	16%	**-10%**	**37%**
EBITDA-%	16.4 %	14.4 %	11.6 %	**12.9 %**	**14.5 %**
EBIT (adj.)-%	10.7 %	10.6 %	8.5 %	**8.0 %**	**10.0 %**
EBIT-%	11.4 %	9.1 %	6.4 %	**7.9 %**	**10.0 %**
ROE-%	20.4 %	8.6 %	6.8 %	**9.0 %**	**11.6 %**
ROI-%	11.7 %	9.0 %	6.4 %	**7.9 %**	**9.9 %**
Equity ratio	30.2 %	46.0 %	41.6 %	**43.0 %**	**44.7 %**
Gearing	129.3 %	51.6 %	73.2 %	**61.6 %**	**47.2 %**

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/29/2021	Reduce	8.60 €	8.50 €
5/20/2021	Accumulate	9.30 €	8.78 €
8/26/2021	Accumulate	9.30 €	8.27 €
11/11/2021	Accumulate	9.30 €	8.33 €
3/3/2022	Accumulate	7.60 €	6.50 €
5/4/2022	Accumulate	7.20 €	6.05 €
5/19/2022	Buy	7.20 €	5.74 €
8/18/2022	Accumulate	6.50 €	5.50 €
10/27/2022	Buy	5.50 €	3.90 €
11/2/2022	Buy	5.50 €	4.15 €
11/29/2022	Accumulate	5.50 €	4.75 €
3/1/2023	Accumulate	5.40 €	4.89 €
5/10/2023	Accumulate	5.10 €	4.40 €
8/17/2023	Buy	5.00 €	4.00 €
9/5/2023	Buy	5.00 €	3.99 €

inderes.

Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at **inderes.fi**

STARMINE ANALYST AWARDS FROM REFINITIV

THOMSON REUTERS ANALYST AWARDS

Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020

Mikael Rautanen
2014, 2016, 2017, 2019

Sauli Vilén
2012, 2016, 2018, 2019, 2020

Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020

Olli Koponen
2020

Joni Grönqvist
2019, 2020

Erkki Vesola
2018, 2020

Petri Gostowski
2020

Atte Riikola
2020

Analyysi kuuluu kaikille.