

Sitowise

Extensive report

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✓ Inderes corporate customer

This report is a summary translation of the report "Sitovasti kasvussa" published on 5/4/2022 at 7:25 am

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Committed to growth

We reiterate our Accumulate recommendation for Sitowise and revise our target price to EUR 7.20 (previously EUR 7.60) in connection with updating our extensive report. Sitowise, a specialist in the built environment, operates in the construction value chain in an area with high value added and some recognized competitive advantages. Sitowise's efficient business model, light balance sheet and strong cash flow give the company good preconditions to continue profitable organic and inorganic growth. Considering the company's performance, we feel the valuation for the next few years is too moderate raising the expected return together with the dividend to an attractive level. In addition, continuous acquisitions offer a clear growth opportunity as an option for investors.

Enabler of smart environment

Sitowise is a Finnish expert company focused on the built environment and its digitalization. The company's business consists of approximately 90% building and infrastructure planning and about 10% digital solutions offered by the company. Sitowise born at the end of 2017 has grown at an annual rate of about 13% over the last four years. During the same period, profitability measured by the adjusted EBITA margin has remained at around 12 %, which has been among the best in the industry. In line with its strategy, the company continues to seek profitable growth aiming at over 10% annual growth (incl. acquisitions) while maintaining an adjusted EBITA margin of at least 12%. Sitowise has a good track record of acquisition-driven growth and the company's efficient and profitable business model generates strong cash flow for growth investments. A strong and light balance sheet, strong income flow and debt leverage enable acquisition-driven growth and, if the strategy is successful, also higher earnings and return on capital.

Good preconditions for earnings growth

In 2022, the company expects net sales (2021: 179 MEUR) and adjusted EBITA (2021: 21.1 MEUR) to grow measured in euros. The company also sees a growing market in every business area supported by the company's record-high order book. The market outlook is thus reasonably good, even though there are uncertainties in economic activity. In the next few years, we expect an annual growth rate of some 6% where growth eases after 2022. Profitability improves in our estimates after two weaker years toward previous levels and company targets (22-24e: 12.0%) thanks to volume increases and the share of digital services increasing. Thus, we expect a good earnings growth rate of about 10% for the next few years. In addition to organic growth, the company is actively seeking acquisitions that create a good growth option for the company.

Upside in valuation

For 2022, the share valuation has become moderate (2022e: adj. EV/EBITDA: 9x adj. P/E: 15x), given Sitowise's good performance and earnings growth outlook. The share still has upside compared to the lower end of our acceptable valuation range (EV/EBITDA: 11x, P/E: 18x) that is formed through the company's profile and listed peers. Compared to a more extensive peer group, the company is below its peers with our 2022 indicators, when based on historical performance we believe a premium (+10%) should be accepted for Sitowise. In addition to the upside in the valuation, the 2-3% dividend yield supports the expected return. The value of our DCF calculation (EUR 8.8) is also higher than the current share price, which supports our recommendation.

Recommendation

Accumulate

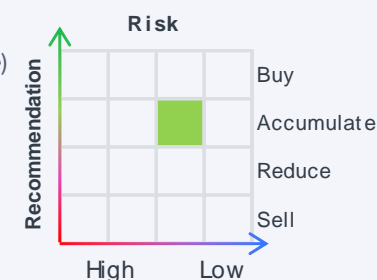
(previous Accumulate)

EUR 7.20

(previous EUR 7.60)

Share price:

6.05



Key figures

| | 2021 | 2022e | 2023e | 2024e |
|---------------------|--------|--------|--------|--------|
| Revenue | 179.3 | 193.3 | 203.8 | 213.8 |
| growth-% | 12 % | 8 % | 5 % | 5 % |
| EBITA adj. | 21.1 | 22.5 | 24.7 | 26.1 |
| EBITA-% adj. | 11.8 % | 11.6 % | 12.1 % | 12.2 % |
| Net Income | 7.8 | 14.4 | 15.7 | 16.8 |
| EPS (adj.) | 0.29 | 0.41 | 0.44 | 0.47 |

| | | | | |
|-------------------------|-------|-------|-------|-------|
| P/E (adj.) | 27.4 | 15.1 | 13.9 | 13.0 |
| P/B | 2.5 | 1.7 | 1.6 | 1.5 |
| Dividend yield-% | 1.2 % | 2.3 % | 2.6 % | 2.9 % |
| EV/EBIT (adj.) | 18.2 | 13.1 | 11.6 | 10.4 |
| EV/EBITDA | 13.3 | 8.8 | 8.1 | 7.4 |
| EV/S | 1.9 | 1.4 | 1.3 | 1.1 |

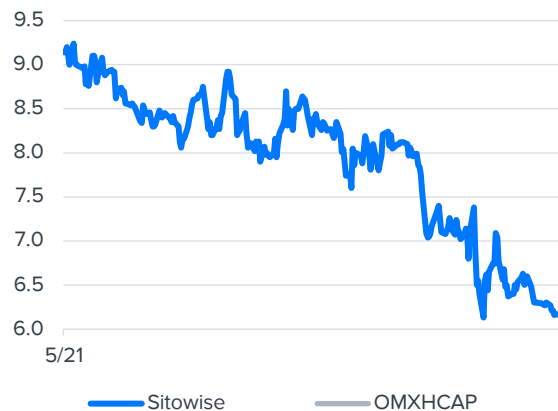
Source: Inderes

Guidance

(Unchanged)

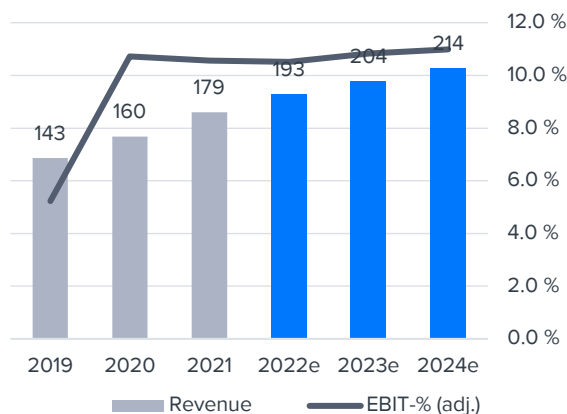
Sitowise Group estimates that both net sales and adjusted EBITA in euros will increase compared to 2021.

Share price



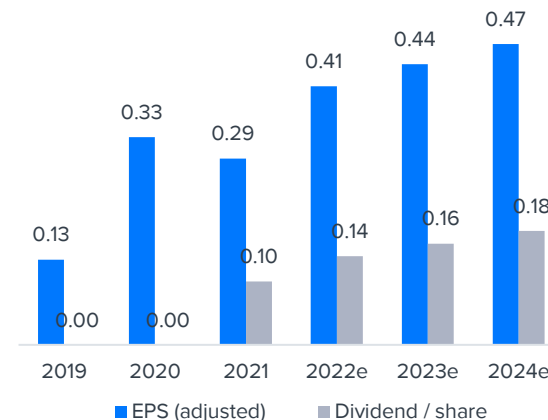
Lähde: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Faster organic growth than market growth and acquisitions
- Maintaining high 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

- Cyclical nature of the underlying market in construction
- Sustainably maintain high profitability levels
- Weakening of the market after good years
- Challenges of Nordic expansions and a new market
- Failure in acquisitions
- Dependency on personnel and adequacy of incentives for key personnel

| Valuation | 2022e | 2023e | 2024e |
|----------------------------|--------|--------|--------|
| Share price | 6.16 | 6.16 | 6.16 |
| Number of shares, millions | 35.4 | 35.4 | 35.4 |
| Market cap | 218 | 218 | 218 |
| EV | 266 | 256 | 245 |
| P/E (adj.) | 15.1 | 13.9 | 13.0 |
| P/B | 1.7 | 1.6 | 1.5 |
| EV/Sales | 1.4 | 1.3 | 1.1 |
| EV/EBITDA | 8.8 | 8.1 | 7.4 |
| EV/EBIT (adj.) | 13.1 | 11.6 | 10.4 |
| Payout ratio (%) | 34.3 % | 36.1 % | 37.9 % |
| Dividend yield-% | 2.3 % | 2.6 % | 2.9 % |

Source: Inderes

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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

EUR 179 million (12.0% vs. 2020)

Net sales 2021

+12.6% 2018-2021

Annual average net sales growth

EUR 21.1 million (11.8% of net sales)

Adjusted EBIT excluding amortization of intangible assets (EBITA)

11.8% 2018-2021

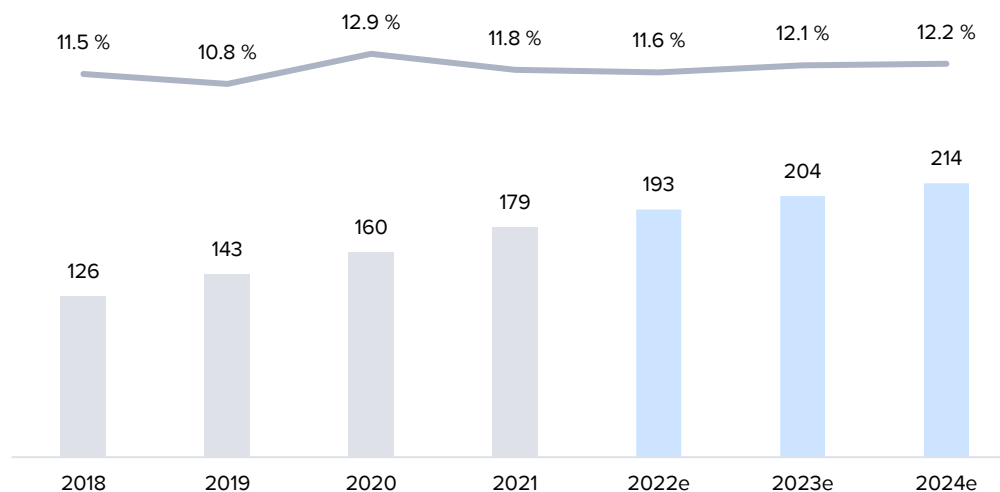
Average EBITA margin (adjusted)

15%

Average ROE % 2020-2021

Net sales and EBITA (adjusted) development and estimates 2018-2024e

- Sitowise was born 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
 - Profitability on an upward trend
 - The market situation has supported the development, but a majority of growth has come from acquisitions
 - The COVID crisis hits in 2020 but business progresses as planned
 - IPO in 2021
 - Growth continues as strong, but profitability stabilizes from top levels
- Strong growth expected in 2022 thanks to perkier market situation
 - Investments in growth and balance sheet optimization in line with the strategy continue
 - The aim is to continue acquisition-driven growth by expanding to Sweden and later to other Nordic countries
 - Aim is to maintain profitability at a good historical level
 - Record-high order book, acquisitions and stable profitability create good earnings growth opportunities for coming years



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 consultancy 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 90% of the company's business. The remaining some 10% 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 large weight of infrastructure and repair construction brings 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 2021, almost 80% of net sales came from Finland and some 20% from Sweden. In recent years, Sitowise has expanded to Sweden through several acquisitions, and the share has increased clearly from two years ago (2020: some 10%).

Growth orientation visible in numbers

The company's net sales in 2021 were EUR 179 million, up 12% on the previous year. Since its establishment, Sitowise has grown by some 13% annually (2018-2021 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 also kept up well with growth. In 2021, the company's adjusted EBITA margin was 11.8%, while it has on average been the same 11.8% over the past 4 years. In its strategy, the company aims for a margin of at least 12%. During the construction boom, profitability has kept its own better than conventional construction companies and has also been among the best in the sector.

Sitowise's number of employees has grown with the company and currently Sitowise employs an average number of close on 2,000 people. The offices are geographically diversified to ensure local service and lower cost levels.

SITOWISE

Net sales distribution*



Solutions for buildings and infrastructure

89%



Digital solutions

11%

Geographical net sales distribution



81%



19%

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 2021, the net sales of the Buildings business grew by about 2% to EUR 72.1 million (2020: 70.8 MEUR). Buildings business represented 40% of Group net sales in 2021 (2020: 44%), generating most of the company's net sales. 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 towards the end of the year.

The services provided by the Buildings business cover the entire construction lifecycle extensively. This means that Sitowise can be involved in initial planning and research of a project, expert and planning tasks in the urban planning phase, project structure and construction planning, and expert tasks during the project. Once construction is completed, the company can be involved in expert tasks during the building maintenance stage and in building development towards the end of the lifecycle.

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

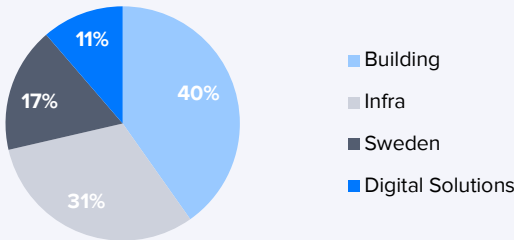
business area comprises several specific competence areas. We estimate that roughly one-half of net sales comes from new construction and half from repair construction. The large share of repair construction can be seen as stabilizing Sitowise 's business against cyclical fluctuations. Recent references include, e.g. Aalto University's Väre campus, Espoo Hospital and Helsinki Central Library Oodi.

Infrastructure business

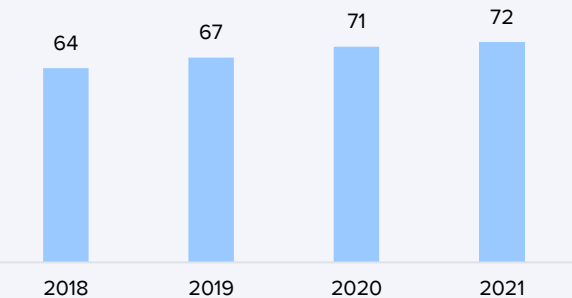
The second largest business area is the Infrastructure business, which provides infrastructure design and expert services in Finland. Net sales of the Infrastructure business increased by about 3% in 2021 to EUR 55.9 million (2020: 54.2 MEUR). The Infrastructure business has grown in recent years with the help of a well-performing market. Last year, market growth started to pick up towards the end of the year and the outlook for 2022 is better. The business area accounted for 31% of Group net sales in 2021 (2020: 34%), offering hedging against the cyclical fluctuations of other new construction with its large share.

Infrastructure 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. Recent references in the business area include, e.g. the Jokeri Light Rail, the Crown Bridges (Kruunusillat) project, the development of the Kalasatama area and the E18 motorway project.

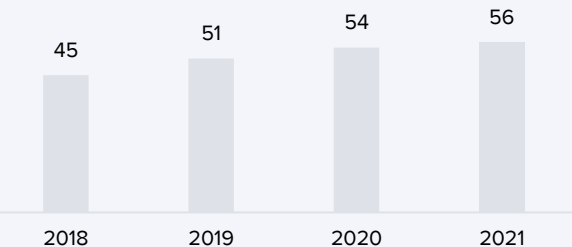
Net sales distribution 2021



Buildings business (net sales, MEUR)



Infrastructure business (net sales, MEUR)



Company description and business model 3/6

Swedish businesses

The Swedish businesses are a separate business area at Sitowise (excl. Digital Solutions). 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 31 million by the end of 2021, representing some 17% of Group net sales. In the strategy, Sweden and the other Nordic countries are sources of growth, so more acquisitions can be expected.

In Sweden, Sitowise provides comprehensive design and consulting services for buildings and infrastructure throughout the entire lifecycle of the built environment, including structural engineering, geotechnical engineering, infrastructure design, building services engineering and planning of digital solutions.

In 2021, Sweden prepared the integration of earlier acquisitions (Byggnadstekniska Byrån Sverige AB, Technology for Infrastructure projects Sweden) into Sitowise and its brand. In 2021, Sitowise also appointed Jonas Larsson as Head of Sitowise's Swedish Operations to drive growth forward. Acquisitions continued in 2021, when the building services engineering expert Stockholms VTS-Kompetens AB joined Sitowise. At the beginning of 2022, Sitowise acquired Mavacon AB, whose core expertise includes consulting and design services in 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.

The Digital Solutions business develops digital services for built environment, transport and mobility. In 2021, Digital Solutions accounted for some 11% of the company's net sales and it is one of the cornerstones of the company's growth. Net sales increased by over 40% to around EUR 20.3 million last year (2019: 14.1 MEUR).

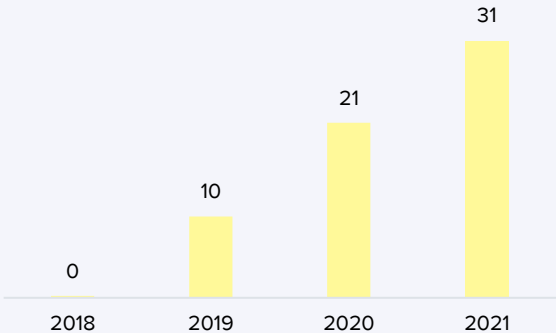
The company has a strong position as an information system and service provider for mobility and transport in Finland in all forms of transport (roads, streets, bicycle and pedestrian traffic, sea routes and railways). At the heart of own product development is the geoinformation management solution Louhi, the virtual built environment solution AURA and the integrated mobility services MaaS solution Sampo.

During 2021, Sitowise strengthened its Digital Solutions business with three acquisitions. Sweetlakes Oy specialized in cloud and mobile development and IT system solutions for the security sector, MSDI Oy, a provider of digital solutions for sustainable development, and the Swedish traffic and infrastructure IT company Infracontrol AB joined the Group.

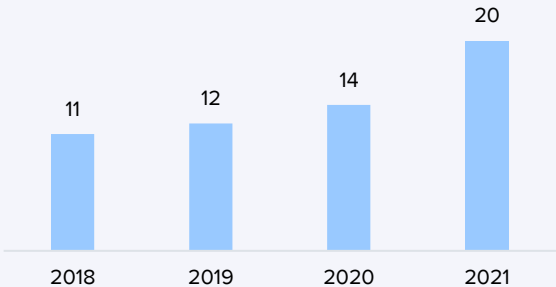
The net sales of the business area are still small compared to the whole but may become more important in the future as the digitalization megatrends progress. We believe that the broad customer base of the company's core business will also provide a good basis for future demand in the still relatively moderately digitized construction sector.



Swedish business (net sales, MEUR)



Digital Solutions business (net sales, MEUR)



Company description and business model

Buildings



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

Infrastructure



- 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

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

Sitowise's possible role in the project

Project development



Consulting in the investment phase

Design



Project planning and research

Project implementation



Project management, control and overall management

Operating phase



Maintenance and sustainable building development

+Digital solutions at every stage

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, it is not involved in contract business, but in consultancy business. Considering this, there are no similar project risks as in, e.g., conventional construction business. In addition, compared to conventional construction, the profitability of the sector is generally higher, capital commitment is lower, cycle resistance is better, cash flow generation is more stable and the potential for return on capital is better. The business model is more like that of consultancy firms than construction firms.

Optimization of billable utilization

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

Billable utilization shows how much of their working time employees spend on billable project work. Another name might be capacity or resource utilization rate. Changes in billable utilization also has a big impact on the company's profitability. When the cost structure is relatively fixed in the short term, the change in one billable utilization is largely reflected in profitability. This also has a big leverage effect on the lower lines. For example, according to a sensitivity analysis carried out by

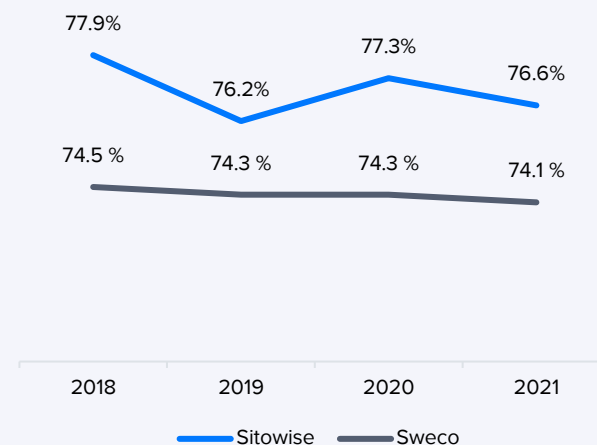
Sweco, a competitor of Sitowise, a one percentage point change in billable utilization would increase EPS by more than 10%. While Sitowise has not provided detailed sensitivity calculations, sensitivity is likely to be on the same scale due to a similar business model.

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 quite close to each other for competing companies but may vary by project or special expertise and by country. Neither Sitowise nor its competitors have published their average prices directly, but here too, changes are very much reflected directly in profitability.

Sitowise's billing utilization at good level



Company description and business model 5/6

Project-based business, but controlled risks

Sitowise's business is mainly based on billable work, where compensation consists of the number of hours worked on the project. In this model, the company does not invest in the project itself or carry the risks associated with the project. According to Sitowise, some 70% of net sales are generated based on this model.

The rest of the company's net sales is generated either through fixed-price invoicing or invoicing with a cost cap. In a fixed-price project, the company also bears the risk that costs exceed revenues. However, most of the projects are being undertaken through billable work.

Although the projects are based on billable work, the company's business can still be characterized as project-based, as there are few purely recurring elements in the company's business. Partnerships or possible framework agreements with customers as such provide some continuity to the business, but there is little work based on recurring invoicing. There are already templates for this in Digital Solutions but their share is still small in the whole.

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

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

Infrastructure, 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 last longer than mere construction. 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. Around 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 is based on invoicing
- Clearly recurring businesses play a small role
- Infrastructure and repair construction 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
- About half of net sales come from the public sector

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 in the transformation.

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 cost items are as expected related to personnel costs (about 75%) and the remaining variable costs come from purchases of materials and services produced (about 9%). Other operating costs (ICT, rents, marketing) represent about 16% of the costs. 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.

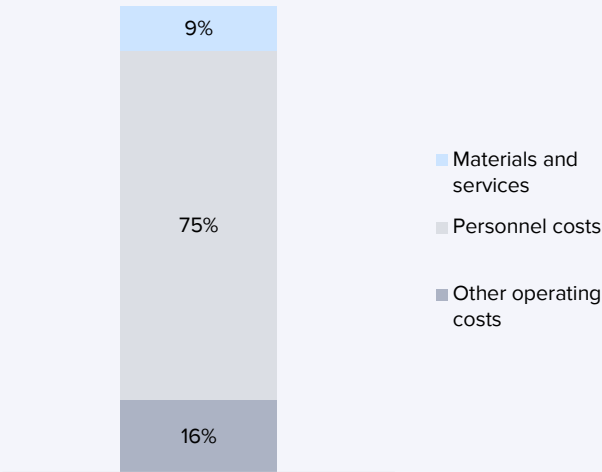
About 10% of the company's net sales are generated by the company's Digital Solutions business area. However, this area is also largely expert work, where there are still few scalable digital products or services available. The share of scalable services or products can, however, increase in the future, but we believe that they still account for a relatively small share of the company's operations. By increasing these the company's productivity improves and cost scalability can begin to occur. However, the company's business is still largely personnel-dependent and launching a new project requires more hands.

Low capital intensity

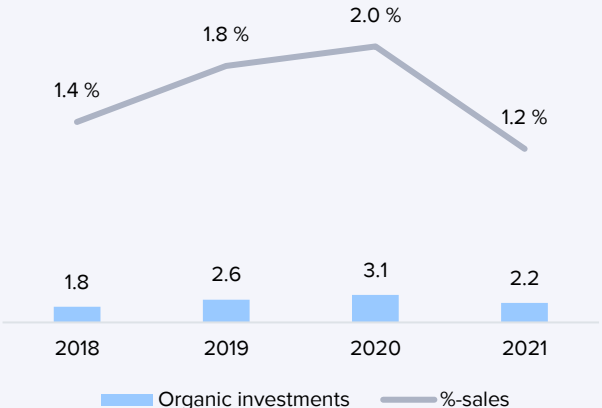
The company's business operations do not tie considerable capital and its investments needs are not that high. The company does not need large equipment or real estate in its business operations. In recent years, the company's maintenance investments (organic investments) have been roughly 1-2% of net sales, which is a reasonably low level. Growth investments (e.g. acquisitions) do, however, consume capital.

Low capital commitment, low investments and good profitability provide strong cash flow, and return on capital is also good. ROE in 2021 was around 9% (2020: 21%). The lower level than in the comparison period was affected in particular by the strengthened balance sheet as a result of the IPO. The company's cash conversion figures have also historically been between 80-100%, indicating a strong cash flow. Cash conversion measures how much of the EBITDA turns into free cash flow.

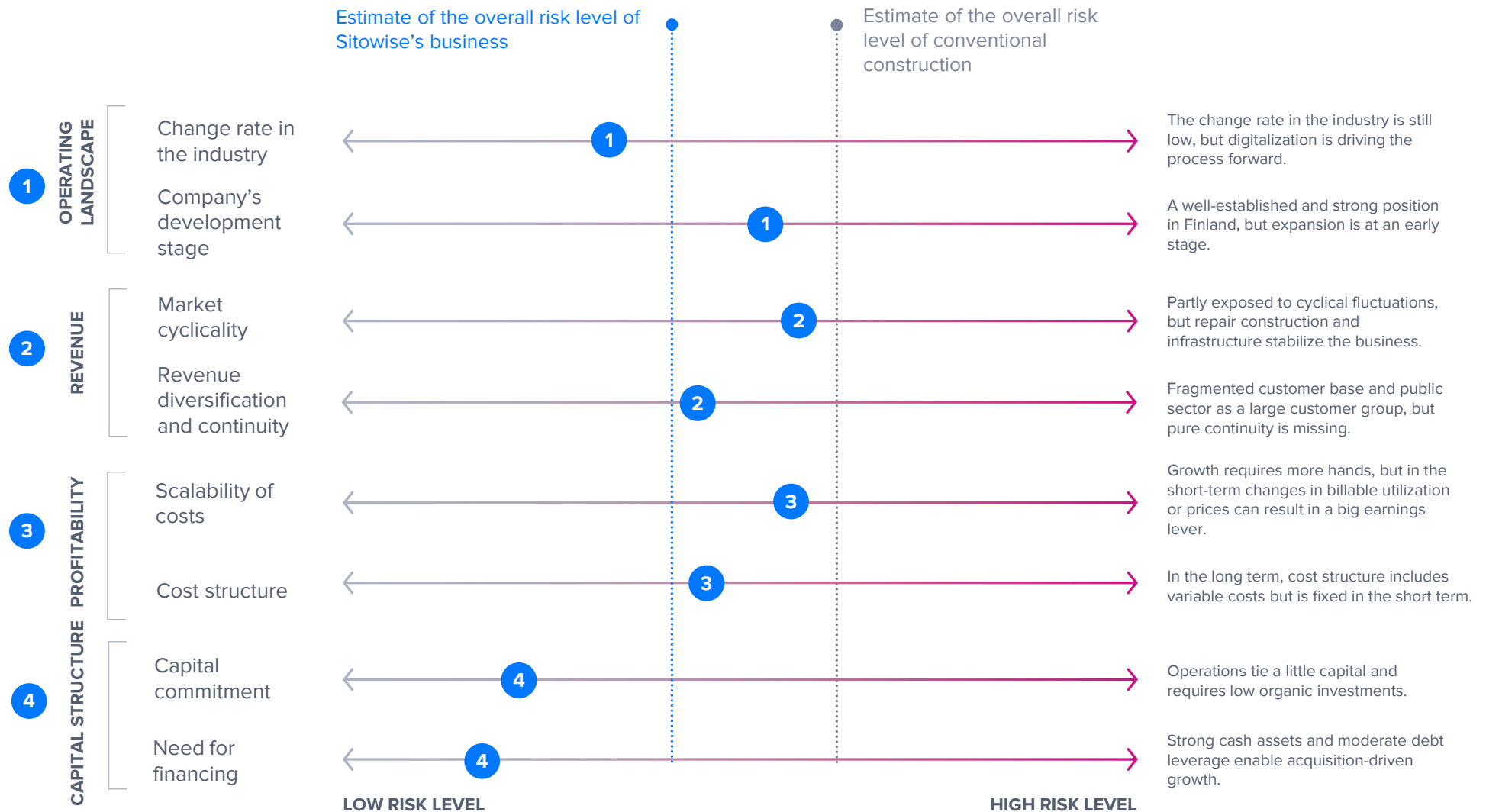
Cost structure 2021



Very low organic investment need



Risk profile of Sitowise's business model



Investment profile

Investment profile

A stable growth company

Sitowise's investment profile is described by the characteristics of a stable growth company. During its existence, Sitowise has grown strongly (CAGR-% 18-21: 13%) and continues to seek growth in line with its strategy (over 10% annual growth incl. acquisitions).

As the market grows in the company's operating countries at single-digit figures (2020-2025e CAGR-%: some 3-4%) growth must also be generated through acquisitions. Since the beginning of the 2010s, the company has already made over 50 acquisitions. Sitowise's acquisition model has, therefore, already proved its worth.

Growth is relatively easy to achieve, but maintaining or growing profitability at the same time can be challenging. During 2018-2020, the company acquired more than 20 companies and, at the same time, adjusted EBITA rose by nearly 14% annually (CAGR-%). Earnings have risen faster than net sales, indicating improved relative profitability also during high growth. In the future, the company aims to maintain its profitability level (EBITA%) at a minimum of 12%. The credibility of the target is significantly enhanced by the already achieved profitability level in 2020 (adjusted EBITA% 12.9%) and in 2021 (11.8%).

Sitowise has clear preconditions for continued earnings growth also supported by the company's strengths and opportunities. However, one should also bear the risks in mind.

Opportunities and strengths

Strong position in construction consulting.

Sitowise has a strong position in the construction value chain, especially in the design stage, and has been involved in several major projects in recent years. This is supported by a wide range of expert tasks throughout the lifecycle, from the needs assessment of a new project to the repair construction phase.

Digital Solutions give a tangible foothold in the digitalization of the construction sector. The digital transformation of the conservative construction industry offers huge opportunities that creates an interesting growth option for Sitowise to support its core business.

Strong profitability and earnings growth history strengthen confidence in the company's strategy objectives. The company has been able to grow strongly while increasing profitability. Sitowise's fragmented business model, low local costs, own digital tools (Voima) and committed staff generate the best margins in the sector for Sitowise.

Acquisitions as a source of growth. Sitowise has a good track record of acquisitions and is also an attractive partner in acquisitions. The decentralized business model gives power to local management and in acquisitions part of the purchase price is often invested in Sitowise according to the terms and conditions of the deal. This acts as an incentive to the pursuit of common interests from the outset, creating entrepreneurial and decentralized business units.

Committed personnel and a strong

entrepreneurial mindset. According to Sitowise, 51% of the company was owned by key personnel prior to the listing, and about half of the personnel are owners after the IPO.

A strong balance sheet and good cash flow

provide leeway for growth investments and reduce the need for external financing.

Risks

Slowdown in market growth and cyclical fluctuations create risks for the next few years, but the company's large share of repair and infrastructure construction will balance them.

Maintaining profitability. Market pull slowing down, already high profitability, tightening price competition and a fierce growth phase can put pressure on profitability.

Challenges of international expansion. The share of the Nordic countries is small in the company and Sitowise has to start creating business nearly from scratch. Competition is tough and similar high profitability can be difficult to be maintained in many countries.

Failure in integration of acquisitions. The good history of Finnish acquisitions does not guarantee that the same will work elsewhere. Expansion outside Finland increases, e.g., cultural and market-related risks.

Commitment of key personnel. The success of staff incentives, potential challenges of growth and cultural changes can pose risks of loss of key resources.

Investment profile

- 1.** A strong position in the high added value areas of the construction value chain
- 2.** Strong growth with profitability at the top of 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



- Strong and profitable growth in the core business
- Digitalization in the construction sector creates a concrete growth option for the company
- Competitive advantages include, e.g., a fragmented organization, local cost structure, own digital tools, acquisition model, significant references, financial stability
- The demand outlook on the market is supported by the increase in the penetration rate of consulting and the digitalization of the sector
- Small improvements create a big lever for the business

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. billable utilization) will result in big changes in the result
- The risks of acquisitions or expansion
- Dependence on staff and adequate incentives

Strategy 1/5

Growth through acquisitions

Sitowise's strategy clearly seeks growth in new but also in existing markets. Expansion to other Nordic countries in addition to Finland is on the agenda and a good start has been seen in Sweden. Simultaneously, the company aims to maintain good profitability and distribute dividends to owners.

Sustainable smart environments

The core of Sitowise's growth strategy is the development of smart, sustainable environments and cities. Over the next few years, the company aims to create value through growth for its various stakeholders.

The growth strategy has five clear focus areas:

- 1) Continuous operational efficiency
- 2) Organic growth with an expanded offering
- 3) Utilizing digital solutions
- 4) Expansion to Sweden and the Nordic countries
- 5) Selective acquisitions

1) Operational efficiency reflects the company's competitive advantage

The company's goal is to continue to achieve good operational efficiency also during the growth strategy, and its importance is reflected in it being the first focus area. We estimate that the company will rather sacrifice net sales growth than good operational efficiency.

One of the company's competitive advantages is also concretized by good profitability and operational efficiency, which has allowed the company to generate better profitability in recent years than its competitors.

There are three clear drivers behind operational efficiency. The first is **the company's fragmented business and organizational model**. 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 work is determined almost in the same way by the market, but costs are flexible, operational efficiency and good profitability are created.

Involved personnel 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.

Sources of Sitowise's operational efficiency create a competitive advantage

Fragmented business model

+

Involved personnel

+

Voima platform

=

Competitive advantage

Strategy 2/5

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.

It is clear that Voima helps Sitowise increase the number of billable hours (i.e., increase billable utilization), when all non-project work has been made as easy as possible through digitalization. At the same time, the system helps ensure the quality of work at all times, as everything is done under the same conditions and agreements. Voima also provides tools for cost monitoring, which, according to the company, reduces the risk of budget overruns. Voima can also be used to create sustainable development goals for projects and easily monitor them.

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 company to adapt to Sitowise's culture and, at the same time, makes it possible to increase the operational efficiency of the company by making important systems available in one place.

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. Focus on sustainability aspects will also increase. The company's goal in the future is to get customers on

the platform, which could further deepen the company's customer relationships and even create network effects.

2) Growth with expanding offering in selective customer segments

The second strategic focus area is to grow with an expanding offering in different customer segments in the company's Buildings and Infrastructure business areas. The company has made complementary acquisitions in various construction areas and it has clear niche expertise, which can easily be combined with larger projects. This reduces the amount of subcontracting, and often also helps manage quality and cost levels better. This also provides clear cross-selling opportunities when expertise has been acquired into the company on a broad basis.

All in all, the overall offering improves, allowing the company to fully participate in significant projects. We believe this could also lead to the company being able to price itself better to the level required by its own expertise. Thus, special expertise and a broad offering could potentially improve the company's pricing power. The plan is also to increase the share of repair construction, while in Infrastructure the aim is to expand expertise in geotechnics and environmental technology.

Growth by expanding the offering

Buildings business

- Participation in high-profile projects
- Expansion into niche segments (fire safety, digitalization)
- Increasing Sitowise's share in projects
- Strengthening the foothold in repair construction

Infrastructure business

- Growth in the private sector
- Increasing the share of urban development projects
- Expanding expertise in geotechnics and transport
- Expanding expertise in environmental technologies

Strategy 3/5

3) Utilizing digital solutions

Digital solutions are an important part of Sitowise's strategy for the future. Currently they only account for about 11% of the company's net sales, but they can be expected to increase. The digitalization of the construction sector is only just beginning, and we believe that Sitowise is well positioned for this in its own service area.

Digitalization is needed at different stages of construction. In the design and construction phase, e.g., digital infrastructure and construction consulting, as well as project data management are in focus. On the built environment side, e.g., digital solutions for transport, logistics, smart cities, mobility, information networks, roads and waterways are key.

4) Expansion in Sweden and other Nordic countries

In addition to Finland, the company seeks a strong foothold in other Nordic countries, starting with Sweden. The company has made 6 acquisitions in Sweden since 2019. Sweden already accounted for about 17% of the company's net sales in 2021, having been about 7% in 2019.

The first acquisition of Byggnadstekniska Byrån took place in May 2019. BTB focuses on geotechnics and construction technology. BTB's net sales before the acquisition were about EUR 15 million so it provided a strong base for growth. In December 2019, a smaller acquisition of K&S Construct AB was carried out. In November 2020, TFIP that focuses on consulting of infrastructure projects, especially in underground structures was

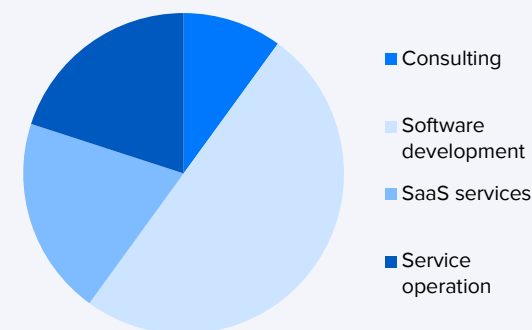
acquired. In 2021, the company acquired VVS-Kompetens and Infracontrol. VVS focuses on consultation in the building services engineering industry (HVAC) and Infracontrol specializes on digital solutions for transport and infrastructure. There are no detailed estimates of the transaction prices, but in connection with the IPO Sitowise stated that the historical EV/EBITDA multiple of 2016-2020 acquisitions was 5.5x. We believe that prices in Sweden may be slightly higher, but they should be well below Sitowise's own multiples.

As growth steps, Sitowise aims to strengthen its foothold in infrastructure consulting, of which several acquisitions are a good example. In addition, the company aims to expand its services in the building services engineering sector, of which the VVS acquisition is an example. In addition, a stronger foothold in other Nordic countries can provide opportunities to offer digital solutions to projects, creating a stronger product. An example of this is Infracontrol.

Expansion into the Nordic countries is still at an early stage, but it has kicked off at a rapid pace. Good integration and the adoption of Sitowise's culture are important. However, one of the challenges of expansion will be tough competition for acquisition targets and also for projects. Others are also seeking growth through acquisitions, so Sitowise must be able to stand out from the rest through its acquisition strategy and later also with its product offering.

Digitalization is a big part of the strategy

Illustrative distribution of Digital Solutions business*



Growth templates of expansion into Nordic countries

- Strengthening offering in infrastructure consultation
- Expansion of consultation in building services engineering
- Increasing Sitowise's share in main customer segments
- Cross-selling of digital solutions

Strategy 4/5

5) Selective acquisitions

Acquisitions are a very important part of Sitowise's strategy. The company has carried out close to 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.

According to the prospectus at the time of Sitowise's listing, the 10 largest players on the Finnish market of some EUR 1.7 billion represented around 55% of the market while the remaining 2,000 companies represented 45%. In Sweden, consolidation has been way ahead for a long time, as according to the prospectus, the 10 largest companies represented around 80% of the EUR 3 billion market and the remaining 700 companies some 20%. Based on the company's view at that time, there were some 600 potential targets among the 11,000 companies of which 60 stood out more clearly as targeted ones. Some of these have already been implemented by Sitowise after the listing.

The criteria for the companies are that they are in good financial shape. We do not believe Sitowise would buy bad business to turn its profitability around, 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, lastly but perhaps most importantly for the success of the acquisition is that the

management and personnel are committed and fit well into Sitowise's decentralized corporate culture.

Competition for acquisition targets is tough, but we feel that Sitowise's culture, the decentralized business model, ownership and entrepreneurial spirit attract companies to join the ranks. According to Sitowise, the average EV/EBITDA ratio paid by the company for acquisitions in 2016-2020 has been 5.5x, which is a reasonable price in the private market but a low price relative to the listed market.

With Sitowise on the stock exchange and if the acquisition ratios remain moderate, the company creates significant shareholder value with acquisitions. A slightly higher price must be paid for larger companies and prices in Sweden are a bit higher than in Finland according to Sitowise. This is understandable as consolidation is in a more mature phase and competition for the acquisition targets is tighter.

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

Strategy 5/5

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.

We find these objectives to be realistically achievable over the next few years. In terms of growth, we only estimate organic growth, but with the strong acquisition history and 3-4% market growth, the target seems easily achievable. It is worth remembering, however, that growth can be stronger than the target in one year and weaker in another. On average, however, growth should be above 10%.

In terms of profitability, the company has already proven over the past few years that the target is easily achievable. Maintaining it in the high growth phase is a key issue, and here too there may be some annual variation. Much depends on the company's billable utilization and also on the project opportunities offered by the market situation. If there are no jobs, billable utilization drops quickly, which is also quickly reflected in profitability. We believe a clear overshoot of the targets in the next few years is challenging as COVID savings end and inflation pressure is

present but we still estimate that profitability remains on a good level relative to the industry in general. In the medium term, we feel that profitability could increase closer to 14%, but that would require an increase in the share of digital solutions, excellent billable utilization and successful acquisition integrations.

Gearing will fluctuate considerably with acquisitions. At first, the target is good due to the listing, but we believe that the business model enables a higher gearing. Therefore, we do not feel exceeding the target in the short term would be a problem.

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 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. As long as the company can continuously invest its cash flow in the market and acquisitions with good return on capital, we feel investors should not long after high dividends.

Long-term financial targets

Growth

Annual growth over 10%, incl. acquisitions

Profitability

Adjusted EBITA% at least 12%

Indebtedness*

Net debts/adjusted EBITDA < 2.5x

Dividend

30-50% of net result

Markets

Finland and Sweden at the core

When describing Sitowise's industry, Finland and Sweden are the key markets at the moment and our report also focuses on them. The consulting and design industry is part of the total construction market, which is worth almost EUR 80 billion in Finland and Sweden. According to Sitowise's prospectus, the consulting and design markets in Finland and Sweden total some EUR 5 billion. Of this, Finland accounts for less than 2 billion and the Swedish market for well over 3 billion.

In Finland, the market is highly fragmented and has clear consolidation potential. In Sweden, consolidation has already taken place and there are fewer opportunities. However, although consolidation is far ahead in Sweden, there are clearly more smaller companies than in Finland. In addition, the size of the Swedish market is nearly double that of Finland. Sitowise's own size also offers opportunities for strong growth by buying smaller companies.

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.

According to a market survey commissioned by Sitowise at the end of 2020 in connection with the IPO, the Finnish market has grown by about 5% annually in 2005-2020. We estimate that growth in 2020 was zero due to COVID although it started to improve towards the end of the year. During 2021, activity has clearly been restored, of which Sitowise's record high order book is a good example. Thus, the growth outlook for 2022 is quite strong. Historically the market has also been reasonably cycle resistant. In 2009, the market fell by only 3%, having risen by more than 10% in a few previous years. Correspondingly, the entire construction market plummeted by nearly 13% in 2009.

In Sweden, growth in 2015-2020 was around 7% per year, indicating a very strong market. During 2020 and 2021, demand showed slight signs of leveling off, but in the longer-term growth is expected to continue. In Finland, growth in 2020-2025 is estimated to be around 3% annually and in Sweden it would reach nearly 4%. Growth rates are below historical levels, which would indicate that growth is stabilizing in coming years. However, the indirect effects of the geopolitical situation on the economy and construction cause minor uncertainties for the growth of the next few years. In the long term trends will, however, support the

growth outlook and we see the future for the sector as bright.

Strong underlying megatrends

Increasing complexity and density of construction, the increase in technology, technological development and digitalization constantly require more expertise in different areas of construction. Sitowise itself has opened long-term prospects through four major megatrends:

Urbanization increases the density, high, underground and other demanding construction, where planning plays an important role.

Aging of the building stock increases the need for planning and consulting in repair construction and maintenance of buildings.

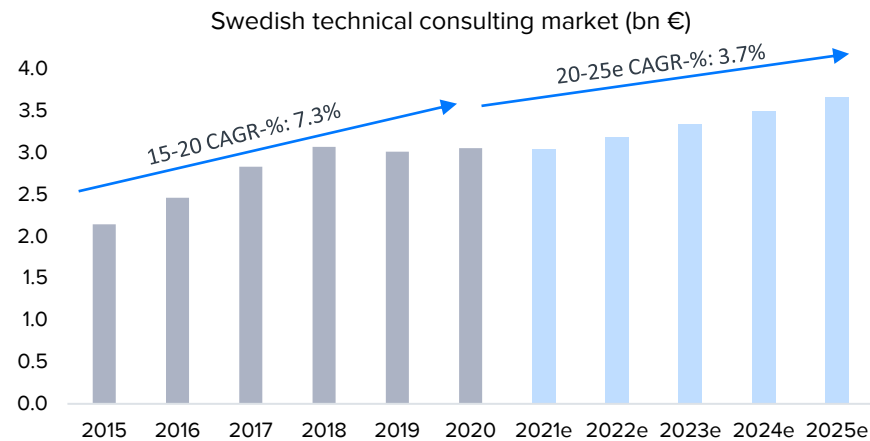
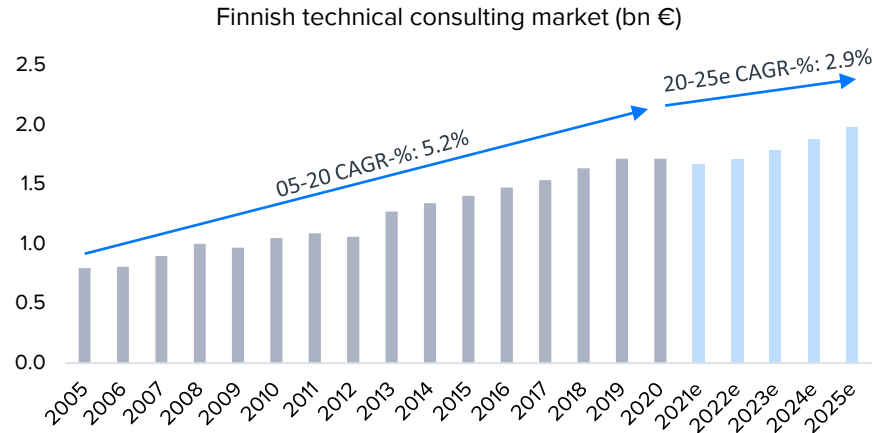
Energy and resource efficiency forces companies, buildings, and society to design processes in more detail and optimize resources.

Digitalization and smart infrastructure change the way companies and society operate, enabling new types of business.

Of these urbanization, sustainable development and climate change, digitalization and resource efficiency are emphasized throughout the industry.

Markets

Market is expected to grow



Source: Sitowise, Inderes

Megatrends present in the business



Urbanization



Repair debt



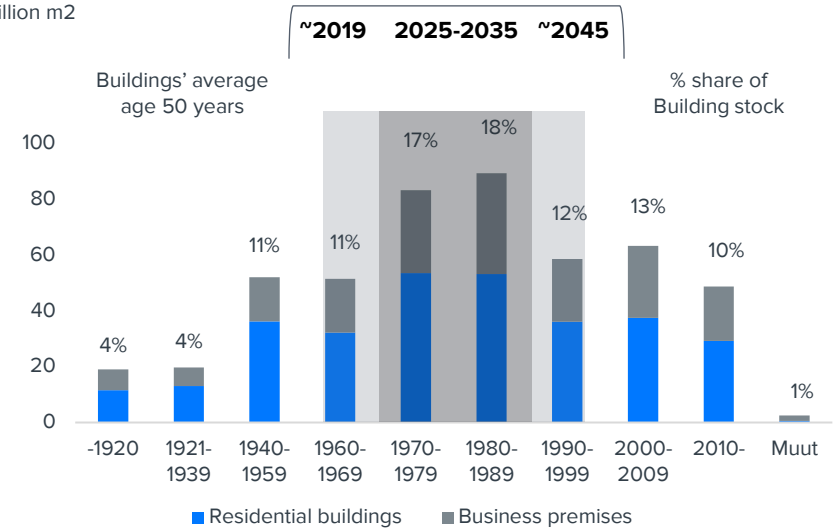
Sustainable development

Digitalization

A large proportion of Finland's building stock approaching repair age

Shares of the building stock by decade and the estimated repair times

Million m2



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. Based on our estimates and calculations, the company is ranked among the top three players in Finland, but in Sweden the company is still outside the top 10.

In Finland, the competitive environment consists of large Nordic and international players (Ramboll, Sweco, AFRY, WSP, Rejlers), large local operators (e.g. Granlund, A-Insinööri) and small local operators. 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).

In Finland, Sitowise's position is quite strong and the company is able to utilize its size in large projects. Conquering Sweden as a challenger can be a more difficult task as established players are much larger there and have strong local relationships. However, based on completed acquisitions, Sitowise appears to be able to attract very financially strong local players to join the company, which is a sign of Sitowise's attractiveness.

Among industry leaders compared to listed peers

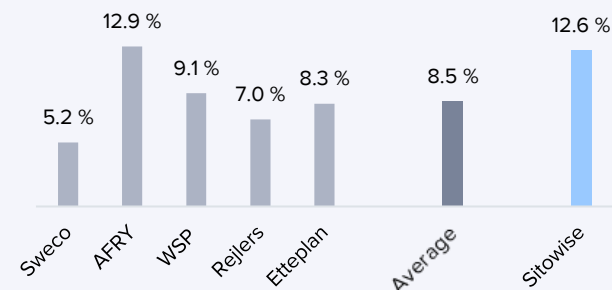
In order to gain a little insight into Sitowise's competitiveness, we compared its financial figures with the nearest listed peers. Our confidence in Sitowise's growth story is boosted by the fact that annual growth has historically been in line with the target (over 10% growth). In the past four years, Sitowise has only been lagging behind in growth to

AFRY (merger between Pöyry and ÅF AB). Sitowise's annual growth rate of nearly 13% is clearly stronger than the others. Acquisitions have played a part in the growth for every company in recent years.

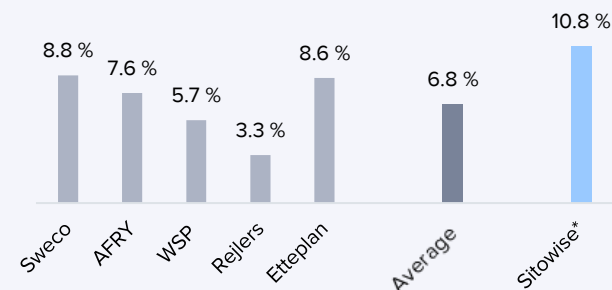
Sitowise's profitability has been at the top of the sector. The average EBIT margin for the peer group over the past four years has been around 6.8%. On average, the highest profitability among peers has been closer to 9%. For Sitowise the EBIT margin (adjusted) has been around 11% in the past four years. We believe good profitability is affected by the operational efficiency created by modern systems, as well as committed and entrepreneurial personnel in Sitowise. In the Voima platform, all extra administrative work is kept to a minimum and a large part of working hours is spent on projects. This increases billable utilization and leverage in profitability. At the same time, a large local presence also ensures local cost levels, including wages and office rents, as jobs are increasingly carried out remotely.

Sitowise's ROE % is still below that of its peers mainly due to the balance sheet strengthened by the IPO. Thanks to the combination of its business model, light balance sheet and good profitability, we believe Sitowise can achieve significantly higher ROE than the average now suggests. In 2020, the company already reached 21% ROE, reflecting the potential. We therefore consider around 20-25% ROE levels achievable for Sitowise.

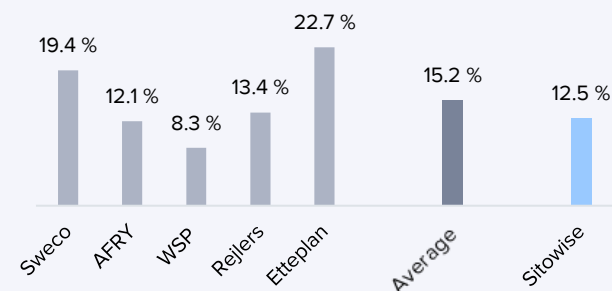
Net sales growth (CAGR-%, 4-y average)



EBIT margin (% , 4-y average)



ROE % (4-y average)



Financial position

Good financial position

The financial position of Sitowise is in really good shape thanks to the listing. In our opinion, the key figures of the balance sheet have also historically been at a reasonably good level compared to the business model.

Over the past three years, the equity ratio has been about 36% on average and gearing % around 67%. Here it should be noted that IFRS-16 has significantly increased the amount of debt and without these the ratios would be clearly better. In 2021, the equity ratio increased (2021: 46%) and the gearing ratio (2021: 27%) decreased significantly.

The net debt/adjusted EBITDA ratio has been around 2.4x over the last three years, which is also a good level. In 2021, the figure fell to 1.4x. The company's debt has not exceeded its performance before the listing and is now well below the target level (under 2.5x).

Thanks to its light business model, the company only needs to make little organic investments. As maintenance investments are low (less than 2% of net sales) and the balance sheet is light, more operational cash flow is available for growth and dividends. Thanks to the light balance sheet, the potential for return on capital is also high, as we saw on previous pages.

Balance sheet consists mainly of goodwill

Acquisitions emphasize goodwill in the balance sheet. The balance sheet total at the end of 2021 was about EUR 250 million, of which EUR 135

million was goodwill. It, thus, accounted for 54% 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 biggest asset item at the end of 2021 was receivables with a share of about EUR 53 million. Thirdly, tangible assets (EUR 31 million) stand out, but a majority of this were IFRS-16 lease liabilities (about 27 MEUR). Otherwise, the company has little fixed assets and the balance sheet is light.

Cash assets also jump out as they stood at EUR 19 million at the end of 2021. The company has a strong cash position thanks to the listing, but also through healthy business operations and good cash flow generation.

On the liabilities side equity stood at some EUR 115 million. At the end of 2020, the company had an equity-based shareholder loan of approximately EUR 14 million in its balance sheet, but it was paid off in connection with the listing. We feel this was sensible in terms of optimizing the balance sheet structure and the interests of shareholders.

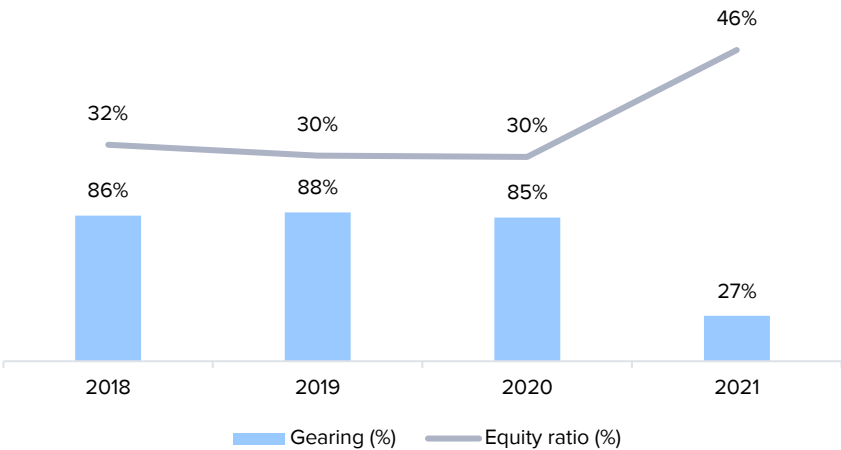
Of non-current liabilities some EUR 2 million were non-interest-bearing and some EUR 71 million interest-bearing at the end of 2021. Of interest-bearing liabilities, EUR 22 million was lease liabilities (IFRS 16) and the rest loans from financial institutions.

Interest-bearing current liabilities totaled approximately EUR 8 million in the balance sheet, of which about EUR 7 million consisted of lease liabilities and EUR 1 million of loans from financial institutions. Net interest-bearing liabilities (excluding IFRS 16 liabilities) stood at EUR 31 million at the end of 2021.

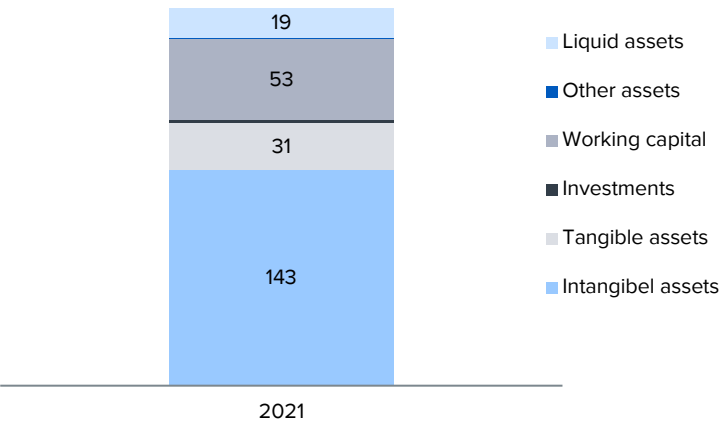
The balance sheet was already in good condition before the listing and the balance sheet position has improved further after the IPO. The balance sheet provides a good base to continue growing in line with the targets, both through acquisitions and organically.

Financial position

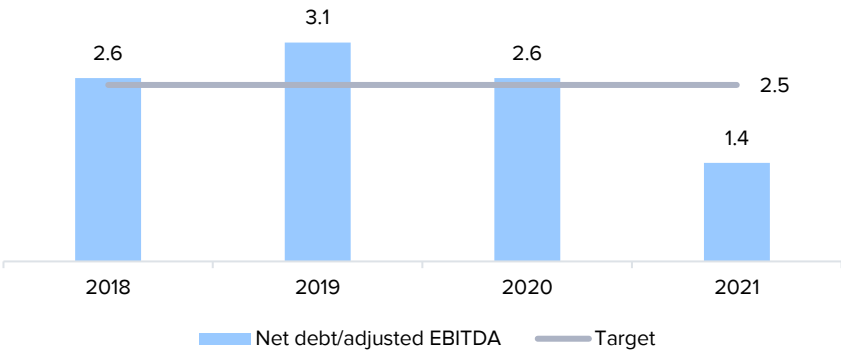
Strong balance sheet indicators after IPO



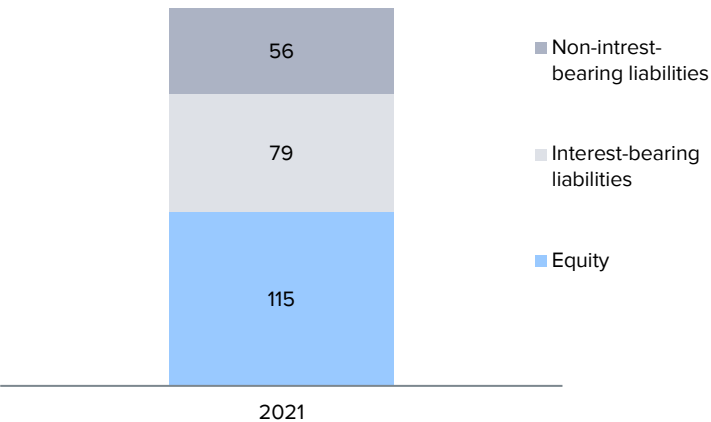
Assets (2021, MEUR)



Indebtedness does not limit growth



Liabilities (2021, MEUR)



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 slight 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 expect Sitowise's growth to continue. Over the next few years, we expect the company to make several acquisitions and also grow organically slightly faster than the market, with its wide and competitive offering and digital services. However, the strong expansion through acquisitions combined with conquering a new country (Sweden), is expected to keep margin levels below the 2020 (adjusted EBITA-%: 12.9%) level. This is also affected by the cost savings of the COVID year, especially in personnel and travel expenses, which are expected to partly recover with the economy. In addition, inflation also puts upward pressure on the company's costs.

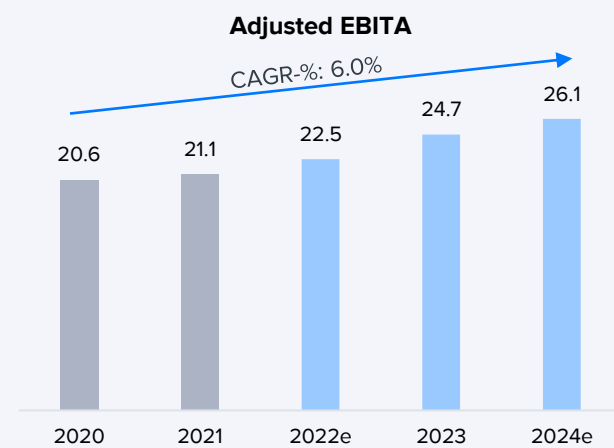
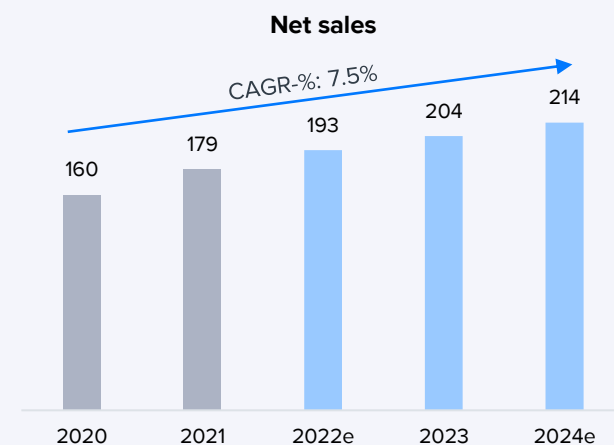
Potential acquisitions are not included in our estimates, but we have tried to outline these through a possible scenario.

Strong growth in 2022

We expect strong growth in 2022, but the rate to slow down slightly from previous years. The market situation into 2022 has been very good as activity has clearly started to recover from COVID. At the end of 2021, Sitowise's order book was at a record

high level of EUR 162 million, up by 41% on the comparison period. In this respect, strong growth is also possible in 2022. However, the escalation of the geopolitical situation in Eastern Europe creates uncertainties in economic development and thus also for Sitowise. Sitowise has stated that it will not start new projects with Russian-owned entities and will examine ongoing contracts and projects. Individual direct impacts may occur for existing projects, but there are no long-term impacts. Indirectly, projects may be delayed and decisions on new projects may stretch out and thus hamper net sales development. In addition, elevated inflation also puts pressure on Sitowise's costs, especially on the personnel side, even though changes are not reflected that quickly in this cost item. In the past, Sitowise has been able to adapt to changed circumstances and operating environment and we do not believe these will have any significant impact on the company.

Thanks to strong order book growth, we expect organic growth to be about 3% in 2022, stronger in the early part of the year and slightly declining toward the end of the year due to the uncertainties. In addition, we see that acquisitions will have a clear positive impact on growth, increasing net sales by about 8% in 2022. There may be even more acquisitions, but even at this rate net sales will rise to EUR 193 million.



Estimates 2/3

We expect profitability will remain at a good level, but the margin to fall from 2021. Inflation pressures, removal of savings generated by telecommuting and the growth phase keep profitability below the target level (2022e: adjusted EBITA: 11.6%). With net sales growth, however, we expect that adjusted EBITA will grow by about 6% to EUR 22.5 million.

The company's goal is to reach a margin of at least 12% but our estimates are still below the target level. In the past four years, adjusted EBITA % has been around 11.8%, which supports the margin level. However, the market was favorable, especially in 2020, which temporarily increased profitability.

In the expense lines we estimate that the share of materials and services will decrease in the future as the amount of subcontracting declines in the company with the expanding offering. We see upward pressure in personnel costs relative to net sales from the level of recent years, as both competition for experts intensifies and general wage pressures increase. In other operating costs, we see an absolute increase with net sales but the relative share decreases due to the company's decentralized business model and low administrative burden. We expect financing costs to be clearly decreasing as the company's listing expenses affect the comparison period. We estimate EPS to rise considerably to EUR 0.41 per share from EUR 0.29 in the comparison period.

The biggest risk in our estimates is a clearer cooling of market growth with the economy, which would affect growth, but possibly also Sitowise's billable utilization. Maintaining a high level of

profitability can also be challenging if growth and integration of acquisitions do not proceed as planned. The current profitability level is high compared to peers and the company's history, and it can be challenging to continue to sustainably perform at this level.

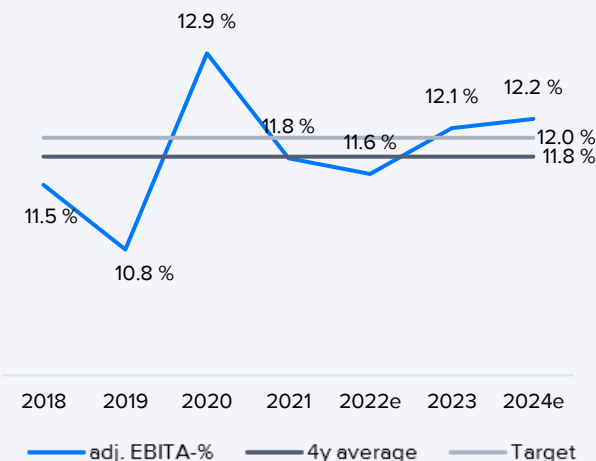
We expect market growth to prevail in the next few years

We expect market growth to continue to develop well in line with 2022 in 2023-2024. We expect Sitowise to grow by about 5% in 2022, supported by a small contribution of inorganic growth. In 2025, we expect organic growth to be at a strong level of some 5%. Growth is supported by the company's expanded offering and good long-term market trends, as well as an increase in the degree of penetration of consultation and Sitowise's digitalization expertise. In addition, recovery from COVID will support the market for a long time as large projects are planned for several years.

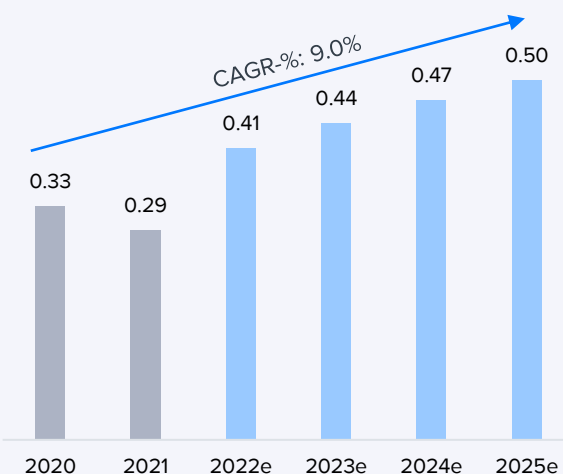
With stronger organic growth, we also see growth in margins and earnings. We estimate that 2023 EBITA will be around EUR 24.7 million and EUR 26.1 million in 2024. We expect the margin to increase slightly to around 12.1% in 2023 and further to some 12.2% in 2024.

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 2%.

Adjusted EBITA-%



EPS (adjusted)



Estimates 3/3

In terms of profitability we expect that in the long-term profitability will settle at around 12% adjusted EBITA margin. This is above the company's historical level (4-year average: 11.8%), but we expect the increased share of digitalization and growing company size will improve the company's profitability slightly in the long term.

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 track record and strategy objectives, we have estimated that the company's net sales would grow by some 11% p.a. over the next 4 years (until 2025). Growth may be faster or slower in any given year but on average growth would exceed 10% as targeted.

By 2025, the company would achieve net sales of about EUR 272 million in the scenario and with our unchanged profitability estimate, EBITA would rise to some EUR 33 million in 2025.

Assets sufficient for scenario growth

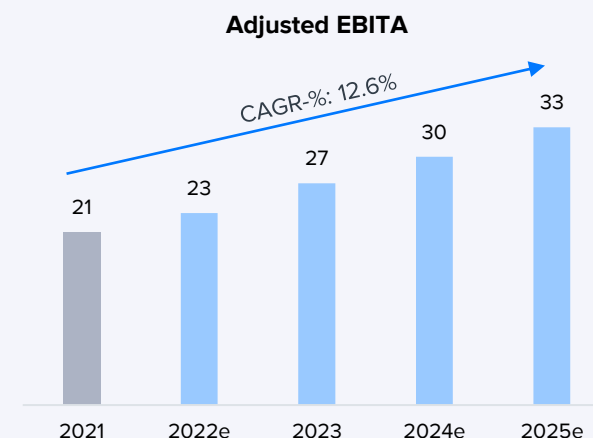
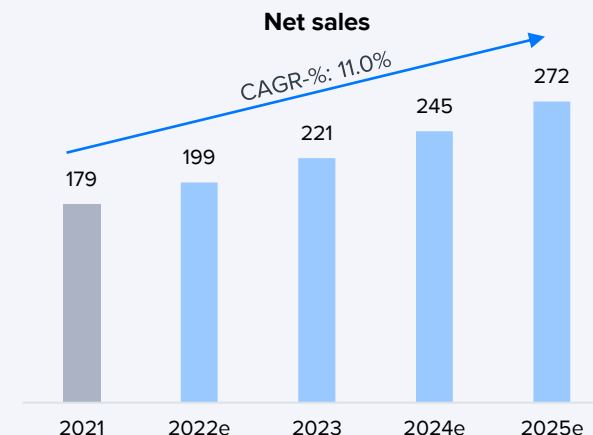
Compared to our organic net sales growth estimates, net sales would amount to EUR 50 million more at the end of 2025. While Sitowise aims to keep its profitability at a high level, the profitability of acquisition objects can be expected to be close to the same levels as Sitowise now has.

The average of the last three years for Sitowise, measured by EBITDA%, has been around 15%. With net sales of EUR 50 million, this gives an EBITDA of some EUR 7.5 million. According to Sitowise, its historical acquisition price has been around 5.5x EV/EBITDA. The EUR 7.5 million EBITDA multiplied by the 5.5x ratio gives a hypothetical total price of approximately EUR 41 million for acquisitions.

After the company's IPO and refinancing its financial situation provides good flexibility to finance the acquisitions required by the scenario. At the end of the year the company's cash assets stood at approximately EUR 19 million and the company's gearing is well below the target (2021 net debt/adjusted EBITDA: 1.4x). Thus, with its own assets and debt financing the company would have good chances to implement the scenario. In addition, the company holds own shares, which can be used as a means of payment in connection with acquisitions.

Based on the scenario and if prices remain unchanged, the company has good prospects for faster earnings growth than we estimate. The multiple of acquisitions has been historically cheap and there may be upside in it especially when expanding to Sweden. However, the multiples for future transactions are likely to be below Sitowise's own ratios, and the company has relatively cheap external financing available for acquisitions. Therefore, a change in the multiples would not have a significant effect in the big picture.

Acquisition scenario



Quarterly estimates

| Income statement | 2019 | 2020 | Q1'21 | Q2'21 | Q3'21 | Q4'21 | 2021 | Q1'22e | Q2'22e | Q3'22e | Q4'22e | 2022e | 2023e | 2024e |
|---------------------|------|------|-------|-------|-------|-------|-------|--------|--------|--------|--------|-------|-------|-------|
| Revenue | 143 | 160 | 42.8 | 46.5 | 39.6 | 50.5 | 179.3 | 45.6 | 49.8 | 42.3 | 55.6 | 193 | 204 | 214 |
| EBITDA | 19.3 | 26.3 | 5.9 | 6.5 | 6.5 | 6.9 | 25.8 | 7.0 | 8.1 | 7.0 | 8.3 | 30.4 | 31.7 | 33.0 |
| Depreciation | -8.7 | -8.0 | -2.3 | -2.3 | -2.5 | -2.4 | -9.4 | -2.5 | -2.5 | -2.5 | -2.5 | -10.1 | -9.6 | -9.5 |
| EBIT | 10.6 | 18.3 | 3.7 | 4.2 | 4.0 | 4.6 | 16.4 | 4.5 | 5.6 | 4.5 | 5.8 | 20.3 | 22.1 | 23.5 |
| EBITA (adj.) | 15.5 | 20.6 | 4.7 | 5.9 | 4.9 | 5.6 | 21.1 | 5.0 | 6.1 | 5.0 | 6.3 | 22.5 | 24.7 | 26.1 |
| EBITA | 13.8 | 12.3 | 4.1 | 4.7 | 4.6 | 5.2 | 18.6 | 5.0 | 6.1 | 5.0 | 6.3 | 22.5 | 24.7 | 26.1 |
| Net financial items | -2.3 | -2.4 | -4.7 | 0.1 | -0.7 | -0.8 | -6.1 | -0.5 | -0.4 | -0.6 | -0.6 | -2.1 | -2.4 | -2.4 |
| PTP | 8.4 | 15.9 | -1.1 | 4.3 | 3.3 | 3.7 | 10.3 | 4.0 | 5.2 | 3.9 | 5.2 | 18.2 | 19.7 | 21.1 |
| Taxes | -0.5 | -3.2 | 0.3 | -0.9 | -0.7 | -1.0 | -2.4 | -0.9 | -0.9 | -0.9 | -0.9 | -3.7 | -3.9 | -4.2 |
| Minority interest | 0.0 | -0.1 | 0.0 | -0.1 | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 |
| Net earnings | 7.9 | 12.6 | -0.8 | 3.3 | 2.5 | 2.7 | 7.8 | 3.0 | 4.2 | 3.0 | 4.2 | 14.4 | 15.7 | 16.8 |
| EPS (adj.) | 0.13 | 0.33 | -0.01 | 0.14 | 0.08 | 0.09 | 0.29 | 0.09 | 0.12 | 0.08 | 0.12 | 0.41 | 0.44 | 0.47 |
| EPS (rep.) | 0.22 | 0.36 | -0.02 | 0.09 | 0.07 | 0.08 | 0.22 | 0.09 | 0.12 | 0.08 | 0.12 | 0.41 | 0.44 | 0.47 |

| Key figures | 2019 | 2020 | Q1'21 | Q2'21 | Q3'21 | Q4'21 | 2021 | Q1'22e | Q2'22e | Q3'22e | Q4'22e | 2022e | 2023e | 2024e |
|-------------------------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue growth-% | 13.8 % | 11.9 % | 6.9 % | 7.6 % | 14.9 % | 19.0 % | 12.0 % | 6.5 % | 7.2 % | 6.9 % | 10.2 % | 7.8 % | 5.4 % | 4.9 % |
| Adjusted EBITA growth % | | 33.3 % | -8.9 % | -17.2 % | 11.1 % | 44.0 % | 2.4 % | 6.5 % | 3.5 % | 2.7 % | 12.2 % | 6.3 % | 9.8 % | 5.8 % |
| Adjusted EBITA-% | 10.8 % | 12.9 % | 11.0 % | 12.7 % | 12.4 % | 11.1 % | 11.8 % | 11.0 % | 12.3 % | 11.9 % | 11.3 % | 11.6 % | 12.1 % | 12.2 % |
| Net earnings-% | 5.5 % | 7.9 % | -1.8 % | 7.2 % | 6.4 % | 5.4 % | 4.4 % | 6.7 % | 8.5 % | 7.0 % | 7.6 % | 7.5 % | 7.7 % | 7.9 % |

Source: Inderes

*EPS for 2019-2020 has been adjusted by the new number of shares of the IPO.

Balance sheet

| Assets | 2020 | 2021 | 2022e | 2023e | 2024e |
|----------------------------|-------------|-------------|-------------|------------|------------|
| Non-current assets | 160 | 177 | 177 | 177 | 178 |
| Goodwill | 118 | 135 | 135 | 135 | 135 |
| Intangible assets | 5.7 | 7.5 | 7.4 | 6.4 | 5.9 |
| Tangible assets | 34.2 | 31.4 | 31.5 | 32.9 | 34.0 |
| Associated companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investments | 1.7 | 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 | 0.3 | 1.1 | 1.1 | 1.1 | 1.1 |
| Current assets | 61.6 | 72.7 | 89.1 | 102 | 116 |
| 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 | 46.1 | 53.3 | 57.0 | 60.1 | 63.1 |
| Cash and equivalents | 15.5 | 19.4 | 32.1 | 42.3 | 52.8 |
| Balance sheet total | 222 | 250 | 266 | 280 | 294 |

Source: Inderes

| Liabilities & equity | 2020 | 2021 | 2022e | 2023e | 2024e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 66.9 | 115 | 126 | 136 | 148 |
| Share capital | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Retained earnings | 11.4 | 18.8 | 29.8 | 40.5 | 51.6 |
| Hybrid bonds | 14.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserve | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| Other equity | 41.0 | 95.5 | 95.5 | 95.5 | 95.5 |
| Minorities | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Non-current liabilities | 94.5 | 72.6 | 71.6 | 71.6 | 71.6 |
| Deferred tax liabilities | 2.0 | 1.6 | 1.6 | 1.6 | 1.6 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term debt | 92.6 | 71.0 | 70.0 | 70.0 | 70.0 |
| 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 | 60.1 | 62.3 | 68.8 | 71.8 | 74.6 |
| Short term debt | 9.4 | 7.6 | 10.0 | 10.0 | 10.0 |
| Payables | 47.3 | 51.0 | 55.1 | 58.1 | 60.9 |
| Other current liabilities | 3.4 | 3.7 | 3.7 | 3.7 | 3.7 |
| Balance sheet total | 222 | 250 | 266 | 280 | 294 |

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. Because of Sitowise's business model, good and normal performance and light balance sheet, a balance sheet (P/B) or volume-based (EV/S) valuation are not the best indicators in our opinion.

Acceptable valuation

Sitowise has a light balance sheet, business that ties up little capital, it generates very strong cash flow, grows strongly, has good ROE and has a good profitability level considering the industry. Therefore, high valuation multiples can be accepted for Sitowise compared to the average of Nasdaq Helsinki (P/E (forward) 05-21 average: around 14x).

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

Since 2010 the forward-looking P/E ratio has been about 17x and EV/ EBITDA about 11x for the peers. Clearly higher multiples (P/E: 21x, EV/EBITDA 13x) have been accepted in the past five years, which indicates good performance of technical

consultation companies but also their attractiveness as investment objects. In addition, the changes in the expected results caused by the COVID crisis temporarily raised valuations, but they have adjusted downwards since then.

Thanks to Sitowise's good historical performance, strong willingness to grow and better profitability, we believe it deserves at least its peers' historical multiples. The multiples are clearly below the current level of the peers, but we believe there is no justification for stretching the multiples in the current environment, but rather relying on the long-term average. Our acceptable valuation range for Sitowise is: P/E 18-22x and EV/EBITDA: 11-13x.

There may be upside in the multiples if the company manages to continue its growth while maintaining profitability at a very high level. However, multiples can also decline quickly if the earnings level falls below expectations.

Absolute multiples

We are monitoring the 2022 valuation level for Sitowise. We believe that Sitowise's earnings level in 2022 is relatively normal with our estimates, so comparing valuation to this level makes sense. Sitowise's earnings and thus the P/E ratio, is currently depressed by intangible depreciation related to acquisitions, which have no cash flow effect. Therefore, we emphasize the EV/EBITDA ratio in our valuation.

Peers' P/E (NTM)



Peers' EV/EBITDA (NTM)



Valuation 2/5

For 2022, the share valuation has become moderate (2022e: adj. EV/EBITDA: 9x adj. P/E: 15x), given Sitowise's good performance and earnings growth outlook. Relative to the lower end of the acceptable valuation range (P/E: 18x, EV/EBITDA: 11x) the share would offer an upside of over 15%.

In 2023, the valuation drops to even more attractive levels (2023e: adj. P/E: 14x adj. EV/EBITDA: 8) with earnings growth. However, it is not yet justified to rely on 2023 at this stage. We also feel that 2022 reflects Sitowise's current performance reasonably well, so it provides a good comparison for the valuation.

We are relying on the lower end of our acceptable range because of increased market risks. Uncertainty about the final effects of the geopolitical situation also increases the risks for Sitowise, even if there are no significant direct effects. In addition, although consulting and design companies are valued higher than the average on the stock exchange, the quality and performance of the company is already well reflected in our range.

We expect a growing dividend from the company over the next few years. Dividend is not a significant driver for the share in the growth stage in our opinion, but it already provides some support for the expected return. For the next few years, the dividend yield is moderate at about 2-3% already at the current rate.

Overview of the peer group

There is a good peer group available for Sitowise consisting of listed international and Nordic

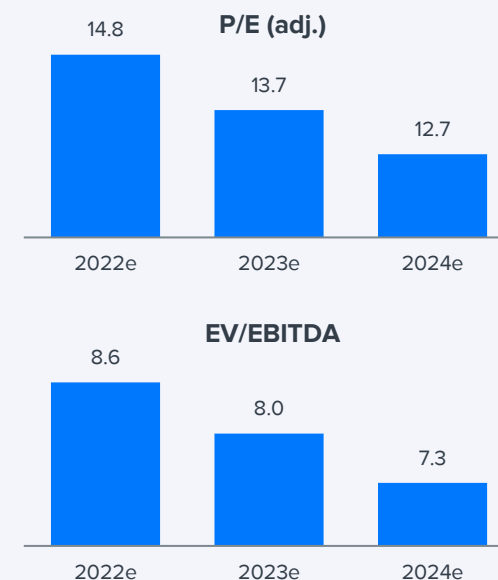
companies in the industry. We believe that the best peers are Swedish Sweco and AFRY, because of a similar investor profile, business that is relatively close, the Nordic market and similar performance profile.

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. WSP that operates internationally, is also a good peer, as it is one of Sitowise's main competitors, even though it is clearly larger in size and operates in a larger market. A good smaller peer from Finland is the recently listed 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 profile even if the sector division is not exactly the same. Otherwise, we want to keep the peer group relatively narrow, because we do not think that the valuation of large international consulting companies operating in different markets correctly reflects the acceptable valuation of Sitowise.

| Valuation | 2022e | 2023e | 2024e |
|----------------------------|--------|--------|--------|
| Share price | 6.05 | 6.05 | 6.05 |
| Number of shares. millions | 35.4 | 35.4 | 35.4 |
| Market cap | 214 | 214 | 214 |
| EV | 262 | 252 | 242 |
| P/E (adj.) | 14.8 | 13.7 | 12.7 |
| P/B | 1.7 | 1.6 | 1.5 |
| EV/Sales | 1.4 | 1.2 | 1.1 |
| EV/EBITDA | 8.6 | 8.0 | 7.3 |
| EV/EBIT (adj.) | 12.9 | 11.4 | 10.3 |
| Payout ratio (%) | 34.3 % | 36.1 % | 37.9 % |
| Dividend yield-% | 2.3 % | 2.6 % | 3.0 % |

Source: Inderes



Source: Inderes

Valuation 3/5

Peer group valuation

The valuation level of the peers has clearly moderated during the year. In the last extensive report, we kept our valuation level expectations reasonably high relative to the recovering economic outlook. Now, as the geopolitical situation has escalated and the economic image is uncertain, the valuation is clearly at a healthier level.

The median 2022e and 2023e P/E ratios for the peer group presented below are approximately 19x and 17x, while the corresponding EV/EBITDA ratios are approximately 10x and 9x. The peer group shows that international and large players with strong performance are priced higher than others on the stock exchange. Some companies may also show a premium of a quality company, which has also raised the ratios over the last few years due to

the lack of alternative investments. We believe that Sitowise's performance could justify the pricing of a quality company in the future, but currently we believe that the difference to the top of the sector is justified.

For 2022, Sitowise's above-mentioned earnings multiples are on average 10% below the 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 changes caused by the geopolitical situation, the feasibility of the peer group valuation has also decreased, as the reliability of estimates is not at normal levels. Therefore, the weight is lower than normal.

We believe that Sitowise should be priced at a premium in a normal situation

We think it is justified to price Sitowise above the peer group. 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.

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. Therefore, we feel a premium of about 10% compared to the peers is justified.

| Peer group valuation Company | Market cap MEUR | EV/EBIT | | EV/EBITDA | | P/E | |
|---------------------------------|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2022e | 2023e | 2022e | 2023e | 2022e | 2023e |
| Sweco AB (publ) | 4729 | 23.0 | 21.4 | 15.0 | 15.4 | 27.2 | 25.2 |
| Afry AB | 1635 | 10.0 | 8.2 | 6.4 | 5.7 | 13.1 | 11.6 |
| Rejlers AB (publ) | 256 | 14.2 | 12.0 | 7.9 | 7.2 | 17.6 | 15.1 |
| WSP Global Inc | 13055 | 21.3 | 19.1 | 13.1 | 12.0 | 26.4 | 23.3 |
| Solwers Oyj | 58 | 16.0 | 14.0 | 10.0 | 9.0 | 19.4 | 16.9 |
| Etteplan Oyj | 381 | 14.3 | 12.8 | 8.7 | 8.0 | 16.5 | 15.0 |
| Arcadis NV | 3558 | 14.5 | 13.2 | 10.0 | 9.4 | 19.2 | 17.4 |
| Sitowise (Inderes) | 214 | 12.9 | 11.4 | 8.6 | 8.0 | 14.8 | 13.7 |
| Average | | 16.2 | 14.4 | 10.2 | 9.5 | 19.9 | 17.8 |
| Median | | 14.5 | 13.2 | 10.0 | 9.0 | 19.2 | 16.9 |
| Diff-% to median | | -11 % | -13 % | -14 % | -12 % | -23 % | -19 % |

Valuation 4/5

DCF valuation

We also use the DCF model 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. The cash flow model is also sensitive to, .e.g., the variables of the terminal period, so its weight in the valuation is still low. At this stage, it is more of a supporting tool for the valuation. Our DCF model indicates a share value of EUR 8.8.

In our model, the company's net sales growth will stabilize at 2% in the terminal period after stronger medium-term growth, and the EBIT margin will be 11.0% of net sales. This corresponds to an EBITA margin of about 12%, which is at the company's target level. In the model, the weight of the terminal period in the value of cash flows is high (62%) emphasizing that the higher value is distributed into the terminal period. The average cost of capital (WACC) used is 7.0% and the cost of equity is 9.1%. In our opinion, the required return level is low compared to the average of the stock exchange and, in our opinion, there is no room for downside in the current environment. An increase in the DCF value would have to come through improving cash flows in the company.

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 272 million in net sales and EUR 33 million EBITA in 2025. This would correspond to an EBITDA of approximately EUR 41 million. We have used the lower end of our range (11-13x) as the acceptable valuation, which would mean an EV of some EUR 447 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 366 million in 2025. The value of the share would then be EUR 10.3.

At the current share price, the share's annual return based on the share price increase would be about 20% until 2025, assuming that the scenario would materialize as assumed. The return is clearly above, e.g., our capital return requirement (9%) 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.

Acquisition scenario

Earnings level (MEUR)

| | |
|-----------------|-----|
| Net sales 2025e | 272 |
| EBITA | 33 |
| EBITDA | 41 |

Accepted valuation level

| | |
|-----------|----|
| EV/EBITDA | 11 |
|-----------|----|

Value of stock (MEUR)

| | |
|-----------------------------|-----|
| EV 2025e | 447 |
| Net debt 2025e (2 x EBITDA) | 81 |
| Market cap 2022e | 366 |

| | |
|-------------------------|------|
| Share value 2025e (EUR) | 10.3 |
|-------------------------|------|

| | |
|---|--------|
| Annual return of share at current share price | 19.3 % |
|---|--------|

Source: Inderes

Valuation 5/5

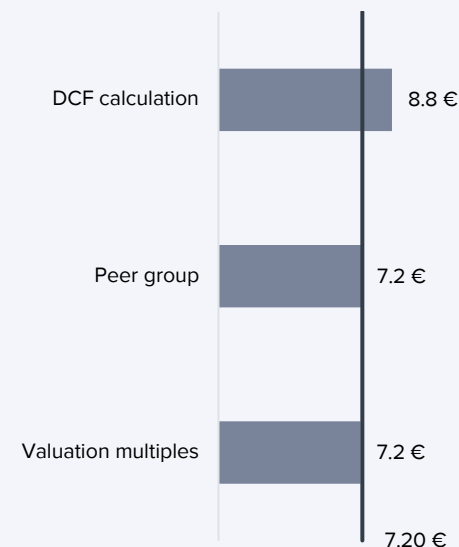
Target price and recommendation

We reiterate our Accumulate recommendation for Sitowise and revise our target price to EUR 7.20 (previously EUR 7.60) in connection with our 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. Sitowise has a light balance sheet, business that ties up little capital, it generates very strong cash flow, grows strongly, has good ROE and a good profitability level considering the industry. However, the valuation has fallen clearly below our acceptable levels and is also lagging behind the peers. The expected return of the acquisition scenario is already quite attractive at the current levels.

If the company is able to exceed our estimates and the market situation remains stable, there may still be clear upside in the valuation within our range. However, this requires a really strong performance in a market situation that has turned difficult. If profitability or performance is clearly below expectations, there may also be slight downside in the valuation closer to the average of the stock exchange (P/E: 14x). It is hard to see that the valuation would fall significantly below this considering the company's historical performance and growth-driven strategy.

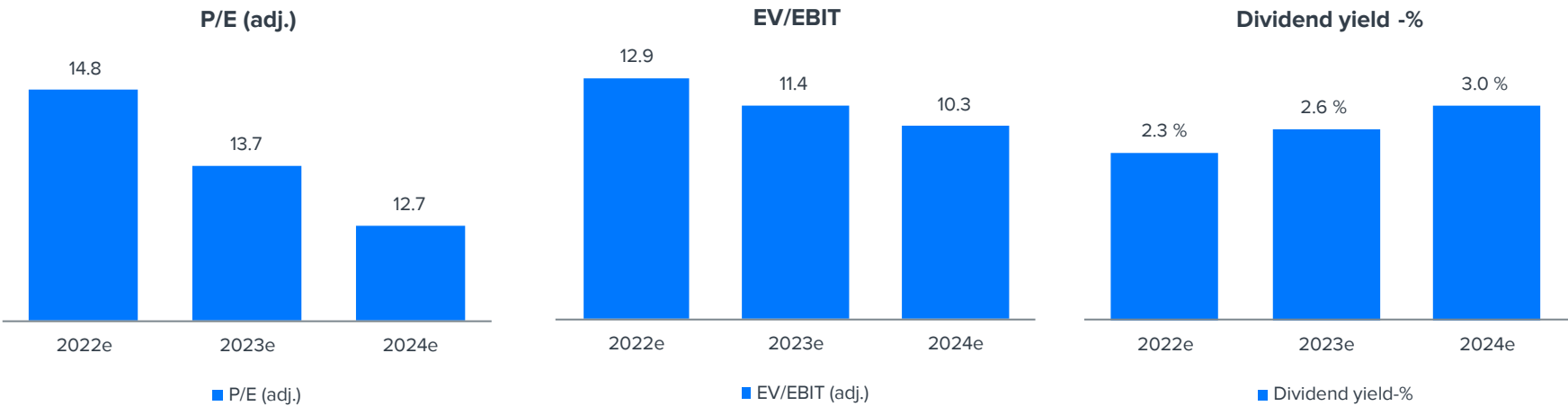
Formation of target price



Valuation table

| Valuation | 2017 | 2018 | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e | 2025e |
|----------------------------|------|------|------|------|--------|--------|--------|--------|--------|
| Share price | | | | | 8.05 | 6.05 | 6.05 | 6.05 | 6.05 |
| Number of shares, millions | | | | | 35.4 | 35.4 | 35.4 | 35.4 | 35.4 |
| Market cap | | | | | 285 | 214 | 214 | 214 | 214 |
| EV | | | | | 345 | 262 | 252 | 242 | 231 |
| P/E (adj.) | | | | | 27.4 | 14.8 | 13.7 | 12.7 | 12.0 |
| P/B | | | | | 2.5 | 1.7 | 1.6 | 1.5 | 1.3 |
| EV/Sales | | | | | 1.9 | 1.4 | 1.2 | 1.1 | 1.0 |
| EV/EBITDA | | | | | 13.3 | 8.6 | 8.0 | 7.3 | 6.7 |
| EV/EBIT (adj.) | | | | | 18.2 | 12.9 | 11.4 | 10.3 | 9.3 |
| Payout ratio (%) | | | | | 45.2 % | 34.3 % | 36.1 % | 37.9 % | 40.0 % |
| Dividend yield-% | | | | | 1.2 % | 2.3 % | 2.6 % | 3.0 % | 3.3 % |

Source: Inderes



Peer group valuation

| Peer group valuation | Share price | Market cap | EV | EV/EBIT | | EV/EBITDA | | P/E | | Dividend yield-% | | P/B |
|---------------------------|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|------------|-------------|
| Company | | MEUR | MEUR | 2022e | 2023e | 2022e | 2023e | 2022e | 2023e | 2022e | 2023e | 2022e |
| Sweco AB (publ) | 133.80 | 4729 | 5024 | 23.0 | 21.4 | 15.0 | 15.4 | 27.2 | 25.2 | 1.9 | 2.1 | 5.2 |
| Afry AB | 154.00 | 1635 | 1533 | 10.0 | 8.2 | 6.4 | 5.7 | 13.1 | 11.6 | 3.9 | 4.3 | 1.5 |
| Rejlers AB (publ) | 147.20 | 256 | 285 | 14.2 | 12.0 | 7.9 | 7.2 | 17.6 | 15.1 | 2.6 | 3.0 | 2.2 |
| WSP Global Inc | 149.50 | 13055 | 14333 | 21.3 | 19.1 | 13.1 | 12.0 | 26.4 | 23.3 | 1.0 | 1.0 | 3.4 |
| Solwers Oyj | 6.58 | 58 | 72 | 16.0 | 14.0 | 10.0 | 9.0 | 19.4 | 16.9 | 1.1 | 1.2 | 1.7 |
| Etteplan Oyj | 15.15 | 381 | 428 | 14.3 | 12.8 | 8.7 | 8.0 | 16.5 | 15.0 | 3.0 | 3.3 | 3.4 |
| Arcadis NV | 39.20 | 3558 | 3742 | 14.5 | 13.2 | 10.0 | 9.4 | 19.2 | 17.4 | 2.2 | 2.4 | 3.2 |
| Sitowise (Inderes) | 6.05 | 214 | 262 | 12.9 | 11.4 | 8.6 | 8.0 | 14.8 | 13.7 | 2.3 | 2.6 | 1.7 |
| Average | | | | 16.2 | 14.4 | 10.2 | 9.5 | 19.9 | 17.8 | 2.2 | 2.5 | 3.0 |
| Median | | | | 14.5 | 13.2 | 10.0 | 9.0 | 19.2 | 16.9 | 2.2 | 2.4 | 3.2 |
| Diff-% to median | | | | -11% | -13% | -14% | -12% | -23% | -19% | 6% | 9% | -47% |

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

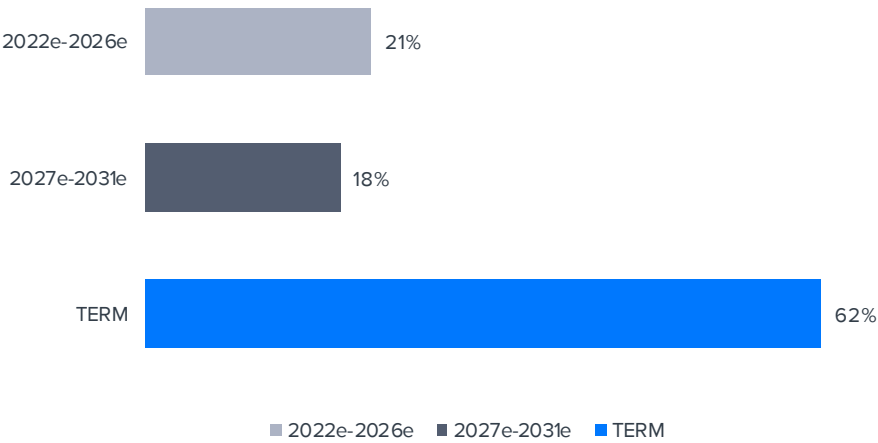
DCF calculation

| DCF model | 2021 | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | TERM |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| EBIT (operating profit) | 16.4 | 20.3 | 22.1 | 23.5 | 24.8 | 26.4 | 27.4 | 28.0 | 28.2 | 28.9 | 29.5 | |
| + Depreciation | 9.4 | 10.1 | 9.6 | 9.5 | 9.5 | 9.5 | 9.6 | 9.6 | 9.7 | 9.8 | 9.8 | |
| - Paid taxes | -3.6 | -3.7 | -3.9 | -4.2 | -4.5 | -4.8 | -5.0 | -5.2 | -5.2 | -5.4 | -5.5 | |
| - Tax, financial expenses | -1.4 | -0.4 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | -0.4 | -0.4 | -0.4 | -0.4 | |
| + 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 | -3.2 | 0.4 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | |
| Operating cash flow | 17.7 | 26.6 | 27.1 | 28.2 | 29.2 | 30.5 | 31.4 | 32.0 | 32.2 | 32.8 | 33.3 | |
| + 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 | -25.8 | -10.0 | -10.0 | -10.0 | -10.0 | -10.0 | -10.0 | -10.0 | -10.0 | -10.0 | -11.9 | |
| Free operating cash flow | -8.2 | 16.6 | 17.1 | 18.2 | 19.2 | 20.5 | 21.4 | 22.0 | 22.2 | 22.8 | 21.4 | |
| +/- Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | -8.2 | 16.6 | 17.1 | 18.2 | 19.2 | 20.5 | 21.4 | 22.0 | 22.2 | 22.8 | 21.4 | 438 |
| Discounted FCFF | | 15.9 | 15.3 | 15.2 | 15.0 | 15.0 | 14.6 | 14.0 | 13.2 | 12.7 | 11.2 | 228 |
| Sum of FCFF present value | | 370 | 354 | 339 | 324 | 309 | 294 | 279 | 265 | 252 | 239 | 228 |
| Enterprise value DCF | | 370 | | | | | | | | | | |
| - Interesting bearing debt | | -78.6 | | | | | | | | | | |
| + Cash and cash equivalents | | 19.4 | | | | | | | | | | |
| -Minorities | | -0.3 | | | | | | | | | | |
| -Dividend/capital return | | 0.0 | | | | | | | | | | |
| Equity value DCF | | 310 | | | | | | | | | | |
| Equity value DCF per share | | 8.8 | | | | | | | | | | |

| | |
|---|--------|
| Wacc | |
| Tax-% (WACC) | 20.0 % |
| Target debt ratio (D/(D+E)) | 30.0 % |
| Cost of debt | 2.5 % |
| Equity Beta | 1.25 |
| Market risk premium | 4.75% |
| Liquidity premium | 1.20% |
| Risk free interest rate | 2.0 % |
| Cost of equity | 9.1 % |
| Weighted average cost of capital (WACC) | 7.0 % |

Source: Inderes

Cash flow distribution



Summary

| Income statement | 2019 | 2020 | 2021 | 2022e | 2023e | Per share data | 2019 | 2020 | 2021 | 2022e | 2023e |
|---------------------------|-------|-------|-------|-------|-------|--------------------------|---------|---------|--------|--------|--------|
| Revenue | 143.0 | 160.1 | 179.3 | 193.3 | 203.8 | EPS (reported) | 0.22 | 0.36 | 0.22 | 0.41 | 0.44 |
| EBITDA | 19.3 | 26.3 | 25.8 | 30.4 | 31.7 | EPS (adj.) | 0.13 | 0.33 | 0.29 | 0.41 | 0.44 |
| EBIT | 10.6 | 18.3 | 16.4 | 20.3 | 22.1 | OCF / share | 0.62 | 0.79 | 0.50 | 0.75 | 0.77 |
| PTP | 8.4 | 15.9 | 10.3 | 18.2 | 19.7 | FCF / share | -0.65 | -0.15 | -0.23 | 0.47 | 0.48 |
| Net Income | 7.1 | 12.7 | 7.8 | 14.4 | 15.7 | Book value / share | 1.62 | 1.90 | 3.24 | 3.55 | 3.85 |
| Extraordinary items | 3.2 | 1.1 | -2.6 | 0.0 | 0.0 | Dividend / share | 0.00 | 0.00 | 0.10 | 0.14 | 0.16 |
| Balance sheet | 2019 | 2020 | 2021 | 2022e | 2023e | Growth and profitability | 2019 | 2020 | 2021 | 2022e | 2023e |
| Balance sheet total | 188.4 | 221.5 | 249.8 | 266.1 | 279.8 | Revenue growth-% | 14% | 12% | 12% | 8% | 5% |
| Equity capital | 57.4 | 66.9 | 114.9 | 125.8 | 136.5 | EBITDA growth-% | -1% | 36% | -2% | 18% | 4% |
| Goodwill | 101.7 | 118.1 | 135.2 | 135.2 | 135.2 | EBIT (adj.) growth-% | -41% | 130% | 10% | 7% | 9% |
| Net debt | 74.8 | 86.5 | 59.3 | 47.9 | 37.7 | EPS (adj.) growth-% | -47% | 144% | -10% | 39% | 8% |
| Cash flow | 2019 | 2020 | 2021 | 2022e | 2023e | EBITDA-% | 13.5 % | 16.4 % | 14.4 % | 15.7 % | 15.5 % |
| EBITDA | 19.3 | 26.3 | 25.8 | 30.4 | 31.7 | EBIT (adj.)-% | 5.2 % | 10.7 % | 10.6 % | 10.5 % | 10.8 % |
| Change in working capital | 3.1 | 2.1 | -3.2 | 0.4 | -0.1 | EBIT-% | 7.4 % | 11.4 % | 9.1 % | 10.5 % | 10.8 % |
| Operating cash flow | 21.7 | 27.9 | 17.7 | 26.6 | 27.1 | ROE-% | 15.4 % | 20.4 % | 8.6 % | 12.0 % | 12.0 % |
| CAPEX | -43.8 | -33.1 | -25.8 | -10.0 | -10.0 | ROI-% | 8.5 % | 11.7 % | 9.0 % | 10.2 % | 10.5 % |
| Free cash flow | -22.9 | -5.1 | -8.2 | 16.6 | 17.1 | Equity ratio | 30.4 % | 30.2 % | 46.0 % | 47.3 % | 48.8 % |
| | | | | | | Gearing | 130.4 % | 129.3 % | 51.6 % | 38.1 % | 27.6 % |
| Valuation multiples | 2019 | 2020 | 2021 | 2022e | 2023e | | | | | | |
| EV/S | 0.5 | 0.5 | 1.9 | 1.4 | 1.2 | | | | | | |
| EV/EBITDA (adj.) | 3.9 | 3.3 | 13.3 | 8.6 | 8.0 | | | | | | |
| EV/EBIT (adj.) | 10.0 | 5.0 | 18.2 | 12.9 | 11.4 | | | | | | |
| P/E (adj.) | 0.0 | 0.0 | 27.4 | 14.8 | 13.7 | | | | | | |
| P/B | 0.0 | 0.0 | 2.5 | 1.7 | 1.6 | | | | | | |
| Dividend-% | | | 1.2 % | 2.3 % | 2.6 % | | | | | | |

Source: Inderes

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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

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Recommendation history (>12 mo)

| Date | Recommendation | Target price | Share price |
|----------|----------------|--------------|-------------|
| 29-03-21 | Reduce | 8.60 € | 8.50 € |
| 20-05-21 | Accumulate | 9.30 € | 8.78 € |
| 26-08-21 | Accumulate | 9.30 € | 8.27 € |
| 11-11-21 | Accumulate | 9.30 € | 8.33 € |
| 03-03-22 | Accumulate | 7.60 € | 6.50 € |
| 04-05-22 | Accumulate | 7.20 € | 6.05 € |



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