SITOWISE

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT

Waiting for proof of turnaround

We reiterate our Reduce recommendation for Sitowise and revise our target price to EUR 2.70 (was EUR 2.50) in connection with updating our extensive report. Sitowise, which focuses on technical consulting and the digitalization of buildings and infrastructure, has been significantly affected by the weakness of the construction market in recent years. The industry's best profitability has melted away with low billable work, rising costs and the challenges of international growth. As the market recovers, the earnings lever also works upwards, but there is a risk that profitability challenges will persist for longer than expected. The valuation is challenging for the coming years and, in our view, does not adequately reflect the risks.

Expert house on the built environment

Sitowise is a Finnish specialist company focused on technical consulting and design of the built environment and its digital solutions. In 2023, roughly 86% of Sitowise's business was generated from technical consulting in the Buildings and Infra markets and around 14% from Digital Solutions. Founded at the end of 2017, Sitowise has grown at around 11% per year until 2023 (2018-23). Over the same period, profitability has been around 10.8% (adj. EBITA %), which has been among the best in the industry. In recent years, however, profitability has declined due to weaker demand in the residential construction market impacting the company's utilization rates, growth challenges related to the expansion into Sweden, a generally weaker market, and increased costs (wage and IT cost inflation).

Sitowise is working to return profitability to the better side of 12%, but we believe this will require a very attractive market and addressing internal challenges. The market is unlikely to return to its 2020-21 levels in the next few years, especially in the housing market, on which Sitowise is surprisingly dependent. The company's target of more than 10% annual growth (including acquisitions) is now being challenged by a difficult market and a weak economy. The company's net debt/adj. EBITDA is currently around 5x (Q3'24) and there is no room for inorganic growth. A pick-up in earnings and a recovery in cash flow in the coming years will therefore also be important for improving the company's financial situation and for renegotiating the financing due in 2026.

Earnings lever in place when the market pulls back

Over the next few years, we expect a clear recovery in the market. We still expect early 2025 to be a challenging year, but our H2 forecasts show signs of a gradual recovery. However, we expect Sitowise's growth to pick up in the coming years only from 2026 (+9%) and to continue in 2027 (+7%). As volumes and billing rates increase, profitability will rise to levels closer to 9% (EBITA%), up from around 6% (2024e) last year. This is also closer to the normalized level of Sitowise (9-10%). Despite good EBITA growth, high financing costs will eat up a large portion of net income in the coming years. The main risks to our forecasts are a delay in the market turnaround, continued internal challenges at Sitowise and rising inflationary pressures.

Valuation challenging in the coming years, but there is potential

In view of the expected earnings turnaround, the valuation for the next few years (2025-26e avg.: EV/EBITDA: 8x, P/E: 17x) is not attractive. Based on the outlook for the next few years and our accepted valuation level (EV/EBITDA: 7x, P/E: 12x), the stock would have downside potential. In 2026, earnings will be closer to normalized levels, which is why we weigh them more heavily than this year's valuation. The dividend yield does not support the expected return in the short term, as we do not expect dividends for 2024. The DCF calculation is higher than the share price (EUR 3.4), reflecting the longer-term potential, but in the short term we believe the upside is limited by the risks in the market, the company's performance and its financial situation.

Recommendation
Reduce
(was Reduce)

Target price:
2.70 EUR
(was EUR 2.50)

Share price:
2.85

Business risk

Valuation risk

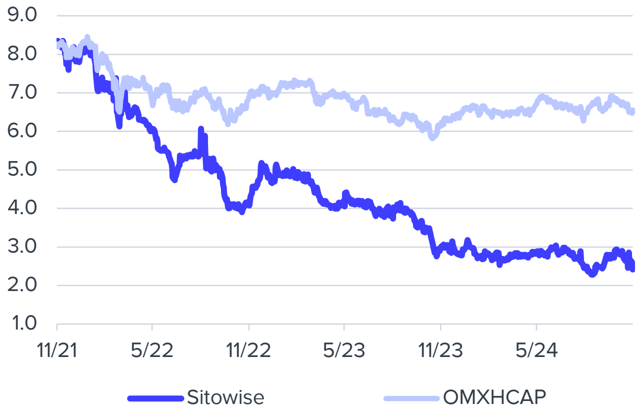
	2023	2024e	2025e	2026e
Revenue	210.9	193.7	196.5	213.4
growth-%	3%	-8%	1%	9%
EBITA adj.	17.0	11.8	14.0	18.9
EBITA-% adj.	8.1 %	6.1 %	7.1 %	8.9 %
Net income	5.6	-0.5	3.9	9.0
EPS (adj.)	0.21	0.04	0.12	0.25
P/E (adj.)	15.2	76.4	23.3	11.3
P/B	0.9	0.9	0.8	0.8
Dividend yield-%	0.0 %	0.0 %	3.5 %	4.9 %
EV/EBIT (adj.)	14.5	28.0	17.3	10.7
EV/EBITDA	8.2	10.7	8.7	6.6
EV/S	0.9	1.0	0.9	0.8

Source: Inderes

Guidance (Unchanged)

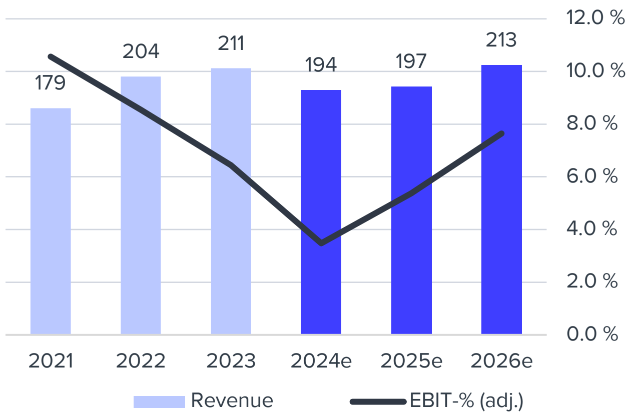
Revenue is expected to fall in 2024 (2023: 211 MEUR). The adjusted EBITA margin (%) is expected to be lower in 2024 than in 2023 (2023: 8.1%).

Share price



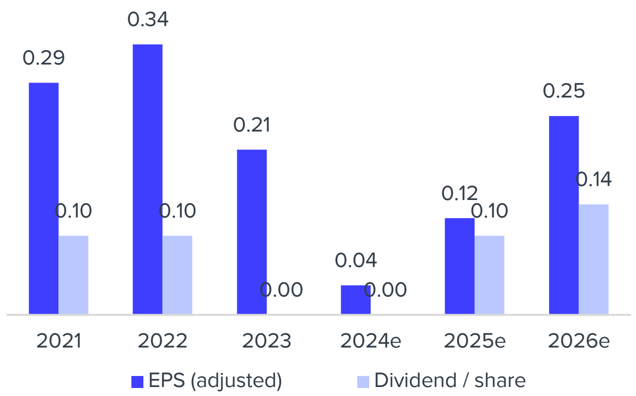
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Above-market growth in a recovering market
- Return to strong profitability
- Strong cash flow and low investment need Efficient and diversified business model as well as digitalization expertise create competitive advantage
- Increasing share of consulting and design in the construction value chain driven by megatrends
- Opportunities created by sustainable development regulation

Risk factors

- Cyclicality of the underlying construction market
- Maintaining a good profitability level sustainably
- A clear and prolonged market downturn after good years
- Challenges created by Nordic expansion and a new market
- Failure in acquisitions
- Leverage and growth financing

Valuation	2024e	2025e	2026e
Share price	2.85	2.85	2.85
Number of shares, millions	35.8	35.8	35.8
Market cap	102	102	102
EV	189	183	175
P/E (adj.)	76.4	23.3	11.3
P/B	0.9	0.8	0.8
EV/Sales	1.0	0.9	0.8
EV/EBITDA	10.7	8.7	6.6
EV/EBIT (adj.)	28.0	17.3	10.7
Payout ratio (%)	0.0 %	92.3 %	55.6 %
Dividend yield-%	0.0 %	3.5 %	4.9 %

Source: Inderes

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Sitowise in brief

Sitowise is a Nordic expert in the built environment and forestry with a digital focus.

2017

Sitowise Group is established

2021

IPO

197 MEUR

Revenue Q3'24 LTM

+11% CAGR

Revenue growth in 2018-2023

10.7 MEUR (5.5% of revenue)

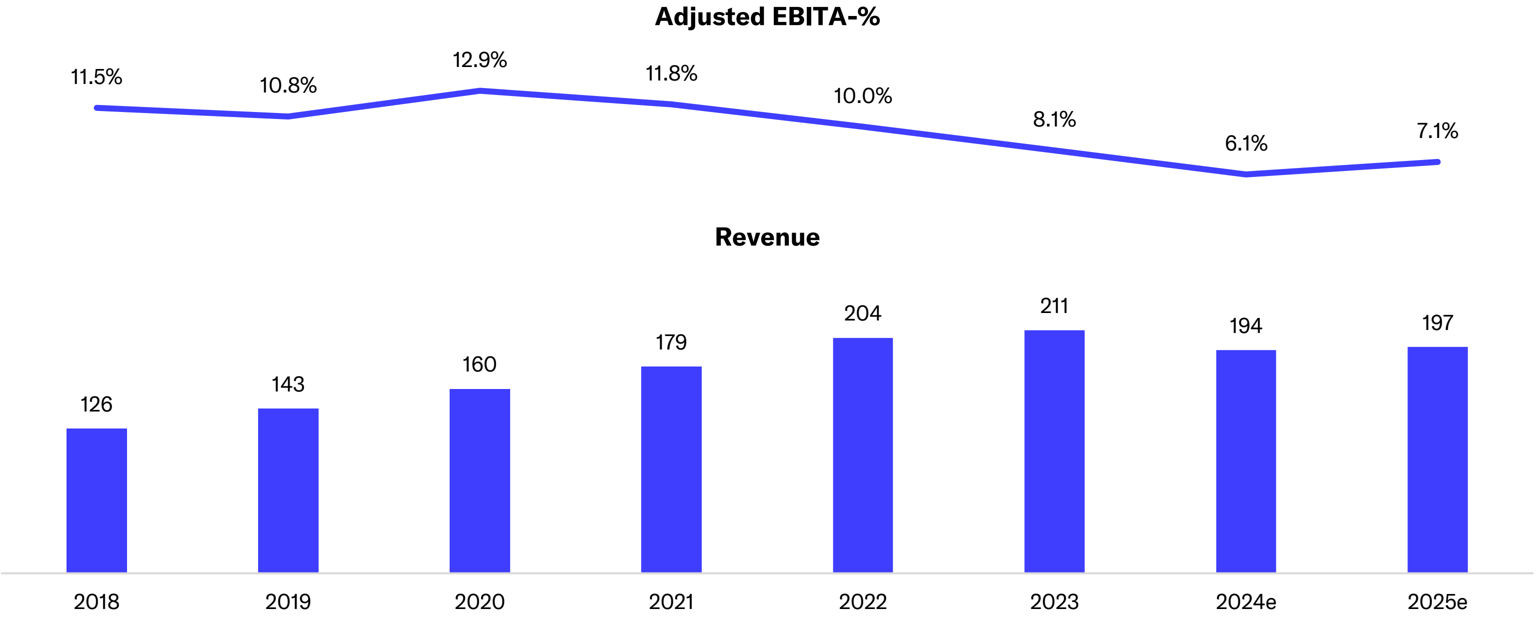
EBITA Q3'24 LTM

10.8%

Adj. EBITA margin average 2018-2023

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

- Strong growth continued between 2021 and 2023, but profitability deteriorated significantly from its high levels
- Clear market downturn between 2022 and 2024
- Challenges in Swedish business
- Costs are rising
- In 2024, profitability still on a downward trend, pending market recovery
- Turnaround in the market and Sitowise's performance expected in the coming years



Company description and business model 1/6

Enabler of smart cities

Sitowise is a Finnish expert organization providing planning and consulting services for the built environment and forestry. Sitowise has created the built environment for over 40 years, which provides a strong business experience. In 2023, Sitowise had a revenue of 211 MEUR and employed an average of 2,211 people.

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

Specialist in solutions for buildings and infrastructure

Sitowise's main business is to provide planning and expert services related to building and infrastructure to customers throughout the construction lifecycle. We believe this area covers approximately 86% of the company's business (Q3'24 LTM). The remaining some 14% of the company's business comes from the Digital Solutions business, which focuses on offering built environment, forestry and mobility related digital solutions to customers.

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

A significant share of the company's business concentrates on the Nordic countries and especially on Finland. Nearly 80% of revenue (Q3'24 LTM) is currently generated in Finland and around 20% in Sweden. Sitowise has expanded into Sweden through several acquisitions and its share has increased significantly from previous years (in 2020 it was only around 10%).

Strong business growth has taken its toll

Since its establishment, Sitowise has grown by some 11% annually (2018-2023 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). In 2023, revenue (211 MEUR) growth had slowed down to 3% year-on-year, and due to the weak housing market, the top line has decreased in 2024 (-9% Q1-Q3). Profitability, which has suffered from a weak market, inflation and growth challenges (e.g. Sweden), has fallen since 2020.

The margin has declined from peak profitability in 2020 (EBITA%: 12.9%) to 5.5% by the end of Q3'2024 (Q3'24 LTM). Sitowise's strategy is to achieve a margin of at least 12%, but on current performance this seems unlikely. Over the next few years, Sitowise will once again have to prove that it can deliver the best profitability in the industry. However, this will require a significant recovery in the economy and the construction market from current levels, as well as overcoming Sitowise's own challenges.

SITOWISE

Revenue distribution*

Solutions for buildings and infrastructure 86%

Digital Solutions 14%

Geographical revenue distribution

79%

21%

Source: Inderes, Sitowise
*Inderes calculation Q3'24 LTM

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 reports the revenues of these businesses separately.

Buildings business

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

According to Sitowise, the largest service areas in the Buildings business are structural engineering, building services engineering and repair construction services, in addition to which the business area comprises several specific competence areas. Historically, we estimate that about half of Buildings' revenue has been in new construction, and we estimate that half of this is new residential construction. The share of renovation construction in the other half can be seen as stabilizing Sitowise's residential business, but the sector is generally low in activity at the moment and temporary layoffs in the area have been extended until 2024. In particular, new residential and office construction is currently at a low level and is not expected to pick up significantly in the early part of the year. However, Sitowise is actively investing in sales activities and will continue to focus on areas of long-term demand, particularly in industry, energy, social real estate and safety-critical services.

The weakness of the residential construction market has been clearly reflected in the results. Revenue of the Buildings business amounted to 60 MEUR at the end of Q3'24 (LTM) and has been declining since 2022, as shown in the graph on the right. Historically, Buildings has been the largest of Sitowise's businesses, but today its share has dropped to 30% and is smaller than the Infra business.

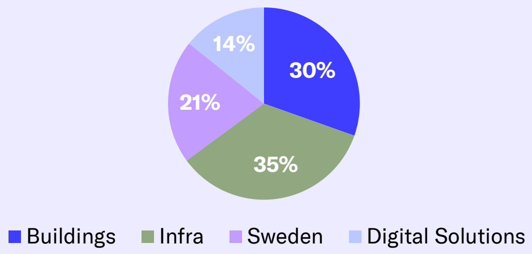
Infrastructure business

Currently, Sitowise's largest business area is the Infra business in Finland, which provides design and expert services for infrastructure construction. The business accounted for 35% of the group's revenue at the end of Q3'24, providing a hedge against cyclical fluctuations in other new construction.

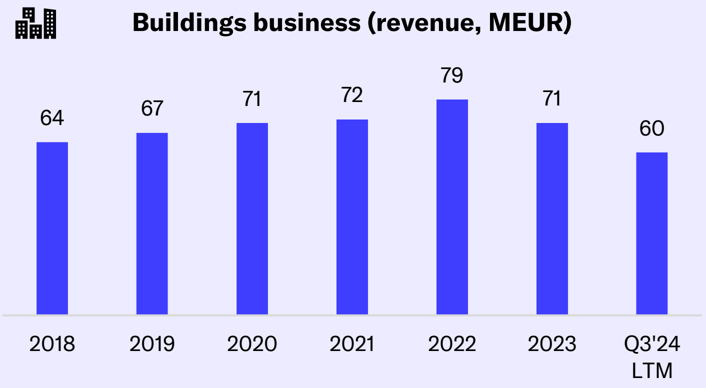
Infrastructure businesses' services cover the entire infrastructure sector from underground facilities to the planning of above-ground urban spaces. Services include, e.g., road and railway design with all associated services like tunnels, bridges and subgrade reinforcement. Projects related to the green transition (e.g. environmental risk management, wind power engineering services, environmental impact assessments, environmental reports, etc.) have supported strong growth, especially in recent years.

Despite the weakness of the construction market, Infra's revenue has grown steadily and reached a level of approximately 68 MEUR at the end of Q3'24 (LTM). According to Sitowise, the Infra business has grown faster than the market in recent years through acquisitions and investments in high-growth areas (e.g. green transition services). In general, the market has also outperformed other new construction, although Sitowise says demand has weakened and competition has increased in traditional infrastructure design.

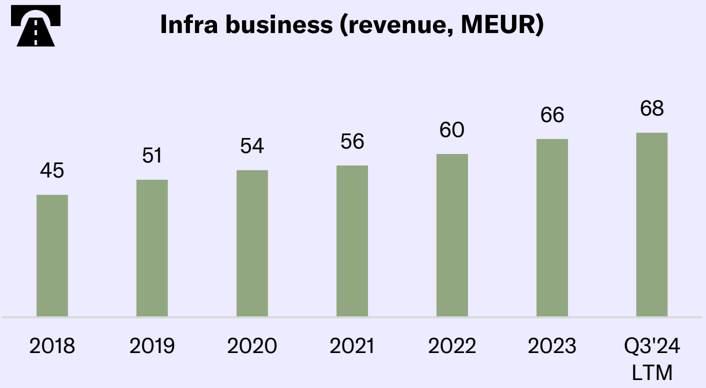
Revenue distribution Q3'24 LTM



Buildings business (revenue, MEUR)



Infra business (revenue, MEUR)



Source: Inderes, Sitowise

Company description and business model 3/6

Swedish businesses

The Swedish businesses are a separate business area at Sitowise. In Sweden, Sitowise provides design and consulting services for buildings and infrastructure in selected segments. The business has grown significantly through acquisitions over the past four years. Revenue has increased from close to zero in 2018 to about 41 MEUR by the end of Q3'24, representing some 21% of group revenue.

In 2024, demand in the Swedish market was weak and the workload was insufficient to meet the cost burden of a growing organization. This has resulted in costs for Sitowise as well as project cost overruns in Sweden (i.e. challenges). Sitowise has adjusted its operations in Sweden during 2024 to better reflect the current demand situation, but the business was still loss-making in Q3'24, according to the company.

In response to the challenges, Sitowise has changed its operating model in Sweden (region-centric → nationwide) and continues to focus on developing its sales culture, proactive selling, pricing and precise project work. Sales will focus on the growth sectors of health and science, defense and housing. These measures and the market picking up should return the business to growth in 2025.

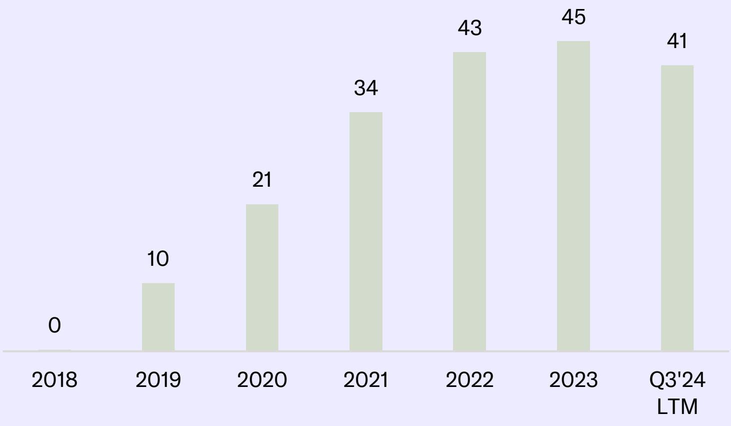
Digital Solutions

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. Sitowise offers its customers custom software development (about 60% of DS revenue), SaaS and product business (30% of revenue) and consulting (10% of revenue). The business area often includes one-off projects, but also a lot of continuous business. In software development, the development and maintenance phases continue for years after the project is completed, and the product business has attempted to adopt the SaaS model. Sitowise's SaaS product portfolio includes seven products: Louhi, Routa, Planect, Infracontrol Online, Smartlas, Foresta and LeafPoint, through which Sitowise provides solutions for the built environment, transportation, forestry, energy and industry.

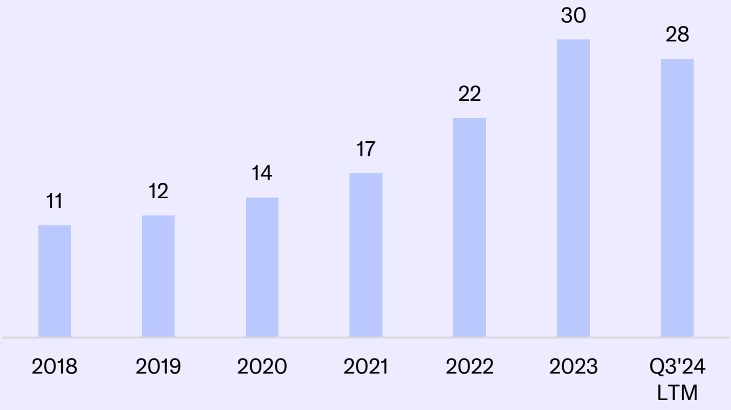
At the end of Q3'24, Digital Solutions accounted for approximately 14% of the company's revenue, or around 28 MEUR. Revenue has grown strongly in recent years through acquisitions and organic growth. The business area's revenue have become a more important part of the group as the digitalization megatrend has progressed. We believe that the broad customer base of the company's core business will also provide a good basis for future demand in the still relatively moderately digitized construction sector.

Sitowise's long-term goal (by 2030) is to double its business in Finland and Sweden to around 70 MEUR. This will be achieved through significant growth in the SaaS and product businesses, continued and gradual internationalization of the product business and market-driven growth in other areas. This is an ambitious goal, but one that is possible given the history of growth and current offering.

Swedish business (revenue, MEUR)



Digital Solutions business (revenue, MEUR)



Source: Inderes, Sitowise

Company description and business model

Buildings

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

Infra

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

Digital Solutions

- Digital services for the built environment and forest sector
- Combines building expertise with IT, programming and technology know-how
- Services include information systems development, data analysis, digital consulting, data management, geospatial information, service design and proprietary products.

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

+Digital Solutions at every stage

Source: Inderes, Sitowise

Company description and business model 4/6

Business model

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

Optimization of utilization rate

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

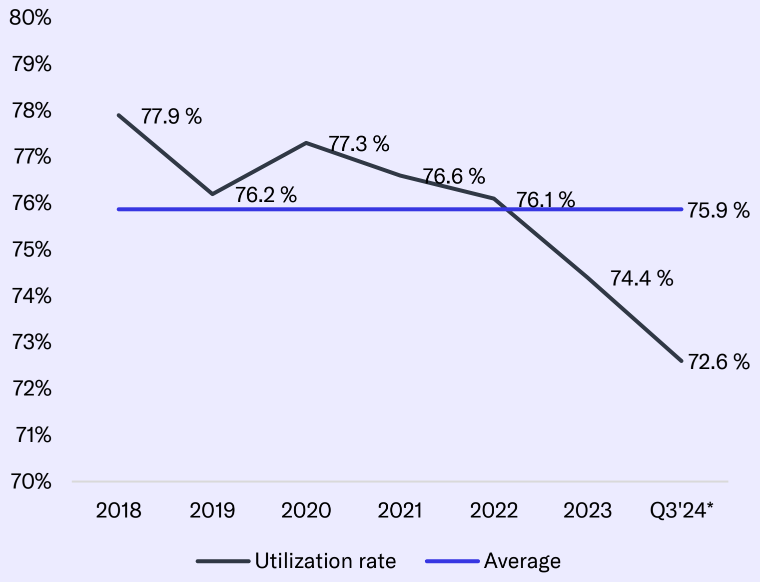
The utilization rate shows how much of their working time employees spend on billable project work. Another name for this might be billable or resource utilization.

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

We believe some 70-80% can be seen as a good billable utilization in the industry. Sitowise has historically had a better utilization rate than its larger competitors and its at a good level for the industry. Sitowise was thus more efficient than its competitors in at least one measure and was able to achieve better profitability than the competition as a result. However, Sitowise's utilization rate, and therefore profitability, has averaged out over the last few years and the trend is still worrying.

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 revenue and earnings. We believe this is where the company's competitive advantages and expertise stand out. There is probably more competition in the easiest projects and over-pricing can often mean you are excluded from the project. In demanding and specialist projects, companies can have pricing power. We estimate that pricing is generally close to each other for competing companies but may vary by project or special expertise and by country.

Utilization rate is well below average



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

Source: Inderes, Sitowise
*January-September 2024

Company description and business model 5/6

Project-based business, mainly through billables

Sitowise's business is mainly based on hourly billing, where compensation is based on the number of hours spent on a project. In this model, the company does not invest in the project itself or carry the risks associated with the project. However, the continuity of the work always depends on the successful sale of new projects. According to the 2023 CMD material, approximately 60% of the revenue was generated on an hourly basis.

Around one third of the company's revenue are generated either through fixed-price billing or billing with a cost cap. In a fixed-price project, the company also bears the risk that the cost of its own work will exceed the revenue from the project. These risks have been realized, for example, in the Swedish business.

Pure recurring (or SaaS and product) revenue accounted for approximately 6% of the group's revenue at the end of 2023. However, the aim is to increase this to 10%. Partnerships or possible framework agreements with customers as such provide some continuity to the business, but there is still little work with just recurring invoicing at the group level. Digital Solutions are showing clear signs of growth on the product side (25% of recurring revenue in Q3'24), but this still represents a small share of the total.

The recurring billing business should be more stable than the rest of Sitowise's business, and especially on the product side, the profitability also has elements of scalability that Sitowise otherwise does not have. We therefore see the goals of increasing the share of recurring billing business as good from the point of view of Sitowise's cyclical resilience and profit growth.

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

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

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

We believe that Sitowise's business is not nearly as cyclical as the construction industry itself, which is reflected in Sitowise's revenue performance during the current weak economic cycle. Projects are often long-term and often last longer than the construction itself.

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

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

Characteristics of Sitowise's business

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

Source: Inderes, Sitowise

Company description and business model 6/6

Industry transformation gathers momentum

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

Costs are mostly variable

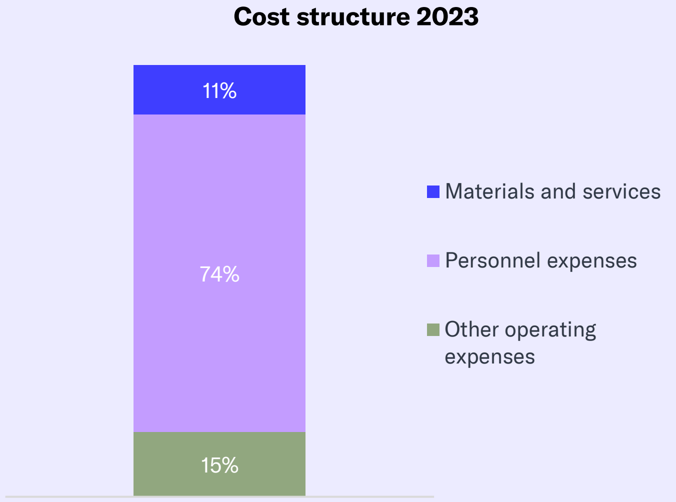
We feel the scalability of the company's business is relatively weak, as most of the costs (before EBITDA) are variable. We estimate that some 85-90% of the company's operating costs are variable and the rest fixed. The company's largest expenses are expected to be related to personnel costs (2023: 74%) and the rest of the variable costs come from purchases of materials and services produced (2023: 11%). Other operating costs (ICT, rents, marketing) accounted for around 15% of costs in 2023 and we estimate that most of these are fixed costs. We believe the company's business is highly dependent on the number of employees, and in order to raise revenue the number of employees often has to be increased.

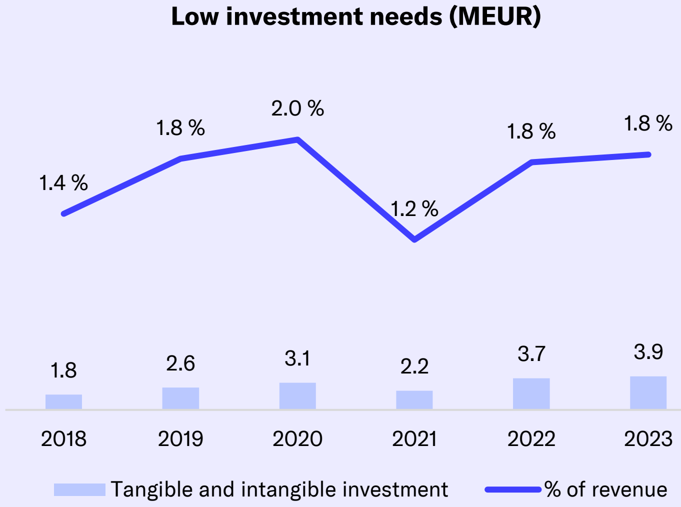
Low capital intensity

The company's business does not tie up a significant amount of capital and its investment needs are low, as it does not need large machinery or real estate for its business. In recent years, the company's maintenance investments (tangible and intangible) have been roughly 1-2% of revenue, which is a reasonably low level. Growth investments (e.g. acquisitions) do, however, consume capital.

The business model's low capital commitment and low investment requirements allow for strong cash flow and good return on capital potential. However, Sitowise's ROCE% has already fallen to a weak level (2023) due to a combination of a growing balance sheet (acquisitions) and declining profitability (2023: 5.5%). The six-year average is still 9%, but even that is not very good in our opinion given Sitowise's business profile. In our opinion, the potential should be closer to 15%, taking into account Sitowise's business model and the performance of its competitors (see Market and Competition section).

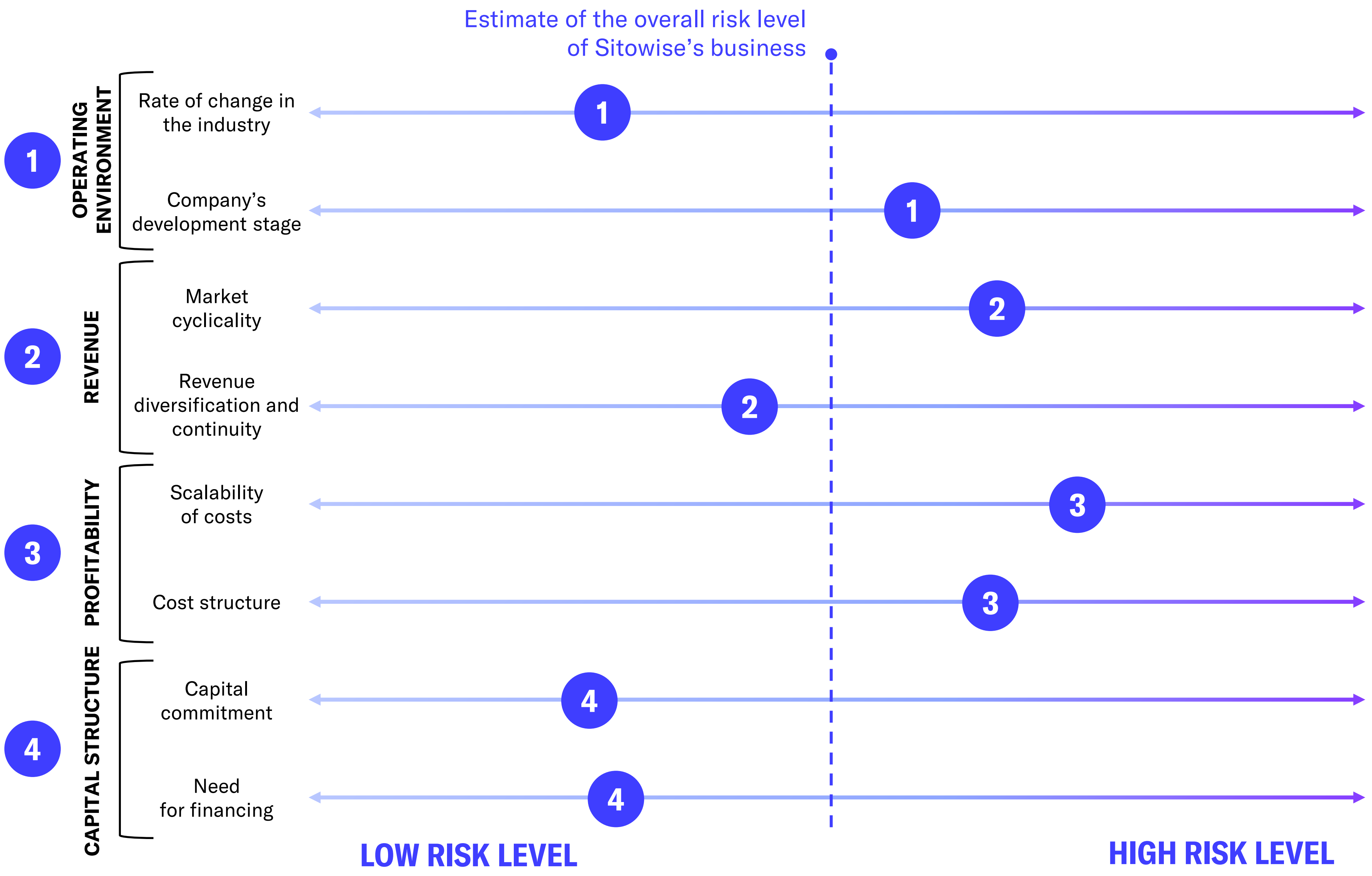
In our view, the low return on capital also reflects the success of Sitowise's acquisitions, as the company has not been able to maintain previous profitability levels with the increased balance sheet. Sitowise has either overpaid for the target companies or their profitability has deteriorated in recent years (or both). In our view, the group's current performance also creates uncertainty about the balance sheet value of goodwill, which has increased as a result of acquisitions.





Source: Inderes, Sitowise

Risk profile of the business



The change rate in the industry is still low, but digitalization is driving the process forward.

A well-established and strong position in Finland, but expansion is at an early stage.

Vulnerable to economic cycles, although renovations, Infra and Digital Solutions are stabilizing the business.

Diversified customer base, public sector as a large customer group and continuous billing business on the rise.

Difficult to differentiate from the competition through pricing apart from specialized expertise. Competition is fierce when the construction cycle is weak.

In the long term, cost structure includes variable costs but is fixed in the short term.

The business ties up little capital.

No significant investments apart from M&A.

Investment profile

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

2. Above-market growth and improving profitability back to historic levels

3. Diversified and stable business portfolio with broad-based growth drivers

4. Acquisitions and a growing product portfolio create growth opportunities

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

Potential

- Recovering market growth from low levels and increasing market share in core businesses
- The demand outlook on the market is supported by the increase in the penetration rate of consulting and megatrends in the sector
- Growth outside the construction sector (forestry, energy, industry, security)
- Digitalization in the sector creates a concrete growth option for the company
- Growth in the product business would allow for very profitable growth

Risks

- Market fluctuations
- Increased price competition in the market
- Small changes in business efficiency (e.g. utilization rate) will result in big changes in the result
- The risks of acquisitions or expansion
- Dependence on staff and adequate incentives

Strategy 1/2

Strategy 2023-2025

At the beginning of 2023, Sitowise announced its updated strategy for 2023-2025, focusing on innovation, sustainability and efficiency. The strategy builds on Sitowise's strengths as an industry expert and the successes of the previous strategy.

Growth has been a key theme in Sitowise's strategy, and during the last strategy Sitowise has expanded its climate and sustainability services, SaaS business, special design, renovation and business in Sweden. In line with the current strategy, Sitowise will continue to focus on growth. Sitowise is seeking growth in both Finland and Sweden in its existing businesses, both in building and infrastructure consulting and in Digital Solutions.

In our view, Sitowise's strategy is based on proven sustainable themes, especially from an investor's perspective. We believe it is important for the company to strengthen its sustainability and responsibility businesses in the light of megatrends, even though all of the businesses already support this.

Growth will continue as per usual (+10% incl. acquisitions), but in the future there will also be a clear focus on recurring revenue. Digital project lifecycle opportunities or the development of digital SaaS solutions (Leafpoint, Louhi, etc.) as part of the company's offering will create continuity and decentralization beyond the company's core businesses (Buildings and Infra). There are also clear steppingstones to improving profitability, but at the mercy of an even weaker housing market in the short term.

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

1) The most innovative: Sitowise will continue to develop innovation in the sector through its own The Smart City Lab. According to Sitowise, The Smart City Lab is an operating model that brings together Sitowise's innovation activities and enables a creative culture that serves customer needs and generates new business. During the strategy period, the aim is to improve the culture of innovation, find new SaaS solutions and improve design tools, for example by making Sitowise's project work platform Voima available to customers. We also believe that Sitowise's innovation is clearly reflected in its digitalization expertise.

With the continuous development of innovations, Sitowise's ambition is to increase the share of recurring revenue to 10% of revenue in the 2023-2025 strategy period (currently around 5%). We estimate that the Digital Solutions business will play an important role. Business is one of the cornerstones of the company's growth and is constantly developing new services to increase its recurring business (SaaS).

2) The most sustainable: Sustainability is at the heart of Sitowise's business. Sitowise aims to double the turnover of its sustainability services from 5 MEUR at the beginning of the strategy period. According to the company, it is being developed from three perspectives: 1) identifying and developing the sustainability impacts of your current business, 2) creating new business based on sustainability, and 3) investing in sustainability of your own operations. Sitowise has created its own sustainability tool for use in projects, both for internal sustainability development and for client projects.

Objectives of the strategy's key themes

The most innovative:

Increasing the share of recurring* revenue to 10%

The most responsible

Doubling the revenue of sustainability services** from the current level of around 5 MEUR

The most efficient:

Increasing the utilization rate to over 78% (2023: 74%)

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

Strategy 2/2

3) The most efficient: Sitowise will continue to maintain and develop its own systems and its Voima platform, which improves the efficiency of project work.

Sitowise's operational efficiency is primarily influenced by the company's decentralized business and organizational model. The company has dozens of offices in different countries from which experts perform their work. Local decision-making and presence improve agility to respond to market changes and support customer relationships. In addition, cost levels are lower outside the biggest 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.

However, Sitowise has not been able to transfer the benefits of the model to Sweden, where it is moving from a regionally decentralized model to a more centralized national model. We believe this calls into question the replicability of the effectiveness of Sitowise's business model in other countries or beyond. The same situation could also occur in Sweden and Finland, which would certainly contribute to bringing Sitowise's profitability potential closer to the industry average.

In our opinion, Sitowise's efficiency is positively influenced by the company's modern tools and systems. A primary example is the company's Voima platform, a tool for information management and project work that aims to ensure a consistent and efficient way of working. It allows employees to use the best practices they have identified in their work and avoid unnecessary repetition and time-consuming routine procedures. The Voima platform includes key tools for project work, project management and planning.

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

Another important feature of the company's acquisitions and future acquisitions is the integration of the acquired companies, which Voima enables. The tool makes it easier for the acquired company to adapt to Sitowise's culture and, at the same time, to extract operational efficiencies from the companies.

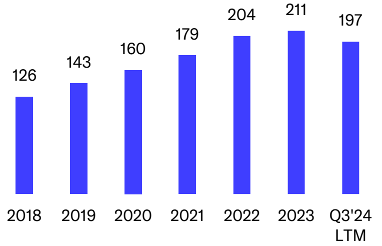
The Voima platform is also an indication of the company's digital tools which helps the company in the digitalization competition in the construction sector. In the future, project data and planning systems will increasingly be integrated to Voima, which will increase efficiency further. Getting customers onto the platform is also an objective that could further deepen customer relationships and even create network effects. The aim is to increase the utilization rate to the previous level of 78% (2023: 74%) through efficiency measures, but we estimate that it still needs a recovery in the residential construction market and a solution to the problems of the Swedish operations.

Financial objectives of the strategy

Long-term financial targets

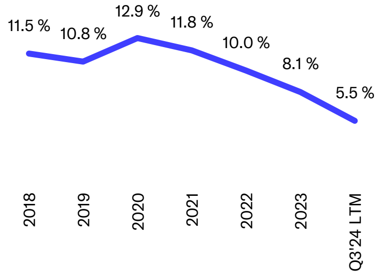
Growth
Annual growth over 10%, incl. acquisitions

- Sitowise aims for continued strong growth in the strategy period
- Revenus growth has been strong in history and exceeded the target
- 2018-2023 (LTM) 11% annual growth (CAGR)
- However, in the growth phase, profitability has weakened and profit growth is clearly lagging behind
- 2018-2023 EBITA growth of only 3.3% (CAGR)



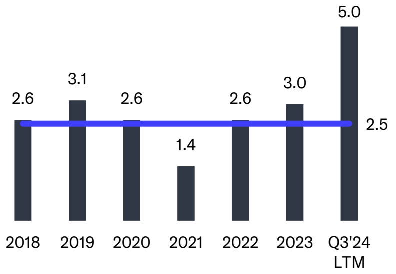
Profitability
Adjusted EBITA% at least 12%

- At the current level of profitability (Q3'24 LTM 5.5%), the target is very far away
- Profitability will be supported by an increase in the proportion of business with a better cost structure (SaaS, Digital Solutions, sustainability services), but will also require a significant improvement in the market
- We believe that Sitowise needs an optimal market and work situation to increase the utilization rate and profitability above the target level
- Reaching the sustainable target level currently seems unrealistic



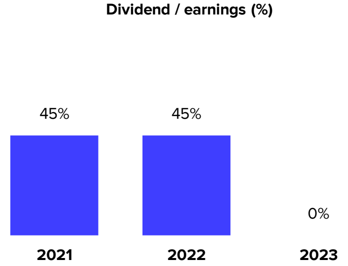
Indebtedness*
Net debt/adjusted EBITDA < 2.5x

- Sitowise currently has high debt leverage due to low earnings
- At the end of Q3'24, debt leverage was significantly above target at 5x
- Sitowise would need to significantly improve its earnings and cash flow to make its current debt level acceptable
- Sitowise may run into problems with its covenants if the situation is not corrected
- Q4 cash flow is traditionally good, which should improve the situation at the end of 2024



Dividend policy

- Sitowise aims to pay dividends of 30-50% of profits
- However, weak earnings, cash flow and debt pushed the dividend to zero last year
- We believe that a significant dividend stream should not be expected until profitability and cash flow are on an upward trajectory



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

Market and competitive field 1/2

Finland and Sweden at the core

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

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

Growth outlook for the industry is good

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

In the short term, however, the market will suffer from a decline in new construction, which will particularly affect the company's Buildings business, where the market situation is weak. After a period of weaker growth in 2023 and 2024, the market outlook will inevitably improve, but it will take some time to return to previous levels, especially in Finland. Following weaker growth, the drivers will be a pick-up in new construction volumes (H2'25 onwards), energy renovations and renovation debt, as well as rising demand for technical skills. We estimate that the market will grow at less than 5% per year for the next several years. In Infra, the market is booming after a short-term slowdown. The market outlook is currently (Q3'24) stable according to Sitowise, but no significant market growth is expected in this steadily growing area. Investment in industry and the green transition will support Infra, but a recovery like in the residential market cannot be expected. Digital Solutions are currently suffering from the weak Finnish economy and lack of private investment. At the same time, competition in public tenders is fierce. However, Sitowise has clear growth potential in its product categories in the region and we believe it can grow faster than the market. The Swedish construction market is also waiting to recover, which will also affect Sitowise's growth potential in the region. We believe that the growth prospects for the Swedish market are currently better than in Finland, but the market is still weak at the moment and Sitowise also faces its own challenges in the region.

Market outlook

	Market outlook 12 months*	2025-26 CAGR**
Buildings	Poor	<5%
Infra	Stable	<5%
Digital Solutions	Poor (improving)	5-10%
Sweden	Poor (improving)	>5%

Source: Inderes, Sitowise
*Sitowise Q3'24 report:
** Inderes estimate

Market and competitive field 2/2

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. The company is well established in Finland, but it is more difficult conquer the Sweden market as a challenger, where the traditional players are much larger and have strong local relationships. Our estimates and calculations place the company among the four largest players in Finland, but in Sweden the company's market share is still very small.

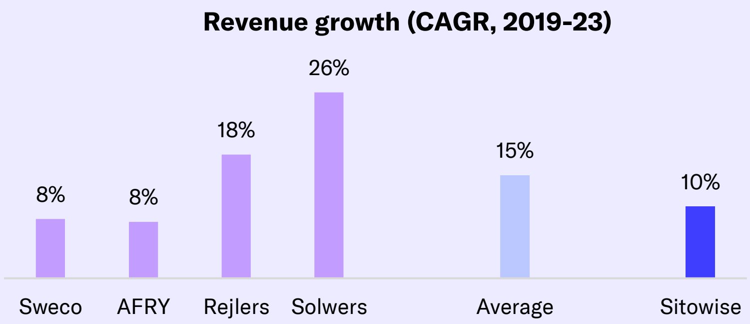
In Finland, the competitive environment consists of large Nordic and international players (Ramboll, Sweco, AFRY, WSP, Rejlers), large local players (e.g. Granlund, A-Insinöörit) and smaller players (Solwers, FCG)). In Sweden, the competitive environment is composed of the same large players as in Finland,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

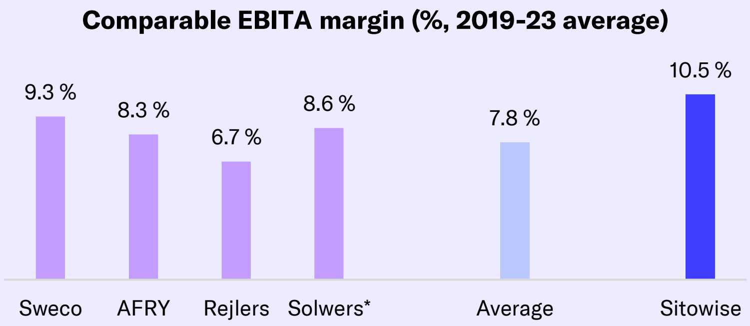
Profitability trend worrisome and return on capital well below peers

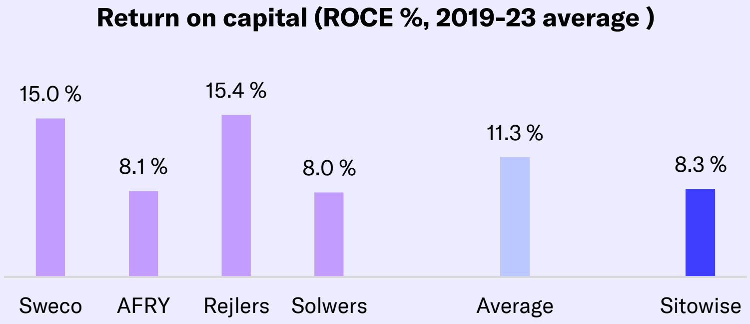
In order to gain a little insight into Sitowise’s competitiveness, we compared its financial figures with the nearest listed peers. Sitowise's growth in 2019-2023 has been below average (+10%), but in line with the largest companies. In our opinion, this is mainly due to the weakness in the housing market, which has a relatively large weighting in Sitowise. Growth in technical consulting has been strong overall, but largely inorganic. For smaller operators, growth has been stronger from low starting levels, while for the larger ones, acquisitions do not significantly affect the overall picture. It is therefore not meaningful to compare growth rates.

Over the last five years (19-23), Sitowise's EBITA margin has been among the best in the industry (10.5%), but the trend has been down towards the average in recent years. Including the poor performance in 2024, profitability would still fall significantly and has lagged, e.g., the company’s larger peers. Our guess is that it is Sitowise's big Buildings weight, while other energy and industrial (where the market has been better) have a bigger weight. For example, Sweco was able to improve its profitability (EBITA%) to 9.6% in the first three quarters of 2024, up from 9.0% in the comparison period. By the third quarter of 2024, Sitowise's profitability had fallen to 5.8% from 9.2% in the comparison period (1-9/24). In our view, this is not only due to market challenges (housing market and fewer working days), but Sitowise's past performance, which was clearly more efficient and profitable than its peers, suffered from company-specific challenges. In our view, this performance adds to the uncertainty about the level of Sitowise's long-term profitability potential until the company demonstrates a sustainable track record in the coming years.

Sitowise’s return on capital employed (ROCE-%: 8%) has been clearly below the level of its peers (11%). In our view, Sitowise has the potential to achieve even higher return on capital figures, given the combination of lightness and good earnings potential that its business model enables. Lower profitability is currently undermining the level, but the amount of capital employed is also higher and the level of earnings is not as profitable. Therefore, we believe that the success of Sitowise's acquisitions must be questioned in light of the numbers and that future acquisitions must be evaluated more critically from a shareholder value creation perspective.







Source: company materials, Inderes
*Adjusted IFRS 16 depreciation of EBITA, ROIC %

Financial position 1/2

Financial position has deteriorated along with the performance

Sitowise's financial position is currently moderate but has clearly deteriorated over the past few years. The company's debt has increased as a result of growth and acquisitions, while cash flow and earnings have declined. As a result, the company's leverage (net debt / adjusted EBITDA) is currently at an extremely high level of 5x, compared to a target level of 2.5x. This figure is also one of the covenants agreed with the company's lenders, and we believe it is currently above the original requirements. As a result, Sitowise and its lenders have agreed on a temporary modification of the covenants. However, we expect Q4 cash flow to be seasonally strong, so we expect the situation to improve slightly for the rest of the year. However, at the current level of performance, it is clear that the current debt burden is unsustainable.

Although leverage is high, we do not believe that Sitowise's solvency ratios are at alarming levels. Looking at the end of Q3’24, the solvency ratio was 45% (2023: 43%) and the gearing ratio was around 51% (2023: 46%). The figures have remained relatively stable throughout the post-IPO history.

Balance sheet consists mainly of goodwill

The composition of Sitowise's balance sheet is dominated by goodwill, which has been accumulated through a number of acquisitions. The balance sheet total at the end of Q3’24 was about 264 MEUR, of which 159 MEUR was goodwill. Thus, it accounted for 60% 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 the risk of goodwill write-downs has increased with the weak earnings and market environment, but we believe that a significant impairment would clearly require longer-term challenges in the business, and we believe that the parameters used by the company are sustainable over the long term.

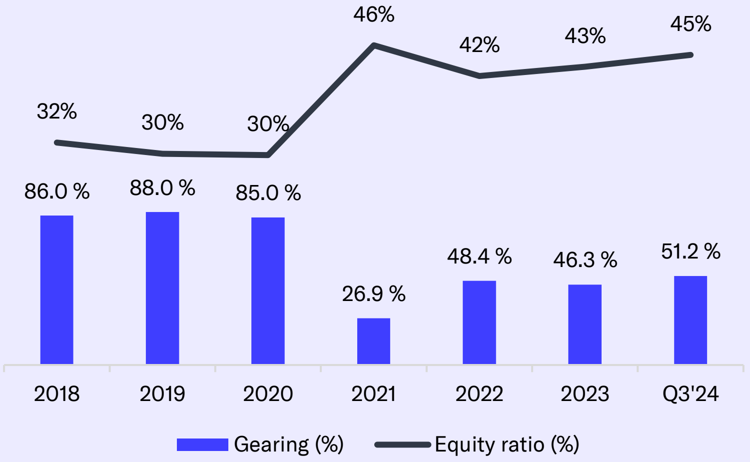
The second biggest asset item at the end of Q3’24 was receivables with a share of about 51 MEUR. The third largest item is tangible assets (27 MEUR), but the majority of this amount is related to IFRS16 right-of-use assets (24 MEUR). Otherwise, the company has few fixed assets and the balance sheet is light in this respect.

The cash position also stands out, amounting to 10 MEUR at the end of Q3'24. Cash levels have declined from pre-IPO levels due to acquisitions and weaker cash flow but remain at an adequate level from a liquidity perspective.

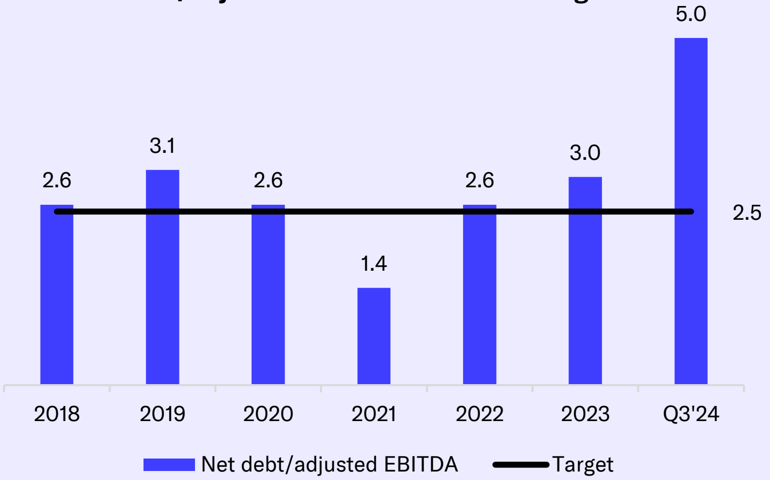
Sufficient equity, stable level of debt

On the liabilities side, equity stood at some 118 MEUR. Equity covers a large part of the balance sheet and has increased thanks to the results and the earlier IPO. Given the high level of goodwill and the risks of write-downs, there is enough equity to withstand minor setbacks. In this sense, we believe that the balance sheet risks to equity are moderate, barring significant write-downs or multi-year losses.

Balance sheet solvency figures at a good level



Net debt/adjusted EBITDA well above target level



Source: Inderes, Sitowise

Financial position 2/2

On the liabilities side, as of the end of Q3'24, around 2 MEUR of non-current liabilities was non-interest bearing and around 88 MEUR interest-bearing (2023: 90 MEUR). However, 18 MEUR of the non-current interest-bearing debt is lease liabilities (IFRS 16).

The total interest-bearing current liabilities in the balance sheet amounted to around 9 MEUR, most of which were lease liabilities (IFRS 16 debt: 8 MEUR). At the end of Q3'24, the company had 48 MEUR of non-interest-bearing short-term debt, almost entirely consisting of trade payables.

The company currently has net interest-bearing debt (excluding IFRS 16 liabilities) of around 60 MEUR. From a liquidity perspective, we are not aware of any significant large payments in the near future, as the company's financial debt agreement is valid until March 2026. However, we believe it is critical for further financing negotiations that Sitowise's performance starts to improve by the end of 2025 at the latest. Financial charges on loans already exceed current profit levels (1-9/24) and a deterioration in conditions could further increase the cost level.

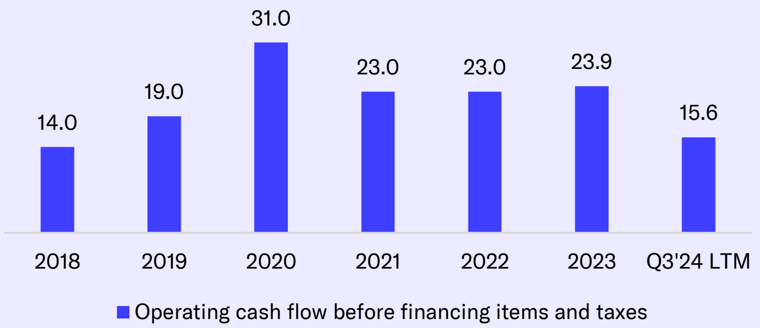
Cash flow is good

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

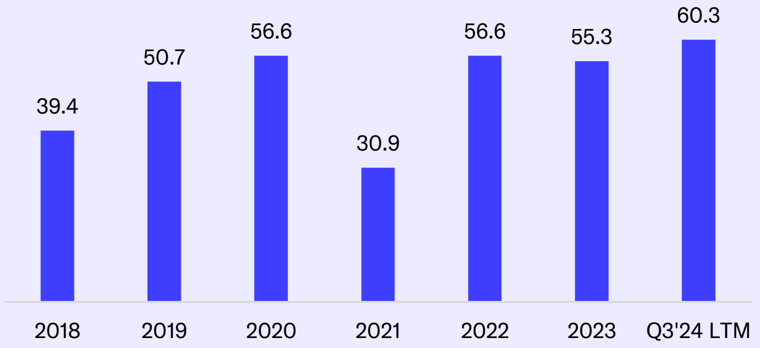
As mentioned above, Sitowise does not need to make significant investments, freeing up cash flow for growth investments and dividends. In recent years, cash and financing has been used mainly for acquisitions. Of the around 125 MEUR invested in the last five years, over 100 MEUR has been spent on acquisitions.

If earnings improve in line with our forecasts, cash flow should also improve again, giving Sitowise more opportunities for dividends and growth investments. Due to the weaker balance sheet situation, Sitowise did not pay dividends on the 2023 results. Given the weak earnings and cash flow in 2024 and the debt leverage, we expect the dividend to remain at zero in 2024 to provide funds for business development and a buffer against balance sheet risks.

Operating cash flow steadily on the positive side (MEUR)



Net debt has remained stable in recent years (MEUR)



Source: Inderes, Sitowise

Estimates 1/4

Basis for the estimates

We forecast Sitowise's business development in the big picture mainly through market developments, completed acquisitions and the composition of the cost structure. In Sitowise, it is important to consider the number of hours worked per year and per quarter, which may cause even notable differences in comparability. At the same time, we monitor the level of Sitowise's billing rate, as changes in it have a significant impact on the company's profitability.

Overall, we expect Sitowise's revenue and earnings to return to better levels in the coming years from the current very low levels. However, we believe that the profitability of Sitowise's businesses has suffered in recent years and that the group's profitability will not return to its historic record levels.

We estimate that Sitowise will make several acquisitions in the future, but our forecasts do not take these into account because of their poor predictability. At the same time, we believe that the current financial position and performance will limit inorganic growth in the coming years and that growth will be mainly organic.

2024 will be weak

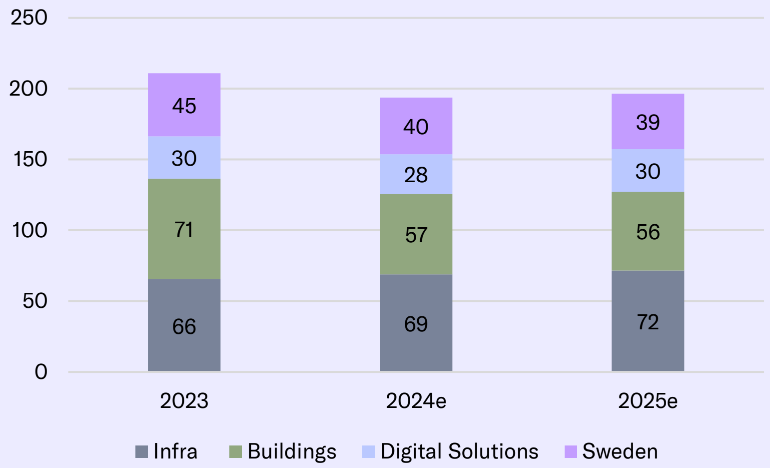
2024 is a very weak year for Sitowise and our estimates do not assume that the yet unannounced Q4 results will significantly improve this. Sitowise has suffered from the weakness of the housebuilding market in both Finland and Sweden. In addition, there have been company-specific challenges in Sweden in terms of organization and project implementation. In an environment of low demand, there was not enough work for a rapidly growing organization, which had a significant impact on the unit's profitability. In Digital Solutions, the market situation was also weak in terms of private demand, which also led to increased competition in the public sector. Infra has developed steadily and has become Sitowise's largest business area. For 2024, we expect revenue to decline in every other business area except Infra.

According to the company's guidance, revenue is expected to decrease in 2024 (2023: 211 MEUR) and the adjusted EBITA margin is expected to be lower than in 2023 (8.1%). In Q1-Q3'24, the company's revenue have decreased by 9% to 144 MEUR and the adjusted EBITA margin was 5.8% (Q1-Q3'23: 9.2%), so the development has been in line with the guidance.

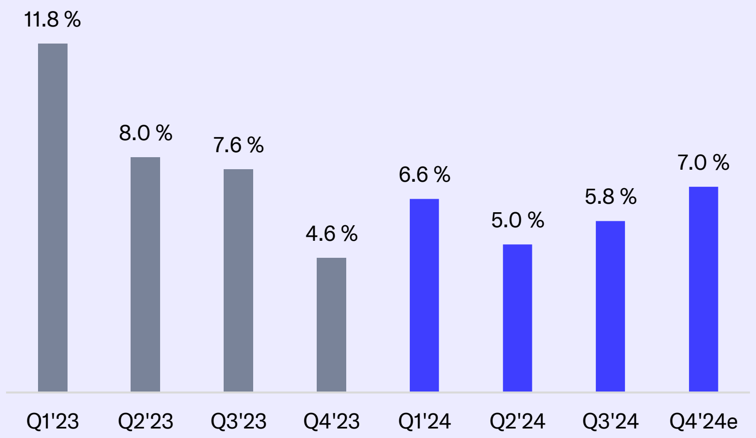
For the full year 2024, we expect Sitowise's revenue to decrease by 8% to around 194 MEUR. We expect the Buildings business to decline the most (-20%), but the challenges in Sweden will also weaken the group-level performance this year. For the rest of the year (=Q4), we expect a slight improvement in Digital Solutions, but the Buildings market remained weak throughout the quarter and the corrective actions in Sweden are still partly reflected in the unit's performance.

Due to the weak revenue development, low utilization rate (Q1-Q3'24: 72.6% vs. Q1-Q3'23: 75.0%) and challenges in Sweden, profitability will be very weak in 2024 by Sitowise's standards. We forecast adjusted EBITA to decrease by 30% to 11.8 MEUR and the margin to decrease to 6.1% from 8.1% in the comparison period. We expect more than 2 MEUR of adjustments this year, e.g., related to the arrangement in Sweden, which is why our forecast for reported EBITA is 9.6 MEUR.

Revenue development by business area (MEUR)



Profitability has decreased (adj. EBITA%)



Source: Inderes

Estimates 2/4

Further down the P&L, we expect reported EBIT after deducting amortization of intangibles to be around 4.9 MEUR (EBIT%: 2.5%) in 2024, and pre-tax profit to turn negative after growing financing expenses. We forecast a net loss of 0.5 MEUR and earnings per share of EUR -0.01.

If the forecasts were to materialize, this would be the first loss-making year in Sitowise's known history. Given the zero result and the financial situation, we expect a zero dividend for 2024 (2023: EUR 0).

Towards better in 2025, but slowly

After a weak year in 2024, it is easy to look for an improvement in 2025, but we estimate that both the market and Sitowise will take time to recover. In 2025, we expect revenue to increase by around 1.5% to 197 MEUR. In other words, our forecasts assume virtually flat revenue year-on-year, mainly due to a weaker first half of the year.

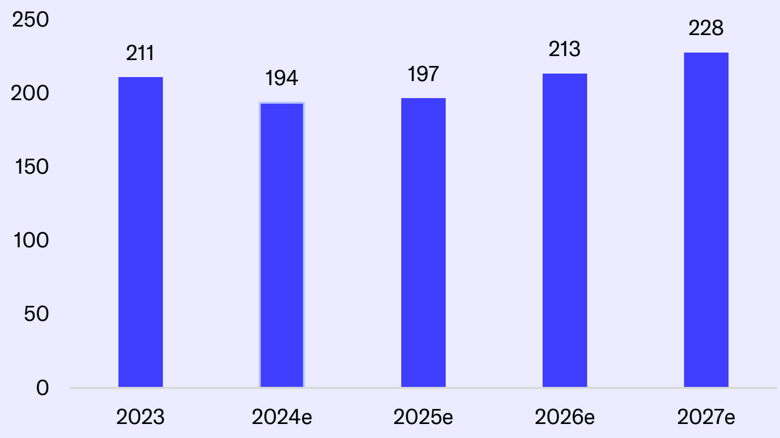
Of Sitowise's businesses, we expect Buildings and Sweden to continue to decline in the early part of the year as the market situation has not yet shown clear signs of recovery. In H2, we expect economic growth and the start of construction investments to stimulate demand and turn the revenue of the units moderately upwards. For the full year, however, we expect the Buildings business to report a further 2% decline in revenue to 55.5 MEUR and the Swedish unit to report a 2% decline to 39.1 MEUR.

Growth will be more strongly supported by Digital Solutions, where we expect revenue to increase by 7% to 30.2 MEUR. As the economy improves, investment in the sector should pick up faster than in these units, and we also expect the company's product sales to pick up as a result of the investments made in recent years. In Infra, we expect continued steady growth of around 4% to 71.7 MEUR in 2025. The market situation in Infra has leveled off in the short term, but its faster growth than the Sitowise market has shown that the unit is highly competitive in the market. This view is also supported by the orders received and Sitowise's involvement in in the Helsinki light rail projects.

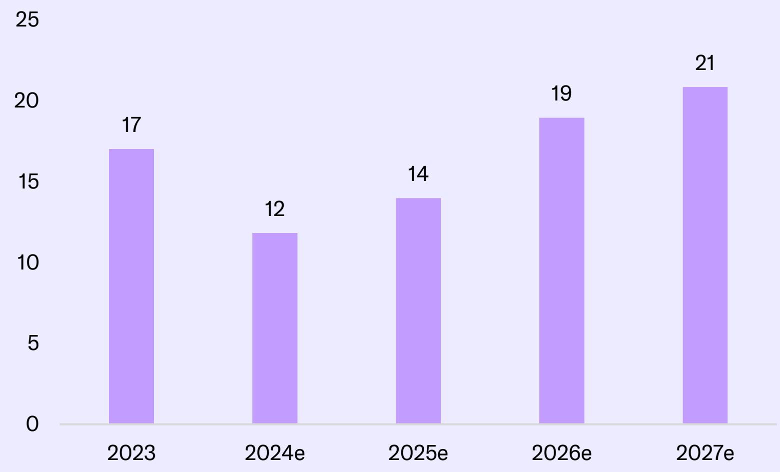
The recent recovery in volumes, the gradual easing of market challenges (cost inflation, construction uncertainty), better use of resources and improved utilization rates are expected to strengthen the potential for operating profit improvement in the coming years. However, we expect profitability to remain moderate in the first half of 2025 and to pick up only with the market and volumes in the second half. We expect adjusted EBITA to increase by around 18% to 14.0 MEUR.

In the expense lines we estimate that the share of materials and services will slowly decrease as the amount of subcontracting declines in the company with the expanding offering. We see an improvement in personnel expenses as a percentage of sales this year due to the savings measures taken, but wage inflation, volume growth and layoffs will keep the absolute level almost unchanged in our forecasts. We expect other operating expenses to remain at the same level as in the prior year.

Revenue estimates (MEUR)



Development of profitability (adj. EBITA, MEUR)



Source: Inderes

Estimates 3/4

We expect financing costs to decline moderately in 2025. However, compared to the last update, we have slightly increased our financing cost estimates for the coming years, as interest rates have recently remained higher than expected. This clearly lowered our earnings forecasts for the lower lines. Despite the forecast cuts, we expect the reported earnings per share to rise to EUR 0.11 from small losses in the comparison period.

2026-2027: Proper growth

After some weaker years, we forecast 2026-2027 to be good growth years for Sitowise. We expect the market situation to improve significantly and the company to return to growth, driven by the Buildings business. Growth is further supported by the company's expanded offering, strong long-term market trends, increasing consulting penetration rates, and Sitowise's digitalization expertise. We expect revenue to grow by about 9% in 2026 and by about 7% in 2027, reaching 228 MEUR.

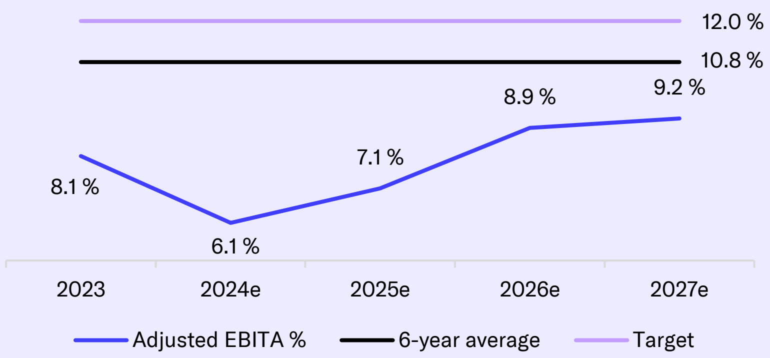
We expect profitability to benefit from significantly higher volumes and improved utilization rates. We expect adjusted EBITA to increase to an average of around 20 MEUR and the margin to increase to around 9% in 26-27. Taking into account Sitowise’s historical level, the profitability level we expect for the next few years is moderate (EBITA% 2018-23 avg.: 10.8%). However, given the challenges that Sitowise faces in terms of competitiveness and business efficiency, a higher probability estimate is not justified.

The main risk to our forecasts is a longer-term weakening of the market along with economic and interest rate developments. This would have an impact on Sitowise's revenue and utilization rate. In addition, we believe that the challenges in Sweden also pose risks to the sustainability of the growth achieved in recent years, both organically and through acquisitions, particularly in terms of profitability. Looking at returns on capital, it's clear that growth has not been sustainable, but it's also difficult to disentangle the current market weakness and its impact on profitability.

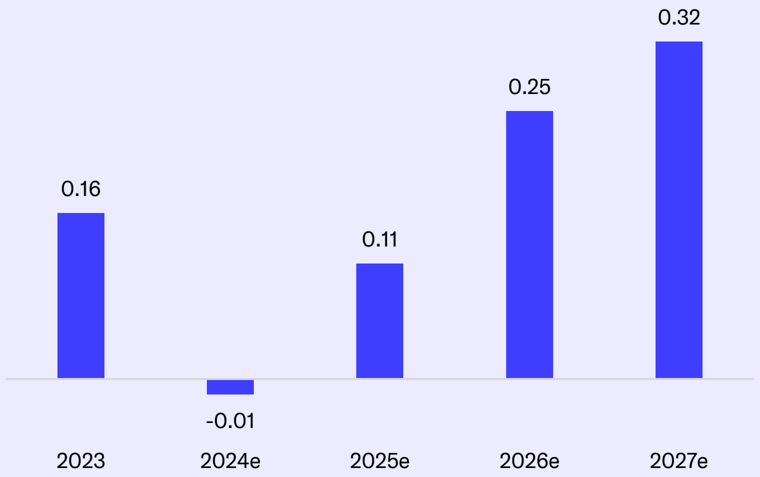
On the positive side, the market recovery may be faster than we and the company expect. At the same time, it should be noted that the projected profitability is low compared to Sitowise's historical profitability levels and that there's clear upside potential if Sitowise's challenges prove to be short-lived and the market recovers at least as expected.

As far as acquisitions are concerned, we believe it is likely at this stage that there will be no significant new acquisitions in the current weak market. We believe that digesting past acquisitions, improving earnings and cash flow, and stabilizing the financial situation are more important areas of focus in the near term. We believe that smaller acquisitions can be made, but larger acquisitions would require additional financing, which the current debt level does not allow.

Profitability improves, but lags far from targets (%)



Earnings per share (reported, EUR/share)



Source: Inderes

Estimates 4/4

Long-term

From 2027, we expect the company's organic revenue growth to be in the range of 2-4%, and after that, our long-term growth forecast is around 1.0%, in line with GDP growth. Our longer-term growth projections are not optimistic, but it should be noted that Sitowise cannot grow faster than the market indefinitely, nor can construction consulting grow faster than construction indefinitely.

In terms of profitability, we expect that in the long-term profitability will settle at around 9-10% EBITA margin. This is in line with the company's historical level (6-year average: 10.8%), taking into account the risk factors mentioned above. The level we expect is well below the company's target (at least 12%). In our view, the target level requires a clearly better market than currently expected and flawless operational performance. We estimate that it will be difficult to return to previous levels of demand for residential construction, as recent years have been strongly driven by investor demand, which we believe will take years to recover. At the moment, we also believe that there are significant uncertainties in the company's operational efficiency and performance that make the target appear unattainable.

Income statement and estimate revisions

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**204.4**	**56.0**	**56.5**	**45.6**	**52.8**	**210.9**	**51.5**	**50.9**	**41.8**	**49.5**	**193.7**	**196.5**	**213.4**	**227.7**
Infra	60.0	15.8	17.8	14.5	17.5	65.6	17.0	18.0	15.5	18.4	68.9	71.7	73.8	76.1
Buildings	79.4	19.9	19.1	15.8	16.1	70.8	16.1	15.5	12.2	12.9	56.7	55.5	62.7	70.3
Digital Solutions	22.1	8.0	7.7	6.7	7.6	29.9	7.0	7.0	6.5	7.7	28.1	30.2	34.8	37.4
Sweden	42.9	12.4	11.9	8.6	11.6	44.5	11.4	10.4	7.7	10.6	40.0	39.1	42.1	44.0
EBITDA	**23.8**	**8.5**	**6.4**	**5.2**	**3.2**	**23.2**	**5.1**	**4.3**	**3.3**	**5.1**	**17.7**	**21.1**	**26.6**	**28.6**
Depreciation	-10.6	-3.0	-2.8	-2.9	-2.8	-11.5	-3.1	-3.2	-3.5	-3.0	-12.8	-11.0	-10.3	-9.6
EBITA (adj.)	**20.4**	**6.6**	**4.5**	**3.5**	**2.4**	**17.0**	**3.4**	**2.6**	**2.4**	**3.5**	**11.8**	**14.0**	**18.9**	**20.8**
EBITA	**16.1**	**6.2**	**4.4**	**3.3**	**1.3**	**15.1**	**3.1**	**2.2**	**1.3**	**3.1**	**9.6**	**13.5**	**18.9**	**20.8**
EBIT	**13.2**	**5.5**	**3.6**	**2.3**	**0.3**	**11.7**	**2.0**	**1.1**	**-0.2**	**2.1**	**4.9**	**10.1**	**16.3**	**19.0**
Net financial items	-2.9	-1.1	-0.9	-1.2	-1.3	-4.6	-1.2	-1.3	-1.6	-1.5	-5.6	-5.1	-4.8	-4.5
PTP	**10.3**	**4.4**	**2.7**	**1.0**	**-1.0**	**7.1**	**0.7**	**-0.2**	**-1.8**	**0.6**	**-0.7**	**5.0**	**11.5**	**14.5**
Taxes	-2.4	-0.9	-0.6	-0.3	0.1	-1.6	-0.2	0.0	0.4	-0.1	0.1	-1.1	-2.4	-3.0
Minority interest	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	-0.1
Net earnings	**7.8**	**3.5**	**2.2**	**0.8**	**-0.9**	**5.6**	**0.6**	**-0.1**	**-1.4**	**0.4**	**-0.5**	**3.9**	**9.0**	**11.4**
EPS (adj.)	**0.34**	**0.11**	**0.06**	**0.03**	**0.01**	**0.21**	**0.03**	**0.01**	**-0.01**	**0.01**	**0.04**	**0.12**	**0.25**	**0.32**
EPS (rep.)	**0.22**	**0.10**	**0.06**	**0.02**	**-0.02**	**0.16**	**0.02**	**0.00**	**-0.04**	**0.01**	**-0.01**	**0.11**	**0.25**	**0.32**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	14.0 %	13.9 %	9.2 %	-0.6 %	-8.3 %	3.2 %	-8.0 %	-9.9 %	-8.4 %	-6.2 %	-8.2 %	1.5 %	8.6 %	6.7 %
Adjusted EBITA growth-%		40.7 %	-24.0 %	-29.6 %	-57.0 %	-16.6 %	-49.0 %	-43.4 %	-29.6 %	43.4 %	-30.5 %	18.2 %	35.6 %	10.0 %
EBITDA-%	11.6 %	15.1 %	11.3 %	11.4 %	6.0 %	11.0 %	9.9 %	8.4 %	7.9 %	10.2 %	9.1 %	10.7 %	12.5 %	12.6 %
Adjusted EBITA-%	10.0 %	11.8 %	8.0 %	7.6 %	4.6 %	8.1 %	6.6 %	5.0 %	5.8 %	7.0 %	6.1 %	7.1 %	8.9 %	9.2 %

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	194	194	0%	199	197	-1%	214	213	0%
EBITDA	17.7	17.7	0%	22.6	21.1	-7%	26.7	26.6	0%
EBITA (adj.)	11.8	11.8	0%	15.0	14.0	-7%	19.0	18.9	0%
EBITA	9.6	9.6	0%	15.0	13.5	-10%	19.0	18.9	0%
PTP	-0.7	-0.7	0%	7.1	5.0	-30%	12.0	11.5	-4%
EPS (excl. NRIs)	0.04	0.04	0%	0.16	0.12	-21%	0.26	0.25	-4%
DPS	0.00	0.00		0.10	0.10	0%	0.14	0.14	0%

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**202**	**202**	**202**	**200**	**197**
Goodwill	158	158	159	159	159
Intangible assets	10.2	11.9	11.2	8.8	6.1
Tangible assets	31.8	29.3	29.2	29.6	29.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.9	1.9	1.9	1.9	1.9
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.9	0.7	0.7	0.7	0.7
Current assets	**78.3**	**76.6**	**66.8**	**67.7**	**74.1**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	1.3	1.8	1.8	1.8	1.8
Receivables	61.6	59.2	54.3	55.1	59.8
Cash and equivalents	15.4	15.6	10.7	10.8	12.4
Balance sheet total	**281**	**278**	**268**	**267**	**271**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**117**	**120**	**120**	**123**	**129**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.4	25.8	25.2	29.1	34.6
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.3	0.3	0.3	0.3	0.3
Other equity	92.8	93.2	93.2	93.2	93.2
Minorities	0.3	0.3	0.8	0.8	0.8
Non-current liabilities	**94.6**	**92.0**	**86.5**	**81.5**	**81.5**
Deferred tax liabilities	1.6	1.5	1.5	1.5	1.5
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	93.0	90.5	85.0	80.0	80.0
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	**69.2**	**66.9**	**62.2**	**62.3**	**60.9**
Interest bearing debt	7.9	8.2	11.5	10.8	5.0
Payables	59.6	58.3	50.4	51.1	55.5
Other current liabilities	1.6	0.4	0.4	0.4	0.4
Balance sheet total	**281**	**278**	**268**	**267**	**271**

Valuation 1/3

Basis for valuation

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

We particularly favor EV/EBITDA and P/E multiples in the valuation. Due to Sitowise's business model and light balance sheet, P/B is not the best metric for the company. We believe that EV/S-based valuation is a good earnings-neutral way of gauging the valuation, but in practice it can only be used to assess the possibility of clear mispricing.

Acceptable valuation

Sitowise has a light balance sheet, a business that ties a little capital and the company generates good cash flow. Growth has been strong, but the above-average profitability profile has taken a big hit in recent years, which has had a negative impact on the acceptable valuation level for Sitowise.

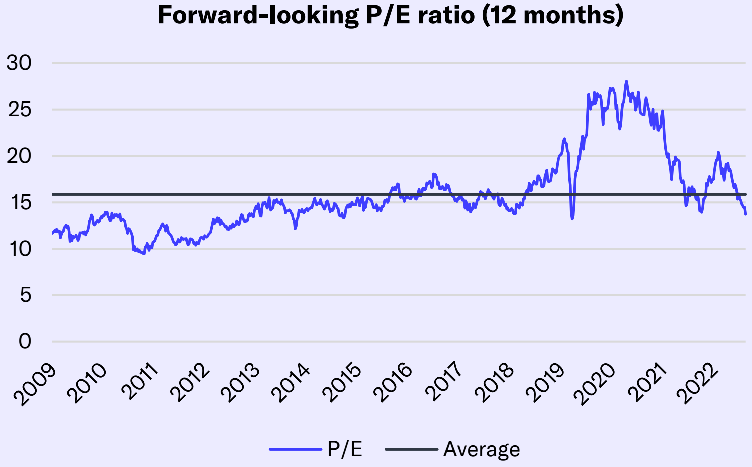
We believe that the best benchmark and basis for an acceptable valuation level can be found in the company's Nordic peers Sweco, Rejlers and AFRY. The peers are very close to Sitowise in terms of their business profile and market, although Sweco and AFRY are still far bigger, more diversified and more established players. Rejlers and Sweco have also clearly outperformed Sitowise in recent years (from a return on capital perspective), and we believe that Sitowise should be at a discount to the historical valuation of its peers in this case.

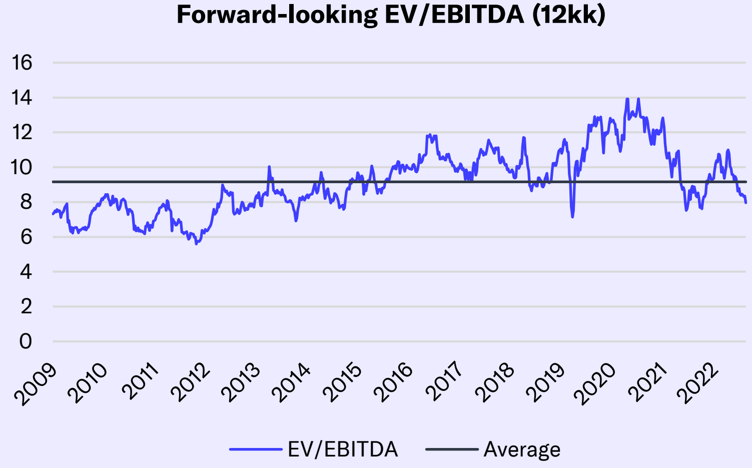
Since 2010 the forward-looking P/E ratio has been about 16x and EV/EBITDA about 9x for these peers. The multiples have fallen from the high levels seen in 2017-2021. In our view, the high levels of valuation at that time signal not only the good performance of technical consulting companies, but also the increased valuations of the zero-interest period. Valuations are now closer to average, which is another reason to rely on them.

In the case of Sitowise, the company's good earnings potential and strong growth appetite support the valuation relative to peers. However, given the collapse in Sitowise's profitability, lower return on capital than peers and elevated risk factors, we believe a discount to peers is justified. Our acceptable valuation range for Sitowise is: P/E 12-16x and EV/EBITDA: 7-9x.

Currently, the average level of the range is close to the long-term valuation level of the Helsinki Stock Exchange (PE: 14x), which we believe is relatively in line with Sitowise's performance. In our view, even if the company manages to continue to grow at its historical rate and increase profitability to its target level, there is no upside within an acceptable range in the current environment. In our view, Sitowise's performance should improve more than its peers in the long term to justify an increase towards the upper end of the range. On the other hand, if performance deteriorates or remains at current levels, there may be room for the range to decline. We believe that the lack of earnings growth, the challenges of the economic situation, and the failure of the strategy could bring the range lower.

Long-term valuation multiples of peers





Source: Inderes, Sitowise

Valuation 2/3

Absolute multiples

Sitowise's valuation in 2024 rises to a high level due to its weak earnings performance. If the earnings turnaround and market recovery materialize in line with our estimates, the multiples for the next few years will decline (2025-26e avg.: EV/EBITDA: 8x, P/E: 17x), but will remain challenging. During 2025-26, Sitowise's performance should gradually improve towards the company's normal profit level (EBITA%): 9-10%), which is why we see the valuation in 2026 better reflect the value of Sitowise. However, the stock has downside potential relative to the next few years' forecasts and the lower end of our valuation range (EV/EBITDA: 7x, P/E: 12x). We put more emphasis on the 2026 valuation in the update, as the 2025 earnings are still low compared to Sitowise's normal level.

We are currently leaning towards the lower end of the acceptable range. Sitowise's performance has been deteriorating for many years and there is no sign of a turnaround. Uncertainties about the timing of the market recovery, the resolution of Sitowise's internal challenges and the level of sustainable profitability are currently high and significantly increase the risks to the stock. A move within this range would require evidence of better earnings and signs of a faster-than-expected market recovery.

Dividend withheld until financial position improves

We forecast Sitowise's dividend to be zero as of 2024 earnings and thus it doesn't support the near-term expected return. We expect the company to resume dividend payments in 2026 (dividend yield 2025e: 3.5%), but this is highly dependent on the company's earnings performance and the negotiation of the financing due in 2026. Therefore, at this time, the dividend cannot be considered to support the expected return on the stock.

Overview of the peer group

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

Of smaller peers that focus on the Nordic markets, Swedish Rejlers is also a good example although the industry division is slightly different to Sitowise. In Norway, we added the recently listed Norconsulting ASA, which also has operations in Finland. Solwers and Etteplan are solid peers from Finland, who also operate in the field of technical consulting.

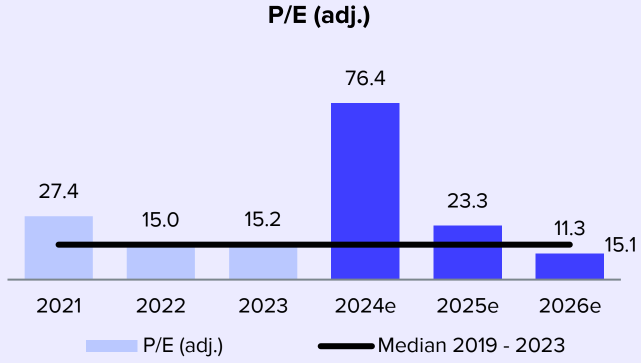
Peer group valuation

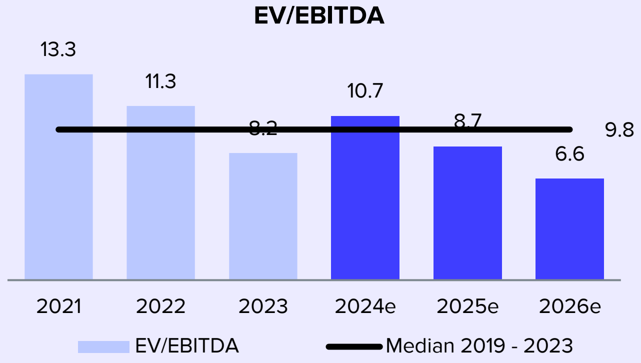
The average valuation level of the peer group has fallen significantly compared to a few years ago. Currently, the valuation and expectation gap between companies is very wide, which we believe undermines the use of relative valuation in the near term. For example, Sweco's 2025 P/E valuation is currently closer to 30x. On the other hand, Afry and Rejlers are valued at P/Es of around 14x in 2025.

The peer group median for 2025e P/E multiples is around 17x, while the corresponding EV/EBITDA multiples are around 9x. We believe that the median valuation is currently relatively neutral. The peer group shows that international and large companies with strong performance and historical performance are more highly valued on the stock market (Sweco). Other companies are relatively close to median.

Valuation	2024e	2025e	2026e
Share price	2.85	2.85	2.85
Number of shares, millions	35.8	35.8	35.8
Market cap	102	102	102
EV	189	183	175
P/E (adj.)	76.4	23.3	11.3
P/B	0.9	0.8	0.8
EV/Sales	1.0	0.9	0.8
EV/EBITDA	10.7	8.7	6.6
EV/EBIT (adj.)	28.0	17.3	10.7
Payout ratio (%)	0.0 %	92.3 %	55.6 %
Dividend yield-%	0.0 %	3.5 %	4.9 %

Source: Inderes





Valuation 3/3

Sitowise should be priced at a discount to peers

For 2025, Sitowise's performance multiples are about 20% above the peers. We believe that it would be warranted for Sitowise to be priced at least at peer level based on its combination of historical profitability and future growth potential, but recent performance has clearly underperformed peers. In addition, many peers have proven to be more cyclically resilient and have a better performance history (longer-term Sweco), which makes it acceptable for peers to be priced significantly higher at the moment. Considering the financing risks, the challenges in Sweden and the weak current profitability, the discount (-10%) for Sitowise is justified and the relative valuation shows a clear downside potential.

DCF valuation

We also use DCF in the valuation. Our DCF model values the stock at EUR 3.4, with no significant upside given the uncertain long-term potential.

In our model, the company's revenue growth stabilizes at 1% in the terminal period after stronger medium-term growth, and the EBIT margin is 9.0% of revenue. This corresponds to an EBITA margin of around 9-10%, which is clearly below the company's target level (+12%).

Our longer term growth projections are not optimistic, but it should be noted that Sitowise cannot grow faster than the market indefinitely, nor can construction consulting grow faster than construction indefinitely. Our profitability expectations are optimistic based on current performance, but moderate based on history and potential. In this sense, we consider them realistic at the moment.

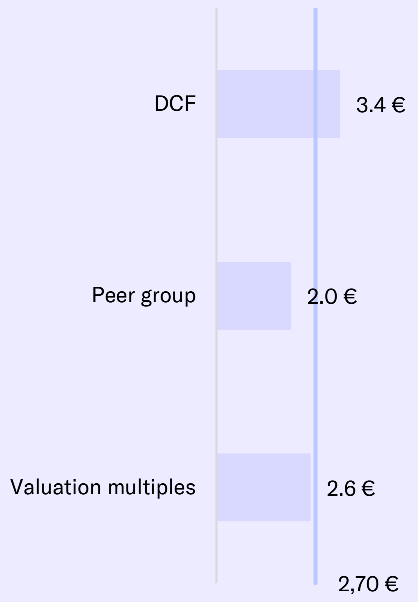
The weighted average cost of capital (WACC) used is 9.0% and the cost of equity is 10.1%. We believe the level of required return is reasonably neutral relative to the equity market average and construction peers, and we do not believe there is room for downside in the current environment. If risks continue to rise, the required rate of return may increase.

Target price and recommendation

We revise Sitowise's target price to EUR 2.70 (was EUR 2.50) and reiterate our Reduce recommendation. The target price went up a notch as we gave more weight to the 2026 outcome in our forecasts, and the value of the DCF calculation also increased slightly from the previous update. In our view, Sitowise's valuation is challenging and the risks around the earnings turnaround are high. If signs of a turnaround in earnings are confirmed and internal challenges are resolved in the near term, there are also clear upside drivers for the stock. However, we believe there is a risk of long-term challenges in Sweden, but also of a delay in the recovery of the housing market and a weakening of Sitowise's competitiveness in the current market.

We estimate the fair value of the stock at EUR 2-5 at this stage. The fair value is based on our valuation methodologies and is broader than normal given the company's current situation. The current price and our target price are at the lower end of fair value, and we see significant upside for the stock in the longer term, assuming the risks do not materialize and Sitowise returns to its previous trajectory.

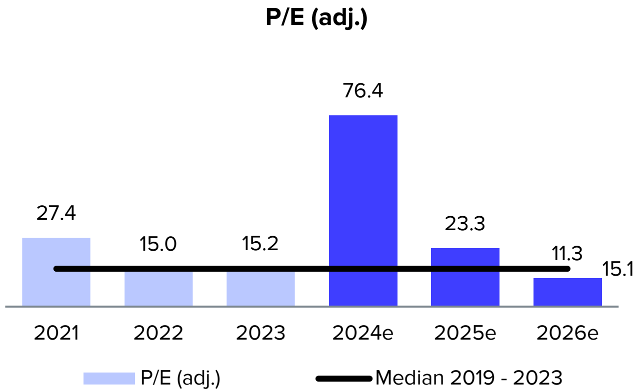
Target price breakdown

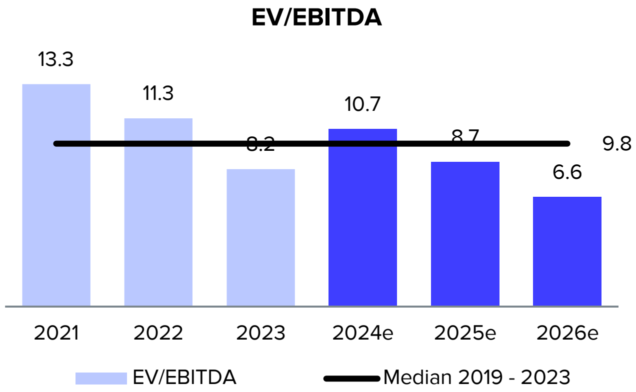


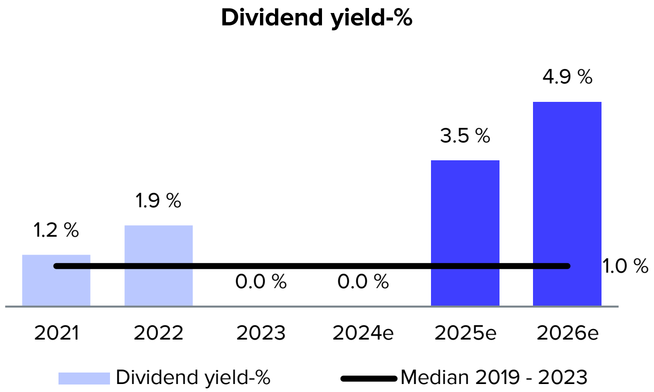
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			8.05	5.14	3.18	**2.85**	**2.85**	**2.85**	**2.85**
Number of shares, millions	35.1	35.1	35.4	35.5	35.6	**35.8**	**35.8**	**35.8**	**35.8**
Market cap			285	182	113	**102**	**102**	**102**	**102**
EV	89	101	345	268	197	**189**	**183**	**175**	**168**
P/E (adj.)	0.0	0.0	27.4	15.0	15.2	**76.4**	**23.3**	**11.3**	**9.0**
P/B	0.0	0.0	2.5	1.6	0.9	**0.9**	**0.8**	**0.8**	**0.8**
EV/Sales	0.6	0.6	1.9	1.3	0.9	**1.0**	**0.9**	**0.8**	**0.7**
EV/EBITDA	4.6	3.8	13.3	11.3	8.2	**10.7**	**8.7**	**6.6**	**5.9**
EV/EBIT (adj.)	11.9	5.9	18.2	15.4	14.5	**28.0**	**17.3**	**10.7**	**8.8**
Payout ratio (%)	0.0 %	0.0 %	45.2 %	45.2 %	0.0 %	**0.0 %**	**92.3 %**	**55.6 %**	**59.9 %**
Dividend yield-%			1.2 %	1.9 %	0.0 %	**0.0 %**	**3.5 %**	**4.9 %**	**6.7 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Sweco AB	5366	5945	27.1	23.2	19.8	17.5	2.4	2.2	33.5	28.7	1.6	1.9	5.8
Afry AB	1540	2152	14.6	12.7	9.2	8.7	0.9	0.9	14.9	14.1	3.7	3.9	1.4
Rejlers AB	282	345	15.0	13.4	9.0	7.9	1.0	0.9	16.9	14.2	2.9	3.3	1.8
Solwers Oyj	48	65	13.4	12.9	8.2	7.1	1.0	0.7	15.1	15.3	1.3	2.2	0.8
Etteplan Oyj	275	355	13.5	16.4	7.8	8.8	1.0	1.0	14.3	20.5	3.1	1.9	2.4
Norconsult ASA	1030	1076	17.1	16.7	10.7	10.4	1.4	1.4	20.2	18.4	2.4	3.4	6.2
Sitowise (Inderes)	**102**	**189**	**28.0**	**17.3**	**10.7**	**8.7**	**1.0**	**0.9**	**76.4**	**23.3**	**0.0**	**3.5**	**0.9**
Average			**16.8**	**15.9**	**10.8**	**10.1**	**1.3**	**1.2**	**19.2**	**18.5**	**2.5**	**2.8**	**3.1**
Median			**14.8**	**14.9**	**9.1**	**8.7**	**1.0**	**1.0**	**16.0**	**16.9**	**2.6**	**2.8**	**2.1**
Diff-% to median			***90%***	***16%***	***17%***	***-1%***	***-1%***	***-2%***	***376%***	***38%***	***-100%***	***26%***	***-59%***

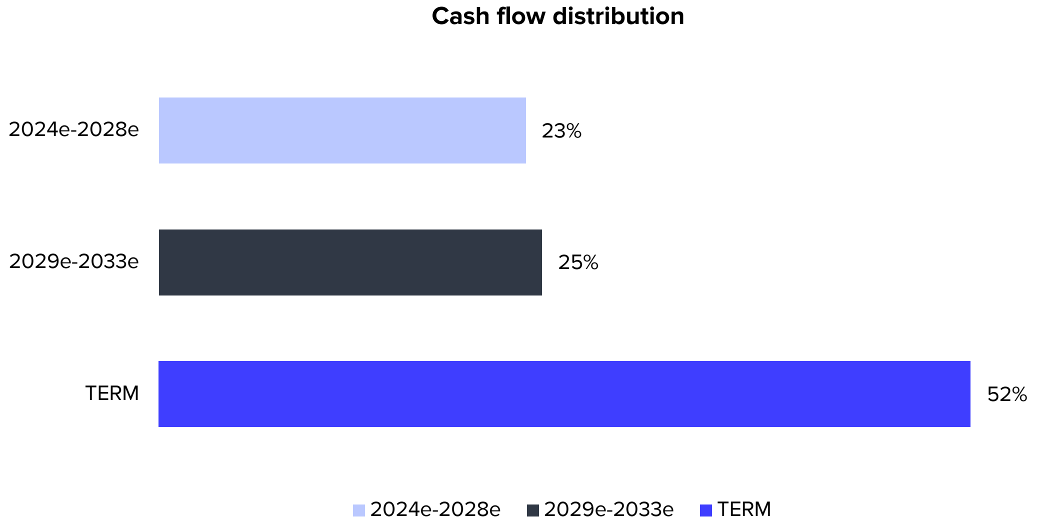
Source: Refinitiv / Inderes

DCF-calculation

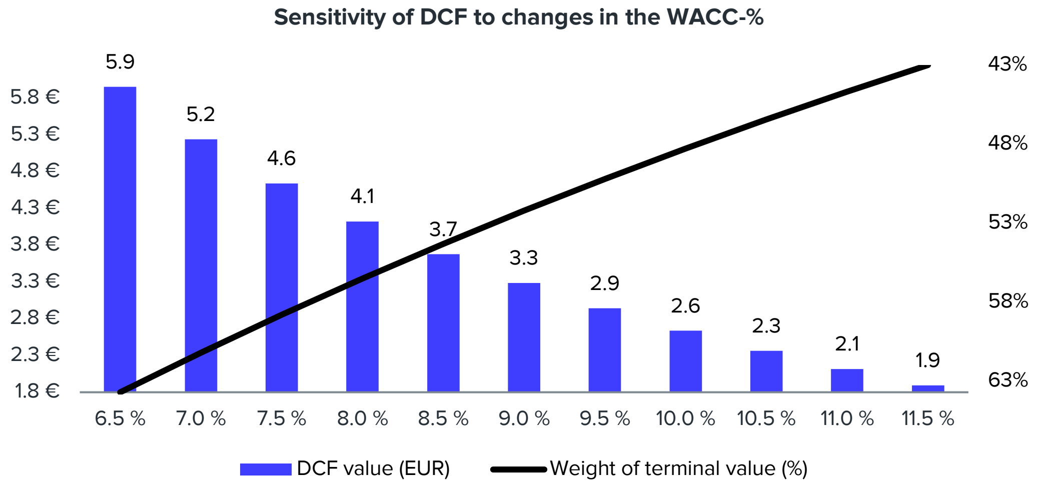
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	3.2 %	-8.2 %	1.5 %	8.6 %	6.7 %	4.0 %	2.5 %	2.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	5.5 %	2.5 %	5.1 %	7.6 %	8.3 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %
EBIT (operating profit)	**11.7**	**4.9**	**10.1**	**16.3**	**19.0**	**21.3**	**21.8**	**22.3**	**22.5**	**22.7**	**23.0**	
+ Depreciation	11.5	12.8	11.0	10.3	9.6	9.1	8.8	8.5	8.4	8.3	8.2	
- Paid taxes	-1.5	0.1	-1.1	-2.4	-3.0	-3.6	-3.7	-3.8	-3.8	-3.8	-3.9	
- Tax, financial expenses	-1.0	-0.7	-1.1	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	
+ 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	-0.7	-3.1	-0.1	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	
Operating cash flow	**20.1**	**14.0**	**18.8**	**22.9**	**24.3**	**25.8**	**25.9**	**26.0**	**26.1**	**26.2**	**26.3**	
+ 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	-11.1	-12.5	-9.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.2	
Free operating cash flow	**9.0**	**1.5**	**9.8**	**14.9**	**16.3**	**17.8**	**17.9**	**18.0**	**18.1**	**18.2**	**18.1**	
+/- Other	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	9.0	1.0	9.8	14.9	16.3	17.8	17.9	18.0	18.1	18.2	18.1	229
Discounted FCFF		**1.0**	**9.1**	**12.6**	**12.7**	**12.7**	**11.7**	**10.8**	**10.0**	**9.2**	**8.4**	**106**
Sum of FCFF present value		204	203	194	182	169	156	145	134	124	115	106
Enterprise value DCF		**204**										
- Interest bearing debt		-98.7										
+ Cash and cash equivalents		15.6										
-Minorities		-0.6										
-Dividend/capital return		0.0										
Equity value DCF		**121**										
Equity value DCF per share		**3.4**										

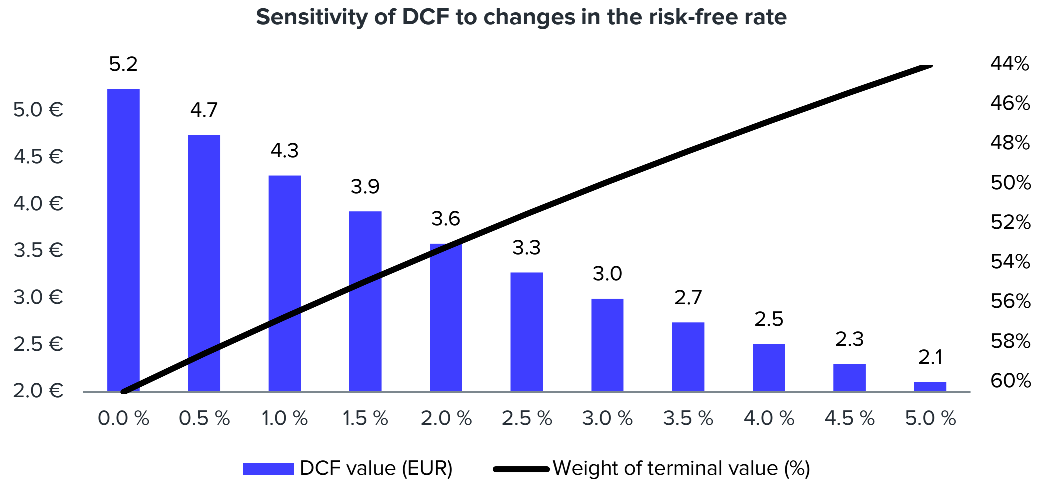
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.5 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.20%
Risk free interest rate	2.5 %
Cost of equity	**10.1 %**
Weighted average cost of capital (WACC)	**9.0 %**

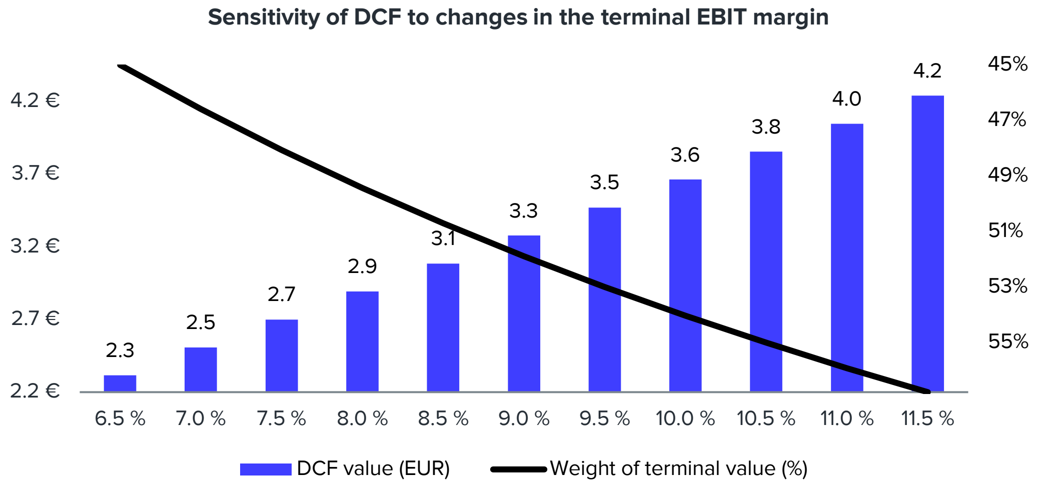
Source: Inderes

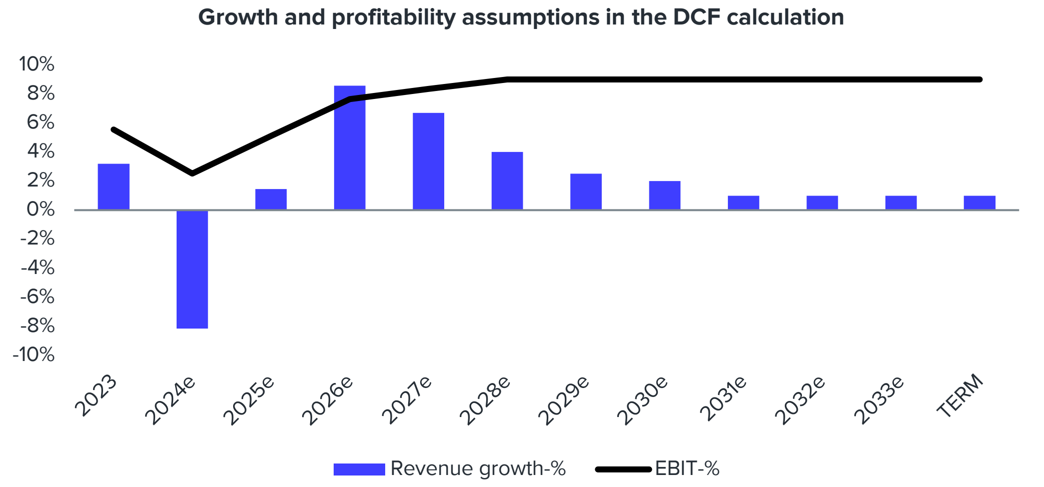


DCF sensitivity calculations and key assumptions in graphs









Source: inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	179.3	204.4	210.9	**193.7**	**196.5**
EBITDA	25.8	23.8	23.2	**17.7**	**21.1**
EBIT	16.4	13.2	11.7	**4.9**	**10.1**
PTP	10.3	10.3	7.1	**-0.7**	**5.0**
Net Income	7.8	7.8	5.6	**-0.5**	**3.9**
Extraordinary items	-2.6	-4.3	-1.9	**-1.9**	**-0.5**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	249.8	280.7	278.4	**268.3**	**267.3**
Equity capital	114.9	116.9	119.6	**119.5**	**123.4**
Goodwill	135.2	157.6	158.0	**158.5**	**158.5**
Net debt	59.3	85.6	83.1	**85.8**	**80.0**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	25.8	23.8	23.2	**17.7**	**21.1**
Change in working capital	-3.2	-3.0	-0.7	**-3.1**	**-0.1**
Operating cash flow	17.7	17.9	20.1	**14.0**	**18.8**
CAPEX	-25.8	-36.1	-11.1	**-12.5**	**-9.0**
Free cash flow	-8.2	-18.2	9.0	**1.0**	**9.8**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.9	1.3	0.9	**1.0**	**0.9**
EV/EBITDA	13.3	11.3	8.2	**10.7**	**8.7**
EV/EBIT (adj.)	18.2	15.4	14.5	**28.0**	**17.3**
P/E (adj.)	27.4	15.0	15.2	**76.4**	**23.3**
P/B	2.5	1.6	0.9	**0.9**	**0.8**
Dividend-%	1.2 %	1.9 %	0.0 %	**0.0 %**	**3.5 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.22	0.22	0.16	**-0.01**	**0.11**
EPS (adj.)	0.29	0.34	0.21	**0.04**	**0.12**
OCF / share	0.50	0.50	0.56	**0.39**	**0.53**
FCF / share	-0.23	-0.51	0.25	**0.03**	**0.27**
Book value / share	3.24	3.29	3.35	**3.31**	**3.42**
Dividend / share	0.10	0.10	0.00	**0.00**	**0.10**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	12%	14%	3%	**-8%**	**1%**
EBITDA growth-%	-2%	-8%	-2%	**-24%**	**19%**
EBIT (adj.) growth-%	10%	-8%	-22%	**-50%**	**57%**
EPS (adj.) growth-%	-10%	16%	-39%	**-82%**	**228%**
EBITDA-%	14.4 %	11.6 %	11.0 %	**9.1 %**	**10.7 %**
EBIT (adj.)-%	10.6 %	8.5 %	6.4 %	**3.5 %**	**5.4 %**
EBIT-%	9.1 %	6.4 %	5.5 %	**2.5 %**	**5.1 %**
ROE-%	8.6 %	6.8 %	4.7 %	**-0.4 %**	**3.2 %**
ROI-%	9.0 %	6.4 %	5.4 %	**2.2 %**	**4.7 %**
Equity ratio	46.0 %	41.6 %	42.9 %	**44.6 %**	**46.2 %**
Gearing	51.6 %	73.2 %	69.5 %	**71.8 %**	**64.8 %**

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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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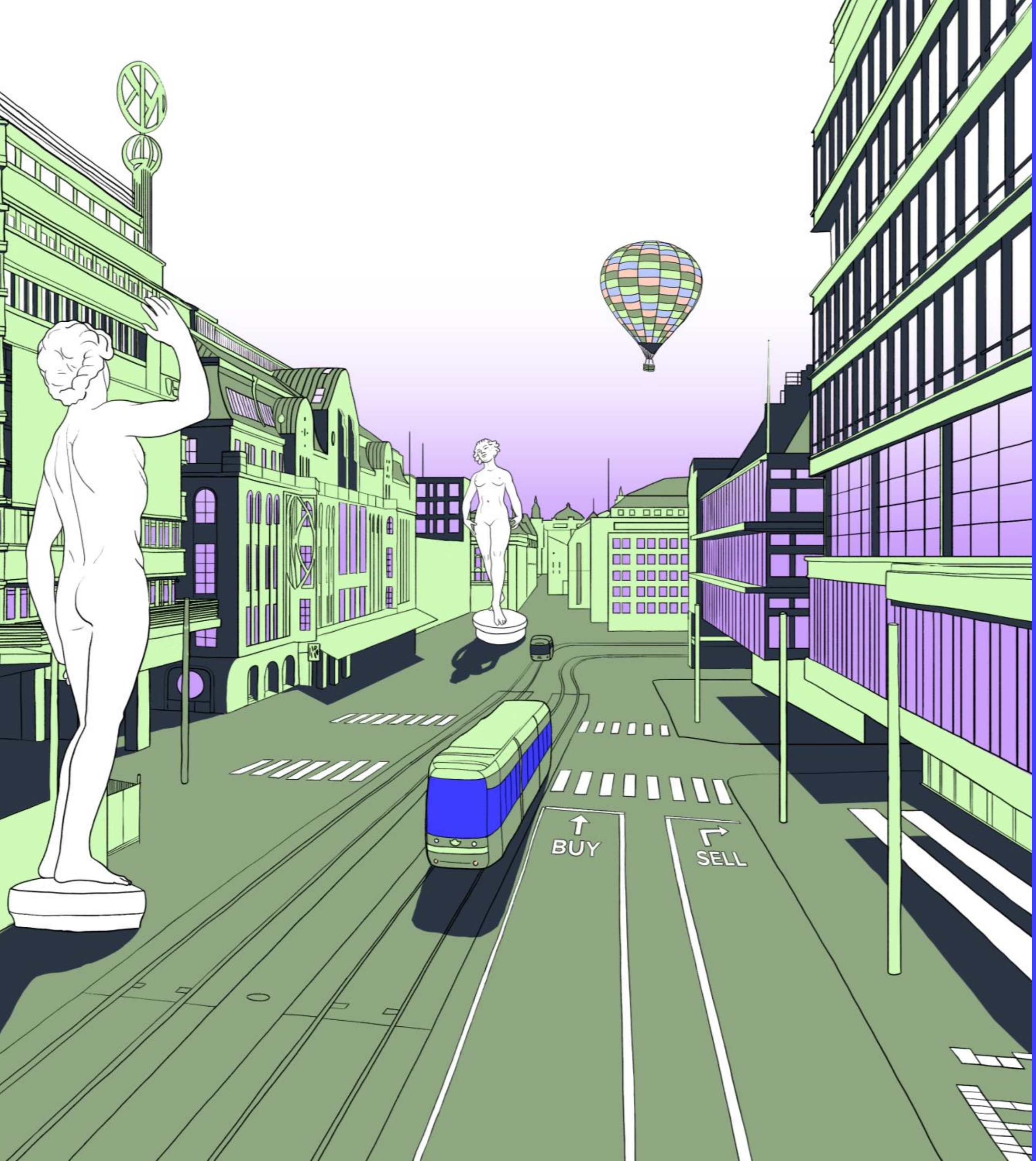
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/29/2021	Reduce	8.60 €	8.50 €
5/20/2021	Accumulate	9.30 €	8.78 €
8/26/2021	Accumulate	9.30 €	8.27 €
11/11/2021	Accumulate	9.30 €	8.33 €
3/3/2022	Accumulate	7.60 €	6.50 €
5/4/2022	Accumulate	7.20 €	6.05 €
5/19/2022	Buy	7.20 €	5.74 €
8/18/2022	Accumulate	6.50 €	5.50 €
10/27/2022	Buy	5.50 €	3.90 €
11/2/2022	Buy	5.50 €	4.15 €
11/29/2022	Accumulate	5.50 €	4.75 €
3/1/2023	Accumulate	5.40 €	4.89 €
5/10/2023	Accumulate	5.10 €	4.40 €
8/17/2023	Buy	5.00 €	4.00 €
9/5/2023	Buy	5.00 €	3.99 €
10/20/2023	Accumulate	4.00 €	3.38 €
11/3/2023	Accumulate	3.30 €	2.88 €
2/28/2024	Accumulate	3.00 €	2.65 €
5/10/2024	Accumulate	3.20 €	2.88 €
7/15/2024	Reduce	2.90 €	2.80 €
8/1/2024	Reduce	2.70 €	2.89 €
8/14/2024	Reduce	2.50 €	2.42 €
11/8/2024	Reduce	2.50 €	2.41 €
1/24/2025	Reduce	2.70 €	2.85 €



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