

## PRESENTATION

### Minttu Vilander

Hi all, and welcome to our Q3 release presentation. My name is Minttu Vilander, I'm the Head of Communications and Sustainability here at Sitowise. And I'm here at the studio with our CEO, Pekka Eloholma, and our CFO, Heidi Karlsson.

Today, we will shortly start the presentation, but you can ask questions after that. And there are two different ways of asking the questions. You can use our conference call. So, just dial in and then you can ask the questions in person. You can find the numbers in the release and when you dial in you will hear the instructions. And the other way to ask question is via chat. Then when you write the questions in the chat box, I will read them after the presentation. We will first take the questions from the from the conference call and then after that from the chat box.

But we don't need to wait any longer. So, the stage is yours, Pekka.

### Pekka Eloholma

Thank you, Minttu. Now we're going through our Q3 report according to this agenda, which you see now on the slide, and we will start with some key takeaways, then the financial review that will be made by Heidi, and some highlights by our business areas, developments there, and then we are presenting something about our innovation initiative - we are calling that Smart City Lab. And then we'll talk about our M&A. And the last section in our presentation, then, will be how we see the market developing now further on. And then last but not least is the Q&A session.

So, let's go through our presentation. And here the first slide. Q3 was as we expected. When it comes to the strong revenue development, we had revenue growth by 15% in Q3, and inside that, we are really, really pleased to tell here that we now - we could enter to the organic growth path in three of our four business units. And that means that we had an organic growth in our Infrastructure business area in Finland. We had that also in our Digital Solutions and then in Sweden, we had also clear organic growth.

Then about profitability. Strong performance there. The adjusted EBITDA, as you see on the slide, the profitability reads 12.4%. And then the order book. Already we have reported at the last two quarterly reports that we have been able to show you the all-time high order backlog and that is the case also today. During the Q3 we could really increase our order backlog by 10% and that is outcome of the positive market development on the whole and certainly also outcome of our efforts on sales work.

And then I would like to mention here that during Q3 we got two major project wins. Here, the main contributor business line from our side has been the Infrastructure business area, backed up with the Digital Solutions and the Building Design business areas



in Finland. And I will then then come later to this but also here I would mention these are big orders and also, they have strategic value for us.

And now we can enter to our final sales and Heidi, please.

## Heidi Karlsson

Thank you, Pekka. So in Q3, our financial performance was good, and it was like in the previous quarters this year, according to our expectations. Our net sales growth accelerated, and we reached close to €40 million worth of sales in Q3, which is 15% higher compared to last year. Also, our adjusted EBITDA increased by more than 10% and was close to €5 million in Q3 this year.

When we compare this year's Q3 with last year's Q3, I would like to highlight two issues. First of all, when we look at the EBITDA adjusted number, we should note that we still last year, due to the Corona pandemic, we did get some support from the government which improved the margin and was exceptional last year.

Secondly, when we look at our operating profit last year, you can see that although the adjusted EBITDA was lower, our operating profit is higher than this year and this is due to the fact that we, in last year Q3, sold our Tele business operations and booked part of the gain in Q3. And that was now then improving our operating profit last year.

When we look at our cumulative numbers, we have now our top line close to €130 million for the first nine months. And it means that our sales are now 10% higher than it was last year at the same point, which is also according to our long-term financial targets. Also due to the strong Q3, now our year-to-date EBITDA margin increased from end of H1. It was still a little bit below 12%. This is now also about 12% - 12.1%, which is also in line with our long-term financial targets.

Our liquidity position remained good in Q3. Our net debt and our leverage increased from the Q2 due to the fact – well, there are two reasons for it. And first of all, we did take some additional loans in order to finance the M&A activities and then also our cash position is normally at the lowest in Q3. So, very natural reasons for that and still I would like to highlight that the leverage of 2.0 is also below our long-term financial target.

Next, let's take a look how our order book and net sales and profitability has developed during the quarters. So, as Pekka said, once again, we can demonstrate an all-time high order book - €153 million. There's an increase of close to €40 million compared to last year the same period of €13 million compared to end of Q2. This increase of 10% compared to Q2, there's actually two factors contributing to it. First of all, it is the acquisition of Infracontrol that we are taking in the order book of Infracontrol into our books. And then secondly, as Pekka mentioned, we had two major strategic project wins in Q3.

One of them, the one - our rail project is included in our order book. The other one, the Vantaa rail, due to technical contractual issues will be included in our order book only in



Q4. And so, what can be stated is that about half of the increase in our order book is organic and the other half is coming from acquisitions.

When we look at our net sales, due to the nature of our business, and as we are having our summer vacations mainly in in Q3, it is then the lowest net sales quarter of the year. Nevertheless, we had €40 million worth of sales in this quarter and a very strong 15% growth compared to the Q3 in 2020.

On a Group level, the organic growth was flat, but as Pekka said, we are very pleased that in three of our business areas we have come back to the organic growth path also in the organic growth.

Our profitability - 12.4% - is still the highest among our largest listed peers and we are of course pleased with that. And our utilisation rate in Q3 this year was about on the same level, a little bit higher than 77%, and was a little bit higher than - on the same level as last year, clearly higher than we had in the Q1 this year and a little bit less than we had in the Q2. But what can be summarised is that we really and clearly have very - our fundamentals are very strong, and it is also what we maintain to keep also in the future.

When we when we look at our business areas, the thing that we disclose about our business areas is the net sales. And what we can say now is that as we have been implementing the strategy that we set out in early 2018, we have been implementing that in a very structured and focused way. We have nowadays more and more balanced and strong business areas.

Nowadays, Sweden and Digital Solutions are 30% of our Group's net sales. Going back a couple of years, Buildings and Infrastructure was more than 90% of our total net sales. And if we further take a closer look on the quarterly development of the net sales of our four different business areas, and we can clearly see that once again we have in Infrastructure, in Digital Solutions and in Sweden strong sales growth. And the sales growth in these three business areas consists of both the M&A part, but what is very important, now also the organic growth component.

In the Buildings, we are this time showing a flat development compared to last year and this is mainly due to the fact that some of the new projects, we are facing some slow starts in those.

And now I would like to hand over to Pekka, and Pekka will go more in detail through the business area highlights.

## Pekka Eloholma

Yeah, let's go by business area and start from the left and that is the Building Engineering business area in Finland. As Heidi already said, the revenue development in Q3 - that was flat and that is really caused by the things like the raw material price increase and shortage there in the construction phase. It has actually made the outcome that some projects that have not started as they were expected to start and that kind of



hiccup now on the market - our expectation is that that will ease up now after year end, more or less during Q1. Otherwise, the market is healthy, but I'm coming later to that.

And then the other significant thing here with the business of Building Engineering in Finland was that really a huge contribution to that deal I already mentioned and that was the Vantaa light rail engineering of €5 million contract. Mainly our Infrastructure business line is contributing there but also our Building Engineering business line is really putting a lot to that project already in the offering side and now here when we are delivering the thing.

Then when we are going to the Infrastructure Engineering Business in Finland, really a solid performance. 5% growth as Heidi said. We entered the organic growth, but also great thing is that the order backlog is strong, looks good and really the Vantaa light rail deal here as well as the one-hour Turku rail link Engineering deal. Both deals amount of €5 million. Big things for us and the future looks quite okay or quite good.

Then the third one. Digital Solutions area. During the Q3 we really got on the right track and how Heidi already mentioned, you saw that there was a nice growth there and we entered also the organic growth path here and really a contribution also to that other big deal we made and that is the one-hour rail link to Turku. Turku also a €5 million deal we actually closed during Q3 and at that is, as Heidi said, in our order book now what we showed you.

And then we acquired Infracontrol AB, a Swedish company, focus area Digital Solutions on the Infrastructure area. And really, it's a huge complementation to our offering what we have in the Digital Solutions. And we think that the Digital Solutions business area is a little bit of a difficult business area in that sense that the nature is a more global one compared to the Engineering business, which is more local in that sense. That's why we have booked the revenue in Q3 and that will be also now during the next future there in the Digital Solutions.

And then Sweden. The takeaway in Sweden is that we are proceeding there real nicely. There have been some during the H1 and maybe also still during the Q3 some slow-down in certain projects we are working for. It's not coming from us; it's coming from the customs part. But now we can see that the market is returning to normal and what we mean here with the normal market in Sweden is that there will be - the market will be back on the growth track. That is good news what we see there now.

And then the big thing is that Jonas Larsson, which we already had communicated, we had appointed him as the Head for our Swedish operations. He will start next Monday actively and then we go, and that is also really a big news here. Big thing.

And then going forward, these two projects, we have two project highlights I have already mentioned these two but would like still to underline the fact that these are big projects for us, big engineering projects. They are rail projects and each of them are €5 million. Here we have the one-hour Turku rail link on the slide - a €5 million project has started already and costed two years from now on and here really has a strategic value because this shows what Sitowise actually - the whole idea, the basic idea behind



Sitowise founding the company was that when we can offer a comprehensive set of disciplines, comprehensive set of competencies to the customers, then we are stronger, and this is now showing that when here we have combined the competencies from our Infrastructure, Engineering and then from the Digital Solution business area together and that really brings value to the customer. And that was the main reason we won these projects.

And then the other projects have already mentioned. Also rail - project light rail in one tough engineering part of that - also €5 million project. We won that during Q3, but we closed the deal then technically in October and as Heidi said will be shown in our Q4 order book. It's not yet there in Q3 order book.

And also here the strategic value that, as I said, the whole idea behind Sitowise is the broad offering, more value to the customer, and here we have combined the disciplines, competencies from the Infrastructure business area and from the Building Engineering business area. And together we are stronger, and this is now the way we are going forward and it's really nice to show these nice outcomes of our strategy.

Then a new thing. Sitowise – the Smart City Company. There is a lot of happening on the Smart City scheme and that area; new innovations; new ways to think; new services to the end users; new ideas; how to build and engineer and build the build environment and the traffic and infra to the cities. And there's a lot of room for innovations and we want to be the forerunner here, what comes to the Smart City leadership and what comes to the new services and the business. We see a great business potential also here. And now we have started that. We have launched this Smart City Lab inside Sitowise. That is now the first step. We did that during the Q3. We have the internal competition now going on; we can already tell you that there's a huge amount of new ideas, and then we will collect the best of these and then we are developing them further on and at the end of the day then they will show up with the new services and with the new revenue and more happy, happy customers. That's the first step.

But really, the long-term development here, and I hope that we can get to that quite soon actually, is that the whole idea here is to build that kind of Smart City innovation platform to Finland and also to Sweden; that it's not only Sitowise that we are running that, but the customers are participating and also the upper-level learning educational institutions, universities, for example, can participate in that platform to develop the things, topics, new services on the Smart City area for the market. And our expectations are really high on this and that we will you more than later on when we are getting forward. But the start has been quite good.

Then some words about our M&A agenda or initiative. These company logos you see here show that we have made during this year six acquisitions and altogether they are representing, if we take the total revenue of these companies during the last year, 2020, that represents about €14 million revenue and also some 70 high-level specialists. And this really strengthening our foothold there on the sustainability in Sweden, in Digital Solutions, and we are going forward. That is the way we go.



Today, our M&A pipeline is strong, looks good. There's a lot of activity in different stages in our pipeline. And also there are several projects there installed called final stage and, as you know, it's not possible to communicate anything before the deals have been done or the deal has been done and we are coming back to that then later on. But our expectation is that we can't promise anything here, but in the near future our aim is to finalise some deals here on this agenda. So we are active, that is more or less the message, and already during this year there has been six companies we have been acquiring and now we are integrating them. And we are really happy on this.

And then the last part is how we see the market now is developing and we are more or less talking about the next year - 2022. The first thing here is that 2022 market development looks today much, much better, brighter, and that is the headline here. Brighter outlook, much brighter than the 2022 looked one year back when we made a previous market study. And this is really a deep and good study we have made here and now we can say that our expectation based on this study is that the first is to take Finland and the Infra and the Building Engineering part and that market, how that is developing.

Our expectation now, based on this study, is that next year, 2022, the building consulting market growth will be 2%. And then starting from 2023, 4% per year onwards. That is what we expect today. And we are basing our operation on this and then planning our operation and then later on executing that.

And the same here for infrastructure - consulting market, engineering market in Finland. Our expectation now, based on this study, is that next year the growth will be 1% and then from 2023, 3% onwards per year.

And then Sweden. As I said already, we can see already in our operations that the market is returning to the norm, that means to the growth phase. And now, based on this study, it gives also more and more evidence for that, and our expectation is that next year - 2022 - both the Building and the Infrastructure consulting markets in Sweden, they are going to grow with 4% per year. That is good news for us. And we are ready for that.

And then from 2023 onwards, Building - that is the expectation what we see today - is continuing that 4% growth per year. But the Infrastructure consulting market, the growth will accelerate a little bit from 4% to 6%.

And when you are looking the Construction market in Finland and in Sweden altogether, they are showing slightly lower growth figures, but the differences here is that the consulting penetration - we have been talking about that earlier also. What we mean is that penetration is how big part of the consulting portion is from the whole project. That is the penetration and that has been increasing and will be increasing.

And that is the outcome about the sustainability, about the urbanisation, about the digitalisation, renovation backlog. That is more and more demanding to build new or renovate build environment, and more and more analyses, strategies, already beforehand, before anything will start, are needed. And the sustainability is really bringing a lot of new potential on table. And that's why the consulting penetration is increasing and that



is now the picture we see for next year, the growth rates, and we are planning our operation on this.

Good news. And then, this is now – that was the presentation we had here for you with Heidi and Minttu, and now, Moderator, it's time for the Q&A.

## Q&A

### Operator

Ladies and gentlemen, if you do wish to ask an audio question to the speakers, please press 01 on your telephone keypad now. If you wish to withdraw your question, you may do so by pressing 02 to cancel.

Our first question comes from the line of Robin Nyberg from Carnegie Investment Bank. Please go ahead. Your line is now open.

### Robin Nyberg

Hello, Heidi and Pekka. Robin here from Carnegie. I have two questions. First, related to organic growth. You have a quite strong orderbook organic growth, but still flat in Q3. Can we assume that organic growth should turn positive during Q4?

### Pekka Eloholma

Yeah, good question. You note the question mark here. The order book is good, and we hope that it is developing on the right direction activities there. But the question mark here is actually the Building Engineering in Finland. Some hiccups on the market is really the raw material price increase and shortage and which is impacting not that much on the how the projects are proceeding - the construction projects I mean - but it is impacting other new projects starting and that is now the question really that is inside the Building segment in Finland, and somewhat also in Sweden.

But then when we are looking the Infra business area and the Digital Solutions, so that is not affecting these business areas that much. Maybe slightly, but not much. So there we expect organic growth also in the coming or this quarter. But it's hard to promise anything. It pretty much here depends on the market behaviour with these, what I said.

### Robin Nyberg

Okay, fair enough. Second question.

### Pekka Eloholma

Let's say we have the orders and that is that is there, and we have the capacity. And now it's the question of other projects starting up.



Robin Nyberg

Okay, excellent. Now looking at the profitability. This year is going to be a bit different in terms of seasonality compared to last year, and we have quite limited historical figures here to go from. So it would be very helpful if you could kind of give any indication what kind of EBITDA or EBITDA margin or utilisation rates compared to last year during Q4 one should expect now.

Heidi Karlsson

We are not giving that kind of information as we are not giving a guidance either for this year. So we are not disclosing that.

Robin Nyberg

Okay, but if you look at the performance, let's say, in Q4 last year, I think you reported a margin of 9.2%. Do you think that is beatable?

Heidi Karlsson

No, last year, like we have been telling in these quarterly releases, so it is like you also stated that it's a little bit actually difficult for us always doing the comparison, as we have to do the comparison to last year because it was so different. Normally, as we know in our businesses, September, October, November are normally quite good months. Last year, we had some temporary layoffs impacting and COVID impacting in Q4 stronger than what will take place this year, for sure. But like Pekka said, there are certain uncertainties still that we are facing.

Pekka Eloholma

I'd like to underline that if you look at the market now, what is there around us, we are operating in the market what was there one year back. The market is now better. That's for sure. There's some question marks, but basically, it's there. Then, our order book is higher. So the elements are there. But as Heidi already mentioned, and I said that the question mark is that how the projects which we have in the order book, how they will proceed, start, and then proceed, and that is the cases there on our customers' table.

Robin Nyberg

Alright, that's all from me, thank you.

Operator

Thank you. Ladies and gentlemen, once again, if you do wish to ask an audio question, please press 01 on your telephone keypad now.

We currently have no further audio questions. I will hand back to the speakers for any further questions and remarks.





**Minttu Vilander**

Okay, thank you. We have one question here at the chat box from Matias Rautionmaa from Danske Bank. He asks, "That number of FTEs came down from the previous quarter despite of couple of acquisitions made. Besides the seasonality, was there more outflow than usual with people, employees leaving?"

**Heidi Karlsson**

It's a good question. I could answer that there was not more outflow than normally. What we do see or maybe referring to the seasonality is that normally when we do have a turn when people are leaving that happens normally after the summer vacation as well as then at year end. So those are the normal timings when people leave if they want to or if they decide to change jobs. So, this could be in this sense the season, or it's clear that it is a kind of a season effect that we are showing in the FTEs.

**Minttu Vilander**

There are no further questions here.

**Pekka Eloholma**

Okay, then I suppose we can end up our presentation here and thanks for taking the time to participate. Thank you. See you. Thanks.

