

**SITOWISE**

# **Strong quarter in a challenging market environment**

**SITOWISE GROUP PLC  
Q1 / 2023 INTERIM REPORT  
10 MAY 2023**



# Agenda

1. Executive summary
2. Q1 / 2023 performance
3. Market outlook & guidance for 2023
4. Strategy implementation
5. Q&A



**CEO**

**Heikki Haasmaa**



**CFO**

**Hanna Masala**

# Net sales up by 14%, adjusted EBITA margin 11.8%

- **Market** environment continued to be challenging.
- **Net sales** up by 14%\* to EUR 56.0 (49.2) million, organic growth was 4%.
- **Order book** slightly down to EUR 176 million from year-end, but still at a good level.
- **Adjusted EBITA** increased to EUR 6.6 (5.2) million. Adjusted EBITA margin 11.8%.
- **Operating profit** increased to EUR 5.5 (2.9) million.
- **NPS** 32 (32).
- **New strategy** for 2023–2025 announced.

# Acquisition of Infrasuunnittelu Oy in May

**SITOWISE**

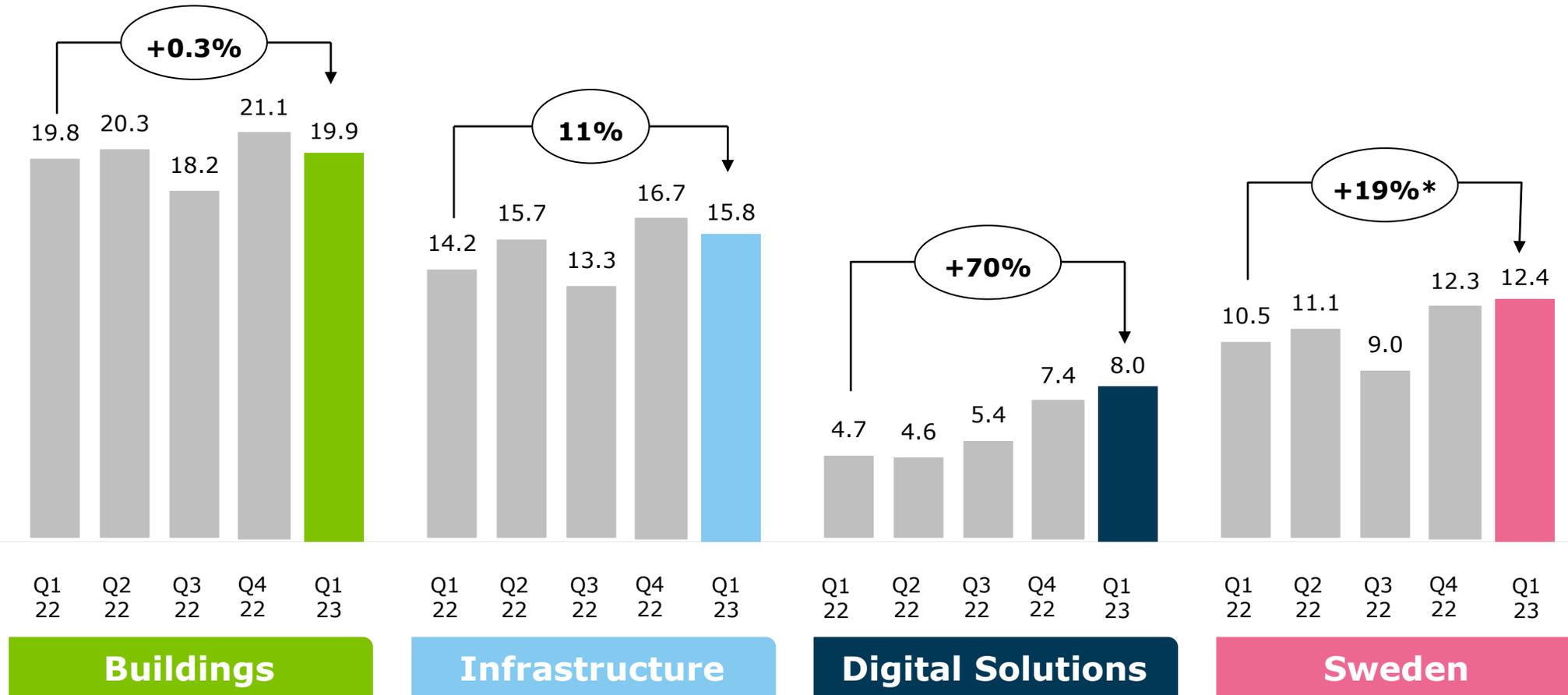


**INFRA**  
SUUNNITTELU

- Infrasuunnittelu Oy is an expert company in environmental and civil engineering
  - Civil engineering design, measurement, monitoring and construction expert services nationwide
- The acquisition strengthens Sitowise's expertise especially in infrastructure services offered to the mining industry.
- Employs 17 people, net sales in 2022 approximately EUR 1.5 million.

# Strong organic growth in Infra, Digi and Sweden. Significant contribution from M&As in Buildings, Digi and Sweden

Net sales per business area, figures in EUR million



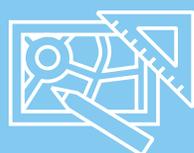
\* +27% in constant currency

# Broad business portfolio balances market differences



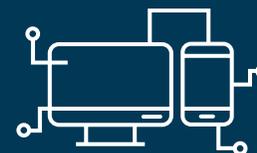
## Buildings

- /+ Negative organic growth due to the challenging market, but growth supported by acquisition of Rakennuttajakaari in 2022
- / + Order book down, but still reasonably healthy considering the prevailing market conditions
- The prevailing financial market situation was reflected also in renovation market, which slowed down faster than expected



## Infrastructure

- + Growth almost fully organic
- + Order book remained strong
- + Growth outpaced the market, supported by extensive long-term projects and active sales



## Digital Solutions

- + Rapid growth both organically and thanks to the acquisition of Bitcomp
- + Order book remained strong
- + Roll-out of Bitcomp's LeafPoint SaaS proceeding well
- + Market demand strong
- Recruitment improved from the previous quarter, but growth is still slowed down due to competition for skilled labor



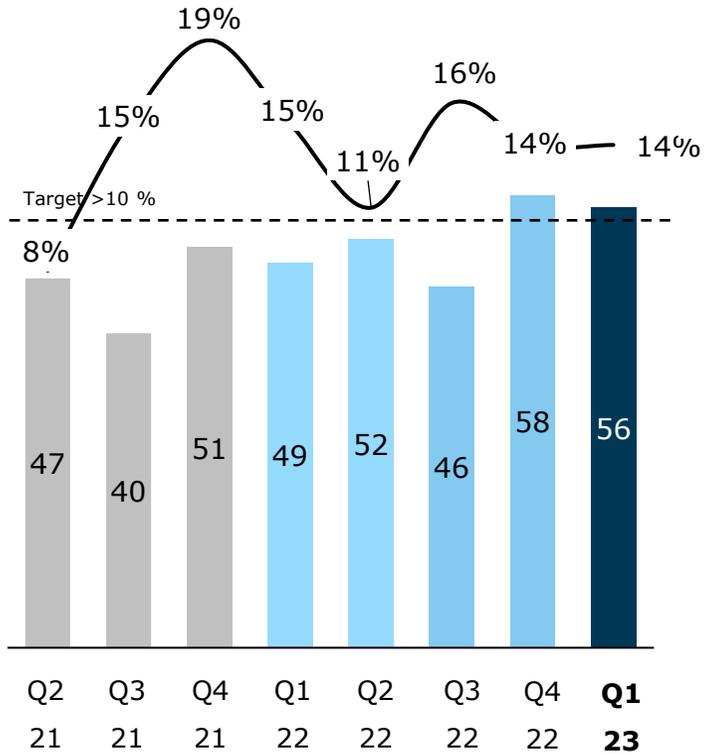
## Sweden

- + Strong organic growth added with contributions from acquisitions in 2022 (Mavacon, E60 and Convia)
- Order book declined slightly
- + Increased activity levels in early-stage projects
- + Overall construction sector more stable than in Finland
- / + Mixed market environment with stable business momentum

# Q4 net sales up by 14% yoy, healthy organic growth

## Net sales

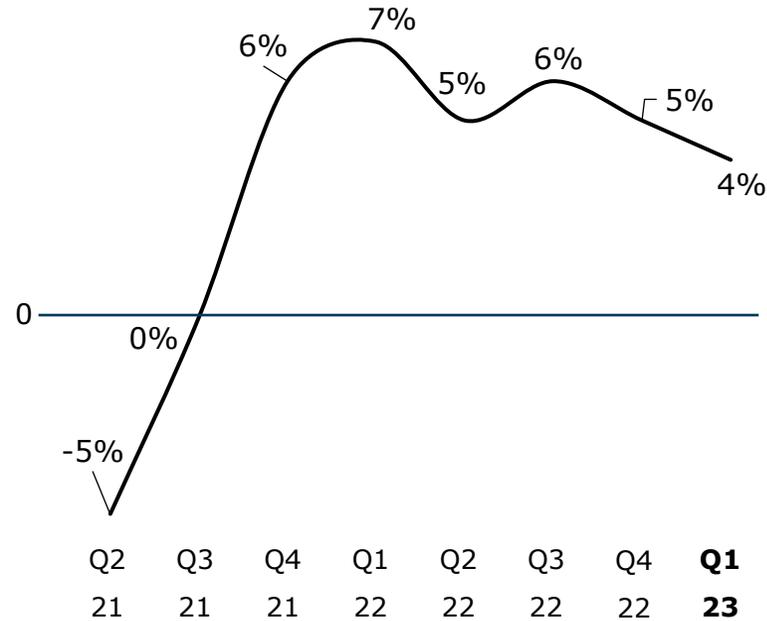
EUR million / %



Net sales growth, %

## Organic growth\*

%



\* Growth in net sales excluding acquisitions and divestments adjusted by the number of working days and exchange rate impact

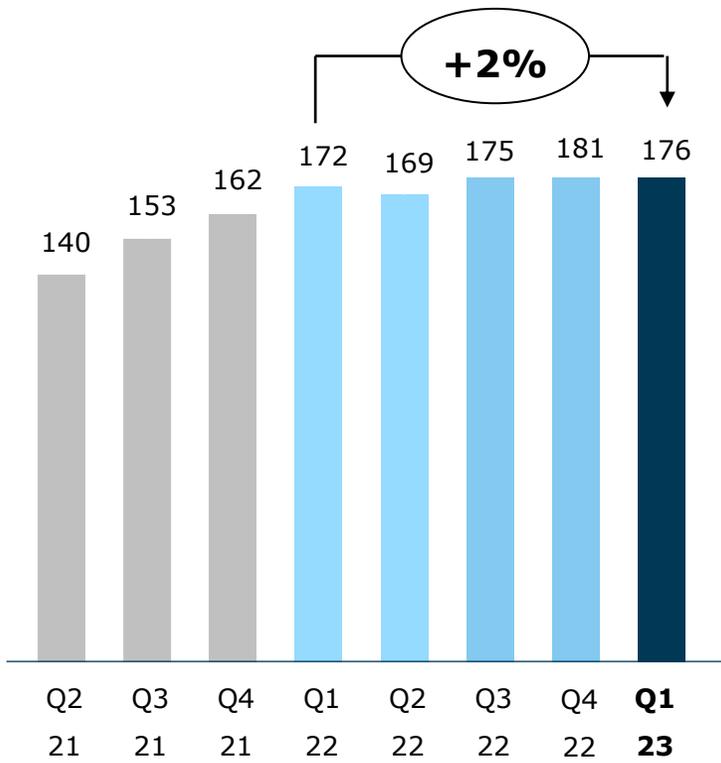
## Impacting factors in Q1

- + Acquisitions in 2022
- + Digi performance very strong
- + Organic growth ahead of the market in Infra and also strong in Sweden
- + One working day more than in Q1 2022
- Challenging market in Buildings
- In Sweden reported net sales adversely impacted by the weakening of the Swedish krona against euro

# Order book at good level

## Order book

EUR million



## Sitowise won several tenders in Q1

Examples of these are:

1.



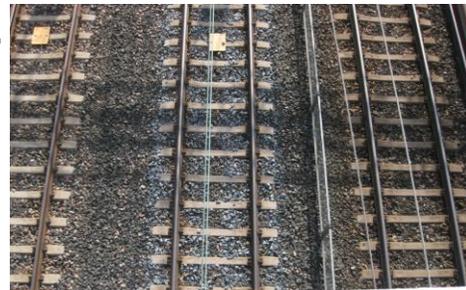
2.



1. New construction in Meilahti, Helsinki - HUS central pharmacy, kitchen and parking facilities

2. Several environmental assessments for wind power projects

3.



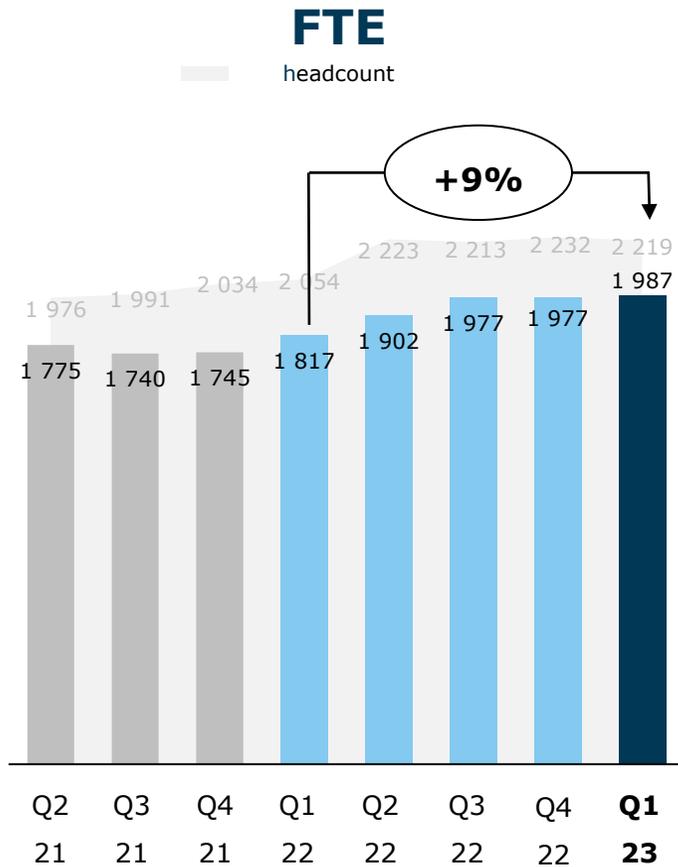
4.



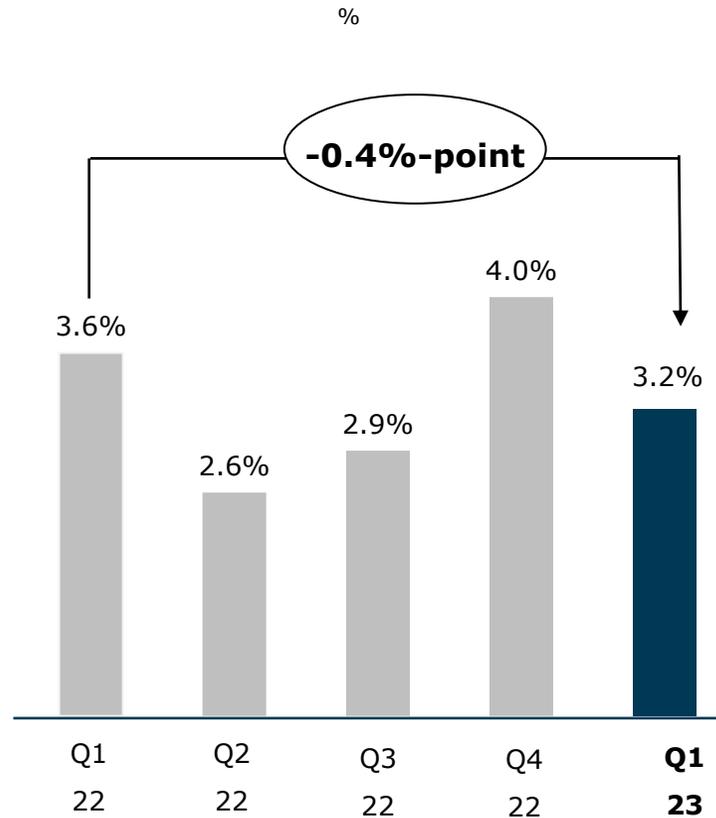
3. Lielähti-Lakiala rail project (a part of the main rail line in Finland from south to north)

4. Pre-study for pharmaceuticals factory for dermatology company Galderma

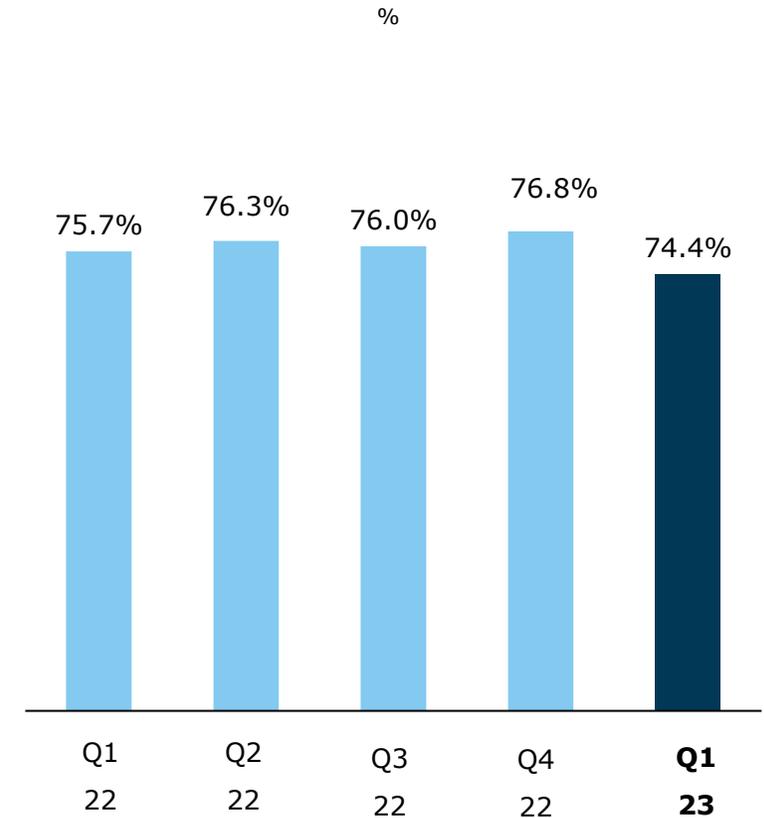
# Sickness absences down towards more normal level, several factors behind the decline in utilization rate



### Sickness absences



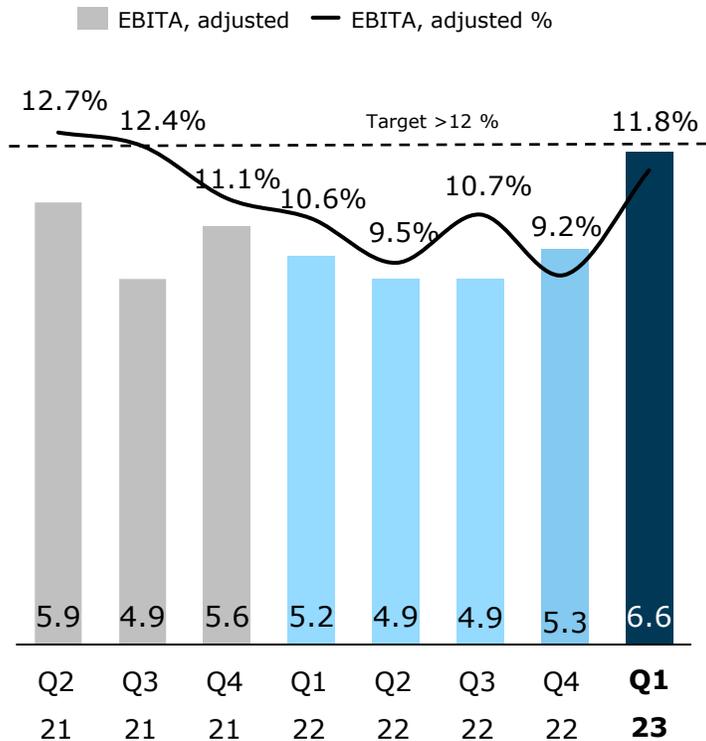
### Utilization rate



# Determined actions contributed to the profitability improvement in Q1

## Profitability

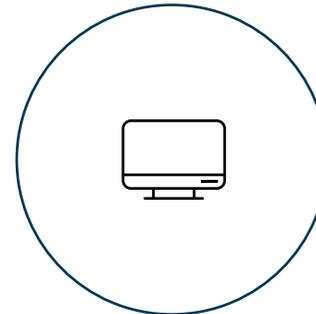
EUR million



## Factors impacting in Q1/2023



**Success in actions**  
to improve pricing and control rising costs, and positive contribution of recent acquisitions



**Tailwind**  
from one working day more than in the comparison period



**Headwind**  
from market uncertainty

# Wage inflation and lower number of working days y-on-y will impact profitability from Q2 onwards

## Q1 2023 vs. Q1 2022

- +1 working day y-on-y
- Annual wage increases not yet in force
- One-time payments, agreed upon the collective agreements, were paid in March but allocated to the period of March-December 2023
  - Full impact in cash flow
  - 1/10 of the cost in Q1 P&L

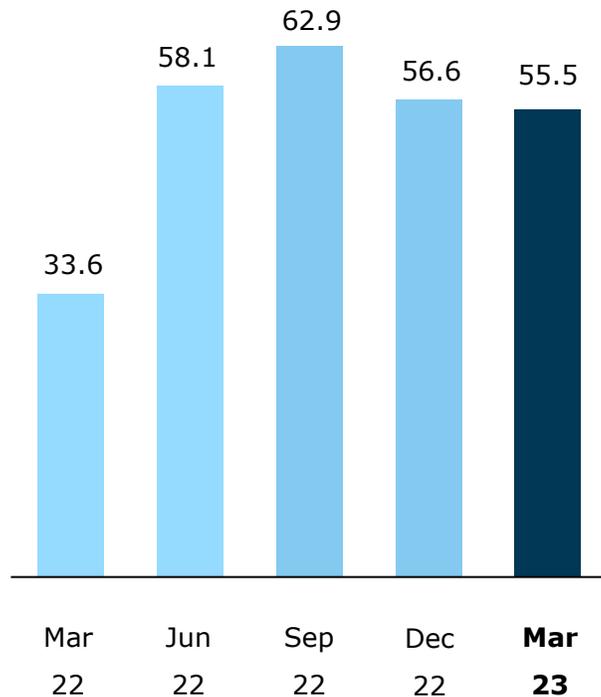
## Q2-Q4 2023 vs. Q2-Q4 2022

- -1 working day in each quarter y-on-y
- Wage increases, agreed upon the collective agreements, impacting from 1 April onwards
- Allocated one-time payments impacting P&L in all remaining quarters in 2023
  - No impact on cash flow

# Leverage decreased to targeted level

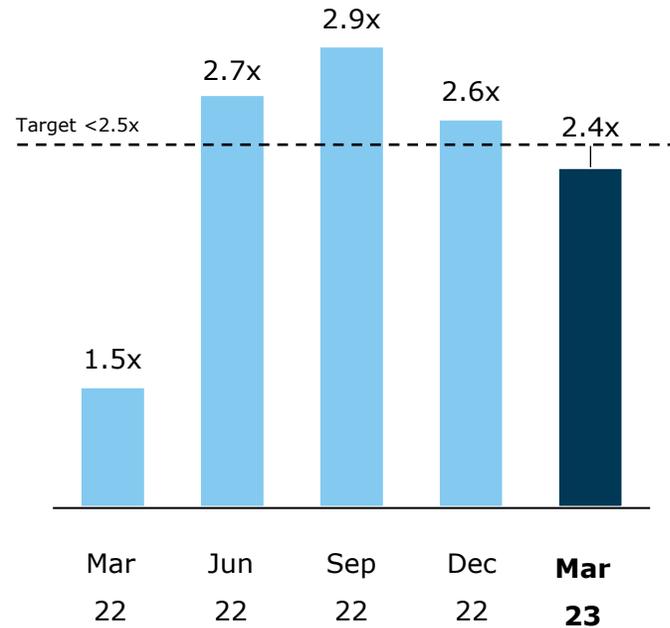
## Net debt

EUR million



## Leverage

Net debt / Adjusted EBITDA multiple



- Financing agreement was extended in February 2023
  - EUR 100 million
  - Same terms as earlier
  - Maturity in March 2026
- At the end of March
  - EUR 72 million of the financing agreement was in use
  - Of the EUR 72 million, 46% were fixed-rate loans and 54% variable-rate loans.

# Key figures

EUR million	Q1 2023	Q1 2022	Change	FY 2022
<b>Net sales</b>	56.0	49.2	14.0 %	204.4
<b>Adjusted EBITA</b>	6.6	5.2	26.7 %	20.4
% of net sales	11.8 %	10.6%		10.0%
<b>EBITA</b>	6.2	3.5	76.8 %	16.1
<b>Operating profit</b>	5.5	2.9	87.1 %	13.2
<b>Net result</b>	3.5	1.1	207.2 %	7.9
<b>Cash flow from operating activities before financial items and taxes</b>	5.7	7.0	-18.5 %	22.7
<b>Net debt</b>	55.5	33.4	66.4 %	56.6
<b>Net debt/EBITDA, adjusted</b>	2.4x	1.5x		2.6x
<b>Equity ratio, %</b>	43.6 %	47.2%		41.6%
<b>Earnings per share (EPS), eur</b>	0.10	0.03	204.9 %	0.22
<b>Dividend per share (DPS), eur</b>				0.10
<b>Number of personnel, average</b>	2,226	2,044	8.9 %	2,151

**Q1 NET SALES**  
**14%**  
YoY growth

**Q1 ORGANIC GROWTH\***  
**4%**

\* Growth in net sales excluding acquisitions and divestments adjusted by the number of working days and exchange rate impact.

# Key drivers for profitability improvement and current status

1.	Pricing excellence and cost awareness	✓
2.	Billable project work	
3.	Smartest ways to work	[✓]
4.	Expected positive contribution from recent acquisitions	✓

# Outlook for 2023

- The stable long-term growth in the demand for Sitowise's services is supported by megatrends.
- Several uncertainties in the market.
- Demand for digital solutions remains strong and the outlook is stable in Infra and Sweden.
- The Buildings business is suffering from the construction market downturn and the prevailing financial market uncertainty.
- Other factors impacting include cost inflation, a lower number of working days, EUR/SEK exchange rate and higher interest expenses.

# Guidance for 2023

Sitowise Group estimates that its net sales in euros will increase compared to 2022, and that its adjusted EBITA margin (%) will be broadly at the same level as the adjusted EBITA margin of 2022.

# Changes in Group Management Team and the Board of Directors



## **Anna Wäck**

Business Area Director of Digital Solutions, member of the GMT as of 5 May 2023

- Brings with her forward-looking business development thinking and experience in growing digital services and accelerating sales.



## **Niklas Sörensen**

Board member as of 25 April 2023

- Member also in the Board's Personnel and Acquisition Committees
- Extensive experience in technical consulting industry, and green transition and digitalization



## **Mats Åström**

Board member as of 25 April 2023

- Member also in the Board's Audit and Acquisition Committees
- Extensive background in financial services industry, and from strategy and M&As.

SITOWISE

**Strategy**  
**2023–2025**  
**implementation**



# Sitowise strategy 2025

**We understand our clients**



**We work as one team**



**We trust each other**



**We are open**



**We are brave**



**OUR PURPOSE ›**  
Empowering passionate experts to solve complex challenges.

**OUR VISION ›**  
Redefining smartness in cities



**The most innovative**



**The most sustainable**



**The most efficient**

## **WE WILL FOCUS ON ›**

- Creating new smart services
- Accelerating growth in Sweden
- Expanding our digital solutions business
- Becoming a thought leader in sustainability
- Being the most well-known and desired employer
- Finding the smartest ways to work

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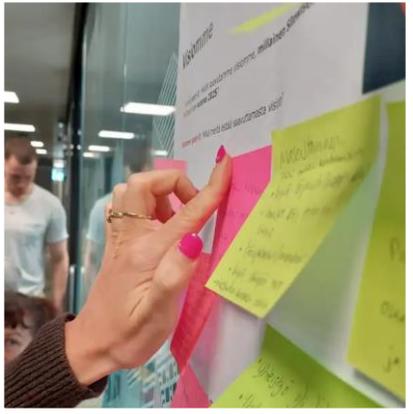


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# Strategy roadshow



# Strategy implementation

## The most innovative



- Strengthened pipeline for new smart services
  - Focus on cross business area solutions
- Innovation competition to be launched in June
- Data markets for sustainable cities project started in Q1
  - led by Nokia and VTT

# Strategy implementation

## The most innovative



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## The most sustainable



- Development of our existing sustainability tool
- Identifying new sustainability services

### Own operations:

- Sustainability Report
- Assuring Sitowise's sustainability data for the first time

# Strategy implementation

## The most innovative



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### Own operations:

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## The most efficient



- Smartest ways to work and Sales excellence workstreams started
- New ERP and CRM implementation ongoing
- Continued development of Voima platform

# Measuring progress – performance KPIs

## The most innovative



- Product-based revenue growth
- Innovation culture
- Clients' perception of Sitowise as forerunner in new innovative solutions

## The most sustainable



- Sustainability service revenue growth
- Sustainability development goals defined for most relevant projects
- Clients' perception of Sitowise as forerunner in sustainability

## The most efficient



- NPS
- Clients' perception of Sitowise's reliability as a partner
- Utilization rate

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**SAVE THE DATE**

# **Sitowise Capital Markets Day**

**7 June 2023**

A formal invitation including agenda and registration details will be distributed closer to the event.



**Thank you!**

**Q&A**