

**SITOWISE**

# **Solid growth in spite of mixed market environment**

**SITOWISE GROUP PLC  
Q2 AND H1 2023 REPORT  
16 AUGUST 2023**



# Agenda

1. Executive summary
2. Q2 and H1 2023 performance
3. Market outlook & guidance for 2023
4. Strategy implementation
5. Q&A



**CEO**

**Heikki Haasmaa**



**CFO**

**Hanna Masala**

## Q2:

# Net sales up by 9.1%, adjusted EBITA margin 8.0%

- Apart from the Buildings business area, our **operating environment** remained good in Q2.
- **Net sales** up by 9.1%\* to EUR 56.5 (51.7) million, organic growth was 5%.
- **Order book** stable and on a good level at EUR 175 million.
- **Adjusted EBITA** totaled EUR 4.5 (4.9) million. Adjusted EBITA margin 8.0% (9.5%).
- **Operating profit** increased to EUR 3.6 (2.7) million.
- **Cashflow from operating activities** increased to EUR 9.6 (2.1) million.
- **eNPS** 18.
- **Acquisition of Infrasuunnittelu** strengthening expertise especially in infrastructure services offered to the mining industry.

# 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.

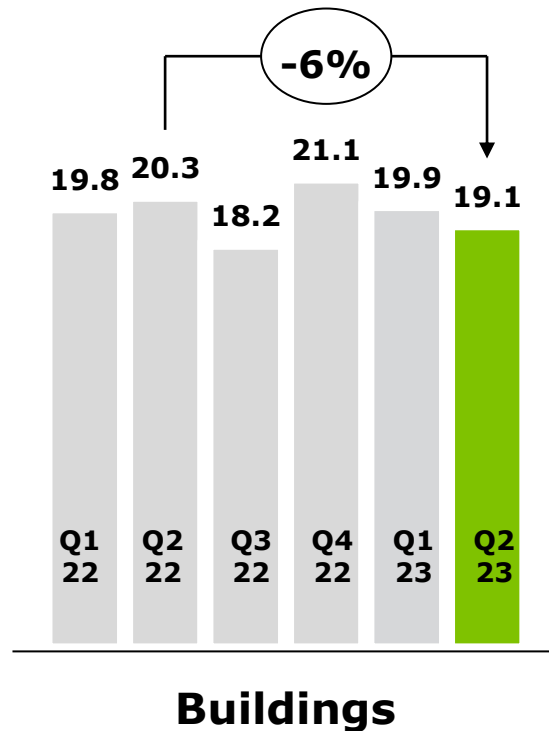
# H1:

## Net sales up by 11.5%, adjusted EBITA margin 9.9%

- **Market** environment continued to be mixed.
- **Net sales** up by 11.5%\* to EUR 112.5 (100.9) million, organic growth was 5%.
- **Adjusted EBITA** totaled EUR 11.1 (10.1) million. Adjusted EBITA margin 9.9% (10.1).
- **Operating profit** increased to EUR 9.1 (5.6) million.
- **Cashflow from operating activities** increased to EUR 15.2 (9.0) million.
- **Leverage** (net debt / adjusted EBITDA) decreased to 2.4x (2.7x).
- **NPS 32, eNPS 18.**
- **New strategy** launched in February.

# Buildings suffering from the difficult underlying construction market

**Net sales per quarter,**  
figures in EUR million



## Factors impacting Q2

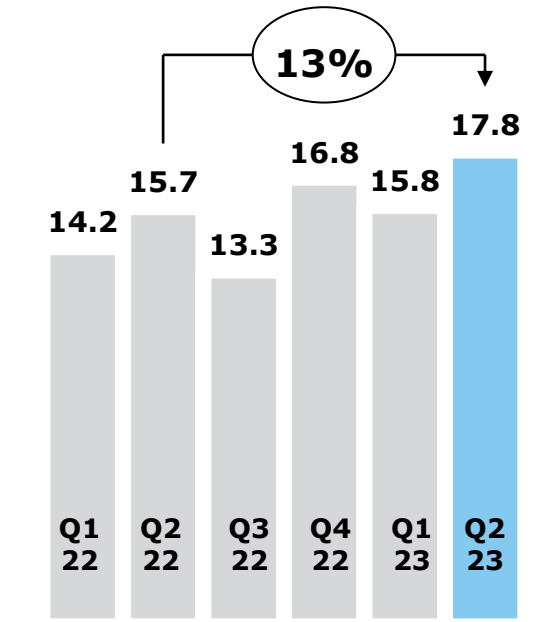
- The difficult underlying market impacting especially MEP design (mechanical, electrical, and plumbing) and structural design
- High interest rates slowing down growth in renovation construction
- Negative calendar effect (-1 working day)
- + Acquisition of Rakennuttajakaari in June 2022
- + Utilization rate and average prices developed well
- / + Adaptation to the market situation with different vacation arrangements and temporary layoffs
- / + Order book declined slightly q-on-q, some delays in materialization of projects

## Outlook for H2 2023

- The outlook for the rest of the year in the Buildings business area is weak, challenges expected to continue also in 2024.
- Negative calendar effect (-1 working day) both in Q3 and Q4 2023
- / + Adaptation to the market situation with specific measures announced

# Infra clearly outperformed market, double digit organic growth

Net sales per quarter, figures in EUR million



## Infrastructure

### Factors impacting Q2

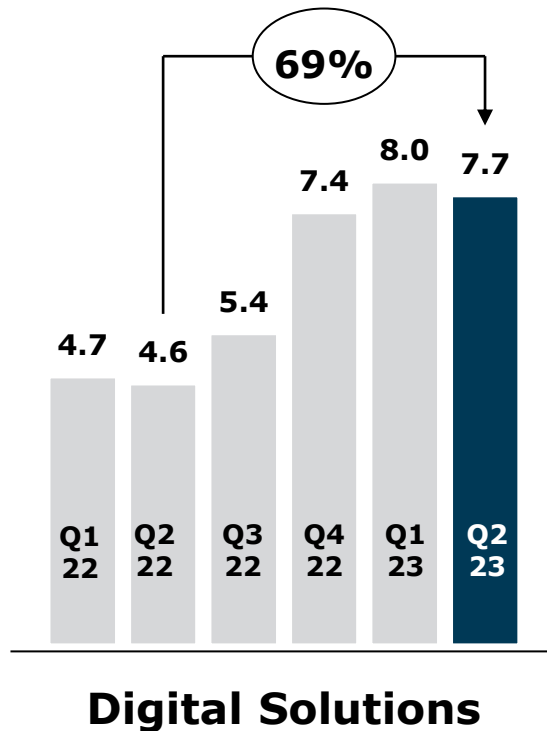
- + / - The division of the market into weaker and stronger segments continued:
  - + Strong demand for energy and environmental projects related to the green transition
  - Weak demand related to municipal infrastructure design and groundworks for new buildings
- + Strong organic growth and a small tailwind from Infrasuunnittelu.
- Negative calendar effect (-1 working day)
- + Positive impact from several successful initiatives (long-term client work, pricing, performance bonuses)
- + Utilization rate on good level
- / + Demand for larger projects down on Finland's parliamentary election in spring, order book still at strong level.

### Outlook for H2 2023

- + As a whole the outlook for Infra remains good.
- + / - Mixed market environment expected to continue.
- Negative calendar effect (-1 working day) both in Q3 and Q4 2023

# Strong organic growth and tailwind from acquisitions in Digital Solutions

Net sales per quarter,  
figures in EUR million



## Factors impacting Q2

- + Still favorable market environment
  - + Public sector investments still at good level
  - + The rapidly growing renewable energy sector is bringing in new business
  - Some signs of private sector investments slowing down
- + Strong acquisition-driven growth (Bitcomp in June 2022) and organic growth
- + Utilization rate on good level
- Negative calendar effect (-1 working day)
- Growth slowed down by competition for experienced labor
- + Orderbook at strong level

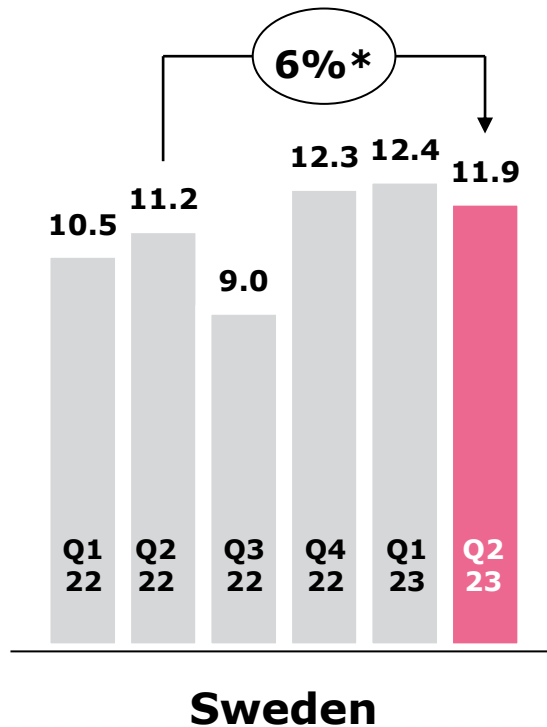
## Outlook for H2 2023

- + As a whole the outlook for Digital Solutions remains good.
- Possible slowdown in parts of the market
- Negative calendar effect (-1 working day) both in Q3 and Q4 2023



# Growth in Sweden supported by acquisitions

## Net sales per quarter, figures in EUR million



\* +16% in constant currency

## Factors impacting Q2

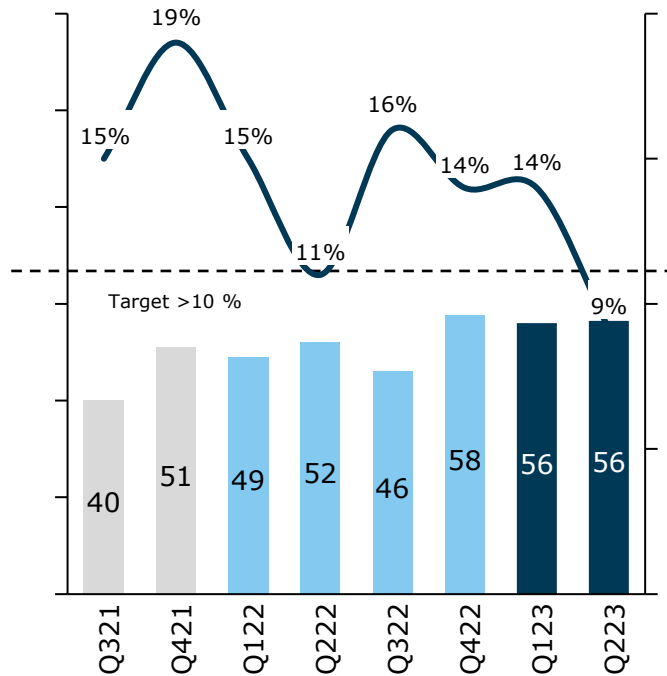
- + Mixed market divided to areas of stronger and weaker demand
  - + Local infra market growing fast and demand in commercial, industrial, and institutional building projects
  - Local housing market very weak
- + Good acquisition-driven growth (E60 and Convia in Q2-Q3 2022) and organic growth
- + Utilization rate on good level
- Negative calendar effect (-1 working day)
- Adverse impact from currency exchange rates (weakening Swedish krona gains euro)
- + Orderbook increased and on good level

## Outlook for H2 2023

- + As a whole the outlook for Sweden remains good
- + / - Mixed market environment expected to continue.
- Negative calendar effect (-1 working day) both in Q3 and Q4 2023

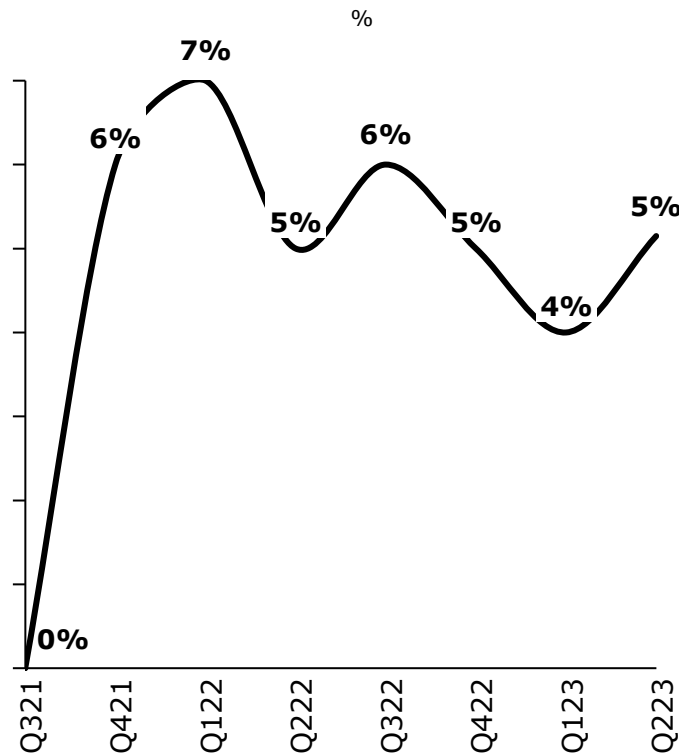
# Net sales up by 9% (11% in constant currency), organic growth 5%

## Net sales



■ Net sales, EUR million  
 — Net sales growth%

## Organic growth, %\*

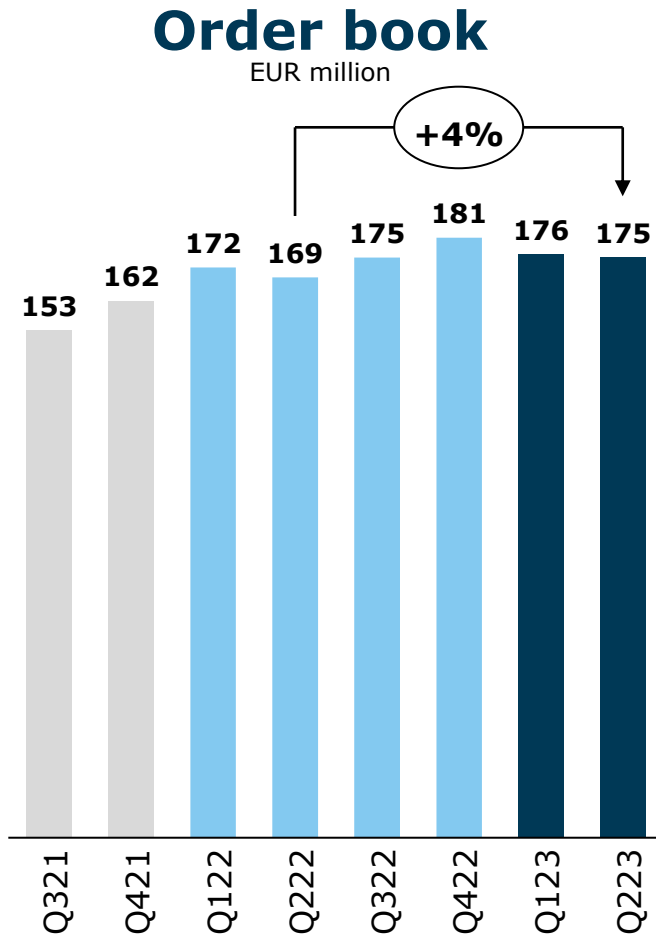


\* Growth in net sales excluding acquisitions and divestments adjusted by the number of working days and exchange rate impact

## Factors impacting Q2

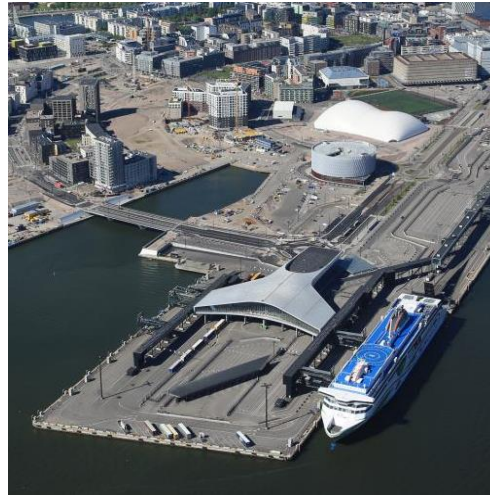
- + Acquisitions in 2022
- + Organic growth ahead of the market in Infra and also in Digi
- One working day less than in Q2 2022
- Challenging market in Buildings
- In Sweden reported net sales adversely impacted by the weakening of the Swedish krona against euro

# Order book at good level



## Sitowise won several tenders in Q2

Examples of these are:



The regional design of Länssatama (Helsinki West Harbour) for the Port of Helsinki. (INFRA)



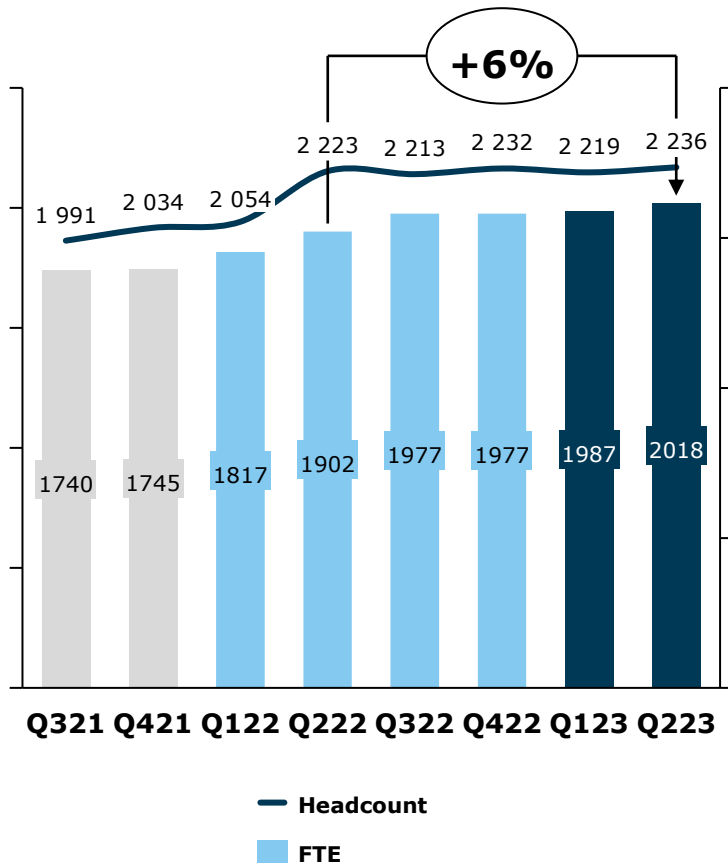
Traficom's tender for the utilization of commercial mobile communication networks in Cooperative-Intelligent Transport Systems (C-ITS) services (DIGI)



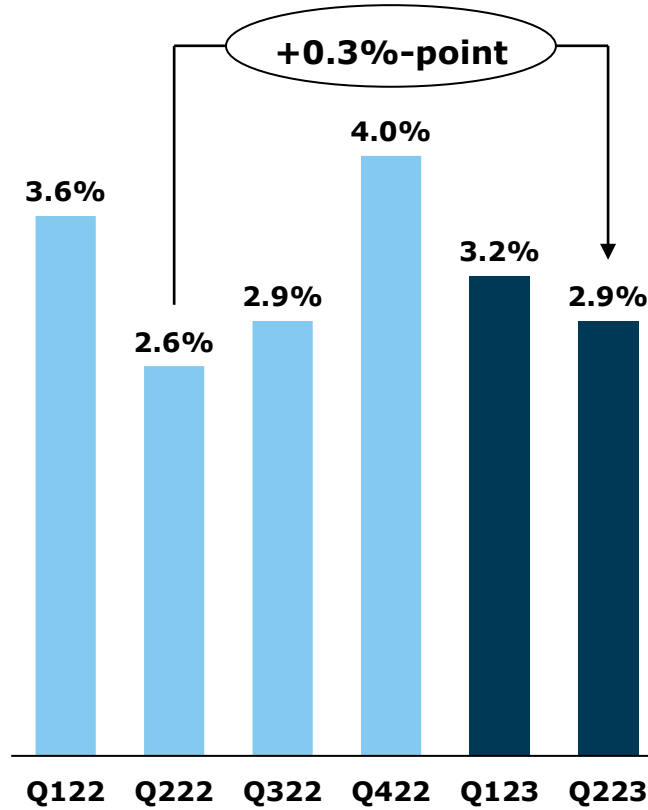
Infracontrol received a repeat order for the maintenance and development of a national support system for road traffic. (SWEDEN)

# Utilization rate improving

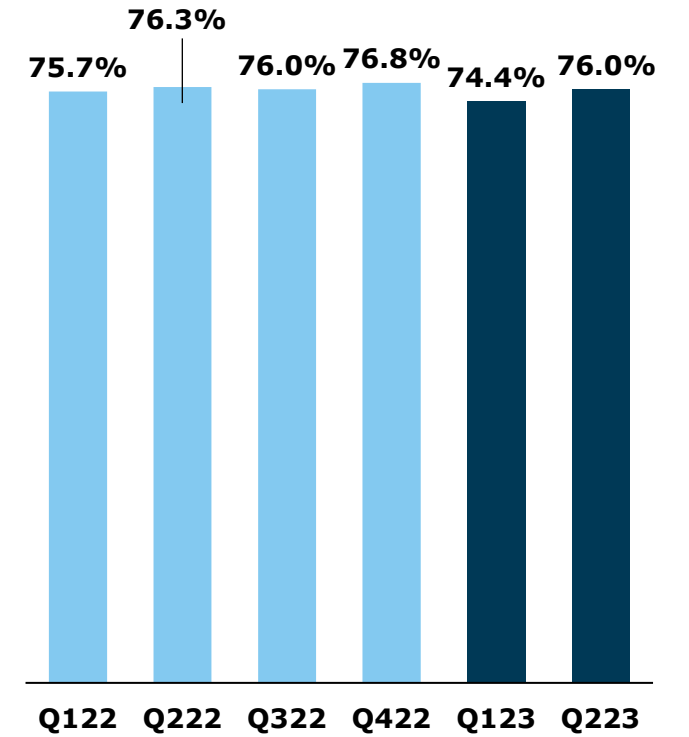
## FTE



## Sickness absences

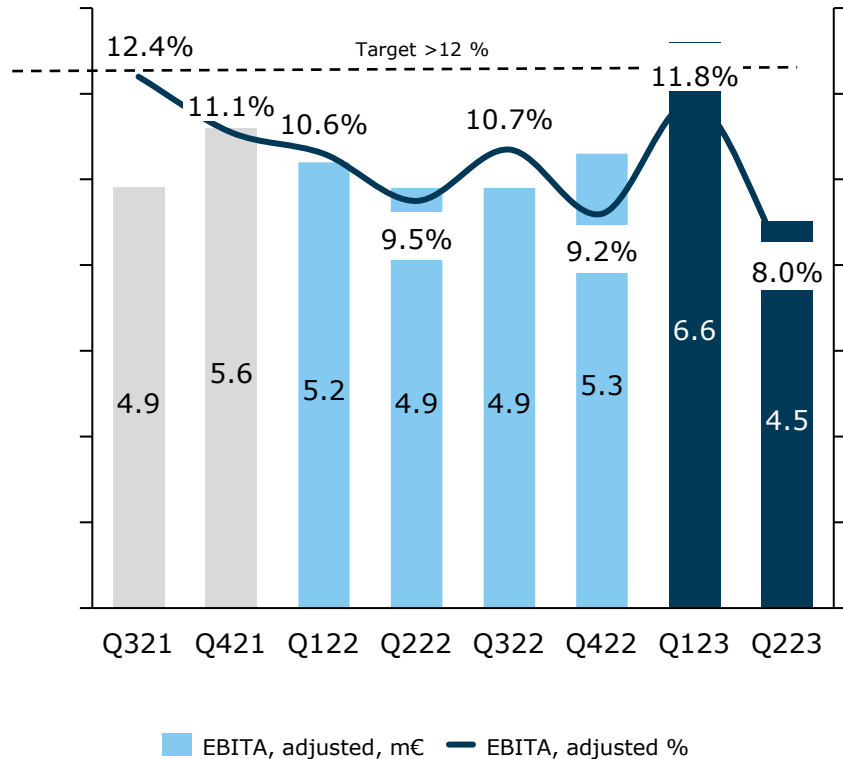


## Utilization rate

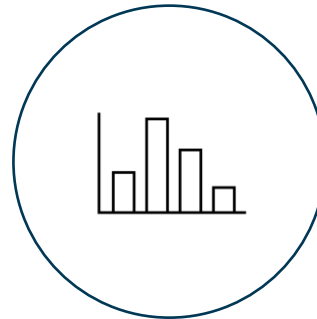


# Weak performance in Buildings key driver for the decline in adjusted EBITA margin

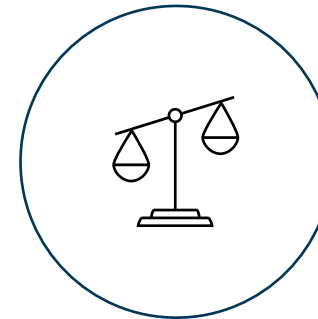
## Profitability



## Key factors impacting Q2

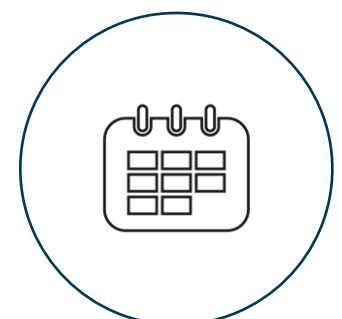


**1. Weak performance in Buildings** the largest single factor explaining Q2 profitability decline



**2. Salary increases from April onwards and general cost inflation**

The impacts successfully mitigated with pricing and cost efficiency measures



**3. Headwind from calendar effects**

# Wage inflation and lower number of working days y-on-y will impact profitability also in H2

## 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

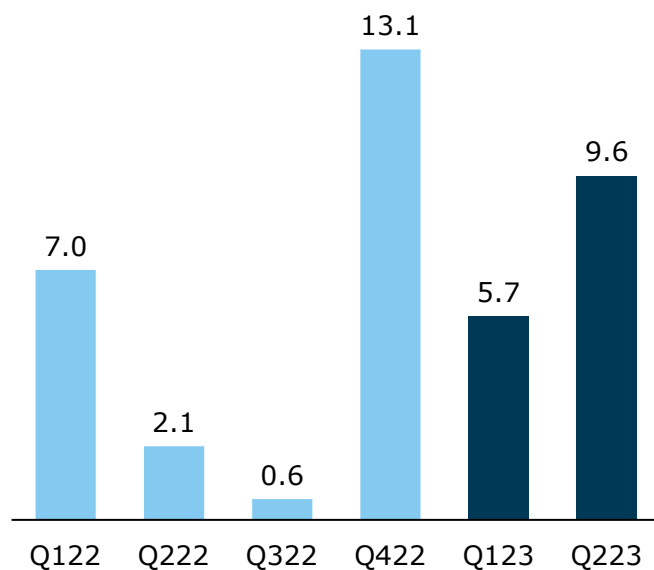
## Q2-Q4 2023 vs. Q2-Q4 2022

- -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

# Net debt and leverage declined due to improved operating profit and strong cash flow from operating activities

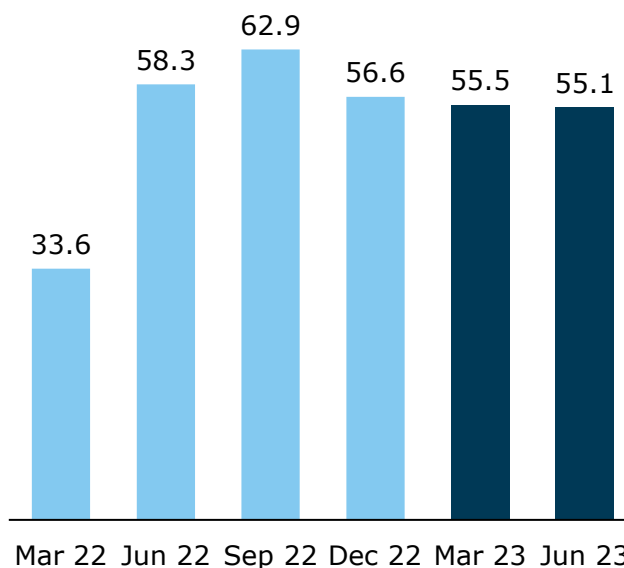
## Cash flow from operating activities

Before financial items and taxes, EUR million



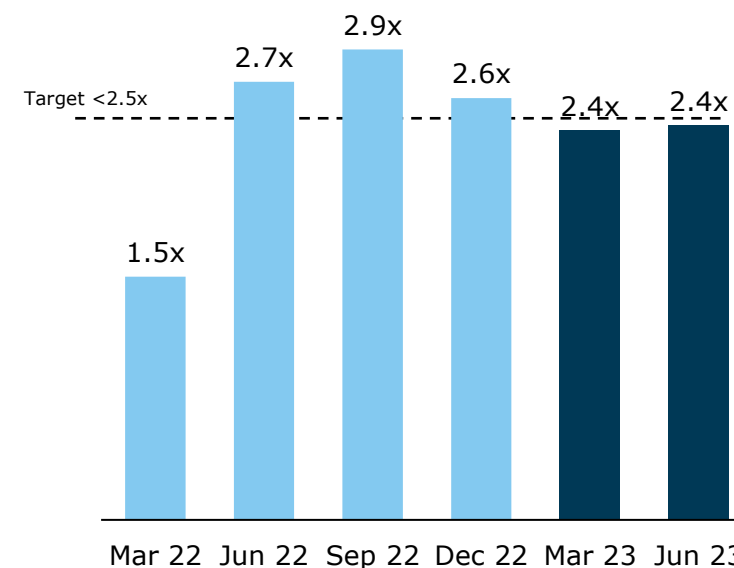
## Net debt

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 June
  - EUR 71.5 million of the financing agreement was in use
  - Of the EUR 72 million, 46% were fixed-rate loans and 54% variable-rate loans.

# H1 result over doubled year-on-year

EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	2022
<b>Net sales</b>	56.5	51.7	9.1 %	112.5	100.9	11.5 %	204.4
<b>EBITA, adjusted</b>	4.5	4.9	-8.2 %	11.1	10.1	9.8 %	20.4
% of net sales	8.0 %	9.5 %		9.9 %	10.1 %		10.0 %
<b>EBITA</b>	4.4	3.3	32.9 %	10.6	6.8	55.5 %	16.1
<b>Operating profit</b>	3.6	2.7	34.0 %	9.1	5.6	61.6 %	13.2
<b>Result for the period</b>	2.2	1.6	39.5 %	5.6	2.7	109.9 %	7.9
<b>Cash flow from operating activities before financial items and taxes</b>	3.9	2.1	90.0 %	9.6	9	6.2 %	22.7
<b>Net debt</b>				55.1	58.2	-5.3 %	56.6
<b>Net debt / EBITDA, adjusted</b>				2.4x	2.7x	-8.4 %	2.6x
<b>Equity ratio, %</b>				42.5 %	42.9 %		41.6 %
<b>Earnings per share (EPS), EUR</b>	0.06	0.04	44.9 %	0.16	0.07	113.9 %	0.22
<b>Dividend per share (DPS), eur</b>							0.10
<b>Number of personnel, average</b>	2,231	2,115	5.5 %	2,229	2,080	7.2 %	2,151

**Q2 NET SALES**

**9%**

YoY growth

(11% in constant currencies)

**Q2 ORGANIC GROWTH\***

**5%**

\* 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	✓

# Additional actions in Buildings to improve competitiveness and profitability

- Re-evaluation of Buildings organization and operating models
  - Initiation of change negotiations in Buildings
- Increasing focus on high margin services

## Key targets of the negotiations

<b>1.</b>	<b>Securing conditions for future growth</b>
<b>2.</b>	<b>More agile ways of working</b>
<b>3.</b>	<b>Developing national cooperation</b>
<b>4.</b>	<b>Improving profitability</b>

# Outlook for 2023

- The stable long-term growth in the demand for Sitowise's services is supported by megatrends.
- Several uncertainties in the market.
- Outlook for H2 in Buildings business is weak.
- In Infra, Digi and Sweden we see both areas of stronger and weaker demand but overall, the outlook remains good.
- Other factors impacting include cost inflation, a lower number of working days, EUR/SEK exchange rate and higher interest expenses.

# Guidance for 2023 (unchanged)

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.

# New leader for Buildings



## Timo Räikkönen

Business Area Director of Buildings,  
member of the GMT

- Joins Sitowise from the position of Executive Vice President of Destia's Urban Development and Design Services.
- Will start in his position in February 2024 at the latest

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

# Strategy implementation: converting strategic plans to operational initiatives

## The most innovative



- Updating innovation model to be more focused and agile
- Building innovation culture with new initiatives inviting clients to collaborate and co-create novel business opportunities
- Screening of opportunities related to AI and already deployment of some efficiency increasing tools in projects
- Innovation competition launched in August

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## The most sustainable



### Sustainability services:

- Development of our existing sustainability tool
- Identifying areas with high growth and margin potential: renewable energy, climate change mitigation & adaptation, biodiversity, and circular economy.

### Own operations:

- Assuring Sitowise's sustainability data for the first time
- Developing own sustainability related processes.



# Strategy implementation: converting strategic plans to operational initiatives

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- Assuring Sitowise's sustainability data for the first time
- Developing own sustainability related processes.

## The most efficient



- Defining and implementing the Smartest Ways to Work
- Improving key IT systems (service platform, ERP and CRM).
- In Sales Excellence a new sales model and a new sales organization launched

# The ongoing strategic initiatives support our ambitions

- **to grow our recurring revenue to be 10% of Sitowise's annual net sales by the end of 2025**
- **to double our sustainability services revenue to exceed 10 million euros by the end 2025**

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**Thank you!**

**Q&A**