

**SITOWISE**

**Resilience and growth in the  
challenging market  
environment in 2023**

**SITOWISE GROUP PLC**

**Q4/FY 2023 RESULT PRESENTATION**

**27 FEBRUARY 2024**



# Agenda

1. Executive summary
2. Q4 performance
3. FY 2023 performance
4. Market outlook & guidance for 2024
5. Strategy implementation
6. Q&A



**CEO**  
**Heikki Haasmaa**

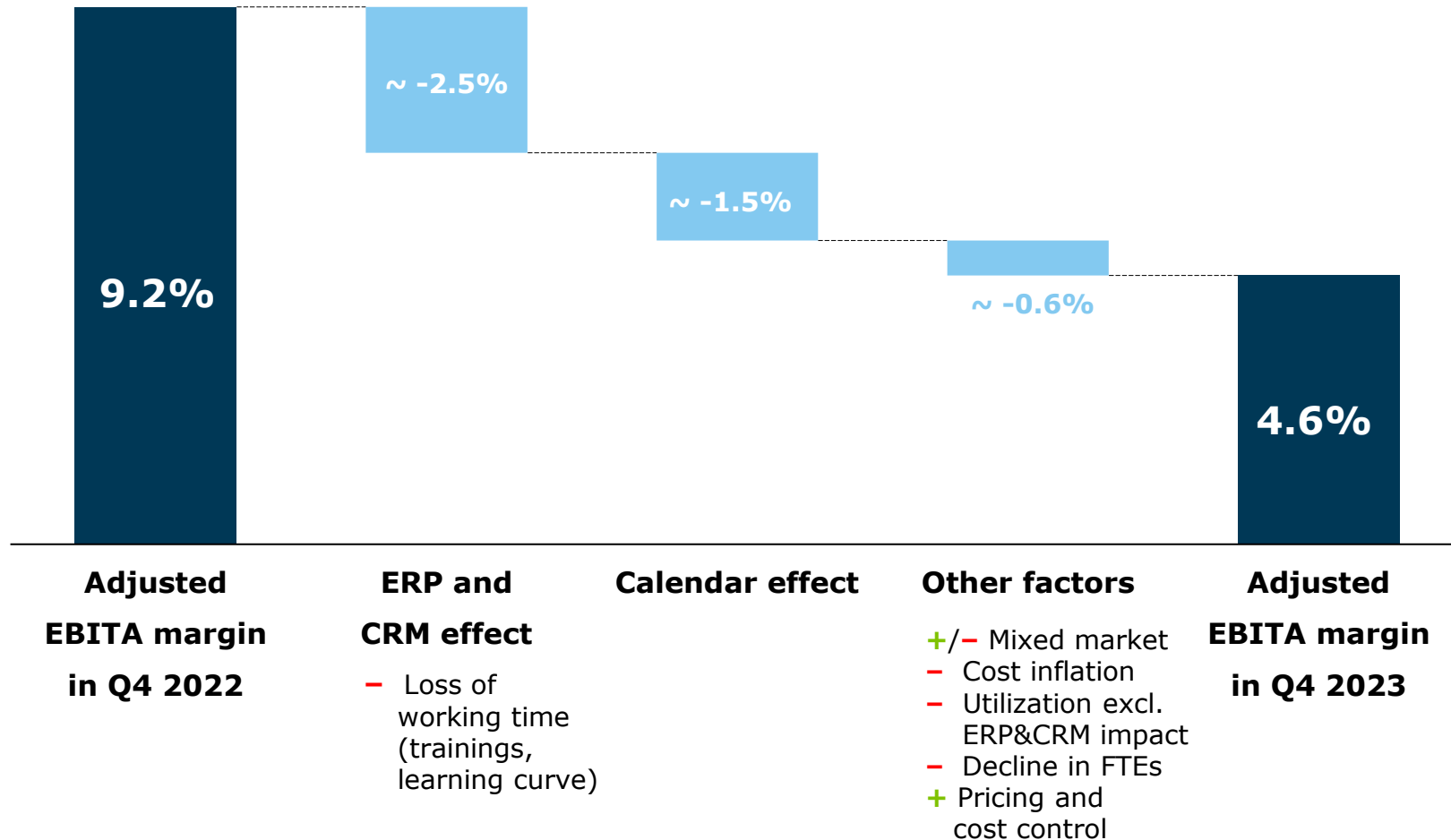


**CFO**  
**Hanna Masala**

## Q4: Net sales down by -8.3, adjusted EBITA margin 4.6%

- Strong performance in Infra and Digi, steps to right direction in Sweden, Buildings facing challenges.
- **Net sales** down by 8.3%\* to EUR 52.8 (57.6) million, organic growth -6%.
- **Adjusted EBITA** EUR 2.4 (5.3) million. Adjusted EBITA-% 4.6% (9.2%).
- Impact of **new ERP and CRM** roughly -2% in net sales and -2.5%-points in adjusted EBITA-%.
- **Operating profit** EUR 0.3 (3.8) million.
- **Cashflow from operating activities** before financial items and taxes EUR 11.3 (13.1) million.
- **Order book** down by 2% to EUR 164 million during Q4. Insufficient workload in Buildings.

# EBITA margin bridge Q4/22 vs Q4/23



- **Good underlying business performance**
  - The adverse impacts of external factors successfully mitigated with pricing, cost control and adapting operations to existing markets in the Buildings business.
- **The ERP and CRM implementations a key driver for the decline in Q4**
  - More scalable and modern tools better supporting growth when the market picks up

# Q4: we expanded our sustainability services offering with targeted acquisitions

## Positive Impact 11/2023

*Carbon footprint calculators, carbon handprint studies, sustainability programs, climate roadmaps, and software related to sustainability.*

*2022 net sales 0.4 million, 7 experts joining Sitowise.*



Business transaction **12/2023, closed 1/2024**

*Nature surveys, especially related to wind parks, Natura evaluations, archaeological surveys and nature and environmental education.*

*Estimated 2023 net sales 2.3 million, 20 experts joining Sitowise.*

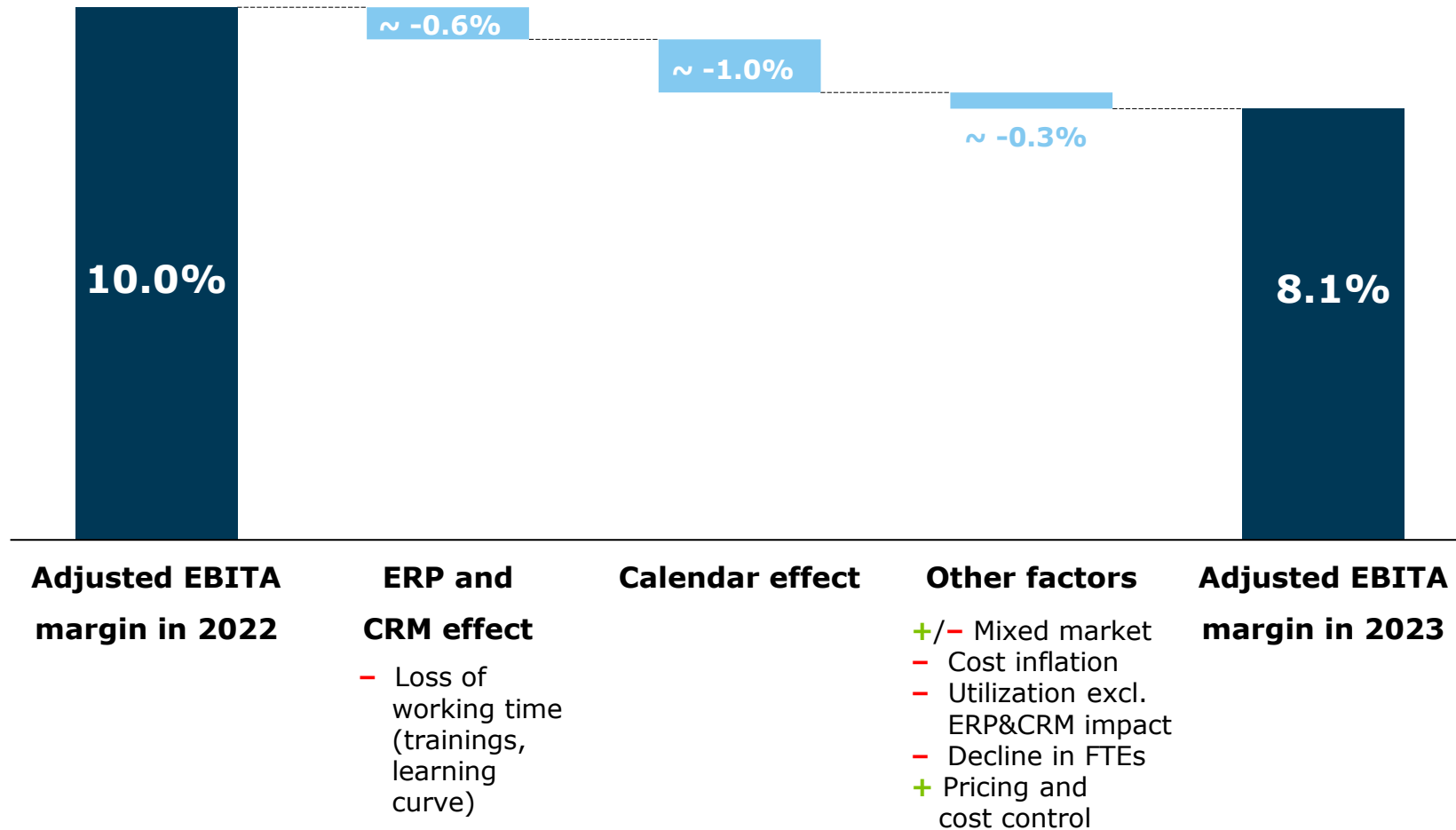


**SITOWISE**

# FY 2023: Net sales up by 3.2%, adjusted EBITA margin 8.1%

- **Market environment** continued to be mixed. Strong year in Infra and Digi.
- **Net sales** up by 3.2%\* to EUR 210.9 (204.4) million, organic growth was 1%.
- **Adjusted EBITA** totaled EUR 17.0 (20.4) million. Adjusted EBITA margin 8.1% (10.0%).
- **Operating profit** EUR 11.7 (13.2) million.
- **Cashflow from operating activities** before financial items and taxes EUR 23.9 (22.7) million.
- **Leverage** (net debt / adjusted EBITDA) was 3.0x (2.9x).
- **3 acquisitions:** Infrasuunnittelu, Positive Impact Finland Oy, Ahlman Group Oy's expert operations.
- **EPS** EUR 0.16 (0.20). The Board of Sitowise proposes that no dividend would be paid.

# EBITA margin bridge 2022 vs 2023



- Also for the full year 2023, the decline in adjusted EBITA margin decline was heavily impacted by the negative calendar effect and the ERP and CRM implementations.



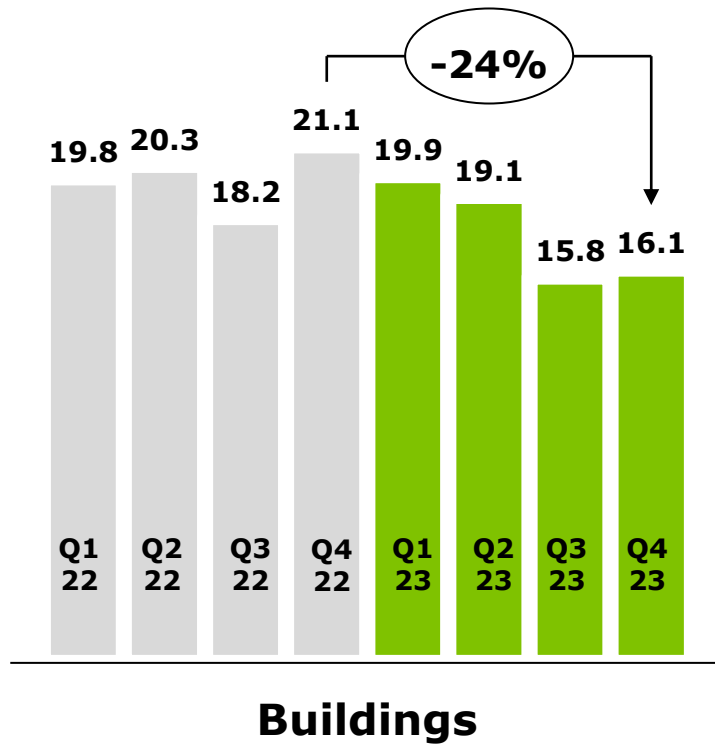
# Buildings





# Continued headwind from markets

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



## Factors impacting Q4

- The underlying Finnish new construction market continued to deteriorate
- High interest rates slowing down growth in renovation construction
- Negative calendar effect (-1 working day), heavy impact from ERP & CRM implementations
- / + Adaptation to the market situation with change negotiations and consequent personnel reductions
  - + New organization
  - + Future growth areas identified
- Benefits from savings from downsizing lost due to further market deterioration
- Order book down and year 2024 started with insufficient workload

## Outlook for 2024

- The first part of 2024 will still be challenging, and the market is expected to show signs of recovery earliest towards the end of 2024.
- Temporary layoffs started in January in structural engineering
- + Positive impacts of the completed change negotiations starting to show from early 2024
  - + New organization
  - + Future growth areas identified
- + Renovation market showing signs of picking up
- + Positive calendar effect in 2024 (-1 day in Q1, +1 day in both Q2 and Q3 and equal number of days in Q4)

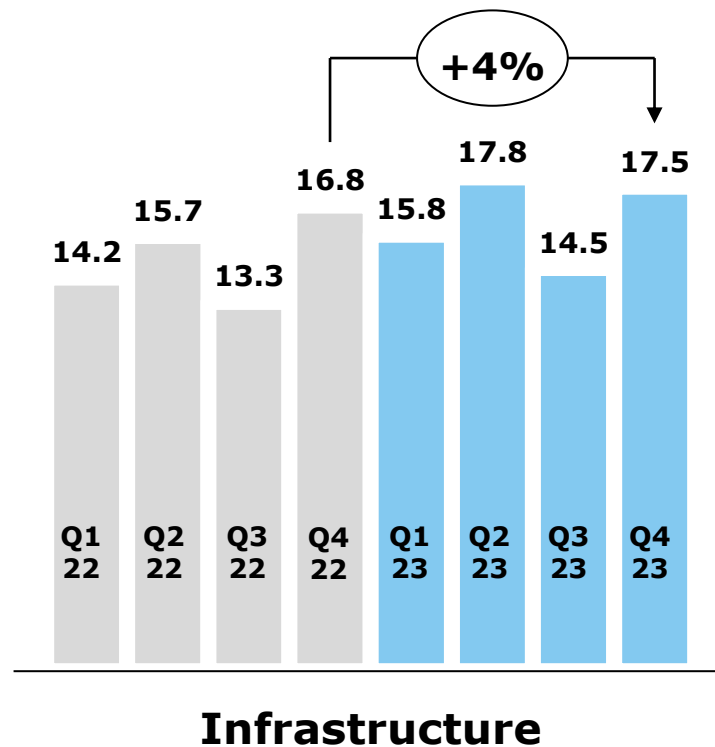
**Infra**





# Continued strong performance measured with all KPIs

## Net sales per quarter, figures in EUR million



## Factors impacting Q4

- + / - The division of the market into weaker and stronger segments continued:
  - + Strong demand for energy and environmental projects related to the green transition and security critical services
  - 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)
- + Order book increased and is at good level.

## Outlook for 2024

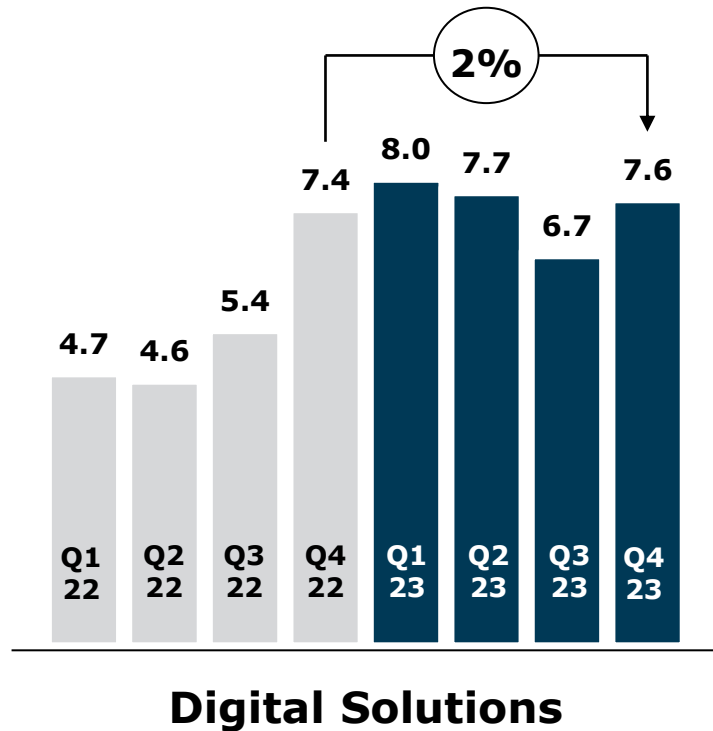
- + As a whole the outlook for Infra remains good.
- + / - Mixed market environment expected to continue
- + / - The materialization of the Government program further delayed with the tendering rounds for the first large projects are expected to start in Q2 2024 at the earliest.
- + Positive calendar effect in 2024 (-1 day in Q1, +1 day in both Q2 and Q3 and equal number of days in Q4)

# Digital Solutions



# Good ending for a great year

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



## Factors impacting Q4

- + / - Mixed market environment with private sector demand slowing down
  - + Public sector investments still at good level
  - + The rapidly growing renewable energy sector is bringing in new business
  - Investment budgets declining in private sector
- + Good organic growth and progress in product sales
- + Pricing and utilization rate on good level
- Negative calendar effect (-1 working day)
- Increased competition and price pressure
- + Orderbook increased and is at a good level

## Outlook for 2024

- + As a whole the outlook for Digital Solutions remains good.
- + / - Growth rate is expected to be moderate due to a more challenging market environment and completion of the LeafPoint roll-out in Q3/2023.
- Macro-driven investment budget cuts seen in the private sector
- + Positive calendar effect in 2024 (-1 day in Q1, +1 day in both Q2 and Q3 and equal number of days in Q4)



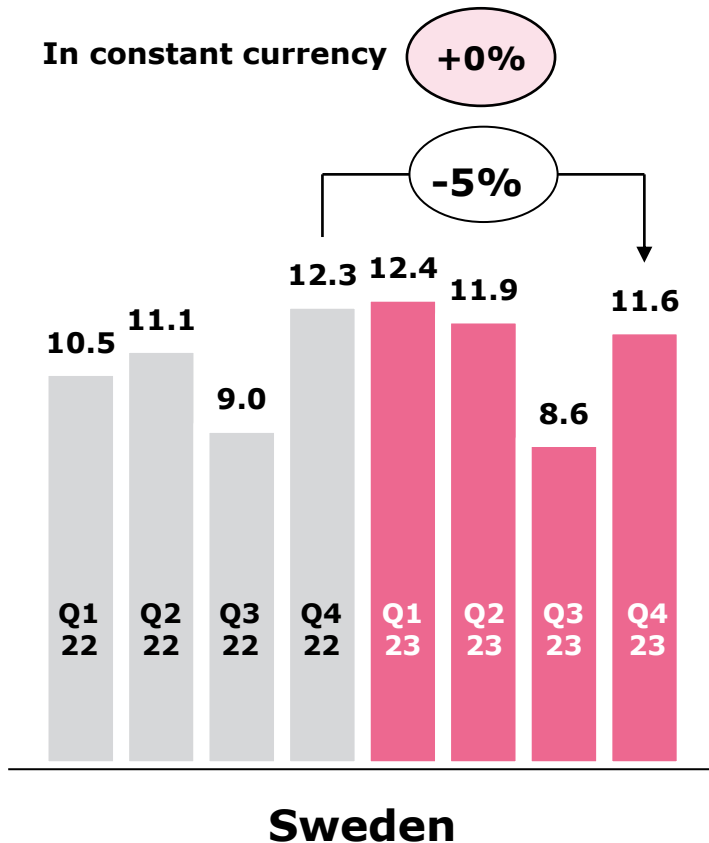
Sweden





# Steps towards the right direction

Net sales per quarter,  
figures in EUR million



## Factors impacting Q4

- + / - Slightly softer, but overall still reasonably good market
- + Local infra market growing fast
- + Stable demand in commercial, industrial, and institutional building projects
- Local housing market very weak
- Macro-driven market: high inflation and interest rates visible
- Continued strong impact from currency exchange rates (weakening Swedish krona gains euro) on net sales
- + / - Focus shifted to proactive sales, pricing excellence and diligent project management, but impacts yet to be materialized
- + / - Orderbook slightly down but on a good level

## Outlook for 2024

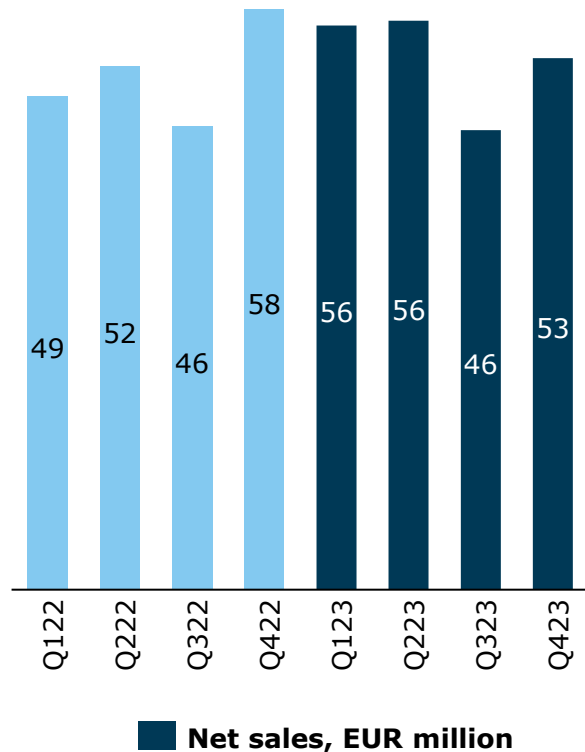
- + / - Mixed market environment expected to continue.
- + / - Increasing focus on proactive sales, pricing excellence and diligent project management, but impacts materializing gradually
- + / - Neutral calendar effect in 2024 (-1.5 day in Q1, +1 both in Q2 and Q3, -0.5 Q4)

# Group performance

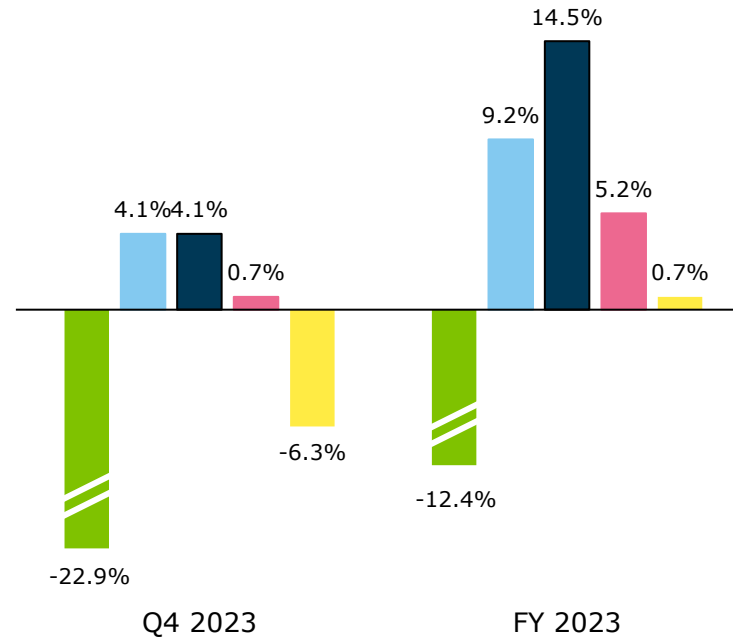
The background features a complex network of blue nodes connected by thin white lines, set against a dark blue gradient. Overlaid on this network are several green wireframe models of buildings and structures. A prominent signpost with the word 'LIXIV' is visible in the upper right quadrant. The overall aesthetic is technical and digital.

# Good sales growth especially in Digi and Infra

**Net sales**  
EUR million



**Adjusted organic growth by business area**



**Factors impacting Q4**

- + Adjusted organic growth clearly ahead of the market in Infra and in Digi
- Continued market deterioration in Buildings
- Impact from ERP and CRM implementations in Finland roughly -2% in net sales growth
- Negative calendar effect (-1 working day) and impact from the weakening of the krona

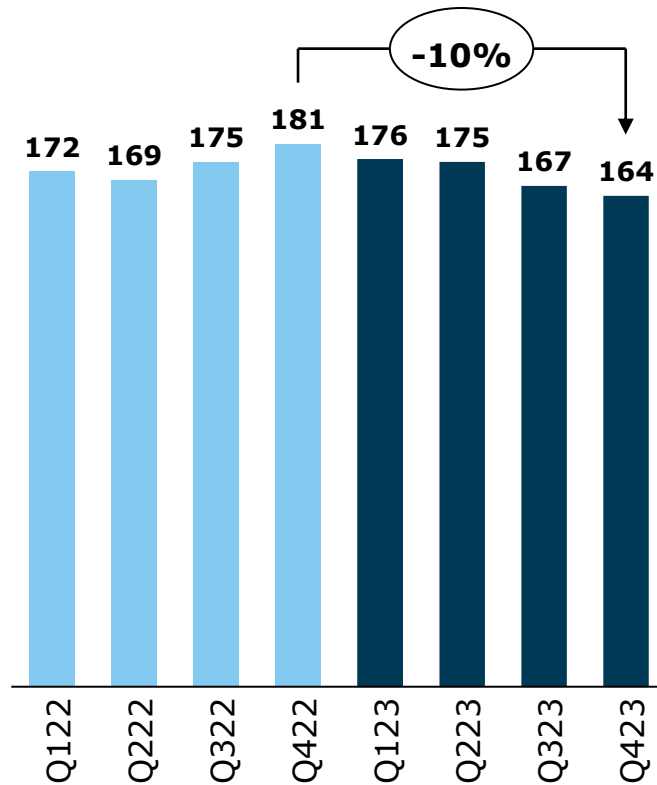
■ Buildings ■ Infra ■ Digital Solutions ■ Sweden ■ Group

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

# Healthy order books in Infra, Digital Solutions and Sweden

## Order book

EUR million



## Examples of recent tenders won



Renovation of prime property owned by Sponda in Helsinki center (BUILDINGS)



Expert work related to Laakso Hospital rock construction such as overseeing excavation work (INFRA)



5-year agreement with the Finnish Transport Infrastructure Agency on their spatial information services platform (DIGI)

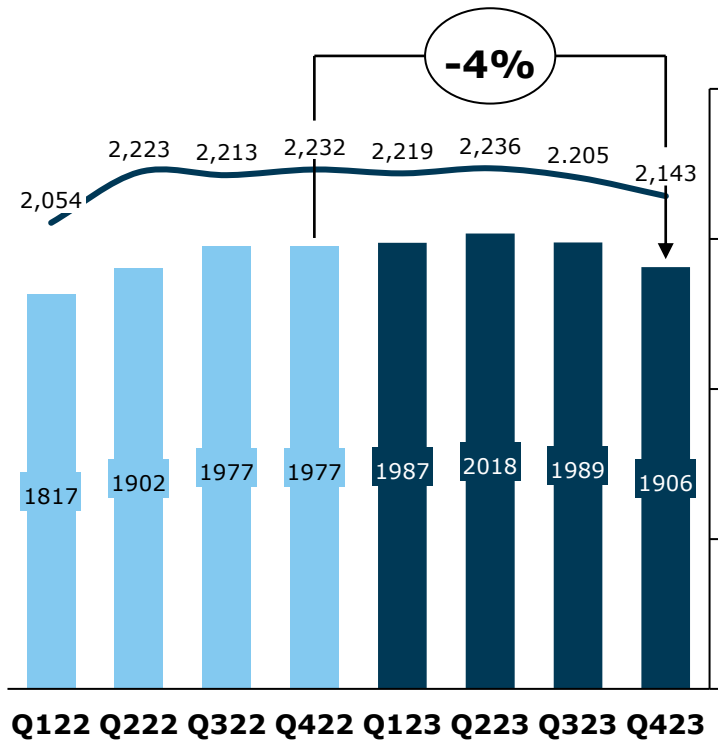


Design of the second phase of Tvärbanan Kista grenen, Stockholm (SWEDEN)



# Clearly weaker construction market and the ERP&CRM implementations visible in key KPIs

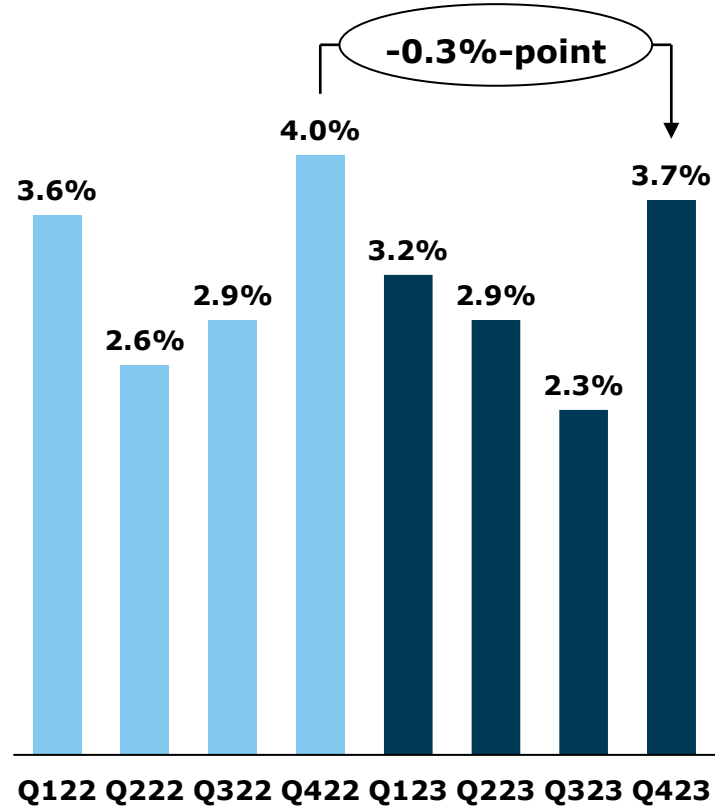
## FTEs



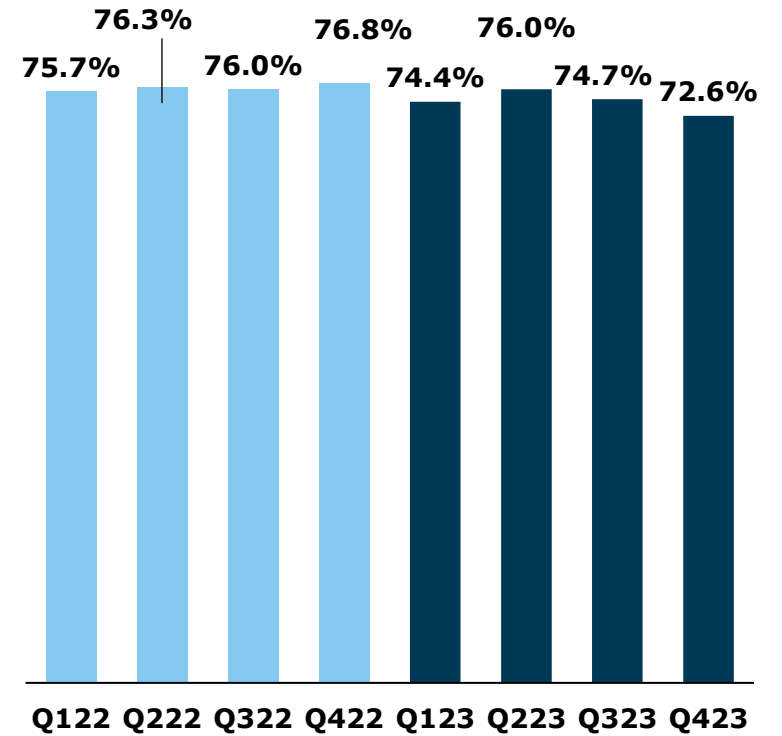
— Headcount

■ FTE

## Sickness absences



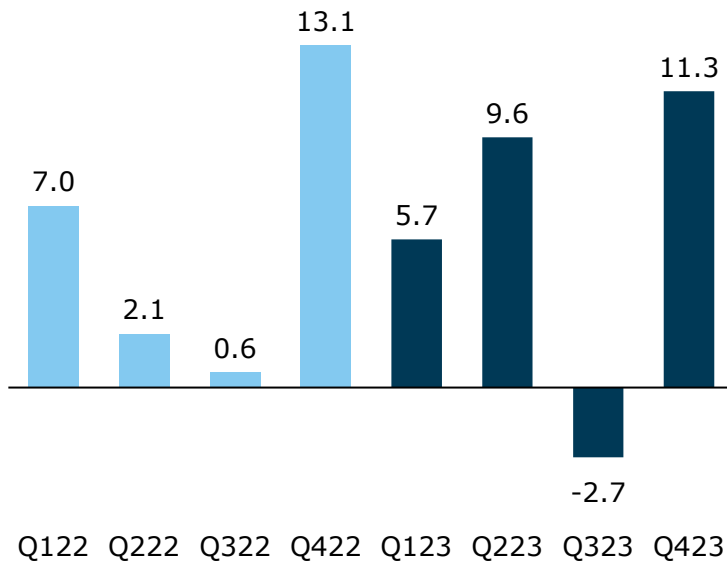
## Utilization rate



# Strong cashflow, leverage remained high

## Cash flow from operating activities

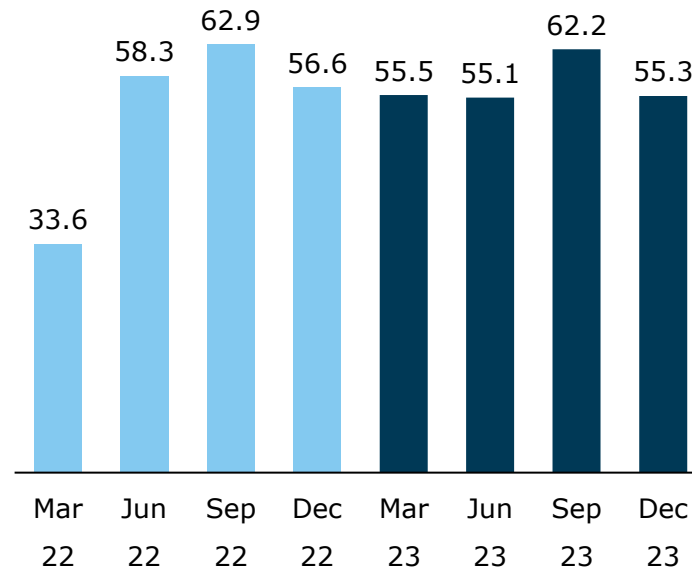
Before financial items and taxes, EUR million



**FY cash flow EUR 23.9 million**  
(EUR 22.7 million in 2022)

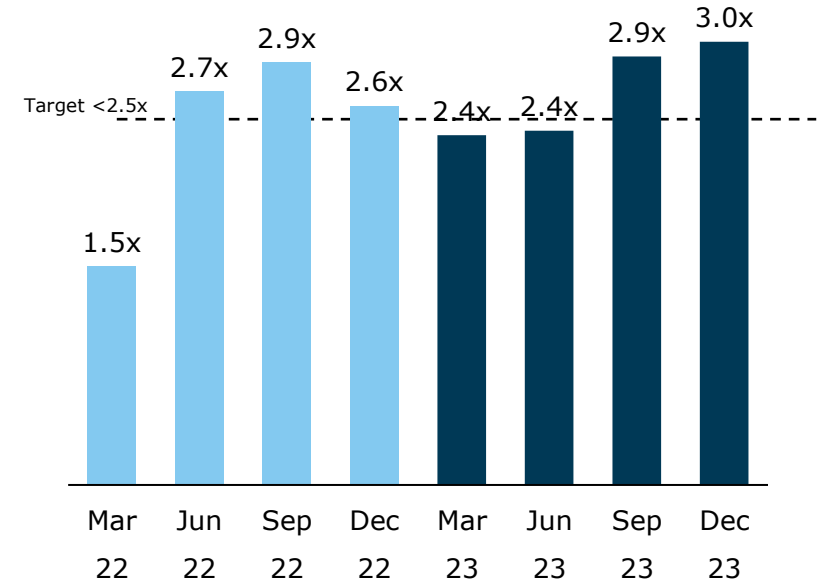
## Net debt

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 December
  - EUR 71 million of the financing agreement was in use (46% were fixed-rate loans and 54% variable-rate loans)

# FY 2023 performance ahead of comparison year

EUR million	Q4 2023	Q4 2022	Change	2023	2022	Change
<b>Net sales</b>	52.8	57.6	-8.3%	210.9	204.4	3.2%
<b>EBITA, adjusted</b>	2.4	5.3	-54.6%	17.0	20.4	-16.5%
% of net sales	4.6%	9.2%		8.1%	10.0 %	
<b>EBITA</b>	1.3	4.7	-73.5%	15.1	16.1	-5.9%
<b>Operating profit</b>	0.3	3.8	-91.1%	11.7	13.2	-11.1%
<b>Result for the period</b>	-0.9	2.4	-135.7%	5.5	7.9	-29.9%
<b>Cash flow from operating activities before financial items and taxes</b>	11.3	13.1	-13.4%	23.9	22.7	5.4%
<b>Net debt</b>				55.3	56.6	-2.2%
<b>Net debt / EBITDA, adjusted</b>				3.0x	2.6x	16.6%
<b>Equity ratio, %</b>				42.9%	41.6%	
<b>Earnings per share (EPS), EUR</b>	-0.02	0.07	-133.0%	0.16	0.22	-28.4%
<b>Dividend per share (DPS), eur</b>				0.00*	0.10	
<b>Number of personnel, average</b>	2,169	2,237	-3.0%	2,151	2,211	2.8%

**2023 NET SALES**

**+3.2%**

YoY growth

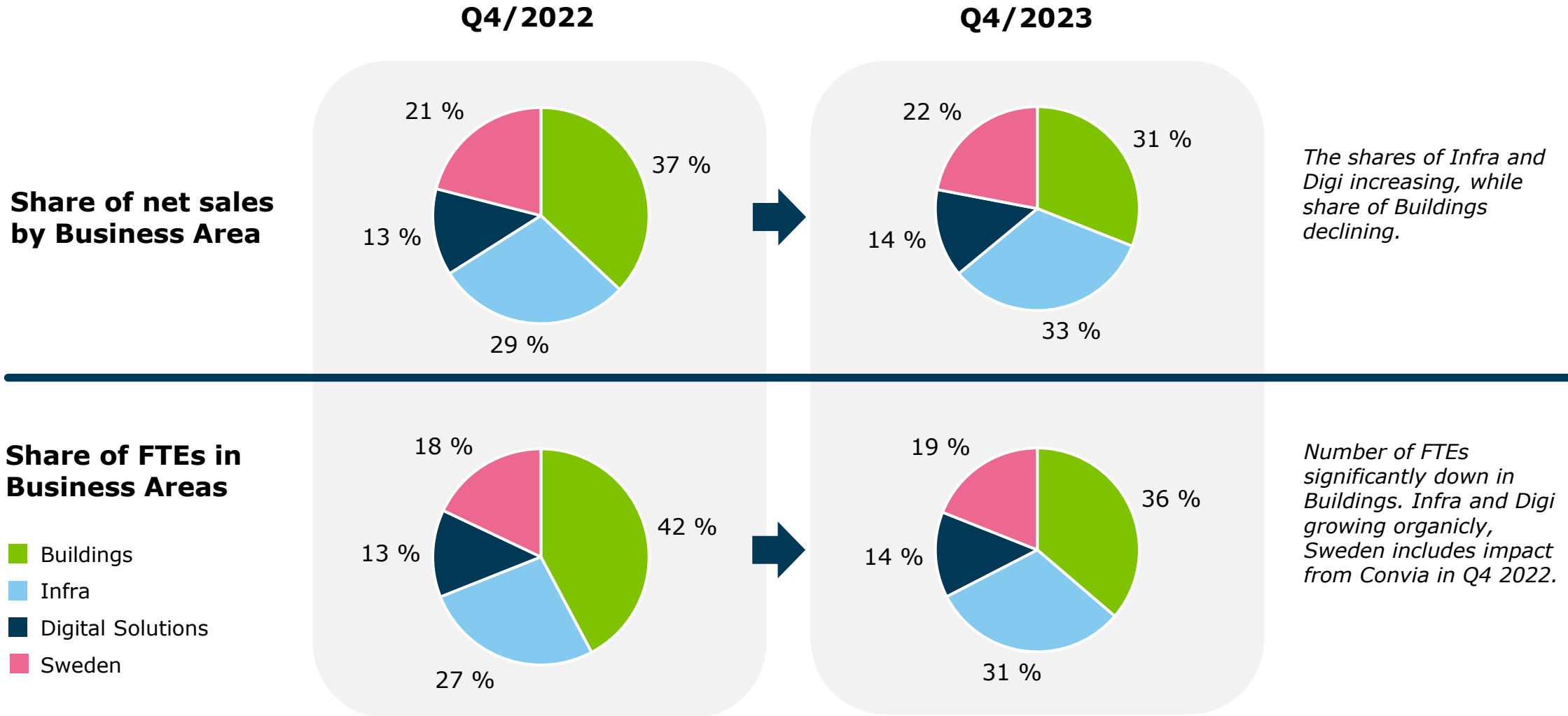
(5% in constant currencies)

**2023 ADJUSTED EBITA MARGIN**

**8.1%**

\* Considering the current market environment, and to preserve capital for future growth initiatives, the Board of Directors proposes that no dividend be paid based on the balance sheet to be adopted for the financial year 2023. The Board will consider using the authorization for share buy-backs during 2024.

# Towards a more balanced business portfolio



# Our priority in 2024 is to improve our profitability

## FACTORS IMPACTING

- **Market environment:** construction industry and macro-driven slowness in some other parts
- Demand for services related to **green transition, security and digitalization of the built environment**
- **Interest rates and inflation**
- **Tail effect** from ERP & CRM implementations
- **Bitcomp merger** in Q1 in Digital Solutions

## OUR ACTIONS

<b>1.</b>	<b>Sales and pricing excellence</b>
<b>2.</b>	<b>Cost awareness</b>
<b>3.</b>	<b>Billable project work</b>
<b>4.</b>	<b>Focus on growth sectors:</b> renewable energy, industrial clients and sustainability services
<b>5.</b>	<b>Smartest ways to work</b>



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<b>5.</b>	<b>Smartest ways to work</b>

# Wage inflation and higher number of working days y-on-y will impact performance in 2024

## Q1 2024 vs. Q1 2023

- -1 working day in Finland, -1.5 days in Sweden y-on-y
- Annual wage increases of 2.5% in force from February 2024 onwards in Finland
  - The y-o-y increase in February and March corresponds to roughly 6.0% (in 2023 increases from April)

## Q2-Q4 2024 vs. Q2-Q4 2023

- **Q2 and Q3:** +1 working day both in Finland and Sweden in Q2
- **Q4:** Equal amount of working days in Finland and -0.5 days in Sweden
- Wage increases of approx. 3.1%, agreed upon the collective agreements, impacting in Sweden from 1 April onwards

# Outlook for 2024

- The stable long-term growth in the demand for Sitowise's services is supported by megatrends.
- The timing, and the possible consequences of, the anticipated central banks' decisions to lower interest rates will affect market environment in 2024.
- Market environment is expected to remain mixed.
- Key drivers for growth will be increasing demand for services related to green transition, security, and digitalization of the built environment. In Buildings, the first part of the year will still be challenging.
- Other factors impacting include cost inflation, a higher number of working days, EUR/SEK exchange rate and higher interest expenses.

# Guidance 2024

**Sitowise Group's net sales is expected to slightly decline in 2024, driven by the Buildings business decline. Adjusted EBITA margin (%) is expected to be at the 2023 level or above in 2024.**

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



# The most **Innovative**



## Some highlights from 2023

- ✓ Innovation Model updated for more focused and customer-centric
- ✓ Each Business Area has new Smart services maturing towards commercialization & first sales
- ✓ We continued to strengthen our data and analytics capabilities

## Direction 2024 →

- ✓ Create **innovative culture** that enables to generate ideas that are selectively accelerated and developed into new solutions with significant commercial potential
- ✓ Continue building **scalable SaaS business** leveraging our broad expertise throughout the lifecycle
- ✓ Enrich **design environments** and processes with new solutions

# The most Sustainable



## Some highlights from 2023

- ✓ We have organized around sustainability services to drive further the development and sales in the recognized areas
- ✓ Two acquisitions to support profitable growth: Positive Impact and Ahlman Group
- ✓ Commitment to frameworks (SBTi, Ecovadis, Global Compact) and preparing reporting based on new (ESRS) standards

## Direction 2024 →

- ✓ Bring sustainability as an integral part of all our projects, developing existing expertise, and **understanding client needs**
- ✓ Grow data-based strategic **sustainability services** for built environment
- ✓ Consider extensively how sustainability affect everyday work and **develop own operations** as responsible as possible

# The most **Efficient**



## Some highlights from 2023

- ✓ New sales organization with specific sales groups for the strategic sales growth areas
- ✓ New ERP (Unit4) and CRM (Salesforce) systems rollout
- ✓ Development and implementation of smartest ways of working

## Direction 2024 →

- ✓ Focus on **sales excellence** and customer-centricity
- ✓ Ensure **competitive advantage** through right processes, tools & data creating less waste, more meaningfulness
- ✓ Position as **the most profitable** company in our industry to be able to grow and develop

# Good progress in our strategic ambitions

- **to grow our recurring revenue to be 10% of Sitowise's annual net sales by the end of 2025**

2022	2023	...	TARGET 2025
4%	6%		10%

- **to double our sustainability services revenue to exceed 10 million euros by the end 2025**

2022	2023	...	TARGET 2025
5 M€	8 M€		>10 M€

# Annual General Meeting 2024

- **Thursday, 4 April 2024  
in Espoo**
- **Registration opens tomorrow  
(28 Feb)**
- **Welcome!**







**Thank you!**

**Q&A**