

SITOWISE

Strong performance in Infra and Digi, Buildings and Sweden facing challenges

**SITOWISE GROUP PLC
Q3 2023 RESULT PRESENTATION
2 NOVEMBER 2023**



Agenda

1. Executive summary
2. Q3 performance
3. January-September performance
4. Market outlook & guidance for 2023
5. Strategy implementation
6. Q&A



CEO
Heikki Haasmaa



CFO
Hanna Masala

Strong performance in Infra and Digi, challenges in Buildings and Sweden

What went well?

- **Infra and Digital Solutions** continued their strong performance
- **Adaptation to current market situation in Buildings** progressed according to plan
- **Cost control and pricing mitigating the effects of inflation**
- **Lower voluntary attrition rate and sickness absences**

What were the challenges?

- **Market headwinds**
 - Continued market deterioration in Buildings
 - Slightly softening market in Sweden
 - Slow down in private sector demand in Digital Solutions
- **Focus on internal development in Sweden at the cost of sales and utilization**

Strong performance in Infra and Digi, challenges in Buildings and Sweden

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Q3 Key figures

€45.6m

Net sales

-1%

Net sales growth

+1%

Organic growth
(Adjusted for currency
and calendar effects)

€3.5m

Adjusted EBITA

7.6%

Adjusted EBITA
margin (%)

€165m

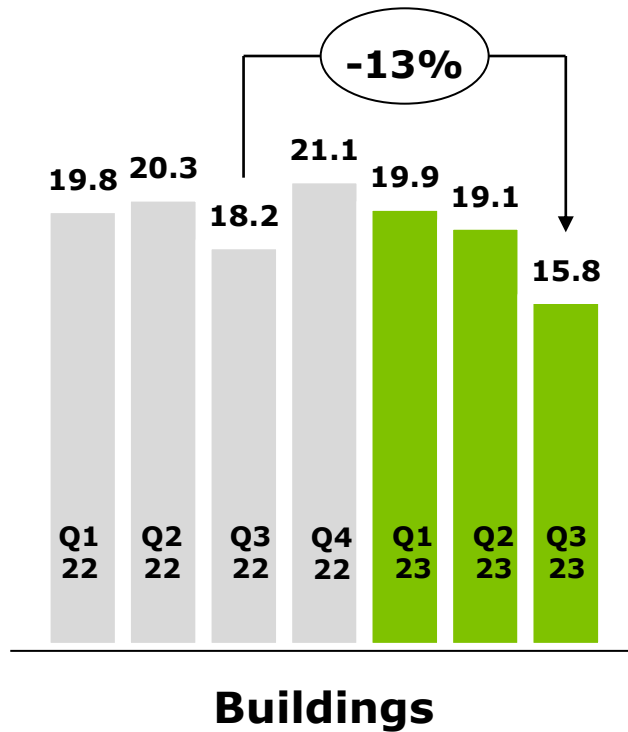
Order book

Buildings



Continued headwind from markets, good progress in building the foundation for future growth

Net sales per quarter,
figures in EUR million



Factors impacting Q3

- The underlying Finnish new construction market continued to deteriorate
- High interest rates slowing down growth in renovation construction
- Negative calendar effect (-1 working day)
- + Average prices developed well, utilization at good level
- / + 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 Q4 2023

- The outlook for the rest of the year in the Buildings business area is weak, challenges expected to continue in 2024.
- Negative calendar effect (-1 working day) also in Q4 2023
- + Positive impacts of the completed change negotiations starting to show from Q4 onwards
 - + new organization
 - + future growth areas identified
 - + savings from downsizing

Buildings seeks growth with a sharpened focus

CHANGE NEGOTIATIONS COMPLETED

Objectives

- Securing conditions for future growth
- More agile ways of working
- Developing national cooperation
- Improving profitability

Outcomes

- New leaner organization
- Close to 80 redundancies
- Financial impacts:
 - One-time costs in Q4
 - Savings from Q4 onwards (in 2023 temporary layoffs)

FUTURE GROWTH BY

Increasing focus on services with high margins:

1.
 - Special services
 - Energy efficiency planning
 - Security critical

Broadening client base and offering

2.
 - Commercial and logistics buildings
 - Automation
 - Smart services

3. Agile cooperation between local offices

4. **Improving profitability** with new sales culture, pricing excellence, utilization and cost control

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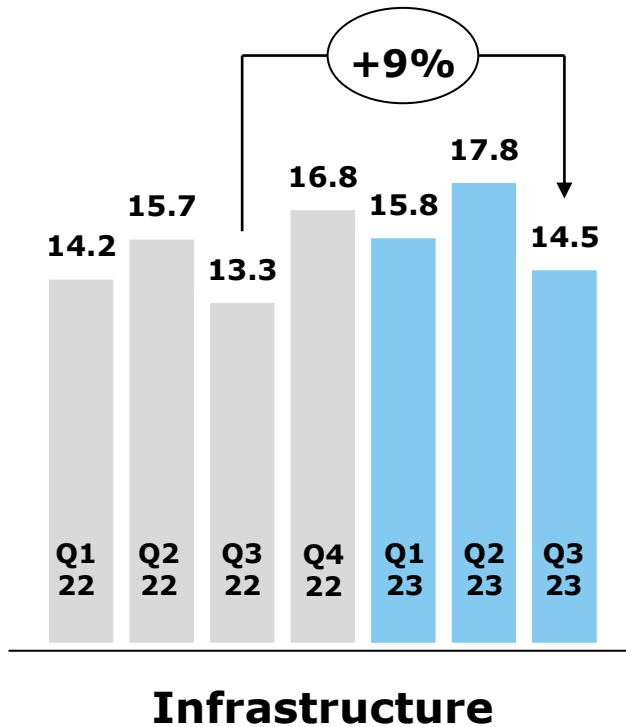
4. **Improving profitability** with new sales culture, pricing excellence, utilization and cost control

Infra

Infra continues to grow ahead of market

– Strong performance measured with all KPIs

Net sales per quarter,
figures in EUR million



Factors impacting Q3

+ / - 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)
- Utilization rate and order book on slight decline

Outlook for Q4 2023

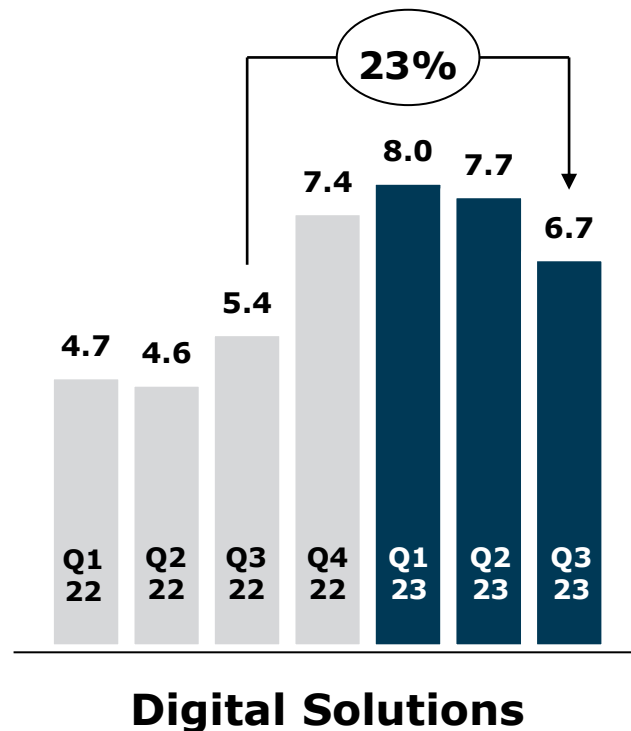
- + As a whole the outlook for Infra remains good. Effects of the new Finnish Government program yet to be seen
- + / - Mixed market environment expected to continue
- Negative calendar effect also (-1 working day) in Q4 2023

Digital Solutions

An aerial photograph of a city at dusk or dawn, with a dark blue sky and scattered clouds. The city is overlaid with a digital data visualization. This visualization consists of numerous vertical yellow bars of varying heights, interspersed with clusters of small, multi-colored dots (red, green, blue, yellow) that form a large, abstract shape in the foreground. The background shows a cityscape with various buildings, a large white dome structure, and distant hills.

Continued strong organic growth driven by successful product sales, pricing and utilization

Net sales per quarter,
figures in EUR million



Factors impacting Q3

- + / - 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
- + Strong 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 was at a strong level

Outlook for Q4 2023

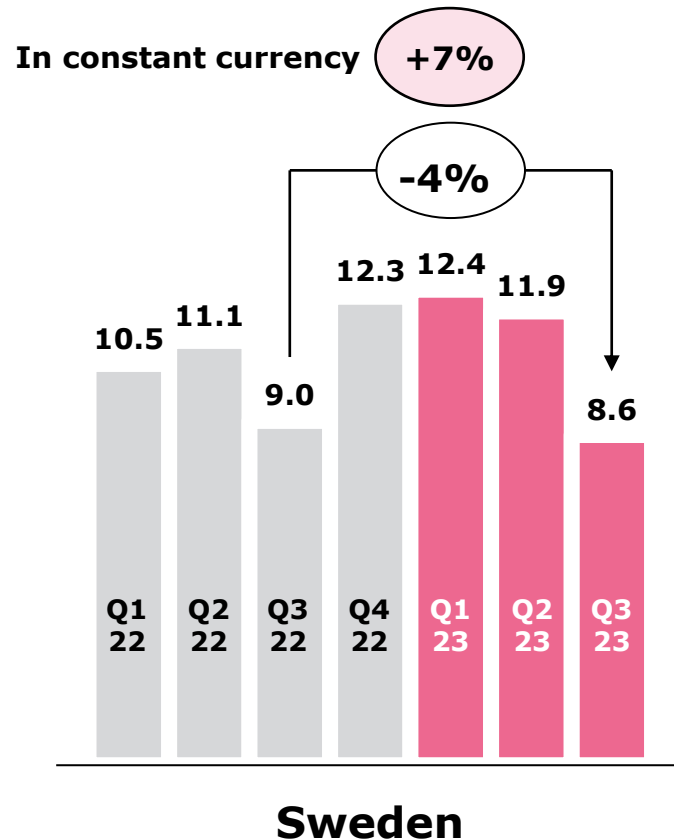
- + As a whole the outlook for Digital Solutions remains good.
- + / - Growth rate is expected to slow down due to a more challenging market environment and completion of the LeafPoint roll-out (market saturation) to all Finnish forest associations
- Macro-driven investment budget cuts seen in the private sector
- Negative calendar effect (-1 working day) also in Q4 2023



Sweden

Growth in Sweden slowed down

Net sales per quarter,
figures in EUR million



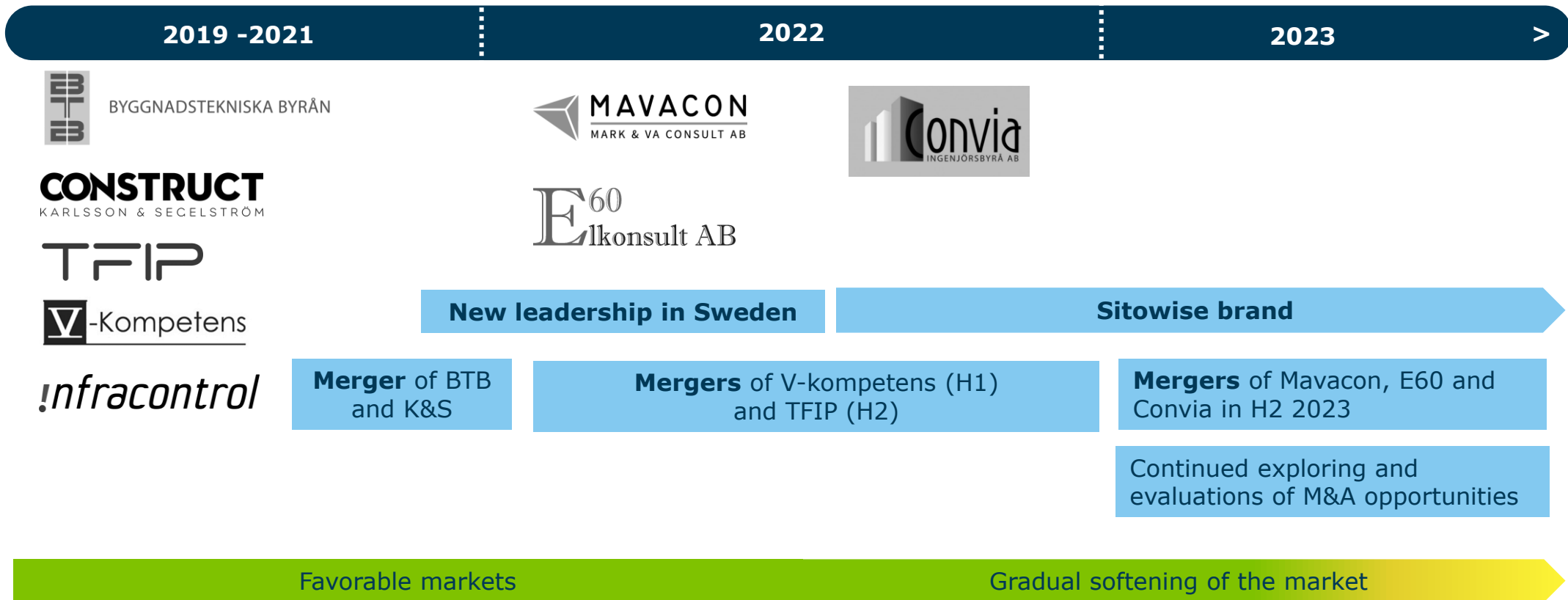
Factors impacting Q3

- + / - 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 in the slower market pick-up after summer, and as prolonged decision making times
- Continued strong impact from currency exchange rates (weakening Swedish krona gains euro) on net sales
- Focus on integration and internal challenges impacting performance, see next slide
- Utilization rate was down y-o-y
- / + Orderbook slightly down, but still on a good level

Outlook for Q4 2023

- + / - Mixed market environment expected to continue.
- + / - The root causes for Q3 weakness have been recognized and analysed, and corrective actions will take us back on track, but will take some time
- Negative calendar effect (-1 working day) also in Q4 2023

Building a strong core for Sweden



Industry leading expertise in selected segments

8 acquisitions since 2019

- Integrations started in 2022 under the new leadership
- Challenges in one major project in Sweden

In Q3 overweight in internal activities at the cost of sales

Our actions to restore performance in Sweden

FUTURE GROWTH AND PERFORMANCE

Higher external focus, especially sales

- 1.**
 - Proactive sales efforts (short-term) and building new sales culture (mid-term)
 - Pricing excellence
 - Focus on selected high growth segments

Increased focus on project performance

- 2.**
 - Resourcing
 - One challenging project to be finalized by the end of year

More selective approach in internal activities

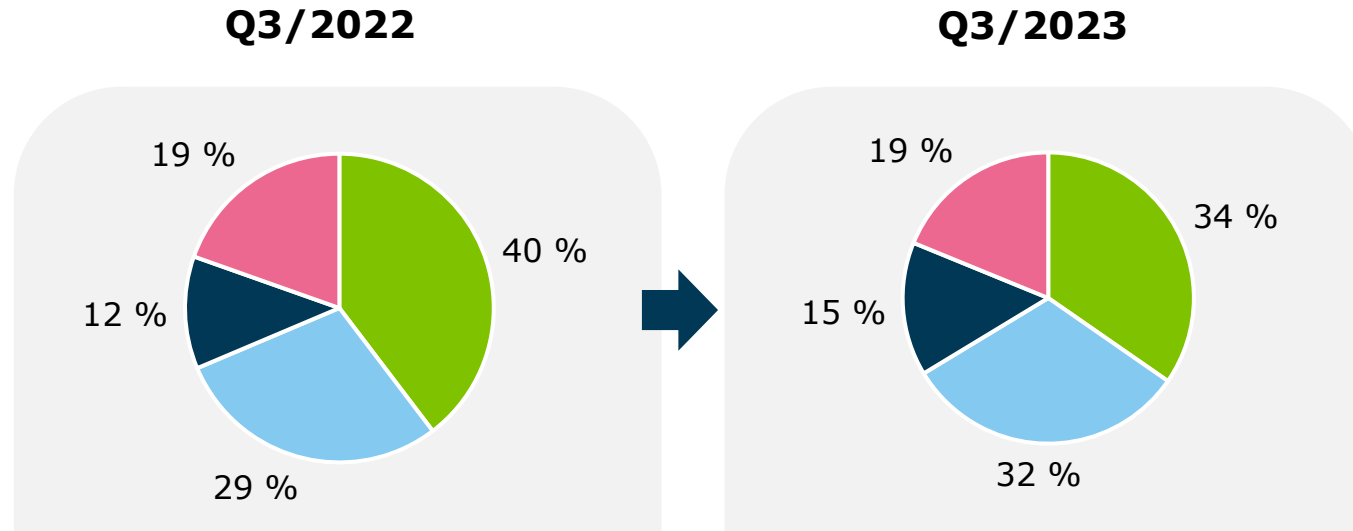
- 3.**
 - Some non-critical development projects postponed

Group performance



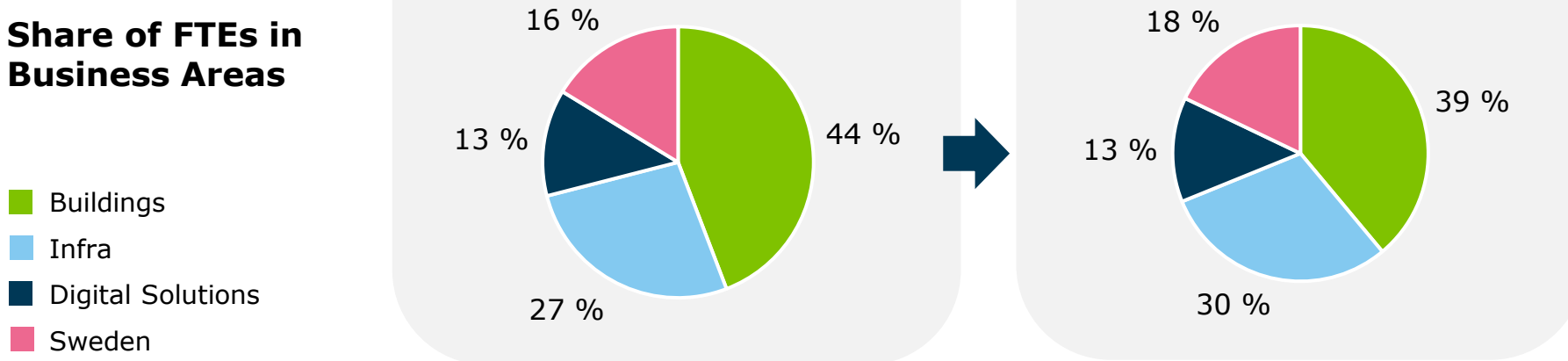
Transition towards a more balanced business portfolio

Share of net sales by Business Area



The shares of Infra and Digi increasing, while share of Buildings declining.

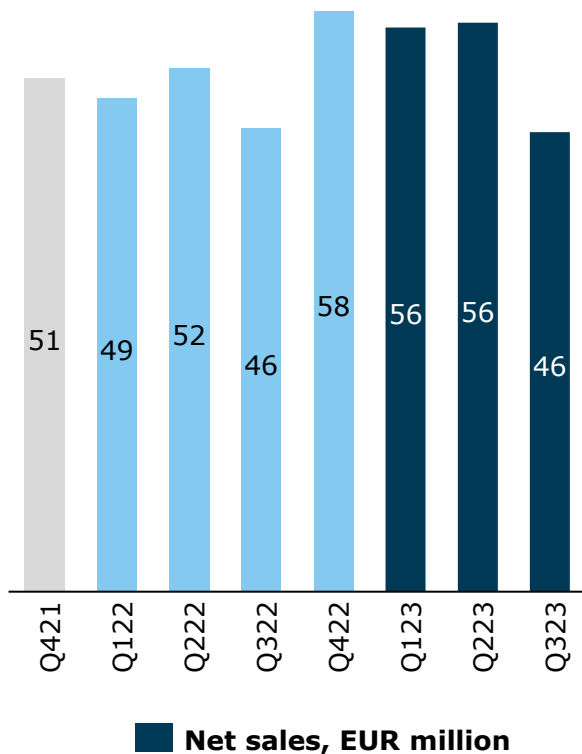
Share of FTEs in Business Areas



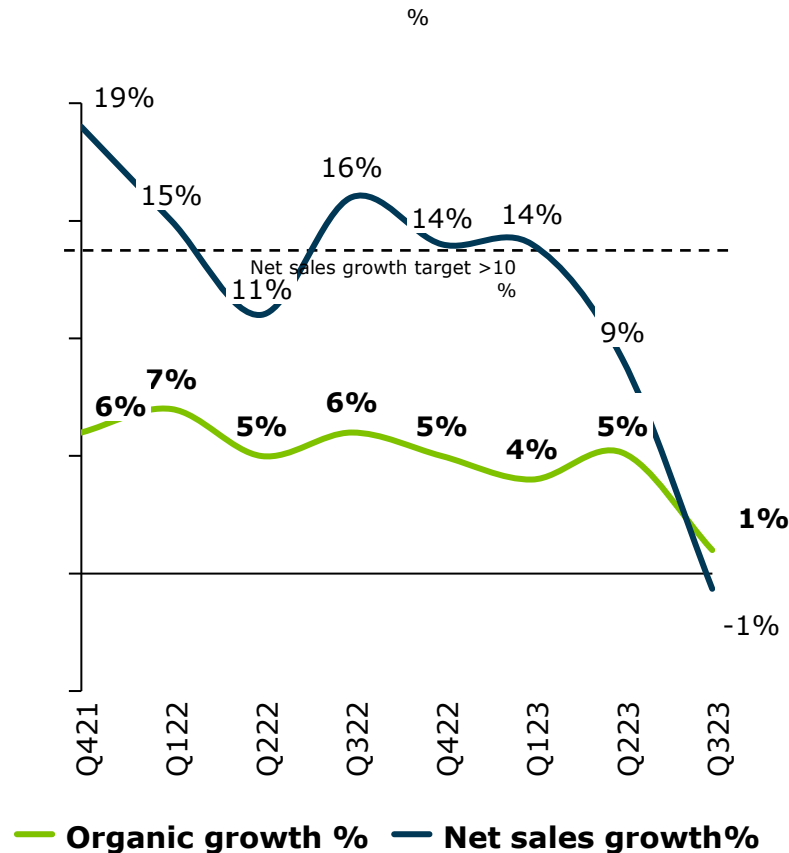
Number of FTEs significantly down in Buildings. Infra and Digi growing organically, Sweden includes impact from Convia in Q4 2022.

Net sales at the level of the comparison period

Net sales
EUR million



Net sales growth and organic growth, %*

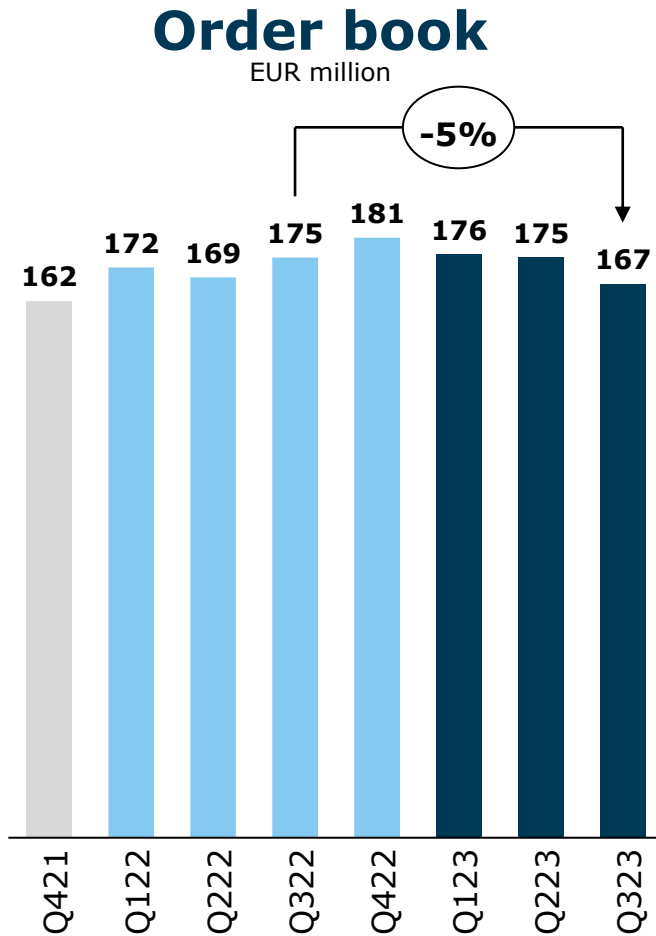


Factors impacting Q3

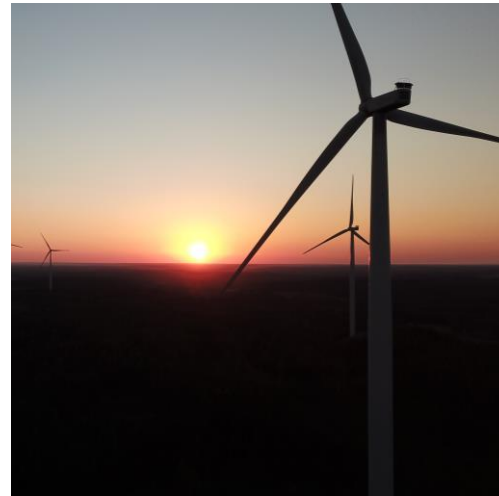
- + Organic growth clearly ahead of the market in Infra and in Digi
- Challenging market in Buildings
- In Sweden reported net sales adversely impacted by the weakening of the Swedish krona against euro and focus on integration and internal challenges
- Negative calendar effect (-1 working day)

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

Order book still at a good level



Examples of recent tenders won



Framework agreement with Neoen on environmental surveys and permit process management for various renewable energy projects, such as wind farms and solar energy projects (**INFRA**).

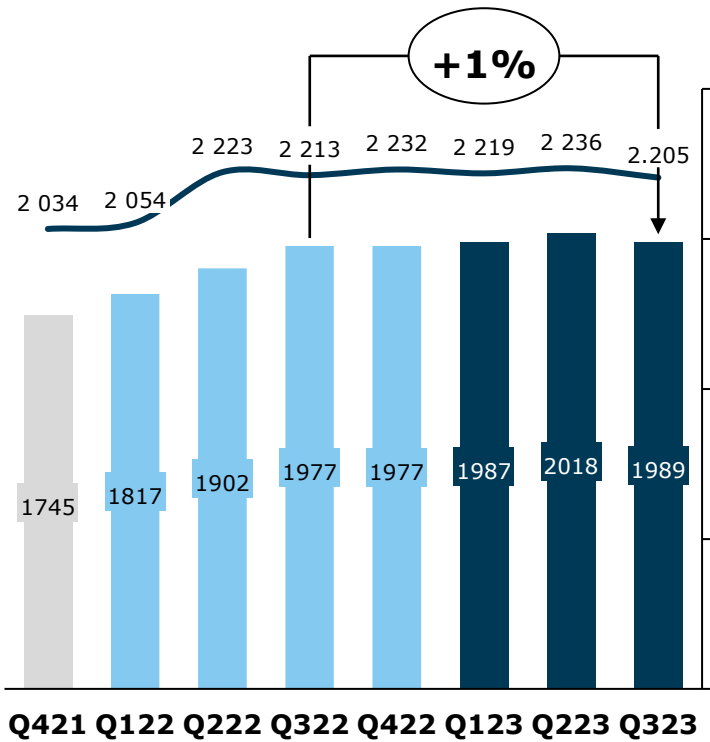


Service agreement with Solkompaniet Sverige AB on using Louhi GIS data management platform in solar farm exploration and development (**DIGI**).

Increasing number of cross Business Area tenders in pipeline

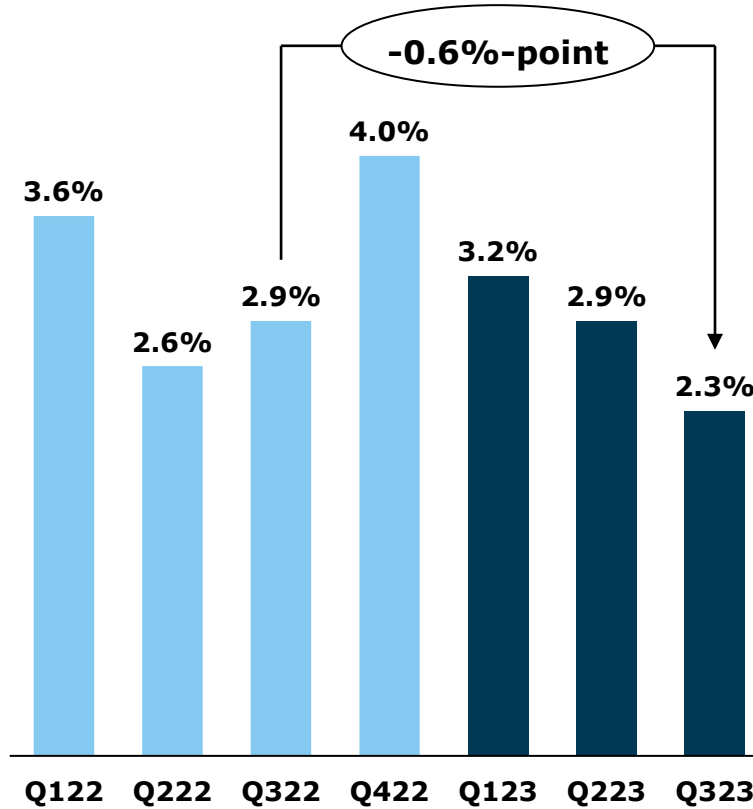
Market environment and internal initiatives reflected in utilization rate

FTE

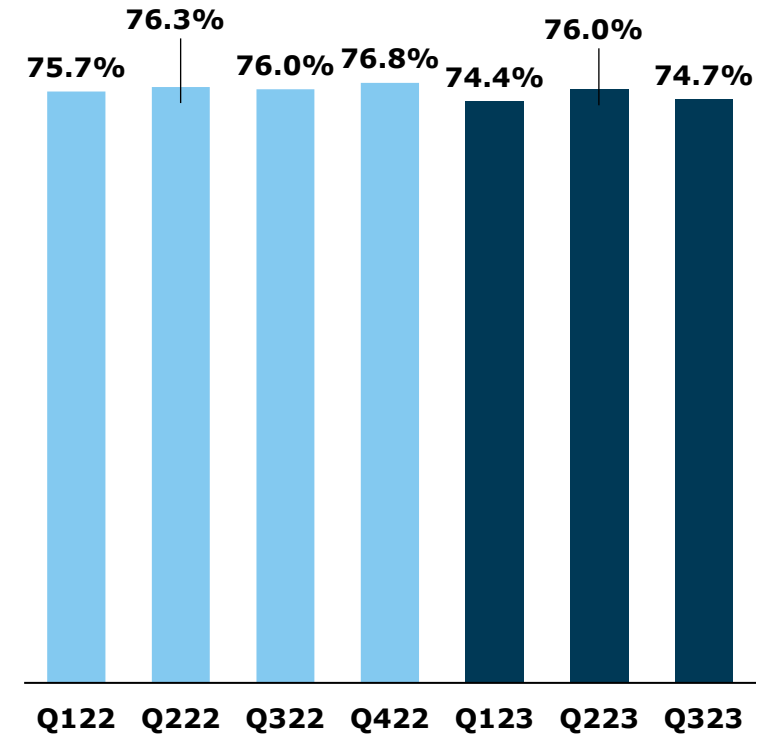


— Headcount
 ■ FTE

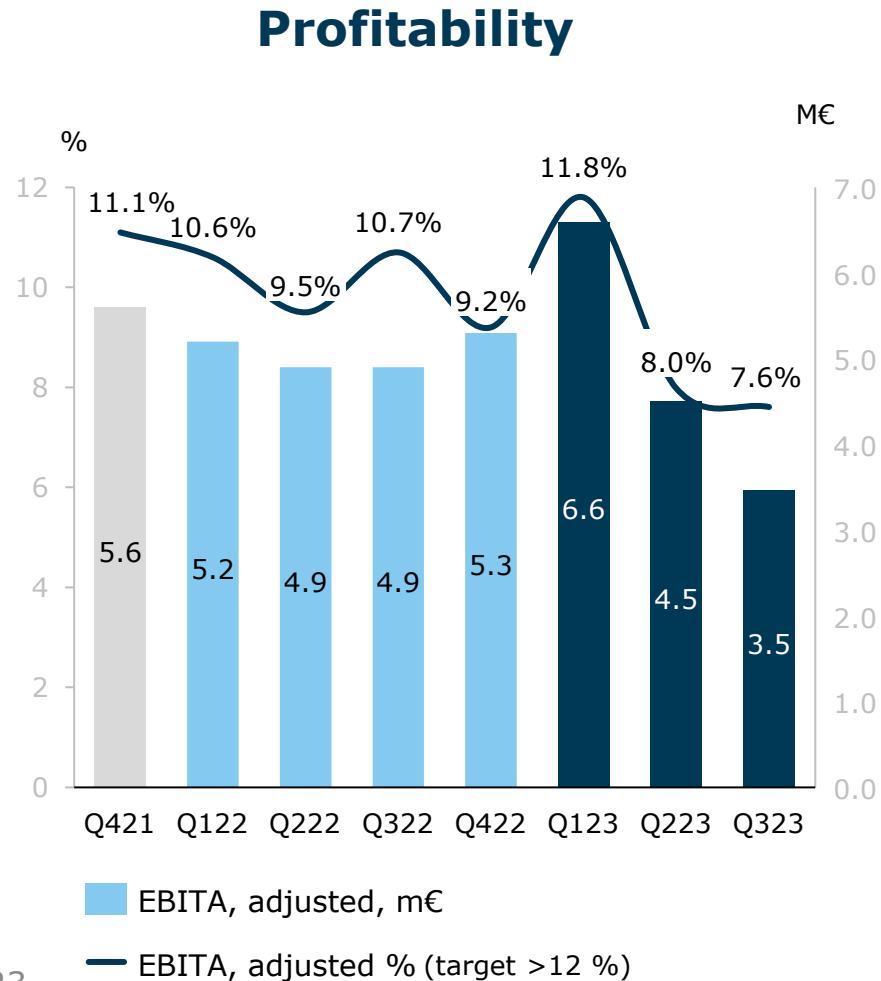
Sickness absences



Utilization rate



Weak performance in Buildings and Sweden key drivers for the decline in adjusted EBITA margin



Key factors impacting Q3

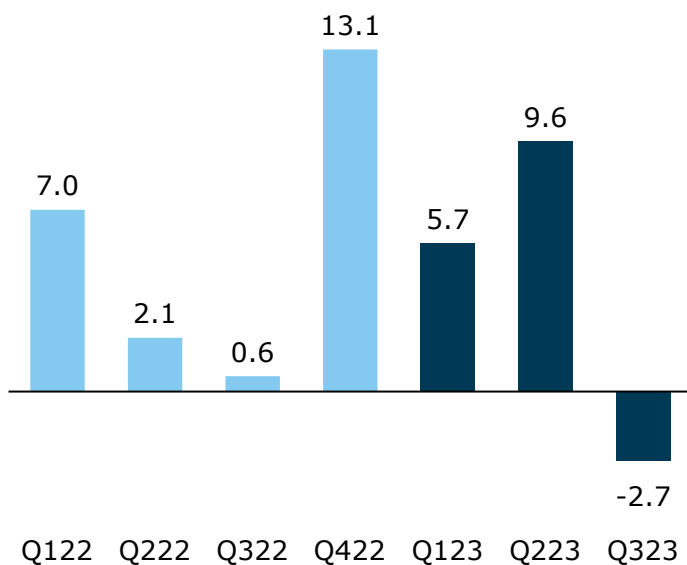
- 1.**
 Continued deterioration of the underlying market in Buildings
- 2.**
 Weaker than expected performance in Sweden
- 3.**
 Salary and other cost inflation
 The impacts successfully mitigated with pricing and cost efficiency measures
- 4.**
 Negative calendar effects

Seasonally weak cashflow further pressed by lower profitability

– Net debt and leverage typically decline towards year-end

Cash flow from operating activities

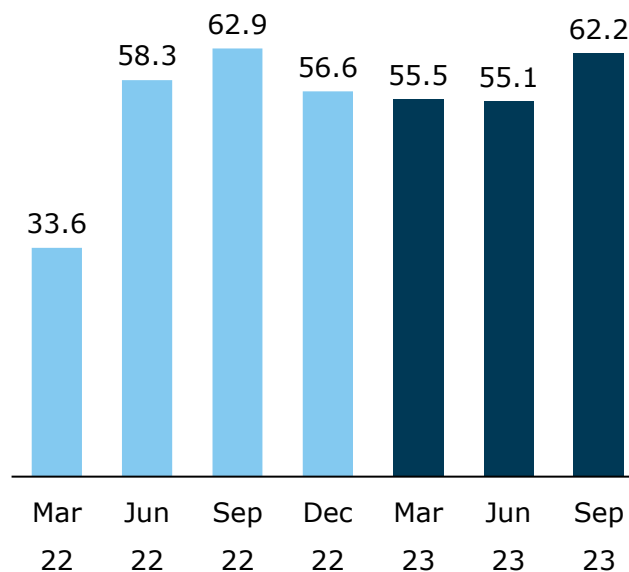
Before financial items and taxes, EUR million



Jan-Sep cashflow €12.6 million
(€9.6 million)

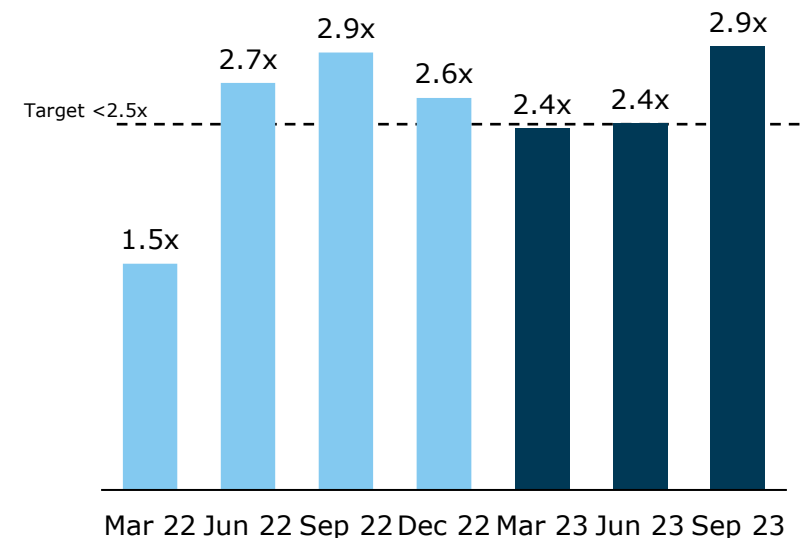
Net debt

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 September
 - EUR 72 million of the financing agreement was in use (46% were fixed-rate loans and 54% variable-rate loans)

January-September 2023: Net sales up by 7.7%, adjusted EBITA margin 9.2%

- **Market** environment continued to be mixed.
- **Net sales** up by 7.7%* to EUR 158.1 (146.8) million, organic growth was 3%.
- **Adjusted EBITA** totaled EUR 14.6 (15.1) million. Adjusted EBITA margin 9.2% (10.3).
- **Operating profit** increased to EUR 11.4 (9.4) million.
- **Cashflow from operating activities** increased to EUR 12.6 (9.6) million.
- **Leverage** (net debt / adjusted EBITDA) was 2.9x (2.9x).
- **NPS 32, eNPS 18.**
- **New strategy** launched in February.
- **Acquisition of Infrasuunnittelu** in May.

* +10% in constant currency

YTD performance ahead of comparison period

EUR million	Q3 2023	Q3 2022	Change	1-9 2023	1-9 2022	Change	2022
Net sales	45,6	45,9	-0,7 %	158,1	146,8	7,7 %	204,4
EBITA, adjusted	3,5	4,9	-29,5 %	14,6	15,1	-3,1 %	20,4
% of net sales	7,6 %	10,7 %		9,2 %	10,3 %		10,0 %
EBITA	3,3	4,5	-28,0 %	13,9	11,4	22,2 %	16,1
Operating profit	2,3	3,7	-39,5 %	11,4	9,4	21,2 %	13,2
Result for the period	0,8	2,8	-72,7 %	6,4	5,5	16,4 %	7,9
Cash flow from operating activities before financial items and taxes	-2,7	0,6	-561,4 %	12,6	9,6	31,0 %	22,7
Net debt				62,2	62,9	-1,1 %	56,6
Net debt / EBITDA, adjusted				2,9x	2,9x	2,6 %	2.6x
Equity ratio, %				44,7 %	44,1 %		41,6 %
Earnings per share (EPS), EUR	0,02	0,08	-72,5 %	0,18	0,15	18,2 %	0,22
Dividend per share (DPS), eur							0,10
Number of personnel, average	2 216	2 177	1,8 %	2 224	2 122	4,8 %	2 151

**JAN-SEP
NET SALES**

8%

YoY growth

(10% in constant
currencies)

**JAN-SEP
OPERATING
PROFIT**

21%

YoY growth

Outlook for 2023

- The stable long-term growth in the demand for Sitowise's services is supported by megatrends.
- Several uncertainties in the market.
- Market outlook for the rest of the year in Buildings business is weak.
- In Infra, Digi and Sweden market outlooks are more mixed with areas of both growing and slowing demand. The weakened macro-economic outlooks slow down growth in Finland and Sweden.
- Other factors impacting include ERP and CRM go-lives in Finland, cost inflation, a lower number of working days, EUR/SEK exchange rate and higher interest expenses.

Guidance for 2023 (updated on 19 October)

Sitowise Group estimates that its net sales in year 2023 in euros will increase compared to 2022, and that its adjusted EBITA margin (%) for the whole year 2023 will be below year-to-date adjusted EBITA margin level of 9.2%, but above 8%.

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



- Building a solid pipeline of new smart services and turning them from ideas into business and product concepts.
- Piloting sales for the Smart Analytics offering.
- Some 30 new business ideas identified in Sitowise's Innovation Competition. Six selected into further development.
- Strengthening data and analytics capabilities, new AI use cases identified and tested.

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The most sustainable



Sustainability services:

- Development of our existing sustainability tool
- New organization and sales lead for Sustainability services to support growth in earlier identified high growth areas: renewable energy, climate change mitigation & adaptation, biodiversity, and circular economy.

Own operations:

- Continued development of own sustainability related processes.

Strategy implementation: converting strategic plans to operational initiatives

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The most efficient



- New sales model and organization: introduction of specific sales groups for high growth areas and for horizontal business area.
- Defining and implementing the Smartest Ways to Work
- Improving key IT systems (service platform, ERP and CRM).

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**



Thank you!

Q&A