

Looks set to beat its strategic targets in 2022

Siili's Q4 confirmed to us that the company is accelerating its growth to >10% and taking its EBITA margin to >10% (i.e., delivering its strategic targets). The portfolio and acquired companies continue to perform solidly, while we believe the strong momentum enjoyed by the Finnish digital consulting market should help Siili's core operations back to higher growth. We think the valuation is attractive and repeat our fair value range of EUR 20-22.

Key Data (2022E)

Price (EUR)	13.16
Reuters	SIILI.HE
Bloomberg	SIILI FH
Market cap (EURm)	92
Market cap (USDm)	105
Net debt (EURm)	3
Net gearing	9%
Net debt/EBITDA (x)	0.2
Shares fully dil. (m)	7.0
Avg daily turnover (m)	0.1
Free float	52%

Q4: Well in line, minor negative EBIT revisions

Siili's H2 and Q4 performances were roughly in line with our estimates. The minor EBITA margin miss was due to a challenging talent market, which applies to the whole sector. We keep our sales estimates intact and reduce 2022E and 2023E EBITA by 7% and 6% respectively. The company's sales guidance range is surprisingly wide, but we think EBITA guidance of EUR 10-13m is encouraging (SEBe: 12m) and shows the company is on track to deliver its strategic aims.

Market remains strong: Siili continues its successful portfolio strategy

We continue to see strong Finnish digital consulting market momentum, boosted by accelerated digitalisation due to Covid, Finnish healthcare reforms and EU stimulus packages. We think the strong market should take Siili's core business back to a higher growth path, while its portfolio and acquisition strategy looks set to deliver robust shareholder value. Vala Group has continued its healthy growth in the quality assurance and testing automation market. We think Supercharge, acquired a year ago, has great potential. The company, which has had a CAGR of 36% in recent years, trusts its competence in mobile development and the low Hungarian production cost, is likely to enter Siili's home market next.

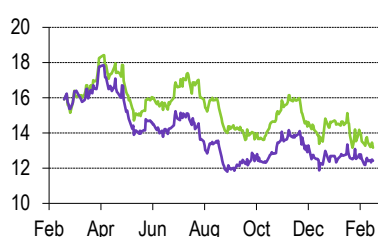
Estimate Revisions (%)

	2022E	2023E	2024E
Revenues	(0)	(0)	n.a.
Adj. EBIT	(1)	1	n.a.
Adj. EPS	(8)	(6)	n.a.

Valuation remains attractive with 2022E EV/EBITDA at 7x

We continue to highlight Siili's low valuation multiples. The FCF yield is >10%, and assuming WACC of 9%, we arrive at our DCF valuation of EUR 22.

Share Price (12M)



Absolute (green) / Relative to Finland (purple).

**Marketing communication
commissioned by:
Siili Solutions**

Financials (EUR)

Year end: Dec	2020	2021	2022E	2023E	2024E
Revenues (m)	83	99	112	121	131
Adj. EBIT	5	8	10	12	14
Pre-tax profit (m)	6	6	10	12	13
EPS	0.63	0.73	1.11	1.33	1.52
Adj. EPS	0.43	0.98	1.34	1.56	1.75
DPS	0.28	0.18	0.50	0.60	0.00
Revenue growth (%)	3.4	19.2	13.2	8.0	8.0
Adj. EBIT growth (%)	41.0	43.7	37.8	18.7	13.6
Adj. EPS growth (%)	(24.0)	125.4	36.4	16.6	12.3
Adj. EBIT margin (%)	6.3	7.6	9.3	10.2	10.7
ROE (%)	20.9	22.1	27.5	27.1	26.4
ROCE (%)	14.0	16.0	17.6	19.6	20.5
PER (x)	30.5	14.9	9.9	8.5	7.5
Free cash flow yield (%)	10.8	7.4	11.9	12.1	12.9
Dividend yield (%)	2.1	1.2	3.8	4.6	0.0
P/BV (x)	4.30	4.11	2.94	2.48	2.11
EV/Sales (x)	1.04	1.16	0.84	0.72	0.61
EV/Adj. EBITDA (x)	9.5	9.5	6.4	5.2	4.3
EV/Adj. EBIT (x)	16.4	15.2	9.1	7.1	5.7
Operating cash flow/EV (%)	11.8	7.3	14.8	16.2	18.7
Net debt/EBITDA (x)	(0.69)	1.04	0.18	(0.29)	(0.68)

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

Q4 recap and estimates

Siili Solutions reported EUR 50.5m sales in H2, which was roughly in line with our estimate of EUR 50.9m (no reliable consensus available). The Q4 organic growth was 11.9% and in line with our estimate, driven especially by the recovery of Siili Auto after the Covid shock, as well as the strong development in VALA. Also, Core FIN showed improvement in Q4, which we find important for the investment case looking forward. Total sales growth was 28.7%, boosted by the acquisition of Supercharge. We calculate that Supercharge contributed around EUR 11.5m to Siili's FY21 and the acquired company's 2021 pro-forma sales were around EUR 13.8m, which implies 36% CAGR since 2019.

Siili's profitability was slightly below our expectations as the (adj.) EBITA margin was 9.9% in H2 (SEBe 10.5%). Profitability was negatively affected by increasing employment costs – related both to salary inflation and employee turnover. Siili has also used subcontractors a bit more than we had expected. The proposed dividend per share (EUR 0.18) was clearly below our expectations (EUR 0.45). However, we understand the lower DPS after the Supercharge acquisition.

Estimate revisions

We make only minor changes to our estimates. With sales estimates broadly intact, we cut our EBITA 2022E-2023E by 7-6% as the employment churn and the wage inflation partially dent the benefits from the increasing top line. Yet, the big picture remains intact and we expect Siili to beat its strategic profitability target level of 10% in 2022.

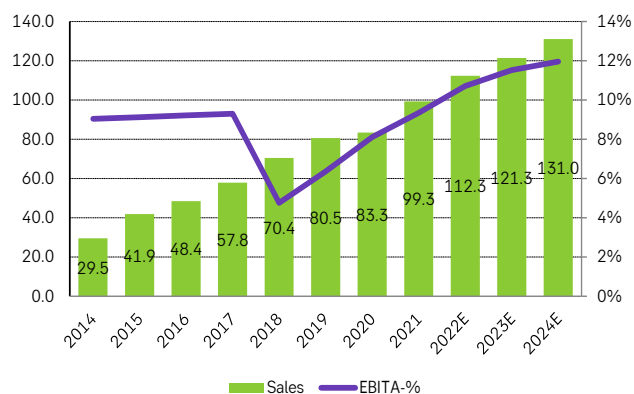
Estimate revisions

(EURm)	New estimates			Old estimates			Difference (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Sales	99.3	112.3	121.3	99.6	112.7	121.8	-0.4	-0.4	-0.4
EBITDA	12.0	14.9	16.9	12.5	16.1	17.9	-3.9	-7.3	-5.7
EBITA	9.3	12.0	14.0	9.6	12.9	14.7	-3.6	-7.0	-5.0
EBITA margin (%)	9.3	10.7	11.5	9.7	11.5	12.1	-0.3pp	-0.8pp	-0.6pp
EBIT	7.6	10.4	12.4	7.5	10.5	12.3	0.8	-0.8	0.7
EPS	0.73	1.11	1.34	0.73	1.11	1.31	0.1	0.4	2.1

Source: SEB

Delivering to the strategic targets

Sales and EBITA-%



Source: SEB

Sales split to organic and acquired



Source: SEB

Estimate tables

Semi-annual estimates

(EURm)	H1/18	H2/18	H1/19	H2/19	H1/20	H2/20	H1/21	H2/21	H1/22E	H2/22E
Net sales	34.2	36.2	40.7	39.8	44.0	39.3	48.7	50.5	56.6	55.7
Sales Growth	17.9%	25.6%	19.1%	10.1%	8.2%	-1.4%	10.7%	28.7%	16.1%	10.3%
External Services	-6.2	-6.7	-7.1	-7.7	-8.3	-7.8	-10.5	-11.3	-11.3	-12.4
<i>Of sales</i>	<i>18.1%</i>	<i>18.6%</i>	<i>17.3%</i>	<i>19.4%</i>	<i>18.9%</i>	<i>19.8%</i>	<i>21.5%</i>	<i>22.3%</i>	<i>20.0%</i>	<i>22.3%</i>
Personnel costs	-21.0	-22.5	-25.6	-24.3	-27.6	-23.4	-28.8	-28.3	-33.9	-30.5
<i>Of sales</i>	<i>61.6%</i>	<i>62.2%</i>	<i>62.9%</i>	<i>60.9%</i>	<i>62.7%</i>	<i>59.6%</i>	<i>59.0%</i>	<i>56.0%</i>	<i>59.9%</i>	<i>54.8%</i>
Other costs	-4.8	-5.2	-4.7	-4.5	-3.9	-3.6	-4.1	-4.6	-4.5	-4.9
<i>Of sales</i>	<i>42.6%</i>	<i>46.9%</i>	<i>-2.7%</i>	<i>-13.8%</i>	<i>-18.0%</i>	<i>-20.1%</i>	<i>6.4%</i>	<i>9.0%</i>	<i>10.0%</i>	<i>6.0%</i>
EBITDA	2.3	1.8	3.5	3.6	4.4	4.7	5.6	6.5	6.9	8.0
EBITDA %	6.7%	5.0%	8.7%	8.9%	10.0%	12.0%	11.4%	12.8%	12.3%	14.3%
Depreciation	-0.4	-0.4	-0.9	-1.0	-1.2	-1.2	-1.3	-1.4	-1.4	-1.4
EBITA	1.9	1.4	2.6	2.6	3.2	3.5	4.3	5.0	5.5	6.5
EBITA %	5.6%	3.9%	6.4%	6.4%	7.3%	9.0%	8.8%	9.9%	9.7%	11.7%
Amortisation	-0.2	-0.7	-0.7	-0.7	-0.7	-0.7	-0.9	-0.8	-0.8	-0.8
EBIT	1.7	0.7	1.9	1.9	2.5	2.8	3.4	4.2	4.7	5.7
EBIT%	5.0%	2.1%	4.6%	4.7%	5.7%	7.2%	6.9%	8.3%	8.3%	10.3%
Pre-tax profit	1.7	0.6	1.7	1.6	5.1	1.2	2.7	3.7	4.4	5.4
Net profit	1.3	0.2	1.3	1.2	4.5	-0.1	2.0	3.1	3.5	4.3
EPS (EUR)	0.19	0.03	0.19	0.17	0.64	-0.01	0.29	0.45	0.50	0.61
Sales by units, SEB est.										
Siili Core	30.5	28.3	31.2	30.0	35.1	30.6	35.6	31.8	38.5	34.0
VALA Group	0.0	3.2	4.0	5.2	5.5	6.0	5.9	7.2	6.4	8.1
Siili Auto	3.7	4.7	5.5	4.7	3.4	2.7	2.9	4.3	4.0	5.6
Supercharge							4.3	7.2	7.8	8.1

Source: SEB

Annual estimates

(EURm)	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net sales	48.4	57.8	70.4	80.5	83.3	99.3	112.3	121.3	131.0
Sales Growth	15.6%	19.4%	21.7%	14.4%	3.4%	19.2%	13.2%	8.0%	8.0%
External Services	-7.8	-10.1	-12.9	-14.8	-16.1	-21.7	-23.7	-25.6	-27.5
<i>Of sales</i>	<i>-16.2%</i>	<i>-17.5%</i>	<i>-18.3%</i>	<i>-18.4%</i>	<i>-19.3%</i>	<i>-21.9%</i>	<i>-21.1%</i>	<i>-21.1%</i>	<i>-21.0%</i>
Personnel costs	-30.4	-35.1	-43.6	-49.9	-51.0	-57.1	-64.5	-69.2	-74.9
<i>Of sales</i>	<i>-62.8%</i>	<i>-60.8%</i>	<i>-61.9%</i>	<i>-62.0%</i>	<i>-61.3%</i>	<i>-57.5%</i>	<i>-57.4%</i>	<i>-57.1%</i>	<i>-57.1%</i>
Other costs	-5.5	-7.0	-10.1	-9.2	-7.5	-8.7	-9.4	-9.8	-10.3
<i>Of sales</i>	<i>-11.3%</i>	<i>-12.0%</i>	<i>-14.3%</i>	<i>-11.4%</i>	<i>-9.0%</i>	<i>-8.8%</i>	<i>-8.4%</i>	<i>-8.1%</i>	<i>-7.9%</i>
EBITDA	4.8	5.8	4.1	7.1	9.1	12.0	14.9	16.9	18.6
EBITDA %	9.9%	10.0%	5.8%	8.8%	11.0%	12.1%	13.3%	13.9%	14.2%
Depreciation	-0.3	-0.4	-0.8	-1.9	-2.4	-2.7	-2.9	-2.9	-2.9
EBITA	4.5	5.4	3.3	5.1	6.8	9.3	12.0	14.0	15.7
EBITA %	9.2%	9.3%	4.8%	6.4%	8.1%	9.3%	10.7%	11.5%	12.0%
Amortisation	-0.3	-0.4	-0.9	-1.5	-1.4	-1.7	-1.6	-1.6	-1.6
EBIT	4.1	5.0	2.5	3.7	5.3	7.6	10.4	12.4	14.1
EBIT%	8.6%	8.7%	3.5%	4.6%	6.4%	7.6%	9.3%	10.2%	0.0%
Pre-tax profit	4.0	5.0	2.3	3.2	6.3	6.4	9.8	11.8	13.5
Net profit	3.2	4.0	1.6	2.5	4.4	5.1	7.8	9.3	10.6
EPS (EUR)	0.48	0.57	0.23	0.35	0.63	0.73	1.11	1.33	1.52
Sales by units, SEB est.									
Siili Core			58.8	61.2	65.7	67.4	72.5	77.1	81.7
VALA Group			3.2	9.2	11.5	13.1	14.4	15.9	17.3
Siili Auto			8.4	10.1	6.1	7.2	9.6	11.0	12.1
Supercharge						11.5	15.9	17.4	19.8

Source: SEB

Valuation

Our DCF valuation remains intact at EUR 22. We emphasise our relatively moderate assumptions. We input CAGR of 5% for 2025E-2031E and an EBITDA margin of 14%. We use WACC of 9%, which, in our view, has enough buffer for an even higher rate environment.

The massive relative valuation also prevails and Siili is trading at a 50% discount when compared to the Nordic peer group's EV/EBITDA 2022E multiples.

We repeat our fair value range of EUR 20-22 for Siili.

DCF summary table

DCF valuation (EURm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	79	Risk free interest rate	2.5
NPV of continuing value	80	Risk premium	6.5
Value of operation	159	Cost of equity	9.0
Net debt	3	After tax cost of debt	2.0
Share issue/buy-back in forecast period	-	WACC	9.0
Value of associated companies	-	Assumptions	
Value of minority shareholders' equity	-	Number of forecast years	10
Value of marketable assets	-	EBIT margin - steady state (%)	9.9
DCF value of equity	157	EBIT multiple - steady state (x)	9.6
DCF value per share (EUR)	22	Continuing value (% of NPV)	50.4
Current share price (EUR)	13.16		
DCF performance potential (%)	70		

Source: SEB

DCF assumption details

(EURm)	2022E	2023E	2024E	2025E	2026E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	13.2	8.0	8.0	7.0	6.5	6.0	5.3	3.8
EBITDA margin (%)	13.3	13.9	14.2	14.0	14.0	14.0	14.0	13.5
EBIT margin (%)	9.3	10.2	10.7	10.6	10.7	10.8	10.9	10.4
Gross capital expenditures as % of sales	2.7	2.5	2.3	2.5	2.5	2.5	2.5	2.5
Working capital as % of sales	(4.1)	(4.1)	(3.6)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Lease repayments as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	112	121	131	140	149	158	171	186
Depreciation	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)
Intangibles amortisation	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
EBIT	10	12	14	15	16	17	19	19
Taxes on EBIT	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(5)
Increase in deferred taxes	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
NOPLAT	9	11	12	13	14	15	16	16
Gross capital expenditure	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(5)
Increase in working capital	2	0	(0)	(0)	0	0	0	0
Lease repayments	0	0	0	0	0	0	0	0
Free cash flow (incl. lease repayments)	11	11	12	12	14	14	16	16
ROIC (%)	15.4	16.7	17.0	18.2	19.8	21.4	23.9	25.8
ROIC-WACC (%)	6.4	7.7	8.1	9.2	10.8	12.4	14.9	16.8
Share of total net present value (%)	0.0	6.2	6.1	5.6	5.8	5.7	10.8	9.4

Source: SEB

Peer valuation table 1

Global / Regional large IT Service companies	Ccy	Price (lcl ccy)	Mkt cap (EURm)	PER(x)			EV/Sales			Exp. Sales Growth		
				2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
TATA CONSULTANCY SVCS LTD	INR	3793.9	165604.9	36.3	31.5	28.0	7.2	6.2	5.6	16.5%	14.1%	11.9%
GLOBANT SA	USD	258.7	9453.8	60.8	48.0	35.8	6.0	4.7	3.6	31.8%	26.7%	26.9%
EPAM SYSTEMS INC	USD	441.0	22066.6	38.3	30.5	23.9	4.5	3.5	2.7	36.8%	24.3%	25.3%
ACCENTURE PLC-CL A	USD	322.9	187388.5	30.7	27.4	25.1	3.4	3.1	2.8	18.2%	9.1%	8.2%
COGNIZANT TECH SOLUTIONS-A	USD	85.9	39669.1	18.9	16.9	15.2	2.1	1.9	1.7	9.5%	8.5%	8.2%
CAPGEMINI SE	EUR	185.3	31944.1	19.0	16.9	14.7	1.7	1.5	1.4	9.8%	6.9%	6.5%
ATOS SE	EUR	33.0	3654.1	12.8	8.3	7.0	0.5	0.5	0.4	-3.1%	1.2%	1.5%
TIETOEVR Y OYJ	EUR	25.6	3034.1	11.1	10.2	9.3	1.2	1.2	1.1	1.7%	3.2%	2.8%
ATEA ASA	NOK	131.4	1451.1	16.3	14.7	12.9	0.3	0.3	0.3	2.7%	5.3%	6.0%
NETCOMPANY GROUP AS	DKK	431.0	2897.3	27.6	22.2	19.2	4.1	3.5	3.0	53.0%	15.3%	15.2%
Average				27.2	22.7	19.1	3.1	2.6	2.3	17.7%	11.5%	11.3%
Median				23.3	19.6	17.2	2.8	2.5	2.2	13.2%	8.8%	8.2%
Nordic small IT Service companies												
NNIT A/S	DKK	89.0	299.1	20.2	15.8	13.4	0.9	0.8	0.8	4.1%	6.0%	5.8%
WEBSTEP ASA	NOK	32.8	88.3	14.5	12.6	na	1.0	0.9	0.8	10.9%	6.2%	na
BOUVET ASA	NOK	70.4	719.7	24.9	22.0	19.5	2.3	2.0	1.9	11.3%	10.9%	4.0%
KNOW IT AB	SEK	313.0	810.7	19.3	17.4	17.5	1.3	1.2	1.2	25.3%	5.9%	2.4%
ADDNODE GROUP AB	SEK	354.0	1125.1	34.5	31.4	30.2	2.7	2.5	2.3	8.6%	6.3%	7.1%
BILOT OYJ*	EUR	5.4	30.4	25.5	15.3	11.7	0.8	0.6	na	0.5	17.0%	0.1
DIGIA OYJ	EUR	7.4	198.2	17.0	15.2	14.3	1.3	1.2	1.1	4.8%	4.0%	4.1%
GOFOR OYJ*	EUR	23.2	356.0	33.5	25.2	22.1	3.2	2.6	2.3	33.4%	19.2%	10.1%
Average				23.7	19.4	18.4	1.7	1.5	1.5	18.4%	9.4%	5.6%
Median				22.5	16.6	17.5	1.3	1.2	1.2	11.1%	6.3%	5.8%
SIILI SOLUTIONS - SEB est.	EUR	14.06	98.7	12.7	10.5	9.3	0.9	0.8	0.7	13.2%	8.0%	8.0%

Source: SEB, Bloomberg

Peer valuation table 2

Global / Regional large IT Service companies	EV/EBITDA			EV/EBIT			EBIT margin (%)			Share price performance (%)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	1M	3M	12M
TATA CONSULTANCY SVCS LTD	25.7	22.4	19.9	28.1	24.3	21.5	25.4%	25.7%	25.9%	-4.8	9.4	25.4
GLOBANT SA	29.6	23.8	17.8	41.5	32.5	24.5	14.5%	14.4%	14.7%	8.4	-16.7	17.9
EPAM SYSTEMS INC	23.7	18.3	13.7	28.0	21.5	16.0	16.1%	16.2%	16.9%	-12.8	-33.6	16.5
ACCENTURE PLC-CL A	18.4	16.6	14.9	22.4	20.1	18.0	15.3%	15.5%	15.7%	-7.3	-12.7	26.8
COGNIZANT TECH SOLUTIONS-A	11.1	9.9	8.9	13.3	11.8	10.5	15.6%	15.9%	16.1%	0.0	6.4	16.3
CAPGEMINI SE	10.8	9.5	8.4	14.1	12.2	10.6	12.1%	12.6%	13.1%	-8.0	-13.9	36.1
ATOS SE	4.5	4.3	3.5	11.5	11.8	7.8	3.9%	3.9%	5.4%	-3.4	-16.2	-46.0
TIETOEVR Y OYJ	7.3	6.6	5.8	10.0	9.1	8.4	12.4%	12.8%	12.9%	-5.5	-4.0	-1.9
ATEA ASA	8.1	7.6	7.6	12.5	11.4	10.4	2.8%	3.0%	3.3%	-17.4	-18.2	-4.0
NETCOMPANY GROUP AS	19.5	15.9	13.4	23.6	18.8	15.5	17.5%	18.6%	19.2%	-26.6	-43.0	-24.9
Average	15.9	13.5	11.4	20.5	17.4	14.3	13.6%	13.9%	14.3%	-7.7	-14.3	6.2
Median	14.7	12.9	11.2	18.3	15.5	13.0	14.9%	14.9%	15.2%	-6.4	-15.1	16.4
Nordic small IT Service companies												
NNIT A/S	12.1	7.7	6.8	26.8	14.2	11.7	3.4%	5.9%	6.6%	-16.0	-20.8	-18.5
WEBSTEP ASA	8.9	7.7	6.7	10.7	9.2	8.0	9.2%	9.8%	9.9%	-1.8	-10.1	35.7
BOUVET ASA	15.1	13.4	11.7	18.0	15.8	13.4	12.7%	12.9%	13.9%	-1.7	-6.8	10.6
KNOW IT AB	10.7	9.3	8.9	16.9	14.1	13.9	7.8%	8.6%	8.6%	-4.4	-20.4	13.5
ADDNODE GROUP AB	20.2	18.5	17.5	35.6	31.1	27.5	7.5%	7.9%	8.4%	-1.7	-11.2	43.4
BILOT OYJ*	21.0	7.8	na	19.1	8.5	na	4.1%	7.3%	9.0%	-0.4	-17.3	-43.6
DIGIA OYJ	9.2	8.5	7.6	13.9	12.4	10.9	9.2%	9.8%	10.1%	-2.8	5.6	-5.8
GOFOR OYJ*	20.4	17.2	15.0	28.0	20.7	17.6	11.5%	12.7%	13.3%	-6.1	-6.5	24.8
Average	14.7	11.3	10.6	21.1	15.8	14.7	8.2%	9.4%	10.0%	-4.4	-10.9	7.5
Median	13.6	8.9	8.9	18.6	14.2	13.4	8.5%	9.2%	9.4%	-2.3	-10.7	12.1
SIILI SOLUTIONS - SEB est.	6.8	5.5	4.6	9.7	7.6	6.1	9.3%	10.2%	0.0%			

Source: SEB, Bloomberg

SEAM (SEB's ESG Assessment Methodology)

Siili Solutions

Country: Finland Sector: IT/Technology Enterprise value (yr end): EUR 0.1bn Mid-point Equity Valuation: EUR 0.2bn

ESG impact on NPV (as % of enterprise valuation)

Total impact over time	8
<small>of which:</small>	
- impact reflected in mid-point enterprise valuation	8
- impact yet-to-be reflected in mid-point enterprise valuation	0

ESG impact on NPV (as % of equity valuation)

Total impact over time	5
<small>of which:</small>	
- impact reflected in mid-point equity valuation	5
- impact yet-to-be reflected in mid-point equity valuation	0

In our view, ESG factors will be overall positive to the company's financial value over time, with the impact increasing during the next 10 years. The most material ESG factors (sub-issues) are Digitalisation being essential enabler of green transformation as most projects are digi-born. Also, most digitalisation projects as such reduce the use of resources. We believe that most of the key ESG factors could be manageable by the company. For those manageable factors, we believe that the company's current approach is optimal. Our mid-point equity valuation fully reflects the ESG impact. In our view, the company's revenues are not addressed by EU taxonomy technical assessment criteria. From a responsibility perspective, we believe that the company is managing current ESG issues effectively. At our last update, this company was not rated by Sustainalytics.

SEB ESG Financial Assessment ("SEFA")

	0-3 yrs	4-10+ yrs
SEFA overall assessment (qualitative):		

Most material issues from a financial performance and value perspective (SEB view)

Climate related impact - products/services

A Demand growth driven by customers responding their ESG requirements and goals

0-3 yrs	4-10+ yrs
	










Sales (price/volume) exposure to ESG opportunities/threats

	NPV/EV (%)	Impact on Sales CAGR (%pa)	
A We estimate 10% of turnover relates to ESG driven projects, which are set to grow at least 10%	8	1	2
Sub-total	8	1	2

Grand total of impacts (% NPV/EV) 8

Siili Solutions (cont.)

SEB ESG Responsibility Assessment ("SERA")

	0-3 yrs	4-10+ yrs
SERA overall assessment (qualitative):		
Key concern responsibility issues (SEB view)		
Other Societal ESG Impacts		
Involved in public projects which improve accessibility of services for disabled people		
Greenhouse Gas emissions - own operations		
All employees' CO2 footprint compensated by planting 43 trees/empl. annually (62.000 planted so far)		
Climate related impact - products/services		
Most digitization projects improve efficiency, reduce resource use and thus promote sustainability		
Other high profile issues/controversies but assessed to be of intermediate or low concern (SEB view)		
Cyber Privacy and Security		
Risk related to stored and processed data - Yet the company has proper policies to avoid breaches	<input data-bbox="1248 694 1273 721" type="checkbox"/>	<input data-bbox="1388 694 1414 721" type="checkbox"/>
Human Capital		
Male dominated industry but company promotes industry equality which should compensate in long-term		<input data-bbox="1388 757 1414 784" type="checkbox"/>

Sustainability governance information

Commitment to Paris Accord (e.g. approved science based targets)	No
CEO participation in Sustainability Committee	Yes
CEO remuneration linked to delivery of sustainability goals and reporting	No
Ultimate Responsible for Sustainability	Antti Kiukas, CMO
Is Ultimate Responsible a member of the company's top management committee?	Yes

Last updated: 2021-07-13

Overview

Investment considerations

We believe Siili can expand its core business at a steady rate close to or slightly outpacing the market. Key growth drivers will be Portfolio units, Siili Auto and Vala Group and international core unit Supercharge. We are persuaded by Siili's ability to create a new know-how nucleus in Core and foster this gradually in its independent Portfolio units. We model increasing profitability driven by a higher utilisation rate, particularly in Siili Auto and Core, and more rapidly growing Portfolio units.

Company profile

Siili is a small cap Finnish IT services company. The company divides its business into Core and Portfolio. Core consists of modern IT Services focusing on digital solutions. Portfolio is composed of independent units and it offers more specialised services. Siili's largest client verticals are the public sector and finance sector in Finland. The company serves international clients mainly through Siili Auto and recently acquired Supercharge.

Valuation approach

In our DCF valuation we assume a WACC of 9.0%, a declining sales growth profile and an improving EBITDA margin profile. We get a value per share of EUR 22.

Investment risks

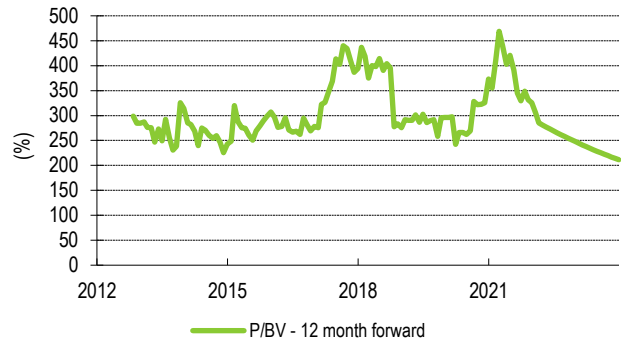
Siili's growth is dependent on its ability to hire more employees and get more sales out of existing ones to ensure a higher utilisation rate. Finding talented programmers and developers with specialised skills is challenging and, in our view, will not get any easier. Without new hires, growth will stop. Prolonged Covid-19 restrictions would pause Siili's growth story, and Siili Auto sales, especially, could tumble on customers' weakened situation.

PER - 12 month forward



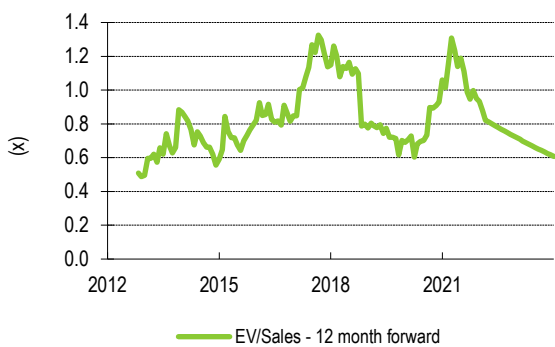
Source: SEB

P/BV - 12 month forward



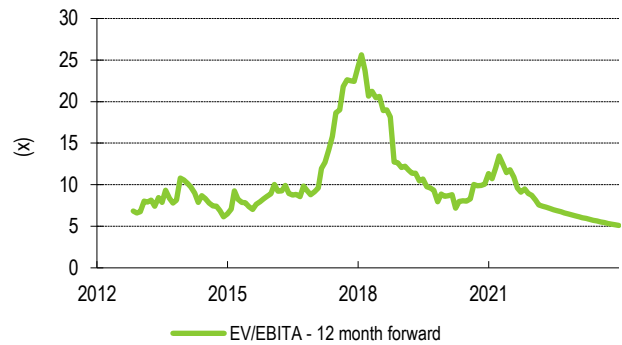
Source: SEB

EV/Sales - 12 month forward



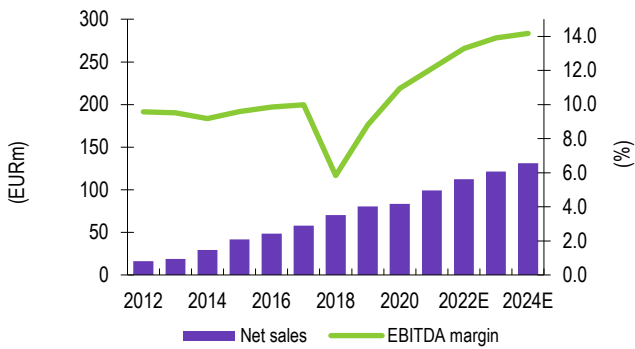
Source: SEB

EV/EBITA - 12 month forward



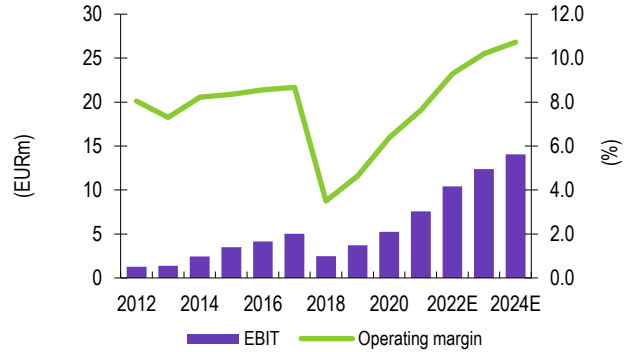
Source: SEB

Net sales & EBITDA margin



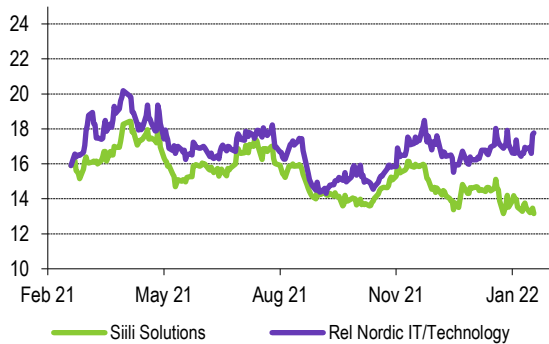
Source: SEB

EBIT & Operating margin



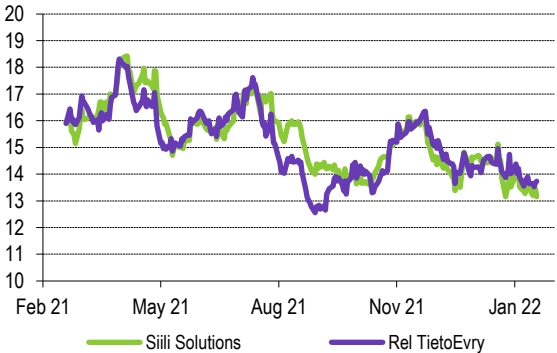
Source: SEB

Comparison with sector index - 1 year



Source: SIX

Comparison with TietoEvy - 1 year



Source: SIX

Profit & loss statement - Siili Solutions													
(EURm)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net Sales	16	19	29	42	48	58	70	81	83	99	112	121	131
Other revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenues	16	19	29	42	48	58	70	81	83	99	112	121	131
Total expenses	(15)	(17)	(27)	(38)	(44)	(52)	(66)	(73)	(74)	(87)	(97)	(104)	(112)
Profit before depreciation	2	2	3	4	5	6	4	7	9	12	15	17	19
Depreciation - Fixed assets	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(2)	(2)	(3)	(3)	(3)	(3)
Depreciation - Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	(0)	(0)	(0)	(1)	(1)	(1)	(2)	(2)	(2)	(2)
Operating profit	1	1	2	4	4	5	2	4	5	8	10	12	14
Associated companies	0	0	0	0	0	0	0	0	(0)	0	0	0	0
Net interest expenses	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(4)	(1)	(1)	(1)	(1)
Foreign exchange items	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0	5	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported pre-tax profit	1	1	2	3	4	5	2	3	6	6	10	12	13
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
Total taxes	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(2)	(2)	(3)
Reported profit after tax	1	1	2	2	3	4	2	3	4	5	8	9	11
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	1	1	2	2	3	4	2	3	4	5	8	9	11
Adjustments:													
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0	0	(5)	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	1	1	1	2	2	2	2
Restructuring charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted profit after tax	1	1	2	3	3	4	2	4	3	7	9	11	12
Margins, tax & returns													
Operating margin	8.0	7.3	8.2	8.4	8.6	8.7	3.5	4.6	6.4	7.6	9.3	10.2	10.7
Pre-tax margin	6.6	7.3	7.5	7.5	8.3	8.6	3.3	4.1	7.5	6.4	8.7	9.7	10.3
Tax rate	28.5	23.8	21.0	22.2	20.9	20.5	31.7	23.1	30.0	19.5	21.0	21.0	21.0
ROE	36.8	28.0	28.6	25.8	21.7	20.5	7.8	12.7	20.9	22.1	27.5	27.1	26.4
ROCE	56.9	37.0	25.0	23.3	24.2	24.7	9.0	10.4	14.0	16.0	17.6	19.6	20.5
Growth rates y-o-y (%)													
Total revenues	n.a.	17.0	56.9	42.0	15.6	19.4	21.7	14.4	3.4	19.2	13.2	8.0	8.0
Operating profit	(10.2)	6.3	76.5	44.4	18.3	20.9	(50.8)	51.3	42.5	42.3	37.8	18.7	13.6
Pre-tax profit	(25.3)	28.2	62.8	41.9	27.2	24.2	(53.7)	43.0	90.1	1.4	53.7	20.1	14.4
EPS (adjusted)	(32.9)	17.6	54.0	44.3	12.4	17.9	(43.4)	62.3	(24.0)	125.4	36.4	16.6	12.3
Cash flow													
(EURm)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net profit	1	1	2	2	3	4	2	3	4	5	8	9	11
Non-cash adjustments	0	1	0	1	1	1	1	2	4	4	5	5	5
Cash flow before work cap	1	2	2	3	4	5	3	5	8	9	12	14	15
Ch. in working capital / Other	(0)	0	0	1	1	0	(1)	2	2	(1)	2	0	(0)
Operating cash flow	1	2	2	4	5	5	2	7	10	8	14	14	15
Capital expenditures	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(0)	(0)	(1)	(3)	(3)	(3)
Asset disposals	0	0	0	0	0	0	0	0	5	0	0	0	0
L/T financial investments	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions / adjustments	0	(1)	(2)	(1)	(1)	(2)	(5)	(0)	(0)	(14)	0	0	0
Free cash flow	1	1	(0)	2	3	2	(3)	6	14	(6)	11	11	12
Net loan proceeds	(0)	0	2	(0)	0	(0)	7	(3)	(3)	7	(3)	(1)	0
Dividend paid	(1)	(1)	(1)	(1)	(1)	(2)	(3)	(2)	(2)	(2)	(1)	(4)	(4)
Share issue	2	0	0	0	4	0	0	0	0	0	0	0	0
Other	0	0	0	0	(1)	0	(0)	0	0	0	0	0	0
Net change in cash	1	0	1	1	5	(1)	1	2	10	(1)	6	6	8
Adjustments													
C/flow bef chng in work cap	1	2	2	3	4	5	3	5	8	9	12	14	15
Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash earnings	1	2	2	3	4	5	3	5	8	9	12	14	15
Per share information													
Cash earnings	0.24	0.32	0.38	0.59	0.6	0.67	0.38	0.69	1.17	1.3	1.75	1.97	2.16
Operating cash flow	0.22	0.34	0.42	0.69	0.78	0.7	0.3	0.99	1.46	1.2	2.0	2.02	2.13
Free cash flow	0.16	0.19	(0.09)	0.38	0.51	0.23	(0.48)	0.87	2.06	(0.89)	1.57	1.59	1.7
Investment cover													
Capex/sales (%)	1.4	0.5	1.1	0.8	1.1	2.1	1.2	0.6	0.2	0.8	2.7	2.5	2.3
Capex/depreciation (%)	94	20	120	179	179	303	112	25	8	30	104	104	104

Source for all data on this page: SEB

Balance sheet - Siili Solutions													
(EURm)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Cash and liquid assets	2	3	4	5	10	9	10	12	22	20	27	33	41
Debtors	3	3	6	6	9	9	13	14	13	20	21	22	24
Inventories	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	1	2	0	0	0	0	0	0	0	0	0
Current assets	5	6	11	13	19	18	23	26	35	40	47	55	65
Interest bearing fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized development cost	0	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill	1	2	9	9	9	12	19	19	19	28	28	28	28
Other intangibles	0	0	2	2	3	3	6	4	3	7	5	4	2
Right-of-use lease assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed tangible assets	0	0	1	1	1	1	1	6	5	5	6	6	6
Other fixed assets	0	0	0	0	0	0	0	0	0	1	1	1	1
Fixed assets	1	2	12	11	12	15	26	30	27	41	40	38	37
Total assets	6	9	23	24	31	34	49	56	61	81	87	93	101
Creditors	3	4	7	8	11	12	14	17	22	22	25	27	29
Other trade financing	0	0	0	0	0	0	0	0	0	0	0	0	0
S/T lease liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
S/T interest bearing debt	0	0	4	3	0	0	1	3	3	5	4	4	0
Other	0	0	0	0	0	0	0	0	2	1	1	1	0
Current liabilities	3	4	11	11	11	12	16	20	27	28	29	31	29
L/T interest bearing debt	0	0	4	1	1	0	12	15	13	28	25	24	28
L/T lease liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	1	1	1	1	1	1	1
Long term liabilities	0	0	4	2	1	1	13	16	13	29	26	25	29
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	3	5	8	11	18	21	20	21	22	25	31	37	44
Total liabilities and equity	6	9	23	24	31	34	49	56	61	81	87	93	101
Net debt (m)	(2)	(3)	4	(1)	(9)	(8)	4	6	(6)	12	3	(5)	(13)
Working capital (m)	(0)	(0)	(0)	(0)	(2)	(2)	(2)	(2)	(11)	(3)	(5)	(5)	(5)
Capital employed (m)	3	5	15	15	19	22	33	38	37	58	61	65	72
Net debt/equity (%)	(75)	(56)	46	(9)	(47)	(39)	18	28	(29)	50	9	(13)	(29)
Net debt/EBITDA (x)	(1.4)	(1.4)	1.3	(0.3)	(1.8)	(1.4)	0.9	0.8	(0.7)	1.0	0.2	(0.3)	(0.7)
Equity/total assets (%)	47	54	34	48	59	61	40	37	35	31	36	40	43
Interest cover	5.7	153.0	10.5	9.4	29.5	98.9	16.1	8.8	1.5	6.4	16.7	20.5	23.8

Valuation													
(EUR)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
No of shares, fully dil. (y/e)	1.6	1.7	1.9	2.0	6.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
No of shares, fully dil. avg.	1.4	1.6	1.8	2.0	6.6	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Share price, y/e	2.5	4.3	4.6	8.0	8.3	11.1	8.1	9.1	13.3	14.6	13.2	13.2	13.2
Share price, high	2.6	4.8	4.6	8.0	9.2	13.5	12.9	9.6	13.3	18.4	15.1	15.1	15.1
Share price, low	2.4	2.5	3.5	4.5	6.9	7.9	7.5	7.9	7.5	12.7	13.2	13.2	13.2
Share price, avg	2.5	3.1	4.2	6.2	7.8	10.8	11.0	8.8	10.0	15.3	14.0	14.0	14.0
EPS (reported)	0.18	0.21	0.33	0.42	0.48	0.57	0.23	0.36	0.63	0.73	1.11	1.33	1.52
EPS (adjusted)	0.18	0.21	0.33	0.47	0.53	0.62	0.35	0.57	0.43	0.98	1.34	1.56	1.75
Cash earnings/share	0.24	0.32	0.38	0.59	0.60	0.67	0.38	0.69	1.17	1.30	1.75	1.97	2.16
Dividend/share	0.00	0.14	0.16	0.08	0.30	0.39	0.23	0.26	0.28	0.18	0.50	0.60	0.00
Enterprise value/share	2.1	3.8	5.2	7.8	7.0	9.9	8.6	9.9	12.4	16.4	13.5	12.5	11.4
Book value/share	0.6	0.9	1.4	1.9	2.6	3.0	2.8	2.9	3.1	3.6	4.5	5.3	6.2
Adjusted equity/share	0.6	0.9	1.4	1.9	2.6	3.0	2.8	2.9	3.1	3.6	4.5	5.3	6.2
PER (adjusted)	14.1	20.2	14.0	17.0	15.7	17.8	23.0	16.0	30.5	14.9	9.9	8.5	7.5
CEM	10.6	13.5	12.1	13.6	13.7	16.6	21.3	13.1	11.3	11.2	7.5	6.7	6.1
Dividend yield	0.0	3.2	3.4	1.0	3.6	3.5	2.8	2.9	2.1	1.2	3.8	4.6	0.0
EV/EBITDA	6.3	10.9	10.8	11.8	10.2	12.0	14.6	9.8	9.5	9.5	6.4	5.2	4.3
EV/EBITA	7.6	14.2	12.1	12.4	10.9	12.9	18.0	13.4	12.9	12.4	7.9	6.2	5.1
EV/EBIT	7.6	14.2	12.1	13.5	11.7	13.8	24.4	18.7	16.4	15.2	9.1	7.1	5.7
EV/Sales (x)	0.61	1.04	0.99	1.13	1.00	1.20	0.86	0.86	1.04	1.16	0.84	0.72	0.61
Price/Book value	4.19	4.80	3.35	4.26	3.17	3.73	2.89	3.10	4.30	4.11	2.94	2.48	2.11
Price/adjusted equity	4.19	4.80	3.35	4.26	3.17	3.73	2.89	3.10	4.30	4.11	2.94	2.48	2.11
Free cash flow/Market cap (%)	6.4	7.5	7.9	7.9	8.4	4.7	2.2	10.1	10.8	7.4	11.9	12.1	12.9
Operating cash flow/EV (%)	9.5	8.6	7.8	8.6	10.6	7.0	3.5	10.0	11.8	7.3	14.8	16.2	18.7
EV/Capital employed (x)	3.4	4.2	1.9	3.1	2.5	3.2	1.8	1.8	2.3	2.0	1.6	1.3	1.1

Main shareholders				Management		Company information	
Name	(%)	Votes	Capital	Title	Name	Contact	
Erina Oy		11.7	11.7	COB	Harry Brade	Internet	https://www.siili.com/
Elo Mutual Pension Insurance Company		9.9	9.9	CEO	Tomi Pienimäki	Phone number	0
Lamy Oy		8.8	8.8	CFU	Aleksi Kankainen		
Foreign owners (total)		10.0	10.0	IK	Andreas Strandman		

Source for all data on this page: SEB

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