DIGITAL WORKFORCE

12/17/2025 06:55 EET

This is a translated version of the ” Strategian palaset paikallaan ja nyt on näyttöjen paikka” report, published on 12/17/2025

Joni Grönqvist
+358 40 515 3113
joni.gronqvist@inderes.fi

INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT

The strategic pieces are in place, and now it's time to deliver

Digital Workforce automates customers' knowledge work processes by utilizing Robotic Process Automation (RPA) and AI. In recent years, the strategy has focused on viable selected industries, in selected growth markets, and on its own platform. The strategy resonates, but requires proof of a breakthrough. Now the company must demonstrate a return to better organic growth and its scalability to profitability. The stock's valuation picture is at least attractive from several perspectives. We reiterate our Accumulate recommendation for the share and lower our target price to EUR 3.2 (was 3.7) reflecting the decline in medium-term estimates.

Digital Workforce: a pioneer in automation utilizing RPA and AI

Digital Workforce operates in the large IT service market, in the RPA and automation vertical, where competition is smaller than in the general IT service sector. The service offering covers the entire lifecycle and includes consulting, AI applications, development, introduction, and maintenance on its platform. Currently, ~35% of revenue is expert services and ~65% continuous services, reflecting the difference to service-driven IT service companies. The purpose of the business model is to increase the absolute and relative share of continuous services, which is highly scalable revenue.

The strategy resonates, but now results are needed

The company's strategy has been refined several times in the past few years, reflecting the company's development stage in the young but large automation market. The strategy is now built around competitive advantages, its own scalable Outsmart platform, and customer verticals in healthcare, banking, and insurance. Geographically, growth focuses more strongly on the Finnish and UK markets, driven by the e18 acquisition, while the focus on the US is temporarily smaller due to the uncertain market situation. Finland accounts for almost 50% of revenue and has grown well in 2024. Considering the latest acquisition, the share of the UK and the US is now ~35% of revenue and has grown strongly. This makes it an increasingly central growth driver at Group level as well. By customer vertical, healthcare appears to be the key customer vertical. 2025 did not provide significant evidence of the strategy's effectiveness in terms of numbers. Thus, we monitor the strengthening of this trend next year, which the markets also seem to be anticipating.

Focus back on growth, without compromising profitability

Digital Workforce aims to generate revenue of 50 MEUR in 2026, of which 10 MEUR comes from acquisitions. In addition, the target is an adjusted EBITDA of over 15% by the end of 2026. We expect the company will grow by 6-20% in 2025-26, driven by the e18 acquisition. In addition, we expect the company to accelerate growth with acquisitions, for which the balance sheet provides sufficient leeway. In terms of profitability, we estimate that EBITDA-% will rise to almost 10%, driven by scalable recurring revenue growth. In addition, the company is aiming for a share of over 70% in continuous services (2026e 69%). Thus, we estimate the company's trend will improve from the current year but remain below targeted levels. The key risks relate to the disruptive threat of AI and the company's ability to keep pace with technological development, new customer acquisition, customer ramp-up, the scalability of the Outsmart platform, and potential corporate reorganizations.

Valuation picture is at least attractive

In terms of investment profile, Digital Workforce is still a turnaround company whose profitable growth turn progressed well last year. This year, the performance has been more variable, and it still clearly has to prove its competitiveness and profitable growth. Following the acquisition, it is justified to primarily consider next year's multiples, which account for the full impact of the acquisition. Next year's profitability estimates are partially scaled (EBITDA: 8%), making the valuation picture (2026e EV/EBIT 9x, P/E 12x) attractive. If growth continues and scales into profitability, the 2027 multiples (EV/EBIT 6x, P/E 9x) are already very attractive, but in our view, it is still too early to rely on this, given the risks related to the earnings growth estimates. Based on the valuation multiples, the sum of parts of EUR 3.3, and the DCF calculation (EUR 3.9), we estimate the fair value range of the share to be EUR 3.0-4.0 per share. However, the upper end requires a better outlook and execution.

Recommendation
Accumulate
(was Accumulate)

Target price:
3.20 EUR
(was EUR 3.70)

Share price:
2.54 EUR

Business risk

Valuation risk

	2024	2025e	2026e	2027e
Revenue	27.3	28.8	34.5	37.5
growth-%	9%	6%	20%	9%
EBIT adj.	0.8	1.1	2.7	3.5
EBIT-% adj.	2.9 %	3.7 %	7.7 %	9.3 %
Net Income	0.6	-0.4	1.4	2.2
EPS (adj.)	0.09	0.09	0.22	0.29
P/E (adj.)	43.2	28.9	11.7	8.8
P/B	3.1	2.1	1.9	1.7
Dividend yield-%	2.2 %	1.6 %	3.5 %	4.3 %
EV/EBIT (adj.)	42.2	24.9	9.1	6.3
EV/EBITDA	51.9	65.3	8.5	6.0
EV/S	1.22	0.93	0.70	0.58

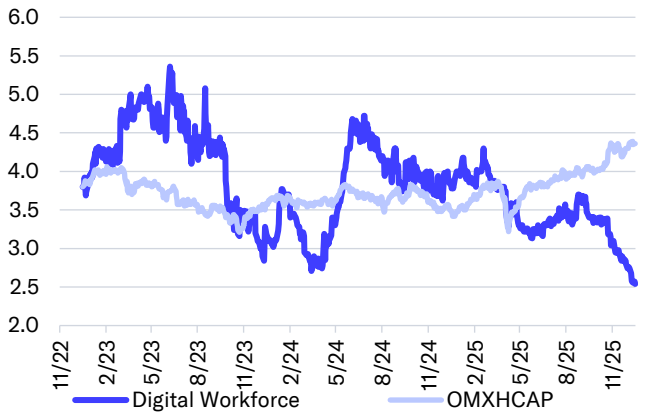
Source: Inderes

Guidance (Unchanged)

Digital Workforce expects revenue and adjusted EBITDA to grow in 2025.

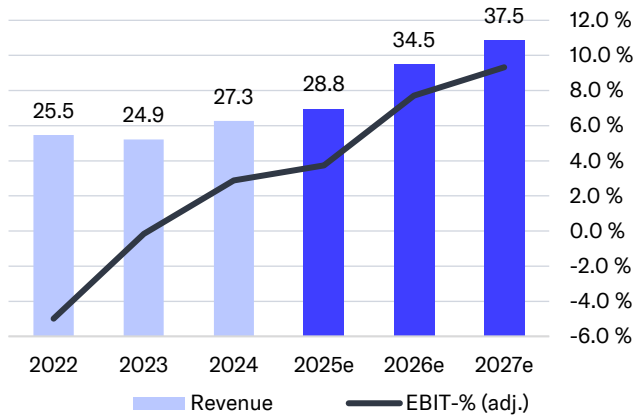
Contents

Share price



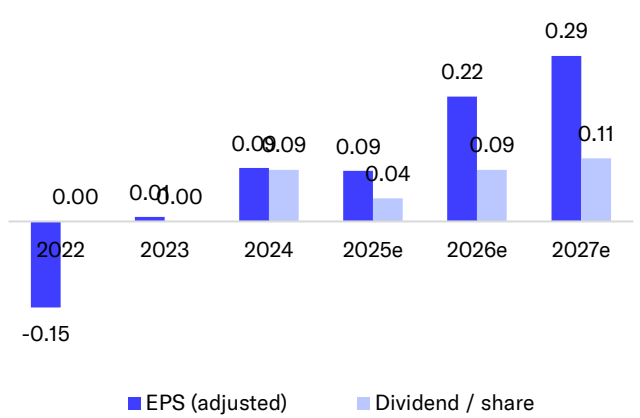
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Success in new markets (US, UK and Ireland) and accelerating growth
- The Outsmart platform should strengthen the competitive advantage, accelerate growth and improve scalability
- Increasing the revenue share of Continuous services with better margins drives earnings growth and makes the investor profile more attractive
- Improving scalability
- Acquisitions

Risk factors

- Disruptive threat of AI and AI agents
- Dependence on large customers
- Developing large RPA technologies and their expansion to maintenance
- Failure of the growth strategy, particularly internationally
- Failure to commercialize the Outsmart platform
- Failure in investment productivity
- Commoditization of RPA expert work and the growth of in-house customer teams
- Acquisitions

Valuation	2025e	2026e	2027e
Share price	2.54	2.54	2.54
Number of shares, millions	11.7	11.8	11.9
Market cap	30	30	30
EV	27	24	22
P/E (adj.)	28.9	11.7	8.8
P/E	neg.	22.0	13.6
P/FCF	neg.	9.9	9.4
P/B	2.1	1.9	1.7
P/S	1.0	0.9	0.8
EV/Sales	0.9	0.7	0.6
EV/EBITDA	65.3	8.5	6.0
EV/EBIT (adj.)	24.9	9.1	6.3
Payout ratio (%)	neg.	78.0 %	58.7 %
Dividend yield-%	1.6 %	3.5 %	4.3 %

Source: Inderes

Digital workforce in brief

Digital Workforce is a business automation platform company that utilizes robotics and AI to a great extent. The company's solutions create automation benefits for the customer base, especially in healthcare, banking and insurance, in the Nordic countries and internationally.

29 MEUR (6% vs. 2024)

Revenue 2025e

1 MEUR or 4% of revenue

EBITA (adjusted) 2025e

67% and 11% (2024: 63% / 13%)

Share and growth of strategic continuous services in 2025e

22% share and 24% growth (2023: 19% and 32%).

Share of revenue from international growth markets and growth in 2024

Strategy period 2022-2026

- Growth target of 50 MEUR revenue in 2026, of which 40 MEUR is organic
- The share of continuous services will be over 70% of revenue during the strategy period
- EBITDA % (adj.) 15% by the end of 2026

2015-2019

Established in 2015

Operations in Sweden started in 2016

External investors start financing growth in 2016

Activities in Denmark, Poland and Norway were establihed in 2017

Operations in the US, the UK and Germany started in 2019

Growth is strong and investments keep profitability clearly in the red

New functionalities: 2016 Robot-as-a-Service platform service, 2018 Run Management automation maintenance service

2020-2021

The US and UK markets progressed well, but there were challenges in Germany

Growth investments continue and profitability is negative

IPO in 2021 to accelerate growth

New functionalities: 2020 Roboshore (customer pays based on use) and expansion of the technology portfolio

2022-2026

2022: Strategy update and development and commercialization of Scabfil's own Outsmart platform

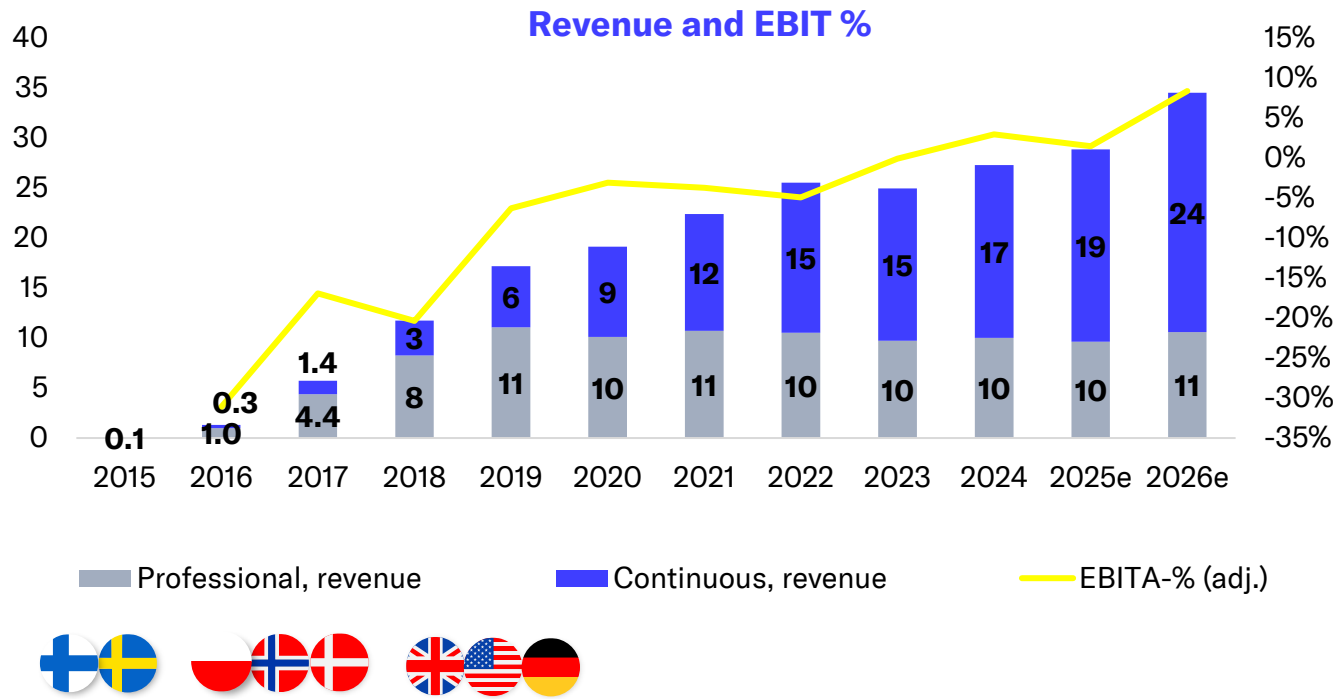
Investments in the US and the UK

Focus shifted between growth and profitability

Revenue from continuous service is key

2022 a small acquisition in Ireland

2025 e18 acquisition in the UK



Company description and business model 1/7

A pioneer in automation utilizing robotics

Digital Workforce is a business automation platform company that utilizes robotics to a great extent. The company was founded in 2015 to originally help healthcare organizations automate knowledge work. Now, the service offering covers the entire lifecycle of automation: Design and consulting, development and iintroduction, cloud-based platform, support and maintenance, as well as further development.

The company was listed in 2021 and at the same time, it raised funds to accelerate growth investments. After the listing, the company accelerated its investments in internationalization, but as the market situation deteriorated, growth investments were curbed and the focus shifted more toward profitability at the end of 2022. However, the company continues to invest, albeit more carefully than before, in the development of its own Outsmart platform and growth in the UK, Ireland, and the US.

The offices are located in Finland, Sweden, the UK, Ireland, Germany, Poland and the US. The largest offices measured by personnel are in Poland and Finland. The number of employees was 171 at the end of Q3'25 and will increase by around 10 by the end of the year due to the e18 acquisition.

Revenue is highly continuous

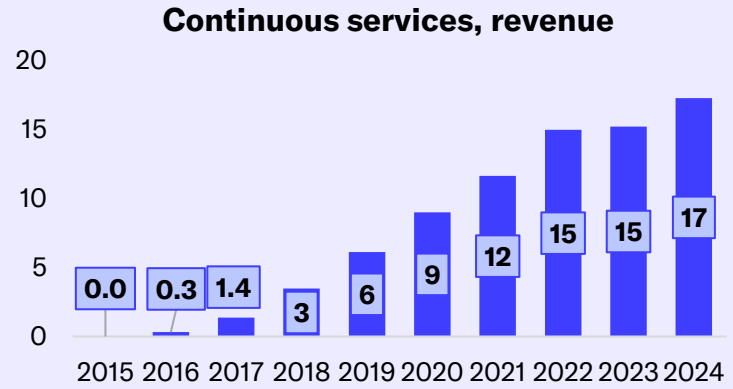
Digital Workforce's revenue structure consists of expert services and continuous services. The company's goal is to further increase the share of continuously charged services, which has averaged 66% of revenue in Q1-Q3'25 (2023: 61%). Thus, the structure can be described as very continuous, which improves predictability for investors.

We understand that most (over two-thirds) of the company's customers also purchase continuous services. In the US, use is still the lowest, due to the pure expert work use of one large customer. In addition, not all healthcare customers in Finland have the underlying information infrastructure in place yet, which is partly an obstacle to the wider use of continuous services. However, the ratio should also improve in the aforementioned markets and customer verticals as the scale of operations grows and the underlying infrastructure improves.

The purpose of the business model is to increase scalable continuous services

The typical customer relationship for **expert services** begins with advisory and introduction services and continues with platform services and automation maintenance services. Expert services are hourly charged services of human employees. Continuous services are, on the other hand, mainly billed by volume, minute or patient on the company's own automation platform and a small (~1/3) part is billing based on automation optimization and monitoring by a human employee. The purpose of the business model is to increase the absolute and relative share of higher-margin continuous services of revenue Thus, the growth and success of advisory and expert services are critical for the growth of continuous services.

Expert services include advisory services (consulting) and automation implementation and introduction services. However, the profile in this area has changed slightly, and there is now a need for different expertise and software development, which has been needed in healthcare migration projects and also in AI Agents. There will be around 100 experts at the end of 2025.



Source: Digital Workforce / Inderes

Company description and business model 2/7

Expert services are mainly invoiced on hourly basis, and thus the billing rates are critical for profitability. We believe that billable utilization has increased during 2025, but there is still room for improvement. The company has some fixed-price projects. We estimate that the “normal” profitability (~5% EBITA) of the business clearly reflects the positive profitability that is below the typical profitability of the IT service sector. The lower profitability is warranted because project business most often leads to an increase in continuous services.

Geographically, Advisory services are carried out very locally, and implementation projects are then largely carried out in Poland, which generates price competitiveness with low cost levels. However, Finland is also an important expert market. A couple of years ago, the company planned to build a second implementation unit in Ireland to serve customers in the US as well. However, this project has been somewhat postponed due to the uncertainty created by the tariffs on the US market. However, an Irish delivery unit is viable if UK operations begin to grow more strongly, supported by the e18 acquisition. In the long run, when strong growth in the US materializes, the company will continue to pursue a similar low-cost delivery unit in the same time zones.

In general, the mapping, building, and implementation of expert services takes from a few days to a few weeks, after which they move to the maintenance phase. A few years ago, the company started to use subcontracting, and even though it is still small, it brings nice flexibility.

Continuous services mainly include the services of the company’s cloud-based Outsmart automation platform, but also some physical work. With the advent of AI, the role of AI agents has grown significantly, and this is becoming a key part of the platform. The services of the automation platform are very scalable. We believe that the customer churn for continuous services is low, but due to a sharper customer focus and some customers adopting processes in-house, this has led to minor churn. There are 4 pricing models: 1) monthly, i.e., resource-based, 2) minute-based charge, 3) "per patient" throughout the treatment chain, and as a new addition, 4) a model based on the value produced by AI agents. AI agents are not yet visible in continuous services; instead, they are currently reflected as revenue in expert services. The use of AI agents is also stronger among private sector clients and less prevalent in public sector projects.

There are several different profitability structures within continuous services. Reselling licenses, which we estimate accounts for ~20% of the company's revenue, has low margins. ~30% is the work of own personnel and corresponds to the profitability level of expert services (~5%). The remaining 50% is based on the own platform, which is very profitable because it only requires orchestration and development costs. Continuous services are also concentrated mainly in Poland, which, due to the low level of personnel and automation costs, provides some price competitiveness. As a whole, the business should be able to reach approximately 20% EBITA levels. Digital Workforce’s competitive advantage is based on continuous services and its own cloud-based automation platform.

The Outsmart platform is a competitive advantage

Digital Workforce's competitive advantage is strongly based on its proprietary Outsmart automation platform, which leverages robotics and artificial intelligence. OutSmart has three different levels: Go, Scale and Enterprise depending on the extent of the need. Go is the lightest and robotics-oriented, while Enterprise includes full lifecycle services. The platform is cloud-based, which enables more flexible development and updating.

BUSINESS MODEL

Source: Digital Workforce / Inderes

Company description and business model 3/7

The company uses Microsoft Azure as the cloud technology. In its technology choices, the company is generally open and applies the best option for the situation, which keeps opportunities open and decreases technology-related risk.

The foundation of the technology platform consists of "digital workers". Digital workers are software robots based on RPA, AI and cloud services that manage business processes together with human colleagues. Digital workers bring automation capabilities and are the source of customer benefits. Information workflows are modeled for digital workers. The goal is for digital workers to learn to do the same things as humans, but faster and more cost-efficiently.

The platform utilizes several technologies, improving applicability and reducing the risk associated with the technology. The key robotics technologies are UiPath and BluePrism. UiPath has chosen Digital Workforce as its top partner in the Nordics, and partner sales are boosted by incentive structures and marketing cooperation. The company started cooperating with Robocorp's open-source solution a few years ago. It has also significantly increased its cooperation with Microsoft, both in automation solutions based on Power Platform and in AI agents that significantly change the way knowledge work is done. Customers use different technologies for different solutions, and thus mastering several technologies is a competitive advantage for the supplier/company. For orchestration, the company has partnered with Flowable AG, which has proven to be a good solution for managing the patient's entire life cycle, controlling workflows between AI agents and humans, and automating them. In addition, the company applies its own technologies, e.g., in document processing.

The second layer of the technology and platform is Run Management, i.e. continuity services for operations Digital workers are monitored and maintained 24/7, using methods developed by the company, depending on the customer's requirements. The company will benefit from growing the customer's business or increasing the degree of automation when more scalable digital workers are introduced.

The third layer consists of the company's extensive experience, which enables it to replicate past experiences and enable rapid introduction. **The fourth layer** consists of commercial adaptability. Customers can test Digital Workforce's solutions with a small initial investment and flexibly scale services (digital workers) based on their needs.

Digital Workforce's competitive advantage is strongly based on its own flexible platform and the entire lifecycle offering. The company has been a pioneer in its field and has developed the platform for almost 10 years, which reflects the lead compared to those wanting to enter the market. In addition, few competitors of the same size class can offer a full lifecycle, especially with the same long experience. The third and important competitive advantage is based on industry expertise. When customers manage the processes themselves, the differentiating factor is license management. The company buys the cloud and robotics licenses and offers them to the customer as a service. This allows the company to optimize the licenses and obtain bulk discounts.

For the efficiency of the platform and the customer, it is also critical that the introduction does not require customization of the customer's systems. This speeds up introduction and lowers the threshold for testing and taking Digital Workforce's platform into use. Thus a direct interface without customization improves growth and profitability opportunities. The only customization related to teaching the digital worker to use a specific target system.

The benefits of an own platform

- Multi-technology – the best and flexible technologies in use
- Customers can easily and flexibly add digital workers and scale them as needed
- Cloud-based – agile updates and maintenance
- Long experience with customers in multiple industries and technology enables fast and efficient introduction to new customers
- The self-service feature introduced enables the customer's own introduction
- Does not require customization to the customer's information systems

Technologies

Flowable

UiPath

blueprism

Microsoft Power Platform

Power Automate

Source: Digital Workforce / Inderes

Company description and business model 4/7

The majority of revenue from continuous services in the Nordic countries still comes from the industrial, banking, and insurance sectors. These are generally comprehensive outsourcing agreements.

Healthcare generates recurring revenue, but not yet on the same scale. In healthcare, the underlying data infrastructure must first be fixed with migration projects, and only then can continuous services be applied.

The risks of the own platform relate to the prices of technology licenses and new competition. There has been upward pressure on license prices, but the company has been able to compensate for this development, e.g., with larger purchasing volumes. The lead in platform development brings a competitive advantage to the company (10 years of development). On the other hand, Digital Workforce is still relatively small and investment funds are limited compared to large technology suppliers.

Geographically, Finland is largest, but growth focus is in the US and UK

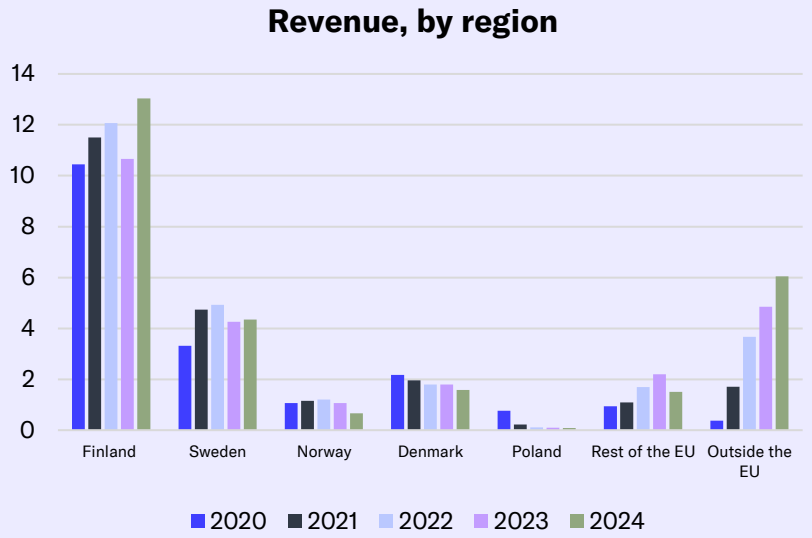
Geographically, Finland's share of revenue is still by far the largest (48% of revenue in 2024), although it is below the level of the early 2020s (55% in 2020). The second largest market area in terms of revenue is markets outside the EU (22% in 2024), which includes the growth areas of the UK, Ireland and the US that are at the core of the strategy. Poland's operations are mainly near-shore supply capacity to other countries. Sweden accounted for 16% of revenue and the rest of the EU accounted for 6%, which in practice is the German market. Markets outside the EU have grown the strongest in recent years (around 20-30%). Growth will continue to be driven by the e18 acquisition in 2025-2026.

In Finland , the market seemed to be in a mature phase a few years ago, before the strategy review and stronger customer focus. Now, the company says the growth outlook is good, driven by health care and public administration. Less than two years ago, the company began winning several healthcare data migration projects in Finland. There are still at least a couple of years left for migration projects, and they range in size from EUR 100,000 to 1 MEUR. Driven by this, the expert profile changed slightly, and the company began recruiting healthcare specialists, analysts, and software development experts. At the same time, a patient system lifecycle offering for the healthcare vertical began to be built on the Outsmart platform, so that customers can be transferred to continuously billed services after the migration project. In addition, Finland has a solid and good customer base in the banking and insurance sector, which is, however, in a more mature phase.

In Scandinavia, the last few years have been disappointing. The offices in Denmark and Norway were closed in the summer of 2023, and these markets will now be managed from Sweden (Scandinavia 2024: 24% of revenue). In our view, it was sensible to focus investments on markets with higher potential. However, based on the company's comments, there are still good growth opportunities in Sweden, which accounted for 16% of revenue in 2024, and the company's operations in other Nordic countries should no longer contract.

Poland remains a pure center of excellence and a global supply unit. Poland has about 70 employees. We believe, the utilization rates are good and delivery capacity will be increased as needed.

The US used to be a more important growth market, but the uncertainty created by tariffs shifted the balance. Currently, investments in the US are very carefully considered and small. However, current clients are still well managed.



Geographical growth %	2021	2022	2023	2024
Finland	**10%**	**5%**	**-12%**	**22%**
Sweden	43%	4%	-13%	2%
Norway	8%	5%	-12%	-38%
Denmark	-10%	-8%	0%	-12%
Poland	-71%	-49%	-11%	-22%
Rest of EU (Germany)	16%	56%	29%	-31%
Outside the EU (UK, USA)	**352%**	**115%**	**32%**	**24%**

Source: Digital Workforce / Inderes

Company description and business model 5/7

The company is thus awaiting clarification of the uncertainties and will focus on small and medium-sized hospitals in the US, where it can leverage Finnish healthcare expertise. Finland's HUS (The Hospital District of Helsinki and Uusimaa) customer relationship has been a good reference, and supported by it, the company also has local successes in the customer field. In general, the US private sector is an "easier" customer as a buyer than, e.g., Finland and the UK. US healthcare customers are usually institutions, which facilitates expansion. In the US, the business has been strongly expert-driven, but we believe that almost all of the latest contracts also include continuous services, which is positive for continuity and margin structure. In the future, the company aims to carry out part of the customer work for the US from Europe, which supports profitability with cheaper production costs.

The company faced initial challenges in the UK and Ireland, but the region is now a key growth market, driven by acquisitions. In 2022, Digital Workforce carried out a small bolt-on acquisition, which was logical from the perspective of strategic expansion and strengthened its position in the healthcare sector in those markets. The acquisition did not go exactly as planned, as the management had to be reorganized. At the same time, the activities of the two countries were merged in 2023. At the end of 2025, the company completed the e18 acquisition, which strengthened its position especially in healthcare. Healthcare is the most promising growth area, and based on the company's comments, it is a market that is at least 3-5 years behind Finland. The healthcare market has 220 small welfare areas, and half of them have no automation whatsoever. The UK government announced a 10 BEUR additional budget this year for the digitalization of the public healthcare system by 2028-2029. Digital Workforce currently has around 50 customers in the UK healthcare sector. The company also has some customers in other customer verticals, but the focus appears to clearly be on healthcare going forward. In our opinion, the focus on healthcare is good, as the company appears to have the best competitive advantage in this customer segment in this particular market.

Selected industry verticals

In 2020, Digital Workforce's customer base was relatively fragmented, and we believe it still is. The company has not previously had a specific industry focus, but as the company grew, it noticed a competitive advantage in healthcare, as well as banking and insurance customers, through its strong expertise. As a result, the company focused on these customer verticals starting in 2023. Focus improved and sharpened the company's expertise in customer verticals and thus strengthens the competitive advantage. This is particularly true in Finland, Scandinavia, and the US, where largely the same patient information system is used. This also made it much easier to utilize expertise across borders. We believe the share of healthcare has clearly increased since 2020, but the share of banking and financial services and the insurance sector has decreased.

Low customer dependency and good customer retention

The most potential customers for automation solutions and Digital Workforce are large and medium-sized organizations in information-intensive industries, such as banking, insurance, and healthcare. In the Nordic countries, the company also targets the 100 largest companies in each country, the 20 largest municipalities, healthcare and public administration. In the US and the UK, the company focuses on the medium-sized business segment in the private sector, and in particular, healthcare. However, the company's current customers still include actors outside these criteria, but new customer acquisition focuses on the above criteria.

Customer references

Healthcare

HUS

NHS University Hospitals of North Midlands NHS Trust

SOS Södersjukhuset

KEUSOTE Keski-Uudenmaan sote

Banking and financial services and insurance

if...

skandia

Nasdaq

TOYOTA FINANCIAL SERVICES

Industry and logistics

Valmet

Retail trade and services

elior

Public organizations

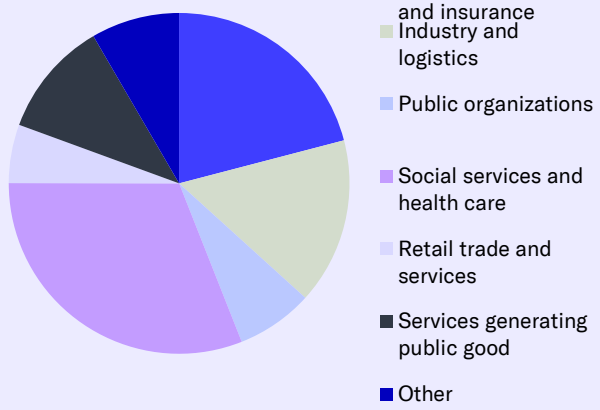
VERO SKATT

Oslo

Puolustusvoimat
The Finnish Defence Forces

Helsinki

Revenue by line of business



Source: Digital Workforce / Inderes

Company description and business model 6/7

Digital Workforce's customer dependency is still relatively low (2020: 20 largest customers 58%). We believe the average customer is good EUR 100,000 p.a. The average customer size should increase as new sales focus on clearly larger customers in the Nordic countries and particularly internationally, as well as among healthcare customers. The ramp-up of continuous services is gradual, and increasing the higher billable share usually takes longer. As the customer size grows, scalability also improves.

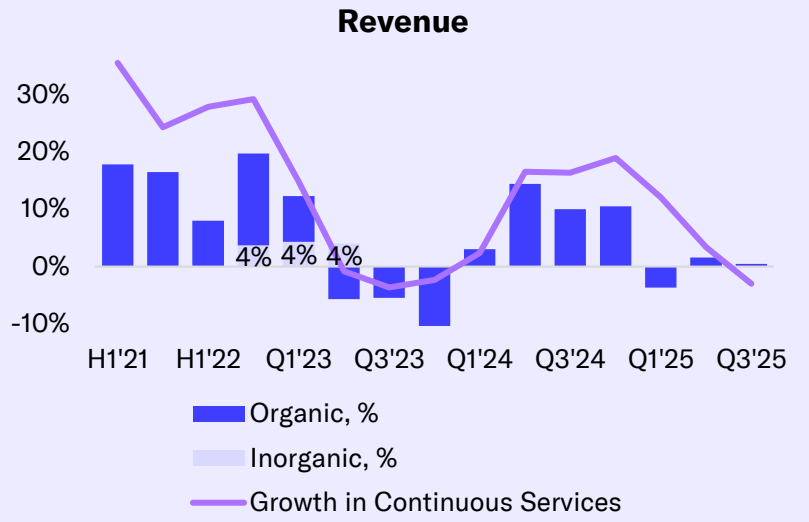
In the past, customers have given positive feedback on the company's expertise related to business process automation capabilities, continuous offering, flexible customer service, and high service quality. These factors support customer retention. Low churn is also supported by the fact that competition in continuous services in automation solutions has been relatively small, switching is difficult, and the benefits are small. However, we estimate that competition will intensify with the advent of AI agents, which may lead to higher customer churn. We estimate that customer churn has been higher than historically in the last couple of years, partly due to strategic revisions in geographies and customer sectors.

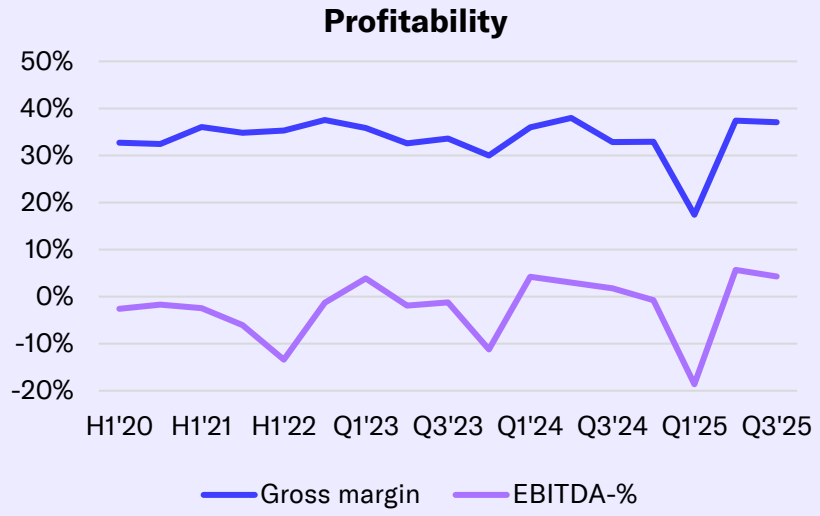
Organization and sales

In the big picture, the organizational structure is low. Countries are the same as market areas. In addition, the structure includes customer verticals that span across country organizations. Thus group functions include finance, HR and marketing. With the organizational model, we believe it is relatively easy for the company to open up new markets, because in practice it only requires sellers. On the other hand, we do not believe new markets are topical, as the company is investing in the current growth markets.

The sales organization has undergone some changes, and country sales managers have changed. Sales are managed by market area that are based on customer verticals. Sales have been centralized and include approximately 20 employees (previously 30), 3-5 per market and customer vertical. In addition, the company also uses market and industry-specific partners. The partner model works especially in segments where sales cycles would be long and local industry expertise is needed. Generally, the sales time varies a lot depending on the customer and is, on average, 3-6 months. We believe the company wants to develop sales in a more holistic direction, which requires more industry expertise in addition to Digital Workforce's technical platform. This is critical as current buyers are higher in the customer organization and require a deeper understanding of the customer's business.

The most recent major organizational changes are from the summer of 2023, when the UK and Ireland were merged. Thus the company tightened its organization and job descriptions. At the same time, the company made the bank and insurance industry a separate customer vertical. The delivery organization, i.e. Poland and local experts, were also combined. At the end of 2023, Denmark and Norway were transferred under Sweden, which also increased operational efficiency. Administratively, the company has carried out a lot of consolidation over the past year in accounting firms, reporting, etc., which improved management and brought efficiency. Over the past year, there have also been minor changes to the management team, and the focus has continued to shift towards healthcare and AI agents.





Source: Digital Workforce / Inderes

Company description and business model 7/7

Costs and the potential for scalability consist mainly of continuous services

In terms of costs and scalability, Digital Workforce's business model is a hybrid of expert services and software business. Expert services are highly personnel intensive and do not scale much. The profitability of expert services is highly dependent on billing rates. Continuous services, in turn, are largely based on the own platform and to a lesser extent on personnel work. Thus, continuous services scale nicely. As the company's revenue and number of customers grow to a certain level the unit costs of most cost items in practice start decreasing relative to revenue.

The company is currently investing in growth, but not at the expense of profitability. Thus, the profitability improvement will increasingly come from scalability in the future. In the mature phase, we believe the company should be able to sustainably achieve EBITDA levels of 20%. The company's gross margin has been 33-35% in 2020-2024. There is also some upside in the gross margin as the share of proprietary platform sales increases.

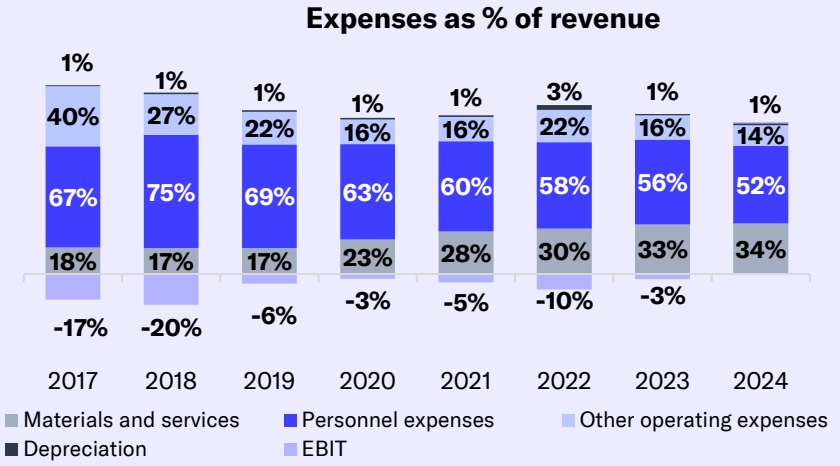
A significant portion of Digital Workforce's costs consists of personnel expenses (2024: 52% of costs) and other operating expenses are partly dependent on personnel (14%). Other operating expenses include, e.g., office, administrative and marketing expenses. Materials and services accounted for 34% of expenses in 2024 and mainly include licensing and subcontracting costs, as the company has started using them. Depreciation accounted for 1% of expenses and mainly relate to capitalized development expenditure. In recent years, the focus of the cost structure has shifted more strongly toward materials and services, as personnel costs have fallen relatively. The shift in focus has been driven by the relative growth in revenue from continuous services, which includes some licenses and is also reflected in costs under materials and services. As the growth of continuous services continues faster than expert services in line with the strategy, the same trend will continue.

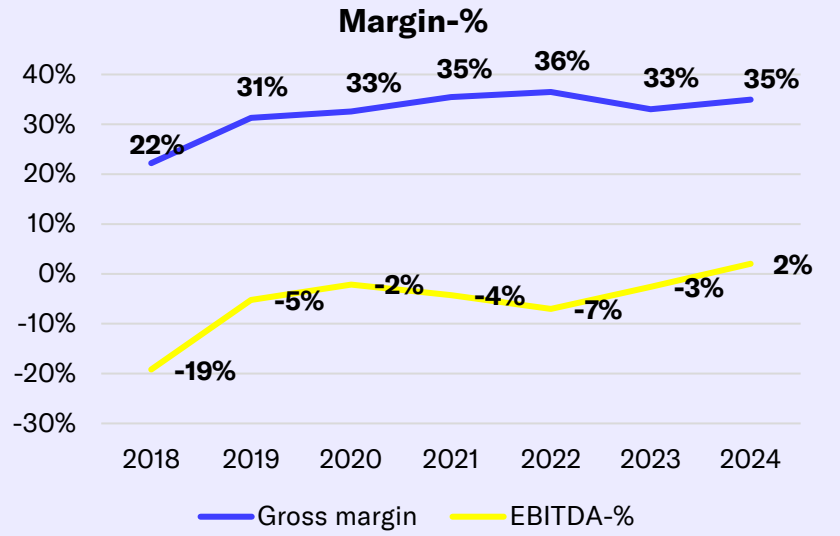
The cost structure differs from IT service companies in that most materials and services are hosting and license fees related to cloud services, and only a small part is subcontracting, whereas in an IT service company, this item is mainly subcontracting. Digital Workforce did not use much subcontracting in the past, but has increased it since 2023.

Key investments and risks

In the past couple of years, the company has curbed investments and implemented them carefully. In 2025, the company will allocate around 70% of its investments to healthcare and around 30% to AI agents in each market. We suspect that the investments in the own platform are largely over but like the product business, it requires continuous small further development. As the company seeks profitable growth in the short term and does not capitalize costs, there is leeway in the balance sheet for inorganic growth. Naturally, acquisitions also involve different risks.

The key operational risks are related to maintaining/improving the competitiveness of the company's own platform, wage inflation, the availability of experts, the realization of scalability, the success of growth investments, and, particularly, to AI and the threat of disruption from AI agents. The main price risk relates to pressure on customer pricing as technology develops and competition increases. In addition, a few fixed-price projects naturally involve project risks, but they are relatively limited.





Source: Digital Workforce / Inderes

Digital Workforce's key figures

Condensed income statement	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5.7	11.7	17.2	19.1	22.4	25.5	24.9	27.3
EBITDA	-0.9	-2.3	-0.9	-0.4	-1.0	-1.7	-0.6	0.6
Adjusted EBIT (EBIT)	-1.0	-2.4	-1.1	-0.6	-0.8	-1.3	0.0	0.8
EBIT	-1.0	-2.4	-1.1	-0.6	-1.2	-2.6	-0.8	0.3
Profit before tax	-1.0	-2.5	-1.1	-0.8	-3.5	-3.0	-0.7	0.6
Net profit	-1.0	-2.6	-1.2	-0.9	-3.6	-3.0	-0.7	0.6
Earnings per share	-2.3	-5.2	-2.4	-1.8	-0.3	-0.15	0.01	0.09
Free cash flow	-1.5	-2.4	-0.7	1.1	-2.8	-2.4	-3.5	0.1

Key figures	2017	2018	2019	2020	2021	2022	2023	2024
Revenue growth-%	347.2%	104.2%	46.3%	11.3%	17.1%	13.9%	-2.2%	9.4%
EBITDA-%	-16.3%	-19.2%	-5.2%	-2.1%	-4.3%	-6.7%	-2.6%	2.3%
Adj. EBIT-%	-17.0%	-20.4%	-6.3%	-3.1%	-3.8%	-5.0%	-0.2%	2.9%
EBIT-%	-17.0%	-20.4%	-6.3%	-3.1%	-5.5%	-10.2%	-3.4%	1.0%
ROE-%	-141%	-181%	-146%	455%	-40%	-18%	-5%	4%
ROI %	-55%	-68%	-38%	-34%	-12%	-14%	-5%	3%
Equity ratio	20%	20%	3%	-6%	69%	55%	71%	61%
Net gearing	-60%	-60%	-34%	156%	-100%	-101%	-83%	-82%

Share indicators	2017	2018	2019	2020	2021	2022	2023	2024
EPS (adjusted)	-2.27	-5.19	-2.40	-1.82	-0.25	-0.15	0.01	0.09
Cash flow/share	-3.49	-4.92	-1.41	2.26	-0.49	-0.22	-0.31	0.01
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09
Equity / share	3.22	2.87	0.43	-1.22	3.18	1.38	1.31	1.32

Source: Inderes

Source: Digital Workforce / Inderes

Risk profile of the business model

The industry is in constant and now ever faster change as technology develops.

Digital Workforce's refined strategy and Outsmart platform are still in the commercialization phase. Growth markets have given the first signs of growth, but growth needs to accelerate markedly in absolute terms.

The market has strong demand drivers, but customers' readiness is still partly a bottleneck.

The customer base is diversified, but will become more concentrated in the future. Continuous services already form the majority of the business however.

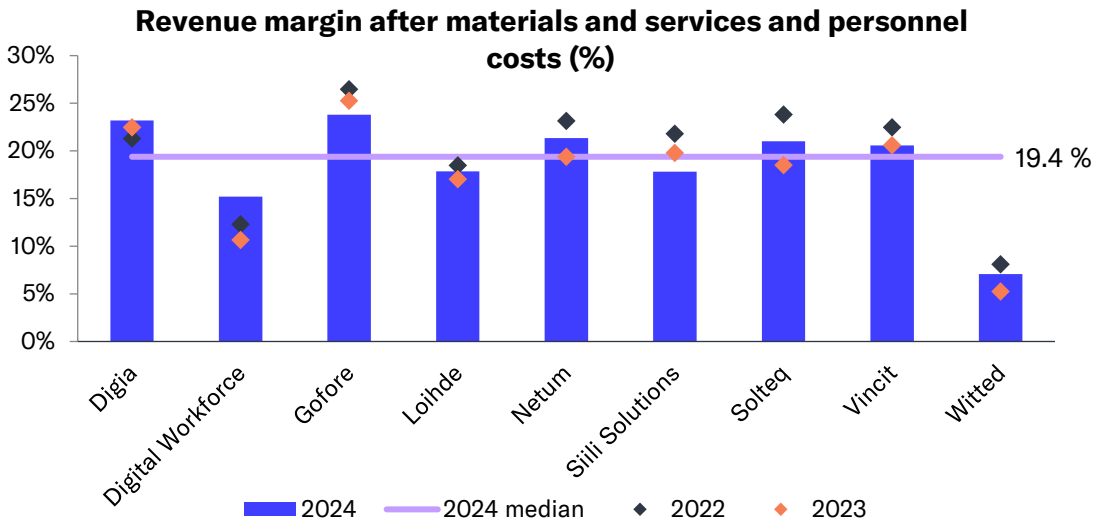
The cost structure is mainly fixed, but as the strategy and growth progress, scalability becomes stronger.

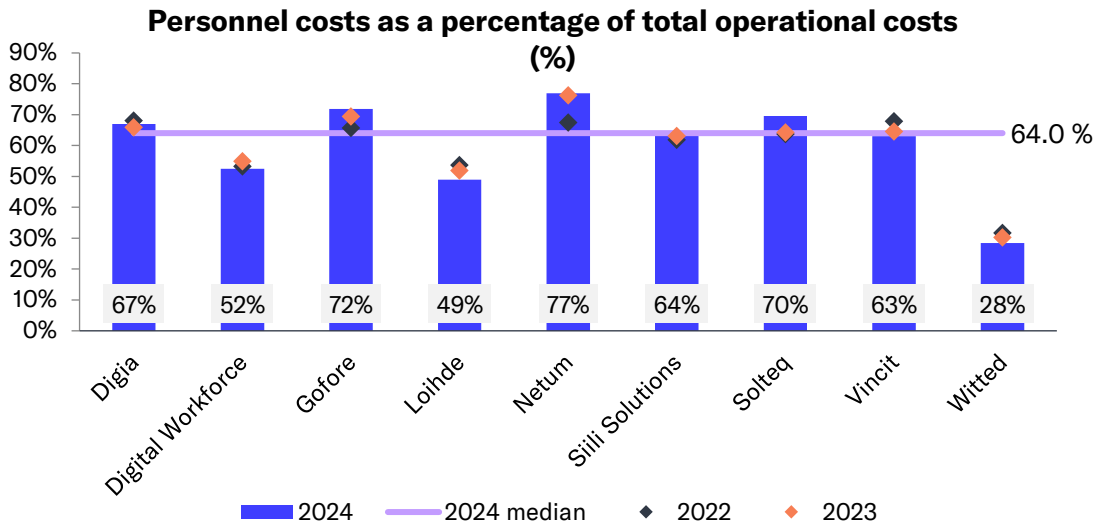
The strategic focus has shifted slightly back to growth, without forgetting profitability. There is not much flexibility in the cost structure.

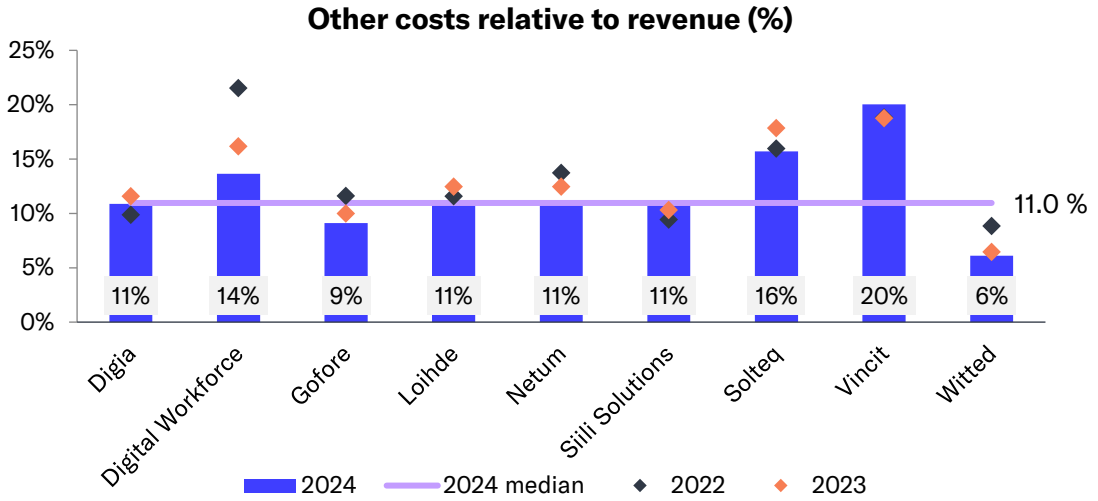
In the mature stage, operations tie little capital and working capital is negative. Acquisitions and accelerating investment in the medium term will tie up capital.

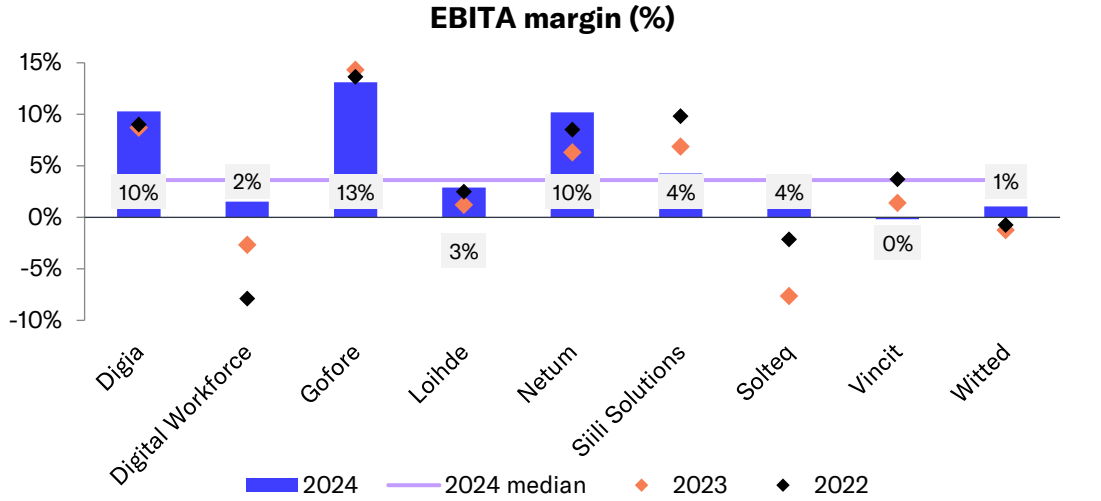
There are still some IPO funds, and positive cash flow strengthens the balance sheet. This means that there is enough capital for operational investments and acquisitions.

Relevant reported indicators for the sector 1/2



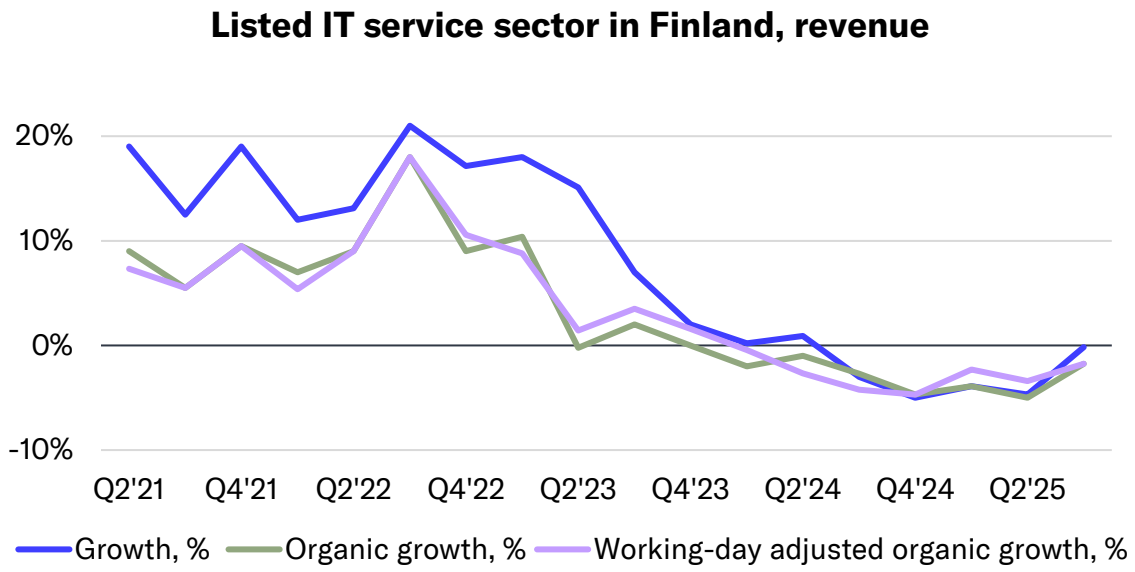


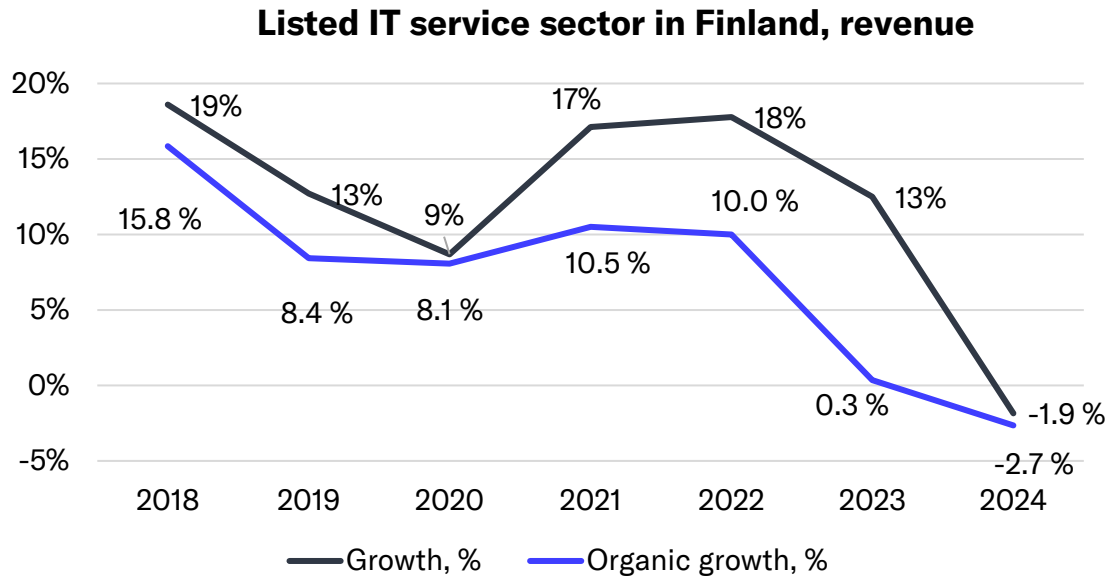


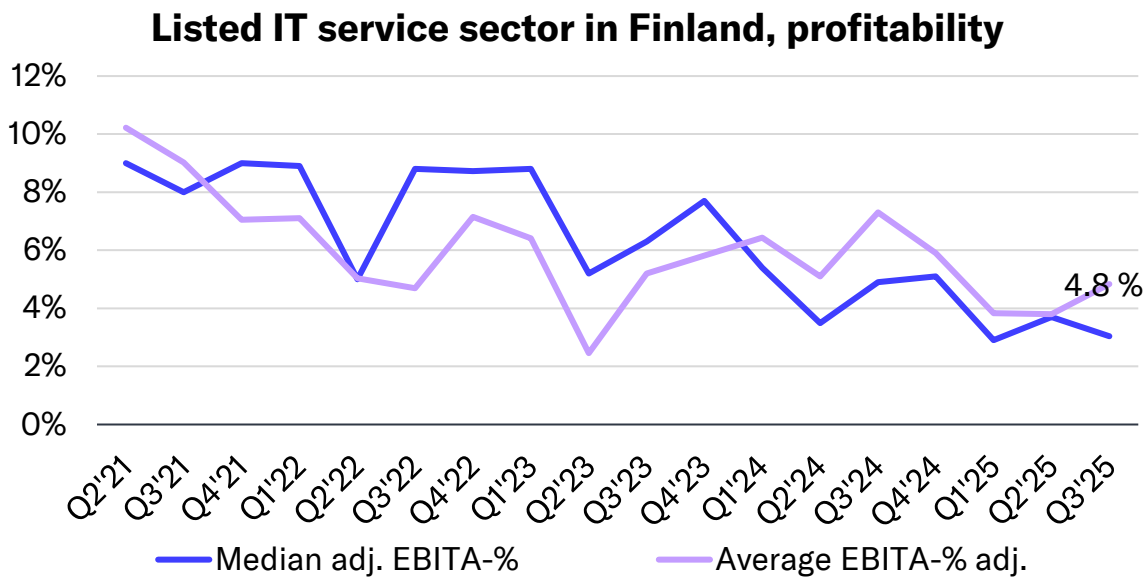


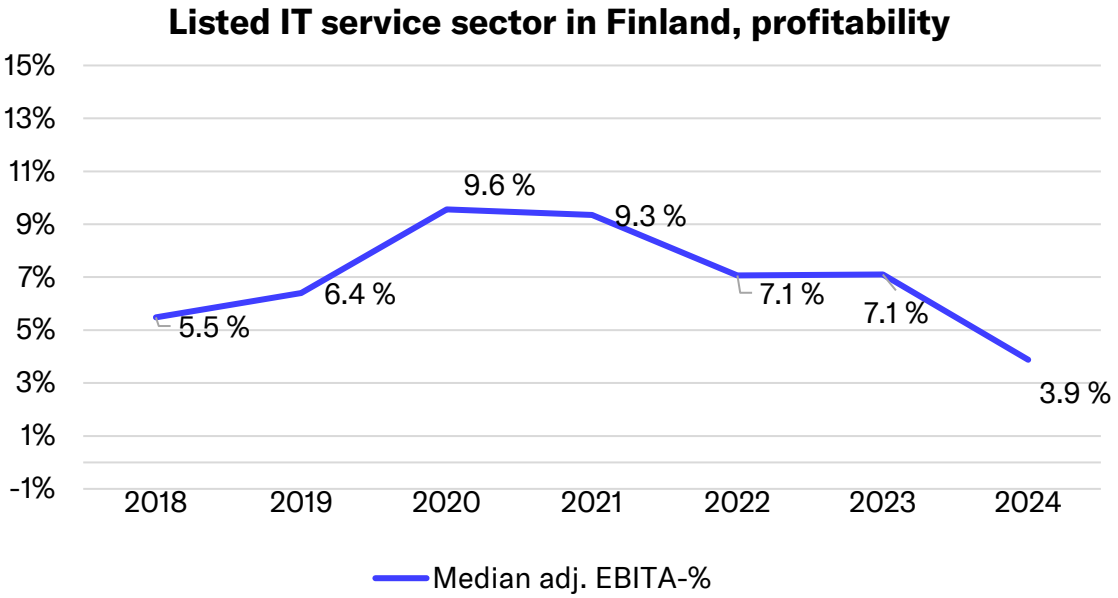
Source: Inderes and the companies

Relevant reported indicators for the sector 2/2









Source: Inderes

Business process automation market 1/3

RPA is becoming part of a broader IT ecosystem

The research organization Forrester estimates the global service market for Robotic Process Automation (RPA) is 14.4 BUSD and software is 3.6 BUSD in 2022. In Forrester's report, the research company expects the market to grow to 22 billion (16+6) by 2025 (service growth averaging 4% per year and software growth 22%). Although the survey is already a few years old, it still illustrates the large size and growth of the market and that it is not a constraint on growth for the relatively small Digital Workforce. According to Forrester's report, Robotic Process Automation (RPA) services are further divided into implementation (60%), consulting (25%) and support (15%). Digital Workforce operates in all service areas, but strategically the most important is support and maintenance.

Geographically, North America has historically been the largest buyer of RPA services, with a share of over 40%, and Europe has accounted for around 20%, according to the survey. Thus, Digital Workforce's strategic choice to invest in the US is well-warranted, even though the short-term focus is somewhat smaller. However, the expansion of the US still requires clarification of the uncertainty and proof in healthcare customers.

According to Forrester's estimate from several years ago, robotics and automation will completely change up to 80% of current jobs by 2030. These estimates precede the strong development of generative AI over the past couple of years, which has further accelerated development and the RPA market. A few years ago, Forrester stated that the market is changing from the automation of tasks enabled by individual technologies to the so-called automation fabric market for comprehensive business processes. Another research company, Gartner, describes the market development as consisting of Business Orchestration and Automation Technology (BOAT) platforms, the competitive landscape of which is presented on page 22. Gartner estimates that by 2030, 70% of companies will transition to a consolidated automation platform that orchestrates business processes, AI agents, bots, APIs, and human actions, compared to 5% in the fall of 2025. Digital Workforce launched a commercial platform to meet this need already at the end of 2022. As the market evolves quickly, Digital Workforce must also be able to continuously develop its business and apply the best technologies.

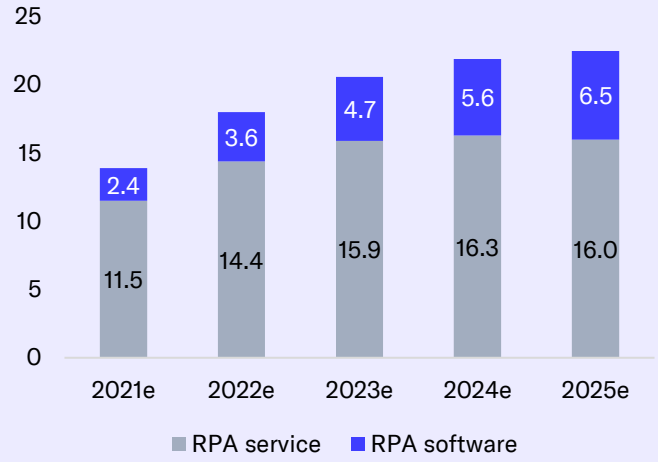
Thus, Digital Workforce's market potential is big. In the Nordic countries, the company has proven the maturity and competitiveness of the product. Next, it is critical for the company to successfully expand more strongly in the UK, Ireland, and the US to achieve its strategy and targets.

The business process automation market is growing

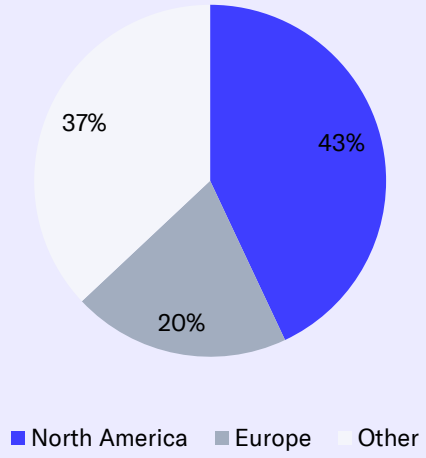
The projected growth of the service market was estimated by Forrester to be 10% in 2022, but to slow down to under 5% in the coming years. Software growth was expected to continue as strong (on average over 20%) in 2023-2025. The purpose of Digital Workforce's business model is to drive the growth of continuous services, which extensively utilizes robotics technologies.

The growth of the robotics market is driven by the benefits of introduction such as 1) accelerating digitalization, 2) improving customer productivity and profitability, 3) freeing up the working time of human workers, 4) offering flexibility and scalability, and 5) improving quality and customer experience. In addition, growth is driven by the wider adoption of robotics, as many customers are not yet ready to adopt robotics or have many unautomated processes.

RPA market, BNUSD



The RPA market geographically



Source: Forrester 2022

Competitive landscape for business process automation 2/3

UiPath remains a leader in robotics technologies, according to Gartner's matrix on page 20. BluePrism has weakened from the previous comparison. Microsoft's solutions have also become an increasingly larger part of Digital Workforce's customer projects. This is on the back of both the Power Platform automation solution and solutions related to AI agents. The fourth leader is Automation Anywhere, which is not encountered in Digital Workforce's tenders in the Nordic countries, but somewhat in the UK, and more so in the US.

AI agents may be a threat to robotics, at least for some applications. However, at present, they do not yet appear to be replacing RPA, partly because AI agents are still more expensive to use and are not yet suitable for all tasks. However, Digital Workforce has reacted to the threat and is also developing its own AI agents.

The competitive landscape is fragmented and has become more multifaceted with the market

Digital Workforce does not compete with large automation software technology suppliers but uses different software to deliver its services. Competitors include large consulting houses (CGI, Tieto and Accenture), IT consulting houses, and other similar specialists focusing on implementation, operation, and maintenance. The company has competitive advantages over the above competitor categories, especially due to its focused offering and extensive capabilities within it. Large IT consultants are more generalists and operate with different business models and interests. Small agile competitors mainly sell expert work and licenses, but they lack maintenance capability and life cycle supply, which has become critical due to the aforementioned market change. Smaller competitors are Roboyo and Reveal Group (see Forrester's competitive landscape on page 20). For IT service companies, continuous service is usually the tail end of the project, while this is a strategic goal for Digital Workforce. Thus, the company has very little direct competition that delivers the entire life cycle offering in an agile manner in all geographies. However, there is competition at different stages and in different geographies. In Finland, Tietoevry and CGI are competitors to Digital Workforce in the significant healthcare sector, migration projects, and continuous services. In the big picture, we expect consolidation in the market when companies want to expand their offering and customer base.

In Finland, Siili has similar robotics operations in the Skaler unit, and Digia acquired MOST Digital, an RPA and automation services provider in 2022. The clear strategic difference in MOST Digital's solution is the application of open source code. In addition, MOST Digital and Skaler are clearly smaller and geographically more focused RPA providers than Digital Workforce. Finland is also home to a small robotics expert, Sisua Digital, offering continuous services, but competing in different geographic areas and customer sizes.

In our view, one option that is still valid is to partner more closely with pure expert suppliers and utilize Digital Workforce's automation platform. The company continues to use this model, e.g., with healthcare customers in the UK, even though the company has now acquired one of its partners (e18).

In a Forrester survey from a few years ago, Digital Workforce was ranked at the top in terms of its offering and almost in the "leaders" category. In Forrester's study, the company received a full score for 1) software offering and proprietary patents, 2) strategy vision, 3) innovation, 4) pricing flexibility and transparency, and 5) customer numbers.

Customer benefits from RPA

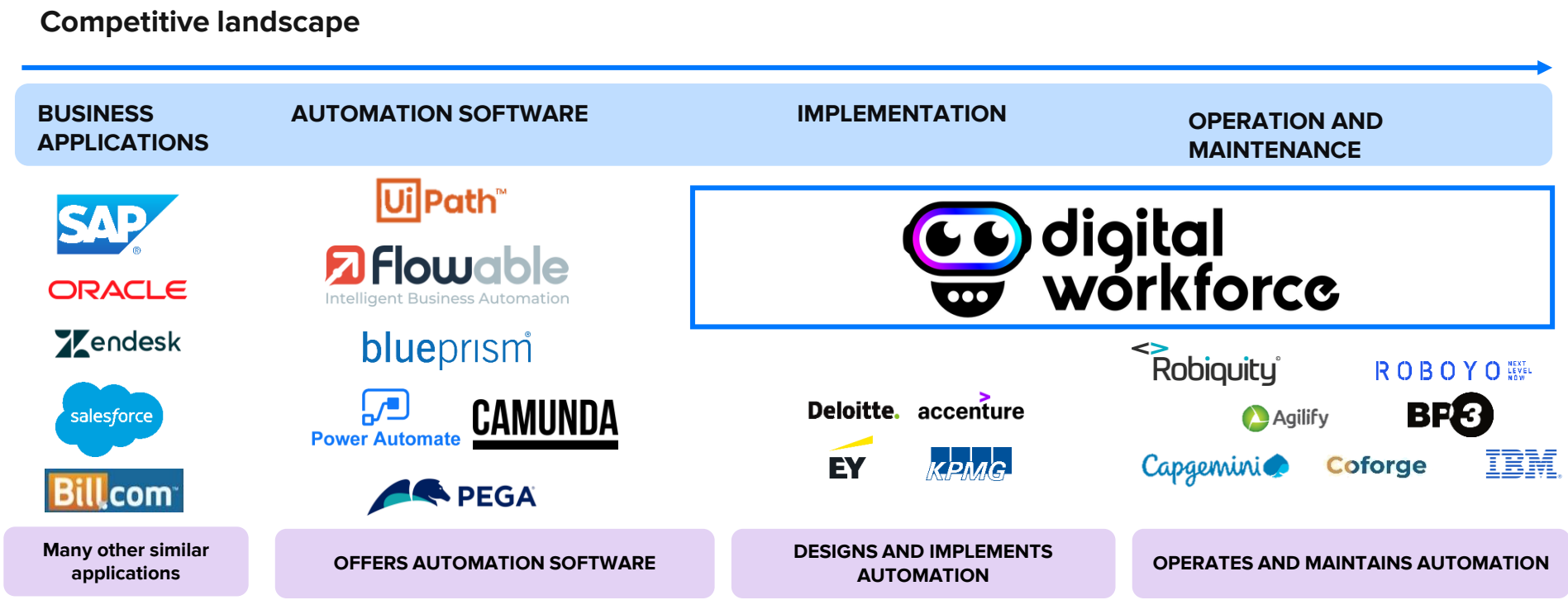
- Accelerating digitalisation
- Improving productivity and profitability
- Freeing up working time for workers
- Offering flexibility and scalability
- Improving quality and customer experience

Market growth drivers

- Most organizations have not yet implemented robotics
- % About 90% of companies using RPA utilize only a small part of their automation potential
- AI Technological development enables the automation of new and more complex processes

Source: Digital Workforce and Forrester

Competitive landscape for RPA

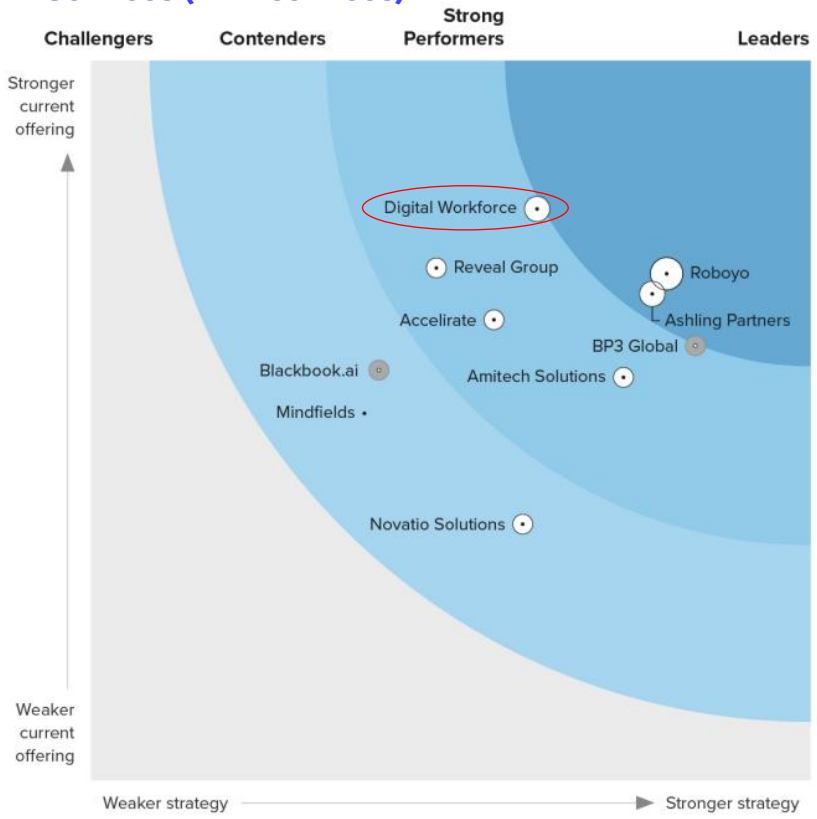


Competitive landscape for RPA technologies and services

Gartner: Magic Quadrant for Robotic Process Automation (RPA technology)

Source: Gartner (January 2025)

Forrester Wave: Robotic Process Automation Services (RPA services)



Source: Forrester (Q4'23)

Competitive landscape for BOAT

Gartner: Business Orchestration and Automation Technologies (BOAT)

Source: Gartner (January 2025)

- Gartner defines Business Orchestration and Automation Technologies (BOAT) as a consolidated software platform that implements enterprise process automation by enabling capabilities such as business process orchestration, enterprise connectivity, low-code development, and agent-based automation. The BOAT platform includes a cross-section of certain features from different markets, such as Business Process Automation (BPA), Low-Code Application Platforms (LCAP), Integration Platform as a Service (iPaaS), Intelligent Document Processing (IDP), Robotic Process Automation (RPA), collaborative workflow management, and document management. However, this list is not necessarily exhaustive.
- The BOAT platform is suitable for those looking for a consolidated platform that can handle a portfolio of interconnected features instead of separate tools.
- **Gartner estimates that by 2030, 70% of companies will transition to a consolidated automation platform that orchestrates business processes, AI agents, bots, APIs, and human actions, compared to only 5% today.**
- Since 2022, Digital Workforce has been developing a similar platform entity, applying several different technologies. Thus, we consider the company as very competitive in terms of its offering. However, the limitation lies in its limited resources, which are smaller than those of several competitors.

Competitive landscape for business process automation 3/3

Geographically, Digital Workforce has demonstrated its competitiveness in a wide range of customer verticals in the Nordic countries. Internationally, the company continues to build its reputation and aims to utilize references from Finland and international projects delivered thus far. The strong expertise of the industries chosen in this way will serve as a competitive advantage internationally.

In terms of technology, AI agents are both a threat and an opportunity, which will change and partly disrupt work in the future. However, Digital Workforce is well-positioned to be among the winners here, as it has considered this in its offering at an early stage.

In the big picture, the market has changed in recent years to such an extent that a broad offering (BOAT-type) will have the best competitive advantages. It will be challenging for small companies to succeed without strong specialized expertise. We believe Digital Workforce is well-positioned in the current market situation due to its BOAT-type offering, application of various technologies, and specialization in different customer industries. However, the company's still small size may pose a challenge against larger players, potentially limiting its delivery capability and investment capacity.

The own platform is a key competitive advantage

The competitive advantage of Digital Workforce is based on the lifecycle offering and especially on its own Outsmart automation platform. The platform is not dependent on robotics or cloud technology but is applied with the best technologies and based on customer’s needs. The multi-technology platform increases flexibility, reduces technology risk and distinguishes the company from suppliers that use only one technology.

The company is also cost-effective as a large part of the work is carried out at the near-shore unit in Poland. Price competition occurs particularly in license reselling, but not as much in the solutions business. In addition, the company can use its own platform and digital workers to manage maintenance in a very cost-effective and scalable manner. To maintain its competitiveness, it is critical for the company to keep up with the development of AI agents and their application among customers.

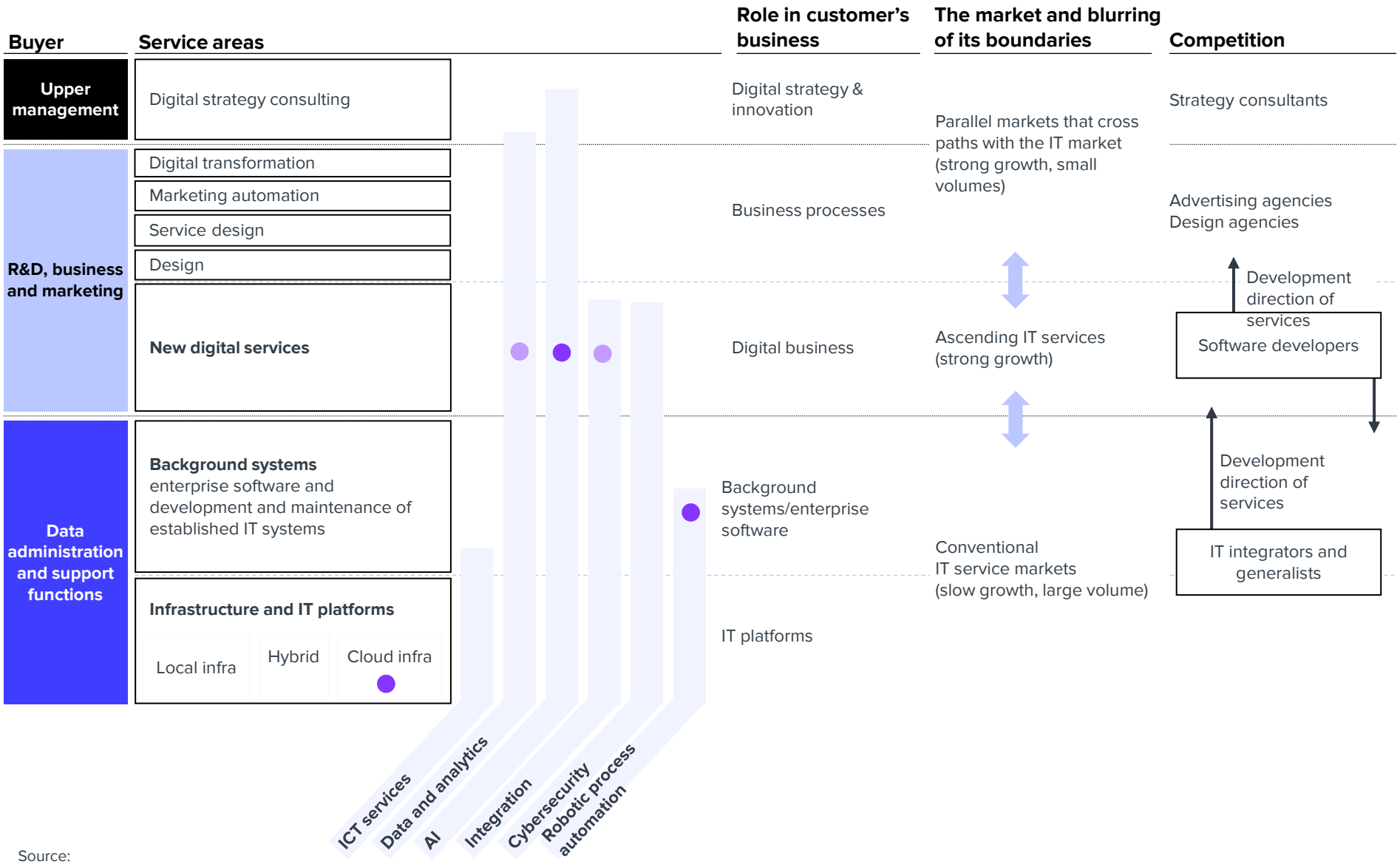
RPA is part of the big IT service market and has the same drivers

At the end of the report, we have also added the market and competitive landscape section of the IT service sector. This section is relevant as Digital Workforce operates within this large market in RPA and automation, which has largely the same drivers and themes. The same drivers include, e.g., digitalization and the maturity of companies (even though robotics still lags behind). In addition, the same themes are found in customer demand, technology development and its utilization, as well as in talent competition. We believe the difference in the competitive landscape arises from the smaller relative competition in RPA compared to IT services in general. The IT service market and the competitive landscape section can be found on pages 43-62.

Digital Workforce's competitive factors

- \+ **Own Outsmart platform**, commercialization is still in the early stages
  - \+ Multi-technology
  - \+ Cloud service
  - \+ Limited competition in continuous services
- \+ **Strong industry expertise**
- \+ High benefits and low total costs for the customer
- \+ Flexible and fast delivery models and cloud maintenance
- – Tough competition in the expert and licensing model
- – Clearly smaller resources than technology suppliers if they were to expand into Digital Workforce's business
- – Small size is a challenge in extensive lifecycle projects against larger competitors
- – Weak competitiveness and supply capacity in the US

Division of the IT service market



Source:
Inderes

Strategy 1/3

Own automation platform at the core of the strategy

Digital Workforce's entire strategy has been created around its own automation platform and continuous services. The company wants to increase its continuous services in particular. As the market situation deteriorated and competitive advantages became clearer, the company updated its strategy for 2022-2026 in April 2022. The company's strategy emphasizes the change in the business model from expert-oriented services to a platform-based model. At the end of 2022, the company introduced the self-service Digital Workforce Outsmart platform to the core of its service offering, where the company had built significant additional capabilities to automate processes. Currently, the most significant strategic product development project is AI agents.

The automation platform was initially intended to be adopted by the customer as a self-service. However, the company quickly realized that it still needed the help of its own experts in the introduction. Thus, the current delivery model is still built from the expert's introduction project to the continuously charged own Outsmart platform. The Outsmart platform is suitable for companies of all sizes, depending on the extent of automation. However, in the customer field, the company only targets large customers.

In the summer of 2023, the company strategically took a stronger focus on selected customer industries. The company mainly targets healthcare customers, as well as banking and insurance customers. The company also has other country-specific industry strengths, but is internationally pursuing the two above-mentioned ones, where a competitive advantage has been observed.

In late 2024, the Board of Directors of Digital Workforce confirmed the focus areas for strategy implementation, aiming to accelerate the company's profitable growth during the latter part of the strategy period.

The cornerstones of Digital Workforce's strategy for the latter half of the strategy period are:

1) **Expand continuous service business and the Outsmart automation platform with AI agents** (Enterprise AI Agents) by creating unique, measurable customer value for the automation of knowledge work. We believe it is critical for the company to succeed here to maintain its competitiveness in a rapidly changing market.

2. Maximize customer benefits from a productized service offering. **Enhances the scalability of continuous services** and the productivity of automation deployment **through AI**. Enables customers to implement more extensive automation faster than before. In practice, we believe this means **effective** implementation of the strategy to achieve scalability.

3. **Market leadership in social and healthcare care pathway solutions**: By focusing on productized automation solutions for care and customer pathways. We believe the company has been very successful in this in Finland, and there is still a lot to do in the region for a long period of time. To our understanding, this customer vertical also has the greatest geographical growth potential.

4. **Boosting growth through acquisitions**: The company is actively seeking acquisition targets that support the cornerstones of its strategy and profitable growth. The market is consolidating, and the company is also a potential acquisition target.

Cornerstones of the strategy:

- Expand the continuous service business and Outsmart automation platform with AI agents
- Improve the scalability of continuous services
- Market leadership in social and healthcare care pathway solutions
- Acquisitions

Digital Workforce's growth drivers:

- Geographical growth, particularly in the UK and Ireland (new customer acquisition), and potentially stronger later in the US
- Growth in existing customers in the Nordic countries
- Increasing customer size enables better growth and scalability
- Digital Workforce only has a limited number of experts in its market areas, Digital Workforce's own Outsmart platform solves bottlenecks and is scalable
- Acquisitions

Strategy 2/3

We believe the most critical part of the strategy, geographically, is succes in the UK market. There should be good opportunities for this with the expertise gained through the e18 acquisition. If the expansion is successful, it would clearly strengthen the growth potential again, and the targeted growth level of the strategy would become realistic. In the Nordic countries, and particularly in Finland, the company has already demonstrated the competitiveness of its offering and its expertise in customer verticals.

There have been several minor changes in the strategy over the past three to four years. In our view, the refinements to the company's strategy have been natural, as the company is now focusing more strongly on areas where it has identified a competitive advantage. At the same time, it is important that the company has divested non-strategic businesses or geographies. In particular, the focus on healthcare customers, as well as the banking and insurance sector, seems a natural choice due to the strong expertise. In addition, a tighter focus is good, as the company still has relatively limited resources to compete in the large markets in all industries.

With the current stronger focus, we feel the company has a better chance of succeeding in its strategy. The company's technical offering seems to be very competitive and its industry expertise good, as Forrester's research and the track record in the Nordic countries have shown.

Growth target cut clearly but it is still ambitious

Digital Workforce has downgraded its targets a few times in the 2020s, which is partly understandable, as the market has changed, and the company's growth has also materialized clearly below its original targets. The targeted revenue is now 50 MEUR by the end of 2026 (at the time of the IPO, the target was 100 MEUR in 2026, and at the end of 2022, it was 50 MEUR by 2025). The target has been further broken down to 40 MEUR organically and 10 MEUR through acquisitions. The organic growth target is ambitious and, in our view, almost impossible. For inorganic growth, the company would still need an acquisition target of around 5 MEUR. In our view, the company must still demonstrate an acceleration of organic growth towards its targeted levels to maintain credibility in its investment case and competitiveness. Geographically, it requires a clear acceleration of growth in Finland and the UK.

For strategically important continuous services, the company aims for a share of over 70% of revenue during the strategy period. We expect the company to be at 69% in 2026.

The profitability target still describes the growth phase

In terms of profitability, the company's target is an adjusted EBITDA of over 15% by the end of 2026 (was 10% by 2025). Even though the profitability target was postponed for one year, it was raised and is higher than the target level stated in the listing. In the past, the company aimed for over 20% adjusted EBITDA in the longer term, which we consider challenging even if the strategy progresses as intended. This is because, in our assessment, the expert business should ideally achieve an EBITDA margin closer to 10%, and continuous services should reach a good 20% EBITDA margin. As the share of continuous services grows, the Group's margin structure improves, and targeted levels become more achievable. For a few years, the company focused on profitability, but now the emphasis has shifted slightly back towards growth. Thus, we expect the company to fall slightly short of its profitability target next year (2026e EBITDA margin 8%)

Digital Workforce's financial targets for the strategy period 2023-2026

	2021	2022	2023	2024	2025e	2026 objective
Revenue	22 MEUR +17%	↗	↘	↗	↗	50 MEUR (organically 40 + 10 from acquisitions)
EBITDA %	-4%	↘	↗	↗	↗	over 15%
Financing of growth	Cash flow	Funds collected in the IPO	Funds collected in the IPO	Funds collected in the IPO	Funds collected in the IPO	Cash flow
Share of recurring revenue	52%	59%	61%	63%	67%	Over 70 %

Source: Digital Workforce and Inderes

Strategy 3/3

Since the beginning of 2025, Digital Workforce has aimed to distribute at least 30% of its annual earnings as dividends. This indicates that the company is confident in improving growth and profitability, and does not need all capital for investments.

Cash from IPO to acquisitions

In connection with the listing, the company carried out a share issue to implement the growth strategy, in which it collected net assets of over 20 MEUR mainly for organic investments. Of these, around 6 MEUR now remains after organic investments and acquisitions. The focus of investment needs has, in recent years, shifted from organic to inorganic, at least in the short term. Organically, the company is currently recruiting only for direct targeted needs, which is a change from the previous growth phase and frontloaded recruitment. However, as the market situation improves and the company detects stronger demand for the OutSmart platform or in growth markets, the company can quickly start accelerating organic investments as well. In addition to the cash, the company naturally also has a debt option available, which we estimate could be ~10 MEUR if profitability were to improve closer to the target levels (15% EBITDA).

However, the regional and relative distribution of investments remains unchanged. The company's investments continue to be primarily aimed at accelerating growth in healthcare. Around 70% of the total investments are earmarked for these investments. The company has reserved of around 30% of the funds for integrating new technologies and AI agents into its platform. The continuous development of the competitiveness of the Outsmart platform is critical for continued growth and acceleration. The company thus appears to be investing very heavily in the healthcare customer vertical.

M&A transactions

Digital Workforce still pursues long-term growth mainly organically, but related investment needs are now lower. As a result, there is more cash for inorganic growth and the willingness for acquisitions has also increased. The company carried out a small acquisition in Ireland in 2022, which was strategically logical but did not quite go as hoped when the management had to be modified. In the autumn of 2025, the company strengthened its healthcare expertise in the UK with the e18 acquisition. The company is also a potential acquisition target itself.

The company seeks acquisitions mainly in growth markets or to strengthen growth in selected industries. The acquisition target should also master some of the key technologies used by Digital Workforce. The ideal target would have around 50 employees, a size that the strategy also targets before the end of next year.

We believe that potential acquisitions will be integrated into the Digital Workforce's platform and global delivery. However, sales operations would remain local, as this customer knowledge is often critical. Thus, the main synergies would come from cross-selling of continuous services and utilizing the scalability of the supply capacity.

We see high valuations of the acquisition targets, cultural integration, key person risks of entrepreneur-driven targets, and finding common incentives as risks in M&A transactions. International acquisitions naturally increase the risk level. The company still has relatively little experience in M&A transactions, but we believe the management and the Board of Directors have extensive experience in acquisitions and their integration, which decreases the associated risk level. In addition, key personnel are committed with additional purchase prices that are linked to growth.

Digital Workforce's acquisitions

Year	Acquisitions	Revenue (MEUR)	Deal price	Geography
2022	eclair		1.2	Ireland
2025	e18	4.9	5.8 + 7.3 earn-	UK

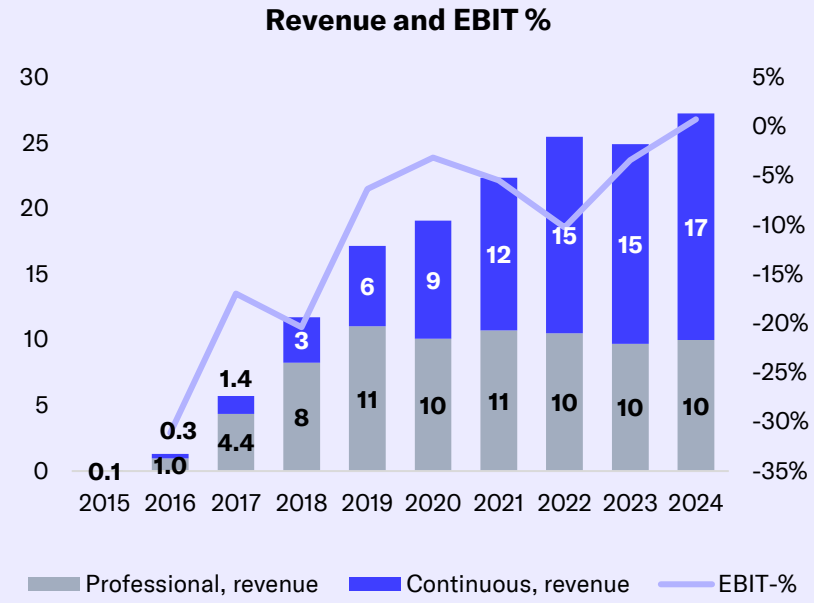
Investment targets

~70%	Accelerating health care growth
~30%	The introduction of new technologies/AI agents on the own platform to develop the service offering

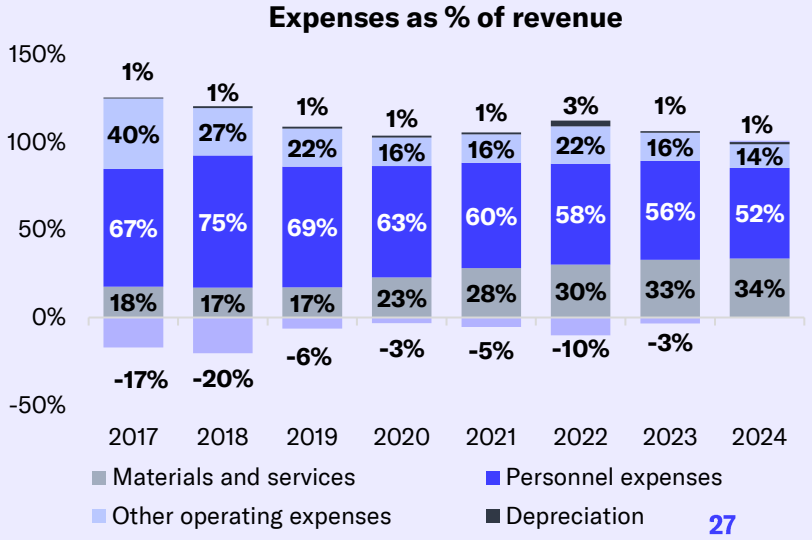
Financial position 1/2

Strong historical growth, profitability became the focus in 2022

- Digital Workforce's annual revenue growth (CAGR) was 77% and average profitability (EBIT %) was -14% in 2016-2021. After the focus shifted from growth to profitability, the corresponding growth figures in 2022-24 were + 14%-2% and +9% respectively.
- In practice, continuous services, which are at the core of the strategy, have driven growth since 2018, growing on average by ~31% per year, while expert services have grown by 3% per year At the same time, their share of revenue has increased to over 60% in 2024 (2018: 30%).
- After the acquisition, the growth markets of the UK, Ireland, and the US will account for ~25% of revenue by the end of 2025. These markets have grown strongly in recent years, although growth slowed down to ~30% in 2023-24. The revenue of the largest market (48% of revenue), the Finnish market, grew by more than 20% in 2024, which reflects the strong demand for healthcare.
- We estimate that in the mature phase, the profitability profile of expert services is at the low end of IT service profitability (EBITDA ~5%) and continuous services around ~20%.
- Overall, the 2024 performance was good compared to the IT service market, but weaker than its own targets, with revenue growing by 9% and adjusted EBIT-% improving to 3% (2023: 0%). In addition, the company signed several contracts in 2024. However, during Q1-Q3'25, development has slowed, with revenue decreasing by 1% and profitability slightly deteriorating.



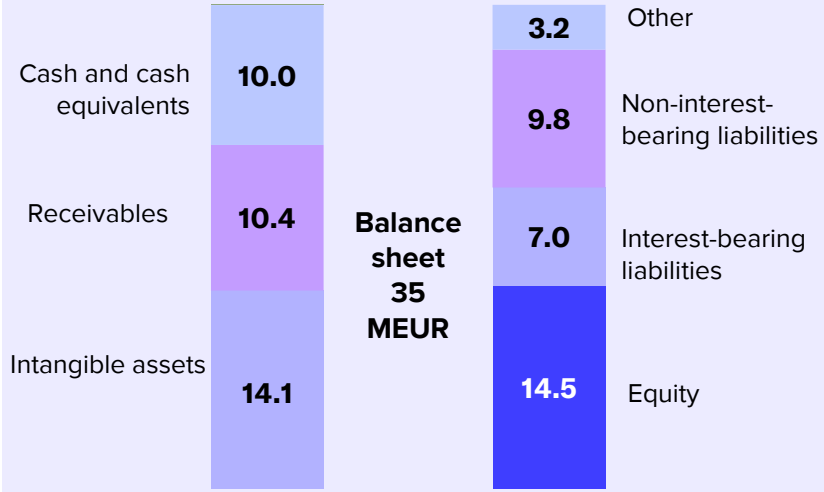
- The largest items in Digital Workforce's cost structure are personnel costs and materials and services (2024: 52% & 34% of revenue). Personnel costs are mainly related to expert services and materials and services almost entirely to continuous services and their license fees, but also partly related to subcontracting from 2023 onwards. The relative growth of continuous services is thus strongly reflected directly in raw material and service costs, while personnel costs decrease relatively.
- We believe the employee billing rates are at a good level and have no greater potential, as the company has improved the efficiency of its processes in some countries and wants to recruit in others.
- Through continuous services, there is scalability in the cost structure.
- The cost structure is slightly flexible through subcontracting, and the cost base has been improved in 2023-24.
- In 2023-24, the company has focused more on profitability, but is now shifting its focus somewhat back to growth. We believe operational investments are mainly made via the income statement and the need for capitalization is very low.



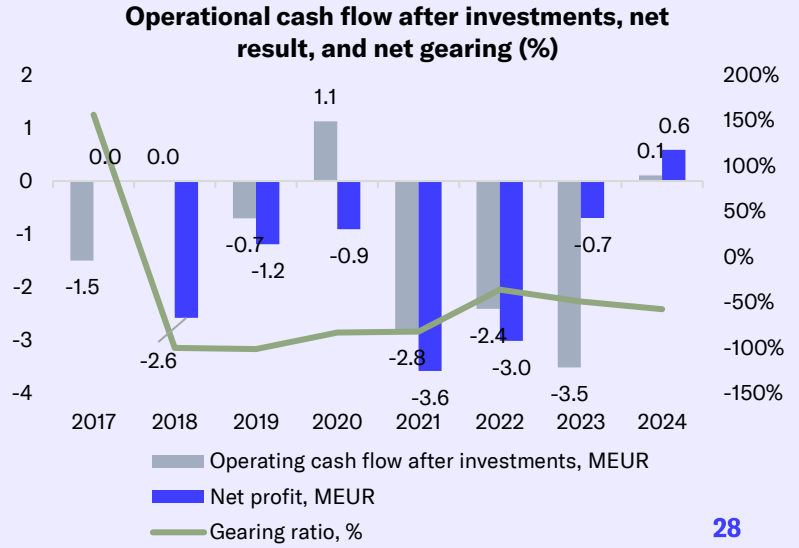
Financial position 2/2

The funds raised in the IPO have been partially put to work

- Digital Workforce's balance sheet is very light and, thanks to the funds raised in the IPO, remains strong even after the acquisition. We use our estimate for the end of 2025, as it includes the estimated impact of the e18 acquisition.
- We estimate cash and cash equivalents to be 10 MEUR at the end of 2025 (13 MEUR in 2024) and interest-bearing loans to be 7 MEUR. Thus, the net cash position is 3 MEUR and continues to provide ample leeway for organic investments and acquisitions.
- Intangible assets are mainly based on acquisitions and, to a small degree, on capitalized R&D expenses.
- The company operates with negative working capital, as licenses are usually paid for 12 months at the beginning of the contract period. This means that normal organic growth does not tie up capital. The company continues to invest in growth, even though at a much more moderate rate than before, resulting in better profitability, and will not eat up cash and equity in the same way as before.
- Potential acquisitions tie up capital and create goodwill. Digital Workforce uses FAS accounting, which is why the company amortizes goodwill generated on its balance sheet.



- In 2016, the company carried out a financing round to implement growth investments and a listing in 2021. Historically, the company has primarily used the funds raised to develop its own automation platform and to build operations in new markets. However, in the short term, the largest organic investments should already be behind us.
- Cash flow turned slightly positive in 2024 and should continue to improve. Thus, cash flow will gradually strengthen the balance sheet more.
- Current funds are sufficient for the company to implement its strategy organically, and there are also sufficient funds for acquisitions. Further, as profitability turned positive, opportunities for bank financing also improved, which provides additional leeway for acquisitions.



Past development

Condensed income statement	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5.7	11.7	17.2	19.1	22.4	25.5	24.9	27.3
EBITDA	-0.9	-2.3	-0.9	-0.4	-1.0	-1.7	-0.6	0.6
Adjusted EBIT (EBIT)	-1.0	-2.4	-1.1	-0.6	-0.8	-1.3	0.0	0.8
EBIT	-1.0	-2.4	-1.1	-0.6	-1.2	-2.6	-0.8	0.3
Profit before tax	-1.0	-2.5	-1.1	-0.8	-3.5	-3.0	-0.7	0.6
Net profit	-1.0	-2.6	-1.2	-0.9	-3.6	-3.0	-0.7	0.6
Earnings per share	-2.3	-5.2	-2.4	-1.8	-0.3	-0.15	0.01	0.09
Free cash flow	-1.5	-2.4	-0.7	1.1	-2.8	-2.4	-3.5	0.1

Key figures	2017	2018	2019	2020	2021	2022	2023	2024
Revenue growth-%	347.2%	104.2%	46.3%	11.3%	17.1%	13.9%	-2.2%	9.4%
EBITDA-%	-16.3%	-19.2%	-5.2%	-2.1%	-4.3%	-6.7%	-2.6%	2.3%
Adj. EBIT-%	-17.0%	-20.4%	-6.3%	-3.1%	-3.8%	-5.0%	-0.2%	2.9%
EBIT-%	-17.0%	-20.4%	-6.3%	-3.1%	-5.5%	-10.2%	-3.4%	1.0%
ROE-%	-141%	-181%	-146%	455%	-40%	-18%	-5%	4%
ROI %	-55%	-68%	-38%	-34%	-12%	-14%	-5%	3%
Equity ratio	20%	20%	3%	-6%	69%	55%	71%	61%
Net gearing	-60%	-60%	-34%	156%	-100%	-101%	-83%	-82%

Share indicators	2017	2018	2019	2020	2021	2022	2023	2024
EPS (adjusted)	-2.27	-5.19	-2.40	-1.82	-0.25	-0.15	0.01	0.09
Cash flow/share	-3.49	-4.92	-1.41	2.26	-0.49	-0.22	-0.31	0.01
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09
Equity / share	3.22	2.87	0.43	-1.22	3.18	1.38	1.31	1.32

Source: Inderes

Estimates 1/3

Estimate model

The growth of recurring revenue, which is central to the investment case, is the most important line in our estimate model. However, expert revenue is also an important item, as it acts in part as an input to recurring revenue. The accumulation of expert revenue is highly dependent on the development of personnel numbers and changes in billing rates. The revenue of continuous services is supported by the development of expert services. However, the correlation between these businesses is relatively weak because customers of continuous services scale up digital workers.

Personnel costs are driven not only by the development of personnel numbers but also by wage inflation and more expensive recruitment in growth markets. We model direct and fixed personnel costs separately. Material and service costs will increase as continuous services grow, but these license costs scale clearly in the mature phase.

As the company uses FAS accounting, third-party licenses are recognized as revenue but in IFRS accounting only the profit would be recognized. It is good to keep this accounting technical issue in mind, especially when the share of licenses is relatively high (2025e ~30% of continuous revenue and ~20% of the Group's revenue). Due to FAS accounting, the company amortizes goodwill from the balance sheet. We adjust goodwill amortization from earnings because it is non-cash-flow-related.

2025 will be operationally disappointing, and we expect the situation to improve in 2026

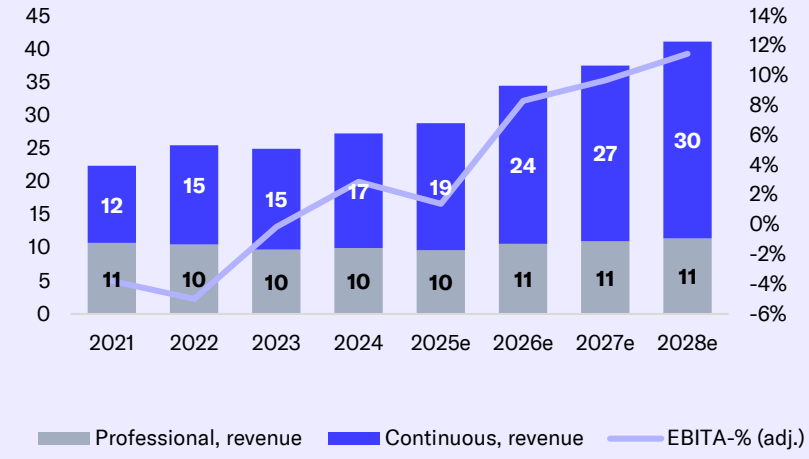
Digital Workforce expects revenue and adjusted EBITDA to grow in 2025. Only the last quarter of 2025 remains, which will be boosted by the consolidated e18 acquisition. We expect full-year revenue to have grown by 6% to 29 MEUR driven by the acquisition. In addition, we expect adjusted EBIT to improve slightly and reach 4%. This way, without the acquisition, the company would be at the very bottom of the guidance. Overall, 2025 can be seen as operationally disappointing, as organic development has been subdued, which has simultaneously limited profitability.

In 2026, we expect revenue to grow by 20% to 34.5 MEUR, driven by the e18 acquisition. We estimste organic revenue growth to be 7%. Thus, we expect organic growth to accelerate next year as general uncertainty subsides, which will support customer demand. In our 2026 estimates, however, the company will fall clearly below the targets for the strategy period (revenue of 50 MEUR).

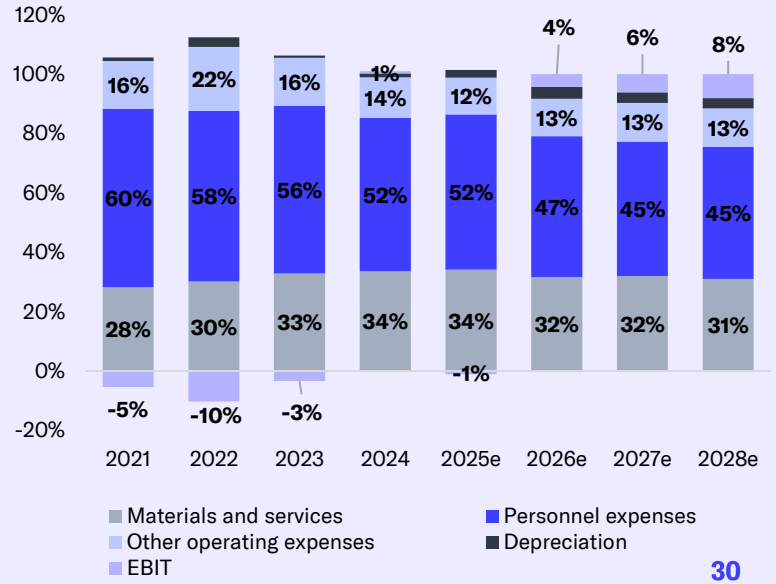
Last week, the company provided more details on the revenue distribution of e18. Most of this revenue is recurring revenue, contrary to our previous understanding of 50/50. So we revised our revenue distribution estimates. Thus, by business segment, we expect Continuous Services to drive growth, mainly based on the e18 acquisition. The company's targeted share of continuous services is over 70% by the end of 2026, and our estimate is 69%. Growth in expert services is driven by healthcare migration projects in Finland.

Geographically, growth markets are already beginning to be an important part of the whole. Thus, continued strong growth will gradually become visible in Group figures. Geographically, we expect healthcare in the UK and Finland to drive growth, which, due to reporting practices, we can unfortunately only monitor on an annual basis. In addition, the larger customer size sought by the company and growth in existing customers support growth.

Revenue and EBITA %



Expenses as % of revenue



Estimates 2/3

We expect the gross margin to improve to 40% from a somewhat weak 35% in 2025e from the comparison period (due to Q1). The profitability improvement is driven by the growth of scalable continuous services, the concentration of Azure cloud services, and better billing rates. Other operating expense lines should be relatively well-trimmed due to much cost savings in recent years, and growth should scale to the bottom line. We estimate EBITDA to be 2.9 MEUR or 8% of revenue in 2026 (2025e: adj. 1.5 MEUR or 6%). We also expect profitability to fall short of the strategic period targets (targeted adj. EBITDA margin of over 15%). We made adjustments to our balance sheet estimates and depreciation with the consolidation of the e18 acquisition, as e18's balance sheet was apparently very light. Due to the acquisition, goodwill amortization will increase, and we expect it to be 1.2 MEUR p.a. However, those goodwill amortizations have no cash-flow effect and we adjust them from the earnings. We suspect the company will also incur interest-bearing debt from the acquisition, thus increasing interest expenses slightly. Thus, we estimate EPS to grow to EUR 0.12 and, adjusted for goodwill amortization, to EUR 0.22 in 2026 (EUR 2025: -0.03 and 0.09). In 2025e, the reported result was weighed down by restructuring costs, one-off acquisition costs, and depreciation related to acquisitions.

The company updated its dividend policy in early 2025, and the target is to pay at least 30% of the result as dividends. We expect the company to distribute dividends of 4 and 9 cents per share for 2025-2026, which corresponds to ~40% of the adjusted result.

Estimates after the strategy period

In the years following the strategy period, we estimate growth to accelerate as the general economy recovers and automation penetration increases. However, we slightly decreased our mid-term estimates due to the continued weakness in the overall market and slower-than-expected development. We estimate the company to grow organically by 8-9% in 2027-2030, and to gradually slow down thereafter towards 1.5% in the terminal. From the perspective of the revenue structure, we expect the growth of continuous services to drive the Group's revenue growth as expert service projects move to continuous services and continue to ramp up.

We forecast EBITDA to reach 11-12% in 2027-2028 and remain at this level. The profitability improvement is mainly driven by the growth of scalable continuous services. We also note that estimates are subject to greater uncertainty in the medium term due to the slope of revenue growth and especially its scalability to profitability. We have listed several Digital Workforce growth and profitability drivers on the right-hand side.

Our estimate reflects better growth and profitability than in the IT service sector in the long term. The higher growth is due to better underlying growth than in the IT service market. Better profitability in turn to a more scalable business structure. However, the company still lacks proof of stronger growth and, in particular, profitability with the new strategy and structure in the 2020s.

Strong balance sheet allows for M&A transactions

We estimate the company's net cash to be 3 MEUR at the end of 2025e. In addition, operational cash flow also strengthens the balance sheet and thus enables acquisitions to accelerate growth. We also suspect the company can finance inorganic growth with a loan of around 10 MEUR, which, however, includes the assumption that profitability improves closer to the company's target EBITDA level of 10%.

Growth drivers

+ The growth of the Outsmart platform, where success is critical in terms of long-term potential
+ Growth in expert services (market pressure in the short term)
+ Growth of continuous services and increased use by existing customers (scalable)
+ By market, the UK and Finland are driving growth in the short term
+ The improving penetration rate of robotics and the successful application of AI (AI agents)
+ Subcontracting increases business flexibility
– Customers take control of automation processes themselves

Profitability drivers

+ Better management of the licensing portfolio that streamlines the cost structure of materials and services
+ Greater scalability for continuousservices
+ Providing services from lower-cost countries to markets with better customer pricing (e.g., from Poland to other parts of Europe, and from Europe to the USA)
+ The scalability of the cost structure due to the growth of continuous services and the improvement in billing rates for expert services
– Wage inflation and churn in expert services
– Recruiting in the expensive US and UK markets
– Failure of investments

Estimates and estimate revisions 3/3

Income statement	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue	**25.5**	**24.9**	**6.7**	**7.0**	**6.6**	**7.0**	**27.3**	**6.5**	**7.1**	**6.6**	**8.7**	**28.8**	**34.5**	**37.5**	**41.1**
Professional Services	10.5	9.7	2.7	2.6	2.2	2.5	10.0	2.0	2.6	2.3	2.7	9.6	10.6	11.0	11.4
Continuous Services	15.0	15.2	4.0	4.3	4.4	4.6	17.3	4.5	4.5	4.2	6.0	19.2	23.9	26.5	29.7
EBITDA	**-1.7**	**-0.6**	**0.3**	**0.2**	**0.1**	**0.0**	**0.6**	**-1.2**	**0.4**	**0.3**	**0.9**	**0.4**	**2.9**	**3.6**	**4.7**
Depreciation	-0.9	-0.2	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	-0.1	-0.1	-0.5	-0.7	-1.4	-1.3	-1.4
EBIT (excl. NRI)	**-1.3**	**0.0**	**0.2**	**0.2**	**0.1**	**0.3**	**0.8**	**-0.4**	**0.3**	**0.3**	**0.9**	**1.1**	**2.7**	**3.5**	**4.5**
EBIT	**-2.6**	**-0.8**	**0.2**	**0.1**	**0.0**	**-0.1**	**0.3**	**-1.3**	**0.3**	**0.2**	**0.5**	**-0.3**	**1.5**	**2.3**	**3.3**
Net financial items	-0.4	0.1	0.0	0.0	0.1	0.2	0.3	0.0	0.0		0.1	0.1	-0.1	-0.1	0.0
PTP	**-3.0**	**-0.7**	**0.2**	**0.1**	**0.1**	**0.1**	**0.6**	**-1.3**	**0.3**		**0.5**	**-0.3**	**1.4**	**2.2**	**3.3**
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1		0.0	-0.1	0.0	0.0	0.0
Net earnings	**-3.0**	**-0.7**	**0.2**	**0.1**	**0.1**	**0.2**	**0.6**	**-1.3**	**0.2**	**0.2**	**0.5**	**-0.4**	**1.4**	**2.2**	**3.3**
EPS (adj.)	**-0.15**	**0.01**	**0.02**	**0.01**	**0.02**	**0.04**	**0.09**	**-0.04**	**0.02**	**0.02**	**0.08**	**0.09**	**0.22**	**0.29**	**0.38**
EPS (rep.)	**-0.27**	**-0.06**	**0.02**	**0.01**	**0.01**	**0.01**	**0.05**	**-0.11**	**0.02**	**0.02**	**0.04**	**-0.03**	**0.12**	**0.19**	**0.28**

Key figures	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	13.9 %	-2.2 %	3.0 %	14.4 %	10.0 %	10.5 %	9.4 %	-3.7 %	1.6 %	0.4 %	23.7 %	5.7 %	19.6 %	8.9 %	9.7 %
EBITDA-%	-6.7 %	-2.6 %	4.2 %	3.0 %	2.1 %	0.1 %	2.3 %	-18.5 %	5.5 %	4.4 %	10.6 %	1.4 %	8.3 %	9.7 %	11.5 %
Adjusted EBIT-%	-5.0 %	-0.2 %	3.5 %	2.2 %	2.0 %	3.8 %	2.9 %	-6.1 %	4.8 %	4.0 %	10.0 %	3.7 %	7.7 %	9.3 %	11.0 %
Net earnings-%	-11.8 %	-2.8 %	2.7 %	2.0 %	1.5 %	2.4 %	2.2 %	-20.3 %	3.1 %	3.1 %	6.0 %	-1.3 %	3.9 %	5.9 %	8.0 %

Source: Inderes

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	28.8	28.8	0%	34.5	34.5	0%	38.7	37.5	-3%
EBITDA	0.4	0.4	-4%	2.9	2.9	-2%	4.4	3.6	-17%
EBIT (exc. NRIs)	1.1	1.1	-2%	2.7	2.7	-2%	4.1	3.5	-15%
EBIT	0.0	-0.3	-840%	2.5	1.5	-42%	3.9	2.3	-41%
PTP	0.1	-0.3	-320%	2.7	1.4	-50%	4.0	2.2	-45%
EPS (excl. NRIs)	0.09	0.09	-2%	0.25	0.22	-12%	0.35	0.29	-19%
DPS	0.04	0.04	0%	0.09	0.09	0%	0.11	0.11	0%

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**2.1**	**2.3**	**14.1**	**13.1**	**12.2**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.1	2.3	14.1	13.1	12.2
Tangible assets	0.0	0.0	0.0	0.0	0.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**21.3**	**22.0**	**20.3**	**24.2**	**27.7**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	8.1	9.1	10.4	11.4	12.4
Cash and equivalents	13.2	13.0	9.9	12.8	15.3
Balance sheet total	**23.4**	**24.3**	**34.5**	**37.3**	**39.9**

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**14.7**	**14.9**	**14.5**	**15.8**	**17.3**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-13.3	-12.8	-14.2	-13.3	-12.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	28.0	27.6	28.6	29.0	29.4
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**0.8**	**0.6**	**8.6**	**8.6**	**8.6**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	0.8	0.6	7.0	7.0	7.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	1.6	1.6	1.6
Current liabilities	**7.9**	**8.9**	**11.4**	**13.0**	**14.0**
Interest bearing debt	0.2	0.2	0.0	0.0	0.0
Payables	5.1	8.7	9.8	11.4	12.4
Other current liabilities	2.6	0.0	1.6	1.6	1.6
Balance sheet total	**23.4**	**24.3**	**34.5**	**37.3**	**39.9**

Investment profile

1. Attractive growth markets abroad. Good outlook also in Finland.
2. Improved focus on competitive advantages in selected industries (esp. healthcare).
3. Scalable business model based on recurring invoicing.
4. Strong balance sheet and negative net working capital.
5. Investment profile is still that of a turnaround company, but potentially a hybrid product and service company.

Potential

- The market demand outlook is strong in the medium term and better than for the IT service sector
- Success in new markets (UK and Ireland, as well as the US)
- Strengthening competitive advantage with the Outsmart platform
- Improving scalability
- Further improvement in continuity
- Acquisitions
- Multi-technology model, growth opportunities brought by AI agents

Risks

- The disruptive threat of AI
- Growth strategy failing
- Weakening competitiveness of the Outsmart platform
- Developing large RPA technologies and their expansion to maintenance and orchestration
- Reacting to market and technological changes
- Development of the employee image and success in recruitment
- Wage inflation and managing attrition
- Acquisitions

Valuation 1/4

The investment profile of a turnaround company

In terms of investment profile, Digital Workforce is still a turnaround company whose turnaround in profitable growth progressed well last year. This year, performance has been more volatile, and the company still has a lot to prove regarding profitable growth. However, the company's investment case is at best very attractive in the longer term, considering its growth and profitability potential. Before a higher acceptable valuation, however, the company must demonstrate the effectiveness of its current strategy from a growth perspective and its scalability to profitability.

We feel the company's business profile reflects characteristics of a hybrid product company and IT service company. Unlike product companies, Digital Workforce does not have its own IPR portfolios and an equally strong profitability profile, but it has clearly better scalability and especially continuity than a service company. Expert work, on the other hand, is strategically an "input function" to recurring revenue and we estimate it has lower margins than average IT service work. Increasing the share of recurring revenue with better margins drives earnings growth and makes the investor profile interesting and attractive

The e18 acquisition gives the company a clearly stronger growth foothold in the UK growth market. If the company succeeds in the growth markets and scalability is realized, higher valuation multiples can gradually be accepted for the company, and we can more strongly rely on an estimate whose forecasts are clearly better than the current performance level.

A key risk is failure of the growth strategy, which would result in no track record of growth in recurring revenue and its scalability. In this case, the value of the continuing business would probably not be reflected in the company's valuation multiples and, in the worst case scenario, the company would be profiled as an IT service company against its will.

Currently, the market appears to be pricing in relatively weak performance and clearly does not believe in strong growth and its scalability into profitability. Thus, operational demonstrations are key for a higher valuation to materialize.

Valuation model

We examine the value of Digital Workforce from several angles. Conventionally, we apply absolute valuation multiples, peer analysis, a range for the expected return, and a DCF calculation. In addition, since the company has two very different business profiles, we also apply the sum of the parts calculation. We have also outlined the valuation through different scenarios which are discounted to the present value.

In terms of valuation multiples, we have previously mainly used revenue ratios. The comparability of the revenue ratio is slightly weakened by the fact that the company applies FAS accounting and records license sales in revenue. IFRS accounting would only record the margin, which we estimate would lower revenue by some 10% but improve profitability. With improving profitability, earnings-based multiples will also start to support the valuation, but this requires the earnings turnaround to continue next year. At present, valuation is limited by the company's small size and the still ongoing earnings turnaround.

Value drivers and opportunities

- Success in growth markets (especially the UK and Ireland) and acceleration of growth
- Increasing the revenue share of Continuous services with better margins drives earnings growth and makes the investor profile more attractive
- Multi-technology model, growth opportunities brought by AI agents
- Good scalability of the Outsmart platform
- Industry focus improves efficiency and therefore profitability
- Acquisitions

Risks and threats

- The disruptive threat of AI
- How the growth strategy progeresses
- Failure in commercializing the Outsmart platform
- Developing large technologies and their expansion to maintenance
- Customers taking over their activities (inhouse)
- Reacting to market and technological changes
- Traditional threats to expert services related to employer image, wage inflation, and managing churn
- Acquisitions

Valuation 2/4

Peer group

No clear peer group that operates with a similar business model is available for Digital Workforce as compared to expert companies, the company has significantly more recurring business with better margins. Compared to Nordic product companies, and especially software companies, Digital Workforce's margin profile is lower than for companies in a mature stage.

The median EV/S multiples of the peer group for 2025-2026 are 1.1x-0.9x. The corresponding multiples for IT service companies are 0.7x and ~4x for software companies.

We have considered the median for IT service companies as the valuation floor, which is highly relevant, as the company, measured by our Rule of 20, is above the average for IT service companies (2025e). If the company's growth accelerates to over 10% or closer to its target level of 25% and the profitability turnaround progresses well, we feel the top valuation level of IT service companies (>1x), i.e., clearly higher than the current level, can be accepted for the company. However, the company does not yet have clear proof of the strategy's effectiveness and a stronger operational turnaround, which keeps us cautious.

We do not see any justification for examining the company's valuation relative to software companies. Nevertheless, we include software companies, because if the company reaches its potential, these will also provide support points for the valuation, especially for recurring revenue. However, due to the recognition policy of license income, even ~10% lower revenue-based multiples can be accepted for the company.

In our view, the valuation of Digital Workforce is attractive with the EV/S ratio. Relative analysis of earnings multiples and taking a stronger view at this stage is challenging because there are several variables. We deal with the earnings multiples in more absolute terms.

Valuation multiples

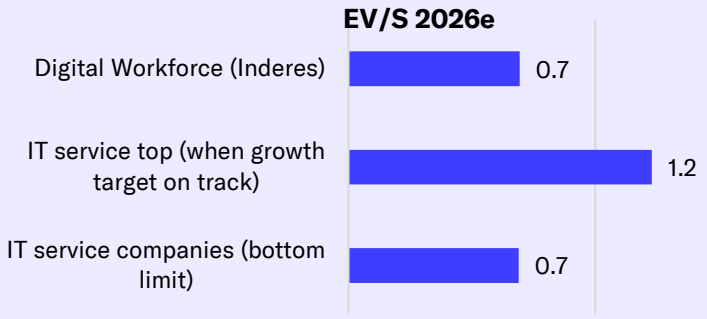
Following the acquisition, it is justified to primarily consider next year's multiples, which account for the full impact of the acquisition. Next year's profitability estimates are partially scaled (EBITDA: 8%), making the valuation picture (2026e EV/EBIT 9x, P/E 12x) attractive. As growth continues and profitability scales, the 2027 multiples (EV/EBIT 6x, P/E 9x) are already very attractive, but in our view, it is still too early to rely on this (EBITDA 10% vs. 4% in 2025e). The current challenging market situation and the still incomplete turnaround curb the biggest enthusiasm about the stock.

Sum of the parts

We also examine Digital Workforce's valuation through a sum-of-the-parts calculation due to the different business profiles. The usefulness of the calculation is, however, limited by the fact that the businesses cannot and will not be separated. The calculation is still a good valuation method among others.

We apply the lower end of the EV/S range 0.4x of IT service companies for expert services. The low ratio reflects the weaker growth and profitability profile of expert services. However for recurring revenue we apply the higher end of IT service companies' valuation or the median of the entire peer group ~1.2x

If the profitability potential of the business begins to materialize, a higher valuation level can be accepted for recurring revenue.



Peer group valuation	EV/EBIT	EV/Sales
Company	**2026e**	**2026e**
Admicom*	15.4	5.0
LeadDesk*	15.2	1.2
Qt Group*	14.8	3.4
Lime Technologies AB	21.9	4.9
Upsales Technology AB	13.9	2.4
Carasent	33.5	4.4
FormPipe Software AB	41.0	5.4
Digia*	7.6	0.8
Gofore*	9.9	1.1
Loihde*	13.3	0.5
Innofactor*	9.4	0.7
Netum Group*	9.1	0.6
Siili Solutions*	6.4	0.3
Solteq*	11.2	0.7
Tietoevry*	10.1	1.4
Vincit*	11.1	0.4
Witted Megacorp*	9.0	0.3
Bouvet	13.3	1.7
CombinedX	7.7	0.7
Avensia AB	6.3	0.7
Knowit	16.1	0.6
Netcompany Group	16.0	2.1
Digital Workforce (Inderes)	**9.1**	**0.7**
Average	14.2	1.8
Median (all)	**12.2**	**0.9**
Diff-% to median	***-26%***	***-24%***
Median (software companies)	15.3	3.9
Diff-% to median	*-40%*	*-82%*
Median (IT service companies)	**10.0**	**0.7**
Diff-% to median	***-9%***	***2%***

Peer group valuation

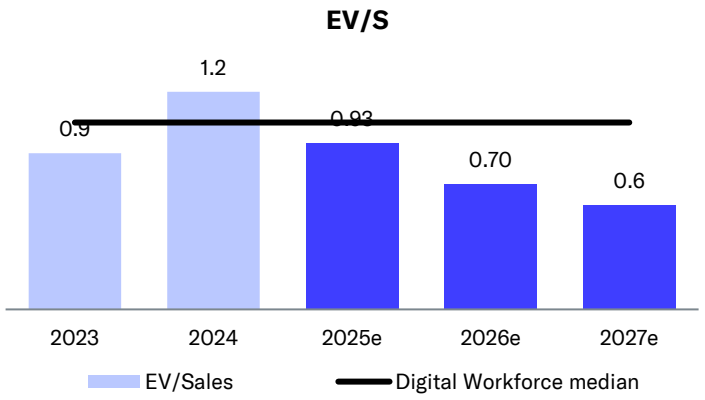
Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2025e	 2026e	EV/EBITDA 2025e	 2026e	EV/S 2025e	 2026e	P/E 2025e	 2026e	Dividend yield-% 2025e	 2026e	P/B 2025e
Admicom*	218	208	18.0	15.4	17.7	14.8	5.5	5.0	23.2	20.2	1.5	1.7	5.8
Leaddesk*	41	51	18.8	15.2	8.0	6.5	1.3	1.2	25.2	20.6			2.8
Qt Group*	792	895	19.4	14.8	17.5	12.9	4.2	3.4	21.9	18.0			3.5
Lime Technologies AB	371	384	28.0	21.9	18.2	15.3	5.6	4.9	35.4	27.9	1.6	1.9	10.9
Upsales Technology AB	47	44	16.2	13.9	11.6	10.3	2.9	2.4	20.2	17.8	5.0	5.0	20.2
Carasent	172	159	205.1	33.5	23.7	15.2	5.1	4.4	113.0	43.0			2.2
FormPipe Software AB	130	128	62.0	41.0	32.4	27.9	4.3	5.4	100.4	49.7	42.2	0.4	1.7
Digia*	169	196	8.9	7.6	8.2	6.6	0.9	0.8	10.3	9.4	3.0	3.3	1.7
Gofore*	219	239	15.6	9.9	11.6	8.1	1.3	1.1	17.7	12.7	3.6	3.7	1.9
Loihde*	68	76	17.9	13.3	7.9	5.8	0.5	0.5	23.7	16.5	4.2	5.7	0.9
Innofactor*	61	66	11.7	9.4	7.6	6.4	0.8	0.7	14.5	11.9	5.3	5.9	2.1
Netum Group*	14	21	9.2	9.1	11.7	8.4	0.5	0.6	22.5	26.4	1.8	3.6	2.1
Siili Solutions*	37	39	9.8	6.4	8.3	4.0	0.4	0.3	11.3	8.9	1.8	3.3	0.9
Solteq*	8	30	39.1	11.2	13.1	8.0	0.7	0.7					0.6
Tietoevry*	2138	2674	10.6	10.1	16.3	8.8	1.4	1.4	11.1	11.6	3.9	5.0	2.0
Vincit*	21	25		11.1	9.8	3.8	0.4	0.4		14.3	3.9	5.5	0.7
Witted Megacorp*	21	16	19.4	9.0	40.6	8.7	0.3	0.3	39.0	16.0	1.4	1.4	1.6
Bouvet	548	581	14.2	13.3	11.8	11.1	1.8	1.7	17.6	16.6	5.8	5.8	15.5
CombinedX	65	72	12.3	7.7	6.6	4.9	0.8	0.7	15.7	8.8			
Avensia AB	27	28	7.2	6.3	5.2	4.8	0.7	0.7	9.2	7.7	6.3		4.7
Knowit	291	347	23.2	16.1	7.7	6.8	0.6	0.6	34.0	20.1	1.7	2.9	0.8
Netcompany Group	2140	2579	22.9	16.0	14.9	12.2	2.5	2.1	27.8	17.9		0.1	4.4
Digital Workforce (Inderes)	**30**	**27**	**24.9**	**9.1**	**65.3**	**8.5**	**0.9**	**0.7**	**28.9**	**11.7**	**1.6**	**3.5**	**2.1**
Average			28.1	14.2	14.1	9.6	1.9	1.8	29.7	18.9	5.8	3.4	4.1
Median (all)			17.9	12.2	11.6	8.2	1.1	0.9	22.2	16.6	3.7	3.4	2.1
Diff-% to median			*n.a.*	*-26%*	*n.a.*	*3%*	*-14%*	*-24%*	*n.a.*	*-30%*	*n.a.*	*n.a.*	*0%*
Median (software companies)			19.1	15.3	17.6	13.8	4.3	3.9	24.2	20.4	3.0	1.9	3.1
Diff-% to median			*n.a.*	*-40%*	*n.a.*	*-39%*	*-78%*	*-82%*	*n.a.*	*-43%*	*n.a.*	*n.a.*	*-34%*
Median (IT service companies)			14.2	10.0	10.7	7.4	0.7	0.7	17.7	14.3	3.9	3.7	1.9
Diff-% to median			*n.a.*	*-9%*	*n.a.*	*15%*	*35%*	*2%*	*n.a.*	*-18%*	*n.a.*	*n.a.*	*8%*

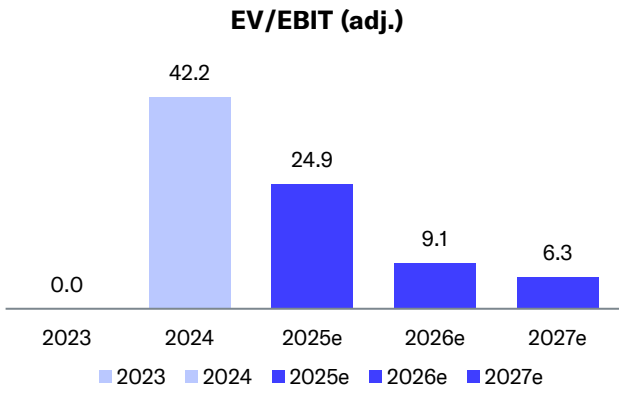
Source: Refinitiv and *adjusted Inderes's estimate / Inderes. NB! The market cap used by Inderes does not include treasury shares.

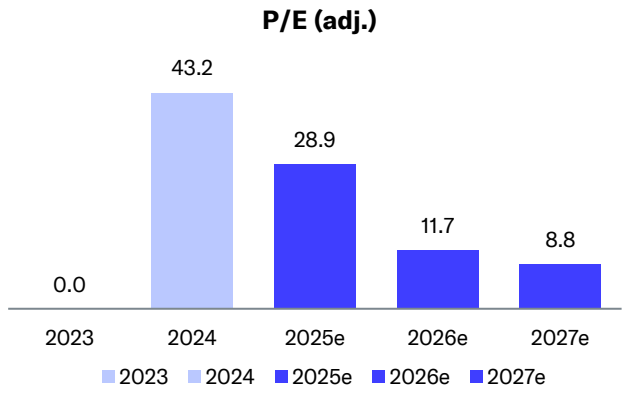
Valuation table

Valuation	2023	2024	2025e	2026e	2027e	2028e
Share price	3.02	4.02	**2.54**	**2.54**	**2.54**	**2.54**
Number of shares, millions	11.3	11.3	**11.7**	**11.8**	**11.9**	**11.9**
Market cap	34	45	**30**	**30**	**30**	**30**
EV	22	33	**27**	**24**	**22**	**19**
P/E (adj.)	>100	43.2	**28.9**	**11.7**	**8.8**	**6.7**
P/E	neg.	76.9	**neg.**	**22.0**	**13.6**	**9.2**
P/FCF	neg.	>100	**neg.**	**9.9**	**9.4**	**7.1**
P/B	2.3	3.1	**2.1**	**1.9**	**1.7**	**1.6**
P/S	1.4	1.7	**1.0**	**0.9**	**0.8**	**0.7**
EV/Sales	0.9	1.2	**0.93**	**0.70**	**0.6**	**0.5**
EV/EBITDA	neg.	51.9	**65.3**	**8.5**	**6.0**	**4.0**
EV/EBIT (adj.)	neg.	42.2	**24.9**	**9.1**	**6.3**	**4.2**
Payout ratio (%)	0.0 %	172.1 %	**neg.**	**78.0 %**	**58.7 %**	**47.0 %**
Dividend yield-%	0.0 %	2.2 %	**1.6 %**	**3.5 %**	**4.3 %**	**5.1 %**

Source: Inderes







The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Valuation 3/4

Using our 2026 revenue estimates for Digital Workforce, including the e18 acquisition, and applying the multiples mentioned above, we arrive at a total debt-free value of 33 MEUR. With net cash, the market capitalization is 39 MEUR or EUR 3.4 per share. The sum of the parts indicates a valuation close to our target price and supports a positive investment view on the stock. Since the businesses will not be separated, this valuation method is more indicative than a guiding valuation method.

Scenarios by 2028

We illustrate the return potential of Digital Workforce's stock during the strategy period in three different scenarios based on different assumptions of the company's growth rate and acceptable valuation levels during the period until 2028. The period includes the inorganic impact of the e18 acquisition. Digital Workforce's current strategy period ends next year, but in our view, it is clear that the next period will also aim for strong growth. As has been stated several times, stronger growth still requires proof, and, thus, it is too early to rely on an optimistic scenario, but the scenarios reflect significant potential and why the investment case is very interesting if successful.

Scenario calculations describe well how the expected return of a stock is particularly sensitive to the growth of continuous services and the acceptable valuation. If Digital Workforce's growth is at the levels we expect, we believe that the stock offers a good expected return in the neutral scenario. If the company succeeds in achieving strong organic growth closer to its current strategy, we believe the stock offers an excellent expected return in an optimistic scenario. In the pessimistic scenario, where growth would remain weak, the expected return would be negative.

In the baseline scenario based on our current forecasts, we expect the revenue of expert services to grow at an average annual rate of 3% until 2028. With an assumed revenue ratio of 0.4x, the value of expert services would be 4.6 MEUR. In turn, we estimate that continuous services will grow at an average rate of 15% and revenue will be 30 MEUR in 2028. With continuous services' stronger growth and profitability profile, we assume the acceptable revenue ratio is 1.2x. Thus the value of continuous services is 36 MEUR. With these assumptions, the value of Digital Workforce's stock in 2028 would be EUR 4.6 per share, which would mean an annual expected return of 21% compared to the current price .

In the optimistic scenario, we assume average annual growth of 9% for expert services and 23% for continuous services. We assume that expert services will then be priced with 0.6x and continuous services with 1.4x revenue ratios. With these assumptions, the value of Digital Workforce's stock would be EUR 7.9 in 2028, which would mean an excellent 46% annual expected return.

Sum of the parts	2024	2025e	2026e
Expert services revenue	10.0	9.6	10.6
Revenue from continuous services	17.3	19.2	23.9

Valuation, EV/S	2024	2025e	2025e
Expert services, 0.4x	4.0	3.9	4.2
Continuous services, 1.2x	20.7	23.0	28.7
EV	**24.7**	**26.9**	**32.9**
Net cash	12.2	2.9	5.8
Market cap	36.9	29.8	38.7
per share	**3.3**	**2.7**	**3.4**

2028	Pessimistic	Base	Optimistic
Expert services			
Growth (CAGR 24-28)	*-3%*	*3%*	*9%*
Revenue	9.0	11.4	14.0
X valuation multiple	0.2x	0.4x	0.6x
EV	**1.8**	**4.6**	**8.4**
Continuous Services			
Growth (CAGR 24-28)	*6%*	*15%*	*23%*
Revenue	22.0	29.7	40.0
X valuation multiple	1.0x	1.2x	1.4x
EV	**22.0**	**35.6**	**56.0**
Total			
EV	23.8	40.2	64.4
Net debt	5	-11	-25
Value of entire stock	**18.8**	**51.4**	**89.4**
Per share	*1.7*	*4.6*	*7.9*
Return	*-34%*	*81%*	*214%*
Annual return	*-13%*	*21%*	*46%*

Valuation 4/4

In the pessimistic scenario, we assume that the growth of expert and continuous services will be on average -3% and +6% p.a. The acceptable multiples would naturally also be under pressure (corresponding to 0.2x and 1.0x). With these assumptions, the value of Digital Workforce's stock would be EUR 1.7 in 2028, which would mean an excellent -13% annual expected return.

Cash flow model (DCF)

We have set the growth expectation for the terminal period (2034-) to 1.5% and the EBIT margin (2034-) to 9%, which reflects better average profitability than for the IT service sector. However, we point out that our long-term growth and profitability estimates still involve uncertainty, which in part limits the usefulness of the model. The weight of terminal cash flows (59%) is quite high, reflecting the need for operational improvements to unlock the undervaluation.

The per share value of our cash flow calculation for Digital Workforce is EUR 3.9 which indicates a clear upside for the share. We also raised our WACC slightly to 11.4% (previously 10.9 %),which is due to a small increase in the required return on equity, which in turn is due to the uncertainty of the earnings turnaround. The required return is also raised by the company's small size and uncertainty related to growth and profitability. If Digital Workforce shows that its growth strategy is moving in the right direction in the coming years, there is a downside in the required return as the company's risk profile decreases. As the current strategy's growth is still in its early stages, and its profitability and scalability potential are yet to be demonstrated, we are not yet prepared to rely solely on a discounted cash flow (DCF) model. However, the DCF reflects the attractive potential of the share.

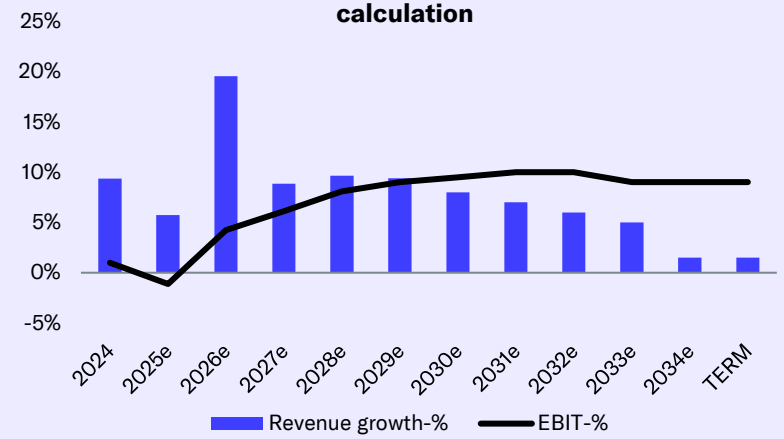
The risk-adjusted expected return is in black

Based on our forecasts and the valuation multiples we accept for the company for the next few years, the sum of the parts, the scenarios and the DCF, we now estimate that the fair value of Digital Workforce's share is around EUR 3.0-4.0 per share. In the current situation, with market uncertainty still high and the company's growth strategy still in its early stages, we believe it is justified that the company's valuation is at the bottom of the range. As the company shows stronger growth and profitability in line with our forecasts, the valuation is justified to be at the top of the range. If the strategy progresses at the pace targeted by the company, we believe there is an upside in the fair value range.

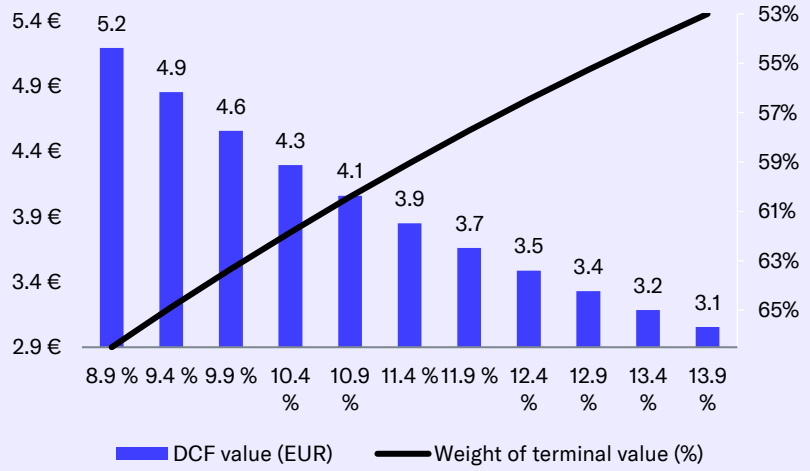
From the current share price level, we feel the expected return for Digital Workforce's stock rises higher than the required return on a 12-month perspective.

We believe the key short-term risks are related to forecasts and the expected return could fall short of our expectations if the company's growth and profitability turnaround does not materialize. In the medium term, the key risk in forecasts is related to the acceleration of growth, which requires success in selected growth markets and AI.

Growth and profitability assumptions in the DCF calculation



Sensitivity of DCF to changes in the WACC-%

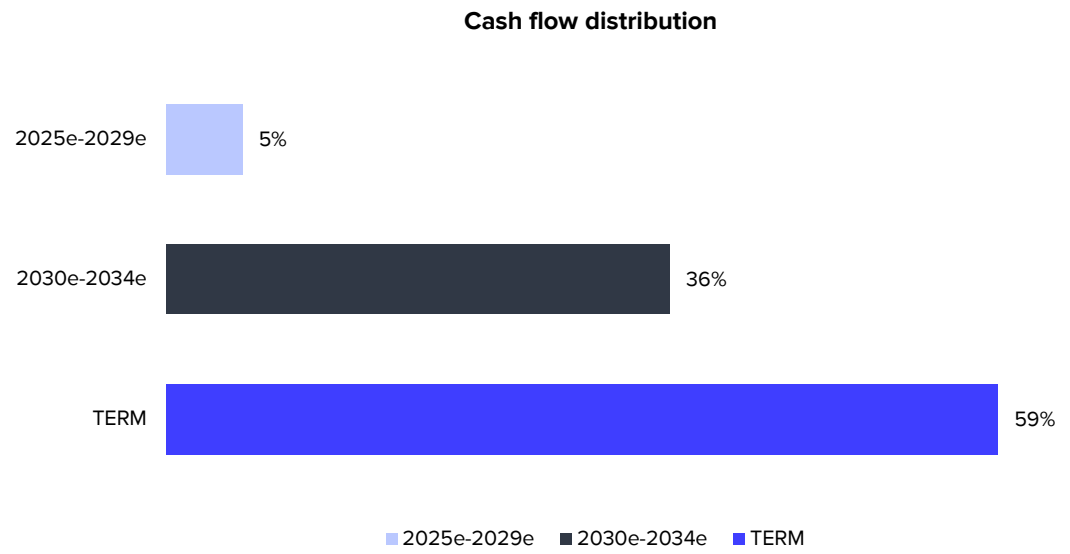


DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	9.4 %	5.7 %	19.6 %	8.9 %	9.7 %	9.4 %	8.0 %	7.0 %	6.0 %	5.0 %	1.5 %	1.5 %
EBIT-%	1.0 %	-1.1 %	4.2 %	6.1 %	8.1 %	9.0 %	9.5 %	10.0 %	10.0 %	9.0 %	9.0 %	9.0 %
EBIT (operating profit)	**0.3**	**-0.3**	**1.5**	**2.3**	**3.3**	**4.0**	**4.6**	**5.2**	**5.5**	**5.2**	**5.3**	
+ Depreciation	0.4	0.7	1.4	1.3	1.4	1.4	1.5	1.5	1.6	1.7	1.4	
- Paid taxes	0.0	-0.1	0.0	0.0	0.0	-0.8	-0.9	-1.1	-1.1	-1.1	-1.1	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
- Change in working capital	0.0	1.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	**0.7**	**1.7**	**3.4**	**3.6**	**4.7**	**4.7**	**5.2**	**5.7**	**6.0**	**5.9**	**5.6**	
+ Change in other long-term liabilities	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.6	-12.6	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4	
Free operating cash flow	**0.1**	**-9.3**	**3.0**	**3.2**	**4.3**	**4.2**	**4.7**	**5.2**	**5.5**	**5.4**	**5.2**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	0.1	-9.3	3.0	3.2	4.3	4.2	4.7	5.2	5.5	5.4	5.2	53.3
Discounted FCFF		**-9.3**	**2.7**	**2.6**	**3.1**	**2.7**	**2.7**	**2.7**	**2.6**	**2.3**	**2.0**	**20.2**
Sum of FCFF present value		34.2	43.5	40.7	38.2	35.1	32.4	29.6	26.9	24.4	22.1	20.2

Enterprise value DCF	**34.2**
- Interest bearing debt	-0.8
+ Cash and cash equivalents	13.0
-Minorities	0.0
-Dividend/capital return	-1.0
Equity value DCF	**45.4**
Equity value DCF per share	**3.9**

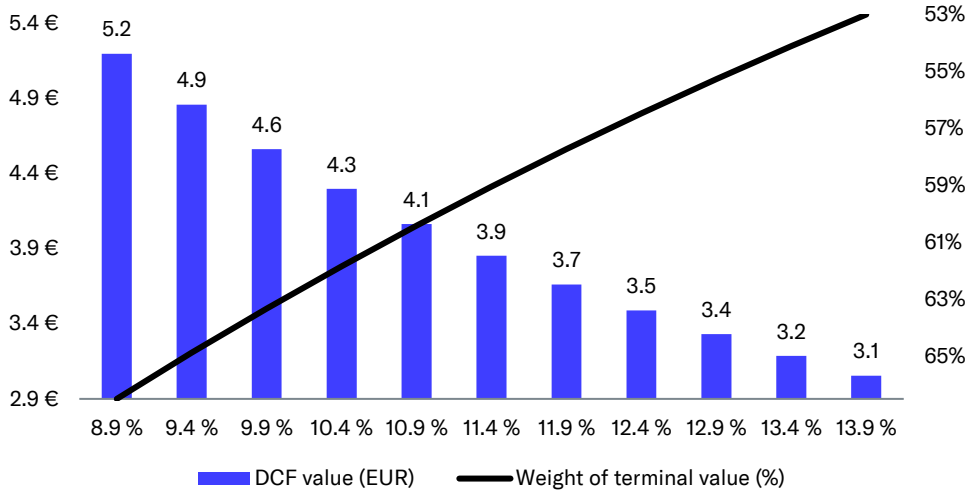
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	6.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	**12.1 %**
Weighted average cost of capital (WACC)	**11.4 %**



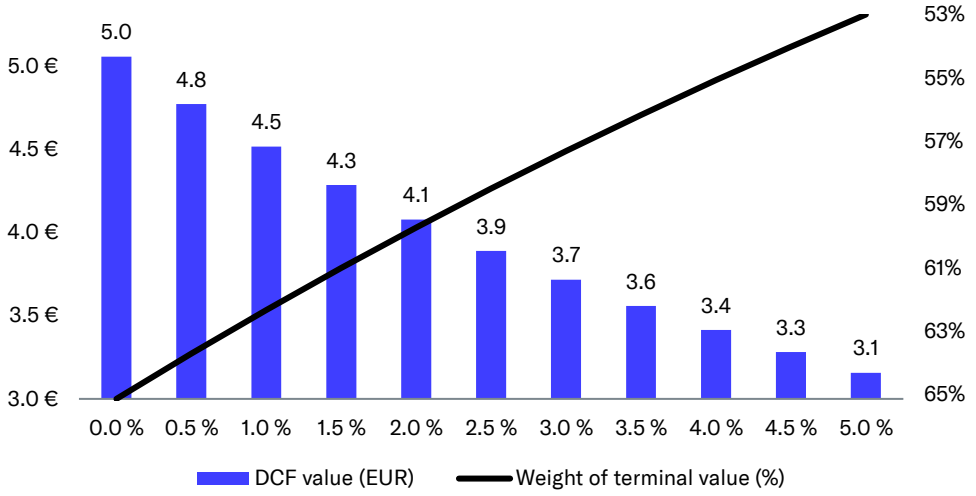
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

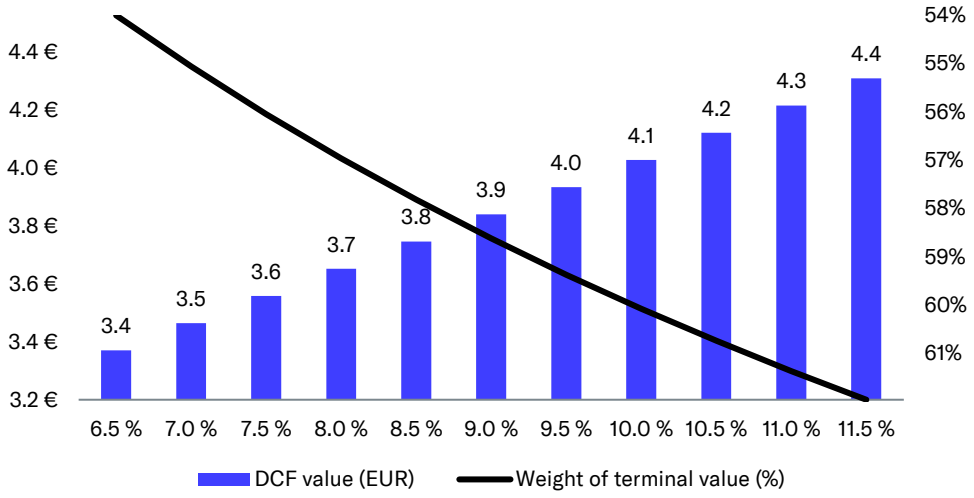
Sensitivity of DCF to changes in the WACC-%



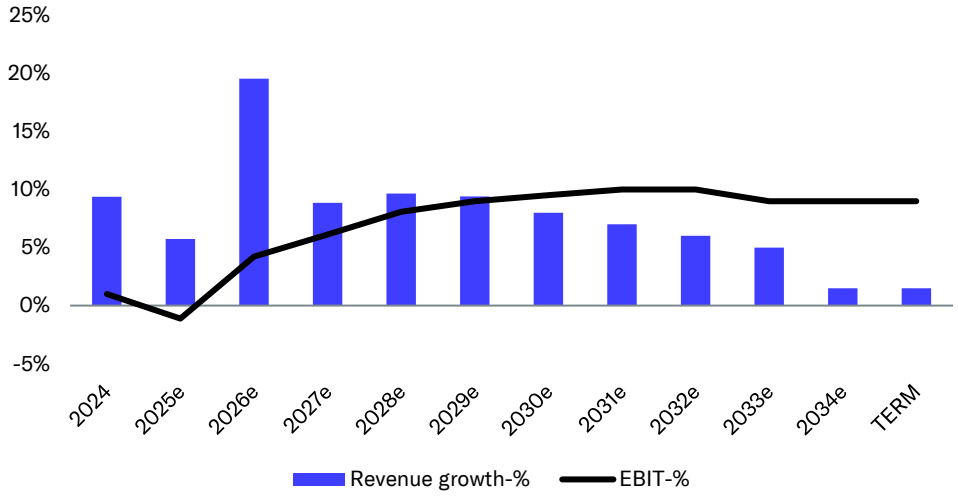
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. NB! The terminal value weight (%) is presented on a reverse scale for clarity.

IT service market 1/9

A large overall market in the Nordic countries and Finland

According to Radar, the size of the Nordic (Sweden, Norway, Finland, Denmark) IT service market was just under 28 BEUR in 2024. Radar has estimated the total Finnish IT market to be over 7 BEUR. The IT service market accounts for 4.8 billion of this, divided into 2.5 billion in consulting, 0.3 billion in management consulting, 0.6 billion in cloud solutions, and 1.2 billion in outsourcng. By customer, we estimate that this is still approximately 75% to the private sector and 25% to the public sector. We do not believe the market size limits the growth opportunities of the companies we follow in the big picture. The definition of the IT service market and its euro-denominated size continues becoming obscure as the role of IT and technology continues rising from the engine room to the operational core in various industries because of digitalization. The operating field of IT service companies crosses paths with new parallel markets that have not conventionally been considered part of the IT markets. These include, for example, strategy consulting, transformation management and service design.

Market growth driven by digital services

According to various estimates, the conventional service areas are expected to grow by an average of 1-4% p.a. New digital services are expected to grow by 5-10% depending on the sub-area, although their demand is more cyclical, as seen in the drop in demand in 2023-2025. Market growth is slowed down by decreasing demand for conventional infra and older generation software solutions. In addition, conventional IT systems are modernized, creating a rapidly growing area between the two (e.g. SAP cloud transformation).

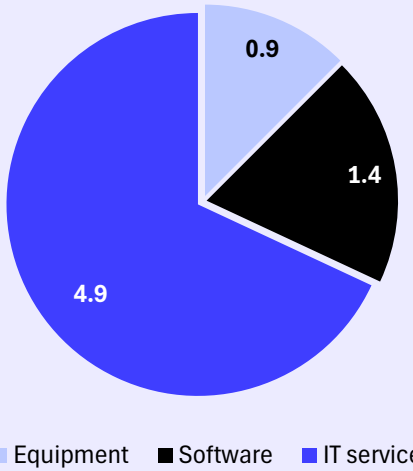
Radar forecasts the Finnish IT market to grow by 1.7% annually in 2024 and 2025 as a whole, and services by 2.4% annually. Within the market, growth is driven by cloud solutions (2021-25e ~10% annually) and consulting (3.3%), while the volume of outsourcing services is flat (+0.1%). It should also be noted that according to Radar, consulting decreased by 16% in 2020, while the IT service companies listed on Nasdaq Helsinki grew organically by 8% in 2020 (2021-22 10%). Faster growth than estimated by Radar indicates that the companies we follow have positioned themselves in faster-growing service areas and are more competitive/have a more critical supplier role than the average company.

By service area, the parts that are growing faster than the market are, according to our research, cloud services, transformation management, data & analytics, automation and AI solutions. Cybersecurity services have been a hot growth area in recent years, but many players face challenges in making their businesses profitable.

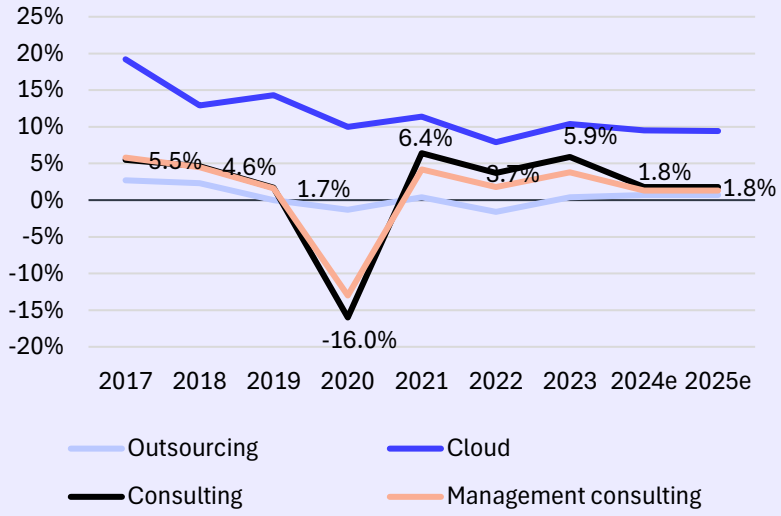
There is uncertainty in the market in the short term

We expect the IT service sector's performance to improve slightly towards the end of 2025. However, the demand environment remains watchful and cautious. The trend of digitalization is not stopping and there are still areas of faster growth when the development of critical activities cannot be stopped. Our main concern in the sector is the geopolitical uncertainty caused by the trade war and wars, as well as the continued fierce price competition in the IT service market, especially in the public sector.

Distribution of the Finnish IT market in 2024 (BEUR)



Finnish IT service market by service, change-%



Source: Radar Nordic Outlook 2024 (9/24) and Inderes

IT service market 2/9

We forecast the organic revenue of listed Finnish IT service companies to decrease by 3% in 2025. In 2019-22, the organic growth of the companies we follow averaged 9% annually, and in 2023-24, it averaged -1%.

There is less variation in revenue within the peer group, but a large variation in profitability. The expected gradual strengthening of the general economic development in Finland and Europe and the decline in interest rates provide some light at the end of the tunnel and, in our opinion, create the conditions for a gradually improving demand outlook in 2026. We expect the private sector to turn for the better before the public sector. However, the timing and magnitude of the recovery in demand are difficult to estimate, which still keeps uncertainty elevated in H1'26.

The market's long-term growth prospects remain good

The digitalization of society requires a huge number of hands to build, integrate and maintain new applications, which means that the long-term demand fundamentals of IT consulting companies are strong. Therefore, IT service companies offer investors a good opportunity to invest in the digitalization trend with the more limited risk profile of the service business. We believe that the market can still be expected to grow faster than GDP in the long term.

However, the market is cyclical, and the volume of IT services that companies buy externally can also decline and price competition intensify, as in the weaker economic situation in 2022-25. In the boom years, the shortage of skilled workers partly supported the growth of IT service companies, as customers were unable to recruit and had to buy more services than they wanted from consultants. In addition, it is important to note that in the rapidly changing IT service sector, driven by technological advancements, new growth areas are constantly emerging, while previous growth areas almost inevitably turn into declining areas at some point. In addition, AI is a clear threat and opportunity. At worst, it could severely disrupt the market, but it also creates a lot of new demand.

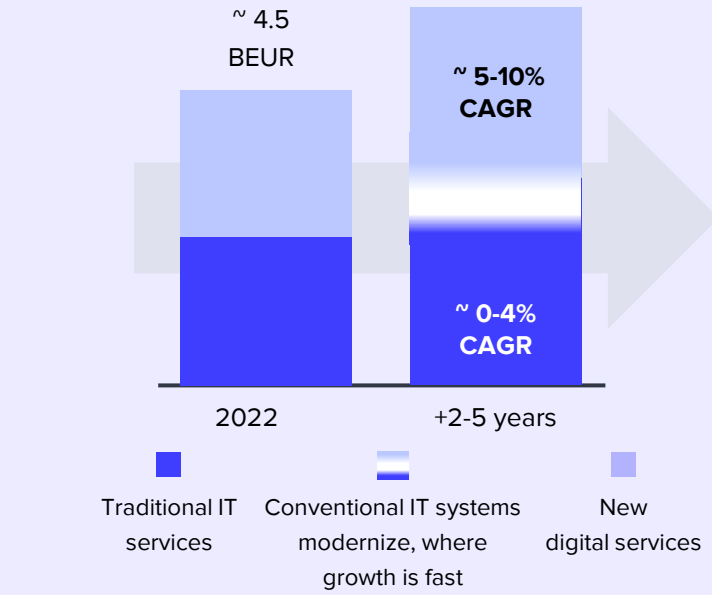
Changing nature of IT investments divide the market

The change in the IT service market over the last 10 years or so can be illustrated in a simplified way by dividing the market into rapidly growing new digital services and declining traditional software development. The market revolution created strong growth potential for many original players of the new era (e.g. Futurice, Solita, Reaktor, Siili, Gofore and Vincit) that have profiled as developers of new digital services. Dividing the market in two is, however, becoming less relevant, as new digital services cannot be discussed separately from the core business systems, and, for example, we estimate that the clearest growth phase of the rapidly growing market for customized software development is now behind us.

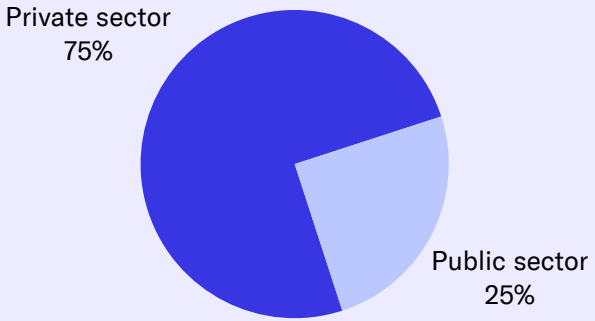
A clear trend on the market has in recent years been that IT purchases become more serious as the customer organizations have realized that you cannot get a short cut to digitalization by buying digital applications bypassing data administration. Organizations' established data systems will not disappear, but they must be modernized to work as platforms for new digital services. IT investments are directed at new functionalities that are built with interface solutions on top of existing systems.

Correspondingly, this trend has restored competitive advantage to more conventional players, while many, primarily digital service developers that have succeeded mainly by acquiring talent, have been forced to reassess their strategies.

Finnish IT service market and growth outlook



Market breakdown by sector



Source: Radar Nordic Outlook 2024 (9/24) and Inderes

IT service market 3/9

As a result of increasing digital maturity in customer organizations, they have also become more demanding buyers and active in building their own software development teams.

The IT service market has undergone a considerable change over the past decade. Over the coming 10 years the change rate on the market will accelerate further with the rise of AI and the complexity of technology, and due to rapid development, it will become harder for companies to predict change. That is why we believe that the ability to react and change is a very important factor in competitiveness.

Three different market areas

We have divided the IT service markets into three sections as follows:

Market for new digital services, that includes development of new digital services (design, data & analytics, tailored software development, AI, etc.). This has been the strongest growing area on the market that was practically born only in 2010s. Customized software development was a strong growth area in the past, but demand has now clearly decreased. Well-known players in the digital services market include Reaktor, Futurice, Nitor, Siili, Vincit and Gofore, among others, and large IT generalists have also started investing in this area. The market is characterized by a low entry barrier.

Market for background IT systems and enterprise software, that includes ERP extensively and related systems covering primarily delivery, tailoring, integration and maintenance of firmware. Known players on this market in Finland include, e.g., Innofactor, Enfo, Solteq, Digia, Sofigate, Fellowmind, Vincit (after Bilot merger) and in particular IT generalists like Tietoevry and CGI. Market growth has been slow in this area and a high threshold to enter the market is typical. However, the modernization of old systems and the strong growth of many new software solutions have also created rapidly growing areas in the market.

Market for IT platforms, that mainly covers infrastructure services (local, hybrid and cloud) and ICT outsourcing. This market has mainly been the strength of IT generalists (like Tieto, Fujitsu) and the threshold for entering the market is high because the market has required economies of scale and investments. As a result of the cloud revolution, a redistribution of the market is ongoing that has generated new quickly growing players (like Nordcloud) and many medium-sized IT consultants (like Gofore, Siili and Enfo) are also entering the field. This market has rapidly shrinking (local infra) and drastically growing (cloud platforms) areas.

Cross-cutting service areas of these three markets are, e.g., data and analytics, AI (importance grows explosively, integration, cybersecurity and robotic process automation. The development of new digital services is characterized by low entry barriers, while it is harder to acquire background system expertise.

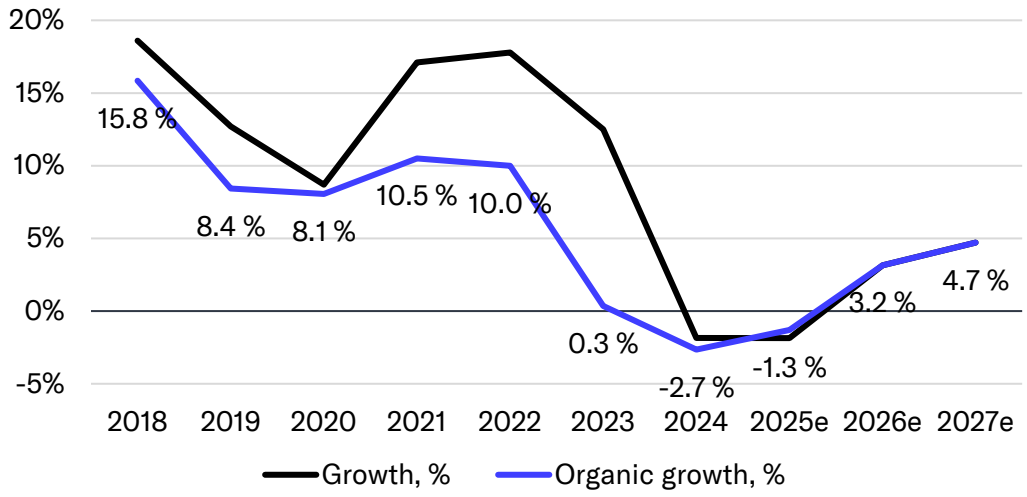
For a long time, the most visible trend on the market has been IT players striving to win over customers already when projects are being planned, as selling one hour of design work has translated into selling multiple hours of software development work. Many players seek a stronger position in the value chain by strengthening their consulting service expertise, in which case the IT supplier manages the projects and resources and does not merely deliver them. This allows suppliers to get deeper into the customer and become a strategic partner. However, this takes time. This trend has been visible as several acquisitions on the market. In addition, many IT consultants try to expand into strategy level consulting, granted with varying degrees of success.

Another clear trend for the players in this sector is the life cycle approach, as many new players now try to build the ability to offer software maintenance. Customers' purchases continue to shift from software development projects towards continuous software development, which changes the nature of the markets. This trend has strengthened recently as suppliers have become more centralized, highlighting strong expertise and customer relationships, a comprehensive service offering and maintenance strength.

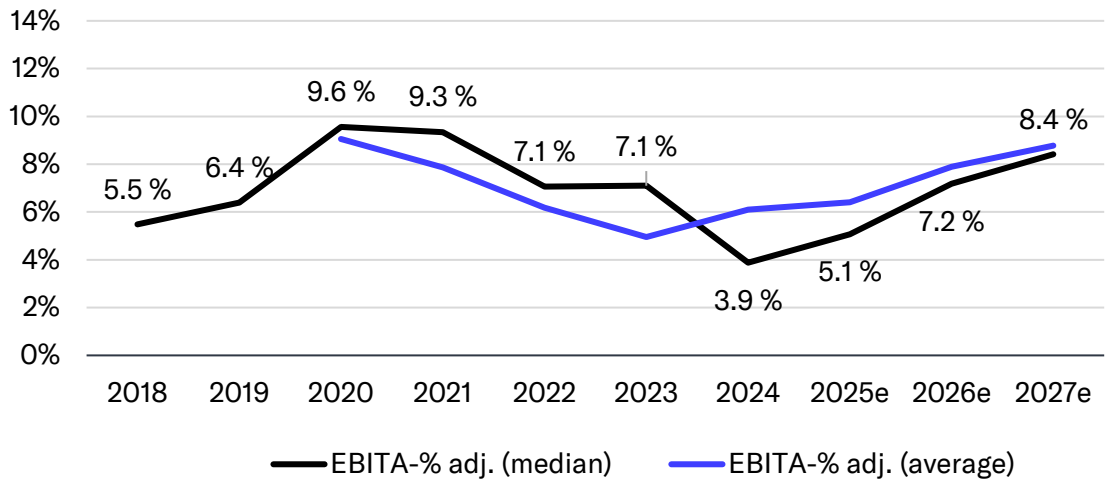
Common for the strategies of all medium-sized and large players is also a strive towards the position of a more business-critical partner for the customer and, in recent years, a sharpening of industry focuses. The know-how and offering of small software developers does not in this case reach deep enough into the customer's IT systems and processes. This development may accelerate market consolidation. When the market shows weakness, companies with the strongest customer relationships typically perform best, as has been seen in recent years. We believe the Finnish IT service market is more strongly developing in a direction where the paths of conventional and new players cross and the boundary between new and conventional IT continues to blur.

Development and estimates for the listed IT service sector in Finland

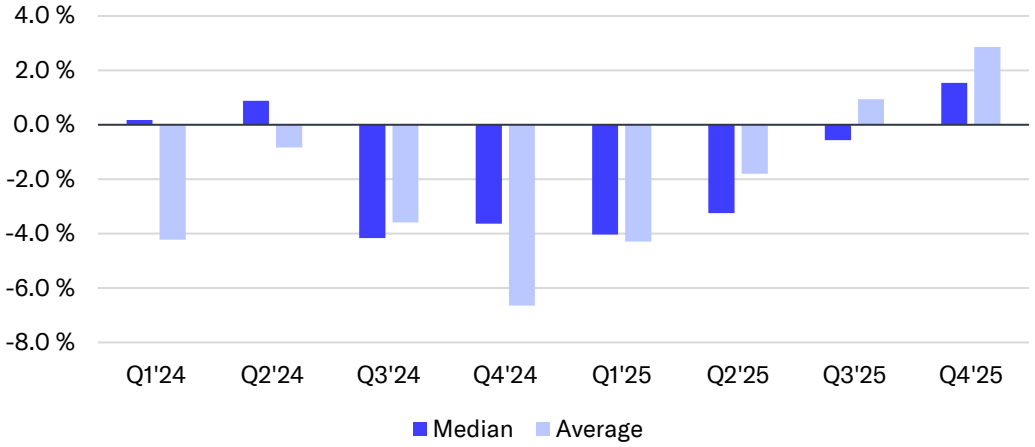
Listed IT service sector in Finland, revenue



Listed IT service sector in Finland, profitability

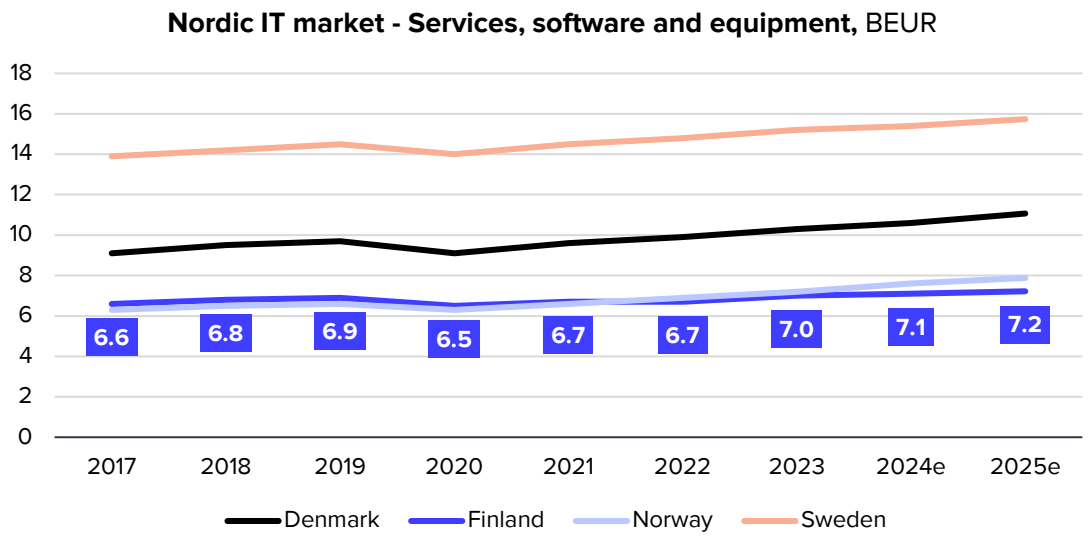


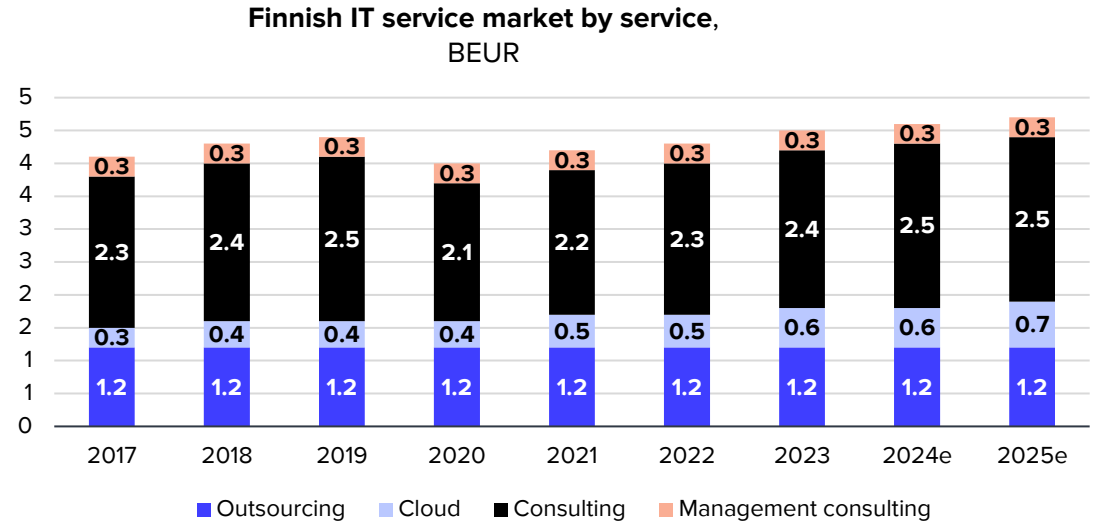
Growth per quarter

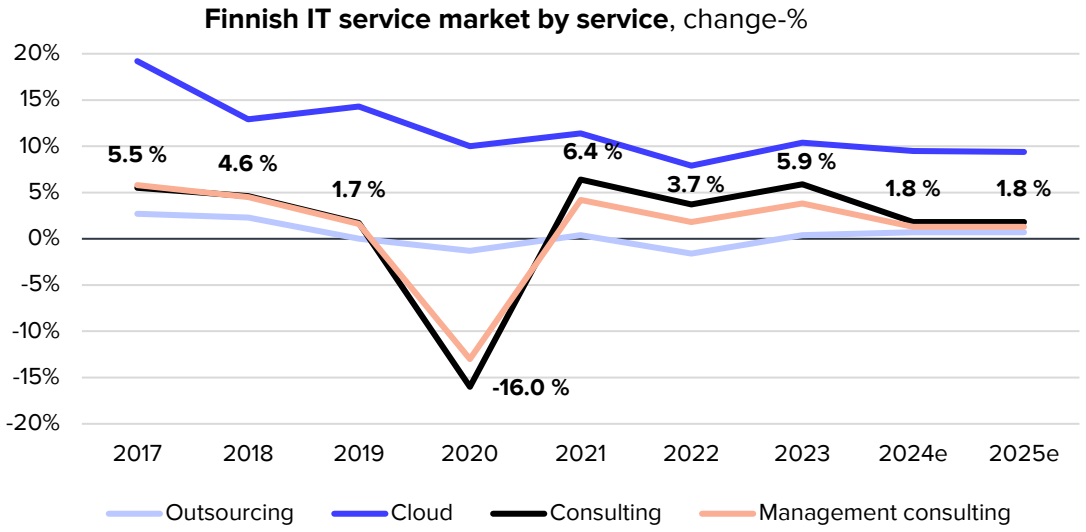


Source: Inderes

Development and estimates for the listed IT service sector in Finland







Source: Radar Nordic Outlook 2024 (9/24)

IT service market 4/9

Background system expertise makes a comeback and one must know how to utilize related data

The strongest demand on IT markets has for years been in developing new digital services. According to our view, the market has, however, in recent years moved to a stage where one must be able to integrate new digital services and especially related data more tightly with the customer's background systems. This is how the full business benefit is derived from new solutions.

Customers also have increasing needs to modernize their background systems because an old ERP system may act as a break for the development of digitalization solutions. Thus, the nature of the ERP market that has suffered from slow growth for a long time will change, and the market is clearly picking up. The importance of integration and data expertise also becomes emphasized.

In background systems and maintenance, the competitive landscape is much more stable, the entry barrier is higher and customer relationship are long lasting. It is also difficult to build the capabilities required for background systems. This trend towards a life cycle approach is one challenge for pure digital service developers in the competition with generalists.

Trends in organizations' IT purchases

According to our view, the digitalization revolution will drive customers' purchasing behavior towards the following trends, where there are both winners and losers:

The artificial intelligence (AI) market has been growing rapidly in recent years. Recently, the market has made rapid leaps, driven by the very rapid development of generative AI, and almost all players are striving to utilize AI. In the first wave, productivity will improve (AI-assisted development), but it is still uncertain how the benefit will be distributed between the supplier and the customer. In the second wave there will be new business opportunities. AI projects are already being carried out, but the volume is still small and a large proportion do not go into production. In the coming years, it will become clearer what AI will affect and what it will not. Overall, however, the impact is likely to be significant over a period of several years. In our IT service provider view, it is difficult to create a sustainable clear competitive advantage with AI in normal development, and any differences will even out over time. However, in our view, those companies that are able to recruit top AI talent and profile themselves in this sector at an early stage can create a competitive advantage for themselves. At the same time, AI creates a clear disruptive threat, especially for software development. Digital Workforce invests heavily in AI and AI agents.

Data and analytics is one of the hottest trends on the market. High-quality data has become a strategic competitive factor in several industries and a prerequisite for AI solutions. In recent years, many players have brought it to the core of their strategies. The challenge for customers is to combine data from silo-like data administration throughout the organization. The winners are IT companies that are able to combine data platform expertise, analytics, AI and business understanding. This is a critical capability, and the losers will again be those who cannot build it.

Cybersecurity and safety clients still represent a relatively small portion of IT service providers' offerings, but like data, it is becoming an increasingly strong competitive factor. AI development also provides tailwind for cybersecurity demand. Buyers focus more on cybersecurity, and a lack of this expertise or certificates is a clear reputation risk for suppliers. The geopolitical situation has further increased demand. Many companies in the sector have invested and are investing in their cybersecurity capabilities, but the desired demand has not materialized and billing rates are still widely low.

Automation and robotic process automation are also becoming more important as service areas. Automation combined with AI enables improved productivity, flexibility, scalability, and better quality, as well as an enhanced customer experience without large and expensive system projects. Several companies in the sector have developed or acquired this expertise (e.g. Digital Workforce is an industry pioneer).

Suppliers are being centralized: Long-term strategic partners, companies with industry expertise, strong critical capabilities, and those with a broad service offering are strong in this environment. So, the winners will get a larger share of the customer's purchases in the future. The losers are suppliers performing less critical functions, small suppliers and subcontractors. We believe that consolidation also causes price pressure, at least in the short term, but the winners of consolidation will see volumes increase.

An industry focus has become central to the strategy of several companies in recent years. It is therefore natural that it is typically built around existing industries where companies have competitive advantages. Strong industry expertise also makes it easier for the company to become a strategic partner for the customer. This is emphasized when the fiercest competition is not for talent, which increases the demands placed on consultants by clients.

IT service market 5/9

Low-code and No-Code software development has become increasingly common in recent years, and rapid AI development has further supported this trend. The development is disrupting conventional "easier" software development, as software development can be done with a small amount of code or without any code at all. It contributes to technological development, which companies have to adapt to and learn to utilize, which enables spending time on developing more challenging and better solutions.

The competitive advantages of **a broad service offering** are currently clearly strengthening. As the customer's complexity grows, it requires a broader IT service provider. The need for traditional pure resource renters will decrease as AI and in-house experts perform the software development work of resource renters.

Building subcontracting networks was one of the key trends when the competition for experts was high. With the fiercest competition for talent having subsided, the importance of subcontracting has decreased slightly. However, there is still a need for critical expertise that is difficult to recruit, which means that the role of subcontracting is still relevant. In addition, it provides valuable flexibility in capacity. Digital Workforce began to use subcontracting in 2023.

Building **nearshore** capabilities has been a clear trend in recent years. The normalization of telecommuting during the COVID pandemic has enabled even wider use of this. However, the cost level (wages) in nearshore countries has also increased but is still lagging behind the Nordic countries.

The in-house trend has continued to grow as companies' digital maturity has increased and the competition for talent has eased. Digitally capable customers want to lead and keep the development of business-critical IT systems for their value creation under their own control. The direction of the trend is clear, but this trend also fluctuates, depending on the availability of skilled professionals and the investment cycles of client organizations.

User orientation and the customer experience continue growing. Important areas include, e.g., digital service design, design and customer experience. Know-how in these areas will become the biggest competitive factor when selecting IT suppliers. Creative, design-centered players have been the winners. The threat of AI disruption to the sector is high.

The volumes of many hype terms are still small, but the situation may change. The volume of services related to the most visible terms (VR, AR, IoT, etc.) is still small on a sectoral level. These are, however, likely to become considerable service areas over the next five years.

Innovative development projects have decreased dramatically due to more expensive financing. More efficiency-enhancing and business-critical projects are now being carried out.

The cloud revolution is still a trend, although the strongest transition is starting to be behind us. IT operations are still being moved to the cloud, as it is often cost-effective, flexible, and a prerequisite for new digital business models. Almost all IT service companies have some level of cloud expertise, but the most successful are those with strong expertise in cloud technologies. The biggest cloud transformation is almost over in the Nordic countries and now we are moving to continuous cloud service/maintenance.

Customer organizations becoming silo-like will be a challenge for IT company sales. In addition to data administration, the IT buyer is increasingly marketing or product development, but building of a digital business requires cooperation between these areas and the ability to manage the whole. Players that manage large entities and who can address the customer's management and marketing are the winners.

The importance of cheaper offshore resources as a competitive factor diminishes as it is hard to generate new digital services reliably, fast enough and cost efficiently with offshore resources. RPA and AI weaken the competitive advantage based on low-cost labor. In addition, the price advantage of offshore and especially nearshore has decreased with higher wage inflation. Players whose competitive edge has been based on offshore cost efficiency are the losers. However, the price advantage remains. Players who can combine local presence with sufficient cost efficiency by utilizing nearshore/offshore resources are the winners. Digital Workforce applies both robotic process automation and utilizes near-shore capabilities.

Large, multi-year high-risk ERP implementation projects (SAP, Oracle, IBM) are no longer carried out to the same extent and the nature of the market has changed. Established ERP systems will not disappear from customers, but they will remain in maintenance mode by existing IT suppliers, and they will be moved to the cloud. Companies invest in modernizing ERP systems so that they do not become a bottleneck for digitalization projects. Generalists dependent on large projects have been the losers. Smaller players that have integration expertise are the winners.

IT service market 6/9

As business-driven purchasing becomes more common, and also with the advent of AI, IT companies are looking for new value-based and more scalable pricing models to detach their business model from the poorly scalable sale of expert resources. However, this has been historically difficult. AI may force companies to revise their pricing logic away from time and material-based pricing.

Ownership of customers' IT budgets has largely shifted from the CIO role to the role of business directors and marketing. Players that understand the customer's business and industry are the winners, which is also reflected in the fact that IT suppliers are increasingly focused on specific industries.

Lack of experts, wage inflation and customer prices are the nut to crack in the sector

Regardless of the cycle, the equation is a challenge to solve, but the priorities and the core of the challenge change depending on the cycle. Now, in a weaker customer demand environment, the challenge is falling customer prices and the fact that wage inflation is not equally flexible. In a "normal" market, the shortage of experts and stronger wage inflation than customer price increases is one of the key medium- and long-term challenges for the sector. It becomes increasingly difficult over time to solve this equation through continuously improving efficiency. When it comes to senior talent, companies must be able to distinguish themselves with factors other than salary. Traditionally, these factors have included interesting client projects and a good work environment for one's career development. Companies must also be able to retain employees and minimize attrition. The shortage of experts in the sector can be solved by increasing and building subcontracting networks.

Currently, in the short term, there is no shortage of experts, but they have been readily available in 2022-25. As the market situation and demand normalize again, we expect the shortage of experts to return, but not as dramatically as before, at least in the medium term. We expect the lack of experts to be more service area-specific in the future (e.g. experienced AI experts and data experts now).

Based on discussions we have had with various companies, wage inflation has been between 1% and 6% in 2020-2024 depending on emphasized skills. With the three-year collective agreement for the technology industry, salaries will increase by 2.5%, 2.9% and 2.4% in 2025-2027. In 2025, Tietoevry expects wage inflation to be 4-5% (2022-2024: 4-5%), but it is driven by higher wage inflation in off-shore countries and is thus lower in the Nordic countries. In 2021-24, Gofore's wage inflation was 6.1%, 2.9%, 3.6% and 1.0%, respectively. In the IT service sector, Gofore (since the beginning of 2022), Siili, Vincit and Innofactor have their own collective agreements, which partly curb wage inflation. In the shorter term wage inflation is curbed by the slower demand situation, as in a weak economic environment attrition typically decreases, but at the same time high inflation in the recent years creates additional pressure on pay raises. This is partly controlled by using geographically cheaper workforce, which is not, however, a sustainable solution for the problem in the long run. In addition, new employees are now inherently cheaper than those who leave, which curbs wage inflation.

The development of customer prices has for years been 0-2% based on sector comments and thus clearly more modest than wage inflation. However, customer prices have decreased over the past two years, in some offering areas even clearly, which creates clear pressure on profitability. Pressure on customer prices is currently the clearest risk we see in the sector. Personnel costs represent roughly two-thirds of costs in the sector and thus comparison with wage inflation is not one-to-one, but the effect is negative for nearly all players in the sector. As a rule of thumb, customer prices are higher in the private sector while contracts in the public sector are conventionally long and thus offer continuity and predictability which enables better management of billable utilization.

Features we expect from future market winners

The clearest winners on the IT markets in the past ten years have been companies specialized in developing new digital services that have been particularly successful in the competition for talent. The market for digital services has now reached a clearly more mature stage, and the next battle will be strongly about customers, whereas previously the battle was largely about experts. In our view, the sector's success factors change and the winners in the next five years will be:

Owners of strong customer relationships with a strategic partner role among customers, industry expertise, a strong sales machine and the ability to manage large IT projects and scale operations through a strong subcontractor network. Small players that hold the role of subcontractor and that have mainly focused on talent competition more than on customers are weak when the economic cycle weakens.

IT service market 7/9

Companies with strong integration and background system expertise and the ability to provide maintenance and continuous services. Strong maintenance players are also strong when the market weakens. This is the weakness of many medium-sized digital service developers.

Data and analytics have become an increasingly critical part of the delivery and an ability to generate added value for the customer and competitive advantage for the supplier. The role of the service area is already important but becoming even more important and also enables wider and more efficient use of AI and machine learning.

Companies who can profile themselves as true AI experts. In simplified terms, this means the correct application of AI to the customer's business and the creation of new AI-driven services. In our view, these companies are able to grow more strongly and profitably. Of course, a basic level of AI expertise is essential for everyone to be able to operate in the market in the long term.

Companies capable of continuous renewal. The IT service market is in a constant transformation. Reacting to changes and recognizing them in advance is crucial for one's success. In an accelerating technological change, experts' ability to change also becomes key. Failure in this renewal exercise would directly affect current customer relationships, acquisition of new customers, relative competitive position, and thus long-term value creation potential. We believe that competitiveness in the sector must be built on a constant ability to change. This also requires the company to have very dynamic organizational models that are capable of continuous renewal.

A capital-light business model and reallocation of strong cash flow

The IT service business is capital light. Organic growth ties up very little capital, and investments (e.g. increasing sales capacity) are typically recorded in the income statement. As a result, the companies' cash flows should be strong. Acquisitions are in practice the only significant form of capital commitment. Reinvesting cash flow productively back into the business has been challenging in the sector in recent years, as finding suitable M&A targets at a reasonable price has been difficult.

In this context, it would be natural to distribute some or even a significant portion of the cash flow as dividends to the owners. Or, as a tax-efficient distribution of profits, buy back own shares, especially when the valuation level of the shares is low. However, the stock liquidity of many of the companies in our coverage is low, which makes significant share buybacks difficult. In this case, the alternative is to distribute the cash as dividends to the owners, as many IT service companies have done.

Acquisitions and consolidation will continue

Consolidation of the IT service sector was active throughout the past decade. The M&A market cooled down with COVID and improved briefly when the pandemic situation eased. As geopolitical risks and interest rates rose, the market cooled again and remains quite cold in Finland, although there are small signs of recovery. However, we believe many companies in the sector would have preferred to continue more active inorganic growth as well and put strong balance sheets into productive work. However, the differences in opinion between buyers and sellers have been too far apart for several years now.

Sources of competitive advantage in the market

- Strong sales and customer service capabilities are particularly important, as competition has shifted strongly from talent to customers
- Continuous ability to renew
- Life cycle offering
- Hot expert areas:
  - AI
  - Transformation ability
  - Data utilization
  - Cyber security
- Agility and speed
- Experts' abilities (CV)
- Recruiting capability

Sources of added value in the market

- Digitalization and digital transformation
- Business approach
- Developing new business
- Data utilization

Source: Inderes

IT service market 8/9

In the big picture, most companies in the sector have a high interest in M&A transactions. Consolidation is driven by the desire to expand the expertise portfolio, geographical expansion, customer acquisition and increase supply capacity.

We believe, however, that most companies in the sector do not have a critical need for acquisitions, and the need is driven by other issues, like strategic objectives. Growth alone is usually a poor reason for acquisitions and, in our view, the greatest benefit will come through the expansion of the expertise portfolio, which will strengthen competitiveness and generate revenue synergies.

In the current market situation, where it is easy to recruit skilled people, it is especially important to find other clear synergy elements. In our view, an acquisition solely to strengthen delivery capacity is difficult to warrant in the current situation. For an acquisition to be successful it is important that strategies and cultures are compatible.

Most companies in the sector have strong balance sheets and almost all have healthy profitable businesses, which further strengthen the balance sheet. The use of own shares in financing acquisitions is also possible, and many companies have also utilized this option. However, the valuation level of several companies is currently low and the use of own shares does not offer the same opportunities for creating shareholder value.

In our view, the use of leverage in acquisitions is still a good option, even though interest rates have risen from the zero-interest rate period, considering the strong balance sheets and strong cash flow of the companies. A moderate leverage would also improve equity efficiency.

Capital investors are still active and building IT expert houses. Several years ago, Triton acquired HiQ that was listed in Sweden. Several capital investors have continued consolidating smaller IT service companies. The latest major transaction is the buyout of Innofactor from the stock exchange (CapMan's fund and Innofactor's CEO as buyers). The purchase was made at an EV/S of 0.8x, a P/E of 16x and an EV/EBIT of 13x based on our then-current 2024 estimates.

As the market for digital service development is becoming more mature and the various areas of the IT market become integrated, a broader consolidation is likely as was seen in the Tieto and EVRY, and the KnowIT and Cybercom mergers. We consider the merger of two mid-market players into a stronger entity to challenge large generalists, such as the merger between Bilot and Vincit, a possible and interesting scenario. In our view a merger should have clear revenue synergies and factors that strengthen competitive advantages. We believe there are unlisted players on the Finnish market whose expert focus, geographical presence and customer portfolio would fit in well with listed players. Clear expert areas that in recent years have been acquired to strengthen the offering include consulting, transformation management, data and analytics, and automation expertise utilizing robotics. Cybersecurity expertise is on the wish list, but we suspect that the valuations of the acquisition targets limit transactions. For example, DNV acquired Nixu at about 1.5-1.6x EV/S, which is a high level in a weakened market and with prevailing interest rates.

For Digital Workforce, acquisitions are a key part of its strategy and expansion. The company has now completed 2 acquisitions. Financial targets await new acquisitions. The company could very well be an acquisition target itself, but in that case, the price tag should, in our view, already price in a successful earnings turnaround.

However, improving operational efficiency is essential for Digital Workforce's own value creation over the next 5 years.

	Digia	Gofore	Loihde	Netum	Siili	Solteq	Tietoevry	Vincit	Digital Workforce	Witted
Interest in transactions	4	4	3	3	4	4*	4	5	5	4
Need for transactions	2	2	2	2	3	3*	2*	2	4	3
Balance sheet enables acquisitions	3	5	4	2	3	1	3	5	5	3
Interesting acquisition target	3	3	2	3	2	4	1	4	5	2
M&A in 2024-2025	Acquisition	Acquisition	Acquisition	No	Acquisition +**	Divestment	Acquisition/ Divestment	No	Acquisition	No

1=lowest, 5=highest. *Greater interest in divestments, **minorities acquired

Source: Inderes' estimates

IT service market 9/9

Observations from the latest earnings seasons

Uncertainty in customer demand materialized more broadly in the sector in early 2023 and has clearly affected all companies in the sector. Companies with a high weight of tailored software development and the private sector have suffered more in relative terms. Now, all companies have had to react to the changed situation through change negotiations and by cutting costs. In recent quarters, the decline in revenue has eased, but profitability has been at its lowest level during our review period. We forecast revenue to decline by -1%, organically by -3%, and profitability to be at the level of the comparison period in 2025.

The Q3 figures for the IT service sector companies can be seen in the table on the right. Key takeaways from recent quarters:

- Organic median growth fell to -3% in 2024 (2023: 0%). In Q3, revenue decreased by -2%.
- Average profitability decreased to 6% in 2024. In Q3, profitability in the sector was 5%, which is a weak level.
- Our Q3'25 summary of the Finnish IT service sector can be read here and our Q2'25 summary here. The full Nordic Q2'25 comparison can be read here.

Short-term outlook for the sector

The updated 2025 and 2026 forecasts for the IT service sector companies following the Q3 reports can be seen in the table on the right. Key findings on the short-term outlook:

- The market situation remains uncertain, and this is reflected in the sector as weakening demand and, in particular, price competition. Almost all companies are involved in price competition in at least some competitive biddings. In our view, the continuation or tightening of price competition is the key risk in the sector. The longer price competition has eroded order books, which is why the recovery will be slow.
- The companies that have fared well or satisfactorily in relation to the difficult market situation are those with recurring revenue, long-term contracts, deep and strategic customer relationships, and those operating in the public sector. Generally, those who make business-critical decisions for clients. Companies with a high emphasis on the private sector and customized software development fared the weakest. This dichotomy was reflected in growth last year, but especially in profitability. Now the situation is starting to change slightly, as price competition in the public sector is very tight, and the bottom of private sector demand seems to be behind us.
- Competition has strongly shifted from talent to customers.
- Declining employee turnover, better availability of employees and uncertainty in demand have curbed wage inflation, but not enough to offset price pressure.
- Several companies' cost savings implemented in 2024-2025 support profitability in 2025-2026.
- AI is on everyone's lips, and it is also interesting because it can generate cost savings for the customer and also make the work of suppliers more efficient. Overall, the demand related to AI is growing strongly, but it is still a small service area in terms of volume. In the coming years, AI will open up new growth opportunities and become integrated into almost all services. However, we suspect that it is difficult for IT service companies in the big picture to seek a clear and sustainable competitive advantage from AI compared to each other and it is also a disruption risk.
- The decrease in personnel has slowed, which indicates that the bottom is nearer.
- In the big picture, we believe that the overall sector development depends on the general economic situation.

Q3'25	Growth, %	Organic growth, %	EBITA-% adj.	EBITA-% adj.
	Q3'25	Q3'25	Q3'25	Q3'24
Digia	8%	0%	11.4%	12.5%
Digital Workforce	0%	0%	4.0%	2.2%
Gofore	5%	-3%	8.7%	11.2%
Loihde	2%	2%	3.7%	3.9%
Netum	-23%	-23%	1.7%	14.8%
Siili	-1%	-3%	2.4%	2.9%
Solteq	-9%	-5%	1.0%	5.4%
Tietoevry	4%	-1%	15.2%	12.8%
Vincit	-22%	-22%	0.2%	4.0%
Witted	-1%	-1%	0.1%	2.1%
Finnish average	-3.6%	-5.5%	4.8%	7.2%
Finnish median	-0.2%	-1.8%	3.0%	4.7%

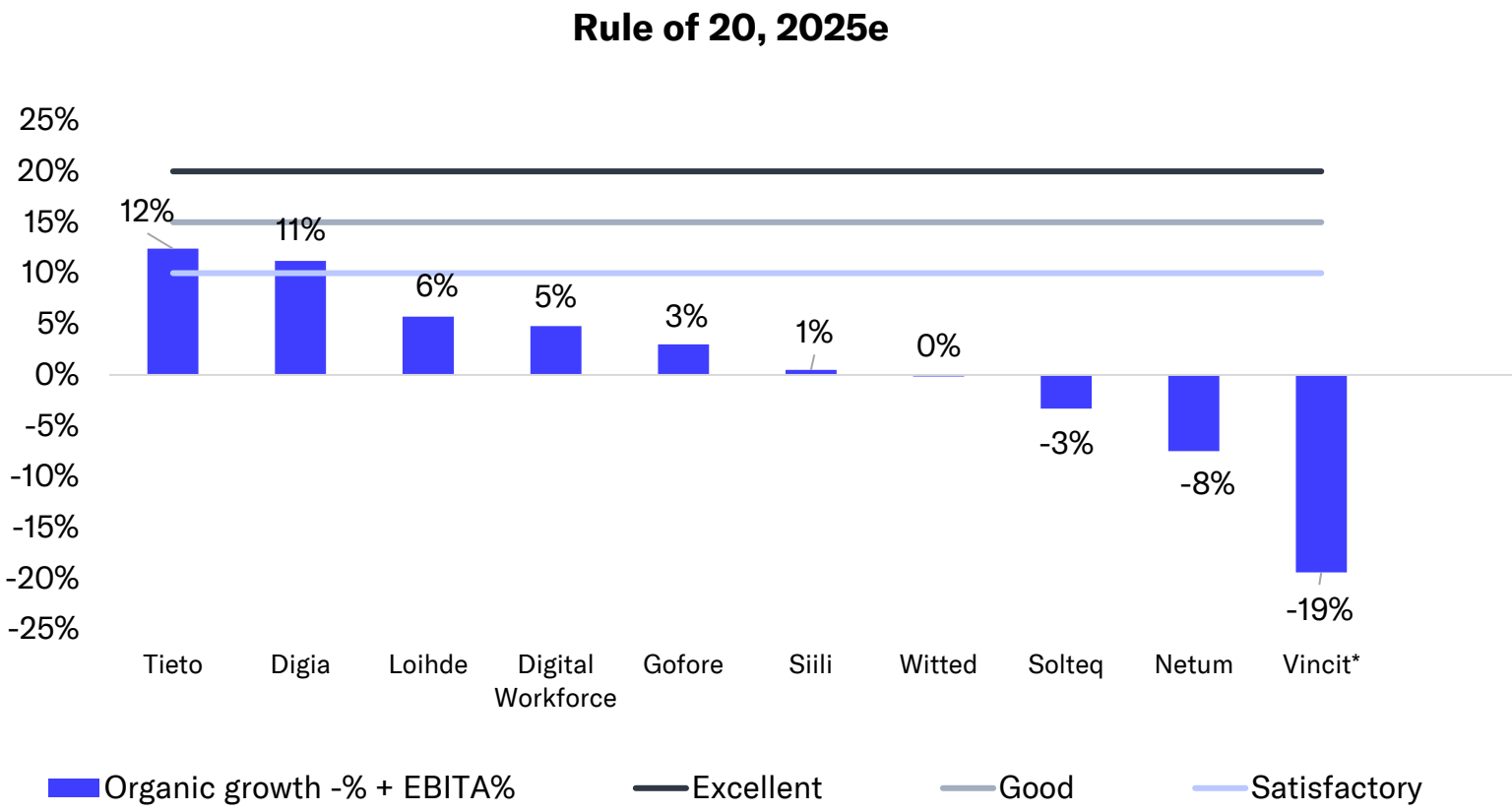
Source: Companies and Inderes, EBIT-% used

	2026e (after Q3 report)			2025e actualized	
	Growth, %	Organic growth, %	EBIT-% adj.	Organic growth, %	EBIT-% adj.
Digia	6%	2%	10%	1.0%	*10.2%*
Digital Workforce	20%	7%	7.8%	1.0%	*3.8%*
Gofore	14%	1%	10.6%	-5.0%	*8.0%*
Loihde	4%	4%	3.9%	2.7%	*3.0%*
Netum	-7%	-7%	6.1%	-13.4%	*5.9%*
Siili	0%	0%	5.4%	-3.9%	*4.4%*
Solteq	1%	1%	5.8%	-5.0%	*1.7%*
Tietoevry	0%	0%	13.9%	-1.2%	*13.6%*
Vincit	-5%	-5%	3.3%	-18.7%	*-0.7%*
Witted	12%	7%	2.7%	-1.7%	*1.5%*
Average	4.4%	1.0%	7.0%	-4.4%	*5.2%*
Median	2.6%	1.2%	*6.0%*	*-2.8%*	*4.1%*

Source: Inderes,

Source: Inderes

Our estimate for the Finnish IT service market, measured by the "Rule of 20"

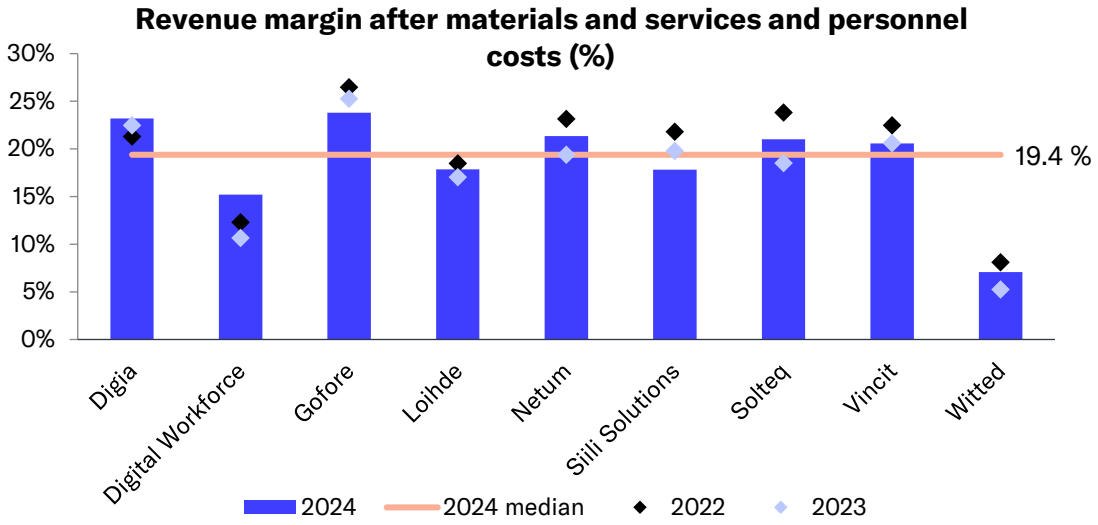


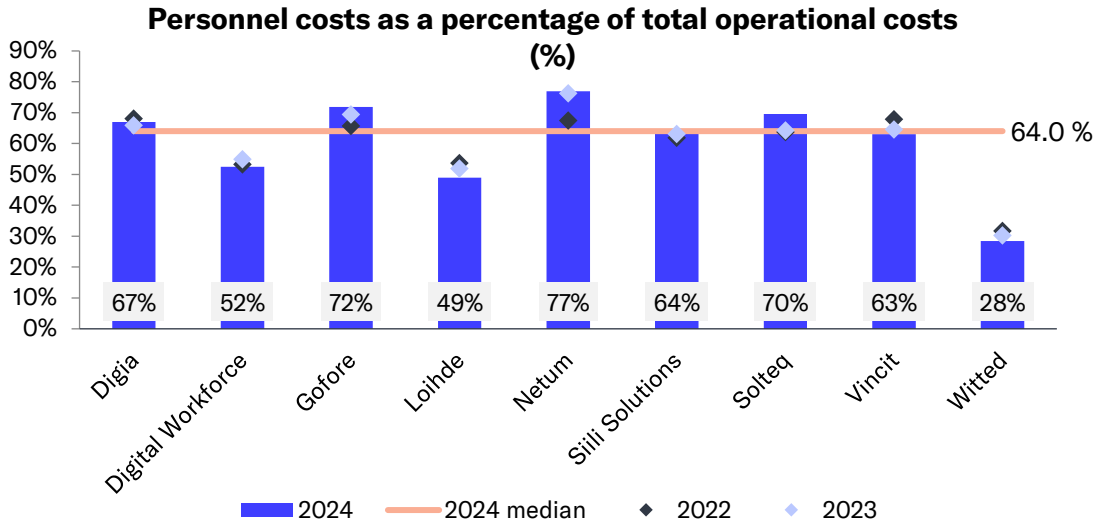
Source: Inderes

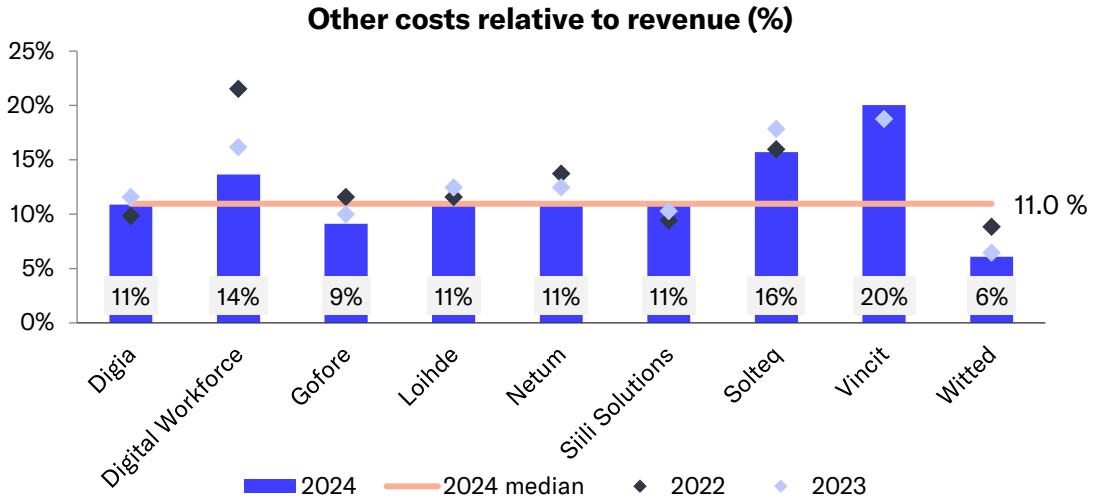
IT service sector acquisitions mainly from Finland

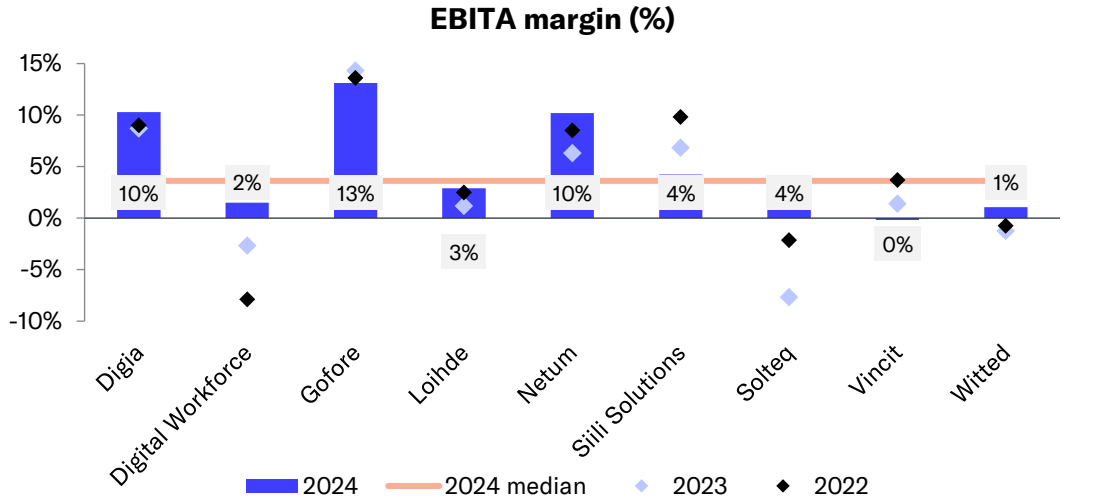
Date	Buyer	Target	Revenue MEUR	EBITDA MEUR	EBITDA-%	Personnel	EV MEUR	EV/Sales	EV/EBITDA
08/25	Witted	Software Sauna	2.9	0.3	12%		1.0		7x
07/25	Digital Workforce	e18 Consulting Ltd (UK)	4.9	0.7	13%		5.8-13.1	1.2x-2.7x	9x-20x
07/25	Gofore	Huld	38.0	5.7	15%	404	55.0	1.4x	9.6x
05/25	Digia	Savangard	16.4	2.2	13%	150	12-17	0.7x-1.0x	5x-8x
02/25	Solita	PUBLIC (UK)				40			
11/24	Confirma Software	Solteq's Danish healthcare solutions	1.8			15	4.0	2.2	
11/24	Siili	Integrations Group	2.3	0.4		13			
05/24	Eficode	Jodacus	11.5			45			
09/23	Digia	Top of Minds	10.0	1.4	14%	63	12.6	1.3	9.0
08/23	Eficode	Avoset	9.7			20			
08/23	Witted	Loihde Advisory Ab	1.9	-0.1	~-4%	10			
07/23	Netum	Buutti Oy	9.3	1.1	12%	110	10.0	1.1x	9.1x
04/23	Azets	Solteq's Microsoft and Retail businesses	11.2	1.5	~13%	60	15-20	1.3x-1.8x	10x-13x
02/23	DNV Group	Nixu	60.2	2.4	4%	393	98.0	1.6x	41x
01/23	Netum	Studyo	1.3	0.1		14			
01/23	Investcorp International	Eficode Oy	150.0			600			
11/22	Solteq	S2B Energia Oy				10			
11/22	Loihde	Onrego	7.1	0.5	7%	30	4.3	0.6x	~9x
11/22	Gofore	eMundo	~8	0.8	9%	96	8.0	~1x	~8x
10/22	Digia	Avalon	2.4	0.4	15%	24			
10/22	Eficode	Clearvision							
10/22	Siili	Haallas	5.8	0.9	~15%	>50	3.75-9.0	0.6x-1.6x	4x-10x
09/22	Witted	Nexec Oy	12.8	0.7	5.8%	80	8.3-12	0.7x-0.9x	11x-16x
07/22	Vincit	Bilot (merger)	30.5	0.6	2.1%	195			
06/22	Digia	Productivity Leap Oy	5.5	1.2	22%	35			
06/22	Innofactor	Invenco Oy	6.3	0.4		50	3-7	0.5x-1.1x	8x-19x
06/22	Knowit	Marketing Clinic Oy	10.5			60	8.5-10	1.0x	
05/22	Pinja	Oiwa	2.1			25			
04/22	Digia	MOST Digital	3.0	0.0	0%	34			
01/22	Gofore	Devecto	10.7	2.0	19%	130	21-26	2.0x-2.4x	10x-13x

Relevant reported indicators for the IT service sector 1/2

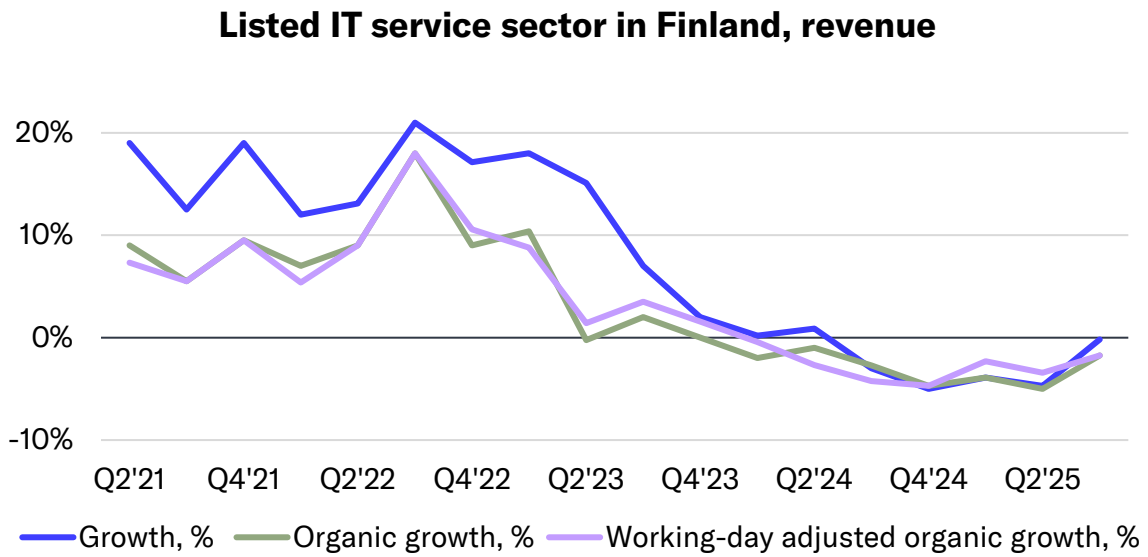


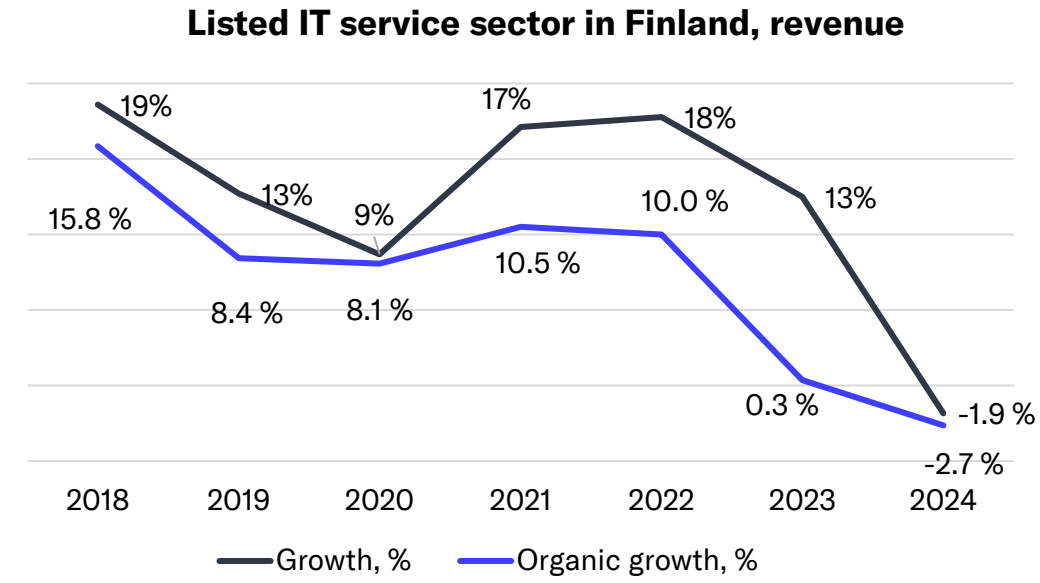


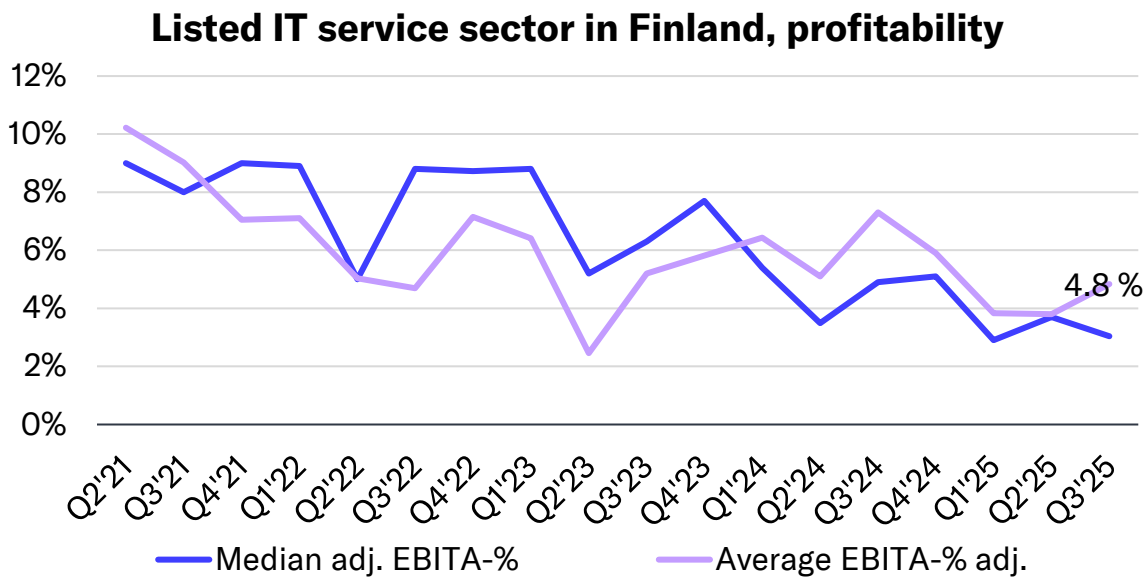


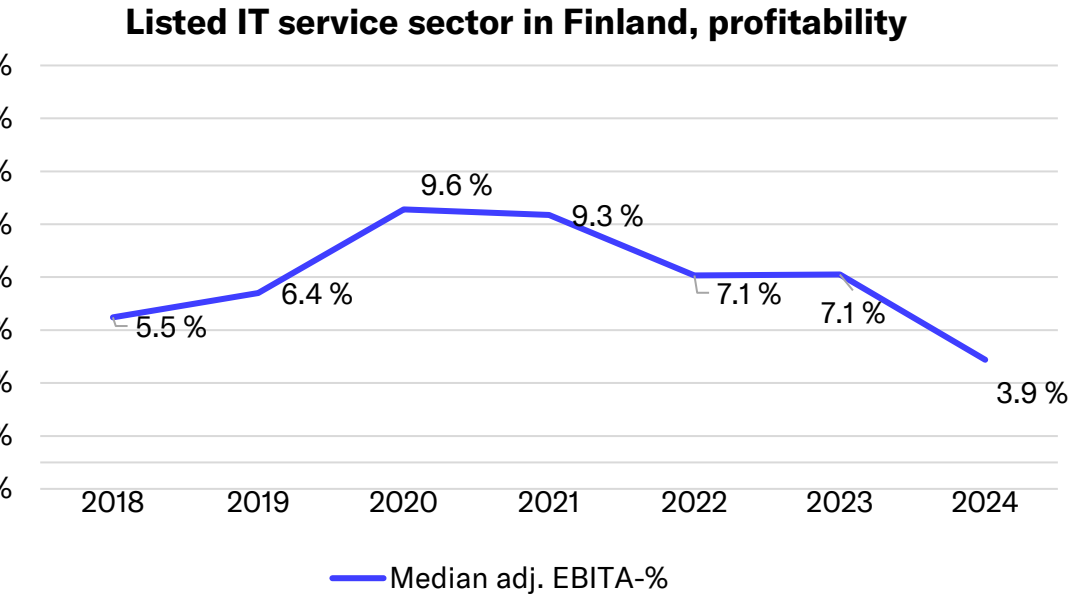


Relevant reported indicators for the sector 2/2









Source: Inderes

Competitive landscape 1/5

Competitors on three levels

Following the fragmented structure of the Finnish IT service market the competitive landscape is also fragmented. At the top level we feel the competitive field can be divided into three layers.

The first layer is international IT generalists whom according to different market sources hold a market share of close on 50%. These global giants include, e.g., Tietoevry, CGI, Fujitsu, Accenture and Capgemini. The second layer is suppliers with revenue of around 20-200 MEUR and their combined market share is estimated to be around 30%. The third layer and thus the tail-end of the market includes smaller solution houses that employ less than 200 people. Overall, there have been no major changes in the competitive field in recent years.

Various ways to combat the scale of big players

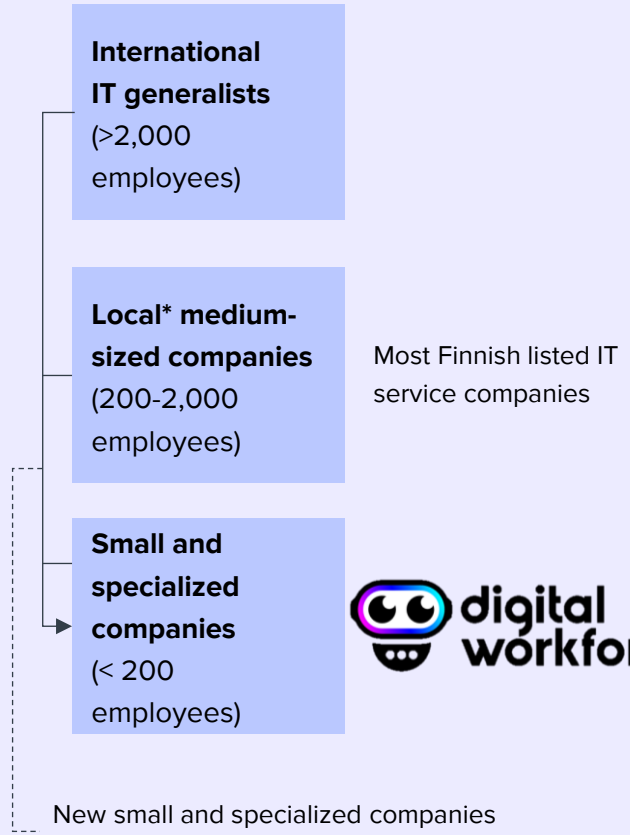
We feel the clearest strengths of large IT generalists are extensive resources and offerings, which are often strengthened with cost-efficient offshore production. The customer and industry portfolios of these players are typically extensive. Customer and industry understanding is also often deeper than for smaller players. Strong background system expertise lies at the core of IT generalists' genetic ancestry.

In practice this means that the solutions of these companies are both very business critical and established from the customer's viewpoint. In addition, these background system deliveries are also technically very challenging and high-risk projects, which raises the threshold of market entry. The key sources of competitive advantages of IT generalists can in our opinion be summarized as large resources, the costs the customer faces if changing suppliers, and high thresholds to enter the market.

In Digital Workforce's size class, companies usually also need some expert spearhead, next to agility, to be competitive against large generalists. Smaller companies also break into customers through some other buyer than IT management by selling digitalization solutions, for example, directly to the business. Thus, smaller companies do not necessarily ever face the customer's established system supplier in competition. Large generalists and small suppliers like Digital Workforce often operate in slightly different areas. In recent years, the biggest players in the sector have, however, started strengthening their abilities in the development of new digital services, which has made the competition tighter (e.g. more overlapping).

Because the revenue model in the industry is capital light and personnel intensive the thresholds to enter the industry are also low in general. Many new payers on the IT service market have been born when experts that have left established IT generalists have founded their own companies. We believe the biggest weakness of smaller players is that they often get stuck in the value chain and must serve end customers only as a part of the value chain. Therefore, small companies are not necessarily able to offer ambitious experts interesting career paths which also makes it more difficult to grow the business and improve the company's position in the value chain. In the competition for experts the key assets of small companies are usually cultural. For example, Luoto Company and its ecosystem have grown strongly and profitably since their establishment (2016) with a people-friendly and entrepreneur-driven salary/ownership model.

Dynamics of the competitive landscape



*Among the medium-sized companies, there are also internationally operating companies such as Siili, Gofore, Digia, Witted, Solteq and Vincit.
Source: Inderes

Source: Inderes

Competitive landscape 2/5

Digital Workforce does not compete directly with pure IT service companies, as the company is strongly specialized in automation that applies robotic process automation. In addition, the company has built a competitive advantage from its own automation platform. More information about Digital Workforce's competitive landscape can be found on pages 17-23.

Competitive advantages must be built constantly

Due to the good long-term growth outlook in the industry, there is a lot of competition as there are several suppliers on the market, and, as stated before, the thresholds to enter the market are low. We also believe that the preconditions to stand out merely with technical skills and individual point solutions are small. In the long term, we believe competitive advantage must be built based on more extensive skills that aim at strategic partnerships. This in turn requires that the company's operations offer continued dynamism, flexibility, and renewal ability. To be successful in the long term, we believe companies must be able to read the development of both technologies and customer needs and react to these changes by building their own capabilities.

Considering this, we believe that building truly sustainable competitive advantages is structurally hard. We do not, however, consider this to be a barrier for long-term value creation.

Digital Workforce's competitive factors

- \+ **Own Outsmart platform**, commercialization is still in the early stages
  - \+ Multi-technology
  - \+ Cloud service
  - \+ Limited competition in continuous services
- \+ **Strong industry expertise**
- \+ High benefits and low total costs for the customer
- \+ Flexible and fast delivery models and cloud maintenance
- – Tough competition in the expert and licensing model
- – Clearly smaller resources than technology suppliers if they were to expand into Digital Workforce's business
- – Small size is a challenge in extensive lifecycle projects against larger competitors
- – Weak competitiveness and supply capacity in the US

Source: Inderes

Competitive landscape 3/5

Growth and profitability of the peer group

The figure on the next page examines the growth and profitability of listed and unlisted Finnish and other Nordic IT service companies. The comparison also includes some US players that operate globally and play an important role in the European market, as well as Kainos from the UK.

The median annual growth of the peer group in 2020-2024 was about 13% (average 15%), which is explained by market growth, the rapid organic growth of many players and acquisitions. The companies that have grown most strongly have expanded both through acquisitions and organically. Strong organic growers have been, e.g., Gofore, Solita, Witted, Futurice, Netum, Luoto, Eficode, Bouvet and Netcompany. Growth has been slowest for the largest players that have suffered from the market revolution (like Tietoevry and Enfo).

When looking at growth, small specialized operators in the Finnish IT market grew clearly better than the market in the 2010s and until 2022. This reflects the faltering of the demand for conventional system development, and IT demand focusing on new areas to which smaller and more agile players have been able to respond more efficiently. Over the past few years many formerly small and agile players have grown into a relatively larger size class and maintaining the growth rate is becoming more challenging. This has been visible in some companies as a slowdown in organic growth. A company that clearly stands out is the Danish Netcompany, which, despite having almost 5,000 experts (now 8,000), was able to grow its service business organically by ~20% annually and generate an EBITDA margin of over 25% (2024: growth 8% and adj. EBITDA 17%). In terms of profitability, the average for the peer group is 11% (median 12%) measured by EBITDA at an annual level in 2020-2024 (2019-2023: 12%). On average, the profitability of the companies is on a healthy level. The IFRS-16 amendment raised the EBITDA margins of companies using IFRS accounting by some 1 to 3 percentage points starting from 2019 (more moderate effect when examining averages). This weakens comparability with the period preceding 2019, and especially with companies using FAS accounting. In the IT service sector, we have considered an EBITDA level of over 10% to be a good profitability level (excluding the IFRS-16 effect). Companies should not be satisfied with single-digit profitability levels. Large generalists Tietoevry and CGI have generated good profitability despite slow growth, which is based on their strong market position and software business.

By comparing the combination of profitability and growth over the past few years, a few players stand out above the rest. The stars include Finnish companies Gofore, Solita, Sofigate and Netum, as well as Danish Netcompany, Kainos from Great Britain, Norwegian Bouvet, and Globant, Endava and Epam from the US. In addition, Digia and Luoto are right at the cutoff.

When comparing companies, it should be noted that some companies have made more acquisitions than others, which means that growth figures, in particular, may not be very comparable.

Growth drivers

Long-term

- Digitalization will accelerate and grow the market
- AI creates new growth opportunities, but can also disrupt parts of the market
- IT will become more of a key area of companies' business and strategy
- Increasing customer prices
- The definition of the IT service market becomes broader
- Internationalization and increasing nearshore
- Increasing subcontracting and, through it, critical capabilities support growth
- Acquisitions

Short-term

- Efficient sales function
- Decrease in customer prices
- Recruitment - employee image, low attrition
- Improving efficiency through billable utilization and/or process efficiency
- Acquisitions

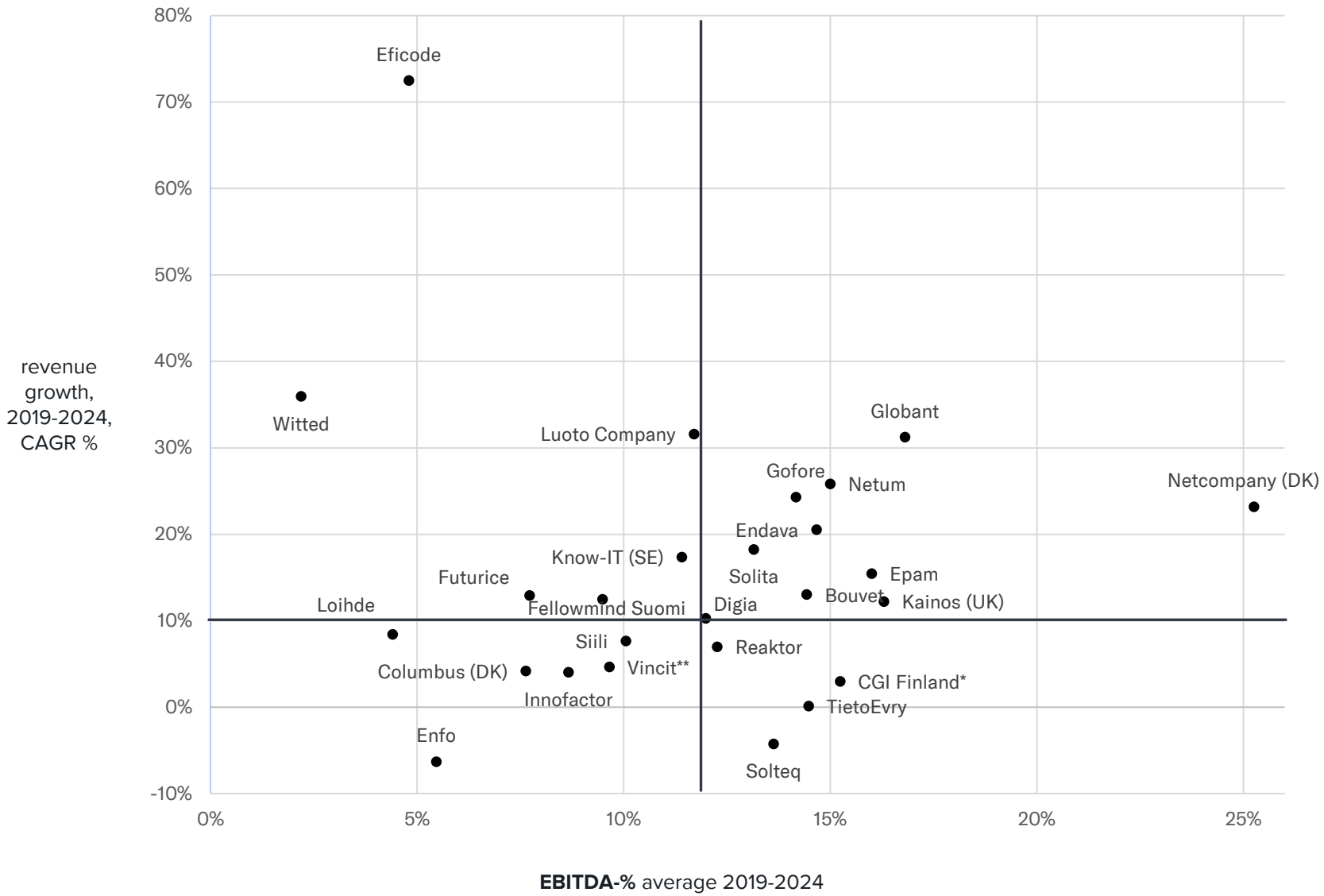
Profitability drivers

Short-term

- Customer price pressure
- Billable utilization
- Attrition management
- Controlling wage inflation
- Improving efficiency

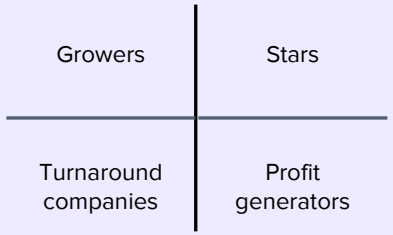
Source: Inderes

Competitive landscape 4/5



Source: Inderes, companies.

Profile of competitive field



Stars

- Forerunners with a history of profitable growth
- Mainly small and agile players that have positioned themselves and invested in growing areas of the IT service market
- The organization structures of stars are light, and they are highly business oriented

Growers

- Companies that are growing but whose investments depress profitability
- Growth has often been accelerated with acquisitions

Profit generators

- Companies whose customers have high costs of changing supplier, for example due to tailored software solutions
- Profitability partially optimized at the expense of growth

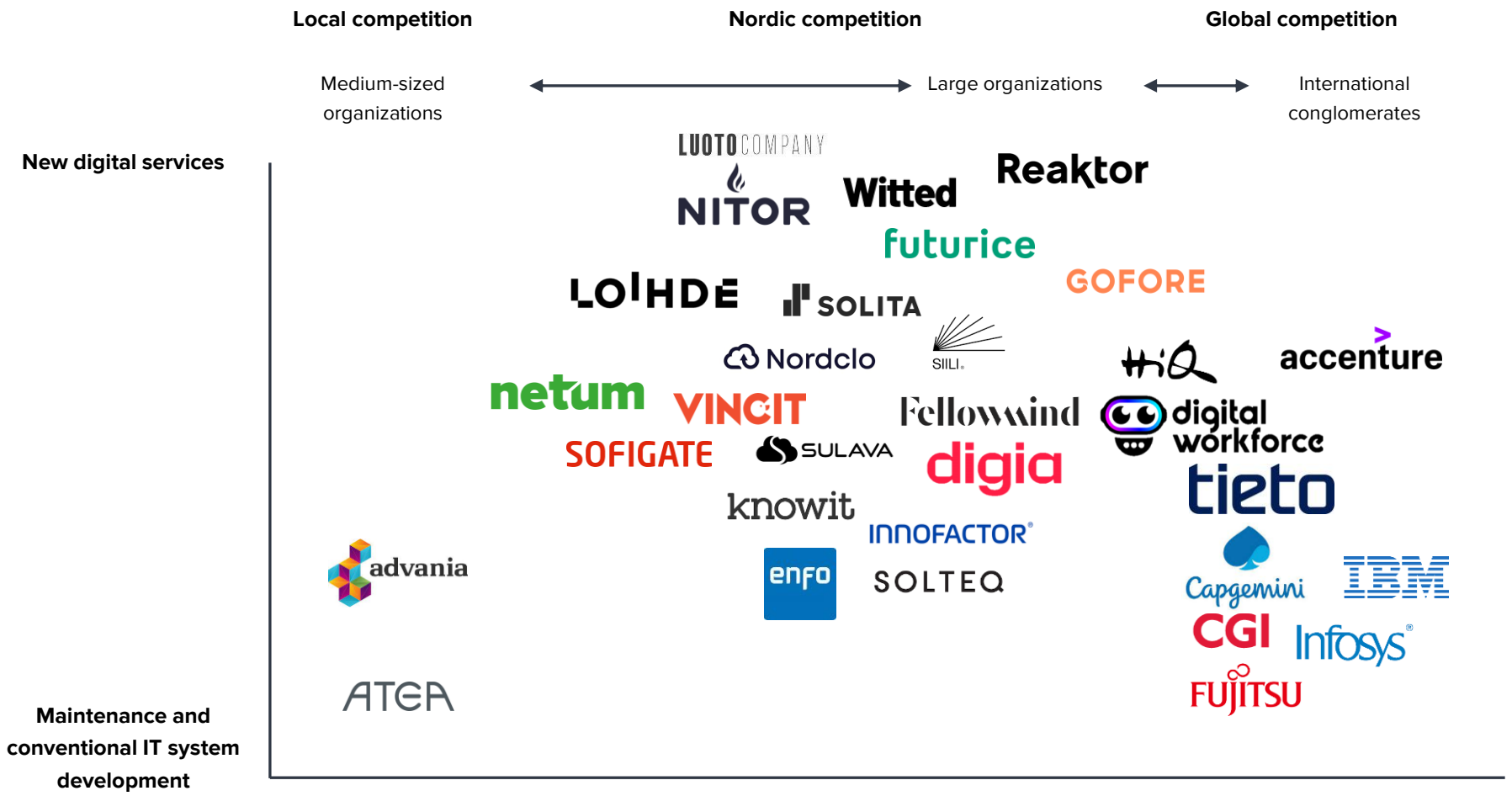
Turnaround companies

- Mainly conventional IT companies that are in transition or have not been fully capable to adjust to the IT market revolution

Source: Inderes

Competitive landscape 5/5

Finland's market structure based on customer size and service area-specific positioning



Source: Companies, Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/14/2022	Accumulate	4.50 €	3.85 €
8/19/2022	Accumulate	4.50 €	4.03 €
11/4/2022	Buy	4.50 €	2.95 €
3/1/2023	Buy	5.50 €	4.26 €
8/18/2023	Accumulate	5.50 €	4.75 €
8/24/2023	Accumulate	5.00 €	4.35 €
11/27/2023	Accumulate	3.80 €	3.20 €
2/29/2024	Vähennä	3.40 €	3.16 €
4/11/2024	Accumulate	3.40 €	2.85 €
5/6/2024	Accumulate	4.00 €	3.45 €
8/26/2024	Accumulate	4.70 €	4.16 €
11/4/2024	Accumulate	4.70 €	3.98 €
2/6/2025	Accumulate	4.70 €	4.02 €
2/20/2025	Accumulate	4.70 €	4.14 €
4/28/2025	Accumulate	4.10 €	3.44 €
7/20/2025	Accumulate	4.30 €	3.52 €
10/24/2025	Accumulate	3.70 €	3.19 €
12/17/2025	Accumulate	3.20 €	2.54 €

CONNECTING INVESTORS AND COMPANIES.

Inderes connects investors and listed companies.

We serve over 400 Nordic listed companies that want to better serve investors. The Inderes community is home to over 70,000 active investors.

We provide listed companies with solutions that enable seamless and effective investor relations. The Inderes service is built on four cornerstones for high-quality investor relations: Equity Research, Events, IR Software, and Annual General Meetings (AGM).

Inderes operates in Finland, Sweden, Norway, and Denmark and is listed on the Nasdaq First North Growth Market.

Inderes was created by investors, for investors.

Inderes Ab
Vattugatan 17, 5tr
Stockholm
+46 8 411 43 80

inderes.se

Inderes Oyj
Porkkalankatu 5
00180 Helsinki
+358 10 219 4690

inderes.fi

inderes.