

FONDIA

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT



Number one in continuous legal services

We reiterate our EUR 5.2 target price for Fondia but revise our recommendation to Accumulate (was Buy). The company is undergoing major transitions, and its earnings turnaround is only just beginning. However, unlike in the past, strong measures have been taken, and success in strategic projects would lead to a significant improvement in results. This also supports confidence in a change in the outcome. Despite its challenges, Fondia is the market leader in continuous legal services in Finland, in view of which its valuation is extremely low.

Number one in continuous legal services

Fondia is Finland's 9th largest business law firm, offering continuous legal department services at a fixed monthly fee as its spearhead product. We estimate the company to be the market leader in Finland in continuous services, which is its focus area. Approximately 46% of the company's revenue comes from productized continuous services, with the remainder from separate projects for either continuous service clients (27%) or other clients (27%). The company has invested in new operating models, digital services, and the utilization of AI, and in our view, it is a pioneer in a conservative industry. The strategy is supported by the recently renewed MyFondia platform, a digital working environment for lawyers and clients. In the Finnish business law market, valued at around 1.2 BEUR, the clear target group consists of underserved SMEs, but the company also serves a significant number of international large corporations. In our view, the company has a competitive advantage in its core area of continuous services, but its pricing power is still limited due to competitors and personnel. The company inevitably falls short of the industry's top profitability because margins in continuous services are significantly lower than in large projects. On the other hand, development is more stable and, if successful, still very profitable. In addition to Finland, Fondia has significant operations in Sweden (~18% of revenue) and minor operations in the Baltics (~3%).

Earnings development must be turned around

Fondia's financial performance has largely been weak for a long time, as revenue has been under pressure due to Finland's economic downturn and the company's operational efficiency has been poor. A year ago, the company initiated a comprehensive transformation process, driven by the new CEO, which included significant change negotiations and a strategy update. The company's strategic projects correctly focus on problem areas (such as improving billing rates), but the benefits of cost-saving measures have so far been offset by declining revenue. After the cost base has been streamlined, the focus will shift to growth, where increasing the time spent on client work is also key. An increase in billable utilization would have a strong leverage on profitability, so success in this area would be a game-changer for the company. Although there is still limited concrete evidence, we expect profitability to increase significantly as revenue turns to slight growth next year. We estimate Fondia's 2026 revenue to be 24.6 MEUR, with an EBITA of some 1.8 MEUR, representing a 7.4% margin (2020-2024 average: 6.9% adjusted for NRIs). At that point, Fondia would also generate abundant cash flow.

Return to profitable growth would lift the stock to a new level

Fondia's valuation (2026e EV/EBITA below 9x) is attractive. The enterprise value (EV), considering the strong balance sheet, is only 16 MEUR, which could realistically double in two years if the turnaround materializes, without valuation multiples becoming particularly high (2027e EV/EBITA 7x). On the other hand, a turnaround has been anticipated before, only to result in disappointment, leading investors to forget the company. However, we believe that the company's focus and strategy are now correct, and the preconditions for a turnaround are better than before, which is why we strongly lean towards it materializing. However, it is possible that fundamental problems have become ingrained in the company's culture, preventing success. In the short term, the company also faces a clear risk of a profit warning.

Recommendation

Accumulate

(was Buy)

Target price:

EUR 5.20

(was EUR 5.20)

Share price:

EUR 4.63

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	26	24	25	26
growth-%	-2%	-7%	3%	5%
EBIT adj.	1.6	1.5	1.8	2.1
EBIT-% adj.	6.1 %	6.2 %	7.4 %	8.2 %
Net income	0.7	0.6	1.2	1.5
EPS (adj.)	0.32	0.31	0.37	0.45
P/E (adj.)	15.7	14.8	12.4	10.4
P/B	6.3	7.1	6.8	6.0
Dividend yield-%	6.0 %	6.5 %	6.5 %	6.5 %
EV/EBIT (adj.)	10.6	10.6	8.5	7.0
EV/EBITDA	8.4	8.9	6.3	5.3
EV/S	0.6	0.7	0.6	0.6

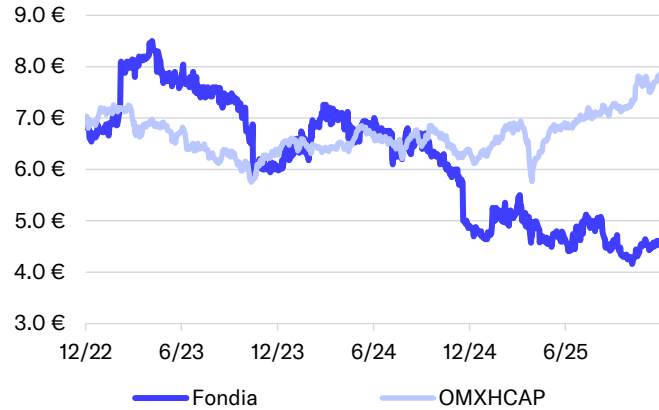
Source: Inderes

Guidance

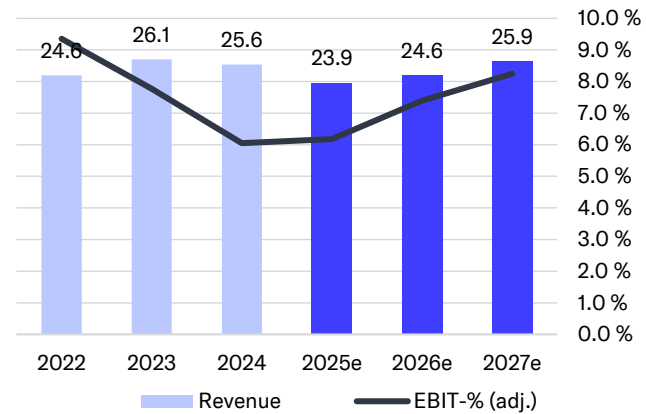
(Unchanged)

Fondia will focus on improving profitability in 2025.

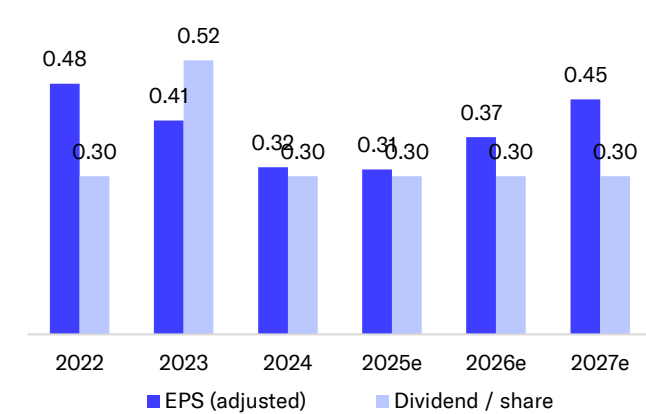
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Improving profitability and returning to profitable growth
- The business model's relatively low risk profile and strong cash flow
- A strong position in an attractive defensive industry, which offers excellent conditions for increasing shareholder value
- In the medium term, establishing a strong position also outside Finland

Risk factors

- It is difficult to assess the ultimate outcome of the AI disruption
- Limited pricing power and price competition resulting from a weak market situation
- Potential failure of internationalization
- Reputation risk due to the nature of the industry
- Failure to recruit and retain experts

Valuation	2025e	2026e	2027e
Share price	4.63	4.63	4.63
Number of shares, millions	3.74	3.74	3.74
Market cap	17	17	17
EV	16	16	15
P/E (adj.)	14.8	12.4	10.4
P/E	31.3	14.4	11.8
P/FCF	37.9	13.4	10.4
P/B	7.1	6.8	6.0
P/S	0.7	0.7	0.7
EV/Sales	0.7	0.6	0.6
EV/EBITDA	8.9	6.3	5.3
EV/EBIT (adj.)	10.6	8.5	7.0
Payout ratio (%)	203%	93.4 %	76.4 %
Dividend yield-%	6.5 %	6.5 %	6.5 %

Source: Inderes

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Fondia in brief

Fondia is Finland's 9th largest law firm and the only listed legal service company in the Nordic countries.

MEUR 24

Revenue 2025e

MEUR 1.5

Adjusted EBIT 2025e

137 (FTE)

Personnel Q3'25

79% / 18% / 3%

Revenue breakdown 2024: Finland / Sweden / Baltics

2004 and 2017

Years of establishment and IPO

<-2018

In 2013-2017, profitable growth particularly in Finland (just small operations in Sweden until 2012)

In 2017, the company was listed on First North (share price EUR 7.65)

In 2018, the J&N acquisition in Sweden grows the international business

2019-2021

Profitability deteriorates significantly, for example, due to challenges in Sweden and organizational growing pains

The effects of the COVID pandemic are particularly felt in Sweden

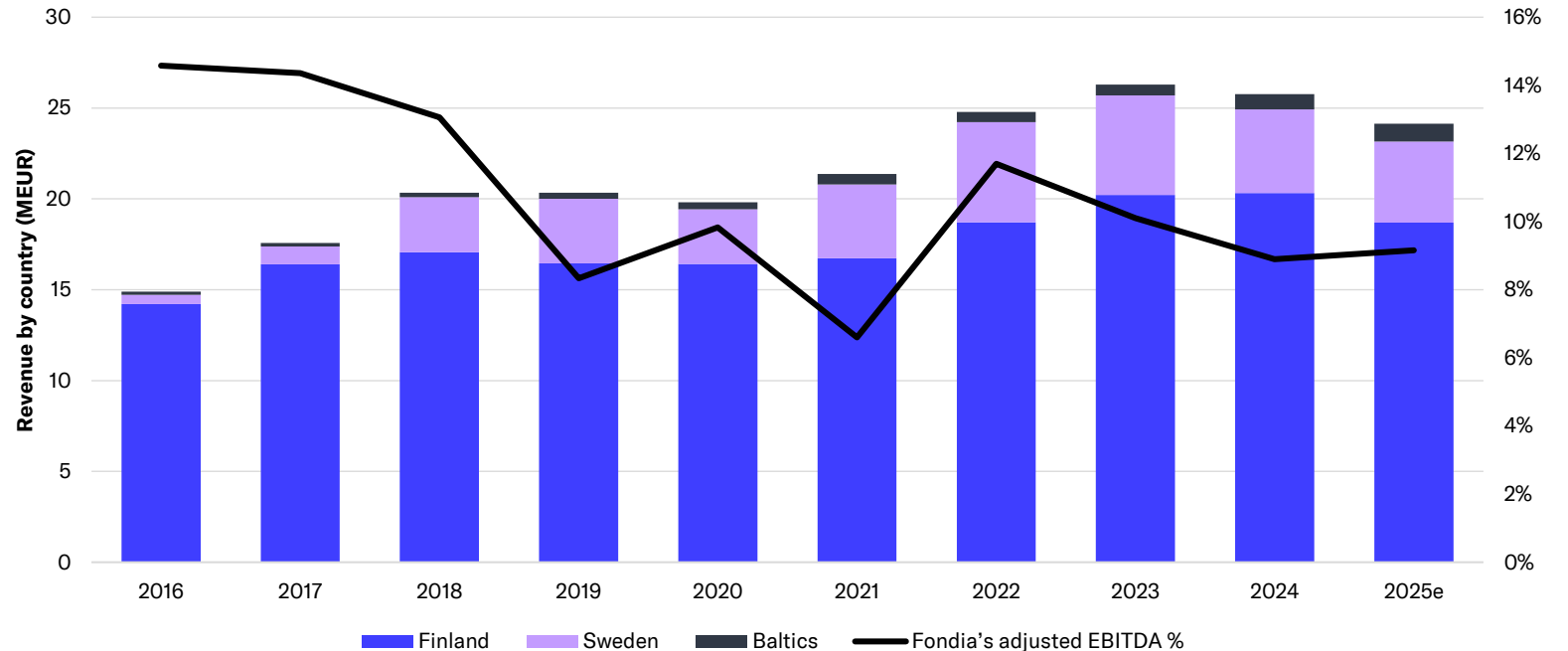
Personnel turnover burdens Finland's core business in 2021, but Sweden turns to profit

2022-2025

In 2022, growth and profitability improve significantly, and the trend appears to be turning

In 2023, the market situation becomes challenging, initiating a weak trend that continues into 2024

In 2025, CEO change, significant efficiency measures and strategy update



Company description and business model 1/3

A full-service business law firm

Fondia is Finland's ninth largest business law firm, with services covering all essential areas of corporate law. Fondia has offices in Finland in Helsinki, Tampere, Turku, and Lahti. In addition, Fondia has offices in Stockholm, Gothenburg, Malmö, Tallinn, and Vilnius.

Fondia's spearhead product is the Legal Department as a Service (LDaaS), where Fondia offers continuous, productized legal services at a fixed monthly price. The service allows client companies to partially or fully outsource their legal department to Fondia, which eliminates the need for in-house lawyers and makes legal department costs predictable and cost-effective for client companies.

Thanks to recurring contracts, the company's business is more stable and predictable than its peers focused on project business. Based on the company's customer surveys, customer satisfaction has also been high. In the 2025 customer survey, Fondia's customers gave an NPS score of 68 (2024: 61), which can be considered very good.

A different kind of player in a traditional industry

Fondia is not a member of the Finnish Bar Association, and thus the company is not a law firm like most companies in the industry. This allows, among other things, for the company's management and board members to have educational backgrounds other than law, and for Fondia to engage in business activities beyond legal services. This solution also enables the company to be listed on First North. Since its inception, Fondia has invested in new operating models and digital services, and the company has been a pioneer in a conservative industry. The

MyFondia platform, a digital working environment for collaboration and communication between lawyers and clients, is an essential part of the operating model. Digital tools enable the company's continuous service model and the efficient outsourcing of clients' legal departments.

Fondia invests in employee satisfaction and strives to be a sought-after employer in the industry. Instead of competitive pay relative to workload, the company aims to emphasize the meaningfulness and versatility of work, as well as work-life balance. However, employee satisfaction and commitment are challenges for the company during this transitional phase. The result of the annual employee satisfaction survey (eNPS 17) was modest for the company and requires action.

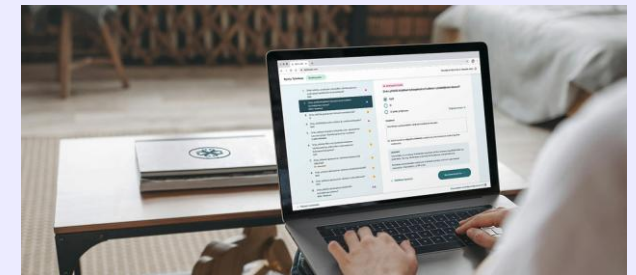
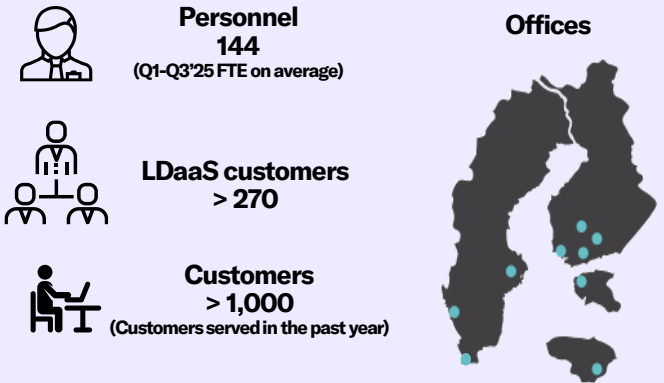
LDaaS: Continuous legal services

At the core of the company's business is the continuous legal department service, or LDaaS (Legal Department as a Service), developed since 2004. Continuous services accounted for around 46% of the company's revenue in 2024. Fondia bills the client a pre-agreed monthly fee for the ongoing Legal Department as a Service. The service can be tailored to the needs of companies of all sizes, and Fondia has LDaaS customers ranging from startups to international listed companies. In the LDaaS service, Fondia first maps out the client company's needs and then typically appoints a team of 2-5 lawyers specializing in different legal fields (e.g., employment law, trademark enforcement, competition law, and M&A). Teamwork ensures that the client has expertise in various areas of business law at their disposal, the service runs smoothly even during vacation periods, and it is not dependent on a single individual.



Fondia is a legal services company that offers companies continuous legal services (Legal Department as a Service, LDaaS) as well as traditional legal assignments.

The company's core idea is to make legal services accessible, more predictable, and business-supportive for companies. The company particularly stands out in the market due to its service model, which combines the availability of an in-house lawyer and the expertise of a traditional law firm.



Company description and business model 2/3

The continuous service is assembled from different elements according to the client's needs and may include, for example, ongoing phone support from a team of lawyers and a 10-hour monthly resource reservation. Other legal support (separate projects) is provided on an hourly basis as separately agreed.

To enhance service processes, Fondia has developed the digital MyFondia platform, which enables service delivery regardless of time or location, across various devices. For example, all customer documents, as well as completed and future actions, are updated and made visible on the platform, ensuring efficient use of time for both Fondia's lawyers and clients. On the other hand, customers can transparently see in real time what Fondia's lawyers have actually done. The platform enables efficient collaboration between the client and the legal team.

Through its continuous service, Fondia aims to be an integrated part of the customer's business, enabling it to participate in the client company's management team activities, for example. In this scenario, customers are typically highly committed to Fondia, and the threshold for switching legal service providers is high. Customer churn has been very low among LDaaS customers, but resource reservations can be decreased during difficult times. This has occurred in the weak market conditions of recent years.

Projects complement continuous service

In addition to continuous services, Fondia also carries out traditional projects as an advisor for LDaaS clients and other clients. These include, for example, M&A-related projects, financing arrangements, capital market arrangements, and dispute resolutions. In addition, the company organizes free and paid training.

For projects, billing primarily operates on an hourly basis, in line with industry tradition. In 2024, 27% of Fondia's revenue came from additional work and separate projects for LDaaS clients, and 27% came from projects for non-LDaaS clients. Traditional projects complement Fondia's LDaaS services and also serve as a viable entry point, as a successful project helps the company attract clients to recurring billing.

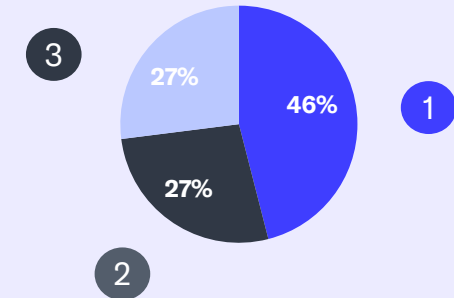
The company structure is different from traditional law firms

Fondia has a low-hierarchy organization, and the company's experts are involved in client interface. In large partner-driven law firms, client contact typically occurs through the partners who own the law firm. Partners then often delegate assignments to Senior Associates, who in turn delegate tasks and work with more junior lawyers. The lawyers performing the actual work have little contact with the end customer. Typically, junior lawyers focus on a narrow area of expertise, and their workdays can be very long.

At Fondia, the lawyers performing legal work are also heavily involved in client interface. This allows the lawyers providing legal services to better understand the end customer's needs and operate more independently. Lawyers are also partly responsible for new customer acquisition. Particularly, the sale of legal department services at Fondia is primarily handled by lawyers who, in addition to their legal role, are also responsible for client acquisition. New customer acquisition is supported by the marketing department and the cooperation network. According to Fondia, the company's employee satisfaction is higher (2023: eNPS 48) because employees have broader roles than in traditional law firms.

Revenue breakdown 2024

Continuous clients account for 73% of revenue
Continuous services account for 46% of revenue



1 Continuous LDaaS services

- Legal Department as a Service
- Teams of lawyers specializing in different industries
- Continuous monthly billing

2 Projects for LDaaS clients

- M&A transactions
- Employment, competition, and company law
- Other corporate legal services and training
- Projects are traditionally billed on an hourly basis

3 Projects for other clients

- Fondia offers projects to non-LDaaS customers
- These often also serve as a throw-in product for new customer acquisition

Company description and business model 3/3

Fondia's model is not for everyone, and hiring skilled lawyers can be a challenge. The company is not, in principle, able to offer ambitious lawyers as lucrative positions as they could ultimately achieve in successful law firms on a "partner track."

Growth requires appeal

In any expert business, everything starts with skilled professionals, through which employee satisfaction and the company's position as a desired workplace are competitive factors in the industry. Previously, there was a clear shortage of talent in the industry, but the situation has eased in the difficult market conditions of recent years. High job satisfaction is reflected positively not only in customer satisfaction but also, for example, in sick leave and recruitment costs. Historically, employee turnover has been a significant challenge for Fondia. Particularly in 2021, high volatility had a clear negative impact on the company's growth and profitability. After the exceptional peak in 2021, employee turnover was brought under control, but following the change negotiations held at the turn of 2024 and 2025, the departure levels have been at undesirable levels.

Competitive advantages of Fondia and the business model

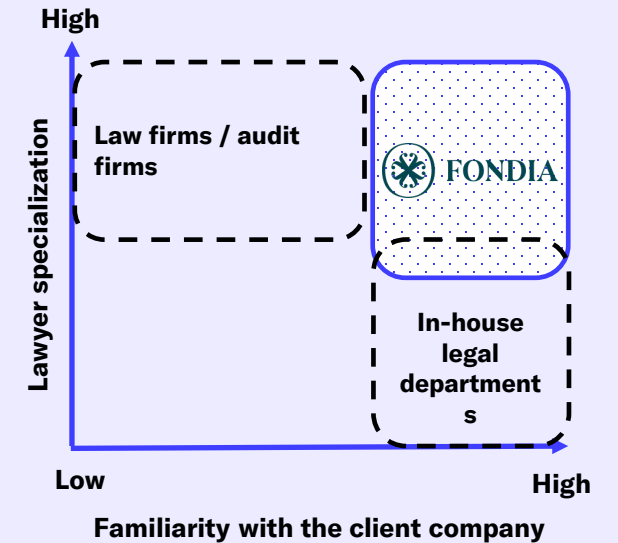
The LDaaS service offers a solution for companies that do not have the resources or need to hire a lawyer or legal department. The service is often cost-effective for clients, as purchasing legal services on an hourly basis for ongoing matters is generally not practical. In our view, the competitive advantages of the service model for the customer include transparent pricing, low personnel dependency of the service, and the fact that the client company does not need to onboard a new lawyer to its operating practices. Additionally, customers have access to a legal team tailored to their needs, which offers ease and peace of mind.

Fondia's operating model has historically been quite successful in Finland; growth has been faster than the general market and mostly profitable. Fondia's Finnish revenue increased by 7.0% annually between 2013-2024 (CAGR). In addition, customer satisfaction has consistently been at a very high level, and the churn rate for LDaaS customers has been low. Abroad, development has been weaker so far, and the success of the LDaaS model has been more limited.

Thanks to a continuous income stream, Fondia's revenue is more predictable and stable than that of traditional project-focused law firms. The company is not dependent on any single customer, as last year its ten largest customers accounted for around 15% of revenue (2023: 13%). This means that income is well-diversified, which lowers the risk level.

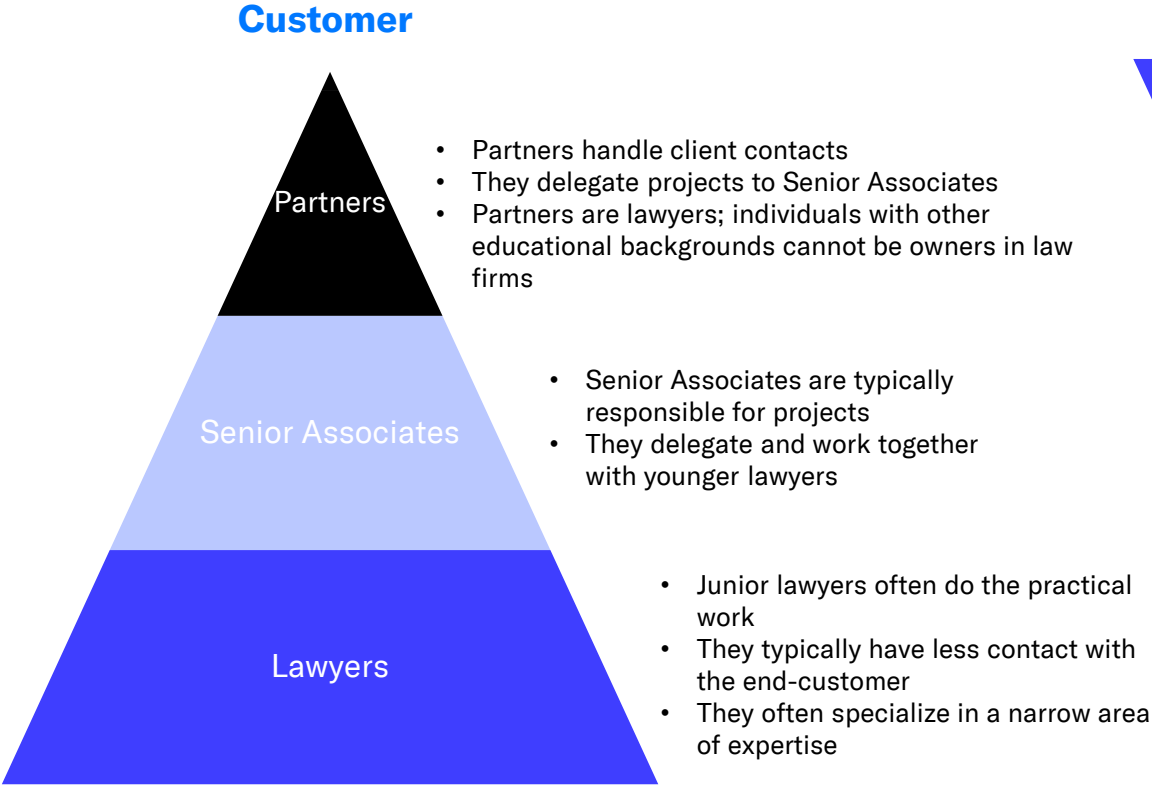
In our opinion, Fondia has a competitive advantage in Finland, which we believe stems from its LDaaS business model, low business risk (a significant portion of revenue is recurring), and potential advantage in leveraging technology and digitalization. This advantage is clear in continuous services. In our view, Fondia's digital services are ahead of the general development in the conservative industry, but there are significant differences between operators, and the Legal Tech industry has developed strongly. The introduction of AI may further change the situation in the coming years. On the other hand, Fondia also has some competitive disadvantages due to the fact that the company is not officially a law firm. Although Fondia can offer its clients services equivalent to those of law firms, including assistance in litigation, law firms typically refer clients only to each other.

Fondia's position in the market

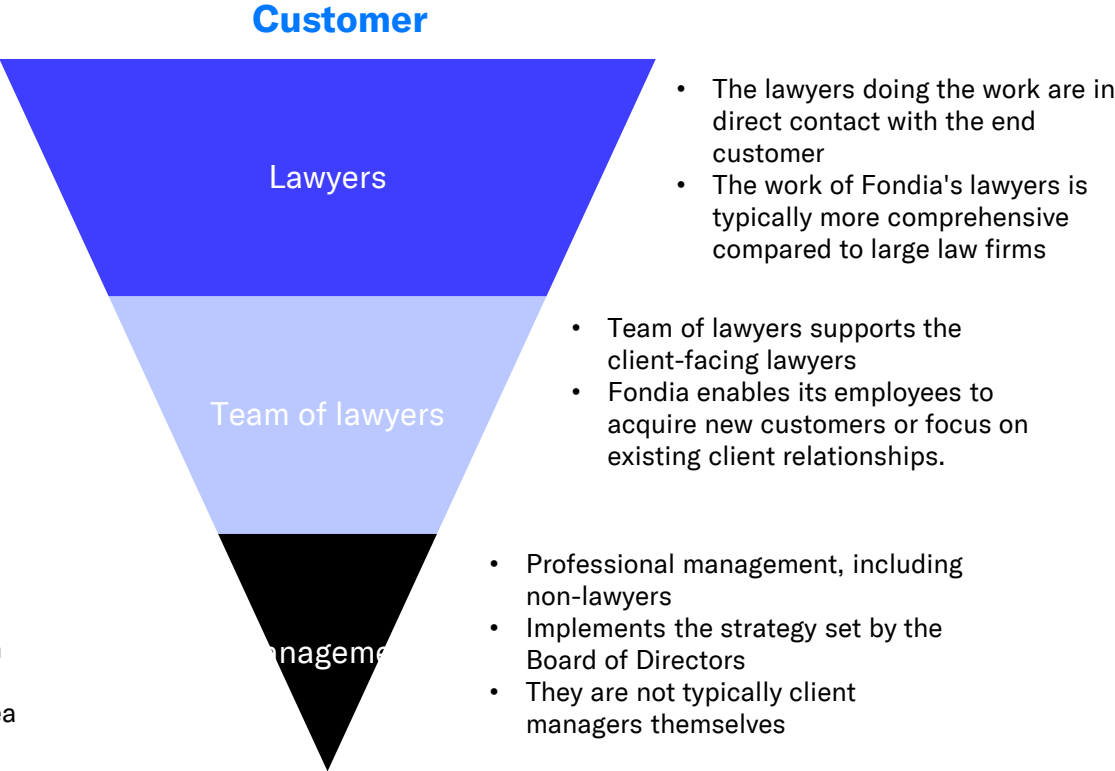


Fondia's company structure and differences from traditional models

A conventional partner-driven law firm



Fondia's company structure



Source: Inderes

Investment profile 1/2

A turnaround company with potential for much better performance

Compared to expectations and its potential, Fondia has long been a clear underperformer. The company has for years moved from one internal and external challenge to another, and its financial results have been mostly weak. The company's investment profile is that of a turnaround company, but the company has the potential for significantly better performance. In our opinion, Fondia has good preconditions for profitable growth in the future, which would give the company opportunities for both strong earnings improvement and a significant increase in valuation. This makes the company's potential return very attractive.

In our view, the legal services market is typically a steadily growing and relatively defensive industry, not significantly impacted by general economic developments. Nevertheless, for example, during the recession in Finland, clients have sought savings in legal services as well, and competition has intensified as transaction-driven companies have sought billable hours from Fondia's domain. Despite the challenges, Fondia still has a fairly good market position in Finland, but abroad the company is clearly in a challenger's position. The development of the Swedish business has been very volatile in recent years, and we cannot currently say whether it is a threat or an opportunity. In the Baltics, Fondia's development, on the other hand, has been strong.

Fondia has shown glimpses of its potential before, but historically, it has returned to a path of weak financial performance. This makes it reasonable for investors to ask why the outcome was different this time. Our confidence in the business turnaround and its sustainability is based on the fact that the company has genuinely transformed under

the new CEO. The change negotiations held at the turn of 2025 significantly lightened the cost structure, the company's focus was significantly improved and, in our opinion, in the right direction, and the strategy was updated. In addition, the profile of the current CEO, Timo Lappi (e.g. one of Fondia's founders, a major owner, and a lawyer), is well-suited to the organization, which also gives him a better chance of succeeding in turning the company around. Adding spice to the investment story is the fact that in Sweden, a private equity investor acquired six smaller law firms, merged them, and simultaneously created a structure similar to Fondia's ([more information](#)). This could bring new momentum to the industry disruption.

Strengths

A stable position in Finland provides the company with resources and a stable cash flow outlook, which enables investments in growth and technology development (e.g. MyFondia).

A strong balance sheet provides the company with leeway even in a weak market. Operations tie up little capital, the balance sheet is net debt-free, working capital is negative, and the company's ability to generate cash flow is good. The business is at its best very capital-efficient.

The business's risk profile is low, as a significant portion of its revenue is recurring. The legal services market is also traditionally very defensive, even though development has been weak in recent years. Fondia is not immune to demand fluctuations, but the predictability of its business is quite good.

High customer satisfaction indicates that customers are, on average, very satisfied with the company's service and the efforts of its personnel. LDaaS customer retention has been at a very good level, even though investments have

been reduced in a weak economic situation. The company's revenue is also evenly distributed, so there are no significant risks associated with customer concentration.

Weaknesses

The pricing power is relatively weak as the company is partly caught between the employees' wage demands and customers' cost-awareness. Pricing in the industry is still largely hourly-based and thus easily comparable. Customers are mainly relatively small and very cost-aware, especially in continuous services. At the same time, skilled personnel are a critical competitive factor, and they often know their worth. Fondia's per-lawyer invoicing is significantly lower than that of its peers, which negatively impacts the company's profitability.

In our view, high fixed costs are still a significant factor in Fondia's profitability being far from its potential. The difference is significant when comparing the company to expert organizations in other industries (such as IT services). On the other hand, Fondia's fixed costs are lower than those of traditional players in its industry. In any case, the same "infrastructure" could generate significantly higher revenue.

Productivity and operating culture. Fondia's productivity and billing rates are weak compared to the industry average, and there is significant room for improvement. This may also be partly due to the operating culture. This is certainly a strength in part, and we see Fondia having a place in a conservative industry. On the other hand, we see pressure on Fondia to shift its culture towards more efficient and commercial operations, which would enable higher billing rates. Because changing a culture is difficult and we see a need for change, we currently classify culture as a weakness – it can also be a risk or an opportunity.

Investment profile 2/2

Opportunities

In our view, **new digital services and AI** are both a threat and an opportunity. Digitalization and the utilization of AI will significantly change the legal sector, but the effects are difficult to assess for now. Fondia has invested in digitalization and developed digital services and operating models in a conservative industry that has historically been slow to change. These enable the company to emerge as a winner from the accelerating transformation. At the same time, the rise of AI, in particular, is also a threat, as it could change the nature of the industry, at least in the long term. Some of the work of lawyers will be automated.

Profitable growth would significantly strengthen the entire investment case. Between 2013 and 2018, Fondia grew significantly faster than the legal services market and gained market share. In our view, the company has the preconditions to return to a path of profitable growth in the coming years if it succeeds in its organizational transformation and finds traction for its services internationally.

Risks and threats

Reputational risk is potentially Fondia's most significant business-related risk. In the business law sector, reputation and credibility are extremely important because clients are, in part, buying peace of mind. For example, Fondia's failure to advise a client could, at worst, damage the company's reputation as a reliable operator and make it difficult to acquire new clients in the future.

Personnel risk is moderate overall, as Fondia employs 137 people (Q3'25 FTE) and the company is not dependent on individual employees. However, the company's average

personnel costs (2023: ~90 TEUR per year) are lower than those of the average law firm (the comparability of the figures is questionable), and attracting skilled personnel to the company requires continuous investment in employee satisfaction. If the company's attractiveness as an employer were to decrease, it could lead to employees moving to competitors. This would have a very negative impact on the business and its outlook. The risk partially materialized in 2021, when high employee turnover weakened financial performance. However, the company has also succeeded in recruitments during more challenging times.

Failure in internationalization. Fondia began its internationalization efforts back in 2012, but progress has been slow. The company's long-term success in Sweden has been weak despite a few good years, and the outlook is still not particularly positive. On the other hand, the company has made strong progress in the Baltics in recent years, but the business is still very small-scale. Expectations for international success are very low, but failure abroad could still weigh on the entire Group's profitability. In addition, failures abroad can easily have a negative impact on Finland, for example, when management's focus is inevitably shifted to problem areas.

A negative spiral is potentially the biggest risk for Fondia. Weak economic development affects personnel and the company's attractiveness, which in turn affects business and creates uncertainty in the outlook. Ultimately, this naturally has a significant impact on the stock. In recent years, Fondia has partly been in a negative spiral, which the company must be able to reverse. On the other hand, a positive spiral is also an opportunity. Financial success creates resources for investments and growth, which also creates opportunities for employees.

SWOT analysis of the investment profile

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good market position in Finland • Balance sheet still strong • Capital-efficient business model • High customer satisfaction 	<ul style="list-style-type: none"> • Pricing power is limited • There is significant room for improvement in productivity • High fixed costs relative to its size
<ul style="list-style-type: none"> • New digital services and the utilization of artificial intelligence • Return to profitable growth in both Finland and Sweden 	<ul style="list-style-type: none"> • The potential disruption caused by AI in the industry • Reputational and personnel risks • Failure in internationalization • Negative spiral
Opportunities	Threats

Investment profile

- 1 The most important driver is the profitability and earnings turnaround
- 2 Capital-efficient business model and strong cash flow
- 3 Relatively defensive and growing industry
- 4 AI will reshape the market in the future (a threat and an opportunity)
- 5 The internationalization market developing in a favorable direction for Fondia

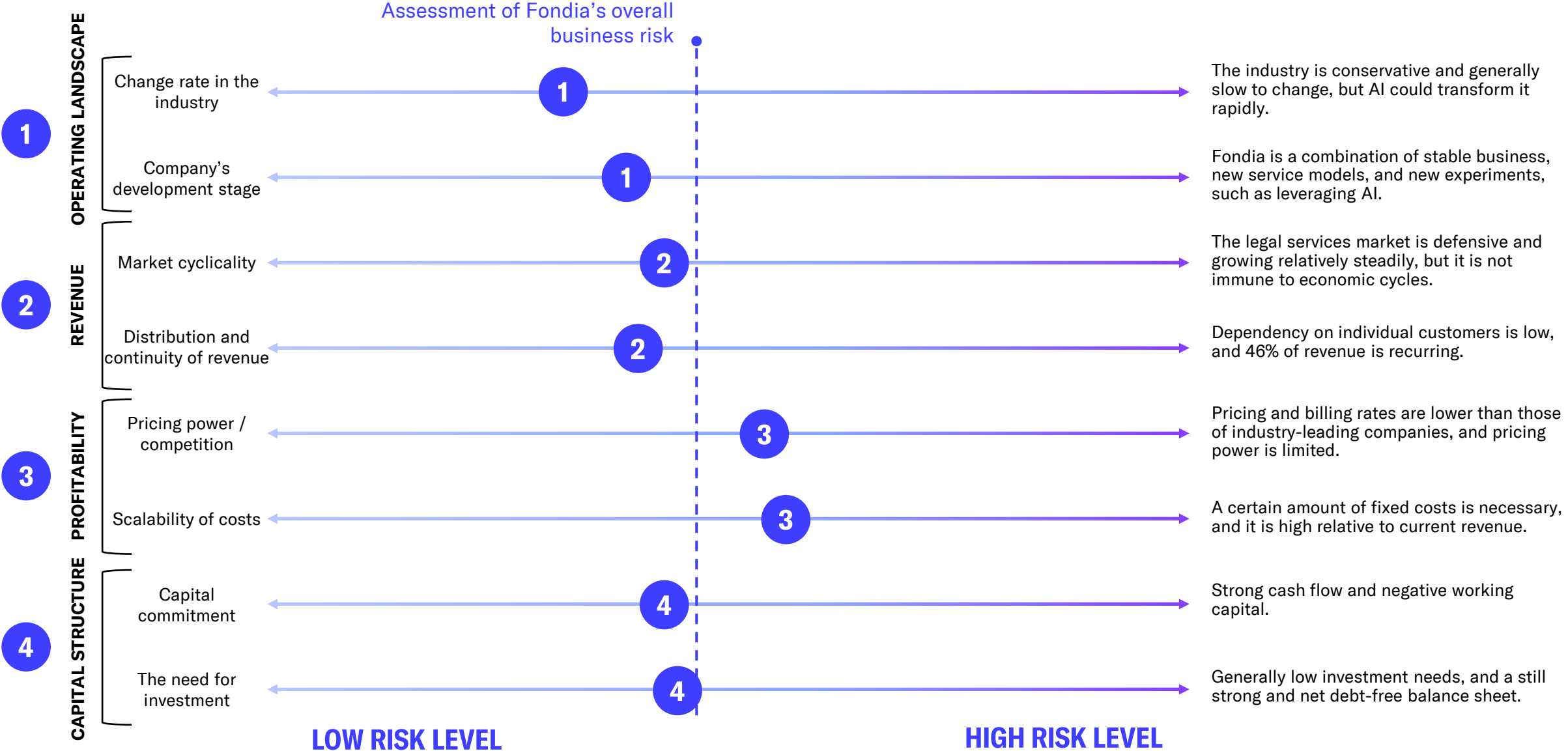
Potential

- Significant earnings growth as revenue rises
- A sustainable turnaround to growth for the Finnish business
- A strong balance sheet and cash flow enable investments
- New productized services, opportunities brought by digitalization and AI
- Long-term international potential (possibly also through digital offerings)

Risks

- Limited pricing power due to the tug-of-war between experts and clients
- Reputation risk due to the nature of the industry
- Potential failure of internationalization
- Possible failure to maintain employee satisfaction and attract skilled professionals

Risk profile of the business



Markets and competitive landscape 1/3

A growing and defensive overall market

The business law market is relatively defensive, meaning it has not historically been sensitive to economic cycles. Typically, during an economic boom, M&A activity increases, whereas during a recession, there are more change negotiations, corporate restructurings, and bankruptcies.

Nevertheless, Fondia's revenue and Finland's economic development have historically correlated; revenue growth has typically been weaker when Finland's economic growth is negative. In recent years, revenue declined during the COVID crisis, Fondia's growth was slower than usual during the euro crisis in 2012-2013, and in 2023-2024, during the Finnish economic recession, revenue development clearly weakened as the company's customers also cut their legal budgets. A decline in revenue has been rare in Fondia's history, but it occurred in 2025.

The Finnish business law market is divided into two

From Fondia's perspective, the business law market can be broadly divided into two parts. The first part consists of companies providing legal services, such as law firms and other companies producing business law services like Fondia. This so-called legal services market in Finland was, in our estimation, approximately 1.2 BEUR. The Finnish legal services market has grown relatively steadily over the past decade, with an estimated average annual growth of approximately 4%.

The second part of the market consists of in-house lawyers employed by companies and organizations. The exact size of this market is difficult to estimate, and an exact size is not relevant, but we estimate that it increases the "market"

by roughly 1.5 times the aforementioned 1.2 BEUR.

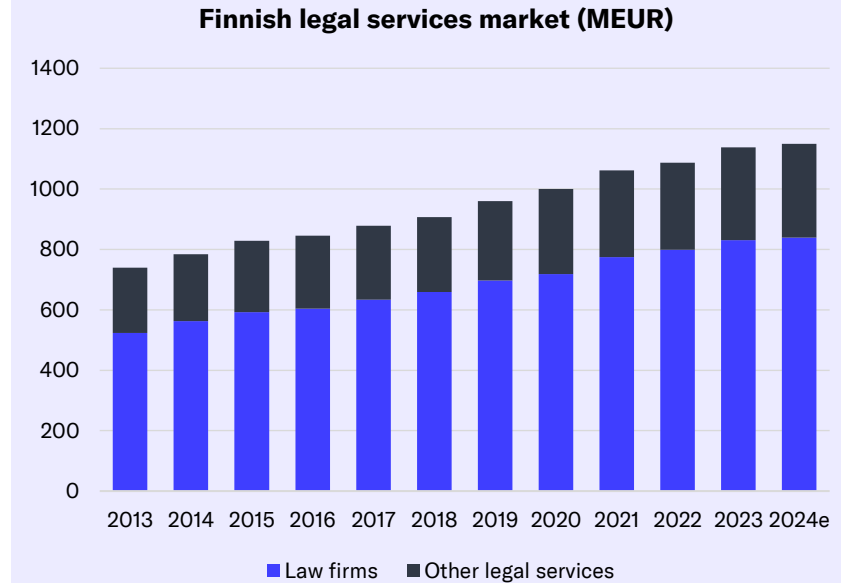
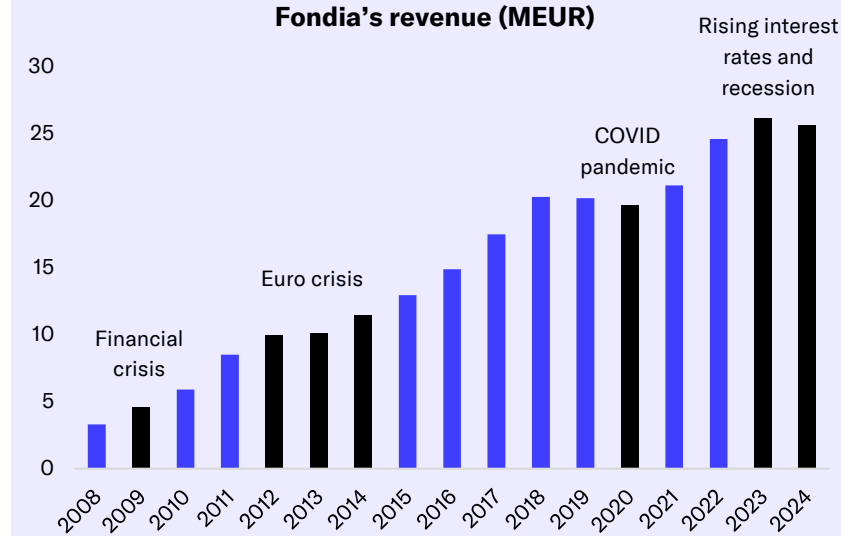
The Swedish market is large and growing rapidly

We estimate the Swedish legal services market to be approximately three times larger than Finland's (legal services and in-house lawyers). According to various sources, the size of the Swedish legal services market is roughly around 3 BEUR. In any case, the market size is huge compared to Fondia's small Swedish business.

Fondia has operated in Stockholm, Sweden since 2012, and following the J&N acquisition in 2018, the company also has an office in Gothenburg. According to Fondia, Sweden is a less regulated market for legal services than Finland, which also makes it interesting for the company. There are many opportunities in Sweden, but carving out a position is not easy. Fondia also has operations in the Baltics, which is a relatively small but rapidly growing legal services market. The Baltic market is estimated to be two-thirds the size of Finland.

Market characteristics

Legal services require strong knowledge of local legislation and legal practices, which is why the business law market is local. Foreign players do not generally compete directly in the Finnish business law market, even though there are legal service providers in Finland that belong to international chains. The profitability of law firms is very high, especially for the leading companies. In 2024, the average EBIT margin for the 30 largest companies in the industry in Finland was around 28%, although this figure is skewed by partner-led firms distributing a portion of salaries as dividends.



Markets and competitive landscape 2/3

Traditionally, the legal industry is characterized by the project-based nature of its work, as companies primarily provide legal services based on client assignments. In this sense, the industry operates like other high value-added expert services (such as management consulting). The business model for companies in the sector is generally based on hourly rates, and services are still typically priced based on hours worked. However, this may be changing with AI.

AI is changing the industry, but probably not very quickly

The legal services market is slow to change, as is society at large, although several significant drivers of change are identifiable even now (see sidebar). Over the past decades, the pace of technological change has been rapid, and the work of lawyers has evolved with the advancement of digitalization. However, the industry in Finland has not significantly changed in recent decades. Legal Tech has been an emerging industry for some time, but it has not ultimately led to dramatic changes in legal services.

Currently, the strongest driver of change is artificial intelligence. AI will likely accelerate the pace of change, enhance operations, and potentially reshape the revenue model (hourly billing). AI and related tools will reduce and even eliminate some traditional tasks performed by lawyers, as AI is already more efficient in many tasks (information retrieval, summarization, contract templates, and so on). Historically, the job description has changed, but the need for legal services has not diminished; instead, other tasks have always (increasingly) emerged to fill the void. We suspect this will also happen in the coming years, even though AI will pose a similar challenge to experts as the internet did to goods retailers at the turn of the millennium.

AI-powered tools such as Legora are already commonplace,

and clients often seek solutions using generic AI. Companies in the industry must transform, but in our assessment, lawyers or the need for them are not disappearing in the foreseeable future. In the long term, the effects of AI are very difficult to assess, but we believe the changes will be gradual and a major disruption will take time. In our view, it is essential that the company is responsive to changes and leverages the opportunities presented by AI to secure its competitiveness.

Competitive field in Finland

The legal services market in Finland is fragmented, as preliminary data from Statistics Finland indicates that in 2024, there were a total of 2,562 companies in the legal sector, with an average of fewer than 3 employees per company. The median law firm is therefore very small. On the other hand, Finland's 30 largest companies generated 750 MEUR in revenue in 2024, accounting for an estimated over half of the Finnish market. Still, the 20th largest company has revenue of 8 MEUR, so there are few large companies.

In our view, Fondia is positioned between three different competitive forces. One segment consists of large law firms with revenue exceeding 10 MEUR, of which there were 17 in Finland in 2024. In particular, the five largest law firms are clearly larger than Fondia (2024 revenues over 50 MEUR) and these companies already have a broad customer base, better brand recognition, and greater resources than Fondia. On the other hand, Fondia does not aim to compete directly with these law firms in their core areas (such as large M&A transactions). Instead, the company focuses more on meeting the daily business law needs of client companies, preventing legal issues, and serving slightly smaller clients.

Market transformation trends

Digitalization and AI

- Partly increases the need for legal services
- Creates an opportunity for Fondia to develop productivity, customer value, and new types of legal services
- Over time, it changes the nature of the industry and shifts the focus from information work to knowledge work

Outsourcing

- The current outsourcing trend is reducing the number of in-house lawyers and increasing demand for outsourced legal services

Increasing regulation

- Increasing EU regulation, in particular, is driving the need for legal services

Globalization

- Companies need increasingly comprehensive legal expertise, which an in-house lawyer may not be able to provide. This accelerates the outsourcing trend.

Value-based pricing

- Customers are increasingly demanding transparent pricing that is based on the content and added value of the work performed, rather than on an hourly ratesing EU regulation increases the need for legal services

Markets and competitive landscape 3/3

In large projects, customers value a "name" that is perceived to offer a quality guarantee for the task. This is a traditional phenomenon that Fondia finds difficult to combat. In addition, the legal service departments of the so-called *Big 4* audit firms also compete, to some extent, with the project services offered by Fondia. Indeed, we often see Fondia's position as challenging in international-scale companies. Thus, Fondia's market share in this segment is limited, even though it has its own strengths (especially its knowledge of client companies gained through continuous services). In our view, Fondia does not directly compete with the largest law firms, but in a weaker market, these competitors may also compete for smaller assignments. This has also been observed in recent years, as there have been fewer large transactions.

In-house legal counsel

Another aspect of Fondia's competitive landscape is corporate in-house legal departments and lawyers. Fondia's spearhead product, the LDaaS service, offers a solution for companies that lack the resources or need to hire their own legal department, and for whom purchasing external legal services for day-to-day matters is not practical. Companies' in-house lawyers are often "generalists," meaning they are not deeply specialized in individual areas of business law. On the other hand, they generally have strong expertise in the general requirements of that particular industry. With its team of lawyers, Fondia can combine the specialized expertise of an external legal service provider in various areas of business law with an in-house lawyer's business knowledge. This allows Fondia to offer a competitive solution to its client companies, and the company's clients have largely been satisfied with the service.

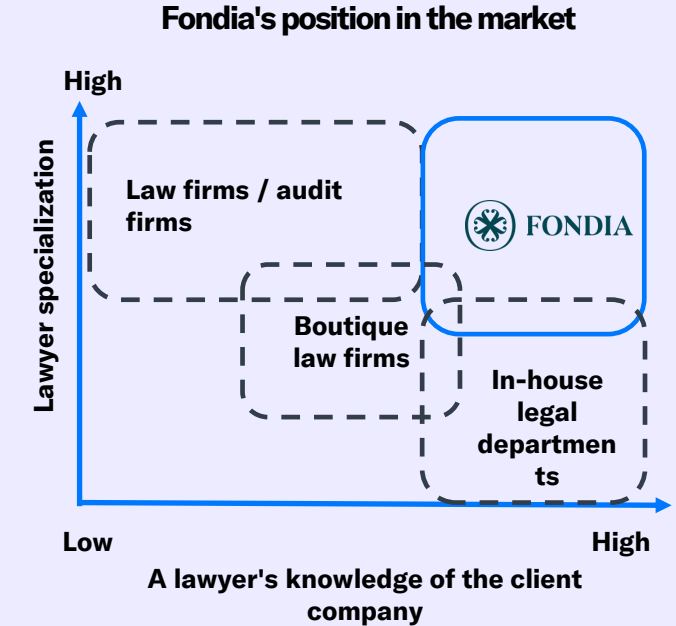
Fondia's services offer a solution to an "underserved" market, meaning companies for whom it has not been sensible to hire their own in-house lawyer, but who still have daily ongoing legal service needs. Typically, these companies are medium-sized or, by Finnish standards, even large.

Small companies rarely purchase significant legal services, even though all companies have certain needs. With small customers, the difficulty is usually the cost of customer acquisition relative to the revenue generated by the project. The MyFondia platform can offer a solution to this, as, for example, a trial of Fondia's free Legal Health Check tool brings companies interested in legal services to the company's attention. Thus, there can be opportunities for Fondia even in small companies.

Smaller boutique law firms

The third competitive angle for Fondia comes from smaller boutique law firms. These companies are generally not found on the lists of the largest law firms, but we could include Dottir in this category, for example. Emerging, young law firms are inherently more eager to experiment with models that deviate from traditional operating methods, and they are generally better at adopting technology and bolder in trying out new approaches (AI and Legal Tech). Additionally, pricing is likely close to Fondia's level. New challengers are likely to emerge from this broad field, which is difficult to categorize precisely.

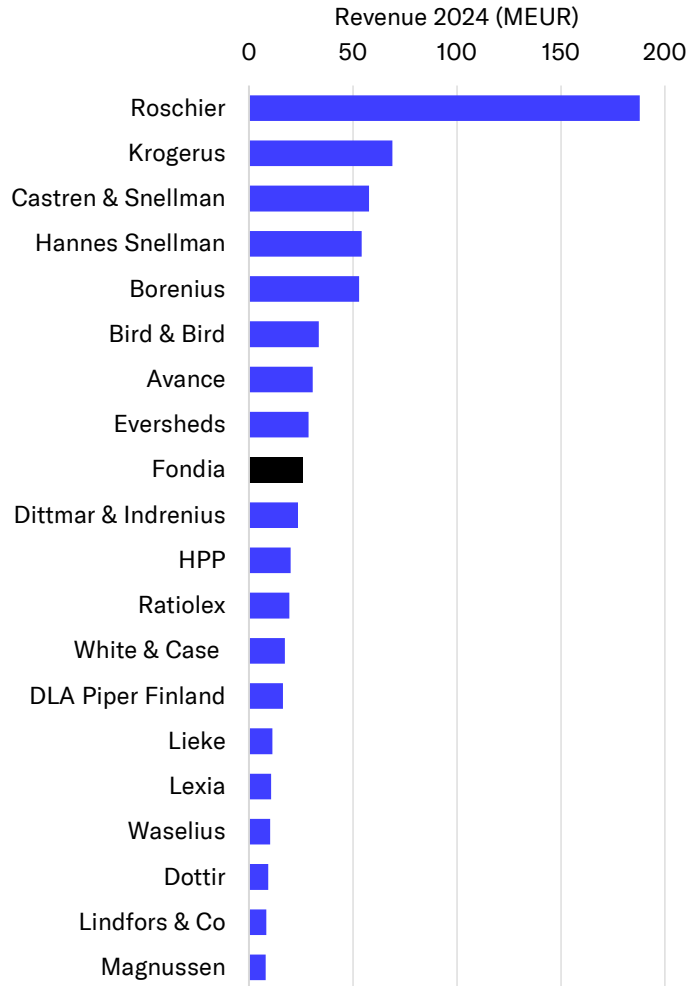
We have illustrated our view on Fondia's positioning relative to competitors in the sidebar and also outlined the competitive situation in the larger graph on the next page. We note that the positioning of smaller law firms is random.



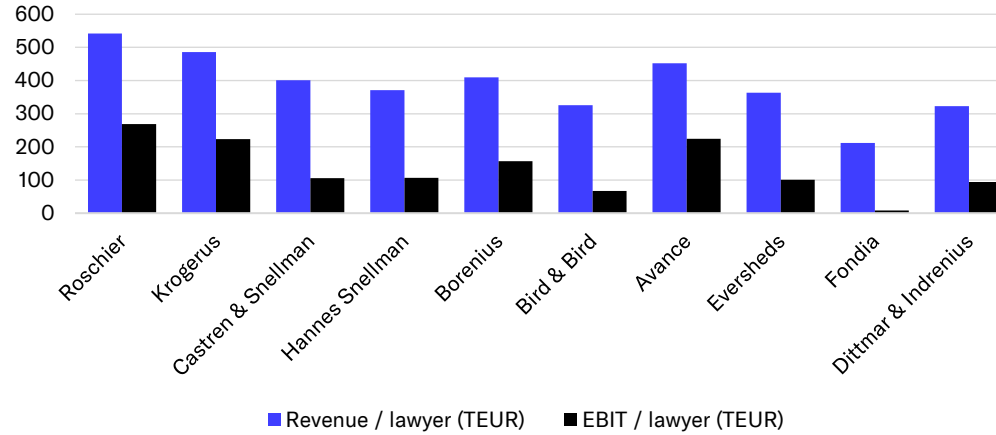
Source: Inderes, outline based on the LDaaS model

Industry data in figures and graphs

The largest business law firms in Finland

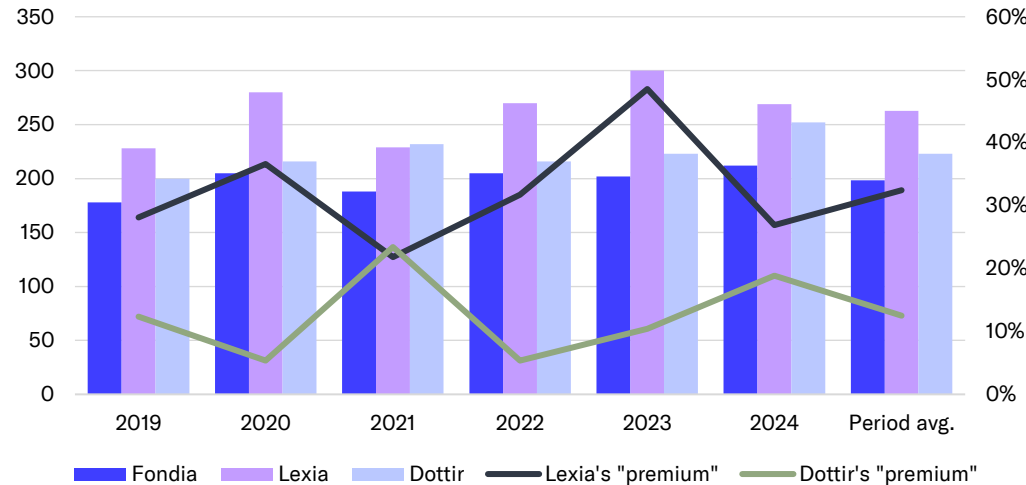


Key figures per lawyer for the largest companies in 2024



In large transaction and partner-driven companies, per-lawyer key figures are generally excellent. However, they are misleading for Fondia due to differences in business models.

Revenue / lawyer (TEUR)



In the relevant peer group for Fondia, which includes Lexia and Dottir, we believe Fondia has a realistic chance of reaching these levels. If this were to happen, Fondia's earnings would increase significantly. However, it is worth noting that Fondia is already roughly at the same level in Finland.

Strategy and financial targets 1/2

The core of Fondia's strategy, updated in the spring

Fondia's updated strategy in spring 2025 combines familiar elements from its history: 1) leveraging the LDaaS business model, 2) technological pioneering in a conservative industry, and 3) personnel. The company aims to be a bold innovator in legal services, creating a new legal service category by combining the best aspects of in-house and external legal services. Fondia offers corporate clients in the Nordics and Baltics Legal Department as a Service (LDaaS), other continuous legal services, and separate project assignments. The concept provides businesses with business-oriented, technology-driven, proactive, and scalable legal services without the fixed costs of an in-house legal department.

In the ongoing technological disruption, Fondia wants to be at the forefront of legal service transformation and leverage technology to enhance efficiency, increase transparency, and improve customer experience. The MyFondia platform's digital working environment and tools like the Legal Health Check differentiate Fondia from traditional players, but the competitive advantage it brings is still difficult to assess. Further concretization is provided by Lextopia, an internal startup launched after the strategy update, which acts as an innovation platform within Fondia and collaborates closely with selected pilot customers and partners. On the other hand, Fondia is not a tool developer but an active user of them. Competition in software is different and impossible with Fondia's resources.

Regarding personnel, Fondia aims to be a dynamic and people-centric work community that attracts the best talent in its field. Fondia offers its experts long-term customer relationships, opportunities for specialization, professional support, and access to the latest technologies in the

industry. In this way, Fondia strives to build a sustainable competitive advantage in both the customer and talent markets. However, Fondia has a lot to do in this area, as employee satisfaction has understandably decreased after the revision negotiations (eNPS 17). The success of an expert organization always starts with its personnel, who must be competent, motivated, and satisfied with their employer. Consequently, corporate culture has a significant impact on the success of an expert organization, even though these are so-called soft values that are difficult to quantify. It is critical for a growth-oriented company like Fondia to be a desired and valued workplace.

Fondia is not a traditional law firm with a strong hierarchy where compensation and workload are generally unevenly distributed. We believe Fondia's operating model appeals to different employees in different ways. According to the company, most of Fondia's lawyers come from in-house legal positions within companies. While Fondia's operating model is, in our assessment, an attractive factor for many, it can also be a negative factor for ambitious lawyers whose goal is to become a partner.

Strategic projects become concrete measures

Fondia will implement its strategy in the coming years and aims for profitable growth through four key projects:

1) Enhancing client work means that the focus of operations will be shifted more clearly towards client work by increasing the proportion of lawyers in the organization's personnel and developing structures that enable lawyers to use their time more efficiently to produce client value. The aim is to improve the customer experience, increase the proportion of time spent on client work, and improve the company's profitability. Fondia's billing rates have a lot of room for improvement, and

success in this project would quite directly impact the company's profitability.

2) The employee experience is strengthened by investing in clarifying the company's common direction, professional development of personnel, high-quality leadership, and a human-centric and sustainable work environment. The aim is to strengthen commitment and to attract and continuously train lawyers in a competitive talent market who have the ability to combine legal and business thinking and to utilize technology and AI. On paper, things sound right but implementing them at a practical level is not easy.

3) The update of the Legal Department as a Service (LDaaS) is based on customer feedback and includes updates to the service content, pricing model, and information systems. As part of the update, Fondia launched two new tools, Legal Review and Legal Plan, designed to create a more systematic and impactful foundation for providing proactive legal services to clients. The aim is to improve clients' risk management and legal foresight as part of their daily business.

4) The utilization of new legal technology is manifested by Fondia actively monitoring, testing, and implementing technology solutions that bring added value to client work. The company recognizes that the utilization of technology reduces the need for some traditional legal services, but according to the company, it simultaneously creates new, even more business-oriented ways of using legal services. The aim is, among other things, to strengthen Fondia's position as a pioneer in legal services utilizing technology, which is a strength in the AI revolution.

Strategy and financial targets 2/2

In our view, all strategic projects launched by the company strongly support its strategy and objectives, which strengthens our confidence in the business turnaround. At the same time, factors related to personnel, in particular, are significantly easier to write about than to implement. Our understanding is that Fondia also intends to modify its remuneration to reward success more than before, while also raising performance standards. We consider this important, but we would not be surprised if these measures still lead to some turnover. Overall, however, we are confident that the company's strategic direction is correct and that success will be determined by the practical implementation of the strategy.

The financial targets are now realistic

Fondia's mid-term target is for the sum of the company's annual organic revenue growth rate and adjusted EBITDA margin to be at least 20%. In our view, the target is both realistic and flexible enough for various situations. In 2025, Fondia focused on improving its cost structure and profitability, but the company still aims to be a growth company, especially in Finland, other Nordic countries, and the Baltics. Thus, we believe the combination of revenue growth and profitability is a sensible way to assess overall development. Significant growth requires front-loaded investments (such as recruitments), but sustainable growth creates significant shareholder value in the long term. On the other hand, we believe it is very important to also take care of profitability and, through that, the business's cash flows. We believe the 20% sum is also at a realistic level and can be achieved, for example, with 5% revenue growth and a 15% EBITDA margin. These levels are entirely realistic, even though they have mostly been far off in recent years (with 2025 forecasts, the level is: 3.3%).

Among the positive aspects of the 20% combined target, we also include its suitability as a separate target for Finland, Sweden, and the Baltics, despite their different stages of maturity.

Fondia aims to (continue to) distribute at least two-thirds of its earnings per share as dividends to shareholders. The balance sheet remains strong and capital requirements are limited, which means the company still has the prerequisites for both high dividend payouts and share repurchases. However, the leeway has decreased, and cash flow must strengthen for the current dividend level to be sustainable in the long term.

Market leader in continuous legal services

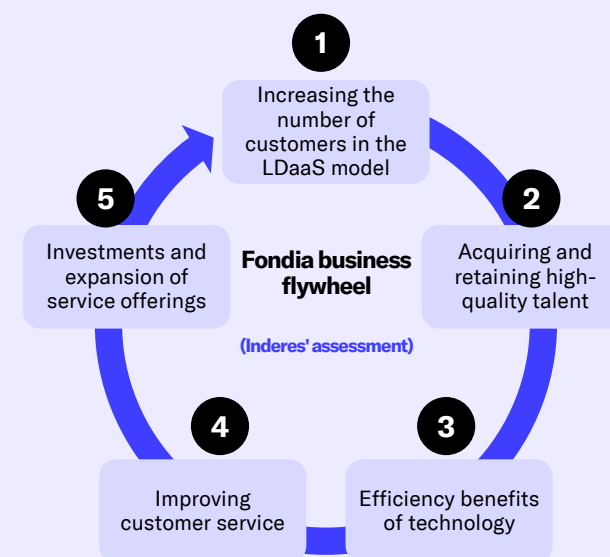
At the core of the strategy is the company's continuous service LDaaS business model, through which Fondia is the market leader in continuous legal services in Finland. Around 45% of Fondia's revenue has long come from productized services based on continuous contracts with a pre-agreed price. This differs significantly from the traditional model, which is largely based on hourly pricing. In addition to continuous services, Fondia aims to carry out individual assignments for both its own legal department clients and external clients. In the company's view, this solves the traditional problems associated with procuring legal services.

The revamped LDaaS service has apparently been positively received by customers, who are mostly very satisfied with Fondia's services (see graph on the side). Satisfied customers provide the company with a credible foundation upon which to build growth. Still, success is ultimately determined by successful new customer acquisition, which has been challenging during 2025.

Customer and employee satisfaction



■ Customer satisfaction (NPS) ■ Employee satisfaction (eNPS)



Past development 1/2

The track record for 2013-2017 was impressive

Fondia's track record of profitable growth was very strong from 2013-2017. The company's revenue grew organically at a CAGR of 14.7%, which was clearly faster than the market growth of the Finnish legal services market (around 4.4% per year during the period). The company was able to continuously increase its market share in Finland, and the growth was profitable. The adjusted EBIT margin rose from approximately 0.8% in 2013 to about 14.6% in 2017. This was primarily due to an improvement in the company's efficiency, as revenue per employee increased from around 104 TEUR to 148 TEUR (+42%) during the period. Another significant factor in the improvement of profitability was the scaling of fixed costs in 2012-2017. Other operating expenses were about 2.7 MEUR in 2012, or about 28% of revenue, but by 2017, they were some 3.4 MEUR, or about 20% of revenue. The years 2013-2017 proved the functionality of the business model and concept, but since then the company has faced many different challenges.

The favorable development turned in 2018

2018 marked a turning point, particularly for Fondia's profitability. The biggest factor, in our view, was the company's first acquisition in January 2018, its integration costs, and growth investments in Sweden. In January 2018, Fondia acquired the law firm Jansson & Norin AB (J&N) from Sweden, employing 21 people and with a revenue of 1.4 MEUR, for around 1.6 MEUR (later an earn-out of ~0.4 MEUR). With this acquisition, Fondia achieved a moderate volume level in Sweden, and Sweden's 2018 revenue rose to 3 MEUR. J&N was unprofitable in 2017, and in addition, Fondia invested in its Swedish operations by recruiting more employees after the acquisition. In our view, Sweden significantly weakened Fondia's profitability between 2018

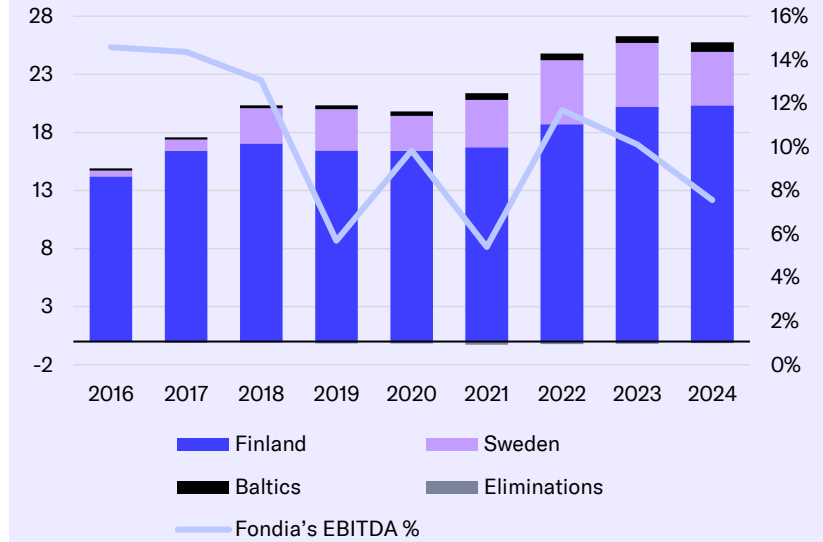
and 2020, with the end of the period also heavily weighed on by the COVID pandemic. Fondia achieved its break-even target in Sweden in 2021, and we understand that 2022 was a good year, but since then, Sweden's development has again been volatile.

In 2021, Fondia's core business in Finland faced significant challenges. At the heart of the problems was a sharply increased employee turnover, influenced by a new challenger, Vestra (backed by Fondia's founders), and the generally elevated turnover due to the COVID pandemic (which had a weakening effect on the work community). To address the employee turnover, the company had to recruit heavily in 2021, but the billable utilization rates of new lawyers were far from optimal, and profitability was under pressure.

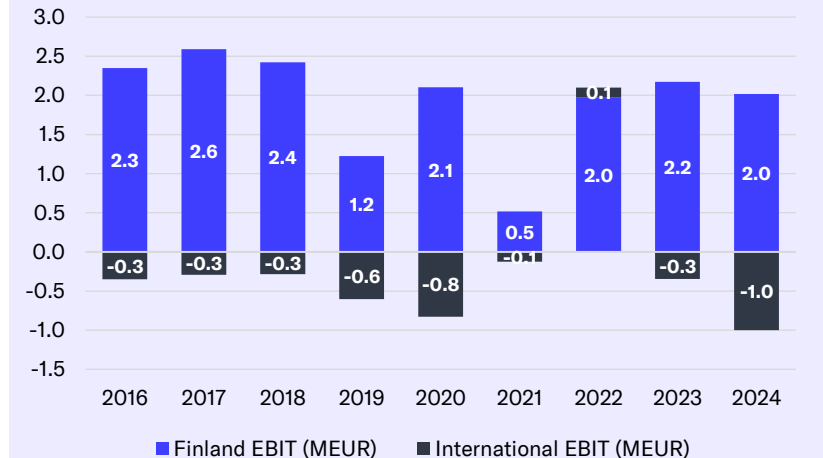
At the same time, Fondia experienced other growing pains between 2018 and 2021, as the organization had grown to a size where the previous way of operating was no longer warranted. Conflicts appeared to have arisen within Fondia's management and organization. Management turnover also increased significantly during the difficult years, and Fondia changed its CEO in 2021 and 2025.

In 2022, the company's key figures temporarily improved as billable utilization rates rose with stabilized employee turnover. As revenue growth picked up, the company's fixed costs also scaled. International business also generated a positive operating result. However, development has been weak since then. In 2023, the company continued its front-loaded growth investments (recruitments) while growth began to slow in a challenging market environment. At the same time, cost inflation for fixed costs was also strong.

Revenue development in different countries (MEUR) and profitability



EBIT breakdown (MEUR)



* The breakdown is based on the difference between the Finnish parent company and the consolidated figures and does not fully correspond to the company's reporting.

Past development 2/2

2024 was a very difficult year for Fondia, as the market situation continued to deteriorate and clients tightened their belts on legal services as well. Fondia failed to anticipate this, leading to significant idle capacity within the organization (exceptionally low utilization rates), and a substantial decline in profitability. At the same time, there were also problems in Sweden, where the company lost significant customers and changed its country manager. Ultimately, the situation deteriorated to such an extent that Fondia replaced its CEO and conducted significant change negotiations, which concluded in Q1/2025.

With these measures, Fondia was able to significantly reduce its cost structure, which enabled improved profitability and built a foundation for earnings growth. At the same time, employee satisfaction deteriorated, and the organization is still under some pressure to change, which is why we believe the company is still in a transitional phase. The challenge is specifically to turn revenue back to growth, which would enable a positive spiral to begin.

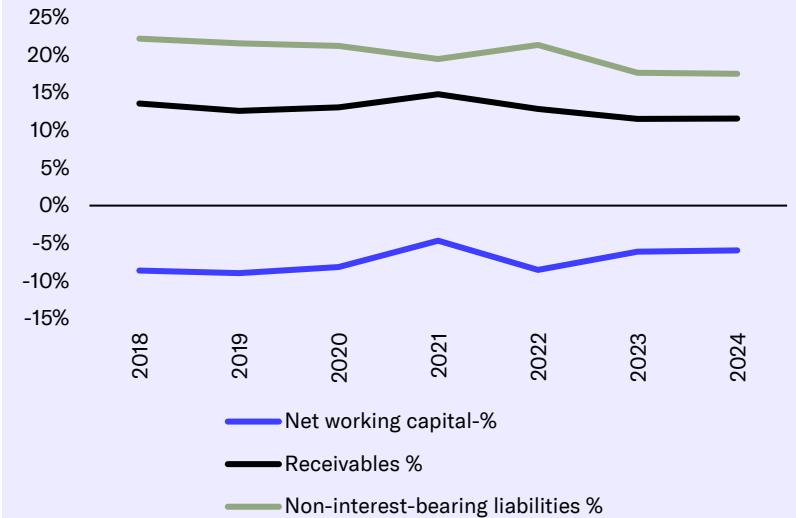
The balance sheet and capital efficiency are excellent

Fondia's business model does not tie up significant capital, and the company has had negative working capital in 2014-2024. In 2024, net working capital was around -6% of revenue, which is a relatively normal level. This means that revenue growth does not tie up capital; on the contrary, it releases it. Growth is thus cash flow-enhancing, which is an excellent characteristic, particularly for a growth company. On the other hand, a significant decrease in revenue in 2025 also negatively impacted cash flow. Generally, the company's working capital consists mainly of trade receivables and trade payables.

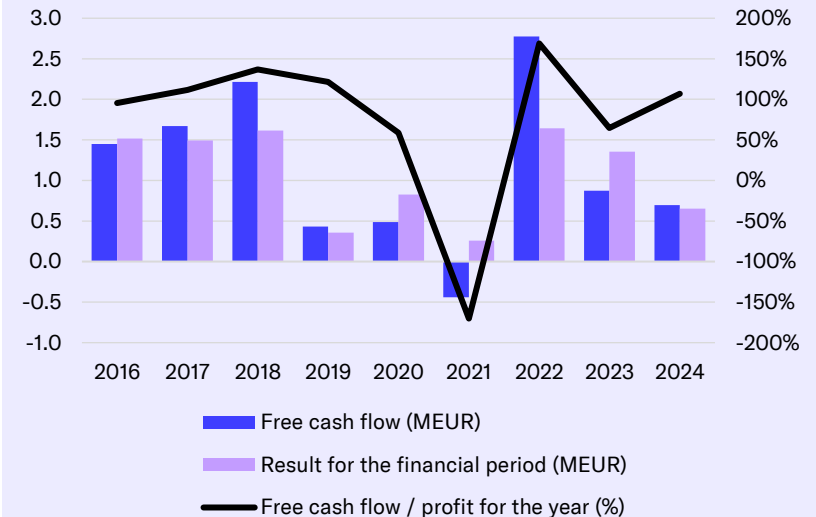
In Fondia's business model, cash flow has been exceptionally strong. The cash flow ratio, i.e., the share of cash flow in the company's annual earnings, was clearly over 100% on average in 2014-2017 due to the release of working capital. This ratio has clearly weakened in recent years as growth has stalled and investments have increased. In the big picture, the business model is still very capital-efficient, and investment needs are moderate. In recent years, investments have been around 0.8 MEUR, or approximately 3% of revenue, and we do not see any upward pressure on this level.

Fondia's balance sheet is very light and simple, which FAS accounting enhances. The asset side of the 2024 balance sheet practically consisted of trade receivables, cash and cash equivalents, and moderate intangible assets, of which less than half is group goodwill. There is no interest-bearing debt on the balance sheet, and cash at the end of 2024 was around 2.2 MEUR. Historically, the balance sheet has been heavily overcapitalized, but the company has paid significant dividends and repurchased its own shares. Through this, the balance sheet structure is now relatively neutral, but the balance sheet remains strong and enables high dividend payments also in the future. We have presented the balance sheet structure in more detail on the next page.

Development of working capital



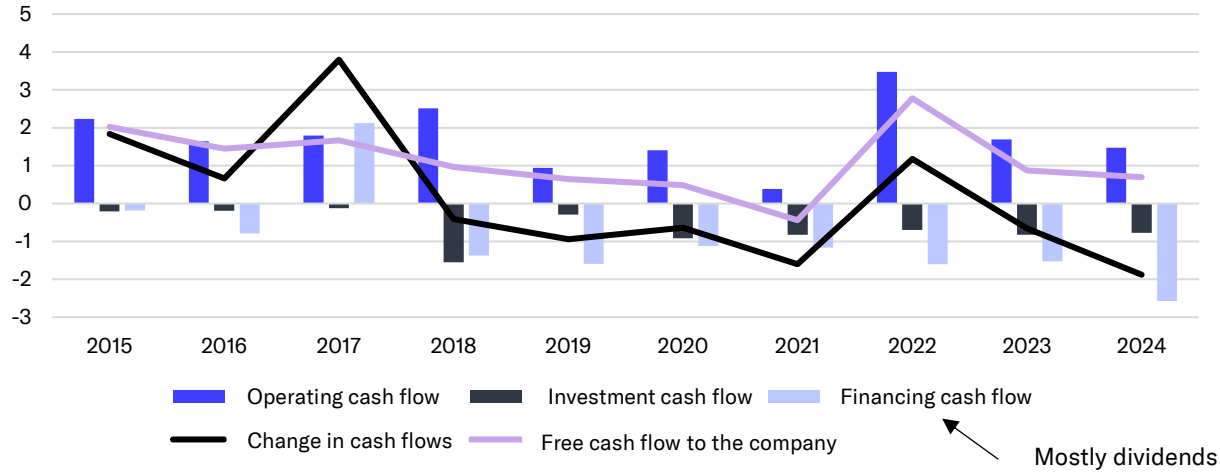
Cash flow has usually been abundant



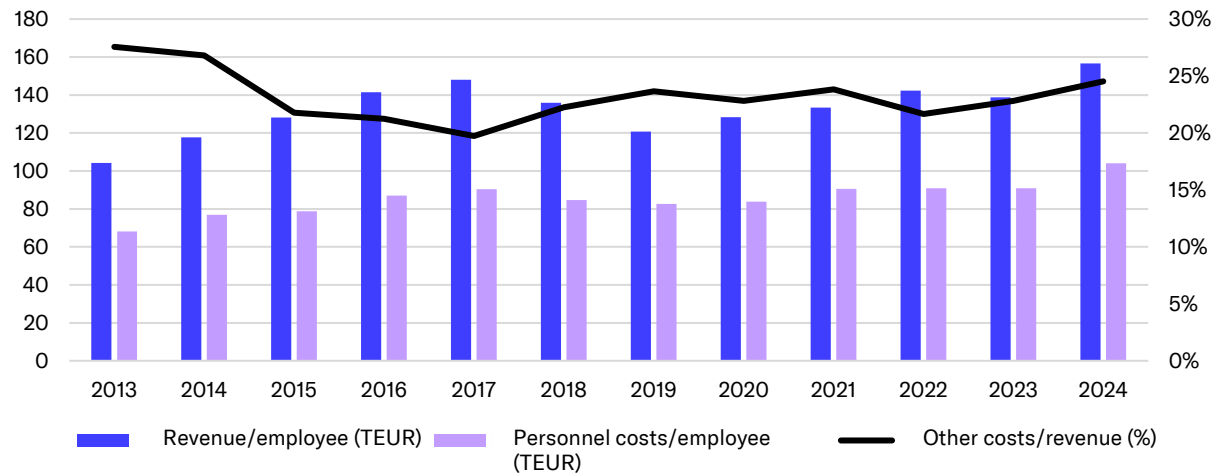
* The breakdown is based on the difference between the Finnish parent company and the consolidated figures and does not fully correspond to the company's reporting.

Historical development and economic situation

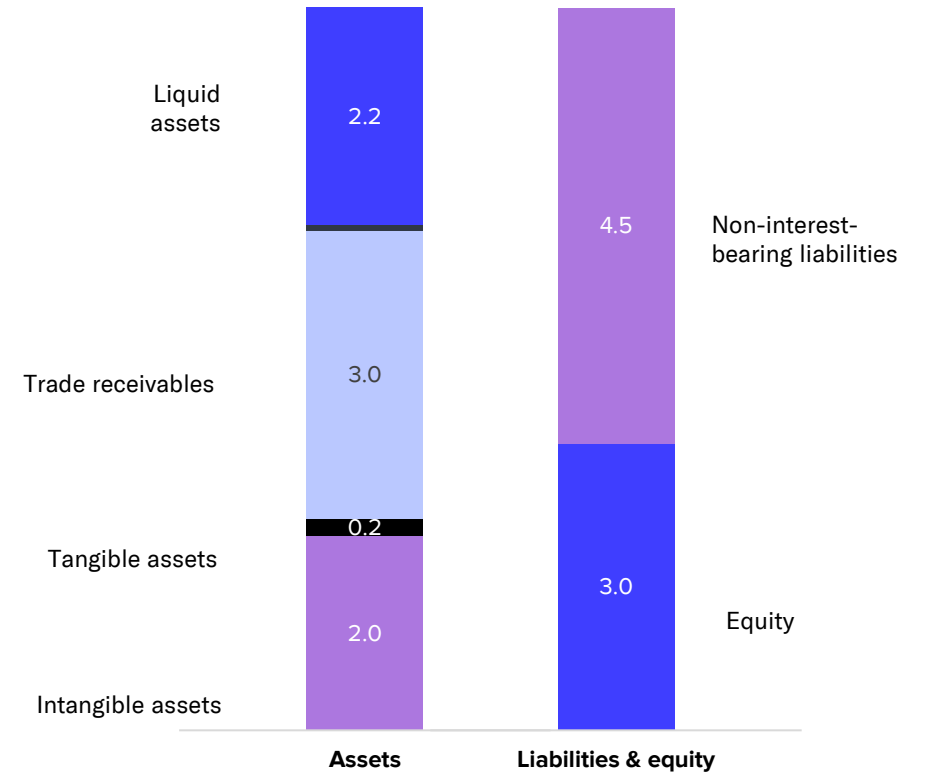
Fondia's cash flow (MEUR)



Development of other key figures



Fondia's balance sheet structure 2024 (MEUR)



Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	2.4	2.2	2.1	2.1	2.0
Goodwill	0.8	0.6	0.4	0.2	0.0
Intangible assets	1.4	1.4	1.5	1.6	1.6
Tangible assets	0.2	0.2	0.2	0.2	0.3
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	0.1	0.1	0.1	0.1
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	7.1	5.2	4.7	4.9	5.6
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	3.0	3.0	3.0	3.1	3.2
Cash and equivalents	4.1	2.2	1.7	1.8	2.3
Balance sheet total	9.5	7.4	6.8	7.0	7.5

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	4.9	3.0	2.4	2.5	2.9
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	1.1	-0.8	-1.4	-1.3	-1.0
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	3.7	3.7	3.7	3.7	3.7
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	4.6	4.5	4.3	4.4	4.7
Interest bearing debt	0.0	0.0	0.0	0.0	0.0
Payables	4.6	4.5	4.3	4.4	4.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	9.5	7.4	6.8	7.0	7.5

Estimates 1/5

Cost structure of an expert company

Fondia's cost structure is typical for expert companies. By far the largest cost item is personnel costs, which accounted for around 72% of costs in 2024. Personnel costs relative to revenue were 66% last year, meaning specialists generate revenue with a margin of around 34%. This is a reasonably healthy level when compared to, for example, IT service companies (Gofore 2024: 38%) or engineering company Etteplan (2024: 35%). When compared to its closest legal sector peers, Dottir and Lexia, Fondia's Finnish operations perform relatively well. Fondia Finland's revenue per lawyer in 2024 was 257 TEUR, while Dottir's was 252 TEUR and Lexia's was 269 TEUR. When Fondia is compared as a group (revenue of 212 TEUR per lawyer), the figure is weighed down by the lower maturity and price levels of the Baltic and Swedish operations, particularly in the Baltic countries. With a larger sample of legal industry peers, these companies roughly generated revenue per lawyer of 59% (Dottir), 60% (Fondia Finland), and 63% (Lexia) relative to the industry average in 2024.

It is tempting to compare Fondia's profitability to that of law firms, but the company's business model differs from that of traditional law firms. The strengths of the LDaaS service include visibility and predictability, but projects offer significantly higher margins. Fondia cannot compete with the profitability of traditional project- and partner-driven law firms, but the figures are not directly comparable. In the traditional partner model, dividends are part of the compensation structure, which artificially inflates the earnings and profitability of partner-driven companies.

Other expenses are high relative to the revenue level

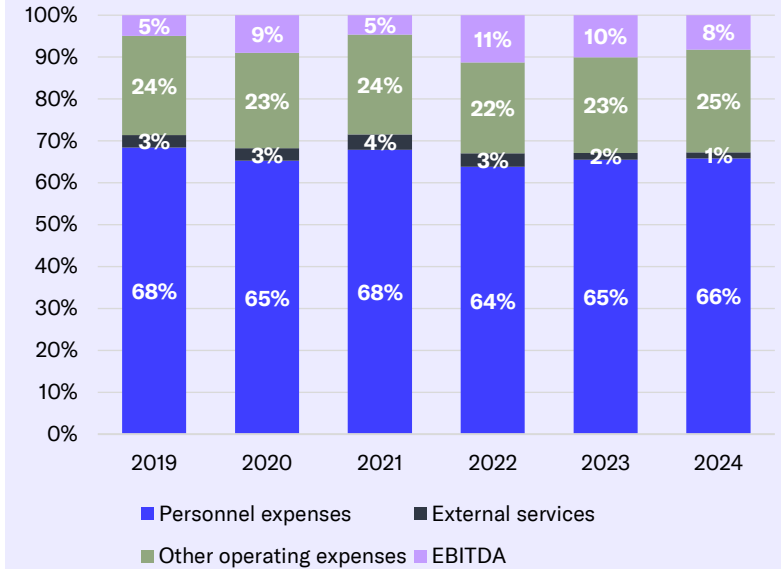
Another significant cost item is other operating expenses,

which generally describe the "infrastructure" related to running the business. For Fondia, this was 25% of revenue in 2024, which is high for an expert organization. The IT services sector has traditionally aimed to keep other expenses below 10% of revenue, and has generally succeeded reasonably well in this. Again, the figures are not comparable, but they do indicate cost efficiency. Nevertheless, reducing fixed costs relative to revenue would be a significant factor in improving profitability. Fondia's other expenses were 19.7% of revenue in 2017, and at that time, the EBIT margin was a commendable 14.6%.

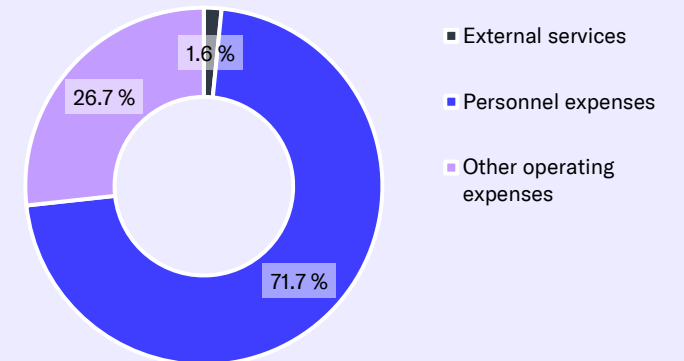
Compared to its industry peers, Fondia performs significantly better by this metric. The Group's full operating costs per lawyer in 2024 were 204 TEUR, while Dottir's were 181 TEUR and Lexia's were 221 TEUR. Fondia benefits slightly from the lower cost level in the Baltics, but as business there is small, the benefit is marginal. With a larger sample of legal industry peers, these companies' costs per lawyer were 66% (Dottir), 75% (Fondia Group), and 81% (Lexia) relative to the industry average in 2024.

In addition, the cost structure separates small external services (1-2% of costs), which are of minor importance to Fondia. These expenses lead us to the EBITDA level and depreciation. Fondia's depreciation and impairment for 2024 totaled 0.92 MEUR. Of this, 0.20 MEUR was consolidated goodwill amortization, which the company can record under FAS accounting (not IFRS). For comparability, we have adjusted goodwill amortization from adjusted EBIT and EPS. Profitability should be monitored at the EBITA level (as in other FAS companies), and EBITDA is also useful in the current situation.

Distribution of expenses relative to revenue



Breakdown of costs (2024)



Estimates 2/5

Clear earnings growth drivers as the strategy progresses

We believe Fondia has three significant earnings growth drivers in the coming years. Clearly the most significant of these is the improvement of billable utilization and the increase in revenue per lawyer, which is also reflected in another important driver, revenue growth. This is directly related to the third most significant earnings growth driver, which is the scalability of fixed costs. We believe Fondia has excellent opportunities to significantly improve its profitability from the current low level if the company succeeds in its strategic initiatives. Earnings growth is thus strongly tied to the success of the strategy.

Raising productivity is the key to profit growth

It is not realistic to expect Fondia to achieve per-lawyer billings comparable to the largest law firms, but we believe there is significant room for improvement from current levels, and this is the company's most important strategic project. Fondia does not report its utilization rate, but it can be estimated through the available working hours of full-time equivalent (FTE) lawyers. There are approximately 220 working days in a year (excluding weekends, public holidays, and vacations), and working hours are generally 7.5 hours per working day. This means there are theoretically 1,650 working hours per year. Additionally, assuming an average hourly billing rate of 250 euros, we can calculate the theoretical annual billing and relate it to the company's revenue. This leads to an estimated utilization rate of 60% for 2025, as well as the time series presented in the adjacent graph. In our opinion, the absolute levels are not that significant, but Fondia's billable utilization is low compared to the general targets in business law. More essentially, it is the development of the

utilization rate that has a strong correlation with business profitability.

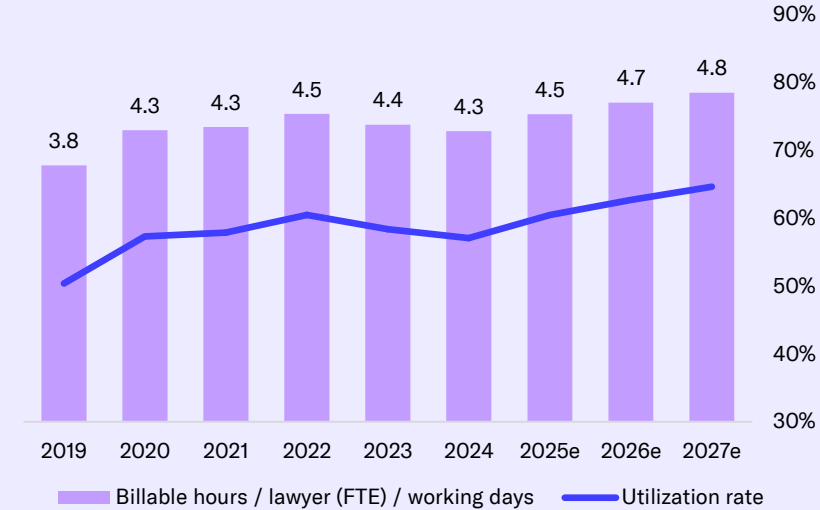
We forecast billable utilization to increase by around 5 percentage points by 2027, which would translate to an additional 1.2 MEUR in annual revenue. Even if Fondia paid one-third of this as bonuses to lawyers, it would improve EBIT by some 0.8 MEUR. This would be a significant improvement for Fondia, whose adjusted EBIT is around 1.5 MEUR (2025e).

The assumed improvement is not unreasonable, considering the renewed focus on client work, and satisfied clients also lay the groundwork for it. In practice, billable hours should be increased by 23 minutes daily, and Fondia itself has mentioned the possibility of a 15-30 minute improvement. In our view, there is even more potential, but a larger portion would then go to lawyers in the form of salary costs. We also estimate that the number of lawyers performing billable work will increase relative to other personnel, as we believe there is still a relatively high number of other personnel. We believe that challenges arise from limited pricing power towards both its own personnel (competition for talent) and customers. The change must therefore happen through operating models, which always takes time. In addition, the pace of recruitment and the resulting "idle time" should be minimized to improve productivity.

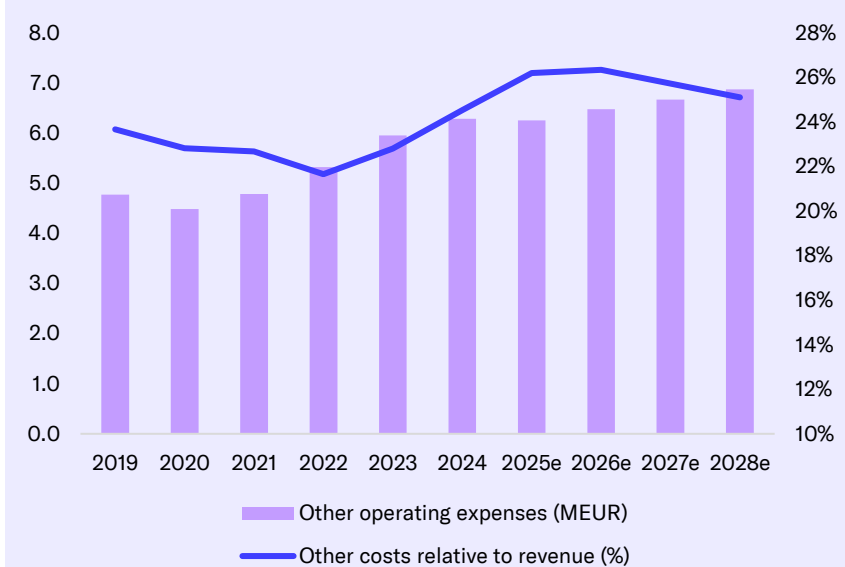
Revenue growth would scale fixed costs

Fondia's cost structure is high relative to revenue. We believe the company's infrastructure (offices, organizational support functions, etc.) has been built to carry significantly higher revenue than currently, which is negatively reflected in profitability.

Fondia's estimated billable utilization (%)



Fixed cost development and share of revenue (%)



Estimates 3/5

Over the past year, Fondia recognized the need for efficiency improvements and took exceptional measures compared to its history, but in our view, it is difficult to significantly reduce the cost structure from its current level. Thus, earnings growth requires revenue growth, through which the high fixed cost structure would be spread more broadly and profitability would increase. Cost inflation is also expected in the coming years, and we forecast fixed costs to increase at an annual rate of around 3%. Revenue growth must exceed this for profitability to scale, and our growth forecasts for the coming years remain moderate.

Q4'25 must be strong for the guidance to be met

The first checkpoint in Fondia's earnings turnaround is Q4'25, which will largely determine the 2025 result. The company has guided that it will "focus on improving profitability in 2025," which, in our view, indicates a rising adjusted EBIT margin excluding non-recurring items. The seasonally strong Q4 and the cost structure that significantly decreased in the early part of the year provide the conditions for this, but the revenue level should not deviate significantly from the comparison period. The risk of a profit warning is clear, but we still expect the company to reach the "lower end" of its guidance. With our forecast, the adjusted EBIT margin would be 5.4% in 2025, compared to 5.3% in 2024. We note that in our own estimates, we have normally adjusted goodwill amortization from EBIT, but in this margin, they are included.

For Q4'25, we expect Fondia's revenue to decrease by 3.8% in Q4 to 6.3 MEUR, but EBIT to still be around 0.7 MEUR, or 11.9% of revenue. High profitability is enabled by the significant decrease in the cost structure observed in previous quarters. The difference from previous quarters is

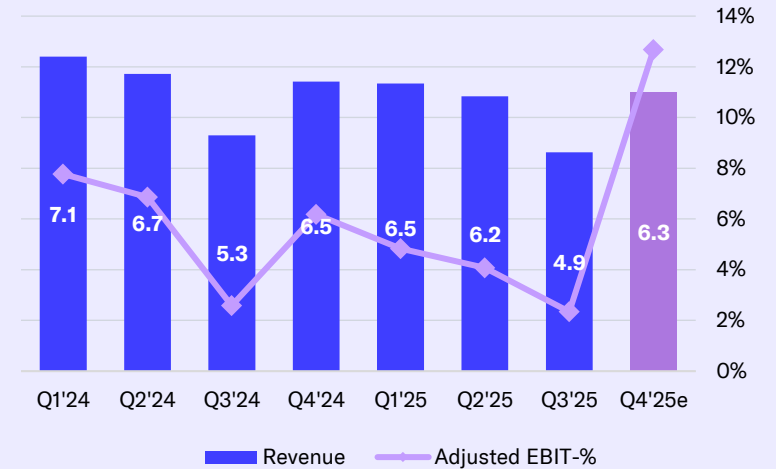
significant, which is a major concern despite Q4's seasonal strength.

The foundation for growth should be solid for 2026

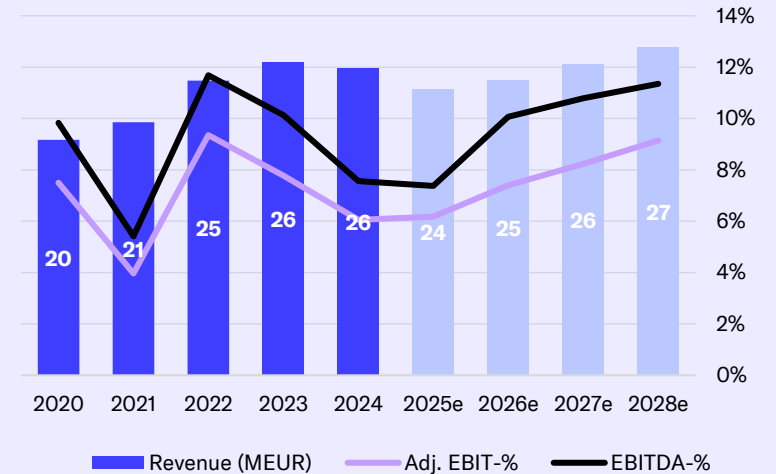
We expect Fondia's revenue to grow moderately in 2026 (forecast +3%), as the market situation in Finland is expected to remain challenging. In our view, the company focused on profitability and cost base in 2025, but as next year progresses, the focus will shift to increasing revenue. The market, especially for larger transactions, has shown signs of picking up, and IPOs, for example, have restarted. However, the situation for SMEs generally remains tough. The situation is likely to improve broadly only with Finland's economic growth, for which visibility remains low. However, we are quite confident that the worst is already behind. However, there will be some churn, which means that revenue growth will also require reasonable success in new customer acquisition and service pricing.

Despite the modest growth forecast, we expect Fondia's earnings to improve significantly in 2026. The company will enter next year with a leaner cost structure due to a ~12% reduction in personnel. At the end of 2024, Fondia's FTE personnel numbered 162, of whom an estimated 109 were lawyers. The current situation is estimated to be around 143 and 96. Without clear top-line growth, the current number of employees is sufficient going forward, which will be reflected in increased productivity. We assume that the company will make some recruitments as the year progresses and that average salaries will rise in line with demand in 2026. As a result, we estimate operating personnel costs to end up close to the 2025 level despite a lower starting point (around 15.3 MEUR).

Revenue and EBIT-% (adj.)



Projected development of key figures (MEUR)



Estimates 4/5

We expect other operating expenses to increase by around 3% to 6.5 MEUR. The one-off costs totaling 0.5 MEUR (mainly from change negotiations) that burdened 2025 are expected to be eliminated next year, which will significantly support the reported figures.

We expect Fondia's EBITDA margin to rise to around 10% in 2026 and the EBITA margin to be 7.4%, compared to 7.4% and 6.2% respectively in the 2025 forecasts. The improvement in profitability is thus clear, and in our forecasts, it is mainly due to the lower baseline of the cost structure and the removal of non-recurring items. Through this, we expect the reported EPS for 2026 to rise to EUR 0.37 (adjusted for goodwill amortization) and the company's free cash flow to increase significantly from an exceptionally low baseline. This is also important for the sustainability of the company's dividend.

We expect significant earnings growth in 2027-2028

We expect strong earnings growth from Fondia in the coming years, as revenue firmly returns to a growth trajectory, bringing profitability along with it. However, our growth forecasts for 2027-2028 (5.5%) are reasonable and do not require Fondia to gain significant market share. Based on recent years, we believe it is justified to require the company to demonstrate profitable growth before we can issue higher forecasts.

We assume a slight improvement in productivity (billing per lawyer) will continue further into the future, while fixed costs relative to revenue will gradually decrease. These factors significantly support profitability, and we forecast the EBITDA margin to be around 11% in 2027-2028. Combined with revenue growth, even a moderate

improvement in the margin would be sufficient for significant earnings growth on the bottom line in terms of EPS. In our forecasts, the adjusted EPS for 2028 (EUR 0.53) would be ~70% higher than the 2025e baseline. The business does not tie up capital, so we expect free cash flow to improve even more significantly.

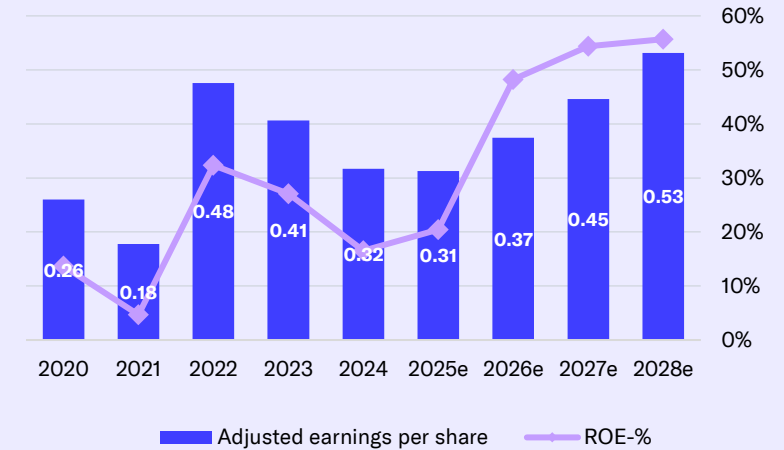
Based on our forecasts, Fondia would not reach its medium-term financial target in the next three years, but the 20% target level (combined revenue growth % and EBITDA %) would be approached. However, we believe the targets are realistic for the next three years if the strategy is successful.

Fondia has significant earnings growth potential, which makes the company an attractive investment. However, the profitability turnaround has yet to be proven, and thus, forecast risks are high. We believe that if the strategic projects are successful, our estimates are still moderate in the big picture and do not require the full realization of the potential even in the medium term.

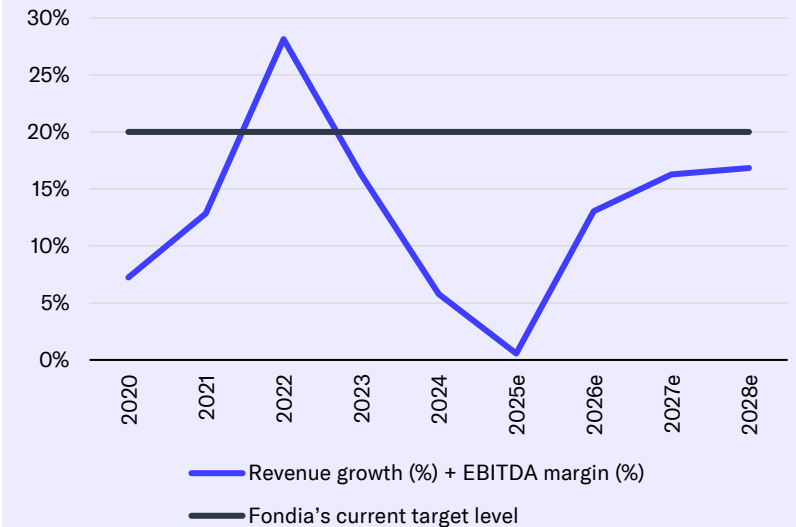
Country-specific differences are significant

Fondia's forecast model is built at the group level, so we do not have separate long-term forecasts for different operating countries. Visibility into these is generally limited, and predictability has been weak, especially outside Finland, so we don't see significant added value in them. However, it should be noted that the profiles of different countries vary significantly. This can also be considered through Fondia's own target setting, where the sum of revenue growth rate and EBITDA margin is crucial, not either one alone.

Operating lever is strong



Estimates vs. targets



Estimates 5/5

Finland is clearly the most mature of Fondia's businesses, and the focus here is more on profitability than growth. Although there is still a lot of growth potential in Finland, it is the "cash cow" and cash flow generator of Fondia's portfolio. The small Baltic business will certainly be grown to a new level, and thus it could be said that it is Fondia's growth engine. Sweden is in between these, but here too the balance definitely tips towards growth (vs. profitability). When evaluating the performance of these countries, these strategic choices should be kept in mind.

The share of recurring revenue is slowly increasing

We expect the share of LDaaS revenue to remain at approximately the same level in the coming years as in 2025, when its share will be around 46%. In the longer term, we expect the ratio to grow slowly as the service model becomes more established in Sweden and the Baltics. In our view, a level of around 50% would be ideal in the long term, as it would combine predictability, involvement in customers' daily operations, and higher-margin separate projects. Fondia's projects also largely come from LDaaS customers, so increasing the recurring revenue share also fuels projects (and vice versa). There is also potential in using a specific, sharp, and distinctive service offering to "get a foot in the door," and through positive experiences, provide an increasingly comprehensive solution. We see this as important, especially abroad, where growth can otherwise be challenging.

Continuous services have lower margin levels than separate projects, so the fastest earnings growth would primarily come from separate projects. However, we believe that long-term profitable growth is easier to build on continuous services, which is why their growth is critical. The company is also investing in the development and commercialization

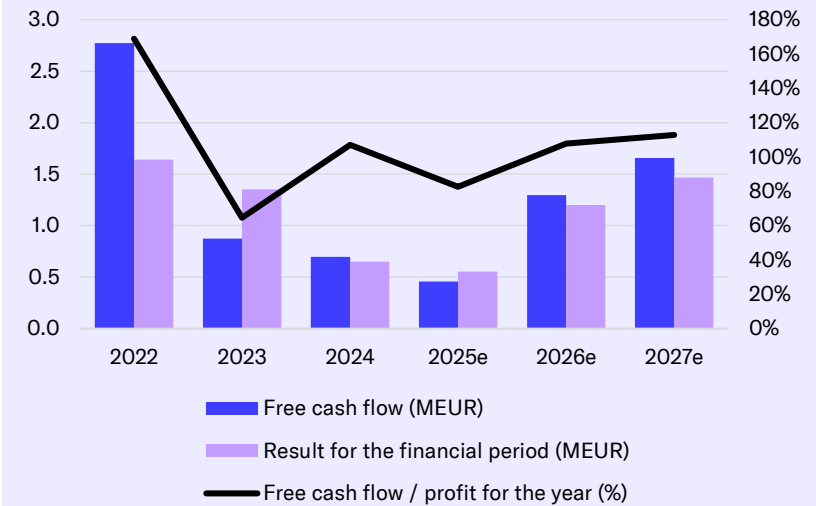
of other continuous service concepts, through which it can increase continuous and predictable revenue.

Cash flow follows earnings, balance sheet remains in good shape

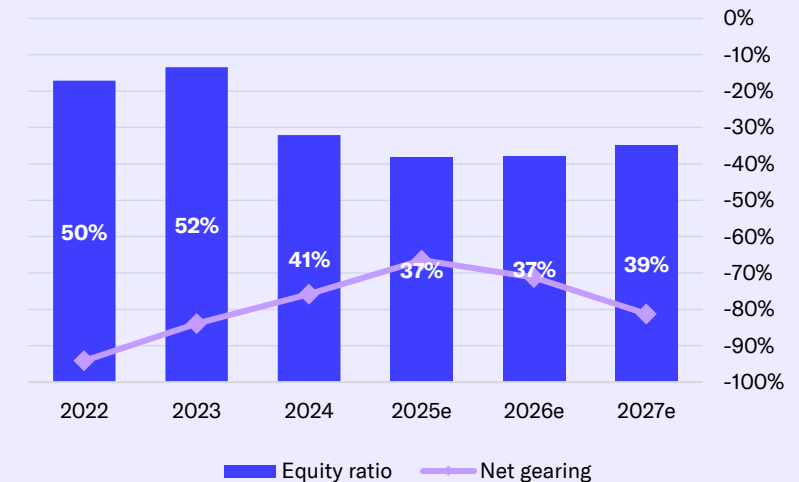
In our forecasts, Fondia's operating cash flow follows the earnings trend. The company's business model is capital and cash flow efficient, and we expect net working capital to remain negative (ca. -5% in our forecasts). Thus, growth does not tie up capital. Investments have been around 0.8 MEUR in recent years, and we expect them to remain at roughly the same level in the coming years. We believe most of the investments are directed towards developing the company's digital tools and services. A significant portion of the investments are also directly expensed.

Fondia's balance sheet remains strong, but after the shareholder-friendly developments of recent years (large dividends and share repurchases), it is no longer significantly overcapitalized. Cash on hand was only 0.9 MEUR at the end of H1'25, but H2'25 cash flow should be strong, especially due to Q4. Fondia has no interest-bearing debt, so the company still has plenty of leeway. With the reduction in cash, the company's equity has also shrunk significantly in recent years, and the balance sheet has become significantly more efficient. Through this, the company's return on equity has remained relatively high even as earnings have declined. We see capital efficiency as a positive feature of Fondia's business model. However, we believe the company's cash flows should strengthen significantly in the coming years, which is why we expect the company to maintain its dividend of EUR 0.30 per share for 2025. In the coming years, there should be more leeway regarding the dividend, but we expect the dividend to remain stable in 2026-2027 as well.

Cash flow recovers with earnings and growth



Development of balance sheet key figures



Estimate revisions and projected cost structure development

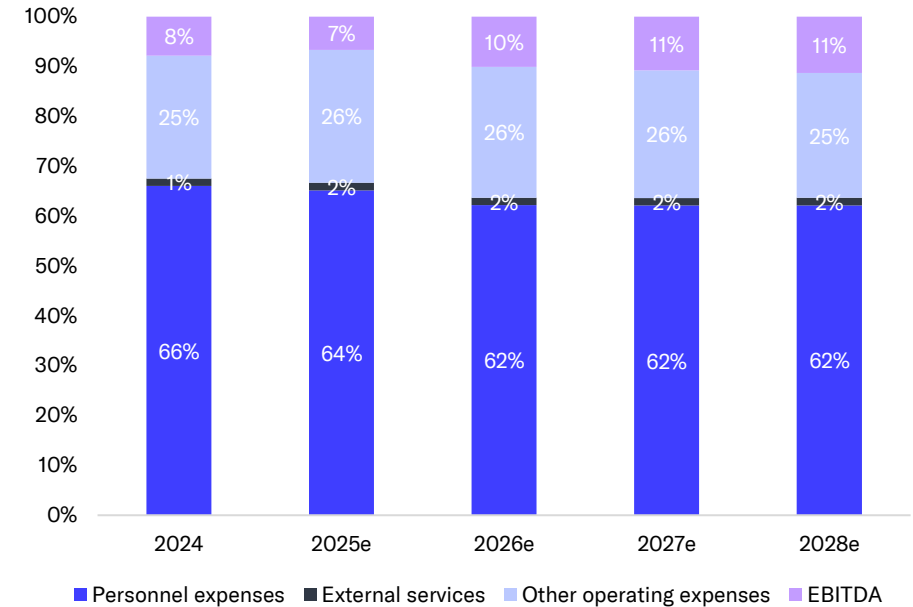
Estimate revisions 2025e

- We slightly lowered our Q4'25 revenue estimates, which practically flowed straight through the cost structure.
- Fondia is still in a transitional phase, which is why there is considerable uncertainty regarding revenue development.
- The changes in the income statement lines were proportionally larger because Fondia has significant earnings leverage in the short term due to its fixed cost structure.

Estimate changes 2027-2028e

- We revised our growth estimates slightly upwards as the company's focus is likely to shift next to growth.
- In connection with this, we raised our estimates for headcount and wage increases, which led to a decrease in our profitability forecasts.
- The gradient of earnings growth decreased as the transformation process always takes more time in the real world than in modeling.
- Our view of the long-term profitability potential has not changed.

Distribution of expenses relative to revenue



Estimate revisions MEUR/EUR	2025e		Change %	2026e		Change %	2027e		Change %
	Old	New		Old	New		Old	New	
Revenue	24.0	23.9	-1%	24.4	24.6	1%	25.6	25.9	1%
EBITDA	1.9	1.8	-6%	2.6	2.5	-6%	2.9	2.8	-3%
EBIT excluding NRIs	1.6	1.5	-7%	2.0	1.8	-8%	2.3	2.1	-5%
EBIT	1.0	0.9	-12%	1.8	1.6	-9%	2.1	1.9	-6%
Profit before tax	1.0	0.8	-12%	1.8	1.6	-9%	2.1	1.9	-6%
EPS (excl. NRIs)	0.34	0.31	-7%	0.41	0.37	-8%	0.47	0.45	-5%
Dividend per share	0.30	0.30	0%	0.30	0.30	0%	0.30	0.30	0%

Source: Inderes

Income statement

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	24.6	26.1	7.1	6.7	5.3	6.5	25.6	6.5	6.2	4.9	6.3	23.9	24.6	25.9	27.4
EBITDA	2.9	2.6	0.7	0.6	0.2	0.5	1.9	0.1	0.3	0.3	1.0	1.8	2.5	2.8	3.1
Depreciation	-0.8	-0.8	-0.2	-0.2	-0.2	-0.3	-0.9	-0.2	-0.2	-0.3	-0.2	-0.9	-0.9	-0.9	-0.8
EBIT (excl. NRI)	2.3	2.0	0.6	0.5	0.1	0.4	1.6	0.3	0.3	0.1	0.8	1.5	1.8	2.1	2.5
EBIT	2.1	1.8	0.5	0.3	0.0	0.2	1.0	-0.1	0.1	0.1	0.7	0.9	1.6	1.9	2.3
Net financial items	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PTP	2.0	1.8	0.5	0.3	0.0	0.2	1.1	-0.1	0.1	0.1	0.7	0.8	1.6	1.9	2.3
Taxes	-0.4	-0.5	-0.1	-0.2	0.0	-0.2	-0.4	0.0	-0.1	0.0	-0.2	-0.3	-0.4	-0.5	-0.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	1.6	1.4	0.4	0.2	0.0	0.1	0.7	-0.1	0.0	0.0	0.6	0.6	1.2	1.5	1.8
EPS (adj.)	0.48	0.41	0.12	0.09	0.04	0.07	0.32	0.09	0.04	0.02	0.17	0.31	0.37	0.45	0.53
EPS (rep.)	0.42	0.35	0.11	0.05	0.00	0.02	0.17	-0.02	0.01	0.01	0.15	0.15	0.32	0.39	0.48

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-%	16.5 %	6.2 %	6.8 %	-3.0 %	0.1 %	-9.9 %	-1.8 %	-8.6 %	-7.5 %	-7.2 %	-3.8 %	-6.8 %	3.0 %	5.5 %	5.5 %
Adjusted EBIT growth-%		-11.8 %					-23.5 %	-43.2 %	-45.1 %	-15.8 %	97.4 %	-4.8 %	23.2 %	17.5 %	17.0 %
EBITDA-%	11.7 %	10.1 %	9.9 %	8.2 %	4.2 %	7.1 %	7.6 %	1.9 %	5.6 %	6.6 %	15.5 %	7.4 %	10.1 %	10.8 %	11.3 %
Adjusted EBIT-%	9.4 %	7.8 %	7.8 %	6.9 %	2.6 %	6.2 %	6.1 %	4.8 %	4.1 %	2.3 %	12.7 %	6.2 %	7.4 %	8.2 %	9.1 %
Net earnings-%	6.7 %	5.2 %	5.7 %	2.8 %	0.0 %	0.9 %	2.5 %	-1.3 %	0.4 %	0.9 %	9.1 %	2.3 %	4.9 %	5.7 %	6.5 %

Source: Inderes

Valuation 1/3

A turnaround company with potential for improvement

Fondia's current investor profile is that of a turnaround company, with no significant future expectations priced in. Despite the company's weak performance in recent years, we believe it will succeed in its turnaround and see it as having the potential to be a very good long-term investment story. Fondia operates in an attractive, relatively defensive, and conservative legal services industry, where, in our view, there is room for a different kind of player. Fondia has invested in the LDaaS business model, which offers continuity, and in digitalization, which will be a future trend in legal services as well. A risk is the impact of the AI disruption on the industry, as this could ultimately be greater than we anticipate and, on the other hand, affect Fondia more negatively than estimated.

In our opinion, when examining Fondia's valuation, it is important to consider the following factors:

- 1) Fondia's enterprise value is only 16 MEUR, which makes the company a very small listed company and the trading volume is low. As a result, larger institutional investors are practically unable to invest in the company, even if they might want to.
- 2) In the coming years, Fondia's result will be burdened by goodwill amortization under FAS accounting, which would not occur under IFRS accounting. The adjusted result provides a more comparable result that is closer to operating cash flow. We recommend monitoring adjusted EBIT and adjusted valuation multiples, which we use in our valuation.
- 3) In our opinion, the most important valuation multiples for Fondia are adjusted EV/EBIT or EV/EBITA, as EV-based multiples also account for the company's strong balance sheet. EV/EBITDA and EV/S are also relevant for valuation.

The dividend yield provides a significant boost to the expected return but is not particularly relevant for the actual valuation.

Valuation multiples are low

Based on 2025 forecasts, the adjusted EV/EBITA is 11x and EV/EBITDA is 9x. The multiples are moderate despite the weak earnings level in 2025, which indicates low earnings growth expectations and low confidence in the company's earnings turnaround. The adjusted P/E of 15x is also not high, even though the company's strong balance sheet is not significantly reflected in it.

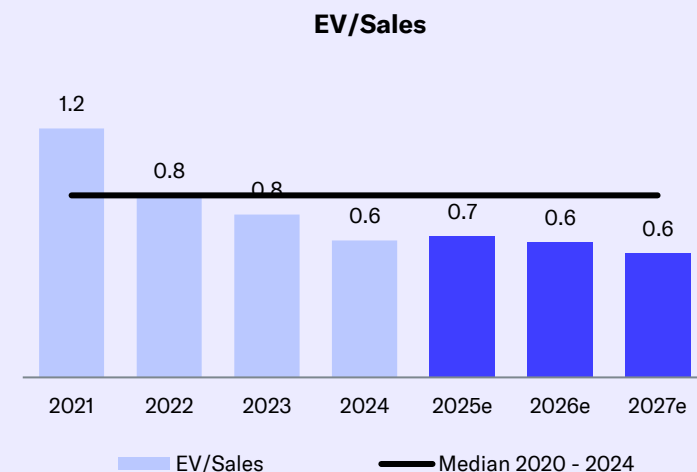
While every upcoming quarter is important for an earnings turnaround, and Q4'25 is particularly significant, the target price must already be based mainly on 2026 valuation multiples. With next year's estimates, EV/EBITA is below 9x and adjusted P/E is 12x. Both are attractive, even though they already include significant earnings growth expectations. It is noteworthy that, in our assessment, the 2026 earnings and profitability will be closer to normal than 2025, which was at the core of the transition phase.

If the forecasts materialize, we estimate the EV/EBITA multiple to rise to at least 10x, and in the longer term, we consider an EV/EBITA of 12x to be relatively neutral. However, this requires sustainable profitable growth from the company, and the valuation will not correct instantly.

Due to the weak performance in recent years and the ongoing transitional phase, we believe it is understandable that the market currently accepts a low valuation for Fondia. However, after the earnings turnaround, the multiples will be re-evaluated, and as investors become interested in the company, they may also notice the cash flows generated by the capital-efficient business model.

Valuation	2025e	2026e	2027e
Share price	4.63	4.63	4.63
Number of shares, millions	3.74	3.74	3.74
Market cap	17	17	17
EV	16	16	15
P/E (adj.)	14.8	12.4	10.4
P/E	31.3	14.4	11.8
P/FCF	37.9	13.4	10.4
P/B	7.1	6.8	6.0
P/S	0.7	0.7	0.7
EV/Sales	0.7	0.6	0.6
EV/EBITDA	8.9	6.3	5.3
EV/EBIT (adj.)	10.6	8.5	7.0
Payout ratio (%)	203%	93.4 %	76.4 %
Dividend yield-%	6.5 %	6.5 %	6.5 %

Source: Inderes

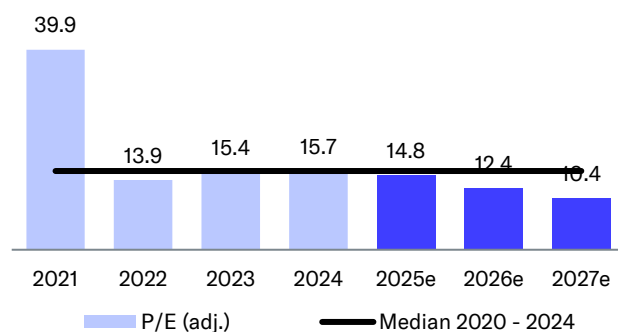


Valuation table

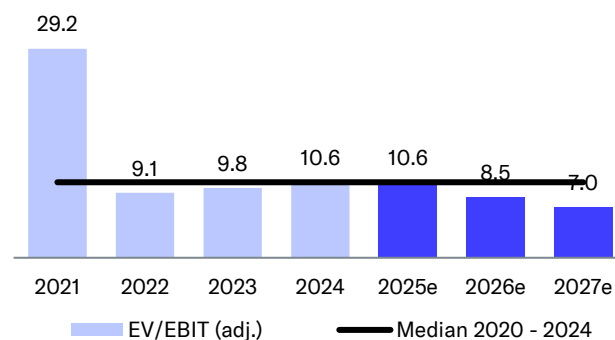
Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	8.00	7.10	6.62	6.26	4.98	4.63	4.63	4.63	4.63
Number of shares, millions	3.95	3.95	3.87	3.82	3.74	3.74	3.74	3.74	3.74
Market cap	32	28	26	24	19	17	17	17	17
EV	26	24	21	20	16	16	16	15	14
P/E (adj.)	30.7	39.9	13.9	15.4	15.7	14.8	12.4	10.4	8.7
P/E	38.2	>100	15.6	17.7	28.6	31.3	14.4	11.8	9.7
P/FCF	>100	neg.	8.9	28.3	27.1	37.9	13.4	10.4	9.4
P/B	5.3	5.5	5.0	4.9	6.3	7.1	6.8	6.0	4.9
P/S	1.6	1.3	1.0	0.9	0.7	0.7	0.7	0.7	0.6
EV/Sales	1.3	1.2	0.8	0.8	0.6	0.7	0.6	0.6	0.5
EV/EBITDA	13.6	21.4	7.3	7.5	8.4	8.9	6.3	5.3	4.6
EV/EBIT (adj.)	17.9	29.2	9.1	9.8	10.6	10.6	8.5	7.0	5.7
Payout ratio (%)	133.6 %	427.4 %	70.7 %	146.9 %	172.2 %	202.9 %	93.4 %	76.4 %	60.0 %
Dividend yield-%	3.5 %	3.9 %	4.5 %	8.3 %	6.0 %	6.5 %	6.5 %	6.5 %	6.2 %

Source: Inderes

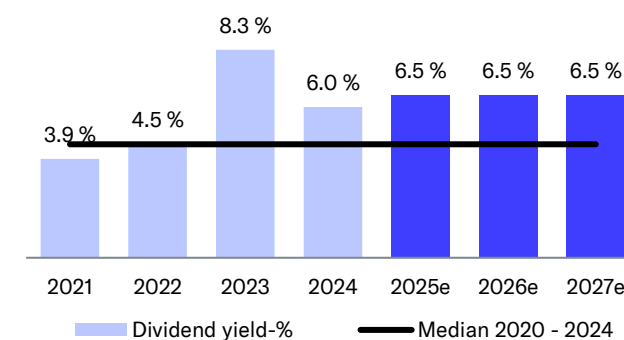
P/E (adj.)



EV/EBIT (adj.)



Dividend yield-%



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 2/3

The core of the peer group consists of Finnish expert companies

Fondia is the only listed law firm in the Nordic countries, so the company does not have direct peers. However, Fondia is fundamentally an expert company, of which there are many on Nasdaq Helsinki across various sectors. A peer group can be built around expert companies, which provides a framework for Fondia's acceptable valuation.

We have chosen Gofore, Vincit, and Siili from the IT services sector for Fondia's peer group. There are clear differences in the quality and accepted valuations of the companies, but overall, we believe the group is functional. In addition, we included the engineering company Etteplan and the accounting firm Aallon Group. Overall, we believe the group is a reasonable representation of corporate services on Nasdaq Helsinki. We believe that the companies, with their average success, are relatively comparable to Fondia, which supports the valuation framework.

Perspective from international companies

Fondia has a limited number of listed peers because, in many countries, restrictions are placed on the ownership of law firms (e.g. law firm owners must be lawyers). Restrictions on ownership make it impossible for law firms to list, for example, in large parts of the United States, as states regulate firm ownership differently in their own legislation.

In contrast, external owners are permitted in at least the UK and Australia, and the London Stock Exchange, in particular, offers some comparable companies for Fondia. However, forecasts are not available for some of the companies that previously belonged to the peer group, and on the other hand, the business profile of some has moved further away from Fondia. As a result, our international peer group has

shrunk to just two companies.

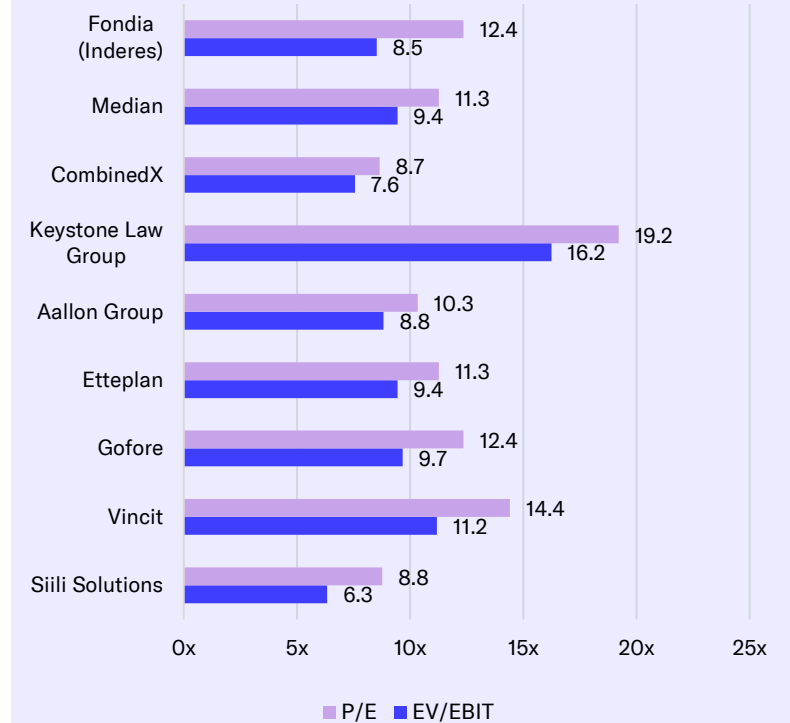
In our opinion, the most interesting peer in the sector is Keystone Law, a successful growth story in the UK. The company's story and business model share similar elements with Fondia, although Keystone is larger in scale (market cap ~230 MEUR) and operates in a much larger market in the UK. Keystone's financial performance has been strong: Between 2019 and 2024, the company's revenue grew by an average of 15.5% and earnings growth was around 17% (CAGR). Valuation multiples have been on a downward trend for a long time but are still clearly the highest in the peer group: 2026e P/E is around 19x and EV/EBIT around 16x. However, in Keystone's case, premium pricing may be well justified relative to its peer group.

As Fondia also operates in Sweden, we believe it is justified to include one Swedish company in the peer group. There are no listed companies operating in the legal services market in the country, making it difficult to find good peers in this regard. We have added the IT service company CombinedX to the peer group, as it fits the group in terms of size and profitability profile. The company's pricing is roughly similar to Fondia's and other small expert companies. CombinedX's 2026e P/E is about 9x and EV/EBIT about 8x, but on the other hand, the forecasts include a strong earnings improvement from this year.

Cash flow

Our DCF calculation gives Fondia's share a value of around EUR 5.6 with what we believe are moderate assumptions. For the next five years, we expect an annual growth of around 3-6%. In that scenario, Fondia would not gain much market share, for which we see all the prerequisites. We use a 2.5% growth assumption in the terminal period.

Valuation multiples for the peer group (2026e)



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Siili Solutions	36	39	9.7	6.3	8.3	4.0	11.2	8.8	1.8	3.4	0.9
Vincit	22	25		11.2	9.9	3.8		14.4	3.9	5.4	0.7
Gofore	214	233	15.3	9.7	11.3	7.9	17.3	12.4	3.7	3.8	1.9
Etteplan	227	296	10.9	9.4	8.0	6.7	12.7	11.3	2.3	3.3	1.7
Aallon Group	41	47	11.0	8.8	7.5	6.4	11.8	10.3	2.2	2.3	2.2
Keystone Law Group	227	222	17.7	16.2	16.2	15.0	21.3	19.2	3.1	3.6	
CombinedX	64	71	12.1	7.6	6.4	4.8	15.4	8.7			
Fondia (Inderes)	17	16	10.6	8.5	8.9	6.3	14.8	12.4	6.5	6.5	7.1
Average			12.8	9.9	9.7	6.9	14.9	12.1	2.8	3.6	1.5
Median			11.5	9.4	8.3	6.4	14.0	11.3	2.7	3.5	1.7
Diff-% to median			-8%	-10%	8%	-1%	5%	10%	140%	86%	313%

Source: Refinitiv / Inderes

Valuation 3/3

We estimate the EBIT margin to gradually increase in the coming years, reaching 8.4% in 2028. This is still a moderate and entirely realistic level for the company, but a significant improvement from the assumed base of 2024-2025 (below 4%). After 2028, we expect the EBIT margin to gradually decline to just 6.5% in the terminal period (2018-2024 average ~6%). We consider the scenario moderate relative to the company's potential, but it requires an earnings turnaround and involves risks.

In our calculation, we use a 10.2% cost of equity, which we believe is appropriate for current market conditions. As Fondia has no debt, this is also the weighted average cost of capital (WACC) that serves as the discount factor. Despite the moderate assumptions, the weight of Fondia's terminal period (49%) remains low, indicating that strong long-term prospects are not priced into the current share price. We believe the assumptions are conservative and see opportunities for positive development if the company succeeds in stabilizing its position as a defensive, profitable growth company. The cash flow profile is strong, and a higher target price could also be supported by DCF.

Valuation can also be assessed through the company's generated free cash flow. We expect cash flow to pick up significantly in the coming years with revenue growth, which makes the valuation look very attractive. The free cash flow yield (free cash flow / EV) will be very attractive in the coming years (see graph), but the forecasts are naturally subject to considerable uncertainty.

Fair value is significantly higher than current share price

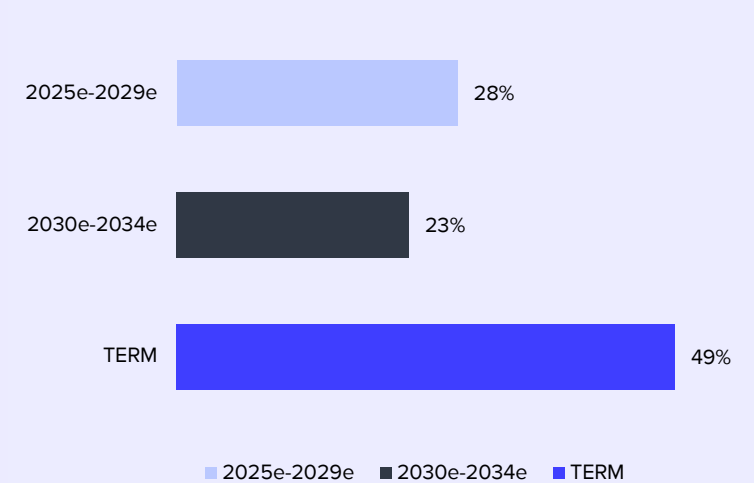
Overall, we believe Fondia's valuation is moderate if its earnings development comes close to our expectations in the coming years. Shareholders can be relatively confident that a significant portion of the earnings growth in the coming years will translate into capital appreciation, which,

on our forecasts, implies a CAGR of 20% in the medium term. In addition, the expected return is boosted by the stock's good dividend yield, which we estimate to be between 6-7% in the coming years. Furthermore, the projected dividend level would not weaken the company's cash position in the long term; instead, the balance sheet would continue to strengthen.

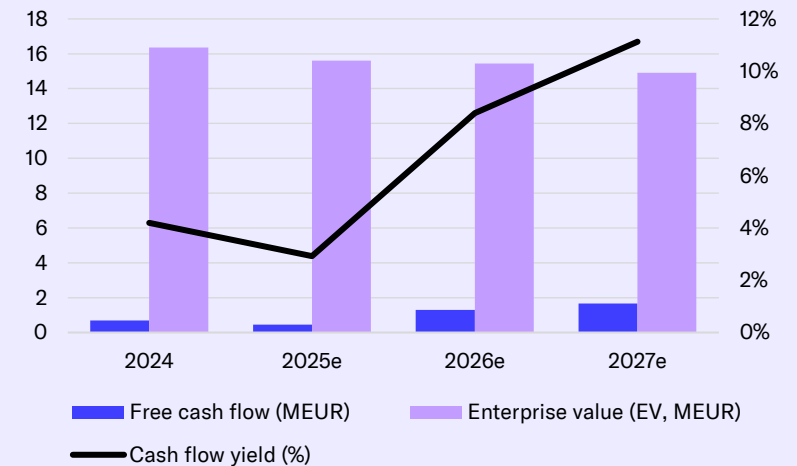
We estimate the fair value of Fondia's share to be EUR 6-8, assuming the company returns to a path of profitable growth. The key assumptions behind the fair value are 1) the estimated earnings level for 2027 is sustainable, 2) the outlook at this stage is at least stable, and 3) the market accepts an EV/EBITA of 10-12x as a neutral valuation for the company, considering the previous assumptions. Then the share price would be within the fair value range. If the company fails to return to profitable growth, the fair value is fundamentally close to the current share price (EUR 4-5). It is interesting that, even at the current, in our opinion, very weak earnings level, the company's return on capital indicates shareholder value creation due to the capital-light nature of the business. In reality, however, the company needs to move forward from the current level for the business to be considered on a stable footing.

In our view, the stock's risk/reward ratio remains attractive, considering the low valuation combined with currently weak earnings. The company also has the potential to be a long-term value creator, which requires much more evidence of sustainable profitable growth. However, if the turnaround were to fail, we also see Fondia as a potential acquisition target. In Sweden, private equity firm Axcel acquired six small law firms, merged them, and created a structure similar to Fondia's. If the model succeeds and expands to Finland, Fondia would be a logical target, especially at its current valuation.

Cash flow distribution



Cash flow yield % and its elements



DCF calculation

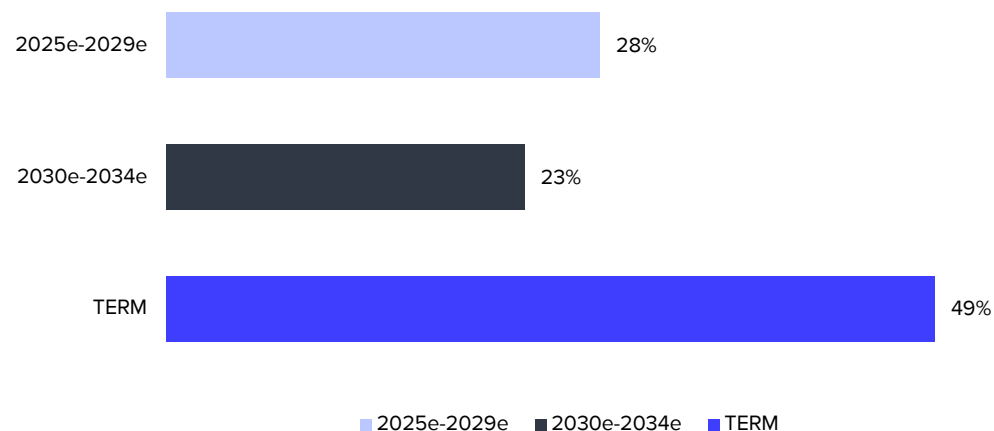
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-1.8 %	-6.8 %	3.0 %	5.5 %	5.5 %	5.0 %	5.0 %	5.0 %	4.0 %	3.0 %	2.5 %	2.5 %
EBIT-%	4.0 %	3.6 %	6.6 %	7.5 %	8.4 %	8.0 %	8.0 %	7.5 %	7.0 %	6.5 %	6.5 %	6.5 %
EBIT (operating profit)	1.0	0.9	1.6	1.9	2.3	2.3	2.4	2.4	2.3	2.2	2.3	
+ Depreciation	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.9	0.9	1.0	1.0	
- Paid taxes	-0.4	-0.3	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
- 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	0.0	0.0	0.0	
- Change in working capital	-0.1	-0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	
Operating cash flow	1.5	1.3	2.1	2.4	2.7	2.7	2.8	2.8	2.8	2.7	2.8	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.8	-0.8	-0.8	-0.7	-0.8	-0.9	-0.9	-1.0	-1.0	-1.0	-1.1	
Free operating cash flow	0.7	0.5	1.3	1.7	1.8	1.7	1.9	1.8	1.8	1.7	1.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	0.7	0.5	1.3	1.7	1.8	1.7	1.9	1.8	1.8	1.7	1.7	23.5
Discounted FCFF		0.5	1.2	1.4	1.4	1.2	1.1	1.0	0.9	0.8	0.7	9.8
Sum of FCFF present value		19.9	19.5	18.3	16.9	15.5	14.4	13.2	12.2	11.3	10.5	9.8
Enterprise value DCF		19.9										
- Interest bearing debt		0.0										
+ Cash and cash equivalents		2.2										
-Minorities		0.0										
-Dividend/capital return		-1.1										
Equity value DCF		21.0										
Equity value DCF per share		5.6										

WACC

Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	2.9 %
Risk free interest rate	2.5 %
Cost of equity	10.2 %
Weighted average cost of capital (WACC)	10.2 %

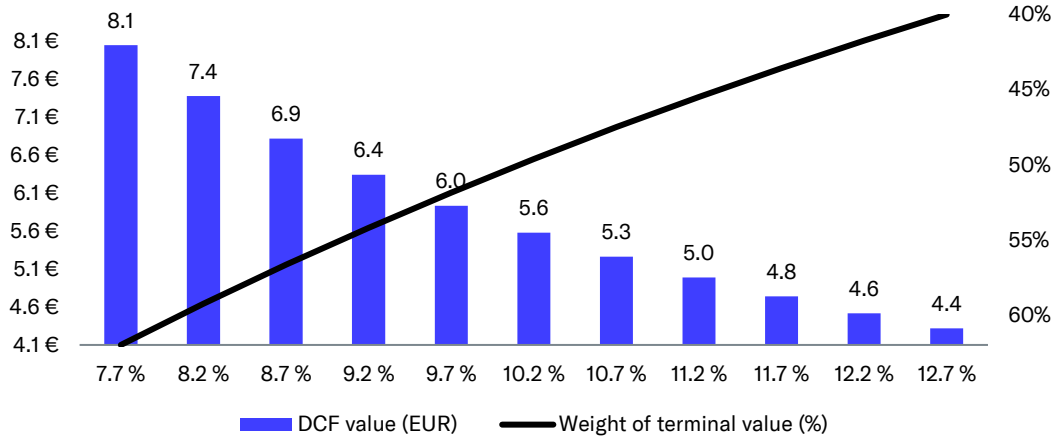
Source: Inderes

Cash flow distribution

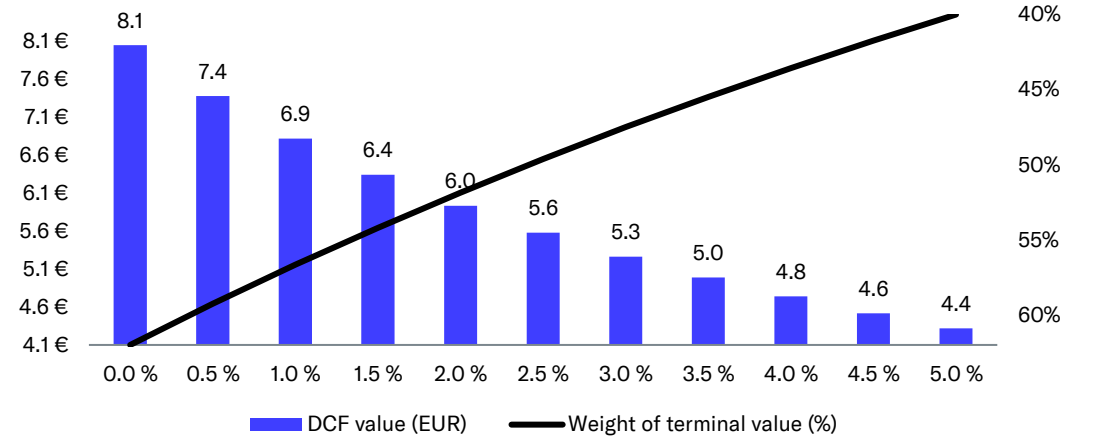


DCF sensitivity calculations and key assumptions in graphs

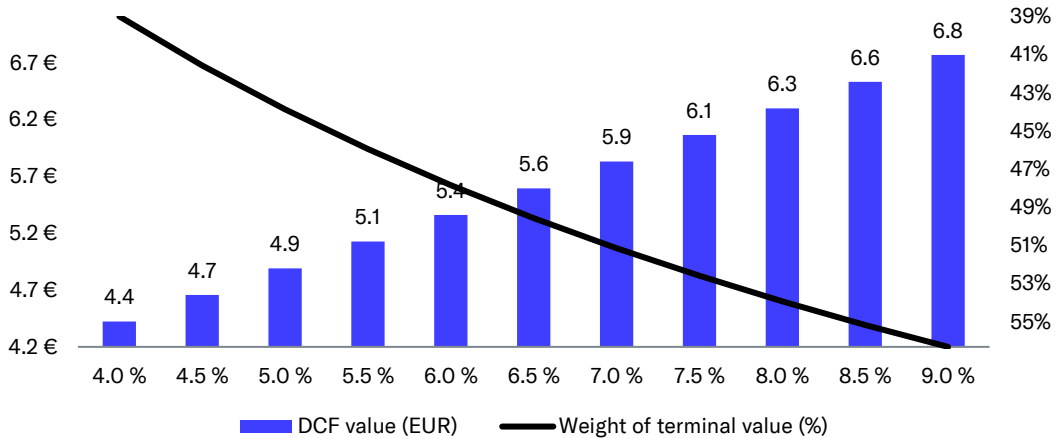
Sensitivity of DCF to changes in the WACC-%



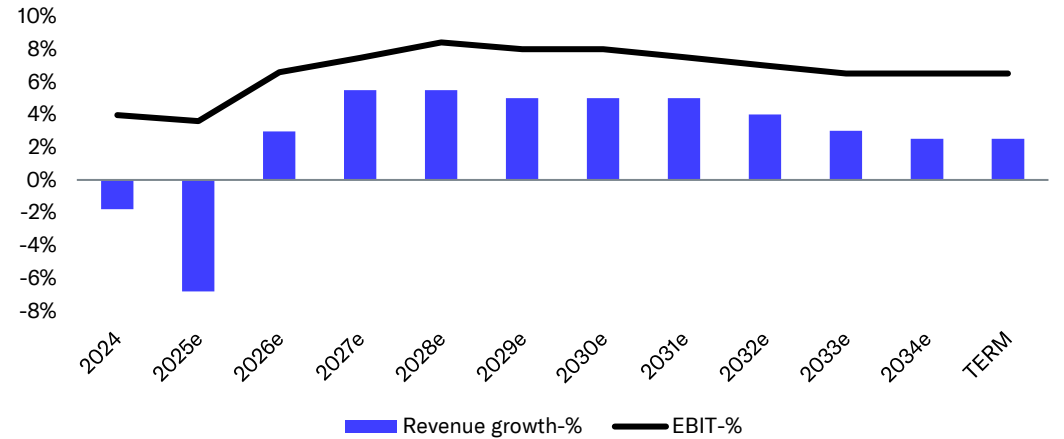
Sensitivity of DCF to changes in the risk-free rate



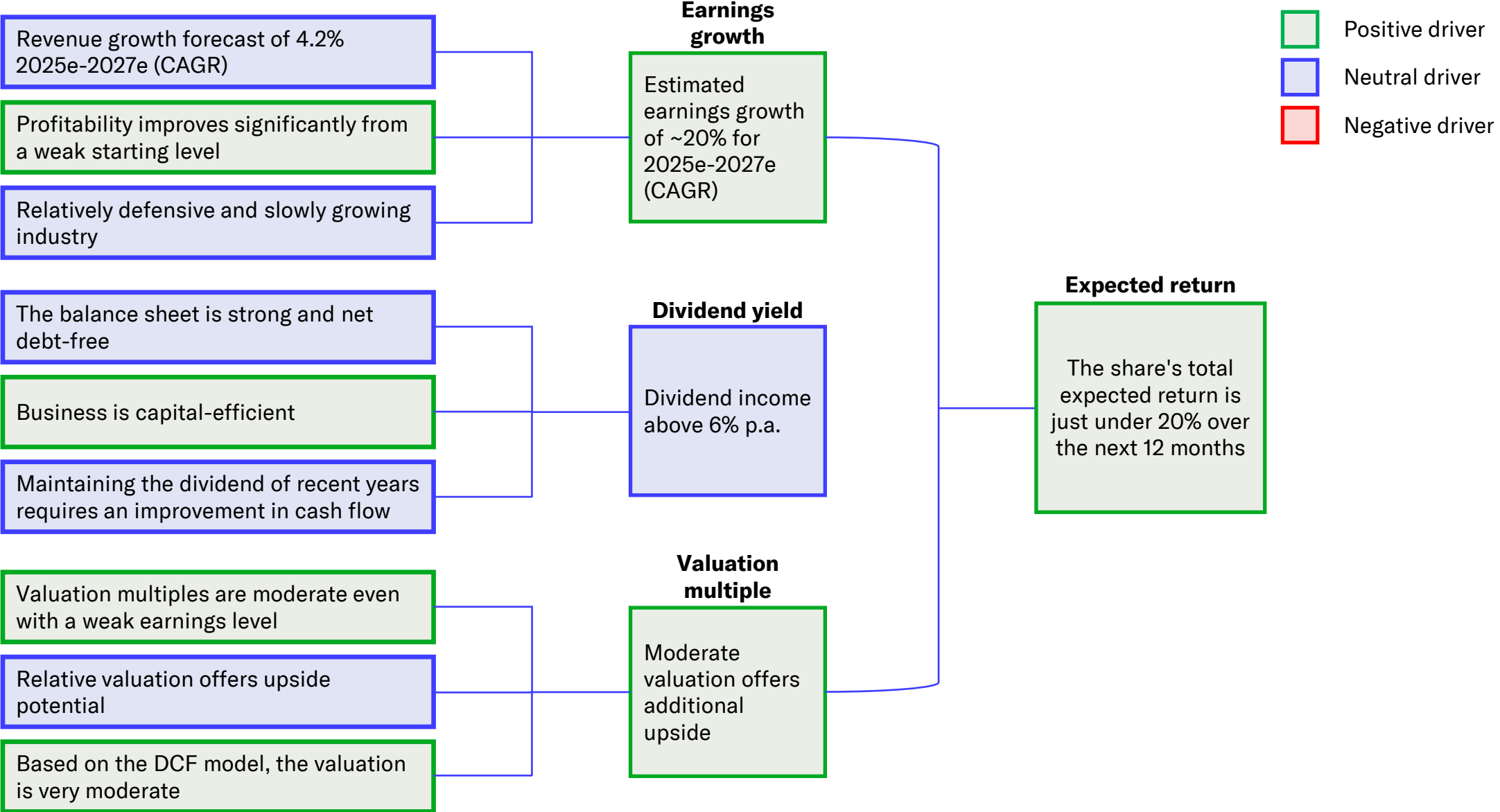
Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Total shareholder return drivers



Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	24.6	26.1	25.6	23.9	24.6	EPS (reported)	0.42	0.35	0.17	0.15	0.32
EBITDA	2.9	2.6	1.9	1.8	2.5	EPS (adj.)	0.48	0.41	0.32	0.31	0.37
EBIT	2.1	1.8	1.0	0.9	1.6	OCF / share	0.92	0.43	0.39	0.34	0.56
PTP	2.0	1.8	1.1	0.8	1.6	OFCF / share	0.74	0.22	0.18	0.12	0.35
Net Income	1.6	1.4	0.7	0.6	1.2	Book value / share	1.31	1.29	0.79	0.66	0.68
Extraordinary items	-0.2	-0.2	-0.5	-0.6	-0.2	Dividend / share	0.30	0.52	0.30	0.30	0.30
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	10.3	9.5	7.4	6.8	7.0	Revenue growth-%	16%	6%	-2%	-7%	3%
Equity capital	5.1	4.9	3.0	2.4	2.5	EBITDA growth-%	151%	-8%	-27%	-9%	40%
Goodwill	1.0	0.8	0.6	0.4	0.2	EBIT (adj.) growth-%	175%	-12%	-23%	-5%	23%
Net debt	-4.8	-4.1	-2.2	-1.6	-1.8	EPS (adj.) growth-%	168%	-15%	-22%	-1%	20%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	11.7 %	10.1 %	7.6 %	7.4 %	10.1 %
EBITDA	2.9	2.6	1.9	1.8	2.5	EBIT (adj.)-%	9.4 %	7.8 %	6.1 %	6.2 %	7.4 %
Change in working capital	1.1	-0.5	-0.1	-0.2	0.0	EBIT-%	8.5 %	7.0 %	4.0 %	3.6 %	6.6 %
Operating cash flow	3.6	1.7	1.5	1.3	2.1	ROE-%	32.3 %	27.1 %	16.5 %	20.4 %	48.2 %
CAPEX	-0.7	-0.8	-0.8	-0.8	-0.8	ROI-%	41.3 %	36.6 %	25.8 %	31.5 %	64.5 %
Free cash flow	2.9	0.8	0.7	0.5	1.3	Equity ratio	49.7 %	52.0 %	40.7 %	37.0 %	37.3 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	-94.1 %	-83.9 %	-75.8 %	-66.5 %	-71.2 %
EV/S	0.8	0.8	0.6	0.7	0.6						
EV/EBITDA	7.3	7.5	8.4	8.9	6.3						
EV/EBIT (adj.)	9.1	9.8	10.6	10.6	8.5						
P/E (adj.)	13.9	15.4	15.7	14.8	12.4						
P/B	5.0	4.9	6.3	7.1	6.8						
Dividend-%	4.5 %	8.3 %	6.0 %	6.5 %	6.5 %						

Source: Inderes

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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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2/13/2019	Reduce	14.60 €	14.95 €
2/15/2019	Reduce	12.70 €	13.30 €
5/28/2019	Reduce	11.00 €	10.80 €
8/30/2019	Reduce	8.50 €	8.38 €
12/9/2019	Accumulate	9.20 €	8.46 €
1/21/2019	Reduce	9.20 €	9.82 €
2/26/2020	Reduce	8.00 €	8.00 €
4/29/2020	Reduce	7.50 €	7.60 €
<i>Analyst changed</i>			
8/28/2020	Accumulate	8.20 €	7.74 €
10/29/2020	Accumulate	8.00 €	7.32 €
2/19/2021	Accumulate	8.00 €	7.32 €
3/25/2021	Accumulate	8.00 €	7.10 €
4/26/2021	Accumulate	8.40 €	7.74 €
6/15/2021	Accumulate	8.40 €	7.58 €
8/27/2021	Accumulate	8.20 €	7.48 €
11/1/2021	Buy	8.00 €	6.70 €
1/7/2022	Accumulate	8.00 €	7.20 €
2/18/2022	Accumulate	7.00 €	6.46 €
4/29/2022	Accumulate	7.00 €	6.64 €
8/22/2022	Reduce	7.00 €	6.88 €
8/26/2022	Reduce	6.70 €	6.52 €
10/3/2022	Reduce	6.20 €	5.92 €
10/28/2022	Accumulate	7.50 €	6.80 €
2/17/2023	Accumulate	9.00 €	8.08 €
4/27/2023	Accumulate	9.00 €	7.90 €
8/25/2023	Accumulate	8.50 €	7.58 €
10/12/2023	Reduce	7.50 €	7.20 €
10/27/2023	Accumulate	6.80 €	6.10 €
2/16/2024	Buy	7.50 €	6.62 €
3/25/2024	Accumulate	8.00 €	6.88 €
4/26/2024	Buy	8.00 €	6.60 €
7/17/2024	Reduce	7.00 €	6.70 €
8/23/2024	Accumulate	7.00 €	6.30 €
9/13/2024	Accumulate	7.00 €	6.40 €
10/24/2024	Accumulate	7.00 €	6.10 €
12/2/2024	Accumulate	5.60 €	5.00 €
1/23/2025	Buy	5.60 €	4.76 €
2/14/2025	Accumulate	5.20 €	4.98 €
4/25/2025	Buy	5.60 €	4.58 €
8/22/2025	Accumulate	5.20 €	4.81 €
10/24/2025	Buy	5.20 €	4.30 €
12/12/2025	Accumulate	5.20 €	4.63 €



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