



CONSTI GROUP PLC
DANSKE SMALL & MID CAP SEMINAR
29 MAY 2018

CEO Esa Korkeela

Building renovation specialist | www.consti.fi

CONSTI
YHTIÖT



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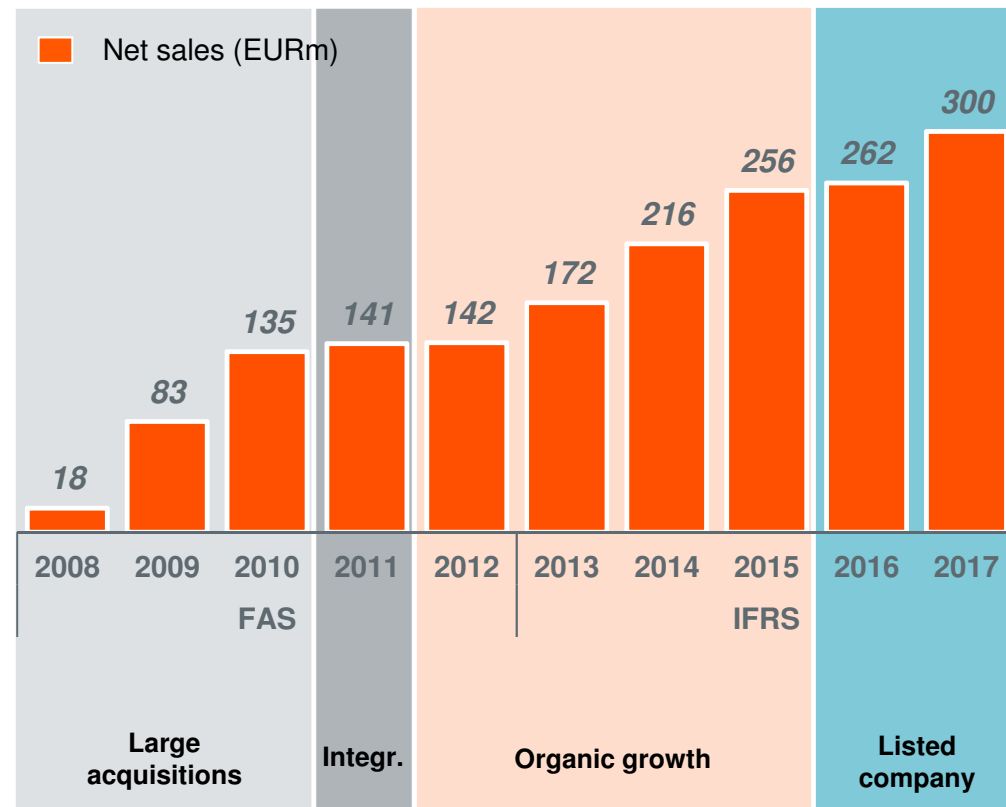
- Consti in brief and Group strategy
- Q1 2018 highlights and Group performance
- Market outlook and guidance

Overview of Consti – one of the leading renovation and technical services provider in Finland

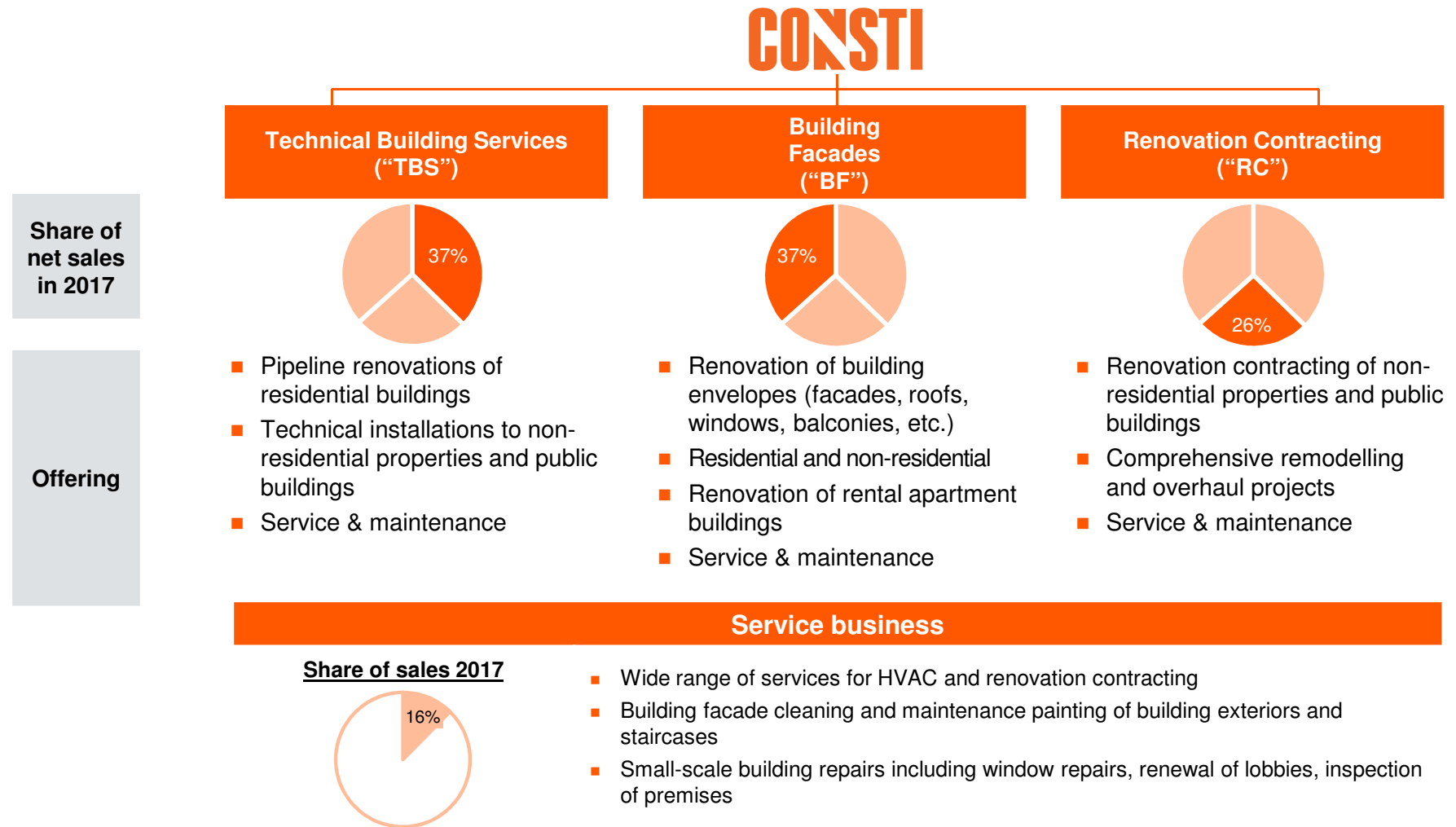
Consti in brief

- Established in 2008
- Comprehensive service offering covering technical building services, building facades, renovation contracting and maintenance services
- Focused on Finnish growth centres
- Headquartered in Helsinki, Finland. Employs over 1 000 professionals in renovation and technical building services

Net sales development

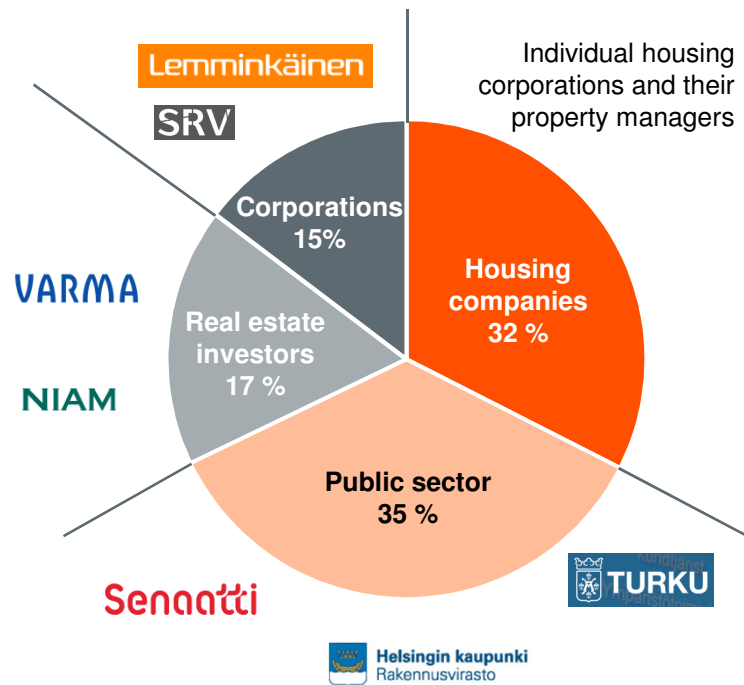


Consti Group comprises three complementary operating segments based in Finland

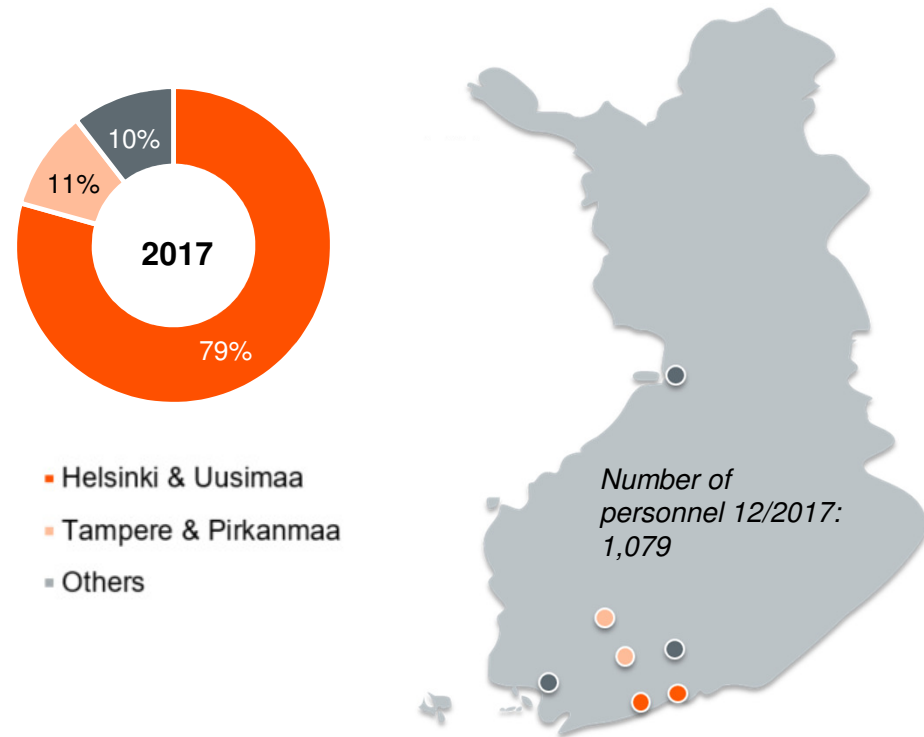


Diverse customer mix protects against market fluctuations, presence in the Finnish growth centres

Net sales by customer groups in 2017



Net sales by geographical area in 2017



Net sales realised from one single customer did not exceed 10% of the total annual sales

Strong focus on the growth centres, clear majority of the revenue generated from the capital region

Examples of Consti projects

Examples of 2017 projects

Scandic Hotel Marski, Helsinki

- Complete renovation of the hotel property and renewal of technical building services systems
- Renovation Contracting
- Technical Building Services



Oy Ässäkeskus Ab and KOy Vallila premises, Helsinki

- Oy Ässäkeskus Ab's facility modifications and repairs to technical building services systems
- KOy Vallila premises complete renovation of three buildings
- Renovation Contracting



Koy Helsingin Satamakatu 3, Helsinki

- Modifications of old office building into rental apartment use
- Building Facades
- Technical Building Services



HOAS Linnoituksentie 10, Helsinki

- Renovating the bathroom, kitchen and floors using Consti's amenity renovation concept
- Renovation Contracting



Examples of Consti projects

Projects ongoing or finished during 2017

Korkeavuorenkatu 21, Helsinki

- Modification of the use of building, where a building serving decades as office space, will be fully refurbished and restored to its original residential use.
- Building Facades
- Technical Building Services



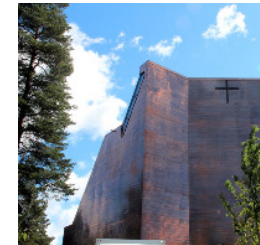
Oulu's Liiketalo, Oulu

- Renovation of facades, stairwells, roof, yard and HVAC.
- Building Facades
- Technical Building Services



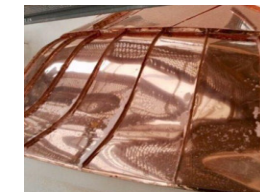
Espoonlahti church, Espoo

- Extensive renovation including ia. modernisation of all facilities, renovation of old church roof and its supporting structures.
- Renovation Contracting

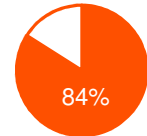


Bostads Ab Parkgatan 9, Helsinki

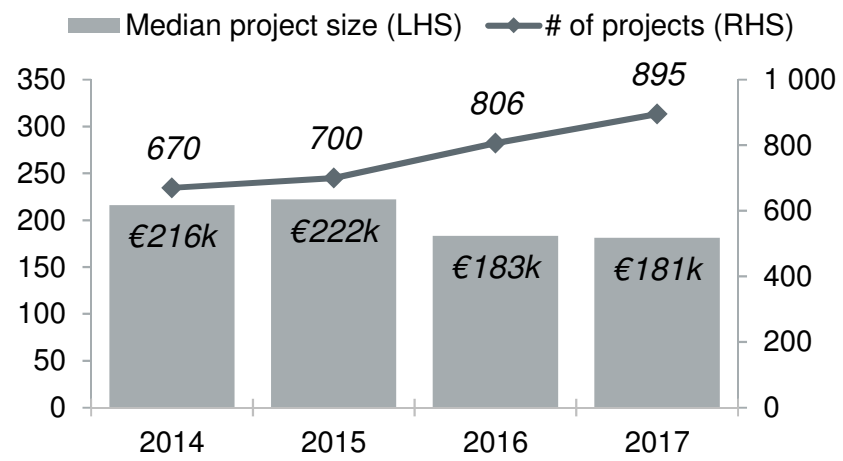
- Renewal of facades, sheet metal roof and copper details.
- Building Facades



Consti Group's project business – Dispersed project base with a relatively small median project size

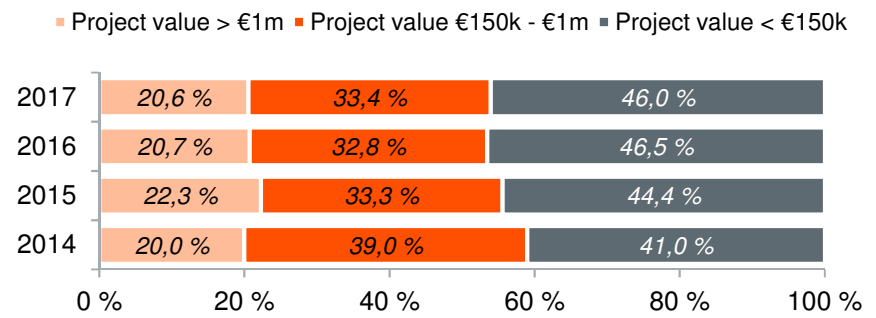


Dispersed project base and a relatively small median project size Project types: payment basis / performance obligation



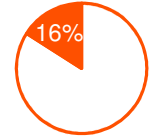
	Fixed price	Target price (incl. ceiling)	Cost + fee (incl. unit price)
Main contract	▶ With design responsibility		
	▶ With design management responsibility		
	▶ Without design responsibility		
Sub- or partial contract	▶ With design responsibility		
	▶ With design management responsibility		
	▶ Without design responsibility		

Project size distribution (# of projects)

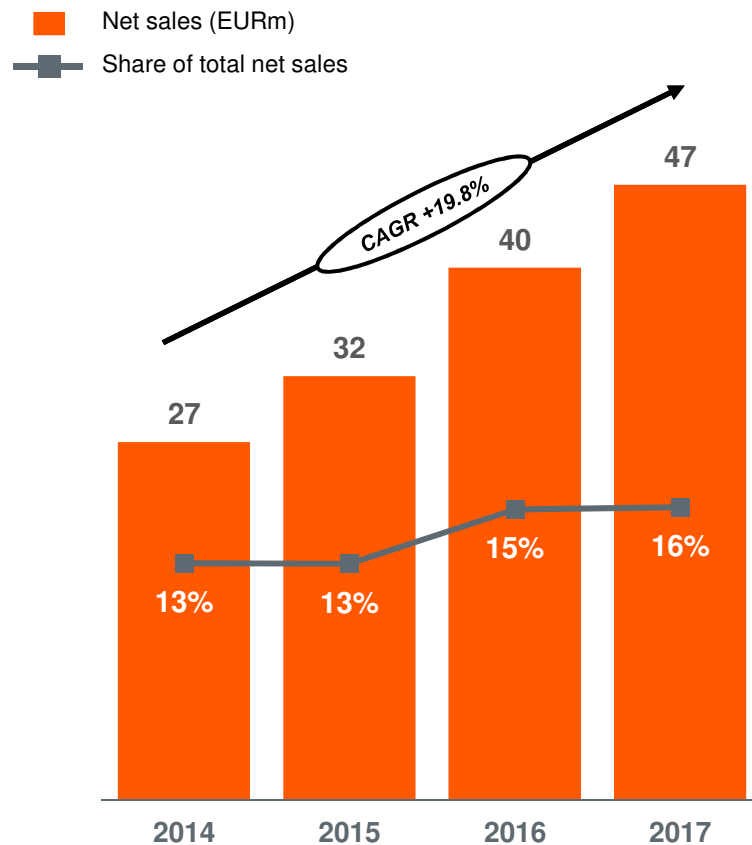


1) Number of projects based on management accounts. Project is qualified if it is accounted for according to the POC method and had realised revenue during the financial year. Total number of work tasks performed is larger (including non-POC)

Consti Group's service business – Service, repairs and installations across business areas



Service business net sales & share of total net sales



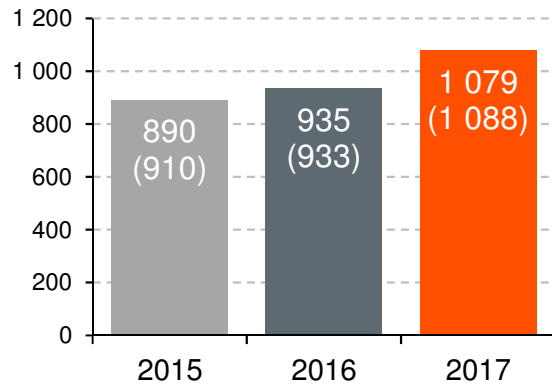
Service business & contract types

	Consti TBS	Consti BF	Consti RC
Service business	▶ Fixed-term service contract		
	▶ Frame agreement		
	▶ Service projects		

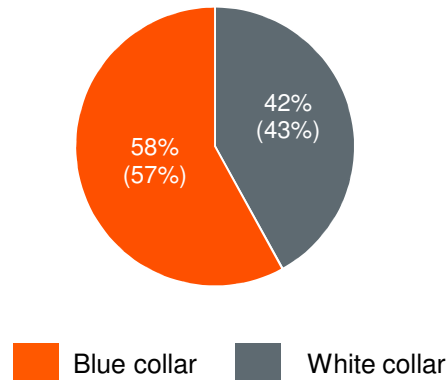
- Services are offered in all business areas
- Wide range of services including
 - HVAC and renovation contracting
 - Building facade cleaning and maintenance painting of building exteriors and staircases
 - Small-scale building repairs including window repairs, renewal of lobbies, inspection of premises

Good development in personnel KPIs in 2017

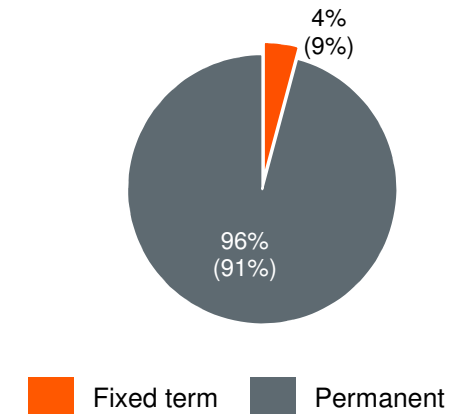
Personnel at year end (average)



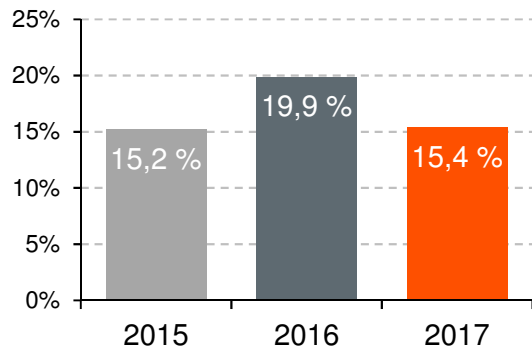
Blue collar / White collar
2017 (2016)



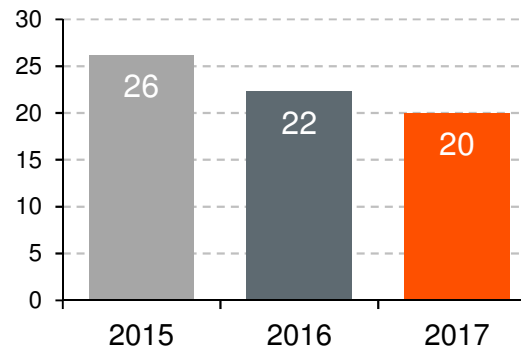
Permanent / Fixed term
2017 (2016)



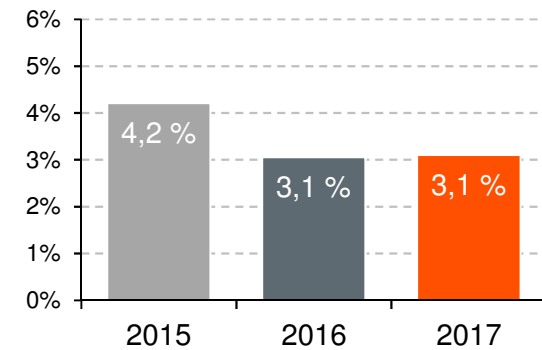
Permanent personnel turnover
(% of employees leaving)



Accident rate
(accidents per million hours worked)



Average absence rate



Long term strategic goals

Growth: Average annual growth in revenue at least

10 %

Profitability: adjusted EBIT-margin exceeding

5 %

Cash flow: Cash conversion ratio exceeding*

90 %

Capital structure: Net debt to adjusted EBITDA ratio of less than

2,5 x

while maintaining an efficient capital structure

STRATEGY

MISSION

Our mission is to improve the value of the building stock, and the value of life. The satisfaction of our customers and partners, as well as the well being of our personnel are the prerequisites to all our operations.

CUSTOMER PROMISES

Fast and reliable – and ready in one go

Consti – the human factor

We listen, understand and offer a solution

We do what we promise

VISION

“Consti professionals are passionate about renovating and developing the built environment in a sustainable and sensible manner. This is why we are number one in renovation construction.”

STRATEGIC INITIATIVES

1 Profitable and competitive operations

2 The best customer experience

3 Excellent services and solutions

4 The best professionals

5 Renewal and growth

VALUES

Profitable growth
Professional skill and experience
Customer orientation
Enthusiasm
Reliability and honesty

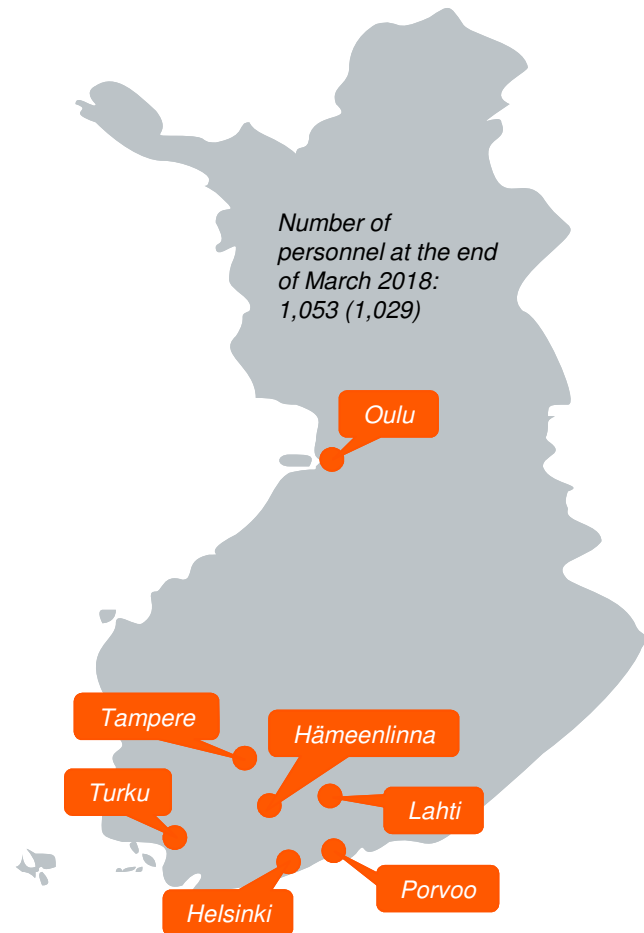
* The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial expenses and taxes, less capital used for purchase of intangible assets and property, plant and equipment

Consti's strategic initiatives aim at achieving the Group's long-term goals – giving also short-term benefits

Strategic initiative	Objectives	Key projects / activities
1 <ul style="list-style-type: none"> • Profitable and competitive operations 	<ul style="list-style-type: none"> • Best-in-class lead time and productivity • Efficient and agile organization • Performance management in place to drive operational excellence 	<ul style="list-style-type: none"> • Performance management on all org. levels • Harmonized project management process • Implementation of LEAN methodology • Efficient procurement
2 <ul style="list-style-type: none"> • The best customer experience 	<ul style="list-style-type: none"> • Improved measurement and follow-up of customer experience • Efficient key account management → increased share of recurring business 	<ul style="list-style-type: none"> • Renewal of customer feedback system with harmonized KPIs and steering • Enhanced incentives for internal cooperation
3 <ul style="list-style-type: none"> • Excellent services and solutions 	<ul style="list-style-type: none"> • Wide service offering meeting the needs of real estate owners and users • New customer-driven services through systematic productization and development 	<ul style="list-style-type: none"> • Implementation of Consti productization model, roadmap and criteria • New categorization of services with clear steering and follow-up
4 <ul style="list-style-type: none"> • The best professionals 	<ul style="list-style-type: none"> • High personnel well-being and safety • Competent and skillful employees • Enhanced attractiveness as employer 	<ul style="list-style-type: none"> • Improvement of recruitment process • Renewal of incentive schemes • Development of HR function and competence management
5 <ul style="list-style-type: none"> • Renewal and growth 	<ul style="list-style-type: none"> • Continued growth in existing markets • Growth in advanced project types • Widening of offering in construction life cycle 	<ul style="list-style-type: none"> • Active screening of new growth areas and businesses • Systematic strengthening of required competences

Q1 2018 Highlights and Group Performance

Highlights of the first quarter of 2018



Highlights of 1-3/2018 (y-o-y comparison in brackets)

- Net sales EUR 62.3 (57.3) million, growth 8.7%
- EBITDA EUR 0.2 (0.8) million, EBITDA margin 0.4% (1.3 %)
- EBIT EUR -0.2 (0.3) million, EBIT margin -0.3% (0.5%)
- Order backlog EUR 250.2 (212.9) million
- Free cash flow EUR -7.8 (-0.5) million
- Gearing 80.5 (49.7) %
- Net debt EUR 20.3 (15.0) million
- Earnings per share EUR -0.04 (0.00)

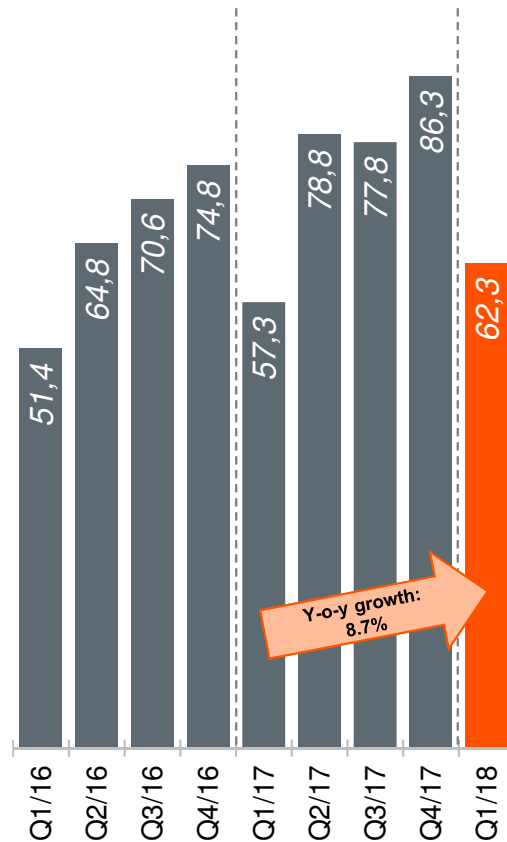
Guidance for 2018:

- “Consti estimates that its operating result for 2018 will grow compared to 2017.”

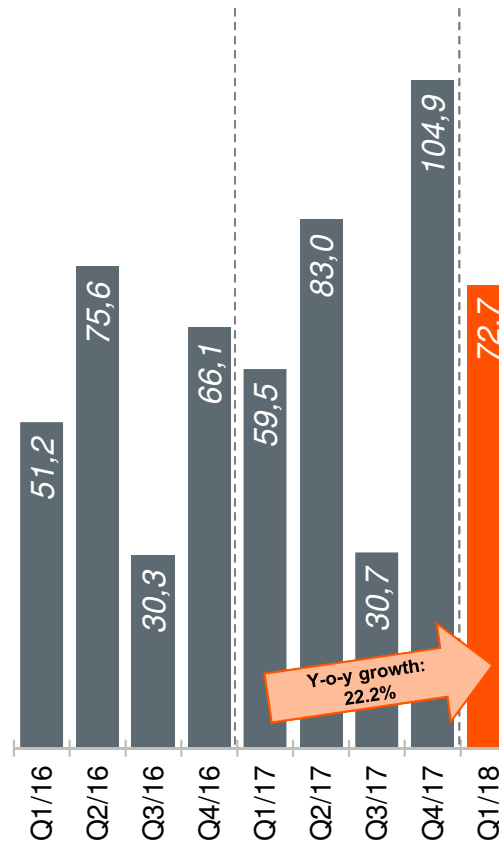
Quarterly performance overview

Net sales, order intake and order backlog increased y-o-y

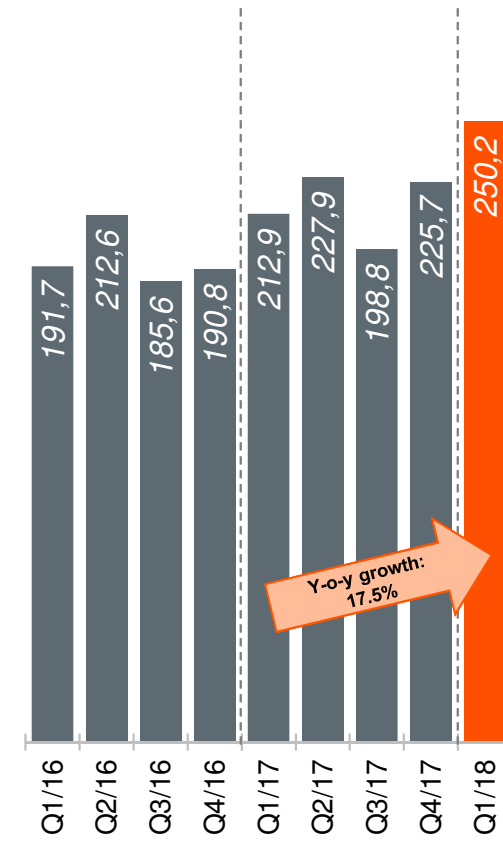
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)



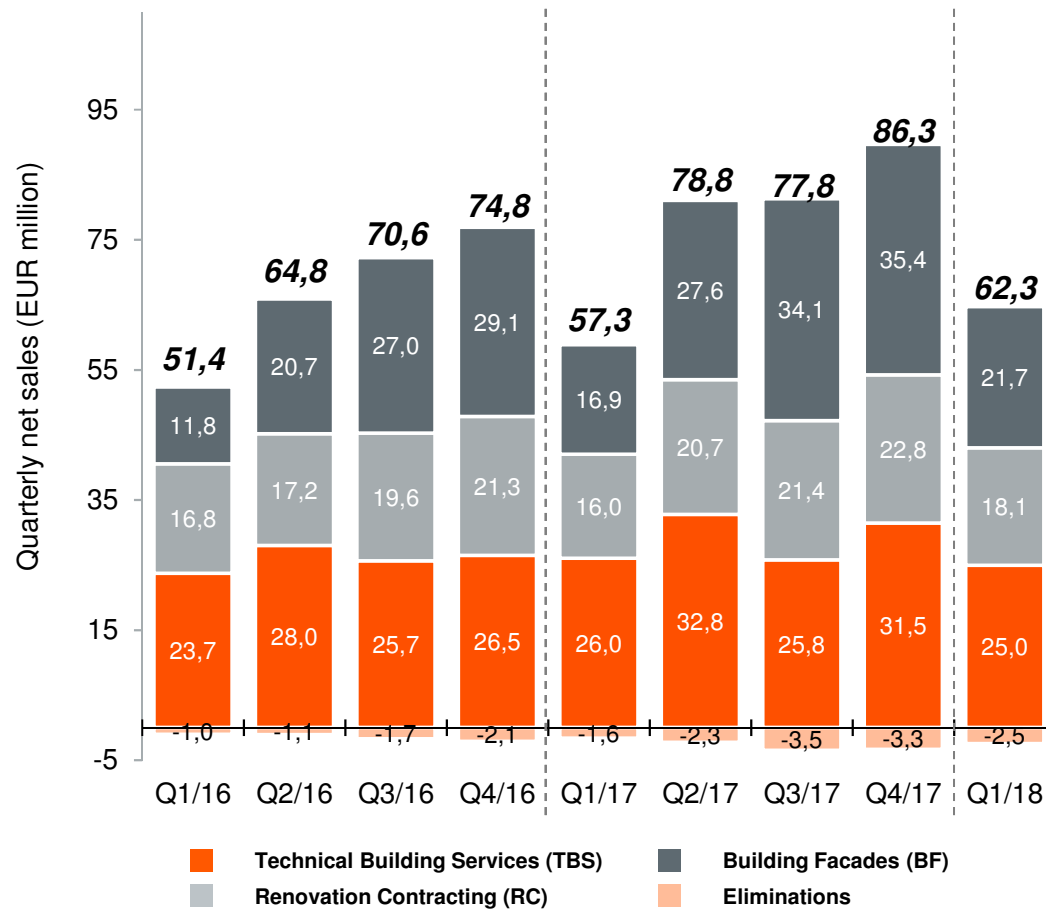
Quarterly order backlog (EUR m)



Quarterly net sales development

First quarter net sales up by 8.7%

Quarterly net sales development Q1/2016 – Q1/2018 (EUR m)



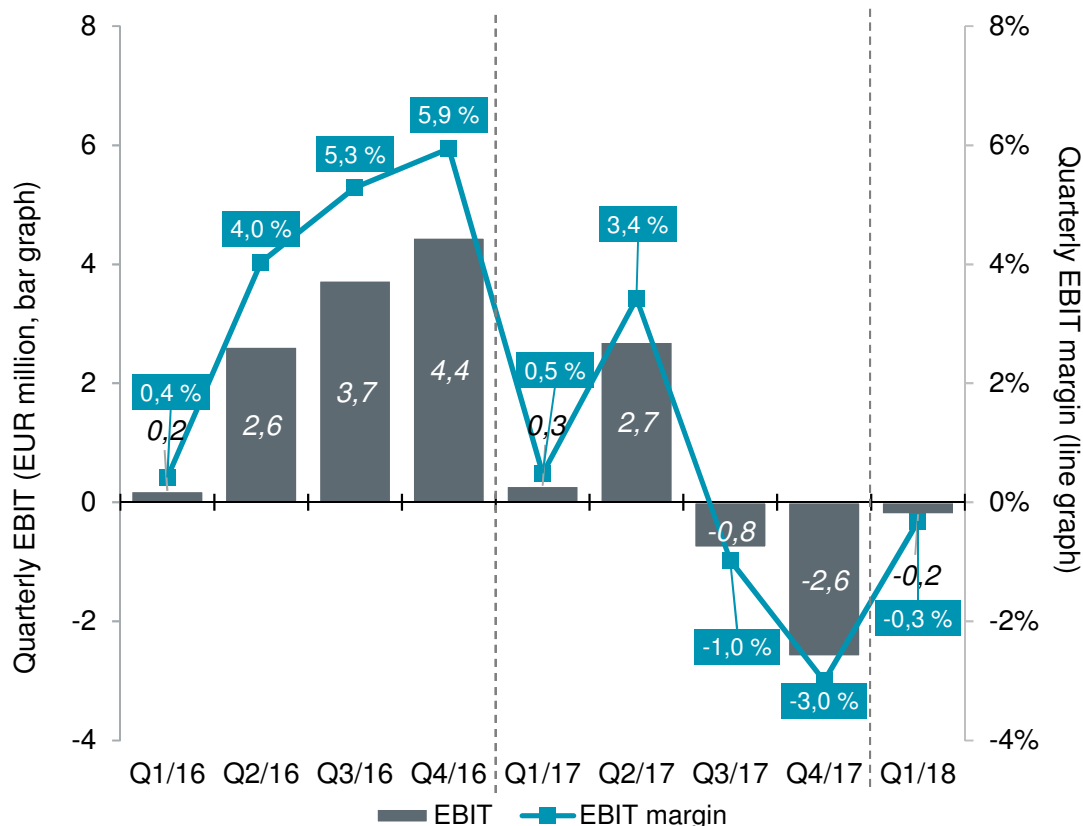
Comments

- Q1/2018 net sales EUR 62.3m (57.3 m)
- Year-on-year sales growth 8.7% (EUR 5.0m)
 - Organic growth 4.5% (EUR 2.6m)
 - Acquisition growth 4.3% (EUR 2.4m)
- In Building Facades, net sales grew by 28.6 percent mainly thanks to good development in housing repair business
- Majority of Renovation Contracting net sales growth (13.3 percent) attributable to the Greater Helsinki area's renovation business as well as the acquisitions completed during the second half of 2017
- Technical Building Services net sales decreased by 4.2 percent mainly due to the tightened bidding criteria in pipeline renovations taken into use towards the end of 2017

Quarterly EBIT development

Profitability not yet on a satisfactory level but clear improvement compared to previous quarter

Quarterly EBIT development Q1/2016 – Q1/2018 (EUR m)



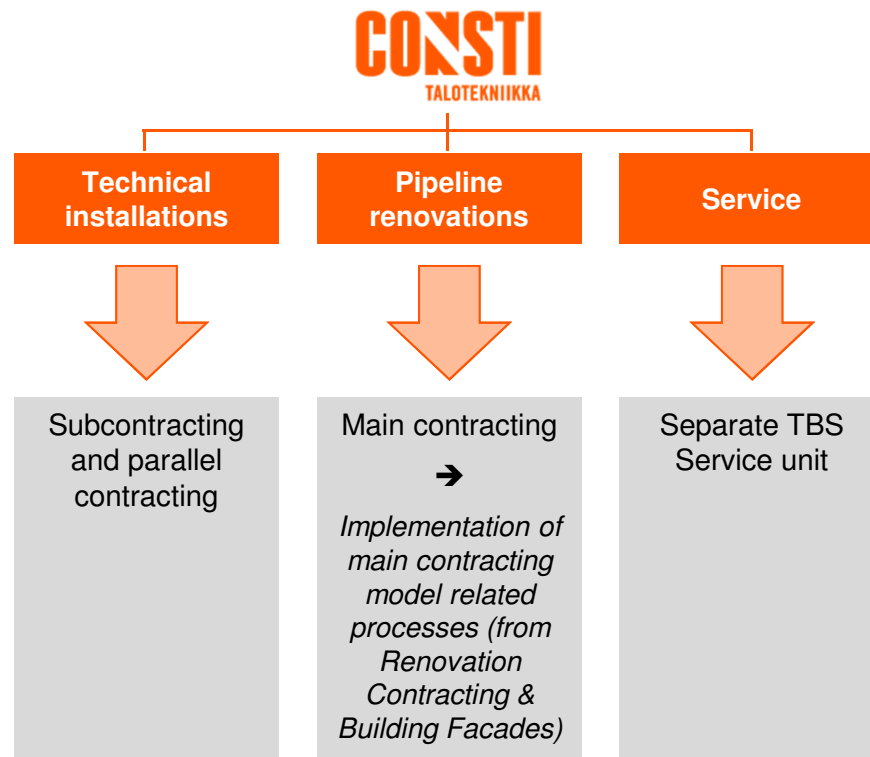
Comments

- Q1/18 EBIT amounted to EUR -0.2 (0.3) million, or -0.3% (0.5 %) of net sales
- Operating result was weakened by the execution of the remaining performance obligations related to certain previously identified low-margin projects
- During the reporting period, profitability was weakened in particular by a project belonging to the Renovation Contracting business area, which by the end of the reporting period had advanced to the handover phase
- However, the project still has open risks which have been taken into account in the Q1 result to the best of our ability
- Consti's business volumes are typically lowest during the first quarter of the year, impacting profitability

Actions to improve profitability on-going

Reorganisation of TBS business area was completed during Q1/2018

New TBS organisation



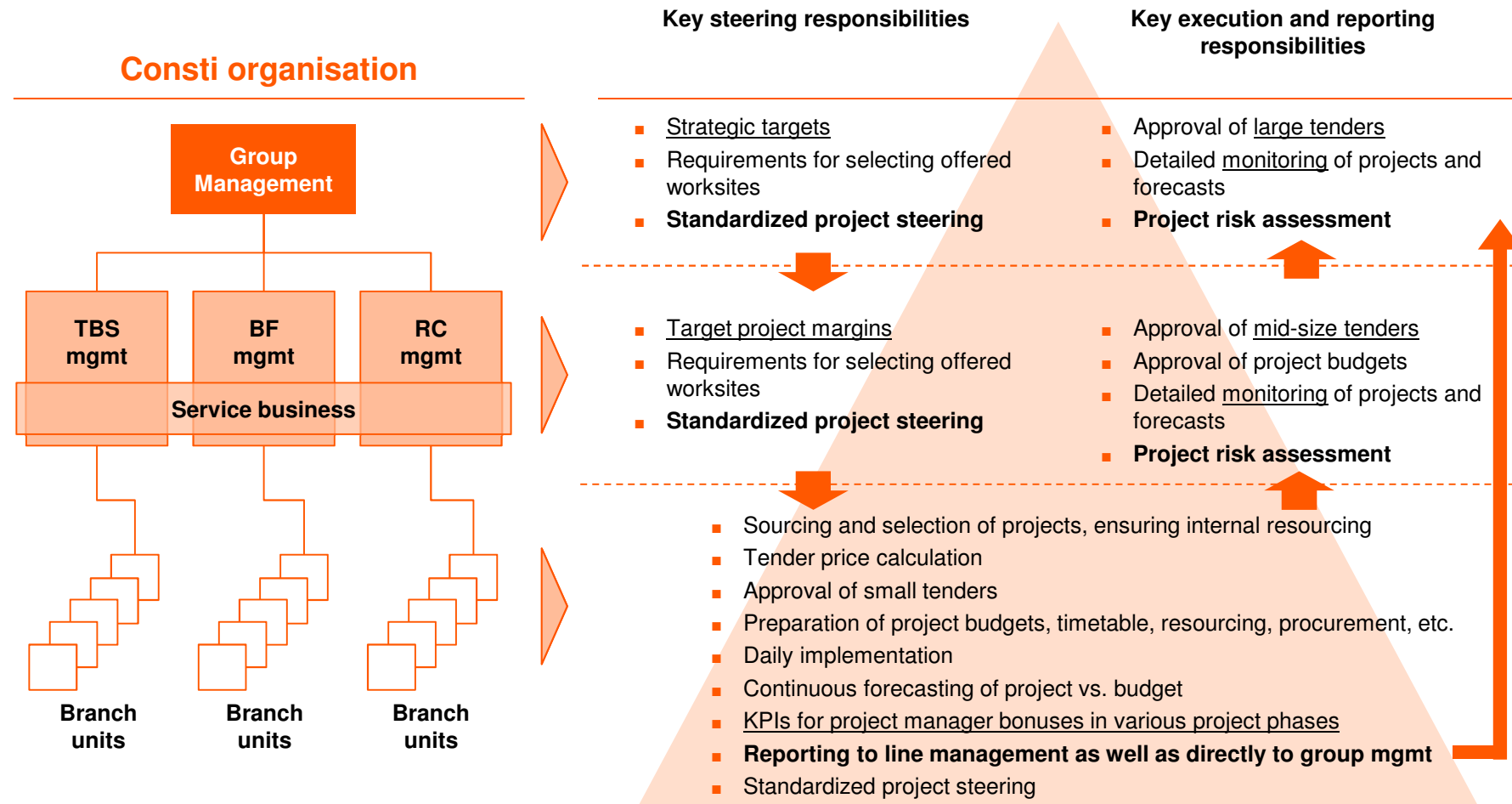
THREE DIFFERENT DELIVERY PROCESSES

Comments

- Reorganisation of the Technical Building Services business area
- New organisation in place as of 1 Jan 2018
- Implementation of processes
- Increased margin requirements
- Realigned requirements for selecting offered worksites
- With the reorganisation, our aim was
 - to improve the accountability of our businesses,
 - to clarify service offering, and
 - to improve project management
- Decentralised operating model unchanged

Actions to improve profitability on-going

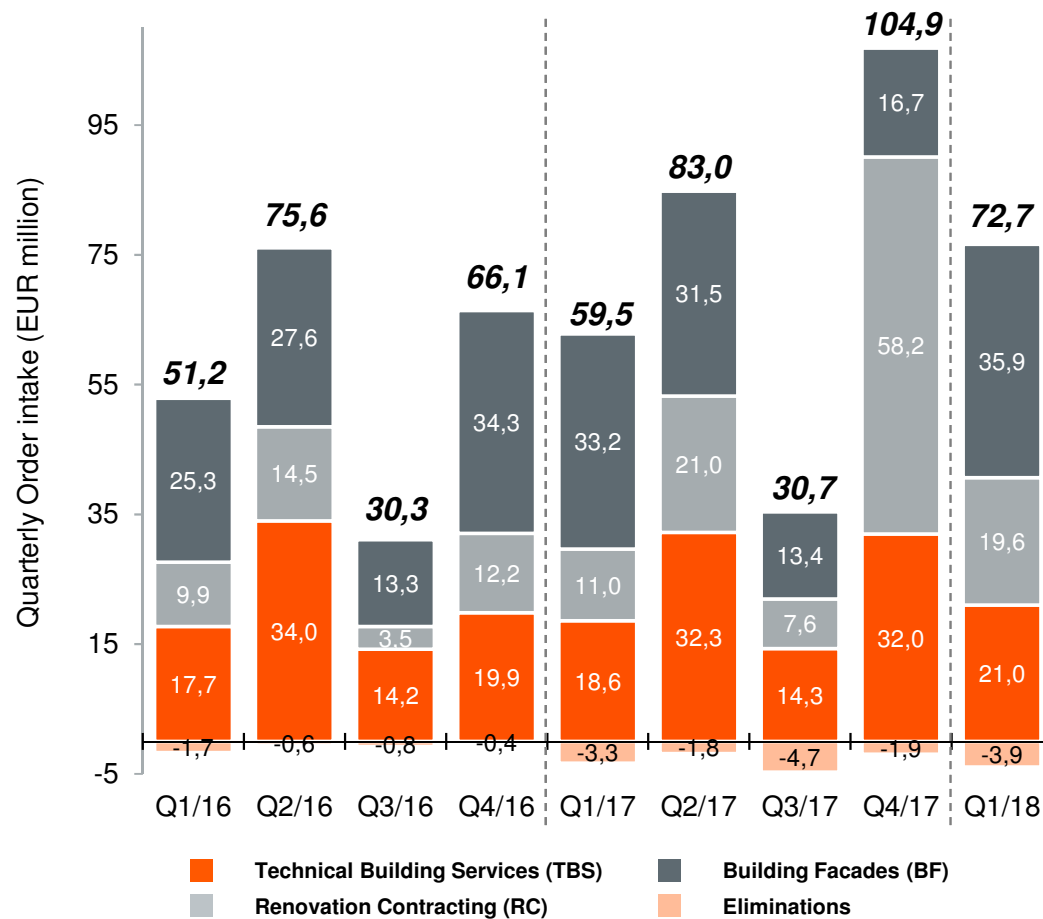
In Consti's decentralised operating model branch units have accountability. Increased focus on standardized project steering and discipline. Financial reporting responsibilities clarified



Quarterly order intake development

Strong order inflow continued, Q1 order intake up by 22.2 % y-o-y

Quarterly order intake development Q1/2016 – Q1/2018 (EUR m)



Comments

- Q1/2018 order intake EUR 72.7 million (59.5m), up by 22.2% y-o-y
- Order intake increased in all business areas
- Strongest growth from Renovation Contracting (+77.8% y-o-y)
- Good growth also in Technical Building Services (+13.0% y-o-y) and Building Facades (+8.3% y-o-y)

Examples of new orders received in Q1/2018

TECHNICAL BUILDING SERVICES

Q1/18 order intake:
EUR 21.0m (+13.0% yoy)

EXAMPLES OF NEW ORDERS:

- **Jätkäsaari elementary school**, Helsinki
 - Installation of HVAC and electrical systems
- **Telkkäläakso As Oy**, Tampere
 - Improvement of technical building systems
- **As Oy Kaukohaukka**, Oulu
 - Pipeline renovation

RENOVATION CONTRACTING

Q1/18 order intake:
EUR 19.6m (+77.8 % yoy)

EXAMPLES OF NEW ORDERS:

- **Kasarmikatu 25**, Helsinki
 - Renovation of a high value property built in the 19th century
- **KOy Helsingin Hiilipiha**, Helsinki
 - Office modification work
- **Turku Fair and Congress Centre**
 - Renewal of Fair and Congress Centre entrance

BUILDING FACADES

Q1/18 order intake:
EUR 35.9 m (8.3% yoy)

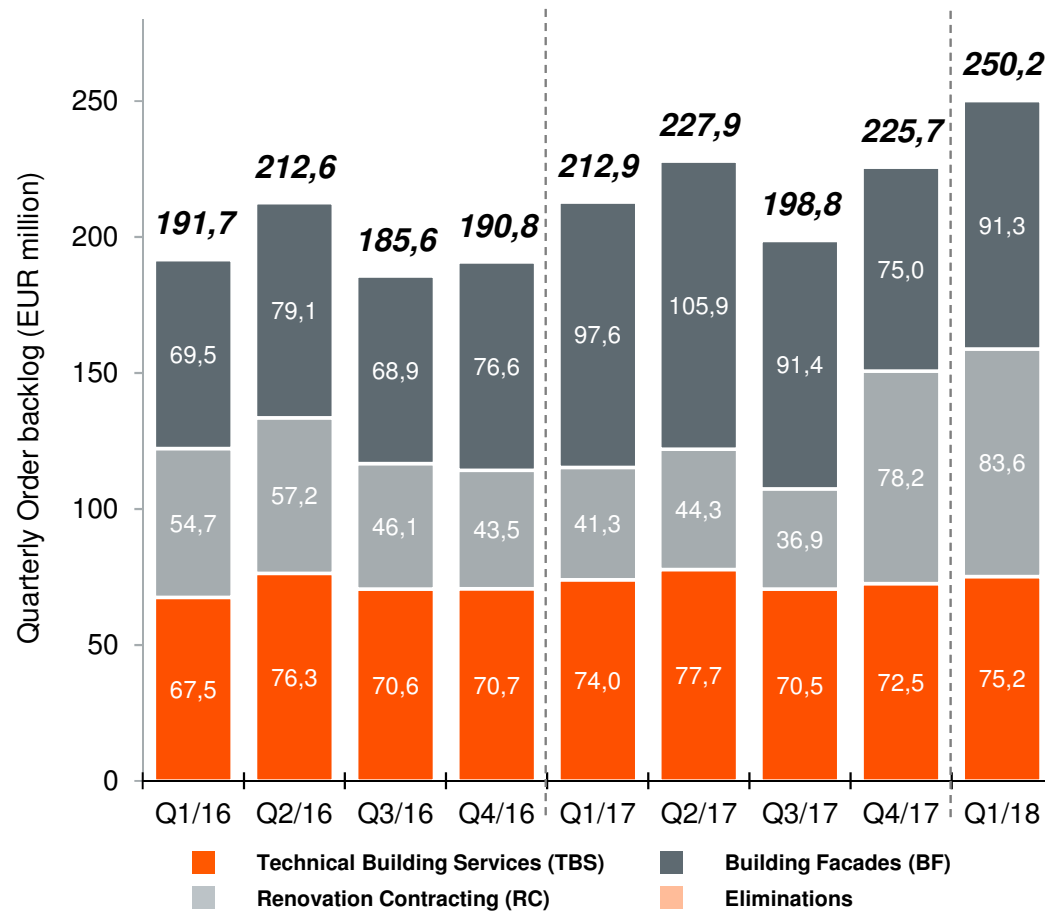
EXAMPLES OF NEW ORDERS:

- **Helsingin kaupungin asunnot, Susitie 2-6**, Helsinki
 - Extensive facade and interior renovation in three apartment buildings
- **As Oy Helsingin Halsuantie 5-7**, Helsinki
 - Repair of facades, balconies and roofs
- **Luovi Vocational College**, Oulu
 - Repairs related to indoor air and replacements of windows

Quarterly order backlog development

Backlog continued to grow, up by 17.5 % y-o-y

Quarterly order backlog development Q1/2016 – Q1/2018 (EUR m)



Comments

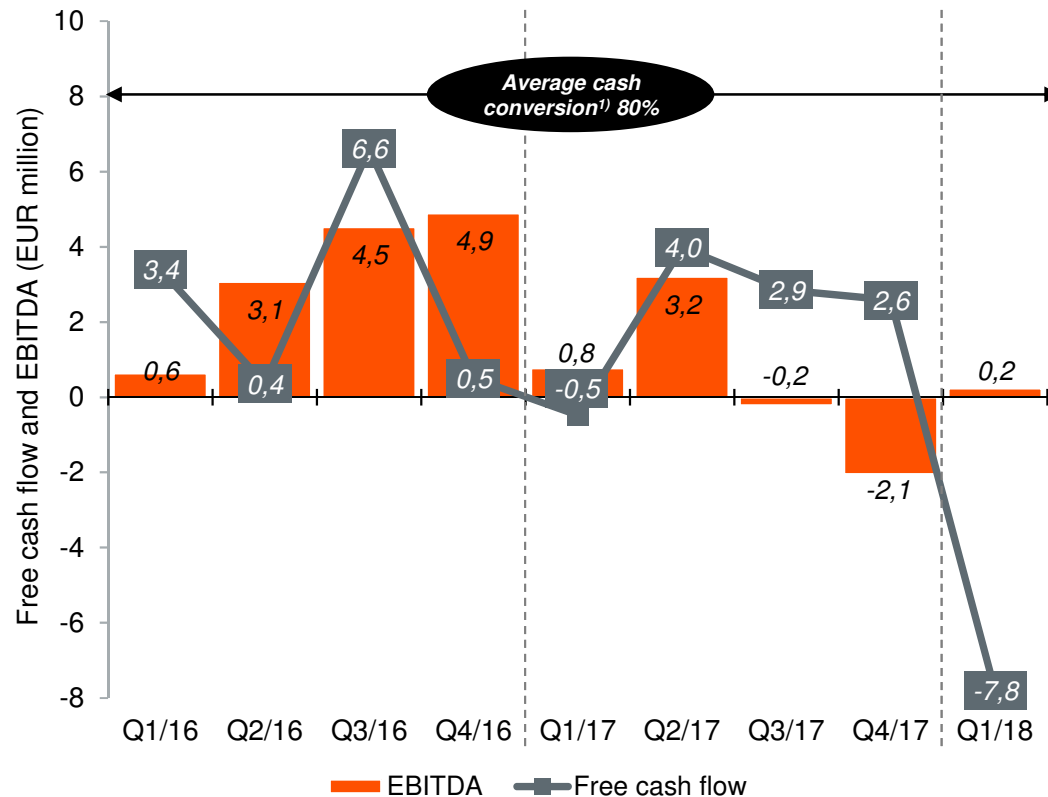
- Q1/2018 order backlog at EUR 250.2 million (212.9m)
 - Year-on-year growth +17.5%
 - Up by 10.8% from year-end 2017
 - Order backlog grew particularly in Renovation Contracting (+102.7% year-on-year) as a result of strong order intake during Q1 as well as due to major new orders received during Q4/2017
 - In Technical Building Services, order backlog was close to comparison period's level with growth of +1.6%
 - Order backlog in Building Facades decreased by 6.5% year-on-year but increased by 21.8% compared to year-end 2017

Q1 2018 Cash flow and Financial Position

Quarterly free cash flow development

Free cash flow affected by increase in working capital in Q1/2018

Quarterly free cash flow and EBITDA Q1/2016 – Q1/2018 (EUR m)



Comments

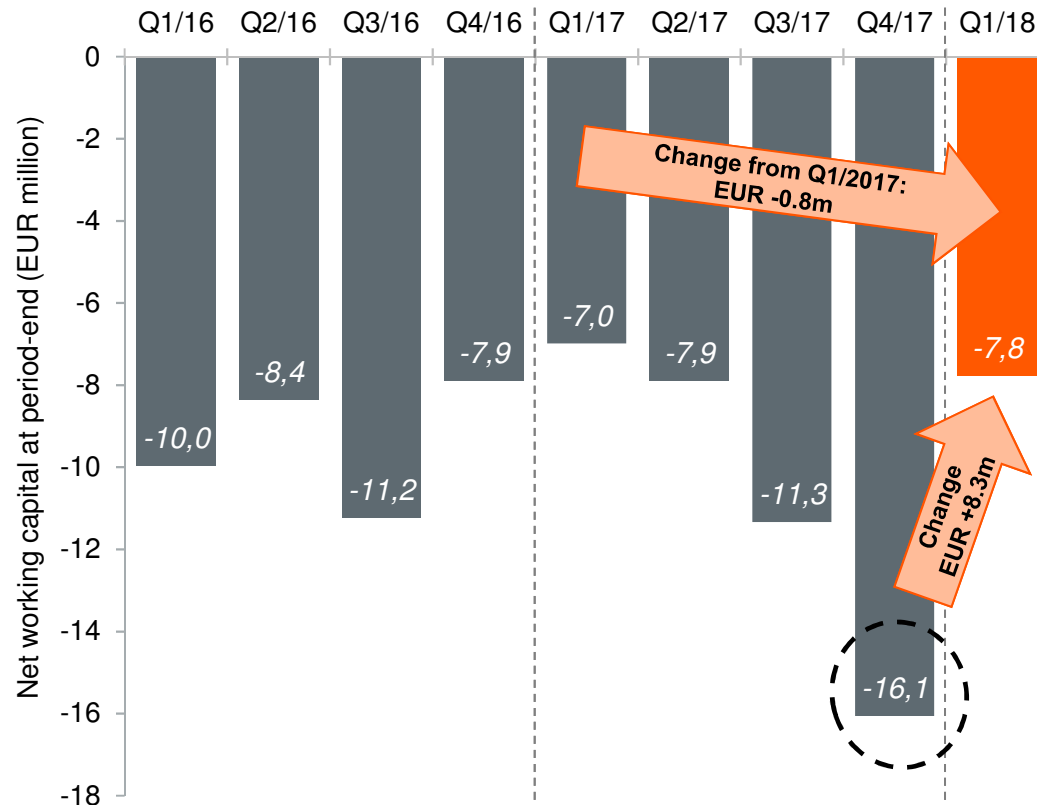
- Q1/2018 free cash flow amounted to EUR -7.8m (-0.5m)
 - Increase in working capital during the quarter weakened cash flow
- Average cash conversion ratio of 80% in the period of Q1/2016 – Q1/2018
 - Consti's long-term target to achieve cash conversion ratio in excess of 90 percent

1) The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial items and taxes, less capital used for purchase of intangible assets and property, plant and equipment

Quarterly net working capital development

Net working capital at EUR -7.8 million at the end of Q1/2018

Quarterly net working capital¹⁾ Q1/2016 – Q1/2018 (EUR m)



Comments

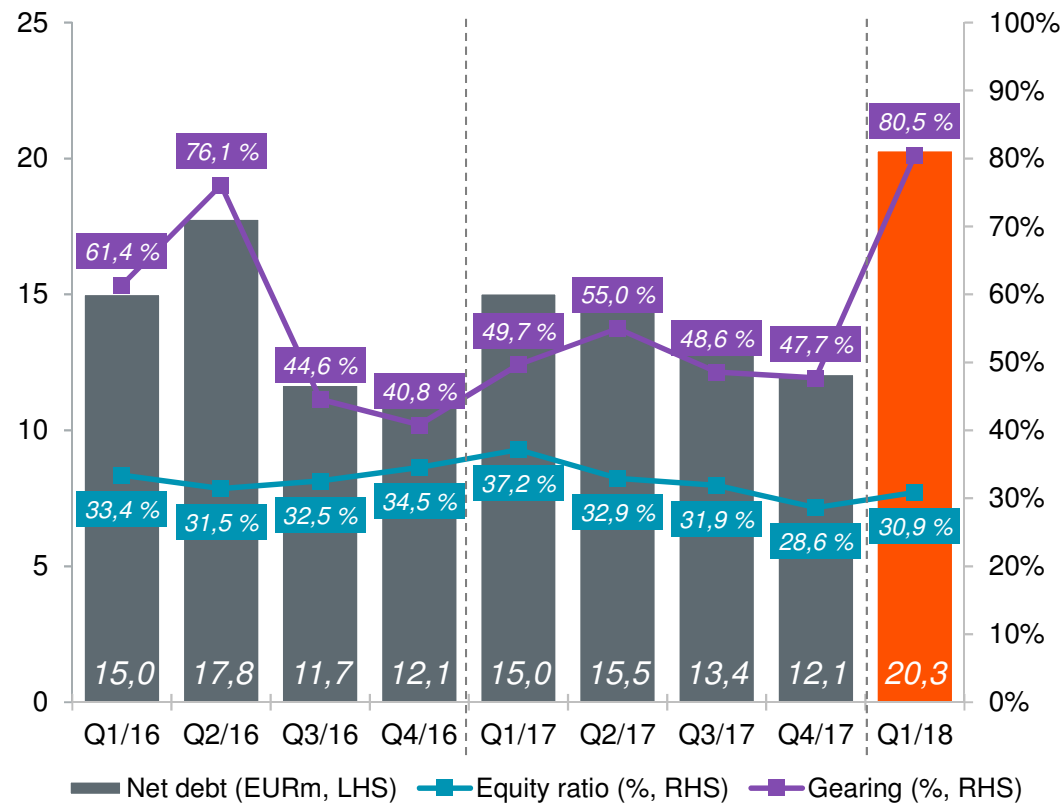
- Net working capital EUR -7.8m (-7.0m) at the end of Q1/2018
 - NWC tied up during the first quarter amounted to EUR 8.3m (0.9m)
 - Exceptionally low NWC level at year-end 2017
 - Seasonality inherent to Building Facades business area
 - One specific project in Renovation Contracting tied up capital in the first quarter
 - However, quarter-end NWC level slightly better than a year earlier

¹⁾ Net working capital calculated as follows: Inventories + Trade and other receivables + Deferred tax receivables – Trade and other payables - Provisions

Quarterly balance sheet structure

Financial position affected by negative free cash flow in the quarter

Quarterly net debt, equity ratio and gearing Q1/2016 – Q1/2018



Comments

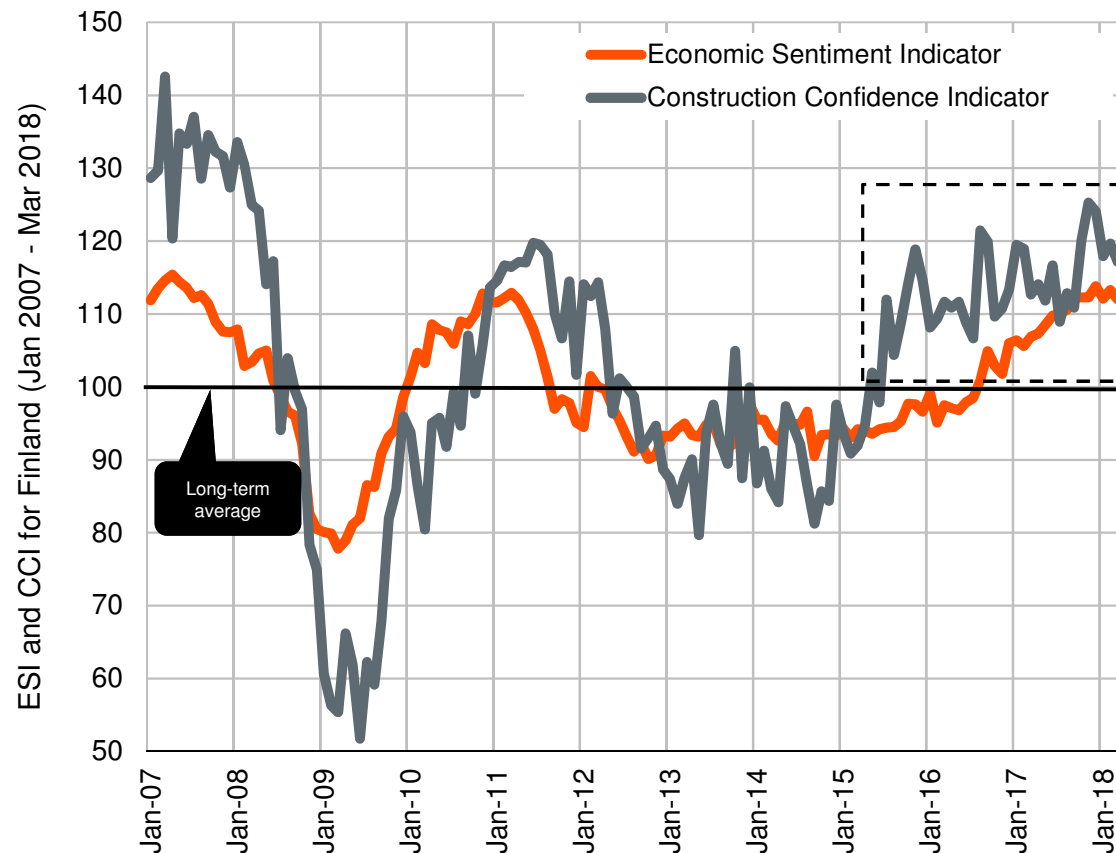
- Q1/2018 net debt at EUR 20.3m (15.0m)
- Q1/2018 equity ratio at 30.9% (37.2%)
- Q1/2018 gearing at 80.5% (49.7%)
- Cash and cash equivalents at the end of Q1/2018 amounted to EUR 3.5m (6.3m). In addition, the company had undrawn revolving credit facilities amounting to EUR 3.0m

Market Outlook and Guidance

Lead indicators for the Finnish economy and construction continue to remain on a good level

Economic Sentiment and Construction Confidence / Finland (2007 – 3/2018)

Comments



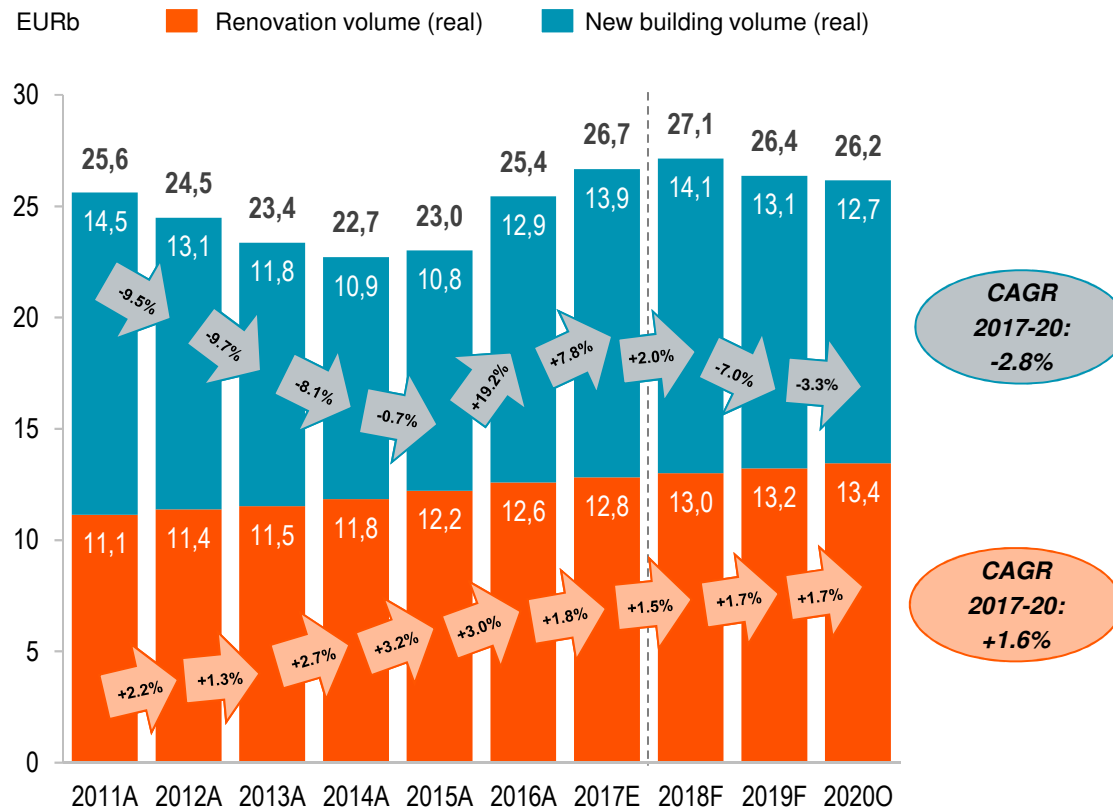
Note: Mean-adjusted figures

Source: European Commission, March 2018

- Economic sentiment in Finland has steadily improved since it rose above the long-term average in August 2016
- Construction confidence surpassed the long-term average level in summer 2015 and has steadily remained above that level
- Both indicators at good level in the early 2018

Stable growth in renovation to continue

Finnish new building and renovation market development



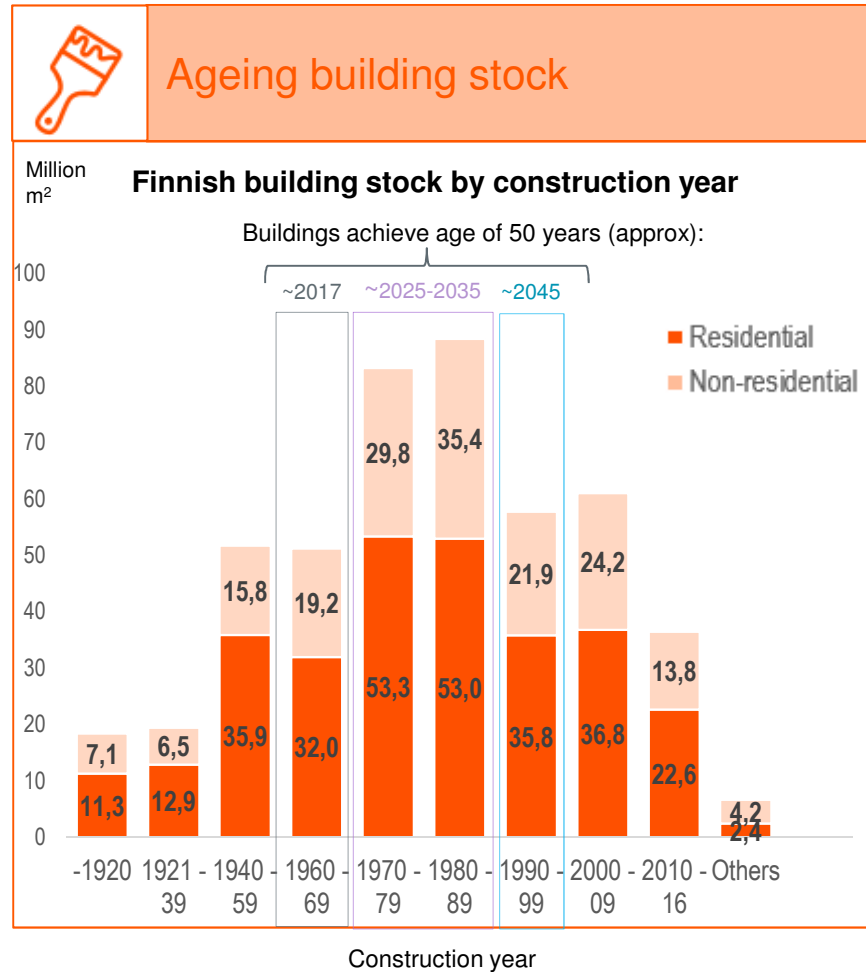
Comments

- The peak of the economic cycle in construction sector on-going
 - Challenges in availability of building technology and renovation professionals
- Total construction market forecast for 2018: Euroconstruct +1.8% and CFCI +2.4%
- New building forecast for 2018: Euroconstruct +2.0% and CFCI +2.8%
- Renovation forecast for 2018: Euroconstruct +1.5% and CFCI +2.0%
 - Repairs of residential buildings to increase in growth centres
 - Repairs of office premises to increase driven by economic growth


Source: Euroconstruct, November 2017


CFCI = The Confederation of Finnish Construction Industries, March 2018

Demand-driven renovation market growth supported by a number of key structural growth drivers




Source: Statistics Finland

 Energy efficiency

 Urbanisation and concentration of renovation in growth centers

 Modifications of the use of buildings

 Increased need for building technology and automation

Guidance for financial year 2018

“The Company estimates that its operating result for 2018 will grow compared to 2017.”





CONSTI

CONSTI GROUP PLC

29 MAY 2018

**THANK
YOU**

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