

An aerial photograph of a city, likely Helsinki, showing a large red brick church with green spires in the background. In the foreground, a large white building is covered in scaffolding and has the word 'CONSTI' written on its side. The city is surrounded by water, and various other buildings and streets are visible.

# CONSTI GROUP PLC

## ANNUAL GENERAL MEETING

### 4 APRIL 2018

CEO Esa Korkeela





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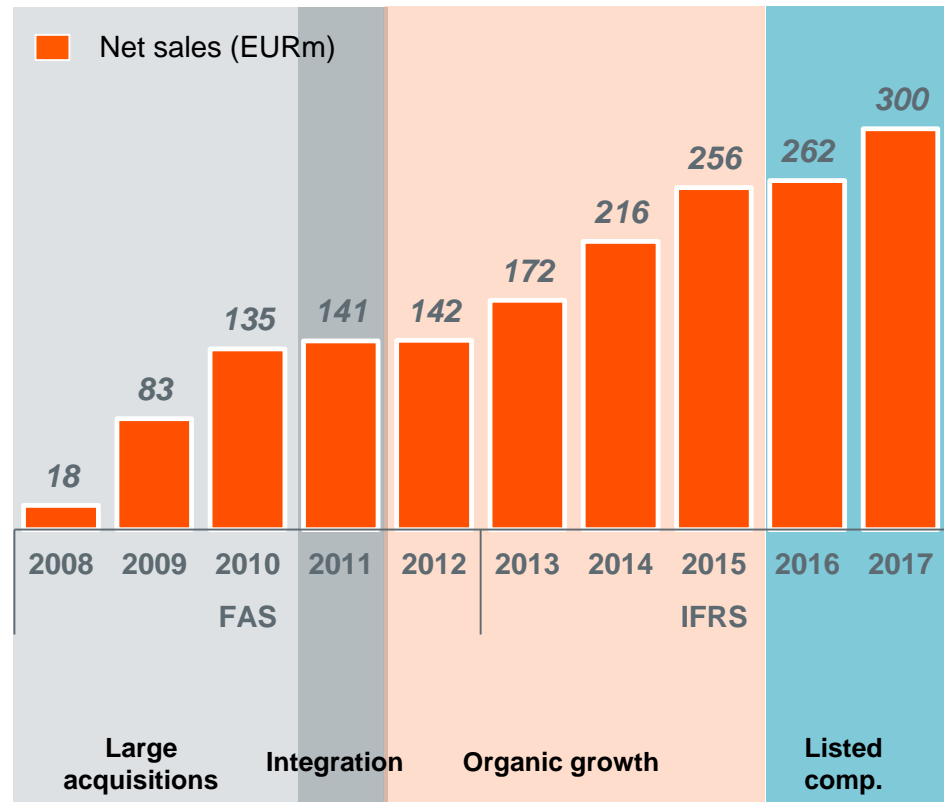
- **Consti in brief**
- **Consti's year 2017**
- **Outlook for 2018**

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

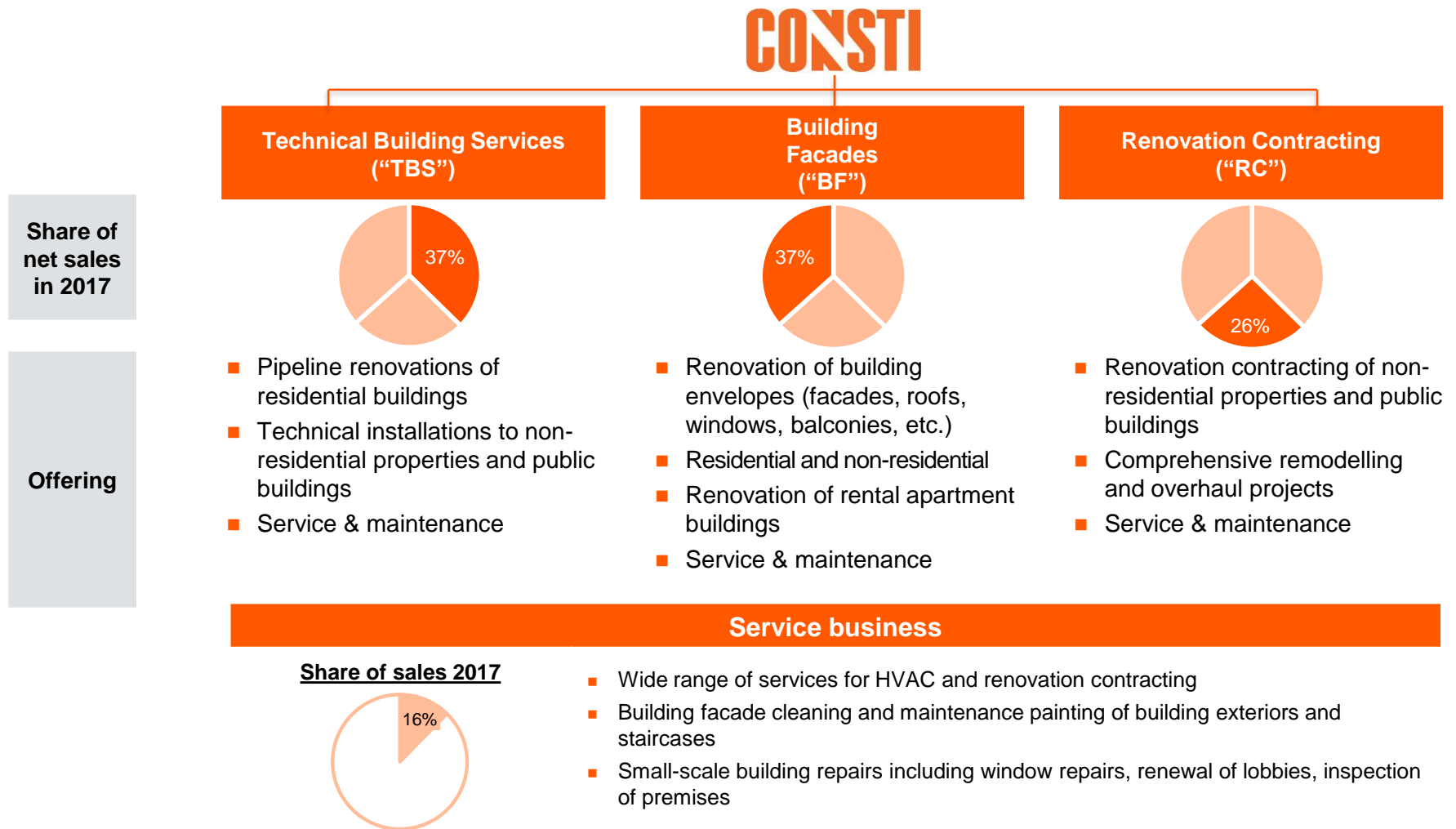
## Consti in brief

- 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 construction and building technology

## Net sales development

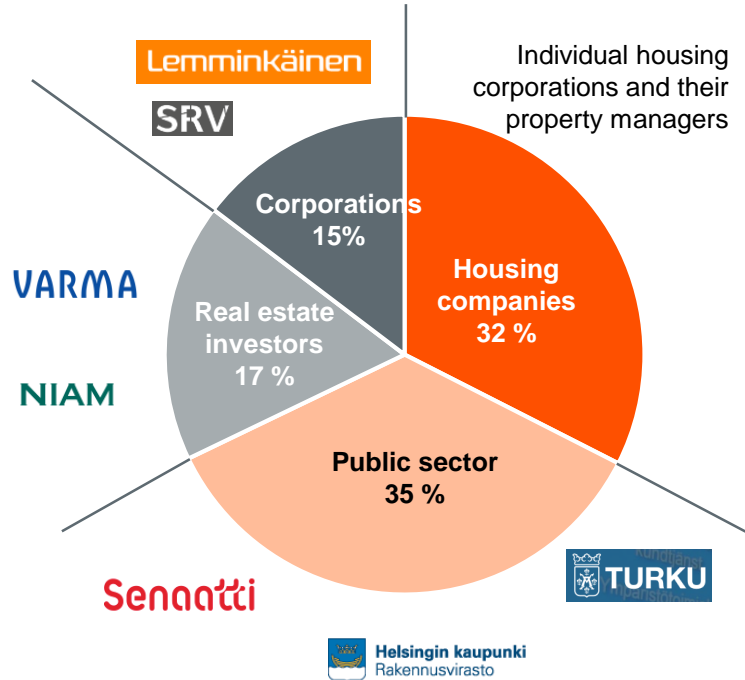


# Consti Group composes of three complementary operating segments based in Finland

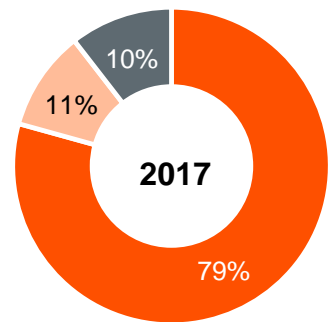


# Diverse customer mix protects against fluctuations in the market; presence in Finnish growth centres

Net sales by customer groups in 2017



Net sales by geographical area in 2017



- Helsinki & Uusimaa
- Tampere & Pirkanmaa
- Others



Net sales realised from one single customer did not exceed 10% of the year's sales.

# 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 Linnoituskentie 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



### Espoonlahti church, Espoo

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



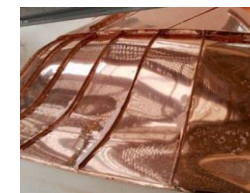
### Oulu's Liiketalo, Oulu

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

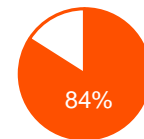


### Bostads Ab Parkgatan 9, Helsinki

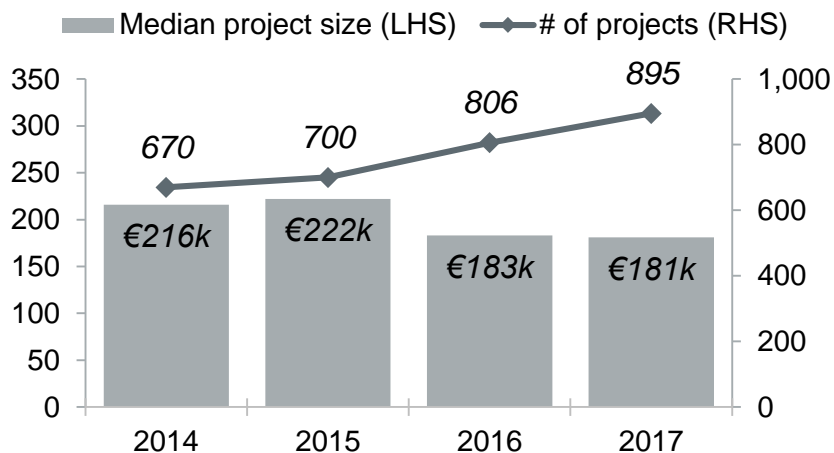
- Renewal of facades, sheet metal roof and copper details.
- Building Facades



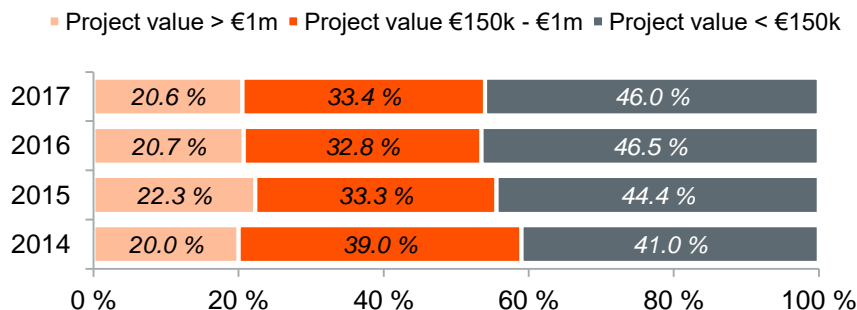
# Consti Group's project business – Dispersed project base with a relatively small median project size



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



Project size distribution (# of projects)

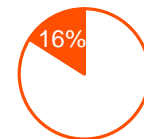


	Fixed price	Target price (incl. ceiling)	Cost + fee (incl. unit price)
Main contract	▶ With design responsibility		
	▶ With design management responsibility		
	▶ Without design responsibility		
Sub- or partial contract	▶ With design responsibility		
	▶ With design management responsibility		
	▶ Without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

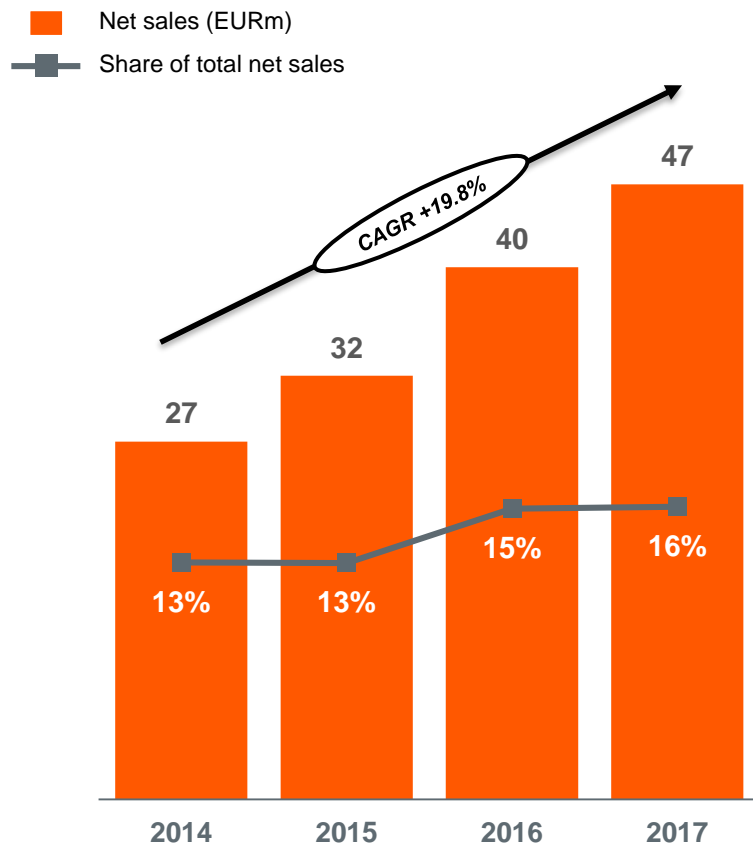
1) Number of projects based on management accounts. Project is qualified if it is accounted for according to the POC method and had realised revenue during the financial year. Total number of work tasks performed is larger (including non-POC)



# 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	<ul style="list-style-type: none"> <li>▶ Fixed-term service contract</li> <li>▶ Frame agreement</li> <li>▶ Service projects</li> </ul>		

- 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

## 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

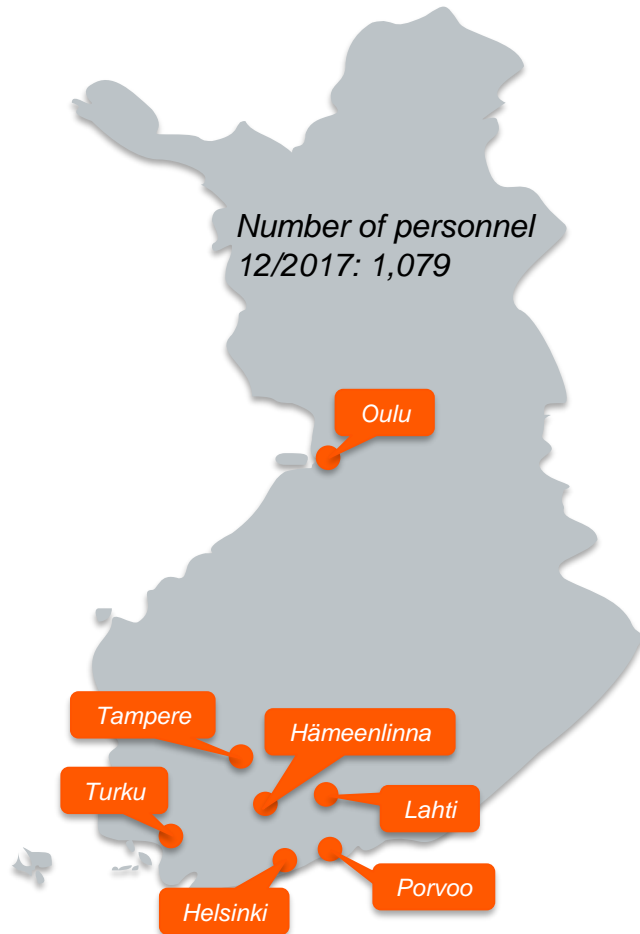
\* The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial expenses and taxes, less capital used for purchase of intangible assets and property, plant and equipment



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# Financial year 2017



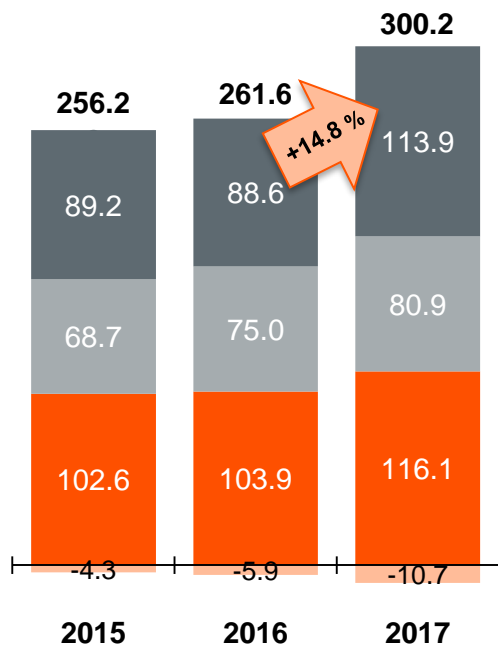
- Net sales EUR 300.2 (261.6) million, growth +14.8%
- Share of Service business 16% (15% in 2016)
- EBIT EUR -0.4 (11.0) million, EBIT margin -0.1% (4.2%)
- Personnel, average 1,088 (933)
- Free cash flow EUR 8.9 (10.9) million
- Order backlog EUR 225.7 (190.8) million, up by +18.3% year-on-year
- Net interest-bearing debt EUR 12.1 (12.1) million
- Gearing at 47.7% (40.8%)
- Earnings per share EUR -0.14 (1.05)
- Number of shareholders at year end 3,470 (1,788)
- The Board proposes that no dividend will be paid for 2017



# Performance by business segment

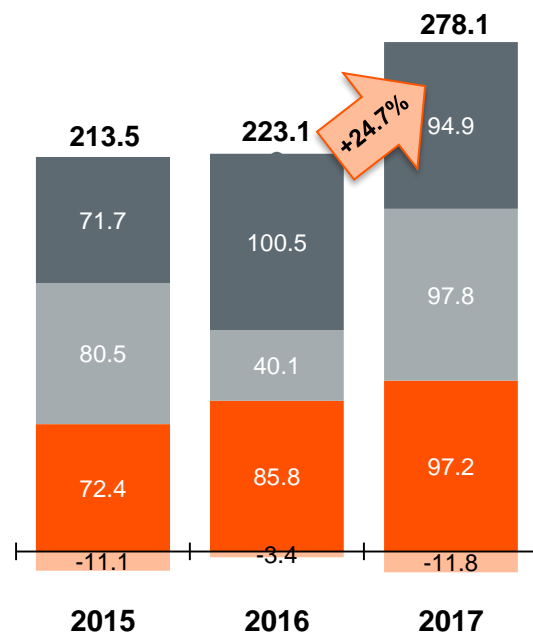
## NET SALES

MEUR



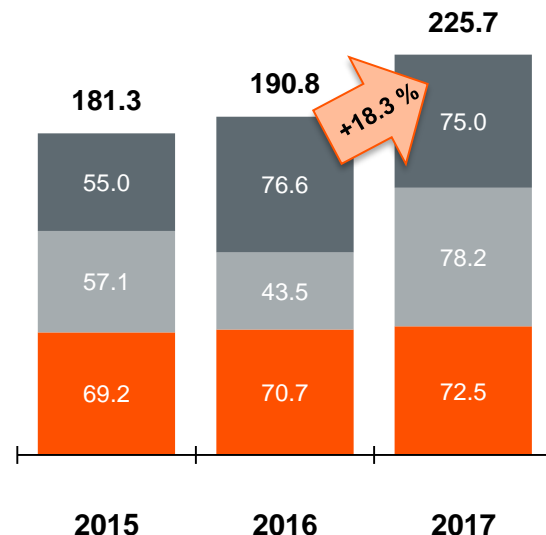
## ORDER INTAKE

MEUR



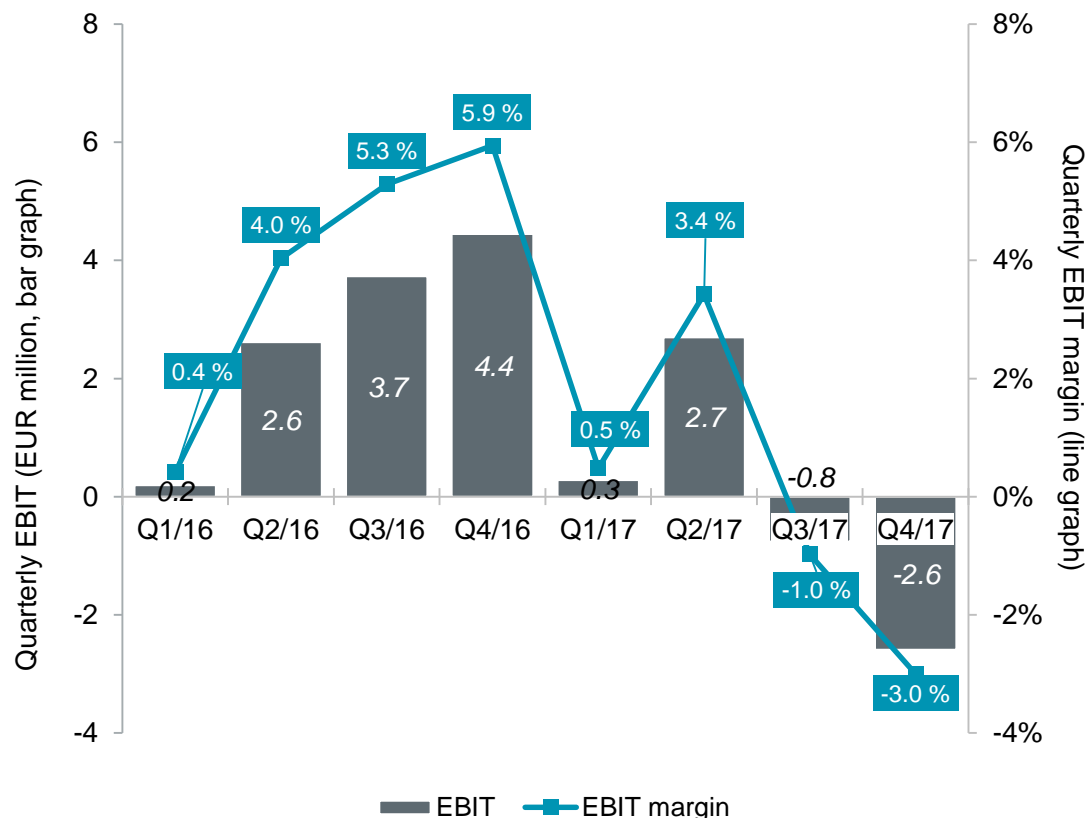
## ORDER BACKLOG

MEUR



# Corrective actions for improving profitability initiated and ongoing

Quarterly EBIT Q1/2016 – Q4/2017 (EUR million)

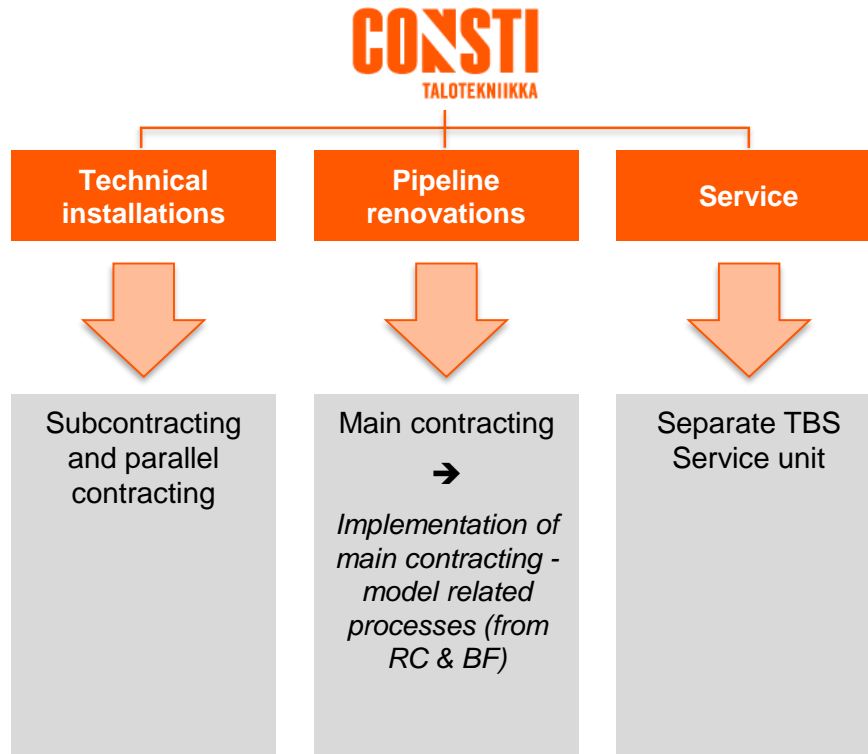


Comments

- Full-year 2017 EUR -0.4m (11.0m), or -0.1% (4.2%) of net sales
- Q3 and Q4 operating result was weakened by profitability problems in project management and execution.
- From Q3 onwards, Consti assessed ongoing and completed projects, which still had remaining disagreements and unfinished work.
- Based on the assessments, cost and profitability estimates for the project base were adjusted and provisions and write-offs were made mainly related to the Technical Building Services business area, as well as one ongoing project in our Renovation Contracting business area.
- In addition, Q4 operating result was weakened by the execution of the remaining performance obligations from certain already identified projects that generate low gross margin on sales.

# Corrective actions for improving profitability initiated and ongoing

## New TBS organisation



## THREE DIFFERENT DELIVERY PROCESSES

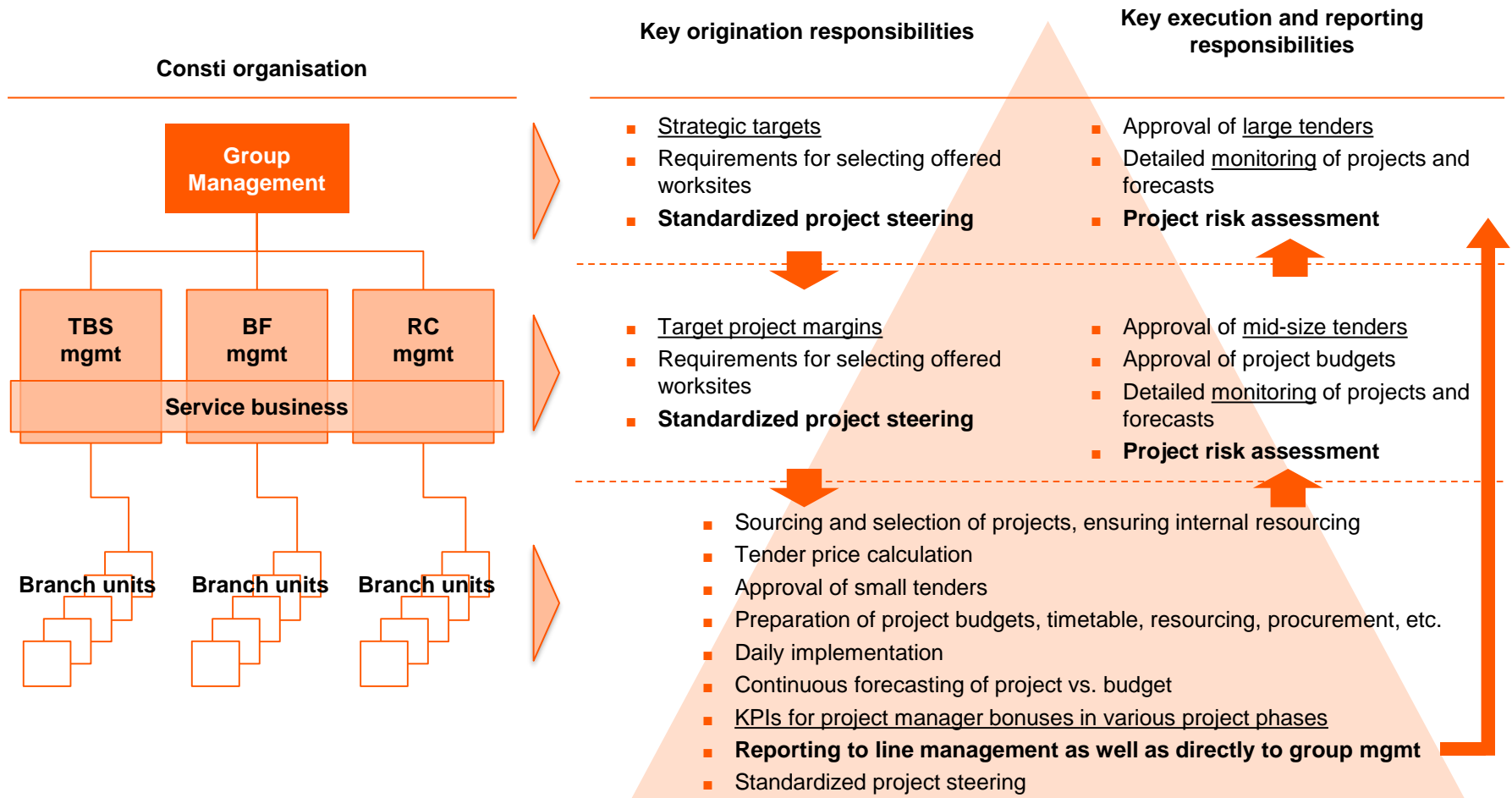
## Comments

### ■ Corrective actions:

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

# Consti has a decentralised operating model

Branch units have accountability; focus on project steering and reporting; clarified financial reporting responsibilities



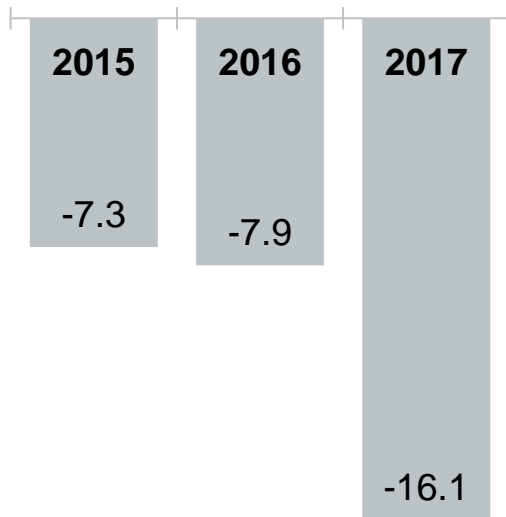
Source: Consti



# Asset-light business model supporting strong cash conversion

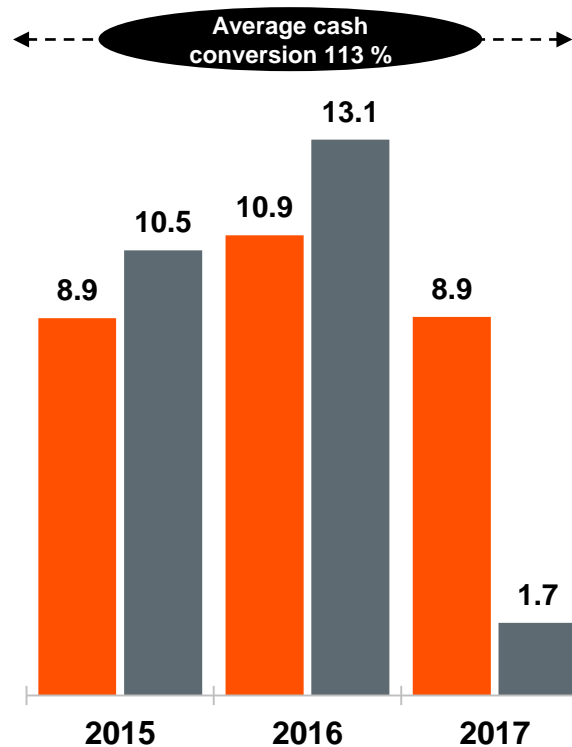
## Net working capital

■ Net working capital at year-end (EURm)



## Cash conversion<sup>1)</sup>

■ Free cash flow (EURm)  
■ EBITDA (EURm)



## Balance sheet KPIs as per 31 Dec 2017

**47.7 %**  
Gearing

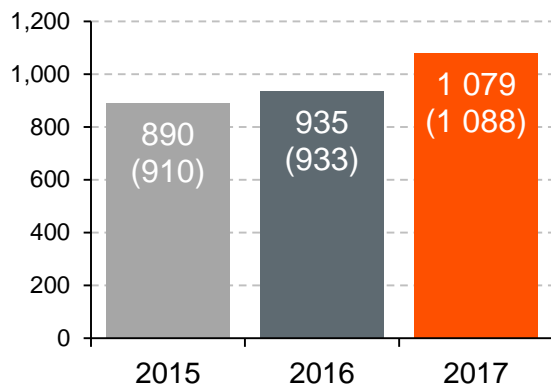
**28.6 %**  
Equity ratio

EURm  
**12.1**  
Net debt

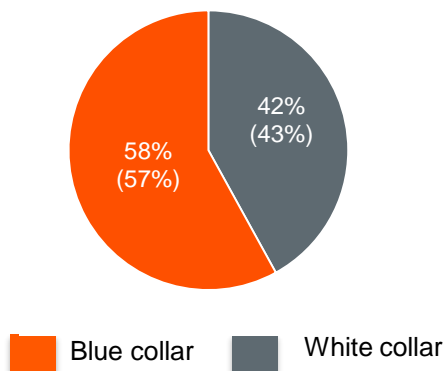
1) The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial expenses and taxes, less capital used for purchase of intangible assets and property, plant and equipment

# Good development in personnel figures in 2017

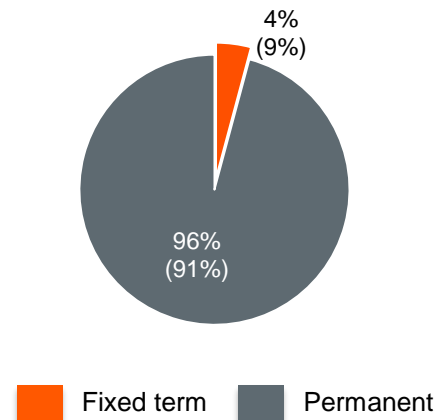
Personnel at year end (average)



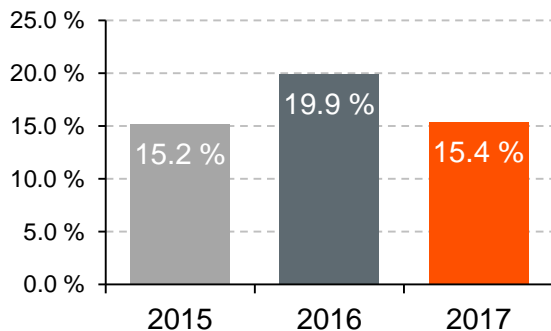
Blue collar / White collar  
2017 (2016)



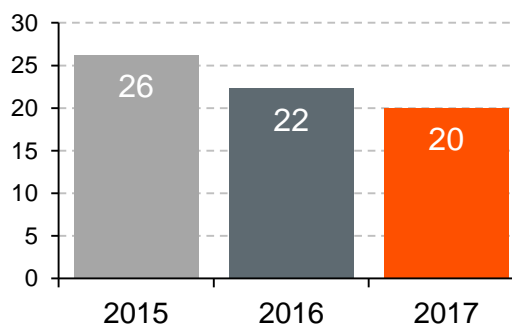
Permanent / Fixed term  
2017 (2016)



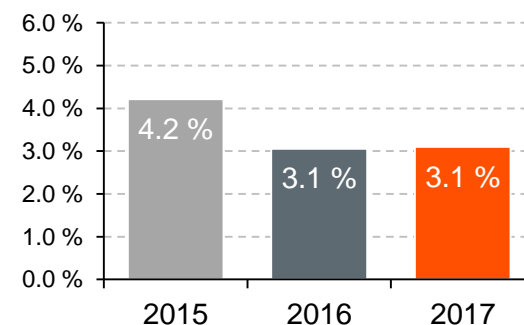
Permanent personnel turnover  
(% of employees leaving)



Accident rate  
(accidents per million hours worked)



Average absence rate





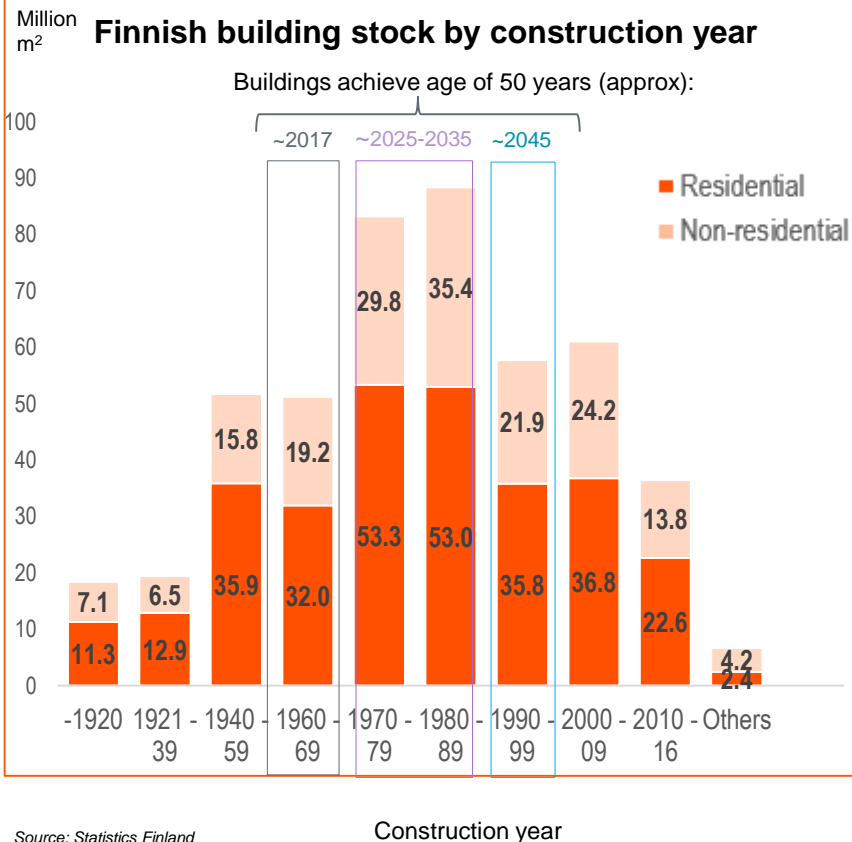
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# Demand-driven renovation market growth supported by a number of key structural growth drivers



## Ageing building stock



## Energy efficiency



## Urbanisation and concentration of renovation in growth centers



## Modifications of the use of buildings



## Increased need for building technology and automation

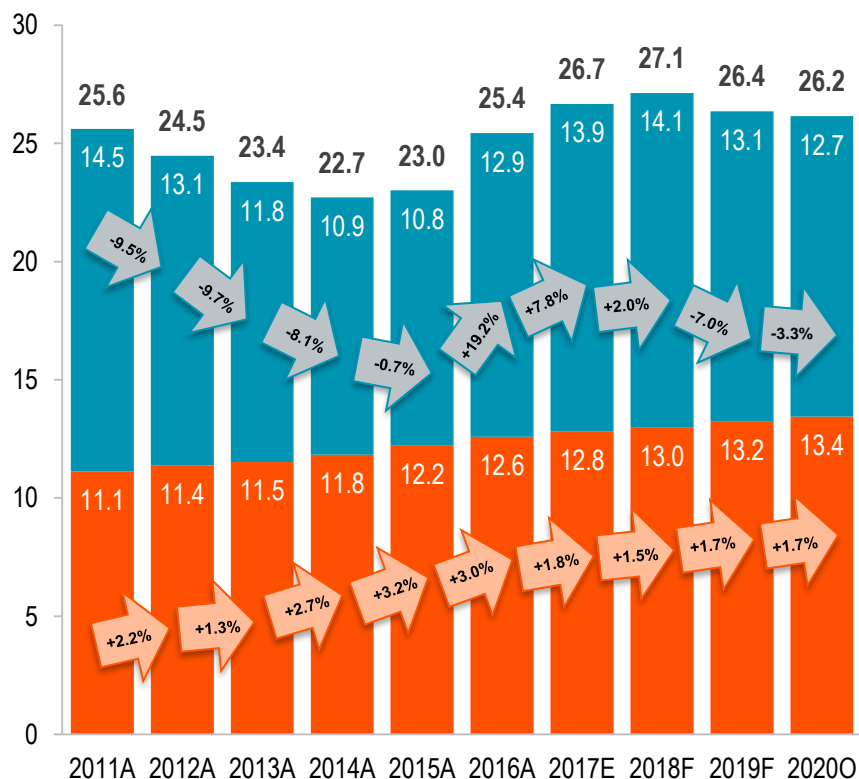


# Stable growth in renovation to continue

## Finnish new building and renovation market development

EURmrd ■ Renovation volume (real)

■ New building volume (real)



Source: Euroconstruct, November 2017

CFCI = The Confederation of Finnish Construction Industries, March 2018

- The peak of the economic cycle in construction sector in progress.
  - 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%
  - 1970s apartments' total renovations, and renovations for saving energy, in public sector schools and hospitals in particular
  - Major refurbishments for office and commercial buildings

# Guidance for financial year 2018

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

