

A photograph of a modern office interior. The space is bright and airy, featuring large windows on the left side that let in natural light. The ceiling is white with exposed ductwork and modern lighting fixtures. A glass-walled office or meeting room is visible in the center, with a dark carpeted floor. The overall aesthetic is clean and professional.

# CONSTI PLC

## FINANCIAL STATEMENTS

1 JANUARY –  
31 DECEMBER 2020

CEO Esa Korkeela  
CFO Joni Sorsanen

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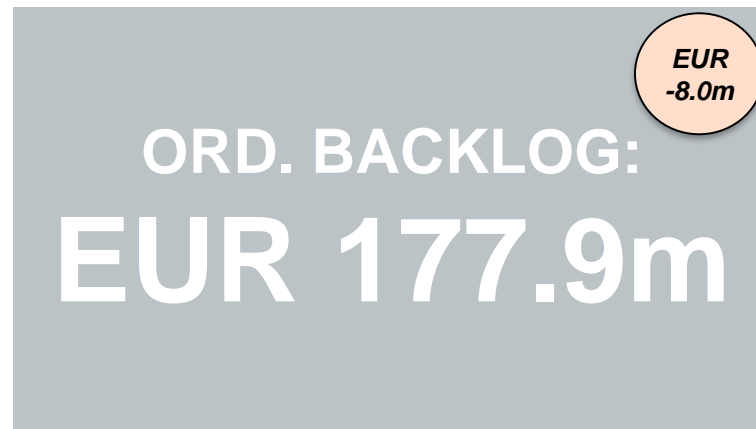
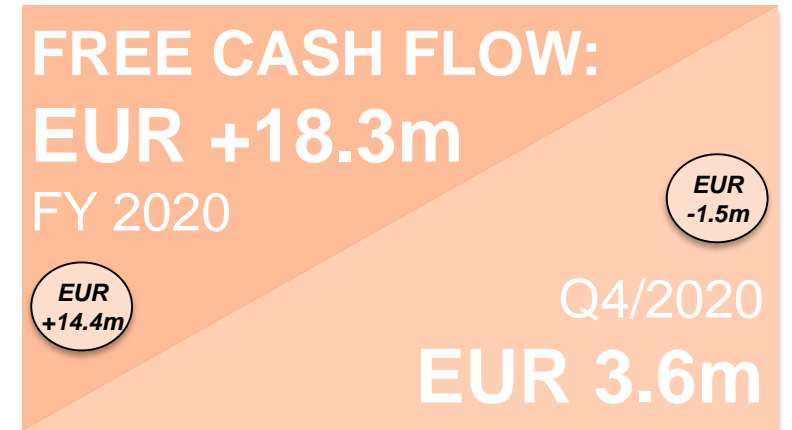
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1. **Highlights and Group performance**
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# Highlights of FY 2020 and Q4/2020

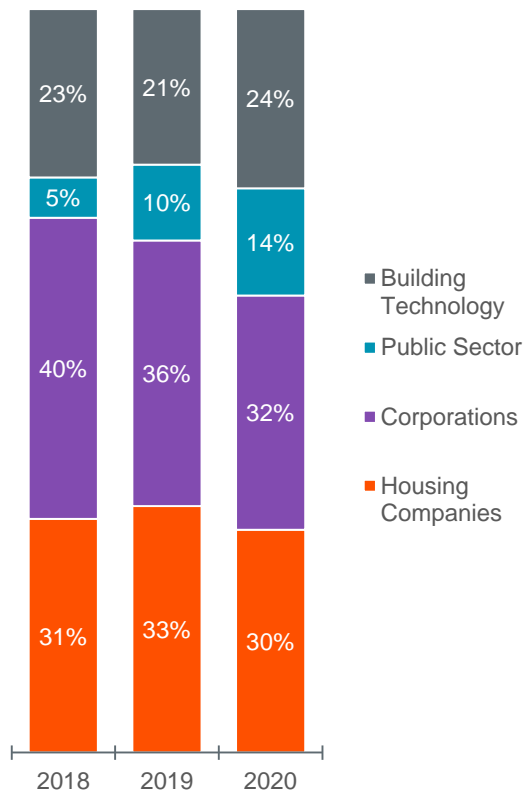
Profitability continued to improve



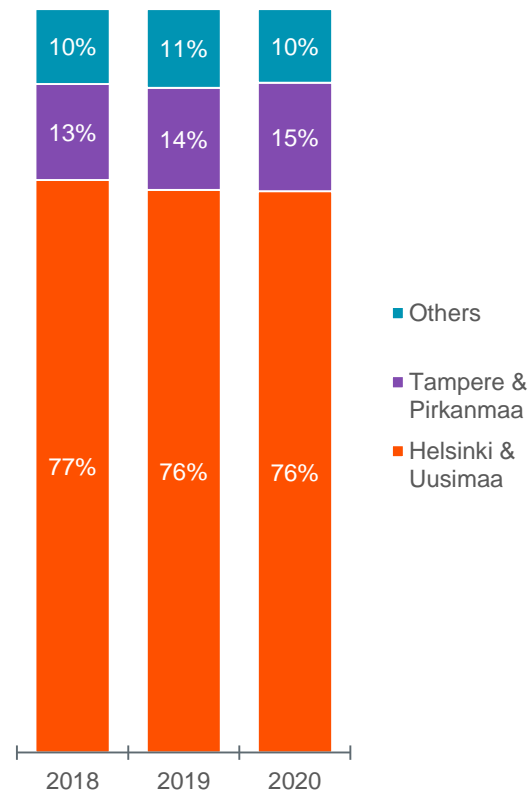
# Consti Group's net sales overview 2018-20

Share of Public Sector business area increased in 2020 while geographical mix virtually intact. Share of Service business continued to increase slightly

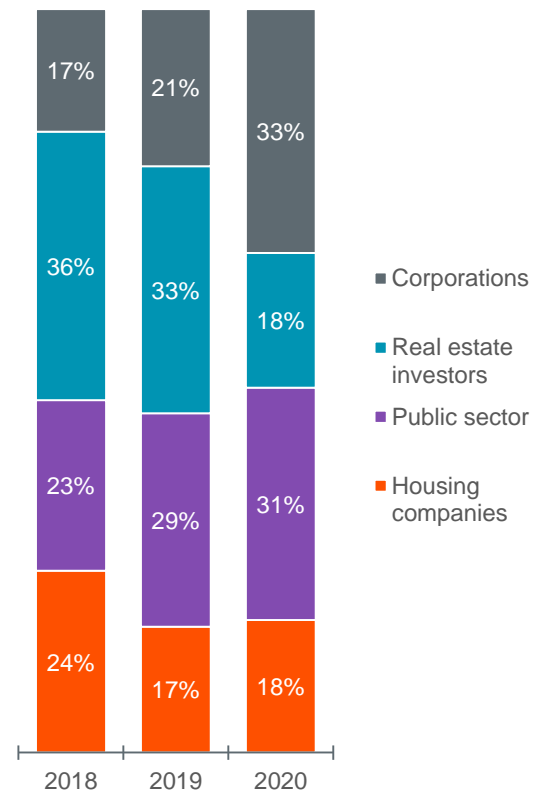
## Net sales by business area



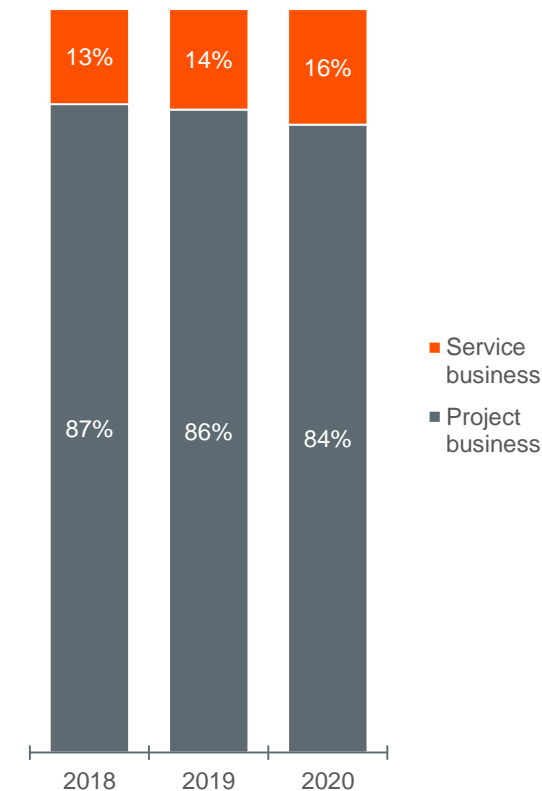
## Net sales by geography



## Net sales by customer group



## Net sales by project / service

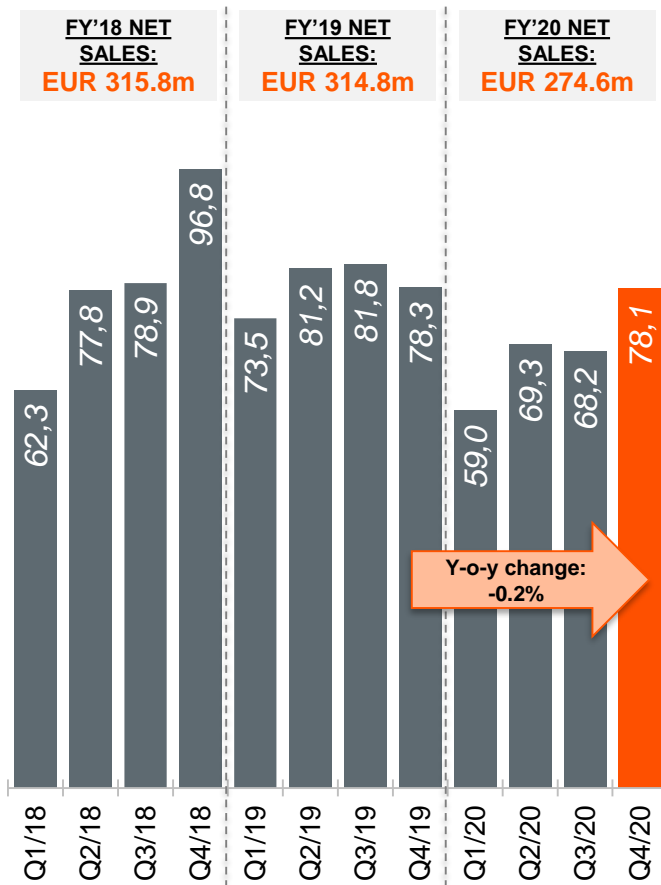


1) Business area splits excluding eliminations

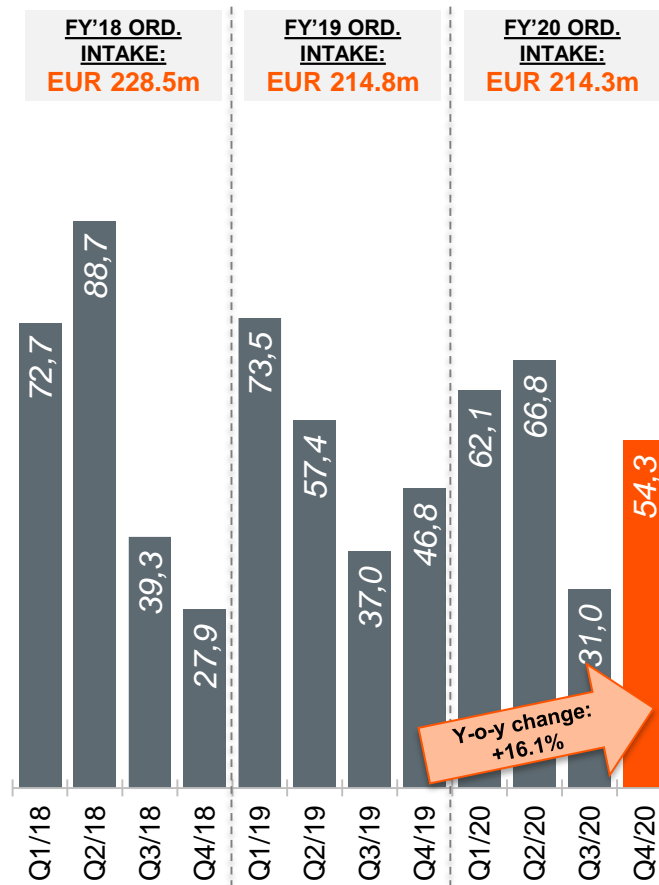
# Quarterly performance overview

COVID-19 had a negative impact on the development of both net sales and order intake in FY 2020, order backlog at year-end down by 4.3% compared to previous year

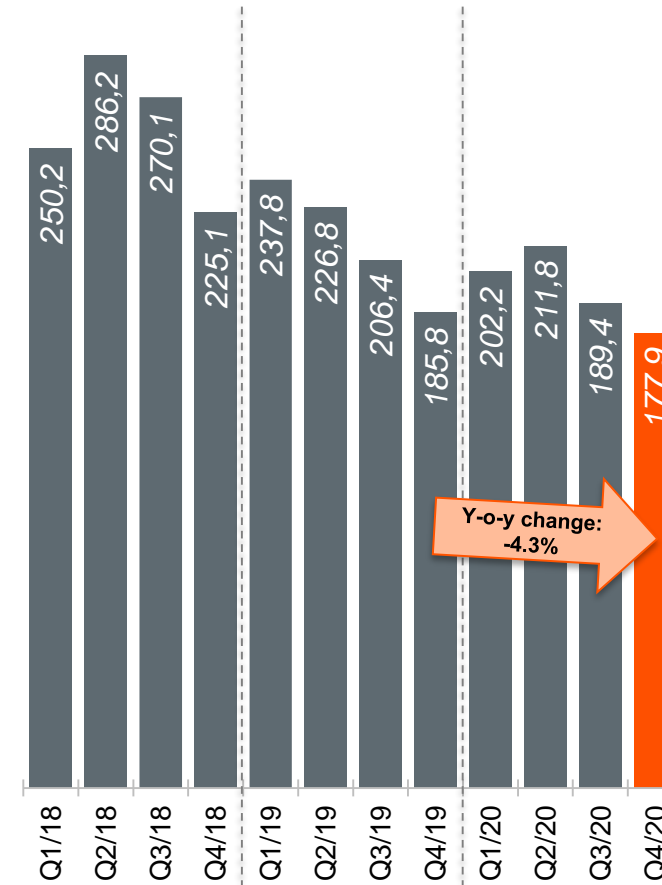
## QUARTERLY NET SALES (EUR m)



## QUARTERLY ORDER INTAKE (EUR m)



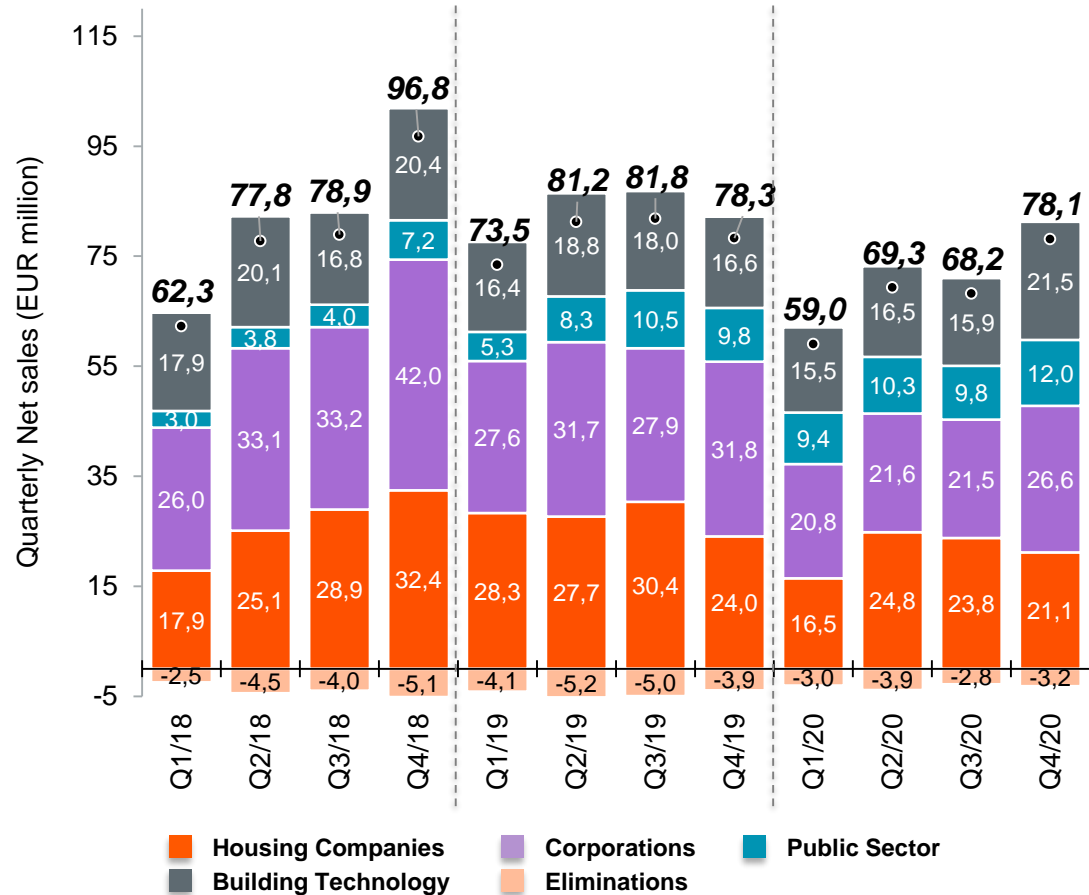
## QUARTERLY ORDER BACKLOG (EUR m)



# Quarterly net sales development

Full-year net sales affected by COVID-19. However, Q4 net sales amounted to EUR 78.1m, nearly at last year's level

Quarterly net sales development Q1/2018 – Q4/2020 (EUR m)



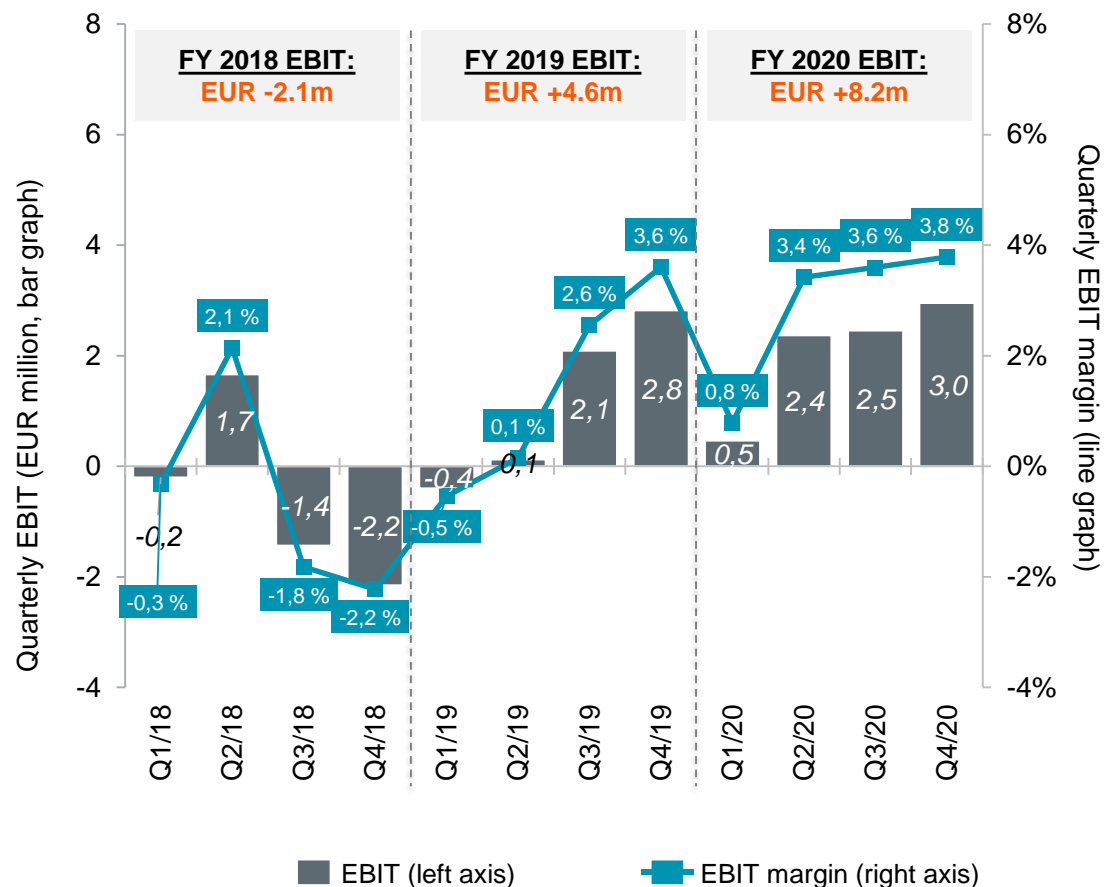
## Comments

- Q4/2020 net sales EUR 78.1m (78.3m)
  - Year-on-year growth -0.2%
  - Housing Companies net sales EUR 21.1m (24.0m)
  - Corporations net sales EUR 26.6m (31.8m)
  - Public Sector net sales EUR 12.0m (9.8m)
  - Building Technology net sales EUR 21.5m (16.6m)
- FY 2020 net sales EUR 274.6m (314.8m)
  - Year-on-year growth -12.8% → affected by COVID-19
  - Housing Companies net sales EUR 86.1m (110.4m) → net sales negatively affected by the postponed decision-making of housing companies due to the corona crisis
  - Corporations net sales EUR 90.6m (119.1m) → Fewer number of large comprehensive renovation projects than in the comparison period as well as decreased demand for renovation services in the non-residential sector due to the corona crisis
  - Public Sector net sales EUR 41.4m (33.9m) → net sales grew as expected thanks to strong order backlog
  - Building Technology net sales EUR 69.3m (69.7m) → net sales virtually on last-year's level

# EBIT development

## Profitability continued to improve

Quarterly EBIT development Q1/2018 – Q4/2020 (EUR m)



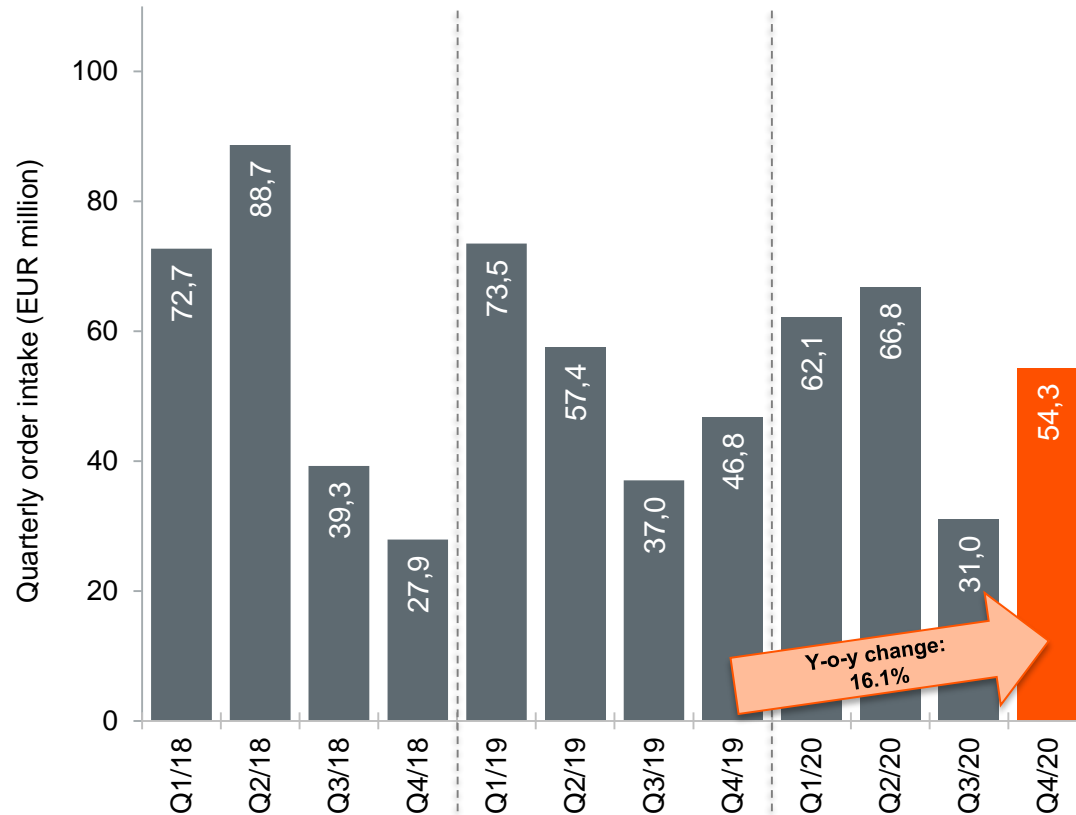
### Comments

- Q4/2020 EBIT amounted to EUR 3.0 (2.8) million, or 3.8% (3.6%) of net sales
  - EBIT improved compared to previous quarter as well as y-on-y
  - Profitability developed mainly as expected during Q4
  - Legal costs related to St. George arbitration proceedings totalled EUR 0.6 (0.4) million in the fourth quarter
- FY 2020 EBIT amounted to EUR 8.2 (4.6) million, or 3.0% (1.5%) of net sales
  - Profitability development in line with expectations in 2020
  - All business areas were profitable in 2020
  - FY 2020 performance was supported by
    - Implementation of the new organisation structure and change program in 2019
    - Flexibility of operating costs in relation to changes in volume
    - Solid project performance
  - Legal costs related to St. George arbitration proceedings totalled EUR 1.2 (0.7) million in 2020, negatively impacting full-year EBIT

# Quarterly order intake development

Q4/2020 order intake EUR 54.3 million (46.8m), up by 16.1 percent y-o-y

Quarterly order intake development Q1/2018 – Q4/2020 (EUR m)



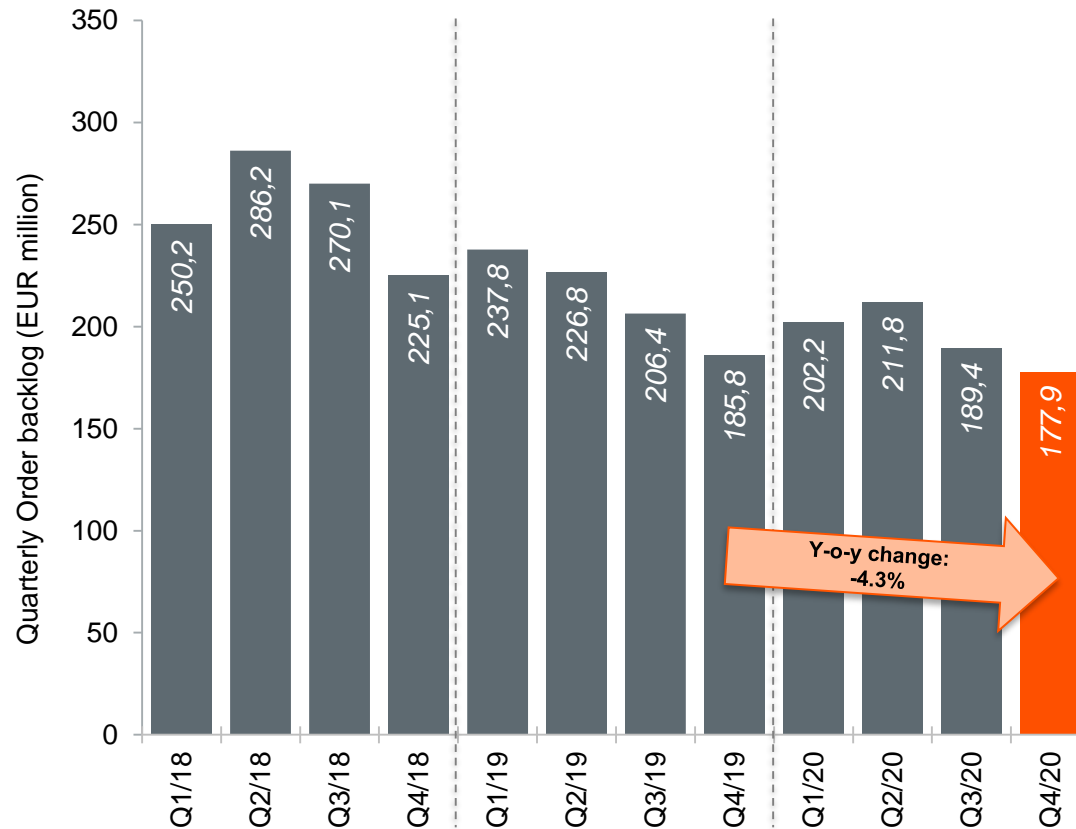
## Comments

- Q4/2020 order intake EUR 54.3m (46.8m)
  - Year-on-year growth 16.1%
  - Examples of new orders received in Q4:
    - KOy Kampinmäki, comprehensive renovation in Helsinki
    - As Oy Myyrinkoivu, plumbing renovation in Vantaa
    - As Oy Rinnepankko, plumbing renovation in Kuopio
    - HUS Jorvi, installation of HVAC systems of operating rooms within a hospital in Espoo
    - Rikhard Nymanintie 3, comprehensive renovation of two rental apartment buildings in Helsinki
- FY 2020 order intake EUR 214.3m (214.8m)
  - COVID-19 reflected in the development of order intake
  - Thanks to benefits of customer focused organisation, full year order intake almost at last year's level despite COVID-19

# Quarterly order backlog development

Q4/2020 order backlog at EUR 177.9 million (185.8m), down by 4.3% y-o-y

Quarterly order backlog development Q1/2018 – Q4/2020 (EUR m)



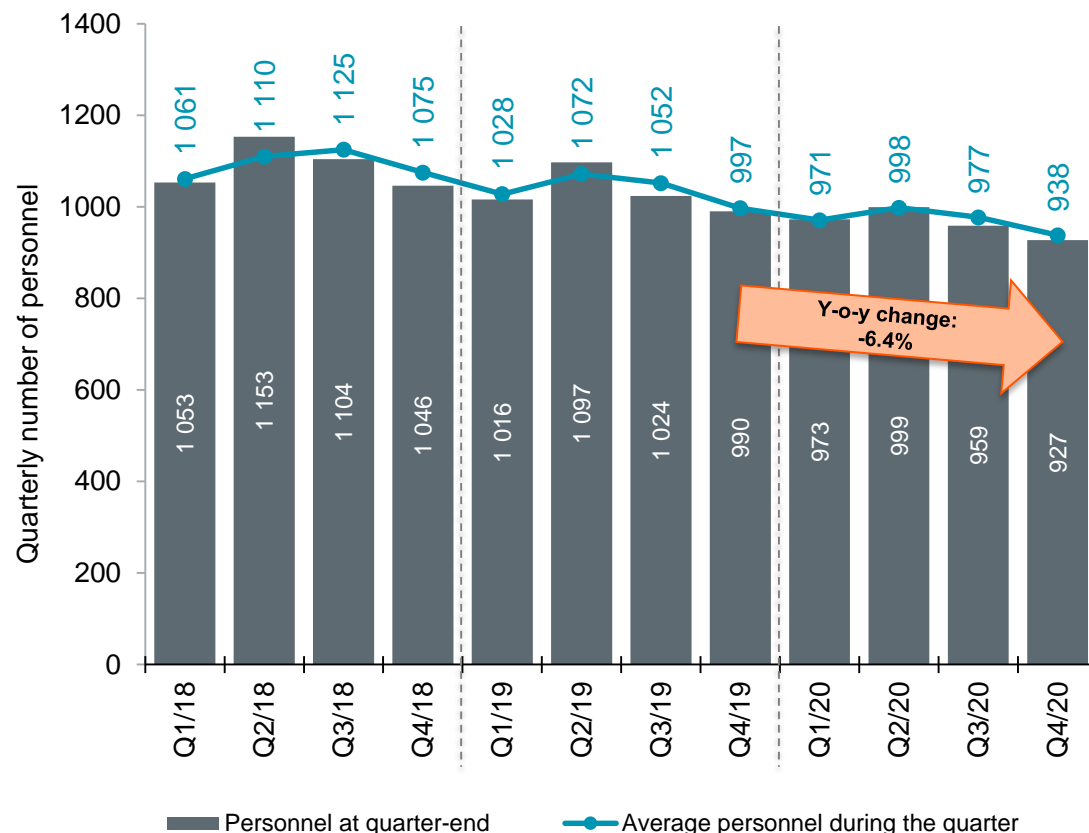
## Comments

- Q4/2020 order backlog at EUR 177.9m (185.8m)
  - Despite the good order intake during Q4, order backlog at year-end 4.3% lower compared to previous year-end
  - Larger share of Dec 2020 order backlog to be recognised within next 12 months compared to Dec 2019 backlog

# Quarterly development in number of personnel

Total number of personnel at the end of Q4/2020 decreased by 63 year-on-year

Quarterly development in number of personnel Q1/2018 – Q4/2020



## Comments

- Number of personnel at the end of Q4/2020 927 (990), reduction of 63
- Average number of personnel during Q4/2020 938 (997), reduction of 59
- Average number of personnel during FY 2020 971 (1,037), reduction of 66, or 6.4% year-on-year
- New organisation structure was implemented during 2019, resulting in smaller number of personnel while also assisting in adjusting resources to current level of business volumes

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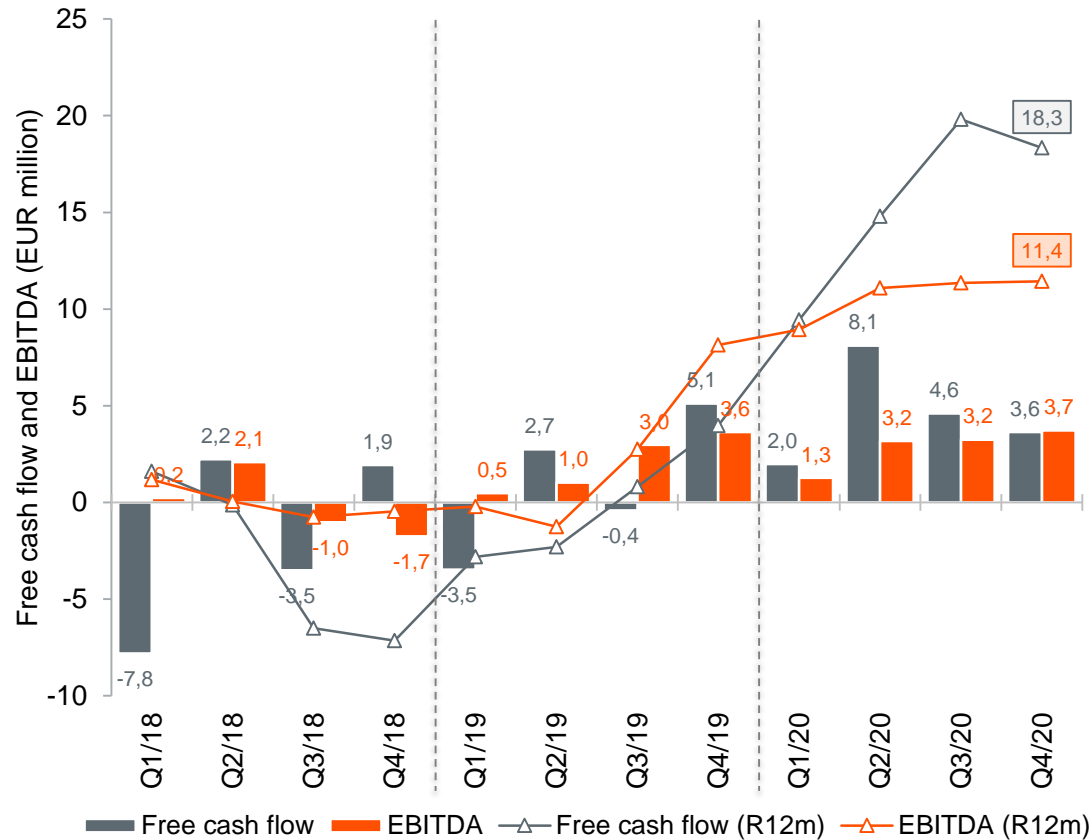
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# Quarterly free cash flow development

FY2020 cash flow supported by the improvement of operating result as well as released NWC

Quarterly free cash flow<sup>1)</sup> and EBITDA Q1/2018 – Q4/2020 (EUR m)



## Comments

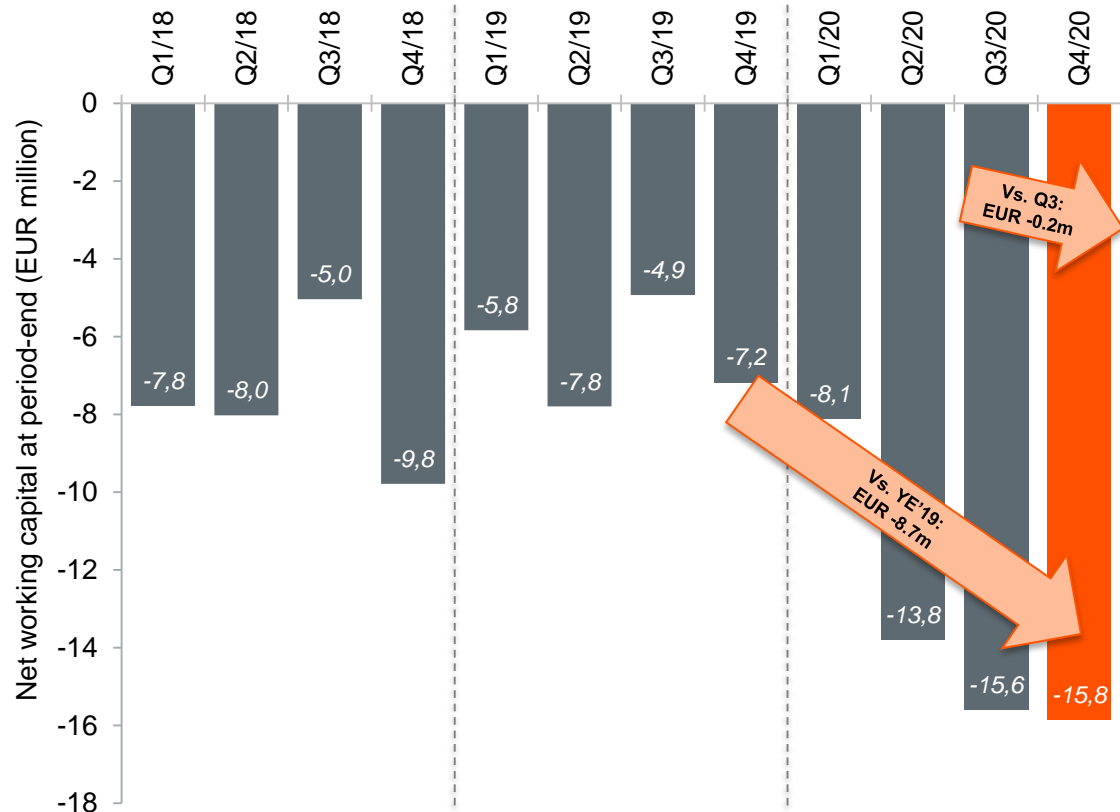
- Q4/2020 free cash flow EUR 3.6m (5.1m)
  - EBITDA amounted to EUR 3.7m (3.6), slight improvement
  - Cash flow impact from change in NWC EUR 0.0m (1.7m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.3m (-0.4m)
- FY 2020 free cash flow EUR 18.3m (4.0m)
  - EBITDA amounted to EUR 11.4m (8.1), clear year-on-year improvement
  - Cash flow impact from change in NWC was EUR +7.7m (-3.3m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -1.2m (-0.9m)
- FY 2020 cash conversion ratio 160.3%, exceeding the Group financial target of >90%

<sup>1)</sup> 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 -15.8 million at the end of Q4/2020

Quarterly net working capital<sup>1)</sup> Q1/2018 – Q4/2020 (EUR m)



## Comments

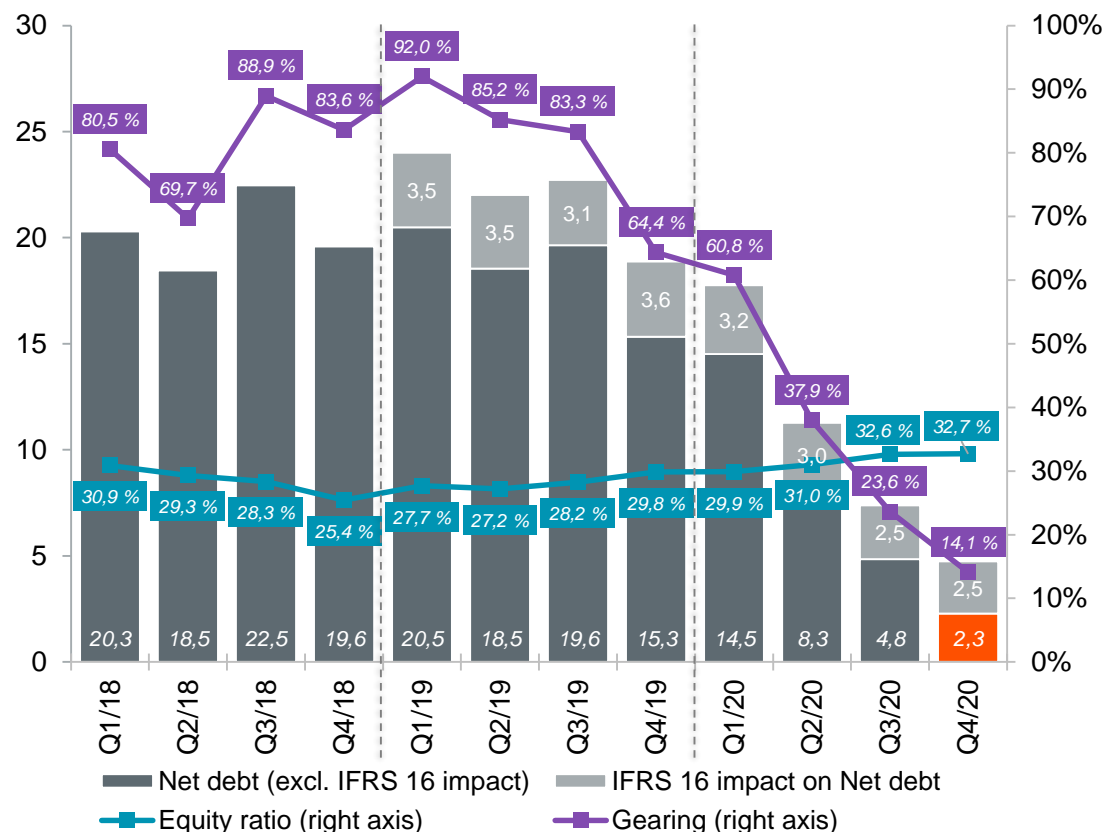
- Net working capital EUR -15.8m (-7.2m) at the end of Q4/2020
  - NWC released during Q4/2020 amounted to EUR 0.2m
  - NWC released during FY 2020 amounted to EUR 8.7m
  - Net working capital released particularly through improvement of the project portfolio's financial position

<sup>1)</sup> Net working capital calculated as follows: Inventories + Trade and other receivables + Deferred tax receivables – Trade and other payables – Advances received – Provisions

# Quarterly balance sheet structure

Q4 financial position strengthened y-o-y as well as compared to previous quarter

Quarterly net debt, equity ratio and gearing Q1/2018 – Q4/2020



## Comments

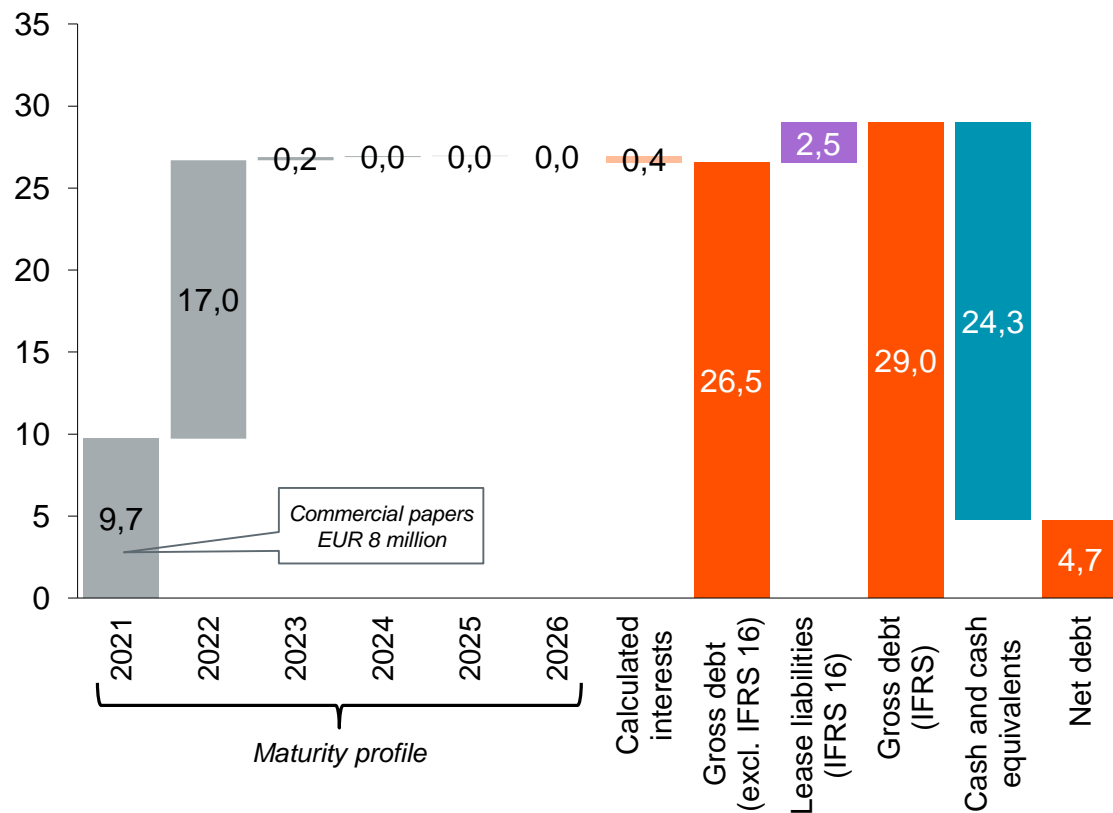
- Financial position as per 31 December 2020 strengthened y-o-y as well as compared to previous quarter
- Q4/2020 net debt at EUR 4.7m (18.9m), of which EUR 2.5 (3.6m) is attributable to IFRS 16 related lease liabilities
  - Net debt continued to decrease throughout the financial year
- Q4/2020 equity ratio at 32.7% (29.8%)
  - Adoption of IFRS 16 decreased Q4/2020 equity ratio by 0.8 (1.1) percentage points
- Q4/2020 gearing at 14.1% (64.4%)
  - Adoption of IFRS 16 increased Q4/2020 gearing by 7.3 (12.2) percentage points

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

# Maturity distribution of interest-bearing debt (31 December 2020)

No significant bank loan redemptions in 2021. Good liquidity position at the end of Q4

Maturity profile of interest-bearing debt<sup>1)</sup> as per 31 December 2020 (EUR m)



## Comments

- Consti's gross interest-bearing debt at EUR 26.5 million (excluding IFRS 16) at the end of Q4/2020
- Cash and cash equivalents amounted to EUR 24.3m at quarter-end
- In addition, Consti has undrawn revolving credit facilities and unused credit limits amounting to EUR 8.0m in total
- Majority of Consti's bank loans have maturity in 2022, i.e. no significant bank loan redemptions in 2021
- Hybrid bond of EUR 3.2m, issued in March 2019, has its first call date in 2021 (non-call period of 2 years)

<sup>1)</sup> Both calculated interest payments and repayments of the principal included in maturity profile values

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# Key market drivers

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**Economic uncertainty  
due to the Covid-19 pandemic**

**New-build and renovation demand in growth  
centers due to urbanization**

**Renovation growth driven by  
the age of the Finnish building stock**

**Growing need for flexible and  
multi-purpose space solutions**

**New opportunities and requirements in  
digital solutions and technologies**

**Increased need and demand for energy-  
efficient and sustainable construction  
solutions**

**Renovation to meet the needs of  
the aging population**

# Market trends and their implications

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**Labor availability can limit growth and profitability – continued investments in skilled workers are required**

**Changes in contract models may threaten and enable profitability improvement**

**Increasing production efficiency and standardization is challenging, but offers significant development potential**

**Prefabrication and modular construction can be leveraged in repeatable projects**

**Changes in the value chain may weaken the position of contractors – expansion in the value chain may be required**

**Start-ups are innovating throughout the value chain - opportunities for collaboration need to be assessed**

# Consti vision development 2017→

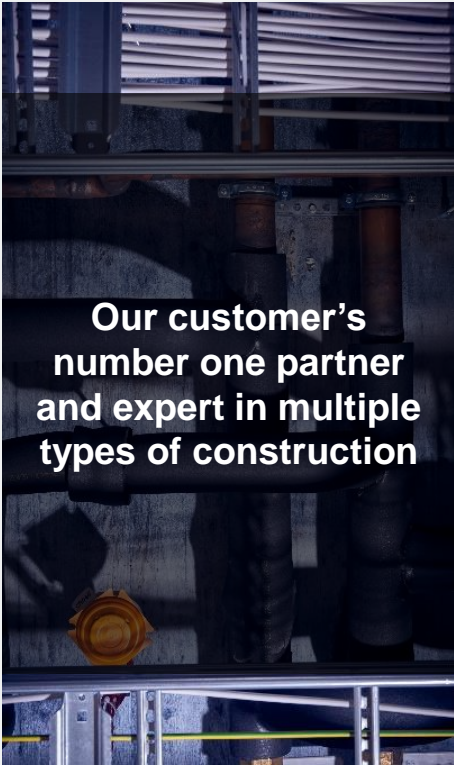
2017



2020



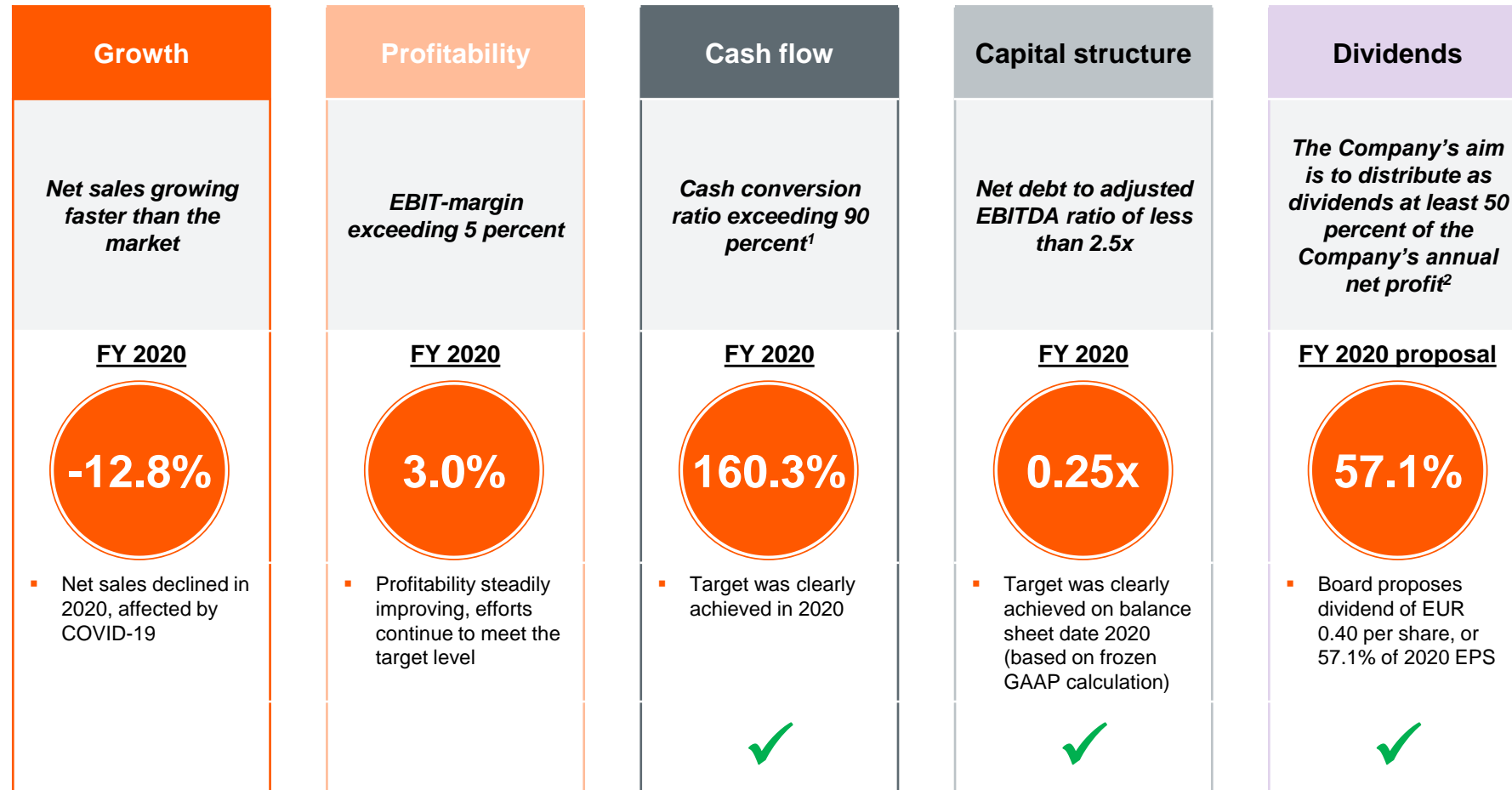
2023



# Group Strategy 2021-2023



# Consti's long-term financial targets for 2021-2023 remain unchanged



1) Cash conversion defined as free cash flow divided by EBITDA. Free cash flow equals operating cash flow before net financial items and taxes less investments in tangible and intangible assets

2) While taking other factors such as financial position, cash flow and growth opportunities into consideration.

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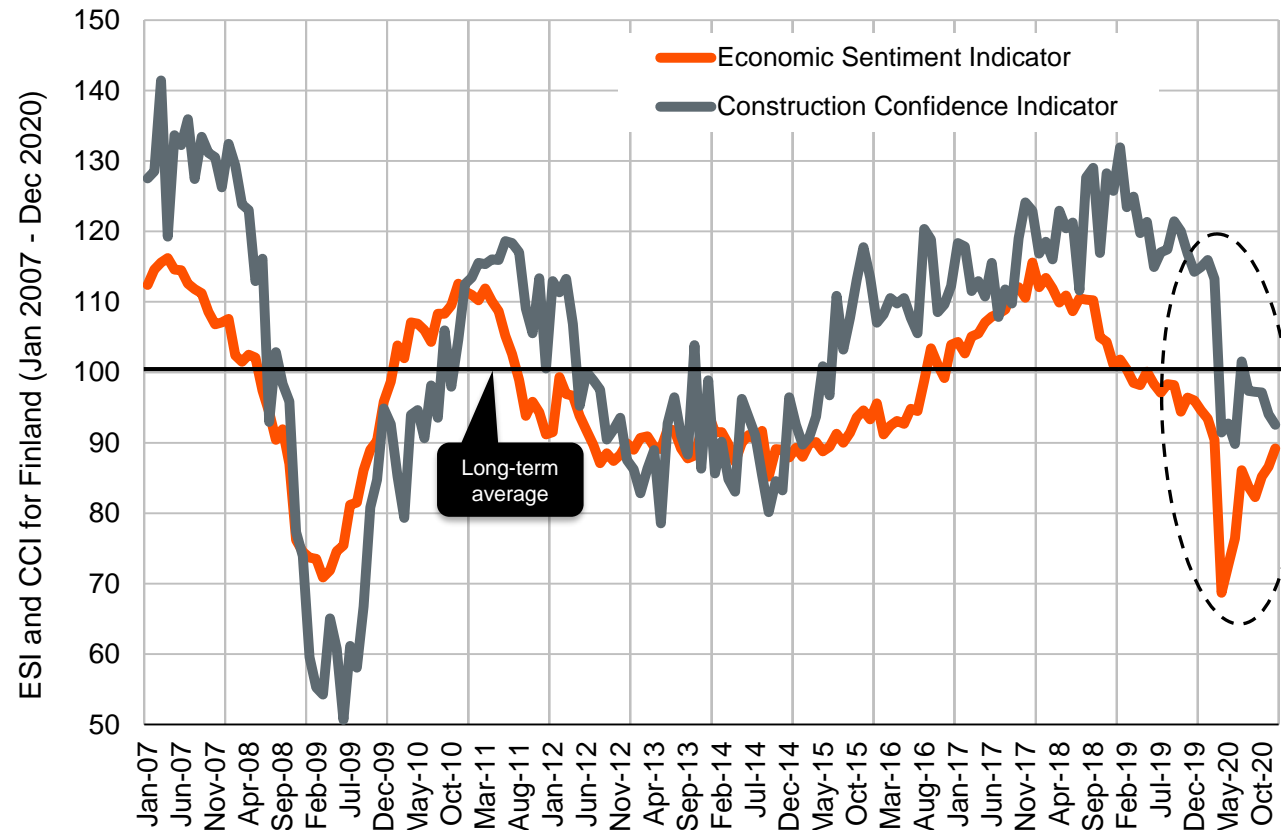
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# Economic sentiment and construction confidence in Finland following the development of the pandemic situation

Economic Sentiment and Construction Confidence / Finland (2007 – 12/2020)



Note: Mean-adjusted figures

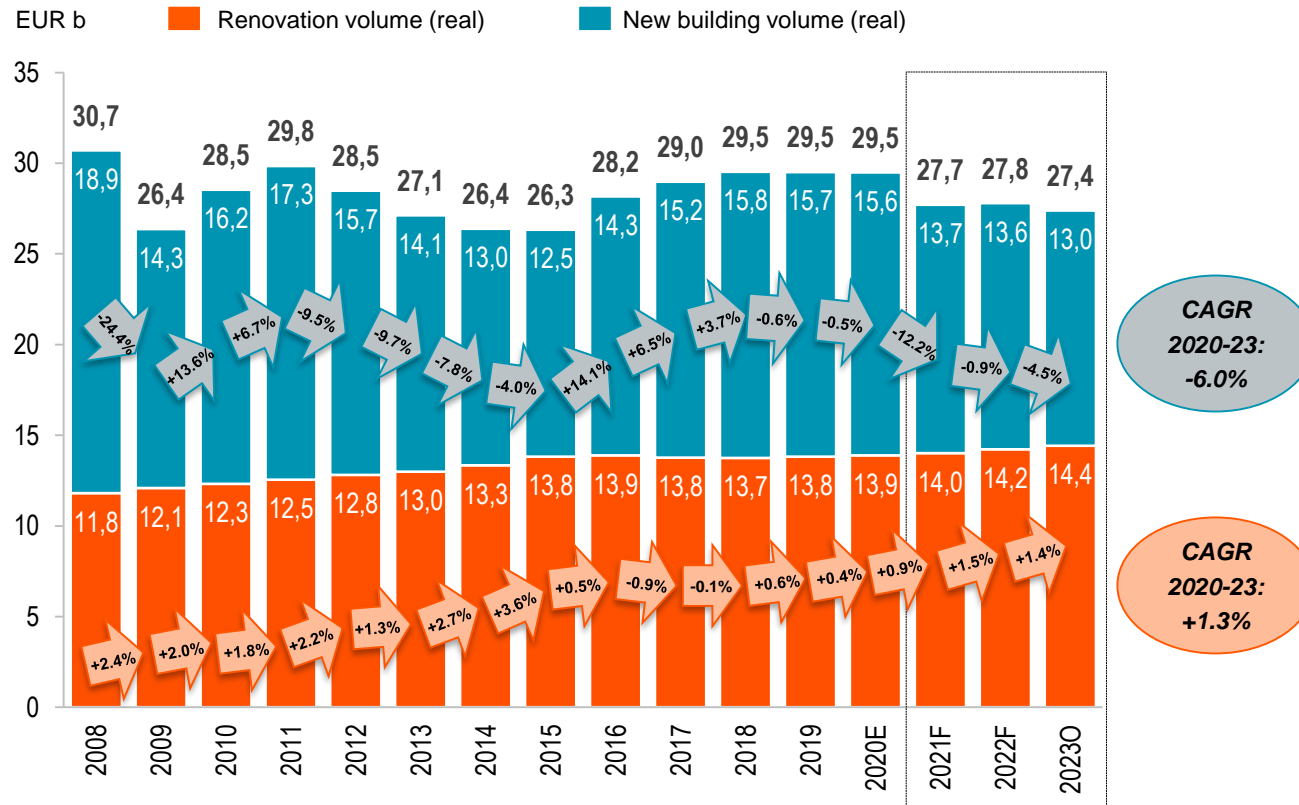
Source: European Commission, January 2021

## Comments

- The spread of coronavirus and its accompanying containment measures clearly visible in the development of confidence indicators in 2020
- Both construction confidence and economic sentiment deteriorated sharply in April, construction confidence falling clearly below the long-term average within one month
- During the summer, thanks to the favorable development of the epidemic situation in Finland, confidence started to recover
- However, after the summer, the pandemic situation has again deteriorated leading to weakening of sentiment
- Towards the end of the year construction confidence has continued declining while economic sentiment has improved

# Stable growth in renovation expected to continue going forward

## Finnish new building and renovation market development 2008 – 2023



Source: Euroconstruct, November 2020  
Confederation of Finnish Construction Industries RT (CFCI), November 2020

## Comments

- According to Euroconstruct, the value of building renovation amounted to approximately EUR 13.9 billion in 2020, representing approximately 47% of total building volume
- Euroconstruct estimates that renovation grew by approximately 0.4 percent in 2020 and the Confederation of Finnish Construction Industries RT (CFCI) estimates growth of 0.5 percent
- According to the Euroconstruct's November 2020 report, new building declined by 0.5% in 2020
- Both renovation and new building have concentrated to large cities in the past years. As economic growth declines, new building is estimated to concentrate even more to growth centres
- Euroconstruct estimates that building renovation will grow by 0.9 percent in 2021 and that the annual growth will remain at approximately 1.5 percent during 2022 and 2023
- As for new building, Euroconstruct estimates a decrease of 12.2 percent in 2021

# Coronavirus pandemic (COVID-19)

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## COMMENTS ON RENOVATION MARKET

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- In 2020, the corona pandemic had a greater impact on renovation than new building, especially because part of the larger housing companies postponed decision making regarding renovation projects
- Demand for business premise renovation has also decreased due to corona
- The predictability of business premise renovation needs after the pandemic has also weakened
- Although market research institutes expect the renovation market to grow in 2021, new waves of the pandemic and lockdowns remain possible
- Therefore, the short-term demand outlook for renovation as well as building technology remain uncertain

## IMPACT ON CONSTI

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- COVID-19 was reflected in the development of both Consti's net sales and order intake in 2020
- In Housing Companies business area, net sales and order intake were negatively impacted by the postponed decision making of housing companies
- In Corporations business area, net sales and order intake were negatively impacted by decreased demand for renovation services in the non-residential sector
- During 2020, Consti had approximately 700 ongoing projects. Despite risen uncertainty, projects predominantly advanced as planned, and Consti was able to ensure that work progressed at the work sites without interruptions
- Despite COVID-19, full year order intake almost at last year's level, thanks to benefits of customer-oriented organization

# Outlook and guidance for 2021

- The coronavirus pandemic continues to cause uncertainty to Consti's operating environment
- Although market research institutes expect the renovation market to grow in 2021, new waves of the pandemic and lockdowns remain possible
- The most significant short-term impacts of the corona crisis have to do with both the company's ability to carry out existing projects as well as short-term demand outlook
  - Uncertainty pertaining to handling existing projects relate to workforce availability, possible illnesses, material availability and official regulations
- In 2021, Consti will concentrate on ensuring the performance of its business and implementing its new strategy. The company estimates that it has good opportunities for continuing solid performance in 2021 as well

■ "The Company estimates that its operating result for 2021 will be in the range of EUR 7-11 million. The range for 2021 profit guidance is wide due to the uncertainties related to the Covid-19 pandemic."



# Summary

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1. Profitability continued to improve in Q4/2020

2. Solid performance in uncertain market conditions, all business areas were profitable in FY 2020

3. Financial position strengthened as a result of improved profitability and cash flow

4. The coronavirus pandemic had an impact on the development of net sales and order intake in FY 2020

5. New Strategy for 2021-2023: profitable growth by utilizing the full potential of the customer-oriented organizational structure

6. Visibility for 2021 limited, however target to continue delivering solid performance also in 2021

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A photograph of three workers in orange safety vests. A woman in the center is smiling and holding a white coffee cup. Two men are on either side of her, also holding coffee cups and looking towards her. The background is a blurred outdoor setting.

**CONSTI**

**WAY**

THE CONSTI WAY IS CONSTI PEOPLE'S WAY OF WORKING AND LEADING

**CONSTI**

# We are all aiming at the same goal


**The Consti Way is Consti people's way of working and leading.**

Consti Way directs its whole personnel towards shared goals. In this, we build on the values that are important to us. The Consti Way is part of our every working day and client meeting. It lives on all our building sites and is felt in every meeting we have. The Consti Way guarantees our high quality and is the basis for our occupational welfare. It means respect and competitiveness. It means professional pride, openness and a pioneer spirit.

We are all Consti people – regardless of our field, skills or position.

We cooperate seamlessly across barriers and walls, and between building sites, in jointly agreed, functional and efficient ways.

We know how we work, we know our strengths and we always work in our clients' best interests.

A man and a woman are looking at a tablet together. The man is wearing a grey cap and a plaid shirt. The woman is wearing a white hard hat, glasses, a black scarf, and an orange safety vest with 'CONSTI' written on it. They are both smiling and looking at the tablet.

*“ We are all Consti people  
– regardless of our field,  
skills or position.*”

**CONSTI**



**CONSTI**

**FINANCIAL STATEMENTS**

**1-12/2020**

**CONSTI PLC**

**FY 2020**

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