



CONSTI GROUP PLC

HALF-YEAR FINANCIAL REPORT

1 JANUARY – 30 JUNE 2018

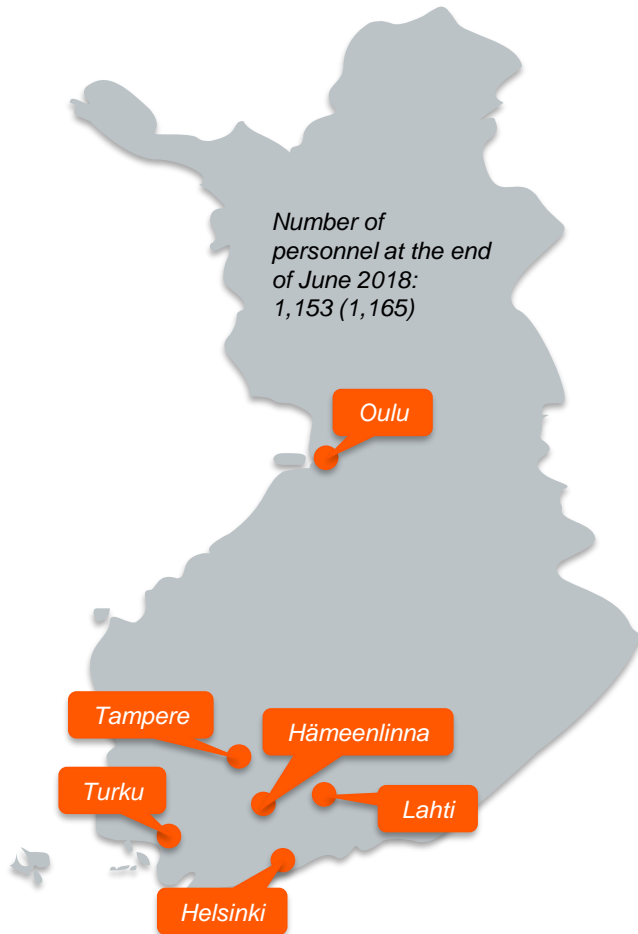
CEO Esa Korkeela
CFO Joni Sorsanen



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- Cash flow and financial position
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Highlights of the second quarter of 2018



Highlights of 4-6/2018 (y-o-y comparison in brackets)

- Net sales EUR 77.8 (78.8) million, change -1.3%
- EBITDA EUR 2.1 (3.2) million, EBITDA margin 2.7% (4.1%)
- EBIT EUR 1.7 (2.7) million, EBIT margin 2.1% (3.4%)
- Free cash flow EUR 2.2 (4.0) million
- Earnings per share EUR 0.16 (0.26)

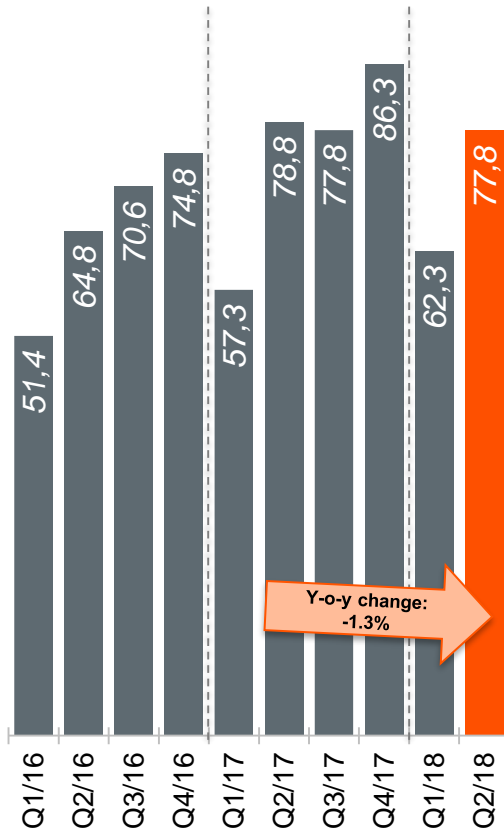
Highlights of 1-6/2018 (y-o-y comparison in brackets)

- Net sales EUR 140.0 (136.1) million, growth 2.9%
- EBITDA EUR 2.3 (4.0) million, EBITDA margin 1.7% (2.9%)
- EBIT EUR 1.5 (3.0) million, EBIT margin 1.0% (2.2%)
- Order backlog EUR 286.2 (227.9) million, growth 25.6% compared to previous year and +26.8% compared to year-end 2017
- Free cash flow EUR -5.6 (3.5) million
- Gearing 69.7% (55.0%)
- Net debt EUR 18.5 (15.5) million
- Earnings per share EUR 0.12 (0.26)

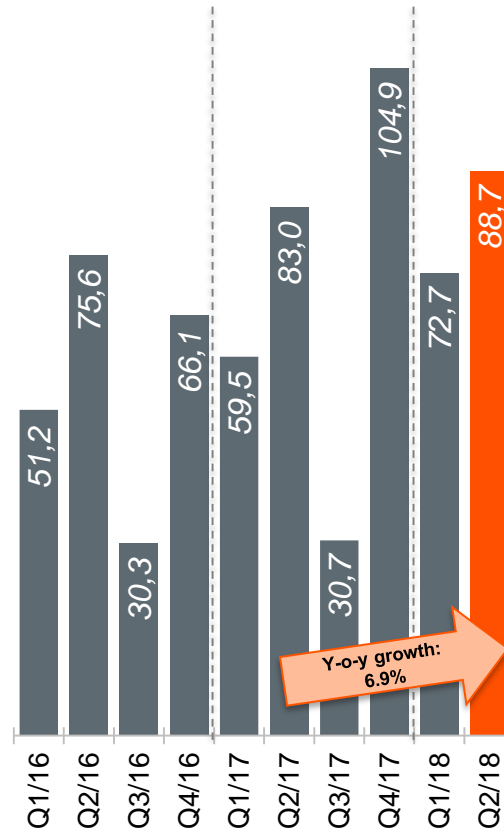
Quarterly performance overview

Order intake and order backlog continued to grow year-on-year

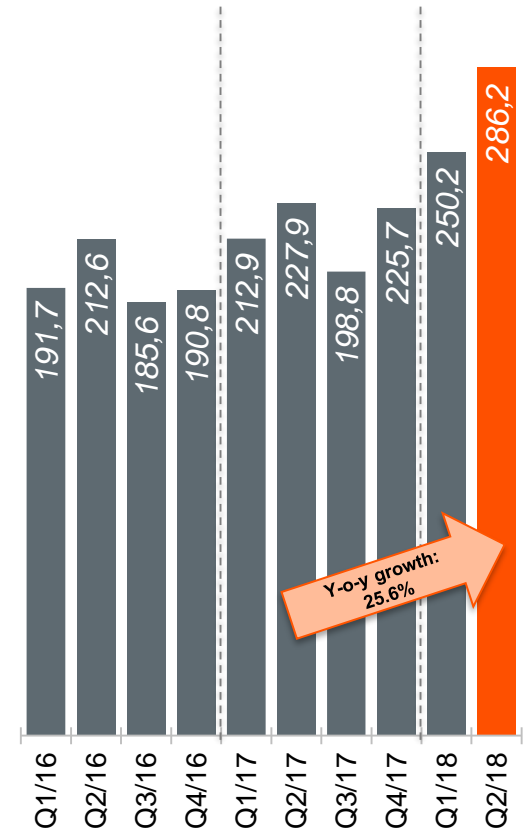
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)



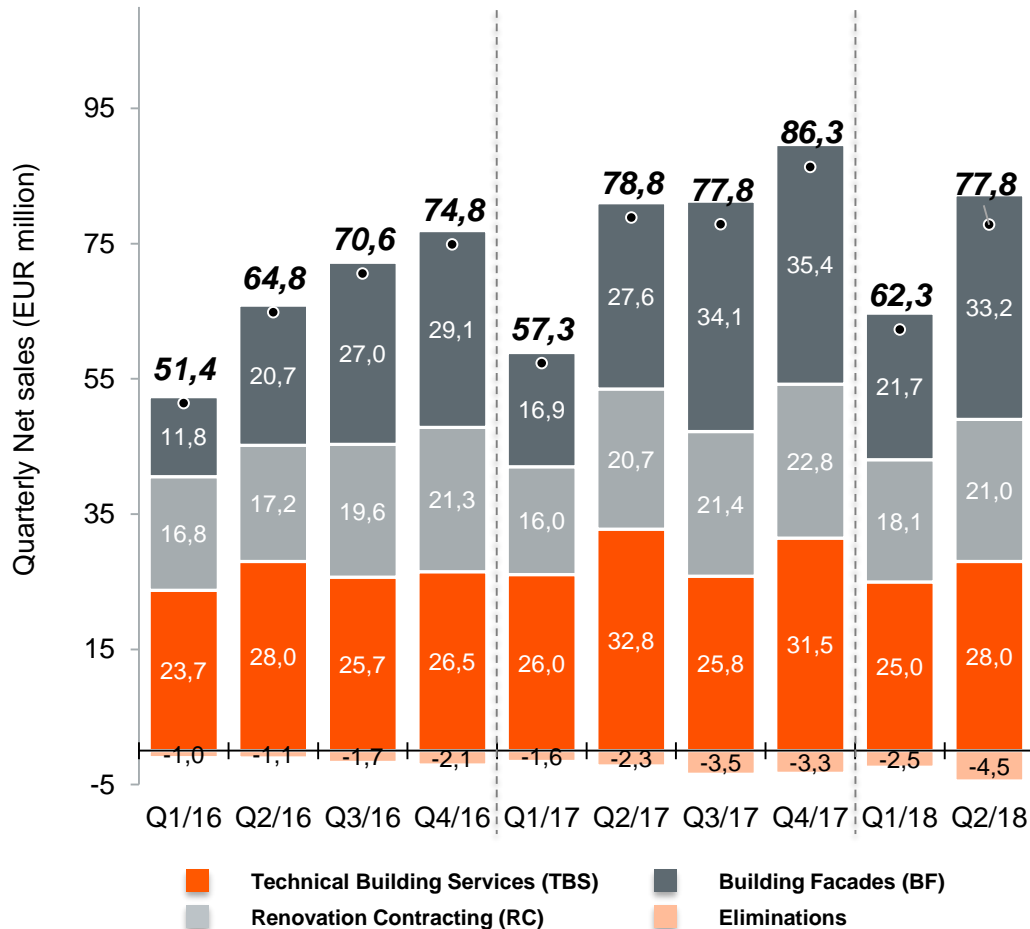
Quarterly order backlog (EUR m)



Quarterly net sales development

Q2 net sales EUR 77.8m, decreasing 1.3% year-on-year

Quarterly net sales development Q1/2016 – Q2/2018 (EUR m)



Comments

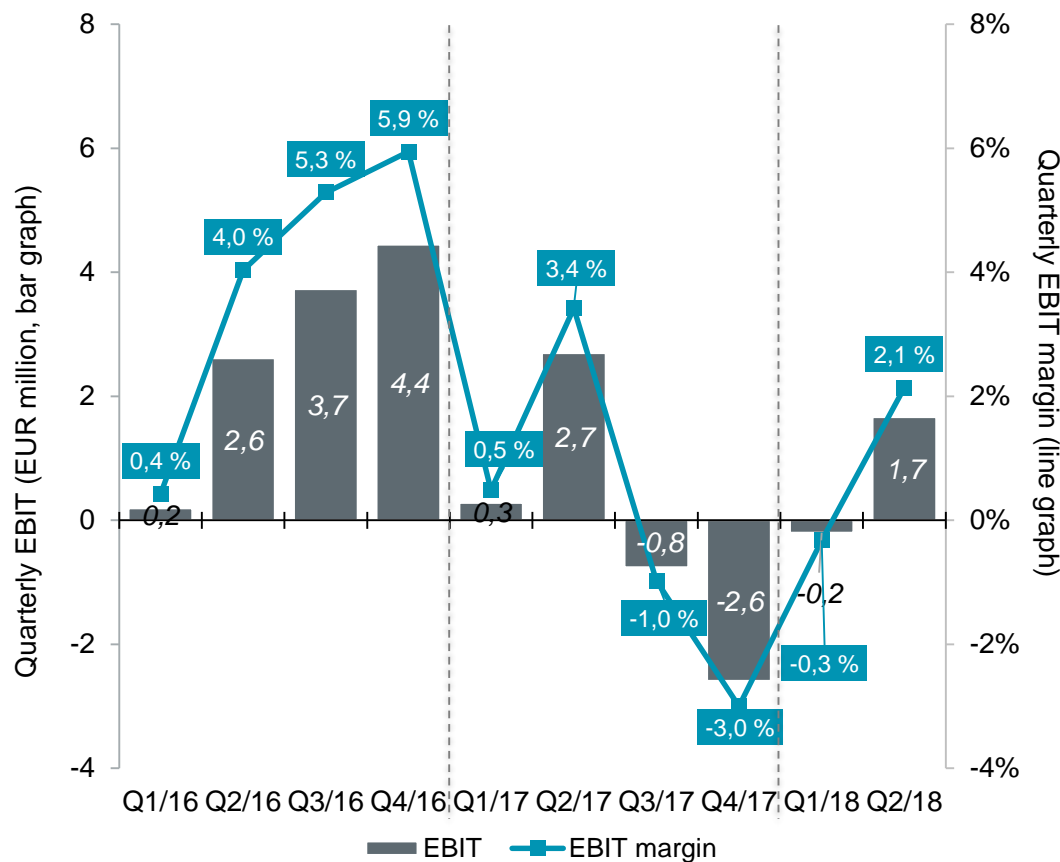
- Q2/2018 net sales EUR 77.8m (78.8 m)
 - Year-on-year change -1.3%
 - Organic growth -4.4%
 - Acquisition growth +3.1%
 - Building Facades net sales grew by 20.5 percent mainly thanks to good order backlog in housing repair business
 - Renovation Contracting net sales slightly above comparison period level with a change of +1.4 percent
 - Technical Building Services net sales decreased by 14.6 percent due to the business areas' reorganising which was started towards the end of 2017; as well as taking new operating models into use, and the more disciplined bidding activity applied to pipeline renovation services

- H1/2018 net sales EUR 140.0m (136.1 m)
 - Year-on-year growth +2.9%
 - Organic growth -0.7%
 - Acquisition growth +3.6%

Quarterly EBIT development

Profitability improved compared to previous quarter

Quarterly EBIT development Q1/2016 – Q2/2018 (EUR m)



Comments

- Q2/18 EBIT amounted to EUR 1.7 (2.7) million, or 2.1% (3.4%) of net sales
- EBIT improved clearly compared to previous quarter
- Actions to improve profitability gradually starting to have a positive impact on result
- Profitability was still weakened by certain previously identified low-margin projects
- Operating result was also affected by carrying out final performance obligations in one Renovation Contracting project
- H1/2018 EBIT amounted to EUR 1.5 (3.0) million, or 1.0% (2.2%) of net sales

Actions to improve profitability progressing

ACTIONS INITIATED IN Q4/2017 AND IMPLEMENTED DURING H1/2018

- Reorganization of Technical Building Services business area ✓
- Implementation of main contracting processes in pipeline renovations ✓
- Implementation of disciplined tendering in pipeline renovations ✓
- Implementation of common operating models to improve project steering and monitoring ✓
- Clarification of financial reporting responsibilities for projects ✓

- ▶ *Actions initiated in Q4 2017 gradually starting to bear fruit even though profitability still affected by low-margin projects*
- ▶ *However, overall performance not yet on required level*

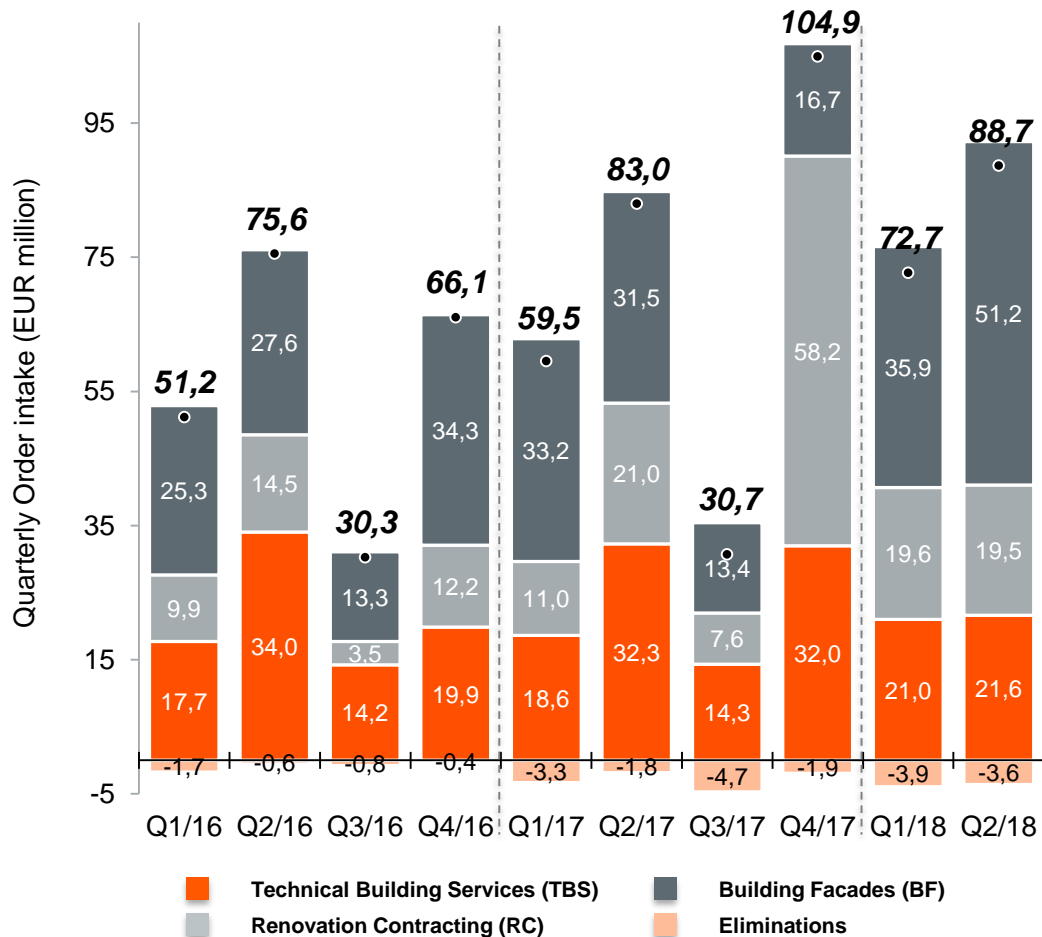
FURTHER ACTIONS IN H2/2018 →

- ▶ Renewal of the management model in Service business
 - Clarification of responsibilities between line organization and Group functions
 - Target to drive net sales growth in Service business
- ▶ Recruitment of new HR Director
 - Target to enhance HR management throughout the Group in order to retain and attract renovation talents
- ▶ Continued implementation of harmonized project management processes
- ▶ Implementation of performance management principles on all organization levels
- ▶ Savings in discretionary costs

Quarterly order intake development

Q2 order intake up by 6.9 % y-o-y

Quarterly order intake development Q1/2016 – Q2/2018 (EUR m)



Comments

- Q2/2018 order intake EUR 88.7 million (83.0m), up by 6.9% y-o-y
 - Order intake increased in Building Facades +62.3% y-o-y
 - Order intake decreased in Technical Building Services (-33.0% y-o-y) and in Renovation Contracting (-7.4% y-o-y)
- H1/2018 order intake EUR 161.4 million (142.5m), up by 13.3% y-o-y
 - Order intake increased in Building Facades (+34.6% y-o-y) and in Renovation Contracting (+21.9% y-o-y)
 - Order intake decreased in Technical Building Services (-16.2% y-o-y)

Examples of new orders received in Q2/2018

TECHNICAL BUILDING SERVICES

Q2/18 order intake:
EUR 21.6m (-33.0% yoy)

EXAMPLES OF NEW ORDERS:

- **Vatialan koulu, Kangasala**
 - Installation of technical building systems through Design & Build contract
- **As Oy Albertinkatu 16, Helsinki**
 - Pipeline renovation for a housing company
- **As Oy Saaristonkatu 27, Oulu**
 - Pipeline renovation for a housing company

RENOVATION CONTRACTING

Q2/18 order intake:
EUR 19.5m (-7.4 % yoy)

EXAMPLES OF NEW ORDERS:

- **Keilaranta 4, Espoo**
 - Comprehensive renovation including facades and office modification work through project management contract
- **Svenska gården, Lahti**
 - Comprehensive renovation
- **Koy Vantaan Antaksentie 4 Lidl, Vantaa**
 - Modification work

BUILDING FACADES

Q2/18 order intake:
EUR 51.2 m (+62.3% yoy)

EXAMPLES OF NEW ORDERS:

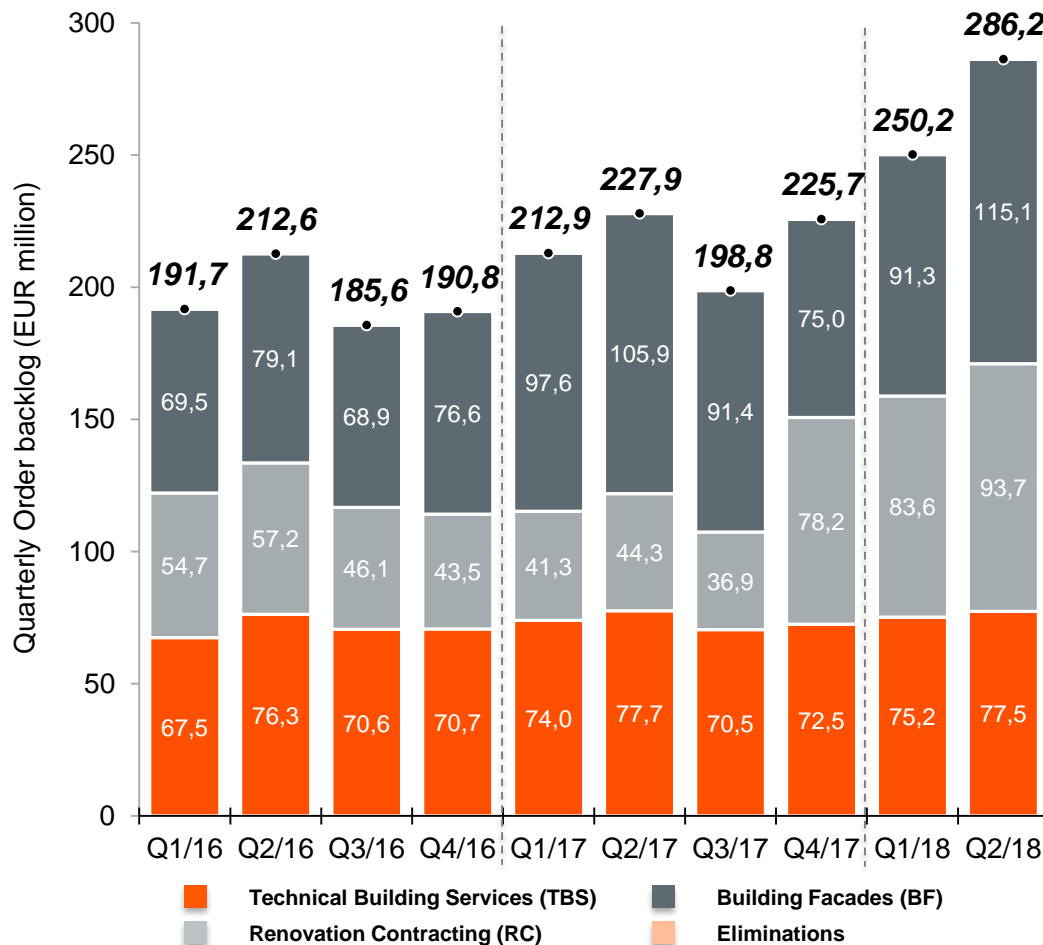
- **Helsingin kaupungin asunnot, Pihlajisto, Liusketie 3, Helsinki**
 - Complete renovation of a rental apartment building
- **Helsingin medialukio, Helsinki**
 - Renewal of facades and roof as well as ventilation modification work
- **Kansallisarkisto, Helsinki**
 - Repair of facades and roof

Quarterly order backlog development

Strong order backlog growth continued, up by 25.6 % y-o-y

Quarterly order backlog development Q1/2016 – Q2/2018 (EUR m)

Comments



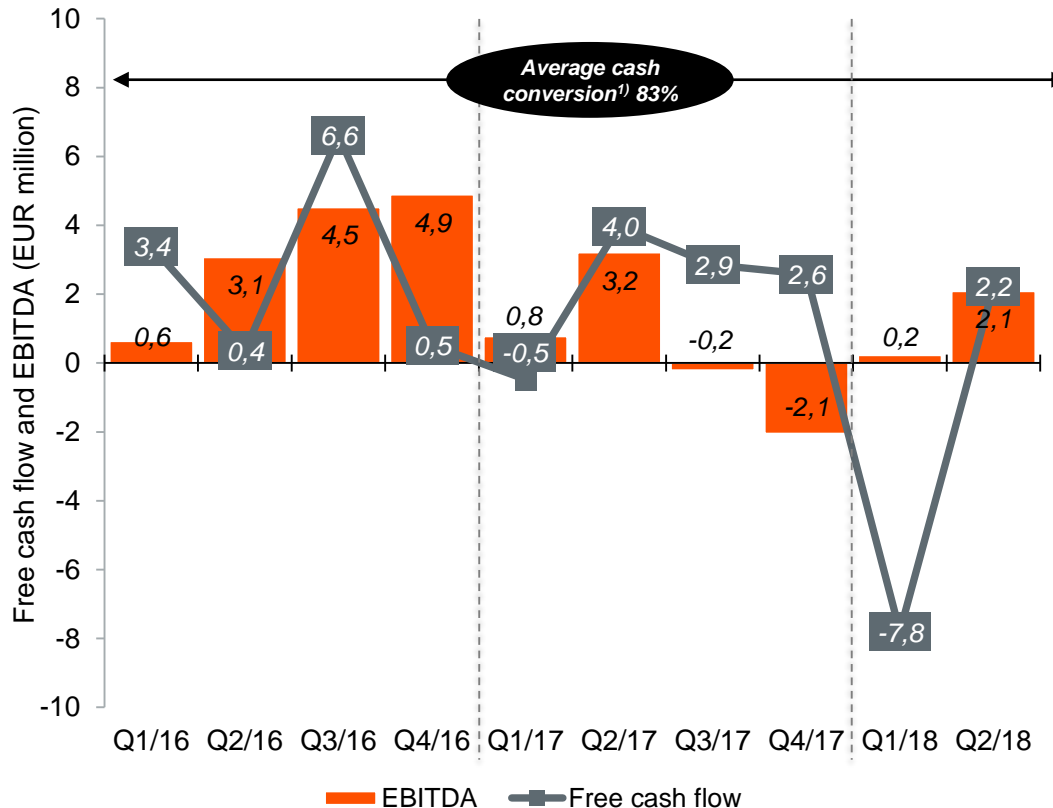
- Q2/2018 order backlog at EUR 286.2 million (227.9m)
 - Year-on-year growth 25.6%
 - Up by 26.8% from year-end 2017
 - Order backlog grew particularly in Renovation Contracting (+111.4% year-on-year) as a result of strong order intake during H1 as well as due to major new orders received during Q4/2017
 - Order backlog in Building Facades grew +8.7% y-o-y due to strong order intake during Q2
 - In Technical Building Services, order backlog was close to comparison period's level with change of -0.3% y-o-y

Cash flow and financial position

Quarterly free cash flow development

Q2 free cash flow EUR 2.2m, clear improvement q-o-q

Quarterly free cash flow and EBITDA Q1/2016 – Q2/2018 (EUR m)



Comments

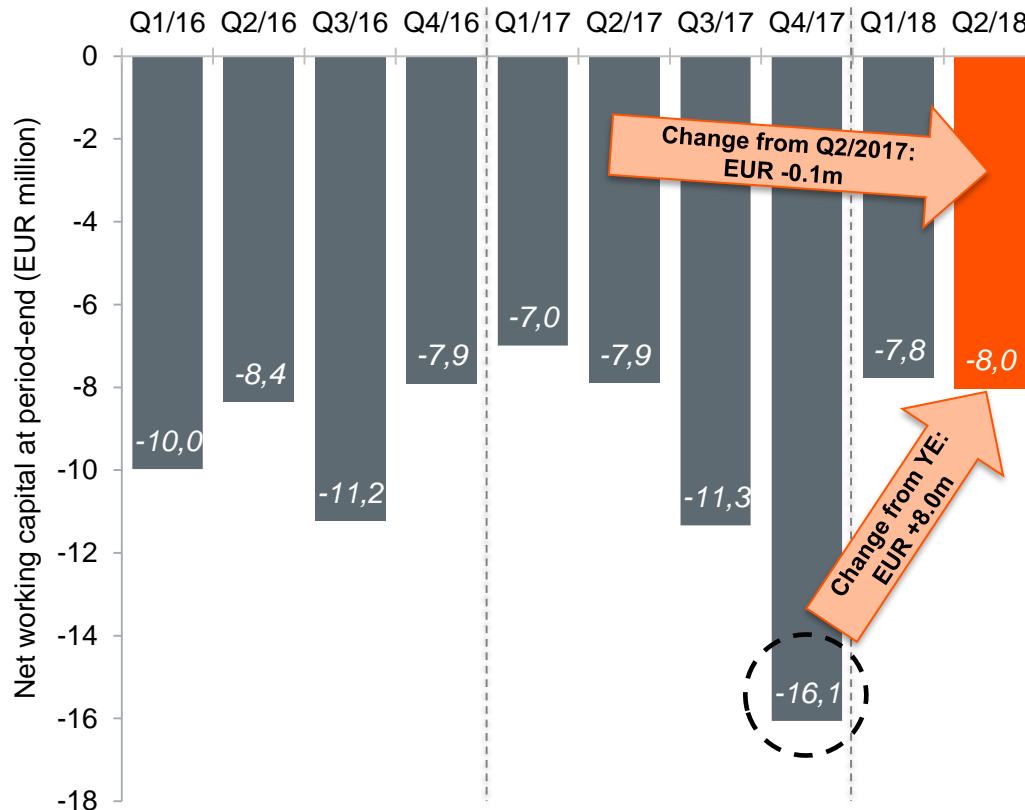
- Q2/2018 free cash flow improved clearly from compared to previous quarter and amounted to EUR 2.2m (4.0m)
- Cash conversion in the second quarter was 107.0% (124.1%)
- Average cash conversion ratio of 83% in the period of Q1/2016 – Q2/2018
 - Consti's long-term target to achieve cash conversion ratio 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 -8.0 million at the end of Q2/2018

Quarterly net working capital¹⁾ Q1/2016 – Q2/2018 (EUR m)



Comments

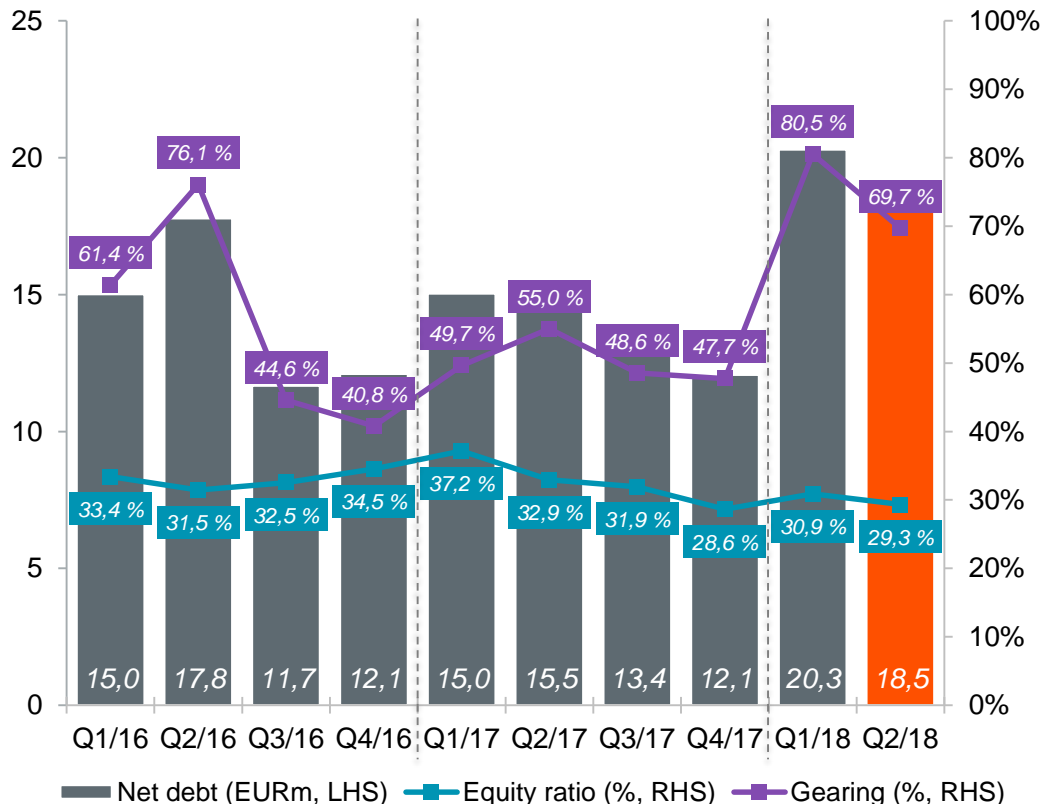
- Net working capital EUR -8.0m (-7.9m) at the end of Q2/2018
- NWC tied up during H1/2018 amounted to EUR 8.0m
 - Exceptionally low NWC level at year-end 2017
 - One specific project in Renovation Contracting tied up capital in the first half of 2018
- However, NWC at end of Q2/2018 slightly better than in comparison period

¹⁾ 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

Balance sheet strengthened from the previous quarter

Quarterly net debt, equity ratio and gearing Q1/2016 – Q2/2018



Comments

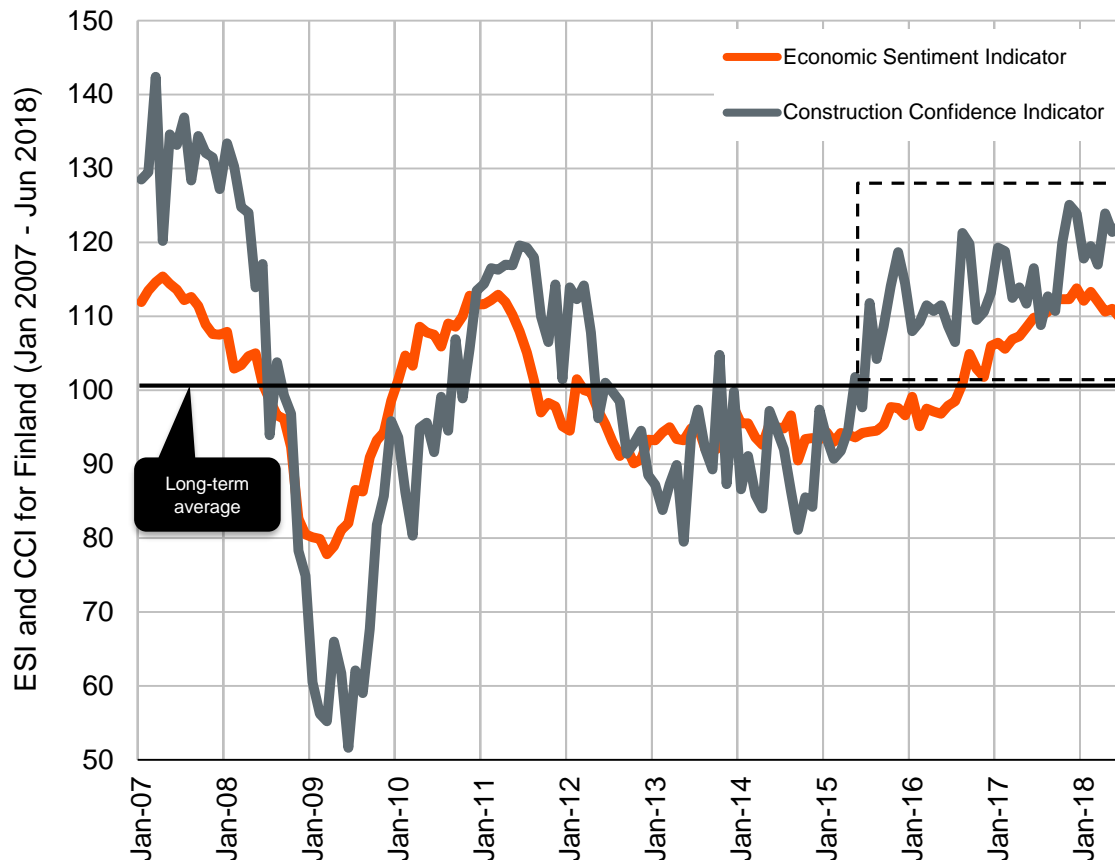
- Balance sheet strengthened thanks to positive cash flow in the second quarter
- Q2/2018 net debt at EUR 18.5m (15.5m)
- Q2/2018 equity ratio at 29.3% (32.9%)
- Q2/2018 gearing at 69.7% (55.0%)
- Cash and cash equivalents at the end of Q2/2018 amounted to EUR 4.7m (5.8m)

Market outlook, guidance and summary

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

Economic Sentiment and Construction Confidence / Finland (2007 – 6/2018)

Comments



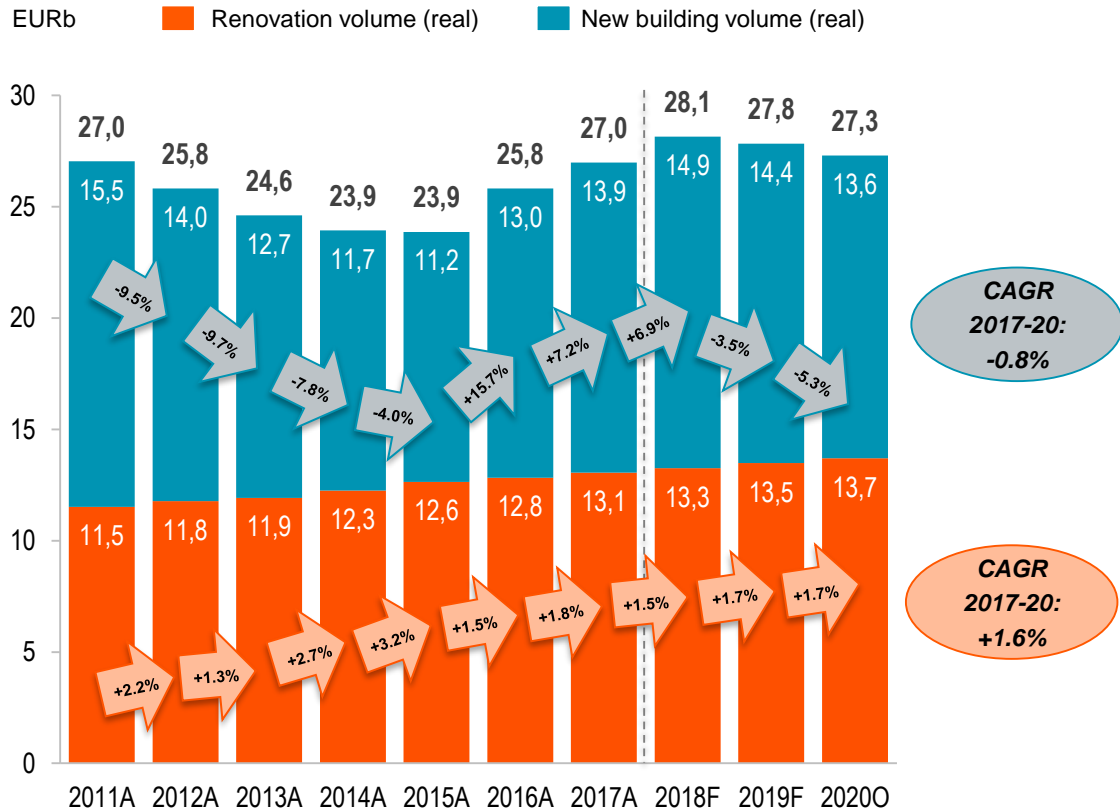
- During the past few years Economic sentiment and Construction confidence in Finland have steadily remained above the long-term average
- Both lead indicators stayed at a good level in the first half of 2018

Note: Mean-adjusted figures

Source: European Commission, June 2018

Stable growth in renovation to continue

Finnish new building and renovation market development 2011 – 2020O



Source: Euroconstruct, June 2018

CFCI = The Confederation of Finnish Construction Industries, March 2018

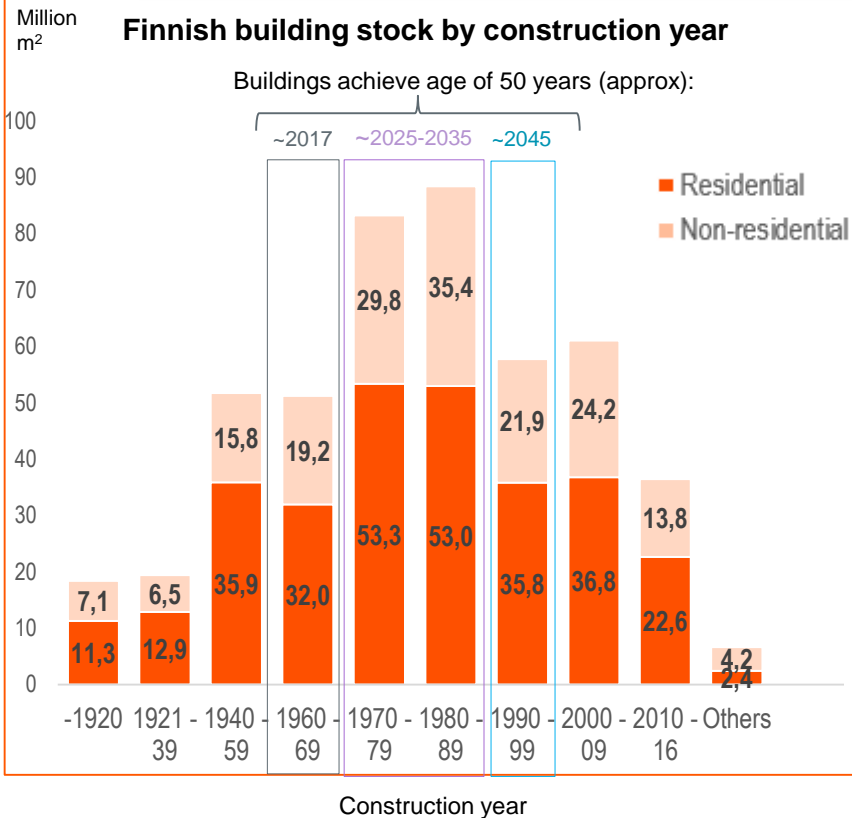
Comments

- The peak of the economic cycle in construction sector currently on-going
 - Challenges in availability of building technology and renovation professionals
 - However, recent statistics show that although the volume of building production is still growing, the number of issued building permits during the spring 2018 have declined compared to previous year.
- Total building market forecast for 2018: Euroconstruct +4.3% and CFCI +2.4%
- New building forecast for 2018: Euroconstruct +6.9% and CFCI +2.8%
- Renovation forecast for 2018: Euroconstruct +1.5% and CFCI +2.0%

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



Ageing building stock



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.”



Summary

1. Profitability improved clearly compared to previous quarter
2. Although profitability improved, it was still affected by certain previously identified low-margin projects and a project in Renovation Contracting business area
3. Actions to improve profitability gradually starting to bear fruit. However, overall performance not yet on required level
4. Order intake and order backlog continued to increase year-on-year
5. Positive demand for renovation and technical building services as well as strong order backlog to support performance in 2018
6. FY2018 operating result to grow compared to 2017

Appendix

Long term strategic goals

Growth: Average annual growth in revenue at least **10 %**

Profitability: adjusted EBIT-margin exceeding **5 %**

Cash flow: Cash conversation 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

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

HALF-YEAR FINANCIAL REPORT

1-6/2018

CONSTI GROUP PLC

H1

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