

# CONSTI PLC

## INTERIM REPORT

1 JANUARY –  
31 MARCH 2022

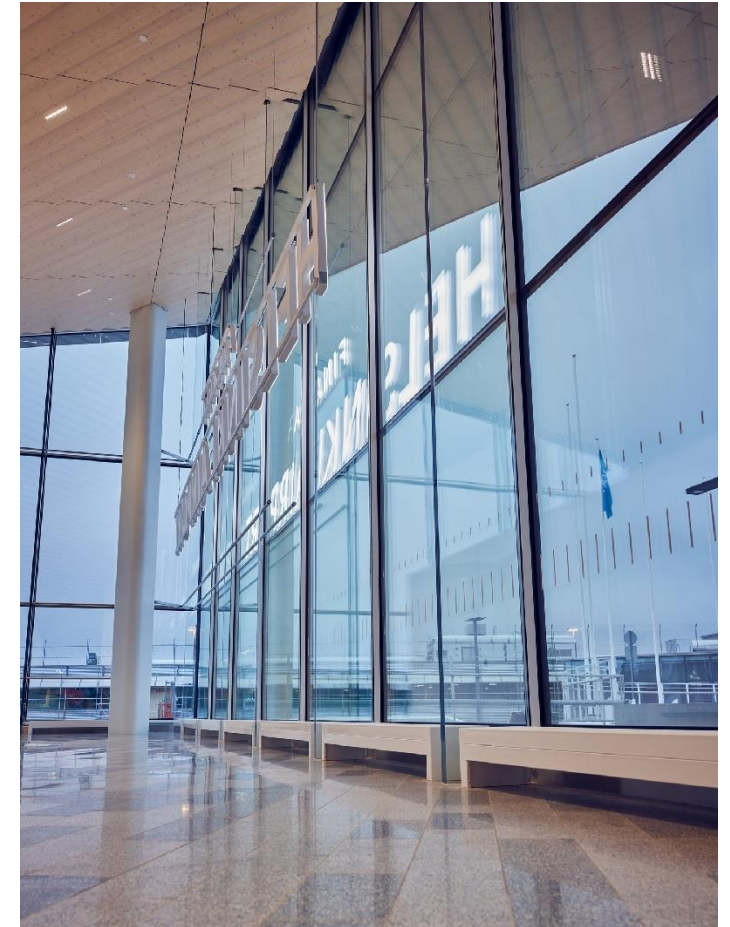
CEO Esa Korkeela  
CFO Joni Sorsanen

CONSTI

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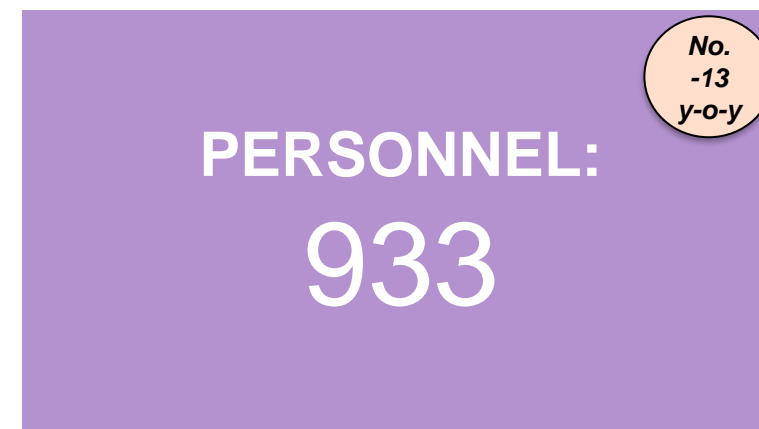
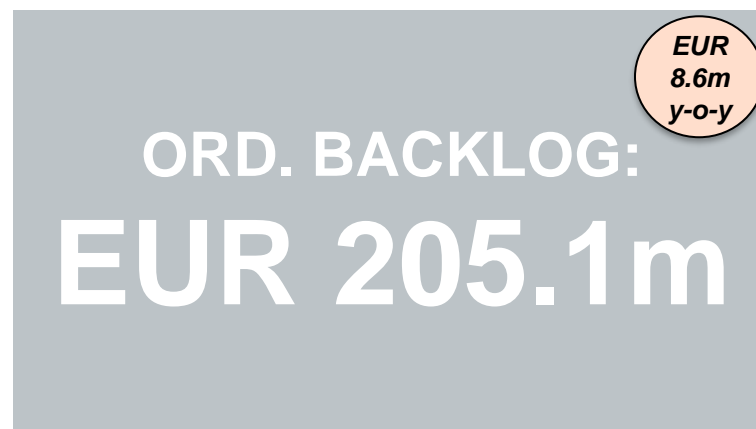
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- 1. Highlights and Group performance**
2. Cash flow and financial position
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# Highlights of the first quarter of 2022

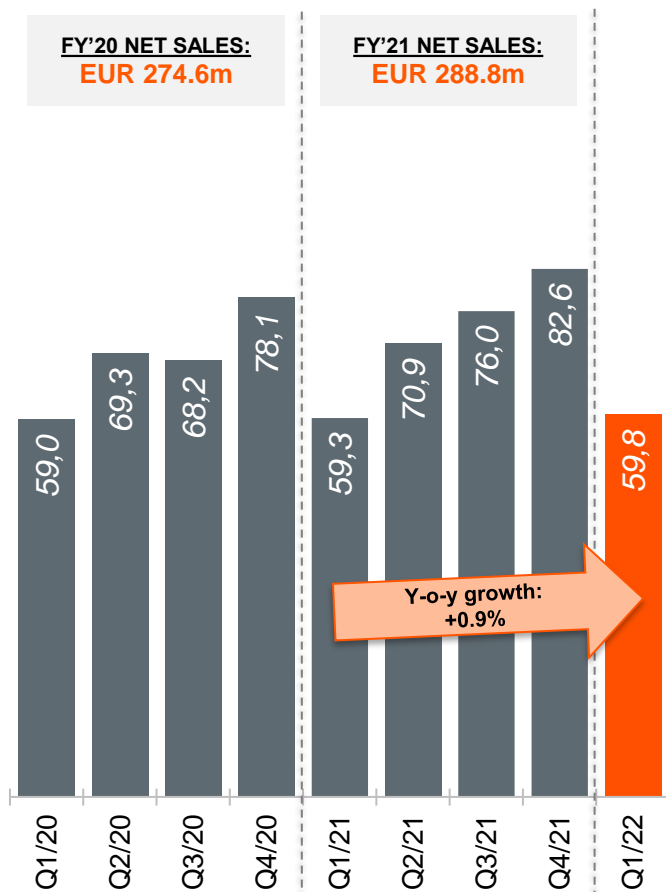
Solid performance continued



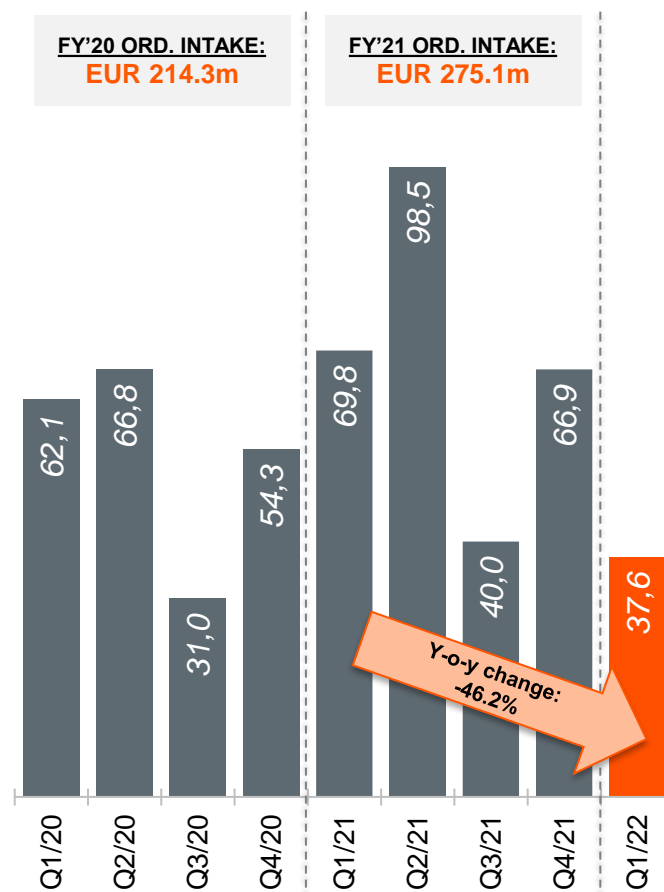
# Quarterly performance overview

Net sales grew slightly year-on-year, Q1 order intake clearly below previous year but order backlog still 4.4% higher compared to March '21

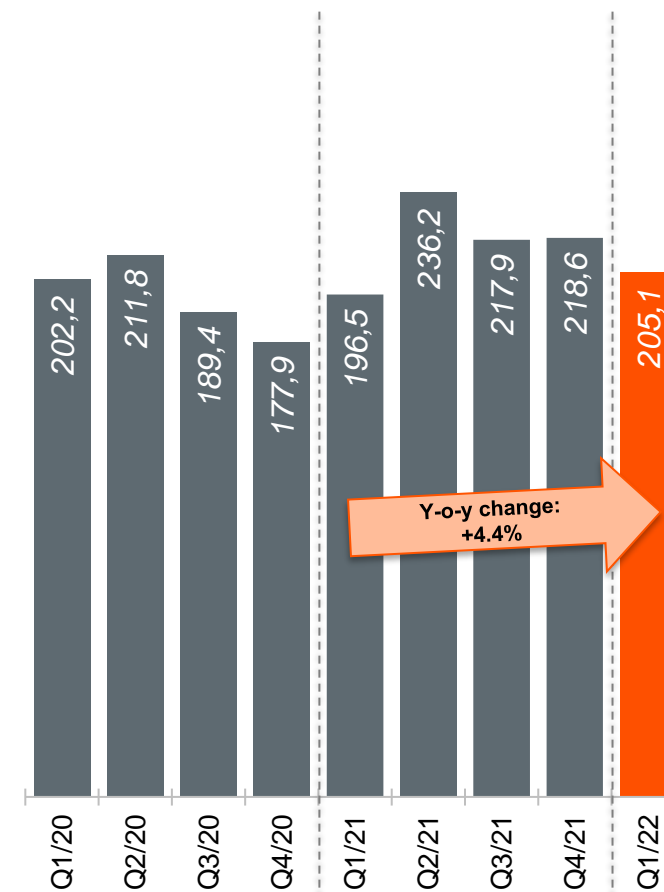
### QUARTERLY NET SALES (EUR m)



### QUARTERLY ORDER INTAKE (EUR m)



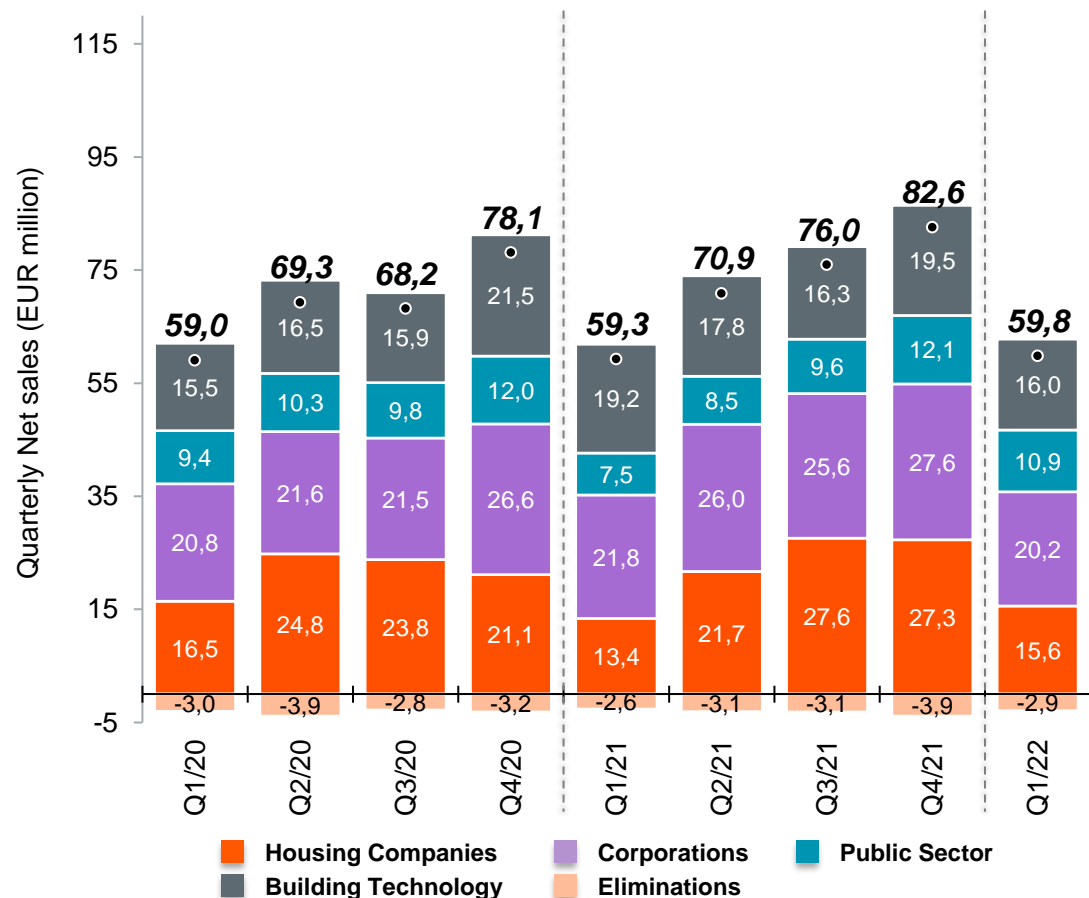
### QUARTERLY ORDER BACKLOG (EUR m)



# Quarterly net sales development

Q1 net sales amounted to EUR 59.8m, growing 0.9% year-on-year

Quarterly net sales development Q1/2020 – Q1/2022 (EUR m)



## Comments

- Q1/2022 net sales EUR 59.8m (59.3m)
  - Year-on-year growth 0.9%
  - Consti’s business volumes are typically at their lowest levels in the first quarter
  - Net sales grew in Housing Companies and Public Sector but decreased in Corporations and in Building Technology.
  - Housing Companies net sales EUR 15.6m (13.4m) → net sales increased mainly as a result of the acquisition of RA-Urakointi Oy that was completed in August 2021
  - Public Sector net sales EUR 10.9m (7.5m) → growth attributable to the new building projects that were started in summer 2021
  - Corporations net sales EUR 20.2m (21.8m) → net sales were affected by the decrease in the volume of regional units compared to the comparison period
  - Building Technology net sales EUR 16.0m (19.2m) → net sales decreased in Greater Helsinki area and in other areas

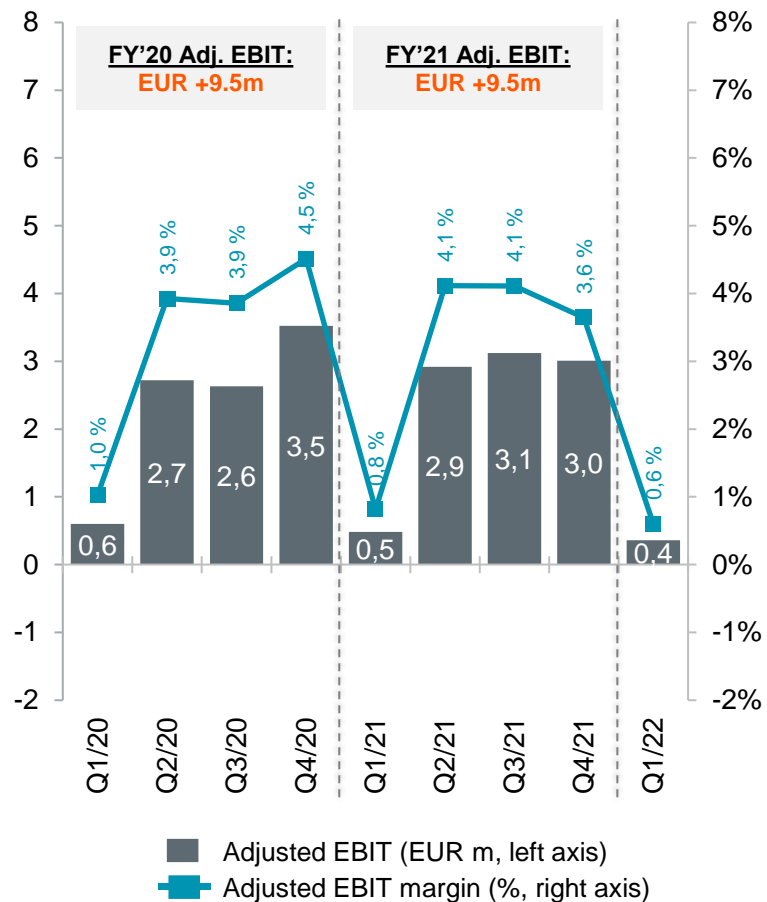
# Quarterly Adjusted EBIT and EBIT development

## Q1 profitability in line with expectations

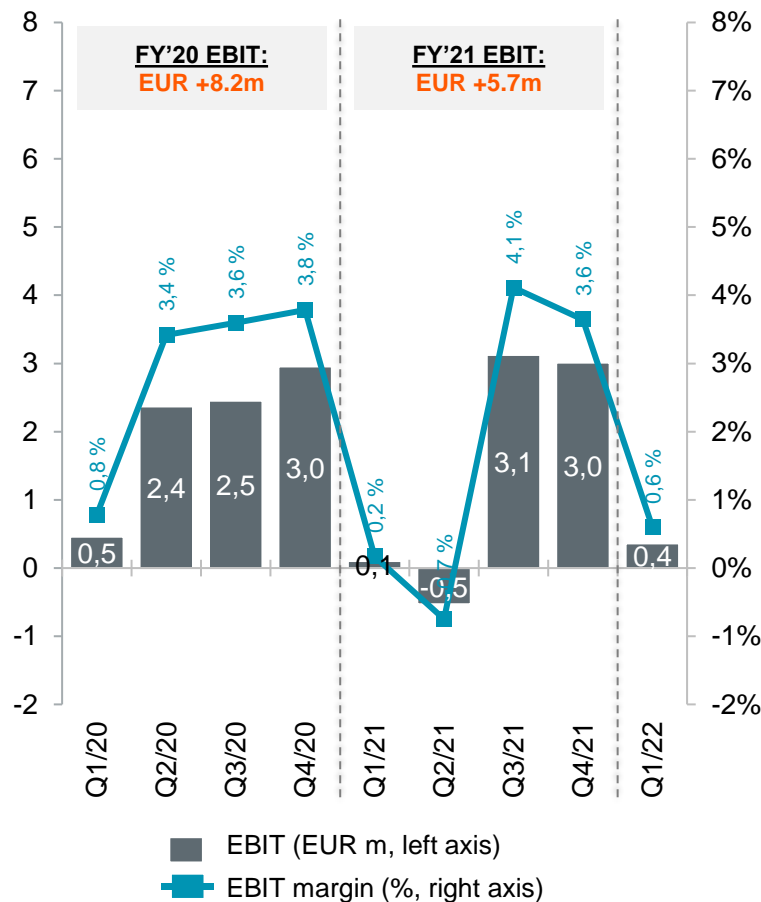
\*Adjusted EBIT = EBIT before items affecting comparability (IAC)

- IAC during the reporting period and comparison periods = Financial impact of arbitral award received in June 2021 as well as legal cost related to the arbitration proceedings

Quarterly Adjusted EBIT\* development  
Q1/2020 – Q1/2022 (EUR m)



Quarterly EBIT development  
Q1/2020 – Q1/2022 (EUR m)



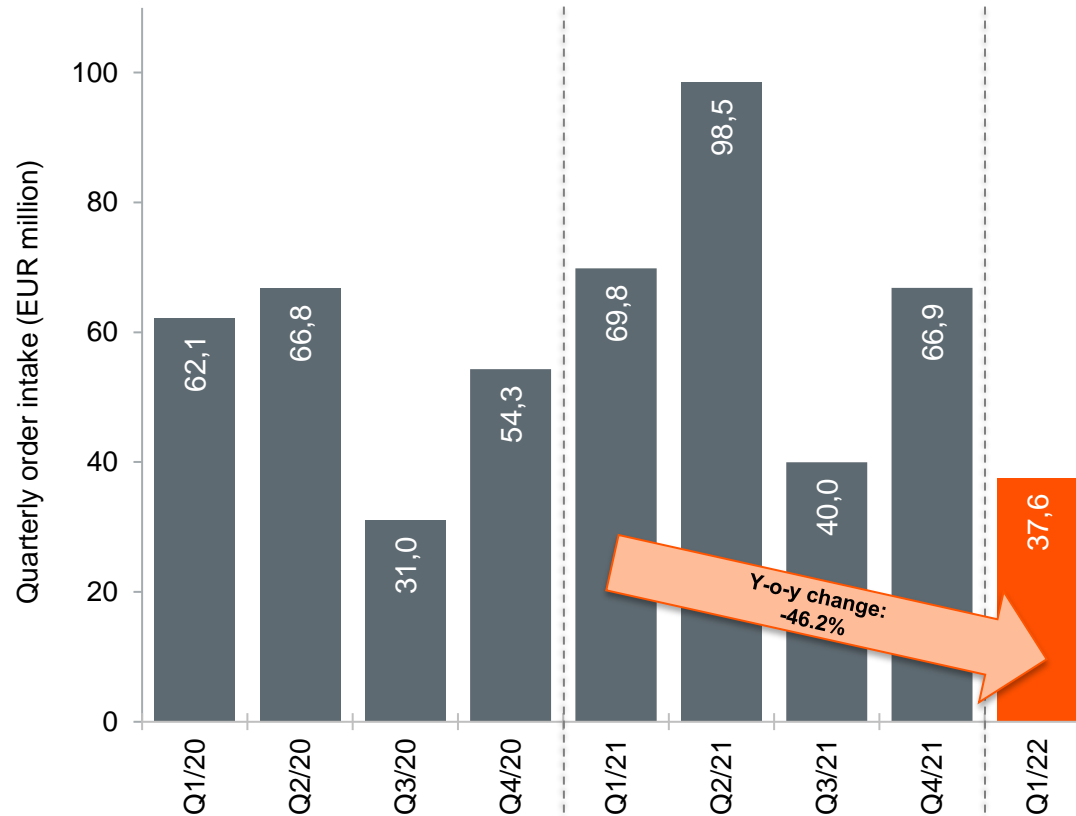
### Comments

- Q1/2022 Adjusted EBIT EUR 0.4 (0.5) million, or 0.6% (0.8%) of net sales
- Q1/2022 EBIT amounted to EUR 0.4 (0.1) million, or 0.6% (0.2%) of net sales
- Consti's business volumes are typically lowest during the first quarter of the year
  - Q1 profitability in line with expectations
- In January-March, the increase in construction costs had a somewhat larger impact on profitability than in the comparison period in those ongoing projects where a rapid increase in material costs has not been sufficiently considered at the tendering phase
- Due to rapid increase in construction costs as well as potential availability issues, several actions taken to secure solid performance in the uncertain operating environment
  - Focus particularly devoted to procurement, tendering and customer activities

# Quarterly order intake development

Q1/2022 order intake amounted to EUR 37.6 million

Quarterly order intake development Q1/2020 – Q1/2022 (EUR m)



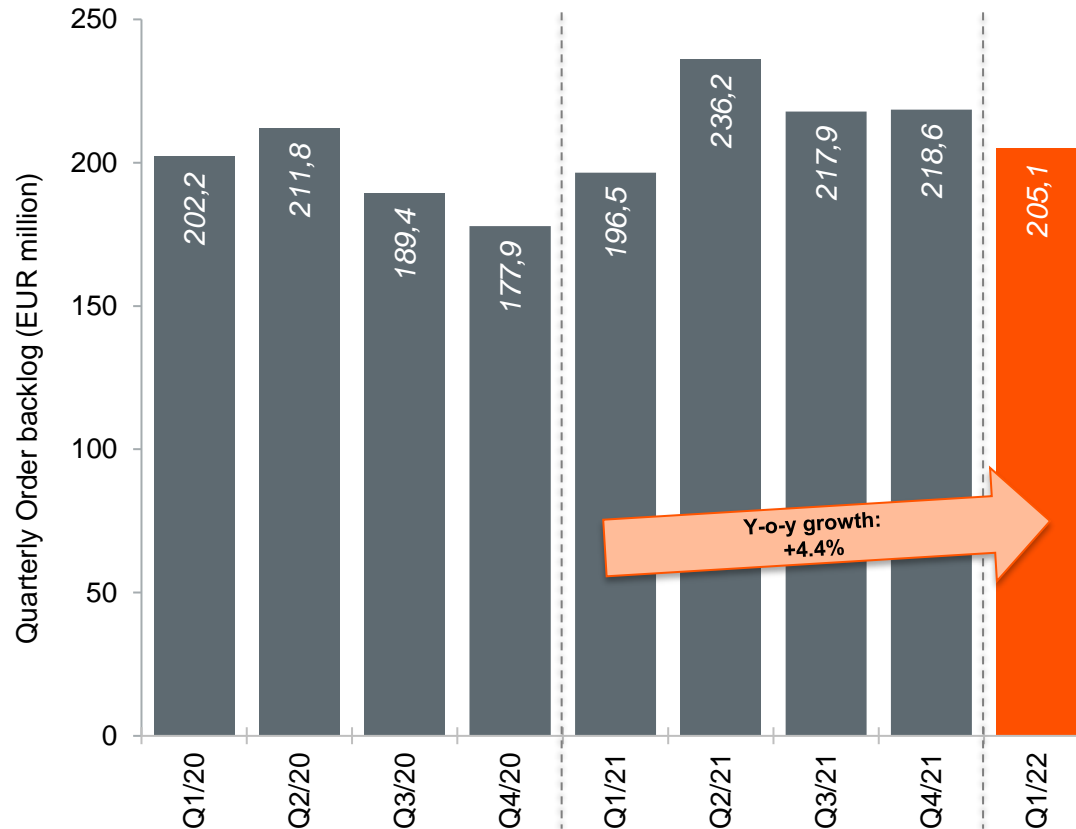
## Comments

- Q1/2022 order intake EUR 37.6m (69.8m)
  - Year-on-year change -46.2%
  - Examples of new orders received in Q1:
    - Karakalliontie 1, a comprehensive renovation of two rental apartment buildings in Espoo with major focus on facades
    - Lidl Suomi Ky, a modification project in which two separate retail spaces will be combined into one larger retail space in Espoo
    - As Oy Oulun Tuiranmaja, a comprehensive renovation of a rental apartment building in Oulu
    - Helsingin kielilukio, HVAC installation project in Helsinki

# Quarterly order backlog development

Q1/2022 order backlog at EUR 205.1 million, up by 4.4% y-o-y

Quarterly order backlog development Q1/2020 – Q1/2022 (EUR m)



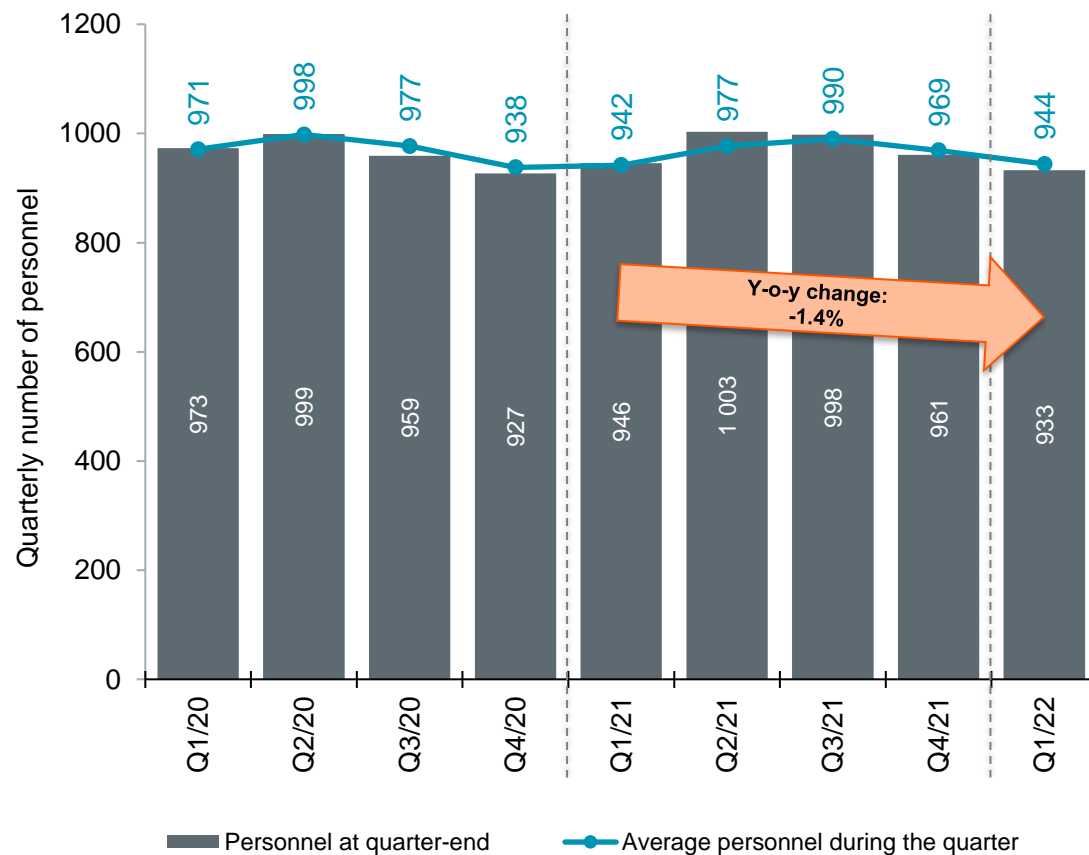
## Comments

- Q1/2022 order backlog at EUR 205.1m (196.5m)
  - Year-on-year growth +4.4%
  - Healthy order backlog to support Consti’s performance going forward
    - Approximately half of March order backlog based on projects whose payment basis is either cost + fee or target-ceiling price, hence mitigating the exposure to rising construction costs

# Quarterly development in number of personnel

Total number of personnel at the end of Q1/2022 decreased by 13 year-on-year

Quarterly development in number of personnel Q1/2020 – Q1/2022



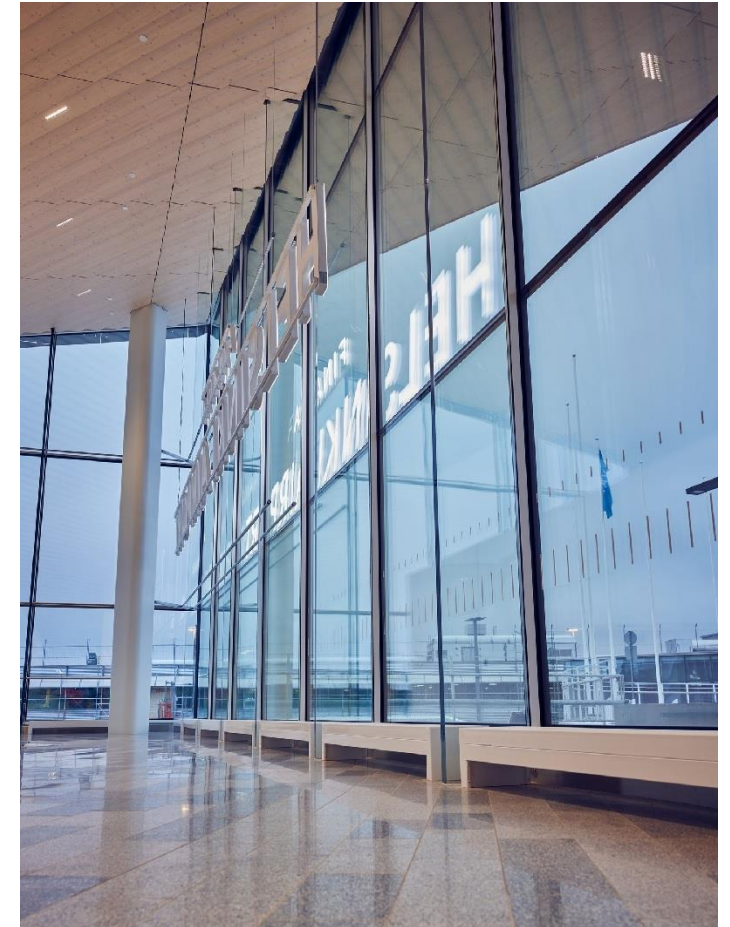
Comments

- Number of personnel at the end of Q1/2022 933 (946), reduction of 13
- Average number of personnel during Q1/2022 944 (942), increase of 2

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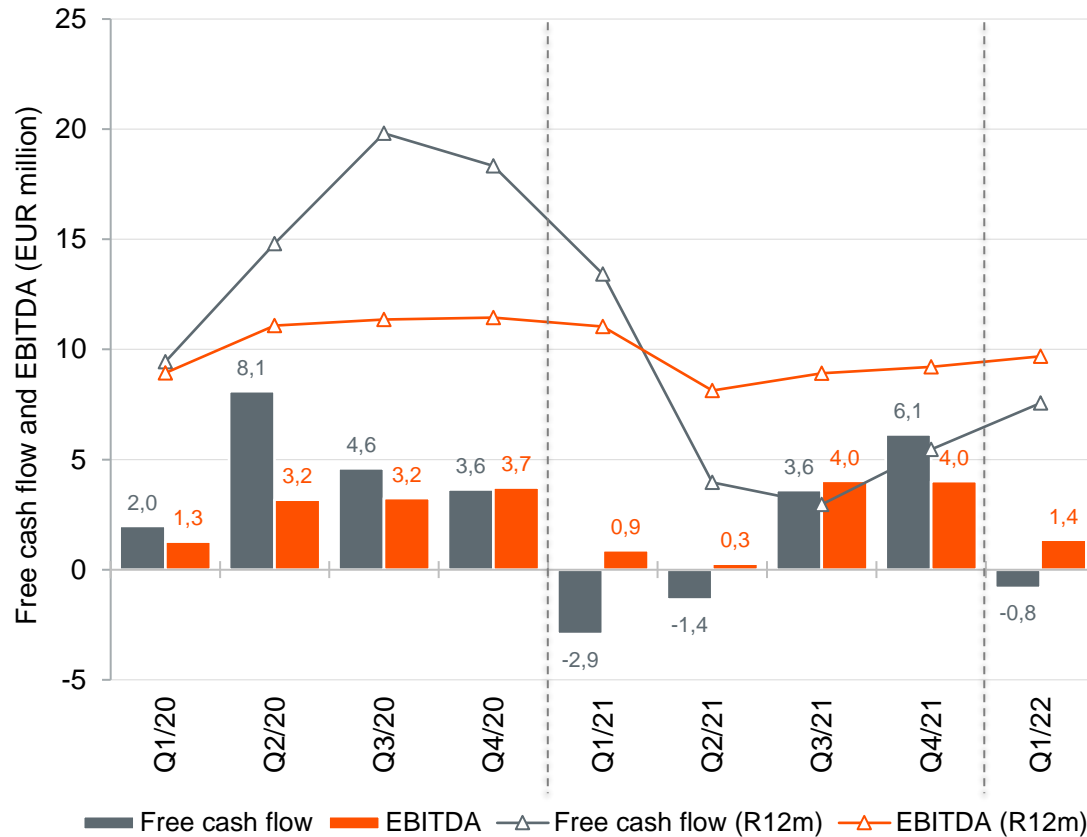
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# Quarterly free cash flow development

Q1 2022 free cash flow EUR -0.8 million, clear improvement from comparison period

Quarterly free cash flow<sup>1)</sup> and EBITDA Q1/2020 – Q1/2022 (EUR m)



## Comments

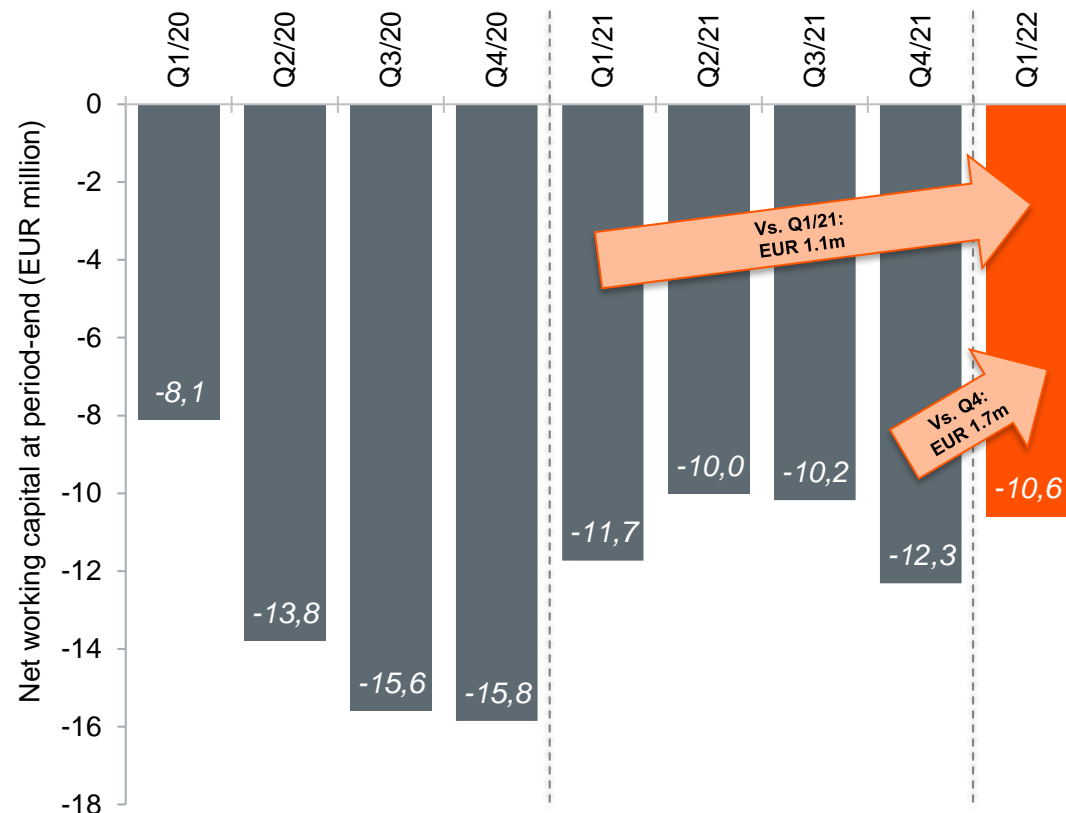
- Q1/2022 free cash flow EUR -0.8m (-2.9m)
  - EBITDA amounted to EUR 1.4m (0.9m)
  - Cash flow impact from change in net working capital was EUR -1.5m (-3.6m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.3m (-0.3m)
- Rolling 12-month cash conversion ratio 78.1%
- In the longer term Q1/2020 - Q1/2022, Consti's cash conversion ratio was 104%, meeting the long-term 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 -10.6 million at the end of Q1/2022

Quarterly net working capital<sup>1)</sup> Q1/2020 – Q1/2022 (EUR m)



## Comments

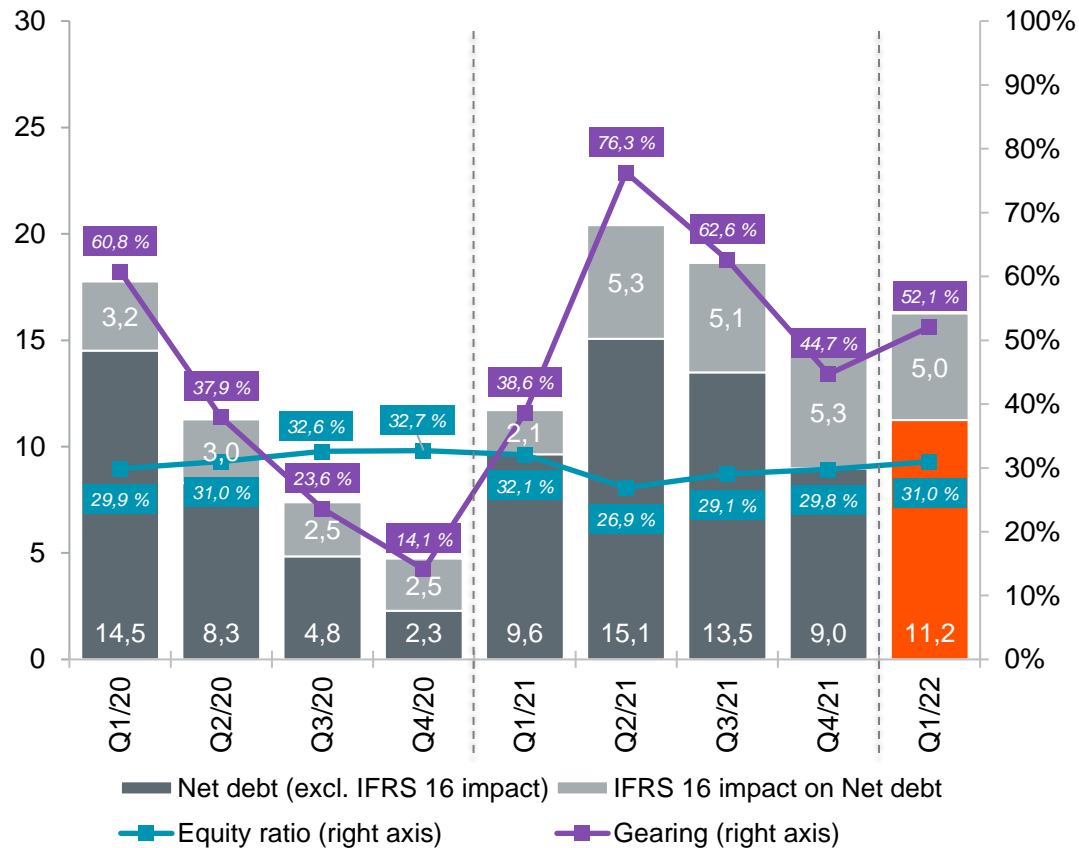
- Net working capital EUR -10.6m (-11.7m) at the end of Q1/2022
  - NWC tied up during Q1/2022 amounted to EUR 1.7m
  - NWC EUR 1.1m higher compared to Q1/2021

<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

No major change in financial position during Q1 2022

Quarterly net debt, equity ratio and gearing Q1/2020 – Q1/2022



## Comments

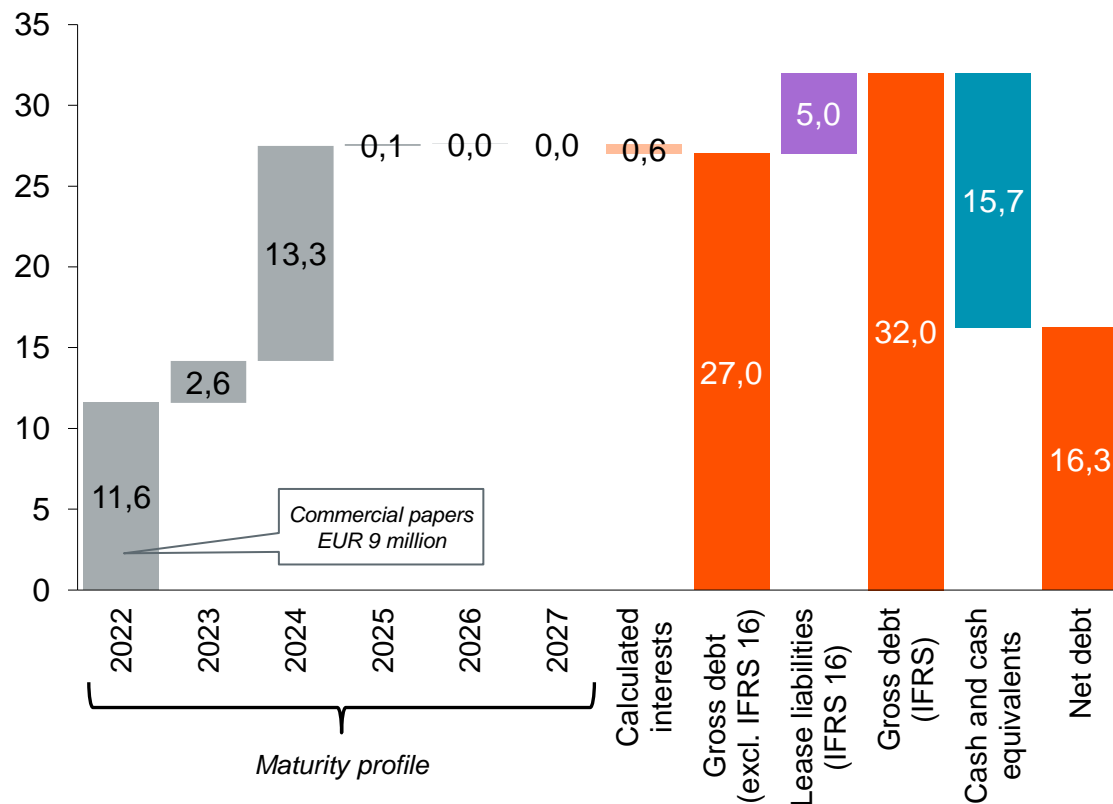
- Q1/2022 net debt at EUR 16.3m (11.7m), of which EUR 5.0m (2.1m) attributable to IFRS 16 related lease liabilities
  - Recognition of new headquarters related ROU asset (IFRS 16) in June 2021
- Q1/2022 equity ratio at 31.0% (32.1%)
  - Equity ratio excluding IFRS 16 at 32.7% (32.8%)
- Q1/2022 gearing at 52.1% (38.6%)
  - Gearing excluding IFRS 16 at 35.8% (31.7%)

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 March 2022)

No significant bank loan redemptions in the coming years

Maturity profile of interest-bearing debt<sup>1)</sup> as per 31 March 2022 (EUR m)



## Comments

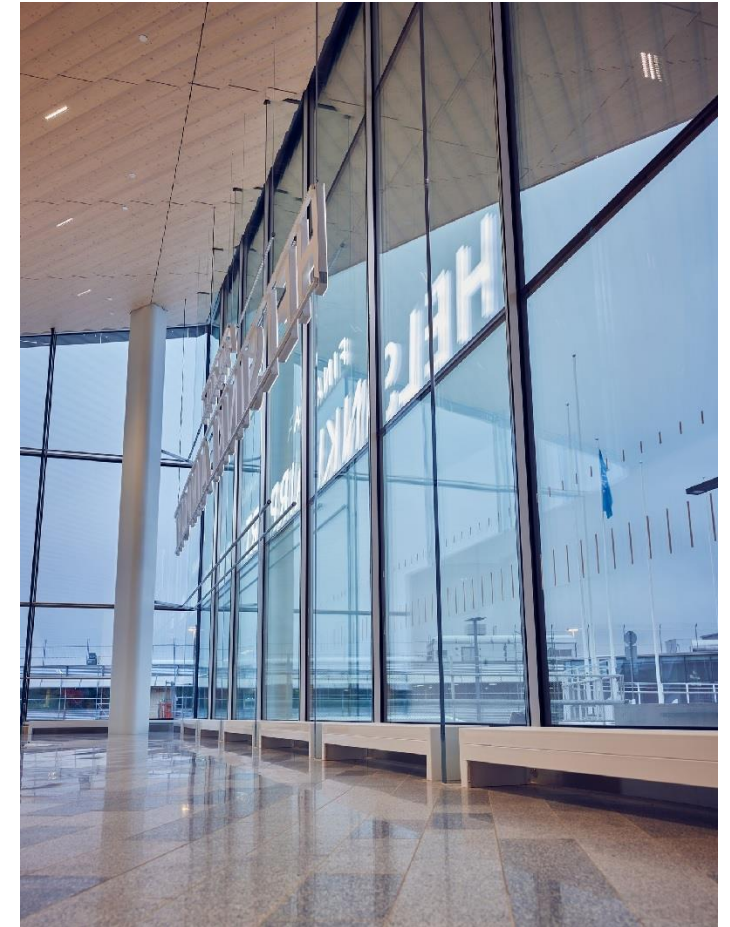
- Consti's gross interest-bearing debt at EUR 27.0 million (excluding IFRS 16) at the end of Q1/2022
- Cash and cash equivalents amounted to EUR 15.7m at quarter-end
- In addition, Consti has undrawn revolving credit facilities and unused credit limits amounting to EUR 8.0m in total
- Majority of Consti's bank loans have maturity in 2024 (with extension option in 2026), i.e. no significant bank loan redemptions in the coming years
  - Loan agreement includes an extension option → possibility to extend the maturity of the loan by a maximum of 2 years into 2026

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

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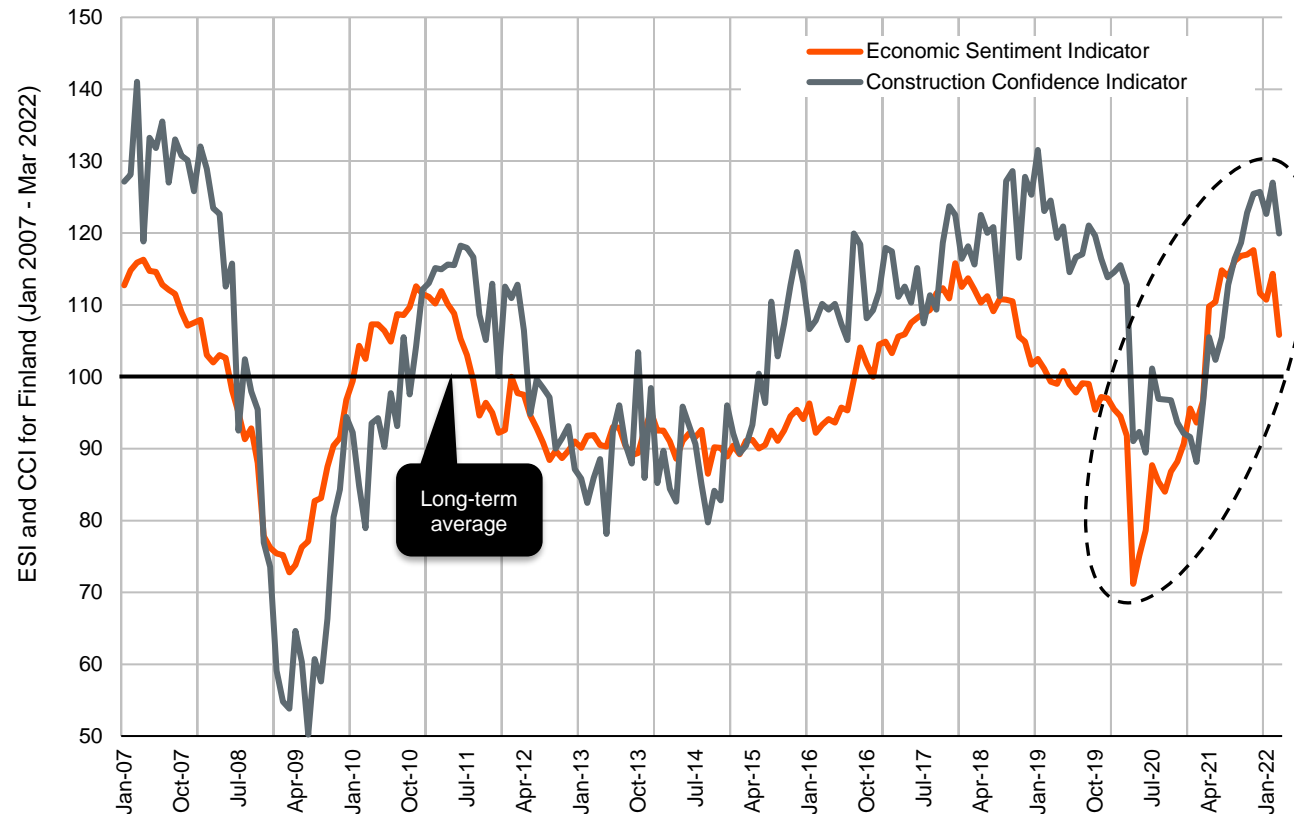
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# Economic sentiment and construction confidence in Finland still above their long-term average levels but the trend is downwards

## Economic Sentiment and Construction Confidence / Finland (2007 – 3/2022)



Note: Mean-adjusted figures

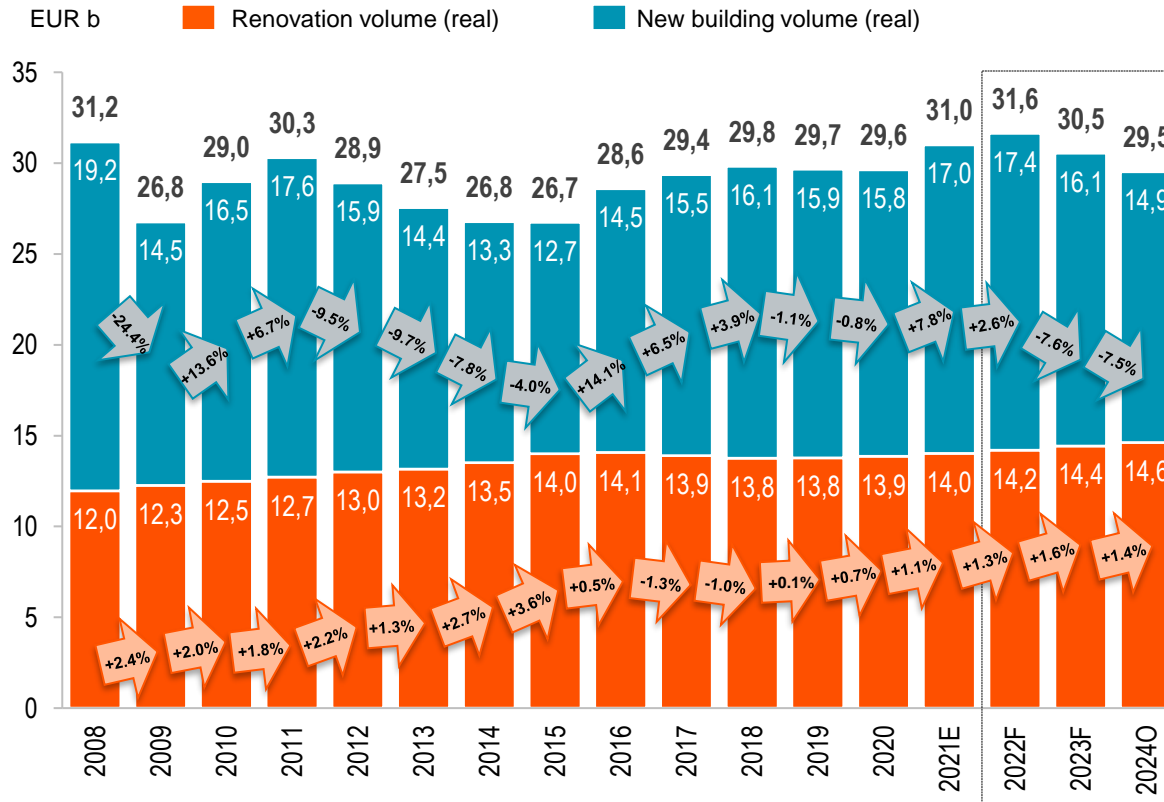
Source: European Commission, March 2022

## Comments

- Economic sentiment deteriorated sharply in March 2022 mainly due to collapse in consumer confidence
  - Especially households' expectations about the general economic situation in Finland deteriorated clearly
  - Also, assessments of households' own future financial situation decreased
- Confidence remained broadly unchanged in construction in March 2022
  - Improvement in level of order books
  - Shortage of labour and material and/or equipment as factors limiting building activity increased to their highest levels on record

# Activity in Finnish construction likely to stay on a good level in H1 2022 but low visibility thereafter

Finnish new building and renovation market development 2008 – 2024



**CAGR  
2021-24:  
-4.3%**

**CAGR  
2021-24:  
+1.4%**

## Comments

- Thus far, there are no public economic forecasts for construction which would take into account the crisis in Ukraine
- According to the latest available forecasts, renovation expected to increase in 2022 by about 1.3–2.0 percent
- Renovation expected to increase in both residential buildings and office premises
- The Confederation of Finnish Construction Industries RT estimates that the strong order backlog in construction will keep the industry’s activity at a good level throughout early 2022, but cumulative construction cost development may slow down the start of planned new projects

Source: Euroconstruct, November 2021

Confederation of Finnish Construction Industries RT (CFCI), October 2021

# Outlook and guidance for 2022

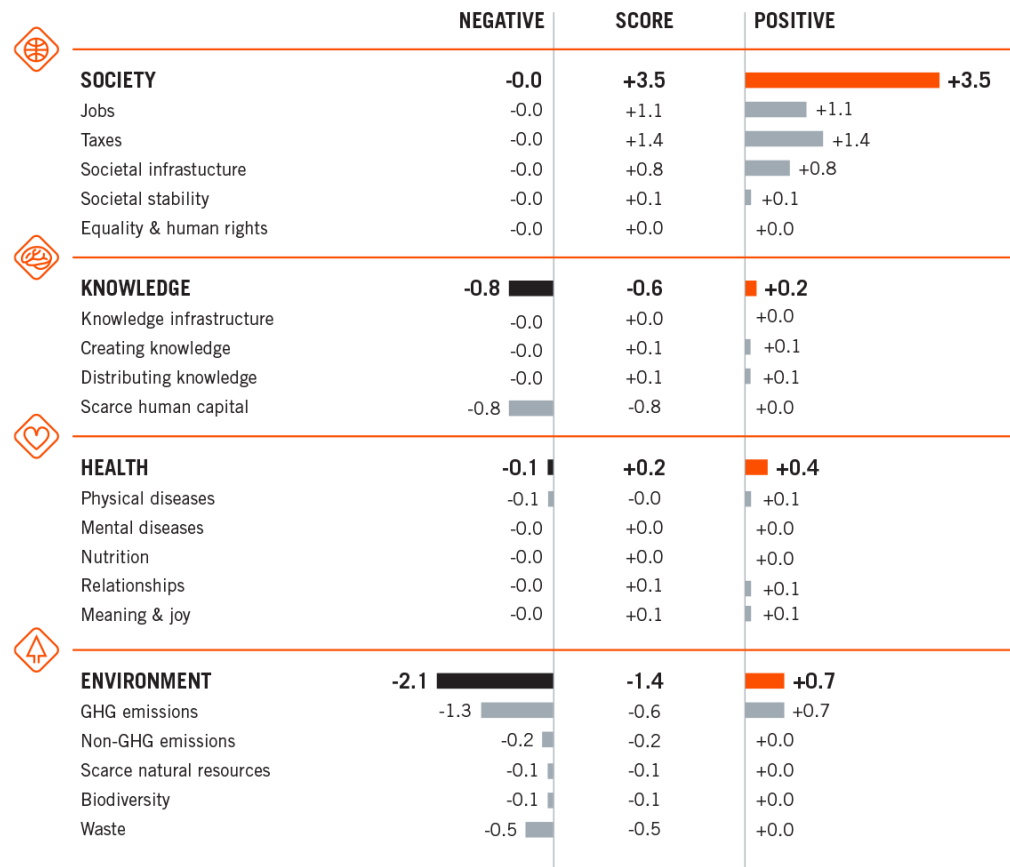
- The uncertainty in Consti's operating environment increased significantly after Russia launched an attack on Ukraine in February
  - Due to geopolitical instability, the prices of building materials and products important to the company have continued to rise
  - Also, the war has a negative impact on the availability of building materials and products, which may complicate Consti's ability to advance ongoing projects according to plans
  - The crisis in Ukraine, with its ramifications, also creates uncertainty about the short-term demand outlook for renovation and building technology
    - This uncertainty may lead to the rescheduling of some projects in the negotiation phase, as well as the postponement of investment decisions
    - However, demand is maintained by the needs-oriented nature of renovation → e.g. renovation activity in the housing company market on a good level
  - Additional measures taken to ensure performance in an uncertain operating environment
    - Focus especially on procurement, tendering, and customer activities
    - The aim of the measures is to ensure a healthy margin level for order intake and the smooth advancing of customers' projects
  - Guidance for the current year remains unchanged. The company's strong order backlog, progress of strategic projects, and steadily improved performance put Consti in a good position to continue its positive and solid development in 2022
- "The Company estimates that its operating result for 2022 will be in the range of EUR 9-13 million."**



# Consti's Net Impact Profile

Consti creates positive societal and environmental impacts by using scarce human capital and environmental resources

## Consti Group's Net Impact Profile (analysis by Upright Project)



**+35%** NET IMPACT RATIO

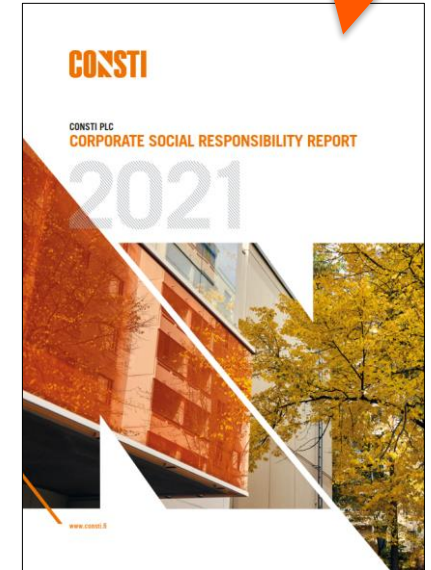
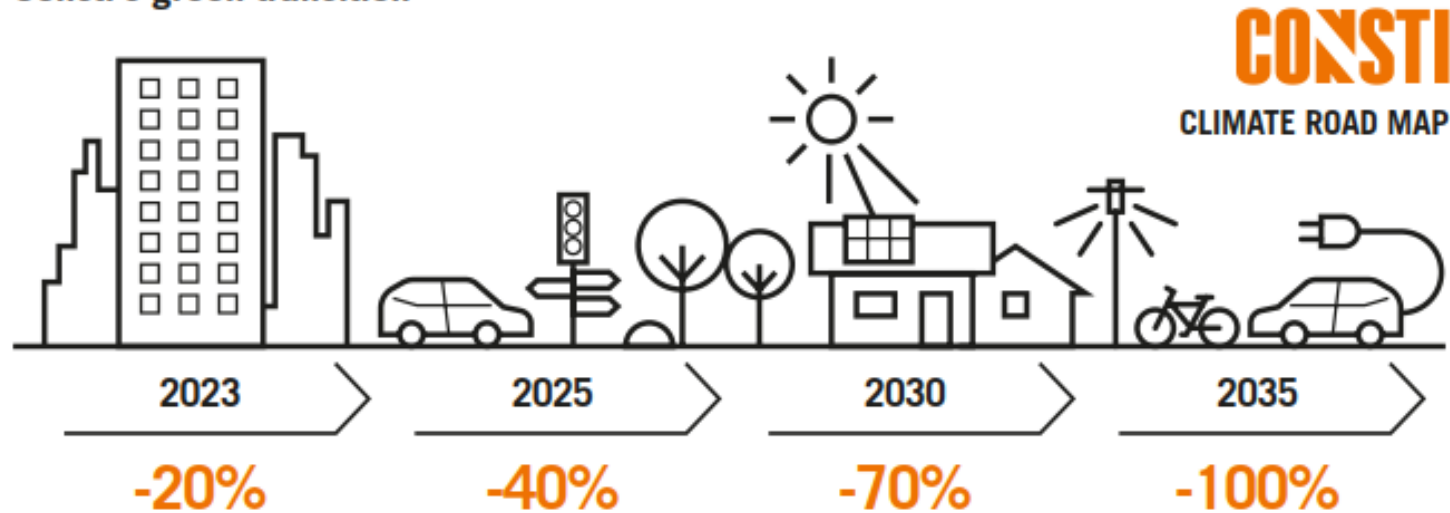
## Comments

- Consti Group's overall impact on the environment, health, society, and knowledge was analysed by Upright Project in late 2021
- According to the analysis, Consti's net impact ratio is +35%, which means that Consti's overall impact on its social and ecological environment is clearly positive
- According to the net impact data, Consti creates a clearly more positive net impact ratio compared to the weighted average of Helsinki stock listed companies (*Nasdaq Helsinki weighted average: -7%*)
- The net impact analysis will enable Consti to develop its operations to become even more responsible (what is being renovated is a significant determinant of net impact)
- As for EU Taxonomy, Consti estimates that 100% of its business is taxonomy eligible → this is due to the fact that all construction and renovation work is eligible within the taxonomy

# Consti's Green Transition

More information on the progress of Consti's sustainability work can be found in the sustainability report published today

## Consti's green transition



- Consti has announced CO<sub>2</sub> emission reduction targets for its own operations (Scope 1–2)
- Consti's target is to reduce its own CO<sub>2</sub> emissions by 40% by 2025, by 70% by 2030, and by 100% by 2035.
- The reductions will be realised gradually by switching to electric company cars and replacing fossil fuels with renewables. Utility vehicles will also gradually switch over to renewable fuels. Regarding the electricity use of offices, the goal is to already reach a point by 2023 where 70% of electricity comes from renewable sources
- Consti will also continue to monitor the consumption and emissions of construction sites and define emission reduction goals for site operations

# Summary

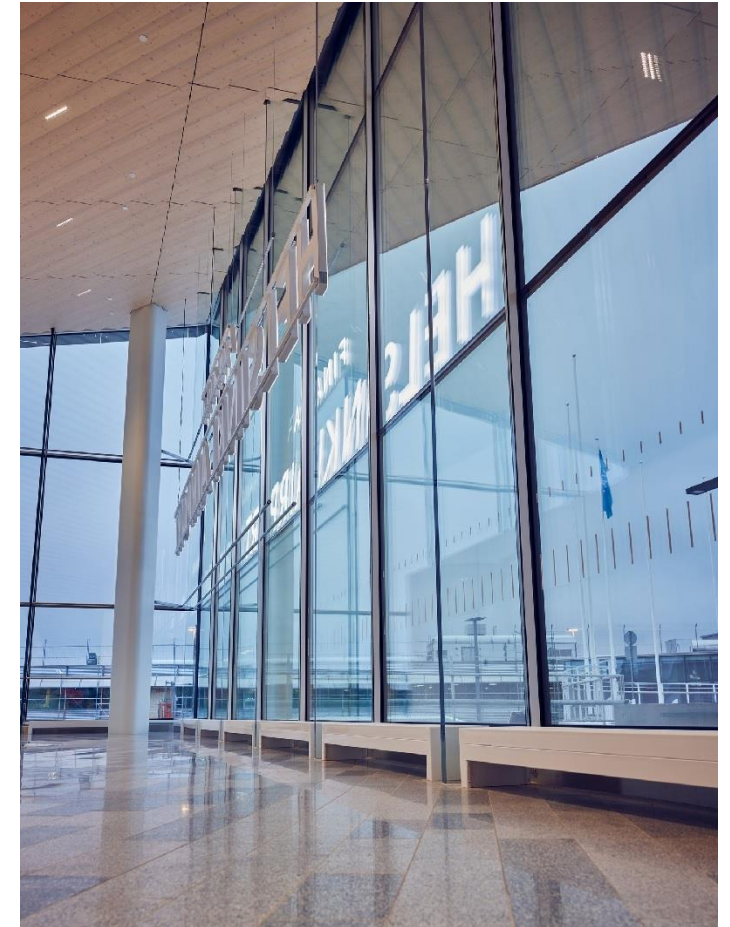
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1. Seasonally low Q1 net sales grew 0.9 percent from comparison period
2. Q1 profitability in line with expectations, financial and liquidity positions remained at a good level
3. The uncertainty in operating environment increased significantly after Russia launched an attack on Ukraine in February, the main uncertainties relate to prices and availability of building materials and products
4. Activity in Finnish construction likely to stay on a good level for some time but the crisis in Ukraine creates uncertainty about the demand outlook
5. Several actions taken to secure solid performance in the uncertain operating environment, focus particularly devoted to procurement, tendering and customer activities
6. Guidance for 2022 remains unchanged despite the increased uncertainty in the operating environment

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# CONSTI GROUP STRATEGY 2021–2023

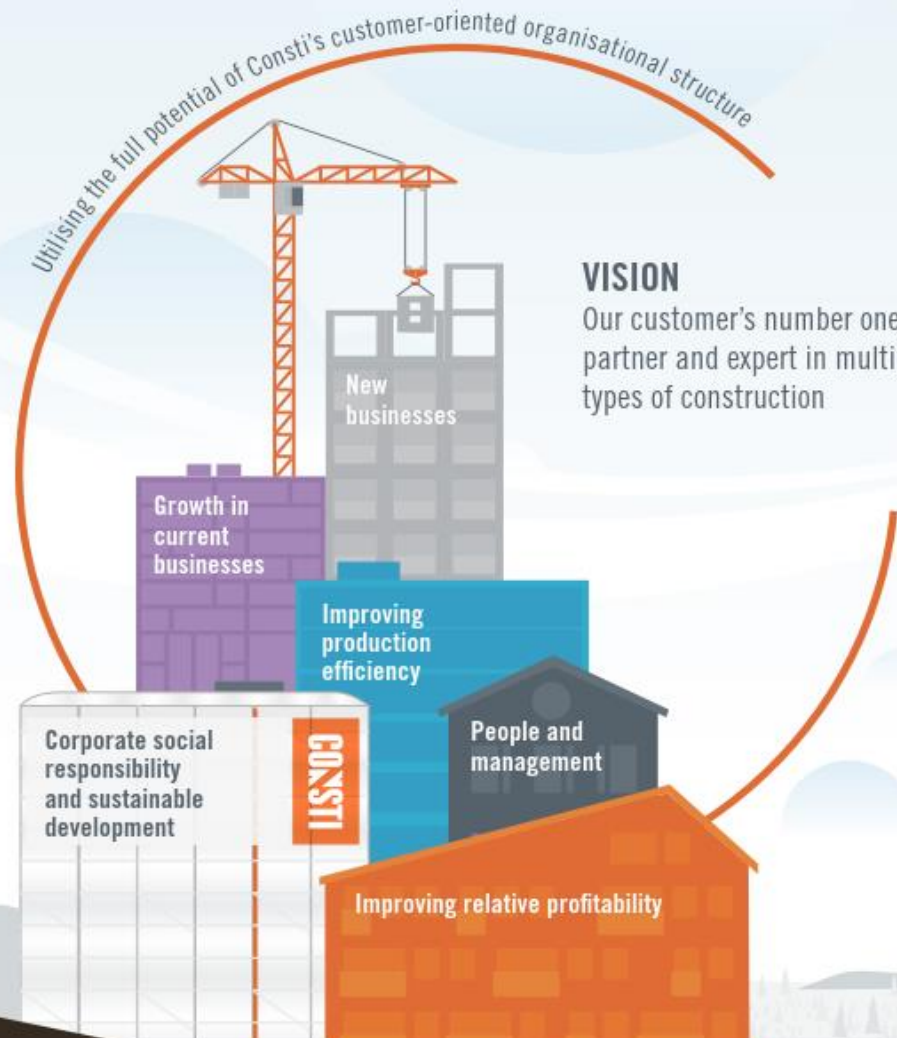
## MISSION

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.

Utilising the full potential of Consti's customer-oriented organisational structure

## VISION

Our customer's number one partner and expert in multiple types of construction



To realise its vision and goals, Consti has defined the following strategic focus areas:

- 1 **Growth in current business**
  - ▷ controlled and profitable growth in attractive renovation and building technology segments
- 2 **New businesses**
  - ▷ comprehensively answering customer needs by growing in attractive new construction projects
- 3 **Improving relative profitability**
  - ▷ expanding value created for customers and active management of business portfolio
- 4 **Improving production efficiency**
  - ▷ Target to have the industry's most efficient production and a steady level of performance in project deliveries
- 5 **People and management**
  - ▷ supporting profitable growth by investing in the implementation of the Consti Way, expanding competence, adding diversity, and adopting LEAN principles
- 6 **Corporate social responsibility and sustainable development**
  - ▷ concentrating on updated responsibility themes, which are environmentally friendly business, work safety and well-being at work, supply chain and customer satisfaction

### Long-term financial goals

**Growth:** net sales growing faster than the market

**Cash flow:** Cash conversion ratio exceeding\* **>90%**

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

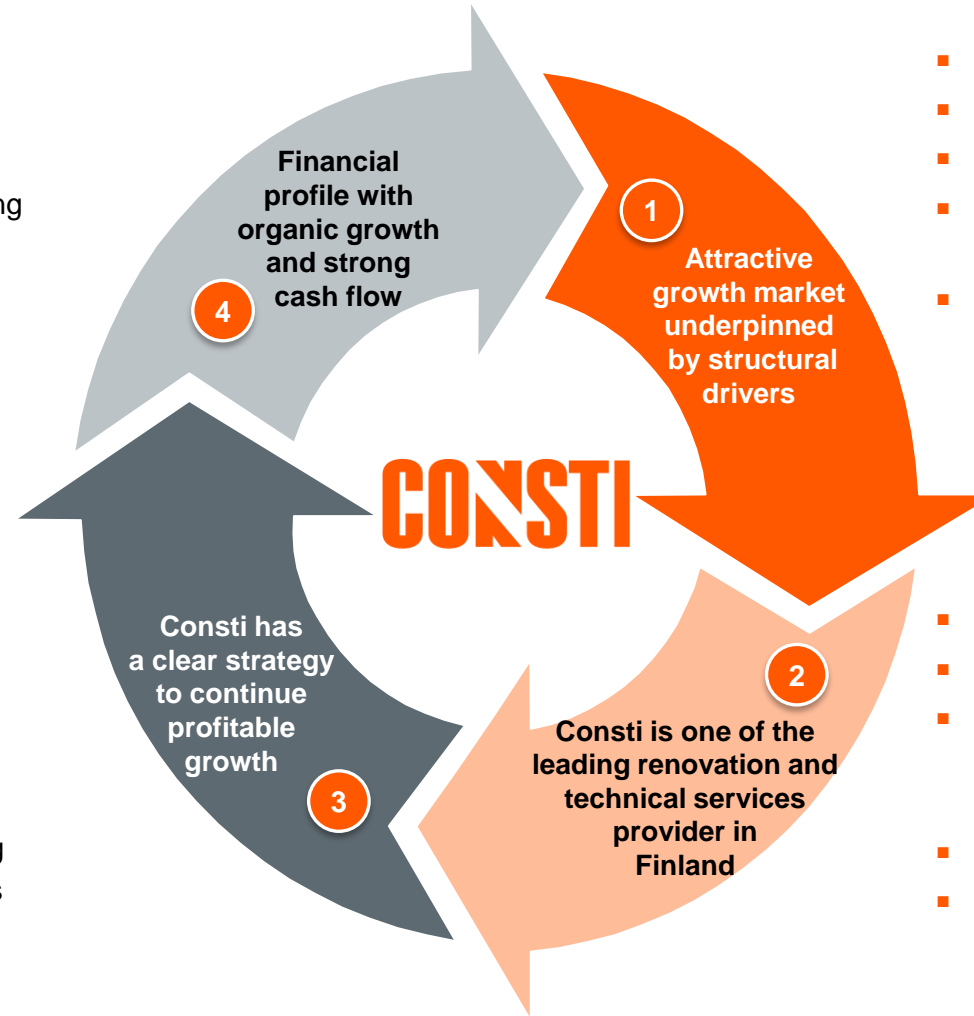
**Capital structure:** Net debt to adjusted EBITDA ratio **<2,5x**

\* 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 and for purchase of intangible assets and property, plant and equipment.

# Consti as an investment - Key investment highlights

- Successful turnaround since 2019
- Steadily improving profitability
- Solid platform for future growth
- Asset-light business model with negative working capital and strong cash flow

- Utilising the full potential of customer-oriented organisational structure
- Growing in existing businesses as well as in attractive new construction projects
- Expanding value created for customers
- Improving production efficiency and maintaining steady level of performance in project deliveries
- Complementary acquisitions



- Aging building stock driving need-based renovation
- Climate change and energy efficiency requirements
- Urbanisation and changes in working methods
- Increased need for building technology and automation
- Fragmented market with limited renovation focused players

- Comprehensive service offering
- Focus on Finnish growth centres
- Diversified customer base including housing companies, corporations, real estate investors and public sector
- Ability to deliver projects of all sizes
- Responsible company creating a clearly positive overall impact on its social and ecological environment



**CONSTI**

**INTERIM REPORT**

**1-3/2022**

**CONSTI PLC**

**Q1**

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