

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

# CONSTI GROUP PLC

## HALF-YEAR FINANCIAL REPORT

### 1 JANUARY – 30 JUNE 2017

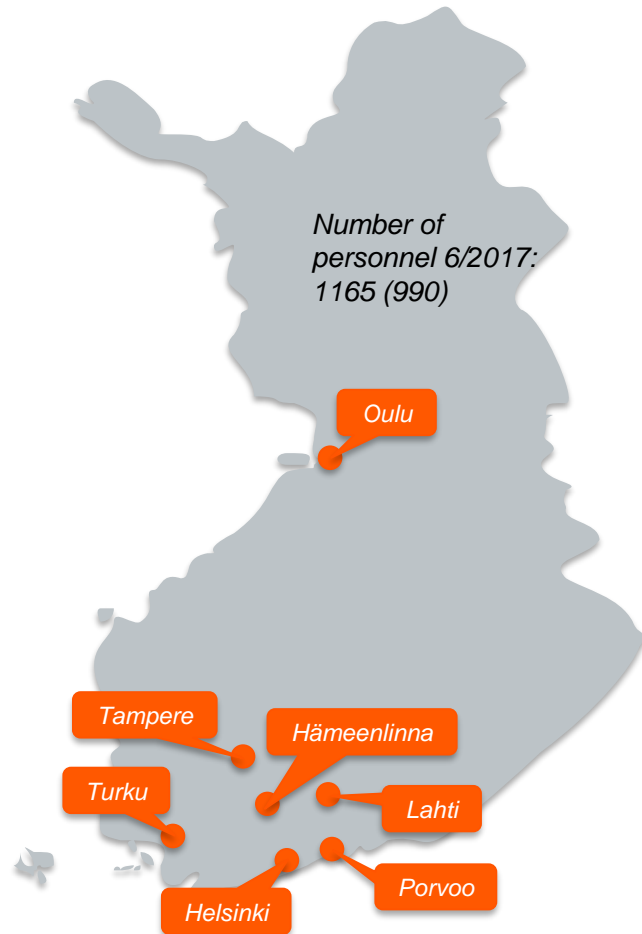
CEO Marko Holopainen  
CFO Esa Korkeela



## Contents

- Highlights and Group performance
- Result, cash flow and financial position
- Market outlook and guidance

# Highlights of the second quarter of 2017: Net sales and order backlog improved



## Highlights of 4-6/2017 (y-o-y comparison in brackets)

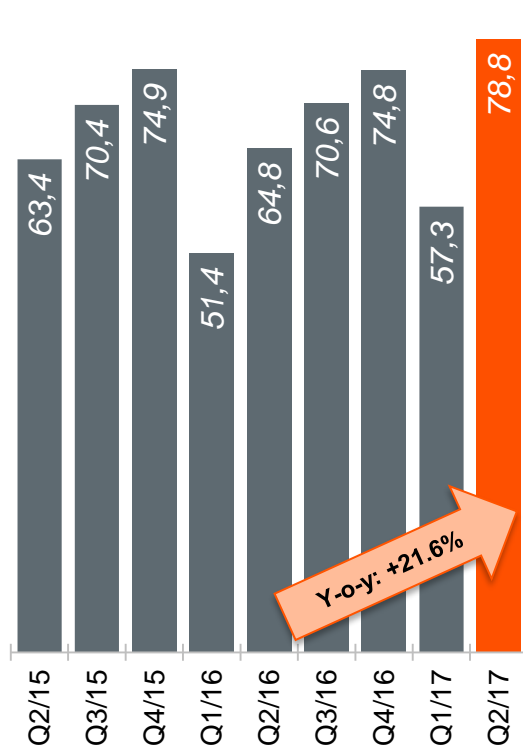
- Net sales EUR 78.8 (64.8) million, growth 21.6%
- EBIT EUR 2.7 (2.6) million, EBIT margin 3.4 (4.0)%
- Adjusted EBIT EUR 2.7 (2.6) million, adjusted EBIT margin 3.4 (4.0)%
- Free cash flow EUR 4.0 (0.4) million
- Earnings per share EUR 0.26 (0.25)

## Highlights of 1-6/2017 (y-o-y comparison in brackets)

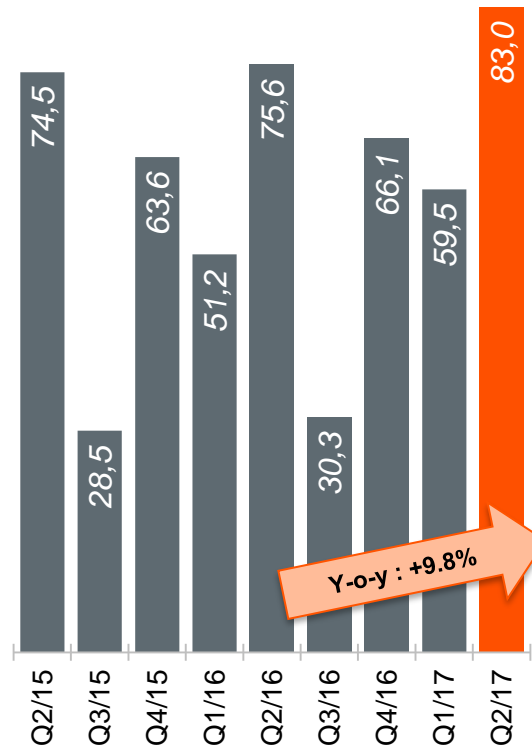
- Net sales EUR 136.1 (116.2) million, growth 17.1%
- EBITDA EUR 4.0 (3.7) million, EBITDA margin 2.9% (3.2%)
- EBIT EUR 3.0 (2.8) million, EBIT margin 2.2 (2.4)%
- Order backlog EUR 227,9 (212,6) million, growth 7.2% compared to previous year and +19.4% compared to year-end 2016
- Free cash flow EUR 3.5 (3.7) million
- Gearing 55.0 (76.1)%
- Net debt EUR 15.5 (17.8) million
- Earnings per share EUR 0.26 (0.24)

# Quarterly performance: Net sales, order intake and order backlog improved

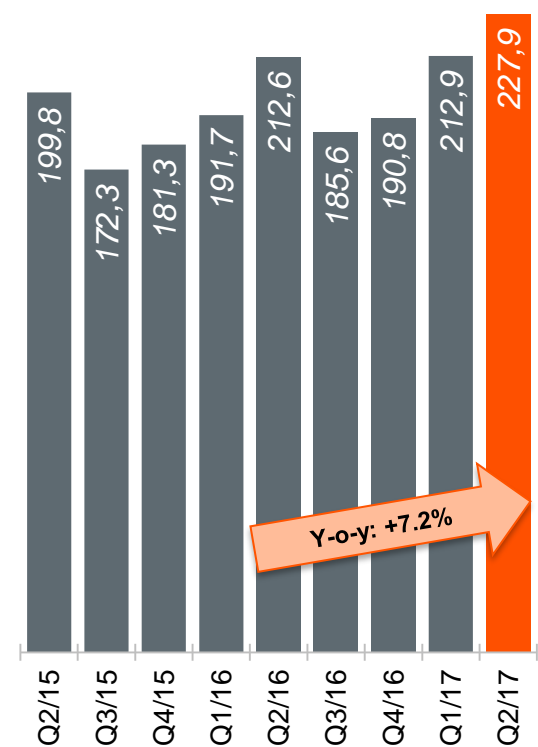
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)

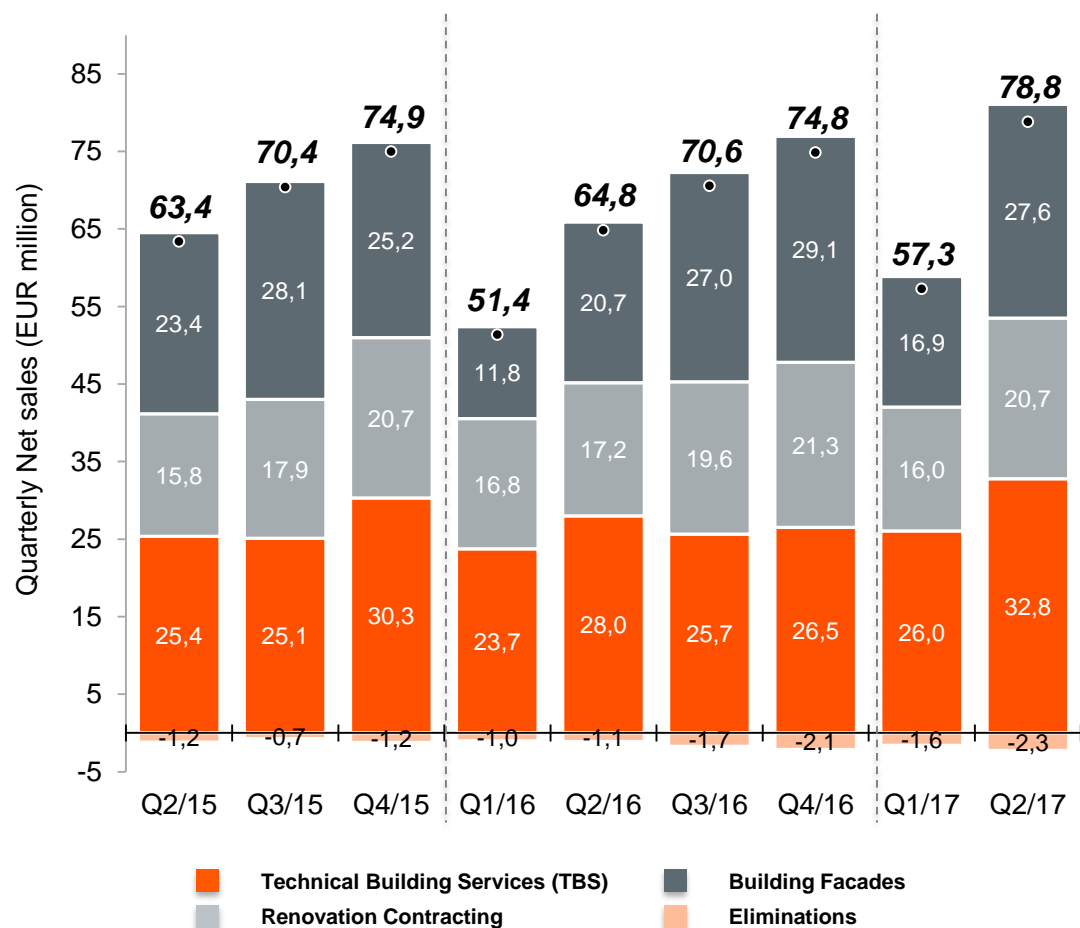


Quarterly order backlog (EUR m)



# Quarterly net sales development: Second quarter net sales up by 21.6%

Quarterly net sales development Q2/2015 – Q2/2017 (EUR m)

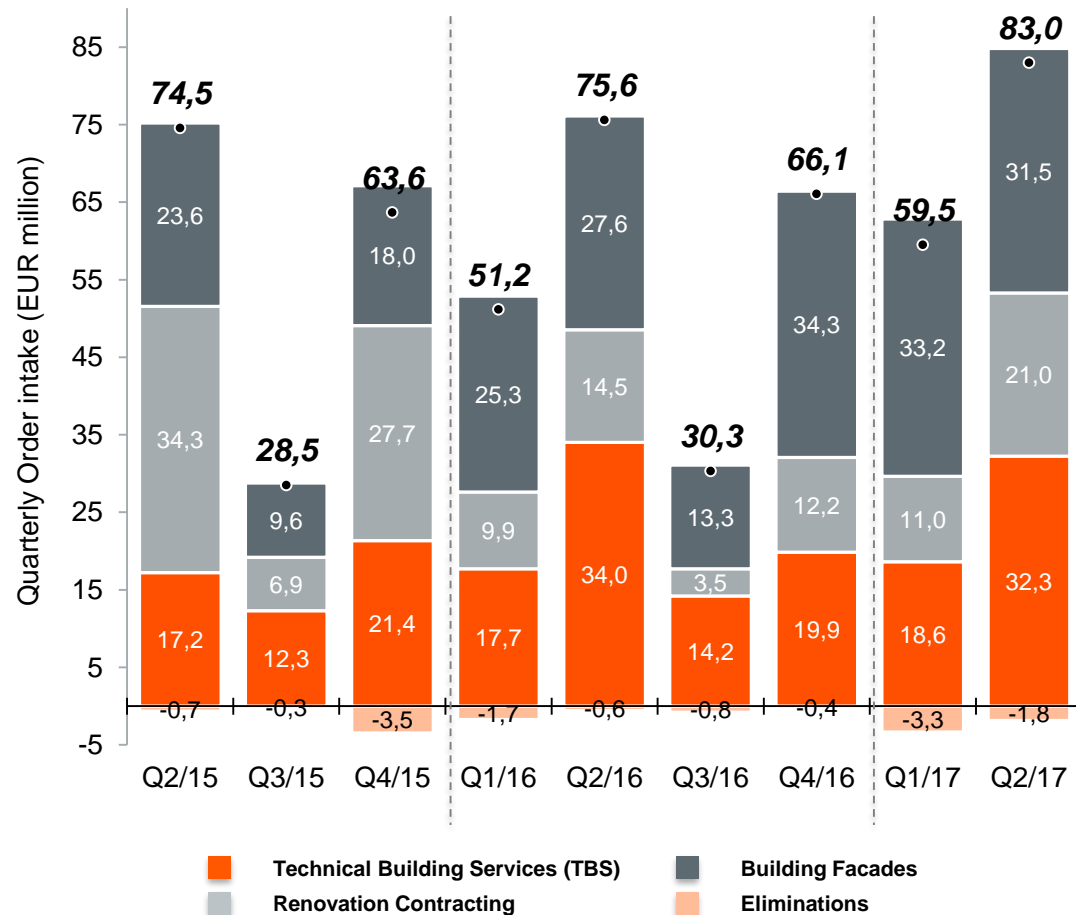


## Comments

- Q2/2017 net sales EUR 78.8 (64.8) million
  - y-o-y sales growth 21.6%
  - organic growth 17.6%
- In Technical Building Services, growth of 17.1% mainly from the residential sector and through acquisition
- In Renovation Contracting, growth of 20.6% from Greater Helsinki area
- In Building Facades, growth of 33.1% due to good performance in Greater Helsinki area
- H1/2017 net sales EUR 136.1 (116.2) million
  - y-o-y sales growth 17.1% (EUR 19.9 million)
  - organic growth 13.6% (EUR 15.9 million)
  - acquisition growth 3.5 % (EUR 4.0 million)

# Quarterly order intake development: Order intake up by 10%

Quarterly order intake development Q2/2015 – Q2/2017 (EUR m)

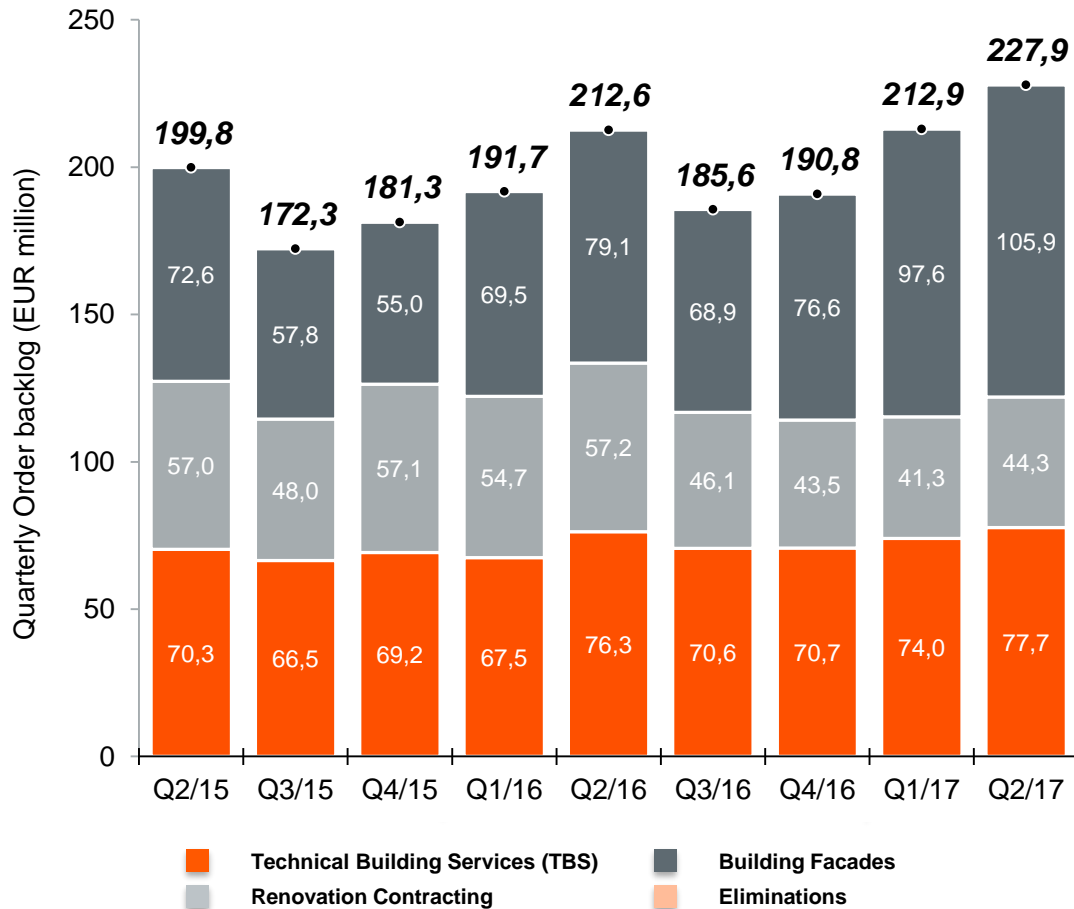


## Comments

- Q2/2017 order intake EUR 83.0 (75.6) million, up by 9.8% y-o-y
  - Order intake growth was strongest in Renovation Contracting (44.8%), growth particularly from Turku area
  - In Building Facades order intake growth 14.4 %, growth particularly from Greater Helsinki area rental apartments
  - In TBS, decline -5.2%
- H1/2017 order intake EUR 142.5 million (126.7m), up by 12.4% y-o-y

# Quarterly order backlog development: Backlog up by 7%

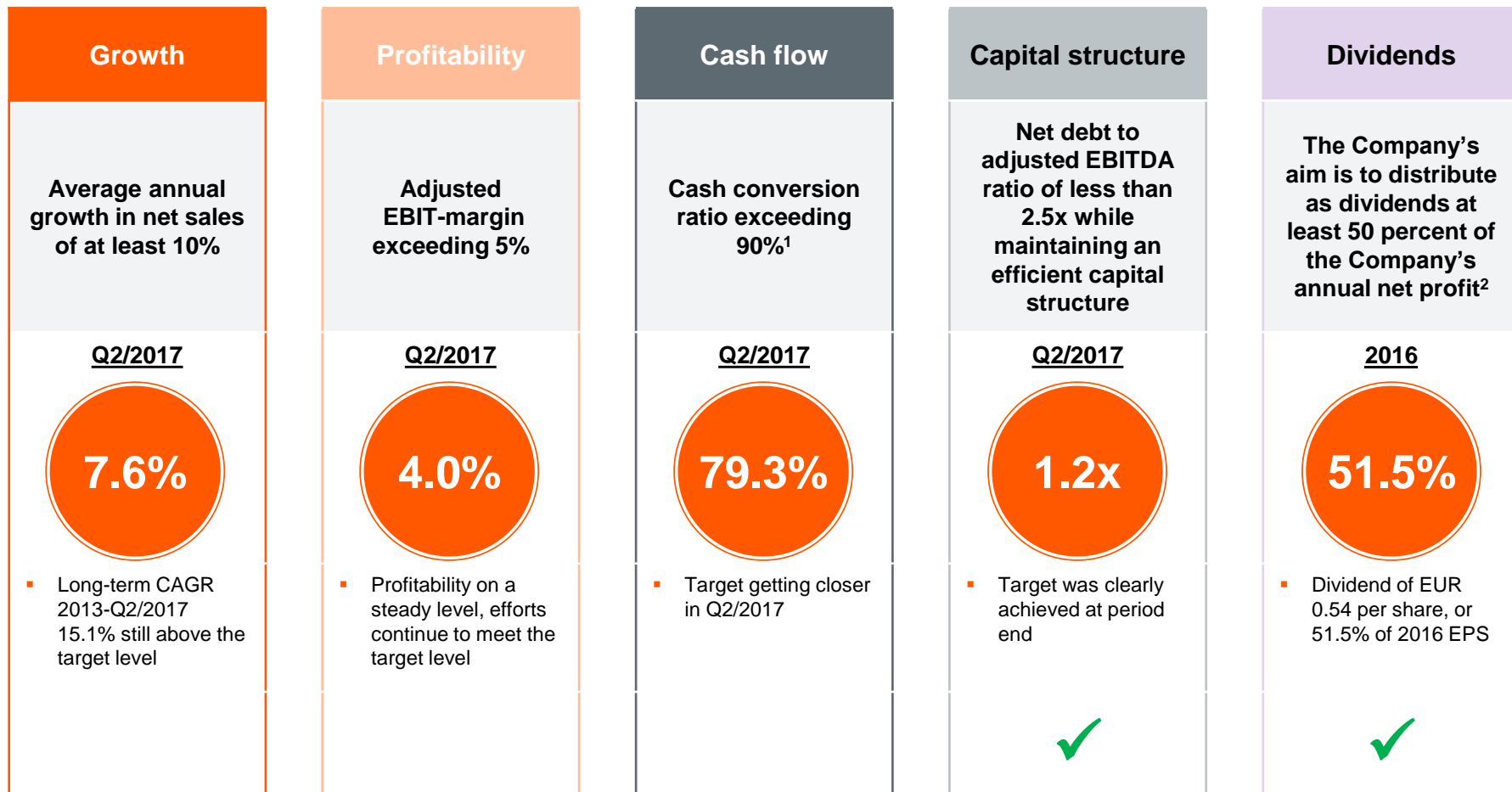
Quarterly order backlog development Q2/2015 – Q2/2017 (EUR m)



## Comments

- Q2/2017 order backlog on a record-high level at EUR 227.9 (212.6) million
  - Year-on-year growth 7.2%
  - Up by 19.4% from year-end 2016
  - Order backlog year-on-year grew in Building Facades 33.9% and in Technical Building Services 1.8%
  - Order backlog in Renovation Contracting decreased -22.6%, although from Q1/2017 growth 7.4 %

# Realisation of Consti's long-term financial targets Q2/2017 (rolling 12 months)



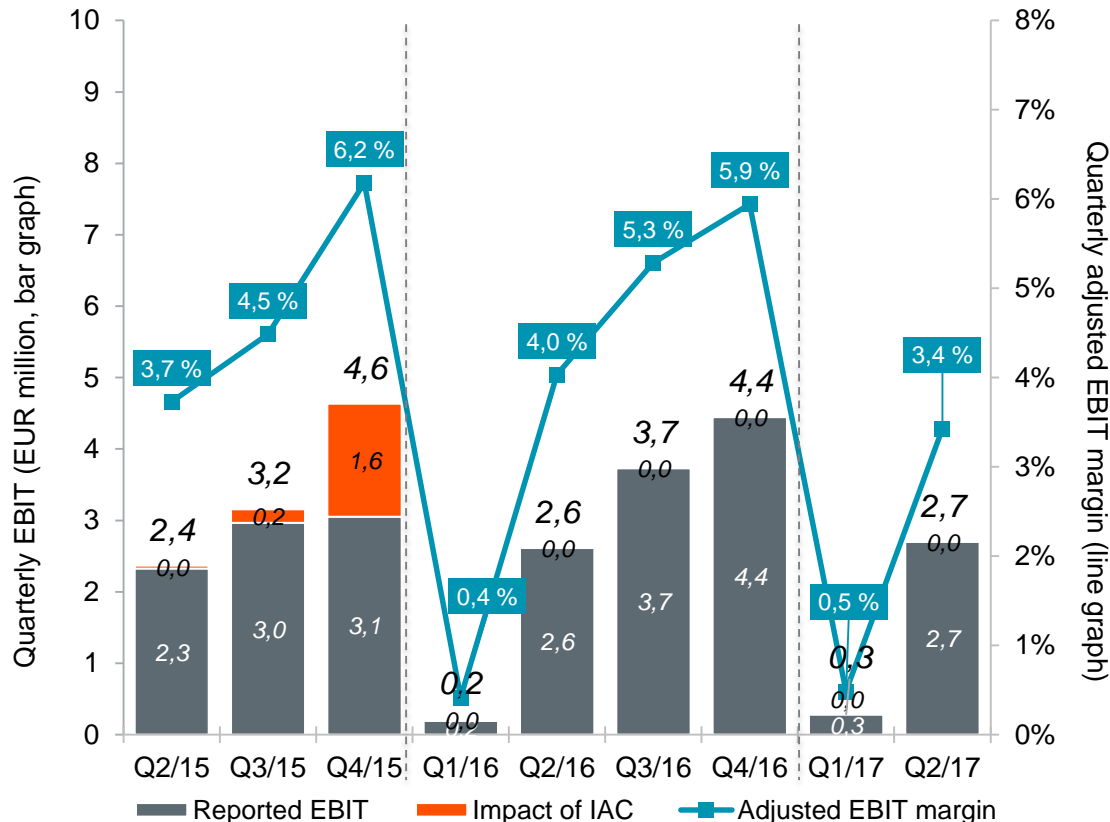
1) Cash conversion defined as free cash flow divided by EBITDA. Free cash flow equals operating cash flow before net financial items and taxes less investments in tangible and intangible assets

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

# Result, Cash Flow and Financial Position

# Quarterly adjusted EBIT<sup>1</sup> development: Absolute profitability improved in Q2/2017

Quarterly EBIT development Q2/2015 – Q2/2017 (EUR m)



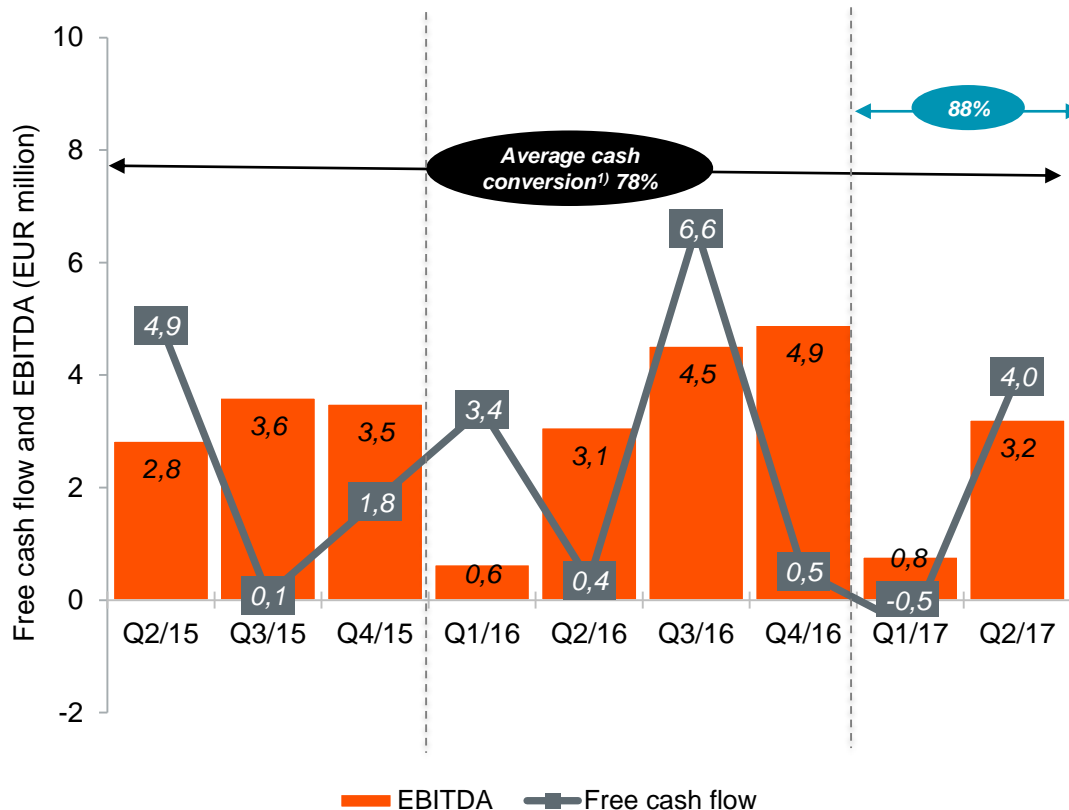
## Comments

- Q2/17 EBIT 2.7 (2.6) million, or 3.4% (4.0%) of net sales
- Highest reported quarterly EBIT in history
- Weakening of relative profitability was mainly due to lower profitability in TBS business area
- EBIT and EBIT margin fluctuations are affected by the Group's progress in projects that generate revenue according to the POC method, the starting of new projects and the development of demand for services
- H1/17 adjusted EBIT before IAC<sup>1</sup> EUR 3.0m (2.8m), or 2.2% (2.4%) of net sales
- H1/17 EBIT after IAC EUR 3.0m (2.8m), or 2.2% (2.4%) of net sales
  - In H1/2017, IAC of EUR 0.0m

1) Adjusted EBIT = EBIT before items affecting comparability (IAC)

# Quarterly cash conversion development: Good free cash flow achieved in Q2/2017

Quarterly free cash flow and EBITDA Q2/2015 – Q2/2017 (EUR m)



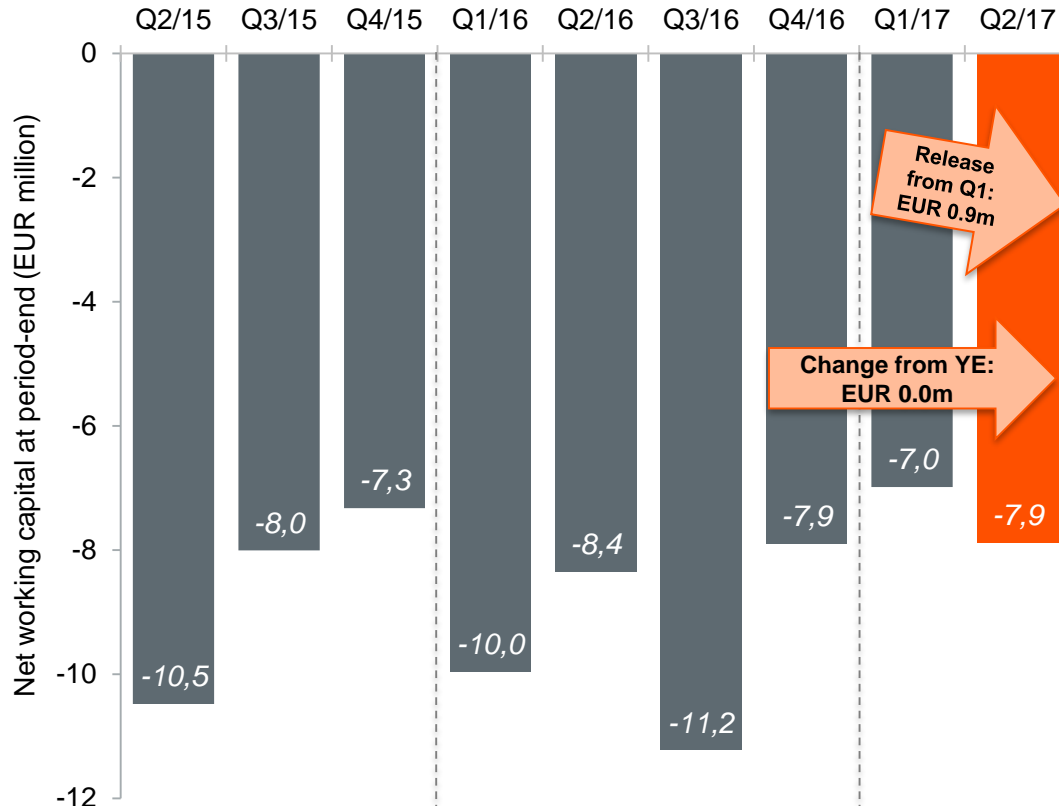
## Comments

- Q2/2017 free cash flow EUR 4.0 (0.4) million
  - Cash conversion ratio of 124.1% (11.5%) in the second quarter
  - Cash flow was positively impacted by improved profitability and NWC released during Q2
- Average cash conversion ratio of 78% in the period of Q2/2015 –Q2/2017 and 88% in H1/2017
  - 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: NWC released during Q2/2017

Quarterly net working capital<sup>1)</sup> Q2/2015 – Q2/2017 (EUR m)



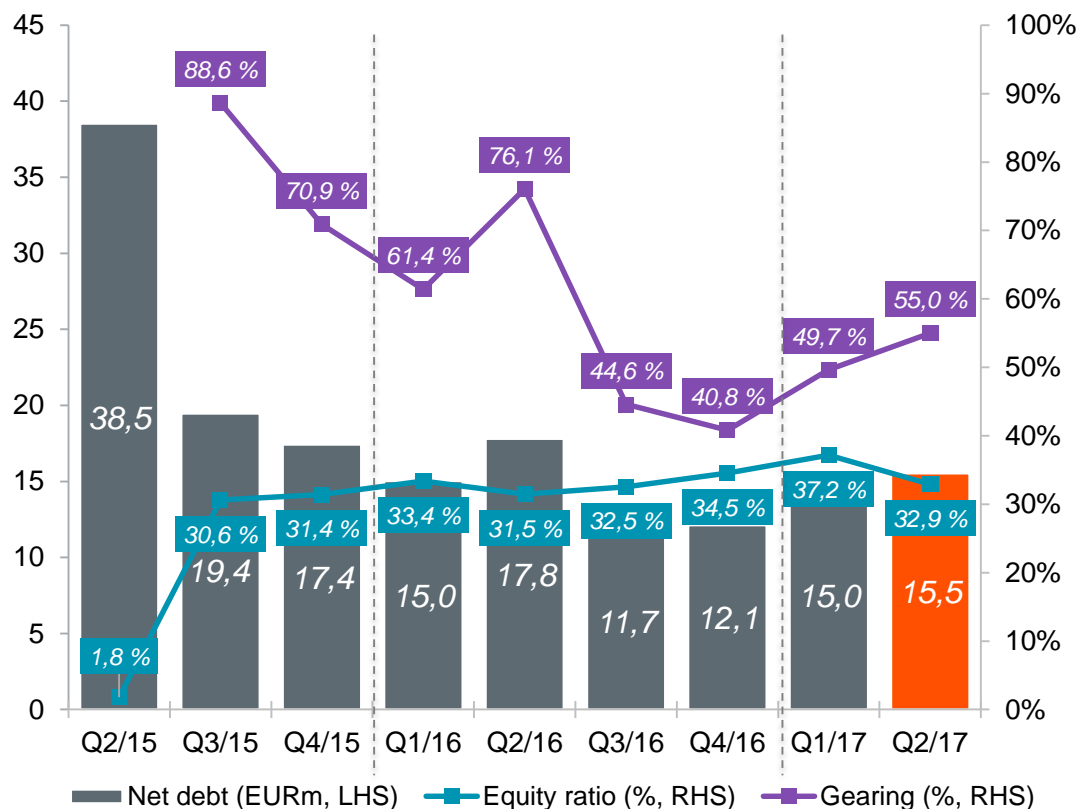
## Comments

- Net working capital EUR -7.9m (-8.4m) at the end of Q2/2017
  - NWC EUR 0.5m higher compared to end of Q2/2016
  - NWC was released EUR 0.9m during Q2
  - End of Q2 NWC remained on the same level than in year-end 2016

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

# Quarterly balance sheet structure: Balance sheet remained strong in the second quarter

Quarterly net debt, equity ratio and gearing Q2/2015 – Q2/2017



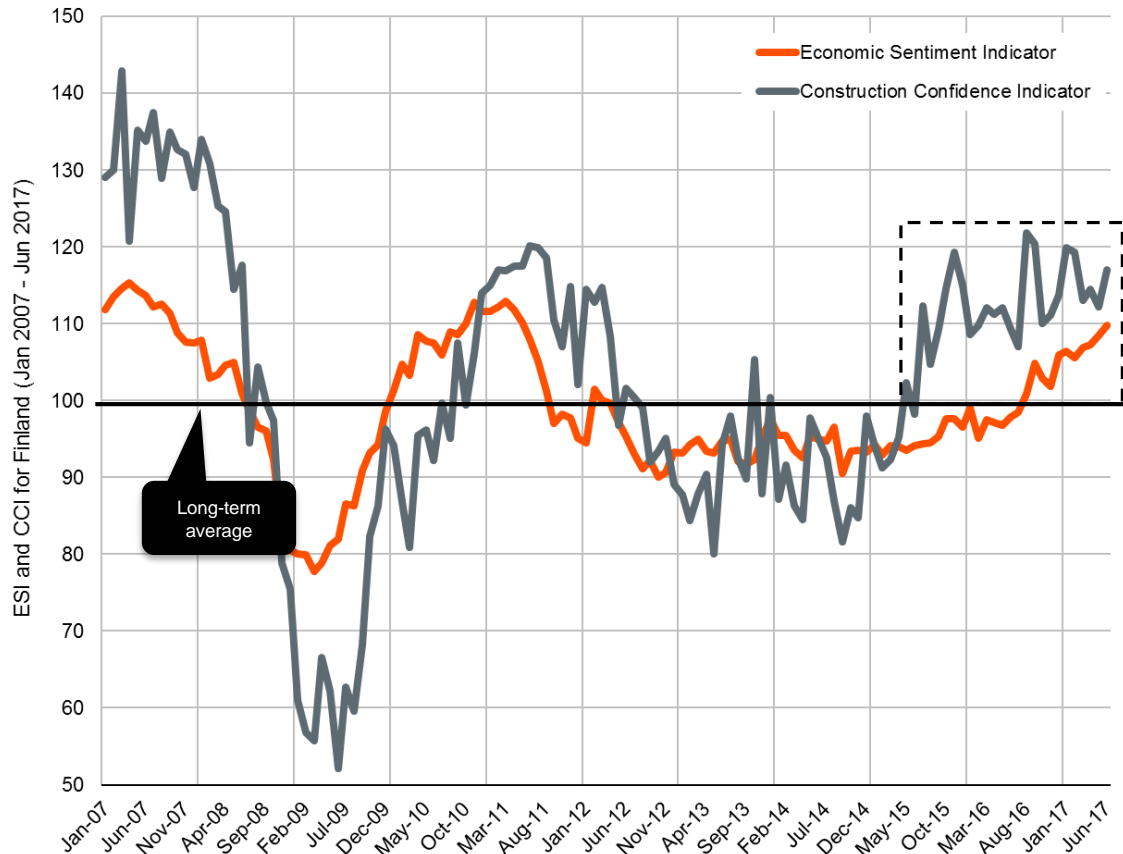
## Comments

- Net debt at EUR 15.5m (17.8m)
- + Strong cash flow in Q2
- Dividends paid
- Equity ratio 32.9% (31.5%)
- Gearing at 55.0% (76.1%)

# Market Outlook and Guidance

# Lead indicators for Finnish construction suggest a favourable market environment going forward

## Economic Sentiment and Construction Confidence / Finland (2007 – 7/2017)



## Comments

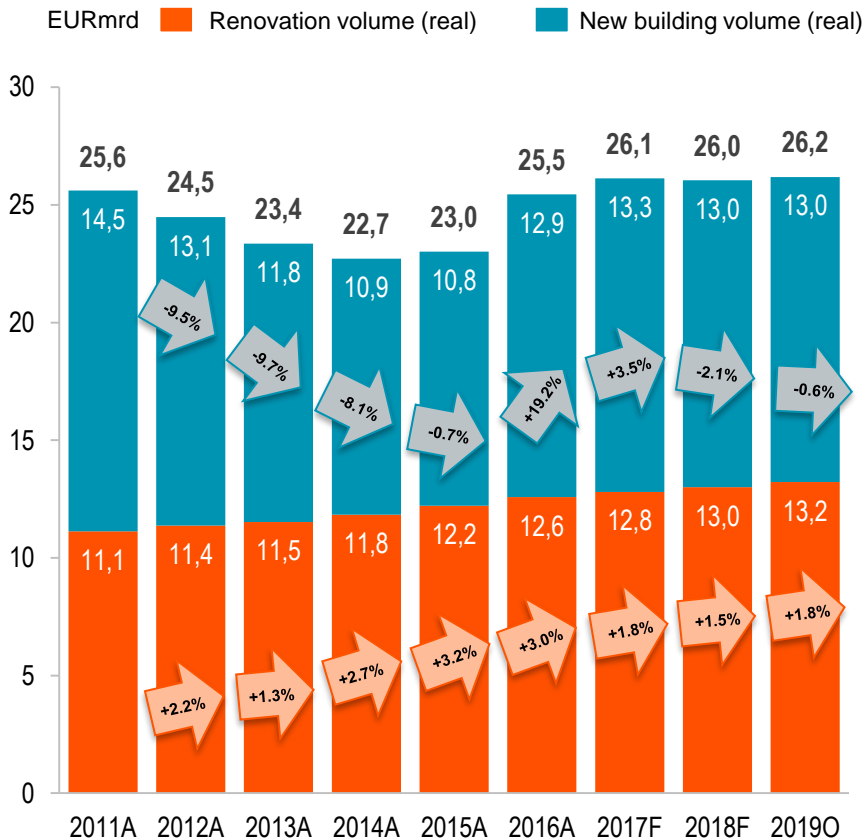
- Economic sentiment in Finland rose above the long-term average in August 2016
- Construction confidence surpassed the long-term average level in summer 2015 and has steadily remained above that level

Note: Mean-adjusted figures

Source: European Commission, June 2017

# Stable growth in renovation to continue

## Finnish new building and renovation market development



**CAGR  
2017-19:  
+0.2%**

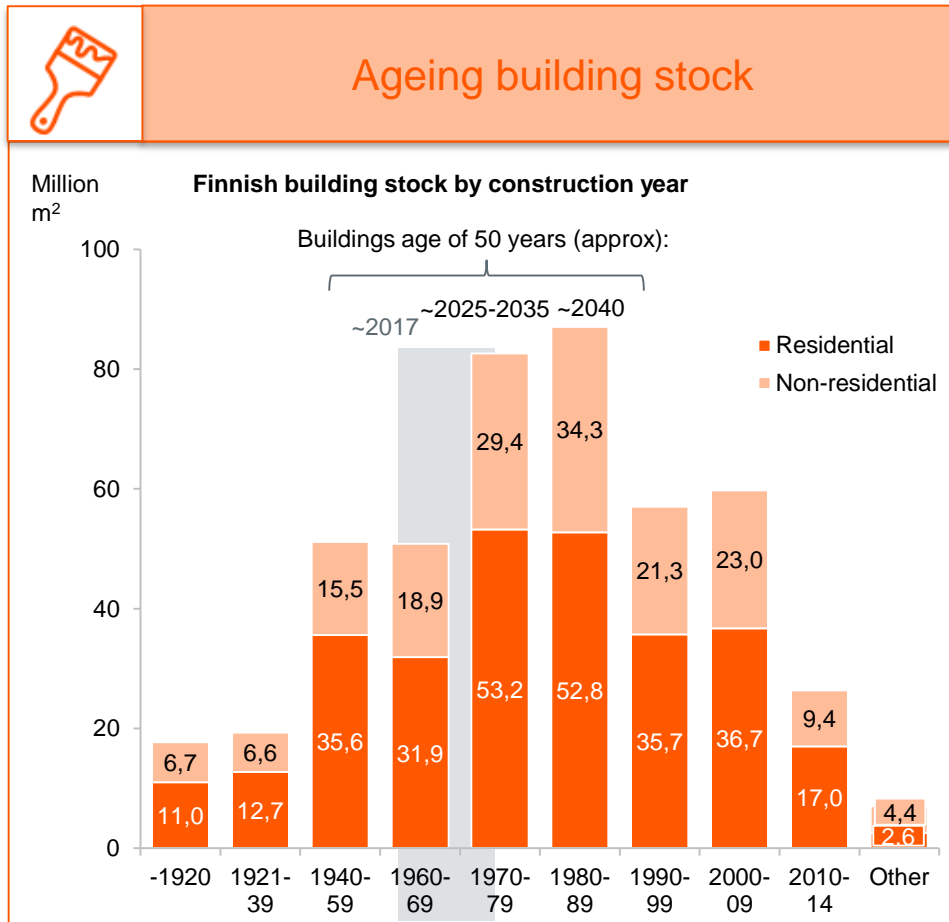
**CAGR  
2017-19:  
+1.7%**

- The peak of the economic cycle in construction sector in progress.
  - Challenges in availability of building technology and renovation professionals
- Total construction market forecast 2-3% for 2017
- Renovation forecast for 2017: Euroconstruct + 1.8% 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

Source: Euroconstruct, June 2017

CFCI = The Confederation of Finnish Construction Industries, March 2017

# Renovation market growth supported by a number of key structural growth drivers



Source: Statistics Finland

Energy efficiency

Urbanisation

Modifications of the use of buildings

Increased need for building technology and automation

# Examples of new orders

## TECHNICAL BUILDING SERVICES

Q2/17 order intake:  
EUR 32.3m (-5%)

- **As Oy Merisoukka** pipeline renovation, Helsinki
- **As Oy Hiukkavaara 3 & 5** HVAC-pipeline renovation, Oulu
- **Keilaniemi, Ring 1 tunnel** HVAC, Espoo

## RENOVATION CONTRACTING

Q2/17 order intake:  
EUR 21.0m (+45%)

- **Heinola city hospital** renovation, Heinola
- **As Oy Riutoja** facades repair contract, Turku
- **Invalid Foundation** modification and repair work, Helsinki

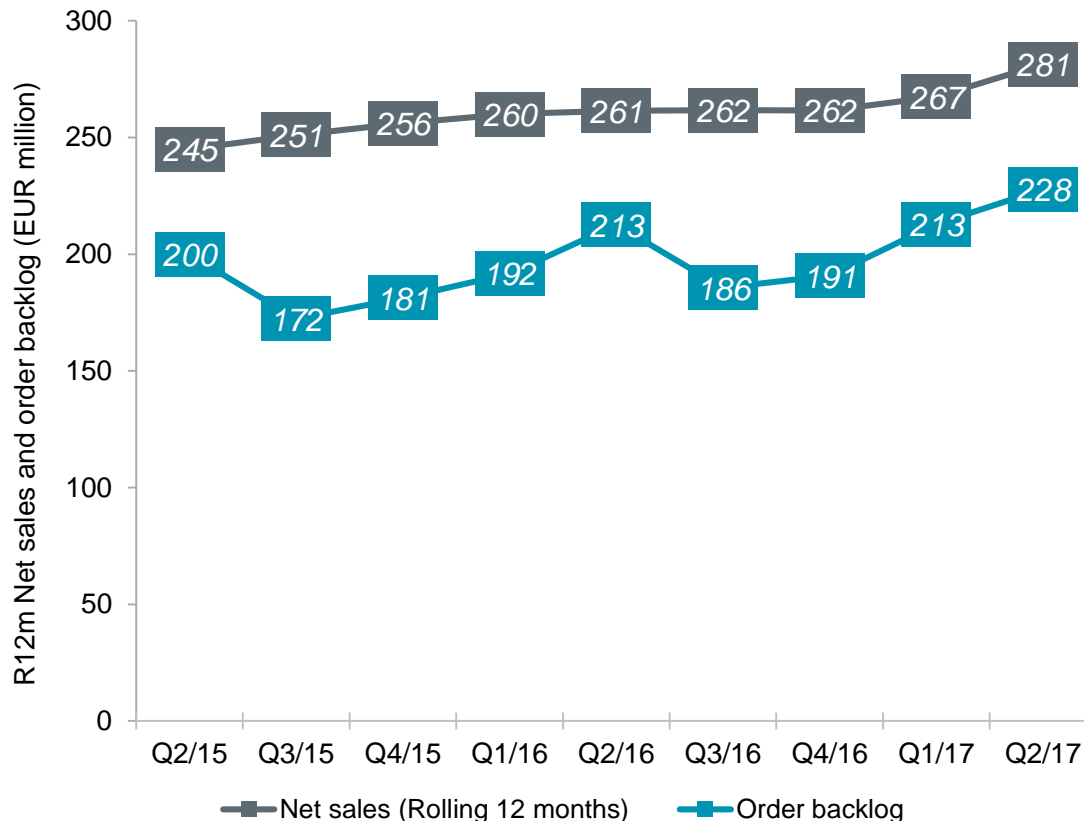
## BUILDING FACADES

Q2/17 order intake:  
EUR 31.5m (+14%)

- **Koy Helsingin Satamakatu 3** modifications of old office building into rental apartment use, Helsinki
- **Nummi comprehensive school** renovation and modification, Lohja
- **As Oy Porthaninkatu 5** comprehensive facade renovation, Helsinki

# Strengthening order backlog to support growth going forward

Quarterly order backlog and R12m net sales Q2/2015 – Q2/2017 (EUR m)



## Comments

- Rolling 12-month net sales on a growth path
- Strengthening of order backlog to support growth going forward
- Duration of 30 Jun 2017 order backlog (EUR 228m) somewhat shorter compared to backlog on 30 Jun 2016 (EUR 213m)

# Consti vision 2021 is goal-oriented

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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.

## WHEN WE HAVE ACCOMPLISHED OUR VISION:

Consti is Finland's number one in renovation and complementary construction of houses, commercial real estates and public buildings. Consti can provide all services for repairing and developing buildings throughout the building life cycle.

We are the most profitable company within our industry.

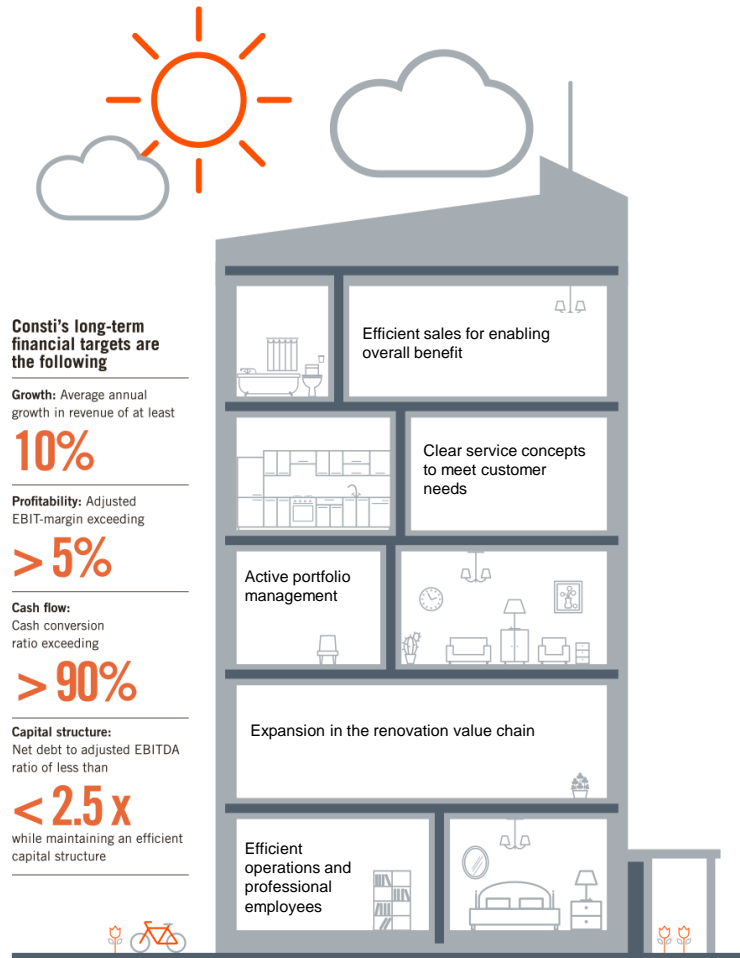
Our professional employees' commitment to continuous improvement guarantees efficient renovation quality. Enthusiastic employees are our most important resource and working at Consti is fun.

Within our industry and general public we are known to have the best and the most notable innovations and we utilise technology for the benefit of our customers and to develop our own activities. Consti exists for the customers. A satisfied customer and end user is the most important indicator for us.

In our opinion, everything need not be reconstructed, as renovating old buildings brings good results. This will save resources of nature and society alike and provide a good foundation for developing national wealth.

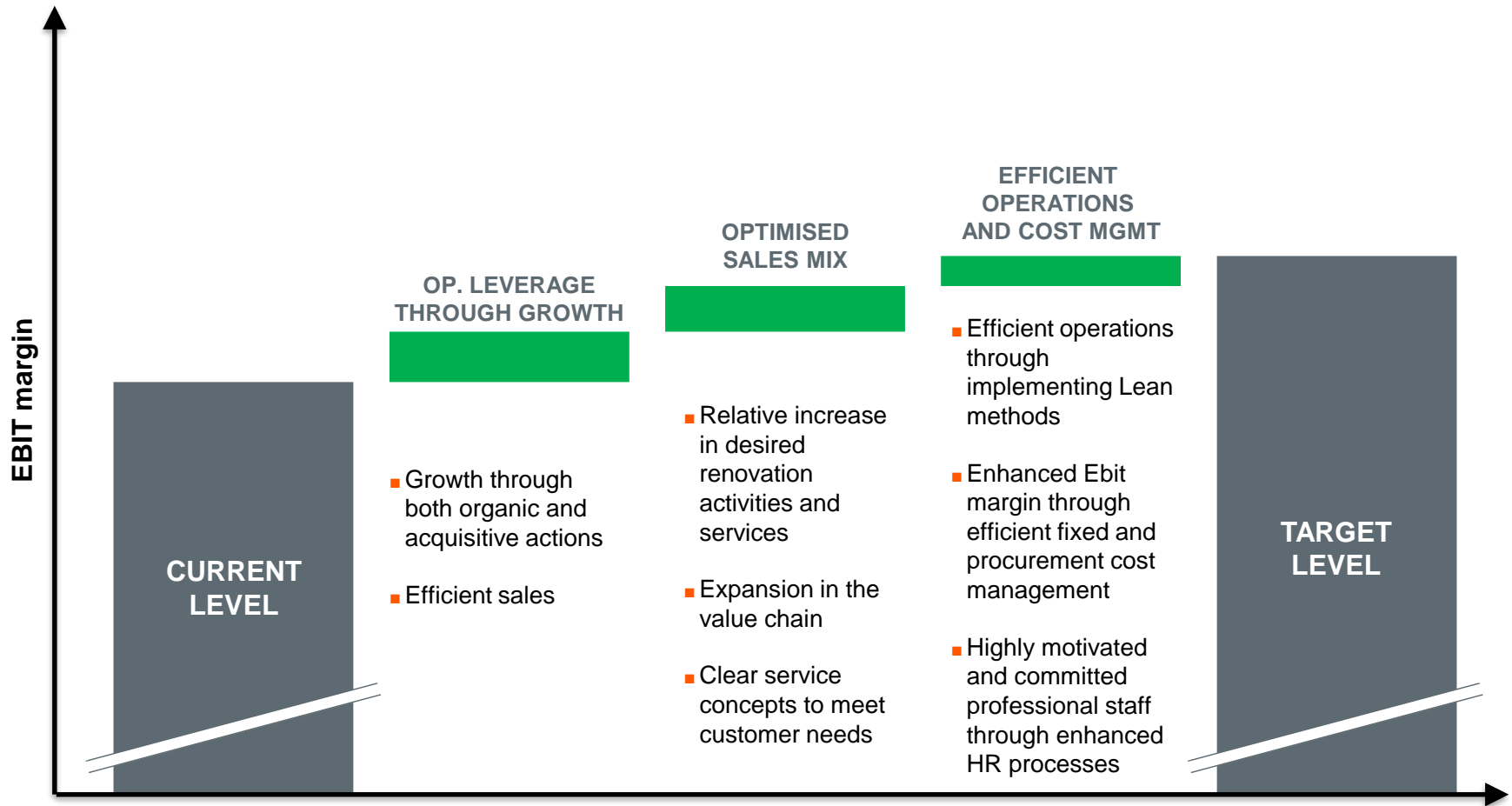
# Consti Group's new strategic themes

## STRATEGY

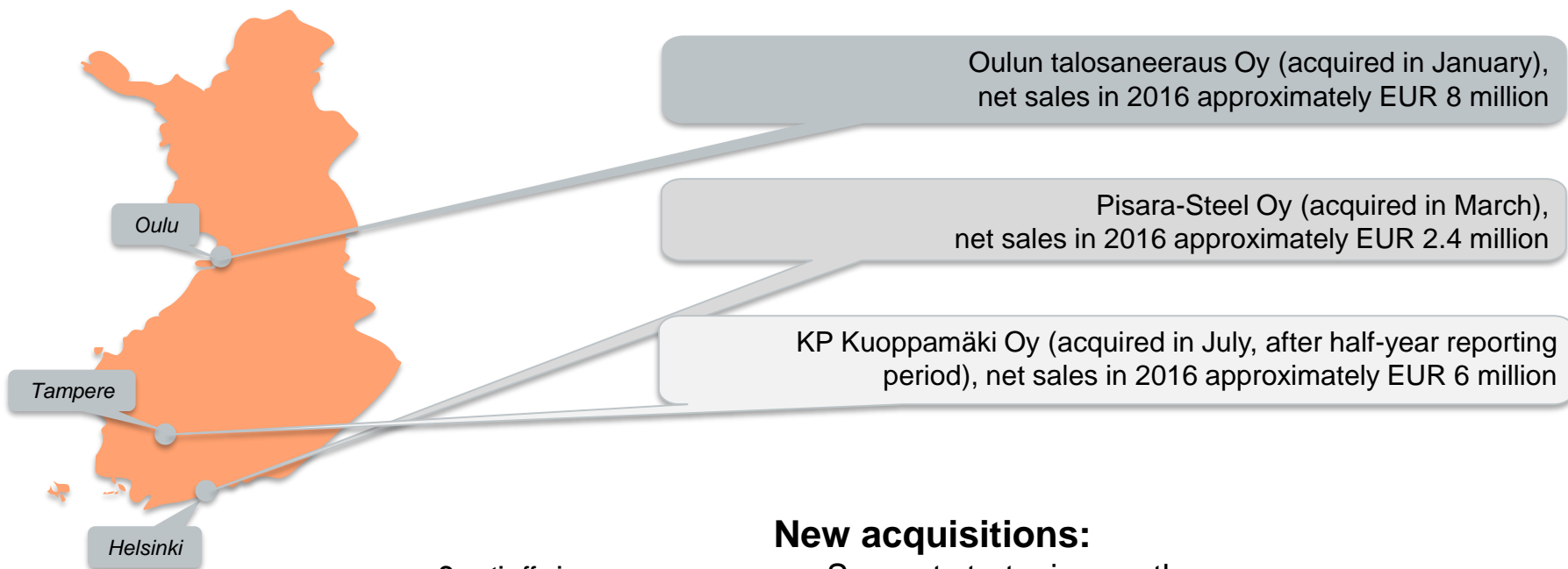


- 1 Best profitability with the most efficient operations**
  - The best lead time and productivity in renovation construction industry
  - Continuous relative decreasing of fixed and procurement costs
  - Systematic development of the business portfolio
- 2 Professional employees who enjoy their work**
  - High level of commitment, job satisfaction and safety
  - Best competences in renovation construction
  - The most attractive place to work
  - Efficient recruitment and career path planning
- 3 Clear service concepts to meet customer needs**
  - Customer specific key products and adequate product selection
  - Active portfolio management
- 4 Efficient sales for enabling overall benefit**
  - Faster customer contact, clear customer promise
  - Sales to a target group from the whole product selection with possible additional sales
  - KAM actions
- 5 Expansion in the renovation value chain**
  - All services of a finished building from renovation to maintenance, from health to energy.
- 6 Strategic growth areas & active seeking of new business**
  - Service, various endeavours based on broader collaboration, geographic growth in Finnish growth centres, pipeline renovations, and promising specialty renovation markets such as balcony, concrete and glass structures
  - Productisation of renovation and maintenance products and services, row houses and small apartment buildings, indoor ventilation and energy solutions
  - Growth through both organic and acquisitive actions

# New strategic themes aim for growth and EBIT margin improvement



# Acquisitions in 2017: Two acquisitions during the half year reporting period and one acquisition in July 2017



	Consti offering		
	TBS	BF	RC
Oulun Talosaneeraus Oy	✓	-	-
Pisara Steel Oy	-	✓	-
KP Kuoppamäki Oy	-	-	✓

## New acquisitions:

- Support strategic growth areas
  - Pipeline renovations
  - Promising specialty renovation markets such as roof renovations
  - Geographic growth
- Strong acquisitions pipeline continues
- Attractive EV/EBITDA multiples

# Active screening of M&A candidates to support strategy implementation

## Consti Group's strategy



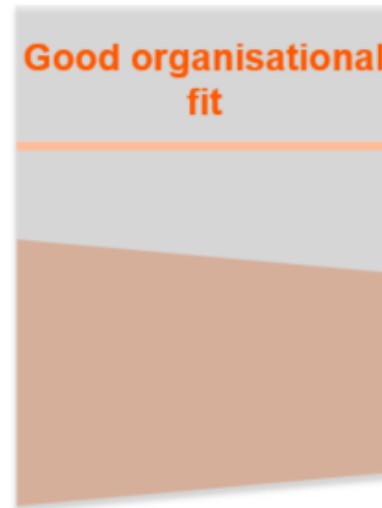
- Expansion in Finland's growth centres
- Strengthening of the offering
- Growth in Service business

## Demonstrated financial track record



- Established strong local presence with good customer relations and healthy order backlog
- Access to reliable financial data
- No specific limitations in terms of size (net sales)

## Good organisational fit



- Minimised overlap with Consti's current businesses
- Committed management with clear future roles and responsibilities
- Smooth integration to attain scalable value

## Relevant M&A targets



- For instance:
  - Roof renovation and glass construction companies
  - Service businesses
  - Pipeline renovation and building automation specialists
  - New geograph. areas

# Guidance for 2017

*“The Company estimates that its total annual sales for 2017 will grow compared to 2016.”*



# Summary

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1. Quarterly net sales up by 21.6% year-on-year
2. Order intake and order backlog continued to increase year-on-year
3. Absolute profitability improved, balance sheet remained strong
4. Quarterly cash flow positively impacted by NWC released during Q2/2017
5. Steady market growth
6. Consti's strategy update for years 2017-2021 was drawn up during H1/2017
7. **FY2017 net sales to grow compared to 2016**