

# CONSTI PLC

## HALF-YEAR FINANCIAL REPORT

1 JANUARY – 30 JUNE 2020

CEO Esa Korkeela  
CFO Joni Sorsanen



**CONSTI**

# CONTENTS

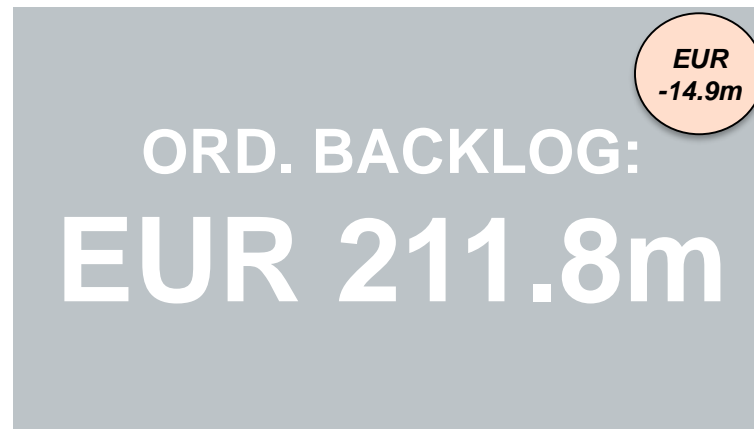
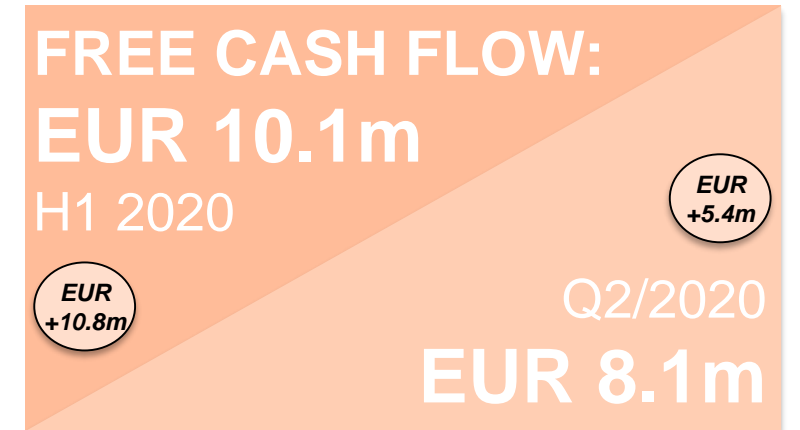
---

1. **Highlights and Group performance**
2. Cash flow and financial position
3. Market outlook, guidance and summary
4. Appendix



# Highlights of the H1/2020 and Q2/2020

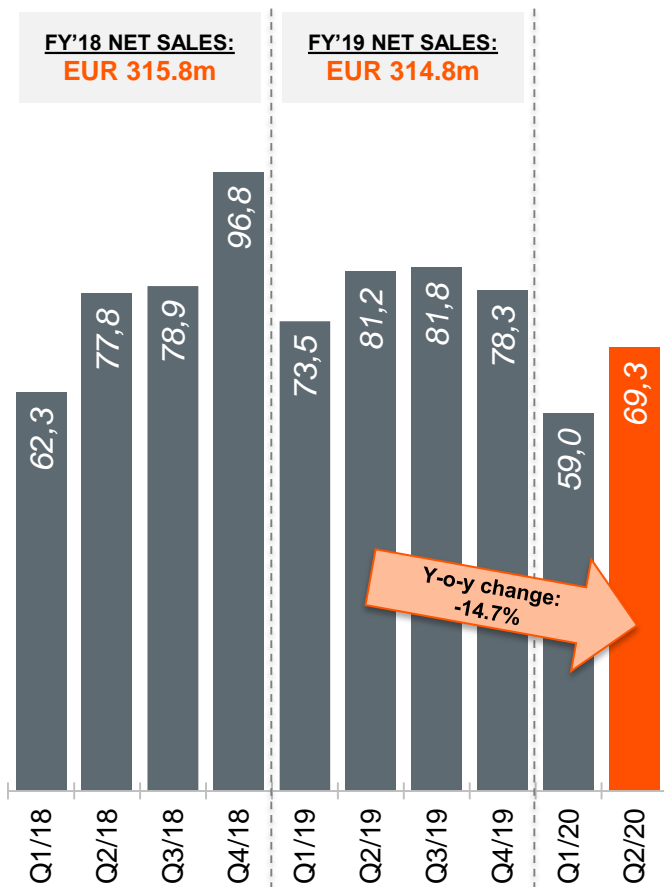
Profitability and cash flow improved



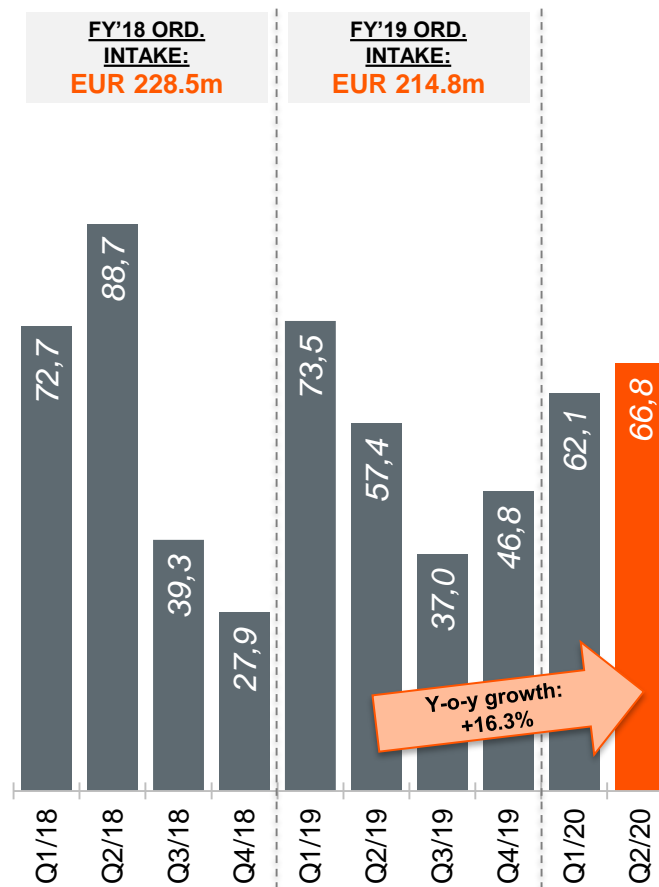
# Quarterly performance overview

Net sales for Q2 fell short of the comparison period according to expectations, year-on-year decline in order backlog gradually levelling off as order intake for Q2 up by 16.3%

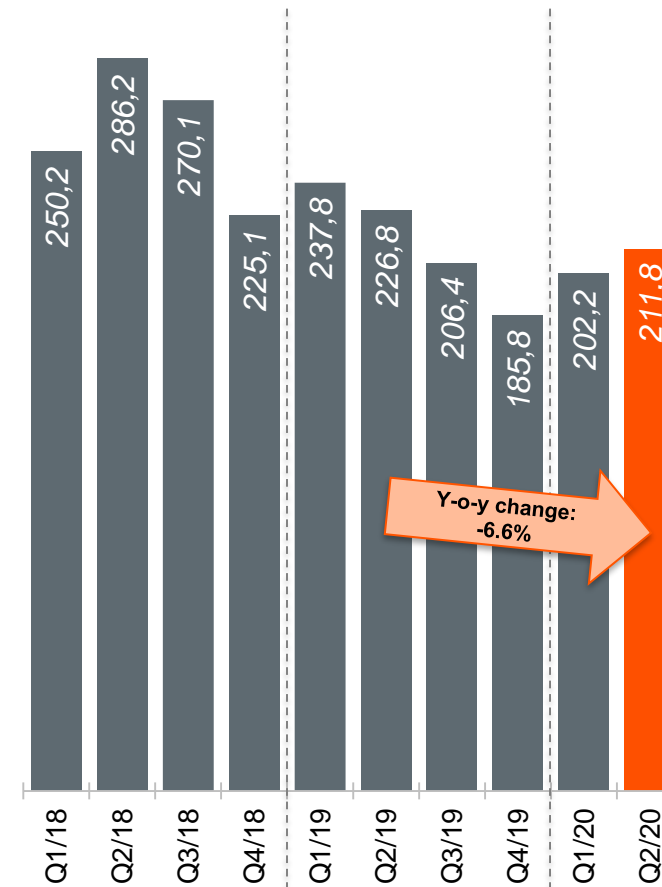
### QUARTERLY NET SALES (EUR m)



### QUARTERLY ORDER INTAKE (EUR m)



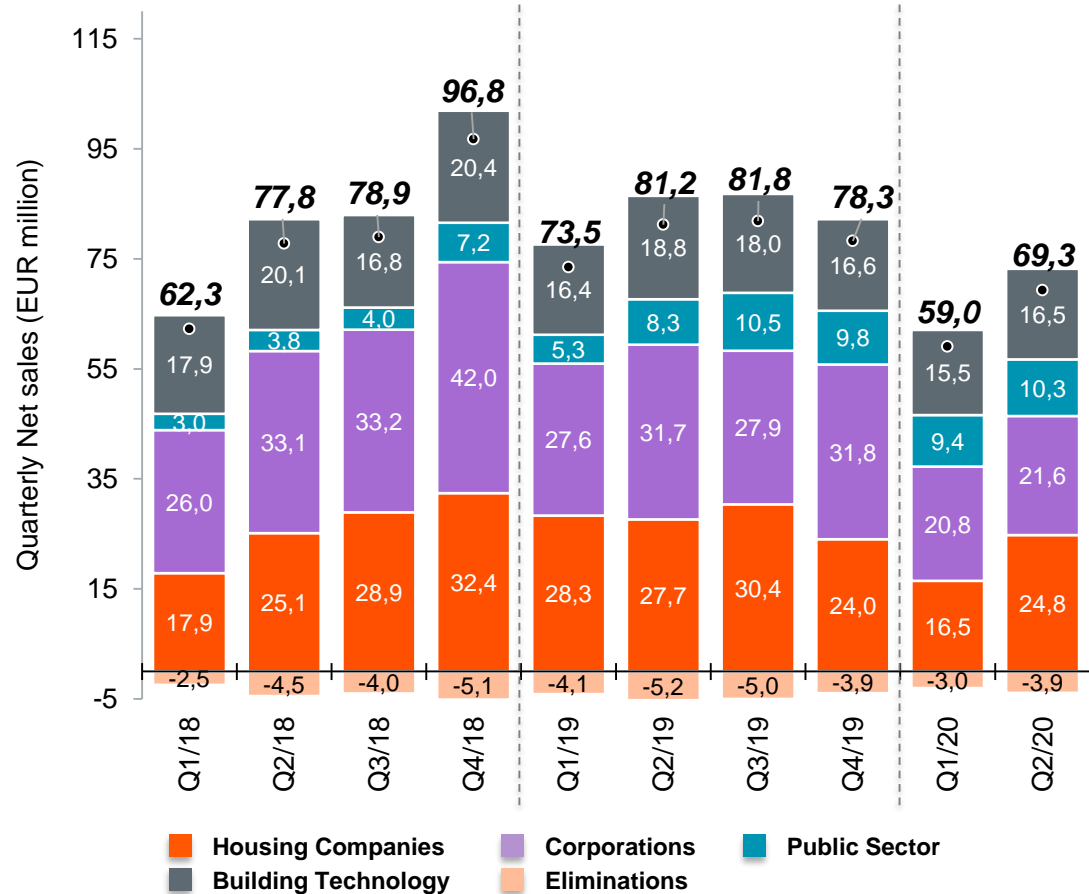
### QUARTERLY ORDER BACKLOG (EUR m)



# Quarterly net sales development

Q2/2020 net sales amounted to EUR 69.3m, down by 14.7% y-o-y in line with expectations

Quarterly net sales development Q1/2018 – Q2/2020 (EUR m)



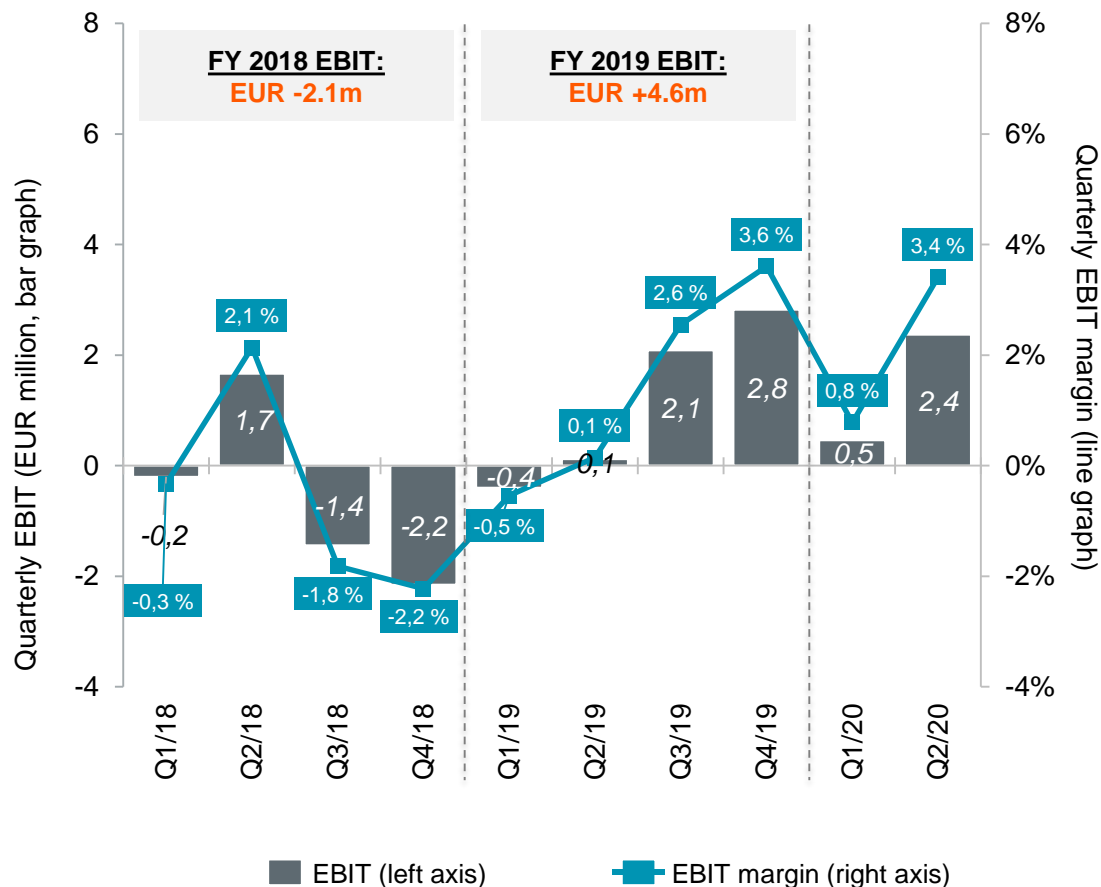
## Comments

- Q2/2020 net sales EUR 69.3m (81.2m)
  - Year-on-year growth -14.7% → Net sales fell short of the comparison period according to expectations
  - Housing Companies net sales EUR 24.8m (27.7m) → net sales negatively affected by the postponed decision-making of housing companies due to the corona crisis
  - Corporations net sales EUR 21.6m (31.7m) → net sales development impacted by a fewer number of large comprehensive renovation projects than in the comparison period
  - Public Sector net sales EUR 10.3m (8.3m) → growth in line with expectations, supported by strong order backlog
  - Building Technology net sales EUR 16.5m (18.8m) → net sales down largely due to volume decline in technical installation business in the Pirkanmaa area
- H1/2020 net sales EUR 128.3m (154.7m), down by 17.0% year-on-year

# EBIT development

## Improvement in profitability continued

Quarterly EBIT development Q1/2018 – Q2/2020 (EUR m)



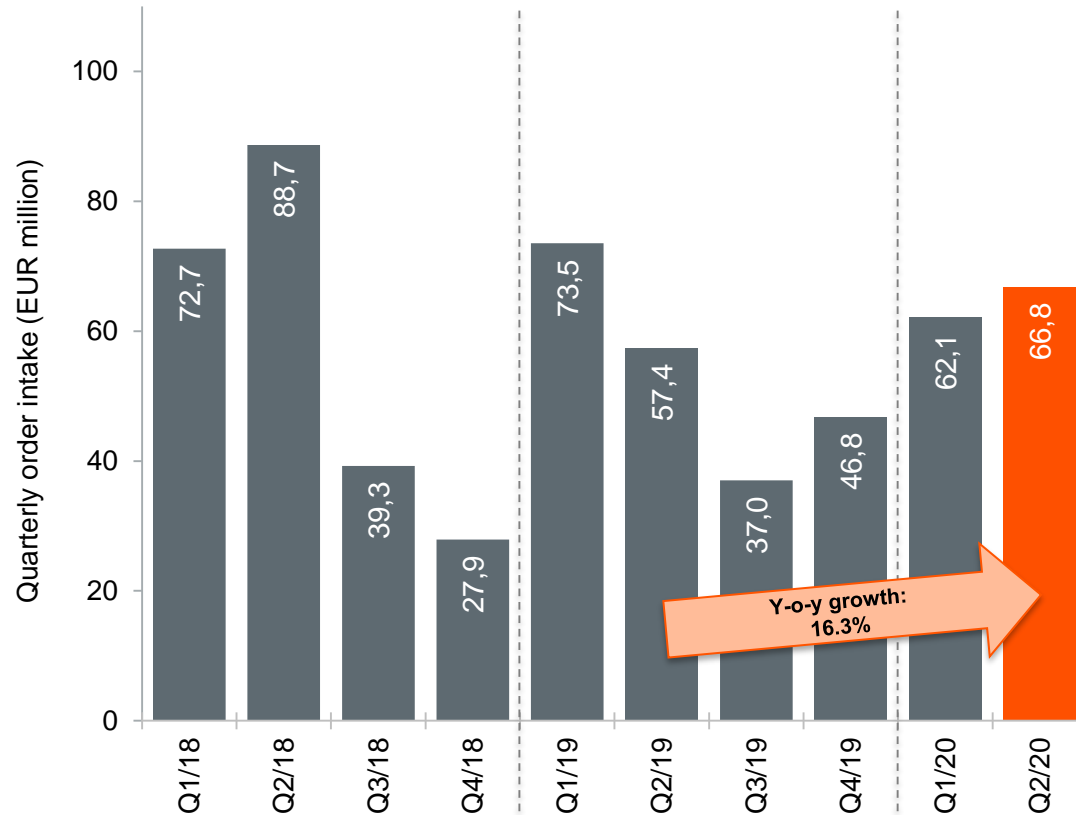
### Comments

- Q2/2020 EBIT amounted to EUR 2.4 (0.1) million, or 3.4% (0.1%) of net sales
  - Q2 profitability developed mostly in line with expectations
  - All business areas were profitable in Q2
  - Q2 relative profitability improved regardless of the decline in net sales
  - Q2 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
    - Improved quality of order backlog
- H1/2020 EBIT amounted to EUR 2.8 (-0.3) million, or 2.2% (-0.2%) of net sales

# Quarterly order intake development

Q2/2020 order intake amounted to EUR 66.8 million (57.4m), growth of 16.3%

Quarterly order intake development Q1/2018 – Q2/2020 (EUR m)



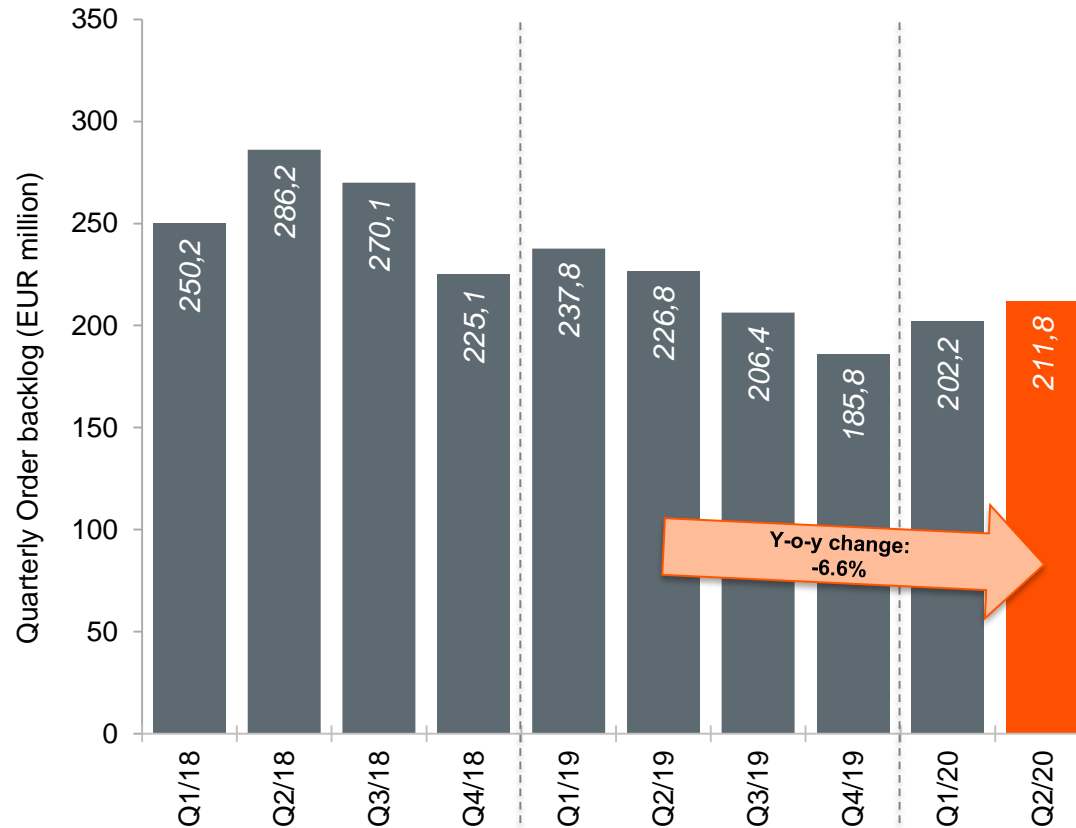
## Comments

- Q2/2020 order intake EUR 66.8m (57.4m)
  - Year-on-year growth 16.3%
  - Examples of new orders received in Q2:
    - Central rescue station of Helsinki, water & sewer repair and targeted renovation of building exteriors and interiors
    - Rehtorintie 11, comprehensive renovation of a school in Espoo
    - Leppäkorpi school, comprehensive renovation of a school in Vantaa
    - Shopping centre Lippulaiva in Espoo, installation of building technology systems
- Active tendering and negotiation activities were emphasised during Q2 → increased focus on renovation segments less affected by COVID-19
- However, Consti continues to pay particular attention to Group-wide disciplined tendering process
- H1/2020 order intake EUR 129.0m (131.0m)

# Quarterly order backlog development

Q2/2020 order backlog at EUR 211.8 million, down by 6.6% y-o-y

Quarterly order backlog development Q1/2018 – Q2/2020 (EUR m)



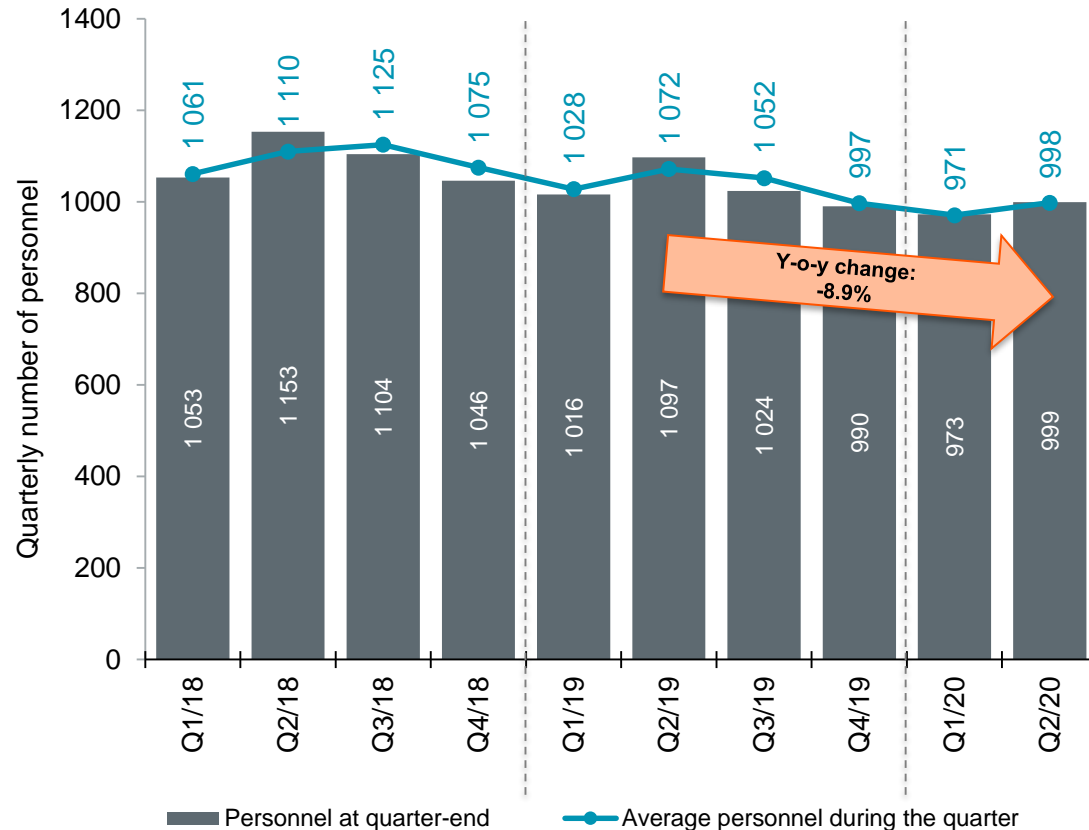
## Comments

- Q2/2020 order backlog at EUR 211.8m (226.8m)
  - Year-on-year change -6.6%
  - However, order backlog up by 14.0% compared to the end of the previous financial year
  - Year-on-year decline in order backlog gradually levelling off
- Quality of the order backlog has improved year-on-year

# Quarterly development in number of personnel

Total number of personnel at the end of Q2/2020 decreased by 98 year-on-year

Quarterly development in number of personnel Q1/2018 – Q2/2020



## Comments

- Number of personnel at the end of Q2/2020 999 (1,097), reduction of 98
- Average number of personnel during Q2/2020 998 (1,072), reduction of 74
- Average number of personnel during H1/2020 985 (1,050), reduction of 65
- 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

# CONTENTS

---

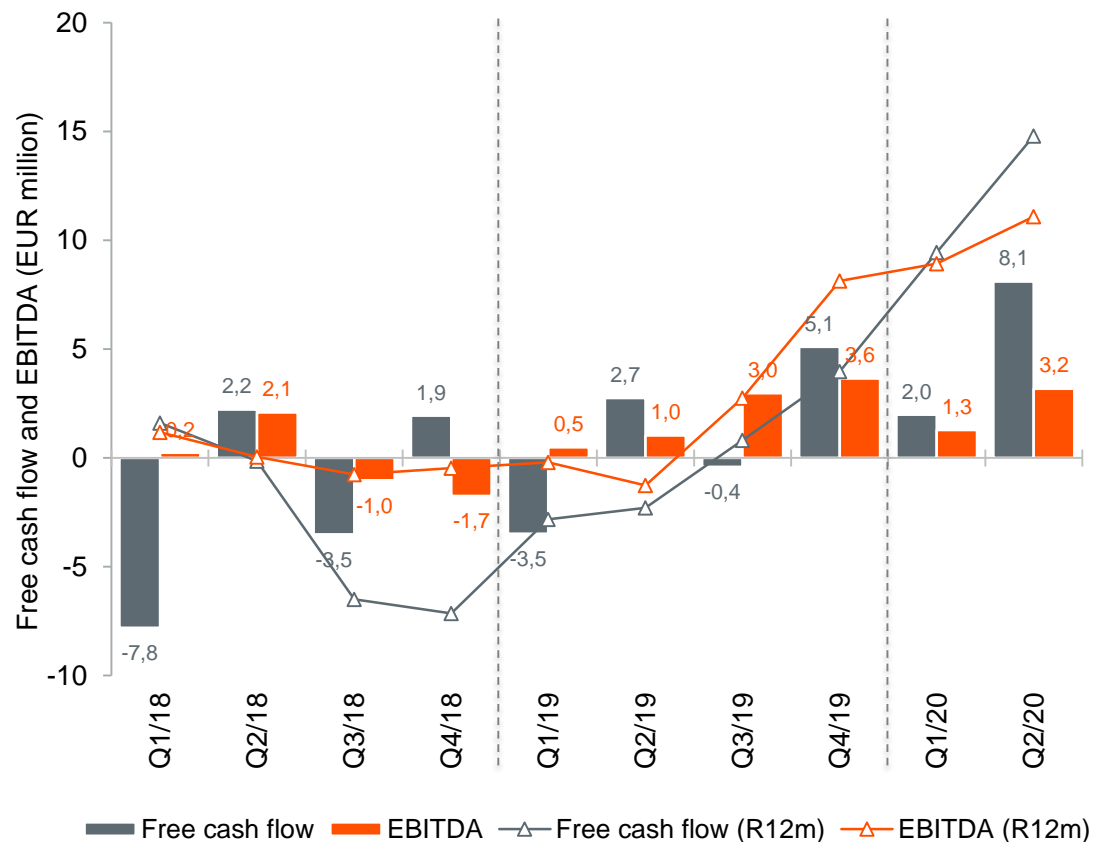
1. Highlights and Group performance
2. **Cash flow and financial position**
3. Market outlook, guidance and summary
4. Appendix



# Quarterly free cash flow development

Q2 cash flow supported by the improvement of operating result as well as released working capital

Quarterly free cash flow<sup>1)</sup> and EBITDA Q1/2018 – Q2/2020 (EUR m)



## Comments

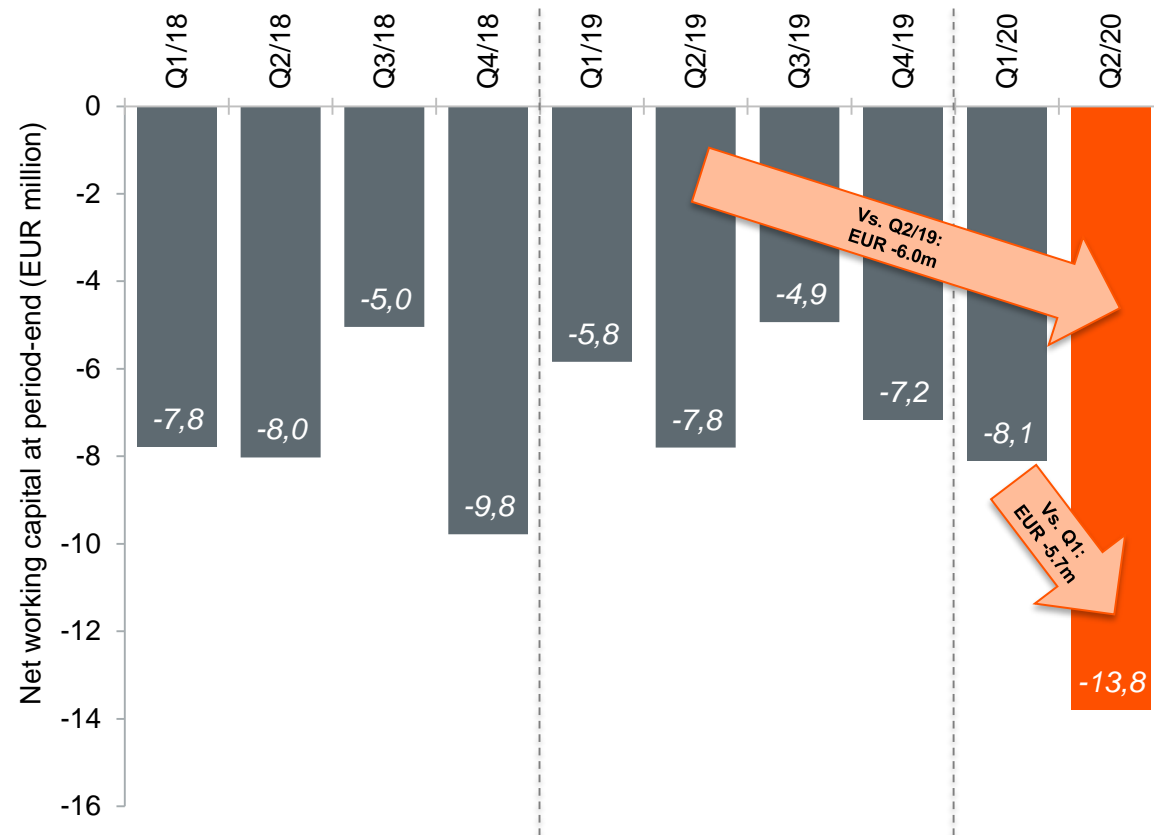
- Q2/2020 free cash flow EUR 8.1m (2.7m)
  - EBITDA amounted to EUR 3.2m (1.0m)
  - Cash flow impact from change in net working capital was EUR +5.3m (+2.0m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.4m (-0.2m)
- H1/2020 free cash flow EUR 10.1m (-0.7m)
  - EBITDA amounted to EUR 4.5m (1.5m)
  - Cash flow impact from change in net working capital was EUR +6.3m (-1.8m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.7m (-0.4m)
- Rolling 12-month free cash flow and EBITDA continued to improve in Q2/2020
- Rolling 12-month cash conversion ratio 133.5%, meeting 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 -13.8 million at the end of Q2/2020

Quarterly net working capital<sup>1)</sup> Q1/2018 – Q2/2020 (EUR m)



## Comments

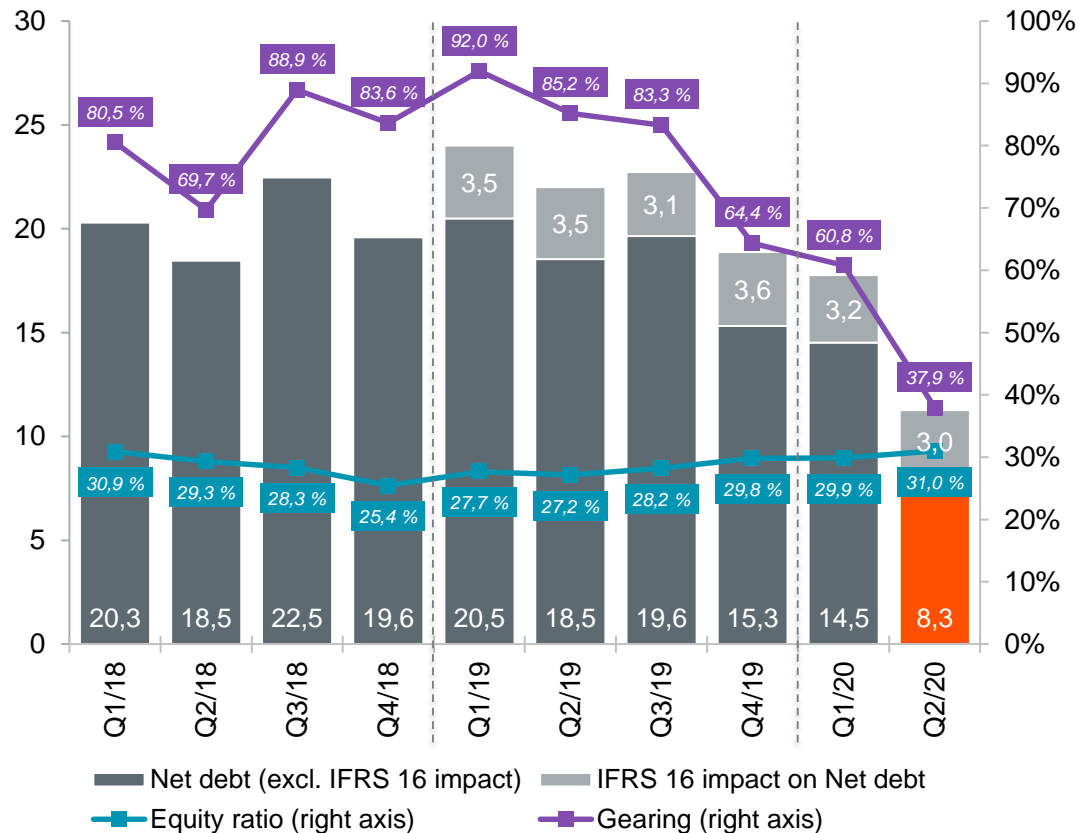
- Net working capital EUR -13.8m (-7.8m) at the end of Q2/2020
  - NWC released during Q2/2020 amounted to EUR 5.7m
  - NWC EUR 6.0m lower compared to Q2/2019
- Net working capital released particularly through improvement of the project portfolio's financial position

<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

## Financial position continued to strengthen in the second quarter

Quarterly net debt, equity ratio and gearing Q1/2018 – Q2/2020



### Comments

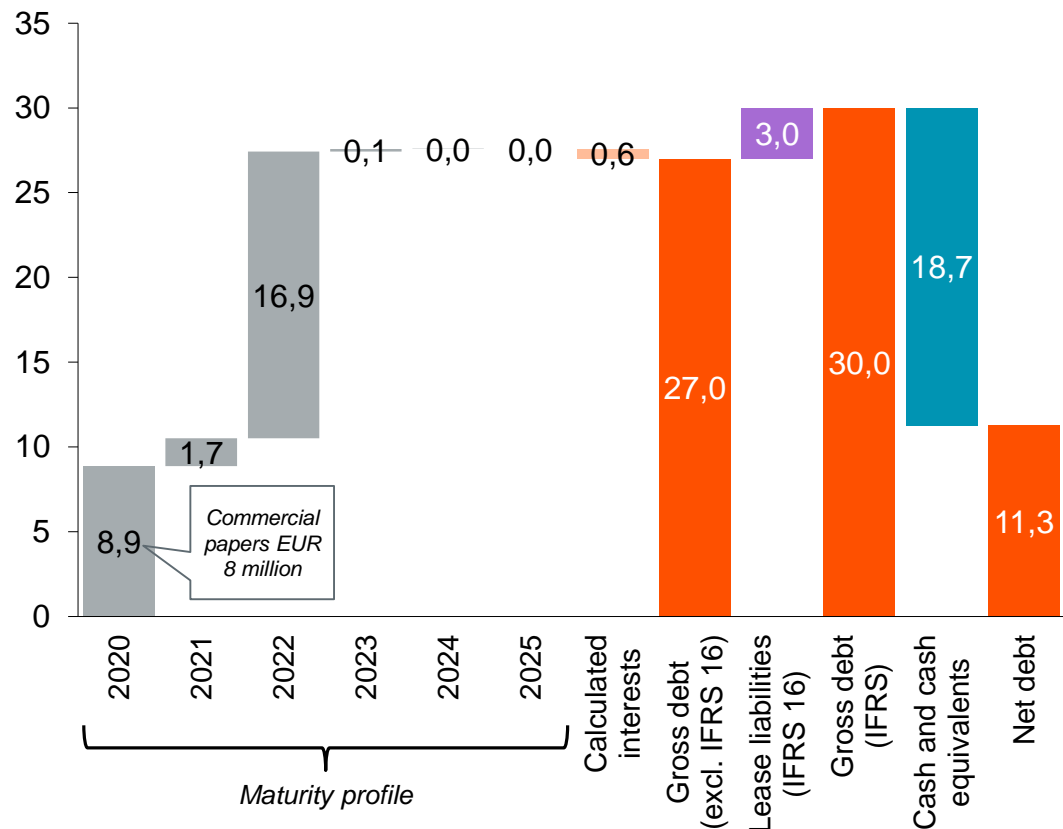
- Financial position as per 30 June 2020 strengthened y-o-y as well as compared to previous quarter
- Q2/2020 net debt at EUR 11.3m (22.0m), of which EUR 3.0m (3.5m) is attributable to IFRS 16 related lease liabilities
- Q2/2020 equity ratio at 31.0% (27.2%)
  - Adoption of IFRS 16 decreased Q2/2020 equity ratio by 1.0 (1.0) percentage point
- Q2/2020 gearing at 37.9% (85.2%)
  - Adoption of IFRS 16 increased Q2/2020 gearing by 10.1 (13.5) 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 (30 June 2020)

No significant bank loan redemptions in 2020-2021. Good liquidity position at the end of Q2

Maturity profile of interest-bearing debt<sup>1)</sup> as per 30 June 2020 (EUR m)



## Comments

- Consti's gross interest-bearing debt at EUR 27.0 million (excluding IFRS 16) at the end of Q2/2020
- Cash and cash equivalents amounted to EUR 18.7m 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 2022, i.e. no significant bank loan redemptions in 2020-2021
- 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

# CONTENTS

---

1. Highlights and Group performance
2. Cash flow and financial position
3. **Market outlook, guidance and summary**
4. Appendix



# Consti's strategy capitalises on structural growth drivers of renovation

Ageing building stock the single most important growth driver



Ageing building stock



Energy efficiency



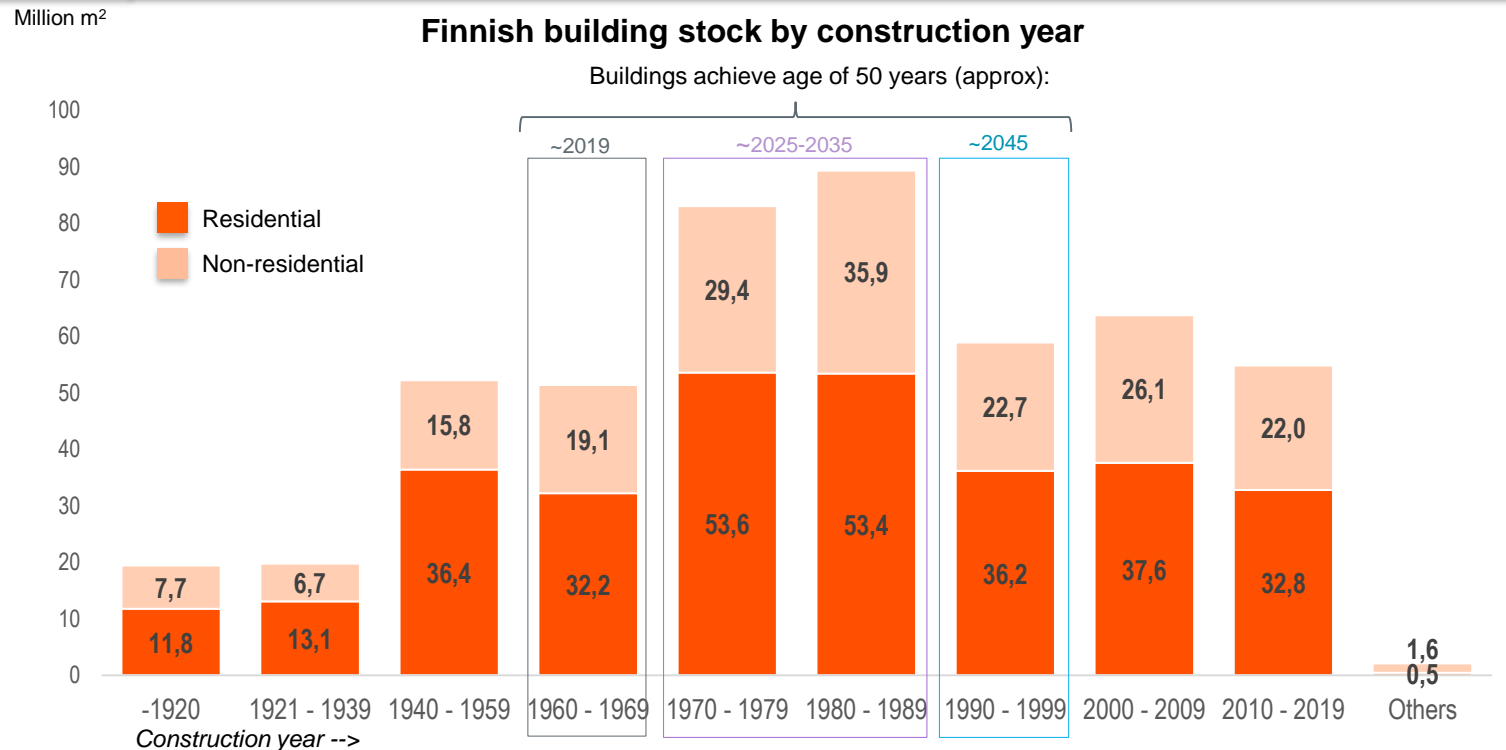
Urbanisation



Modifications of the use of buildings



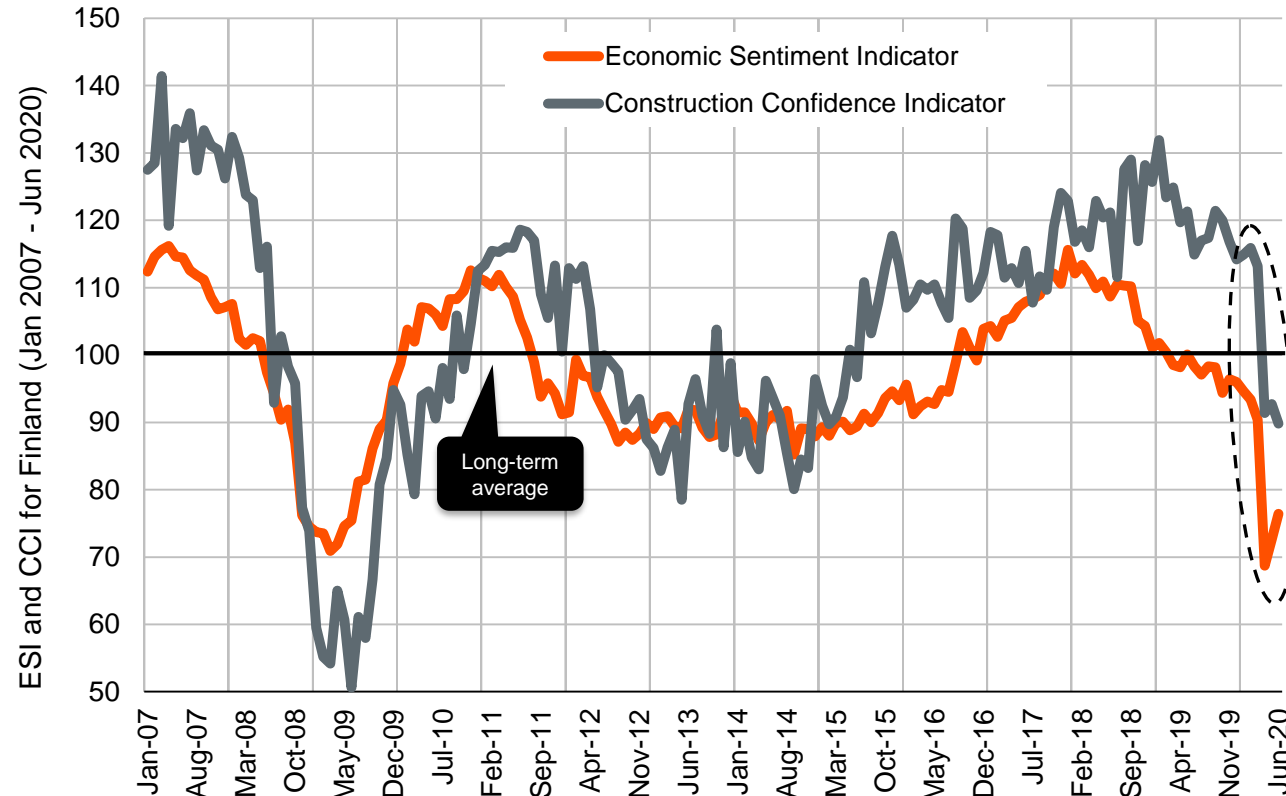
Increased need for building technology and automation



Source: Statistics Finland, May 2020

# Economic sentiment and construction confidence in Finland deteriorated sharply in April

Economic Sentiment and Construction Confidence / Finland (2007 – 6/2020)



Note: Mean-adjusted figures

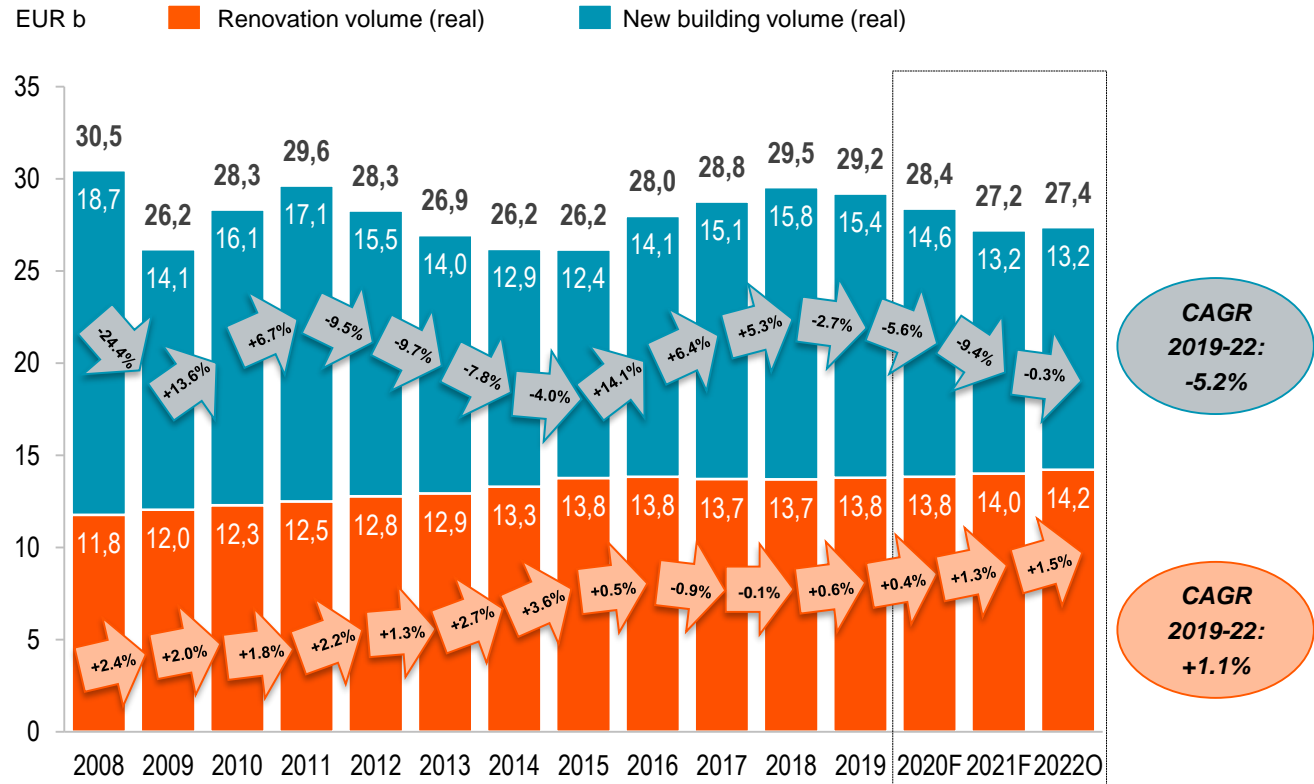
Source: European Commission, July 2020

## Comments

- The spread of coronavirus and its accompanying containment measures clearly visible in the confidence indicators in the second quarter
- Both construction confidence and economic sentiment deteriorated sharply in April, construction confidence falling clearly below the long-term average in one month
- Although the epidemic situation in Finland has developed favourably, the more serious impact of the crisis is expected to show later
- According to Confederation of Finnish Construction Industries (CFCI), the consequences of corona crisis are expected to be more visible in the construction market after the summer

# Stable growth in renovation expected to continue going forward

## Finnish new building and renovation market development 2008 – 2022



Source: Euroconstruct, June 2020 (basic scenario)  
Confederation of Finnish Construction Industries RT (CFCI), May 2020

## Comments

- According to Euroconstruct, the value of building renovation amounted to approximately EUR 13.8 billion in 2019, representing approximately 47% of total building volume
- Euroconstruct estimates in its basic scenario that renovation will grow by approximately 0.4 percent in 2020. In the risk scenario, the negative impact of the corona crisis is expected to be larger. The Confederation of Finnish Construction Industries RT (CFCI) estimates growth of 0.5 percent
- According to the Euroconstruct's June 2020 report, new building is expected to decline by 5.6% in 2020 (basic scenario). In the risk and positive scenarios, the decline in new building stands at -10% and -3%, respectively
- 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

# Coronavirus pandemic (COVID-19)

---

## COMMENTS ON RENOVATION MARKET

---

- The outbreak of the coronavirus pandemic (COVID-19) and actions taken to control it have an impact on Finnish construction market, but the more serious impact of the crisis is expected to show later on
- Euroconstruct expects the corona crisis to have a negative impact particularly on new building market, while the impact on renovation is expected to be substantially smaller
- The short-term demand outlook is uncertain especially in the housing company market
  - The growth drivers of housing companies' renovation remain unchanged, but in some cases decision-making has been postponed as a result of the corona crisis
  - Temporary legislation allows annual general meetings held in 2020 to be postponed until 30 September 2020
- In the longer term, the demand outlook of renovation is affected by the development of the corona crisis and the speed of recovery of the general economic situation

## IMPACT ON CONSTI

---

- Uncertainty has increased in Consti's business environment as a result of the coronavirus pandemic, but so far, the impact of the crisis on the company's operations and financial development has been limited
- Consti has been able to keep worksites open in all of its operational areas
- During Q2, Consti took many actions to protect the health of its personnel, customers and partners, and to ensure that work progresses at the worksites and that the customers' projects are executed without unnecessary interruptions
- As for business volumes, Housing Companies order intake and net sales for Q2 were negatively affected by the postponed decision-making of housing companies due to the corona crisis
- Active tendering and negotiation activities were emphasised during Q2 → increased focus on renovation segments less affected by COVID-19

# Outlook and guidance for 2020

- Euroconstruct estimates in its June 2020 report that renovation in Finland will grow by approximately 0.4 percent in 2020
  - Uncertainty related to short-term demand outlook is caused especially by the possible moving forward of some projects that are in the negotiation stage, and possible postponement of decision-making
  - The short-term demand outlook is uncertain especially in the housing company market
    - The growth drivers of housing companies' renovation remain unchanged, but in some cases decision-making has been postponed as a result of the corona crisis
  - Consti's guidance for 2020 remains unchanged
    - In 2020, Consti's performance is supported by implementation of the new organisation structure and change program carried out in 2019, the flexibility of operating costs in relation to changes in volume, and the improved quality of the order backlog
- The Group's guidance for 2020: "The Company estimates that its operating result for 2020 will improve compared to 2019."



# Summary

---

1. Net sales down year-on-year, according to expectations
2. Profitability continued to improve year-on-year
3. Financial position continued to strengthen as a result of improved profitability and cash flow
4. The coronavirus pandemic did not have a material impact on the company in the second quarter
5. Uncertainties related to short-term demand outlook still exist - especially in the renovation market of housing companies
6. Despite short-term uncertainties, guidance for 2020 remains unchanged → FY2020 operating result to improve compared to 2019

# CONTENTS

---

1. Highlights and Group performance
2. Cash flow and financial position
3. Market outlook, guidance and summary
4. **Appendix**



# STRATEGY

## Long term strategic goals

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

**Profitability:** 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

## MISSION

Based on our top talent, 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

A photograph of three people 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. They are outdoors, possibly on a construction site.

**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.

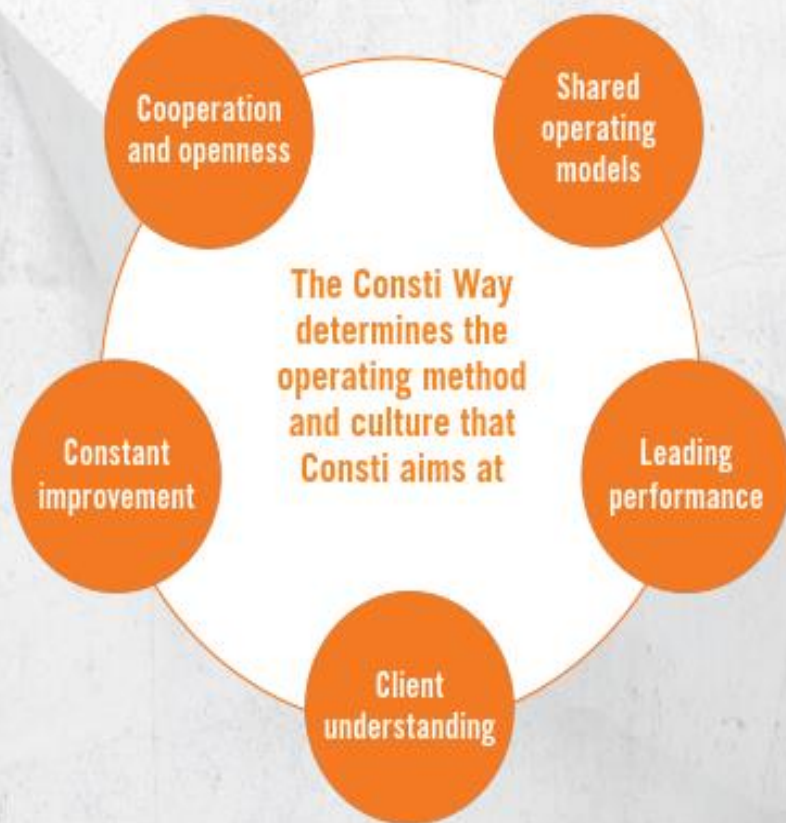
We know how we work, we know our strengths and we always work in our clients' best interests.

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**

# The five elements of the Consti Way



## Improve people's living environment

### MISSION

We improve the value of the building stock and people's quality of life through excellent renovation work. The basis for our operations is our clients' and cooperation partners' satisfaction and our employees' welfare.

### VISION 2021

Consti employees are passionate about nimbly and rationally renovating and developing the built environment. That is why we are Number 1 in renovation. The Consti vision is to be a pioneer in renovation.

### WE HAVE FULFILLED OUR MISSIONS WHEN....

...Consti is Finland's Number 1 in renovation.

...Consti offers all services for renovating, maintaining and developing a building across its life cycle.

...our expert employees, who are committed to constant improvement, are the guarantor of efficient renovation and quality.

...the sector and the wider public know us for our best, most famous innovations.

...Consti exists for its clients and offers them the best customer experience.



**CONSTI**

**HALF-YEAR FINANCIAL REPORT**

**1-6/2020**

**CONSTI PLC**

**H1**

CONSTI PLC  
HOPEATIE 2  
FI-00440, HELSINKI  
BUSINESS ID 2203605-05  
[WWW.CONSTI.FI](http://WWW.CONSTI.FI)