

# CONSTI PLC

## HALF-YEAR FINANCIAL REPORT

1 JANUARY –  
30 JUNE 2022

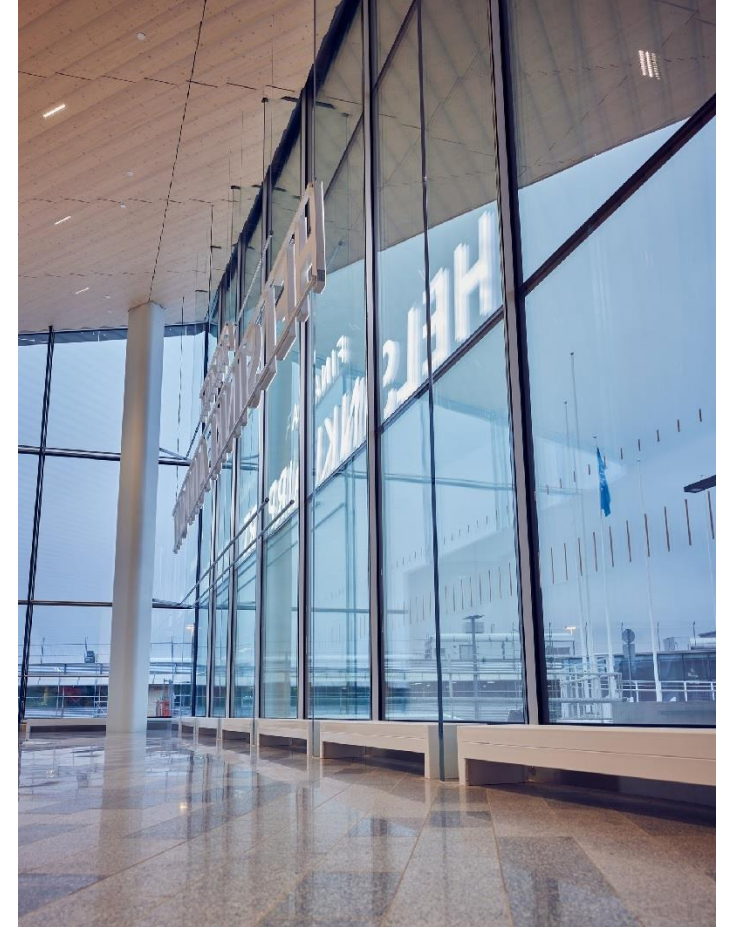
CEO Esa Korkeela  
CFO Joni Sorsanen

CONSTI

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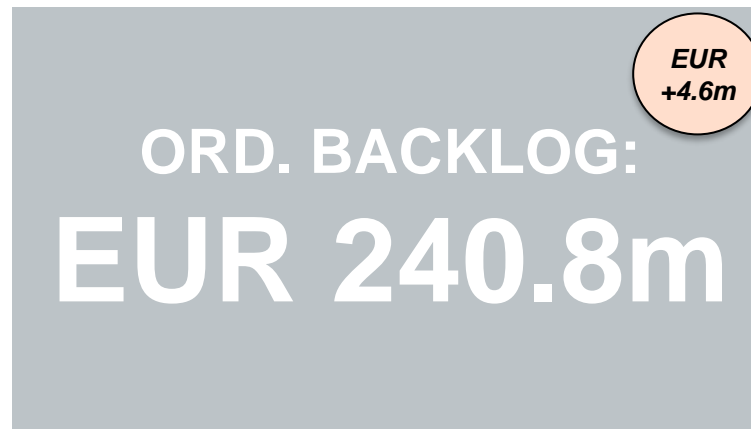
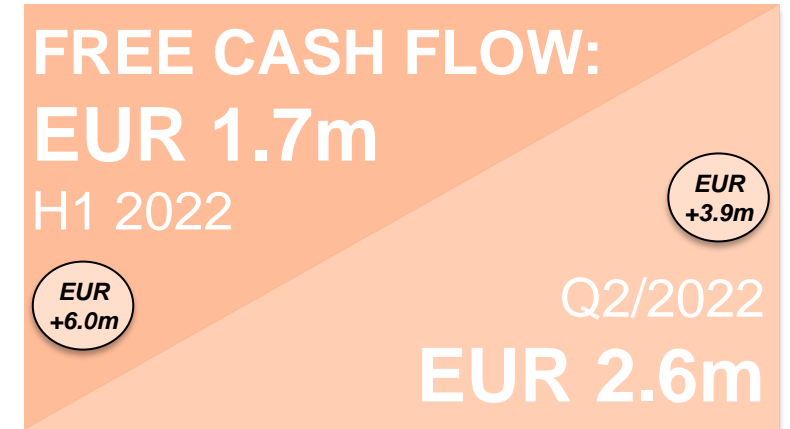
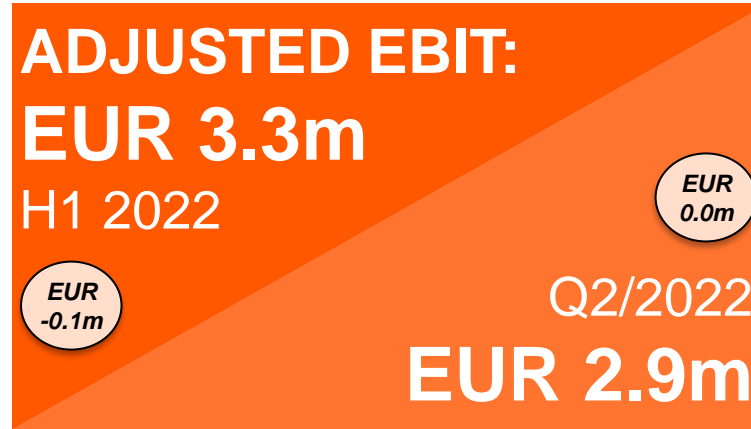
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- 1. Highlights and Group performance**
2. Cash flow and financial position
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# Highlights of the H1/2022 and Q2/2022

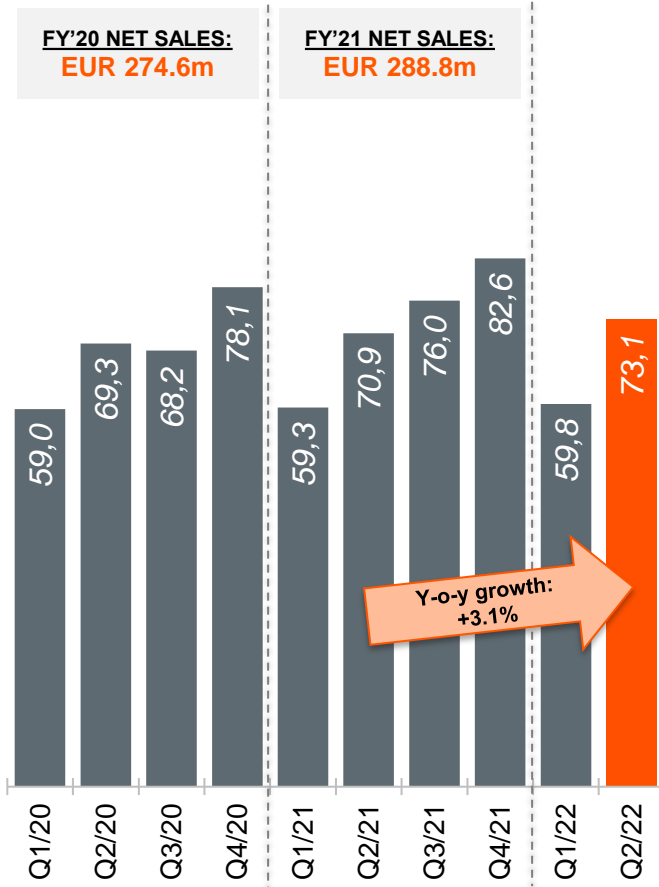
Solid performance continued, order backlog at a good level



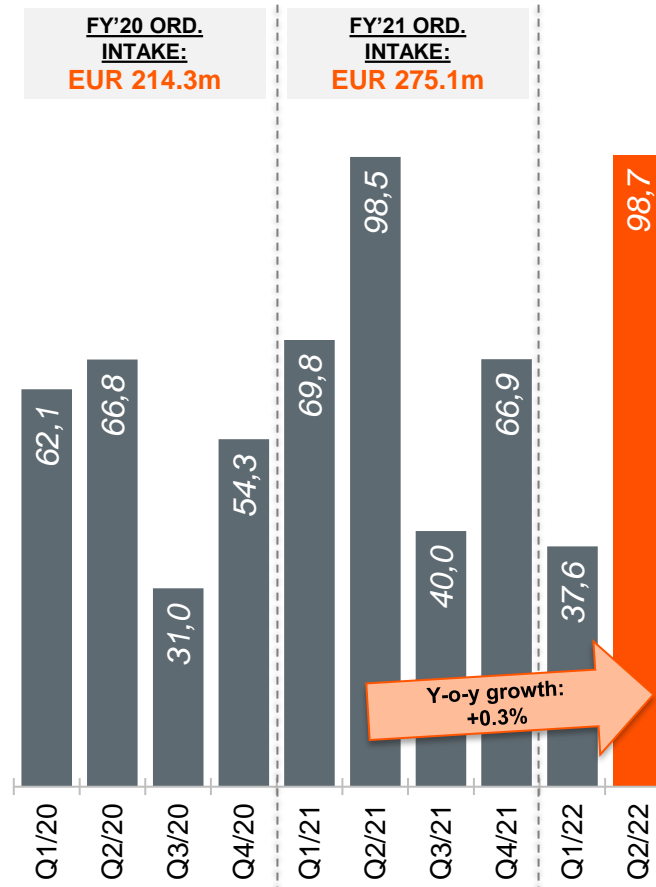
# Quarterly performance overview

Net sales, order intake and order backlog grew year-on-year

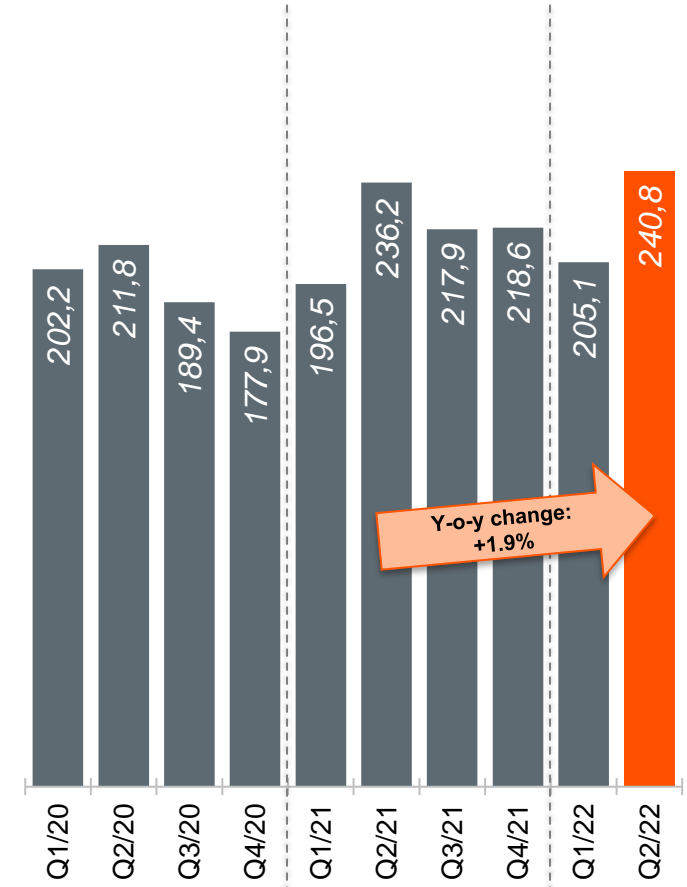
## QUARTERLY NET SALES (EUR m)



## QUARTERLY ORDER INTAKE (EUR m)



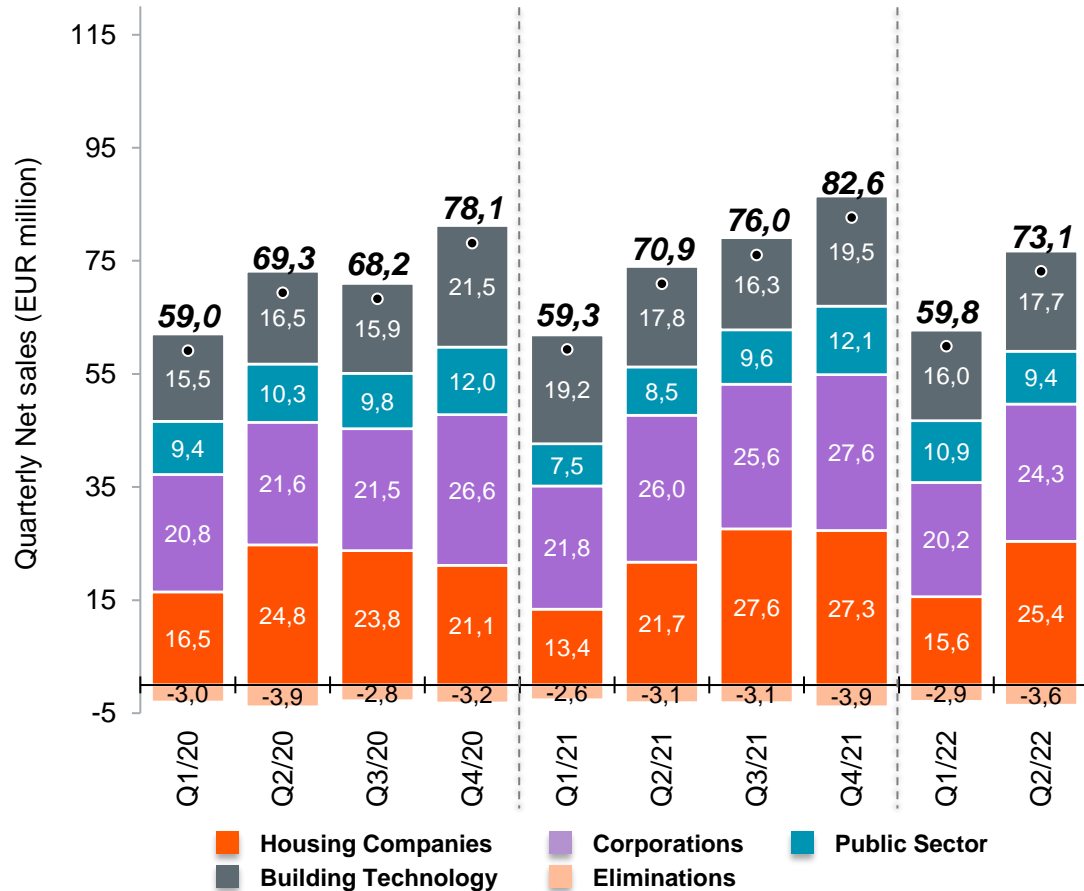
## QUARTERLY ORDER BACKLOG (EUR m)



# Quarterly net sales development

Q2 net sales amounted to EUR 73.1m, growing 3.1% year-on-year

Quarterly net sales development Q1/2020 – Q2/2022 (EUR m)



## Comments

- Q2/2022 net sales EUR 73.1m (70.9m)
  - Year-on-year growth 3.1%
  - Housing Companies net sales EUR 25.4m (21.7m) → net sales grew 16.9 %, even though the growth was negatively affected by the prolonged winter
  - Corporations net sales EUR 24.3m (26.0m) → net sales were affected by the decrease in the volume of regional units compared to the comparison period
  - Public Sector net sales EUR 9.4m (8.5m) → growth attributable to the new building projects that were started in summer 2021
  - Building Technology net sales EUR 17.7m (17.8m) → net sales increased in Greater Helsinki area but decreased in other areas
- H1/2022 net sales EUR 132.9m (130.2m), growth of 2.1%

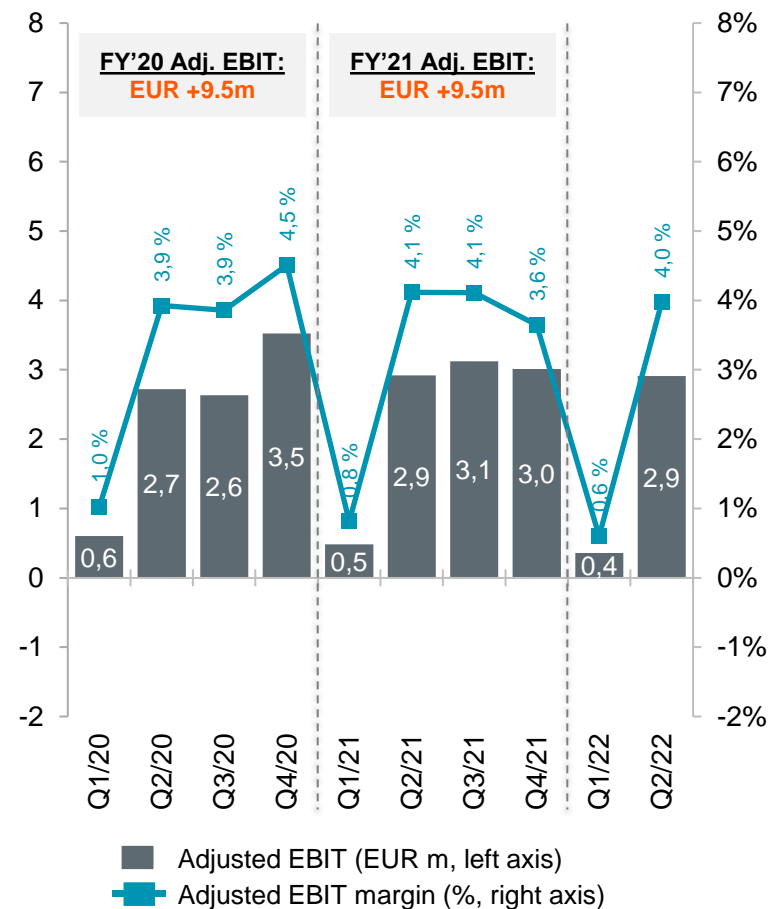
# Quarterly Adjusted EBIT and EBIT development

## Q2 profitability in line with expectations

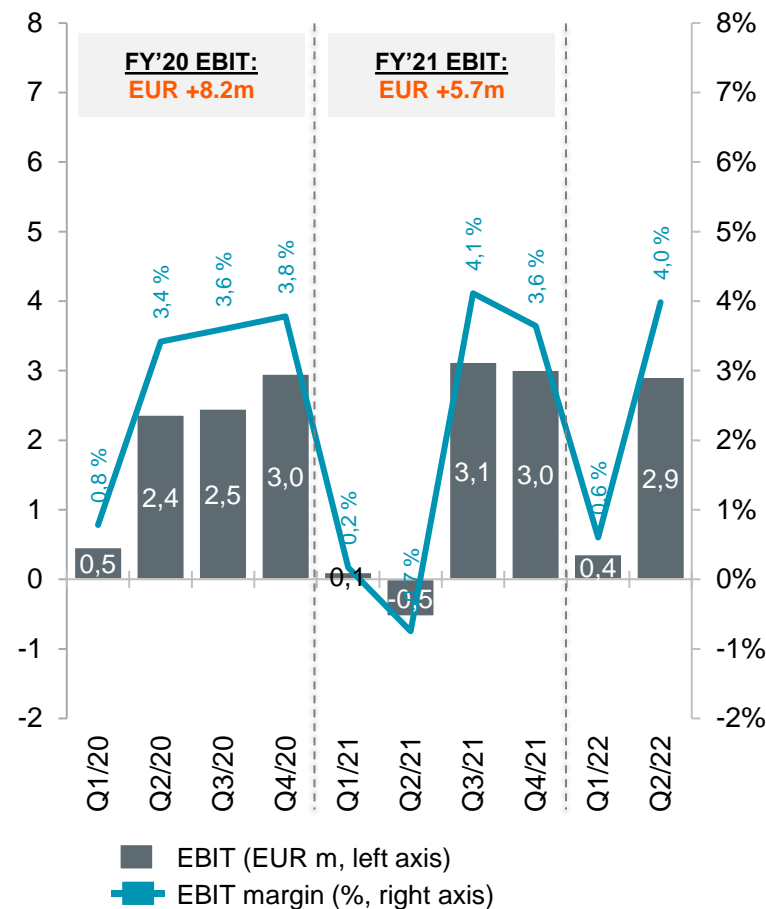
\*Adjusted EBIT = EBIT before items affecting comparability (IAC)

- 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 – Q2/2022 (EUR m)



Quarterly EBIT development  
Q1/2020 – Q2/2022 (EUR m)



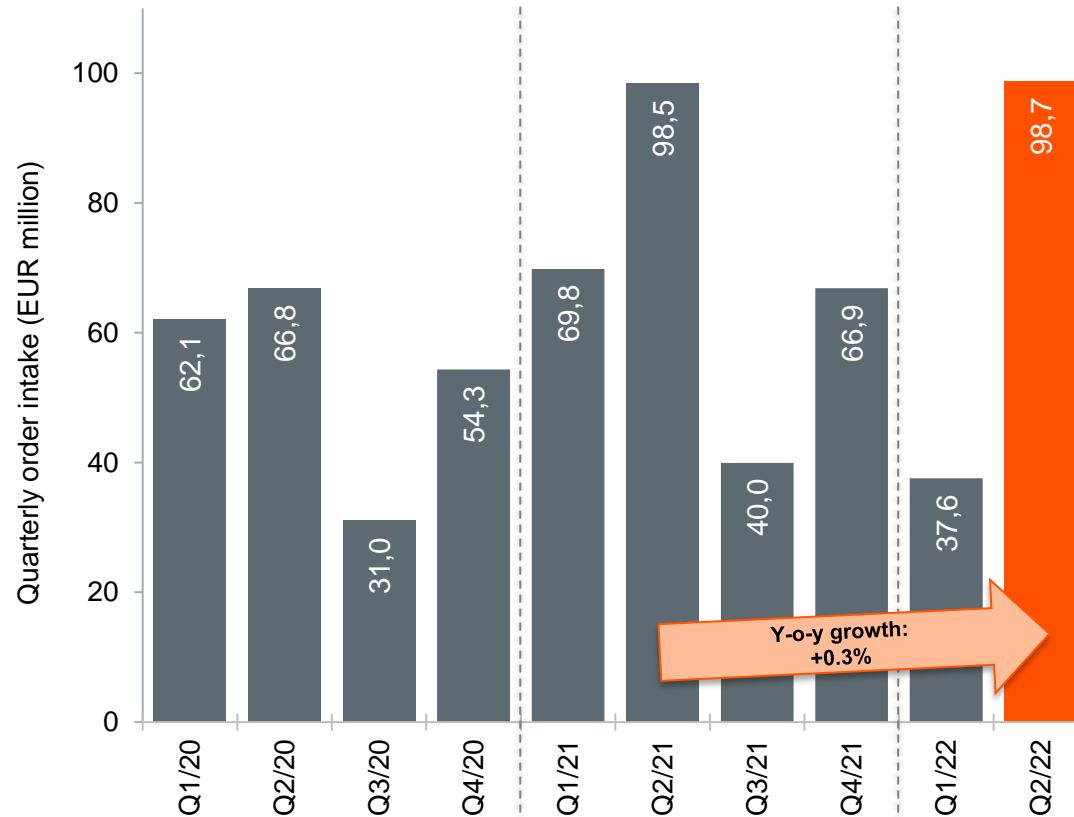
### Comments

- Q2/2022 Adjusted EBIT was EUR 2.9 (2.9) million, or 4.0% (4.1%) of net sales
  - Q2 proceeded mainly in line with expectations
  - The increase in construction costs had a somewhat larger impact on profitability than in the comparison period
  - Inflation weakened the profitability also through increased indirect costs
- Q2/2022 EBIT amounted to EUR 2.9 (-0.5) million, or 4.0% (-0.7%) of net sales
  - Comparison period impacted by one-off items related to St. George arbitral award and associated legal costs
- H1/2022 Adjusted EBIT was EUR 3.3 (3.4) million, or 2.5% (2.6%) of net sales
- H1/2022 EBIT amounted to EUR 3.3 (-0.4) million, or 2.5% (-0.3%) of net sales

# Quarterly order intake development

Q2/2022 order intake EUR 98.7 million, growth of 0.3% year-on-year

Quarterly order intake development Q1/2020 – Q2/2022 (EUR m)



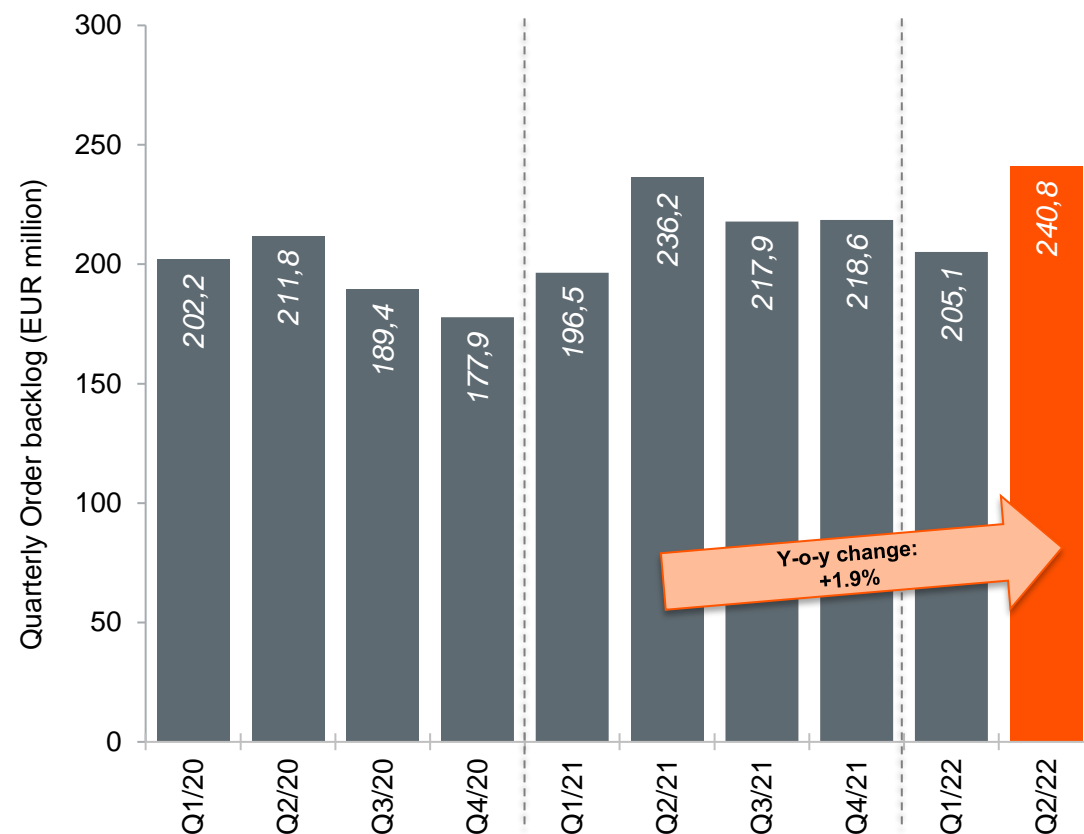
## Comments

- Q2/2022 order intake EUR 98.7m (98.5m)
  - Year-on-year growth +0.3%
  - EUR 44.8 million of Q2 order intake generated by Housing Companies Business Area
  - Examples of new orders received in Q2:
    - As Oy Vattuniemenkatu 18, plumbing renovation in Helsinki
    - As Oy Kannelmäki, Kanneltie 7 and Kanneltie 10, facade renovation in Helsinki
    - Lintulampi elementary school, a comprehensive renovation of a school in Oulu
    - Kone Industrial Oy, renovation of Heves building that was damaged by a fire in Hyvinkää in 2021
    - Senate Properties, Tilkanmäki F-building 3<sup>rd</sup> floor laboratory facilities and renovation of facades in Helsinki
    - Kameleonten Sports Hall, installation of HVAC and sprinkler systems in a new indoor sports arena in Espoo
- H1/2022 order intake EUR 136.3m (168.3m), change -19.0%
  - EUR 68.0 million of H1 order intake generated by Housing Companies Business Area

# Quarterly order backlog development

Q2/2022 order backlog at EUR 240.8 million, growth of 1.9% y-o-y

Quarterly order backlog development Q1/2020 – Q2/2022 (EUR m)



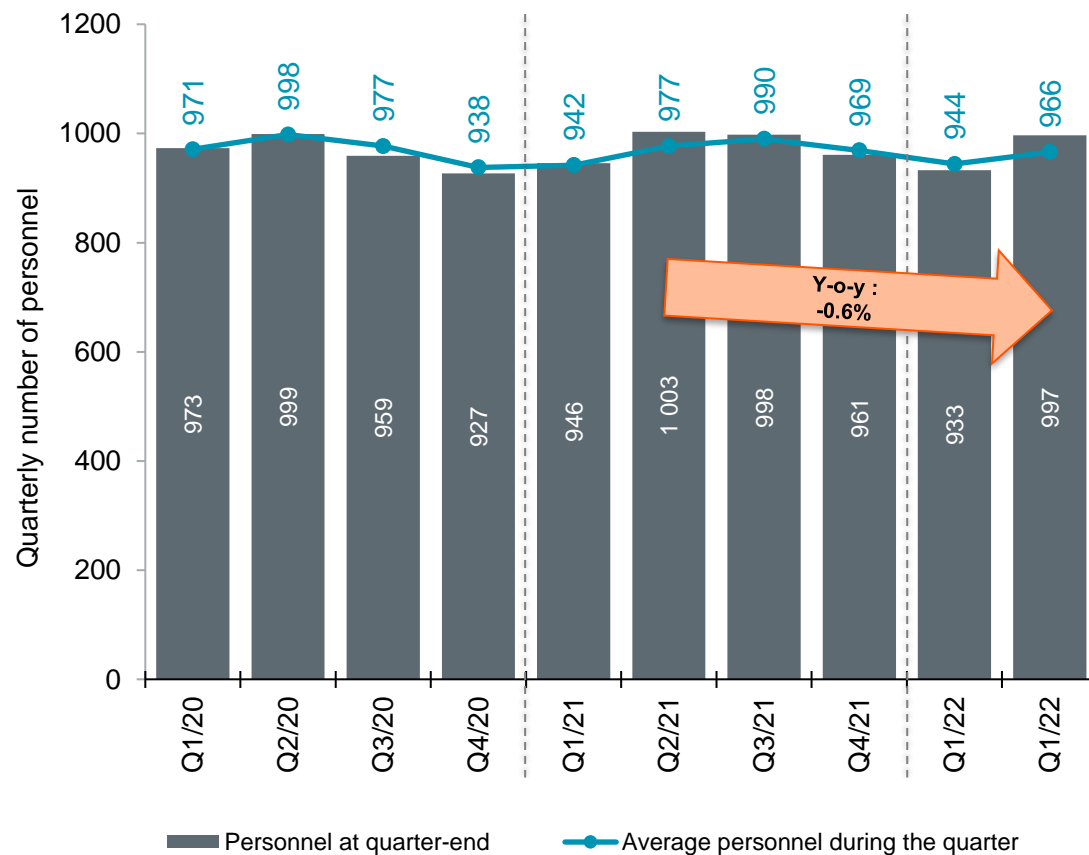
## Comments

- Q2/2022 order backlog at EUR 240.8m (236.2m)
  - Year-on-year growth 1.9%
  - Order backlog up by 10.1% compared to the end of the previous financial year
  - Larger share of June 2022 order backlog to be recognised within the on-going financial year compared to June 2021 backlog (both in absolute and relative terms)

# Quarterly development in number of personnel

Total number of personnel 997 at the end of Q2/2022, somewhat below last year's level

Quarterly development in number of personnel Q1/2020 – Q2/2022



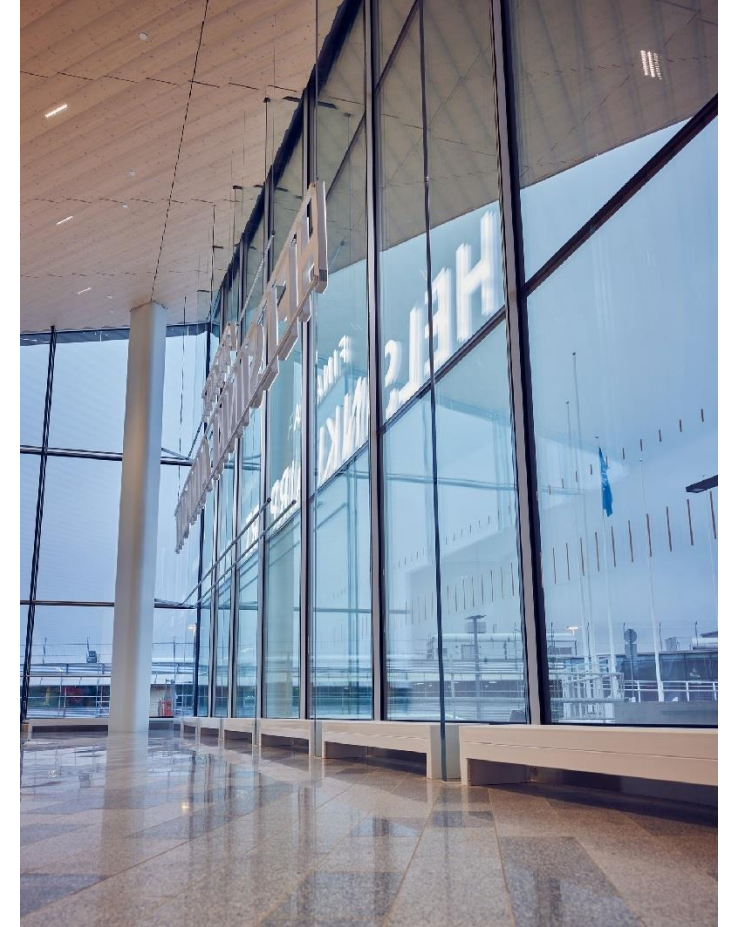
## Comments

- Number of personnel at the end of Q2/2022 997 (1,003), decrease of 6
- Average number of personnel during Q2/2022 966 (977), reduction of 10
- Average number of personnel during H1/2022 955 (960), reduction of 5

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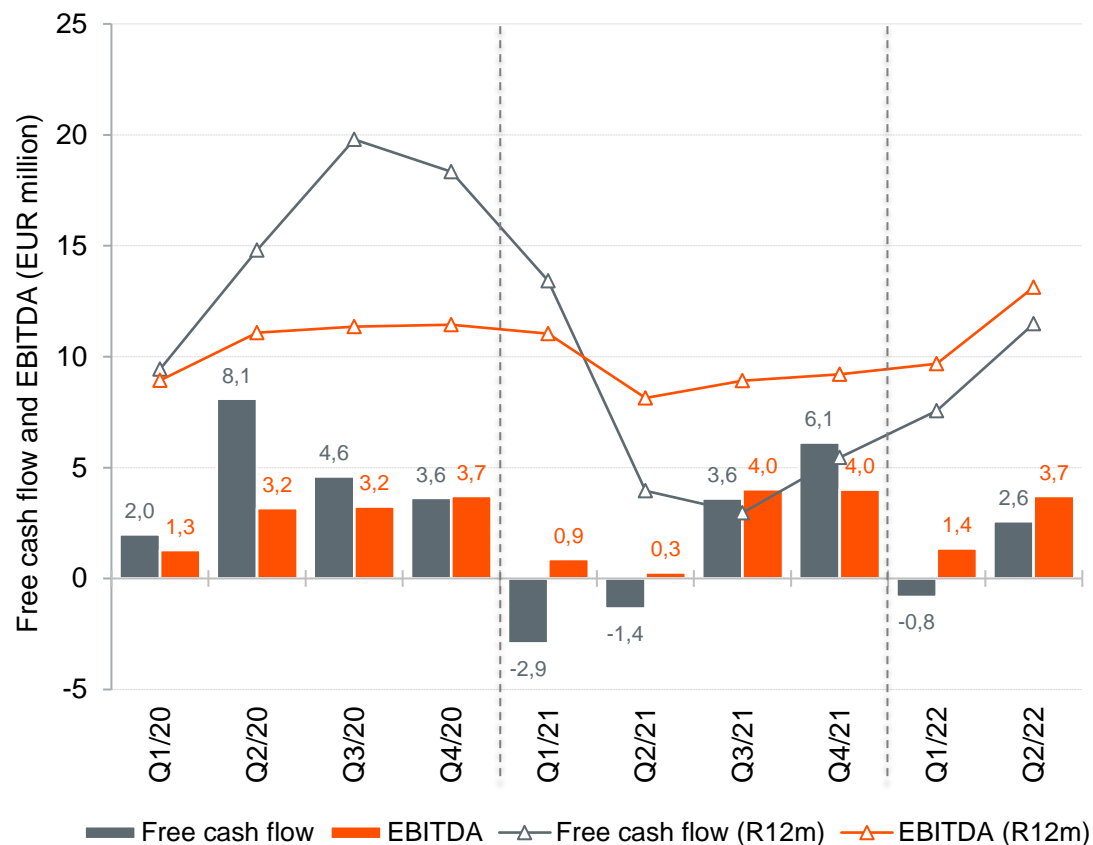
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# Quarterly free cash flow development

Q2/2022 free cash flow improved clearly year-on-year and was EUR 2.6 million

Quarterly free cash flow<sup>1)</sup> and EBITDA Q1/2020 – Q2/2022 (EUR m)



## Comments

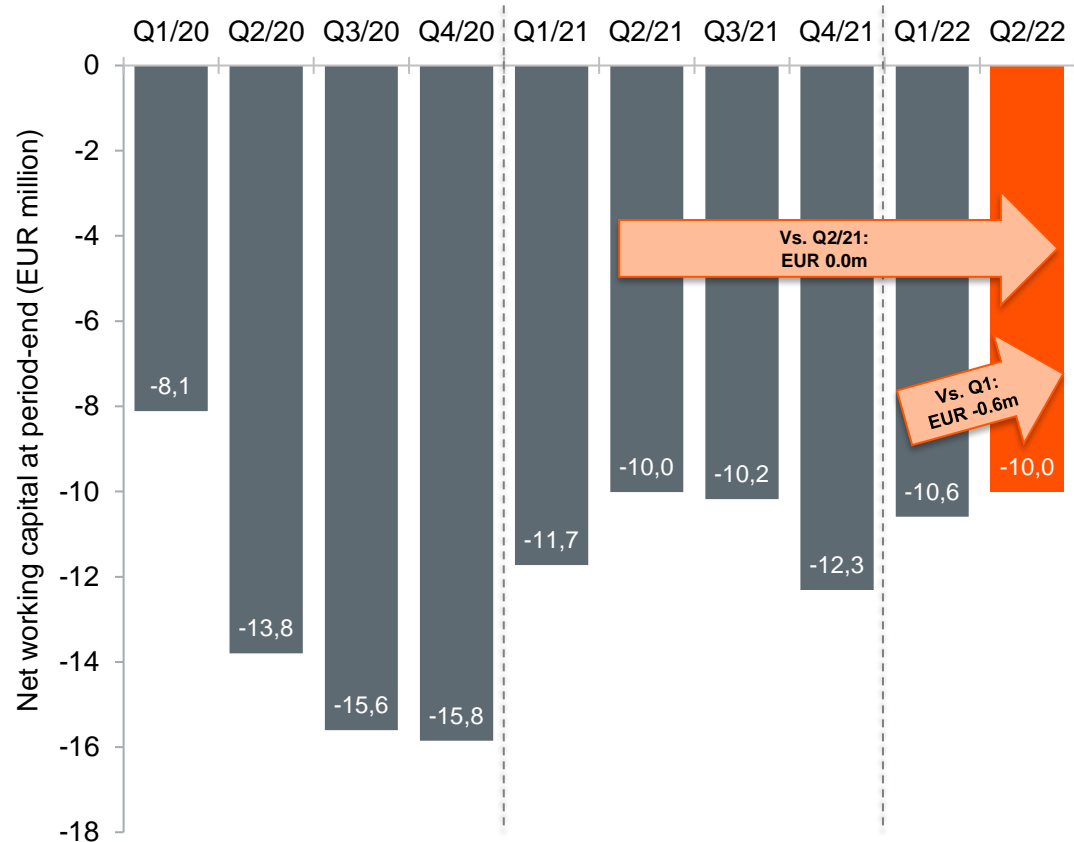
- Q2/2022 free cash flow EUR 2.6m (-1.4m)
  - EBITDA amounted to EUR 3.7m (0.3m)
  - Cash flow impact from change in NWC EUR -0.9m (-1.4m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.3m (-0.5m)
- H1/2022 free cash flow EUR 1.7m (-4.3m)
  - EBITDA amounted to EUR 5.1m (1.2m)
  - Cash flow impact from change in NWC EUR -2.4m (-5.0m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.6m (-0.7m)
- Rolling 12-month cash conversion ratio 87.5%
- In Q1/2020 – Q2/2022, Consti's cash conversion ratio was 99%, 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 -10.0 million at the end of Q2/2022

Quarterly net working capital<sup>1)</sup> Q1/2020 – Q2/2022 (EUR m)



## Comments

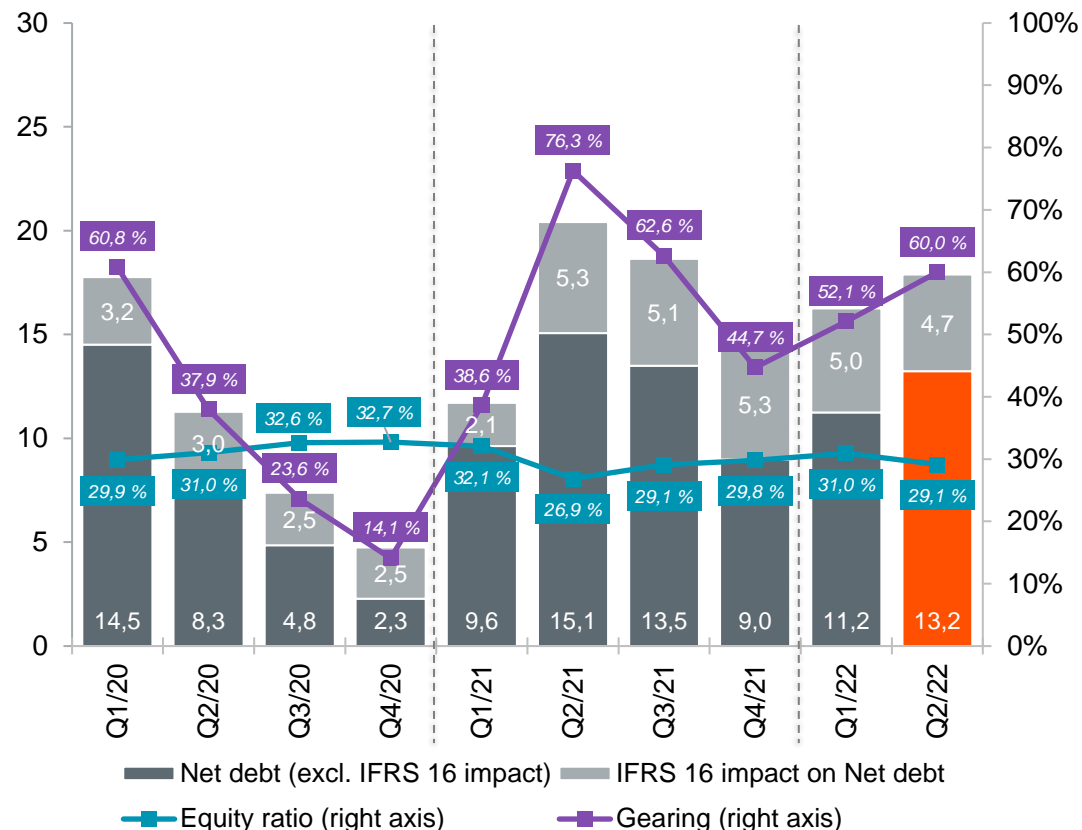
- Net working capital EUR -10.0m (-10.0m) at the end of Q2/2022
- NWC tied up during Q2/2022 amounted to EUR 0.6m
- NWC at the same level as in comparison period Q2/2021

<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

## Q2 financial position strengthened year-on-year

Quarterly net debt, equity ratio and gearing Q1/2020 – Q2/2022



### Comments

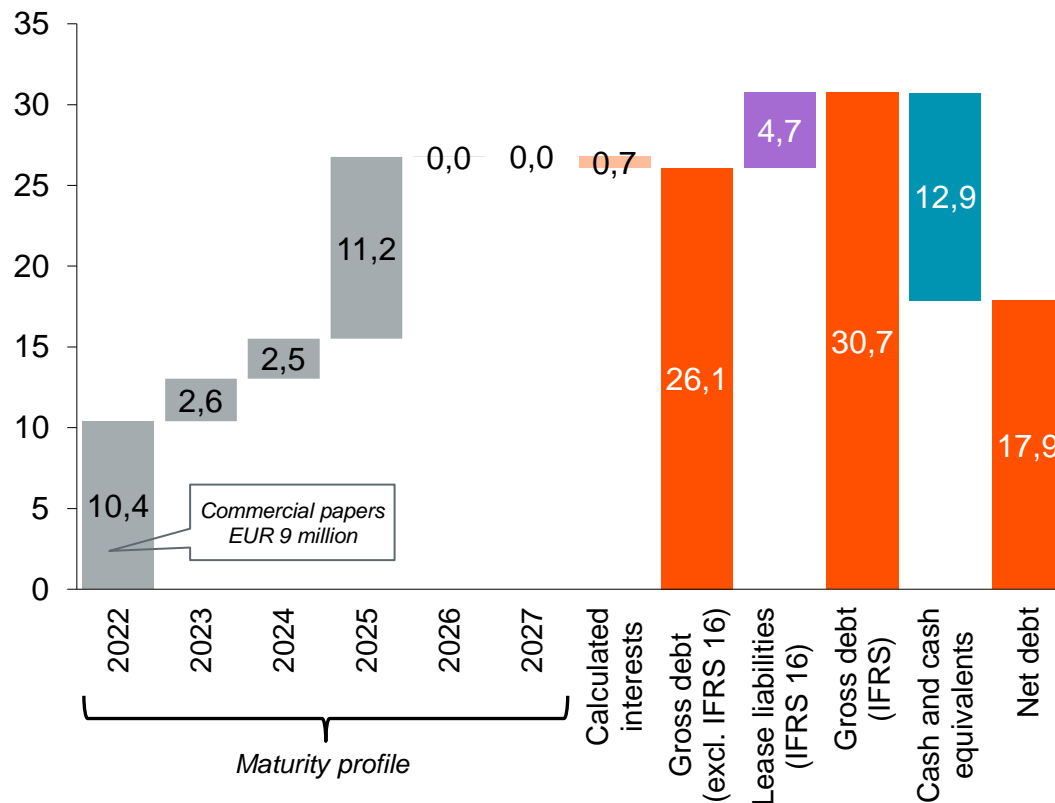
- Q2/2022 financial position strengthened year-on-year
  - Improvement in profitability and cash flow
  - Dividend distribution of 0.45€ / share in April
- Q2/2022 net debt at EUR 17.9m (20.4m), of which EUR 4.7m (5.3m) attributable to IFRS 16 related lease liabilities
  - Net debt excluding IFRS 16 at EUR 13.2m (15.1m)
- Q2/2022 equity ratio at 29.1% (26.9%)
  - Equity ratio excluding IFRS 16 at 30.7% (28.4%)
- Q2/2022 gearing at 60.0% (76.3%)
  - Gearing excluding IFRS 16 at 44.1% (56.1%)

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 2022)

No significant bank loan redemptions in the coming years

Maturity profile of interest-bearing debt<sup>1)</sup> as per 30 June 2022 (EUR m)



## Comments

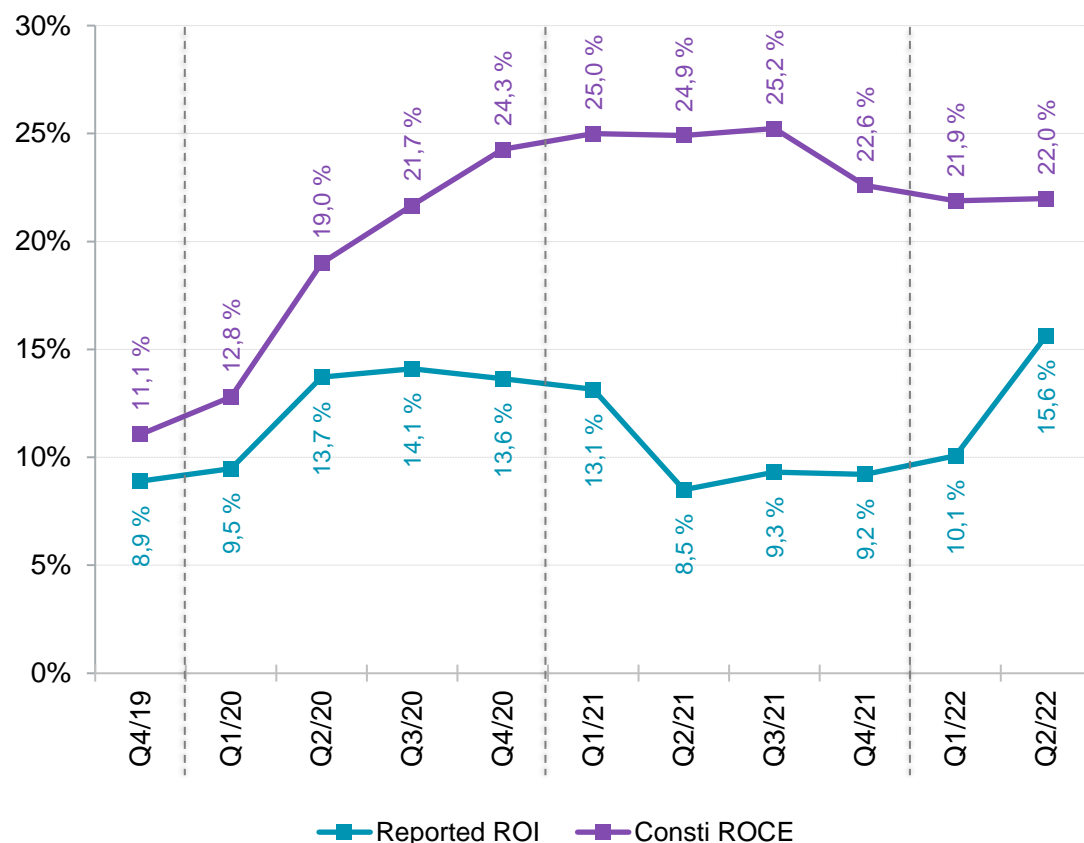
- Consti's gross interest-bearing debt at EUR 26.1 million (excluding IFRS 16) at the end of Q2/2022
- Cash and cash equivalents amounted to EUR 12.9m at quarter-end
- In addition, Consti has undrawn revolving credit facilities and unused credit limits amounting to EUR 8.0m in total
- Majority of Consti's bank loans have maturity in 2025 (with extension option in 2026), i.e. no significant bank loan redemptions in the coming years
  - Loan agreement includes an extension option that allows to extend the maturity of the loan in two phases by a maximum of two years until 2026
  - Consti exercised the first extension option in May 2022, which extended the maturity of the loan by one year until 2025

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

# Reported ROI<sup>1)</sup> and Consti ROCE<sup>2)</sup>

Solid return on capital employed

Reported ROI<sup>1)</sup> and Consti ROCE<sup>2)</sup> Q4/2019 – Q2/2022 (%)



## Comments

- During the past two years, Consti's return on capital employed has exceeded 20%
- Q2 2022 Consti ROCE totaled 22.0%
  - Q2 2022 R12m EBIT margin 3.2%
  - Q2 2022 R12m average capital efficiency 6.8x (excluding IFRS 16 related assets)
- Q2 2022 Reported ROI totaled 15.6%
- In Q4/19 – Q1/22, reported ROI impacted by items affecting comparability, i.e. the arbitral award and legal costs related to Hotel St. George project

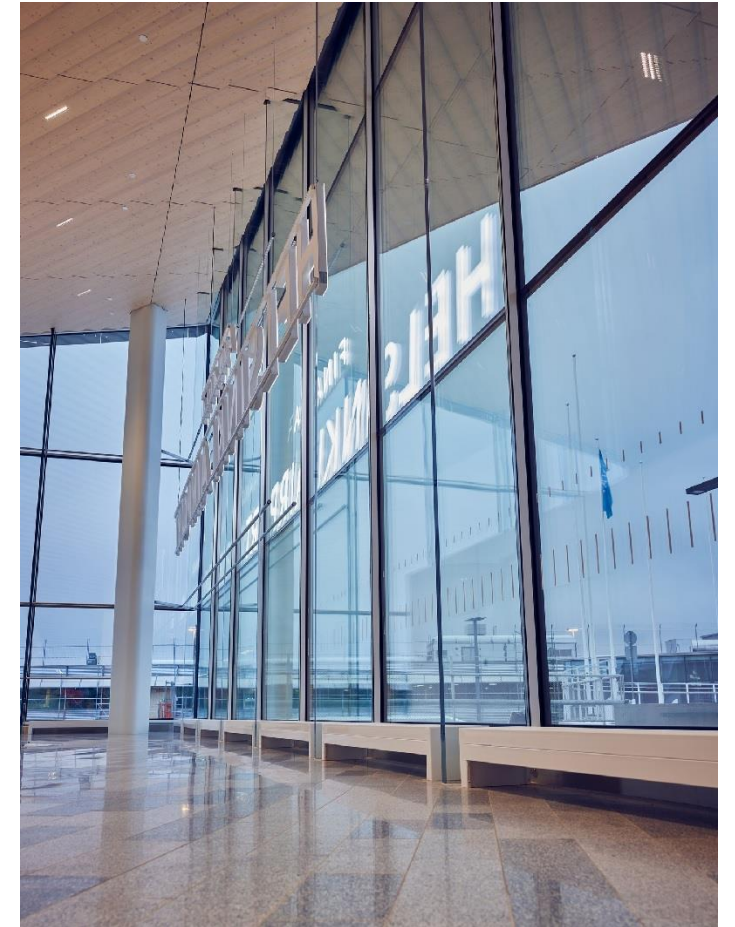
1) Return on investment, ROI (%) = Profit/loss before taxes + interest and other financial expenses (R12m) / Total equity + interest-bearing liabilities (average)

2) Consti ROCE = Adjusted EBIT (R12m) / Capital employed (R12m average), where Capital employed = Tangible and intangible assets (excl. IFRS 16) + Net working capital

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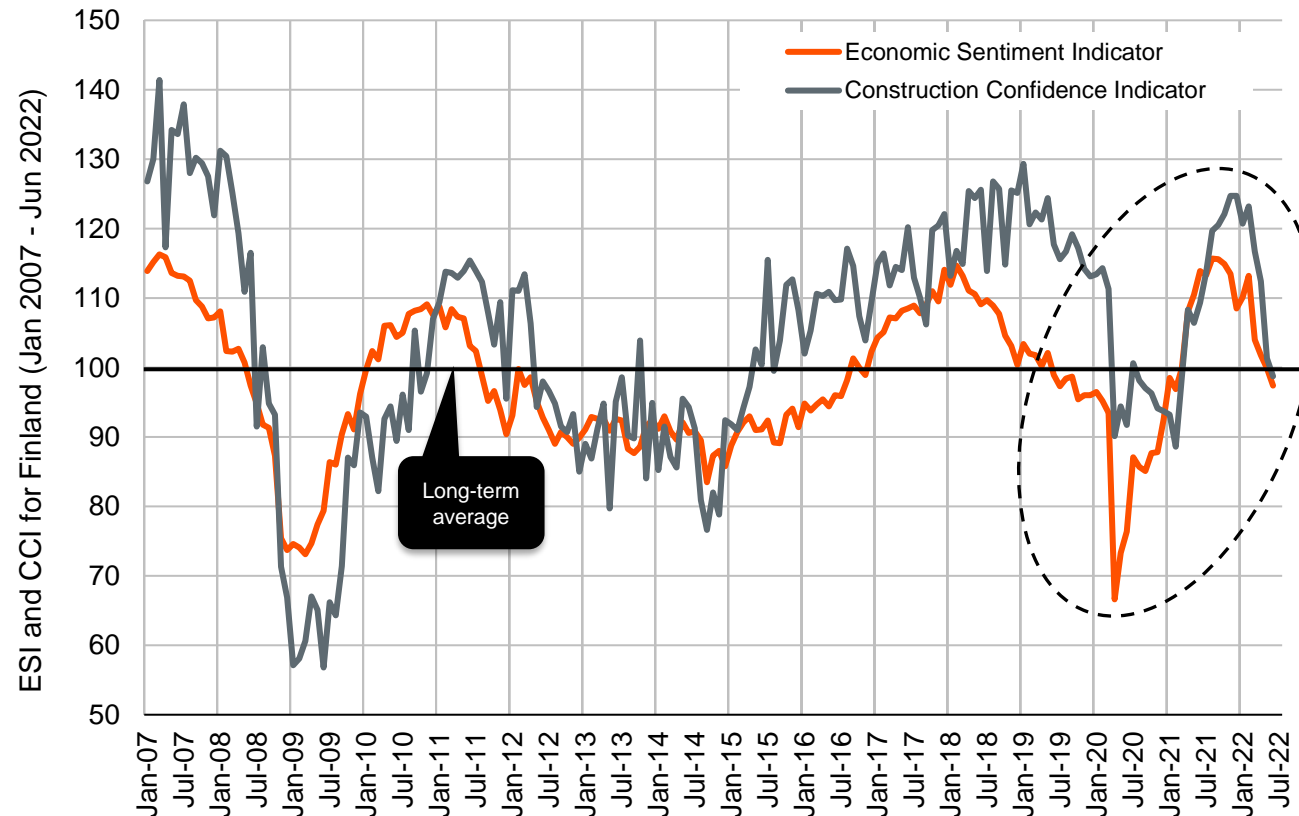
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# Economic sentiment and construction confidence in Finland fell below their long-term average levels in June 2022

Economic Sentiment and Construction Confidence / Finland (2007 – 6/2022)



Note: Mean-adjusted figures

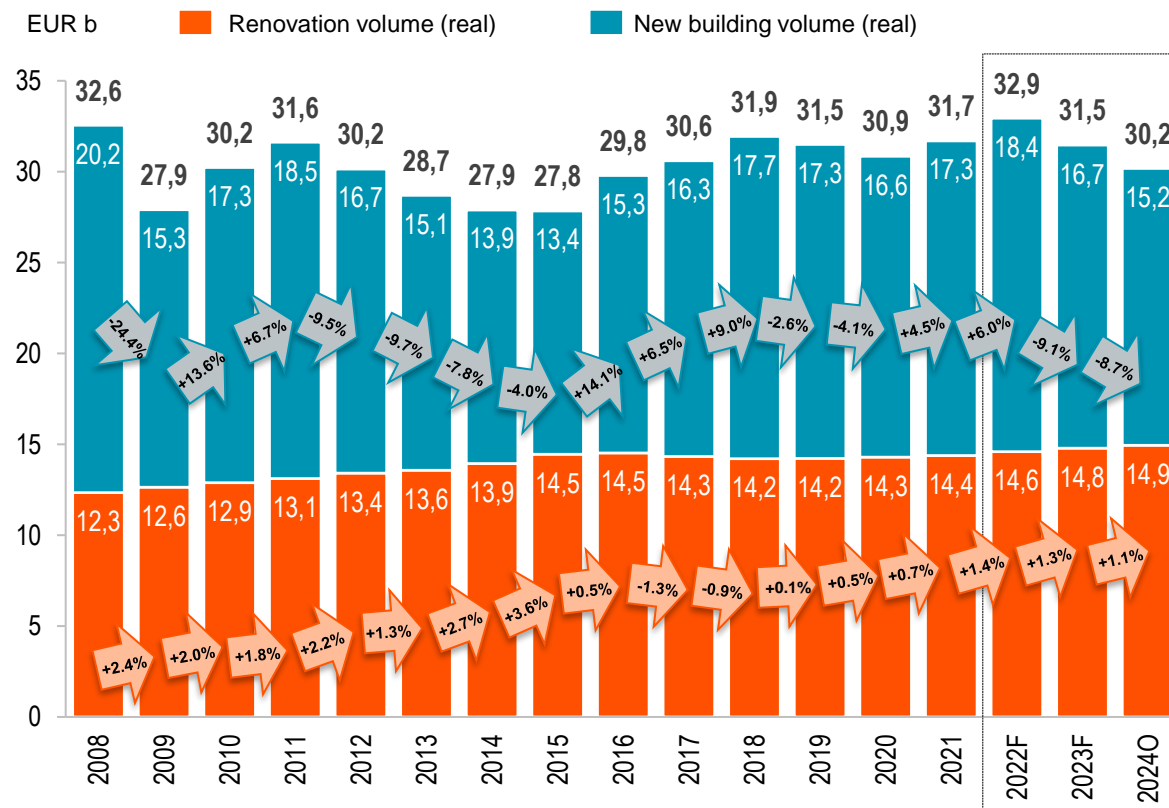
Source: European Commission, June 2022

## Comments

- June 2022 was the fourth consecutive month of decline in Economic sentiment in Finland
  - The decline in economic sentiment is driven by negative development in construction confidence
- Construction confidence has dropped sharply since March 2022 and is now below its long-term average level
  - Employment expectations falling
  - Decline in the level of order books
  - The share of construction managers pointing to shortages of labour started to edge down but remained at a historically high level
  - The share of builders reporting shortages of material and/or equipment as a factor limiting their building activity also declined but remained at a high level

# Renovation to outgrow new building in 2022-24, both residential and non-residential renovation projected to grow going forward

Finnish new building and renovation market development 2008 – 2024



Source: Euroconstruct, June 2022

Confederation of Finnish Construction Industries RT (CFCI), May 2022

## Comments

- The Confederation of Finnish Construction Industries (CFCI) estimated in its May review of market conditions that the prospects for the construction industry have weakened significantly because of the Russia's military aggression in Ukraine
- According to CFCI, the biggest harm is caused by the sharp increase in costs and the growing uncertainty towards the end of the year
- In its May review of market conditions, CFCI estimates that due to the large number of housing projects started before the war in Ukraine and the pick-up in business premises construction, the entire construction market will grow by approximately 2.0 percent in 2022
- European construction market research institution Euroconstruct estimates in its June 2022 report that the entire house building market will grow by 3.9 percent in 2022
- According to Euroconstruct's assessment, renovation market will grow by 1.4 percent and new construction market by 6.0 percent in 2022

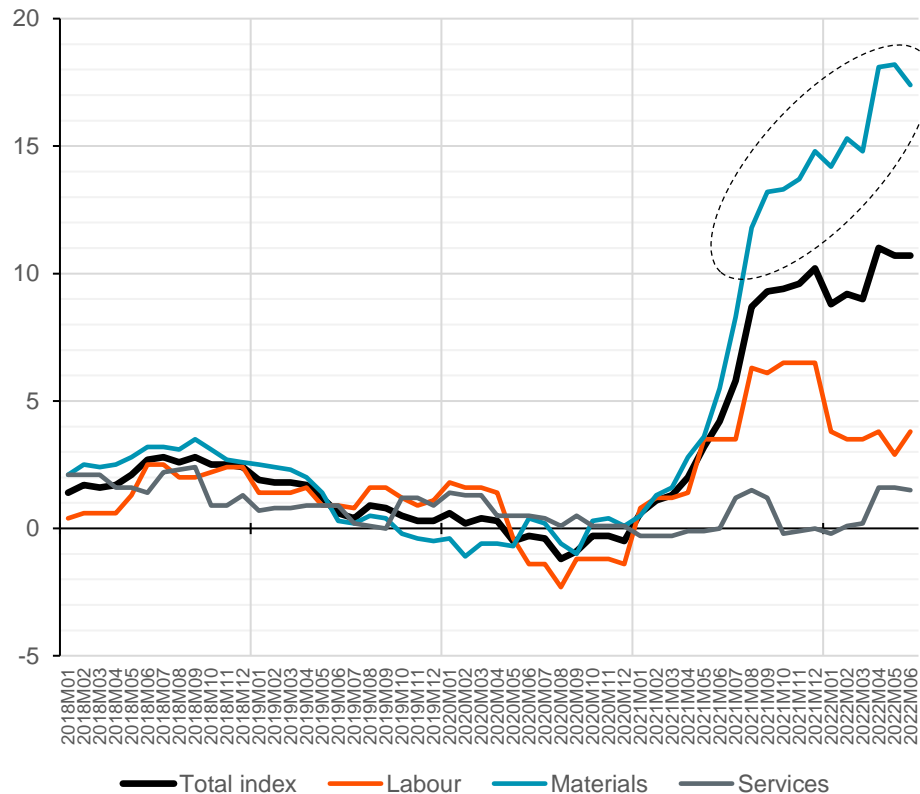
**CAGR**  
2021-24:  
-4.2%

**CAGR**  
2021-24:  
+1.3%

# Building cost index rose by 9.4% y-o-y and 1.2% m-o-m in June 2022

Particularly the costs of materials continued to rise quickly. Consti has fared relatively well in the current inflationary market environment

Annual change of the Building Cost Index 1/2018 – 6/2022 (%)  
(2000 = 100)



Building cost index by input heading June 2022 (2021=100)	Index figure	Annual change (%)
<b>0 TOTAL INDEX</b>	<b>108,3</b>	<b>9,4</b>
<b>01 LABOUR</b>	<b>102,3</b>	<b>3,2</b>
<b>02 MATERIALS</b>	<b>113,9</b>	<b>15,3</b>
<b>02.1 AREA</b>	<b>102,9</b>	<b>2,8</b>
02.1.1 Soil	102,2	1,9
02.1.2 Construction site surface structures	103,8	3,8
02.1.3 House equipment	107,7	8,8
<b>02.2 HOUSE</b>	<b>117,3</b>	<b>19,8</b>
02.2.1 Concrete, bricks and blocks	116,1	15,7
02.2.2 Precast concrete units	118,5	20,3
02.2.3 Timber structures	117,2	20,9
02.2.4 Steel structures	133,3	38,5
02.2.5 Roofing materials	117,1	18,6
02.2.6 Heat insulation	117,9	23,3
02.2.7 Windows and doors	113,1	15,6
<b>02.3 FACILITIES</b>	<b>111,9</b>	<b>12,3</b>
02.3.1 Frame structures	118,3	19,1
02.3.2 Surface materials	109,5	10,2
02.3.3 Fixtures, taps and household appliances	109,1	9,1
<b>02.4 TECHNICAL SYSTEMS</b>	<b>112,8</b>	<b>13,5</b>
02.4.1 Heat, water and sewer	114,1	14,7
02.4.2 Ventilation	109,1	10,7
02.4.3 Electricity, control, lighting and lift	113,9	14,3
<b>03 SERVICES</b>	<b>101,1</b>	<b>1,6</b>
<b>03.1 SITE AND FIXTURE SERVICES</b>	<b>101</b>	<b>1,6</b>
03.1.1 Transport	108,7	9,6
03.1.2 Mechanical work and hoisters	98,5	0,4
03.1.3 Site facilities, scaffolding and weather protection	94,6	-5,3
03.1.4 Moulding equipment and supporting	103,1	3,9
03.1.5 Waste charges	102,6	2,6
03.1.6 Site energy	91,6	-8,3
<b>03.2 OTHER SERVICES</b>	<b>101,5</b>	<b>1,2</b>
03.2.1 Insurance	103,9	4,3
03.2.2 Connection charges	100,3	-0,3

The costs of materials rose by 15.3% y-o-y and 1.6% m-o-m in June 2022. All product groups within materials have risen over the year.

### CONSTI comments:

- Building cost inflation partly visible in Consti's project performance in H1
- Building costs started to rise in spring '21 → inflation at least to some extent taken into account since summer '21
- Average lead time of Consti's typical projects relatively short
- Also, renovation more labour intensive than new building

Source: Statistics Finland

# Outlook and guidance for 2022

- Russia's military aggression, with its ramifications, creates uncertainty in Consti's operating environment
  - Due to geopolitical instability, the prices of building materials and products important to the company have continued to rise
  - 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
  - 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
- Additional measures initiated during the first quarter were continued to ensure performance in an uncertain operating environment
  - Focus especially on procurement, tendering, customer activities and careful monitoring of fixed costs
- 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."**

# Summary

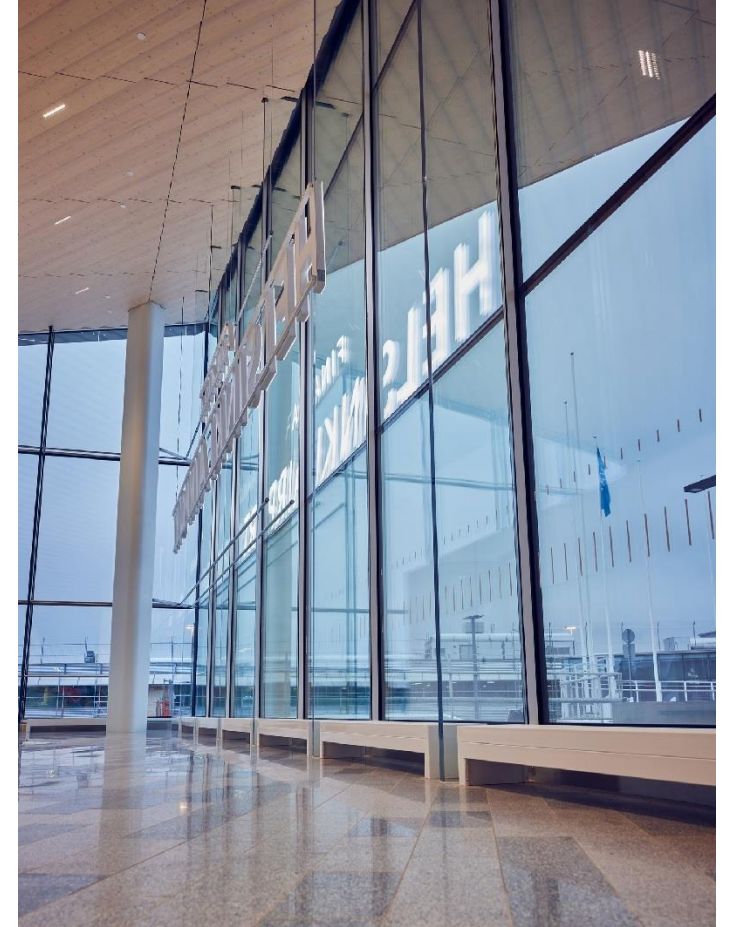
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1. Q2 net sales, order intake and order backlog grew year-on-year
2. Q2 profitability in line with expectations despite inflationary market environment, financial and liquidity positions remained at a good level
3. Order backlog at a good level, thanks to good order intake in the second quarter particularly in the Housing Companies business area
4. Russia's military aggression, with its ramifications, creates uncertainty about the short-term demand outlook. However, needs-based nature of renovation to support demand going forward
5. Actions initiated during Q1 were continued to secure solid performance in the uncertain operating environment, focus especially on procurement, tendering, customer activities and careful monitoring of fixed costs
6. Guidance unchanged. Consti well positioned to continue positive and solid operational development also in the second half of 2022

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# CONSTI GROUP STRATEGY 2021–2023

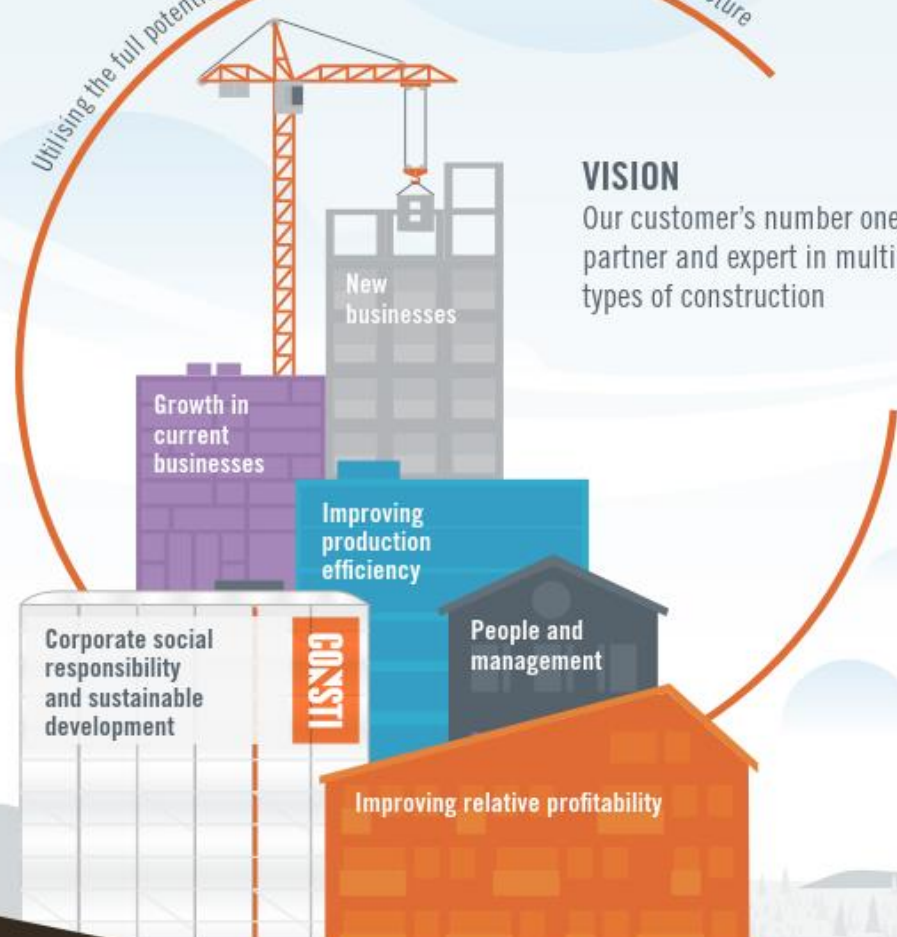
## MISSION

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



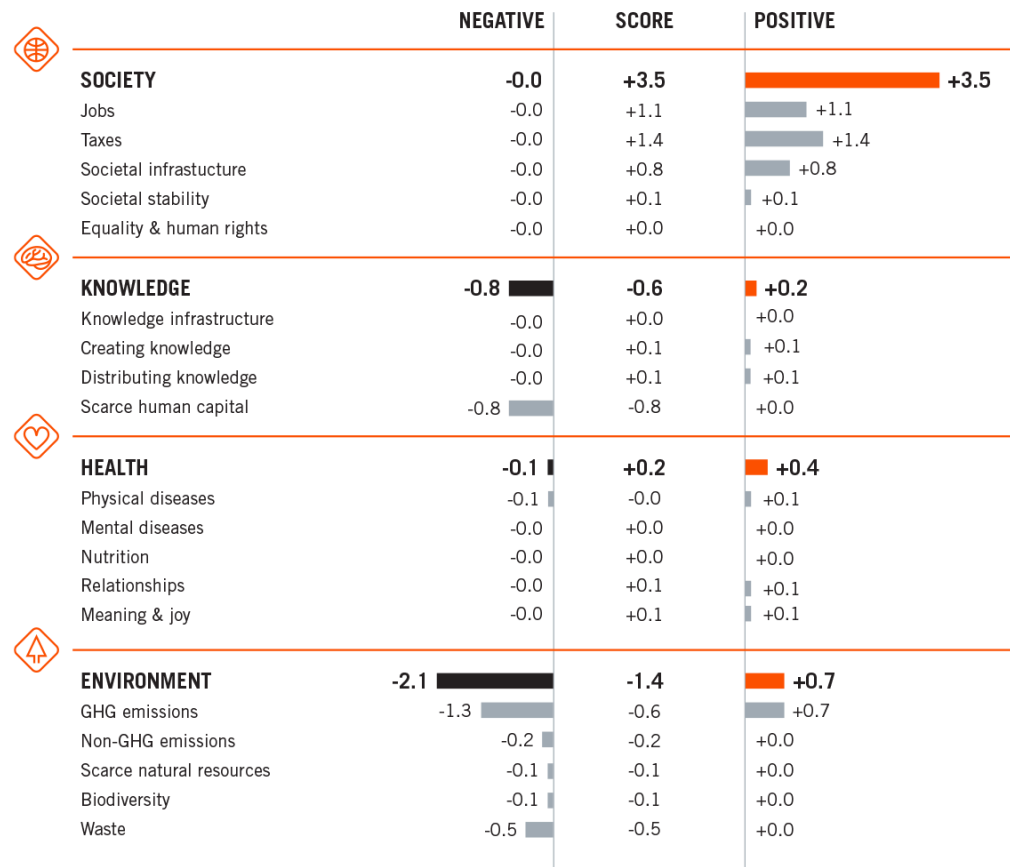
Long-term financial goals		
Growth: net sales growing faster than the market	Cash flow: Cash conversion ratio exceeding*	>90%
Profitability: EBIT-margin exceeding	Capital structure: Net debt to adjusted EBITDA ratio	<2,5x
		>5%

\* 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'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

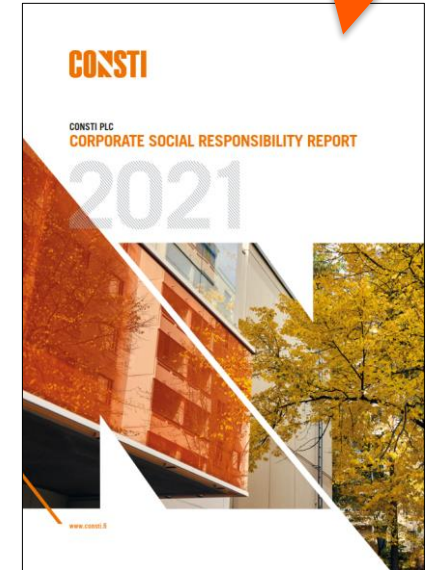
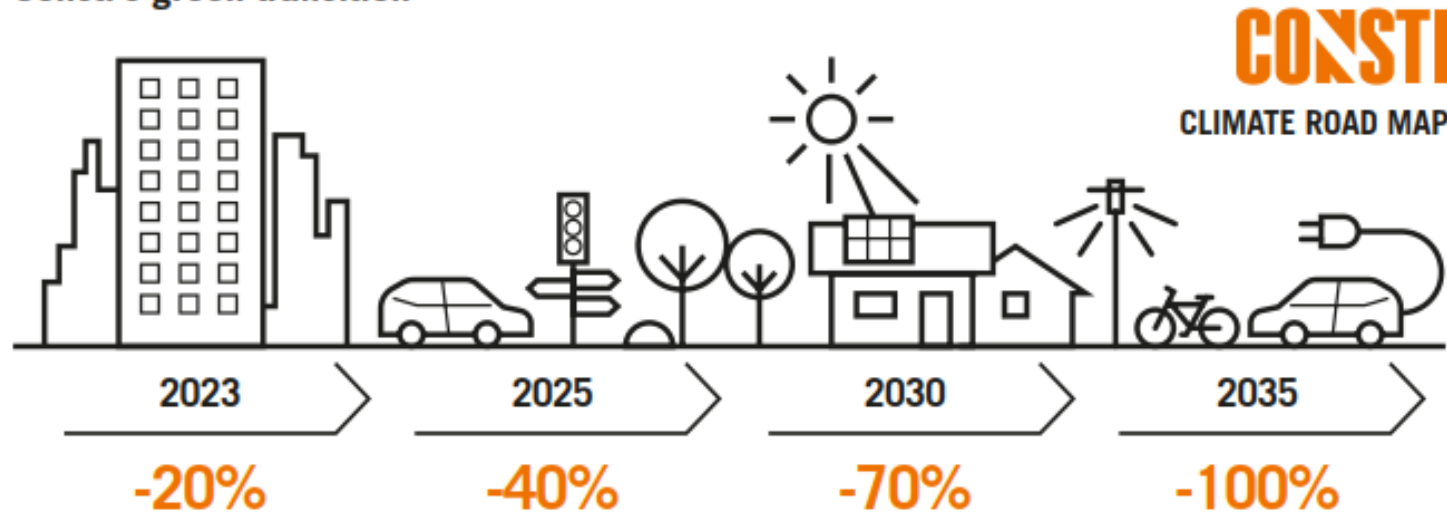
## Comments

- 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 in April '22

## Consti's green transition

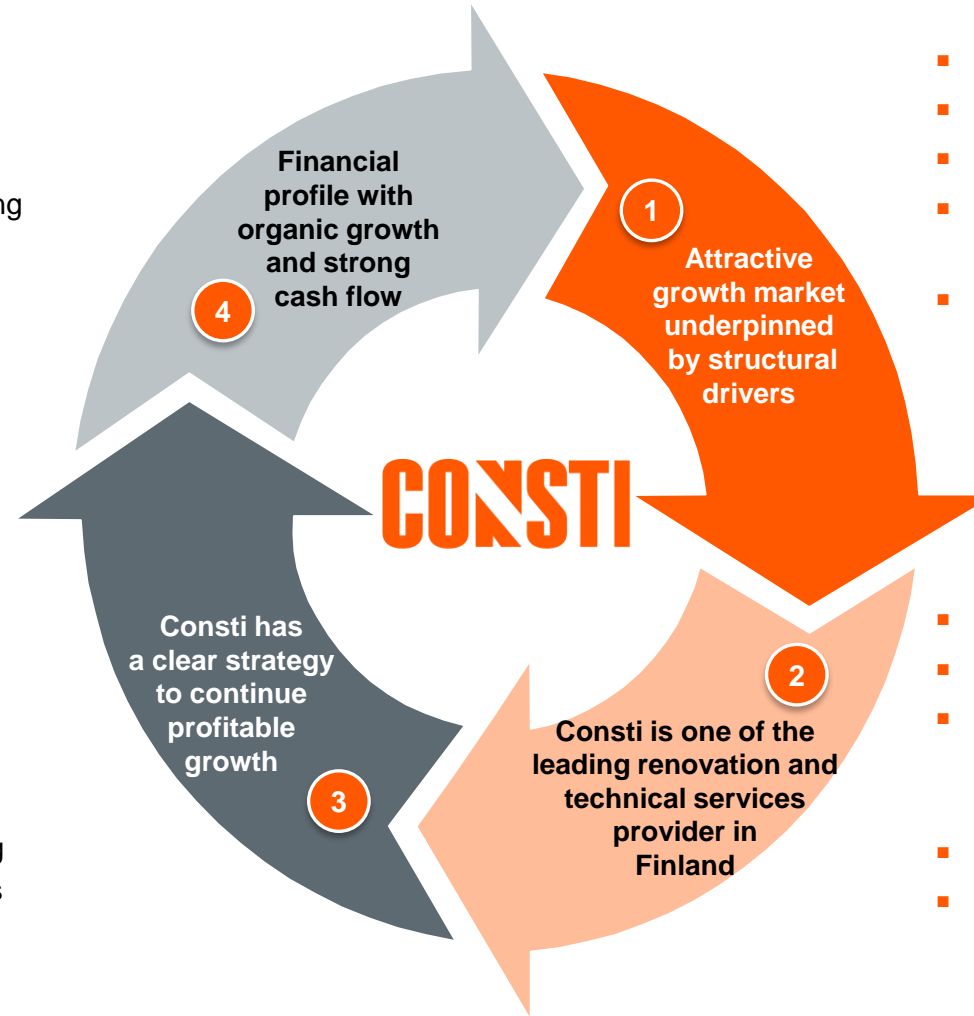


- Consti has announced CO<sub>2</sub> emission reduction targets for its own operations (Scope 1–2)
- Consti's target is to reduce its own CO<sub>2</sub> emissions by 40% by 2025, by 70% by 2030, and by 100% by 2035.
- The reductions will be realised gradually by switching to electric company cars and 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

# 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**

**HALF-YEAR FINANCIAL REPORT**

**1-6/2022**

**CONSTI PLC**

**H1**

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