



# CONSTI GROUP PLC

## INTERIM REPORT

### 1 JANUARY – 31 MARCH 2018

CEO Esa Korkeela  
CFO Joni Sorsanen

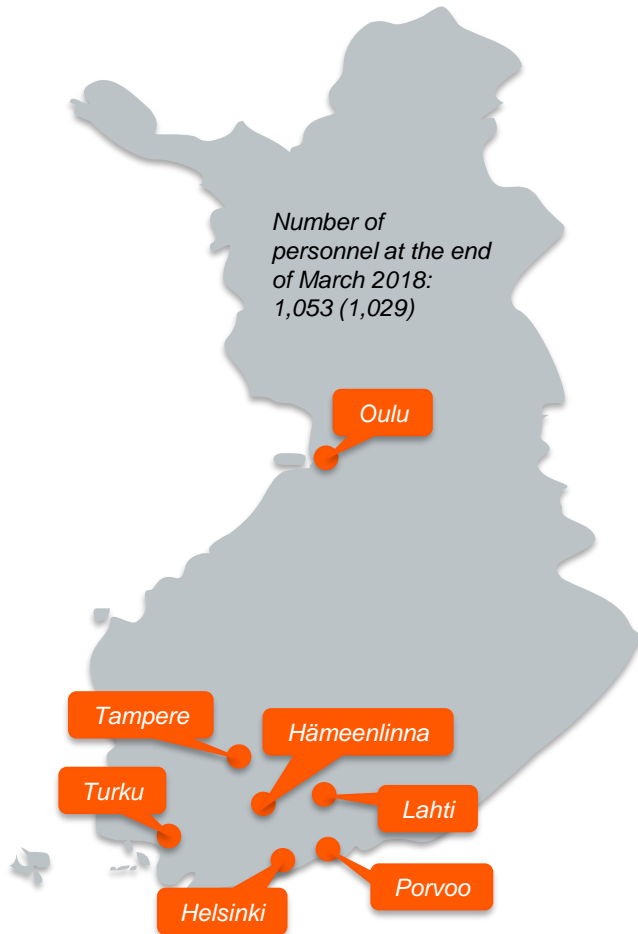




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- Cash flow and financial position
- Market outlook, guidance and summary
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# Highlights of the first quarter of 2018



## Highlights of 1-3/2018 (y-o-y comparison in brackets)

- Net sales EUR 62.3 (57.3) million, growth 8.7%
- EBITDA EUR 0.2 (0.8) million, EBITDA margin 0.4% (1.3 %)
- EBIT EUR -0.2 (0.3) million, EBIT margin -0.3% (0.5%)
- Order backlog EUR 250.2 (212.9) million
- Free cash flow EUR -7.8 (-0.5) million
- Gearing 80.5 (49.7) %
- Net debt EUR 20.3 (15.0) million
- Earnings per share EUR -0.04 (0.00)

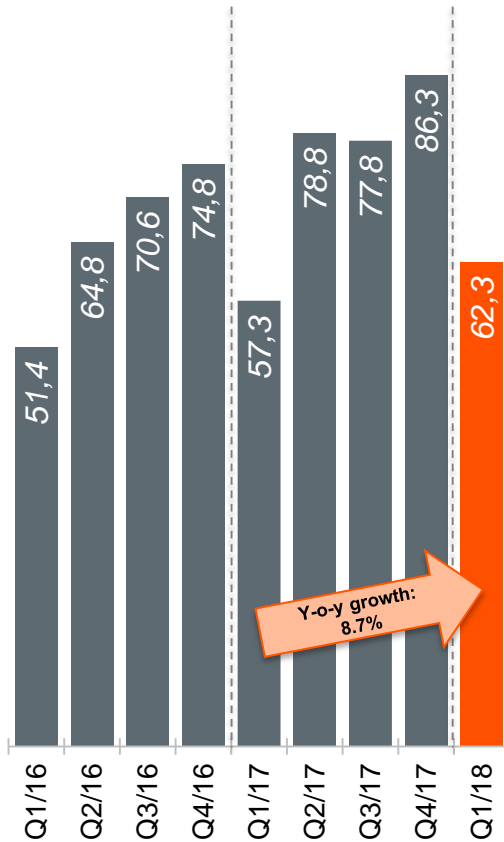
## Guidance for 2018:

- “Consti estimates that its operating result for 2018 will grow compared to 2017.”

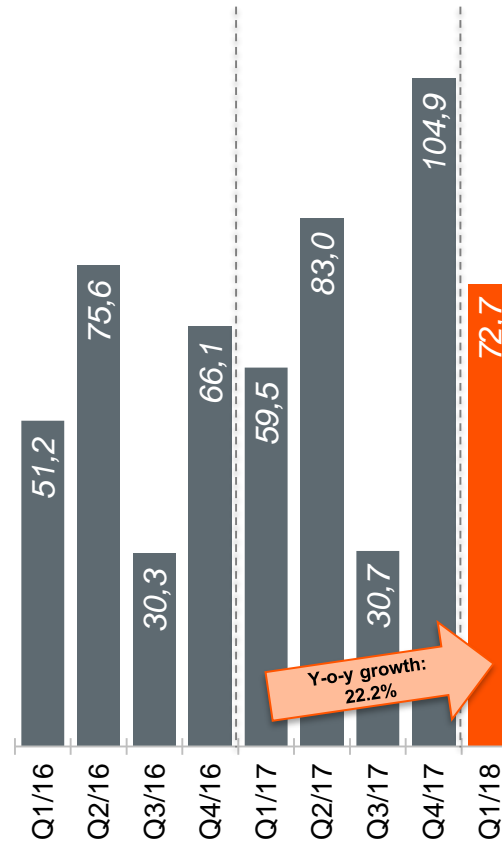
# Quarterly performance overview

## Net sales, order intake and order backlog increased y-o-y

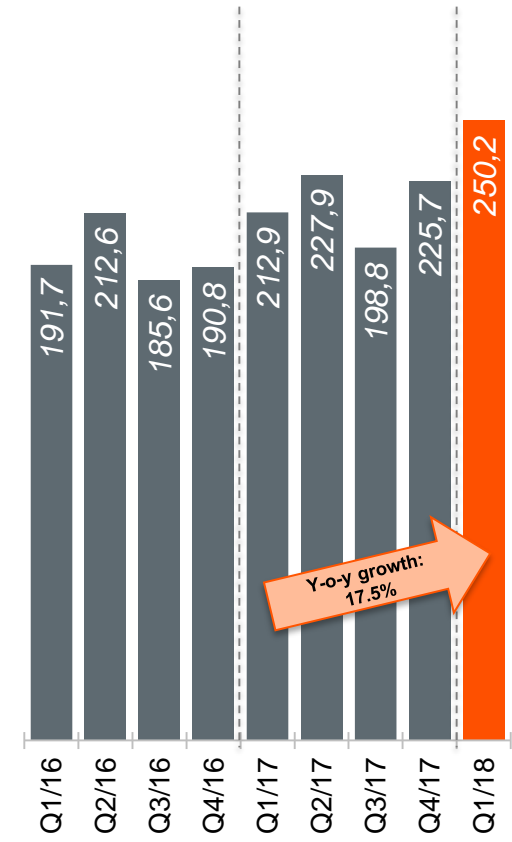
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)



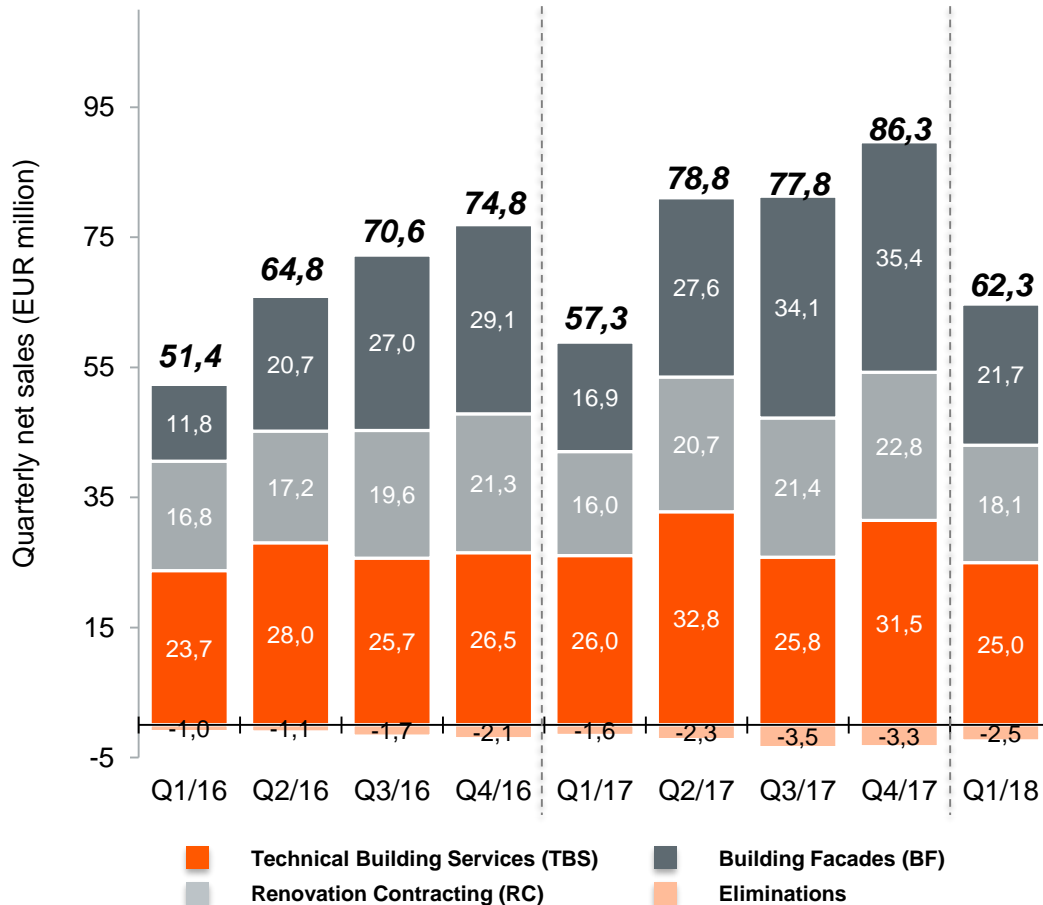
Quarterly order backlog (EUR m)



# Quarterly net sales development

## First quarter net sales up by 8.7%

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



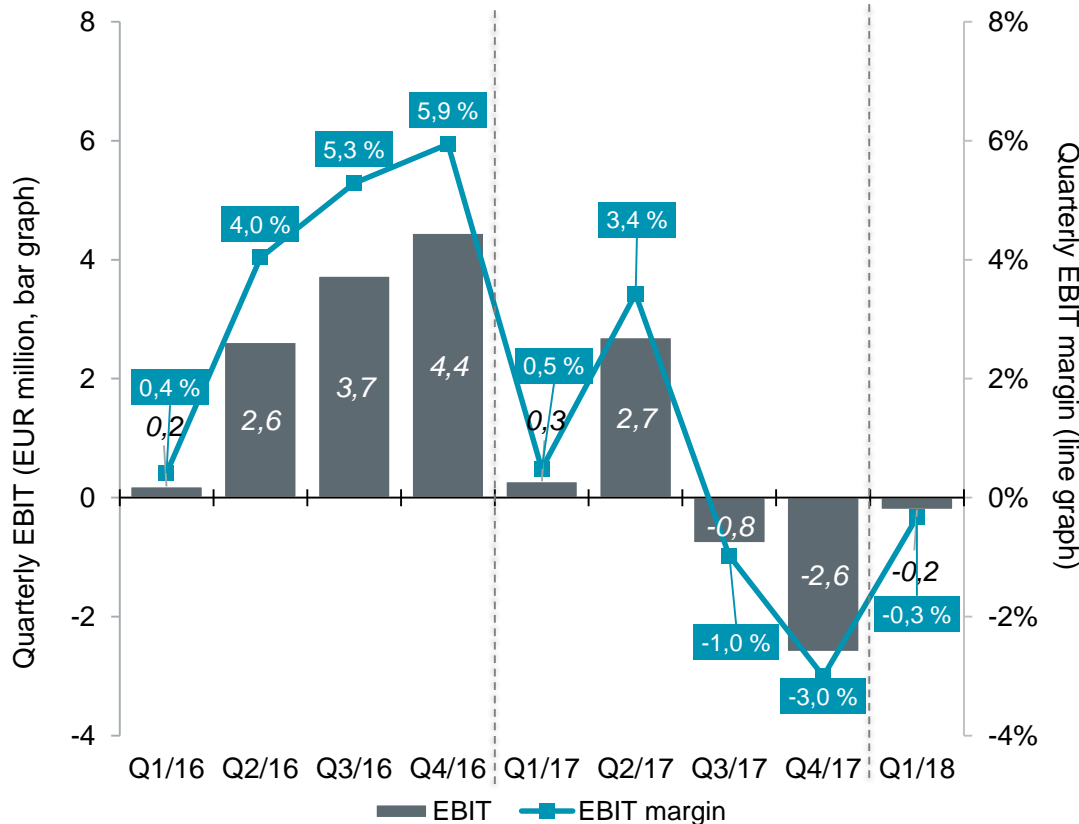
### Comments

- Q1/2018 net sales EUR 62.3m (57.3 m)
- Year-on-year sales growth 8.7% (EUR 5.0m)
  - Organic growth 4.5% (EUR 2.6m)
  - Acquisition growth 4.3% (EUR 2.4m)
- In Building Facades, net sales grew by 28.6 percent mainly thanks to good development in housing repair business
- Majority of Renovation Contracting net sales growth (13.3 percent) attributable to the Greater Helsinki area's renovation business as well as the acquisitions completed during the second half of 2017
- Technical Building Services net sales decreased by 4.2 percent mainly due to the tightened bidding criteria in pipeline renovations taken into use towards the end of 2017

# Quarterly EBIT development

## Profitability not yet on a satisfactory level but clear improvement compared to previous quarter

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



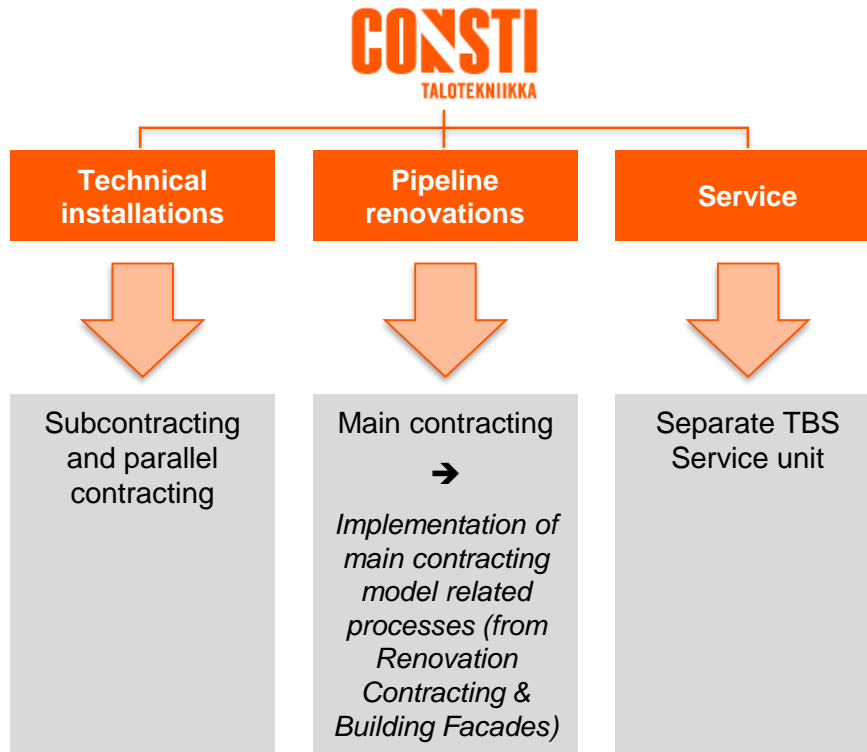
### Comments

- Q1/18 EBIT amounted to EUR -0.2 (0.3) million, or -0.3% (0.5 %) of net sales
- Operating result was weakened by the execution of the remaining performance obligations related to certain previously identified low-margin projects
- During the reporting period, profitability was weakened in particular by a project belonging to the Renovation Contracting business area, which by the end of the reporting period had advanced to the handover phase
- However, the project still has open risks which have been taken into account in the Q1 result to the best of our ability
- Consti's business volumes are typically lowest during the first quarter of the year, impacting profitability

# Actions to improve profitability on-going

## Reorganisation of TBS business area was completed during Q1/2018

### New TBS organisation



### THREE DIFFERENT DELIVERY PROCESSES

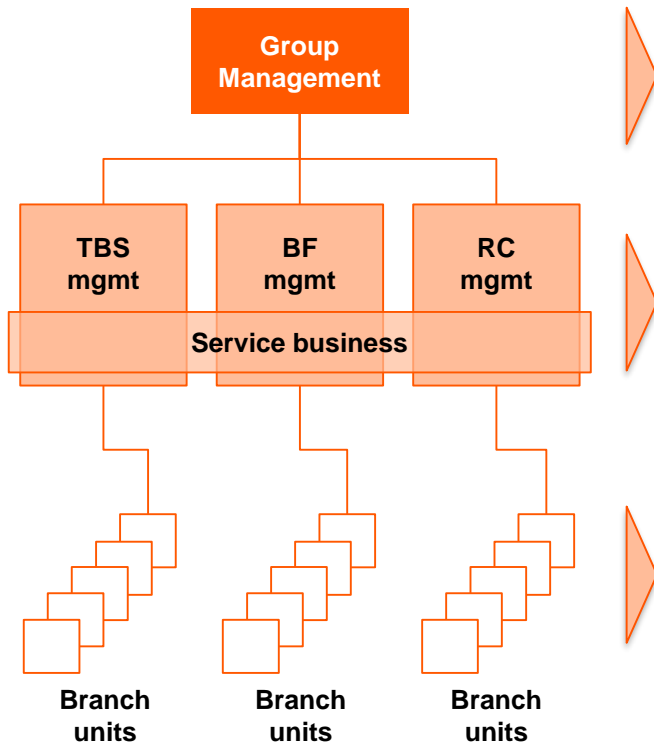
### Comments

- Reorganisation of the Technical Building Services business area
  - New organisation in place as of 1 Jan 2018
  - Implementation of processes
  - Increased margin requirements
  - Realigned requirements for selecting offered worksites
  - With the reorganisation, our aim was
    - to improve the accountability of our businesses,
    - to clarify service offering, and
    - to improve project management
  - Decentralised operating model unchanged

# Actions to improve profitability on-going

In Consti's decentralised operating model branch units have accountability. Increased focus on standardized project steering and discipline. Financial reporting responsibilities clarified

## Consti organisation



### Key steering responsibilities

- Strategic targets
- Requirements for selecting offered worksites
- **Standardized project steering**

### Key execution and reporting responsibilities

- Approval of large tenders
- Detailed monitoring of projects and forecasts
- **Project risk assessment**

- Target project margins
- Requirements for selecting offered worksites
- **Standardized project steering**

- Approval of mid-size tenders
- Approval of project budgets
- Detailed monitoring of projects and forecasts
- **Project risk assessment**

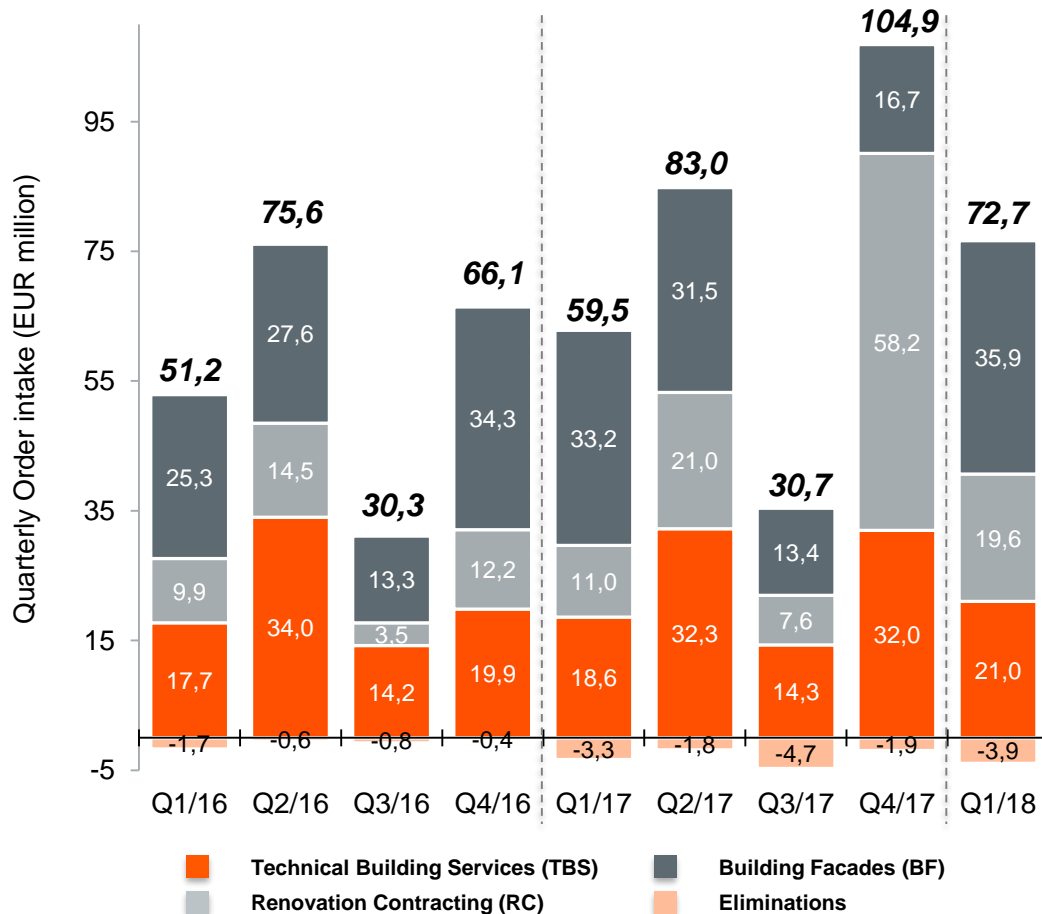
- Sourcing and selection of projects, ensuring internal resourcing
- Tender price calculation
- Approval of small tenders
- Preparation of project budgets, timetable, resourcing, procurement, etc.
- Daily implementation
- Continuous forecasting of project vs. budget
- KPIs for project manager bonuses in various project phases
- **Reporting to line management as well as directly to group mgmt**
- Standardized project steering

# Quarterly order intake development

## Strong order inflow continued, Q1 order intake up by 22.2 % y-o-y

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

Comments



- Q1/2018 order intake EUR 72.7 million (59.5m), up by 22.2% y-o-y
- Order intake increased in all business areas
- Strongest growth from Renovation Contracting (+77.8% y-o-y)
- Good growth also in Technical Building Services (+13.0% y-o-y) and Building Facades (+8.3% y-o-y)

# Examples of new orders received in Q1/2018

## TECHNICAL BUILDING SERVICES

**Q1/18 order intake:**  
EUR 21.0m (+13.0% yoy)

### EXAMPLES OF NEW ORDERS:

- **Jätkäsaari elementary school**, Helsinki
  - Installation of HVAC and electrical systems
- **Telkkälaakso As Oy**, Tampere
  - Improvement of technical building systems
- **As Oy Kaukohaukka**, Oulu
  - Pipeline renovation

## RENOVATION CONTRACTING

**Q1/18 order intake:**  
EUR 19.6m (+77.8 % yoy)

### EXAMPLES OF NEW ORDERS:

- **Kasarmikatu 25**, Helsinki
  - Renovation of a high value property built in the 19<sup>th</sup> century
- **KOy Helsingin Hillipiha**, Helsinki
  - Office modification work
- **Turku Fair and Congress Centre**
  - Renewal of Fair and Congress Centre entrance

## BUILDING FACADES

**Q1/18 order intake:**  
EUR 35.9 m (8.3% yoy)

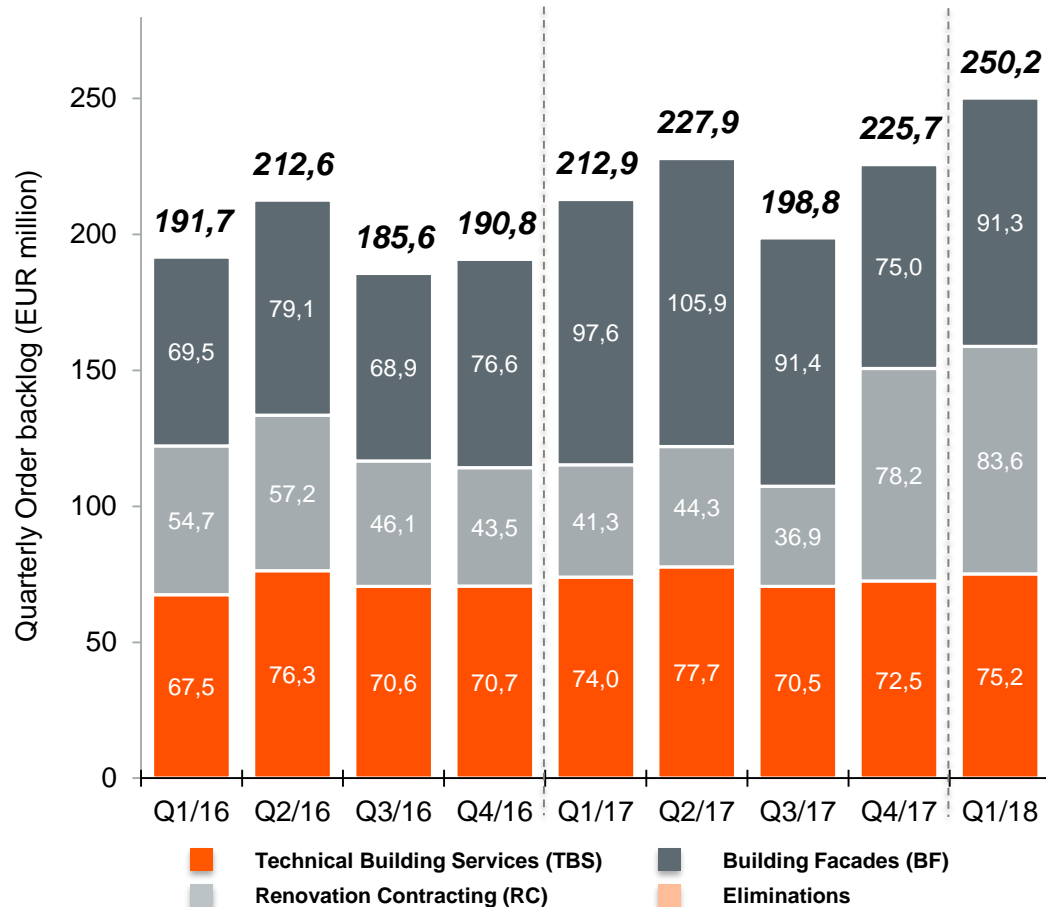
### EXAMPLES OF NEW ORDERS:

- **Helsingin kaupungin asunnot, Susitie 2-6**, Helsinki
  - Extensive facade and interior renovation in three apartment buildings
- **As Oy Helsingin Halsuantie 5-7**, Helsinki
  - Repair of facades, balconies and roofs
- **Luovi Vocational College**, Oulu
  - Repairs related to indoor air and replacements of windows

# Quarterly order backlog development

## Backlog continued to grow, up by 17.5 % y-o-y

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



### Comments

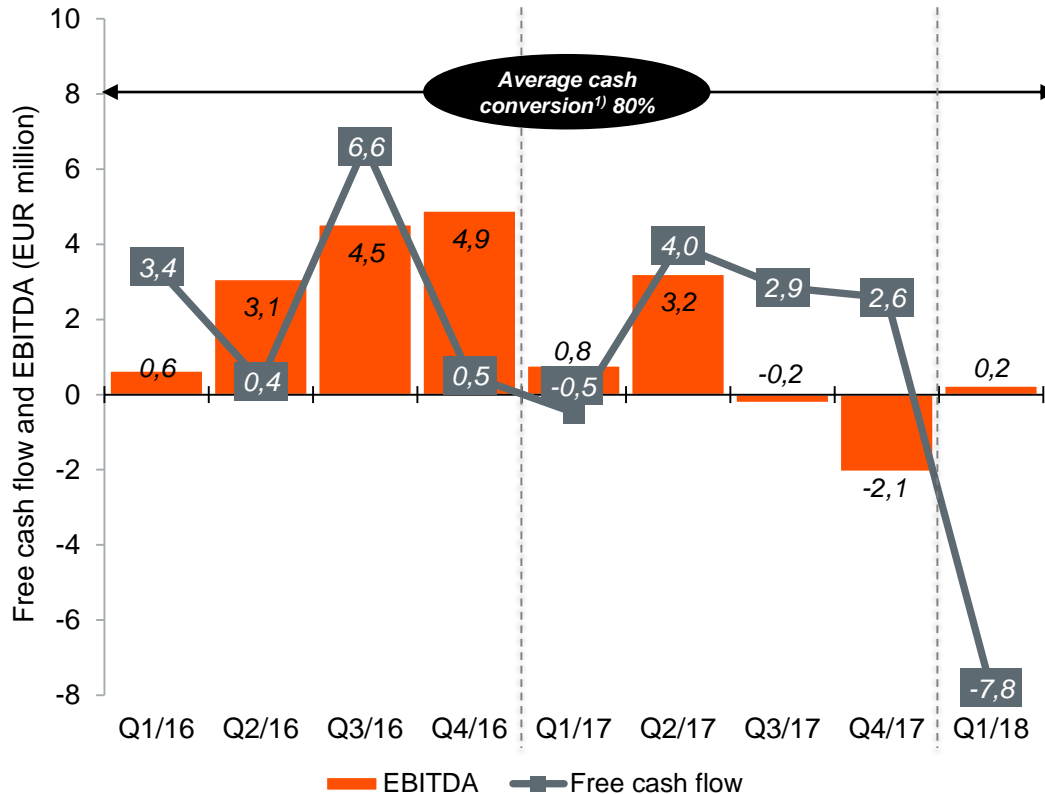
- Q1/2018 order backlog at EUR 250.2 million (212.9m)
  - Year-on-year growth +17.5%
  - Up by 10.8% from year-end 2017
  - Order backlog grew particularly in Renovation Contracting (+102.7% year-on-year) as a result of strong order intake during Q1 as well as due to major new orders received during Q4/2017
  - In Technical Building Services, order backlog was close to comparison period's level with growth of +1.6%
  - Order backlog in Building Facades decreased by 6.5% year-on-year but increased by 21.8% compared to year-end 2017

# Cash flow and financial position

# Quarterly free cash flow development

## Free cash flow affected by increase in working capital in Q1/2018

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



### Comments

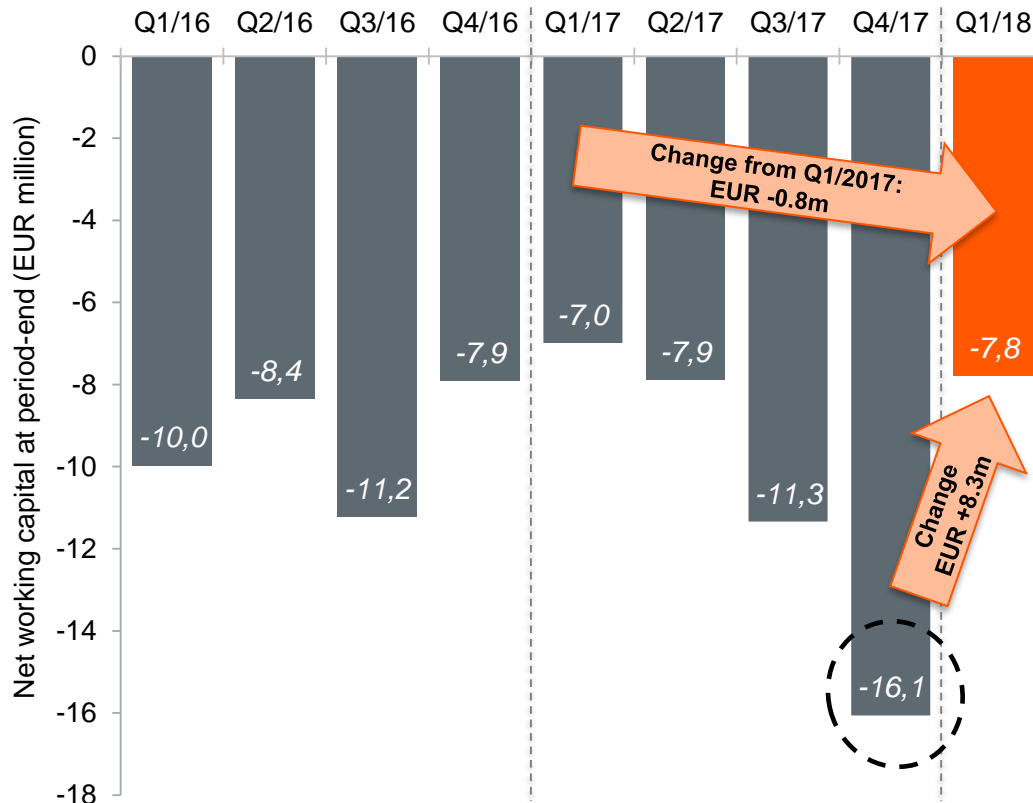
- Q1/2018 free cash flow amounted to EUR -7.8m (-0.5m)
  - Increase in working capital during the quarter weakened cash flow
- Average cash conversion ratio of 80% in the period of Q1/2016 – Q1/2018
  - Consti's long-term target to achieve cash conversion ratio in excess of 90 percent

1) The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial items and taxes, less capital used for purchase of intangible assets and property, plant and equipment

# Quarterly net working capital development

## Net working capital at EUR -7.8 million at the end of Q1/2018

Quarterly net working capital<sup>1)</sup> Q1/2016 – Q1/2018 (EUR m)



### Comments

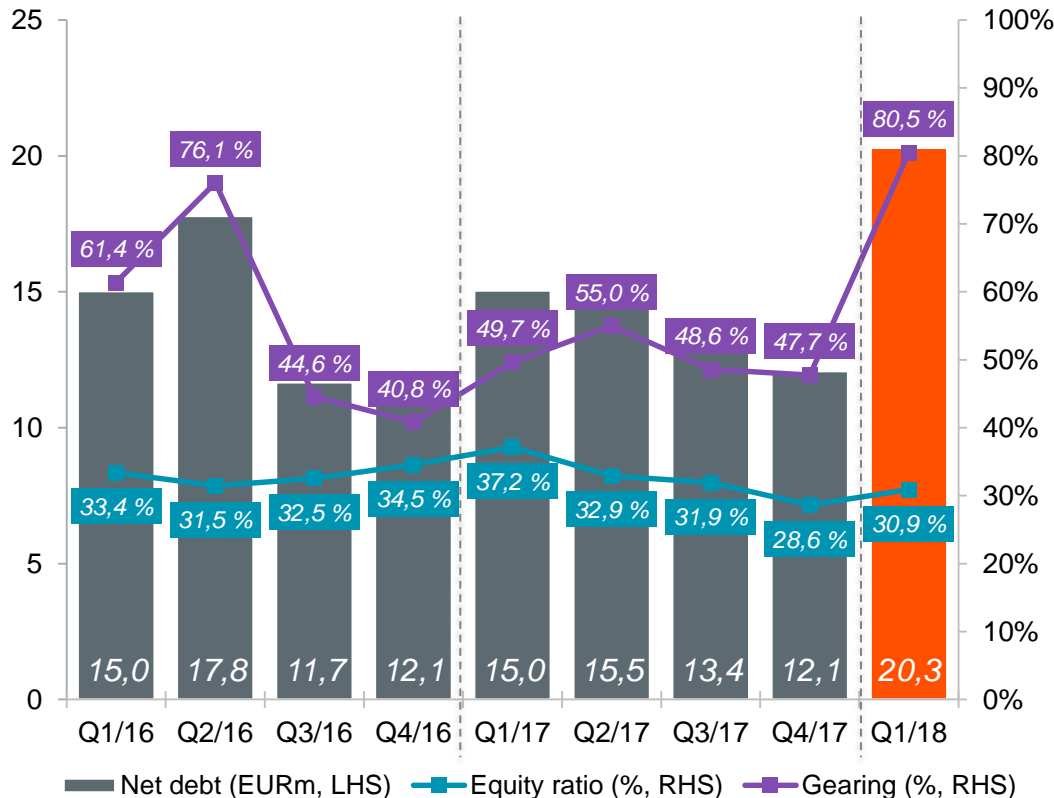
- Net working capital EUR -7.8m (-7.0m) at the end of Q1/2018
- NWC tied up during the first quarter amounted to EUR 8.3m (0.9m)
  - Exceptionally low NWC level at year-end 2017
  - Seasonality inherent to Building Facades business area
  - One specific project in Renovation Contracting tied up capital in the first quarter
- However, quarter-end NWC level slightly better than a year earlier

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

# Quarterly balance sheet structure

## Financial position affected by negative free cash flow in the quarter

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



### Comments

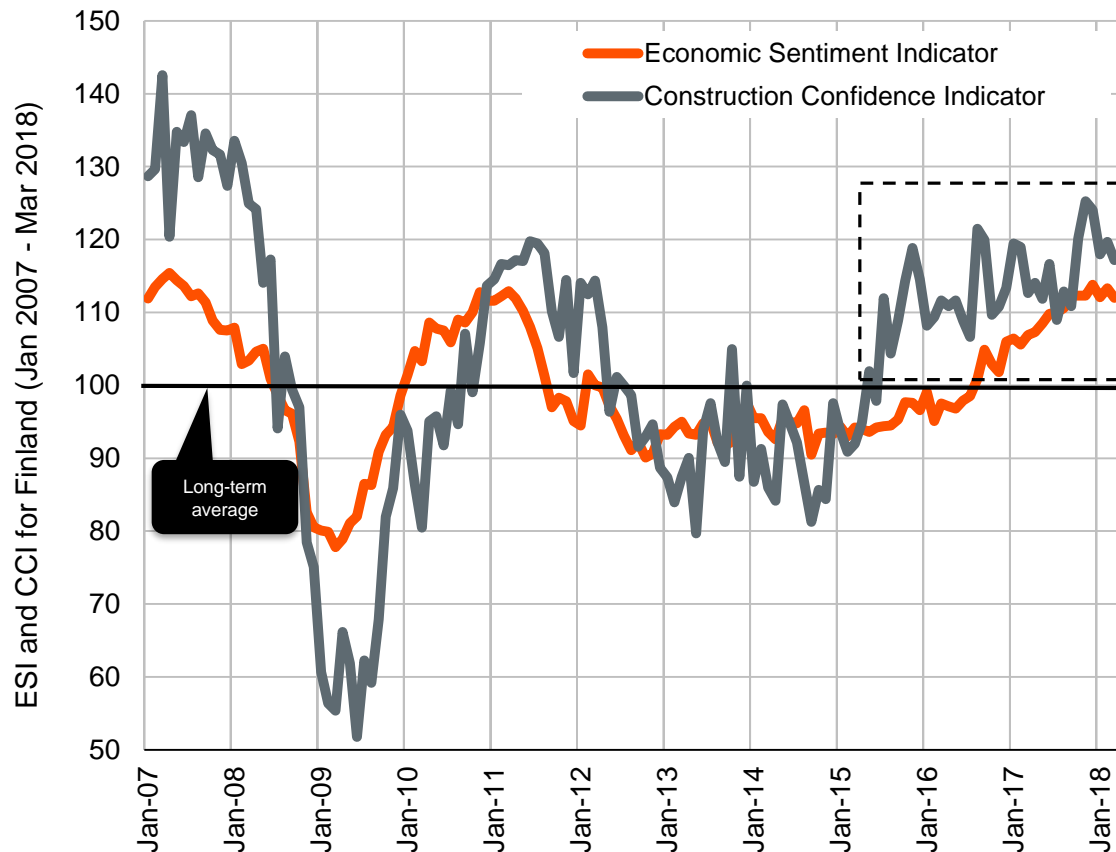
- Q1/2018 net debt at EUR 20.3m (15.0m)
- Q1/2018 equity ratio at 30.9% (37.2%)
- Q1/2018 gearing at 80.5% (49.7%)
- Cash and cash equivalents at the end of Q1/2018 amounted to EUR 3.5m (6.3m). In addition, the company had undrawn revolving credit facilities amounting to EUR 3.0m

# Market outlook, guidance and summary

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

## Economic Sentiment and Construction Confidence / Finland (2007 – 3/2018)

## Comments



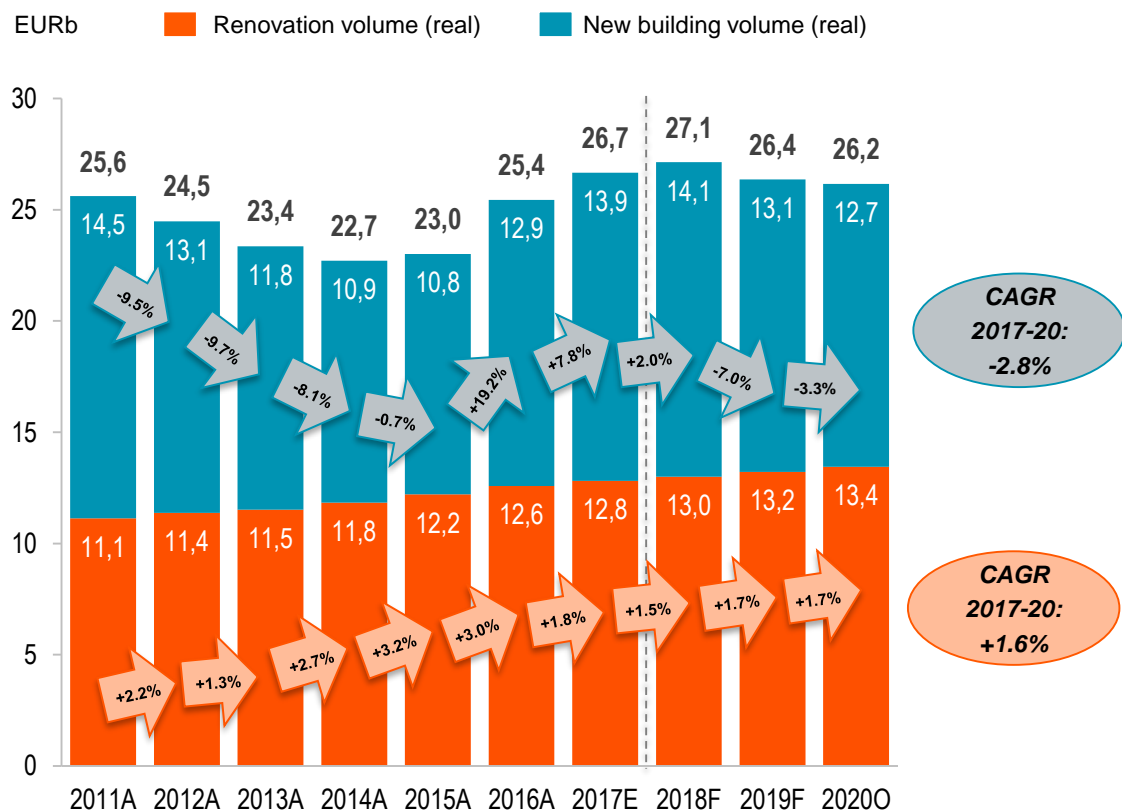
- Economic sentiment in Finland has steadily improved since it rose above the long-term average in August 2016
- Construction confidence surpassed the long-term average level in summer 2015 and has steadily remained above that level
- Both indicators at good level in the early 2018

Note: Mean-adjusted figures

Source: European Commission, March 2018

# Stable growth in renovation to continue

## Finnish new building and renovation market development



## Comments

- The peak of the economic cycle in construction sector on-going
  - Challenges in availability of building technology and renovation professionals
- Total construction market forecast for 2018: Euroconstruct +1.8% and CFCI +2.4%
- New building forecast for 2018: Euroconstruct +2.0% and CFCI +2.8%
- Renovation forecast for 2018: Euroconstruct +1.5% and CFCI +2.0%
  - Repairs of residential buildings to increase in growth centres
  - Repairs of office premises to increase driven by economic growth

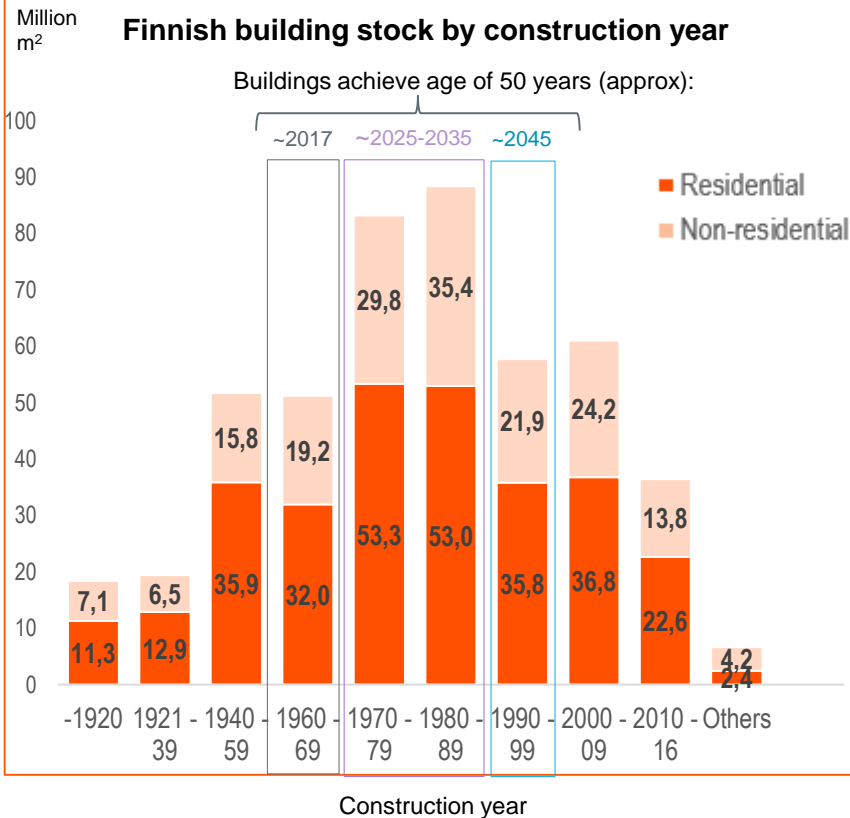
Source: Euroconstruct, November 2017

CFCI = The Confederation of Finnish Construction Industries, March 2018

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



Ageing building stock



Source: Statistics Finland



Energy efficiency



Urbanisation and concentration of renovation in growth centers



Modifications of the use of buildings



Increased need for building technology and automation

# Guidance for financial year 2018

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*“The Company estimates that its operating result for 2018 will grow compared to 2017.”*



# Summary

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1. Q1/2018 net sales up by 8.7 % year-on-year
2. Order intake and order backlog continued to increase year-on-year
3. Reorganising of Technical Building Services business area completed during Q1/2018
4. Q1 profitability not yet on a satisfactory level, but improved compared to previous quarter
5. Positive demand for renovations and building technology services as well as strong order backlog to support FY2018
6. FY2018 operating result to grow compared to 2017

# Appendix

## Long term strategic goals

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

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

**Cash flow:** Cash conversation ratio exceeding\*  
**90 %**

**Capital structure:** Net debt to adjusted EBITDA ratio of less than  
**2,5 x** while maintaining an efficient capital structure

# STRATEGY

## MISSION

Our mission is to improve the value of the building stock, and the value of life. The satisfaction of our customers and partners, as well as the well being of our personnel are the prerequisites to all our operations.

## CUSTOMER PROMISES

Fast and reliable  
– and ready in one go

Consti – the human factor

We listen, understand  
and offer a solution

We do what  
we promise

## STRATEGIC INITIATIVES

**1** Profitable and competitive operations

**2** The best customer experience

**3** Excellent services and solutions

**4** The best professionals

**5** Renewal and growth

## VALUES

Profitable growth  
Professional skill and experience  
Customer orientation  
Enthusiasm  
Reliability and honesty

\* The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial expenses and taxes, less capital used for purchase of intangible assets and property, plant and equipment



**CONSTI**

**INTERIM REPORT**  
**1-3/2018**  
**CONSTI GROUP PLC**

**Q1**

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