

CONSTI GROUP PLC

INTERIM REPORT
1 JANUARY – 31 MARCH 2019

CEO Esa Korkeela
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CONSTI

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- 2. Cash flow and financial position**
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Highlights of the first quarter of 2019

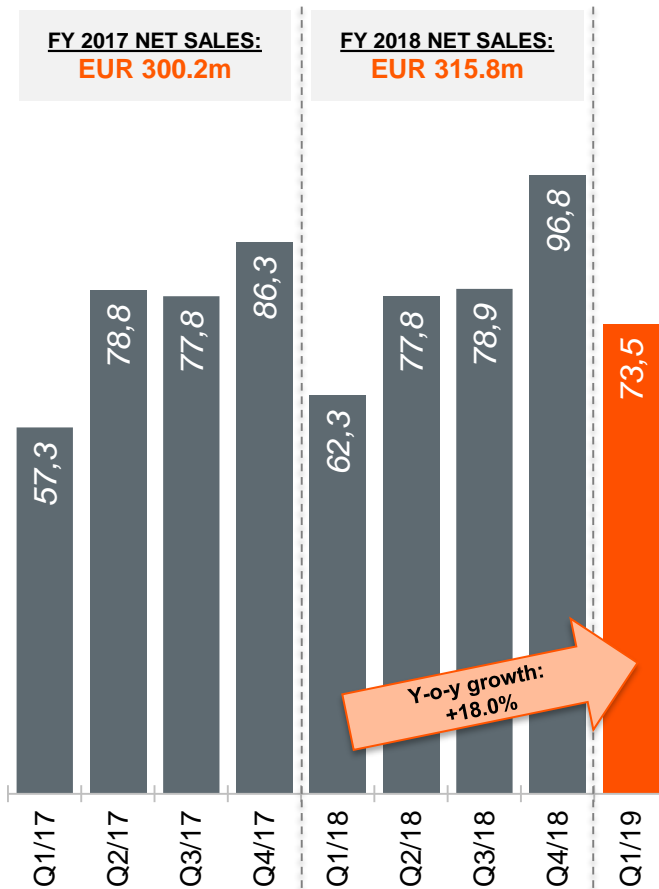
Net sales grew, EBIT declined slightly from previous year



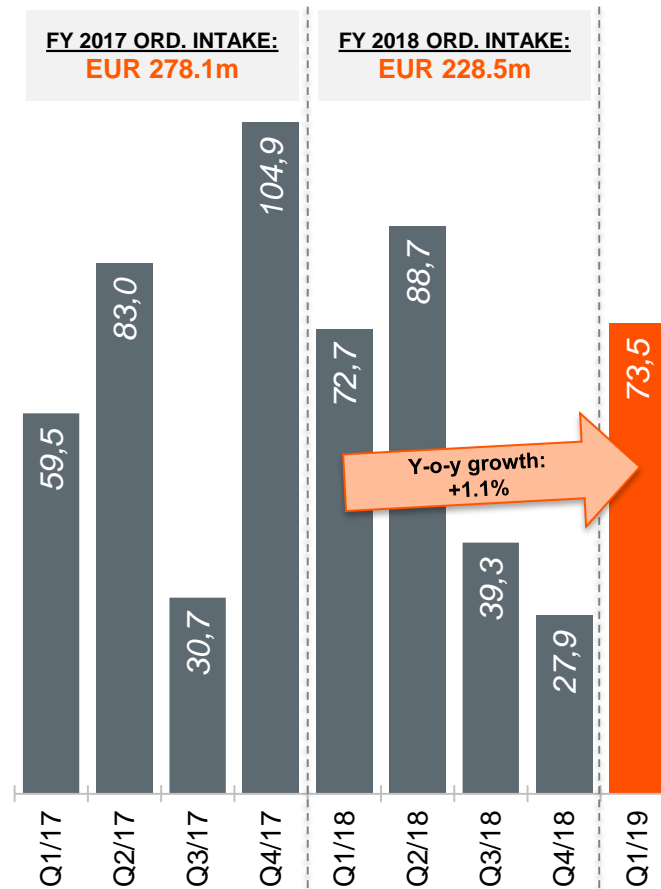
Quarterly performance overview

Net sales grew by 18.0%, order intake up by 1.1%, order backlog at EUR 237.8m (-5.0% y-o-y)

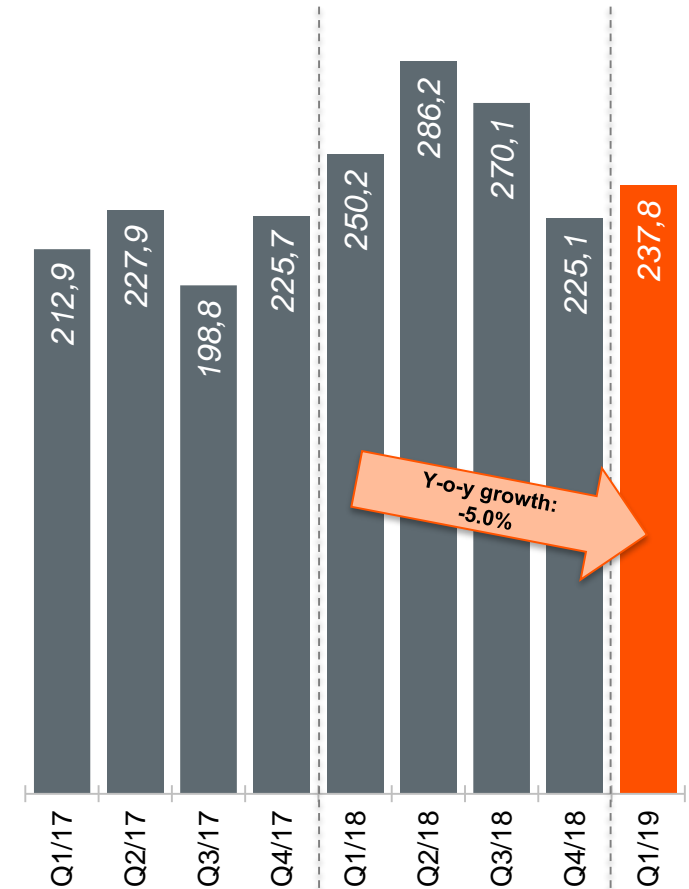
QUARTERLY NET SALES (EUR m)



QUARTERLY ORDER INTAKE (EUR m)



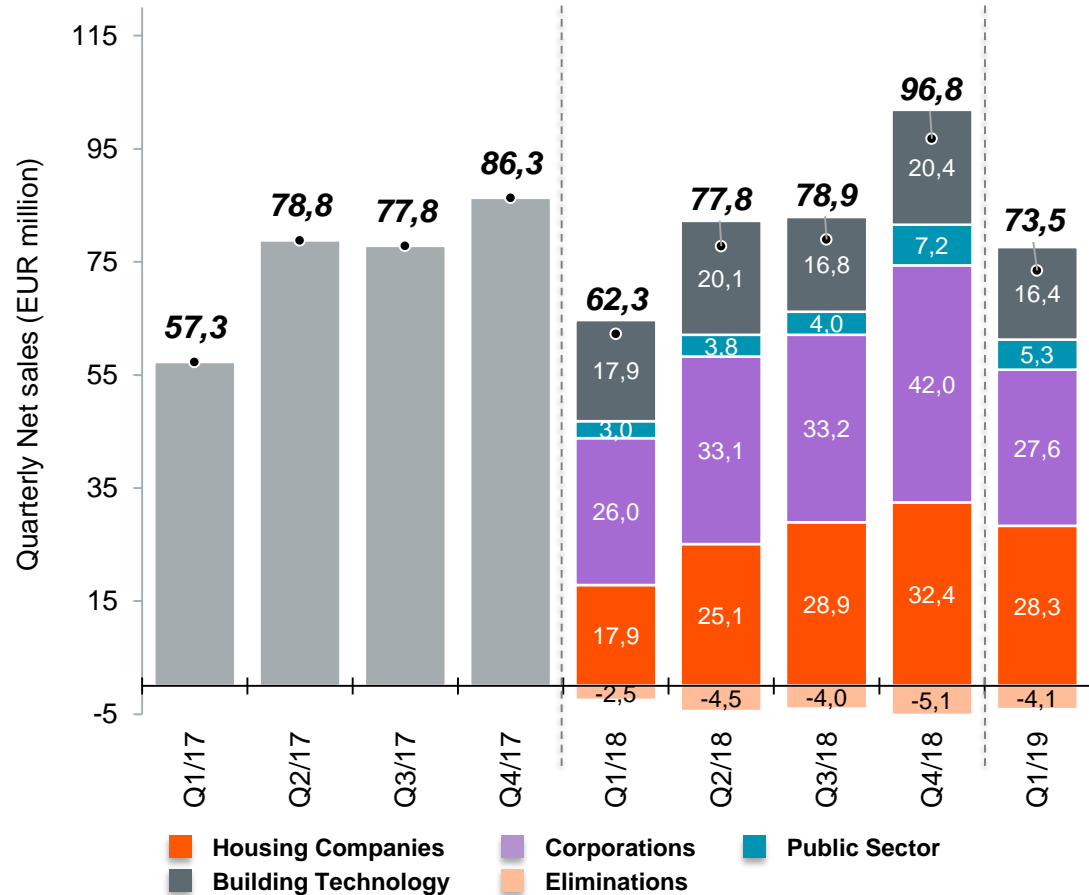
QUARTERLY ORDER BACKLOG (EUR m)



Quarterly net sales development

Q1 net sales EUR 73.5m, growth of 18.0% year-on-year

Quarterly net sales development Q1/2017 – Q1/2019 (EUR m)



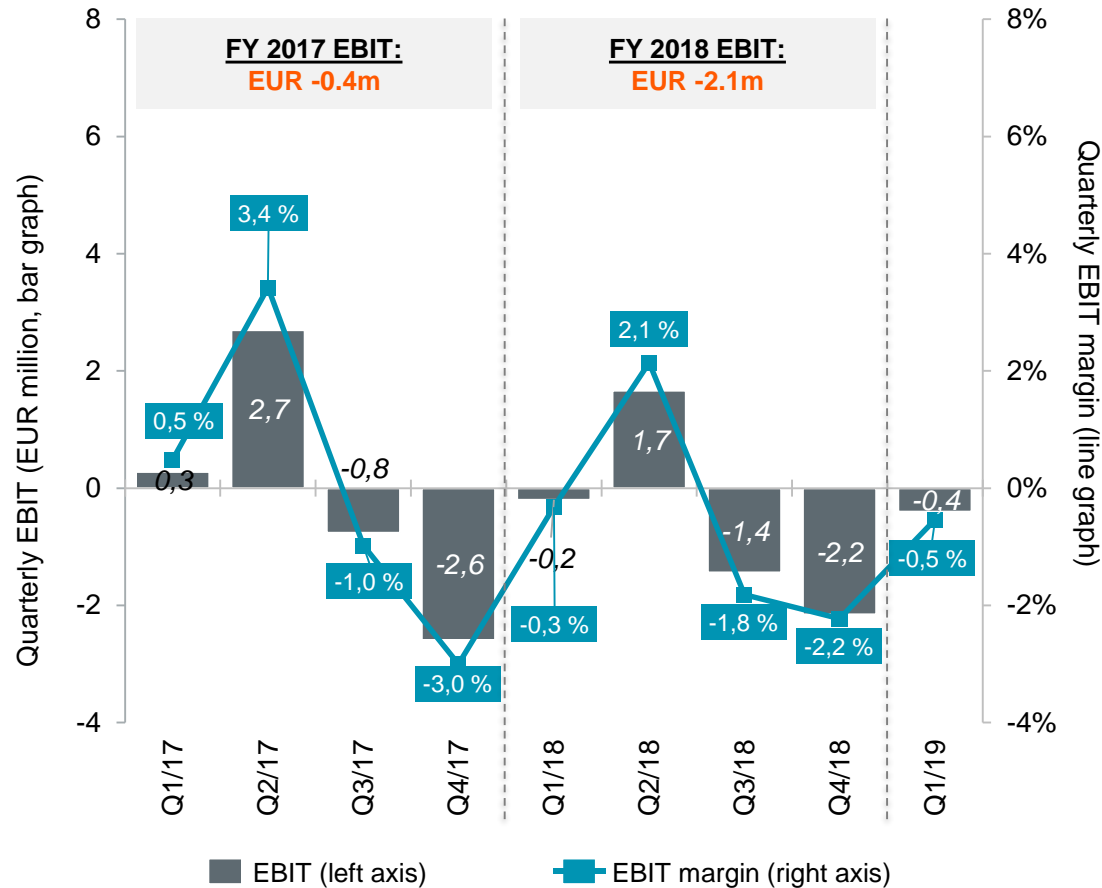
Comments

- Q1/2019 net sales EUR 73.5m (62.3m)
 - Year-on-year growth 18.0%
 - Housing Companies net sales EUR 28.3m (17.9m) → growth was strong particularly in facade renovations in the Greater Helsinki area
 - Corporations net sales EUR 27.6m (26.0m) → majority of the growth generated from the Greater Helsinki area and Tampere
 - Public Sector net sales EUR 5.3m (3.0m) → growth in line with expectations in relation to low comparison period
 - Building Technology net sales EUR 16.4m (17.9m) → decline in line with expectations as a result of new operating models and more disciplined bidding processes adopted earlier

EBIT development

Q1 2019 EBIT slightly down year-on-year

Quarterly EBIT development Q1/2017 – Q1/2019 (EUR m)

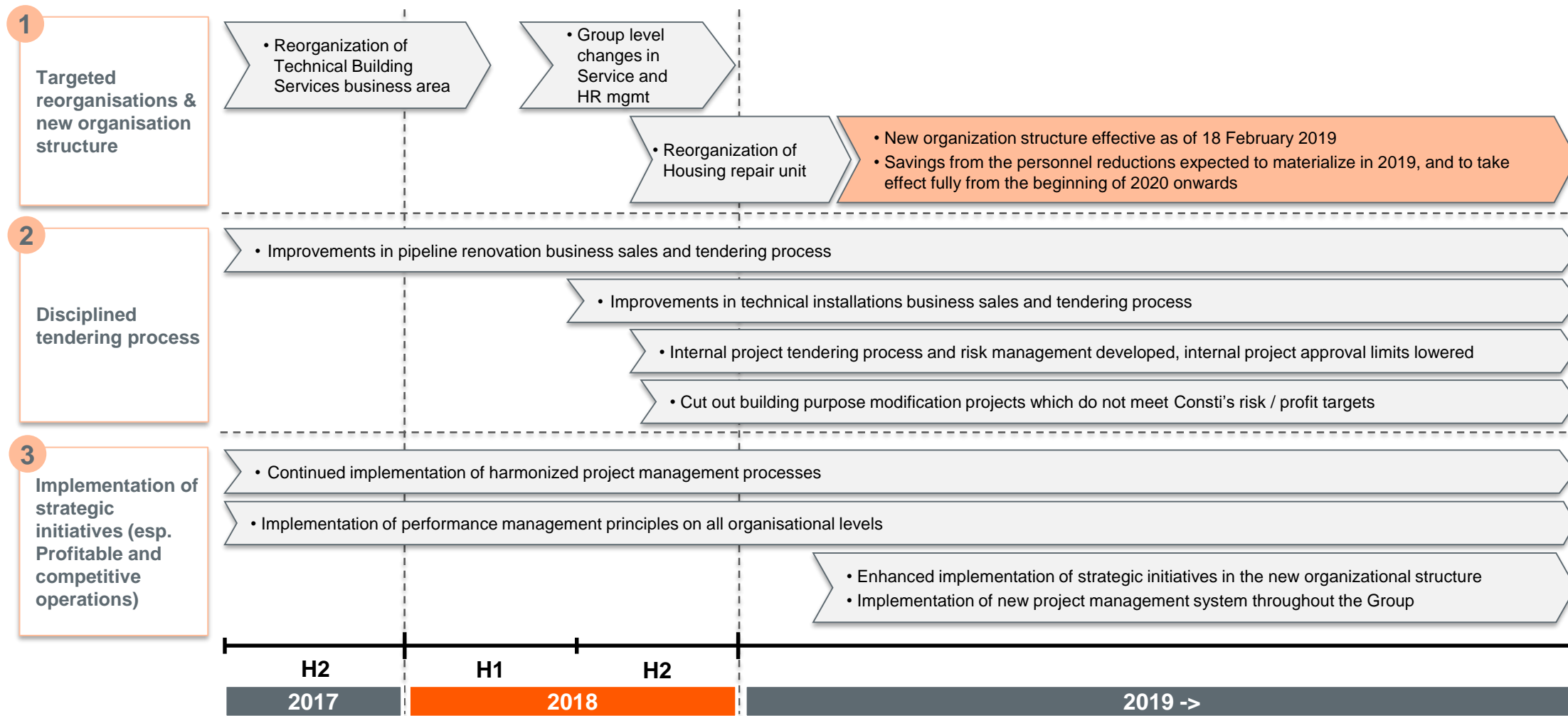


Comments

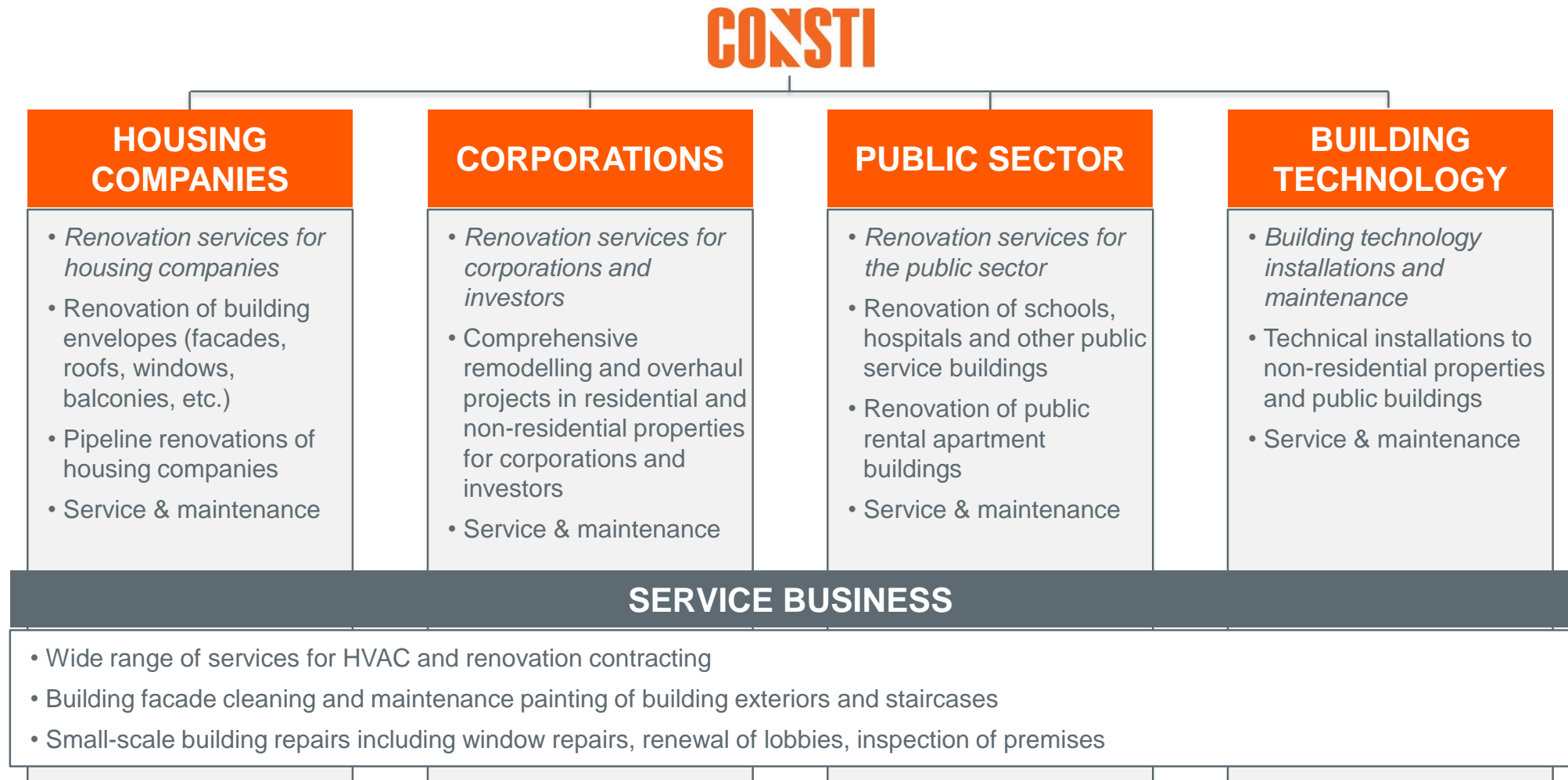
- Q1/19 EBIT amounted to EUR -0.4 (-0.2) million, or -0.5% (-0.3%) of net sales
- During the period, profitability development was mostly positive
- However, the operating result was negatively impacted by execution of the remaining performance obligations of a building purpose modification project related to a high-value property

Actions to improve profitability ongoing

Targeted annual cost savings of EUR 2 million expected to fully materialize in 2020



Consti Group's new organisation effective as of 18 February 2018



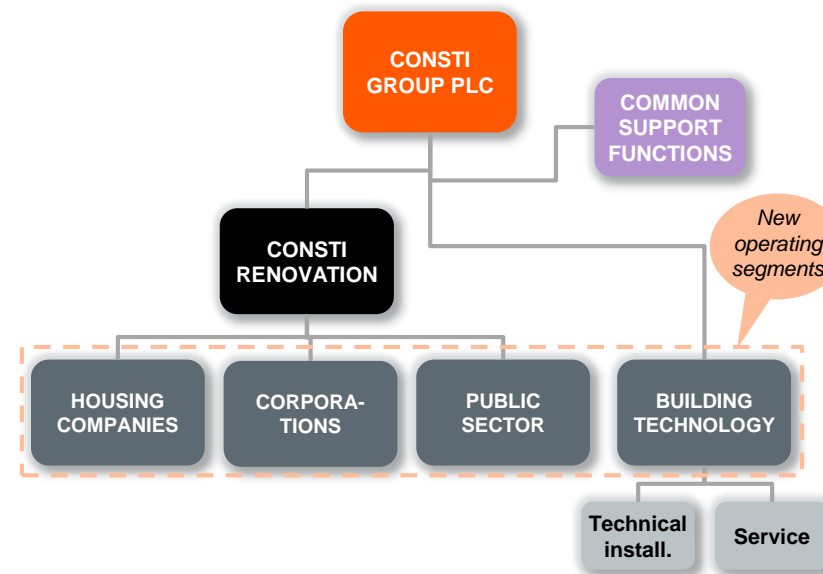
Implementation of new organisation structure progressing

Work towards reaping the benefits continues

UPDATE ON THE PROGRESS IN IMPLEMENTATION

- Implementation work progressing according to plan
- New line organisation in place along with new business area management teams
- Positive feedback from both personnel and other stakeholders
- As a total, Consti has already been able to realise year-on-year fixed cost benefits during Q1 2019 – mainly thanks to corrective actions initiated in Q4 2018
- Structural changes progressing

CONSTI'S NEW ORGANISATION AND TARGETED BENEFITS



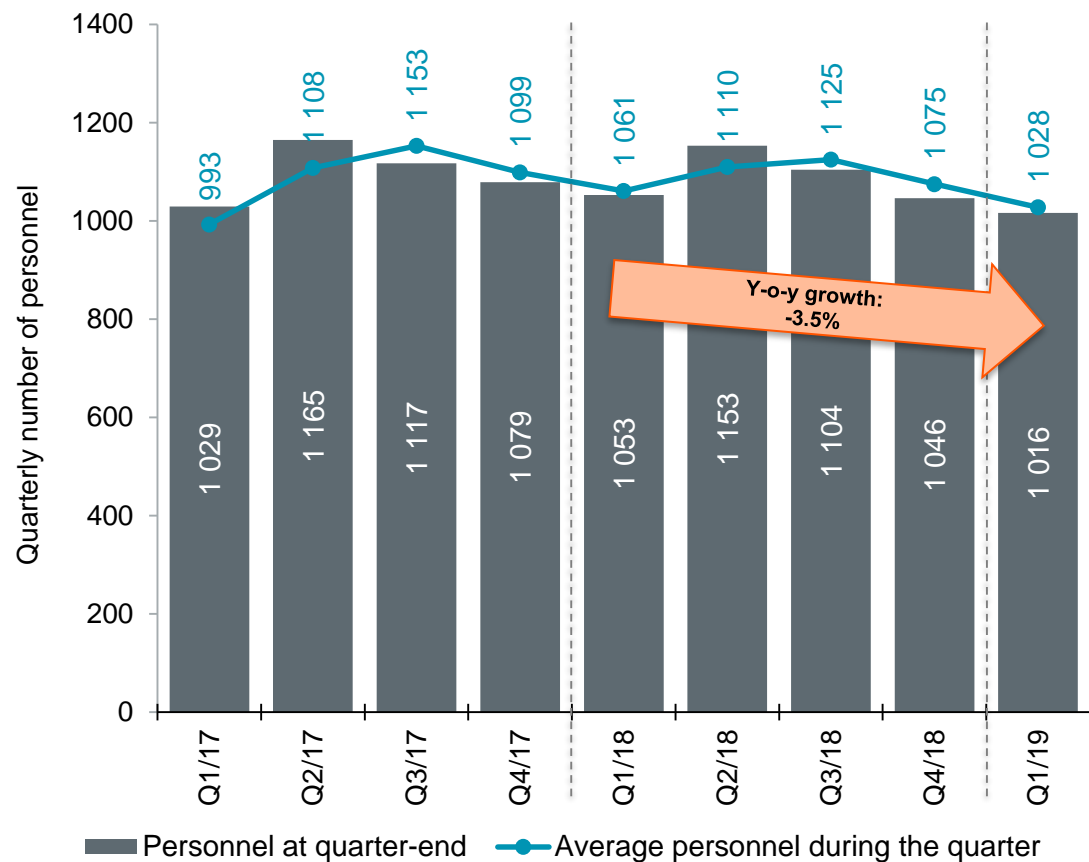
TARGETED BENEFITS OF THE NEW ORGANISATION AND CHANGE PROGRAM:

- 1 Enhanced strategy implementation throughout the Group
- 2 New organisation drives customer-centric, effective and efficient operations
- 3 Enables centralisation of expertise and flexibility in resourcing
- 4 Improves risk management and agility of the organisation
- 5 Targeted annual cost savings of EUR ~2m, fully effective as of 2020

Quarterly development in number of personnel

Total number of personnel at the end of Q1 2019 decreased by 37 year-on-year

Quarterly development in number of personnel Q1/2017 – Q1/2019



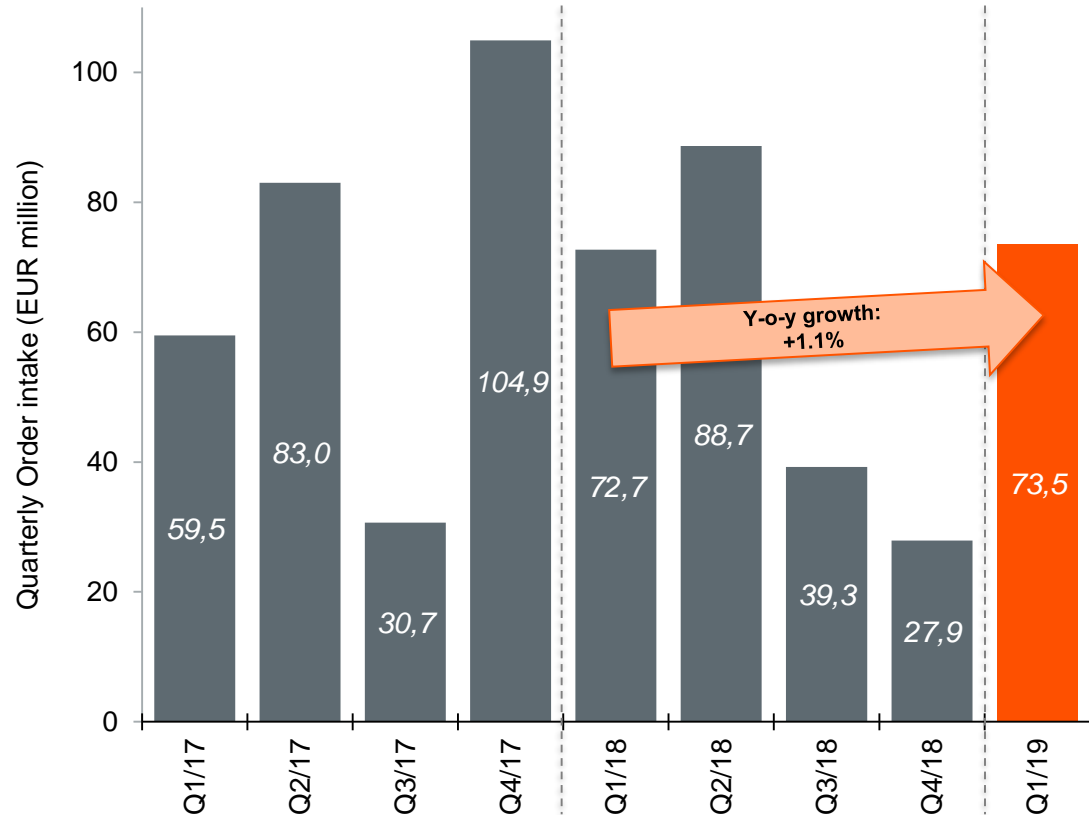
Comments

- Number of personnel at the end of Q1/2019 1,016 (1,053), reduction of 37
- Average number of personnel during Q1/2019 1,028 (1,061), reduction of 33
- Thanks to corrective actions initiated in Q4 2018, fixed costs for Q1 2019 decreased year-on-year

Quarterly order intake development

Total Q1/2019 order intake EUR 73.5 million (72.7m), up by 1.1% y-o-y

Quarterly order intake development Q1/2017 – Q1/2019 (EUR m)



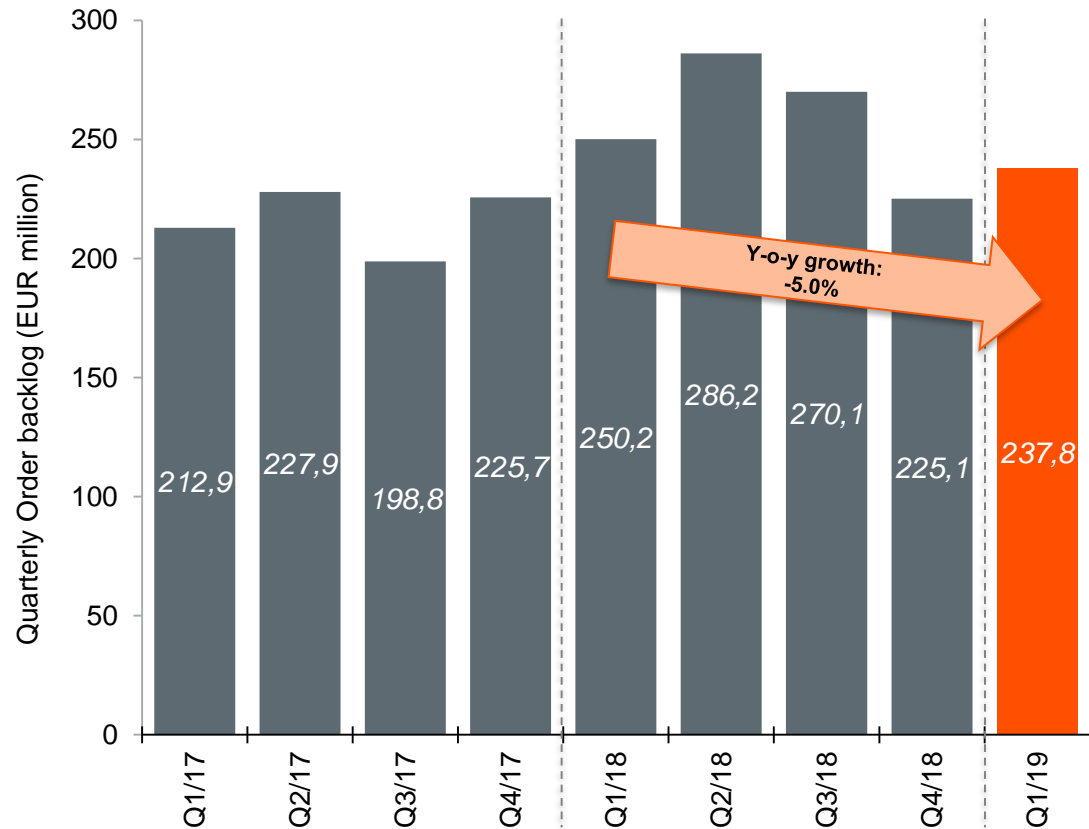
Comments

- Q1/2019 order intake EUR 73.5m (72.7m)
 - Year-on-year growth 1.1%
 - During the period, Consti signed a contract on two renovation projects worth approximately EUR 38 million with Helsingin Kaupungin Asunnot Oy
 - Other examples of new orders received in Q1:
 - Modification of commercial areas in non-Schengen Terminal (Corporations)
 - As Oy Hatanpään valtatie 12, façade renovation in Tampere (Housing Corporations)
 - As Oy Jalohaukantie 2, pipeline renovation in Oulu (Housing Corporations)
 - Nikkilän Sydän, installation of technical building systems in a new school (Building Technology)

Quarterly order backlog development

Q1/2019 order backlog at EUR 237.8 million (250.2m), down by 5.0% y-o-y

Quarterly order backlog development Q1/2017 – Q1/2019 (EUR m)



Comments

- Q1/2019 order backlog at EUR 237.8m (250.2m)
 - Year-on-year growth -5.0%
 - The quality of the order backlog has gradually improved during the beginning of 2019
 - Larger share of the Q1 2019 order backlog will be realised during the ongoing year compared to Q1 2018

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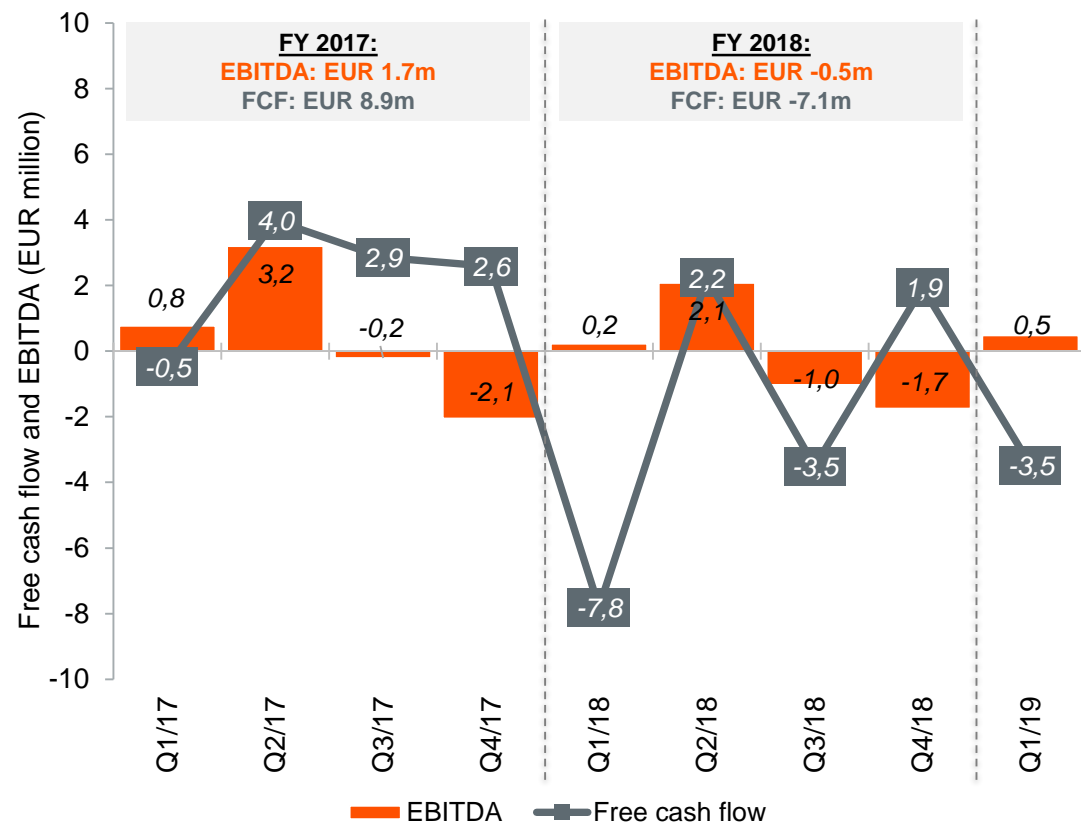
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Quarterly free cash flow development

Cash flow for the first quarter impacted by change in working capital

Quarterly free cash flow¹⁾ and EBITDA Q1/2017 – Q1/2019 (EUR m)



Comments

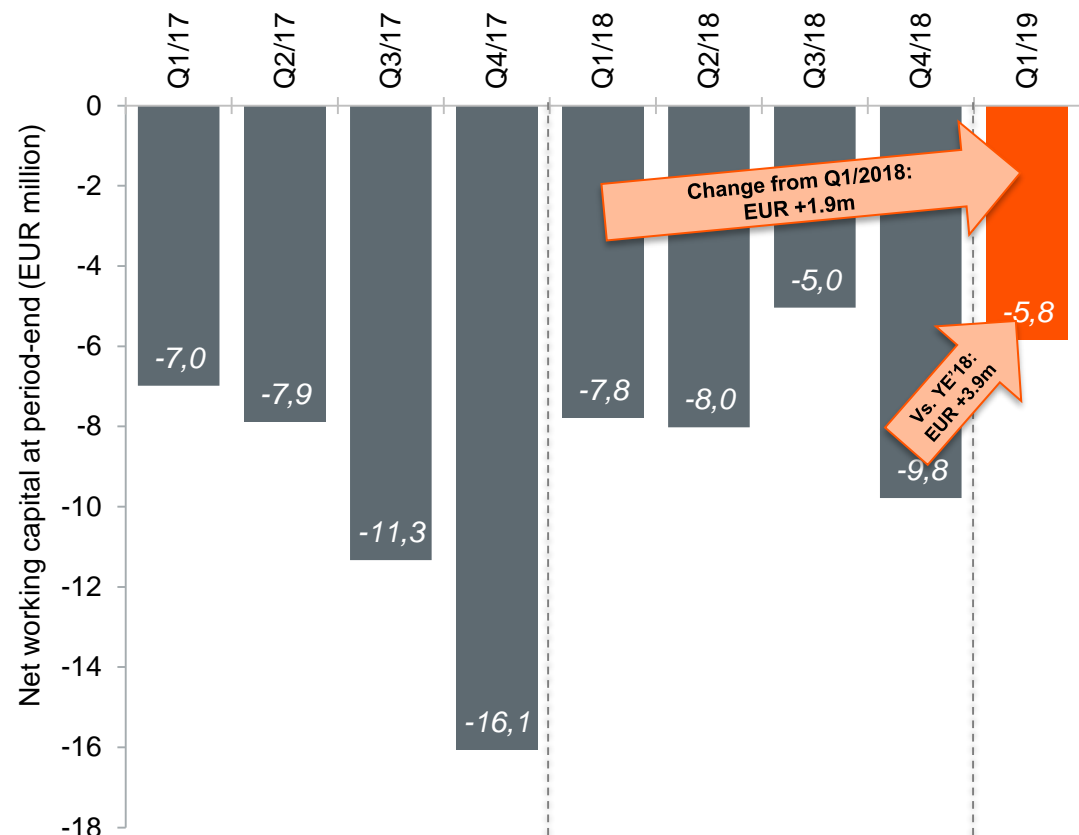
- Q1/2019 EBITDA amounted to EUR 0.5m (0.2m)
 - Adoption of IFRS 16 had a positive impact of EUR 0.5m on EBITDA in Q1 2019
- Q1/2019 free cash flow amounted to EUR -3.5m (-7.8m)
 - Cash flow impact from change in working capital was EUR -3.8m (-7.8m)
 - Cash flow from investments in tangible and intangible assets amounted to EUR -0.2m (-0.4m)

¹⁾ 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 -5.8 million at the end of Q1 2019

Quarter net working capital¹⁾ Q1/2017 – Q1/2019 (EUR m)



Comments

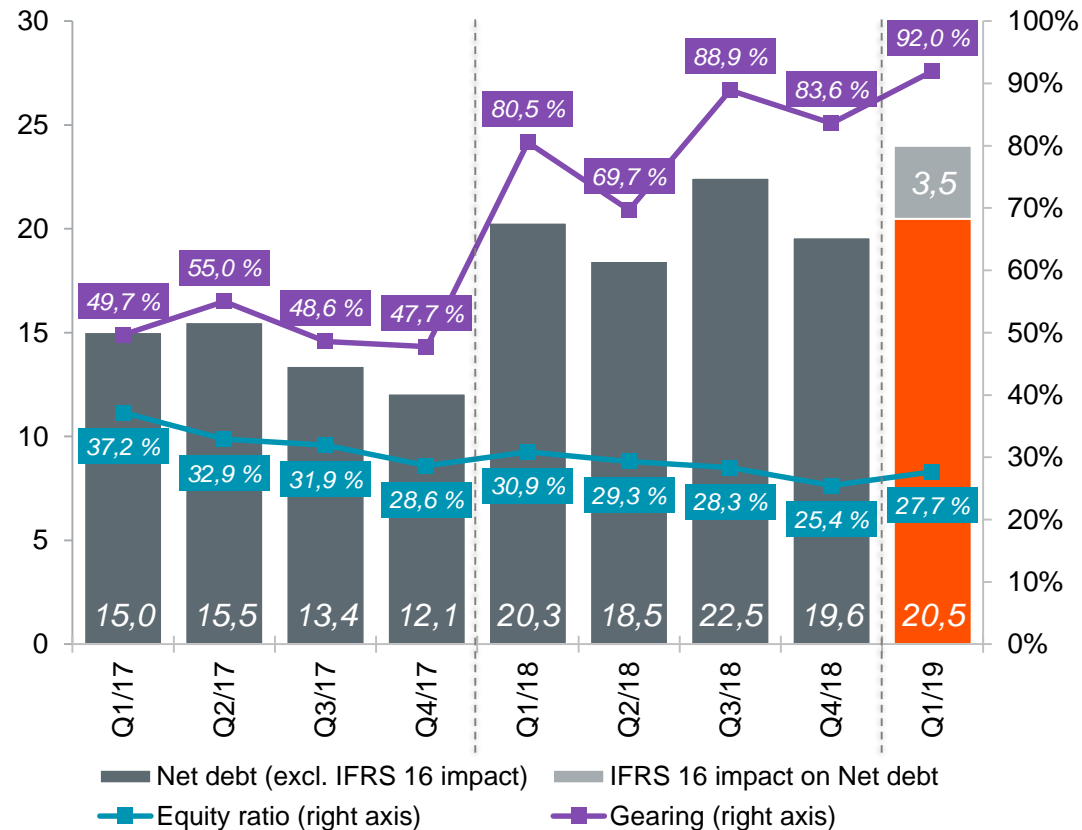
- Net working capital EUR -5.8m (-7.8m) at the end of Q1/2019
 - NWC tied up during 1-3/2019 amounted to EUR 3.9m
 - In addition to normal seasonality, NWC was impacted by volume increase in Q1 2019 in projects where invoicing is not based on typical payment schedules
 - Moreover, NWC was tied up due to a few large renovation projects progressing towards the hand-over phase during H1 2019
 - Hotel St. George continues to have a negative impact on net working capital

1) 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

Q1 2019 financial position impacted by adoption of IFRS 16 as well as issuance of hybrid bond

Quarter net debt, equity ratio and gearing Q1/2017 – Q1/2019



Comments

- Q1 2019 financial position was weakened due to adoption of IFRS 16 standard as of 1 January 2019
- Q1/2019 net debt at EUR 24.0m (20.3m), of which EUR 3.5m is attributable to IFRS 16 related lease liabilities
- Q1/2019 equity ratio at 27.7% (30.9%)
 - Adoption of IFRS 16 decreased Q1 2019 equity ratio by 1.1 percentage points
- Q1/2019 gearing at 92.0% (80.5%)
 - Adoption of IFRS 16 increased Q1 2019 gearing by 13.5 percentage points
- Issuance of EUR 3.2m hybrid bond in March 2019, rationale of which was to:
 - Strengthen the balance sheet
 - Broaden the financing portfolio
 - To support the implementation of the change program and new organisation structure

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

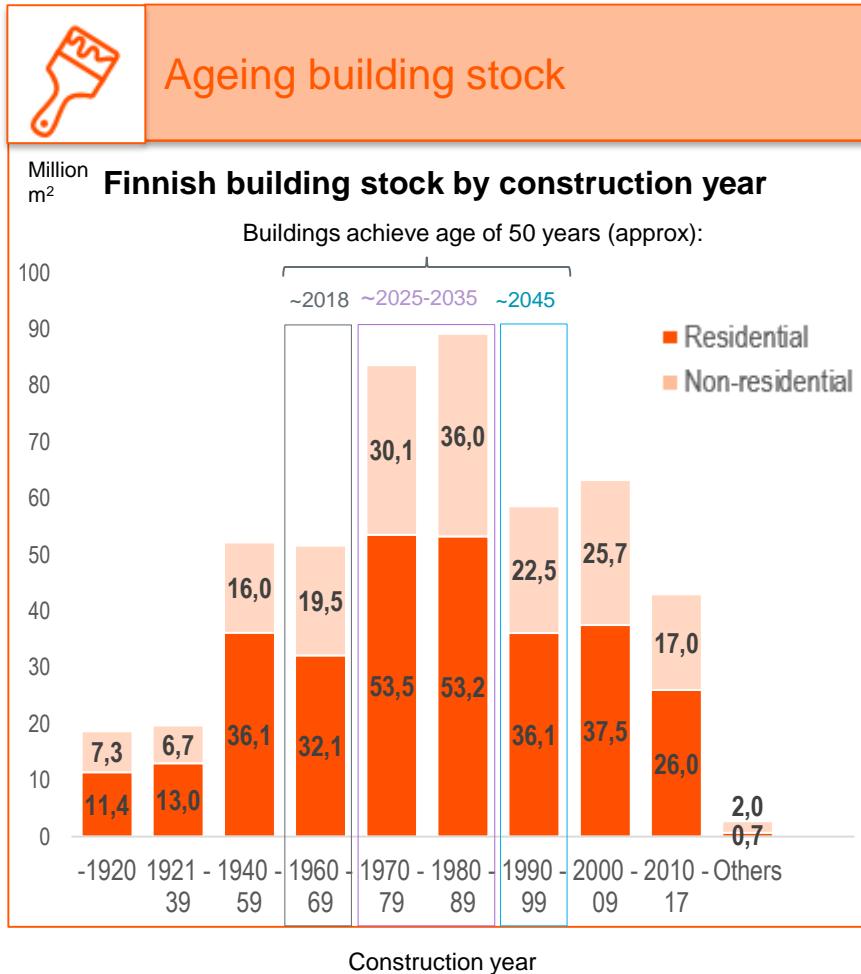
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Renovation market supported by a number of key structural growth drivers

Ageing building stock the single most important growth driver



Source: Statistics Finland

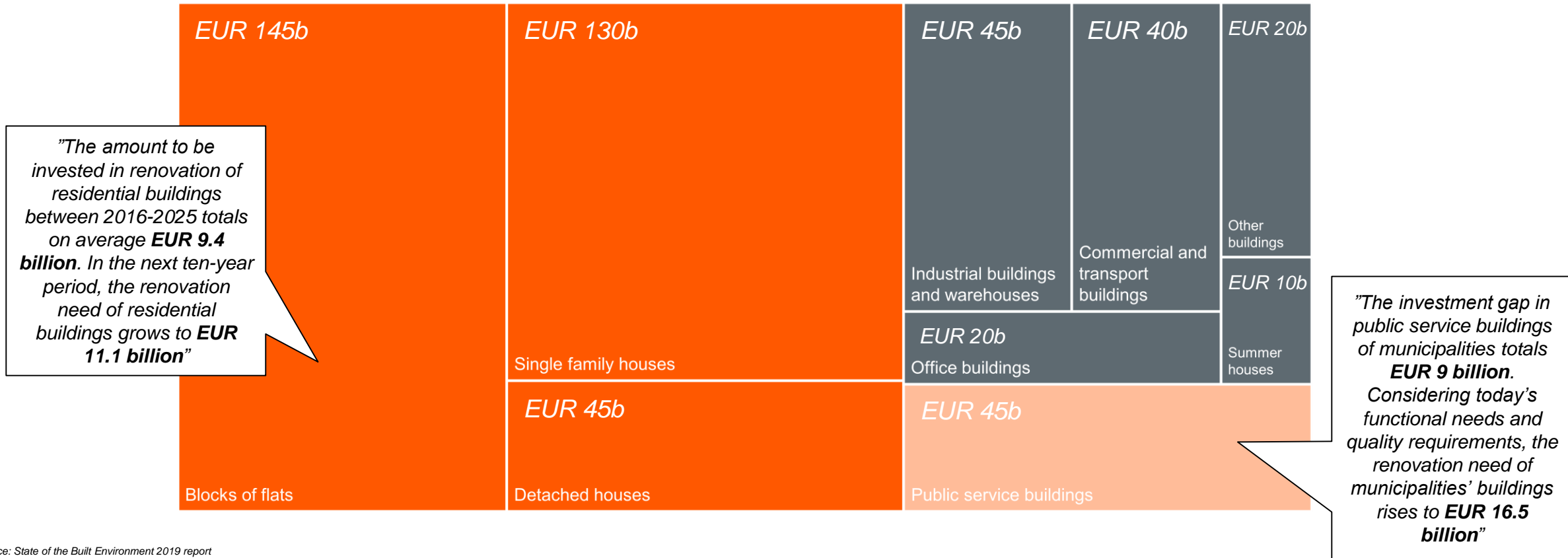
-  Energy efficiency
-  Urbanisation and concentration of renovation in growth centers
-  Modifications of the use of buildings
-  Increased need for building technology and automation

Buildings account for 45 percent of our national wealth

A significant share of building stock consists of residential buildings built in the 1960s–80s not all of which have been renovated → structural renovation needs likely to increase going forward

Value of the Finnish building stock (EUR 500 billion)

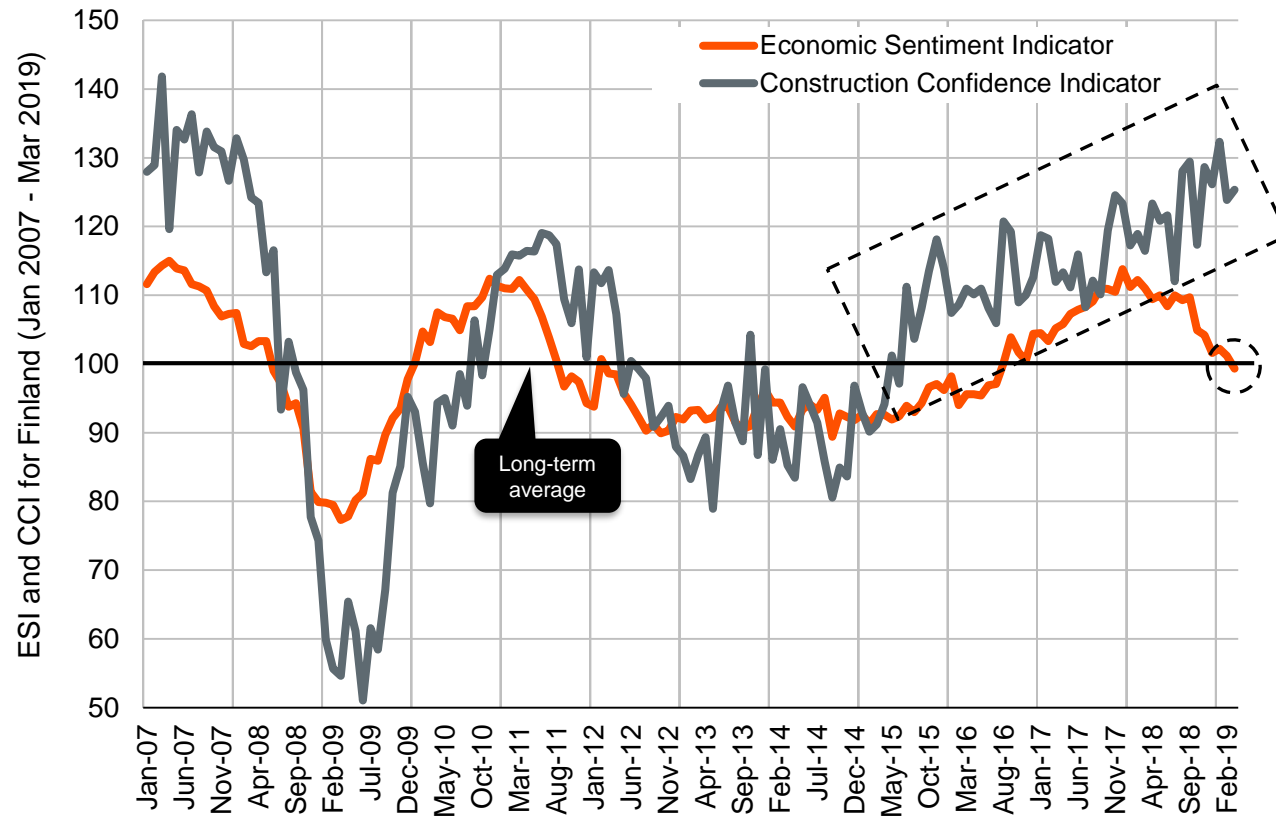
■ Residential buildings ■ Public sector buildings ■ Other buildings



Source: State of the Built Environment 2019 report

Construction confidence still strong in Finland, economic sentiment fell below long-term average in March 2019

Economic Sentiment and Construction Confidence / Finland (2007 – 03/2019)



Note: Mean-adjusted figures

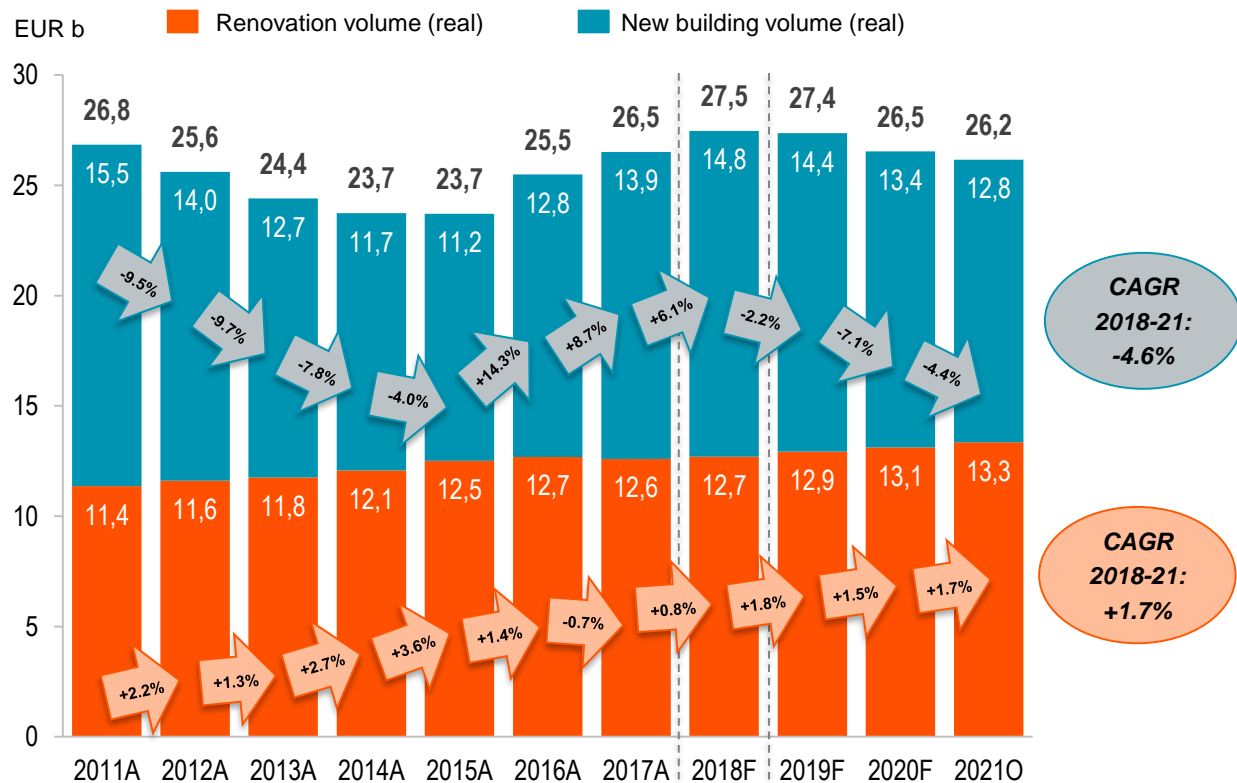
Source: European Commission, March 2019

Comments

- Since summer 2015, construction confidence in Finland has strengthened and remained above the long-term average
- For four years, construction has acted as an engine for the Finnish economic growth
- In March 2019, economic sentiment indicator fell below the long-term average for the first time in 2.5 years, indicating potential decline in the Finnish economy going forward
- The Confederation of Finnish Construction Industries estimates in its April 2019 report that construction is expected to be the first industry in Finland to enter downturn

Stable growth in renovation expected to continue

Finnish new building and renovation market development 2011 – 2021



Source: Euroconstruct, November 2018

Comments

- The amount of professional renovation has grown nearly continuously for the past 20 years in Finland
- In 2014-15 the value of renovation surpassed the value of new construction
- According to Euroconstruct, the value of building renovation amounted to approximately EUR 12.7 billion euro in 2018
- The Confederation of Finnish Construction Industries RT (CFCI) as well as Euroconstruct estimate that renovation will continue to grow by approximately 1.8 percent in 2019
- In 2019, growth is expected to be seen in both residential (+2.0%) and non-residential (+1.6%) renovation
- According to the CFCI's April 2019 report, new construction growth will be flat at 0.0 percent in 2019 and turn to decline of 6.3% in 2020
- The growth of renovation is expected to gain some speed as the new construction starts to slow down going forward

Outlook and guidance for 2019

- The economic cycle in construction still on a high level
- Challenges in availability of certain sub-contractors
- However, recent statistics on the building permits and starts suggest that construction is likely to slow down after a long upswing as the economic growth starts to wane
- The potential decrease in the new building volume is likely to have a two-fold impact on Consti:
 - 1) As the pressure in the whole construction value chain eases up, the availability and quality of resources improve → contribution to profitability improvement
 - 2) Competition slightly to increase especially in large renovation projects
- In 2019, renovation expected to grow by 1.8%
- The Group's guidance for 2019 remains unchanged: "The Company estimates that its operating result for 2019 will grow compared to 2018."



Summary

1. Net sales grew but Q1 2019 EBIT declined slightly from previous year
2. Profitability development was mostly positive, but EBIT was still negatively impacted by one project
3. Implementation of new organisation structure progressing, work towards reaping the benefits continues
4. Market environment continued to be predominantly good, outlook positive also for the future
5. Change program and corrective actions to support performance in 2019
6. FY2019 operating result to grow compared to 2018

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STRATEGY

Long term strategic goals

Growth: Average annual growth in revenue at least

10 %

Profitability: adjusted 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.”

THE KEYS TO OUR SUCCESS

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

1-3/2019

CONSTI GROUP PLC

Q1

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