

CONSTI PLC

INTERIM REPORT
1 JANUARY – 31 MARCH 2020

CEO Esa Korkeela
CFO Joni Sorsanen



CONSTI

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1. **Highlights and Group performance**
2. Cash flow and financial position
3. Market outlook, guidance and summary
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Highlights of the first quarter of 2020

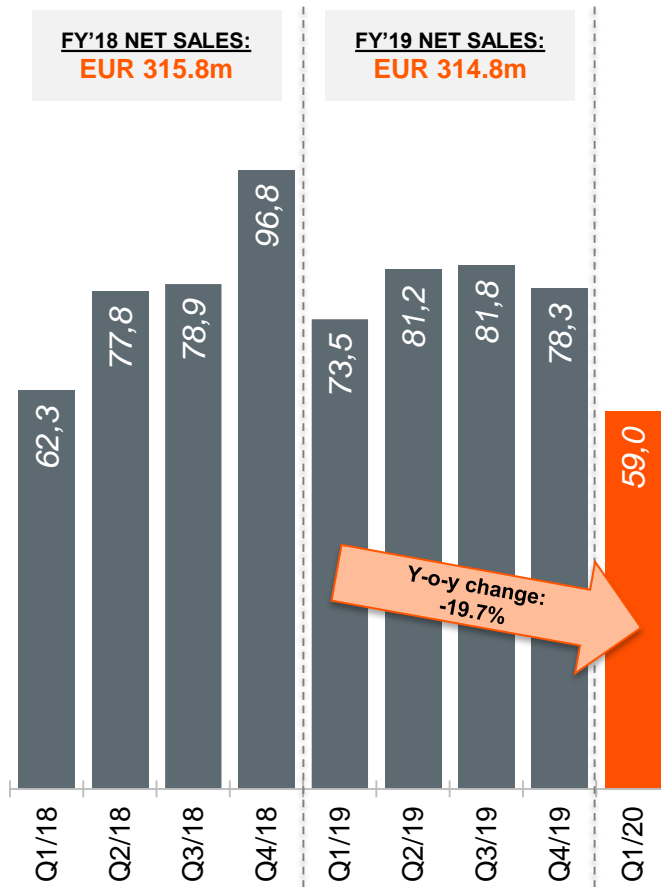
Profitability and cash flow improved



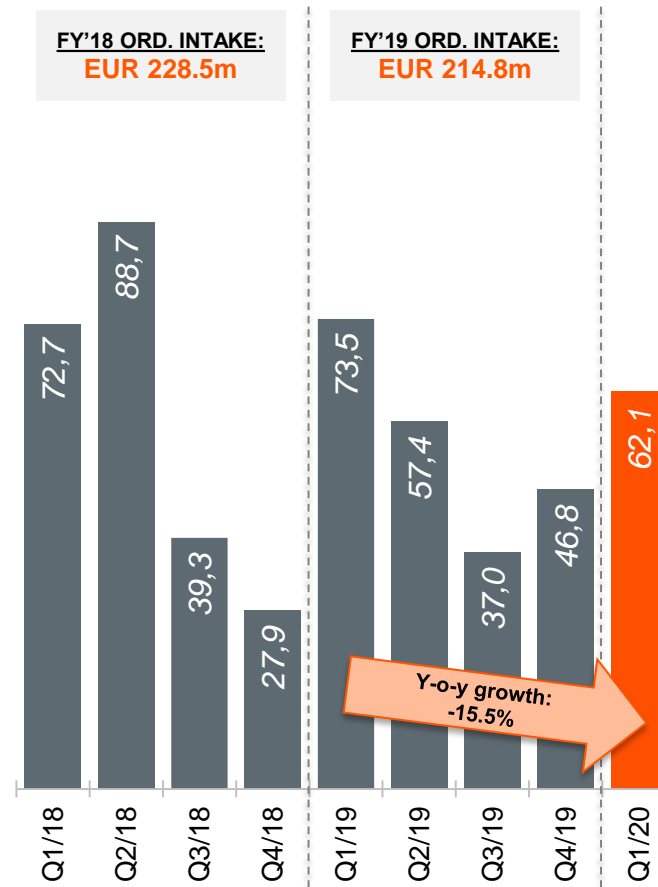
Quarterly performance overview

Net sales for Q1 fell short of the strong comparison period according to expectations, order backlog down year-on-year but 8.8% higher than at the end of 2019

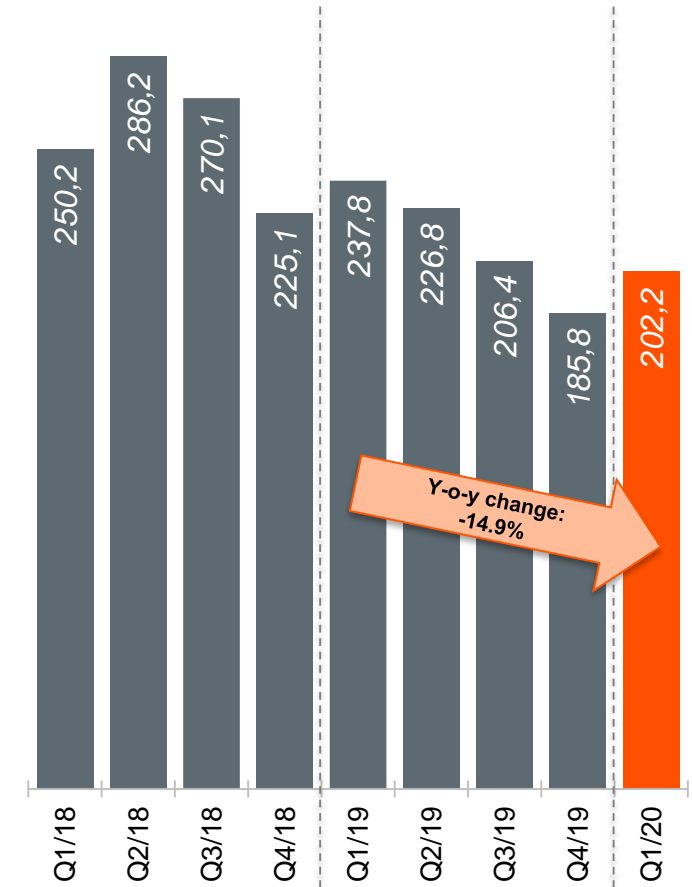
QUARTERLY NET SALES (EUR m)



QUARTERLY ORDER INTAKE (EUR m)



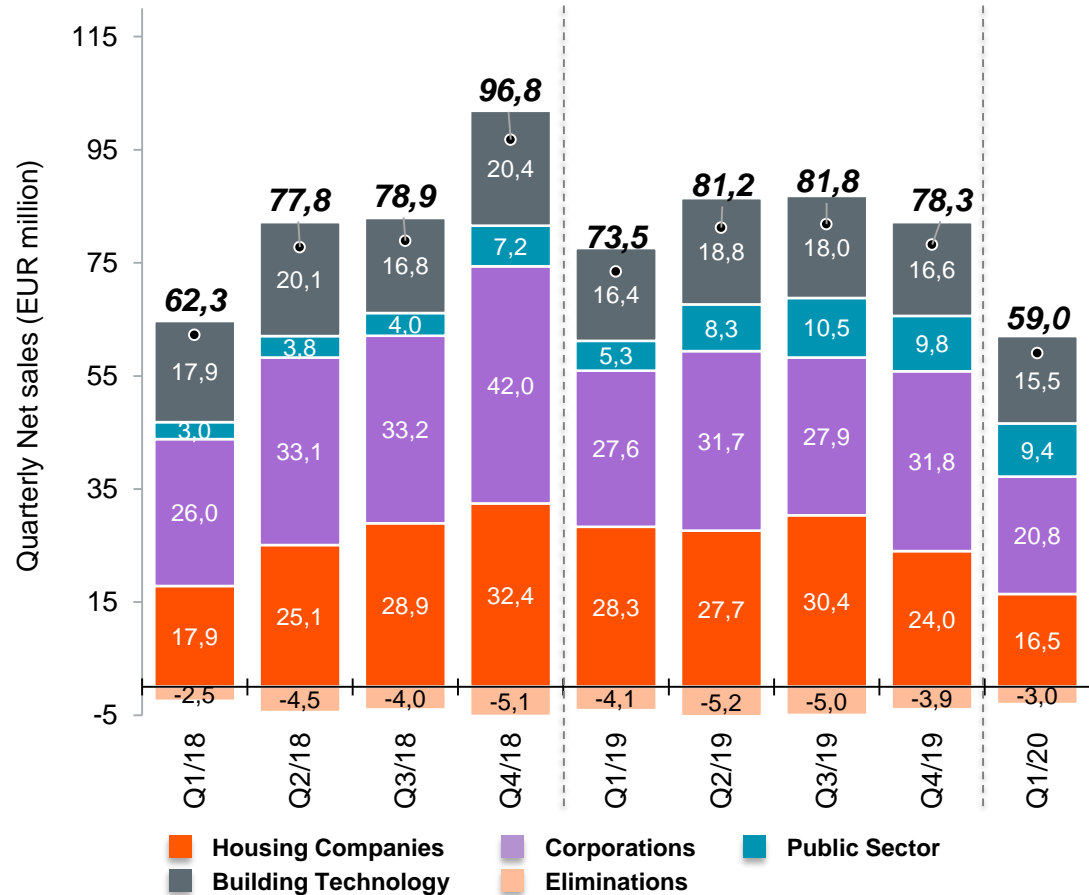
QUARTERLY ORDER BACKLOG (EUR m)



Quarterly net sales development

Q1 net sales down by 19.7%

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



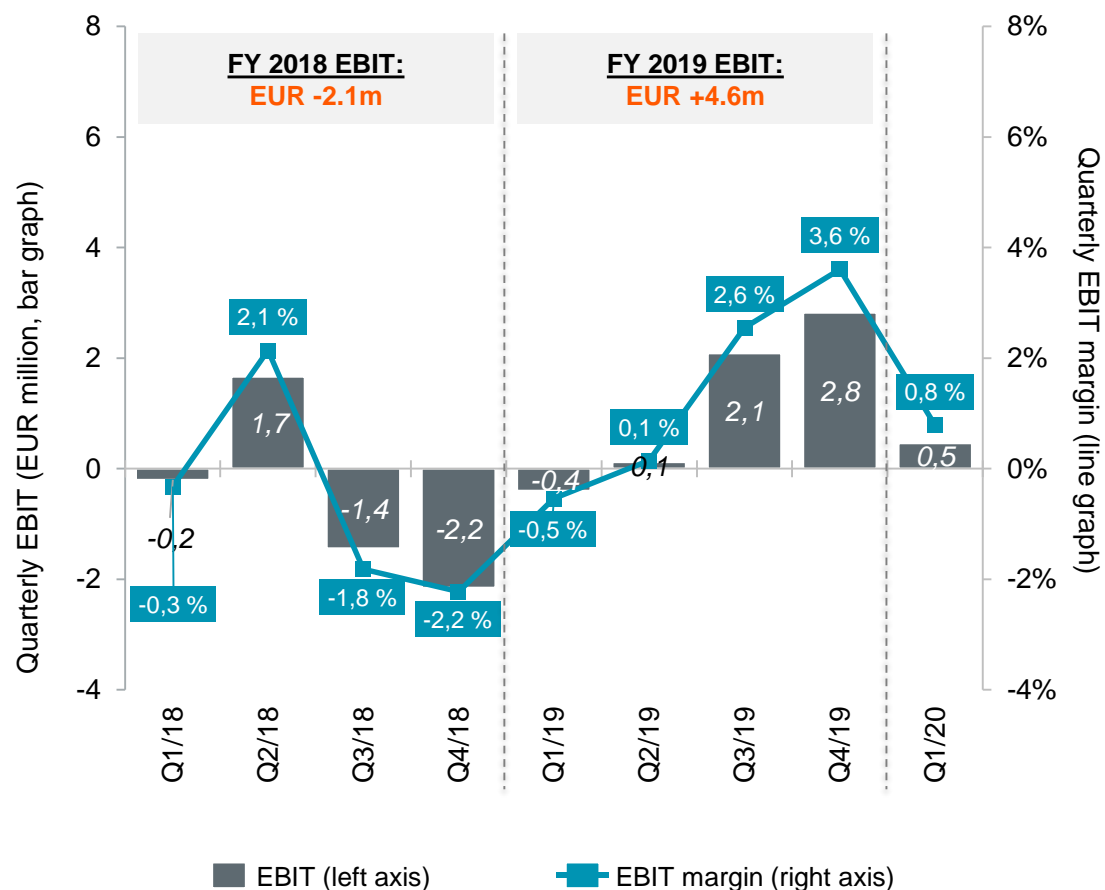
Comments

- Q1/2020 net sales EUR 59.0m (73.5m)
 - Year-on-year growth -19.7% → Net sales fell short of the strong comparison period according to expectations
 - Consti’s business volumes are typically the lowest in the first quarter
 - Housing Companies net sales EUR 16.5m (28.3m) → net sales grew in Oulu and Tampere but declined in the Greater Helsinki area
 - Corporations net sales EUR 20.8m (27.6m) → net sales development impacted by a fewer number of large comprehensive renovation projects than in the comparison period
 - Public Sector net sales EUR 9.4m (5.3m) → growth in line with expectations, supported by strong order backlog
 - Building Technology net sales EUR 15.5m (16.4m) → net sales down largely due to volume decline in technical installation business in the Pirkanmaa area

EBIT development

EBIT improved clearly year-on-year

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



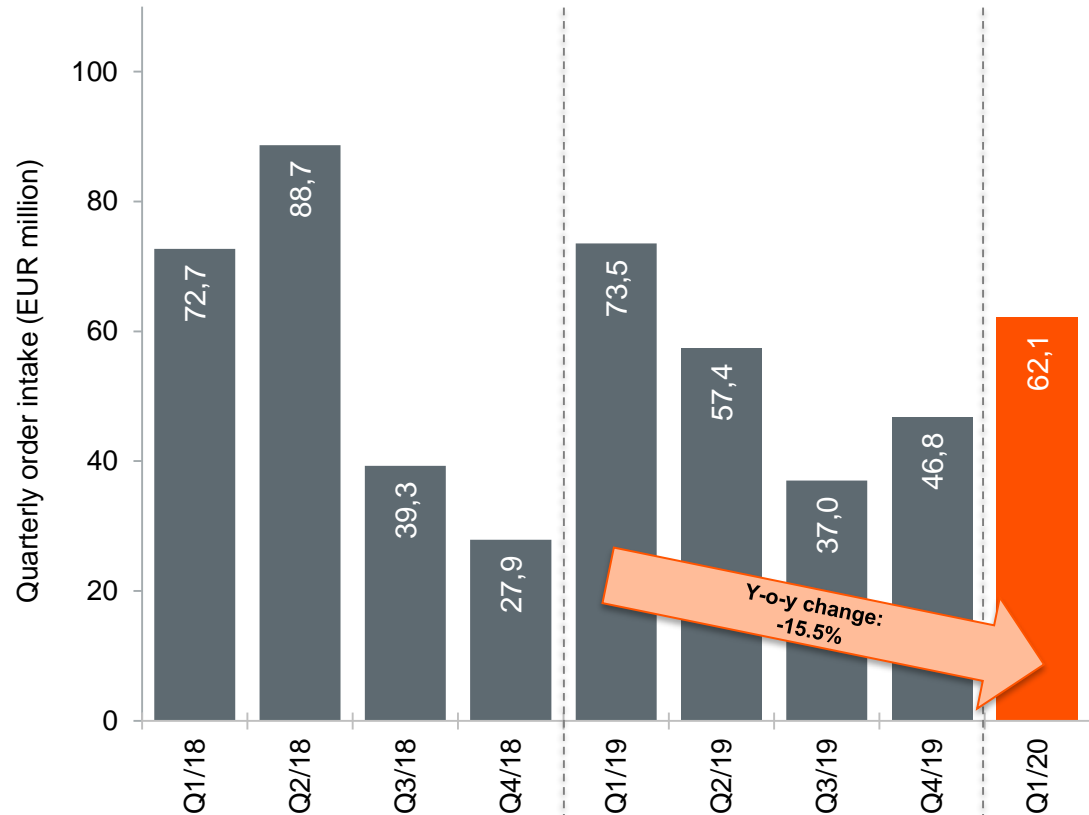
Comments

- Q1/2020 EBIT amounted to EUR 0.5 (-0.4) million, or 0.8% (-0.5%) of net sales
- EBIT improved year-on-year
- Profitability development mostly positive during Q1
- All business areas were profitable in the first quarter
- Actions to improve profitability were continued in Q1 2020
 - Disciplined tendering process in line with the renewed process
 - Continued implementation of harmonised project management processes as well as performance management principles on all organisational levels
 - Capitalisation on new organisation structure in increasing customer benefits

Quarterly order intake development

Q1/2020 order intake EUR 62.1 million (73.5m)

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



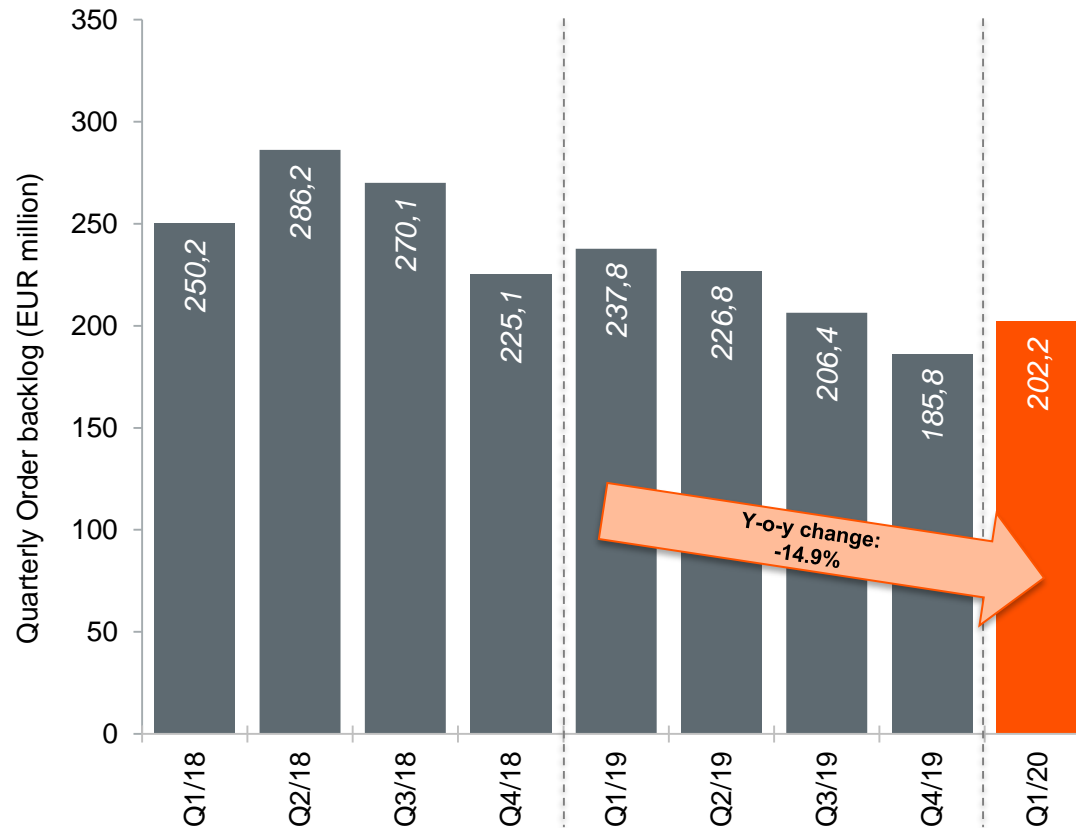
Comments

- Q1/2020 order intake EUR 62.1m (73.5m)
 - Year-on-year change -15.5%
 - Examples of new orders received in Q1:
 - Helsinki Airport Terminal 2 expansion, installation of building technology systems as part of building technology alliance
 - Lauttasaari elementary school, comprehensive renovation of a school in Helsinki
 - Sokos Hotel Lahti, renovation of hotel rooms in Lahti
 - As Oy Eura, complete renovation of building exteriors of a housing company in Helsinki
- The outbreak of the coronavirus pandemic (COVID-19) and actions taken to control it did not affect market environment significantly during the first quarter
- Consti continues to pay particular attention to previously implemented Group-wide disciplined tendering process

Quarterly order backlog development

Q1/2020 order backlog at EUR 202.2 million, down by 14.9% y-o-y

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



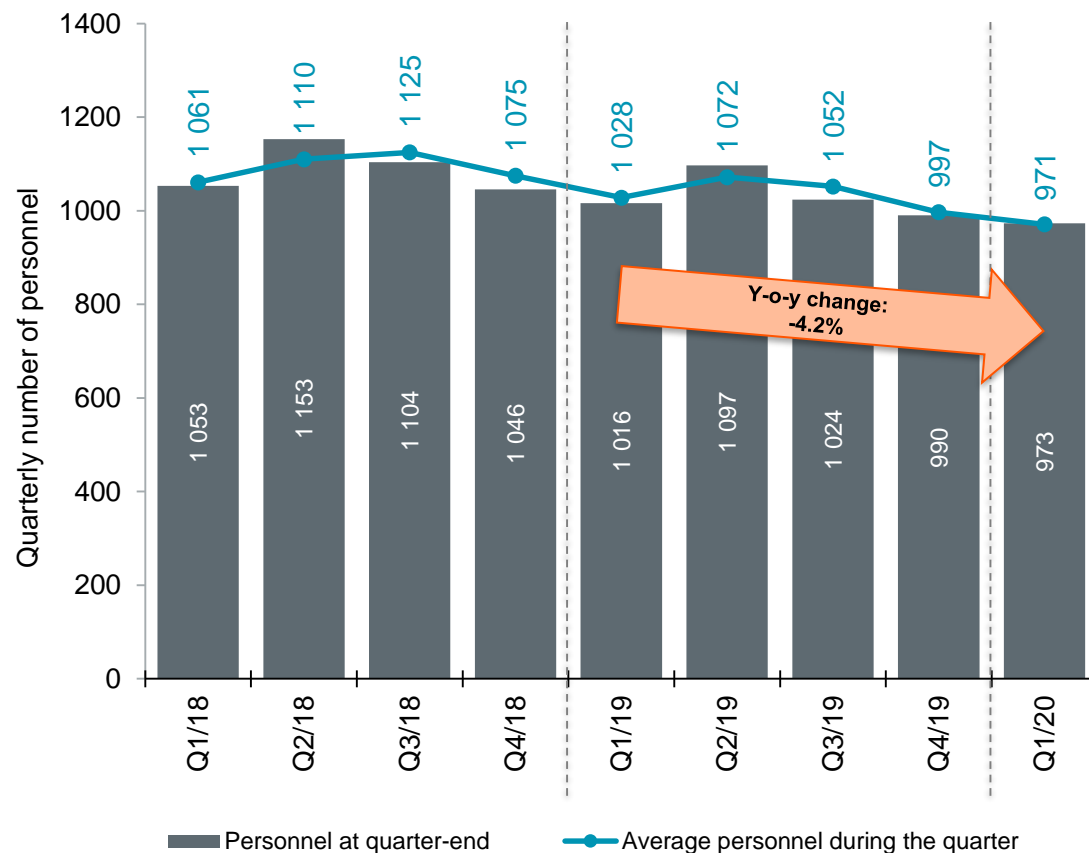
Comments

- Q1/2020 order backlog at EUR 202.2m (237.8m)
 - Year-on-year change -14.9%
 - However, order backlog up by 8.8% compared to the end of the previous financial year
 - Year-on-year decline in order backlog gradually levelling off

Quarterly development in number of personnel

Total number of personnel at the end of Q1/2020 decreased by 43 year-on-year

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



Comments

- Number of personnel at the end of Q1/2020 973 (1,016), reduction of 43
- Average number of personnel during Q1/2020 971 (1,028), reduction of 57
- 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

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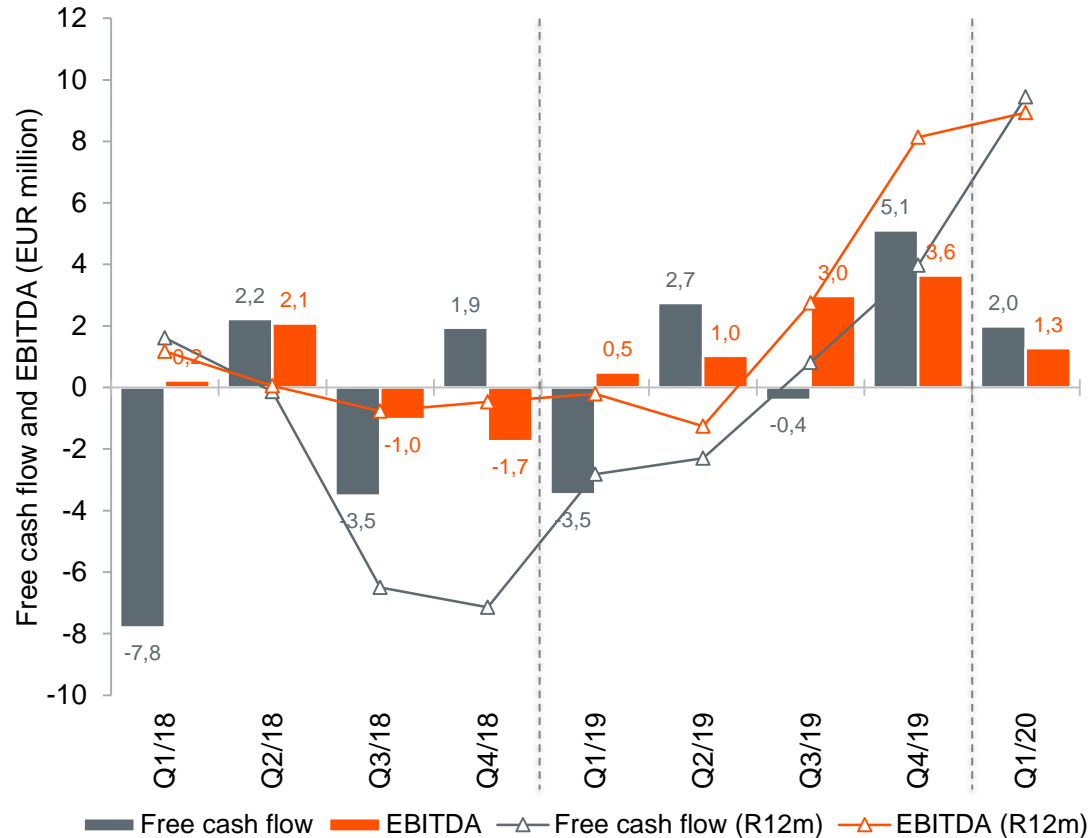
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Quarterly free cash flow development

Q1 cash flow supported by the improvement of operating result as well as released working capital

Quarterly free cash flow¹⁾ and EBITDA Q1/2018 – Q1/2020 (EUR m)



Comments

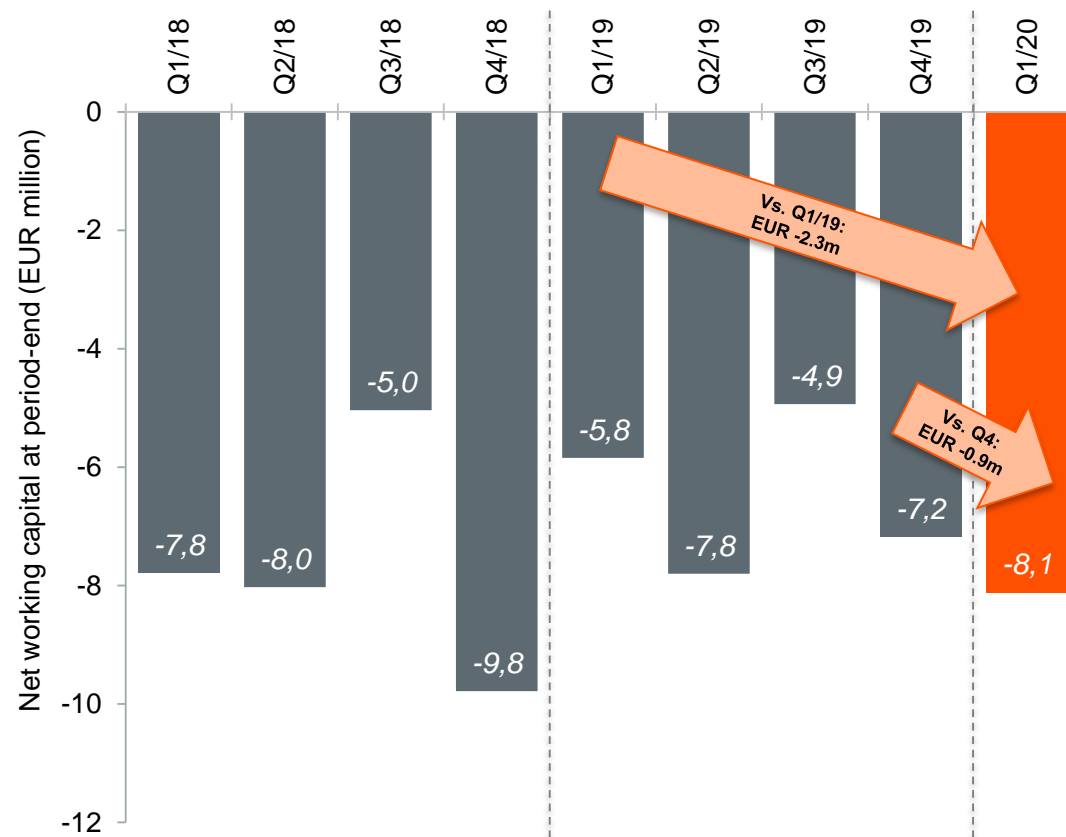
- Q1/2020 free cash flow EUR 2.0m (-3.5m)
 - EBITDA amounted to EUR 1.3m (0.5m)
 - Cash flow impact from change in net working capital was EUR +1.0m (-3.8m)
 - Cash flow from investments in tangible and intangible assets amounted to EUR -0.3m (-0.2m)
- Rolling 12-month free cash flow and EBITDA continued to improve in Q1/2020
- Rolling 12-month cash conversion ratio 105.7%, meeting the Group financial target of >90%

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 -8.1 million at the end of Q1/2020

Quarterly net working capital¹⁾ Q1/2018 – Q1/2020 (EUR m)



Comments

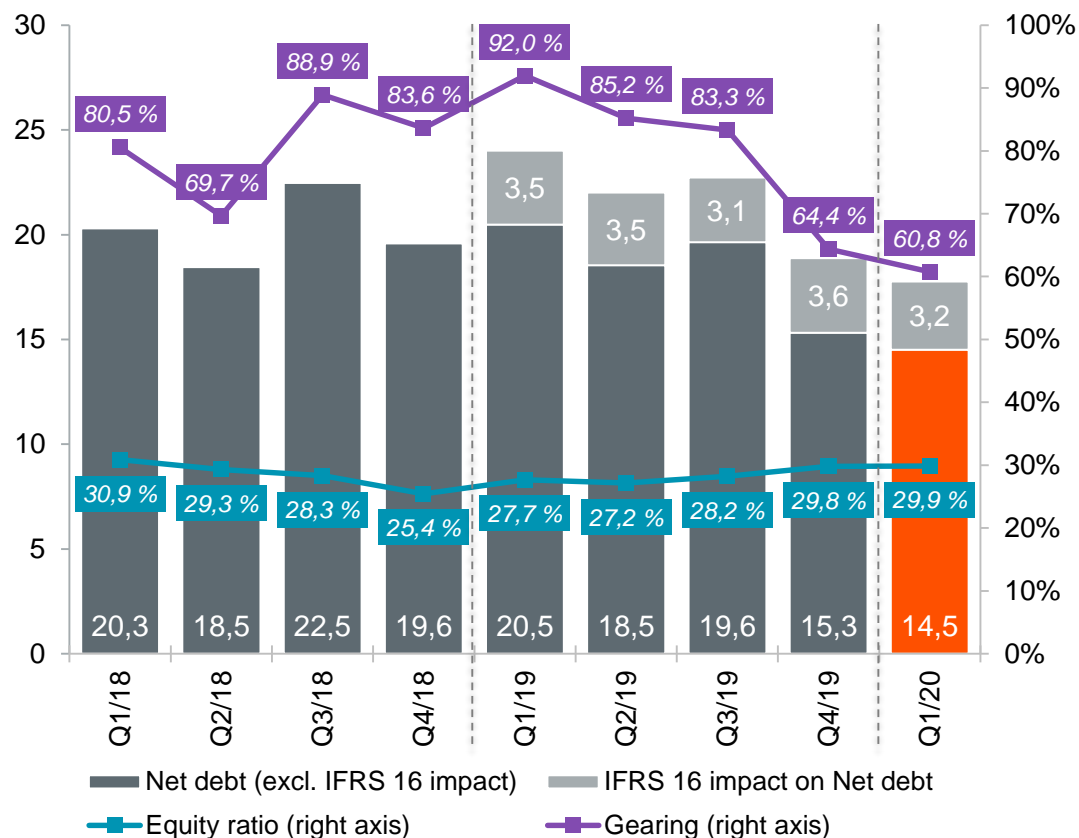
- Net working capital EUR -8.1m (-5.8m) at the end of Q1/2020
 - NWC released during Q1/2020 amounted to EUR 0.9m
 - NWC EUR 2.3m lower compared to Q1 2019

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 financial position strengthened y-o-y as well as compared to previous quarter

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



Comments

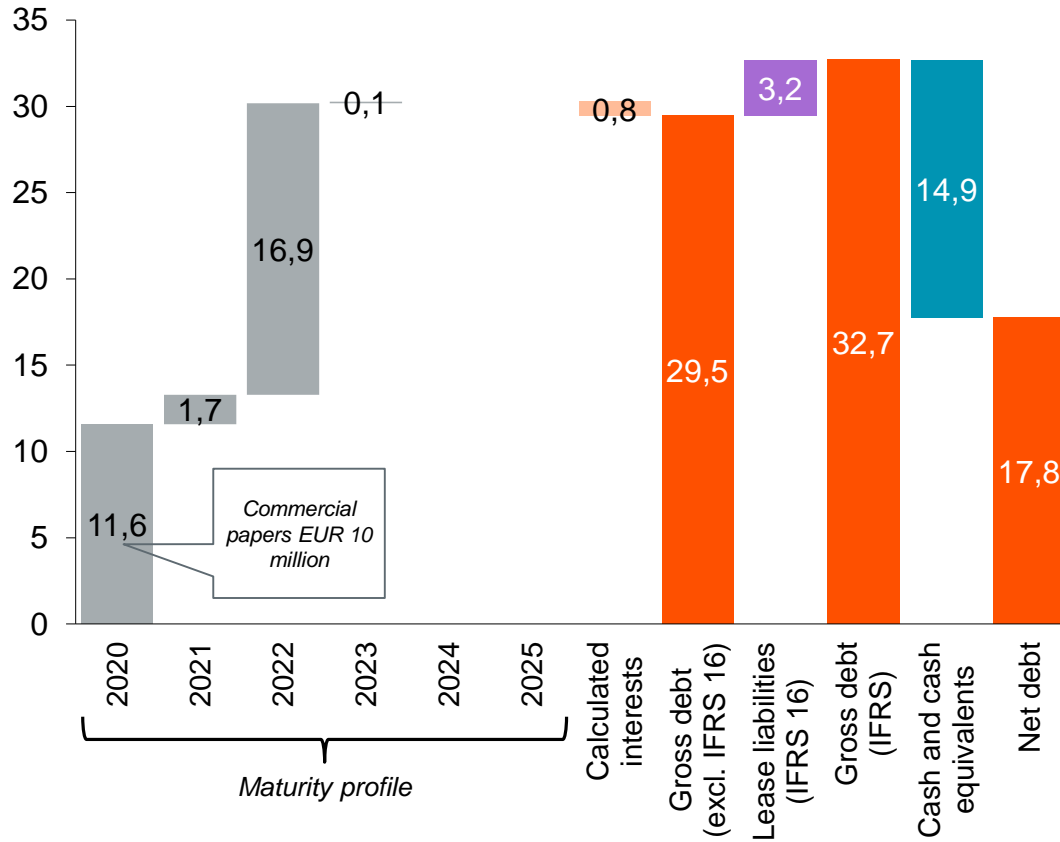
- Financial position as per 31 March 2020 strengthened y-o-y as well as compared to previous quarter
- Q1/2020 net debt at EUR 17.8m (24.0m), of which EUR 3.2m (3.5m) is attributable to IFRS 16 related lease liabilities
- Q1/2020 equity ratio at 29.9% (27.7%)
 - Adoption of IFRS 16 decreased Q1/2020 equity ratio by 1.0 (1.1) percentage points
- Q1/2020 gearing at 60.8% (92.0%)
 - Adoption of IFRS 16 increased Q1/2020 gearing by 11.2 (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 (31 March 2020)

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

Maturity profile of interest-bearing debt¹⁾ as per 31 March 2020 (EUR m)



Comments

- Consti's gross interest-bearing debt at EUR 29.5 million (excluding IFRS 16) at the end of Q1 2020
- Cash and cash equivalents amounted to EUR 14.9m 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 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)

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

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Consti's strategy capitalises on structural growth drivers of renovation

Ageing building stock the single most important growth driver



Ageing building stock



Energy efficiency



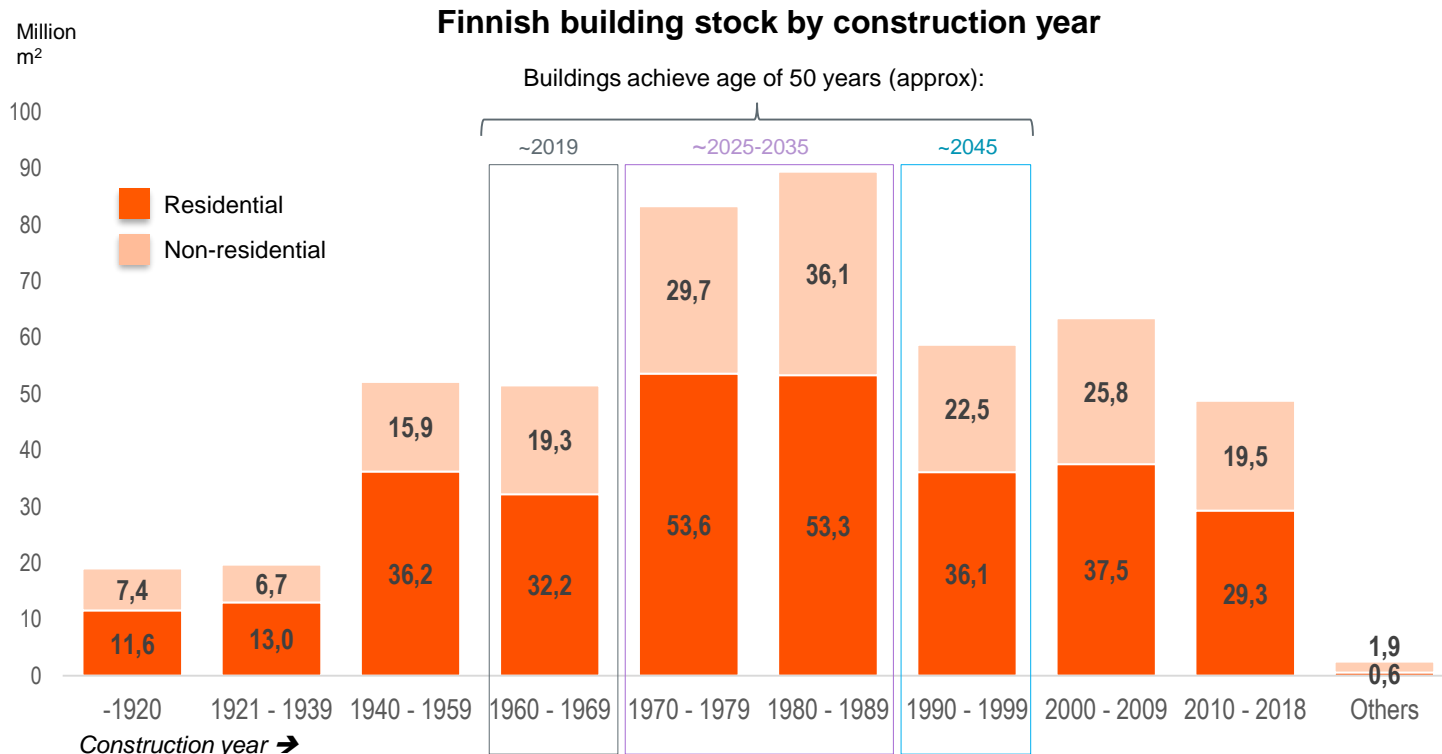
Urbanisation



Modifications of the use of buildings



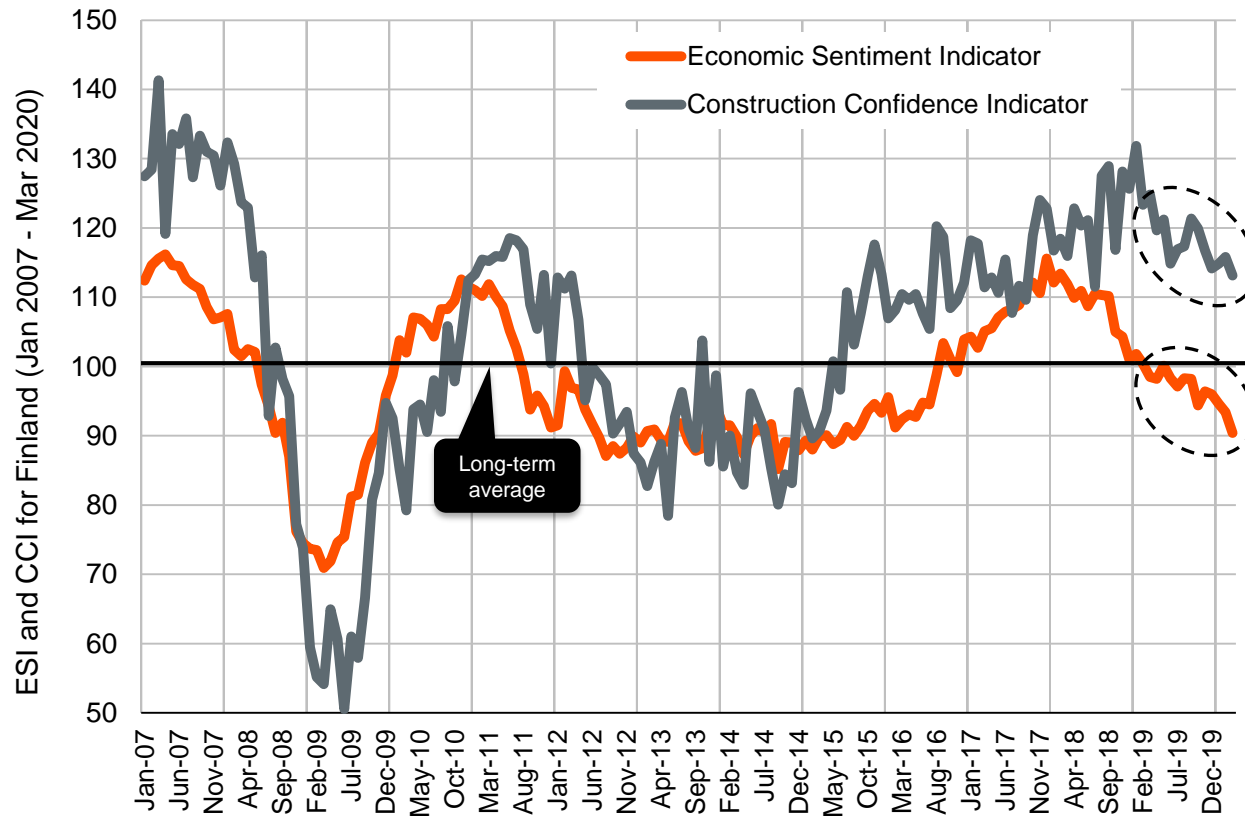
Increased need for building technology and automation



Source: Statistics Finland, October 2019

Construction confidence in Finland still above long-term average in March 2020 but a sharp deterioration expected to be posted in April

Economic Sentiment and Construction Confidence / Finland (2007 – 3/2020)



Note: Mean-adjusted figures

Source: European Commission, April 2020

Comments

- According to Eurostat, March 2020 economic sentiment indicator for the euro area plummeted as much as never before in a single month, while construction confidence posted more contained losses
- The spread of coronavirus and its accompanying containment measures also determined the evolution of the indicators in Finland, but the slide in sentiment was less severe
- However, the decrease of the indicators in March is not yet reflecting the full impact of the crisis
- According to Confederation of Finnish Industries, the construction confidence indicator deteriorated sharply in April and is now clearly below its long-term average

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 renovation markets, but the more serious impact of the crisis is expected to show later on
- The short-term demand outlook has deteriorated fastest in residential renovation
 - The growth drivers of housing companies' renovations remain unchanged, but in some cases decision-making has been postponed
 - In addition, the Finnish government's restrictions to control the coronavirus pandemic have an impact especially on the carrying out of some residential renovations
- In the longer term, the demand outlook of renovation is affected by the length of the corona pandemic and actions taken to control it, as well as the speed of recovery of the general economic situation

IMPACT ON CONSTI THUS FAR

- Uncertainty has grown in Consti's business environment as a result of the coronavirus pandemic, but so far, the impact on the company has been limited
- Consti has been able to keep worksites open in all of its operational areas
- During Q1, 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
- After Q1, Consti has had active negotiations and reached agreements of new renovation projects that will be completed during 2020
- On the other hand, some projects, which were in the negotiation stage, have been cancelled, and the start of some projects that were at the contractual stage has been moved forward

Outlook and guidance for 2020

- The most significant short-term uncertainties during the coronavirus pandemic are (1) Consti's ability to carry out work at current worksites and (2) short-term demand outlook
 - 1) Uncertainty related to Consti's ability to carry out work at worksites has to do with personnel availability, possible cases of illness, availability of materials, and regulatory provisions
 - 2) 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
 - Consti's guidance for 2020 remains unchanged
 - In 2020, Consti's performance is supported by the renewal of organisation structure carried out in 2019, the scalability of operating costs in relation to changes in volume, and the improved quality of the order backlog
 - Achieving the guidance requires, however, that Consti's worksites remain operating also in the future and the projects in the order backlog can be advanced as planned during the rest of the year
- The Group's guidance for 2020: "The Company estimates that its operating result for 2020 will improve compared to 2019."



Summary

1. Net sales clearly down year-on-year, according to expectations
2. Profitability continued to improve in Q1/2020 and development was mostly positive, all business areas were profitable in the first quarter
3. Financial position continued to strengthen as a result of improved profitability and cash flow
4. The outbreak of the coronavirus pandemic did not affect market environment significantly during Q1
5. The most significant short-term uncertainties relate to Consti's ability to carry out work at current worksites and short-term demand outlook
6. Despite short-term uncertainties, guidance for 2020 remains unchanged → FY2020 operating result to improve compared to 2019

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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.

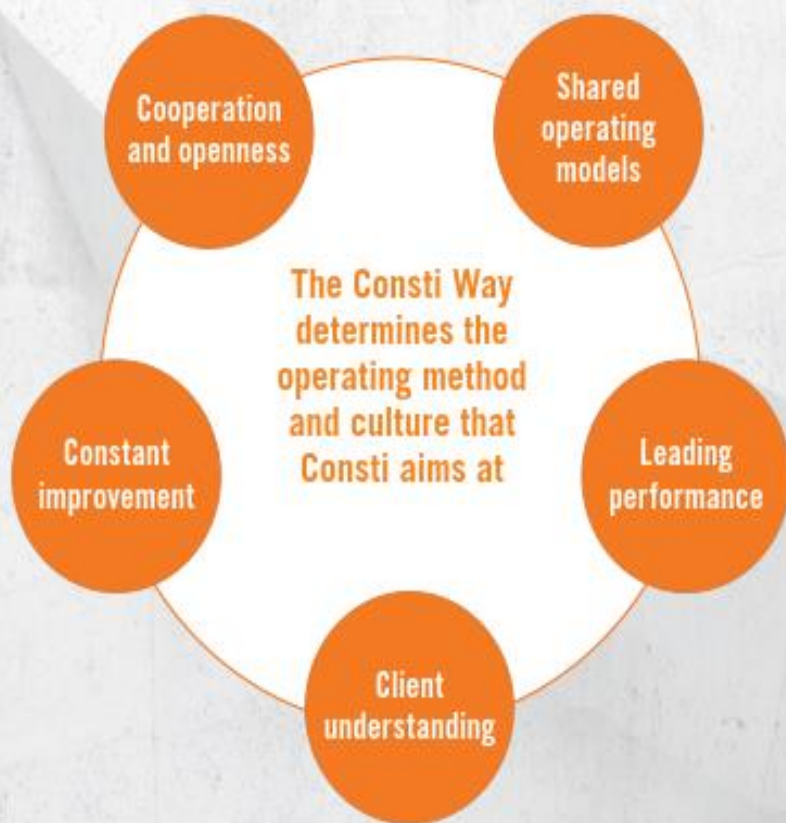
We know how we work, we know our strengths and we always work in our clients' best interests.

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

INTERIM REPORT

1-3/2020

CONSTI PLC

Q1

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