

CONSTI PLC

INTERIM REPORT
1 JANUARY – 30 SEPTEMBER 2020

CEO Esa Korkeela
CFO Joni Sorsanen



CONSTI

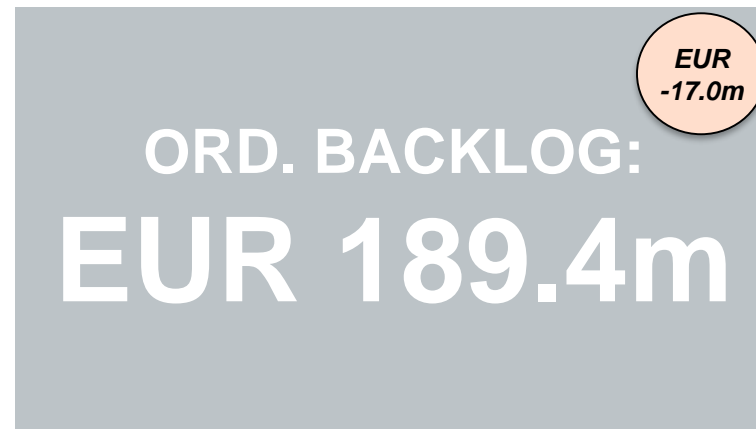
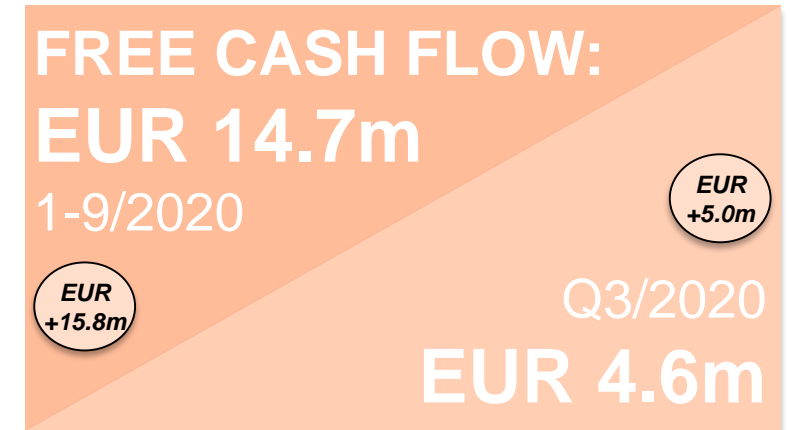
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Highlights of 1-9/2020 and Q3/2020

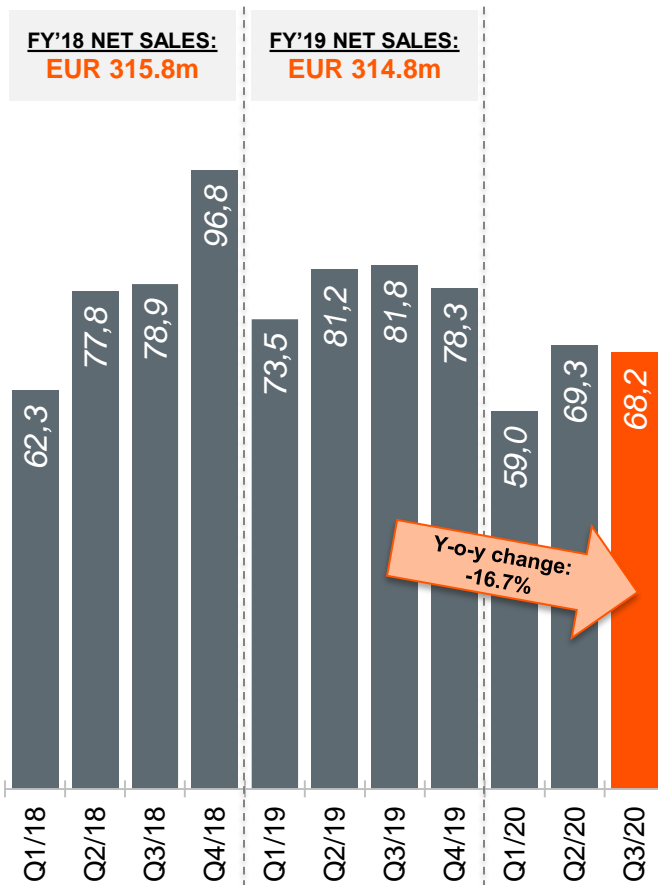
Profitability and cash flow improved



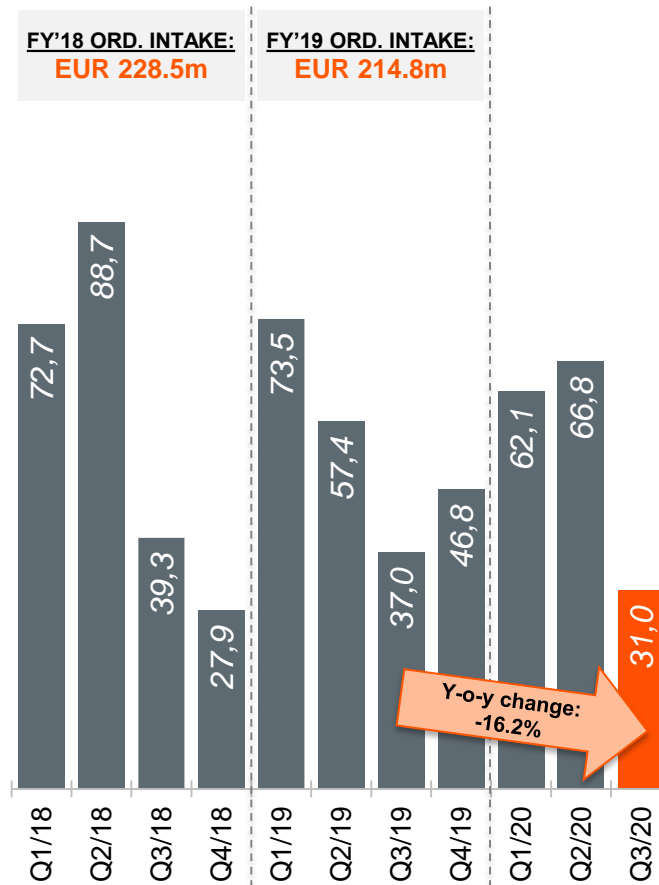
Quarterly performance overview

Net sales and order intake negatively impacted by COVID-19 in the third quarter. Order backlog at EUR 189.4m, down by 8.2% year-on-year

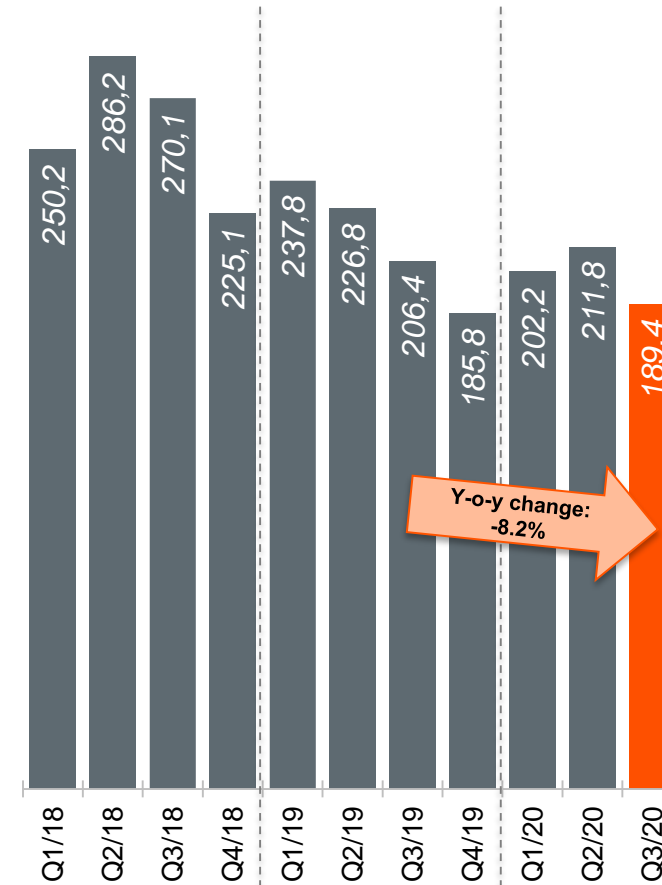
QUARTERLY NET SALES (EUR m)



QUARTERLY ORDER INTAKE (EUR m)



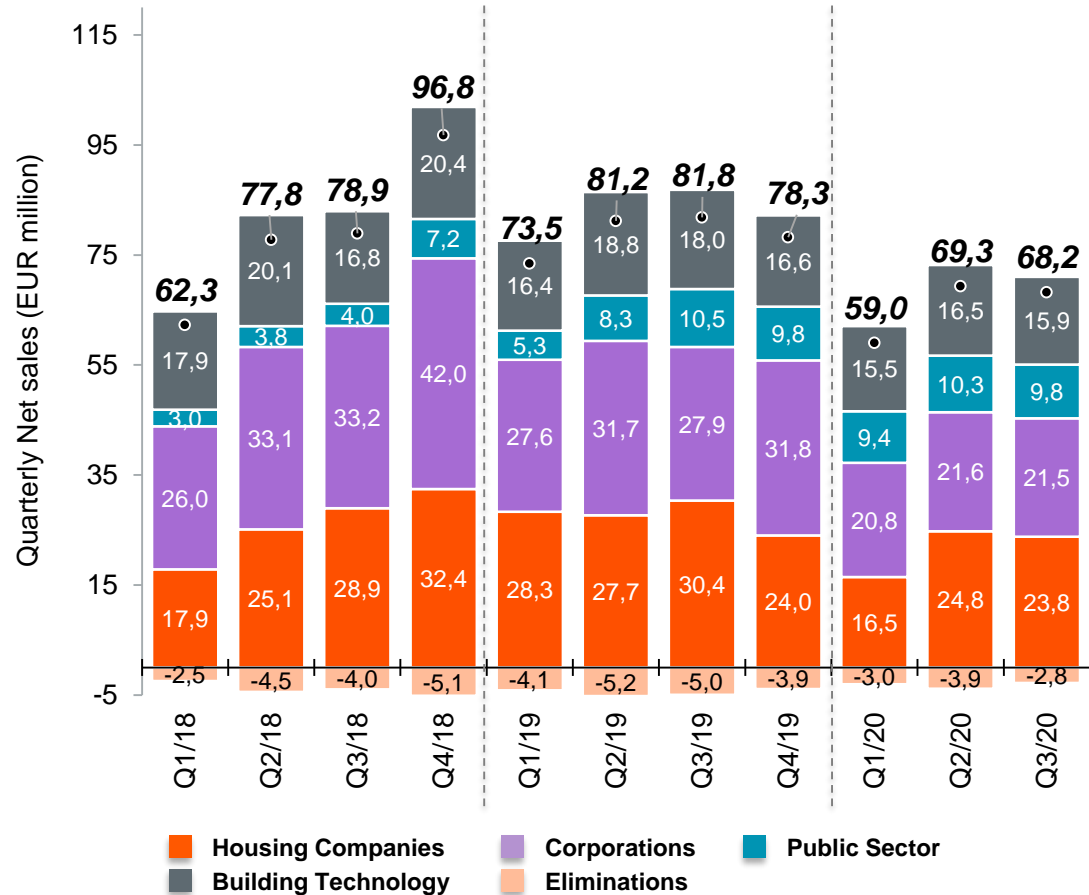
QUARTERLY ORDER BACKLOG (EUR m)



Quarterly net sales development

Q3/2020 net sales amounted to EUR 68.2m, down by 16.7% y-o-y, affected by COVID-19

Quarterly net sales development Q1/2018 – Q3/2020 (EUR m)



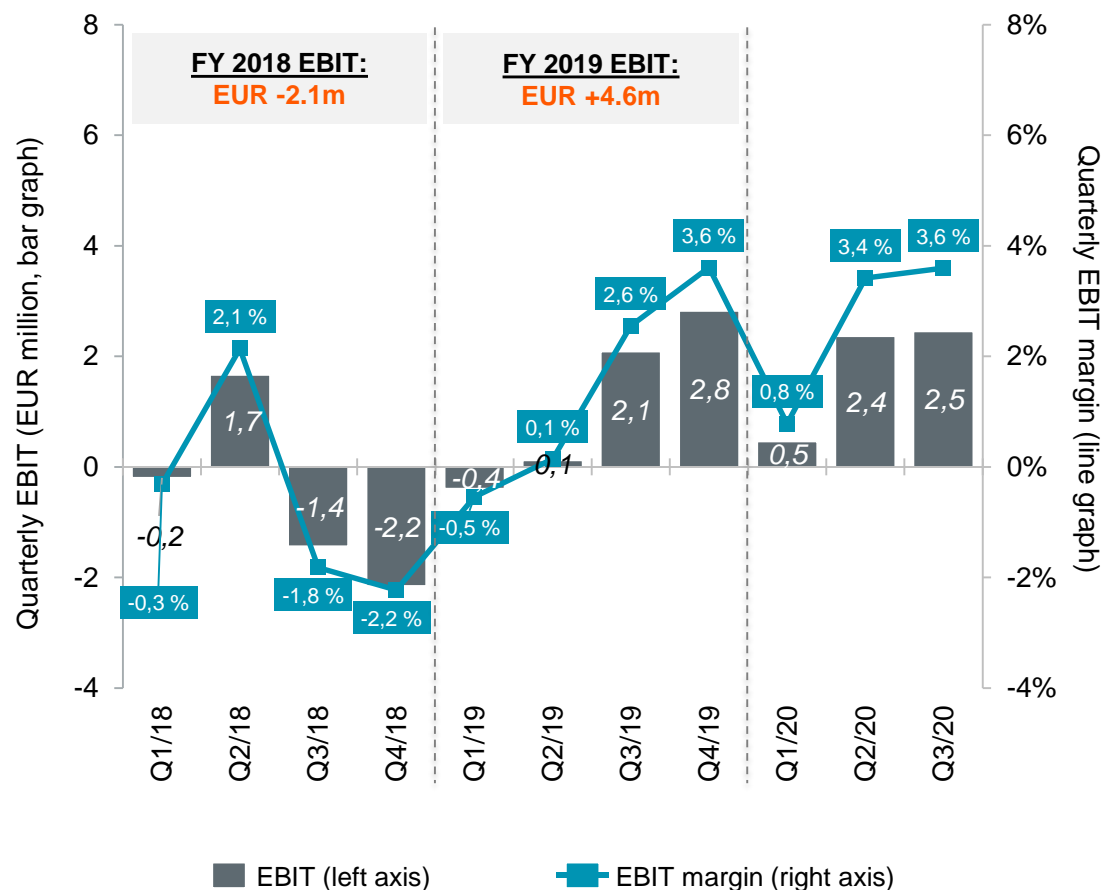
Comments

- Q3/2020 net sales EUR 68.2m (81.8m)
 - Housing Companies net sales EUR 23.8m (30.4m) → net sales negatively affected by the postponed decision-making of housing companies due to the corona crisis
 - Corporations net sales EUR 21.5m (27.9m) → net sales development impacted by a fewer number of large comprehensive renovation projects than in the comparison period as well as decreased demand for renovation services in the non-residential sector due to the corona crisis
 - Public Sector net sales EUR 9.8m (10.5m) → net sales developed as expected but fell slightly short of the comparison period
 - Building Technology net sales EUR 15.9m (18.0m) → net sales down largely due to volume decline in technical installation business in the Pirkanmaa area
- 1-9/2020 net sales EUR 196.5m (236.5m), down by 16.9% year-on-year

EBIT development

Improvement in profitability continued

Quarterly EBIT development Q1/2018 – Q3/2020 (EUR m)



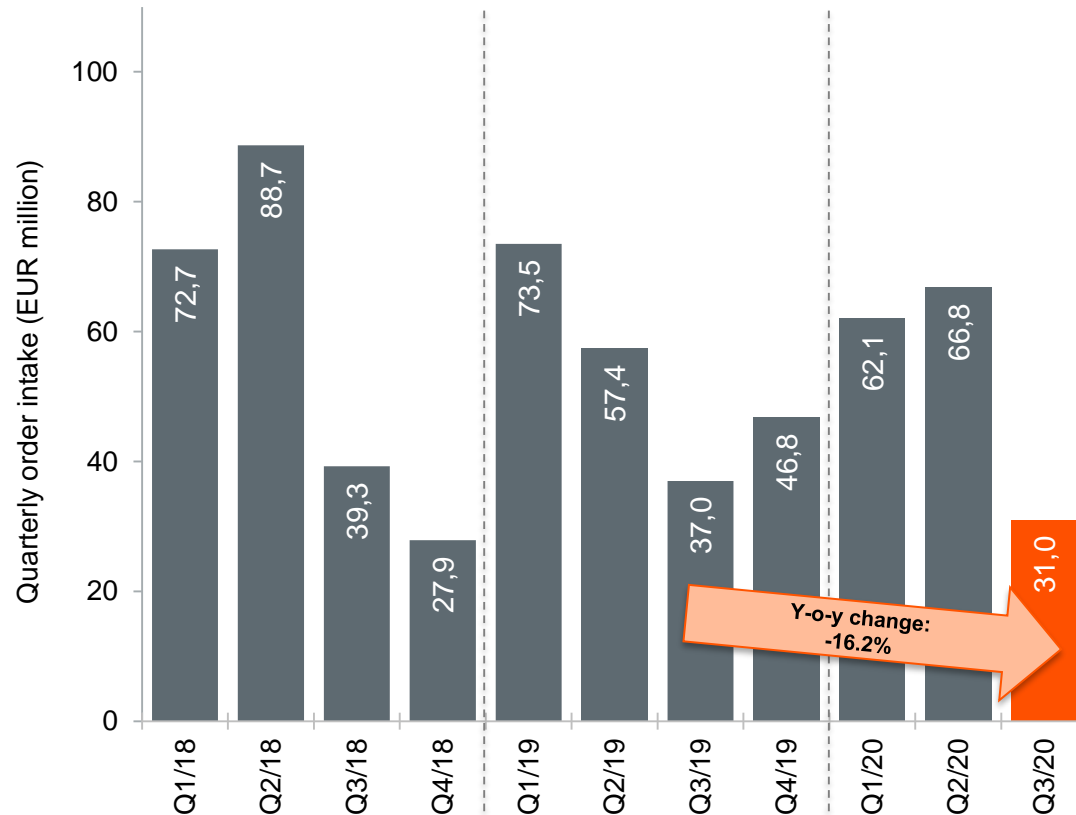
Comments

- Q3/2020 EBIT amounted to EUR 2.5 (2.1) million, or 3.6% (2.6%) of net sales
- Q3 profitability developed mostly in line with expectations
- All business areas were profitable in Q3
- Q3 profitability improved both in absolute and relative terms regardless of the decline in net sales
- Q3 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
- 1-9/2020 EBIT amounted to EUR 5.3 (1.8) million, or 2.7% (0.8%) of net sales

Quarterly order intake development

Q3/2020 order intake amounted to EUR 31.0 million (37.0m)

Quarterly order intake development Q1/2018 – Q3/2020 (EUR m)



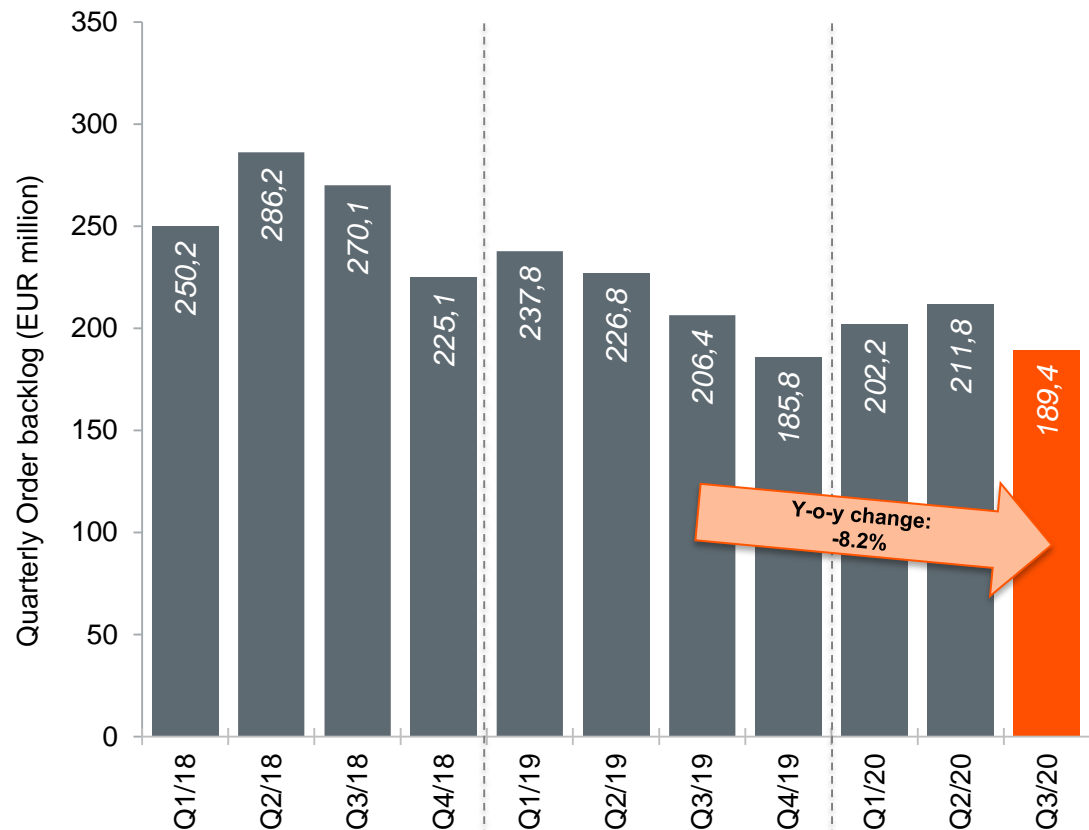
Comments

- Q3/2020 order intake EUR 31.0m (37.0m)
 - Year-on-year change -16.2%
 - Examples of new orders received in Q3:
 - Keinulaudantie 7, comprehensive renovation of two rental apartment buildings in Helsinki
 - As Oy Tuulimyllyntie 2, pipeline renovation in Helsinki
 - Svinhufudinkatu 4, comprehensive renovation of several buildings in a school campus in Lahti
 - As Oy Kelojousi, facade renovation in Espoo
 - Suuntimopuisto, installation of technical building systems in a large modular building in Helsinki
- Uncertainty increased by COVID-19 pandemic reflected in order intake for Q3 2020
- 1-9/2020 order intake EUR 160.0m (168.0m)

Quarterly order backlog development

Q3/2020 order backlog at EUR 189.4 million, down by 8.2% y-o-y

Quarterly order backlog development Q1/2018 – Q3/2020 (EUR m)



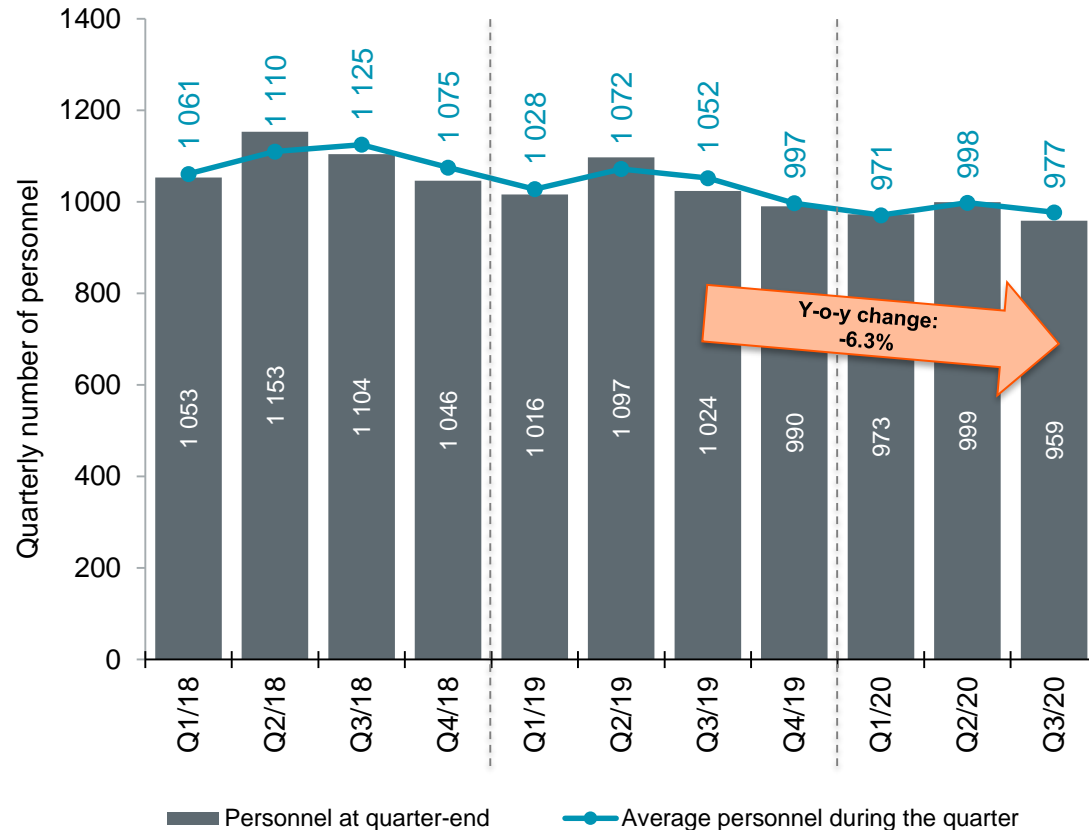
Comments

- Q3/2020 order backlog at EUR 189.4m (206.4m)
 - Year-on-year change -8.2%
 - However, order backlog up by 1.9% compared to the end of the previous financial year
 - Q3 order backlog affected by COVID-19 particularly in Housing Companies and Corporations business areas

Quarterly development in number of personnel

Total number of personnel at the end of Q3/2020 decreased by 65 year-on-year

Quarterly development in number of personnel Q1/2018 – Q3/2020



Comments

- Number of personnel at the end of Q3/2020: 959 (1,024), reduction of 65
- Average number of personnel during Q3/2020: 977 (1,052), reduction of 75
- Average number of personnel during 1-9/2020: 982 (1,050), reduction of 68
- 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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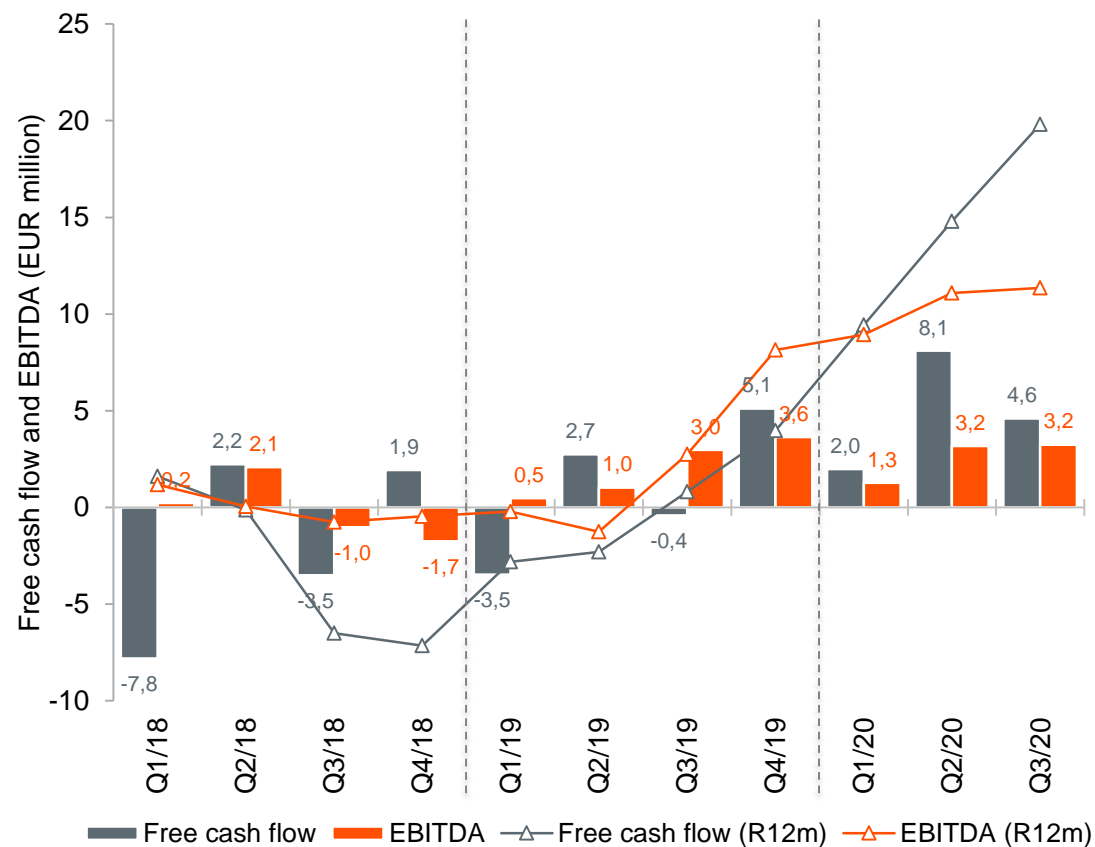
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Quarterly free cash flow development

Q3 cash flow supported by the improvement of operating result as well as released NWC

Quarterly free cash flow¹⁾ and EBITDA Q1/2018 – Q3/2020 (EUR m)



Comments

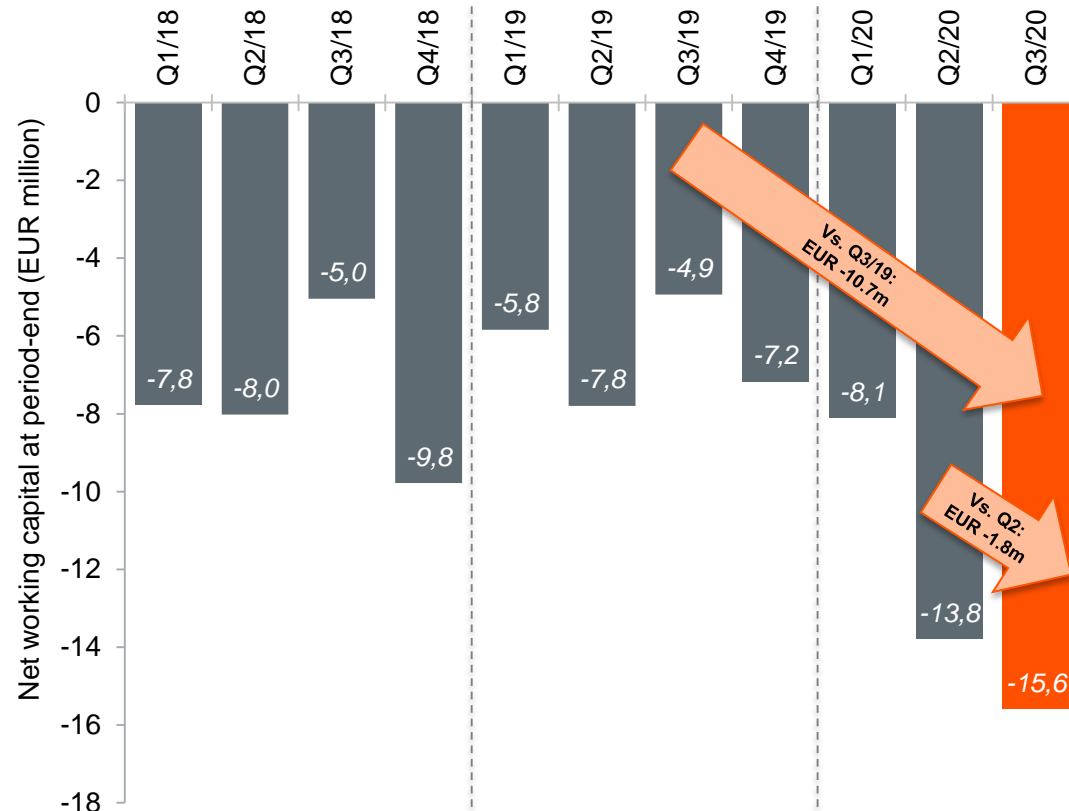
- Q3/2020 free cash flow EUR 4.6m (-0.4m)
 - EBITDA amounted to EUR 3.2m (3.0m)
 - Cash flow impact from change in net working capital was EUR +1.4m (-3.2m)
 - Cash flow from investments in tangible and intangible assets amounted to EUR -0.2m (-0.2m)
- 1-9/2020 free cash flow EUR 14.7m (-1.1m)
 - EBITDA amounted to EUR 7.7m (4.5m)
 - Cash flow impact from change in net working capital was EUR +7.7m (-5.0m)
 - Cash flow from investments in tangible and intangible assets amounted to EUR -0.9m (-0.6m)
- Rolling 12-month free cash flow and EBITDA continued to improve in Q3/2020
- Rolling 12-month cash conversion ratio 174.4%, 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 -15.6 million at the end of Q3/2020

Quarterly net working capital¹⁾ Q1/2018 – Q3/2020 (EUR m)



Comments

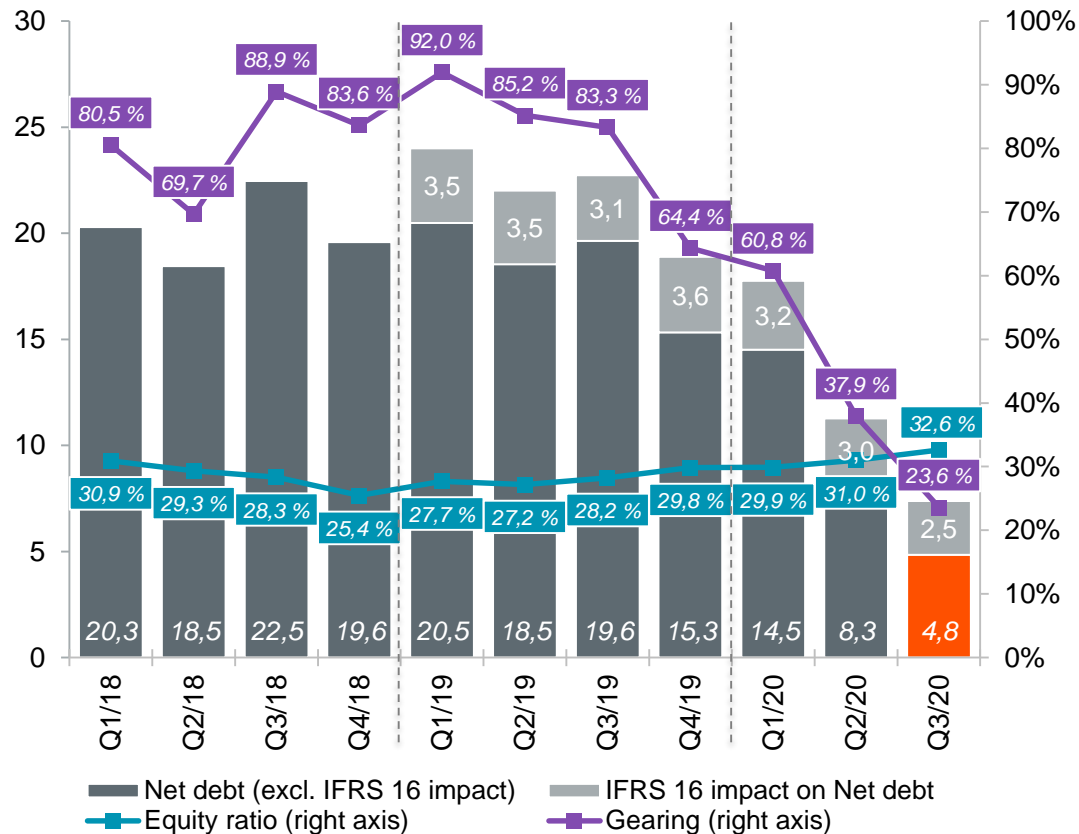
- Net working capital EUR -15.6m (-4.9m) at the end of Q3/2020
 - NWC released during Q3/2020 amounted to EUR 1.8m
 - NWC EUR 10.7m lower compared to Q3/2019
- Net working capital released particularly through improvement of the project portfolio's financial position

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

Financial position continued to strengthen in the third quarter

Quarterly net debt, equity ratio and gearing Q1/2018 – Q3/2020



Comments

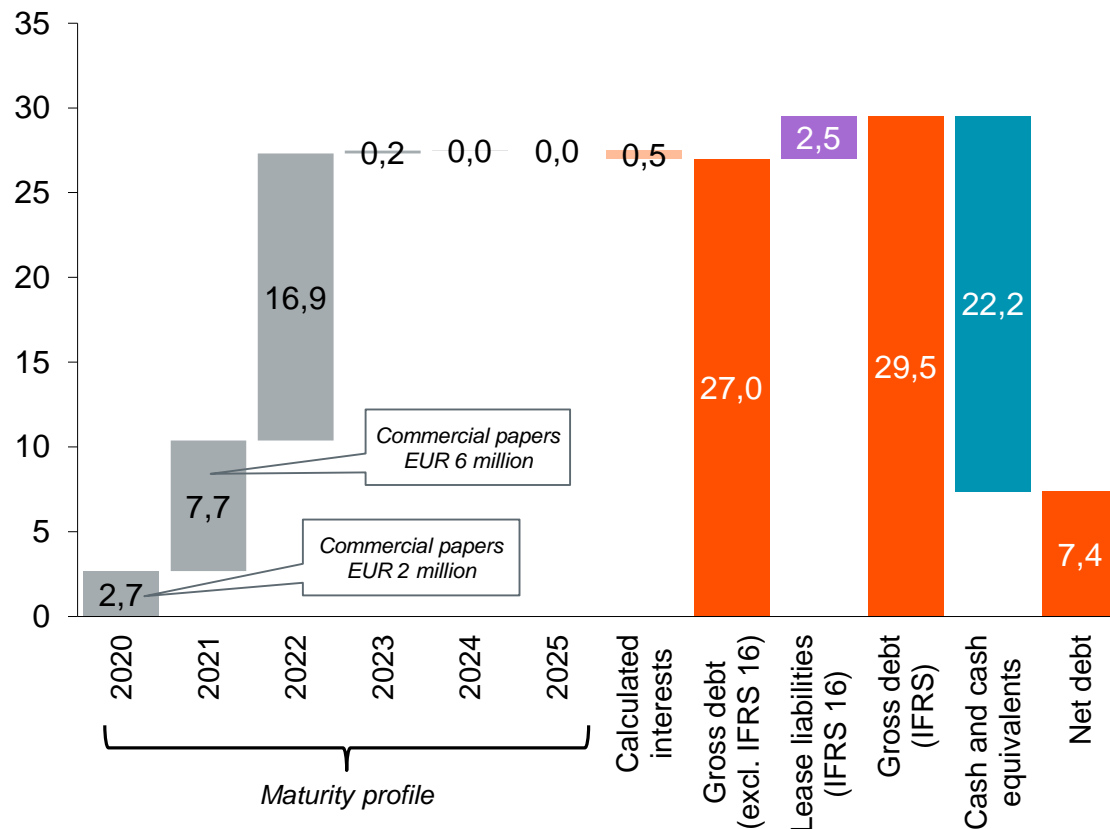
- Financial position as per 30 September 2020 strengthened y-o-y as well as compared to previous quarter
- Q3/2020 net debt at EUR 7.4m (22.7m), of which EUR 2.5m (3.1m) attributable to IFRS 16 related lease liabilities
- Q3/2020 equity ratio at 32.6% (28.2%)
 - Adoption of IFRS 16 decreased Q3/2020 equity ratio by 0.9 (1.0) percentage point
- Q3/2020 gearing at 23.6% (83.3%)
 - Adoption of IFRS 16 increased Q3/2020 gearing by 8.1 (11.4) 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 September 2020)

No significant bank loan redemptions in 2020-2021. Good liquidity position at the end of Q3

Maturity profile of interest-bearing debt¹⁾ as per 30 September 2020 (EUR m)



Comments

- Consti's gross interest-bearing debt at EUR 27.0 million (excluding IFRS 16) at the end of Q3/2020
- Cash and cash equivalents amounted to EUR 22.2m 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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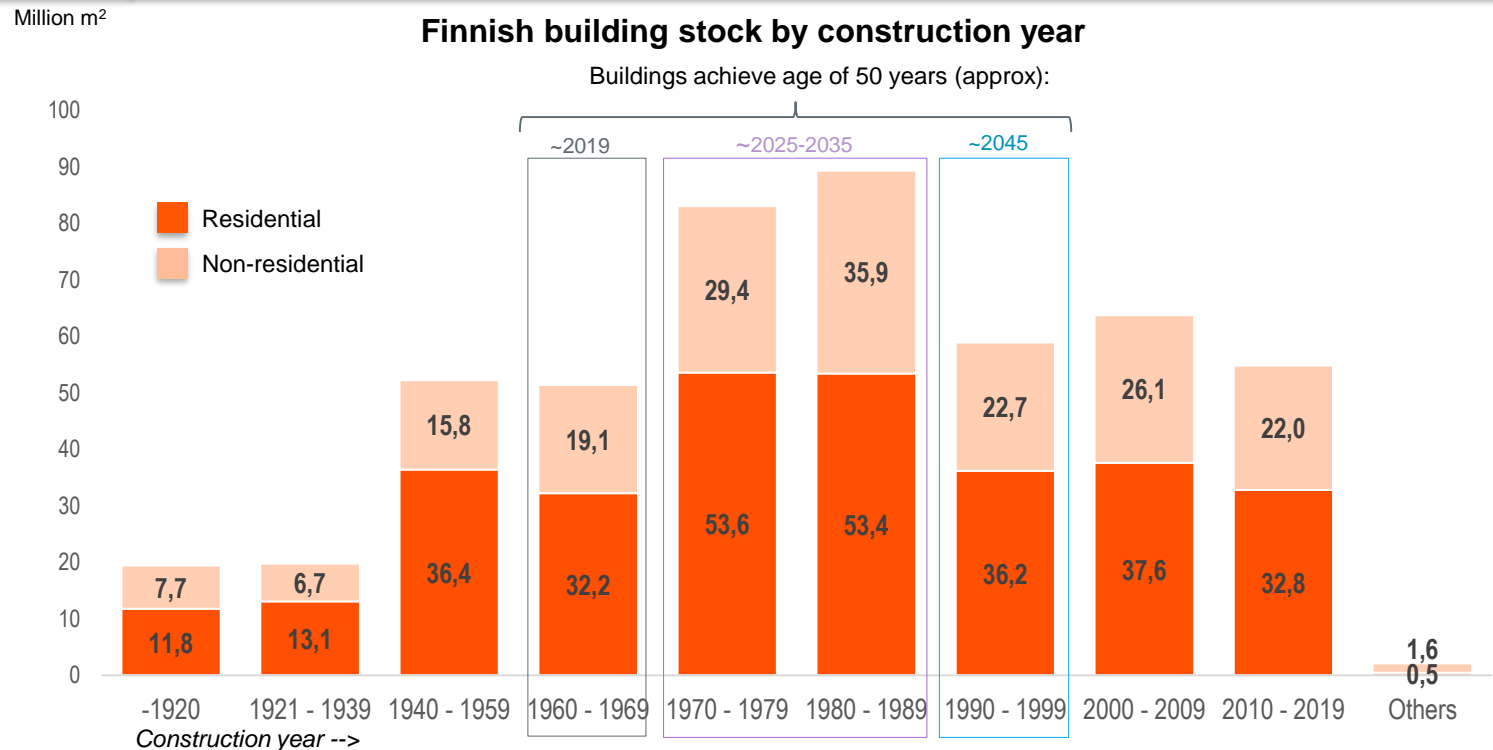


Consti's strategy capitalises on structural growth drivers of renovation

Ageing building stock the single most important growth driver



Ageing building stock



Energy efficiency



Urbanisation



Modifications of the use of buildings

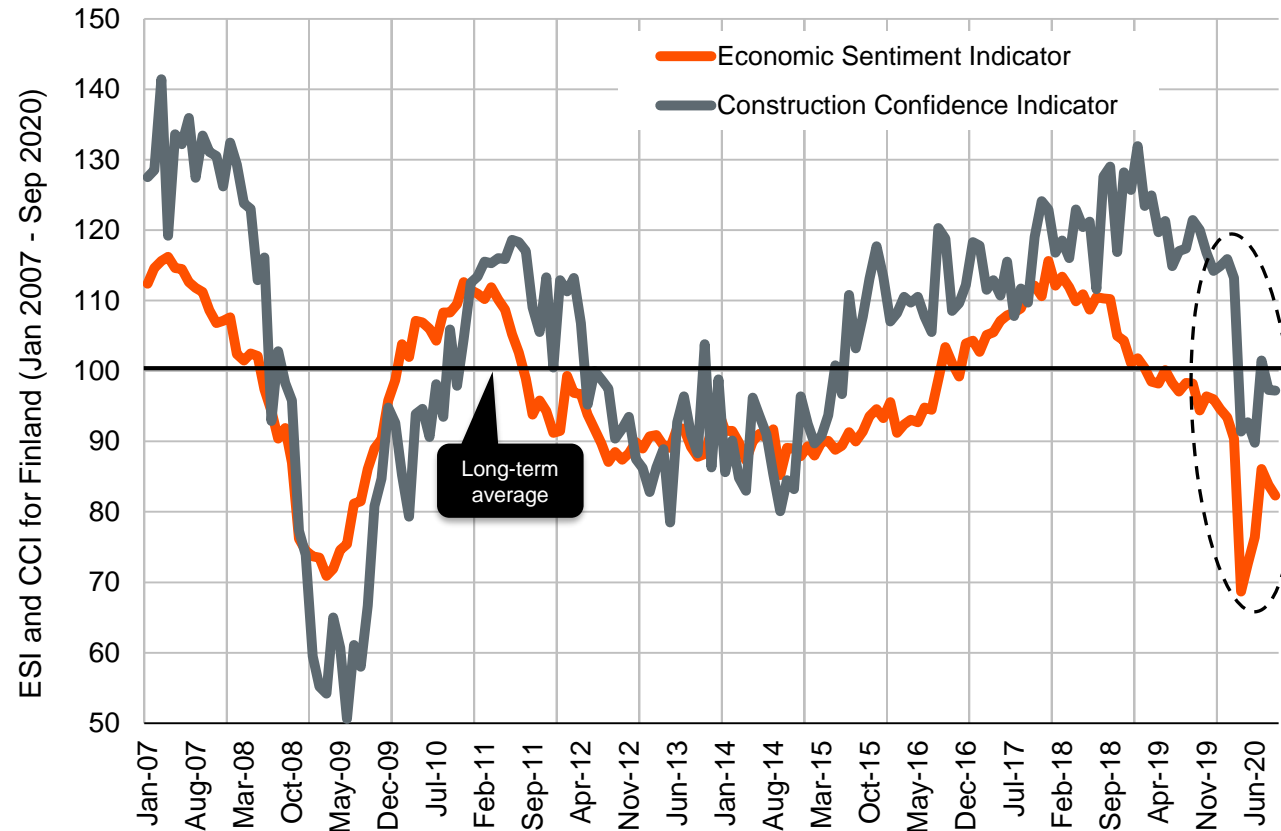


Increased need for building technology and automation

Source: Statistics Finland, May 2020

Economic sentiment and construction confidence in Finland following the development of the pandemic situation

Economic Sentiment and Construction Confidence / Finland (2007 – 9/2020)



Note: Mean-adjusted figures

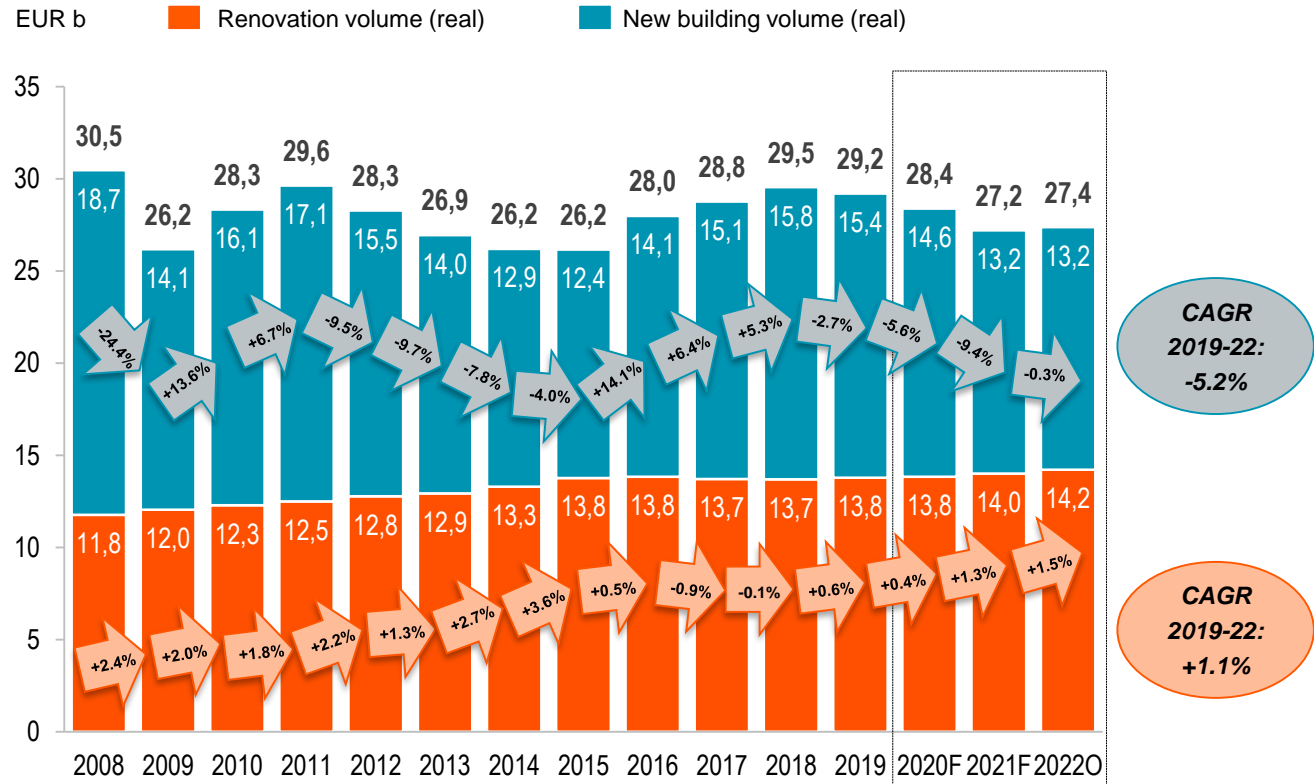
Source: European Commission, October 2020

Comments

- The spread of coronavirus and its accompanying containment measures clearly visible in the development of confidence indicators in 2020
- Both construction confidence and economic sentiment deteriorated sharply in April, construction confidence falling clearly below the long-term average in one month
- During the summer, thanks to the favorable development of the epidemic situation in Finland, confidence started to recover
- However, after the summer, the pandemic situation has again deteriorated leading to weakening of sentiment

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

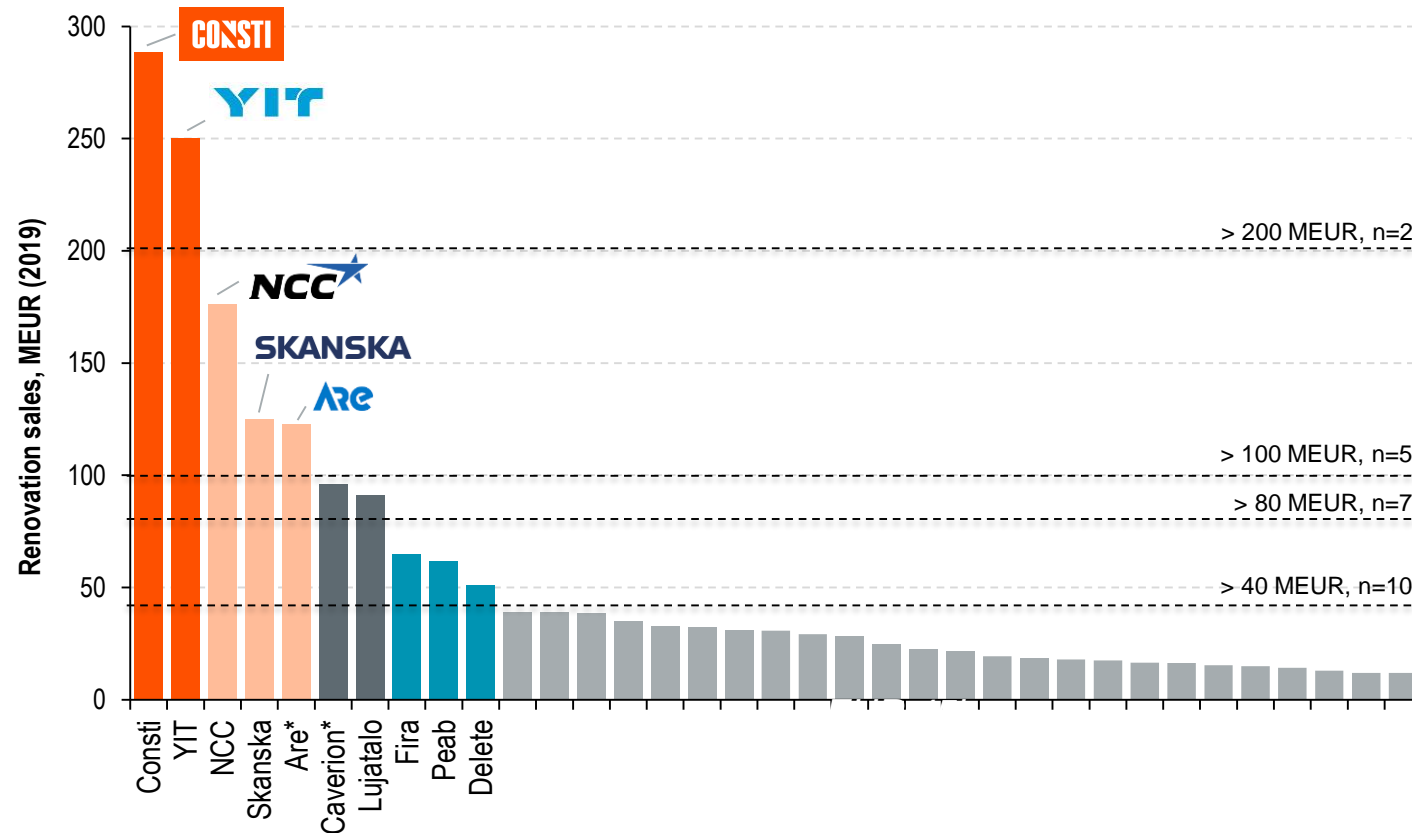
Comments

- 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

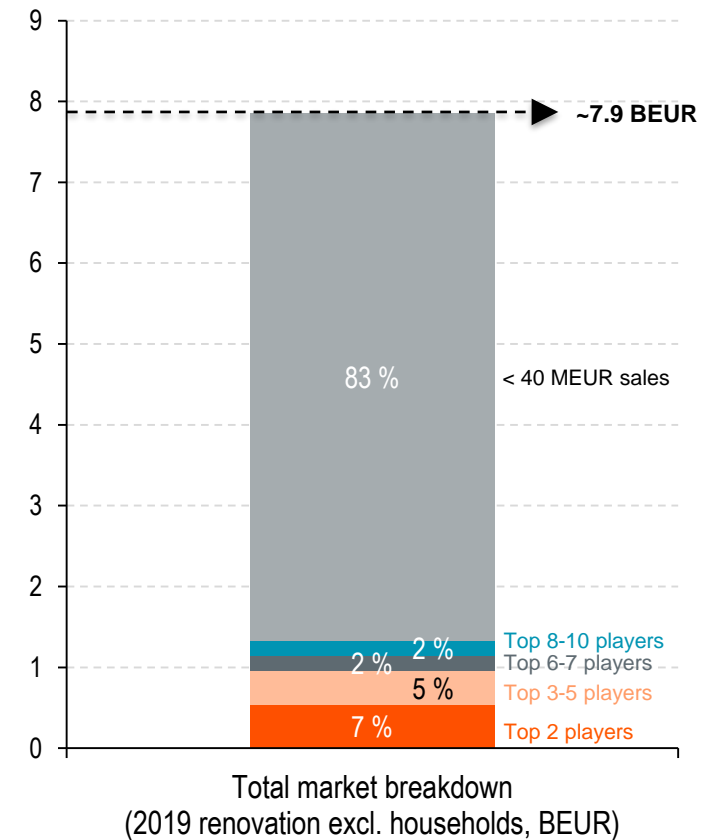
Finnish renovation market highly fragmented

Consti continued to be the largest player in Finnish renovation in 2019

Operators in the Finnish renovation market (based on revenue in 2019)



Overall renovation market (excl. households)



Source: Rakennuslehti, Asiakastiето, Consti analysis

* Technical building services specialists estimated on the basis of assumed business mix: 25 % renovation / 25% new building / 50% technical maintenance & facility management

Coronavirus pandemic (COVID-19)

COMMENTS ON RENOVATION MARKET

- According to the RAKSU construction trends group, the impact of corona crisis on renovation demand is partly positive and partly negative but the overall impact is negative
- 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
- Weakened demand for business premises due to corona crisis, oversupply of business premises as well as reduced real estate transactions diminish the growth in business premises renovation
- After the reporting period, the pandemic has unfortunately accelerated again, therefore increasing uncertainty in short-term demand outlook for renovation
- In the longer term, the demand outlook of renovation is affected by the development of the corona crisis and the general economic situation

IMPACT ON CONSTI

- Uncertainty increased by coronavirus pandemic was reflected in development of Consti's net sales and order intake in the third quarter
- In Housing Companies business area, net sales and order intake negatively impacted by the postponed decision-making of housing companies
- In Corporations business area, net sales and order intake negatively impacted by decreased demand for renovation services in the non-residential sector
- In the reporting period, Consti was able to ensure that work progresses at the worksites and that the customers' projects are executed without unnecessary interruptions
- In Q3, Consti continued to prioritise actions to protect the health of its personnel, customers and partners

Outlook and guidance for 2020

- Uncertainty increased by coronavirus pandemic has reflected in development of Consti's net sales and order intake in 2020
- As a result of the corona crisis, part of the planned renovation projects will be pushed forward
 - In housing company market, projects have been postponed due to delays in decision-making
 - In renovation of business premises, demand has weakened particularly in businesses hit hardest by the coronavirus
- After the reporting period, the pandemic has unfortunately accelerated again, therefore increasing uncertainty in short-term demand outlook for renovation
- Coronavirus pandemic has a negative impact on net sales for 2020 but performance is expected to remain solid also in the fourth quarter
- Consti's guidance for 2020 remains unchanged:
 - The Group's guidance for 2020: "The Company estimates that its operating result for 2020 will improve compared to 2019."



Summary

1. July-September net sales down year-on-year, affected by COVID-19
2. Solid performance in Q3: profitability continued to improve year-on-year both in absolute and relative terms
3. Financial position continued to strengthen as a result of improved profitability and cash flow
4. The coronavirus pandemic had an impact on the development of order intake during Q3
5. Short-term demand outlook uncertain - housing companies have postponed projects, and in renovation of business premises demand has weakened particularly in businesses hit hardest by the coronavirus
6. Despite short-term uncertainties, guidance for 2020 remains unchanged → FY2020 operating result to improve compared to 2019, and performance expected to be solid also in the fourth quarter

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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



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.

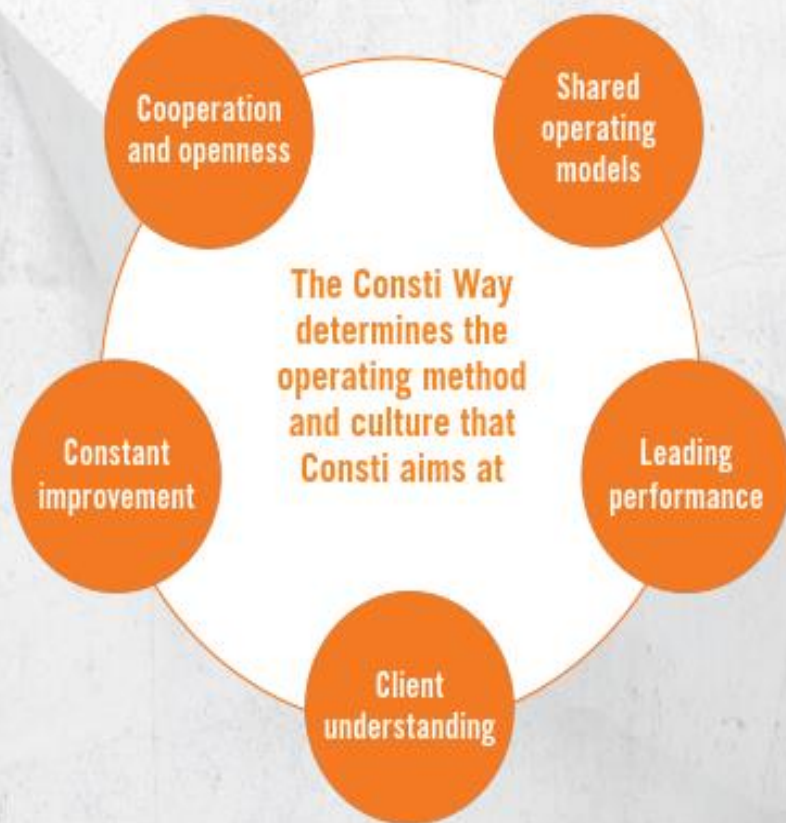
We know how we work, we know our strengths and we always work in our clients' best interests.

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

1-9/2020

CONSTI PLC

Q3

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