

An aerial photograph of a city, likely Helsinki, showing a dense urban landscape. A prominent building in the center is covered in white scaffolding and has the word 'CONSTI' written on its side. In the background, a large red brick church with two tall green spires is visible. The city is situated near a body of water, with islands and a bridge in the distance. The sky is clear and blue.

# CONSTI GROUP PLC

## FINANCIAL STATEMENTS

### 1 JANUARY – 31 DECEMBER 2017

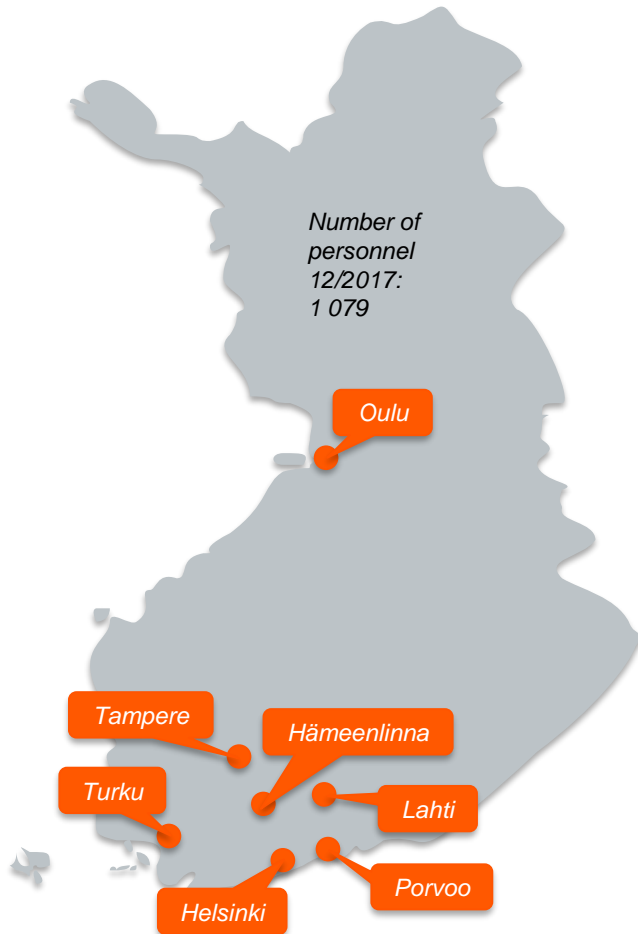
CEO Esa Korkeela



## Contents

- Highlights and Group performance
- Cash flow and financial position
- Market outlook, guidance and summary
- Appendix

# Highlights of the financial year 2017



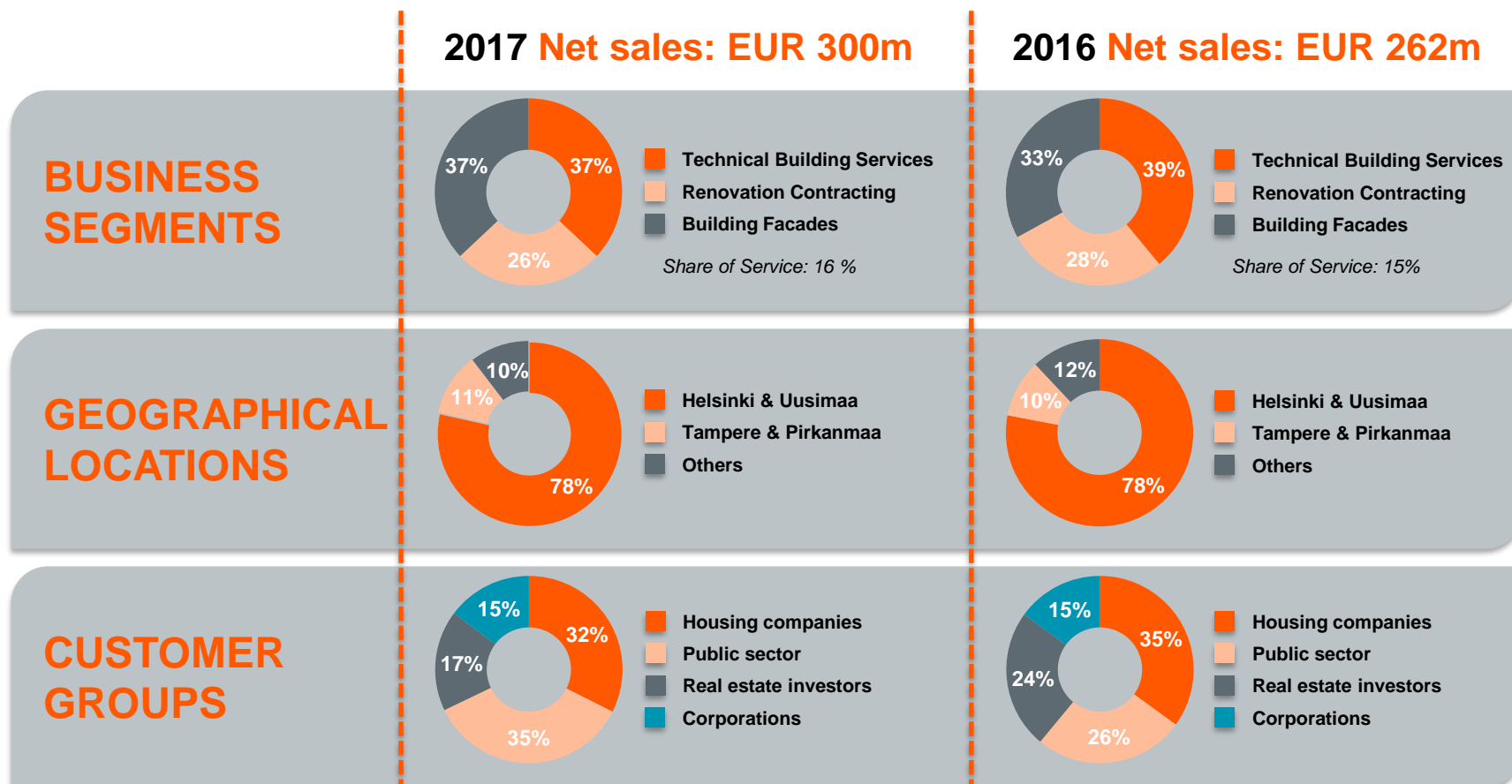
## Highlights of 10-12/2017 (y-o-y comparison in brackets)

- Net sales EUR 86.3 (74.8) million, growth 15.3%
- EBIT EUR -2.6 (4.4) million, EBIT margin -3.0% (5.9%)
- Free cash flow EUR 2.6 (0.5) million
- Earnings per share EUR -0.30 (0.44)

## Highlights of 1-12/2017 (y-o-y comparison in brackets)

- Net sales EUR 300.2 (261.6) million, growth +14.8%
- EBIT EUR -0.4 (11.0) million, EBIT margin -0.1% (4.2 %)
- Free cash flow EUR 8.9 (10.9) million
- Order backlog EUR 225.7 (190.8) million, up by +18.3% year-on-year
- Net interest-bearing debt EUR 12.1 (12.1) million
- Gearing at 47.7% (40.8 %)
- Earnings per share EUR -0.14 (1.05)
- **The Board proposes that no dividend will be paid for 2017**

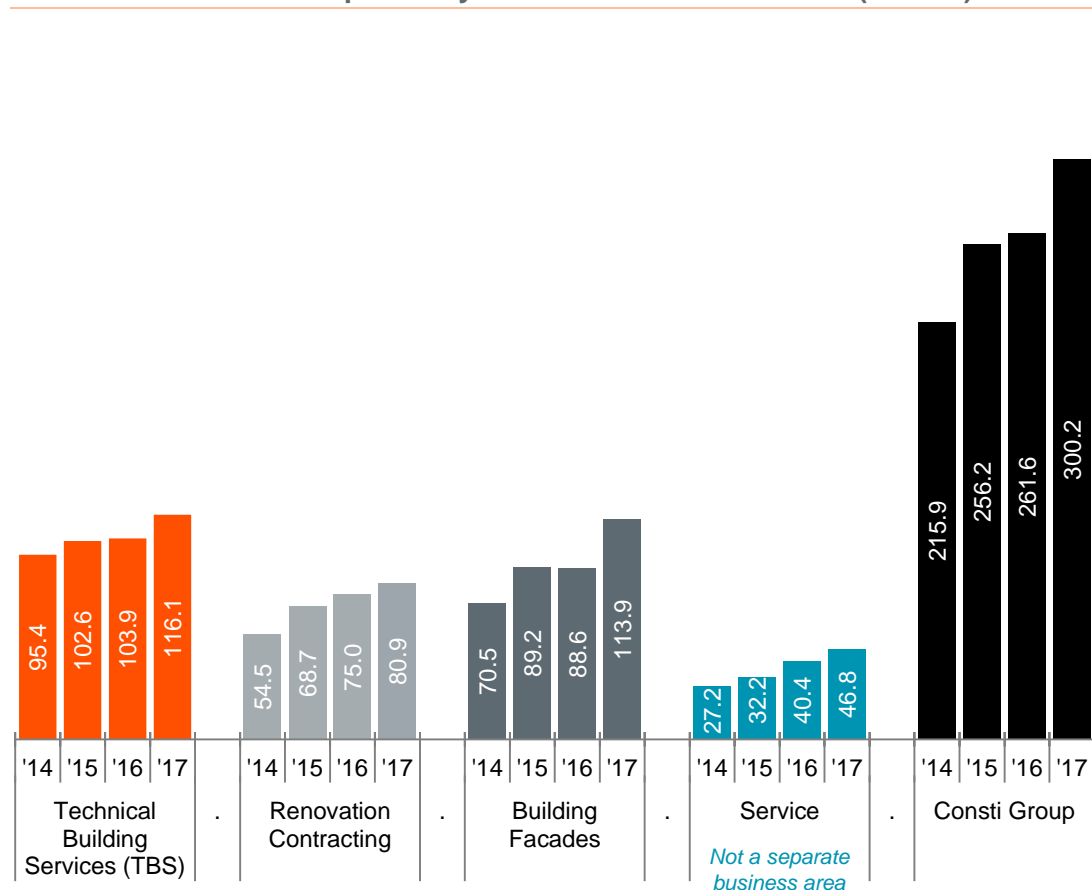
# Consti Group's sales overview – Diverse business and customer mix with strong focus on growth centres



1) Business area splits excluding eliminations

# Net sales development in 2017: Net sales grew in all business areas

Annual net sales development by business area 2014 – 2017 (EUR m)



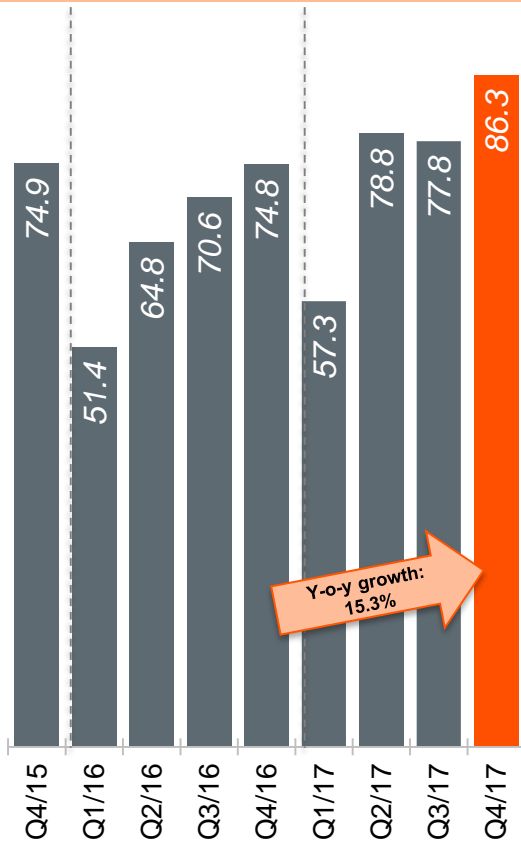
1) Business area splits excluding eliminations

## Comments

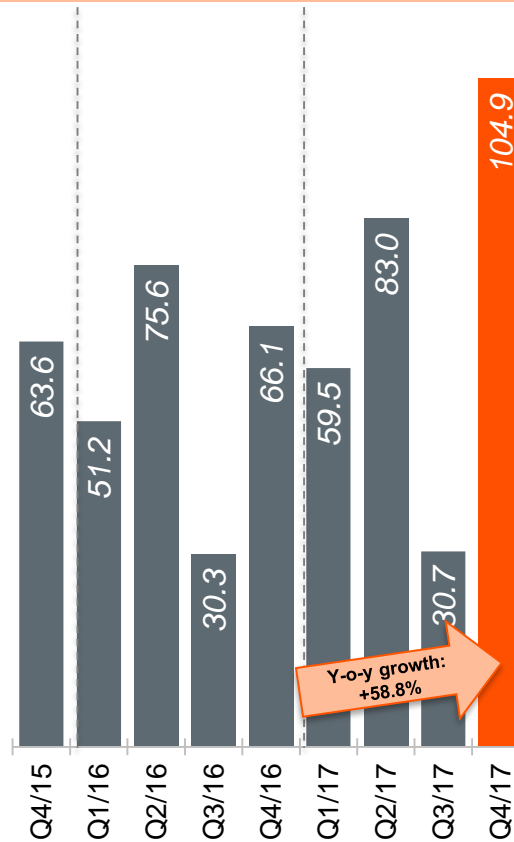
- FY2017 net sales EUR 300.2 million
  - y-o-y sales growth 14.8% (EUR 38.6 million)
  - organic growth 9.8% (EUR 25.5 million)
  - acquisition growth 5.0% (EUR 13.1 million)
- Building Facades +28.6%
- Technical Building Services +11.8%
- Renovation Contracting +7.8%
- Service operations, which are included in business areas' figures, grew by 15.6%
- In Building Facades, growth came mainly from Greater Helsinki area's Facade business
- In TBS, growth due to higher sales in business premises
- In Renovation Contracting, growth continued in the Greater Helsinki area and were also increased due to the acquisitions made during the second half of the year

# Quarterly performance overview: Net sales, order intake and order backlog increased

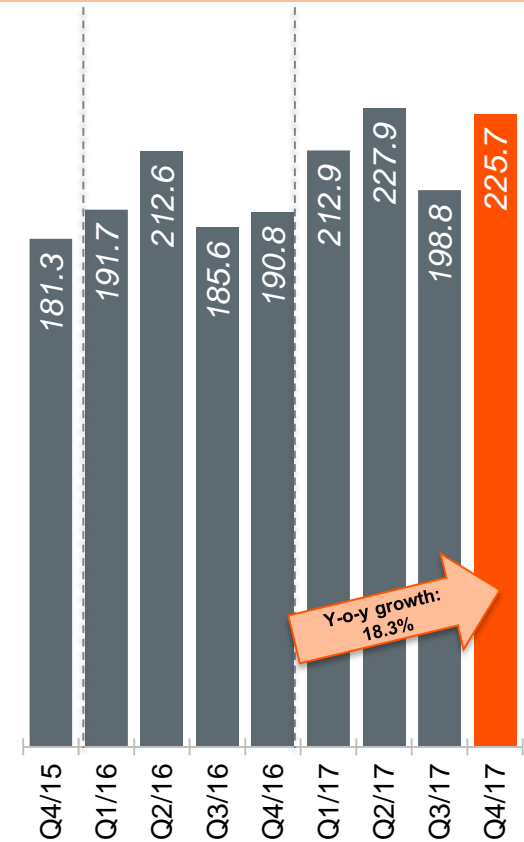
### Quarterly net sales (EUR m)



### Quarterly order intake (EUR m)

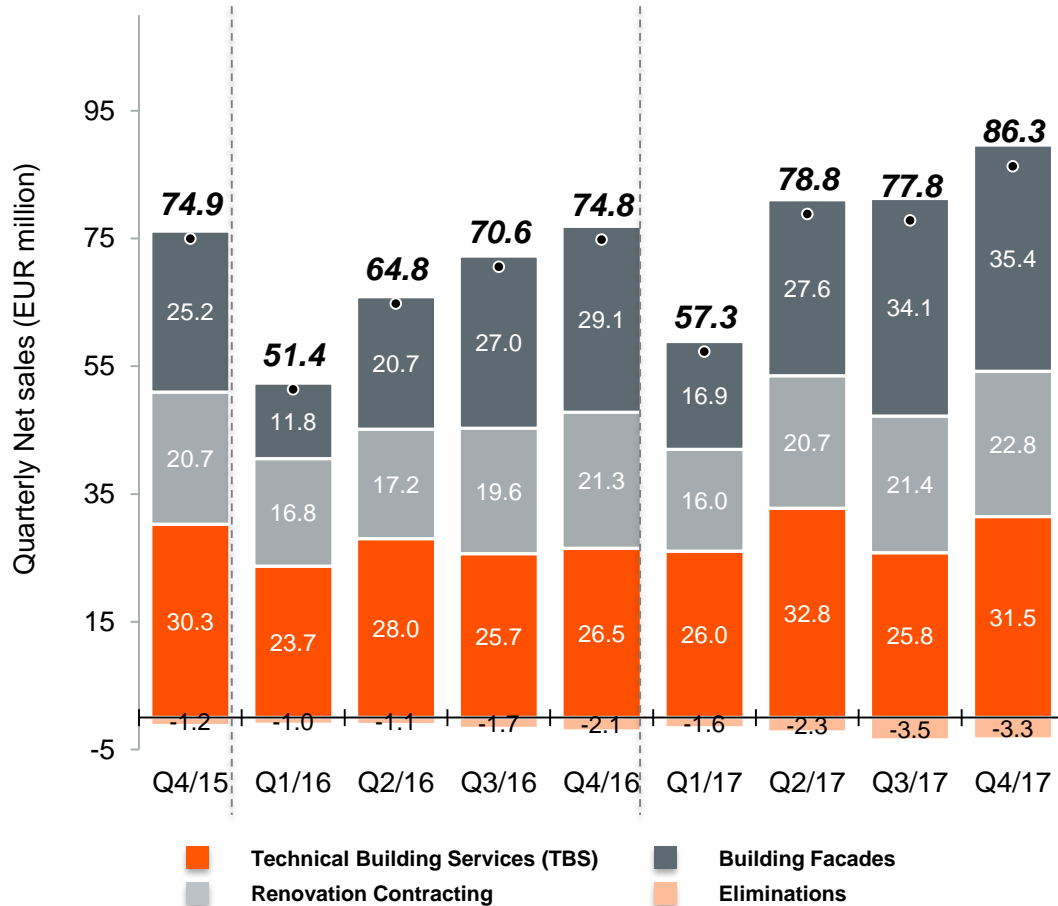


### Quarterly order backlog (EUR m)



# Quarterly net sales development: Fourth quarter net sales up by 15.3%

Quarterly net sales development Q4/2015 – Q4/2017 (EUR m)

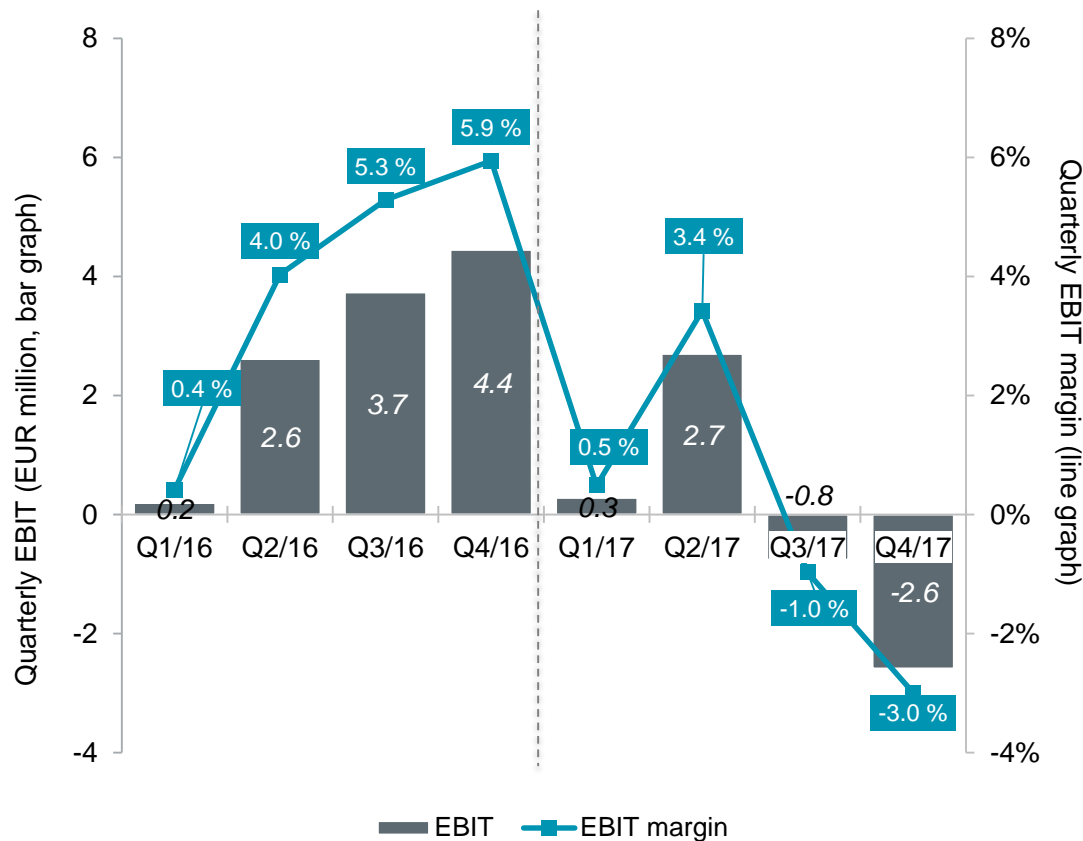


## Comments

- Q4/2017 net sales EUR 86.3 million (74.8 million)
  - y-o-y sales growth 15.3% (EUR 11.5 million)
  - organic growth 9.1% (EUR 6.8 million)
  - acquisition growth 6.3% (EUR 4.7 million)
- In Building Facades, growth of 21.7% attributable to good performance particularly in the Greater Helsinki area's facade business.
- In TBS, increase of 18.8% due to higher sales in business premises.
- In Renovation Contracting, growth of 6.7% supported by continued growth in the Greater Helsinki area and by the acquisitions made during the second half of the year.

# Quarterly EBIT development: Corrective actions for improving profitability initiated and ongoing (1/2)

Quarterly EBIT development Q4/2015 – Q4/2017 (EUR m)

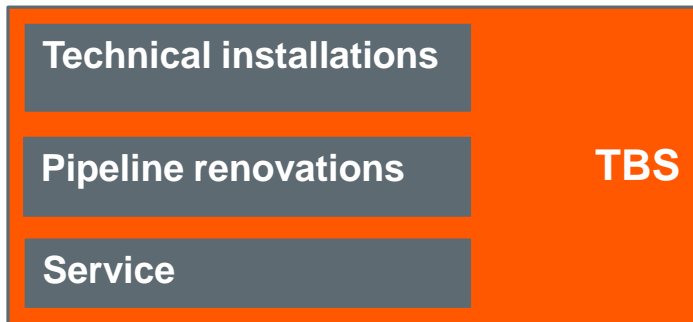


## Comments

- Q4/17 EBIT amounted to EUR -2.6 (4.4) million, or -3.0% (5.9%) of net sales
- Profitability problems in project management and execution weakened Q4 operating result
- Consti has continued to assess ongoing and completed projects, which still have remaining disagreements and unfinished work.
- Based on the assessments, we further adjusted our cost and profitability estimates for the project base and made provisions and write-offs mainly to the Technical Building Services business area, as well as one ongoing project in our Renovation Contracting business area.
- In addition, the operating result was weakened by the execution of the remaining performance obligations from certain already identified projects that generate low gross margin on sales.
- Full-year 2017 EUR -0.4m (11.0m), or -0.1% (4.2%) of net sales

# Quarterly EBIT development: Corrective actions for improving profitability initiated and ongoing (1/2)

## New TBS organisation



### Three different delivery processes:

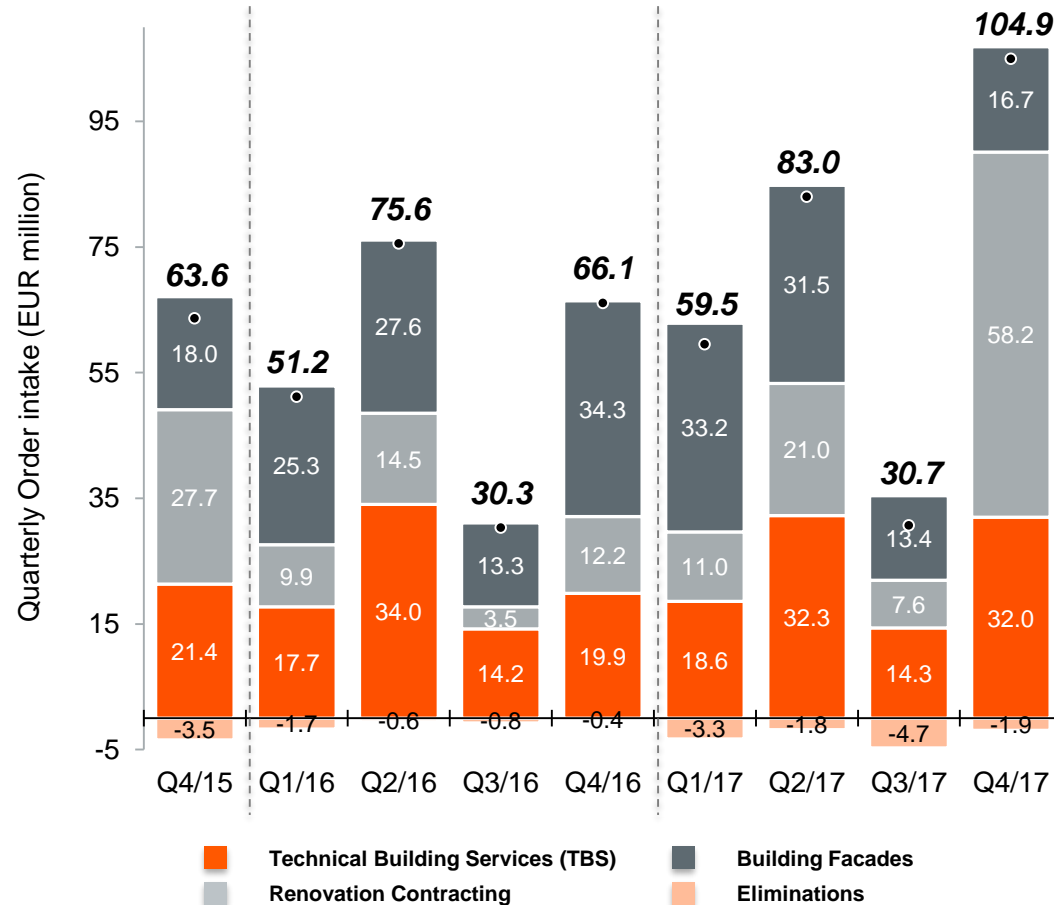
- Technical installations:
  - Subcontracting and parallel contracting
- Pipeline renovations:
  - Main contracting
  - Main contracting -model related processes (from RC & BF) to be implemented
- Service:
  - Separate TBS Service unit

## Comments (continued)

- Corrective actions:
  - Reorganisation of the Technical Building Services business area
    - New organisation in place as of 1 Jan 2018
    - Implementation of processes ongoing
    - Support functions streamlined
    - Increased margin requirements
    - Realigned requirements for selecting offered worksites
    - New Branch level leader in TBS and multiple changes at project level executed
    - With the reorganisation, our aim is
      - to improve the accountability of our businesses and
      - ability to response to market needs as well as
      - to clarify service offering and to improve project management
  - Decentralised operating model unchanged
    - Branch units have accountability
    - Discipline restored on project steering and reporting
    - Clarified financial reporting responsibilities

# Quarterly order intake development: Major new orders in RC supporting strong order intake in Q4/2017

Quarterly order intake development Q4/2015 – Q4/2017 (EUR m)



Comments

- Q4/2017 order intake EUR 104.9 million (66.1m), up by 58.8% y-o-y
  - Order intake growth was strong in Renovation Contracting (+376,6%) and in TBS (+60,9%) while decrease in Building Facades (-51.2%) y-o-y
  - Significant growth in RC due to a deal regarding the complete renovation of Hotel Scandic Marski in Helsinki and an order for the complete renovation of two properties in Helsinki, Oy Ässäkeskus Ab and KOy Vallilan's premises.
- Full-year 2017 order intake EUR 278.1m (223.1m), up by 24.7% y-o-y
  - Renovation and renewal projects in RC and business premises related projects in TBS were highlighted in order intake in 2017.

# Strong order intake particularly in Renovation contracting in the fourth quarter

## TECHNICAL BUILDING SERVICES

**Q4/17 order intake:**  
EUR 32.0m (+60.9% yoy)

### EXAMPLES OF NEW ORDERS:

- **Scandic Hotel Marski, Helsinki**
  - Renewal of technical building services systems
- **Sipoonlahden koulu, Sipoo**
  - HVAC
- **Satoseija As Oy, Tampere**
  - Improvement of technical building services systems

## RENOVATION CONTRACTING

**Q4/17 order intake:**  
EUR 58.2m (+376.6 % yoy)

### EXAMPLES OF NEW ORDERS:

- **Scandic Hotel Marski, Helsinki**
  - Complete renovation of the hotel property
- **Oy Ässäkeskus Ab and KOy Vallila's premises, Helsinki**
  - Oy Ässäkeskus Ab's facility modifications and repairs to technical building services systems
  - KOy Vallilan toimisto complete renovation of three buildings
- **Tasalämpö Oy, Tampere**
  - Extension of business premises and improvement of technical building services

## BUILDING FACADES

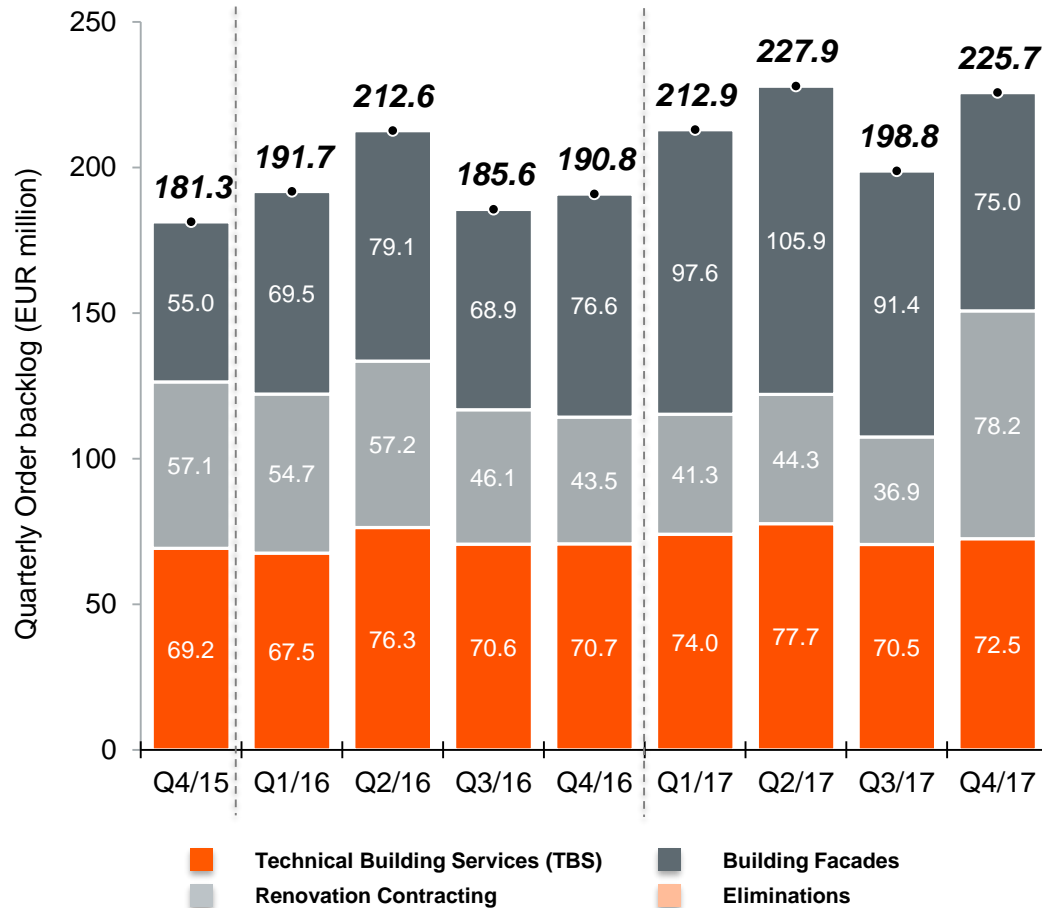
**Q4/17 order intake:**  
EUR 16.7 m (-51.2% yoy)

### EXAMPLES OF NEW ORDERS:

- **Helsingin kaupungin asunnot Oy, Pelimannintie 15, Helsinki**
  - First phase renovation including three residential apartments and a maintenance building
- **As Oy Eerikinkatu 33, Helsinki**
  - Renovation of facades and balconies including repair of windows and exterior doors
- **As Oy Arkadia 12, Helsinki**
  - Repair of facades, repair of rooftop and renewal of ventilation balconies

# Quarterly order backlog development: Backlog up by 18 % y-o-y

Quarterly order backlog development Q4/2015 – Q4/2017 (EUR m)



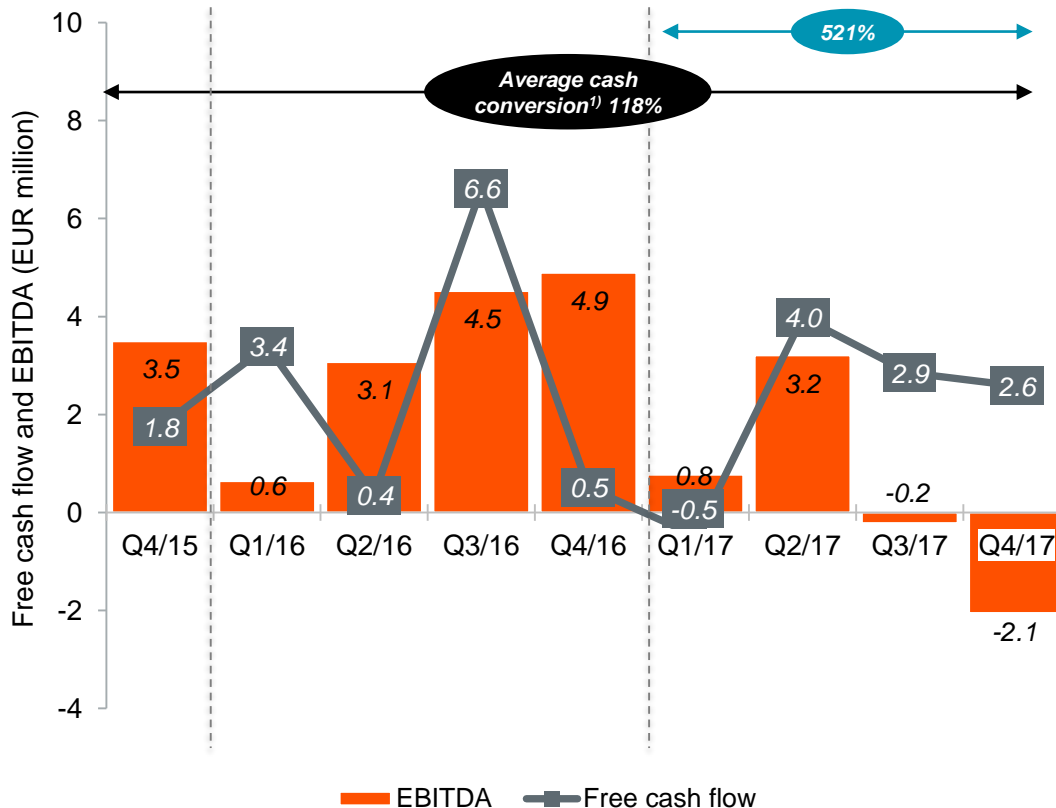
## Comments

- Q4/2017 order backlog at EUR 225.7 million (190.8m), year-on-year growth +18.3%
- Order backlog grew particularly in Renovation Contracting (+79.8% year-on-year) due to major new orders received during the quarter.
- In Technical Building Services and in Building Facades order backlog was close to comparison period level with changes of +2.5% and -2,1% year-on-year

# Cash Flow and Financial Position

# Quarterly free cash flow development: Free cash flow EUR 8.9 million in FY2017

Quarterly free cash flow and EBITDA Q4/2015 – Q4/2017 (EUR m)



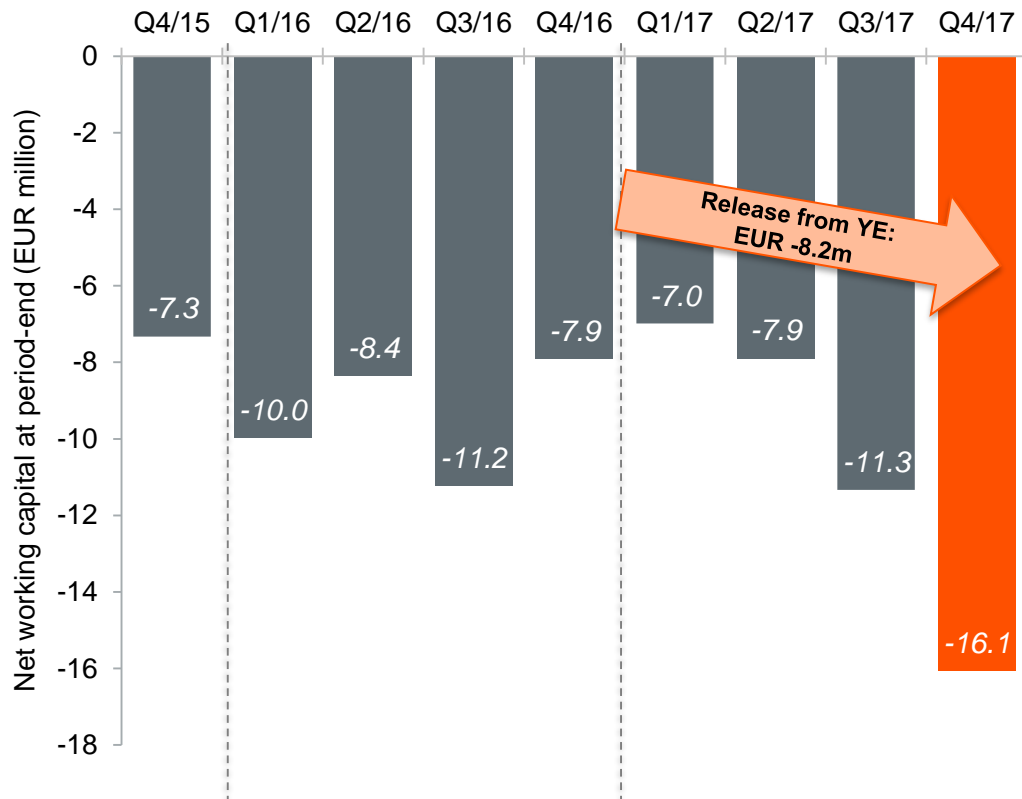
## Comments

- Q4/2017 free cash flow amounted to EUR 2.6m (0.5m)
  - The cash flow from operating activities grew during the period due to the released working capital, even though the operating result weakened.
- Full-year 2017 free cash flow EUR 8.9m (10.9m)
  - Cash conversion ratio of 521.4% (82.8 %) for the full year
- Average cash conversion ratio of 118% in the period of Q4/15 – Q4/17
  - 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: NWC released during Q4/2017

Quarterly net working capital<sup>1)</sup> Q4/2014 – Q4/2017 (EUR m)



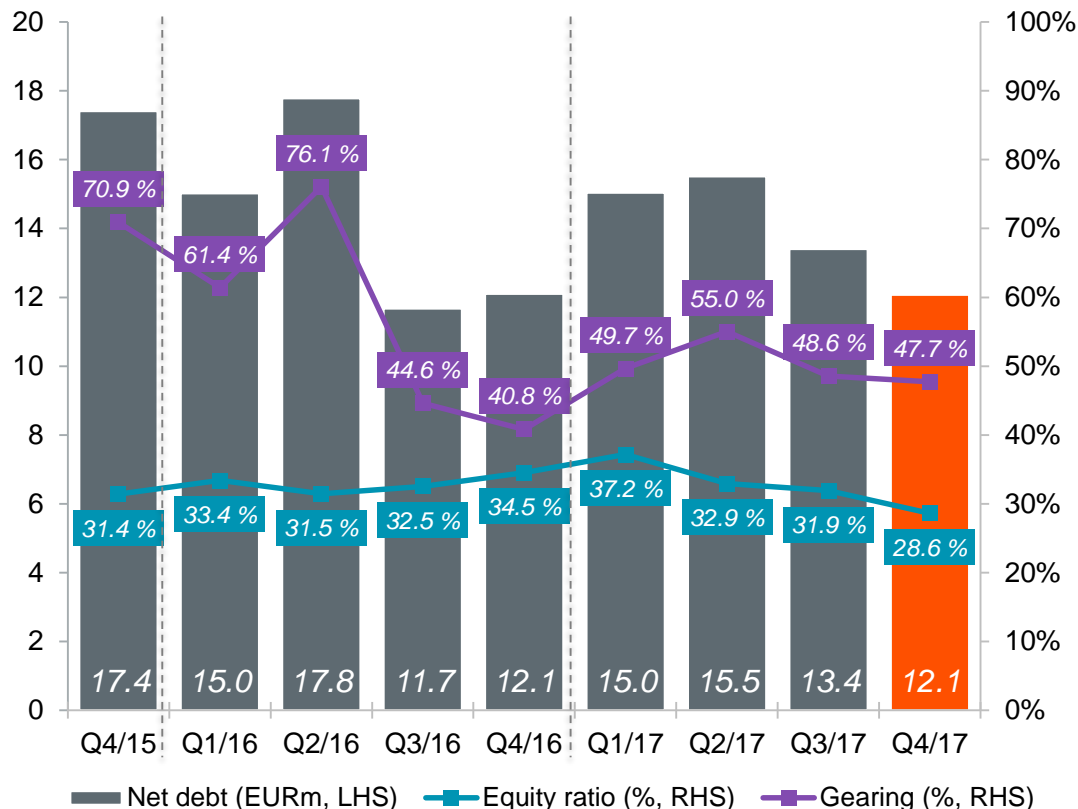
## Comments

- Net working capital EUR -16.1m (-7.9m) at the end of Q4/2017
- Release of NWC from year-end 2016 amounted to EUR 8.2m (0.6m)

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

# Quarterly balance sheet structure: Net debt level unchanged

Quarterly net debt, equity ratio and gearing Q4/2015 – Q4/2017



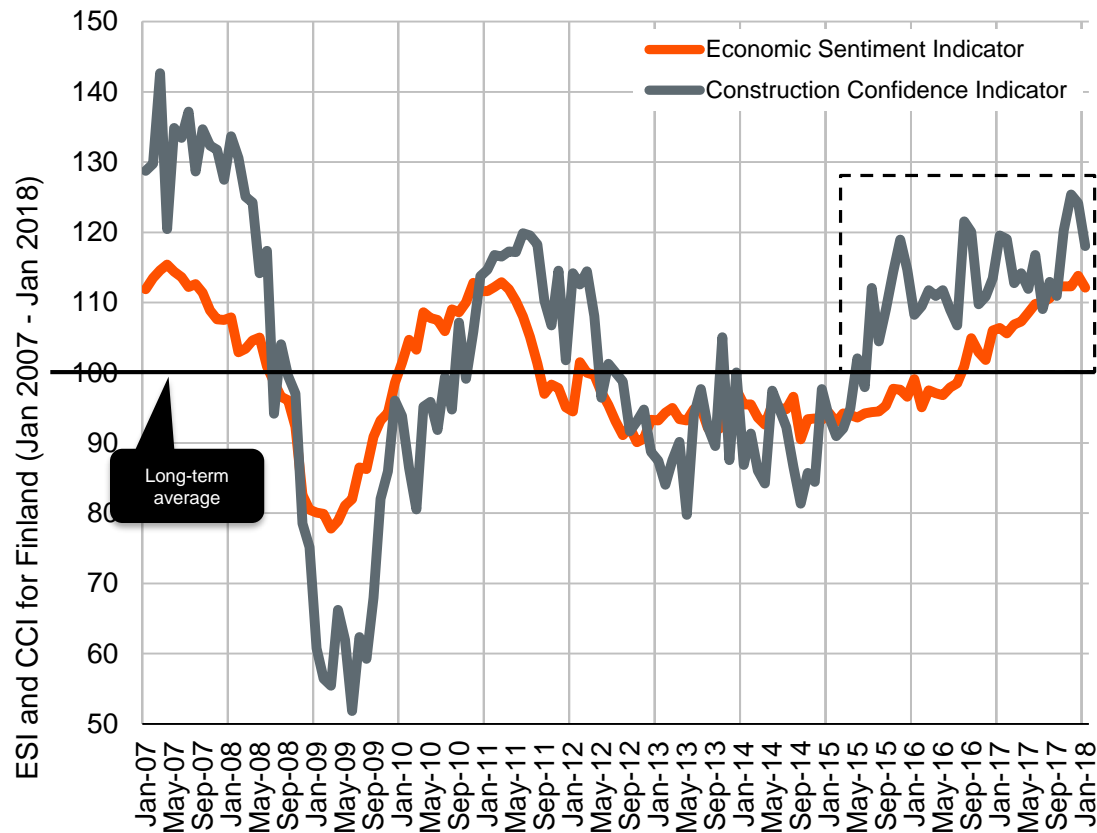
Comments

- Q4/2017 net debt at EUR 12.1m (12.1m)
- Refinancing of long-term debt in July 2017
- Q4/2017 equity ratio 28.6% (34.5 %)
- Q4/2017 gearing at 47.7% (40.8 %)

# Market Outlook, guidance and summary

# Lead indicators for Finnish construction suggest a favourable market environment going forward

## Economic Sentiment and Construction Confidence / Finland (2007 – 1/2018)



## Comments

- Economic sentiment in Finland 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 end of 2017

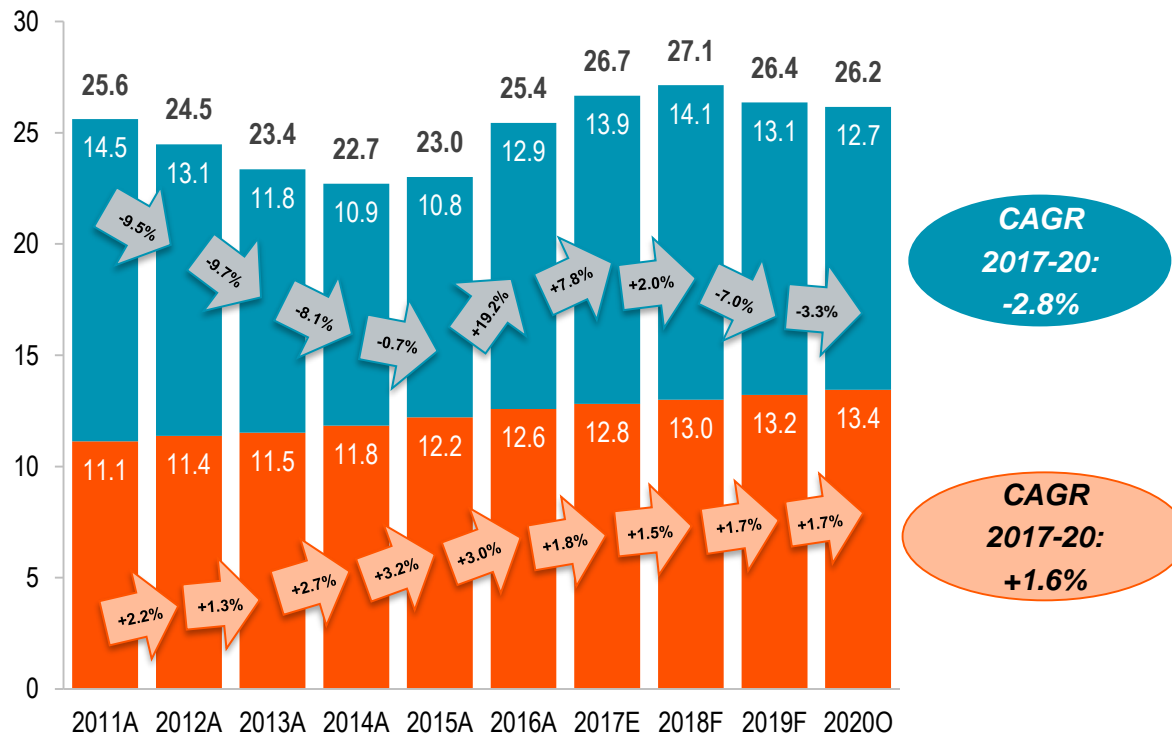
Note: Mean-adjusted figures

Source: European Commission, January 2018

# Stable growth in renovation to continue

## Finnish new building and renovation market development

EURmrd ■ Renovation volume (real) ■ New building volume (real)



- The peak of the economic cycle in construction sector in progress.
  - Challenges in availability of building technology and renovation professionals
- Total construction market forecast for 2017: Euroconstruct +4.8% and CFCI +4.4%
- New building forecast for 2017: Euroconstruct +7.8% and CFCI +7.3%
- Renovation forecast for 2017: Euroconstruct + 1.8% and CFCI +1.5%
  - 1970s apartments' total renovations, and renovations for saving energy, in public sector schools and hospitals in particular
  - Major refurbishments for office and commercial buildings

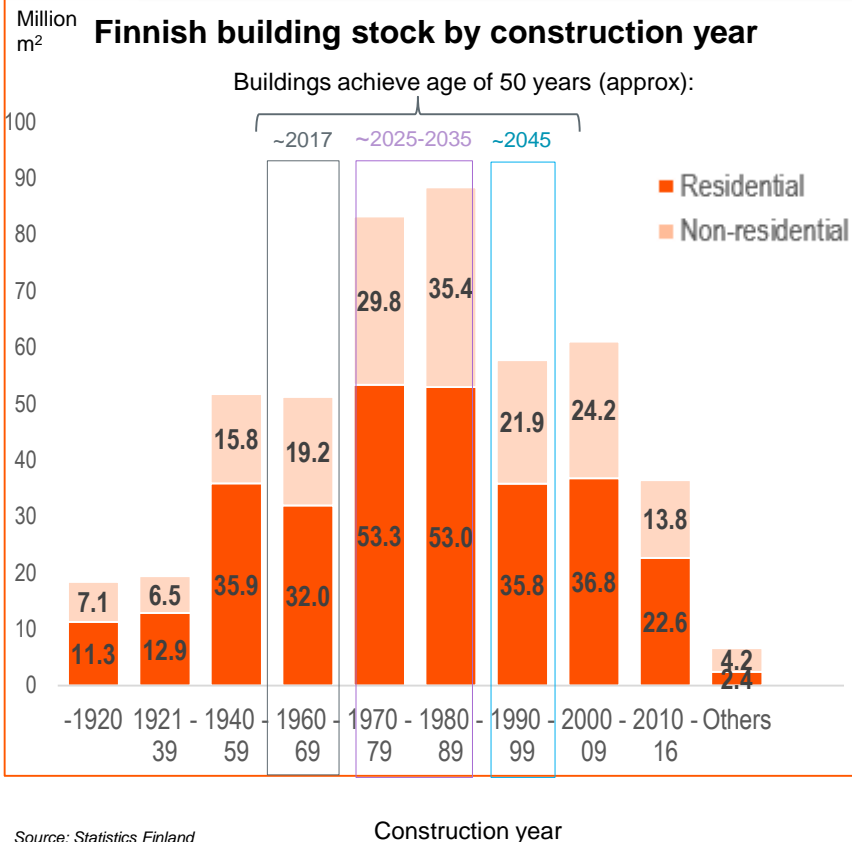
Source: Euroconstruct, November 2017

CFCI = The Confederation of Finnish Construction Industries, October 2017

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



## Ageing building stock



## Energy efficiency



## Urbanisation and concentration of renovation in growth centers





## Modifications of the use of buildings



## Increased need for building technology and automation

# Realisation of Consti's long-term financial targets in 2017

Growth	Profitability	Cash flow	Capital structure	Dividends
<p><i>Average annual growth in net sales of at least 10%</i></p>	<p><i>Adjusted EBIT-margin exceeding 5 percent</i></p>	<p><i>Cash conversion ratio exceeding 90 percent<sup>1</sup></i></p>	<p><i>Net debt to adjusted EBITDA ratio of less than 2.5x while maintaining an efficient capital structure</i></p>	<p><i>The Company's aim is to distribute as dividends at least 50 percent of the Company's annual net profit<sup>2</sup></i></p>
<p><u>FY 2017</u></p>	<p><u>FY 2017</u></p>	<p><u>FY 2017</u></p>	<p><u>FY 2017</u></p>	<p><u>FY 2017 proposal</u></p>
<p><b>+14.8%</b></p>	<p><b>-0.1%</b></p>	<p><b>521%</b></p>	<p><b>7.04</b></p>	<p><b>-</b></p>
<ul style="list-style-type: none"> <li>Target was achieved in FY 2017</li> </ul>	<ul style="list-style-type: none"> <li>FY2017 EBIT weakened by profitability problems in project management and execution.</li> </ul>	<ul style="list-style-type: none"> <li>Target was achieved in FY 2017</li> </ul>	<ul style="list-style-type: none"> <li>Target was not achieved in FY 2017.</li> </ul>	<ul style="list-style-type: none"> <li>Board proposes that no dividend will be paid for 2017</li> </ul>
				

1) Cash conversion defined as free cash flow divided by EBITDA. Free cash flow equals operating cash flow before net financial items and taxes less investments in tangible and intangible assets

2) While taking other factors such as financial position, cash flow and growth opportunities into consideration.

# Guidance for financial year 2018

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



# Summary

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1. FY2017 net sales up by 14.8 %, share of organic growth 9.8 %
2. Order intake and order backlog continued to increase year-on-year
3. Profitability problems in project management and execution weakened FY2017 operating result. Corrective actions are ongoing and will be finalized during the first quarter of 2018.
4. Free cash flow EUR 8.9 million in FY 2017
5. Positive renovation outlook and 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

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

## 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

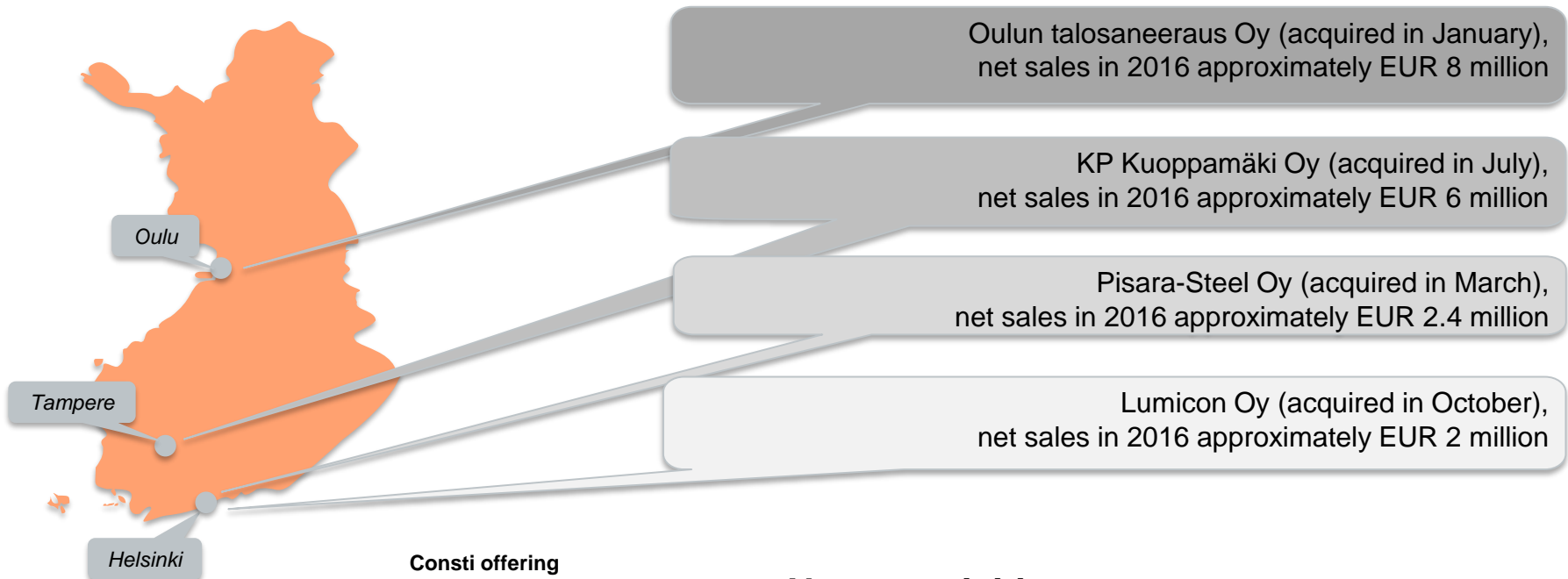
Professional skill and experience

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

# Acquisitions in 2017: four acquisitions during FY 2017



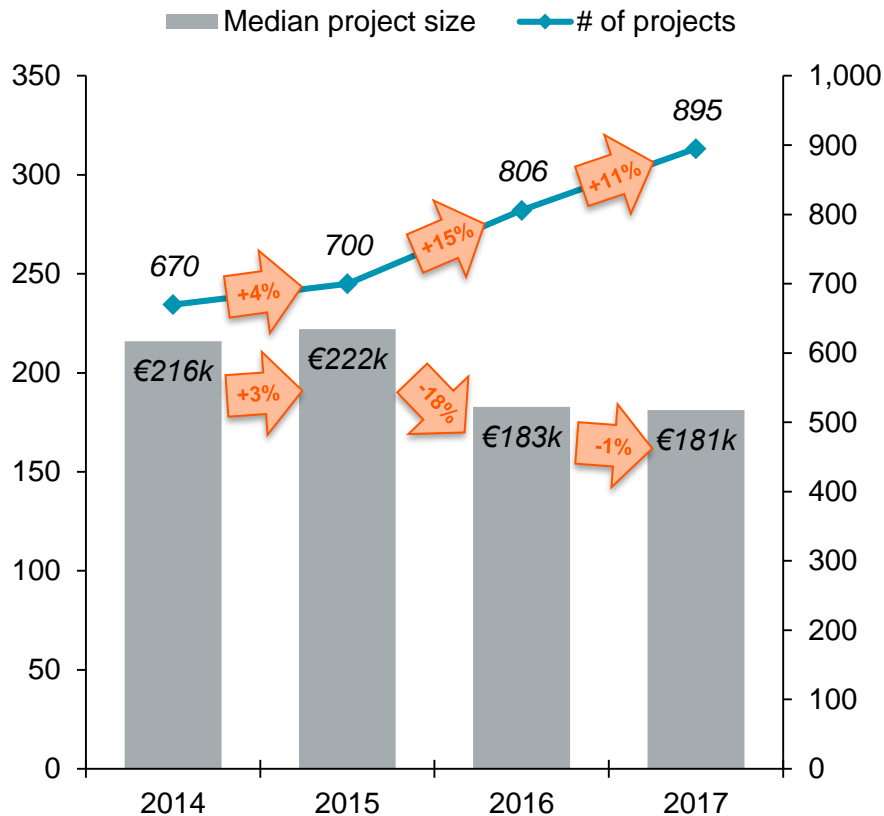
	Consti offering			Service
	TBS	BF	RC	
Oulun Talosaneeraus Oy	✓	-	-	-
Pisara Steel Oy	-	✓	-	✓
KP Kuoppamäki Oy	-	-	✓	✓
Lumicon Oy	-	-	✓	✓

## New acquisitions:

- Support strategic growth areas
  - Pipeline renovations
  - Promising specialty renovation markets such as roof renovations
  - Geographic growth

# Consti Group's project overview – Dispersed project base with a relatively small median project size

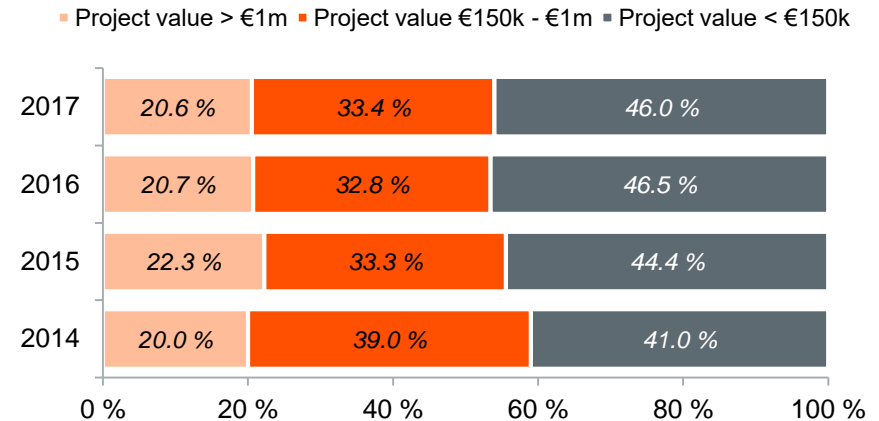
## Diversified project base and a fairly small median project size



## Comments

- In 2017, the company had 895 projects<sup>1)</sup> with a median project size of EUR 181 thousand
- In 2017, net sales was generated from relatively small projects
- Large projects typically realised in net sales over several years
- In 2013-2017, net sales realised during one year from one single project has not exceeded 10% of that year's sales
- 79% of the projects in progress in 2017 were valued at EUR 1 million or below

## Project size distribution 2014-2017 (# of projects)



1) Number of projects based on management accounts. Project is qualified if it is accounted for according to the POC method and had realised revenue during the financial year. Total number of work tasks performed is larger (including non-POC)



**CONSTI**

**FINANCIAL STATEMENTS**

**1-12/2017**

**CONSTI GROUP PLC**

**FY2017**

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