

# CONSTI GROUP PLC

FINANCIAL STATEMENTS  
1 JANUARY – 31 DECEMBER 2019

CEO Esa Korkeela  
CFO Joni Sorsanen



CONSTI

# CONTENTS

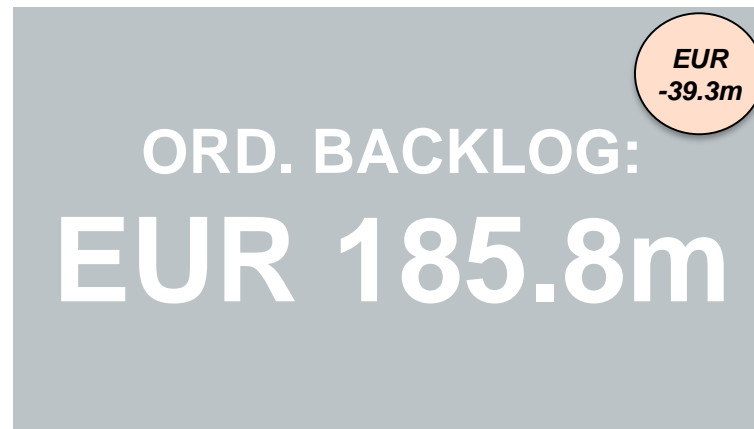
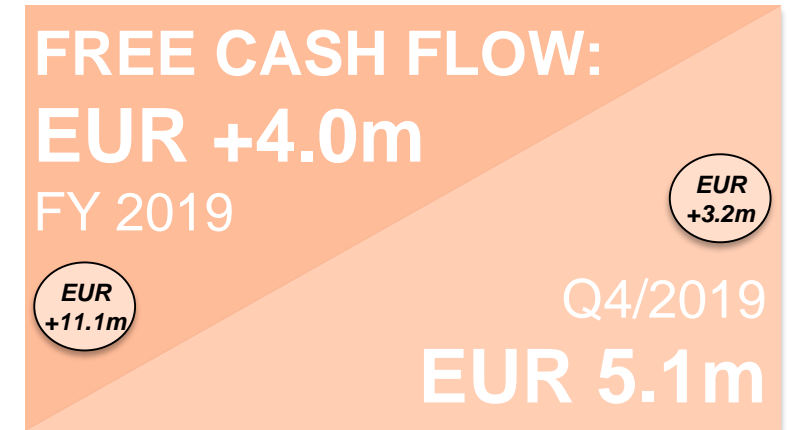
---

1. **Highlights and Group performance**
2. Cash flow and financial position
3. Market outlook, guidance and summary
4. Appendix



# Highlights of FY 2019 and Q4/2019

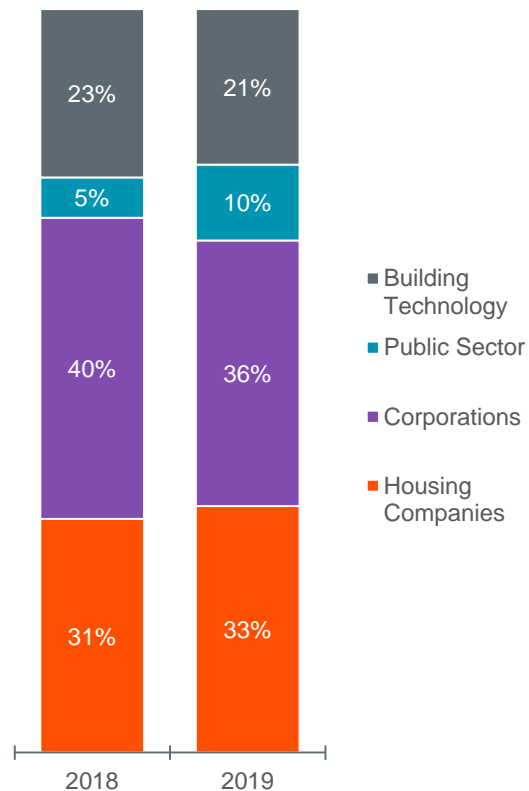
Profitability and cash flow improved



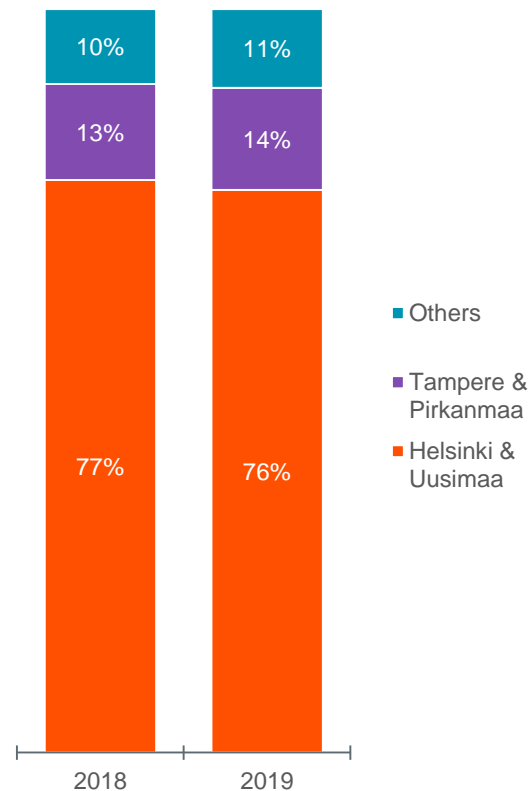
# Consti Group's net sales overview 2018-19

Share of revenue generated from the customers in public sector increased in 2019, share of Service business increased slightly

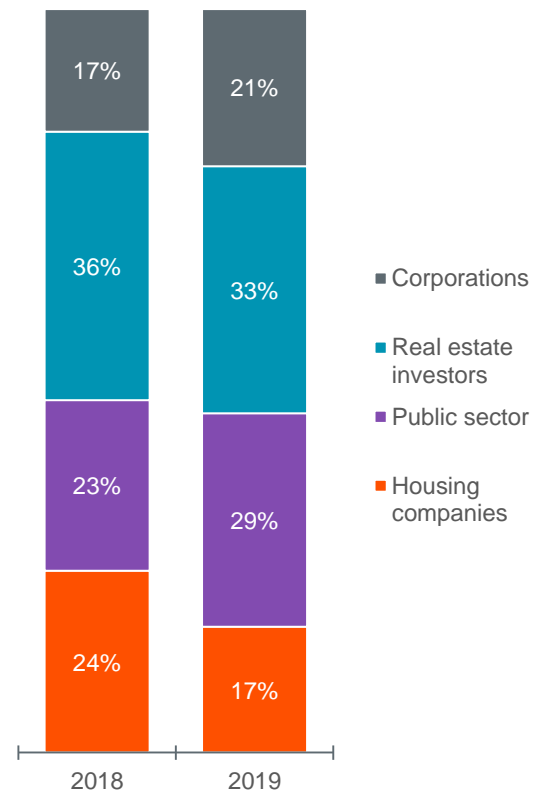
### Net sales by business area



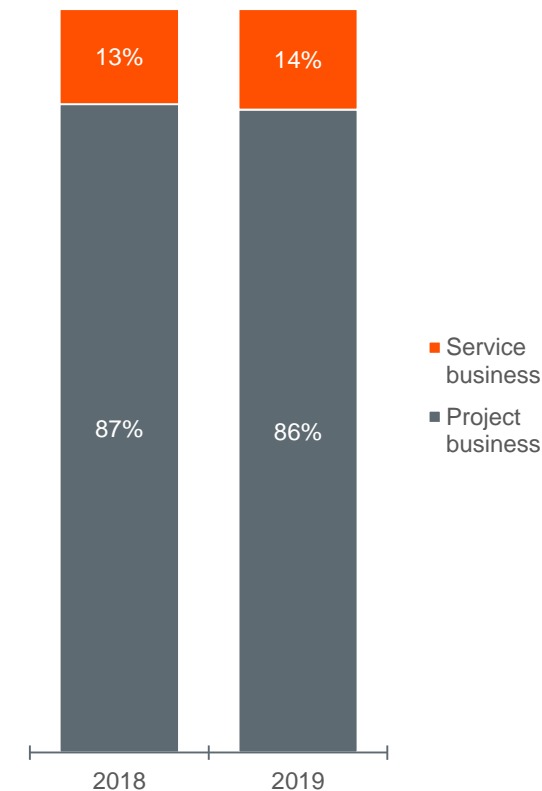
### Net sales by geography



### Net sales by customer group



### Net sales by project / service

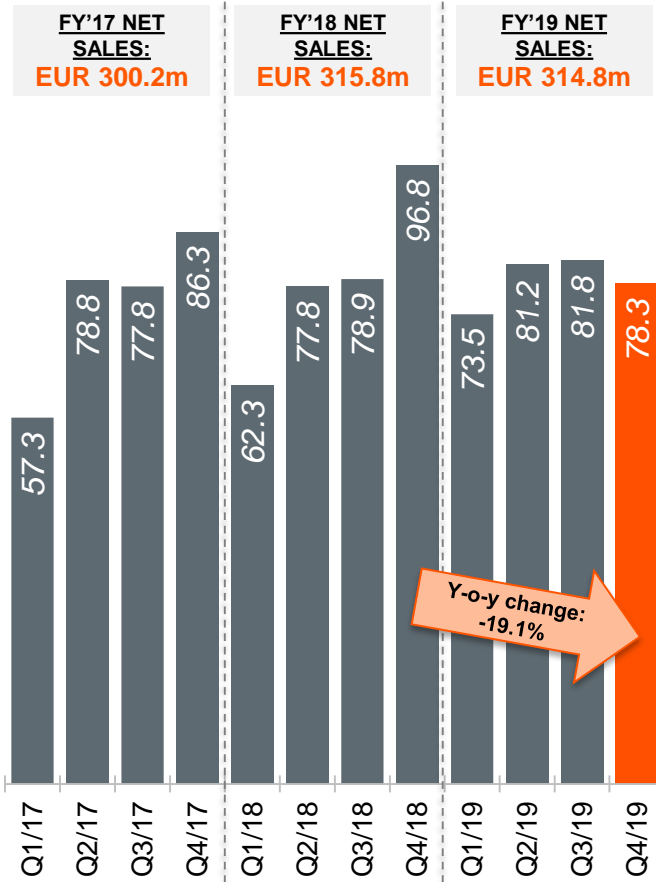


1) Business area splits excluding eliminations

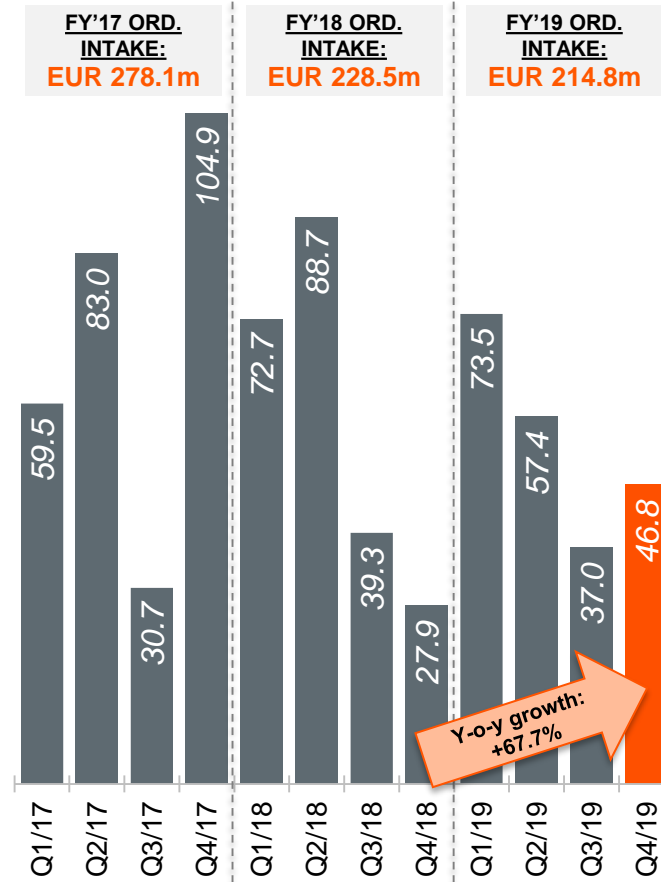
# Quarterly performance overview

Net sales for Q4 fell short of the strong comparison period according to expectations, order backlog down year-on-year regardless of growth in Q4 order intake

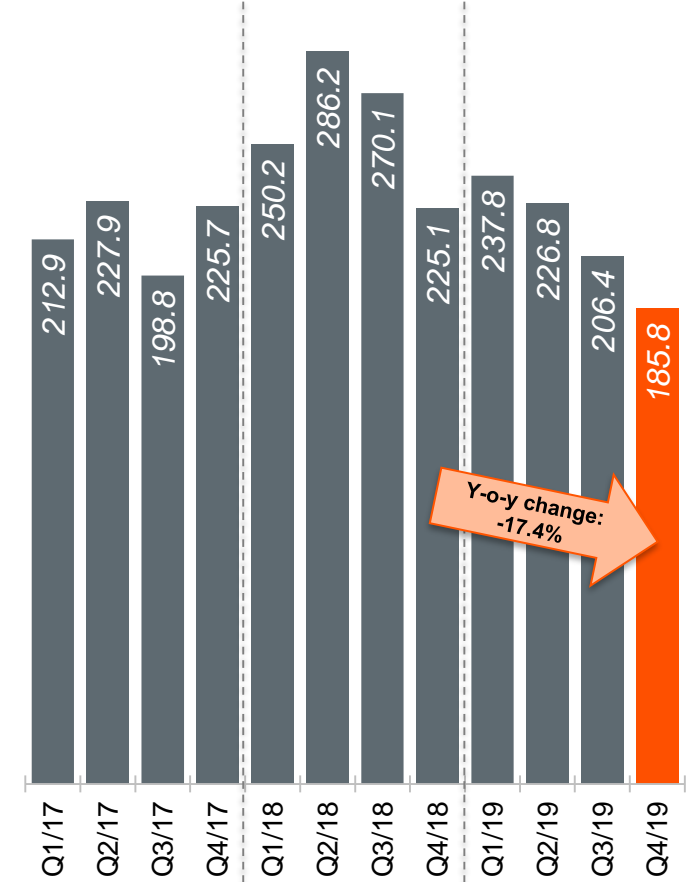
QUARTERLY NET SALES (EUR m)



QUARTERLY ORDER INTAKE (EUR m)



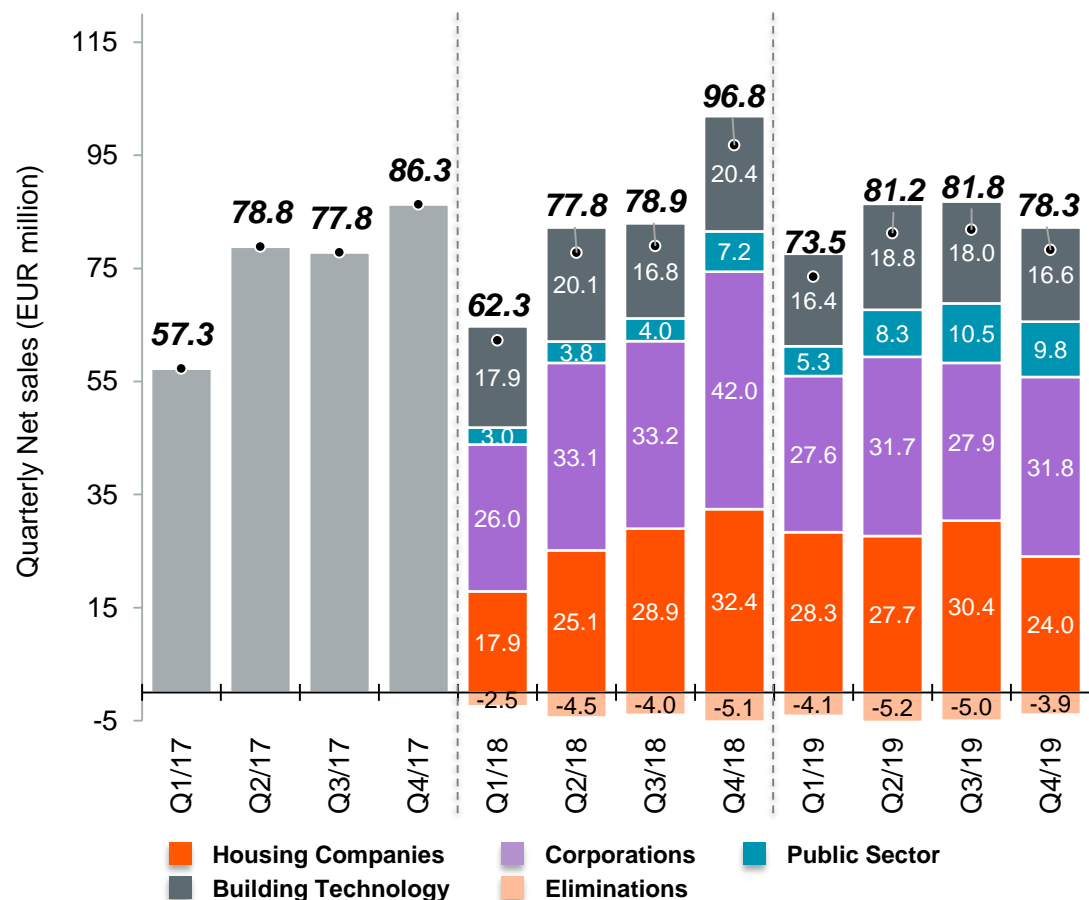
QUARTERLY ORDER BACKLOG (EUR m)



# Quarterly net sales development

Full-year net sales virtually on last year's level, quarterly net sales down by 19.1%

Quarterly net sales development Q1/2017 – Q4/2019 (EUR m)



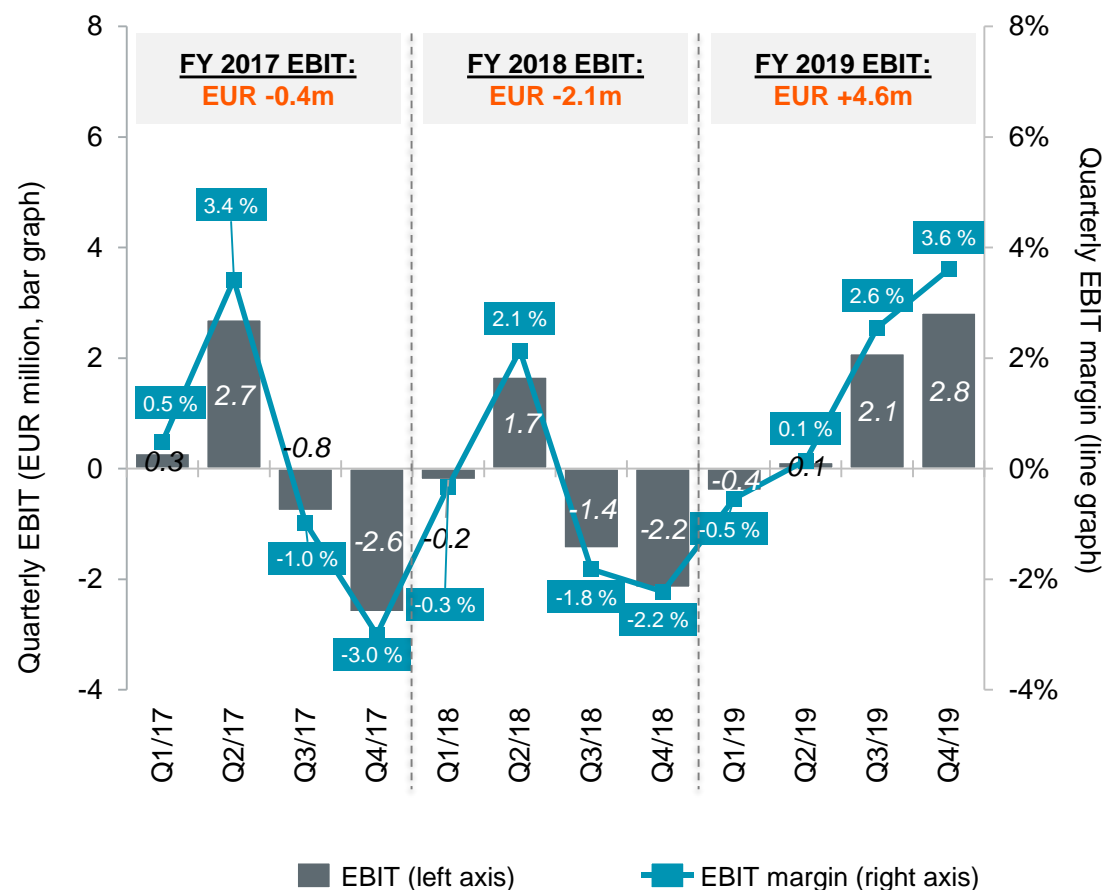
## Comments

- Q4/2019 net sales EUR 78.3m (96.8m)
  - Year-on-year growth -19.1% → net sales development reflects more disciplined bidding procedures, additionally comparison period supported by strong volume generated from large comprehensive renovation projects
  - Housing Companies net sales EUR 24.0m (32.4m)
  - Corporations net sales EUR 31.8m (42.0m)
  - Public Sector net sales EUR 9.8m (7.2m)
  - Building Technology net sales EUR 16.6m (20.4m)
- FY 2019 net sales EUR 314.8m (315.8m)
  - Year-on-year growth -0.3% → growth levelled out towards year-end
  - Housing Companies net sales EUR 110.4m (104.3m) → growth was good especially in facade renovations
  - Corporations net sales EUR 119.1m (134.3m) → net sales generated from non-residential renovation grew but net sales from residential renovation declined due to reorganisation of Housing repair unit initiated in late 2018
  - Public Sector net sales EUR 33.9m (18.0m) → growth in line with expectations in relation to low comparison period
  - Building Technology net sales EUR 69.7m (75.2m) → net sales development impacted by previously introduced new operating models and more disciplined bidding processes

# EBIT development

EBIT improved quarter by quarter towards the end of the year

Quarterly EBIT development Q1/2017 – Q4/2019 (EUR m)

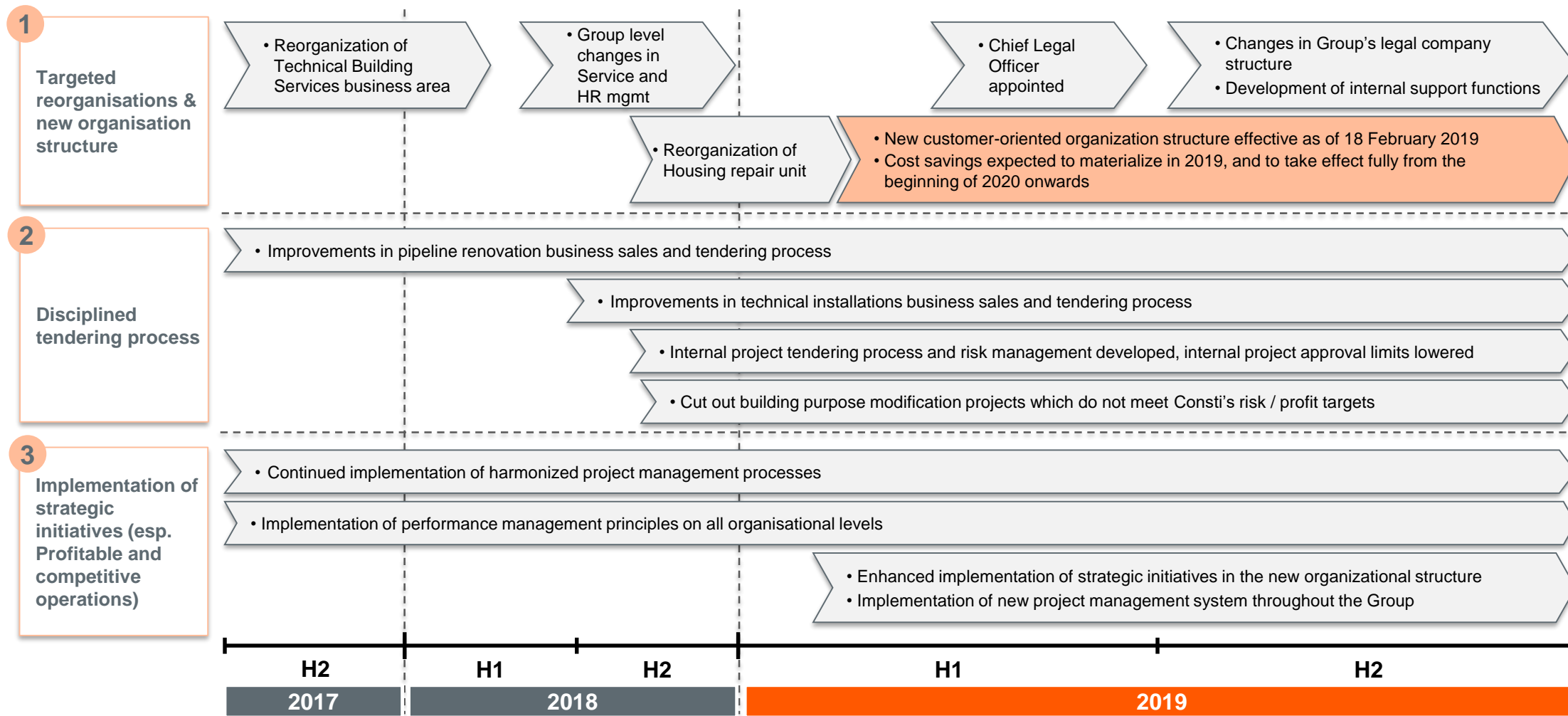


## Comments

- Q4/2019 EBIT amounted to EUR 2.8 (-2.2) million, or 3.6% (-2.2%) of net sales
  - EBIT improved from previous quarter and was clearly better than in comparison period
  - Profitability development mostly positive during Q4
  - All business areas were profitable in Q4/2019
- FY 2019 EBIT amounted to EUR 4.6 (-2.1) million, or 1.5% (-0.7%) of net sales
  - EBIT improved quarter by quarter towards the end of the year and was clearly better than in comparison period
  - Although the old projects of already discontinued housing repair unit continued to have a negative impact on EBIT in H2, the impact was smaller than in H1/2019
  - All business areas were profitable in FY 2019

# Actions to improve profitability ongoing

The main focus in 2019 was on implementing the new organisation structure



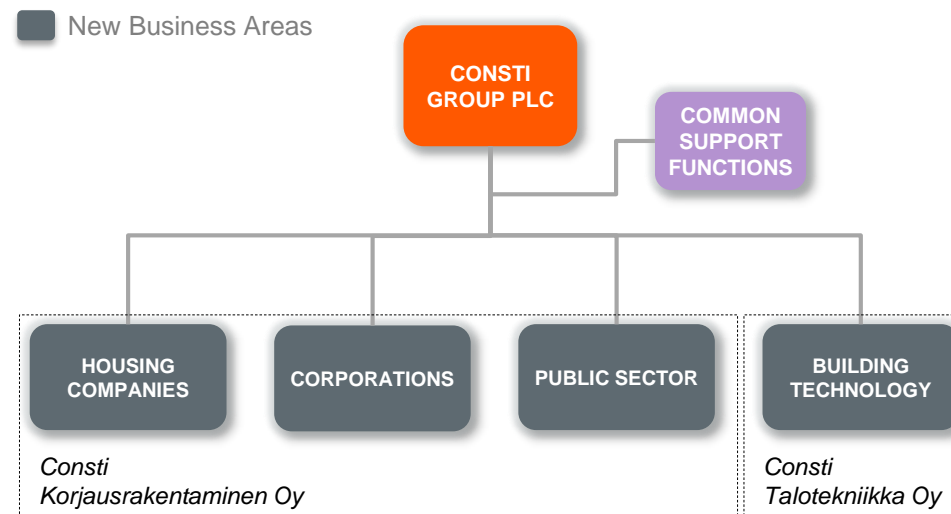
# Implementation of new organisation structure completed

Targeted annual cost savings of EUR 2 million to be fully materialised as of 2020, focus in 2020 will be on reaping the benefits

## UPDATE ON THE PROGRESS IN IMPLEMENTATION

- Implementation work progressed according to plan during the financial year 2019
  - Through the implemented measures, Consti has been able to improve organisation's customer orientation, risk management and agility
  - Business leadership has been successfully moved closer to production at the worksites
  - The initial target of annual cost savings of EUR 2 million as of FY2020 has been achieved
  - Fixed costs for 2019 decreased year-on-year thanks to the implemented measures
  - New legal structure now in place

## CONSTI'S NEW ORGANISATION AND TARGETED BENEFITS



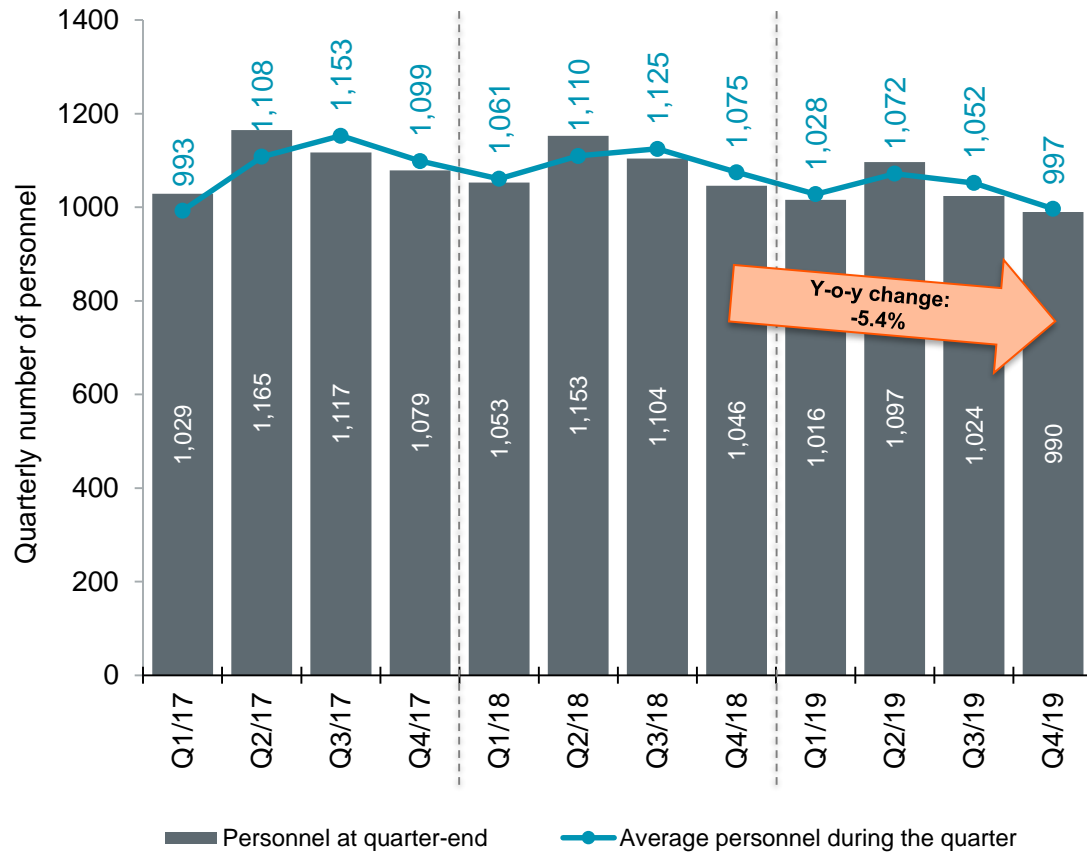
### TARGETED BENEFITS OF THE NEW ORGANISATION AND CHANGE PROGRAM:

- 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 Q4/2019 decreased by 56 year-on-year, in line with new organisational structure

Quarterly development in number of personnel Q1/2017 – Q4/2019



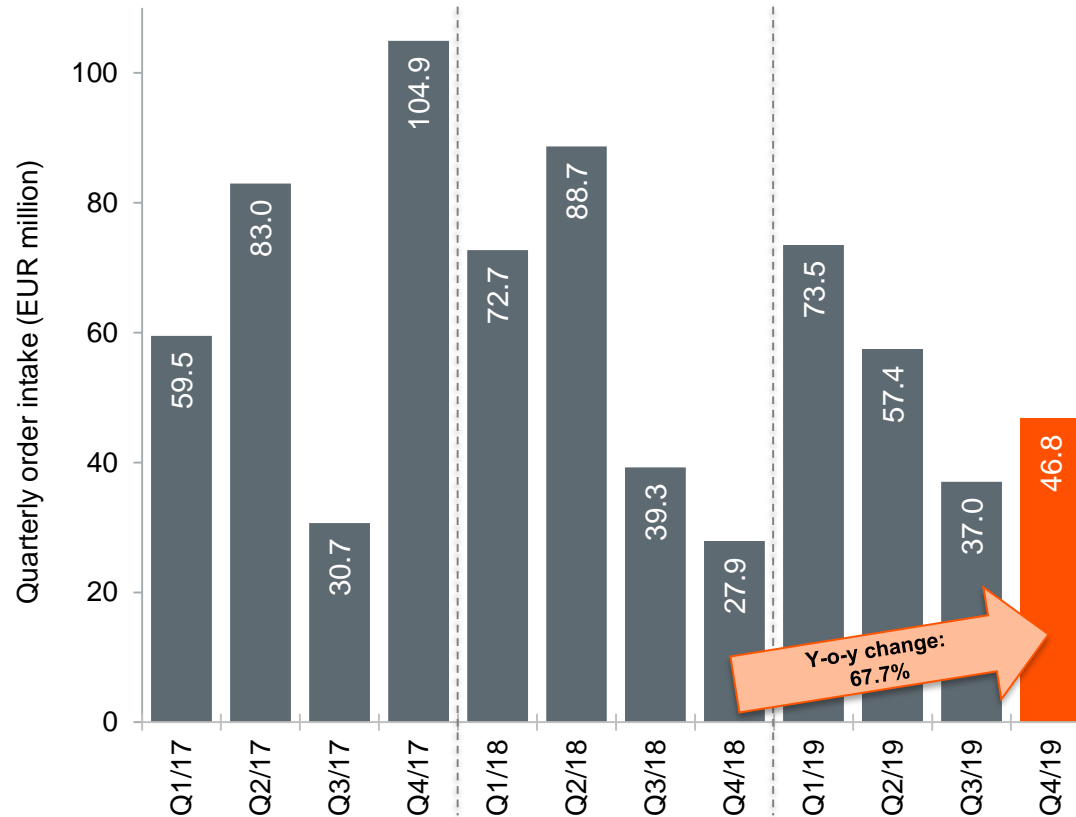
## Comments

- Number of personnel at the end of Q4/2019 990 (1,046), reduction of 56
- Average number of personnel during Q4/2019 997 (1,075), reduction of 78
- Average number of personnel during FY 2019 1,037 (1,093), reduction of 56, or 5.1% year-on-year

# Quarterly order intake development

## Q4/2019 order intake EUR 46.8 million (27.9m)

Quarterly order intake development Q1/2017 – Q4/2019 (EUR m)



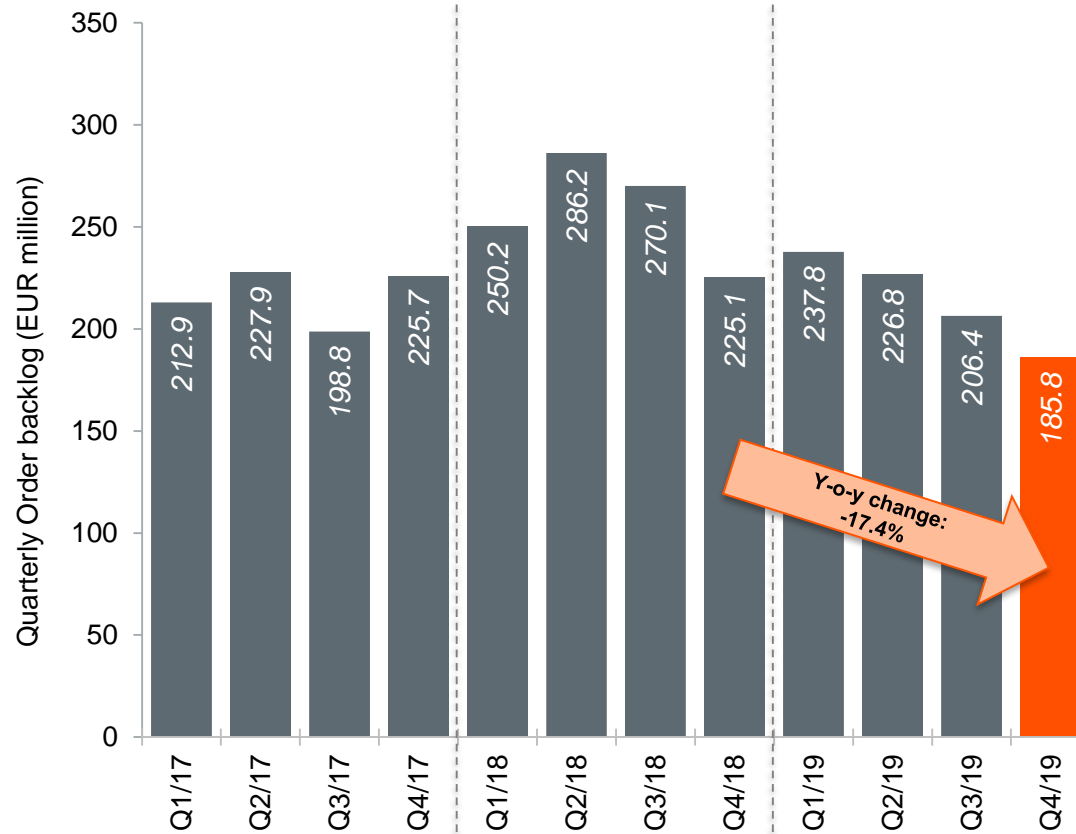
### Comments

- Q4/2019 order intake EUR 46.8m (27.9m)
  - Year-on-year change 67.7%
  - Examples of new orders received in Q4:
    - Pelimannintie 15, phase two renovation of apartments in Heka (Helsingin Kaupungin Asunnot Oy) properties
    - Ankkuritie 6, renovation of facades, balconies, yards for a residential building in Espoo
    - K-Citymarket Lohja, renovation of the market interiors including building technology systems
    - As Oy Haukkakartano, pipeline renovation in Tampere
- FY 2019 order intake EUR 214.8m (228.5m)
  - Order intake impacted by Group-wide disciplined tendering process adopted during 2018 as well as the fact that large on-going comprehensive renovation projects have tied up resources especially in Q1-Q3 2019

# Quarterly order backlog development

Q4/2019 order backlog at EUR 185.8 million (225.1m), down by 17.4% y-o-y

Quarterly order backlog development Q1/2017 – Q4/2019 (EUR m)



## Comments

- Q4/2019 order backlog at EUR 185.8m (225.1m)
  - Year-on-year change -17.4%
  - Order backlog development reflects the new, more disciplined bidding procedures that were taken into use in the entire Group in 2018, and ongoing large comprehensive renovation projects, which tie up resources
  - The quality of order backlog has improved steadily throughout the financial year 2019

# CONTENTS

---

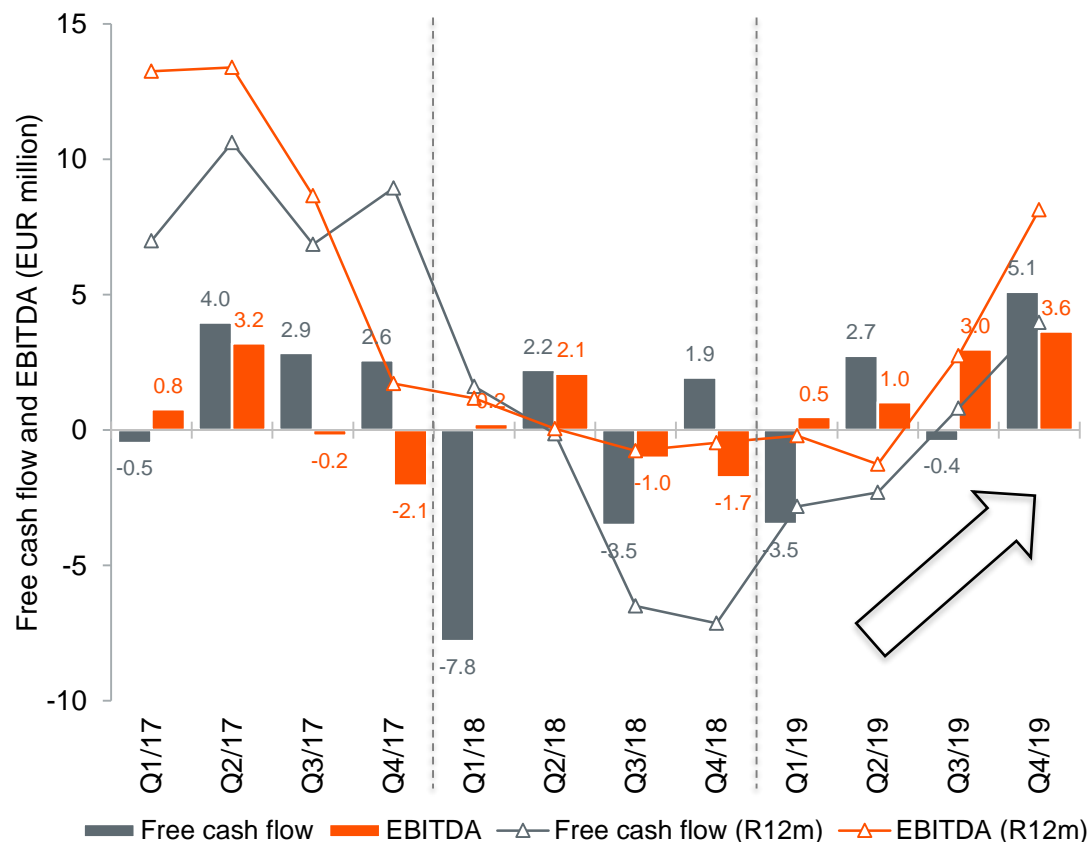
1. Highlights and Group performance
2. **Cash flow and financial position**
3. Market outlook, guidance and summary
4. Appendix



# Quarterly free cash flow development

Q4 cash flow supported by the improvement of operating result as well as released working capital

Quarterly free cash flow<sup>1)</sup> and EBITDA Q1/2017 – Q4/2019 (EUR m)



## Comments

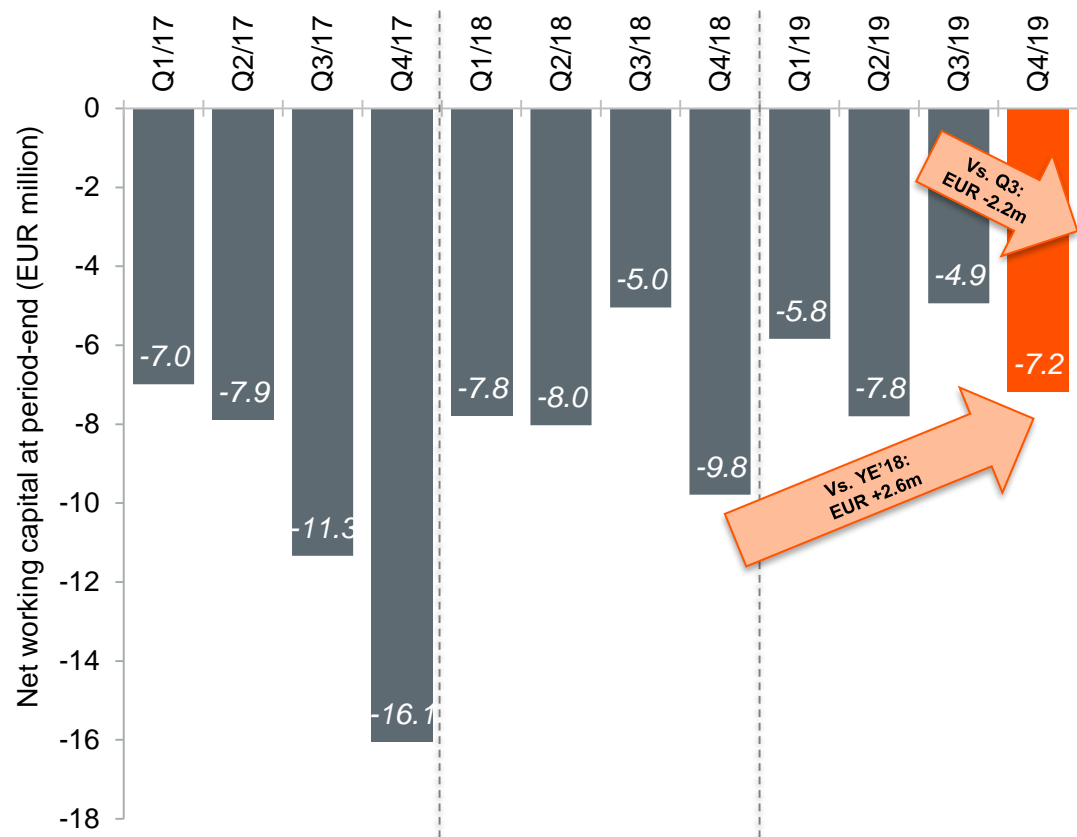
- Q4/2019 free cash flow EUR 5.1m (1.9m)
  - EBITDA amounted to EUR 3.6m (-1.7), of which impact from adoption of IFRS 16 EUR 0.5m (0.0m)
  - Cash flow impact from change in NWC was EUR 1.7m (4.2m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.4m (-0.5m)
- FY 2019 free cash flow EUR 4.0m (-7.1m)
  - EBITDA amounted to EUR 8.1m (-0.5), of which impact from adoption of IFRS 16 EUR 2.2m (0.0m)
  - Cash flow impact from change in NWC was EUR -3.3m (-5.5m)
  - Cash flow from investments in tangible and intangible assets amounted to EUR -0.9m (-1.3m)
- Rolling 12-month free cash flow and EBITDA continued to improve in Q4/2019

<sup>1)</sup> 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 -7.2 million at the end of Q4/2019

Quarterly net working capital<sup>1)</sup> Q1/2017 – Q4/2019 (EUR m)



## Comments

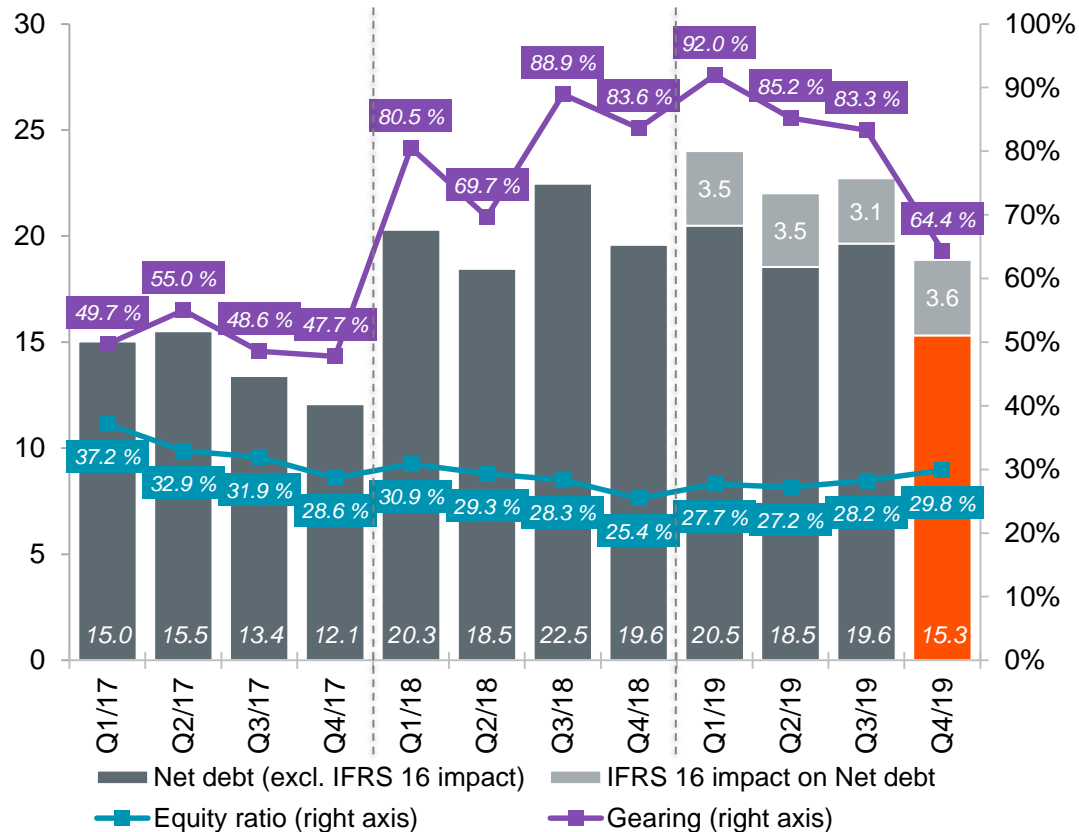
- Net working capital EUR -7.2m (-9.8m) at the end of Q4/2019
  - NWC released during Q4/2019 amounted to EUR 2.2m
  - NWC tied up during FY 2019 amounted to EUR 2.6m
  - Hotel St. George continues to have a negative impact on net working capital

<sup>1)</sup> 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

Q4 financial position strengthened y-o-y as well as compared to previous quarter

Quarterly net debt, equity ratio and gearing Q1/2017 – Q4/2019



## Comments

- Financial position as per 31 December 2019 strengthened y-o-y as well as compared to previous quarter
- Q4/2019 net debt at EUR 18.9m (19.6m), of which EUR 3.6m is attributable to IFRS 16 related lease liabilities
  - Comparable net debt clearly below previous year and quarter
- Q4/2019 equity ratio at 29.8% (25.4%)
  - Adoption of IFRS 16 decreased Q4/2019 equity ratio by 1.1 percentage points
- Q4/2019 gearing at 64.4% (83.6%)
  - Adoption of IFRS 16 increased Q4/2019 gearing by 12.2 percentage points

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

# CONTENTS

---

1. Highlights and Group performance
2. Cash flow and financial position
3. **Market outlook, guidance and summary**
4. Appendix

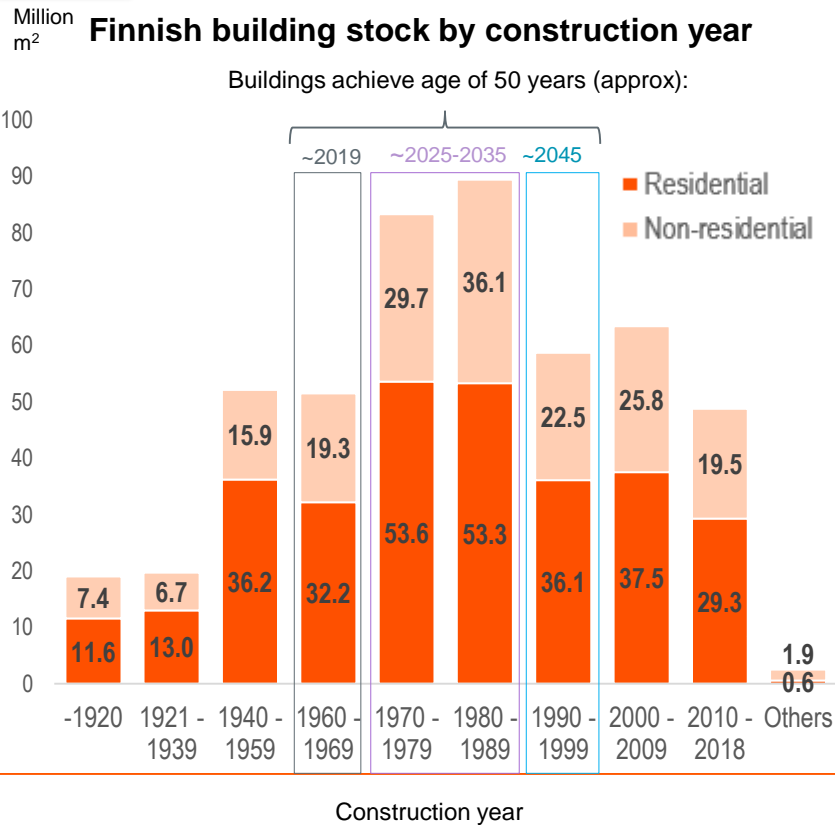


# Renovation market supported by a number of key structural growth drivers

## Ageing building stock the single most important growth driver



### Ageing building stock



- Owners of dwellings and housing companies renovated with EUR 6.3 billion in 2018, increase of 1.5% y-o-y
  - Blocks of flats accounted for EUR 2.2b, of which EUR 1.7b were attributable to renovations made by housing companies
  - The housing companies estimate the volume of renovation to increase annually by 1.5%–2.0% during the next ten years
- In 2018, EUR 4.7 billion was spent on renovating non-residential buildings, increase of 6.5% y-o-y
  - Office buildings EUR 1.1b (+11.6%)
  - Commercial buildings EUR 0.6b (+2.7%)
  - Public service buildings EUR 1.6b (-1.7%)
  - Industrial buildings and warehouses EUR 1.3b (+16%)



Energy efficiency



Urbanisation and concentration of renovation in growth centers



Modifications of the use of buildings

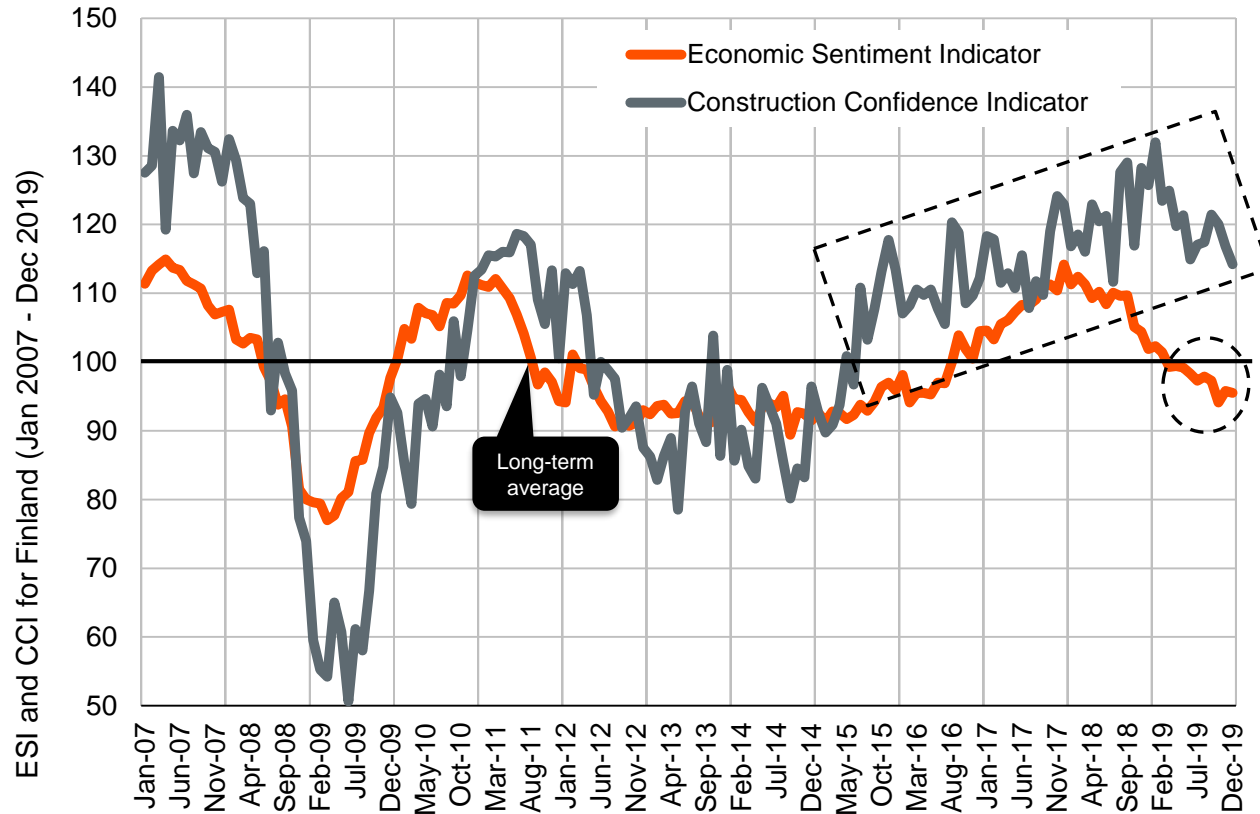


Increased need for building technology and automation

Source: Statistics Finland, October 2019

# Construction confidence in Finland still above long-term average, economic sentiment has remained below long-term average since March 2019

Economic Sentiment and Construction Confidence / Finland (2007 – 12/2019)



Note: Mean-adjusted figures

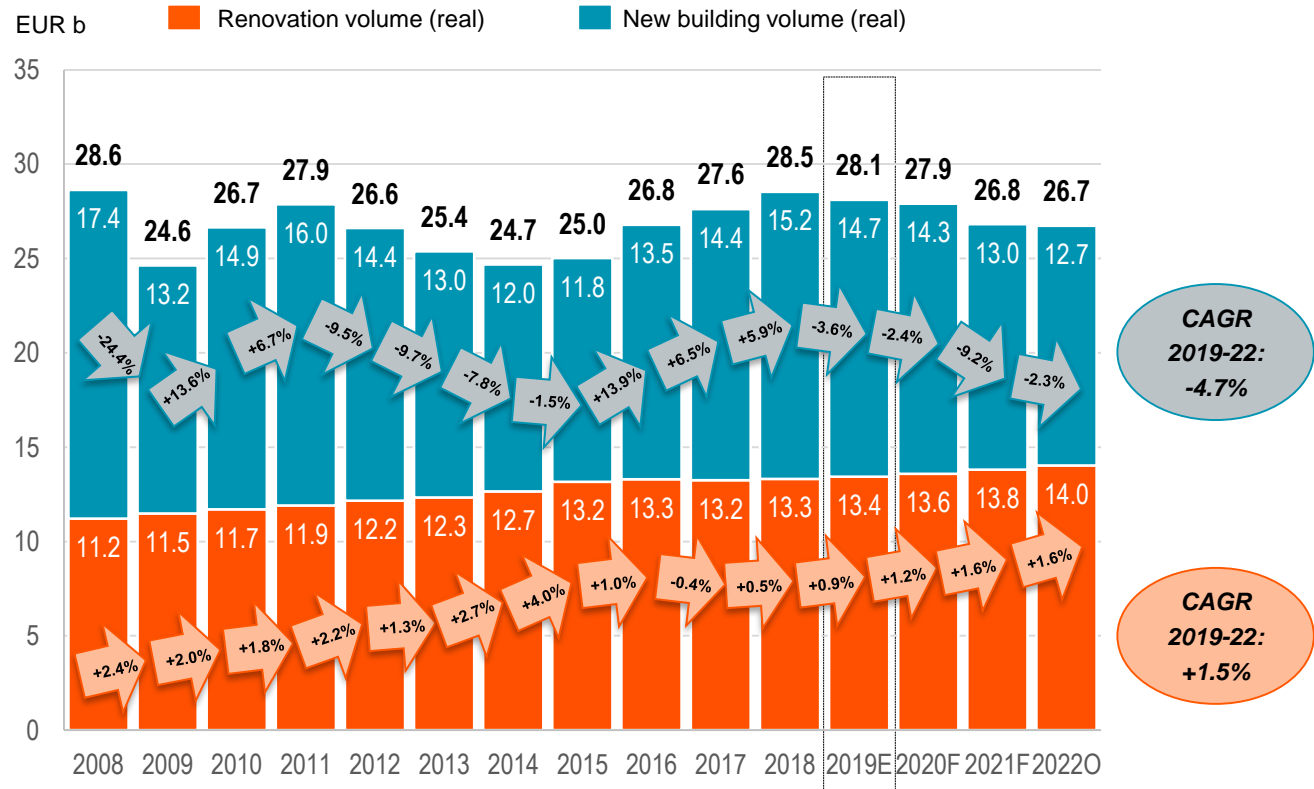
Source: European Commission, December 2019

## Comments

- Since summer 2015, construction confidence in Finland has strengthened and remained above the long-term average
- According to Confederation of Finnish Construction Industries (CFCI), construction has acted as an engine for the Finnish economic growth for four consecutive years
- 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
- CFCI noted in its October 2019 report that the outlook for construction market has weakened due to the recent downward trend in building permits

# Stable growth in renovation expected to continue

## Finnish new building and renovation market development 2008 – 2022



Source: Euroconstruct, November 2019

Confederation of Finnish Construction Industries RT (CFCI), October 2019

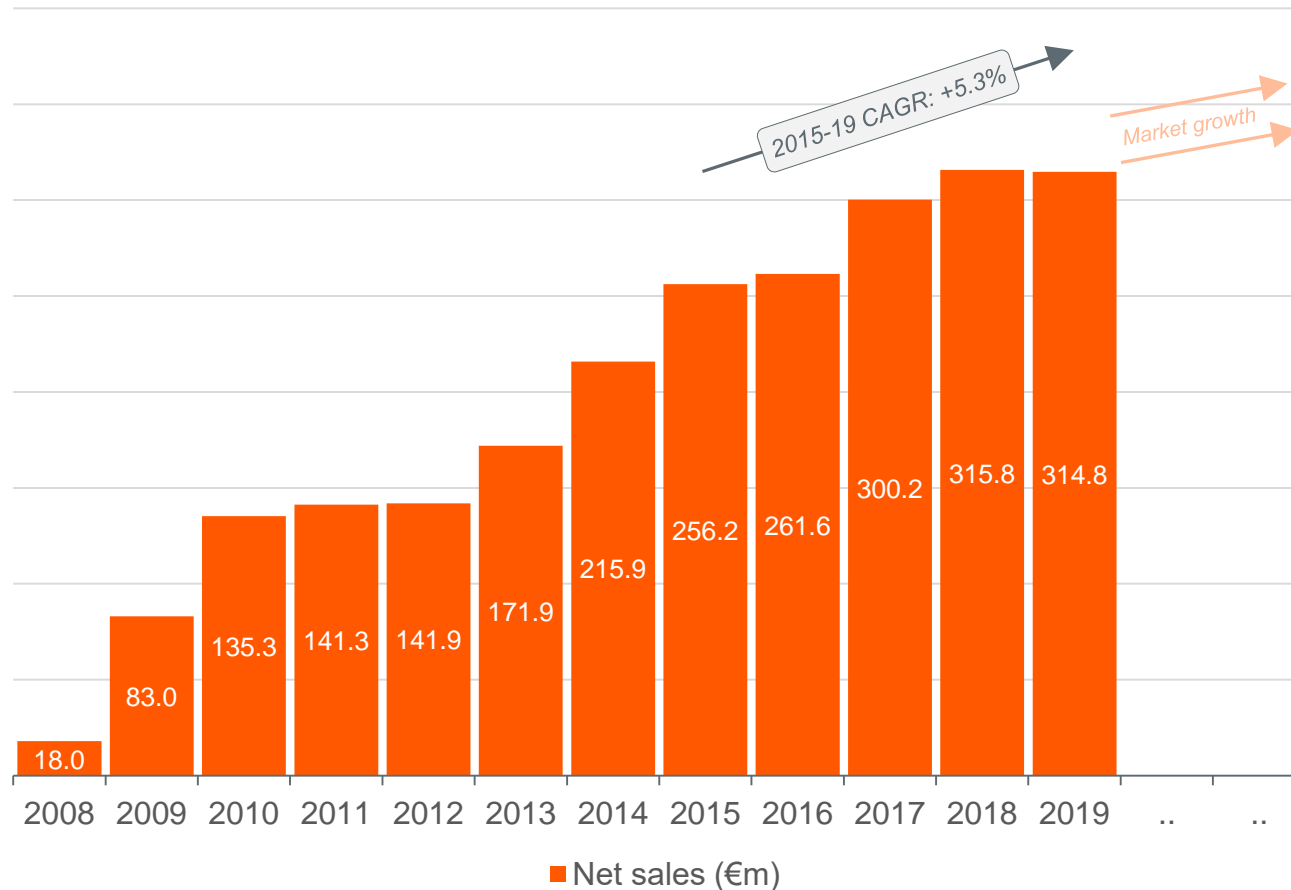
## Comments

- According to Euroconstruct, the value of building renovation amounted to approximately EUR 13.4 billion in 2019, representing approximately 48% of total building volume
- Renovation has grown nearly continuously in Finland for the last 20 years and at its best, its value has surpassed that of new building
- The Confederation of Finnish Construction Industries RT (CFCI) estimates that renovation grew by approximately 1.5 percent in 2019 while Euroconstruct estimates growth of 0.9 percent
- According to Euroconstruct, new building decreased about 3.6 percent in 2019
- Both renovation and new building have concentrated to large cities in past years. As economic growth declines, new building is estimated to concentrate even more to growth centres
- Euroconstruct estimates that building renovation will grow by 1.2 percent in 2020 and that the annual growth will remain at approximately 1.6 percent during 2021 and 2022. Euroconstruct estimates that new construction will decrease by 2.4 percent in 2020

# Consti decided to update its long-term financial targets

Current strategy considered still valid, but net sales target is now tied to market growth

## Consti's net sales development since the foundation year 2008 (EUR m)



## Comments

- New organisation structure lays foundation for future growth and strategy implementation
- Growth will be actively sought in all business areas
- Target to achieve growth particularly in selected strategic growth areas:
  - Service business
  - Housing companies market
  - Advanced methods of project delivery
  - Customer-driven productisation and conceptualisation of services tailored for building stock segments reaching renovation need
- More moderate growth objective better reflects Consti's aspiration to build a foundation for sustainable profitability based on market growth and strategic initiatives aiming at improving profitability

# Outlook and guidance for 2020

- Renovation growth is expected to continue in 2020
- In its November outlook, Euroconstruct estimated that Finland's renovation market will grow by 1.2 percent from the previous year
- Euroconstruct estimates that new building will decrease by 2.4 percent in 2020
- The slowing down of new building is expected to improve workforce availability, but it may simultaneously intensify competition especially for large renovation projects
- Improved quality of order backlog together with successful implementation of turnaround program expected to improve performance in 2020
- The Group's guidance for 2020: "The Company estimates that its operating result for 2020 will improve compared to 2019."



# Summary

---

1. Profitability continued to improve in Q4/2019

2. Profitability development mostly positive, all business areas were profitable in Q4/2019 as well as in FY 2019

3. Comparable financial position strengthened as a result of improved profitability and cash flow

4. Implementation work of turnaround programme progressed according to plan during the financial year 2019

5. Long-term financial targets updated, new organisation structure lays foundation for future growth and strategy implementation

6. Improved quality of order backlog as well as successful implementation of turnaround programme to support performance going forward → FY2020 operating result to improve compared to 2019

# CONTENTS

---

1. Highlights and Group performance
2. Cash flow and financial position
3. Market outlook, guidance and summary
4. **Appendix**



# 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.

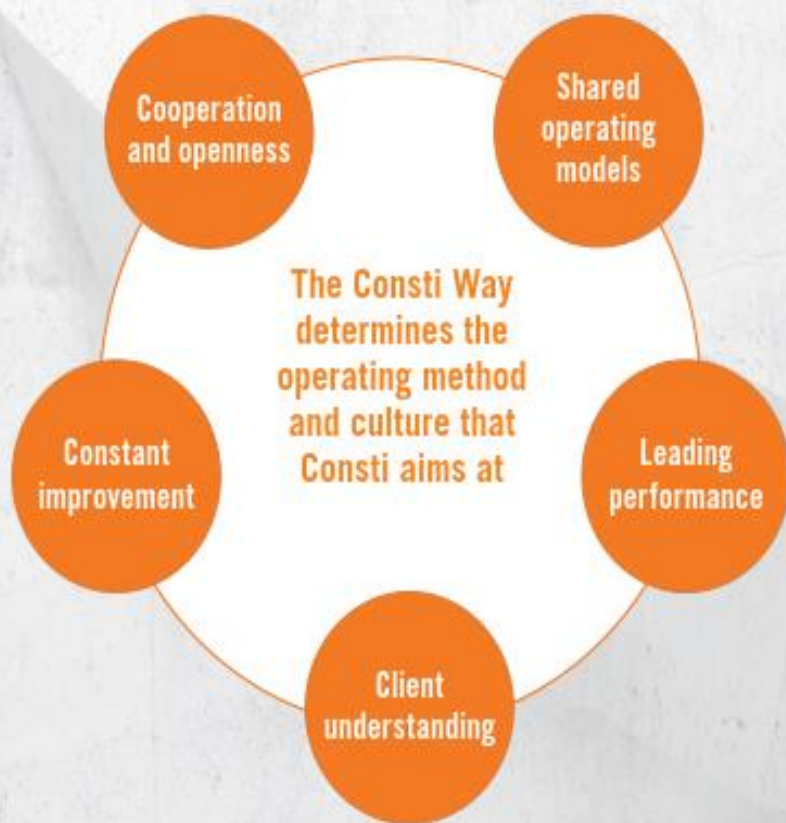
We know how we work, we know our strengths and we always work in our clients' best interests.

A man and a woman are looking at a tablet together. The man is on the left, wearing a grey cap and a plaid shirt. The woman is on the right, 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**

**FINANCIAL STATEMENTS**

**1-12/2019**

**CONSTI GROUP PLC**

**FY2019**

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