

## Careful optimism amid continued uncertainty

Consti will report Q3 earnings on October 25<sup>th</sup>. We expect to see improved profitability and a better indication of underlying profitability, although risks related to the earnings improvements still remain at elevated levels given the project impact on Q2/19 profitability. The order backlog development is also of key interest. The negative impact of stricter bidding procedures on the order backlog poses a considerable risk of sales declines in 2020, in our view, without improvements in order intake during H2/19.

### Expect profitability improvement but risks still present

During the first half of 2019 Consti's profitability was materially affected by performance obligations relating to an individual building purpose modification project, which at the end of Q2/19 was essentially completed. Although the project still poses a risk to our estimated profitability improvement in Q3 (Evli EUR 2.2m, Q3/18 EUR -1.4m), of more long-term importance would be the absence of new, large profitability burdening projects in Q3, which is supported by the company's more selective bidding procedures for larger projects.

### Order backlog development of interest

A downside of the stricter bidding procedures has been a weaker development of the order backlog, which at the end of Q2/19 was down 21% y/y, at EUR 227m. Sales growth in 2019 remains supported by a more rapid order backlog conversion while a continued weaker order intake during H2/19 would impose a risk of sales declines in 2020. We expect focus in the second half of 2019 to remain on continued development of the organizational structure and cost savings.

### HOLD with a target price of EUR 5.4 (5.8)

Compared to peer multiples, on our estimates valuation is in no way particularly challenging, especially when looking at 2020. However, due to the profitability challenges and the St. George arbitration proceedings the near-term uncertainty continues to remain high and signs of stabilizing profitability in Q3 would be needed. We retain our HOLD-rating with a TP of EUR 5.4 (5.8).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 4.90

Target price, EUR 5.4

Latest change in recommendation 29-Mar-19

Latest report on company 29-Jul-19

Research paid by issuer: YES

No. of shares outstanding, '000's 7,858

No. of shares fully diluted, '000's 7,858

Market cap, EURm 39

Free float, % 64.5

Exchange rate EUR 1.000

Reuters code CONSTI.HE

Bloomberg code CONSTI FH

Average daily volume, EURm 0.05

Next interim report 25-Oct-19

Web site www.consti.fi

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

BUY HOLD SELL

## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	300.2	-0.4	-0.1%	2.5	-0.14	-61.0	0.3	-207.0	3.9	0.00
2018	315.8	-2.1	-0.7%	-9.0	-0.30	-18.5	0.2	-31.3	-20.9	0.00
2019E	330.1	4.9	1.5%	3.1	0.34	14.3	0.2	12.4	8.0	0.17
2020E	331.5	11.2	3.4%	7.5	0.96	5.1	0.2	4.9	19.6	0.40
2021E	337.0	12.3	3.6%	8.6	1.09	4.5	0.1	4.0	22.3	0.55
Market cap, EURm	39			Gearing 2019E, %	71.9			CAGR EPS 2018-21, %	0.0	
Net debt 2019E, EURm	23			Price/book 2019E	1.6			CAGR sales 2018-21, %	2.2	
Enterprise value, EURm	61			Dividend yield 2019E, %	3.5			ROE 2019E, %	11.4	
Total assets 2019E, EURm	115			Tax rate 2019E, %	20.0			ROCE 2019E, %	9.6	
Goodwill 2019E, EURm	49			Equity ratio 2019E, %	28.6			PEG, P/E 19/CAGR	0.3	

All the important disclosures can be found on the last pages of this report.

Consti	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Housing Companies		17.9	25.1	28.9	32.4	104.3	28.3	27.7	27.5	31.4	114.9	118.0	122.0
Corporations		26.0	33.1	33.2	42.0	134.3	27.6	31.7	33.0	42.0	134.4	132.0	130.0
Public Sector		3.0	3.8	4.0	7.2	18.0	5.3	8.3	7.0	7.0	27.6	28.5	31.0
Building Technology		17.9	20.1	16.8	20.4	75.2	16.4	18.8	17.0	20.5	72.6	73.0	74.0
Eliminations		-2.5	-4.5	-4.0	-5.1	-16.1	-4.1	-5.2	-5.0	-5.0	-19.3	-20.0	-20.0
<b>Net sales</b>	<b>300.2</b>	<b>62.3</b>	<b>77.8</b>	<b>78.9</b>	<b>96.8</b>	<b>315.8</b>	<b>73.5</b>	<b>81.2</b>	<b>79.5</b>	<b>95.9</b>	<b>330.1</b>	<b>331.5</b>	<b>337.0</b>
<i>change, %</i>	<i>14.8%</i>	<i>8.7%</i>	<i>-1.3%</i>	<i>1.4%</i>	<i>12.1%</i>	<i>5.2%</i>	<i>18.0%</i>	<i>4.4%</i>	<i>0.7%</i>	<i>-0.9%</i>	<i>4.5%</i>	<i>0.4%</i>	<i>1.7%</i>
<b>Operating profit</b>	<b>-0.4</b>	<b>-0.2</b>	<b>1.7</b>	<b>-1.4</b>	<b>-2.2</b>	<b>-2.2</b>	<b>-0.4</b>	<b>0.1</b>	<b>2.2</b>	<b>3.0</b>	<b>4.9</b>	<b>11.2</b>	<b>12.3</b>
<i>-margin, %</i>	<i>-0.1%</i>	<i>-0.4%</i>	<i>2.1%</i>	<i>-1.8%</i>	<i>-2.3%</i>	<i>-0.7%</i>	<i>-0.5%</i>	<i>0.1%</i>	<i>2.8%</i>	<i>3.1%</i>	<i>1.5%</i>	<i>3.4%</i>	<i>3.6%</i>

Construction companies	MCAP MEUR	EV/EBITDA		EV/EBIT		P/E		Div. yield	
		19E	20E	19E	20E	19E	20E	19E	20E
YIT	1152	11.6x	9.4x	14.4x	12.2x	12.7x	9.9x	5.5 %	5.7 %
SRV Yhtiöt	80	63.9x	19.2x		28.8x			0.0 %	27.0 %
Lehto Group	122		13.5x		18.0x		8.4x	0.0 %	3.7 %
Skanska	7969	10.0x	10.5x	13.9x	14.3x	14.8x	14.9x	3.2 %	3.5 %
NCC	1713	9.1x	7.6x	15.8x	11.7x	17.9x	12.4x	3.7 %	4.4 %
Peab	2414	9.6x	9.0x	13.2x	12.3x	12.3x	11.8x	4.9 %	5.1 %
JM	1644	11.3x	12.0x	11.2x	11.9x	12.2x	12.9x	4.4 %	4.5 %
Veidekke	1344	8.8x	7.8x	15.0x	12.5x	13.1x	11.5x	5.1 %	5.2 %
Peer Group Average	2055	<b>17.8x</b>	<b>11.1x</b>	<b>13.9x</b>	<b>15.2x</b>	<b>13.8x</b>	<b>11.7x</b>	<b>3.4 %</b>	<b>7.4 %</b>
Peer Group Median	1494	<b>10.0x</b>	<b>9.9x</b>	<b>14.2x</b>	<b>12.4x</b>	<b>12.9x</b>	<b>11.8x</b>	<b>4.1 %</b>	<b>4.8 %</b>
<b>Consti (Evli est.)</b>	<b>39</b>	<b>7.0x</b>	<b>3.6x</b>	<b>12.4x</b>	<b>4.9x</b>	<b>14.3x</b>	<b>5.1x</b>	<b>3.5 %</b>	<b>8.2 %</b>

Consti prem./disc. to peer median

-30% -64% -12% -61% 11% -57%

Source Bloomberg, Evli Research

Building installations and services companies	MCAP EUR	EV/EBITDA		EV/EBIT		P/E		Div. yield	
		19E	20E	19E	20E	19E	20E	19E	20E
Caverion	761	8.8x	6.7x	19.4x	12.4x	24.5x	13.7x	2.5 %	3.9 %
Bravida Holding	1689	11.3x	10.8x	14.3x	13.4x	18.9x	17.7x	2.4 %	2.7 %
MITIE Group	688	6.8x	6.5x	8.5x	8.1x	10.1x	9.3x	2.5 %	2.5 %
ISS	4073	8.8x	8.4x	13.2x	12.3x	12.4x	11.5x	4.9 %	5.0 %
Bilfinger	1199	7.9x	5.8x	14.8x	9.0x	16.3x	10.7x	3.7 %	4.1 %
Peer Group Average	1682	<b>8.7x</b>	<b>7.7x</b>	<b>14.0x</b>	<b>11.0x</b>	<b>16.4x</b>	<b>12.6x</b>	<b>3.2 %</b>	<b>3.6 %</b>
Peer Group Median	1199	<b>8.8x</b>	<b>6.7x</b>	<b>14.3x</b>	<b>12.3x</b>	<b>16.3x</b>	<b>11.5x</b>	<b>2.5 %</b>	<b>3.9 %</b>
<b>Consti (Evli est.)</b>	<b>39</b>	<b>7.0x</b>	<b>3.6x</b>	<b>12.4x</b>	<b>4.9x</b>	<b>14.3x</b>	<b>5.1x</b>	<b>3.5 %</b>	<b>8.2 %</b>

Consti prem./disc. to peer median

-21% -47% -13% -60% -12% -56%

Source Bloomberg, Evli Research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	62.3	77.8	78.9	96.8	315.8	73.5	81.2	79.5	95.9	330.1	331.5	337.0
EBITDA	0.2	2.1	-1.0	-1.7	-0.5	0.5	1.0	3.2	4.0	8.8	15.3	16.4
<i>EBITDA margin (%)</i>	<i>0.3</i>	<i>2.7</i>	<i>-1.3</i>	<i>-1.8</i>	<i>-0.1</i>	<i>0.7</i>	<i>1.3</i>	<i>4.1</i>	<i>4.2</i>	<i>2.7</i>	<i>4.6</i>	<i>4.9</i>
EBIT	-0.2	1.7	-1.4	-2.2	-2.1	-0.4	0.1	2.2	3.0	4.9	11.2	12.3
<i>EBIT margin (%)</i>	<i>-0.4</i>	<i>2.2</i>	<i>-1.8</i>	<i>-2.2</i>	<i>-0.7</i>	<i>-0.5</i>	<i>0.1</i>	<i>2.8</i>	<i>3.1</i>	<i>1.5</i>	<i>3.4</i>	<i>3.6</i>
Net financial items	-0.2	-0.2	-0.2	-0.2	-0.7	-0.2	-0.4	-0.3	-0.3	-1.2	-1.3	-1.1
Pre-tax profit	-0.4	1.5	-1.6	-2.3	-2.8	-0.6	-0.3	1.9	2.7	3.7	9.9	11.2
Tax	0.1	-0.3	0.3	0.4	0.5	0.1	0.1	-0.4	-0.5	-0.7	-2.0	-2.2
<i>Tax rate (%)</i>	<i>18.9</i>	<i>19.7</i>	<i>20.0</i>	<i>17.4</i>	<i>17.9</i>	<i>20.1</i>	<i>19.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-0.3	1.2	-1.3	-1.9	-2.3	-0.5	-0.3	1.4	2.1	2.7	7.5	8.6
EPS	-0.04	0.16	-0.17	-0.25	-0.30	-0.06	-0.04	0.18	0.26	0.34	0.96	1.09
EPS adjusted (diluted no. of shares)	-0.04	0.16	-0.17	-0.25	-0.30	-0.06	-0.04	0.18	0.26	0.34	0.96	1.09
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.40	0.55
<b>SALES, EURm</b>												
Housing Companies	17.9	25.1	28.9	32.4	104.3	28.3	27.7	27.5	31.4	114.9	118.0	122.0
Corporations	26.0	33.1	33.2	42.0	134.3	27.6	31.7	33.0	42.0	134.4	132.0	130.0
Public Sector	3.0	3.8	4.0	7.2	18.0	5.3	8.3	7.0	7.0	27.6	28.5	31.0
Building Technology	17.9	20.1	16.8	20.4	75.2	16.4	18.8	17.0	20.5	72.6	73.0	74.0
Elimination	-2.5	-4.5	-4.0	-5.1	-16.0	-4.1	-5.2	-5.0	-5.0	-19.3	-20.0	-20.0
<b>Total</b>	<b>62.3</b>	<b>77.8</b>	<b>78.9</b>	<b>96.8</b>	<b>315.8</b>	<b>73.5</b>	<b>81.2</b>	<b>79.5</b>	<b>95.9</b>	<b>330.1</b>	<b>331.5</b>	<b>337.0</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Housing Companies</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>58.6</i>	<i>10.2</i>	<i>-5.0</i>	<i>-3.2</i>	<i>10.1</i>	<i>2.7</i>	<i>3.4</i>
<i>Corporations</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.4</i>	<i>-4.3</i>	<i>-0.5</i>	<i>0.1</i>	<i>0.1</i>	<i>-1.8</i>	<i>-1.5</i>
<i>Public Sector</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>75.1</i>	<i>116.8</i>	<i>73.6</i>	<i>-2.1</i>	<i>52.9</i>	<i>3.4</i>	<i>8.8</i>
<i>Building Technology</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-8.4</i>	<i>-6.9</i>	<i>1.3</i>	<i>0.7</i>	<i>-3.4</i>	<i>0.5</i>	<i>1.4</i>
<i>Elimination</i>	<i>53.0</i>	<i>97.5</i>	<i>15.1</i>	<i>53.8</i>	<i>50.4</i>	<i>67.8</i>	<i>16.8</i>	<i>25.1</i>	<i>-2.7</i>	<i>20.4</i>	<i>3.5</i>	<i>0.0</i>
<i>Group</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>Total</b>	<b>8.7</b>	<b>-1.3</b>	<b>1.4</b>	<b>12.1</b>	<b>5.2</b>	<b>18.0</b>	<b>4.4</b>	<b>0.7</b>	<b>-0.9</b>	<b>4.5</b>	<b>0.4</b>	<b>1.7</b>
<b>EBIT, EURm</b>												
Group	-0.2	1.7	-1.4	-2.2	-2.1	-0.4	0.1	2.2	3.0	4.9	11.2	12.3
Total	-0.2	1.7	-1.4	-2.2	-2.1	-0.4	0.1	2.2	3.0	4.9	11.2	12.3
<b>EBIT margin, %</b>												
Total	-0.4	2.2	-1.8	-2.2	-0.7	-0.5	0.1	2.8	3.1	1.5	3.4	3.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	215.9	256.2	261.5	300.2	315.8	330.1	331.5	337.0
<i>Sales growth (%)</i>	<i>25.6</i>	<i>18.6</i>	<i>2.1</i>	<i>14.8</i>	<i>5.2</i>	<i>4.5</i>	<i>0.4</i>	<i>1.7</i>
EBITDA	9.8	12.6	13.1	1.7	-0.5	8.8	15.3	16.4
<i>EBITDA margin (%)</i>	<i>4.5</i>	<i>4.9</i>	<i>5.0</i>	<i>0.6</i>	<i>-0.1</i>	<i>2.7</i>	<i>4.6</i>	<i>4.9</i>
Depreciation	-2.0	-2.1	-2.1	-2.1	-1.7	-1.7	-1.9	-1.9
EBITA	7.8	10.5	10.9	-0.4	-2.1	4.9	11.2	12.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.8	10.5	10.9	-0.4	-2.1	4.9	11.2	12.3
<i>EBIT margin (%)</i>	<i>3.6</i>	<i>4.1</i>	<i>4.2</i>	<i>-0.1</i>	<i>-0.7</i>	<i>1.5</i>	<i>3.4</i>	<i>3.6</i>
Reported EBIT	7.8	8.4	10.9	-0.4	-2.1	4.9	11.2	12.3
<i>EBIT margin (reported) (%)</i>	<i>3.6</i>	<i>3.3</i>	<i>4.2</i>	<i>-0.1</i>	<i>-0.7</i>	<i>1.5</i>	<i>3.4</i>	<i>3.6</i>
Net financials	-5.2	-4.4	-0.9	-0.8	-0.7	-1.2	-1.3	-1.1
Pre-tax profit	2.6	6.2	10.1	-1.2	-2.8	3.7	9.9	11.2
Taxes	-0.6	-0.8	-2.1	0.1	0.5	-0.7	-2.0	-2.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	2.0	3.3	8.0	-1.1	-2.3	2.7	7.5	8.6
Cash NRIs	0.0	-2.1	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	7	6	6	5	4	5	5	5
Goodwill	44	43	44	49	49	49	49	49
Right of use assets	0	0	0	0	4	4	4	4
Inventory	1	1	1	1	1	1	1	1
Receivables	35	36	39	36	53	50	50	51
Liquid funds	10	4	9	10	3	7	10	10
Total assets	96	91	98	101	115	115	119	120
<b>Liabilities</b>								
Shareholder's equity	1	25	30	25	23	24	30	35
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	3	3	3
Lease liabilities	0	0	0	0	4	4	4	4
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	55	21	21	22	23	22	19	14
Non-interest bearing current liabilities	40	43	46	52	62	59	59	60
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	96	91	98	101	115	115	119	120
<b>CASH FLOW, EURm</b>								
+ EBITDA	10	13	13	2	0	9	15	16
- Net financial items	-5	-4	-1	-1	-1	-1	-1	-1
- Taxes	0	-1	-2	0	0	-1	-2	-2
- Increase in Net Working Capital	8	2	0	8	-7	1	0	0
+/- Other	0	-2	0	-1	0	0	0	0
= Cash flow from operations	12	7	11	8	-8	7	12	13
- Capex	-2	-1	-3	-1	-1	-4	-4	-4
- Acquisitions	0	0	0	-4	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	10	6	8	3	-9	3	8	9
+/- New issues/buybacks	0	21	0	1	0	-2	0	0
- Paid dividend	0	0	-3	-4	0	0	-1	-3
+/- Other	0	-33	0	1	2	3	-3	-5
Change in cash	9	-6	5	0	-6	3	3	0

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	73	112	66	43	39	39	39
Net debt (excl. convertibles)	17	12	12	23	19	13	8
Enterprise value	91	125	78	67	61	55	49
Sales	256	262	300	316	330	332	337
EBITDA	13	13	2	0	9	15	16
EBIT	11	11	0	-2	5	11	12
Pre-tax	6	10	-1	-3	4	10	11
Earnings	5	8	-1	-2	3	8	9
Equity book value (excl. minorities)	25	30	25	23	24	30	35
<b>Valuation multiples</b>							
EV/sales	0.4	0.5	0.3	0.2	0.2	0.2	0.1
EV/EBITDA	7.2	9.5	45.3	-143.6	7.0	3.6	3.0
EV/EBITA	8.6	11.4	-207.0	-31.3	12.4	4.9	4.0
EV/EBIT	8.6	11.4	-207.0	-31.3	12.4	4.9	4.0
EV/OCF	13.0	11.5	10.0	-8.3	8.2	4.7	3.8
EV/FCFF	9.2	14.0	18.8	-9.2	9.7	5.1	4.2
P/FCFE	13.0	13.5	25.8	-4.8	12.5	5.1	4.5
P/E	13.6	14.1	-61.0	-18.5	14.3	5.1	4.5
P/B	3.0	3.8	2.6	1.8	1.6	1.3	1.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.4	3.8	3.3
Target EV/EBIT	0.0	0.0	0.0	0.0	13.2	5.3	4.3
Target EV/FCF	0.0	0.0	0.0	0.0	21.1	7.8	6.2
Target P/B	0.0	0.0	0.0	0.0	1.8	1.4	1.2
Target P/E	0.0	0.0	0.0	0.0	15.8	5.6	4.9
<b>Per share measures</b>							
Number of shares	7,615	7,621	7,621	7,858	7,858	7,858	7,858
Number of shares (diluted)	7,615	7,621	7,621	7,858	7,858	7,858	7,858
EPS	0.70	1.05	-0.14	-0.30	0.34	0.96	1.09
Operating cash flow per share	0.92	1.42	1.02	-1.02	0.95	1.49	1.64
Free cash flow per share	0.74	1.09	0.33	-1.15	0.39	0.96	1.09
Book value per share	3.22	3.89	3.32	2.98	3.03	3.82	4.51
Dividend per share	0.39	0.54	0.00	0.00	0.17	0.40	0.55
Dividend payout ratio, %	55.4	51.5	0.0	0.0	50.0	41.7	50.0
Dividend yield, %	4.1	3.7	0.0	0.0	3.5	8.2	11.2
FCF yield, %	7.7	7.4	3.9	-20.9	8.0	19.6	22.3
<b>Efficiency measures</b>							
ROE	42.8	29.5	-3.9	-9.6	11.4	28.0	26.2
ROCE	21.0	22.7	-0.6	-4.2	9.6	20.6	22.0
<b>Financial ratios</b>							
Inventories as % of sales	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Receivables as % of sales	14.2	14.7	12.1	16.8	15.0	15.0	15.0
Non-interest bearing liabilities as % of sales	16.9	17.5	17.3	19.5	17.9	17.9	17.9
NWC/sales, %	-2.5	-2.6	-5.0	-2.5	-2.7	-2.7	-2.7
Operative CAPEX/sales, %	0.5	1.0	0.5	0.3	1.3	1.3	1.3
CAPEX/sales (incl. acquisitions), %	0.5	1.0	-0.8	0.3	1.3	1.3	1.3
FCFF/EBITDA	0.8	0.7	2.4	15.5	0.7	0.7	0.7
Net debt/EBITDA, book-weighted	1.4	0.9	7.0	-50.5	2.2	0.9	0.5
Debt/equity, market-weighted	0.3	0.2	0.3	0.5	0.6	0.5	0.4
Equity ratio, book-weighted	31.4	34.8	28.8	24.4	28.6	27.9	32.2
Gearing, %	70.9	40.8	47.7	100.0	71.9	39.8	20.1

**COMPANY DESCRIPTION:** Consti, listed on the Helsinki stock exchange in 2015, is one of the leading renovation and technical service companies in Finland. Consti has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for demanding residential and non-residential properties. Consti was established in 2008 to meet the growing need for repair and construction work.

**INVESTMENT CASE:**

OWNERSHIP STRUCTURE	SHARES	EURm	%
Evli Finnish Small Cap Fund	479,200	2.348	6.1%
Ilmarinen Mutual Pension Insurance Company	470,958	2.308	6.0%
Danske Invest Finnish Institutional Equity Fund	425,818	2.087	5.4%
Korkeela Esa Sakari	414,133	2.029	5.3%
Kivi Risto Juhani	377,937	1.852	4.8%
OP-Finland Small Firms Fund	307,977	1.509	3.9%
Kalervo Markku	298,692	1.464	3.8%
Korkeela Antti Petteri	276,894	1.357	3.5%
Riikantorppa Oy	241,680	1.184	3.1%
Wipunen varainhallinta Oy	200,000	0.980	2.5%
Ten largest	3,493,289	17.117	44%
Residual	4,364,978	21.388	56%
Total	7,858,267	38.506	100%

**EARNINGS CALENDAR**

October 25, 2019

Q3 report

**OTHER EVENTS**

**COMPANY MISCELLANEOUS**

CEO: Esa Korkeela

Hopeatie 2, 6. krs, 00440 Helsinki, Finland

CFO: Joni Sorsanen

Tel: +358 10 288 6000

IR: Ismo Heikkilä

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

**Important Disclosures**

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

**Name(s) of the analyst(s):** Salokivi

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on 21.10.2019, 9:00. This report has been published on 21.10.2019, 9:15.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment



Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has been disclosed to the company prior to its dissemination. The company has not made any amendments to its contents. Selected portions of the report were provided to the company for fact checking purposes only.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

**Contact information****SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115  
Lauri Ahokanto +358 9 4766 9117  
Niclas Henelius +358 9 4766 9116

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Ronkanen +358 9 4766 9120

**ETFs and Derivatives**

Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149  
Anna-Liisa Rissanen +358 40 157 9919

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205  
Markku Reinikainen +358 9 4766 9669



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001