

## Upgrade to BUY

Consti's Q2 operating profit of EUR 2.4m was better than expected (Evli/cons. 1.8m/1.4m) and free cash flow and financial position improved clearly. The coronavirus pandemic has and will have some impact on demand in 2020 but the long-term demand situation remains favourable and the company now appears to be in good shape after recent year challenges. We upgrade our rating to BUY (HOLD) with a target price of EUR 10.0 (7.4).

### Q2 profitability better than expected

Consti's Q2 results were better than expected, as although the revenue of EUR 69.3m came in around expectations (Evli/cons. 68.5m/70.3m), the operating profit of EUR 2.4m clearly exceeded expectations (Evli/cons. EUR 1.8m/1.4m). The order intake in the quarter was also favourable, with new orders of EUR 66.8m, and the order backlog continued on a slight upwards trend since the end of 2019. Free cash flow in the quarter (EUR 8.1m) was exceptionally strong, boosting the rolling 12-month cash conversion ratio to 133.5%. As a result, net debt excl. IFRS 16 improved to EUR 8.3m (2019: 15.3m).

### Company in good shape after previous year challenges

Consti's Q2 report was clearly positive and following measures taken during the past years and management comments the company now appears to be in good shape. We expect sales to continue to decline y/y in H2 due to stricter bidding discipline but for profitability to continue to improve as a result of the healthier order backlog. The coronavirus pandemic has and will in our view have a slight impact on the demand situation during the year, but long-term demand drivers remain intact.

### BUY (HOLD) with a target price of EUR 10.0 (7.4)

We have raised our 2020 EBIT estimate by 10% and slightly raised our 2021-2022 profitability estimates. With the higher profitability as well as cash flow and net debt improvements, possible near-term risks from the coronavirus pandemic and St. George arbitration proceedings are reduced. We raise our target price to EUR 10.0 (7.4) and upgrade our rating to BUY (HOLD).

### Rating

BUY



Share price, EUR (Last trading day's closing price) 8.46

Target price, EUR 10.0

Latest change in recommendation 27-Jul-20

Latest report on company 21-Jul-20

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 66

Free float, % 62.0

Exchange rate EUR 1.000

Reuters code CONSTI.HE

Bloomberg code CONSTI FH

Average daily volume, EURm 0.1

Next interim report 28-Oct-20

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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
2018	315.8	-2.1	-0.7%	-7.5	-0.30	-18.5	0.2	-31.3	-17.4	0.00
2019	314.8	4.6	1.5%	0.1	0.32	20.3	0.2	15.6	0.2	0.16
2020E	272.1	8.4	3.1%	10.4	0.70	12.2	0.3	9.4	15.7	0.35
2021E	280.0	9.4	3.4%	6.5	0.81	10.4	0.3	8.0	9.8	0.41
2022E	288.4	10.2	3.5%	7.3	0.91	9.3	0.2	7.0	10.9	0.45
Market cap, EURm			66	Gearing 2020E, %		29.0	CAGR EPS 2019-22, %			42.4
Net debt 2020E, EURm			13	Price/book 2020E		2.2	CAGR sales 2019-22, %			-2.9
Enterprise value, EURm			79	Dividend yield 2020E, %		4.1	ROE 2020E, %			19.4
Total assets 2020E, EURm			122	Tax rate 2020E, %		19.8	ROCE 2020E, %			14.5
Goodwill 2020E, EURm			49	Equity ratio 2020E, %		27.5	PEG, P/E 20/CAGR			0.9

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

Construction companies	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
YIT	1075	11.3x	10.4x	10.4x	15.8x	13.9x	13.9x	14.4x	11.5x	11.5x
SRV Yhtiot	143	13.5x	10.0x	10.0x	21.0x	14.0x	14.0x		16.3x	16.3x
Lehto Group	82	15.4x	8.3x	8.3x	34.2x	11.6x	11.6x	47.1x	7.2x	7.2x
Skanska	7343	8.7x	8.7x	8.7x	11.0x	11.2x	11.2x	13.0x	13.1x	13.1x
NCC	1630	6.3x	5.8x	5.8x	10.9x	9.5x	9.5x	12.6x	11.1x	11.1x
Peab	2443	10.4x	9.7x	9.7x	15.4x	14.2x	14.2x	12.5x	11.3x	11.3x
JM	1769	13.7x	13.5x	13.5x	13.6x	13.4x	13.4x	14.6x	14.4x	14.4x
Veidekke	1578	9.5x	8.7x	8.7x	16.8x	14.5x	14.5x	16.8x	15.6x	15.6x
Peer Group Average	1660	<b>11.1x</b>	<b>9.4x</b>	<b>9.4x</b>	<b>17.3x</b>	<b>12.8x</b>	<b>12.8x</b>	<b>18.7x</b>	<b>12.6x</b>	<b>12.6x</b>
Peer Group Median	1327	<b>10.9x</b>	<b>9.2x</b>	<b>9.2x</b>	<b>15.6x</b>	<b>13.6x</b>	<b>13.6x</b>	<b>14.4x</b>	<b>12.3x</b>	<b>12.3x</b>
Consti (Evli est.)	<b>66</b>	<b>7.2x</b>	<b>6.5x</b>	<b>5.7x</b>	<b>10.1x</b>	<b>8.7x</b>	<b>7.6x</b>	<b>12.2x</b>	<b>10.7x</b>	<b>9.6x</b>

Consti prem./disc. to peer median

-34% -30% -38% -35% -36% -44% -15% -13% -22%

Source FactSet, Evli Research

Building installations and services companies	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
Caverion	870	8.8x	7.6x	7.6x	20.7x	15.0x	15.0x	25.9x	17.4x	17.4x
Bravida Holding	1878	11.8x	11.3x	11.3x	15.5x	14.9x	14.9x	19.7x	18.8x	18.8x
MITIE Group	461	4.1x	3.1x	3.1x	7.2x	4.9x	4.9x	7.3x	7.1x	7.1x
ISS A/S	2507	12.7x	6.9x	6.9x	25.5x	10.4x	10.4x	186.1x	10.1x	10.1x
Bilfinger	637	10.3x	4.6x	4.6x		8.9x	8.9x		14.1x	14.1x
Instalco	822	14.2x	15.8x	15.8x	17.1x	19.6x	19.6x	20.5x	23.9x	23.9x
Peer Group Average	1660	<b>10.3x</b>	<b>8.2x</b>	<b>8.2x</b>	<b>17.2x</b>	<b>12.3x</b>	<b>12.3x</b>	<b>51.9x</b>	<b>15.2x</b>	<b>15.2x</b>
Peer Group Median	1327	<b>11.0x</b>	<b>7.2x</b>	<b>7.2x</b>	<b>17.1x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>20.5x</b>	<b>15.7x</b>	<b>15.7x</b>
Consti (Evli est.)	<b>66</b>	<b>7.2x</b>	<b>6.5x</b>	<b>5.7x</b>	<b>10.1x</b>	<b>8.7x</b>	<b>7.6x</b>	<b>12.2x</b>	<b>10.7x</b>	<b>9.6x</b>

Consti prem./disc. to peer median

-35% -11% -21% -41% -32% -40% -41% -32% -39%

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	8.46 PV of Free Cash Flow	77 Long-term growth, %	1.2 Risk-free interest rate, %	2.25
DCF share value	15.75 PV of Horizon value	71 WACC, %	8.6 Market risk premium, %	5.8
Share price potential, %	86.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	17.0 Marketable securities	10 Minimum WACC, %	8.1 Equity beta coefficient	1.15
Minimum value	14.6 Debt - dividend	-33 Maximum WACC, %	9.1 Target debt ratio, %	30
Horizon value, %	47.9 Value of stock	124 Nr of shares, Mn	7.9 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	315	272	280	288	293	297	302	306	311	315	319	323
<i>Sales growth, %</i>	-0.3	-13.6	2.9	3.0	1.5	1.5	1.5	1.5	1.5	1.5	1.2	1.2
Operating income (EBIT)	5	8	9	10	11	12	12	12	12	13	11	11
<i>Operating income margin, %</i>	1.5	3.1	3.4	3.5	3.7	4.0	4.0	4.0	4.0	4.0	3.5	3.5
+ Depreciation+amort.	4	3	3	3	3	3	4	4	4	4	4	4
EBITDA	8	12	13	14	14	15	16	16	16	16	15	
- Paid taxes	0	-2	-2	-2	-2	-2	-2	-2	-2	-3	-2	
- Change in NWC	-3	5	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-1.7	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	
<i>opCAPEX / Sales, %</i>	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	2	13	9	10	11	11	12	12	12	12	11	153
= Discounted FCFF		12	8	8	8	8	7	7	7	6	5	71
= DFCF min WACC		12	8	8	8	8	8	7	7	6	5	79
= DFCF max WACC		12	8	8	8	8	7	7	6	6	5	63

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	73.5	81.2	81.8	78.3	314.8	59.0	69.3	69.6	74.1	272.1	280.0	288.4
EBITDA	0.5	1.0	3.0	3.6	8.1	1.3	3.2	3.4	4.0	11.8	12.6	13.5
<i>EBITDA margin (%)</i>	<i>0.7</i>	<i>1.3</i>	<i>3.6</i>	<i>4.7</i>	<i>2.6</i>	<i>2.2</i>	<i>4.6</i>	<i>4.8</i>	<i>5.3</i>	<i>4.3</i>	<i>4.5</i>	<i>4.7</i>
EBIT	-0.4	0.1	2.1	2.8	4.6	0.5	2.4	2.5	3.1	8.4	9.4	10.2
<i>EBIT margin (%)</i>	<i>-0.5</i>	<i>0.1</i>	<i>2.6</i>	<i>3.6</i>	<i>1.5</i>	<i>0.8</i>	<i>3.4</i>	<i>3.6</i>	<i>4.2</i>	<i>3.1</i>	<i>3.4</i>	<i>3.5</i>
Net financial items	-0.2	-0.4	-0.3	-0.3	-1.2	-0.3	-0.2	-0.3	-0.3	-1.1	-0.9	-0.8
Pre-tax profit	-0.6	-0.3	1.8	2.5	3.4	0.2	2.1	2.2	2.8	7.3	8.5	9.4
Tax	0.1	0.1	-0.4	-0.6	-0.7	0.0	-0.4	-0.4	-0.6	-1.4	-1.7	-1.9
<i>Tax rate (%)</i>	<i>20.1</i>	<i>19.6</i>	<i>20.0</i>	<i>22.2</i>	<i>21.6</i>	<i>16.9</i>	<i>19.6</i>	<i>20.0</i>	<i>20.0</i>	<i>19.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-0.5	-0.3	1.4	1.9	2.5	0.0	1.6	1.7	2.2	5.5	6.4	7.1
EPS	-0.06	-0.04	0.18	0.24	0.32	0.00	0.21	0.21	0.27	0.70	0.81	0.91
EPS adjusted (diluted no. of shares)	-0.06	-0.04	0.18	0.24	0.32	0.00	0.21	0.21	0.27	0.70	0.81	0.91
Dividend per share	0.00	0.00	0.00	0.00	0.16	0.00	0.00	0.00	0.00	0.35	0.41	0.45
<b>SALES, EURm</b>												
Housing Companies	28.3	27.7	30.4	24.0	110.4	16.5	24.8	23.3	23.4	87.9	88.4	91.1
Corporations	27.6	31.7	27.9	31.8	119.1	20.8	21.6	22.2	24.3	88.9	90.8	93.5
Public Sector	5.3	8.3	10.5	9.8	33.9	9.4	10.3	10.9	11.9	42.5	46.4	47.7
Building Technology	16.4	18.8	18.0	16.6	69.7	15.5	16.5	17.1	18.6	67.6	69.5	71.6
Elimination	-4.1	-5.2	-5.0	-3.9	-18.2	-3.0	-3.9	-3.9	-4.1	-14.9	-15.0	-15.4
<b>Total</b>	<b>73.5</b>	<b>81.2</b>	<b>81.8</b>	<b>78.3</b>	<b>314.8</b>	<b>59.0</b>	<b>69.3</b>	<b>69.6</b>	<b>74.1</b>	<b>272.1</b>	<b>280.0</b>	<b>288.4</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Housing Companies</i>	<i>58.6</i>	<i>10.2</i>	<i>4.9</i>	<i>-25.9</i>	<i>5.8</i>	<i>-41.9</i>	<i>-10.4</i>	<i>-23.3</i>	<i>-2.7</i>	<i>-20.3</i>	<i>0.5</i>	<i>3.0</i>
<i>Corporations</i>	<i>6.4</i>	<i>-4.3</i>	<i>-15.9</i>	<i>-24.3</i>	<i>-11.3</i>	<i>-24.8</i>	<i>-31.8</i>	<i>-20.5</i>	<i>-23.5</i>	<i>-25.3</i>	<i>2.1</i>	<i>3.0</i>
<i>Public Sector</i>	<i>75.1</i>	<i>116.8</i>	<i>161.4</i>	<i>36.6</i>	<i>88.0</i>	<i>77.7</i>	<i>24.2</i>	<i>3.8</i>	<i>22.0</i>	<i>25.5</i>	<i>9.0</i>	<i>3.0</i>
<i>Building Technology</i>	<i>-8.4</i>	<i>-6.9</i>	<i>7.2</i>	<i>-18.5</i>	<i>-7.2</i>	<i>-5.5</i>	<i>-12.3</i>	<i>-5.0</i>	<i>12.1</i>	<i>-3.0</i>	<i>2.7</i>	<i>3.0</i>
<i>Elimination</i>	<i>67.8</i>	<i>16.8</i>	<i>24.5</i>	<i>-23.5</i>	<i>13.6</i>	<i>-26.8</i>	<i>-25.6</i>	<i>-21.6</i>	<i>4.3</i>	<i>-18.3</i>	<i>0.7</i>	<i>3.0</i>
<b>Total</b>	<b>18.0</b>	<b>4.4</b>	<b>3.7</b>	<b>-19.1</b>	<b>-0.3</b>	<b>-19.7</b>	<b>-14.7</b>	<b>-14.9</b>	<b>-5.3</b>	<b>-13.6</b>	<b>2.9</b>	<b>3.0</b>
<b>EBIT, EURm</b>												
Group	-0.4	0.1	2.1	2.8	4.6	0.5	2.4	2.5	3.1	8.4	9.4	10.2
Total	-0.4	0.1	2.1	2.8	4.6	0.5	2.4	2.5	3.1	8.4	9.4	10.2
<b>EBIT margin, %</b>												
<b>Total</b>	<b>-0.5</b>	<b>0.1</b>	<b>2.6</b>	<b>3.6</b>	<b>1.5</b>	<b>0.8</b>	<b>3.4</b>	<b>3.6</b>	<b>4.2</b>	<b>3.1</b>	<b>3.4</b>	<b>3.5</b>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	256.2	261.5	300.2	315.8	314.8	272.1	280.0	288.4
<i>Sales growth (%)</i>	<i>18.6</i>	<i>2.1</i>	<i>14.8</i>	<i>5.2</i>	<i>-0.3</i>	<i>-13.6</i>	<i>2.9</i>	<i>3.0</i>
EBITDA	12.6	13.1	1.7	-0.5	8.1	11.8	12.6	13.5
<i>EBITDA margin (%)</i>	<i>4.9</i>	<i>5.0</i>	<i>0.6</i>	<i>-0.1</i>	<i>2.6</i>	<i>4.3</i>	<i>4.5</i>	<i>4.7</i>
Depreciation	-2.1	-2.1	-2.1	-1.7	-3.5	-3.3	-3.2	-3.3
EBITA	10.5	10.9	-0.4	-2.1	4.6	8.4	9.4	10.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	10.5	10.9	-0.4	-2.1	4.6	8.4	9.4	10.2
<i>EBIT margin (%)</i>	<i>4.1</i>	<i>4.2</i>	<i>-0.1</i>	<i>-0.7</i>	<i>1.5</i>	<i>3.1</i>	<i>3.4</i>	<i>3.5</i>
Reported EBIT	8.4	10.9	-0.4	-2.1	4.6	8.4	9.4	10.2
<i>EBIT margin (reported) (%)</i>	<i>3.3</i>	<i>4.2</i>	<i>-0.1</i>	<i>-0.7</i>	<i>1.5</i>	<i>3.1</i>	<i>3.4</i>	<i>3.5</i>
Net financials	-4.4	-0.9	-0.8	-0.7	-1.2	-1.1	-0.9	-0.8
Pre-tax profit	6.2	10.1	-1.2	-2.8	3.4	7.3	8.5	9.4
Taxes	-0.8	-2.1	0.1	0.5	-0.7	-1.4	-1.7	-1.9
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	3.3	8.0	-1.1	-2.3	2.5	5.5	6.4	7.1
Cash NRIs	-2.1	0.0	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	6	6	5	4	4	4	4	4
Goodwill	43	44	49	49	49	49	49	49
Right of use assets	0	0	0	4	3	3	3	3
Inventory	1	1	1	1	1	1	1	1
Receivables	36	39	36	53	50	49	50	52
Liquid funds	4	9	10	3	10	16	17	17
Total assets	91	98	101	115	117	122	124	126
<b>Liabilities</b>								
Shareholder's equity	25	30	25	23	26	30	34	38
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	3	3	3	3
Lease liabilities	0	0	0	4	4	3	3	3
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	21	21	22	23	25	23	20	16
Non-interest bearing current liabilities	43	46	52	62	56	60	62	63
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	91	98	101	115	117	122	124	126
<b>CASH FLOW, EURm</b>								
+ EBITDA	13	13	2	0	8	12	13	14
- Net financial items	-4	-1	-1	-1	-1	-1	-1	-1
- Taxes	-1	-1	-1	0	0	-1	-2	-2
- Increase in Net Working Capital	2	0	9	-5	-3	5	0	0
+/- Other	-2	0	0	0	0	0	0	0
= Cash flow from operations	7	11	9	-7	4	14	10	11
- Capex	-1	-2	-1	-1	-4	-3	-3	-3
- Acquisitions	0	-1	-4	0	0	0	0	0
+ Divestments	0	0	1	1	0	0	0	0
= Free cash flow	6	8	4	-8	0	10	7	7
+/- New issues/buybacks	21	0	1	0	0	0	0	0
- Paid dividend	0	-3	-4	0	0	-1	-3	-3
+/- Other	-33	0	-1	1	6	-3	-3	-4
Change in cash	-6	5	0	-6	7	6	0	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	112	66	43	50	66	66	66
Net debt (excl. convertibles)	12	12	23	19	10	6	2
Enterprise value	125	78	67	72	79	76	72
Sales	262	300	316	315	272	280	288
EBITDA	13	2	0	8	12	13	14
EBIT	11	0	-2	5	8	9	10
Pre-tax	10	-1	-3	3	7	8	9
Earnings	8	-1	-2	2	5	6	7
Equity book value (excl. minorities)	30	25	23	26	30	34	38
<b>Valuation multiples</b>							
EV/sales	0.5	0.3	0.2	0.2	0.3	0.3	0.2
EV/EBITDA	9.5	45.3	-143.6	8.9	6.8	6.0	5.3
EV/EBITA	11.4	-207.0	-31.3	15.6	9.4	8.0	7.0
EV/EBIT	11.4	-207.0	-31.3	15.6	9.4	8.0	7.0
EV/OCF	11.7	8.8	-9.9	19.7	5.8	7.6	6.6
EV/FCFF	13.8	14.9	-9.6	31.9	6.2	8.3	7.3
P/FCFE	13.5	14.6	-5.7	523.9	6.4	10.2	9.1
P/E	14.1	-61.0	-18.5	20.3	12.2	10.4	9.3
P/B	3.8	2.6	1.8	1.9	2.2	2.0	1.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.8	7.0	6.2
Target EV/EBIT	0.0	0.0	0.0	0.0	10.9	9.3	8.2
Target EV/FCF	0.0	0.0	0.0	0.0	8.8	13.5	11.5
Target P/B	0.0	0.0	0.0	0.0	2.6	2.3	2.1
Target P/E	0.0	0.0	0.0	0.0	14.4	12.3	11.0
<b>Per share measures</b>							
Number of shares	7,621	7,621	7,858	7,858	7,858	7,858	7,858
Number of shares (diluted)	7,621	7,621	7,858	7,858	7,858	7,858	7,858
EPS	1.05	-0.14	-0.30	0.32	0.70	0.81	0.91
Operating cash flow per share	1.40	1.16	-0.85	0.47	1.74	1.26	1.37
Free cash flow per share	1.09	0.59	-0.96	0.01	1.33	0.83	0.92
Book value per share	3.89	3.32	2.98	3.33	3.86	4.33	4.83
Dividend per share	0.54	0.00	0.00	0.16	0.35	0.41	0.45
Dividend payout ratio, %	51.5	0.0	0.0	50.8	50.0	50.0	50.0
Dividend yield, %	3.7	0.0	0.0	2.5	4.1	4.8	5.4
FCF yield, %	7.4	6.8	-17.4	0.2	15.7	9.8	10.9
<b>Efficiency measures</b>							
ROE	29.5	-3.9	-9.6	10.0	19.4	19.9	19.9
ROCE	22.7	-0.6	-4.2	8.6	14.5	16.0	17.2
<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	14.7	12.1	16.8	15.8	18.0	18.0	18.0
Non-interest bearing liabilities as % of sales	17.5	17.3	19.5	17.8	22.0	22.0	22.0
NWC/sales, %	-2.6	-5.0	-2.5	-1.7	-3.8	-3.8	-3.8
Operative CAPEX/sales, %	0.7	0.5	0.4	1.3	1.2	1.2	1.2
CAPEX/sales (incl. acquisitions), %	0.4	-0.8	0.4	1.3	1.2	1.2	1.2
FCFF/EBITDA	0.7	3.0	15.0	0.3	1.1	0.7	0.7
Net debt/EBITDA, book-weighted	0.9	7.0	-50.5	2.3	0.8	0.5	0.1
Debt/equity, market-weighted	0.2	0.3	0.5	0.5	0.4	0.3	0.2
Equity ratio, book-weighted	34.8	28.8	24.4	29.8	27.5	30.0	32.6
Gearing, %	40.8	47.7	100.0	64.4	29.0	16.0	4.6

**COMPANY DESCRIPTION:** Consti 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 residential and non-residential properties. Consti was established in 2008 to meet the growing need for repair and construction work.

**INVESTMENT CASE:** Consti should seek to regain healthier levels of profitability after a period of weaker profitability during the past few years driven by a number of weak margin projects. Reorganisations and more disciplined bidding procedures support the profitability outlook, although the latter has had an unfavourable impact on the order backlog. In the near-term the decline in order backlog along with an anticipated increase in competition following a slow-down in new construction volumes pose growth challenges. The long-term market outlook, however, remains favourable due to among other things a large aging building stock, and the renovation market is expected to see steady growth.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lujatalo Oy	790,000	6.683	10.1%
Korkeela Esa Sakari	434,133	3.673	5.5%
Evli Finnish Small Cap Fund	434,000	3.672	5.5%
Heikintorppa Oy	385,000	3.257	4.9%
Wipunen varainhallinta Oy	385,000	3.257	4.9%
Kivi Risto Juhani	379,758	3.213	4.8%
Danske Invest Finnish Equity Fund	338,708	2.865	4.3%
Kalervo Markku	299,128	2.531	3.8%
Korkeela Antti Petteri	276,894	2.343	3.5%
Mutual Fund eQ Nordic Small Cap	206,609	1.748	2.6%
Ten largest	3,929,230	33.241	50%
Residual	3,929,037	33.240	50%
Total	7,858,267	66.481	100%

#### EARNINGS CALENDAR

October 28, 2020

Q3 report

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



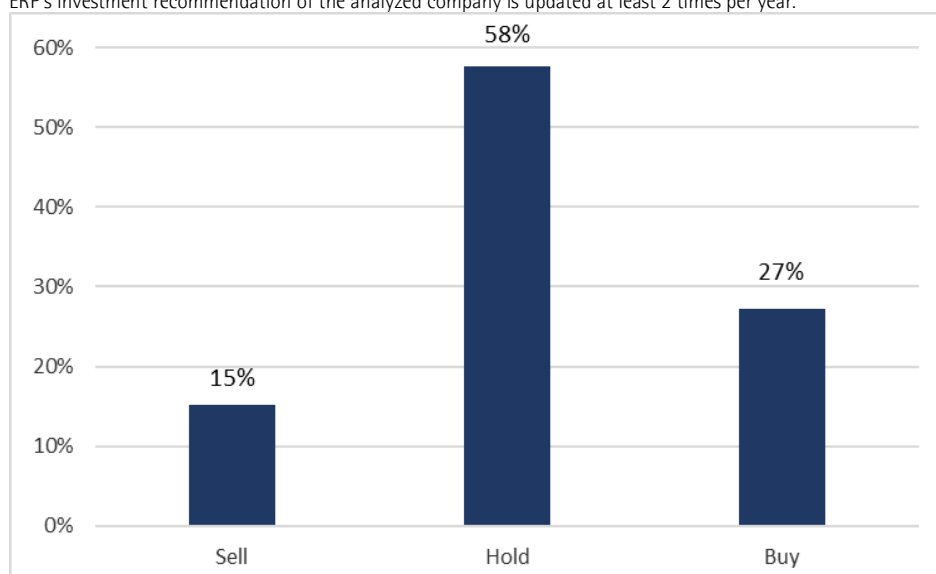
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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