CONSTI

Construction & Engineering/Finland, December 22, 2022
Company report

Steady progress, favourable valuation

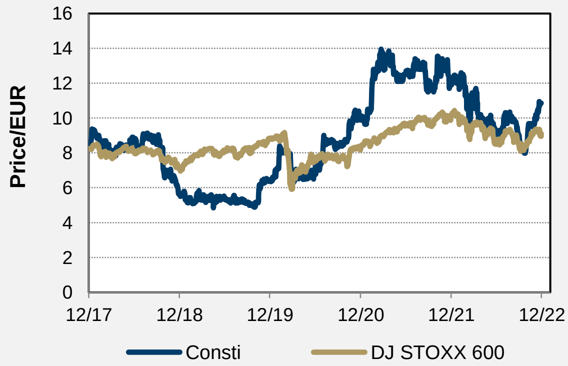
Consti is the leading renovation construction company in Finland. Despite facing an uncertain market with rising building costs, the company has been able to successfully turnaround and maintain its profitability. We continue to see the valuation rather undemanding and the discount to its main peers unjustified. We retain our BUY-rating and adjust our target price to EUR 12.0 (11.0).

Finland's leading renovation construction company
Consti is a construction service company focused on renovation construction and building technology contracting and services. The company operates solely in Finland with a focus on Finnish growth centers. Consti is the largest renovation construction company in Finland measured by revenue and the company's building technology unit is the 5th largest building technology company in Finland.

Turnaround achieved amid uncertain market
During 2017-2018, Consti experienced challenges with project execution and management that resulted in negative earnings. Due to the suboptimal profitability, the company implemented corrective measures that began to show results already in 2019. The company has posted over 3% adjusted EBIT margin during 2020-2021. In 2022, the company has been able to maintain its profitability despite the rising construction material costs. In our view, the company's long-term profitability target of 5% EBIT margin is ambitious but we see potential for improvement through fixed cost containment, optimization of the sales mix, and improved project management and procurement.

BUY with a target price of EUR 12.0 (11.0)
We see the case attractive despite the current construction market uncertainty and the recent share price strength. In our view, the company's valuation discount to its new construction focused peer companies is unjustified. We also see a strong long-term upside potential if the company can reach its long-term operational targets. We retain our BUY-rating and adjust our target price to EUR 12.0 (11.0).

Rating **BUY**



Share price, EUR (Last trading day's closing price)	10.85
Target price, EUR	12.0
Latest change in recommendation	26-Jul-21
Latest report on company	28-Oct-22
Research paid by issuer:	YES
No. of shares outstanding, '000's	7,735
No. of shares fully diluted, '000's	7,735
Market cap, EURm	84
Free float, %	45.9
Exchange rate EUR	1.000
Reuters code	CONSTI.HE
Bloomberg code	CONSTI FH
Average daily volume, EURm	0.1
Next interim report	03-Feb-23
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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
2020	274.6	8.2	3.0%	15.1	0.71	14.2	0.3	10.6	19.2	0.40
2021	288.8	5.7	2.0%	-3.1	0.47	25.9	0.4	19.1	-3.3	0.45
2022E	297.0	10.3	3.5%	8.2	0.98	11.1	0.3	9.0	9.8	0.49
2023E	303.8	11.6	3.8%	9.1	1.12	9.6	0.3	7.6	10.8	0.56
2024E	311.8	12.5	4.0%	9.7	1.23	8.8	0.3	6.6	11.6	0.61

Market cap, EURm	84	Gearing 2022E, %	26.3	CAGR EPS 2021-24, %	38.1
Net debt 2022E, EURm	9	Price/book 2022E	2.3	CAGR sales 2021-24, %	2.6
Enterprise value, EURm	93	Dividend yield 2022E, %	4.5	ROE 2022E, %	22.2
Total assets 2022E, EURm	120	Tax rate 2022E, %	20.0	ROCE 2022E, %	16.2
Goodwill 2022E, EURm	50	Equity ratio 2022E, %	29.9	PEG, P/E 22/CAGR	1.2

Investment summary

Construction service company focused on renovation

Consti is a construction service company focused on renovation construction and building technology contracting and services. The company was founded in 2008 and was listed in 2015 to Helsinki stock exchange. Consti operates solely in Finland with a focus on Finnish growth centers, the company employs roughly 1000 professionals.

Turnaround completed, current focus on profitable growth

Consti faced problems related to project execution and management during 2017-2018 that led to negative earnings. As a result of the suboptimal profitability, the company implemented various correcting measures which started to deliver results already during 2019. The company has posted over 3% adjusted EBIT margin during 2020-2021. The company's strategic focus is currently on controlled and profitable growth in renovation and building technology services. In addition, the company looks to increase the value add for customers and improve relative profitability by growing in attractive new construction projects and by adding project development and design capabilities and strengthening service and maintenance business. In the long-term, the company aims to grow faster than the overall Finnish renovation construction market with EBIT margin of over 5%.

Asset-light business model

Consti operates solely on contracting basis and doesn't participate in on-balance sheet construction operations, the business doesn't require substantial tangible asset investments as most of the costs are related to employees and materials. Additionally, the company's working capital is negative because of the advance payments received from projects. The beforementioned factors lead to strong cash flow generation, in 2021, the cash conversion was 59% vs. the company's long-term target of >90%. In 2020, the company was able to reach and exceed the long-term target as the company's cash conversion was 160%.

Finnish renovation construction market grows steadily

The total value of Finnish renovation construction market in 2021 was EUR 14.5b. Renovation construction market is slightly smaller than the new construction market which was roughly EUR 17b in 2021. The Finnish renovation construction market has historically grown roughly 1-2% per annum. According to the Confederation of Finnish Construction Industries, the Finnish renovation construction market growth is expected to stay at roughly 1-2% p.a during 2023-24. Main competitors include large construction companies such as YIT, Peab, NCC, Skanska, smaller renovation construction focused companies such as Pylon, Renevo, Rakennus Ahola, building technology companies such as Are, Caverion, Bravida and building service companies such as Lassila & Tikanoja and ISS. Besides the larger players, the market is fragmented as companies with below EUR 10m of revenue control the majority of the market.

Current order book healthy despite slight decrease y/y during Q3 2022

Consti's order backlog decreased roughly 3.4% y/y during Q3 2022, at the same time, the company's order intake fell 4.0% y/y. The order book is still healthy as it is clearly above the historic average order book size, yet the growth in order backlog has slowed down from the levels seen during 2021. The company has two large projects that are not yet recorded in the backlog: Laakso Joint Hospital and Jorvi Hospital. The value of Consti's building technology services in the implementation phase of these projects would total approximately EUR 75m or roughly 35% of the company's current order book.

BUY with a target price of EUR 12.0

We retain our BUY rating and adjust our target price to EUR 12.0 (11.0). Consti trades at a discount to its key Nordic construction company peer group which we find unjustified because of the company's focus on more defensive renovation construction. The current market environment puts uncertainty into our estimates in the short-term, but we find the long-term secular trends favorable for the investment case. We do not put emphasis on absolute valuation at the present, but we see that there is a strong underlying upside potential if the company is able to improve its operational performance in the long run.

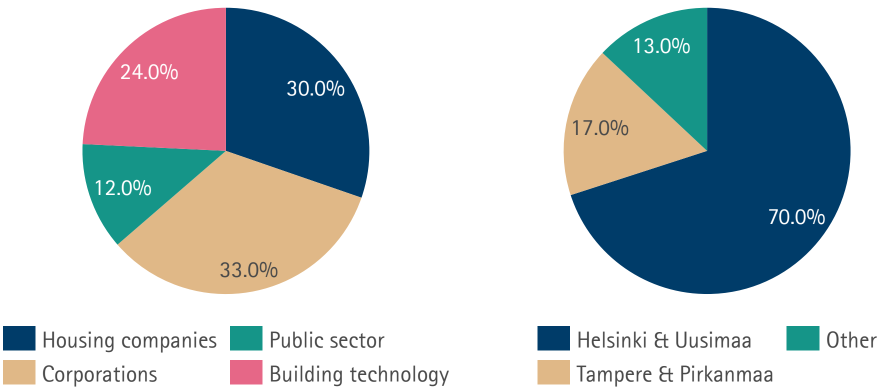
Company overview

Consti offers renovation, technical building and selected new construction services in Finland. The company's customers include housing companies, corporations, investors and the public sector. Consti offers services solely in Finland focusing on the Finnish growth centers located in south and southwest of Finland. Consti Oyj was founded in 2008 and is headquartered in Helsinki, Finland. The company employs roughly 1000 professionals.

The company's service offering is wide with a focus on renovation

Consti offers a wide assortment of construction services; the offering includes renovation contracting, pipeline and façade renovation as well as building technology services and new building construction. In addition to projects, the company offers building service and maintenance. The company's revenue is rather evenly spread between the main segments: corporations, housing companies, and the public sector. In 2021, the company's biggest segments by revenue were corporations and housing companies which both comprised roughly third of total sales. The most important geography by revenue was Helsinki and the Uusimaa area which comprised roughly 70% of the company's total revenue.

Figure 1: Consti operating segments & locations by % of total revenue, 2021

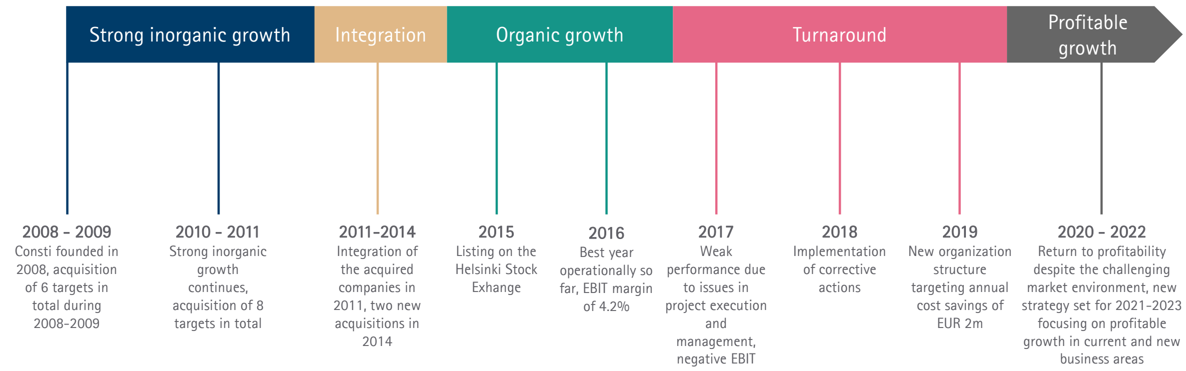


Source: Consti, Evli Research

The company has grown through acquisitions

Consti was originally founded in 2008 as the company acquired two building technology companies Koja Tekniikka Oy and Mansen Putki Oy. Private equity company Intera Partners and the company's management were the owners of the newly formed company. Before the initial public offering in 2015, the company grew aggressively through acquisitions; after the company's establishment in 2008, Consti quickly entered into the renovation construction market as it acquired six targets in 2009. During 2008-2014 Consti acquired 16 targets in total and grew its revenue from EUR 18m in 2008 to EUR 216m in 2014. After the initial public offering, the company has made seven smaller bolt-on acquisitions.

Figure 2: Consti's history



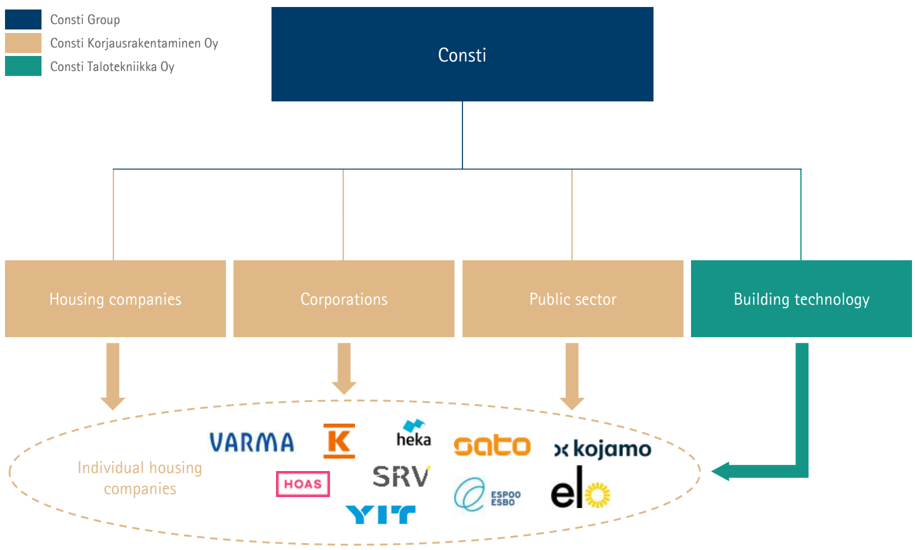
Source: Consti, Evli Research

Business model

Consti offers a wide variety of construction services

Consti offers a wide variety of renovation and new construction contracting services for customers and operates purely on a contracting basis. Consti's customer base is well diversified and includes housing companies, corporations, real estate investors and the public sector. Because of the wide customer base, Consti has the ability to work in a variety of property types ranging from basic residential and commercial buildings to special properties such as hospitals and industrial buildings.

Figure 3: Consti's customer focused organization structure



Source: Consti, Evli Research

Four different operating segments with centralized support functions

In 2019, the company updated its organization structure to match the customer needs and increase efficiency. Before 2019, the organization was divided into segments based on the job type, in the updated organization model, the business is divided to four different operating segments: housing companies, corporations, public sector and building technology. The updated organization model is customer-oriented; it eases purchasing of Consti's services as all the services are located under one roof for each operating segment. The support functions are centralized which improves group-wide efficiency.

Segment description by typical job and customer type:

Housing companies

- Pipeline renovations, façade renovations and roof renovations for housing companies

Corporations

- Renovations, comprehensive renovations, project development for real estate investors and other corporations

Public sector

- Renovation of properties owned by public sector customers, work sites include for example schools, day care centers hospitals, office spaces and city rental houses

Building technology

- Building technology contracting, service and maintenance for a wide variety of customers (excl. housing company pipeline renovations)

Service offering improves profitability and is non-cyclical by nature

Consti's service business was 13% of total net sales in 2021, down from 16% in 2020. The company offers services in all of its business areas, most of the company's staff in service business works in the building technology segment. The service business consists of small-scale service projects and upkeep and maintenance services. The offering is wide including services such as

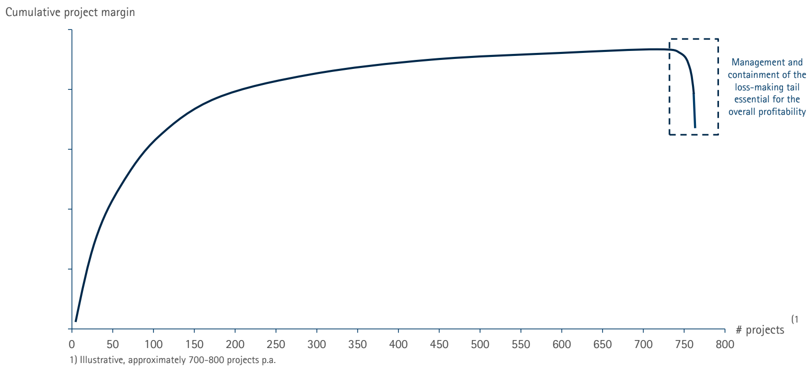
- Building technology services: maintenance, repair and installation services, such as ventilation maintenance, HVAC system repairs, energy efficiency projects, small scale electrical work
- Building façade cleaning and maintenance painting of building exteriors and staircases, façade sealing, balcony repairs and painting
- Small-scale building repairs, such as window repairs, renewal of lobbies and inspection of premises

The service business grew strongly at almost 20% CAGR during 2014-2017, the growth has been slower since, as the service revenue has stayed at roughly EUR 40-45m during 2018-2021. The service segment is profitable and reduces the cyclicality of Consti's business as the contracts offered are often longer-term service and maintenance contracts.

Project driven business model

Majority of the company's revenue is generated from renovation construction project deliveries. The average project size relative to the company's revenue is small, yet roughly 2/3 of the total revenue comprise of project revenue from large, over EUR 1m projects. The company has not published data regarding the number of projects and project value during the recent years, yet based on historic published figures, we estimate that the average project size is roughly EUR 200k and the company is active in roughly 700-900 projects annually.

Figure 4: Illustration of Consti's project margin whale curve

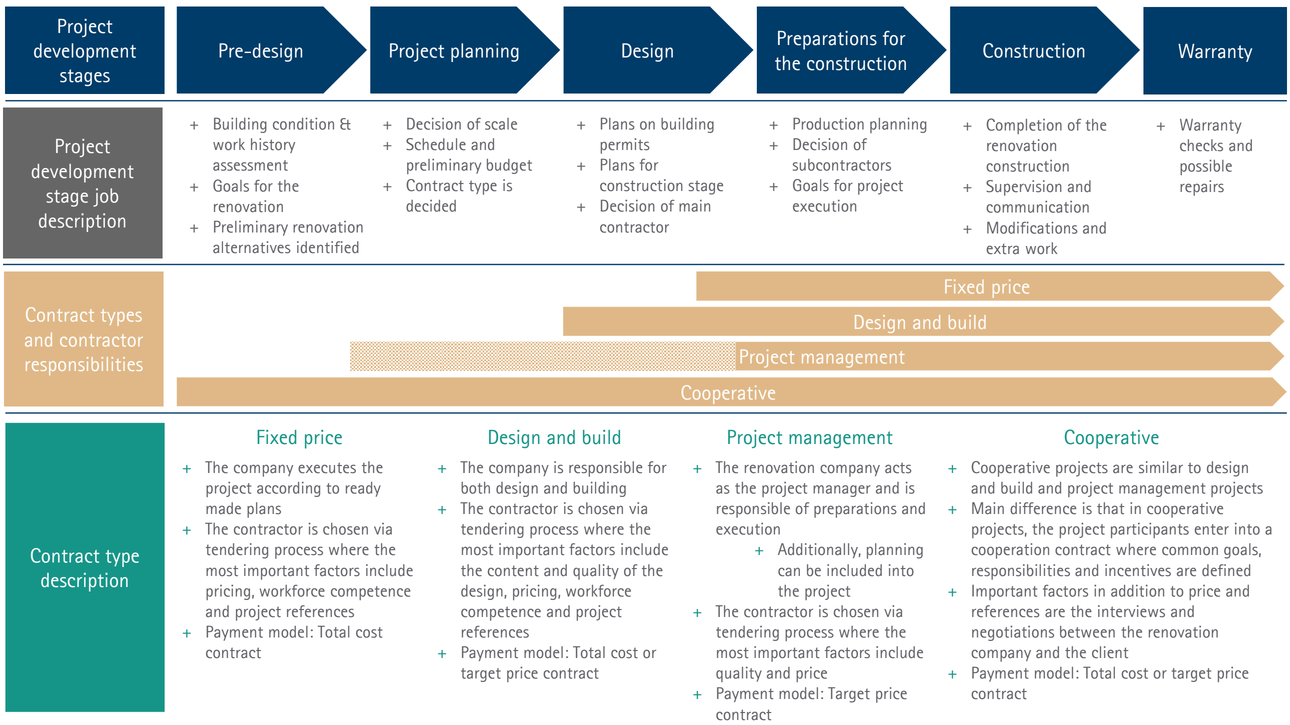


Source: Consti, Evli Research

Project profitability is secured through successful tendering and project management

Most of the company's revenue is generated from tendered projects and services, which increases the importance of tendering for the group's profitability. The decision to participate in a tendering process is based on the risks and the benefits involved with a certain project; Consti has internal procedures which determine in which tenders the company participates in. One of the most important factors in the tender process is the company's tender calculation; errors and misjudgments in the tender calculation will have an immediate impact on the project margin. Through successful tender calculation and risk management, the number of loss-making projects decreases, and the negative effect of a loss-making projects can be covered by other profitable projects. Project management is important during the project execution phase and the management of costs, schedule and quality during the actual project are important for both Consti's profitability and customer satisfaction.

Figure 5: Renovation construction project development stages and contract types relevant for the company



Source: Consti, Evli Research

Most of the revenue comes from fixed price main and subcontracts

Similarly to new construction, there are multiple different contract types and payment models in renovation construction. Most of Consti's revenue comes from fixed price main and subcontracts. In fixed price contracts, the project is executed by the contractor according to the client's ready-made plans. The renovation contractor doesn't take part in the planning phase as the contractors' main responsibilities are preparations for the project execution, completion of the renovation work and the warranty period. Consti operates as the main contractor in most of its residential renovation construction projects, in non-residential building technology projects Consti operates mostly as a subcontractor. The normal warranty period length for the company is roughly two years.

The business model allows strong cash flow generation

Consti operates solely on contracting basis and doesn't participate in on-balance sheet construction operations. The business model is labour-intensive and the operations do not require substantial tangible investments. As a result, the company has strong cash flow generation and ability to operate with an asset light balance sheet. The company's working capital is negative because of the advance payments received from the projects.

Strategy

Consti updated its strategy at the end of 2020 for the strategy period 2021-2023

During 2020, the company was able to improve its profitability as the new organization structure and change program implemented in 2019 began to deliver results. The changes made during 2019 included a new organization structure, more disciplined tendering process and implementation of other strategic initiatives focused on profitable and competitive operations. The company announced its updated strategy for 2021-2023 in February 2021. According to the updated strategy, profitable growth is achieved by utilizing growth opportunities in the company's existing business and increasing the value add for customers beyond the current offering. Consti's vision for 2023 is to be the customer's number one partner and expert in multiple types of construction.

Consti's strategic focus areas 2021-2023:

- Growth in current business
    - Profitable growth in the company's current service portfolio
- New businesses
    - Increasing the value add by offering new construction services in selected projects
- Relative profitability improvement
    - Increasing the relative profitability by active portfolio management and expansion in the construction value chain
- Production efficiency
    - Goal to have the industry's most efficient production and steady level of performance in project deliveries
- Personnel and management
    - Supporting profitable growth by investing in the implementation of the Consti Way, expanding competence, adding diversity, and adopting LEAN principles
- Corporate responsibility and sustainability
    - Concentrating on updated responsibility themes, which are environmentally friendly business, work safety and well-being at work, supply chain and customer satisfaction

Source: Consti

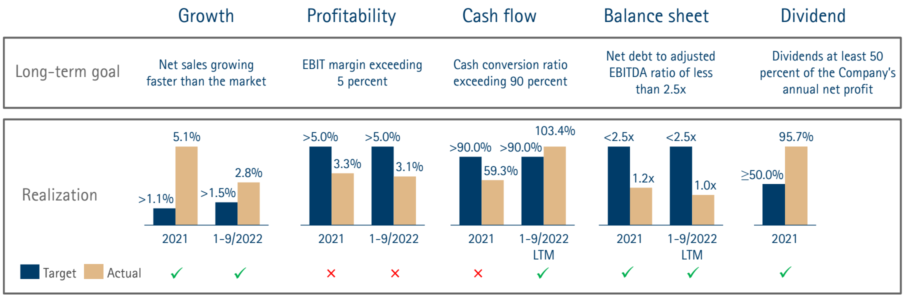
Expanding the value add beyond the current offering

New construction is one of the ways the company is aiming to become its customers number one partner and expert in multiple types of construction. New construction is part of many renovation construction projects and therefore offering both new and renovation construction increases the company's competitiveness and value add for the customer. The company is focusing on new construction services in selected projects that include for example industrial, storage and office premises as well as various public buildings. In 2021, the first new construction projects were started; two office buildings in Ilmala and a school building in Järvenpää. In addition to new construction, Consti looks to expand further in the construction value chain. The company looks to increase the value created for customers by adding project development and design capabilities and strengthening the service and maintenance business.

The company's financial targets are based on growth, profitability, cash flow, balance sheet and dividend metrics

The company's long-term growth target is to grow faster than the overall renovation construction market. Consti changed its long-term growth target in 2019, prior to 2019, the growth target was set to exceed 10%. The decrease in the growth target is logical as the company's focus is currently on profitable growth. We see that Consti is well positioned to grow faster than the overall renovation construction market as the company focuses on higher growth geographies within Finland. Additionally, the company is expanding to new business areas which further supports the growth story.

Figure 6: Long-term financial targets



Source: Consti, Evli Research

Consti has not been able to reach its profitability target

Consti has not been able to reach the profitability target during 2016-2021 which has remained unchanged at over 5% EBIT margin. In 2016, the company was able to reach EBIT margin of 4.2% which is the company's history's highest. The turnaround program implemented in 2019 was successful as the company has been able to return to profitability after two years of suboptimal performance during 2017-2018. The current profitability level is still far from the target level as in 2021, the company reached adjusted EBIT margin of 3.3%, down from 3.5% in 2020.

Other targets include targets for cash flow, financial structure, and dividend

Other long-term financial targets include cash conversion ratio of over 90%, net debt to adjusted EBITDA less than 2.5x and dividend distribution of at least 50% of the company's annual net profit. Consti has been able to reach these targets regularly, mainly driven by the asset light business model. The cash conversion ratio is affected by changes in net working capital, which fluctuates as a result of the project portfolio. Consti's cash conversion ratio between 2019-2021 was 96%, exceeding the 90% target.

Guidance 2022

The company expects to continue its positive and solid development in 2022, Consti estimates that its operating result for 2022 will be in the range of EUR 9-13 million.

Market

Overview

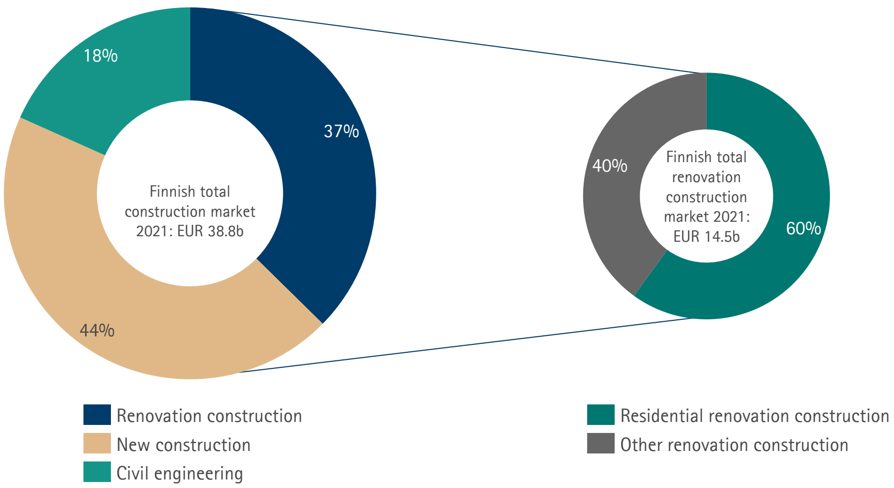
Finnish renovation construction market size is roughly EUR 14bn

The total value of the Finnish renovation construction market in 2021 was EUR 14.5bn. The renovation construction market is slightly smaller than the new construction market which was roughly EUR 17bn in 2021. The percentage share of the renovation market of the total construction market has increased during the recent decades driven by the ageing building stock in Finland. When compared to other Nordic and European countries where the renovation construction has traditionally comprised 50-70% of the total construction market, the share of renovation in Finland is still relatively small. The renovation construction market has historically grown at a slow pace, according to the Confederation of Finnish Construction Industries (Rakennusteollisuus, CFCI), the Finnish renovation construction market declined 0.4% in 2020 and grew 4.8% in 2021. CFCI expects the renovation construction market to grow by 1.5% in 2022 and by 2.0% in 2023. Although the renovation market grows slower, it is more stable when compared to the new construction market.

Renovation construction is more complex than new construction

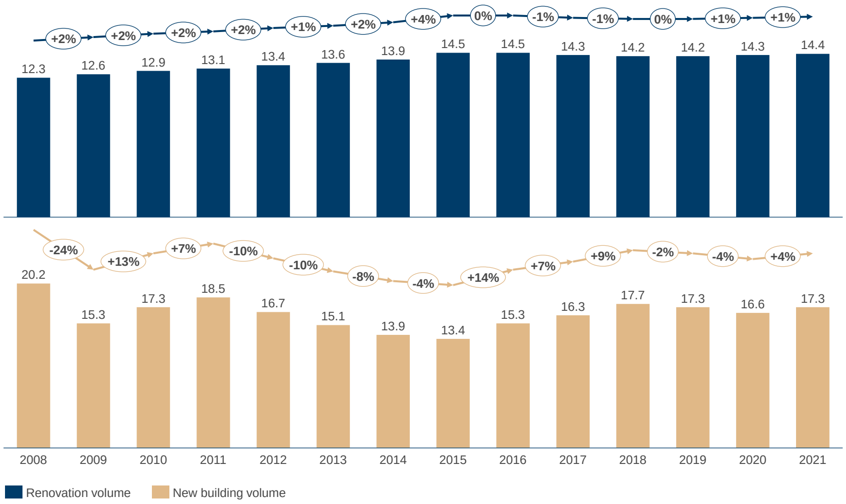
Even though there is overlap, new construction and renovation construction markets have fundamental differences. The renovation construction market is harder to grasp as there are multiple different services and niches within the renovation construction market which all have different dynamics. According to Consti, its renovation service offering includes roughly 30 separate identifiable services. Renovation construction projects are often complex, and the projects are relatively small in size. The work is many times being performed close to customers as the buildings are in use during the renovation work. In addition, old buildings have special features and surprises which make planning in advance more difficult. Because of the complexity and relatively small average project sizes, larger construction companies tend to focus on new construction where the projects are bigger and the processes more standardized.

Figure 7: Finnish total construction market & renovation construction market value in 2021



Source: Statistics Finland, Forecon, CFCI, Evli Research

Figure 8: New building & renovation construction volume, EURb on real terms



Source: Euroconstruct, Consti, Evli Research

Renovation construction market is further divided to commercial and residential renovation

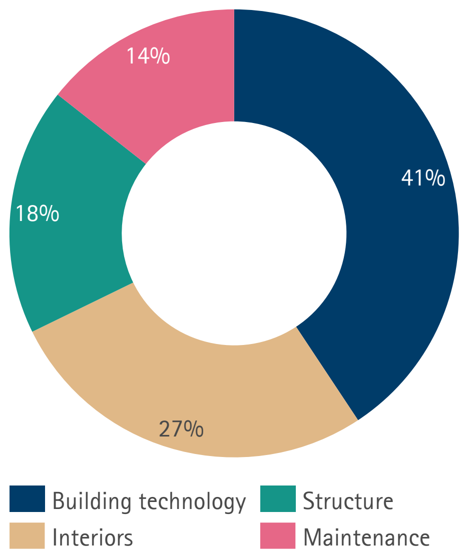
The renovation construction market can be further divided into residential and other renovation construction. Residential renovation construction is roughly 60% (or EUR 8.7b) and other renovation construction is roughly 40% (or EUR 5.7b) of the total renovation market. Residential renovation construction comprises of renovation construction of residential buildings such as block of flats, structure elements and detached and semidetached houses. Other renovation construction comprises of renovation construction of service, commercial, office and industrial/warehouse buildings.

Renovation construction consists of different subsectors

The renovation construction market includes several different subsectors and construction activities. The market is traditionally divided into subsectors including building technology, structure, interiors and maintenance. Different renovation construction subsectors explained:

- Building technology: includes renovation of building technology such as HVAC (heating, ventilation and air conditioning) and MEP (mechanical, electrical and plumbing).
- Structure: includes renovation of building structure such as façade, balconies and windows
- Interiors: includes renovation of the building's interior
- Maintenance: includes property management and maintenance

Figure 9: Renovation construction market value by type of activity in 2020



Source: Forecon, Evli Research

Building technology is the largest and fastest growing subsector in renovation construction

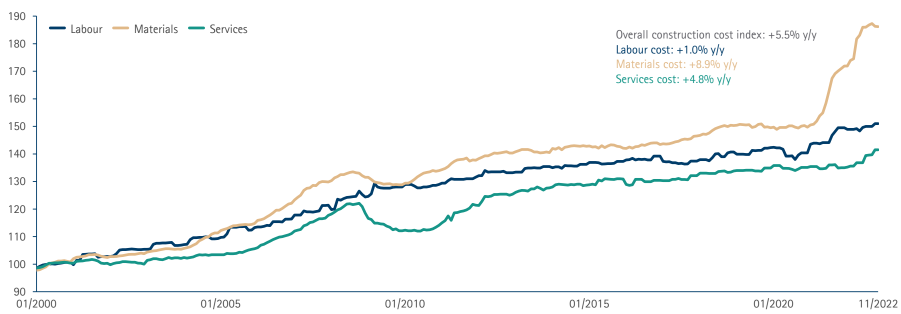
According to Forecon, building technology was the biggest renovation construction subsector in 2020. While the total renovation construction market has grown 1-2% p.a. on average, the building technology subsector has grown by roughly 4-5%. Similarly to building technology, building structure renovation has enjoyed strong growth which is expected to continue as many of the structural parts are expected to be renovated in the near future. The interior renovation subsector has the slowest growth and most of the interior renovation need was fulfilled in the early 2000s especially in the small residential building segment.

Cost development

Construction costs have increased rapidly driven by material costs

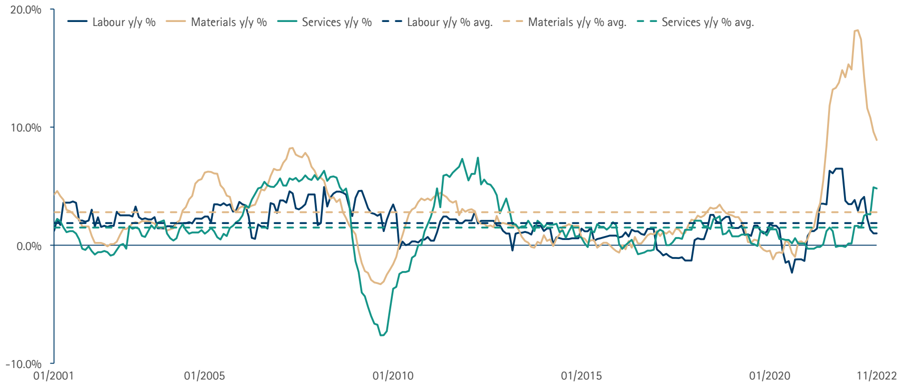
The construction sector has been affected by the cost inflation witnessed during the last two years caused by the COVID-19 crisis and the war in Ukraine. In November 2022, the construction cost index increased 5.5% y/y, led by rise in building materials cost where the cost index has risen 8.9% y/y.

Figure 10: Total construction cost index Finland by segment, 2000 = 100



Source: Statistics Finland, Evli Research

Figure 11: Total construction cost index y/y growth by segment, 2000 = 100

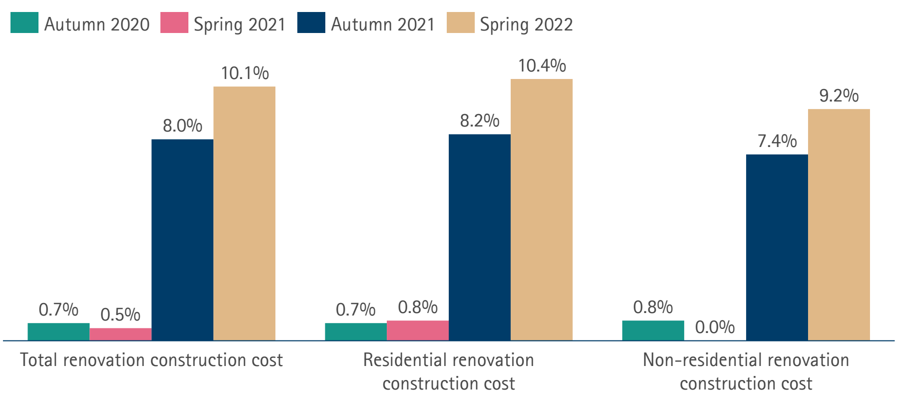


Source: Statistics Finland, Evli Research

Labour and services cost y/y growth closer to long-term average, materials substantially higher

The cost for labour and services in the construction sector has increased roughly 1.9% and 1.5% y/y respectively during the 2000's. Cost of materials has increased roughly 2.1% y/y before the price rally that started during the second half of 2021. In November 2022, cost for labour and services in the construction sector grew 1.0% and 4.8% y/y respectively, labour cost growth was below the long-term average while the service cost growth was above the average. The construction materials cost increased 8.9% (index change y/y, 2000 = 100) which is notably higher than the long-term average of roughly 2.1% (excl. the recent price rally). The cost increase in materials has been wide-ranging, with the biggest increases in the cost of steel structures, heat insulation material and roofing materials. Margin pressure due to cost inflation is felt most in projects with a fixed price payment models and long lead times. Consti's typical project lead time is relatively short. The material cost y/y growth started to slow down during June 2022 as the growth fell from 18.2% in May 2022 to 17.4%. The y/y growth figures are still at very high level, but the growth seems to have slowed down further as the Finnish construction material index grew less than 9% y/y in November 2022.

Figure 12: Renovation construction cost y/y growth, in percentage %



Source: CFCI, Evli Research

Cost inflation can postpone renovation project starts

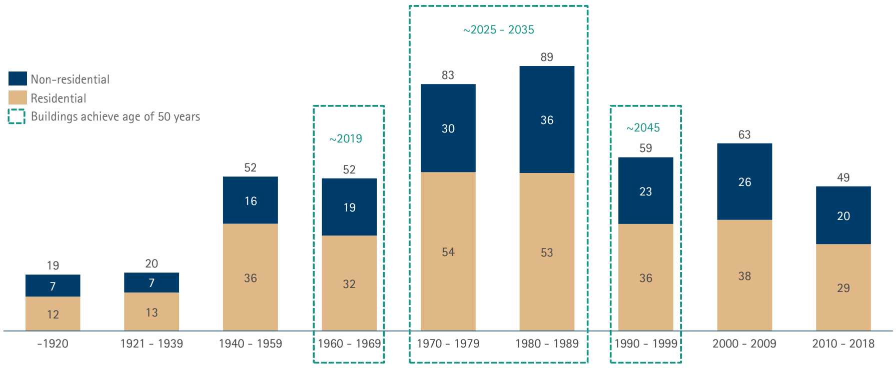
According to data by CFCI, the renovation construction costs grew 10.1% y/y during spring 2022. Even though the renovation construction tends to be more labour intensive when compared to new construction, the effect of the materials price rally has been felt in both segments. The current cost inflationary environment can delay renovation projects starts as the clients are more likely to postpone the projects due to the high project costs. The development can lead to margin pressure if the cost level doesn't normalize as the contractors have to decrease their prices to match the demand.

Market growth drivers

Ageing building stock

The value of Finnish residential building stock in 2021 was EUR 480b, the majority of the wealth in Finland is tied to the housing market. Most of the current Finnish residential building stock has been constructed in the 1970s and 1980s. Prior to the migration to the Finnish growth centers during the 1960s and 1970s, most of the residential buildings were single dwelling and double dwelling houses. The buildings built in the 1960s, 1970s and 1980s are mostly blocks of flats which are currently starting to reach the age of 50 years.

Figure 13: Finnish building stock by construction year, million m2

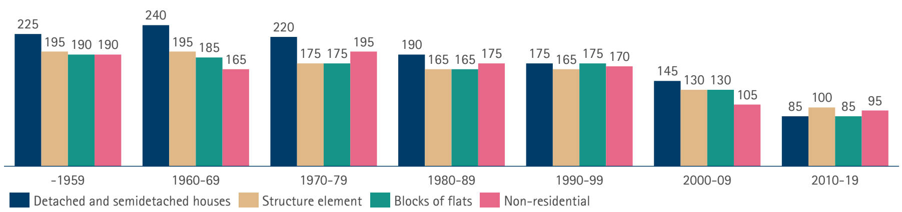


Source: Consti, Evli research

Energy efficiency

Housing accounts for roughly 20% of the energy usage in Finland. Two thirds of the energy used in housing is used for heating purposes. Most of the buildings in Finland are not energy efficient; reliance on fossil fuels for heating and cooling, use of old technologies and wasteful appliances are the main reasons for the subpar energy efficiency. In October 2020, the European Commission launched its Renovation Wave initiative that intends to double the Europe's renovation rate during 2020-2030. The European Commission has singled out renovation of both public and private buildings as an essential action to reach the climate goals. The initiative is part of a larger plan to make the continent carbon neutral by 2050. The energy efficiency of both residential and non-residential new buildings has already improved drastically during the recent decades. There are significant improvements to the energy consumption already when comparing building stock constructed during 2010-19 to the building stock constructed in the 1990s and 2000s. According to the data by VTT, the average energy consumption is over 10% smaller in building stock built during 1990s when comparing to building stock built during 1960s. The difference is even more drastic when comparing to modern buildings as the average energy consumption is over 50% less in building stock built during 2010s when comparing to building stock built during 1960s.

Figure 14: Finnish building stock by construction year, building type and average heating energy consumption, in kWh/m2 p.a.

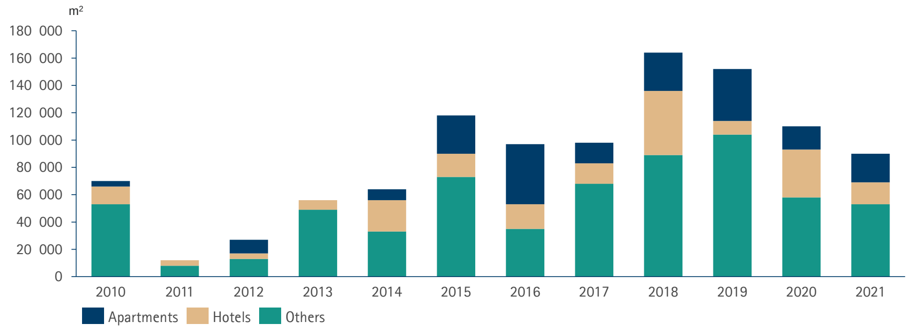


Source: VTT, Evli research

Building purpose modification

The need for building purpose modification and changes is driven by urbanization, changes in working life and ageing population. In addition to the long-term underlying growth drivers, the coronavirus pandemic further increased the importance of building purpose modification as a driver for renovation construction. The pandemic has brought new ideas for both living and working and these ideas are expected to be implemented through renovation and new construction of residential and non-residential buildings in the coming years. Common building modifications include change of use, extension, and partial demolition. According to data collected by KTI and RPT, office building purpose modifications have increased in the Helsinki metropolitan area from 20 000 – 70 000 annual square meters during 2010-2014 to approximately 100 000 annual square meters during 2015-2021. According to Rakli, the Helsinki metropolitan area office building vacancy rate was 12.3% in Q3 2022, up from 11.4% in Q2 2022. When comparing to other Nordic capitals, Helsinki has a relatively high office vacancy rate. The vacancy rates for office buildings in Stockholm, Oslo and Copenhagen have hovered around 5-10% post COVID-19 according to data by CBRE. The higher vacancy rates increase the demand for building purpose modifications.

Figure 15: Office building purpose modification in the Helsinki metropolitan area, by purpose, 2010-2021, m2

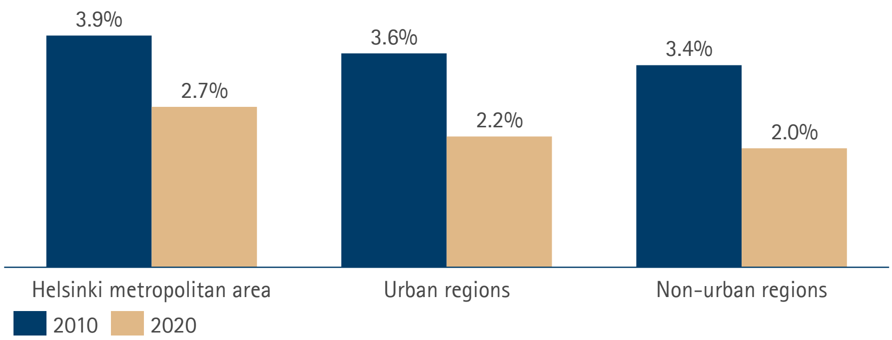


Source: KTI Rakennushankeseuranta, RPT Byggfakta, Evli research

Urbanisation

Similarly to the new construction market, the renovation construction market is concentrated to the Finnish growth centers and other urban regions. According to CFCI, almost 80% of the current apartment building stock is located in the ten fastest growing regions measured by population growth. In addition to the existing building stock, urbanization increases the demand for building purpose modifications as the population becomes denser in the urban regions.

Figure 16: Renovation construction market growth by geography, in percentage



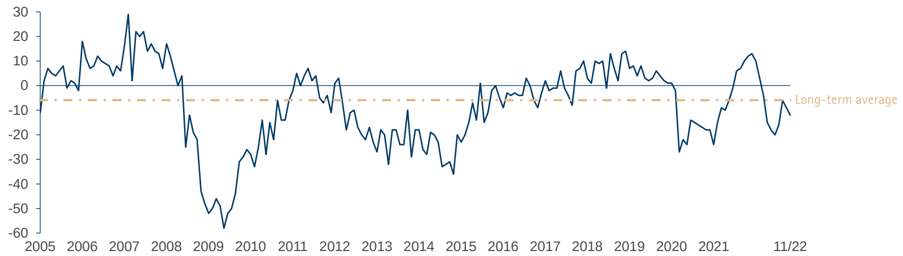
Source: Forecon, Rakennuslehti, Evli research

Market outlook

Finnish construction confidence is currently slightly below the long-term average level

According to the Confederation of Finnish Industries, the construction confidence indicator fell to -12 in November 2022, down from -9 in September 2022. The construction confidence is currently below the long-term average level of -6. The construction confidence took a turn for the worse during early 2022 as the war started in Ukraine. The war has increased the overall uncertainty and costs for construction projects and complicates tendering processes as cost development is difficult to forecast. Both the share of construction managers pointing to shortages of labour and material and/or equipment as a factor limiting building activity has been at historically high level during the first half of 2022.

Figure 17: Construction confidence indicator Finland

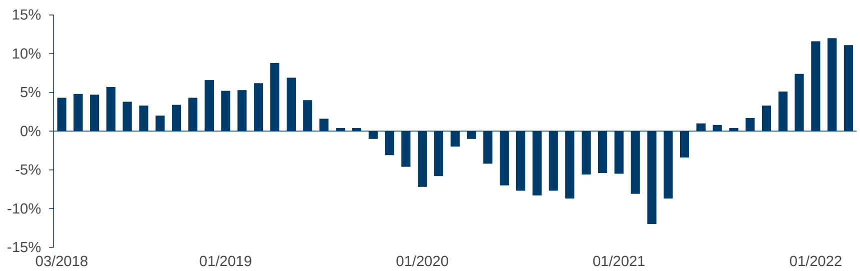


Source: Confederation of Finnish Industries, Bloomberg, Evli Research

Renovation construction has recovered from the COVID-19 lows

According to CFCI, the Finnish renovation construction sector declined 0.4% during 2020, the market has recovered since as the volumes grew by 4.8% during 2021. The Finnish renovation construction trend indicator data collected by Statistics Finland shows that the renovation construction trend started shifting during the first half of 2021 and the positive development has continued in the first quarter of 2022. The indicator is based on the Finnish renovation construction companies' revenue figures, the data has not been updated after Q1 2022.

Figure 18: Finnish renovation construction trend indicator, y/y change of 3 month moving average, in percentage

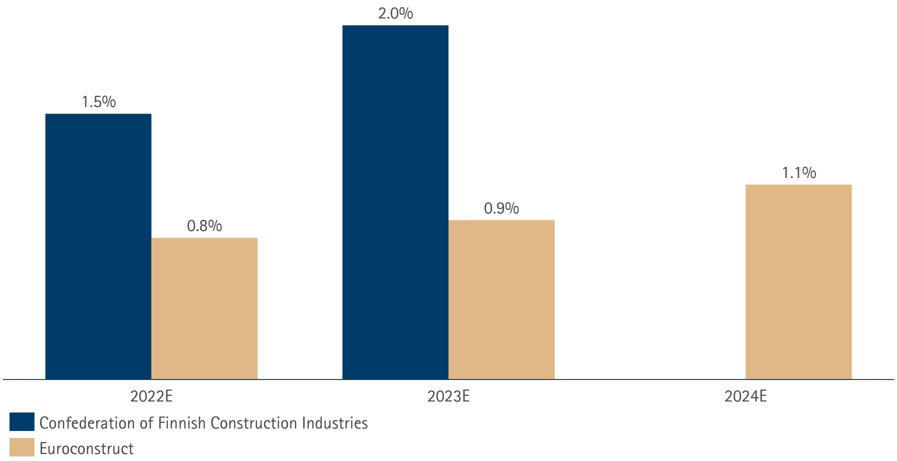


Source: Tilastokeskus, Evli research

Current estimates point towards a slowdown in new construction while renovation continues to grow slightly

According to the CFCI estimate, the total construction market is expected to grow 2% in 2022 driven by the already started construction projects. New construction is expected to slow down during 2023 as the residential construction volumes are expected to decrease by 10% and non-residential construction volumes by 2%. The total renovation construction market has historically grown roughly 1-2% p.a. According to CFCI, the renovation market grew 4.8% in 2021. Despite the expected slowdown in the new construction market, the renovation construction market growth is expected to stay at roughly 1-2% p.a during 2023-24.

Figure 19: Total renovation construction market estimated growth 2022–2024, in percentage

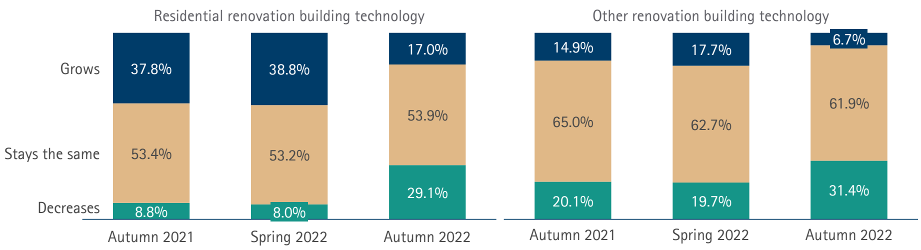


Source: Confederation of Finnish Construction Industries, Euroconstruct, Consti, Evli Research

Sentiment is starting to shift towards a slow-down

Even though the current market estimates point towards slight positive growth in the coming years, the market indicators are starting to show signs of weakness in the short term. According to a survey study conducted by the Finnish Association of HVAC Technical Contractors (Talotekniikkaliitto), the amount of Finnish building technology companies that expect growth in the market during the next 6 months has decreased from 38.8% to 17.0% in residential renovation and from 17.7% to 6.7% in non-residential renovation building technology when comparing spring 2022 results to autumn 2022 results. On the other hand, the number of companies that expect slow down in the residential renovation building technology market increased from 8.0% to 29.1% and from 19.7% to 31.4% in the non-residential market.

Figure 20: Expected development of the Finnish renovation building technology market during the next 6 months



Source: Finnish Association of HVAC Technical Contractors, Evli research

Short term pressure expected, long-term growth story intact

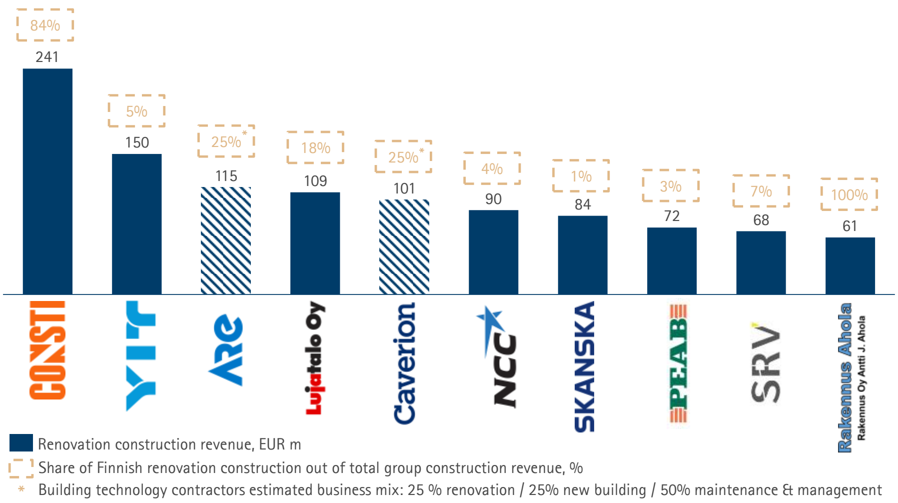
The renovation construction market has clear megatrends supporting the market's long-term growth story. The most important trends for the market include ageing of building stock, energy efficiency, building purpose modifications and urbanization. Even though the renovation construction market is more stable than the new construction market, there are clear signs of weakening sentiment and increasing uncertainty. The current macroeconomic and geopolitical environment increases uncertainty and puts pressure to building costs and financing. The terms for bank financing have tightened and some of the housing companies are not currently able to secure financing for the renovation projects. We see possible downward pressure towards the growth estimates set for the coming years even though the long-term growth story driven by the megatrends stays intact.

Competition

Consti is the largest renovation construction company in Finland

The Finnish renovation construction market is fragmented. Conti's market share of the total professional renovation construction market is roughly 2%. The aggregate revenue of medium to large (>15m€ revenue) renovation construction companies was EUR 1.3b in 2021 or little under 10% of the total market (excluding building technology contractors). Consti is the largest renovation construction company in Finland, the company's revenue was roughly 60% higher than the second biggest renovation construction company YIT. Other large companies in the market include Are, Lujatalo, Caverion, NCC, Skanska, PEAB, SRV and Rakennus Ahola. Most of the biggest companies in renovation construction are large construction companies that do not focus on renovation construction. For example, the share of YIT's Finnish renovation construction business of the company's total revenue is only roughly 5%.

Figure 21: Ten largest Finnish renovation construction companies by revenue in 2021, in EUR m



Source: Rakennuslehti, Asiakastieto, Evli Research

Figure 22: Renovation construction market overview (excl. companies with EUR <10m revenue)

	Large construction companies	Small renovation companies	Large building technology contractors	CONSTI
Description	Large Nordic construction companies, share of Finnish renovation construction of total revenue small	Small renovation construction companies, annual revenue EUR ~10-60m	Large building technology contractors, annual estimated renovation revenue EUR ~40-115m	Finland's leading renovation construction company
Renovation revenue growth (2021, %)	-11.0%	7.0%	5.4% [2]	4.1% [3]
Share of renovation revenue (2021, %)	6.3%	80-100%	25% [2]	83.5%
Profitability (EBIT 2021, %)	2.8% [1]	6.3%	3.7% [2]	3.3%
Market share (2021, %)	~4%	~4%	~2% [2]	~2%
Example companies	YIT, PEAB, NCC, SKANSKA, SRV, Lujatalo Oy	Renevo, PYLON, JUSMAR, VENUE, RESTOK, NHK, UH RAKENNUS, Rakennus Ahola (Rakennus Oy Antti J. Ahola)	ARE, Caverion, bravida, QMG	

1. Calculated from the construction segment including new construction.
2. Building technology contractors estimated business mix: 25 % renovation / 25% new building / 50% maintenance & management, profitability based on total group profitability.
3. Organic growth for the total group

Source: Rakennuslehti, investor presentations, Evli Research

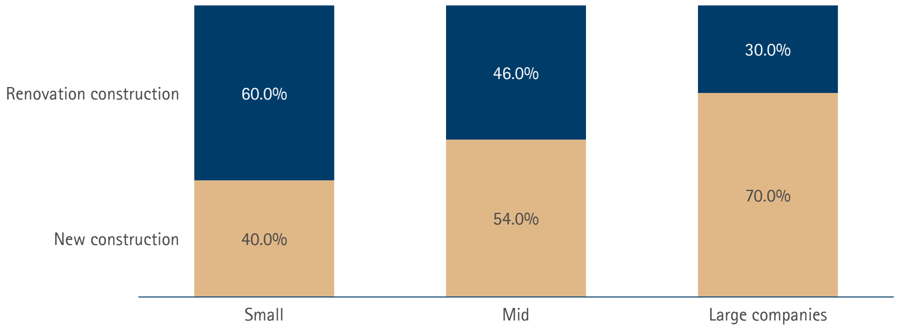
Building technology contractors are substantial part of the renovation construction market

Building technology is the largest subsector in renovation construction. In addition to large construction companies and smaller renovation focused construction companies, Consti competes with building technology contractors such as Are, Caverion, QMG and Bravida. In 2021, Consti's building technology unit was the 5th biggest building technology contractor by revenue (EUR 72.9m) in Finland, still clearly behind the largest building technology contractor Are (total group revenue EUR 458m in 2021). The building technology contractors do not publish financial figures for the renovation construction segment, Consti has estimated that the business mix for building technology contractors is roughly: 25 % renovation, 25% new building and 50% maintenance & management. We have estimated that both Are and Caverion are among the five largest renovation construction companies in terms of revenue.

Small and agile renovation construction pure plays compete with the larger players

Besides the large Nordic construction companies and the building technology companies, there are many small to mid-size companies that focus on renovation construction. Of the ten largest renovation construction companies in Finland, only two specialize in renovation construction: Consti and Rakennus Ahola. Companies that focus on renovation construction but are outside the top 10 include for example Renevo, Pylon, Restok, U-H Rakennus, Veljekset Nuutinen, NHK and Jusmar. These companies are often agile, operate with lean organizations and have relatively small fixed asset base. Because of the beforementioned reasons, the small to mid-size Finnish renovation construction pure plays tend to have higher margins when compared to the larger players.

Figure 23: Shares of renovation building and newbuilding of all building projects by enterprise size, in percentage, 2020



Source: Statistics Finland, Evli Research

Rest of the renovation market served by numerous smaller operators

The large construction companies tend to focus on new construction and larger and more demanding renovation projects whereas residential renovation has been historically dominated by smaller renovation companies in Finland. Most of the renovation construction market is served by smaller companies that typically employ 1-5 persons. According to Statistics Finland, the share of renovation construction of all construction projects for smaller companies was roughly 60% while for large companies the share was only 30%. According to data collected by Rakennuslehti, the largest construction renovation companies held little under 10% market share (excl. building technology contractors). The rest of the professional renovation market is dominated by companies that had less than EUR 15m renovation construction revenue in 2021.

Service market is fragmented

The service business comprised roughly 13% of the total revenue in 2021. Like the renovation construction market, the Finnish building services market is fragmented. The main competitors in building services include various renovation construction companies, building technology companies and companies that focus on building services. Companies that focus on building services include for example ISS and Lassila & Tikanoja.

Competition is fierce in the company's main markets

Consti focuses on renovation construction in the Finnish growth centers. These areas are the most fiercely competed renovation construction markets in Finland. Renovation construction companies operate with asset light balance sheets and there are no clear barriers to entry into the sector. The companies tend to compete with pricing which leads to the sectors relatively low margins. Offering, reputation and references are important in winning bids for projects in addition to pricing. The competition may increase further if the demand slows down in new construction as the construction companies reallocate capacity to the more stable renovation construction sector.

Consti competes with wide service offering throughout the construction value chain

Consti's position in the market allows it to compete with both small and agile renovation construction pure plays and large construction companies. On the one hand, the company's service offering is significantly wider when compared to smaller renovation construction companies that tend to focus on certain renovation construction niches or segments. On the other hand, the company can deliver smaller projects that are not big enough for the large construction companies operating in the market. In addition to beforementioned factors, Consti has a good reputation as the market's leading player in the renovation growth markets in Finland.

Financial performance

Consti's turnaround has been successful

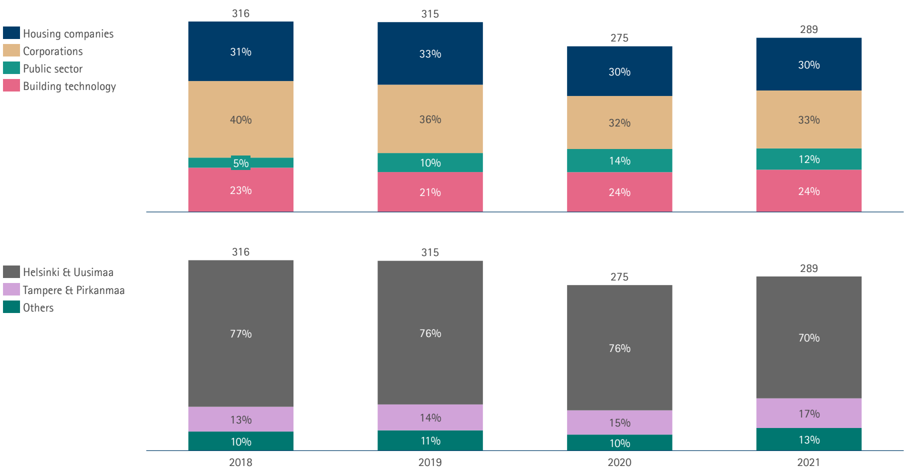
Consti has been able to turn its profitability around during the last few years after three years of suboptimal profitability during 2017-2019. The main problems the company faced during 2017-2019 were related to project management and execution. In 2017, the company first initiated corrective actions to fix the profitability issues. During 2017-2018, further actions were implemented, including harmonizing project management processes between the different segments, cost savings and group level changes in service and HR management. In 2019, the company introduced a new organization structure and change program which targeted annual cost savings of EUR 2m from 2020 onwards. The change program was successful as the company's profitability improved already during 2019. The favorable development has continued as the company has been able to keep the adjusted EBIT margin above 3% during 2020-2021. The current profitability is still significantly below the company's long-term target of over 5%, yet the biggest problems related to project management and execution seem to be history.

Revenue

Revenue consists of project deliveries and services

Consti's revenue consists of project deliveries and services provided for customers including housing companies, corporations, real estate investors and the public sector. The company's revenue is divided into four operating segments: housing companies, corporations, public sector and building technology. The company's service revenue is included in the segment revenue figures; the service revenue has hovered around 13-16% of total sales during 2018-2021. Most of the company's revenue is generated from project deliveries and services provided in the Finnish growth centers. The Uusimaa region is the most important geographical market for the company, in 2021, 70% of the total sales were generated in the region. The share of revenue from the Pirkanmaa region has increased as in 2021, the share of total sales was already 17% up from 13% during 2018. Seasonality affects the company's revenue generation ability, Consti's revenue is typically the highest during the second half of the financial year as for example façade renovation projects are conducted mainly during the warmer months from spring to autumn.

Figure 24: Development of net sales by operating segments & geographies, 2018-2021

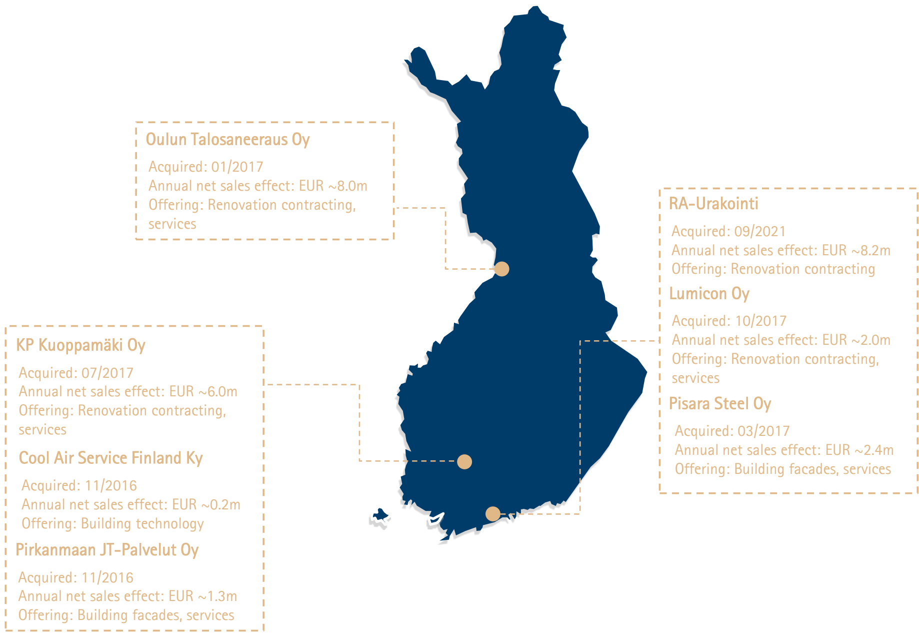


Source: Consti, Evli Research

From strong inorganic growth to bolt-on acquisitions supporting profitable growth

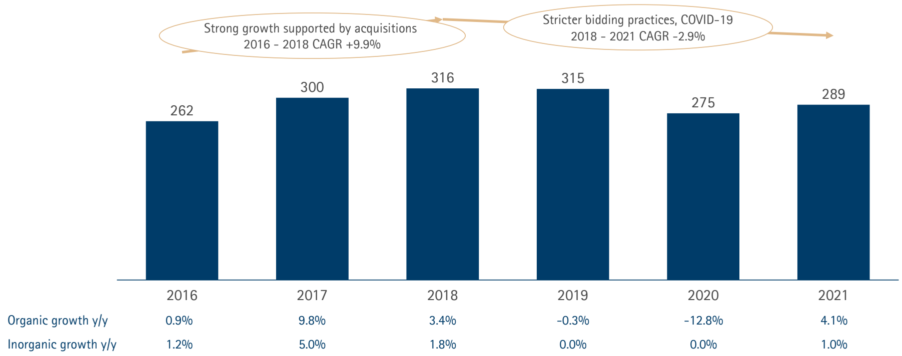
Due to the fragmented nature of the Finnish renovation construction market, Consti has been able to boost its growth through M&A. Before the initial public offering in 2015, the company grew aggressively through acquisitions; during 2008-2014 Consti acquired 16 targets in total and grew its revenue from EUR 18m in 2008 to EUR 216m in 2014. After the initial public offering, the company has been less active in M&A front as it has acquired 7 targets in total during 2016-2022. The post IPO acquisitions have been bolt-on by nature and the logic has been to support the company's current operations and offerings in the regions of focus.

Figure 25: Post IPO acquisition summary



Source: Consti, Evli Research

Figure 26: Revenue development 2016-2021



Source: Consti, Evli Research

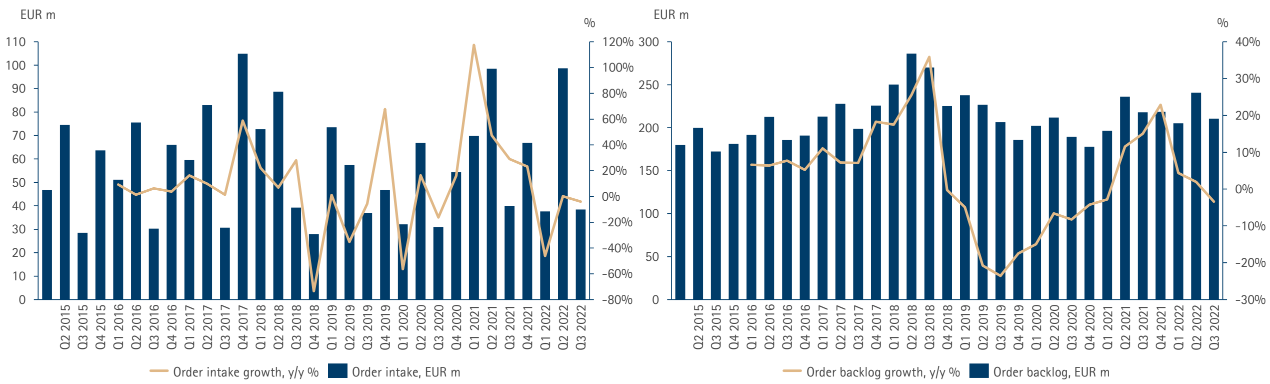
Revenue growth has slowed down partly because of the focus on profitability

Consti's post IPO growth has been both organic and inorganic by nature. Both the organic and inorganic growth were strong during 2016-2018 as the company made several bolt-on acquisitions and at the same time grew organically. The strong growth numbers were reached partly at the expense of profitability as number of the projects started in 2016 and 2017 proved to be problematic and as a result, the company posted negative operating profit for both 2017 and 2018. Starting from 2019, Consti has focused on more disciplined tendering process which has resulted in slower organic growth yet more profitable operations. The company did not acquire companies during the period as it struggled with problems related to profitability. In 2021, the company completed its first acquisition since 2017 as it acquired RA-Urakointi which focuses on façade renovations and interior renovations of apartment and row housing companies. In 2021, RA-Urakointi was able to reach revenue of EUR 8.2m.

Order backlog at healthy levels, growth slowing down

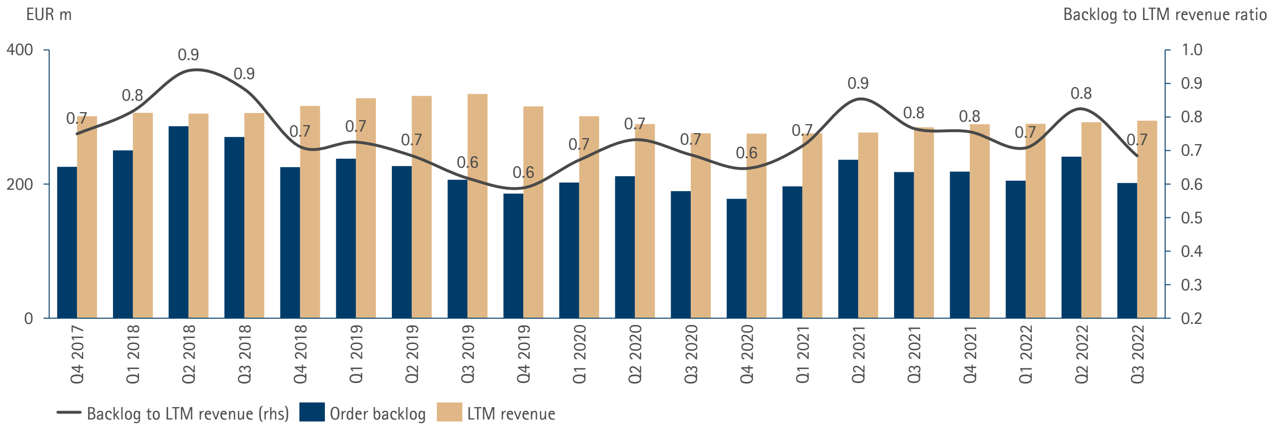
Consti's order backlog decreased roughly 3.4% y/y during Q3 2022, at the same time, the company's order intake fell 4.0% y/y. The order book is currently healthy as it is clearly above the historic average order book size, yet the growth in order backlog has slowed down from the levels seen during 2021. Order intake fell y/y during Q3 2022 but was still clearly above the average order intake for Q3 2015-2021. Similar to revenue, Consti's order intake and backlog are affected by seasonality. Consti's order intake is usually strong especially in the second quarter of the fiscal year driven by the housing company decision making regarding renovations. Consti's order book is relatively short which decreases the visibility for the long-term development.

Figure 27: Order intake & backlog by quarter, EUR m, 2015-2022



Source: Consti, Evli Research

Figure 28: Order backlog and LTM revenue, EUR m, Q4 2017 – Q3 2022



Source: Consti, Evli Research

Target to grow faster than the market

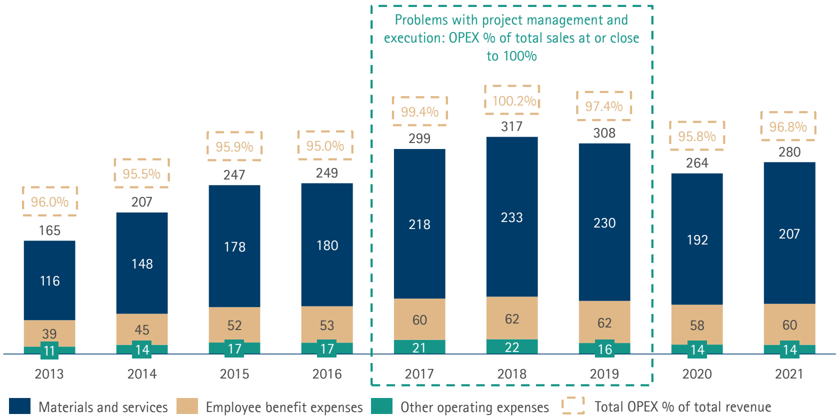
In 2019, the company updated its long-term financial target related to revenue growth. The current target is to grow net sales faster than the market, prior to the update, the target was to grow over 10% yearly. The update in revenue growth target was part of the restructuring program where the emphasis was on profitable growth. We see that Consti is well positioned to grow faster than the overall renovation construction market as the company has focused on higher growth geographies within Finland. Additionally, the company is expanding to new business areas such as new construction and expanding its operations by adding project development and design capabilities and strengthening service and maintenance business. In addition to the organic growth opportunities, the fragmented renovation construction market presents opportunities for inorganic growth. Consti has been active on M&A front during its history, and we see likely that it will keep acquiring companies if potential targets are identified.

Profitability

Consti's operating expenses consists of materials and employee benefit expenses

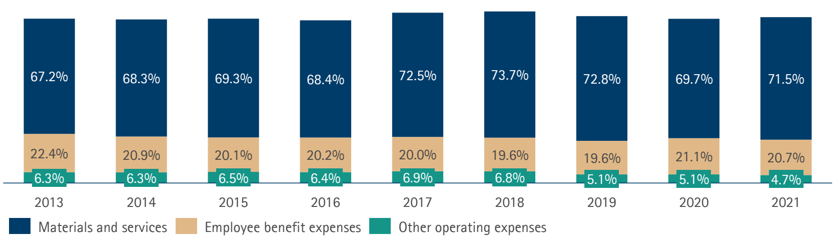
Most of the company's cost base is variable by nature, variable costs include materials, services and employee benefit expenses related to project workers. Fixed costs include expenses related to the company's office premises, marketing, administration and employee benefits related to Consti's white-collar employees. Materials and services are clearly the biggest cost item and present roughly three fourths of the company's total OPEX. Employee benefit expenses are roughly one fifth and other operating expenses roughly 5% of the total OPEX.

Figure 29: OPEX development, in EUR m, 2013-2021



Source: Consti, Evli Research

Figure 30: OPEX development by category, % out of total revenue, 2013-2021



Source: Consti, Evli Research

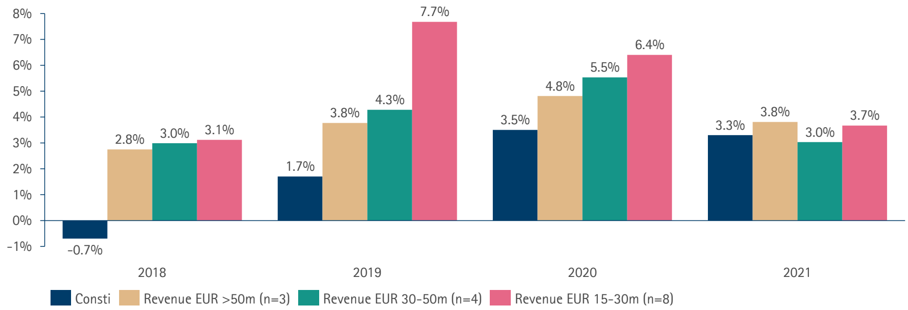
Total OPEX historically roughly 95 - 97% of total revenue

The historic cost figures show that the total operating costs have stayed relatively flat at 95 - 97% when compared to total revenue. The clear outliers are the years 2017-2019 when the company faced issues with project management and execution. The problems affected the relative share of materials and services expenses the most which increased to 72 - 74% of total revenue. In 2021, the relative share of materials and service costs increased because of a rapid rise in material costs, on the other hand, the company was able to decrease the relative share of employee and other operating expenses.

Cost + fee and target ceiling price projects mitigate the effect of cost inflation

According to the company, at the end of Q1 2022, roughly half of the company's order backlog consisted of projects with cost plus and target ceiling price payment models. These payment models mitigate the effect of cost inflation seen during 2021 and 2022 in the construction sector.

Figure 31: Aggregate EBIT margin % for renovation construction companies, divided to groups by 2021 renovation construction revenue (excl. large construction & building technology companies)



Source: Evli Research

Consti underperformed its peers during 2018-2021

As a result of the operative issues related to project execution, Consti's profitability has trailed its peers during 2018-2020. In 2021, as the rising building materials cost lowered the overall profitability for the sector, Consti's profitability was just slightly lower than the profitability of renovation contractors of similar size. Without the increase in material prices and the underperformance of two regional business units, we assess that Consti would have been able to improve its relative profitability y/y in 2021. The smaller renovation construction companies have outperformed the larger companies in profitability as they are often agile, operate with lean organizations in certain niches and have relatively small fixed asset base.

The company's long-term profitability target is ambitious but within reach

The company's long-term profitability target is to reach an EBIT margin of over 5%. Based on our analysis, the larger companies in the market have generally operated at below 5% EBIT margin. Consti's main markets are fiercely competed, and pricing is still arguably the key factor in winning project bids which puts pressure for margins in the sector. Consti has three main ways to improve profitability:

1. Containment and reduction of fixed costs: Margin expansion through the containment of fixed costs which then multiplies the impact of growth on profitability.
    - Containing the current absolute fixed cost base would add roughly 0.1-0.2% of margin per year at the current growth rate

2. Optimizing sales mix: Relative increase in higher margin segments. Higher margin segments in Consti's portfolio include for example service and maintenance business.
    - Services 13% of total sales in 2021, higher margin business when compared to projects

3. Improving project management and procurement: Improved margins through standardized and improved management of risk, cost and production. Centralized and disciplined procurement activities.
    - Materials and services over 70% of OPEX, 67-69% of OPEX pre-2017

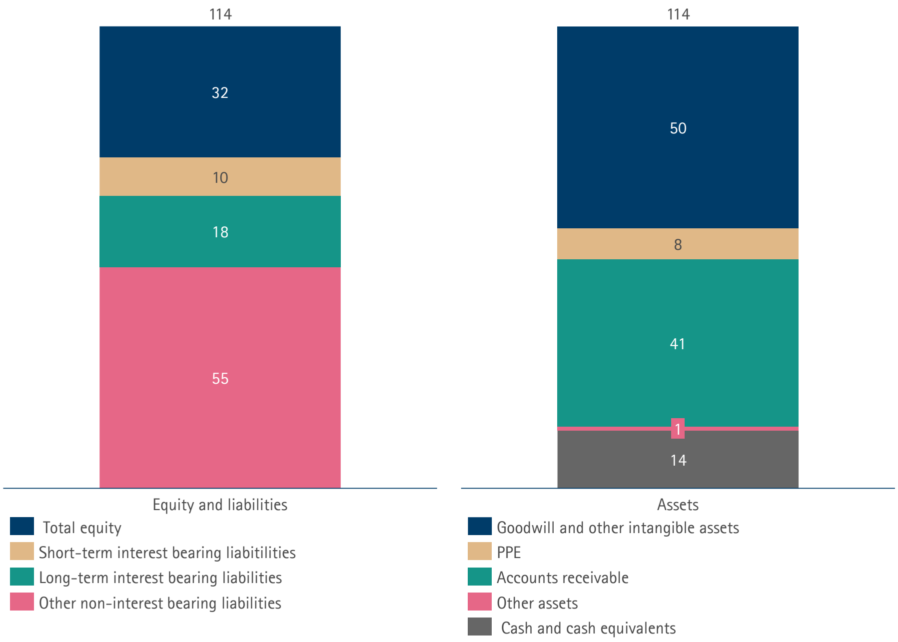
The company has optimized its operations during the last few years and albeit there is still some further leeway to increase profitability by optimization, it is unlikely to provide such margin gains that would help the company to reach the long-term profitability target. In our view, reaching over 5% EBIT margin sustainably would require company to optimize its sales mix. The percentage of service business of total sales has hovered around 12-16% during 2016-2021, the service business has a higher margin when compared to project business and therefore increasing the share would improve group wide margins.

Balance sheet

The company's assets consists mostly of goodwill and working capital items

Due to the labor-intensive business model, Consti operates with a relatively light balance sheet. The company's balance sheet consists of mostly goodwill and accounts receivable on the asset side. The goodwill has been accumulated during the years as a result of the numerous acquisitions. Goodwill represents roughly 43% of the total assets, the company has not reported any significant goodwill write-downs. Other major asset item is accounts receivable which is roughly 36% of total assets. At the end of Q3 2022, tangible assets were roughly EUR 8m or 7% of total assets, cash balance was at EUR 14m.

Figure 32: Company balance sheet composition

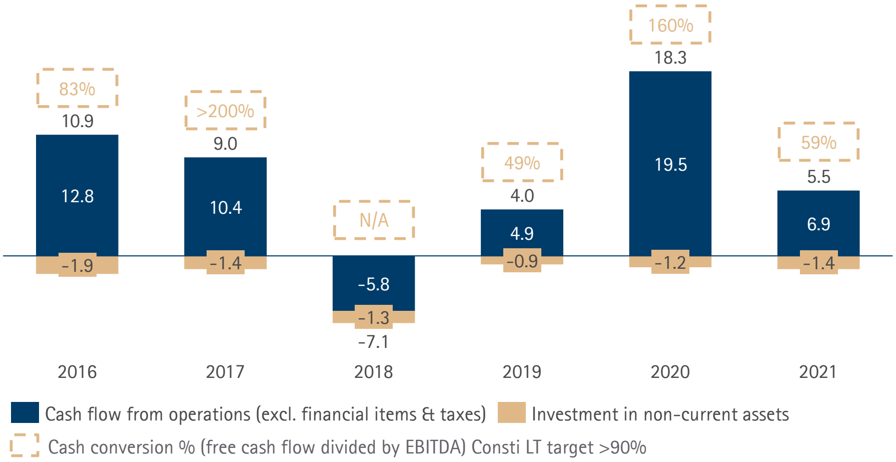


Source: Consti, Evli Research

The company's liabilities consists mostly of interest bearing liabilities and working capital items

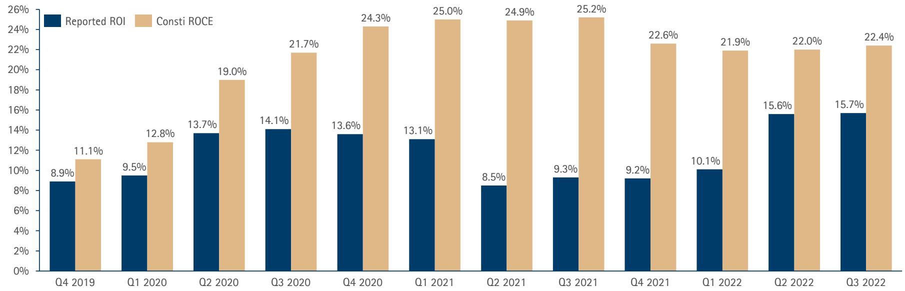
At the end of Q3 2022, the company's net debt was at roughly EUR 13m. Majority of Consti's bank loans have maturity in 2025 with an extension option to 2026. There are no significant bank loan redemptions during 2023-2024. The company's working capital is negative mainly because of the advances received from the projects. The company's long-term balance sheet structure target is net debt to adjusted EBITDA <2.5x. Consti has reached the target for capital structure both in 2021 and in 2020.

Figure 33: Consti's free cash flow development



Source: Consti, Evli Research

Figure 34: Consti ROI & ROCE Q4 2019 – Q3 2022



Source: Consti, Evli Research

Consti's operations do not require substantial tangible asset investments

The company's cash conversion is strong as the business doesn't require substantial tangible asset investments. In 2021, the cash conversion was 59% vs. the company's long-term target of >90%. In 2020, the company was able to reach and exceed the long-term target as the company posted strong operative results and at the same time, working capital was released. In Q3 2022, the company was able to reach LTM cash conversion of over 100%, well over the company's target.

Estimates

FY 2022 sales growth estimate at 2.9% y/y

For Q4 2022, we estimate revenue growth of 3.0% driven by growth in the housing company business. The housing company segment growth has been strong during Q1-Q3 2022 mostly because of the RA-Urakointi acquisition that was completed in August 2021. We estimate slower y/y revenue growth for housing company segment for Q4 2022 when comparing to the previous quarters as RA-Urakointi was already included in the comparison period figures. Besides inorganic growth, we see organic growth supporting the overall growth in the housing company segment driven by the healthy order backlog. Consti expects that a larger share of the order backlog will contribute to net sales during Q4 2022 when compared to last year. We estimate Q4 2022 backlog burn rate at over 40% or roughly 2% higher when compared to 38% during the same period last year. Because of the higher backlog realization expected in Q4 2022, we estimate the total sales to grow by 2.9% y/y during FY 2022.

2022-2024E sales CAGR 2.5%

We estimate the company's sales growth to slow down from 2.9% y/y in 2022 to 2.3% y/y in 2023. The slowdown is mainly driven by lack of inorganic growth as the 2022 growth is mainly a result of the RA-Urakointi acquisition. The current market estimates point towards 1-2% p.a. growth in renovation volumes during 2023-2024. We see that Consti is well positioned to grow faster than the overall renovation construction market as the company focuses on higher growth geographies within Finland. Additionally, the company is expanding to new business areas which further supports the growth story. For long-term growth rate estimate, we forecast yearly growth of 1.5% for the company which is based on the current estimates for the annual renovation need in Finland (VTT, Forecon, PTT).

Value additive acquisitions likely, not included in our estimates

The Finnish renovation construction market is fragmented and offers inorganic growth options for the company. Consti's post IPO acquisitions have been bolt-on by nature and the logic has been to support the company's current operations and offerings in the regions of focus. According to our analysis, the post IPO acquisitions have been made at notably lower valuation multiples when comparing to Consti's own trading multiples and the company has historically been successful in the integration of the targets. We do not include M&A potential to our estimates, but we see it likely that the company will keep making bolt-on acquisitions in the future.

FY 2022 EBIT estimate slightly below the middle point of the guidance

We estimate Q4 2022 EBIT margin at 4.4% (Q4 2021 3.6%), the expected margin improvement is driven mainly by higher volumes and by the fact that Q4 2021 EBIT margin was affected by poor performance of two regional business units. The company has been able to defend its margins well during the year even though renovation construction costs have increased roughly 10% y/y according to Statistics Finland. The cost inflation has been partly visible in the project margins, yet, because of short average lead times and labour-intensive nature of renovation construction, the effects have been subdued. Our FY 2022 EBIT estimate comes at EUR 10.3m which is below the guidance middle point of EUR 11m.

Margins expected to improve during 2023-2024

For 2023 and 2024, we estimate EBIT margin of 3.8% and 4.0% respectively. We see the margin improvement coming from two main sources: 1) construction cost inflation slowing down, 2) containment of fixed costs and volume growth. We estimate that the containment of the company's fixed assets and volume growth will bring slight margin gains of 0.1-0.2% p.a. We see signs that the construction cost inflation is starting to slow down as the total construction cost index y/y growth slowed down from over 10% witnessed during Q1-Q2 to 5.5% y/y in November. The margin improvement story is further supported by slowdown in new construction volumes as the pricing power of subcontractors and suppliers is likely to decrease. We do not forecast substantial improvements in sales mix which would potentially increase the margins closer to the company's long-term target level.

Table 1: Estimates summary

Consti	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Housing Companies	86.1	13.4	21.7	27.6	27.3	90.0	15.6	25.4	30.6	28.7	100.2	103.3	105.8
Corporations	90.6	21.8	26.0	25.6	27.6	101.0	20.2	24.3	26.7	28.4	99.5	101.5	103.5
Public Sector	41.4	7.5	8.5	9.6	12.1	37.7	10.9	9.4	9.4	12.2	42.0	42.8	43.6
Building Technology	69.4	19.2	17.8	16.3	19.5	72.9	16.0	17.7	16.3	19.7	69.7	71.1	73.9
Eliminations	-12.9	-2.6	-3.1	-3.1	-3.9	-12.7	-2.9	-3.6	-4.0	-3.9	-14.4	-14.8	-15.2
Net sales	**274.6**	**59.3**	**70.9**	**76.0**	**82.6**	**288.8**	**59.8**	**73.1**	**79.0**	**85.1**	**297.0**	**303.8**	**311.8**
change, %	*-12.8%*	*0.4%*	*2.3%*	*11.4%*	*5.8%*	*5.1%*	*0.9%*	*3.1%*	*4.0%*	*3.0%*	*2.9%*	*2.3%*	*2.6%*
Operating profit	**8.2**	**0.1**	**-0.5**	**3.1**	**3.0**	**5.7**	**0.4**	**2.9**	**3.3**	**3.7**	**10.3**	**11.6**	**12.5**
-margin, %	*3.0%*	*0.2%*	*-0.7%*	*4.1%*	*3.6%*	*2.0%*	*0.6%*	*4.0%*	*4.2%*	*4.4%*	*3.5%*	*3.8%*	*4.0%*
Adj. Op. profit	**9.4**	**0.5**	**2.9**	**3.1**	**3.0**	**9.5**	**0.4**	**2.9**	**3.3**	**3.7**	**10.3**	**11.6**	**12.5**
-margin, %	*3.4%*	*0.8%*	*4.1%*	*4.1%*	*3.6%*	*3.3%*	*0.6%*	*4.0%*	*4.2%*	*4.4%*	*3.5%*	*3.8%*	*4.0%*

Source: Consti, Evli research

Valuation

BUY with a target price of EUR 12.0

We retain our BUY rating and adjust our target price to EUR 12.0 (11.0). Consti trades at a discount to its Nordic construction company peer group which we find unjustified because of the company's focus on more defensive renovation construction. The current market environment puts uncertainty into our estimates in the short-term, but we find the long-term secular trends favorable for the investment case. We do not put emphasis on absolute valuation at the present, but we see that there is a strong underlying upside potential if the company is able to improve its operational performance in the long run.

Consti has no direct public peer companies

There are no direct publicly listed peers for Consti. We have identified the following peer groups for Consti:

- Nordic construction companies – Similar in profitability, active in in various different construction segments including both new and renovation construction
- Building installation companies – Comparable to Consti's building technology unit which comprise roughly 25% of the company's total revenue
- Building service and maintenance companies – Higher earnings visibility (Consti 2021 service revenue roughly 13% of total sales), different end markets

Nordic construction companies form the most relevant peer group

We see the Nordic construction company peer group as the most relevant from a valuation perspective. This is mainly because of similar profitability levels and project driven business models. Building installation companies such as Bravida, Caverion and Instalco generate roughly half of their revenue through service contracts and have therefore higher earnings visibility and less project related risks. Building service and maintenance companies generate majority of their revenue through service agreements and therefore have even higher earnings visibility in addition to slightly different end markets.

The steepest discount compared to the main peers has decreased, yet the valuation remains undemanding

We value Consti based on relative EV/EBIT & P/E trading multiples. When looking at the current forward-looking multiples, Consti trades at a discount to both the building installations and services and construction company peer groups. We find the discount to the building installations and services peer group more justified as these companies generate larger part of their revenue from service agreements which increases earnings visibility and lowers the risk when compared to Consti's project driven business model. At present, the company trades at roughly 10-30% discount to the construction peers based on 2022-23 FWD EV/EBIT. We find the discount unjustified as most of the company's project revenue is related to renovation construction whereas most of the construction peer companies focus on more cyclical new construction. The renovation market offers interesting structural long-term growth trends, and we also see the renovation construction market faring better in the short-term as the market is expected to grow through 2023-2024 whereas the new construction volumes are expected to decrease. In addition to the favorable market positioning, Consti has turned around its profitability and is currently back at healthy margin levels close to its key peers with room to improve going forward.

Table 2: Construction peer summary

Construction companies	MCAP MEUR	EV/EBITDA 22	EV/EBITDA 23	EV/EBITDA 24	EV/EBIT 22	EV/EBIT 23	EV/EBIT 24	P/E 22	P/E 23	P/E 24
YIT	529	8.5x	8.3x	7.4x	10.9x	11.0x	9.5x	9.0x	10.0x	8.0x
SRV Yhtiot	63		6.7x	5.4x		8.6x	6.6x		6.0x	4.1x
Lehto Group	17								6.4x	3.9x
Skanska	6083	6.8x	7.3x	6.6x	9.1x	11.1x	10.0x	10.8x	13.1x	11.8x
NCC	905	5.4x	4.9x	4.7x	10.7x	9.3x	8.7x	9.2x	8.1x	7.5x
Peab	1539	8.5x	8.9x	8.8x	13.0x	13.9x	13.6x	8.0x	8.6x	8.4x
JM AB	990	10.5x	13.2x	13.0x	10.1x	12.6x	11.7x	8.4x	10.4x	10.3x
Veidekke	1201	4.5x	4.2x	4.2x	7.1x	6.9x	6.7x	12.8x	11.3x	11.1x
Peer Group Average	1507	**7.4x**	**7.7x**	**7.2x**	**10.2x**	**10.5x**	**9.5x**	**9.7x**	**9.2x**	**8.1x**
Peer Group Median	1051	**7.6x**	**7.3x**	**6.6x**	**10.4x**	**11.0x**	**9.5x**	**9.1x**	**9.3x**	**8.2x**
Consti (Evli est.)	**84**	**6.6x**	**5.8x**	**5.2x**	**9.0x**	**7.6x**	**6.6x**	**11.1x**	**9.6x**	**8.8x**
Consti prem./disc. to peer median		*-13 %*	*-21 %*	*-22 %*	*-13 %*	*-31 %*	*-30 %*	*22 %*	*4 %*	*7 %*

Source FactSet, Evli Research

Table 3: Building installations and services peer summary

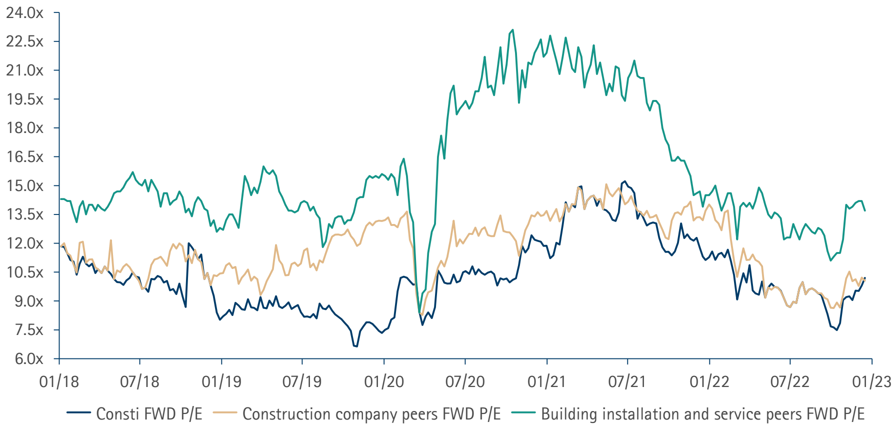
Building installations and services companies	MCAP MEUR	EV/EBITDA 22	EV/EBITDA 23	EV/EBITDA 24	EV/EBIT 22	EV/EBIT 23	EV/EBIT 24	P/E 22	P/E 23	P/E 24
Caverion	947	8.2x	7.7x	7.2x	16.0x	14.0x	12.3x	17.8x	15.4x	13.3x
Bravida Holding	1986	12.1x	11.6x	11.4x	15.6x	15.0x	14.7x	17.9x	17.2x	16.7x
MITIE Group	1112	5.7x	5.5x	5.1x	7.6x	7.3x	6.6x	9.6x	9.3x	8.6x
ISS A/S	3679	8.6x	7.5x	6.8x	13.9x	11.4x	10.0x	15.1x	12.3x	10.2x
Bilfinger	1119							19.4x	11.4x	8.6x
Instalco	923	12.6x	12.2x	11.3x	18.8x	17.8x	15.8x	17.5x	16.0x	14.1x
Peer Group Average	1507	**9.5x**	**8.9x**	**8.3x**	**14.4x**	**13.1x**	**11.9x**	**16.2x**	**13.6x**	**11.9x**
Peer Group Median	1051	**8.6x**	**7.7x**	**7.2x**	**15.6x**	**14.0x**	**12.3x**	**17.6x**	**13.9x**	**11.7x**
Consti (Evli est.)	**84**	**6.6x**	**5.8x**	**5.2x**	**9.0x**	**7.6x**	**6.6x**	**11.1x**	**9.6x**	**8.8x**
Consti prem./disc. to peer median		*-23 %*	*-25 %*	*-28 %*	*-42 %*	*-46 %*	*-46 %*	*-37 %*	*-30 %*	*-25 %*

Source FactSet, Evli Research

Figure 36: Consti historic EV/EBIT vs. peer companies

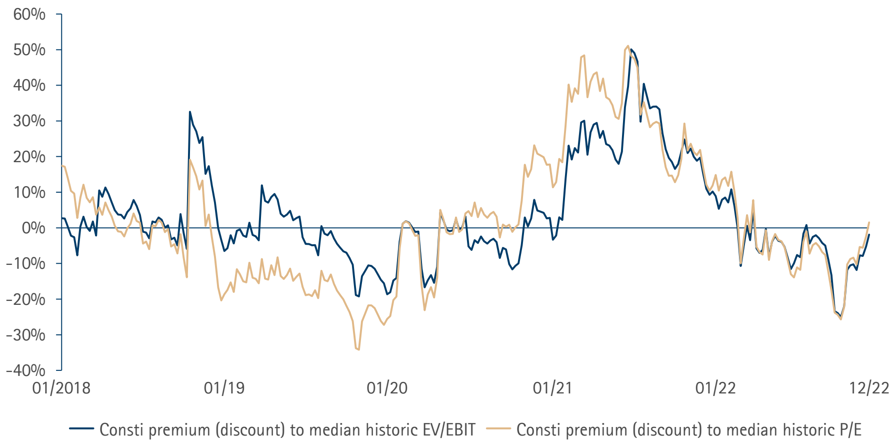
Source: Factset, Evli research

Figure 37: Consti historic P/E vs. peer companies



Source: Factset, Evli research

Figure 38: Consti FWD P/E & EV/EBIT premium (discount) to 5-year historic median, in percentage



Source: Factset, Evli research

Investment risks

Project risks are part of renovation construction

Majority of Consti's revenue is generated via project deliveries, the projects involve several risks which, if realized, would have substantial effect on the company's profitability. Consti minimizes these risks with disciplined tendering process and strong emphasis on project management and execution. The company's project risks realized during 2017-2019 as it had multiple problematic projects which ultimately led to negative profitability. The company has improved its processes since, and it has been able to return to profitability. We see that even though Consti has put an emphasis on the management of project risks, there is still potential for further project risk realization. In our view, the project risks are part of the renovation construction market as old buildings have special features and surprises which make project planning in advance difficult.

High-cost environment puts pressure for margins and demand

The construction sector has been affected by the cost inflation witnessed during the last two years caused by the COVID-19 crisis and the war in Ukraine. The construction cost index has increased 16.6% from 08/2020 to 08/2022, led by rise in building materials cost where the cost index has risen 24.8% during the period. The current cost inflationary environment can delay renovation projects starts as clients are more likely to postpone the projects due to the high project costs. The development can ultimately lead to margin pressure if the cost level doesn't normalize as the contractors have to decrease their prices to match the demand.

Slowdown in new construction can increase competition in the renovation construction market

Even though the renovation construction market is relatively stable, it is not immune to possible slowdowns in the economy. The new construction market is estimated to slow down in 2023 while the renovation construction is expected to keep growing slightly. This could increase the competition in the renovation construction market as the large construction companies are likely to reallocate their capacity to match the development. On the other hand, during the recent years, the construction sector has suffered from lack of suitable employees and the expected slowdown in new construction could increase the availability of employees for the company.

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	10.85	PV of Free Cash Flow	88	Long-term growth, %	1.2	Risk-free interest rate, %	2.25
DCF share value	20.57	PV of Horizon value	89	WACC, %	8.6	Market risk premium, %	5.8
Share price potential, %	89.6	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	3.3
Maximum value	22.1	Marketable securities	18	Minimum WACC, %	8.1	Equity beta coefficient	1.15
Minimum value	19.2	Debt - dividend	-36	Maximum WACC, %	9.1	Target debt ratio, %	30
Horizon value, %	50.2	Value of stock	159	Nr of shares, Mn	7.7	Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	289	297	304	312	316	321	326	331	336	341	345	349
Sales growth, %	*5.1*	*2.9*	*2.3*	*2.6*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.2*	*1.2*
Operating income (EBIT)	6	10	12	12	13	13	13	13	13	14	14	14
Operating income margin, %	*2.0*	*3.5*	*3.8*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*
+ Depreciation+amort.	3	4	4	3	4	4	4	4	4	4	4	
EBITDA	9	14	15	16	16	16	17	17	17	17	18	
- Paid taxes	-1	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	-3	0	0	0	0	0	0	0	0	0	0	
NWC / Sales, %	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	*-3.4*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-1	-1	-1	-1	-1	-1	-1	-1	-2	-2	
opCAPEX / Sales, %	*2.4*	*1.1*	*1.1*	*1.1*	*1.1*	*1.1*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	
- Acquisitions	-1	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	1	0	0	0	0	0	0	0	0	0	0	
= FCFF	3	11	12	12	12	13	13	13	13	13	14	186
= Discounted FCFF		11	11	10	10	9	8	8	7	7	6	89
= DFCF min WACC		11	11	11	10	9	9	8	8	7	7	99
= DFCF max WACC		11	11	10	10	9	8	8	7	7	6	80

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	59.3	70.9	76.0	82.6	288.8	59.8	73.1	79.0	85.1	297.0	303.8	311.8
EBITDA	0.9	0.3	4.0	4.0	9.2	1.4	3.7	4.2	4.8	14.1	15.2	16.0
EBITDA margin (%)	*1.5*	*0.4*	*5.3*	*4.9*	*3.2*	*2.3*	*5.1*	*5.4*	*5.6*	*4.7*	*5.0*	*5.1*
EBIT	0.1	-0.5	3.1	3.0	5.7	0.4	2.9	3.3	3.7	10.3	11.6	12.5
EBIT margin (%)	*0.2*	*-0.7*	*4.1*	*3.6*	*2.0*	*0.6*	*4.0*	*4.2*	*4.4*	*3.5*	*3.8*	*4.0*
Net financial items	-0.2	-0.4	-0.2	-0.3	-1.1	-0.2	-0.2	-0.2	-0.2	-0.9	-0.8	-0.6
Pre-tax profit	-0.1	-0.9	2.9	2.7	4.6	0.1	2.7	3.1	3.5	9.4	10.9	11.9
Tax	0.0	0.2	-0.6	-0.5	-0.9	0.0	-0.5	-0.6	-0.7	-1.9	-2.2	-2.4
Tax rate (%)	*19.8*	*20.0*	*19.1*	*19.1*	*18.9*	*20.3*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*
Net profit	-0.1	-0.7	2.4	2.2	3.7	0.1	2.2	2.5	2.8	7.5	8.7	9.5
EPS	-0.02	-0.09	0.30	0.27	0.47	0.01	0.28	0.32	0.36	0.98	1.12	1.23
EPS adjusted (diluted no. of shares)	-0.02	-0.09	0.30	0.27	0.47	0.01	0.28	0.32	0.36	0.98	1.12	1.23
Dividend per share	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.49	0.56	0.61
SALES, EURm												
Housing Companies	13.4	21.7	27.6	27.3	90.0	15.6	25.4	30.6	28.7	100.2	103.3	105.8
Corporations	21.8	26.0	25.6	27.6	101.0	20.2	24.3	26.7	28.4	99.5	101.5	103.5
Public Sector	7.5	8.5	9.6	12.1	37.7	10.9	9.4	9.4	12.2	42.0	42.8	43.6
Building Technology	19.2	17.8	16.3	19.5	72.9	16.0	17.7	16.3	19.7	69.7	71.1	73.9
Elimination	-2.6	-3.1	-3.1	-3.9	-12.7	-2.9	-3.6	-4.0	-3.9	-14.4	-14.8	-15.2
Total	59.3	70.9	76.0	82.6	288.8	59.8	73.1	79.0	85.1	297.0	303.8	311.8
SALES GROWTH, Y/Y %												
Housing Companies	*-18.6*	*-12.4*	*16.1*	*29.2*	*4.5*	*16.5*	*16.9*	*10.9*	*5.0*	*11.4*	*3.0*	*2.5*
Corporations	*5.0*	*20.2*	*18.8*	*3.5*	*11.4*	*-7.4*	*-6.7*	*4.3*	*3.0*	*-1.4*	*2.0*	*2.0*
Public Sector	*-20.3*	*-17.4*	*-2.0*	*1.0*	*-9.1*	*46.6*	*10.5*	*-2.0*	*1.0*	*11.4*	*2.0*	*2.0*
Building Technology	*24.4*	*8.2*	*2.7*	*-9.3*	*5.1*	*-16.6*	*-0.7*	*-0.3*	*1.0*	*-4.4*	*2.0*	*4.0*
Elimination	*-13.5*	*-19.6*	*11.6*	*22.1*	*-1.1*	*12.2*	*15.5*	*26.6*	*1.3*	*13.3*	*2.8*	*2.6*
Total	*0.4*	*2.3*	*11.4*	*5.8*	*5.1*	*0.9*	*3.1*	*4.0*	*3.0*	*2.9*	*2.3*	*2.6*
EBIT, EURm												
Group	0.1	-0.5	3.1	3.0	5.7	0.4	2.9	3.3	3.7	10.3	11.6	12.5
Total	0.1	-0.5	3.1	3.0	5.7	0.4	2.9	3.3	3.7	10.3	11.6	12.5
EBIT margin, %												
Total	*0.2*	*-0.7*	*4.1*	*3.6*	*2.0*	*0.6*	*4.0*	*4.2*	*4.4*	*3.5*	*3.8*	*4.0*

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	300.2	315.8	314.8	274.6	288.8	297.0	303.8	311.8
Sales growth (%)	*14.8*	*5.2*	*-0.3*	*-12.8*	*5.1*	*2.9*	*2.3*	*2.6*
EBITDA	1.7	-0.5	8.1	11.4	9.2	14.1	15.2	16.0
EBITDA margin (%)	*0.6*	*-0.1*	*2.6*	*4.2*	*3.2*	*4.7*	*5.0*	*5.1*
Depreciation	-2.1	-1.7	-3.5	-3.2	-3.5	-3.7	-3.6	-3.5
EBITA	-0.4	-2.1	4.6	8.2	5.7	10.3	11.6	12.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-0.4	-2.1	4.6	8.2	5.7	10.3	11.6	12.5
EBIT margin (%)	*-0.1*	*-0.7*	*1.5*	*3.0*	*2.0*	*3.5*	*3.8*	*4.0*
Reported EBIT	-0.4	-2.1	4.6	8.2	5.7	10.3	11.6	12.5
EBIT margin (reported) (%)	*-0.1*	*-0.7*	*1.5*	*3.0*	*2.0*	*3.5*	*3.8*	*4.0*
Net financials	-0.8	-0.7	-1.2	-1.0	-1.1	-0.9	-0.8	-0.6
Pre-tax profit	-1.2	-2.8	3.4	7.2	4.6	9.4	10.9	11.9
Taxes	0.1	0.5	-0.7	-1.6	-0.9	-1.9	-2.2	-2.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-1.1	-2.3	2.5	5.6	3.7	7.5	8.7	9.5
Cash NRIs	0.0	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

BALANCE SHEET, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Assets								
Fixed assets	5	4	4	3	3	3	3	4
Goodwill	49	49	49	49	50	50	50	50
Right of use assets	0	4	3	2	6	5	5	5
Inventory	1	1	1	1	1	1	1	1
Receivables	36	53	50	49	41	43	44	45
Liquid funds	10	3	10	24	18	19	19	20
Total assets	101	115	117	129	119	120	122	123
Liabilities								
Shareholder's equity	25	23	26	30	32	36	41	46
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	3	3	0	0	0	0
Lease liabilities	0	4	4	2	5	5	5	5
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	22	23	25	27	27	23	18	13
Non-interest bearing current liabilities	52	62	56	63	52	54	55	56
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	101	115	117	129	119	120	122	123

CASH FLOW, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
+ EBITDA	2	0	8	11	9	14	15	16
- Net financial items	-1	-1	-1	-1	-1	-1	-1	-1
- Taxes	-1	0	0	-1	-1	-2	-2	-2
- Increase in Net Working Capital	9	-5	-3	8	-3	0	0	0
+/- Other	0	0	0	0	1	0	0	0
= Cash flow from operations	9	-7	4	18	5	12	12	13
- Capex	-1	-1	-4	-3	-7	-3	-3	-4
- Acquisitions	-4	0	0	0	-1	0	0	0
+ Divestments	1	1	0	0	0	0	0	0
= Free cash flow	4	-8	0	15	-3	8	9	10
+/- New issues/buybacks	1	0	0	0	1	0	0	0
- Paid dividend	-4	0	0	-1	-3	-4	-4	-4
+/- Other	-1	1	6	0	-1	-4	-5	-5
Change in cash	0	-6	7	14	-6	1	0	0

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	43	50	79	95	84	84	84
Net debt (excl. convertibles)	23	19	5	14	9	4	-1
Enterprise value	67	72	87	109	93	88	83
Sales	316	315	275	289	297	304	312
EBITDA	0	8	11	9	14	15	16
EBIT	-2	5	8	6	10	12	12
Pre-tax	-3	3	7	5	9	11	12
Earnings	-2	2	6	4	8	9	9
Equity book value (excl. minorities)	23	26	30	32	36	41	46
Valuation multiples							
EV/sales	0.2	0.2	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	-143.6	8.9	7.6	11.9	6.6	5.8	5.2
EV/EBITA	-31.3	15.6	10.6	19.1	9.0	7.6	6.6
EV/EBIT	-31.3	15.6	10.6	19.1	9.0	7.6	6.6
EV/OCF	-9.9	19.7	4.9	23.3	8.1	7.1	6.2
EV/FCFF	-9.6	31.9	5.2	32.9	8.5	7.5	6.7
P/FCFE	-5.7	523.9	5.2	-30.6	10.2	9.2	8.6
P/E	-18.5	20.3	14.2	25.9	11.1	9.6	8.8
P/B	1.8	1.9	2.6	3.0	2.3	2.0	1.8
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*7.3*	*6.4*	*5.7*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*9.9*	*8.3*	*7.3*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*12.4*	*10.7*	*9.4*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*2.6*	*2.3*	*2.0*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*12.3*	*10.7*	*9.8*
Per share measures							
Number of shares	7,858	7,858	7,858	7,858	7,735	7,735	7,735
Number of shares (diluted)	7,858	7,858	7,858	7,858	7,735	7,735	7,735
EPS	-0.30	0.32	0.71	0.47	0.98	1.12	1.23
Operating cash flow per share	-0.85	0.47	2.27	0.60	1.50	1.62	1.72
Free cash flow per share	-0.96	0.01	1.93	-0.40	1.06	1.17	1.26
Book value per share	2.98	3.33	3.87	4.08	4.66	5.30	5.96
Dividend per share	0.00	0.16	0.40	0.45	0.49	0.56	0.61
Dividend payout ratio, %	0.0	50.8	56.3	96.4	50.0	50.0	50.0
Dividend yield, %	0.0	2.5	4.0	3.7	4.5	5.2	5.7
FCF yield, %	-17.4	0.2	19.2	-3.3	9.8	10.8	11.6
Efficiency measures							
ROE	-9.6	10.0	19.7	11.8	22.2	22.6	21.8
ROCE	-4.2	8.6	13.7	9.1	16.2	18.3	19.5
Financial ratios							
Inventories as % of sales	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Receivables as % of sales	16.8	15.8	17.9	14.3	14.3	14.3	14.3
Non-interest bearing liabilities as % of sales	19.5	17.8	23.1	18.0	18.0	18.0	18.0
NWC/sales, %	-2.5	-1.7	-4.9	-3.4	-3.4	-3.4	-3.4
Operative CAPEX/sales, %	0.4	1.3	1.0	2.4	1.1	1.1	1.1
CAPEX/sales (incl. acquisitions), %	0.4	1.3	1.0	2.0	1.1	1.1	1.1
FCFF/EBITDA	15.0	0.3	1.5	0.4	0.8	0.8	0.8
Net debt/EBITDA, book-weighted	-50.5	2.3	0.4	1.5	0.7	0.3	-0.1
Debt/equity, market-weighted	0.5	0.5	0.3	0.3	0.3	0.2	0.2
Equity ratio, book-weighted	24.4	29.8	26.1	26.9	29.9	33.7	37.4
Gearing, %	100.0	64.4	14.1	44.1	26.3	10.2	-2.6

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 maintain the achieved healthier levels of profitability after a period of weaker profitability during previous years driven by a number of weak margin projects. The backlog is still at healthy levels which supports near-term development. The long-term market outlook remains favourable due to among other things a large aging building stock, and the renovation market is expected to see steady low single-digit growth.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Lujatalo Oy	790,000	8.572	10.2%
Wipunen Varainhallinta Oy	750,000	8.138	9.7%
Heikintorppa Oy	750,000	8.138	9.7%
Fennia Life Insurance Company Ltd	518,525	5.626	6.7%
Korkeela Esa Sakari	450,058	4.883	5.8%
Kivi Risto Juhani	380,473	4.128	4.9%
Kalevo Markku	301,044	3.266	3.9%
Varma Mutual Pension Insurance Company	172,000	1.866	2.2%
Drumbo Oy	150,000	1.628	1.9%
Consti Yhtiöt Oyj	123,739	1.343	1.6%
Ten largest	4,385,839	47.586	57%
Residual	3,348,689	36.333	43%
Total	7,734,528	83.920	100%

EARNINGS CALENDAR	
February 03, 2023	FY 2022 Results
April 27, 2023	Q1 report
July 21, 2023	Q2 report
October 27, 2023	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 $\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	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 $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
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 $\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
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, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	CAGR, % Cumulative annual growth rate = Average growth per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	

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Investment recommendations are defined as follows:

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

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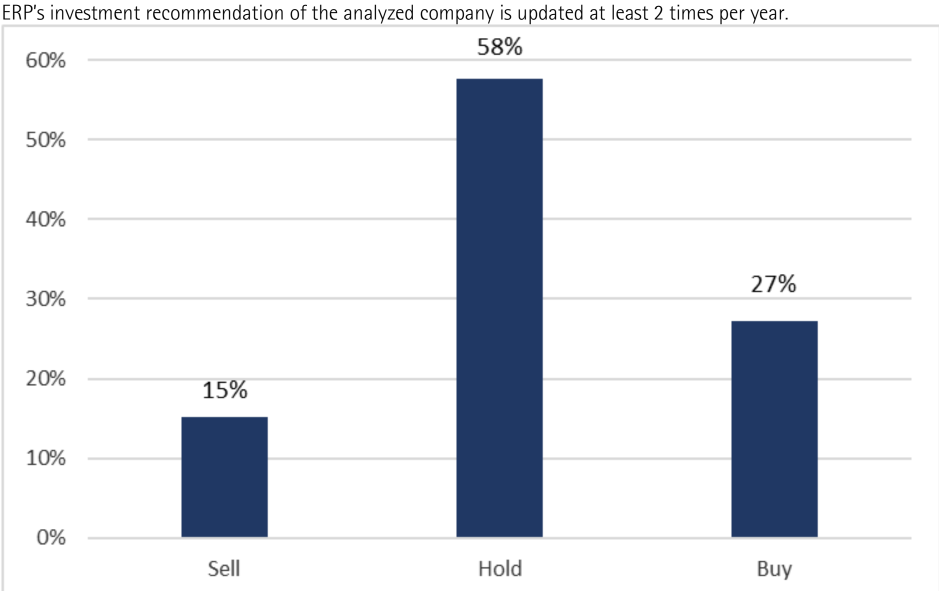

The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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