

## Financial Statement Release January–December 2020

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11 February 2021

# Agenda

- 1. Operating environment 2020 and market outlook for 2021**
- 2. Group development**
- 3. Cash flow and financing**
- 4. Guidance and dividend**



# 1. Operating environment 2020 and market outlook for 2021



# Operating environment 2020

Year 2020 impacted by the corona pandemic and related downturn

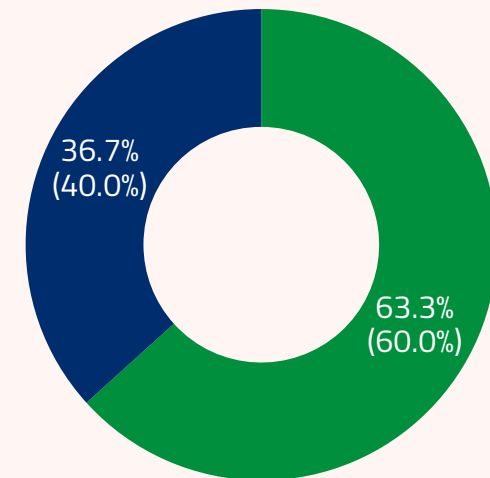
## Services

- > In the fourth quarter, the demand environment was more stable and comparable to the third quarter, but ad-hoc works were still impacted by corona
- > In division Industry, the corona situation postponed certain annual shutdowns in Finland until 2021 despite increased activity in the fourth quarter.
- > Overall pricing environment tightened somewhat in Services as of the second quarter.

## Projects

- > The demand for new construction projects was negatively impacted by the corona pandemic, however less for renovation construction.
- > In the fourth quarter, there was a somewhat further reduced business activity.
- > Pricing environment generally tightened in Projects as of the second quarter.
- > Stimulus packages did not yet impact general demand during 2020.

## Revenue breakdown 2020 (2019)

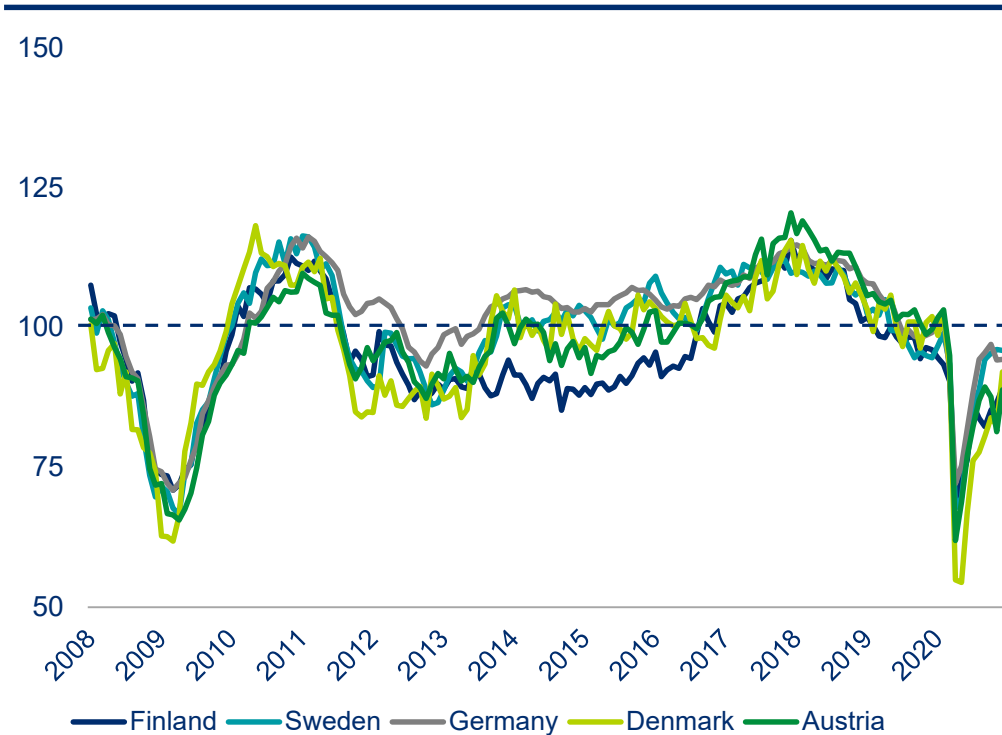


- Services business unit
- Projects business unit

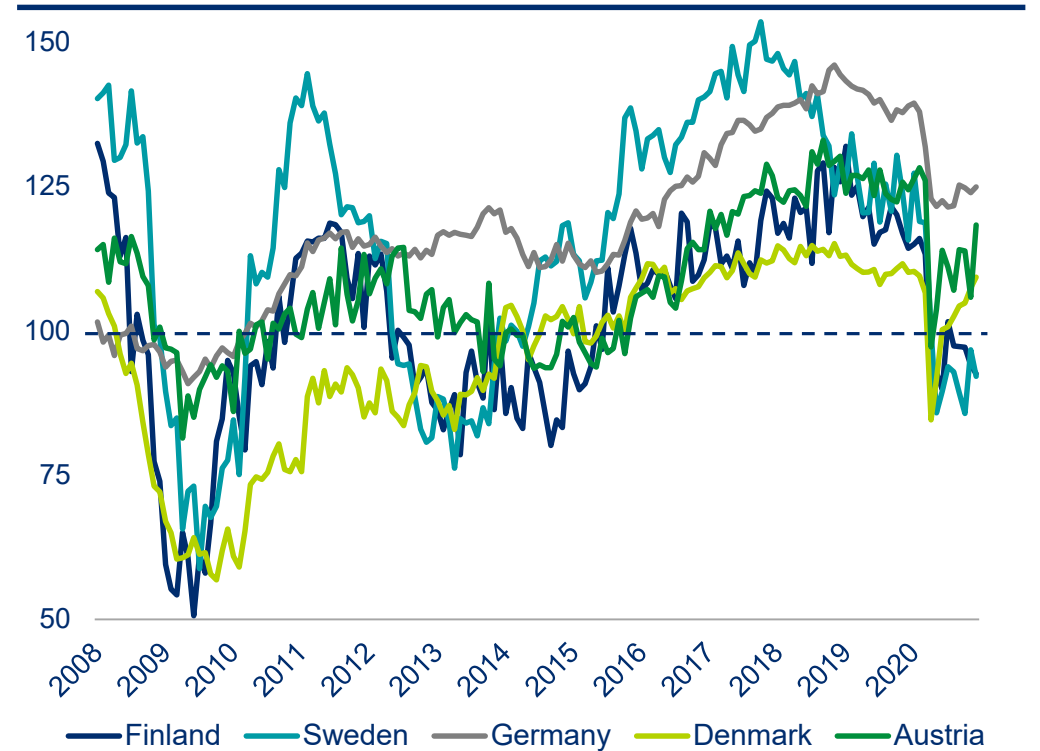
# Underlying market sentiment shadowed by Covid-19

Economic sentiment indicator still below trend line, while construction confidence surprisingly positive

**ECONOMIC SENTIMENT INDICATOR  
(2008 – 12/2020)**



**CONSTRUCTION CONFIDENCE INDICATOR  
(2008 – 12/2020)**



Sources: European Commission, December 2020



## 2. Group development

# Summary of 2020

## Strong cash flow the highlight of the corona year

### Order backlog

- > Order backlog decreased by 3.7% to EUR 1,609.1 (1,670.5) million at the end of December (-3.5% at comparable exchange rates)
- > Order backlog in Services increased by 0.7% compared to previous year.

### Profitability

- > Adjusted EBITA amounted to EUR 60.6 (67.2) million, or 2.8% (3.2) of revenue.
- > EBITA EUR 42.4 (49.8) million, impacted by restructuring and write-downs on the last remaining major risk project.
- > EPS amounted to EUR 0.05 (0.14) per share, impacted also by a high effective tax rate (corona and restructuring impact).



### Revenue

- > Revenue amounted to EUR 2,154.9 (2,123.2) million, up by 1.5% (2.8% in local currencies).
- > Organic growth was -4.1%.
- > Services +7.1% and Projects -6.9% (+8.7% and -6.2% in local currencies)

### Cash flow and leverage

- > Operating cash flow before financial and tax items increased to EUR 157.6 (143.7) million.
- > Cash and cash equivalents were EUR 149.3 (93.6) million
- > Net debt/EBITDA\* was -0.2x (1.4x).

### Other events

- > Integration of the latest acquisitions progressed according to plan.
- > Divestment of a part of Industry Division in September (FCCA requirement)
- > Sustainability targets launched in November

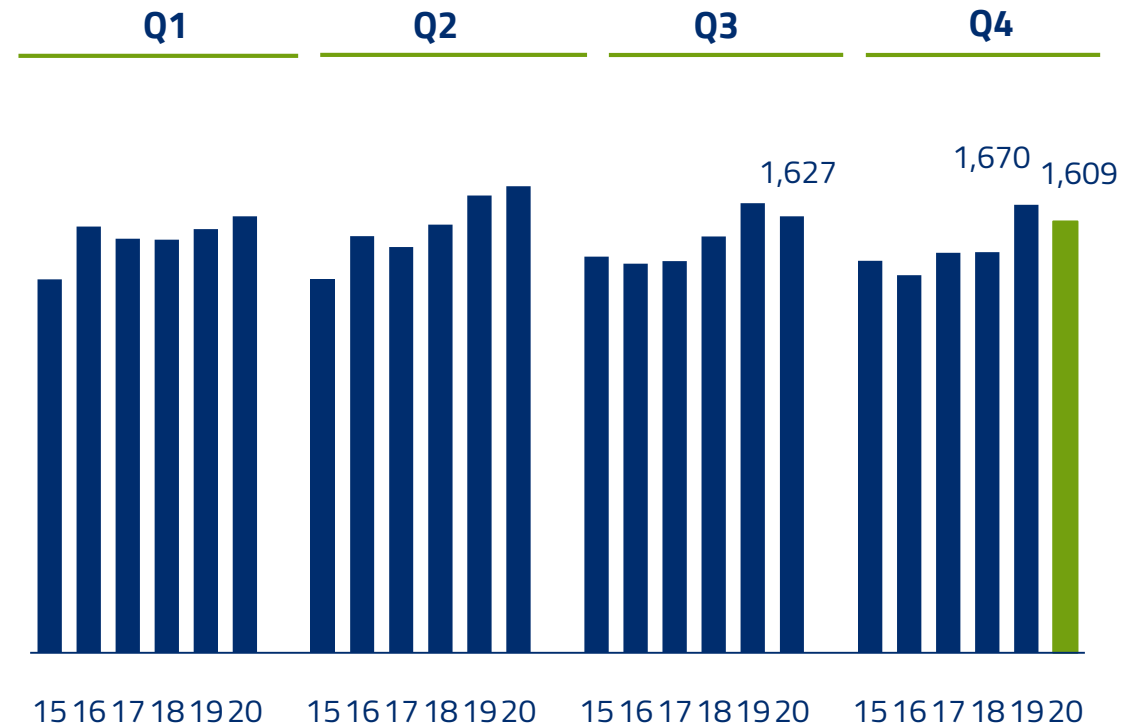
\* Based on calculation principles confirmed with the lending parties.

# Order backlog development

Order backlog decreased by 3.7% year-on-year, growth in Services, decline in Projects

- > Order backlog decreased by 3.7% year-on-year to EUR 1,609.1 (1,670.5) million at the end of December.
  - > At comparable exchange rates the order backlog decreased by 3.5% year-on-year.
- > Order backlog increased by 0.7% in Services compared to the previous year, while it decreased by 8.8% in Projects.
- > Order backlog decreased by 1.1% from the end of the previous quarter.

Order backlog, EUR million





# Examples of our new agreements

October-December 2020



- > **Customer:** Technopolis
- > **Agreement:** Technical and maintenance services, the collaboration has also extended to larger investment projects, including new building automation system for the Oslo campus
- > **Location:** a total of 8 Technopolis campuses in Finland, Sweden and Norway



- > **Customer:** PostNord
- > **Agreement:** Facility management services: technical maintenance and customer center (Caverion Help Desk) services
- > **Location:** more than 100 locations around Denmark, Sweden and Finland

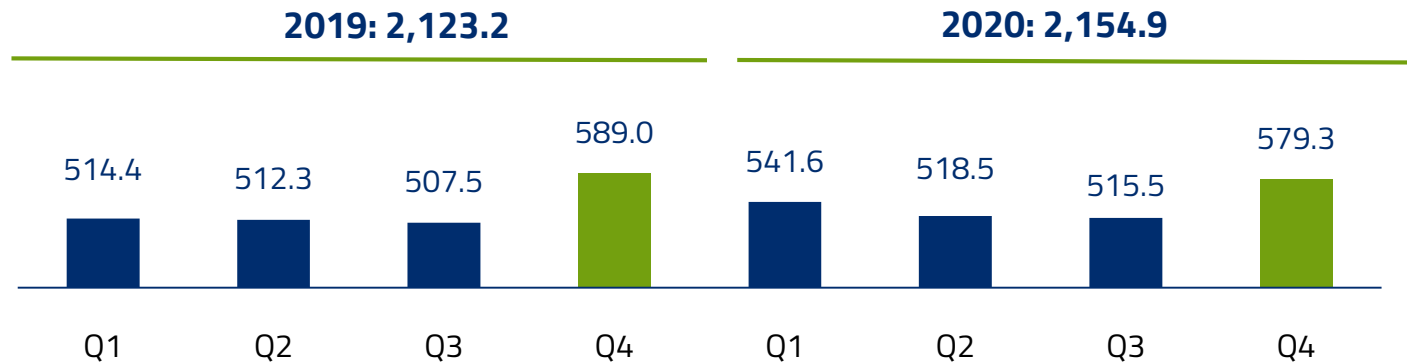


- > **Customer:** ASFINAG
- > **Agreement:** modernisation of the electrical system of several tunnels, underpasses, and pumping stations and the remote center for the tunnel monitoring
- > **Location:** the south expressway S1 between Vösendorf and Schwechat, Vienna, Austria

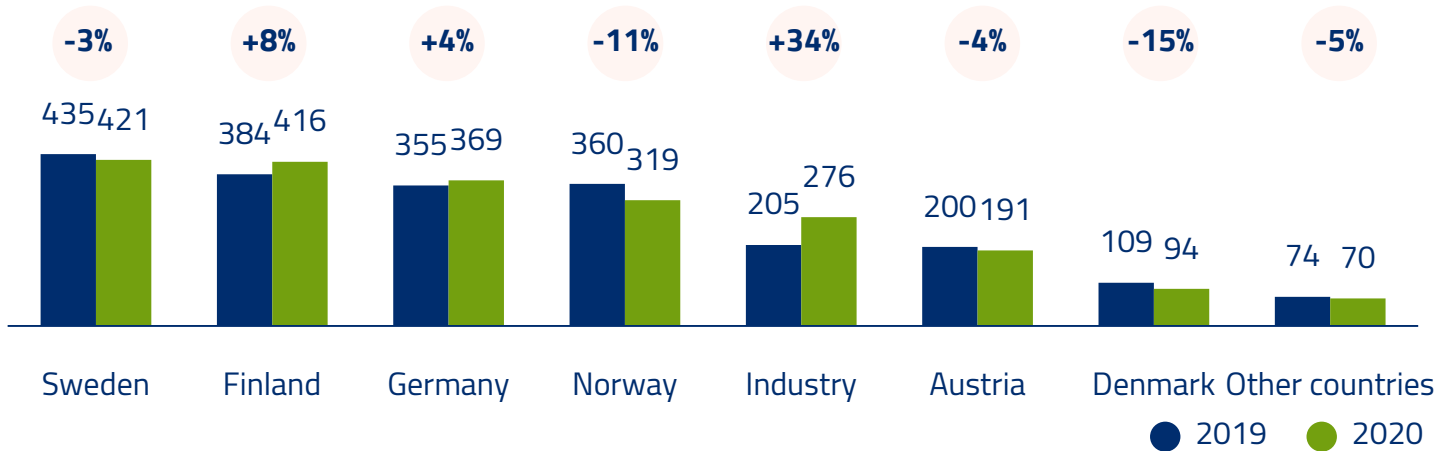
# Revenue development

Full-year revenue up by 1.5% (2.8% in local currencies), still impacted by corona

## Group revenue, EUR million



## Revenue breakdown by division, EUR million

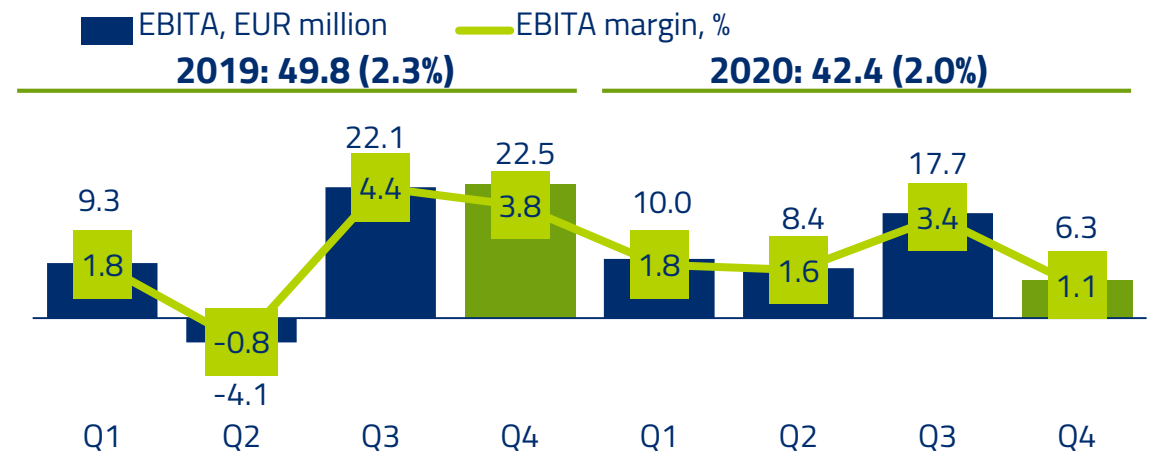
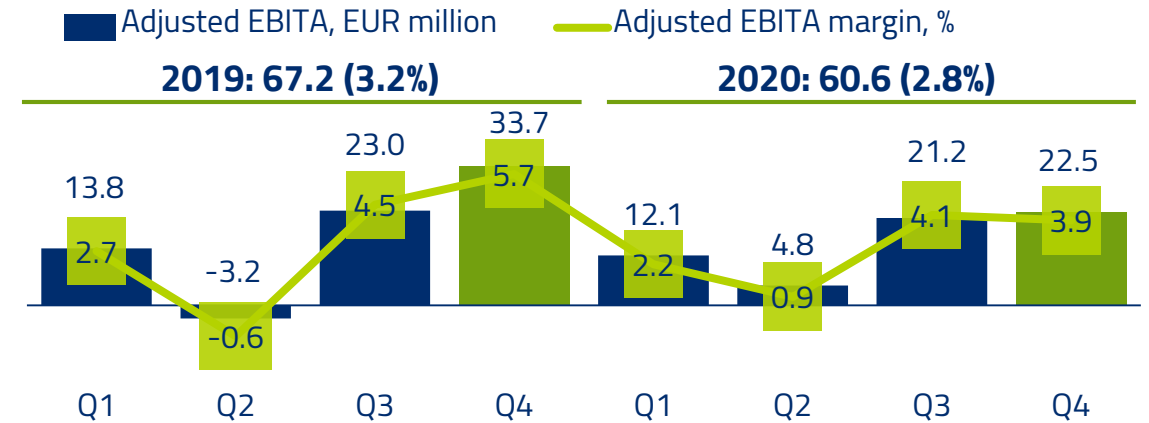


- > Q4/20 revenue amounted to EUR 579.3 (589.0) million, down by 1.7% from the previous year, -1.0% in local currencies.
- > FY 2020 revenue amounted to EUR 2,154.9 (2,123.2) million, up by 1.5% (2.8% in local currencies).
- > Organic growth was -5.6% in Q4/20 and -4.1% in FY 2020.
- > Business units:
  - > Q4/20: Services +4.4%, Projects -11.4% (+5.3% and -11.1% in locals)
  - > FY 2020: Services +7.1%, Projects -6.9% (+8.7% and -6.2% in locals)
- > In FY 2020, revenue increased in Finland, Germany and Industry.

# Profitability development

## EBITA impacted by restructuring and write-downs on the last remaining major risk project

- > Q4/2020 Adjusted EBITA amounted to EUR 22.5 (33.7) million, or 3.9% (5.7%) of revenue.
- > In Services, although the demand environment remained rather stable, the ad-hoc works were impacted by corona. In the Industry division, the quarter saw a positive impact from earlier postponed shutdown services.
- > In Projects, the pandemic and restructuring impacted productivity to a certain extent. A critical assessment of Projects business risks was carried out at year-end.
- > Q4/2020 EBITA was EUR 6.3 (22.5) million, or 1.1% (3.8%) of revenue.
- > EBITA was impacted by one-off restructuring costs amounting to EUR 7.7 million and write-downs on the last remaining major risk project in Germany totalling EUR 7.7 million.



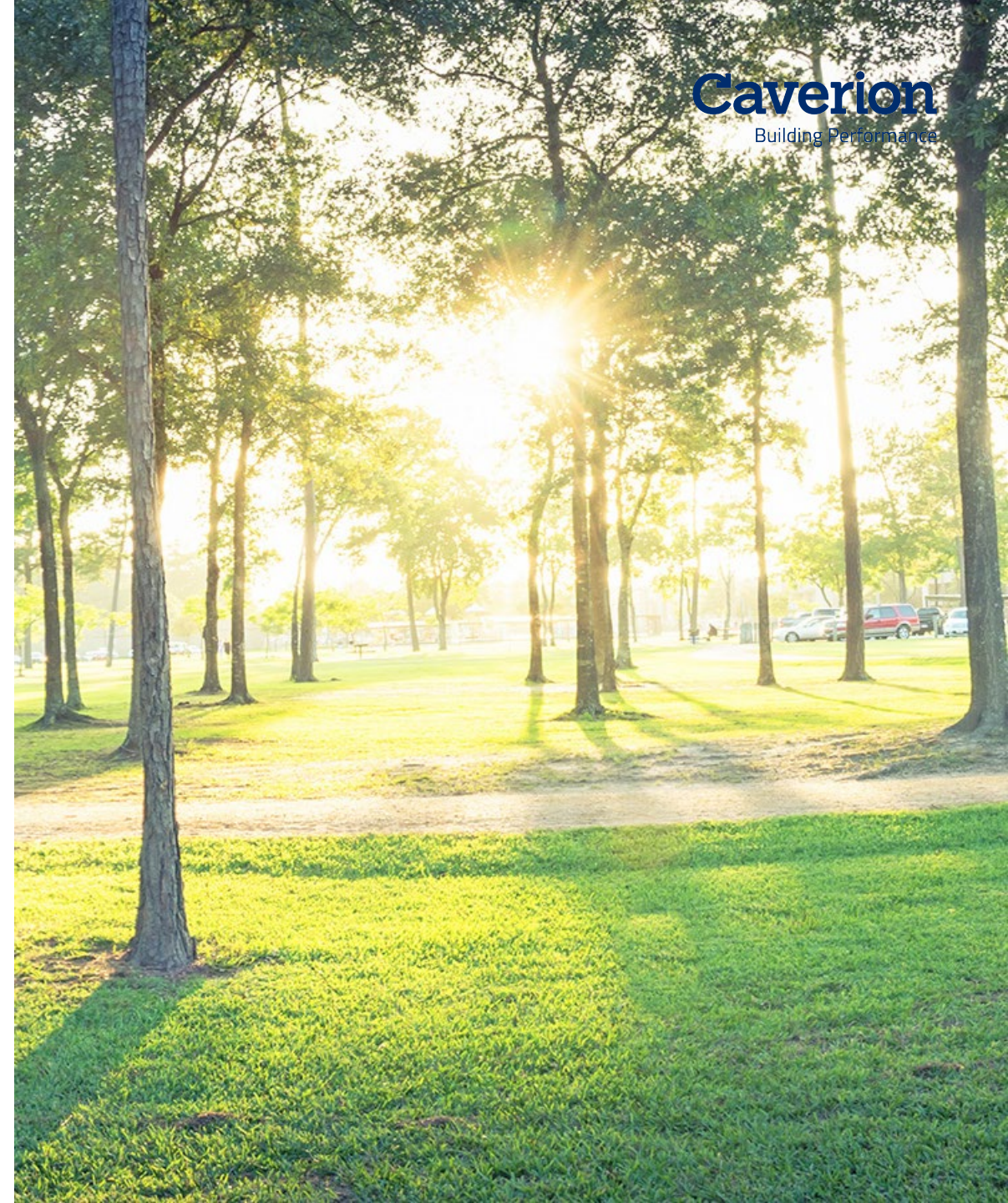
# Proactive restructuring and corona-related Projects business risk assessment in Q4

## Restructuring

- > Caverion announced in the beginning of Q4 that it planned to proactively further streamline and adjust its operations through personnel reductions, reorganisation and operating model development.
- > The resulting savings will be at least EUR 25m for 2021 as previously announced. Related to the programme, Caverion booked restructuring costs of EUR 7.7m in Q4/20.
- > A part of the savings will be invested in the digital and smart technology businesses across divisions.

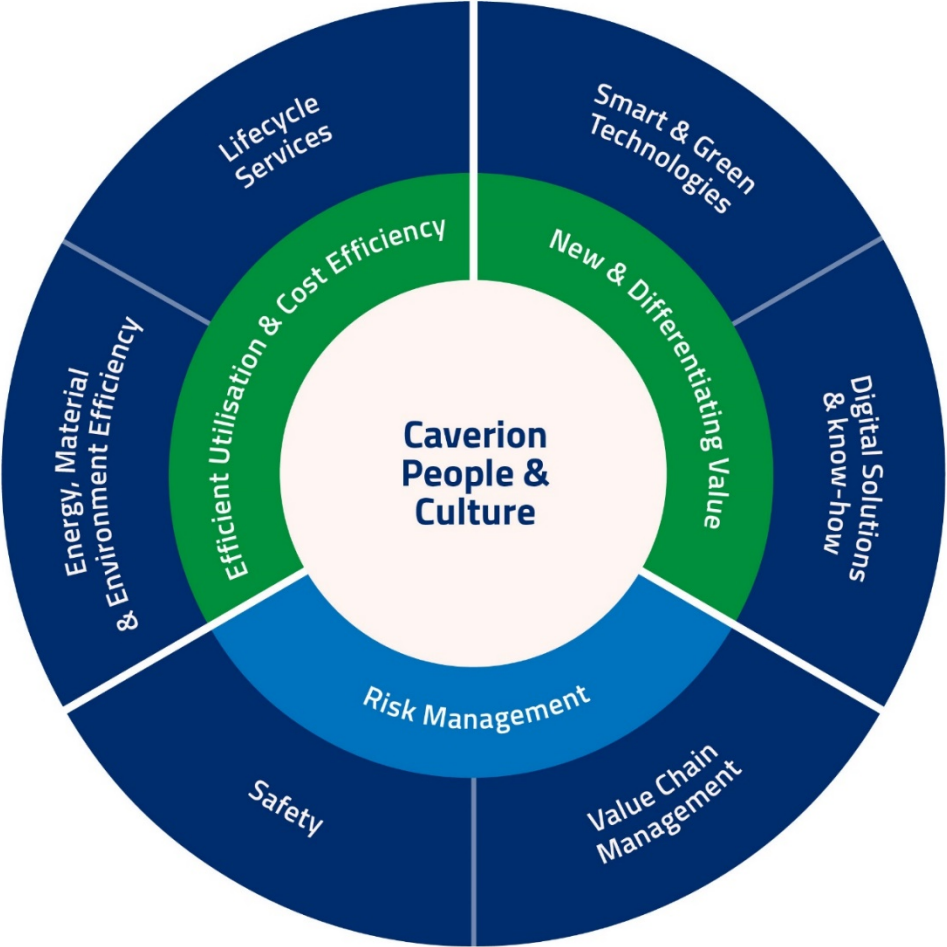
## Projects performance

- > Due to the potential negative effects of the covid restrictions and downturn on project forecasts, Caverion made an overall critical assessment of its Projects business risks when closing the year.
- > Measured by the start year of the project, Caverion's margin slippages in the Projects business have clearly decreased each year in recent years.
- > The share of old projects started in 2016 or earlier was only 1.4% of the order backlog in Projects at the end of 2020.
- > The risk exposure related to projects is smaller going forward due to various efforts made in project management, execution and financial steering.



# Caverion's sustainability focus areas and targets

By 2030, our positive carbon handprint is 10x greater than our own carbon footprint



## Focus areas

2019 level      2025 level

Focus areas	2019 level	2025 level
<b>Our business makes sustainable impact</b>		
Our carbon footprint is defined and measured	66%	100%
Our offering has a defined carbon handprint	-	100%
Carbon handprint / footprint (Scope 1-2)	>1x	5x
<b>We care for our employees</b>		
Accident frequency rate: LTIFR	5.3	<2
Share of female employees %	11%	15%
<b>We ensure efficient and high-quality implementation of sustainability</b>		
Supplier Code of Conduct sign-off rate (%)	55%	>90%
% of employees trained in sustainability	50%	100%
% of tenders that include sustainability criteria	0%	100%

E

S

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# Caverion's solutions along the lifecycle create sustainable impact

Stimulus packages expected to be directed to green growth and digitalisation

## Direct sustainability impact through:

- > **Lifecycle engagement** via outcome-based contracts, EPC etc
- > **Solution projects with smart tech**, e.g. refrigeration, security, automation; upgrades and modernisations
- > **Advisory services**, e.g. Smart readiness indicator, energy advice, sourcing of subsidies
- > **Digital services**, e.g. remote center, analytics (SmartView)
- > **Financing solutions**, e.g. including leasing solutions

## Digital, data-driven, analytics focused integrated solutions



**Traditional project & service  
business and technical discipline  
expertise**

## Stimulus packages and legislation

are in all our countries supporting sustainable investments. Caverion expects stimulus packages to increase demand also in Caverion's areas of operation as of H2/2021.

### Examples:

- > EU EUR 750bn stimulus package
- > EU F-gas regulation
- > EU taxonomy
- > EPBD directive
- > EU green stimulus package
- > Konjunkturpaket Germany
- > Klimatklivet Sweden



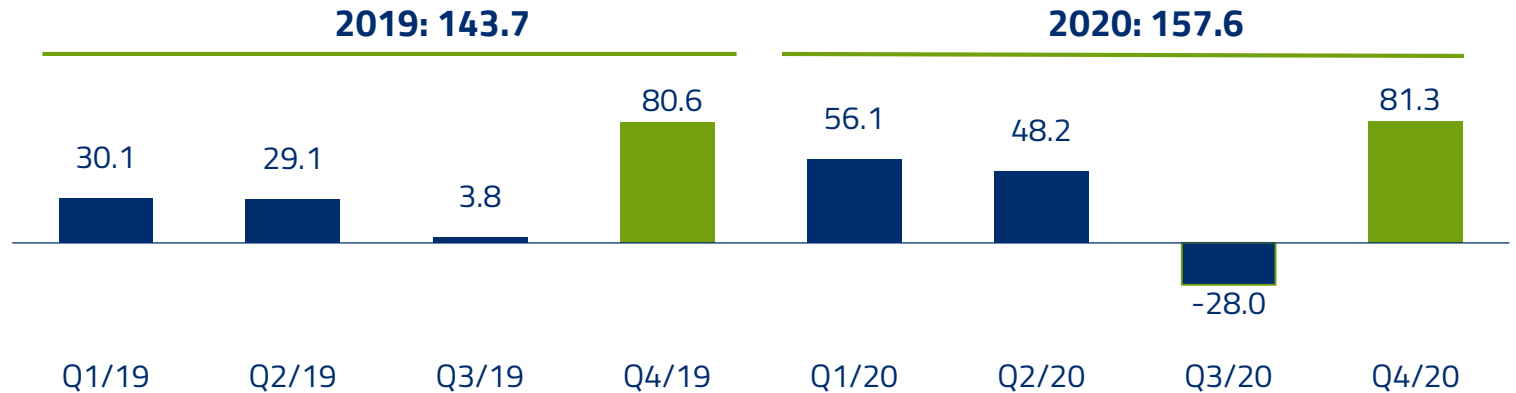
## 3. Cash flow and financing

# Cash flow development – clear improvement over 2020

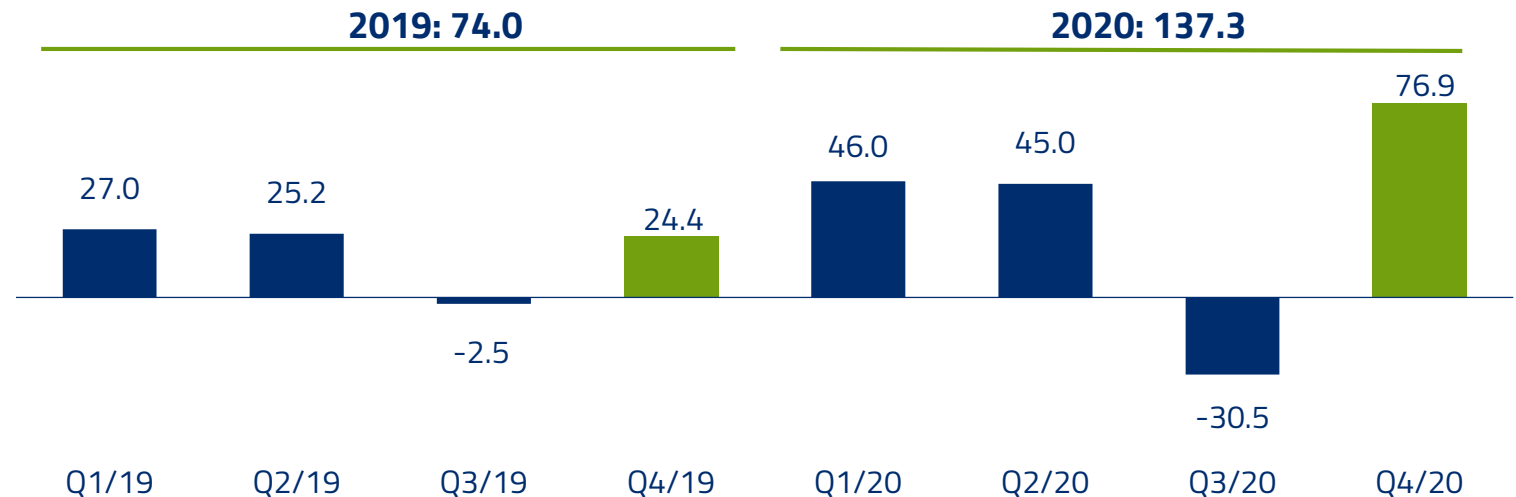
Full-year cash flow was strong and the highlight of the year – firing power for acquisitions going forward

- > In 2020, operating cash flow before financial and tax items improved to EUR 157.6 (143.7) million.
  - > Up 13.9 m€, +9.7% year-on-year
  - > Cash conversion (LTM) 158.5 (139.5) %
- > Free cash flow improved to EUR 137.3 (74.0) million in 2020
  - > Up 63.3 m€, +85.5% year-on-year.
- > Free cash flow improved to EUR 76.9 (24.4) million in Q4/20
  - > Up 52.5 m€, +215.2% year-on-year
- > Capex was EUR 16.7 (73.4) million in 2020.
  - > IT investments: EUR 9.7 (9.4m)
  - > Other investments incl. acquisitions: EUR 7.0 (64.0m)

## Operating cash flow before financial and tax items, EUR million



## Free cash flow, EUR million



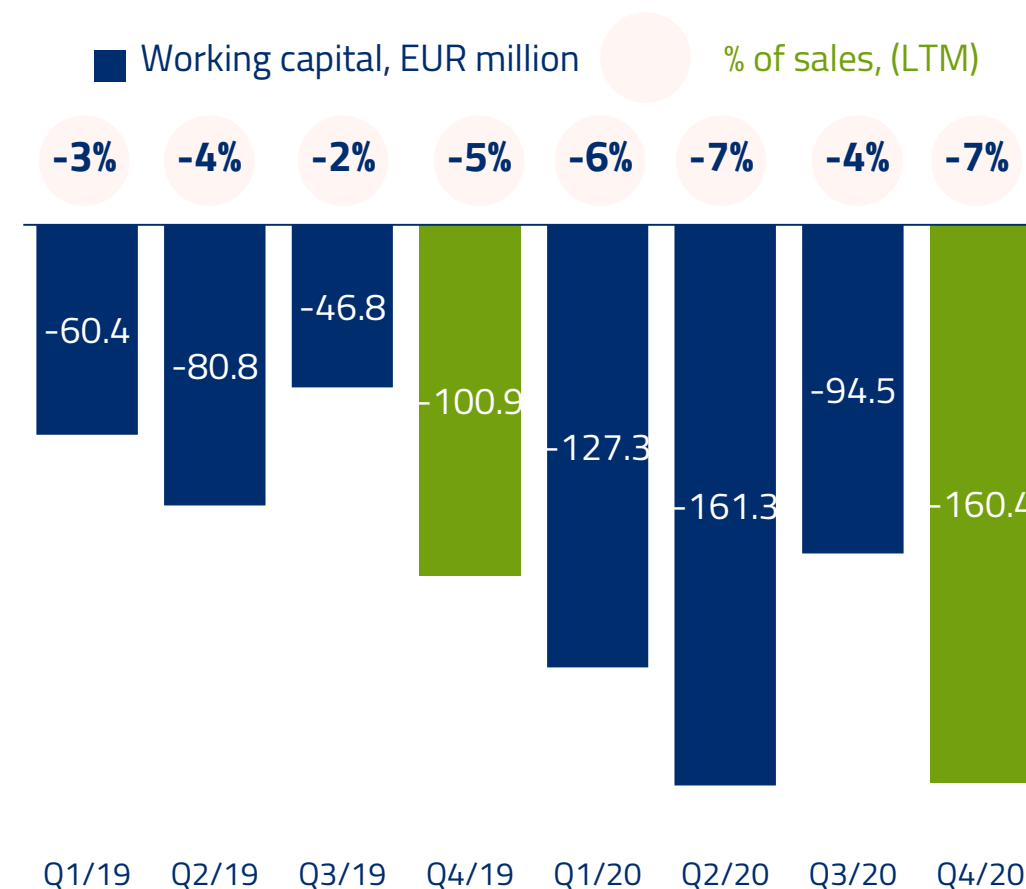
*Free cash flow = Operating cash flow before financial and tax items – Taxes paid – Net cash used in investing activities (net, including acquisitions and disposals).*



# Working capital development

## Clear improvement in working capital year-on-year

- > Working capital improvement continued year-on-year.
  - > Working capital of EUR -160.4 (-100.9) million at the end of December
- > Actions completed in recent years:
  - > Tight weekly follow up of invoicing and receivables
  - > Negotiating improved payment terms in purchases and projects
  - > Focus on resolving old risk projects
  - > Invoicing related KPIs and competitions at various levels of the organisation, centralised management of invoicing



# Continued efforts to improve working capital have paid off

## Wide improvement across divisions

### Working capital by division

EUR million

● Q4/2019 ● Q4/2020

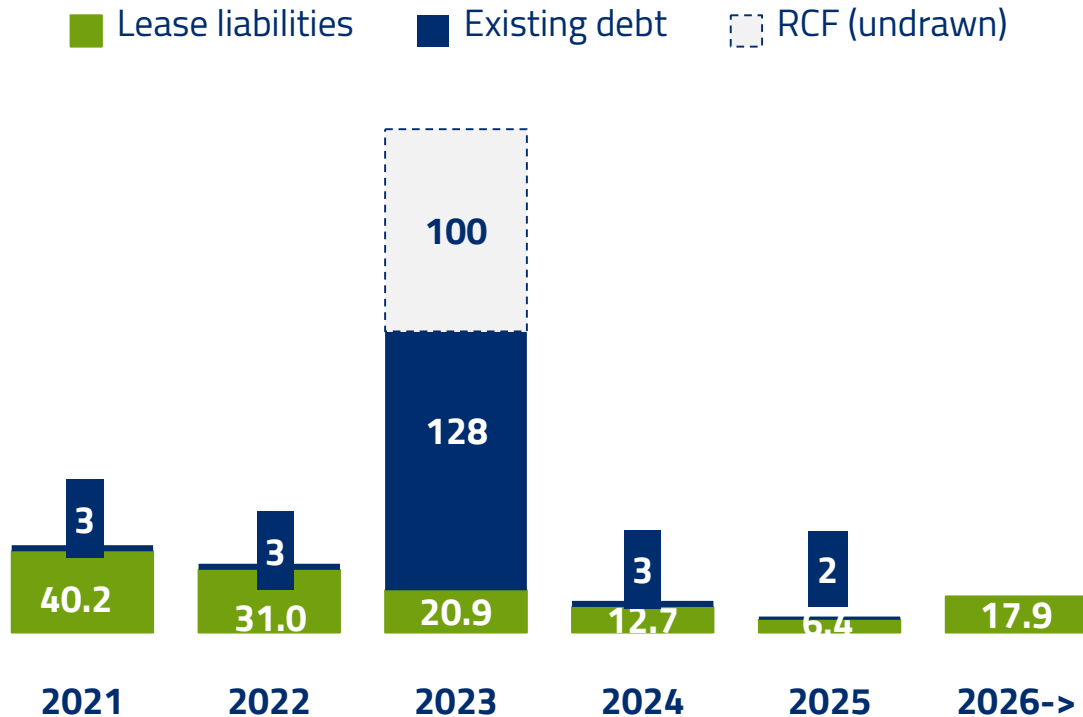


# Debt maturity structure

Positive development in net debt due to a very strong liquidity position

## Debt maturity structure on 31 December 2020

EUR million



Net debt EURm -10.6 (31.5) excl. lease liabilities or EURm 118.6 (168.4) incl. lease liabilities on 31 December 2020

Bank loan facilities mature in February 2023

- > Term loan EUR 50m and unutilised RCF of EUR 100m

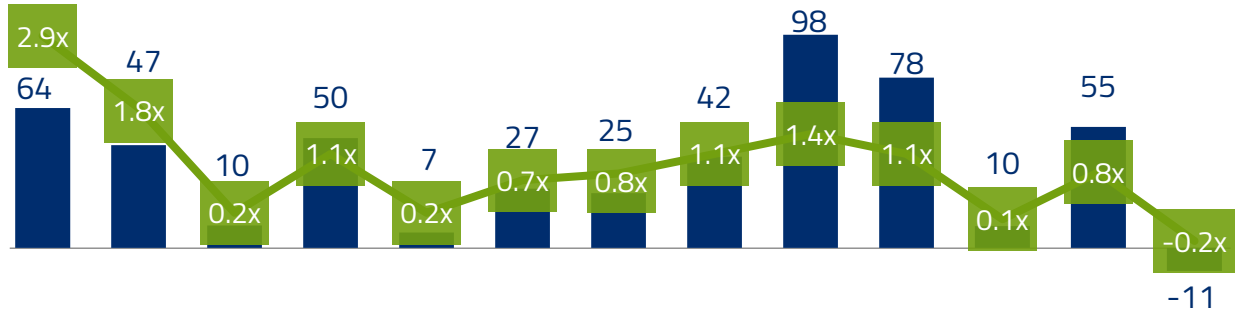
EUR 75m senior unsecured 4-year bond matures in March 2023.

EUR 35.0m hybrid bond has first call date in May 2023.

EUR 15m TyEL pension loan raised in April 2020 had a remaining amount of EUR 13.5m on 31 December 2020

- > Pension loan has EUR 1.5m repayments semi-annually, final repayment in April 2025

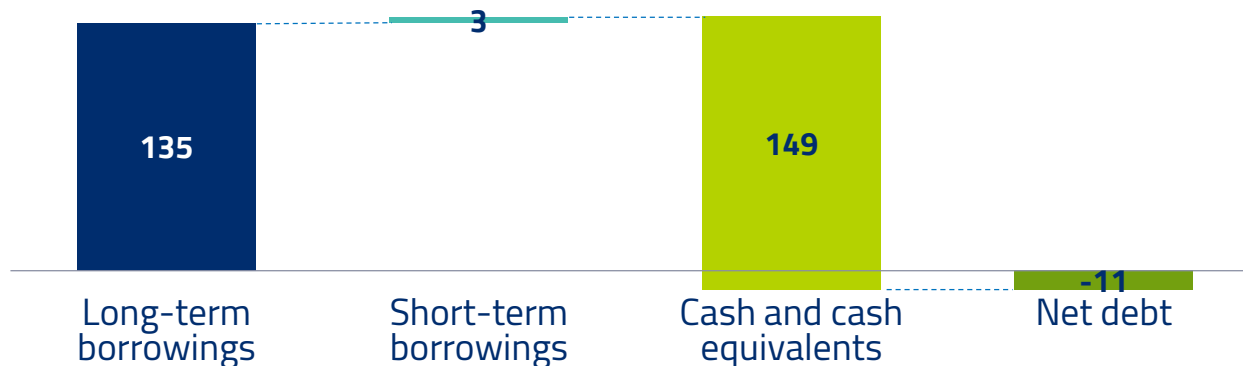
# Low leverage and strong liquidity



Q4/17 Q1/18 Q2/18 Q3/18 Q4/18 Q1/19 Q2/19 Q3/19 Q4/19 Q1/20 Q2/20 Q3/20 Q4/20  
 ■ Net debt excl. lease liabilities (EURm) — Net debt (excl. lease liabilities) / EBITDA (12m)

*Net Debt and the Net Debt/EBITDA calculated according to confirmed calculation principles with lending parties.*

## Gross debt to net debt on 31 December 2020 (EURm) excluding lease liabilities



## Financial covenant Net debt/EBITDA

- > Net debt/EBITDA in Q4/2020 was -0.2x (1.4x) according to confirmed calculation principles with lending parties.
- > The covenant level shall not exceed 3.5x.
- > The confirmed calculation principles exclude the effects of the IFRS 16 standard and contain certain other adjustments.

## Very strong liquidity position and high amount of undrawn credit facilities on 31 December 2020

- > Cash and cash equivalents of EURm 149.3 (93.6)
- > In addition, undrawn revolving credit facilities of EUR 100.0m and undrawn overdraft facilities of EUR 19.0m

## 4. Guidance and dividend



# Guidance and dividends

## Guidance for 2021

- › Caverion will provide a guidance for 2021 as soon as the level of uncertainty caused by the pandemic on Caverion's operating environment and operations has diminished.

## Dividend

- › The Board of Directors proposes to the Annual General Meeting to be held on 24 March 2021 that a dividend of EUR 0.10 per share and an extraordinary dividend of EUR 0.10 per share, in total EUR 0.20 per share will be paid for the year 2020.
- › The Board of Directors has decided that no dividend will be paid for the year 2019.





Building Performance

# Key figures

EUR million	10-12/20	10-12/19	Change	1-12/20	1-12/19	Change
Order backlog	1,609.1	1,670.5	-3.7%	1,609.1	1,670.5	-3.7%
Revenue	579.3	589.0	-1.7%	2,154.9	2,123.2	1.5%
Adjusted EBITDA	36.9	47.0	-21.4%	116.5	120.4	-3.2%
Adjusted EBITDA margin, %	6.4	8.0		5.4	5.7	
EBITDA	21.8	35.9	-39.4%	99.4	103.0	-3.4%
EBITDA margin, %	3.8	6.1		4.6	4.8	
Adjusted EBITA	22.5	33.7	-33.2%	60.6	67.2	-9.8%
Adjusted EBITA margin, %	3.9	5.7		2.8	3.2	
EBITA	6.3	22.5	-72.0%	42.4	49.8	-14.8%
EBITA margin, %	1.1	3.8		2.0	2.3	
Operating profit	1.9	18.9	-90.1%	27.2	35.3	-23.0%
Operating profit margin, %	0.3	3.2		1.3	1.7	
Earnings per share, undiluted, EUR	-0.03	0.11		0.05	0.14	-67.6%
Operating cash flow before financial and tax items	81.3	80.6	0.8%	157.6	143.7	9.7%
Cash conversion (LTM), %				158.5	139.5	
Working capital				-160.4	-100.9	-59.0%
Interest-bearing net debt				118.6	168.4	-29.5%
Net debt/EBITDA				-0.2	1.4	
Gearing, %				60.4	73.6	
Equity ratio, %				18.9	21.5	
Personnel, end of period				15,163	16,273	-6.8%



# Directly registered shareholders on 31 December 2020

Largest shareholders	Shares, pcs	% of shares	Change after 9/2020, pcs
1 Herlin Antti	20,504,392	14.8	0
2 Fennogens Investments SA (Ehrnrooth family)	14,169,850	10.2	0
3 Varma Mutual Pension Insurance Company	9,728,407	7.0	0
4 Mandatum companies	5,673,347	4.1	3,264
5 Ilmarinen Mutual Pension Insurance Company	3,780,000	2.7	0
6 Säästöpankki funds	3,472,367	2.5	487,112
7 Elo Mutual Pension Insurance Company	3,081,001	2.2	0
8 Caverion Oyj	2,807,991	2.0	0
9 The State Pension Fund	2,050,000	1.5	0
10 Nordea funds	1,443,941	1.0	55,163
11 Fondita funds	1,430,000	1.0	-99,910
12 Brotherus Ilkka	1,403,765	1.0	0
13 Aktia funds	1,370,000	1.0	0
14 Evli funds	1,253,000	0.9	8,000
15 Kaleva Mutual Insurance Company	969,025	0.7	0
16 Ari Lehtoranta	917,051	0.7	0
17 Sinituote Oy	672,400	0.5	0
18 OP funds	453,204	0.3	-66,370
19 Kirkon Eläkerahasto	357,000	0.3	0
20 Foundation for Economic Education	300,000	0.2	0
<b>20 largest, total</b>	<b>75,836,741</b>	<b>54.6</b>	
<b>All shares</b>	<b>138,920,092</b>	<b>100.0</b>	

Source: Investis

## Sector distribution (12/2020)

