



Caverion

Interim Report January–March 2020

Ari Lehtoranta, President and CEO

Martti Ala-Härkönen, CFO

30 April 2020

The background of the slide is a photograph of an industrial facility, likely a pharmaceutical or chemical plant. It features a complex network of large, polished metal pipes and blue hoses. In the foreground, there are several large, white, oval-shaped components, possibly part of a reactor or distillation column. The entire image is overlaid with a semi-transparent blue rectangle that contains the text.

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Q1/2020 operating environment and market outlook for 2020

Group development

Cash flow and financing

Guidance and dividend



A woman with long dark hair, wearing a red top and a necklace, is looking at a tablet computer. The background is a blurred office environment with other people and large windows. A semi-transparent blue overlay covers the top half of the image, and the text is written in white on this overlay.

Q1/2020 operating environment and market outlook for 2020

Operating environment Q1/2020

Services business 63.3% of Group revenue

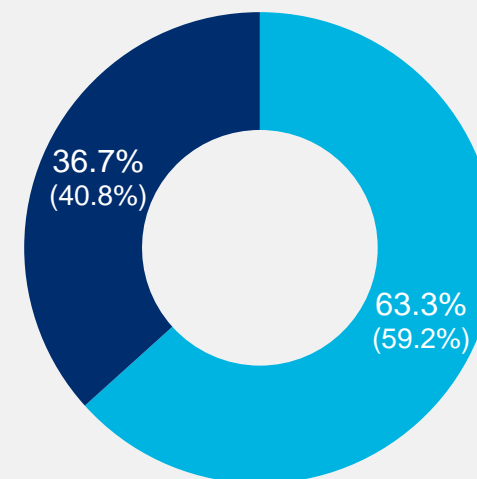
Services

- The demand for Services continued being strong until mid-March. The impacts of the coronavirus pandemic started to be visible towards the end of the quarter.
- In the Industrial Solutions division, the corona situation postponed most annual spring and summer shutdowns in Finland until autumn.
- General increasing interest for services supporting sustainability

Projects

- The market for Projects remained mostly normal as a whole, although the impacts of the coronavirus pandemic started to be visible towards the end of the quarter.
- There was only a limited amount of work site closures in the Projects business. However, towards the end of the quarter there were some more delays in the negotiations of new contracts, due to coronavirus related precautions.
- In the residential construction market segment, there were indications of the market slowing down, also affected by the progress of the coronavirus pandemic. In the non-residential construction segment, which is more relevant for Caverion, the market remained more stable.




Revenue breakdown
Q1/2020 (Q1/2019)



■ Services business unit
■ Projects business unit



Coronavirus crisis response in Caverion

Area	Identified issues	Actions taken
People 	<ul style="list-style-type: none"> Governments in our operating countries reacted to the situation by enforcing strict restrictions on social contacts, group gatherings and travel, many also by locking down their national borders. 	<ul style="list-style-type: none"> Wellbeing of our employees, customers and other stakeholders as our first priority. New safer procedures to perform project and service works. Staying close to customers Corona war rooms active
Cash flow and liquidity 	<ul style="list-style-type: none"> Uncertainty on the crisis duration Importance of short-term and long-term cash flow forecasting High volatility in capital markets 	<ul style="list-style-type: none"> Contingency plans put into use Daily/weekly performance management cycle incl. invoicing and cash flow focus Tightened credit control
Operations and supply chain 	<ul style="list-style-type: none"> Optimisation of operations more challenging due to increased uncertainty No major constraints from the supply chain perspective yet 	<ul style="list-style-type: none"> Cost saving actions launched (discretionary spending etc.) Resources adapted by using temporary lay-offs and reducing subcontracting



Caverion's market outlook for 2020

General

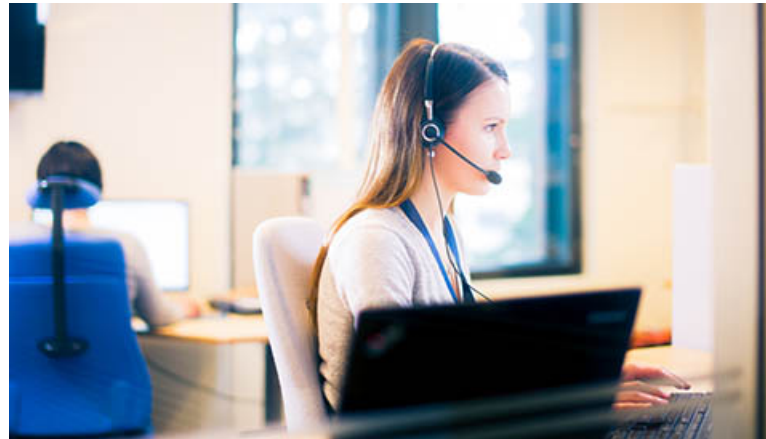
- A global downturn due to the corona crisis will negatively impact the level of demand also for our offering.
- However, a large part of our services is vital in keeping critical services and infrastructure up-and-running.
- Most likely the demand for new construction projects will decrease, but there may also be an impact for smaller ad-hoc services / projects.

Services

- The corona crisis and the economic slowdown are expected to negatively impact the demand environment in Services in all of our divisions, especially in ad-hoc services.
- Caverion's Services business is by nature more stable and resilient through the business cycles than the Projects business.

Projects

- The corona crisis and the economic slowdown are expected to negatively impact the demand environment in Projects in all of our divisions.
- There will be somewhat more of work force absent as well as more work site delays and closures. So far there has only been a limited amount of work site closures.



The background of the slide features a city skyline with several skyscrapers, including a prominent one with a pointed top. In front of the buildings is a row of green trees, and below them is a green lawn. The foreground is a wooden deck made of light-colored planks. A semi-transparent blue overlay covers the entire image, and the text "Group development" is written in white on the left side.

Group development

Summary of Q1/2020

All-time high order backlog as well as strong cash flow and liquidity support tackling the corona crisis

Order backlog

- Order backlog increased by 11.9% to EUR 1,768.3 (1,579.7) million at the end of March (14.7% at comparable exchange rates)
- Order backlog increased both in Services and Projects compared to previous year.

Profitability*

- Adjusted EBITA amounted to EUR 12.1 (13.8) million, or 2.2 (2.7) percent of revenue. Like-for-like profitability improved.
- EBITA improved to EUR 10.0 (9.3) million, or 1.8 (1.8) percent of revenue.
- EPS was EUR 0.01 (0.01).



Revenue

- Revenue increased to EUR 541.6 (514.4) million, up by 5.3% (7.0% in local currencies).
- Services +12.7% and Projects –5.4% (+14.9% and –4.3% in local currencies)

Cash flow* and leverage

- Operating cash flow before financial and tax items improved to EUR 56.1 (30.1) million.
- Cash and cash equivalents EUR 113.2 (101.3) million
- Net debt/EBITDA* was 1.1x (0.7x).

Other events

- Acquisition of Gunderlund, a Danish company specialising in power grid expansions and renovations
- AGM postponed, new date 25 May
- Voluntary tender offer for hybrid notes was terminated due to the high market volatility in the capital markets.

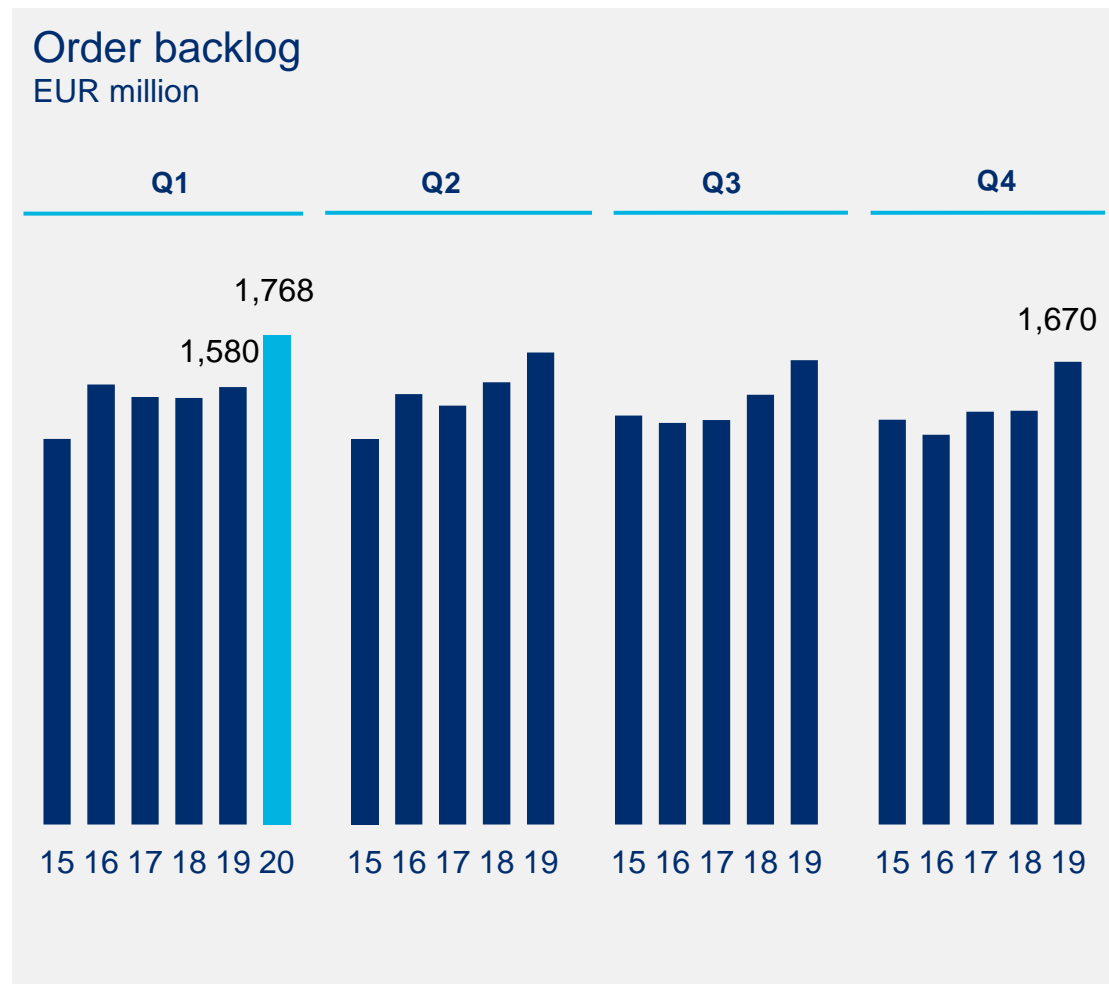
* Based on calculation principles confirmed with the lending parties.



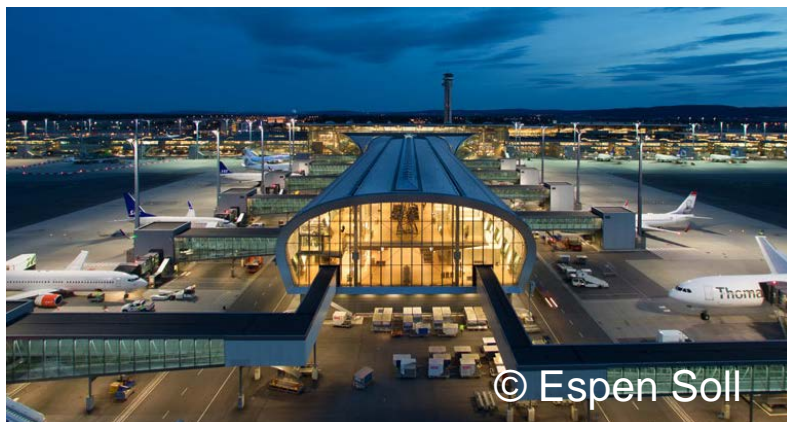
Order backlog development

All-time high order backlog at the end of March

- Order backlog increased by 11.9% year-on-year to EUR 1,768.3 (1,579.7) million at the end of March.
 - At comparable exchange rates the order backlog increased by 14.7% year-on-year.
 - Excluding the impact of acquisitions completed in 2019, the order backlog increased by 8.3% (11.1% at comparable rates)
- Order backlog increased both in Services and Projects compared to previous year.



Examples of our contracts in January-March 2020



Services

Customer: Avinor, Norwegian airport operator

Contract: A framework contract covering the installation and maintenance of access control and video surveillance at all of Avinor's airports in Norway. The contract extends the partnership started in 2010.

Location: Norway



Services

Customer: Fortum

Contract: Operation and maintenance partnership concerning Fortum's power and district heating plants and networks in Uusimaa region. The service has been operated by Maintpartner since 2016.

Location: Uusimaa region, Finland



Projects

Customer: Northern Ostrobothnia Hospital District

Contract: Implementing technical solutions, safety and communications technology and design management for the new B-building of the university hospital.

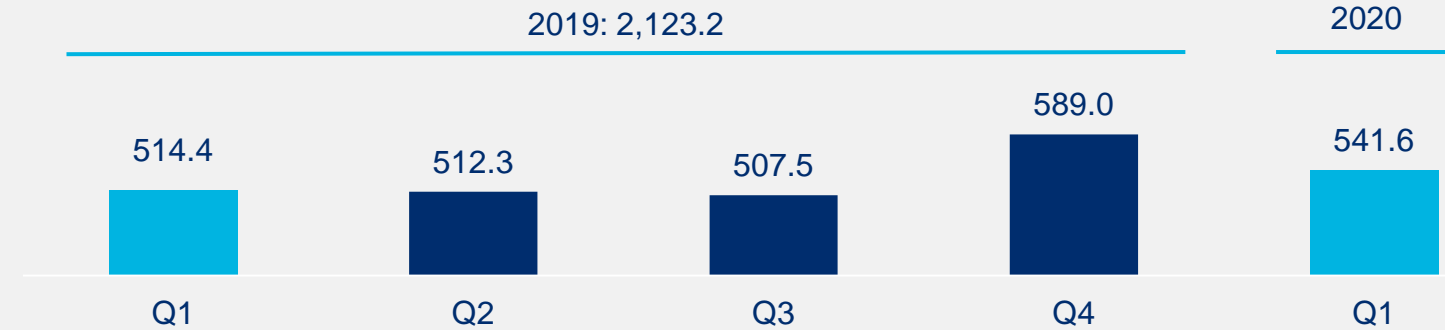
Location: Oulu, Finland



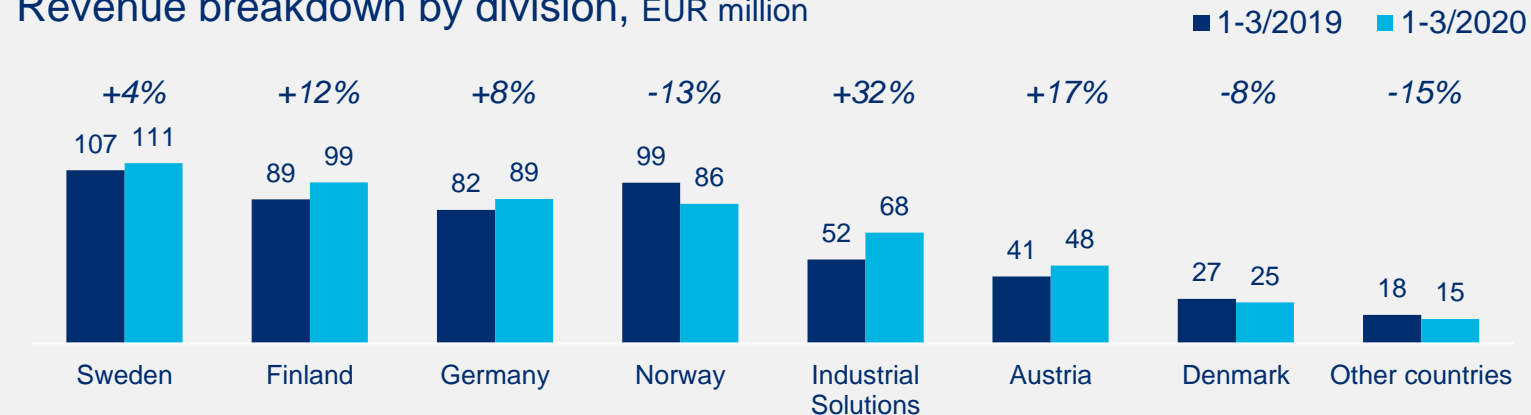
Revenue development

Revenue up by 5.3% (7.0% in local currencies)

Group revenue, EUR million



Revenue breakdown by division, EUR million



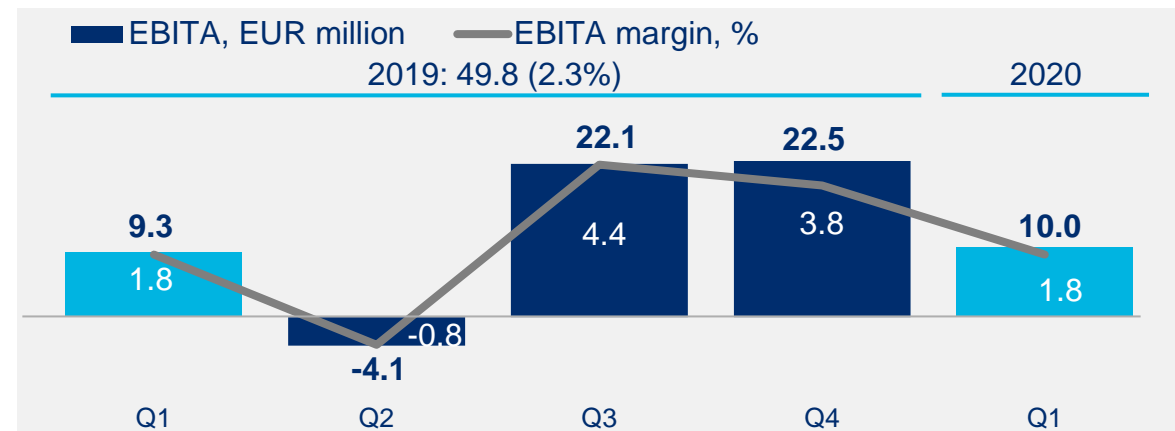
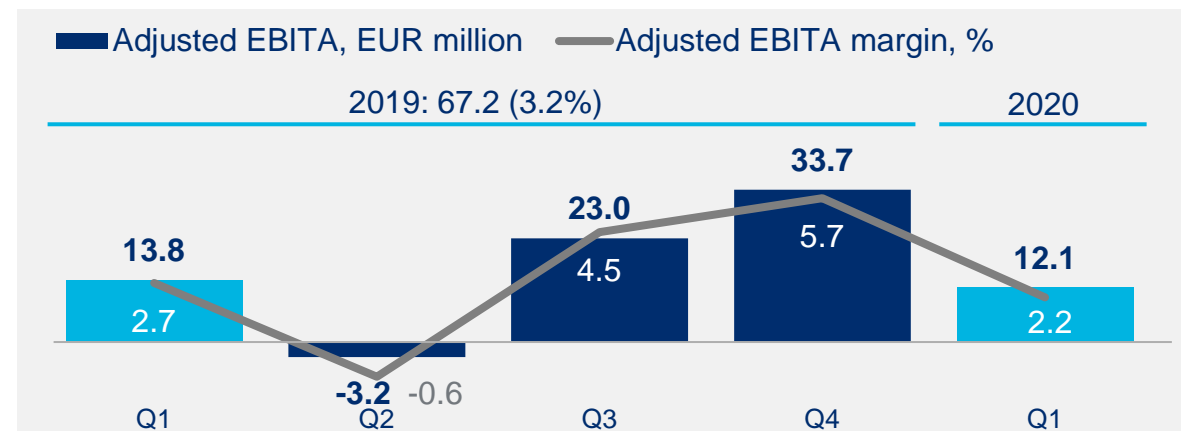
- Q1 revenue increased to EUR 541.6 (514.4) million, up by 5.3% from the previous year (+7.0% in local currencies).
- Services +12.7% and Projects -5.4% (+14.9% and -4.3% in local currencies).
- Organic growth in the Services business was 3.8%.
- Revenue includes Maintpartner and Huurre acquisitions as of 12/2019.
- Revenue increased in Sweden, Finland, Germany, Austria and Industrial Solutions, while it decreased in other divisions.



Profitability development

Like-for-like profitability improved

- Q1/2020 Adjusted EBITA amounted to EUR 12.1 (13.8) million, or 2.2 (2.7) percent of revenue.
- Like-for-like profitability improved
 - Q1/2019 was impacted by a positive arbitration decision relating to an old large risk project totalling EUR 8.9 million plus interest.
- Q1/2020 EBITA improved to EUR 10.0 (9.3) million, or 1.8 (1.8) percent of revenue.

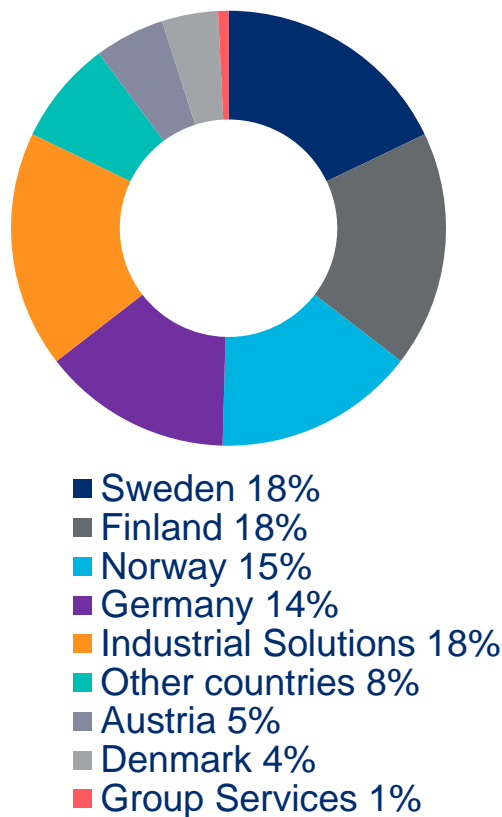


Adjusted EBITA = EBITA before items affecting comparability (IAC)

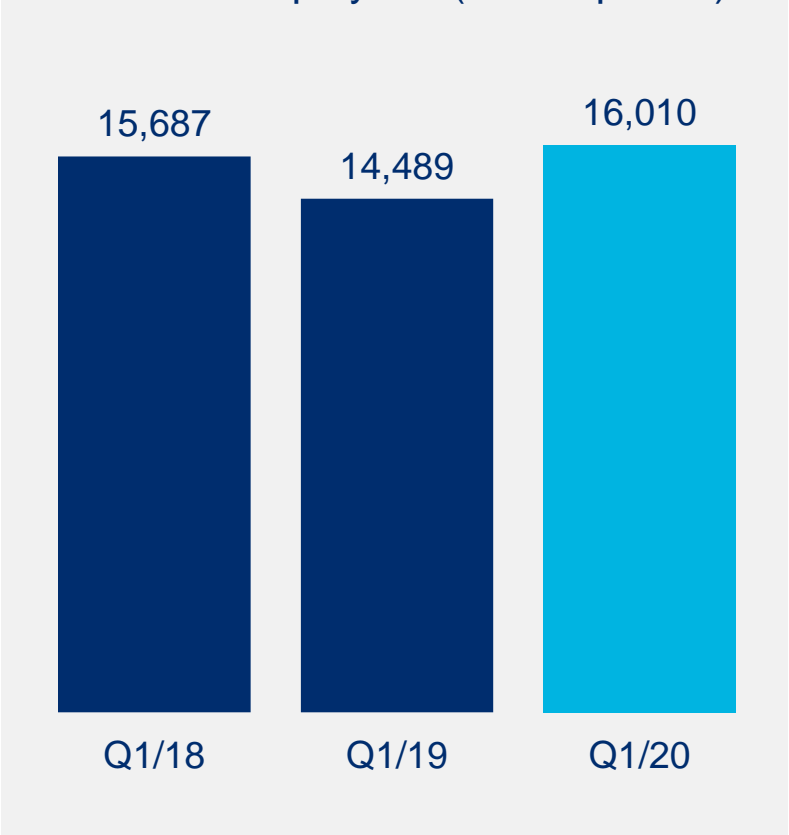


16,010 employees at the end of March 2020

Employees by division Q1/2020



Number of employees (end of period)



Work safety

- Accident frequency rate* was 4.6 (5.7) in March.



*Occupational safety is measured using a common indicator (number of accidents per one million working hours).



Exceptional circumstances provide also opportunities for Caverion

Our offering is well suited to both current and future demand

Building performance from a distance

- **Remote services** for managing and adjusting the functionality of the building solutions (e.g. 24/7 surveillance)
- **Digital solutions** (e.g. Caverion SmartView, central changing of settings)
- Suitable for e.g. retailers, shopping centres, office premises, schools

Ventilation & Air Conditioning upgrades

- Measure and improve indoor air quality
- Optimise ventilation settings

Maintenance and renovations in (semi-) empty facilities

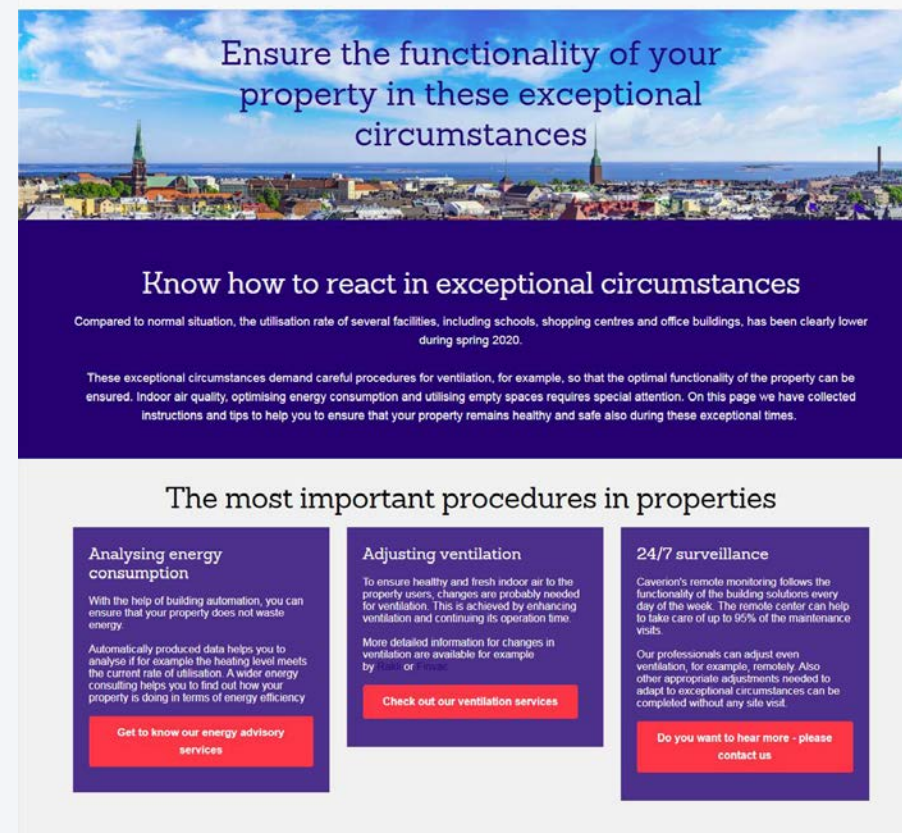
Health care and Pharma segment solutions

- Hospitals (e.g. isolation areas, upgrades)
- Clean rooms

Sustainability offering

- Energy efficiency, carbon-neutrality

Sales and development focus in line with offering development



The screenshot shows a website page with a blue header and a cityscape background. The main heading is 'Ensure the functionality of your property in these exceptional circumstances'. Below it, a sub-heading reads 'Know how to react in exceptional circumstances'. A paragraph states: 'Compared to normal situation, the utilisation rate of several facilities, including schools, shopping centres and office buildings, has been clearly lower during spring 2020.' Another paragraph explains: 'These exceptional circumstances demand careful procedures for ventilation, for example, so that the optimal functionality of the property can be ensured. Indoor air quality, optimising energy consumption and utilising empty spaces requires special attention. On this page we have collected instructions and tips to help you to ensure that your property remains healthy and safe also during these exceptional times.' Below this, a section titled 'The most important procedures in properties' contains three columns: 'Analysing energy consumption', 'Adjusting ventilation', and '24/7 surveillance'. Each column has a brief description and a red button. The 'Analysing energy consumption' button says 'Get to know our energy advisory services'. The 'Adjusting ventilation' button says 'Check out our ventilation services'. The '24/7 surveillance' button says 'Do you want to hear more - please contact us'.

Ensure the functionality of your property in these exceptional circumstances

Know how to react in exceptional circumstances

Compared to normal situation, the utilisation rate of several facilities, including schools, shopping centres and office buildings, has been clearly lower during spring 2020.

These exceptional circumstances demand careful procedures for ventilation, for example, so that the optimal functionality of the property can be ensured. Indoor air quality, optimising energy consumption and utilising empty spaces requires special attention. On this page we have collected instructions and tips to help you to ensure that your property remains healthy and safe also during these exceptional times.

The most important procedures in properties

Analysing energy consumption

With the help of building automation, you can ensure that your property does not waste energy.

Automatically produced data helps you to analyse if for example the heating level meets the current rate of utilisation. A wider energy consulting helps you to find out how your property is doing in terms of energy efficiency.

[Get to know our energy advisory services](#)

Adjusting ventilation

To ensure healthy and fresh indoor air to the property users, changes are probably needed for ventilation. This is achieved by enhancing ventilation and continuing its operation time.

More detailed information for changes in ventilation are available for example by [link](#) or [phone](#).

[Check out our ventilation services](#)

24/7 surveillance

Caverion's remote monitoring follows the functionality of the building solutions every day of the week. The remote center can help to take care of up to 95% of the maintenance visits.

Our professionals can adjust even ventilation, for example, remotely. Also other appropriate adjustments needed to adapt to exceptional circumstances can be completed without any site visit.

[Do you want to hear more - please contact us](#)



The background of the slide is a photograph of an industrial facility, likely a power plant or refinery, featuring complex piping, structural steel, and various equipment. A semi-transparent blue rectangular overlay covers the central portion of the image, providing a background for the title text.

Cash flow and financing

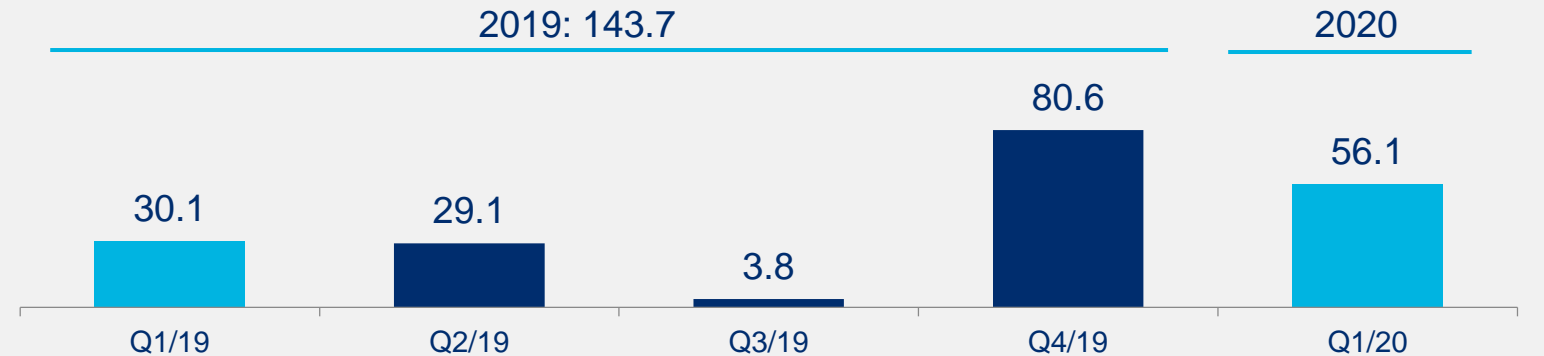


Cash flow development

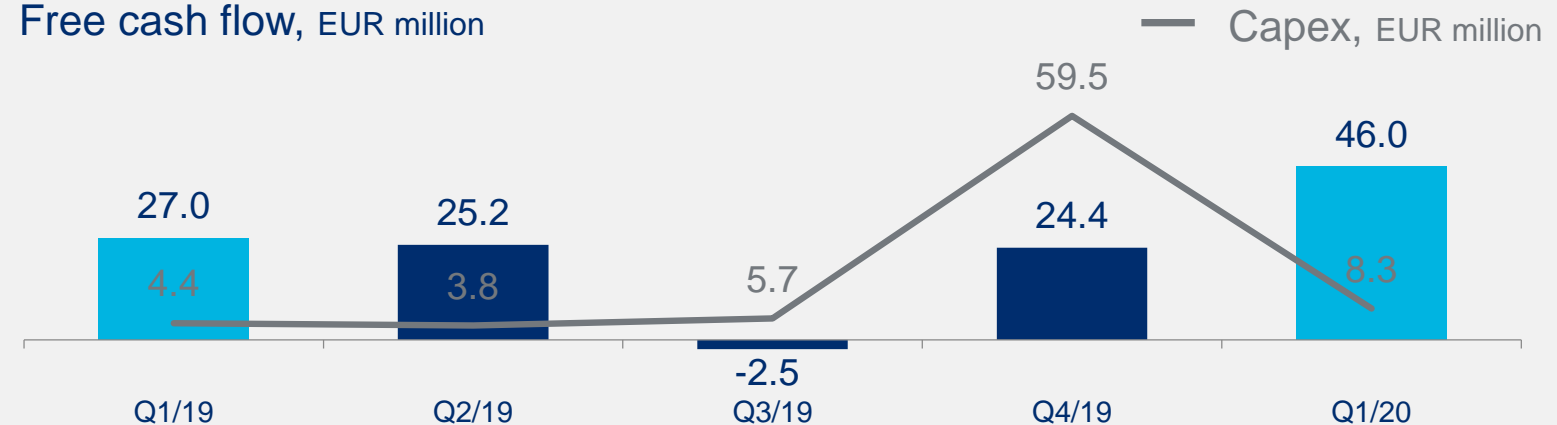
Operating cash flow before financial and tax items improved to EUR 56.1 (30.1) million

- Operating cash flow before financial and tax items improved to EUR 56.1 (30.1) million in Q1/2020.
- Free cash flow improved to EUR 46.0 (27.0) million and cash flow after investments to EUR 42.7 (23.5) million Q1/2020.
- Capex was EUR 8.3 (4.4) million in Q1/2020.
 - IT investments: EUR 2.8m (2.5m)
 - Other investments incl. acquisitions: EUR 5.5m (2.0m)

Operating cash flow before financial and tax items, EUR million



Free cash flow, EUR million



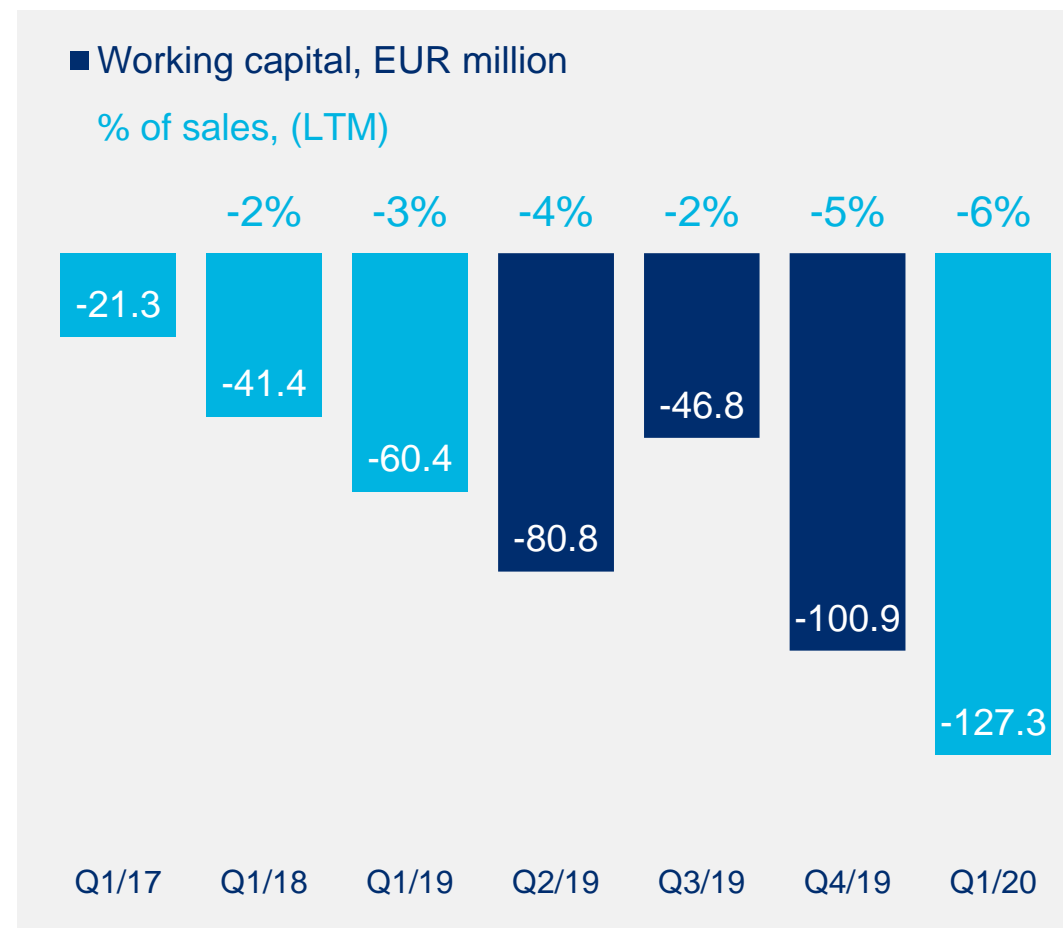
Free cash flow = Operating cash flow before financial and tax items – Taxes paid – Net cash used in investing activities (net, including acquisitions and disposals).



Working capital development

Significant improvement in working capital year-on-year

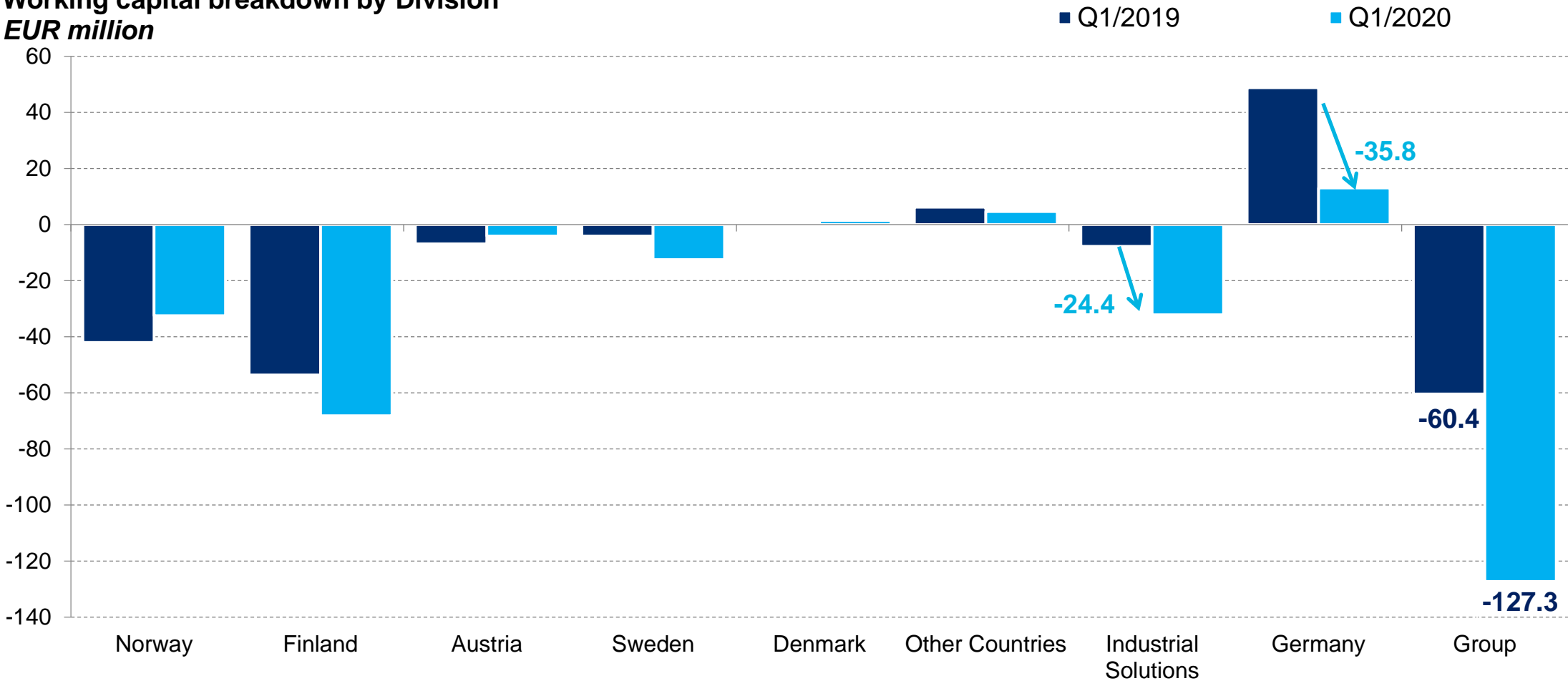
- Working capital improvement continued.
 - Working capital of EUR -127.3 (-60.4) million at the end of March
 - The improvement trend visible particularly in POC receivables and advances received
- Actions completed in recent years:
 - Tight weekly follow up of invoicing and receivables
 - Negotiating longer payments terms in purchases
 - 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

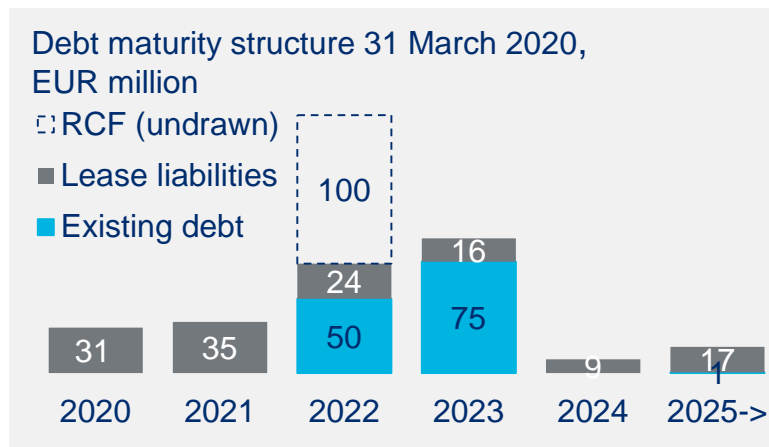
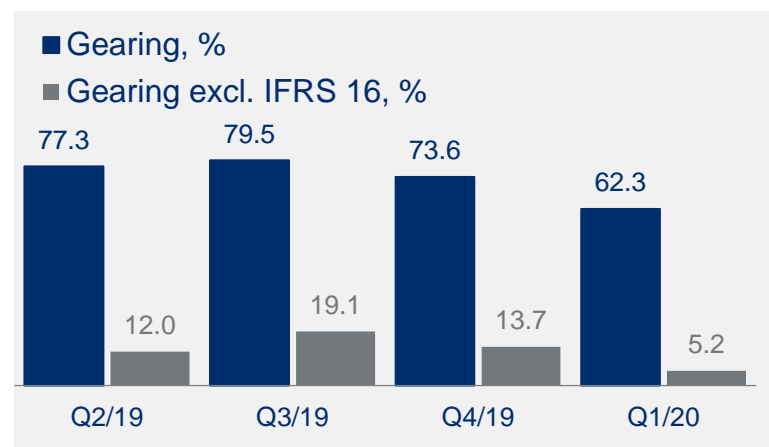
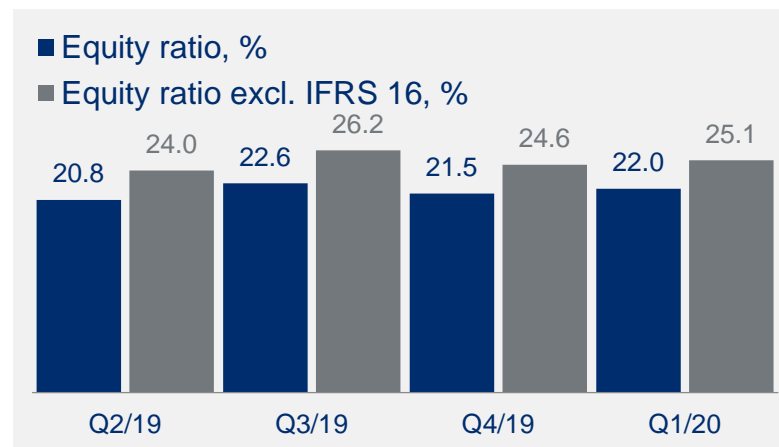
Improvement in Finland, Sweden, Industrial Solutions and particularly in Germany

Working capital breakdown by Division
EUR million



Credit ratios and debt maturity structure

Net debt reduced – higher equity ratio and lower gearing



Net debt excl. lease liabilities of EUR 11.8 (27.1) million on 31 March 2020

- Total gross interest-bearing liabilities of EUR 256.0 million, of which lease liabilities (IFRS 16) EUR 131.0 million and other interest-bearing debt of EUR 125.1 (128.4) million
- Cash and cash equivalents of EUR 113.2 (101.3) million

Net debt incl. lease liabilities of EUR 142.8 (162.7) million on 31 March 2020

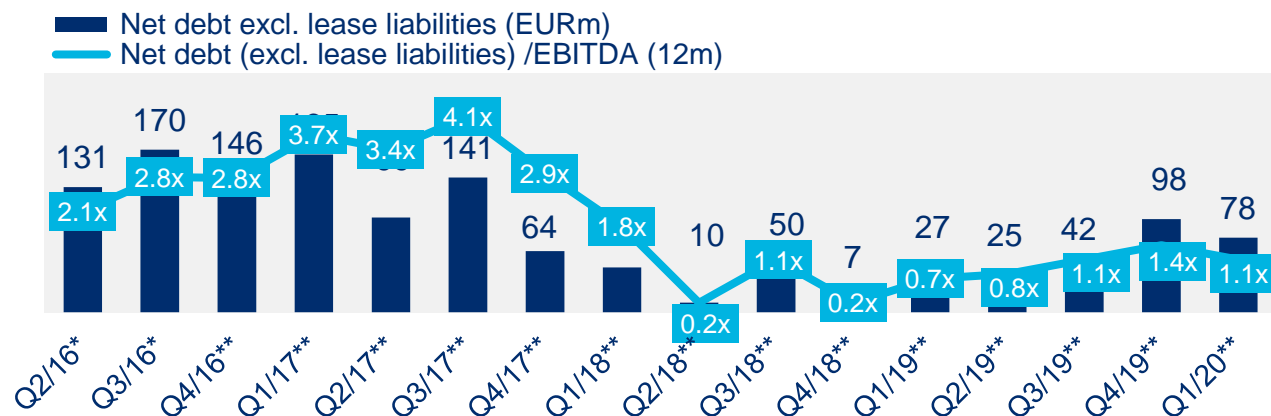
Maturity of bank loan facilities

- EUR 50 million term loan matures in February 2022
- EUR 100 million unsecured revolving credit facility matures in February 2022, historically fully undrawn
 - Both facilities include a one-year extension option

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



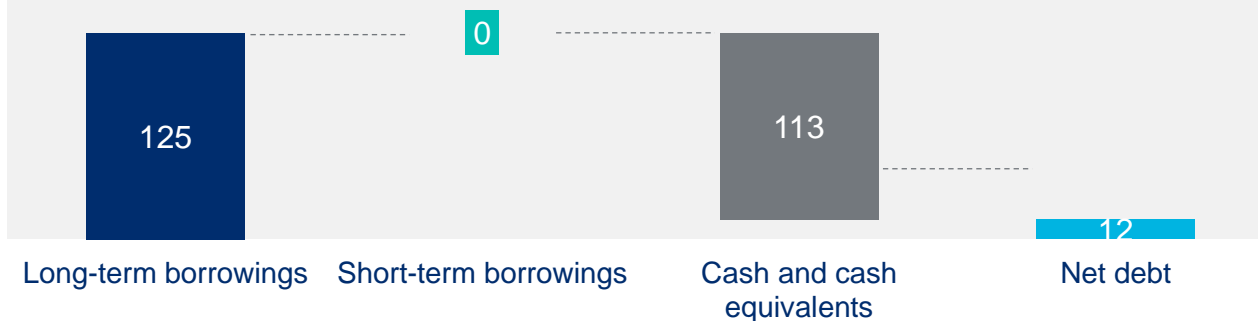
Low leverage level and strong liquidity



* The Net Debt/EBITDA for Q1-Q3/16 has been calculated excluding restructuring costs.

** The Net Debt and the Net Debt/EBITDA for Q4/16 – Q1/20 have been calculated according to confirmed calculation principles with lending parties.

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



Financial covenant Net debt/EBITDA

- Net debt/EBITDA in Q1/2020 was 1.1x according to the 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, such as treating the hybrid notes as debt as of 12/2019.

Strong liquidity position and high amount of undrawn credit facilities on 31 March 2020

- Cash and cash equivalents of EUR 113.2 (101.3) million.
- In addition, Caverion had undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.
- Net financing expenses of EUR 4.3m (1.2m) for Q1/2020
 - Includes EUR 1.2m interest cost on leases and EUR 1.8m FX loss from an old internal loan related to an old dormant company in Russia under closing process (no cash flow effect)
 - Average interest rate (excluding IFRS 16 lease liabilities) 2.8% (2.9%)



A photograph of a forest with tall trees and green foliage, partially obscured by a semi-transparent blue rectangular overlay that covers the middle portion of the image. In the bottom right corner, there is a white circular logo containing a stylized 'C' with a curved arrow pointing clockwise.

Guidance and dividend

Guidance and dividend

Guidance

On 14 April 2020, Caverion withdrew its guidance for 2020 due to the increased uncertainty around the market outlook as a result of the coronavirus pandemic.

Dividend proposal

The Board of Directors of Caverion proposes to the AGM to be held on 25 May 2020 that no dividends will be distributed based on the balance sheet to be adopted for 2019 by a resolution of the Annual General Meeting, but that the Board of Directors be authorised to decide at their discretion on the distribution of dividends of a maximum amount of EUR 0.08 per share from the Company's retained earnings.

Dividend policy: Dividend pay-out at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.



A person wearing a full-body blue protective suit, hood, mask, and gloves is working in a laboratory. They are holding a small vial and looking down at it. The background shows a laboratory environment with various equipment and a blue overlay.

Additional slides



Key figures

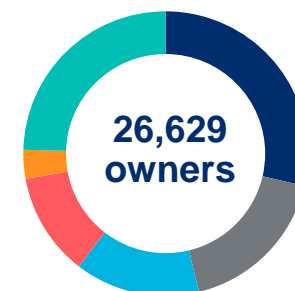
EUR million	Q1/2020	Q1/2019	Change	1-12/2019
Order backlog	1,768.3	1,579.7	11.9%	1,670.5
Revenue	541.6	514.4	5.3%	2,123.2
Adjusted EBITDA	26.3	27.1	-3.0%	120.4
Adjusted EBITDA margin, %	4.8	5.3		5.7
EBITDA	24.1	22.6	6.6%	103.0
EBITDA margin, %	4.4	4.4		4.8
Adjusted EBITA	12.1	13.8	-11.9%	67.2
Adjusted EBITA margin, %	2.2	2.7		3.2
EBITA	10.0	9.3	7.1%	49.8
EBITA margin, %	1.8	1.8		2.3
Operating profit	6.5	5.3	22.3%	35.3
Operating profit margin, %	1.2	1.0		1.7
Earnings per share, undiluted, EUR	0.01	0.01		0.14
Operating cash flow before financial and tax items	56.1	30.1	86.4%	143.7
Cash conversion (LTM), %	162.4	n/a		139.5
Working capital	-127.3	-60.4	-110.6%	-100.9
Interest-bearing net debt	142.8	162.7	-12.2%	168.4
Net debt/EBITDA	1.1	0.7		1.4
Gearing, %	62.3	75.1		73.6
Equity ratio, %	22.0	21.3		21.5
Personnel, end of period	16,010	14,489	10.5%	16,273



Directly registered shareholders on 31 March 2020

Largest shareholders	Shares, pcs	% of shares	Change after 12/2019, pcs	Change after 12/2019, %
1 Herlin Antti*	20,503,753	14.76	0	0
2 Fennogens Investments SA (Ehrnrooth family)**	14,169,850	10.20	0	0
3 Varma Mutual Pension Insurance Company	11,138,407	8.02	0	0
4 Mandatum companies	5,671,360	4.08	104,159	1.87
5 Ilmarinen Mutual Pension Insurance Company	3,857,142	2.78	-200,000	-4.93
6 Säästöpankki funds	2,935,255	2.11	186,880	6.80
7 Caverion Oyj	2,810,233	2.02	-39,127	-1.37
8 Elo Mutual Pension Insurance Company	2,431,001	1.75	778,779	47.14
9 Evli funds	2,400,000	1.73	790,000	49.07
10 Nordea funds	2,161,241	1.56	-100,627	-4.45
11 The State Pension Fund	2,050,000	1.48	200,000	10.81
12 Fondita funds	1,540,000	1.11	-100,000	-6.10
13 Aktia funds	1,458,099	1.05	-100,000	-6.42
14 Brotherus Ilkka	1,403,765	1.01	355,500	33.91
15 Kaleva Mutual Insurance Company	969,025	0.70	230,000	31.12
16 Ari Lehtoranta***	917,051	0.66	10,200	1.12
17 Sinituote Oy	672,400	0.48	0	0.00
18 OP funds	635,482	0.46	408,152	179.54
19 Wipunen varainhallinta Oy	400,000	0.29	400,000	n.a.
20 Mariatorp Oy	400,000	0.29	400,000	n.a.
20 largest, total	78,524,064	56.52		
All shares	138,920,092	100.00		

Sector distribution (3/2020)



■ Nominee reg. and non-Finnish	28.6% (Dec 31: 33.1%)
■ Households	17.6% (16.5%)
■ General government	14.2% (13.6%)
■ Financial and insurance corporations	11.7% (10.6%)
■ Non-profit institutions	3.3% (3.3%)
■ Non-financial corporations and housing corporations	24.6% (22.9%)

*) incl. Security Trading Oy and directly held shares.

**) As a result of the reorganisation of Ehrnrooth family's shareholding in Caverion on 28 November 2019, Structor S.A. sold its entire shareholding (12.64% of shares) to its parent company Fennogens Investments S.A. and other family-owned investment companies. The shareholding in Caverion that was held by Structor S.A. remained fully in the possession of the same ultimate beneficiary owners.

***) incl. Voluntas Investment Oy and directly held shares.

Note! Solero Luxco S.A.R.L (Triton) holding decreased from 5.20 % of shares to 0%, based on a flagging notification as per 17 February 2020 (previous public holding 11,172,223 shares (8.04% of shares) as per 10/2019).

