

TRIPLA PROJECT  
HELSINKI, FINLAND

YIT – Handelsbanken Credit Seminar 2019

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*All 2018 figures are restated pro forma and Q1/2019 figures are restated reported.*





# 1

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## Key strategic steps in Q2/2019



Nordic paving and mineral aggregates

# YIT to sell Nordic paving and mineral aggregates businesses to Peab



## SCOPE OF THE TRANSACTION

Paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark.

Respective assets and personnel working with the divisions.

## FINANCIAL IMPACT

Closing of the deal Jan 1, 2020 (est.).

Transaction price EUR 280 million.

Capital gain EUR 40 million.

Cash flow impact approx. EUR 240 million.

## NOT INCLUDED IN THE TRANSACTION

### **Paving in Russia**

Strategic options to divest or close the business are under evaluation.

### **Road maintenance in Finland**

Reported under Infrastructure projects segment within YIT.

### **Paving in the Baltic countries**

Continues in Infrastructure projects segment as today.



# Nordic paving and mineral aggregates

## Deal rationale

1

### ACCELERATE STRATEGY EXECUTION

- Capital allocation to urban development projects and other non-cyclical businesses, like services

2

### SHARPEN CUSTOMER AND OPERATIONAL FOCUS

- Unified business portfolio with common core
- Reduced operating model complexity

3

### FINANCIALLY SOLID TRANSACTION

- Positive impact to the group financial position and reduced earnings volatility during the year
- Several years' paving's expected cash flow in one go

4

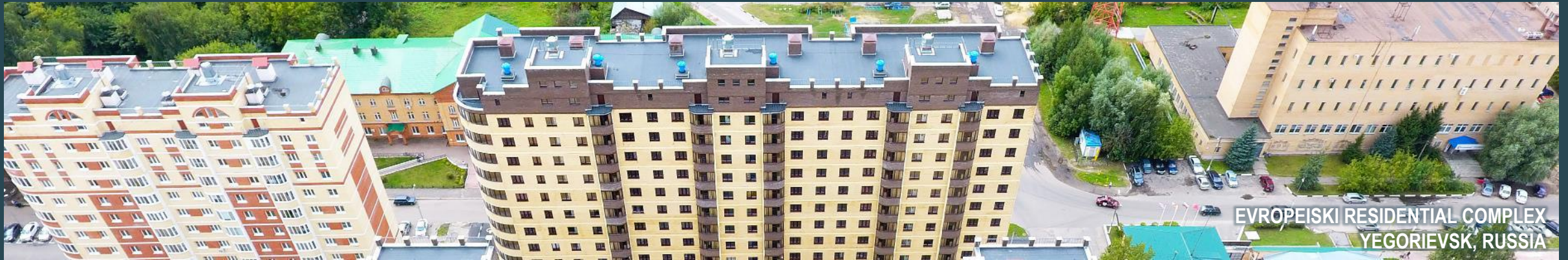
### RESPONSIBLE INDUSTRIAL BUYER

- Paving business is in the core of Peab's business portfolio



Russia

# Significant steps to reduce capital and enhance profitability



## SCOPE OF THE ACTIONS

Discontinue residential construction in Moscow, the Moscow region and Rostov-on-Don.

Closing contracting unit.

Exit the paving business either by closing down or by selling the operations.

## FINANCIAL IMPACT

Expected positive net cash flow impact  
EUR ~50 million 2019–2021.

One-time write-off EUR 35 million on  
balance sheet values and provision of  
EUR 9 million.

Expected release of capital employed  
EUR ~100 million 2019-2021.

## FOCUS IN THE FUTURE, NOT INCLUDED IN THE ACTIONS

Residential construction business in St. Petersburg, Kazan, Yekaterinburg and Tyumen.

Living services.

# YIT Strategy 2019-2021 - Performance through cycles

Profitable and financially stable YIT

## STRATEGIC PRIORITIES

### URBAN DEVELOPMENT

Focus in self-developed, longer value chain and negotiation based projects

### NON-CYCLICAL BUSINESSES

Annual EBIT EUR >100 million from non-cyclical businesses from 2019 on

**Unchanged.** The share of paving business is estimated to be replaced with other businesses within 3 years.



## CORNERSTONES OF SUCCESS

### TOP PERFORMANCE

- Synergies EUR 46-50 million
- Focus on productivity improvement

### CAPITAL EFFICIENCY

- Leaner operating model in Russia
- Annual free cashflow EUR +150 million

### SUCCESS WITH CUSTOMERS AND PARTNERS

- Improving customer experience and NPS
- Deeper partnerships, higher value, more speed

### HAPPY PEOPLE

- Common culture, open and involving way to lead
- Most preferred employer in the field



# 2

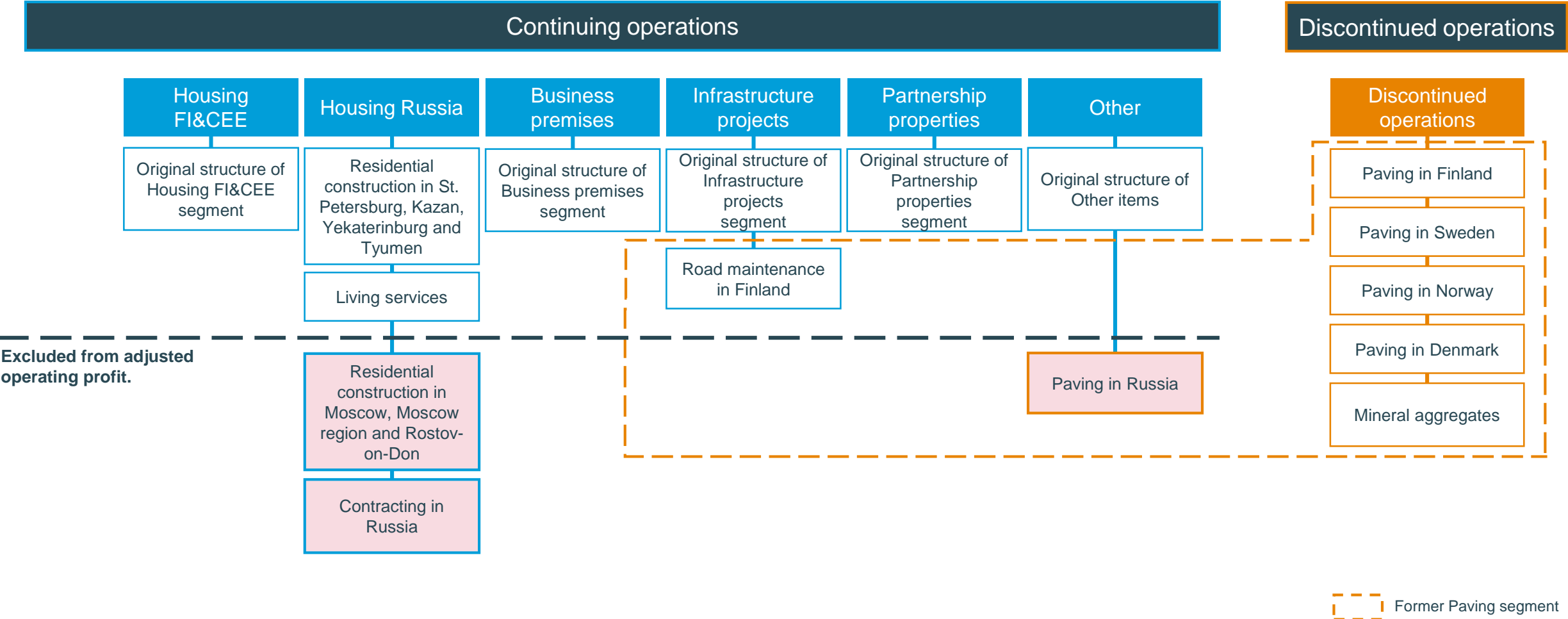
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## Group development in Q2/2019





# Recent structural changes and changes in reporting





# Q2 in brief

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**Strategic  
steps in  
Paving<sup>1</sup> and  
Russia**

**~300**

EUR million positive cash  
flow impact 2019-2021

**Strong order  
backlog**

**4.7**

EUR billion order backlog  
on June 30  
(Jun 30, 2018: 4.8)

**Strong  
profitability  
in Housing  
Finland and  
CEE**

**10.2%**

Adjusted EBIT  
margin  
(Jun 30, 2018: 9.6%)

**Good  
institutional  
investor and  
stable  
consumer  
sales in  
Finland**

**1,481**

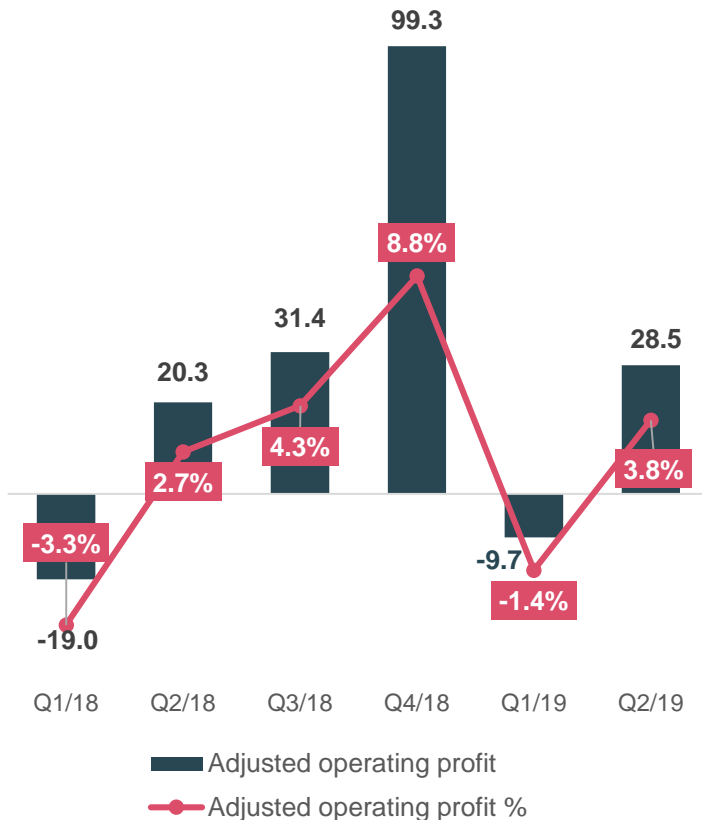
Sold apartments in  
Finland  
(Q2/2018: 1,018)

<sup>1</sup> Occurred after the review period, on July 4, 2019

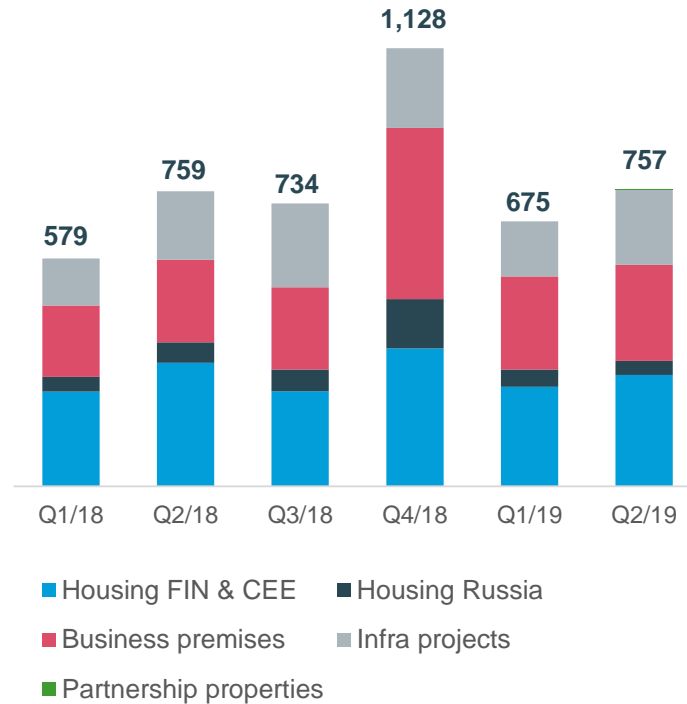


# Improved operating profit and strong order backlog

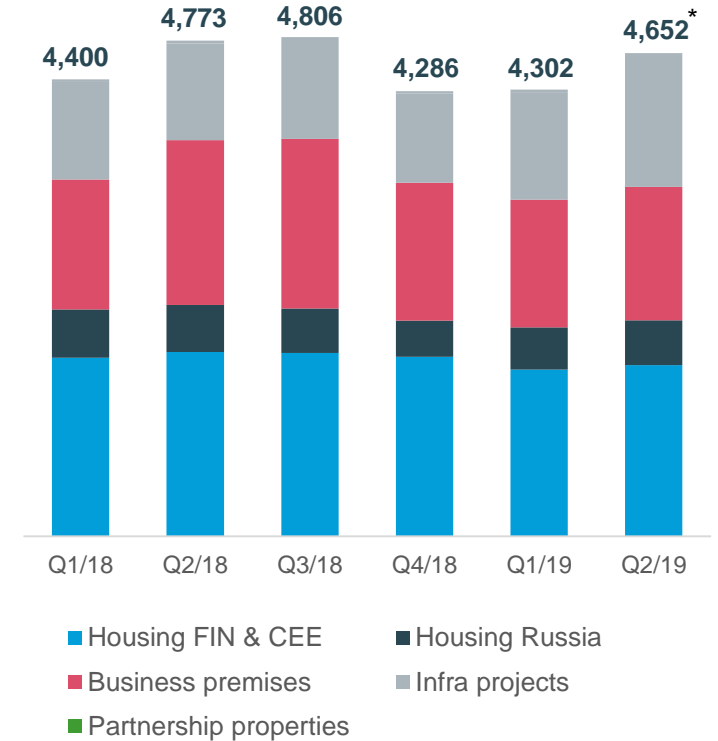
ADJUSTED OPERATING PROFIT, EUR million, %



REVENUE PER SEGMENT, EUR million



ORDER BACKLOG PER SEGMENT, EUR million

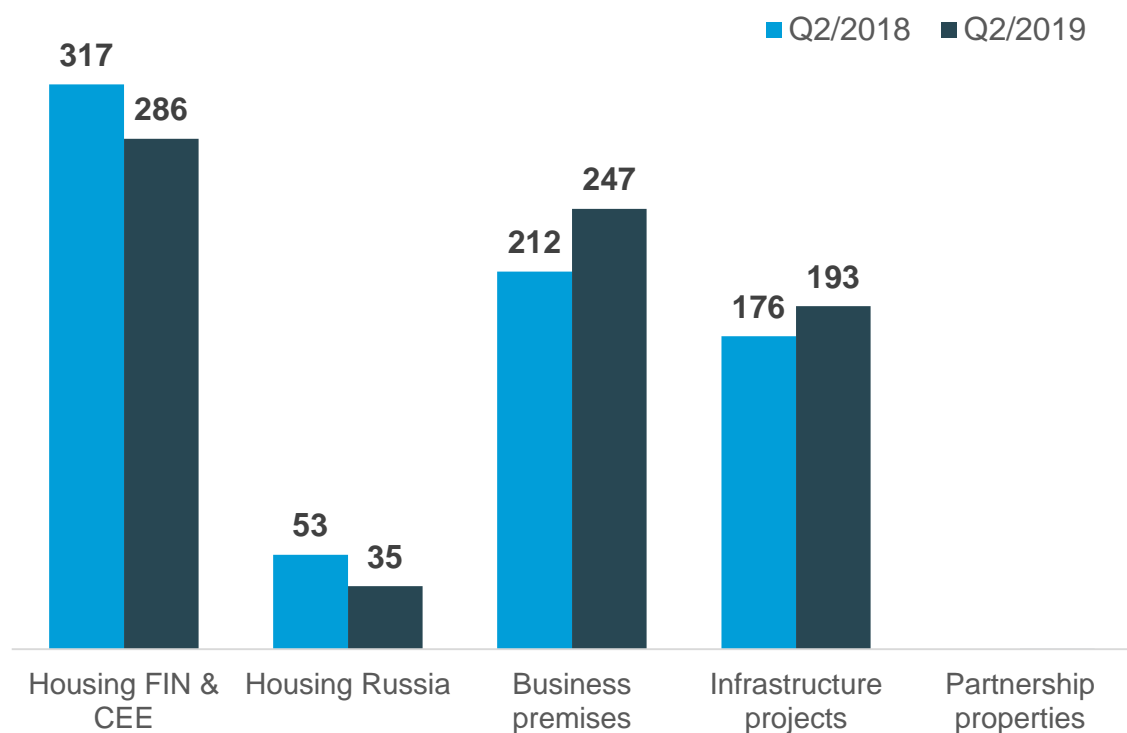


\*Order backlog of discontinued operations excluded.  
Q2/19 discontinued operations order backlog EUR 300 million (296).

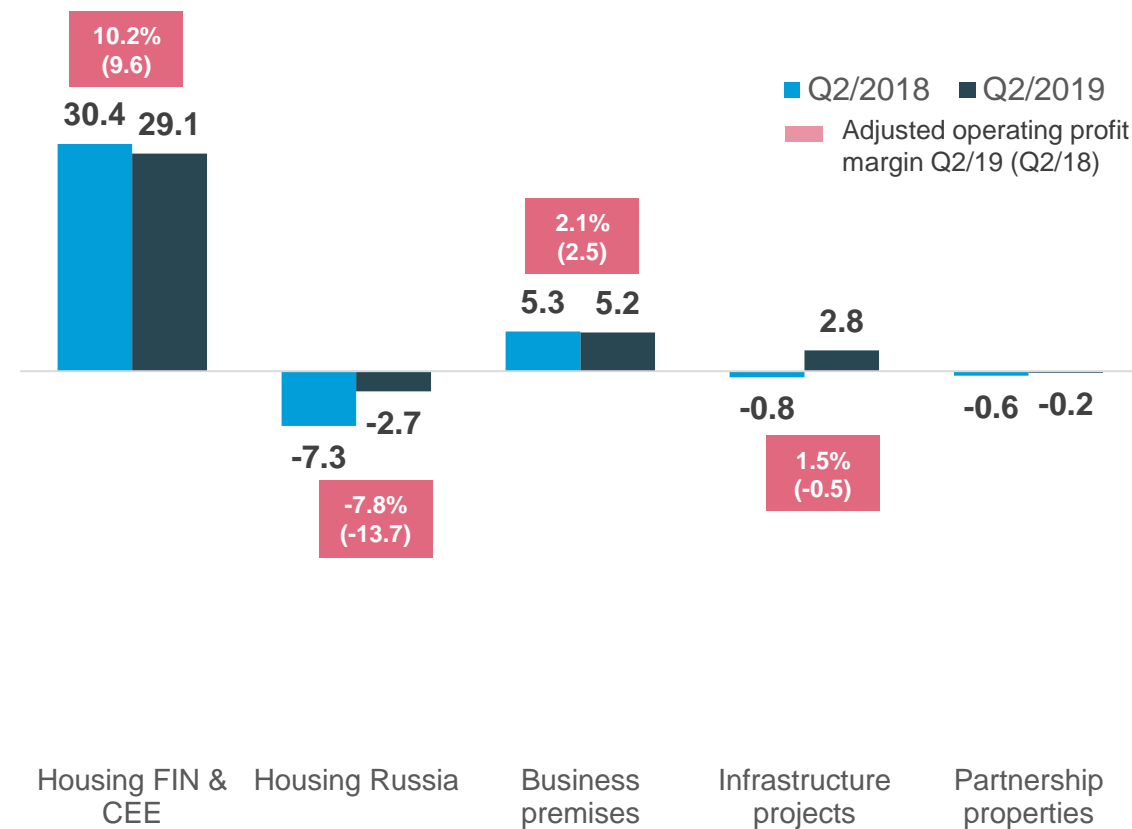


# Performance by segment in Q2

REVENUE PER SEGMENT, EUR million



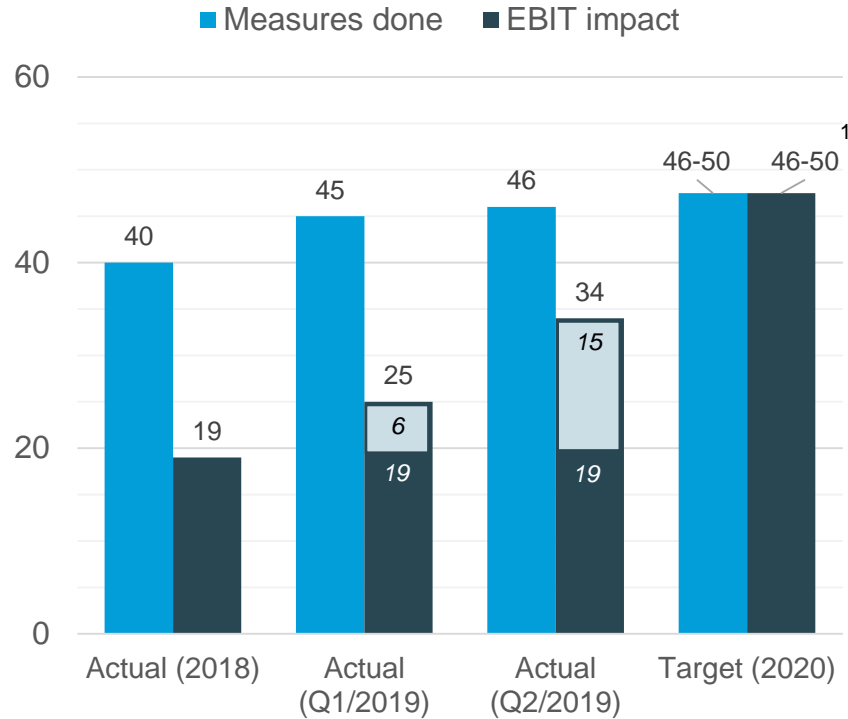
ADJUSTED OPERATING PROFIT PER SEGMENT, EUR million, %



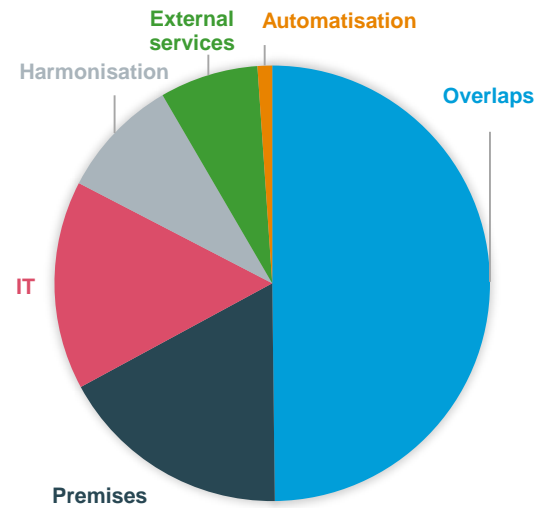


# Synergies and integration costs

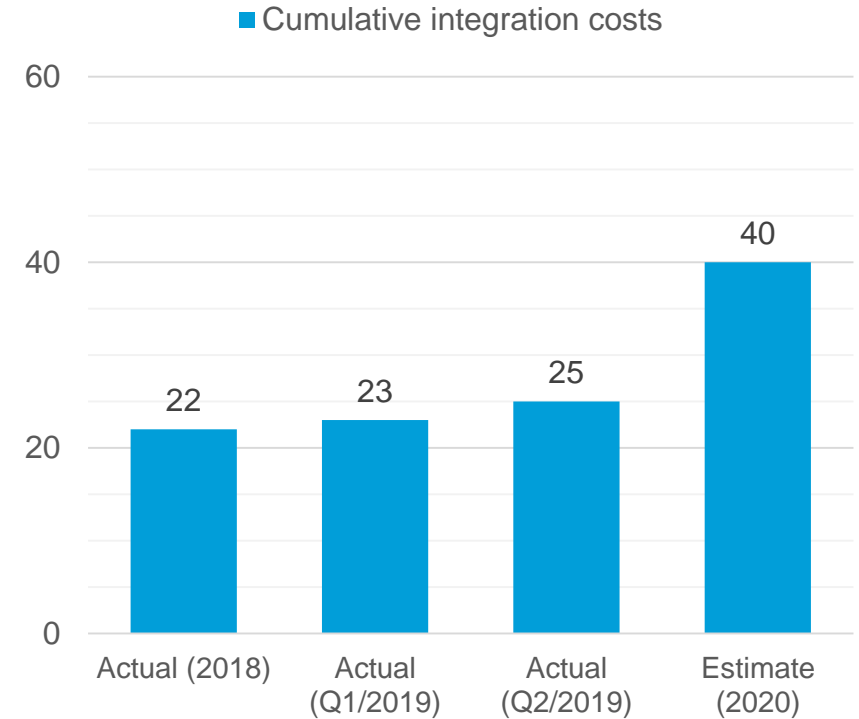
## CUMULATIVE SYNERGIES



## MAIN SOURCES OF SYNERGIES



## INTEGRATION COSTS <sup>2</sup>



**Additional synergy benefits expected from refinancing**

<sup>1</sup> According to the original target, full EBIT improvement potential per annum by the end of 2020, original target was set in June 2017. The target was raised in connection with Interim Report January–March 2018.

<sup>2</sup> Integration costs for 2017, EUR 4 million included in the cumulative figure

# Market outlook for the next 12 months

	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties
Finland					
Russia					
<i>The CEE countries</i>					
The Baltic countries					
The Czech Republic, Slovakia, Poland					
<i>Scandinavia</i>					
Sweden					
Norway					

Weakened outlook compared to the past 12 months' development

Unchanged outlook compared to the past 12 months' development

Improved outlook compared to the past 12 months' development



# 3

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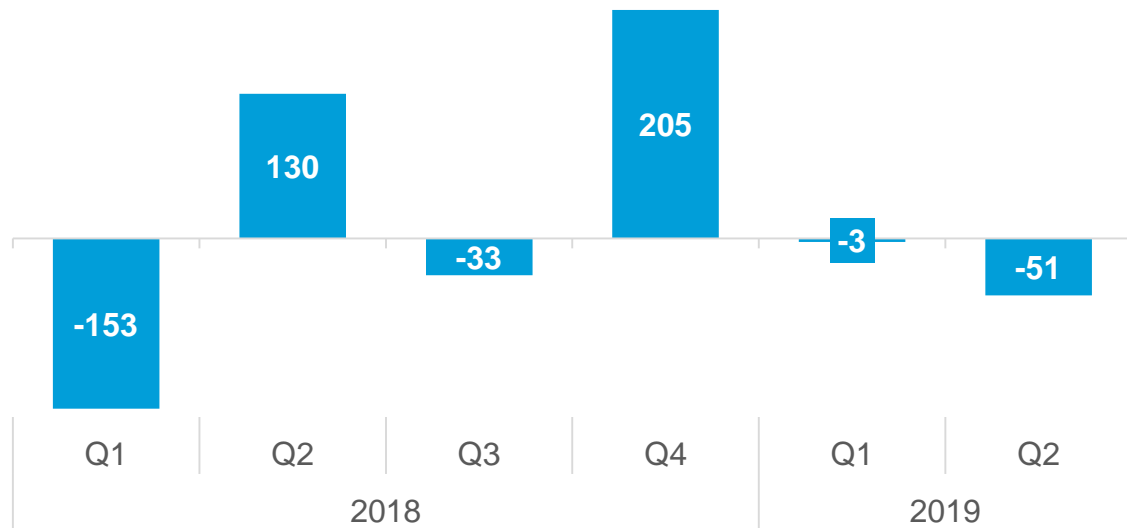
## Financial position and key ratios



# Operating cash flow negative

- Operating cash flow in Q2 after investments EUR -51.0 million (+129.9).
  - Plot investments especially in Housing Finland and CEE.
  - Comparison period supported by improved capital efficiency related to integration.
- Operating cash flow 1-6/2019 amounted to EUR -54.2 million (-22.8).

OPERATING CASH FLOW AFTER INVESTMENTS, EUR million



CASH FLOW OF PLOT INVESTMENTS AND INVESTMENTS TO ASSOCIATED COMPANIES AND JOINT VENTURES, EUR million



- Cash flow from investments to associated companies and joint ventures
- Cash flow from plot investments

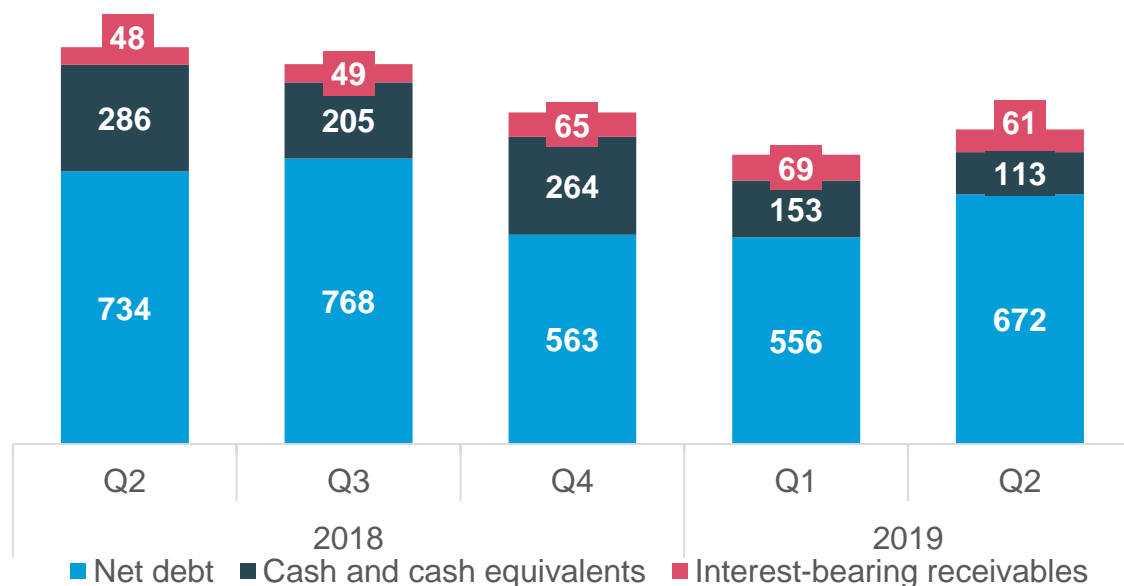
Comparison figures are restated reported figures.



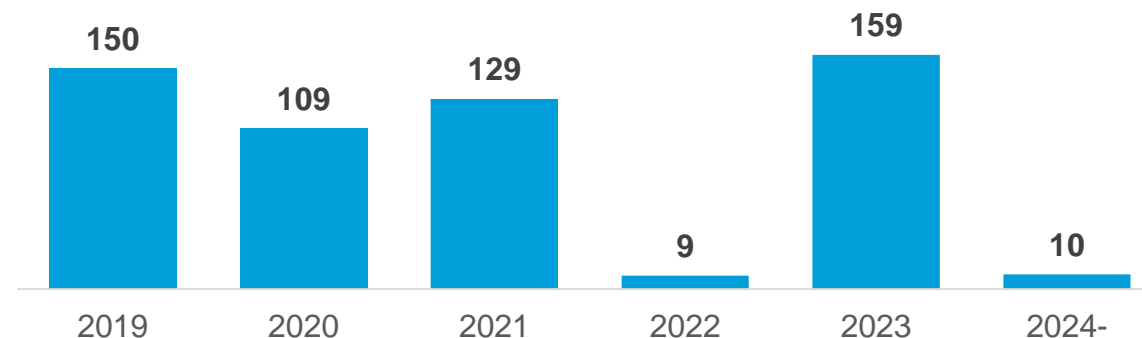
# Adjusted net debt lower than in comparison period

- Adjusted net debt EUR 672 million (734).
- In July 2019 repaid EUR 100 million unsecured senior bond, fixed rate 7.375%, on its maturity date.
- To improve comparability between quarters, IFRS 16 impact excluded from graphs below.

ADJUSTED NET INTEREST-BEARING DEBT<sup>1</sup>, EUR million



MATURITY STRUCTURE, NOMINAL AMOUNTS<sup>2</sup>, EUR million



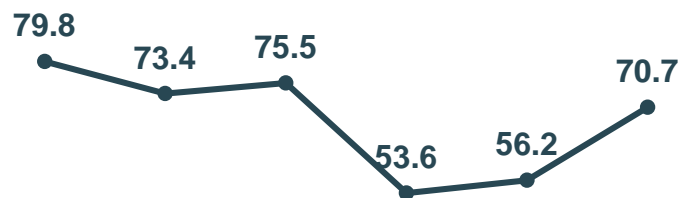
<sup>1</sup> Excluding IFRS 16 lease liabilities, EUR 267 million. Finance lease liabilities are included in lease liabilities as of 1.1.2019.

<sup>2</sup> Excluding housing corporation loans, EUR 206 million (these loans will be transferred to the buyers of the apartments when the units are handed over), commercial papers, EUR 75 million and IFRS 16 lease liabilities, EUR 267 million

# Adjusted financial key ratios

- Strategic gearing target 30-50% estimated to be reached ahead of schedule thanks to recent corporate transactions. Impact materialising in the beginning of 2020.

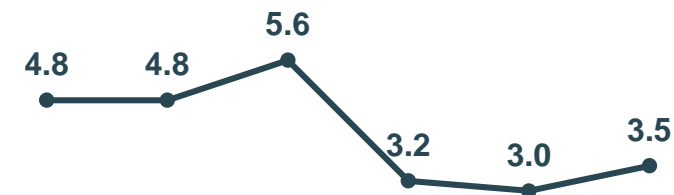
## ADJUSTED GEARING<sup>1</sup>, %



## ADJUSTED EQUITY RATIO<sup>1</sup>, %



## ADJUSTED NET DEBT<sup>1</sup> / ADJUSTED EBITDA<sup>2</sup> (multiple, x)



Q1	Q2	Q3	Q4	Q1	Q2
2018				2019	

Q1	Q2	Q3	Q4	Q1	Q2
2018				2019	

Q1	Q2	Q3	Q4	Q1	Q2
2018				2019	

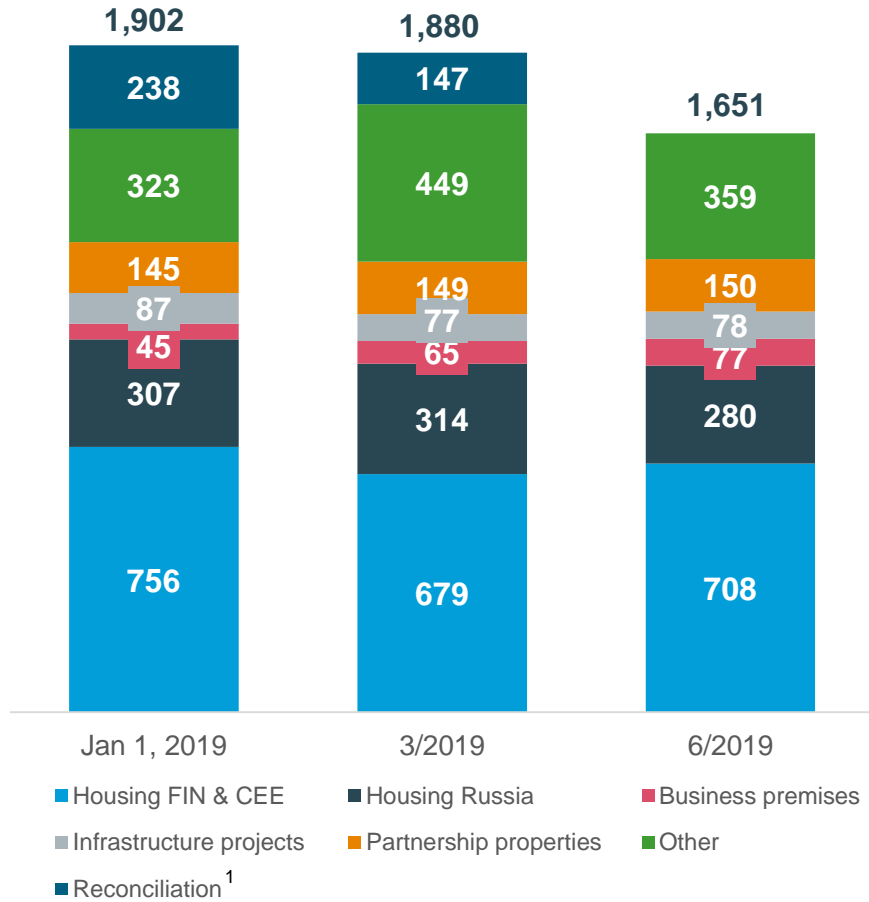
<sup>1</sup> Excluding IFRS 16 impact in 2019 figures. 2018 figures are reported figures.

<sup>2</sup> 2018 figures are pro forma figures.



# Capital employed by segment

CAPITAL EMPLOYED BY SEGMENT, EUR million



<sup>1</sup> Reconciliation relates to discontinued not part of segment reporting.



# 4

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## Outlook and guidance





# Estimated completions of consumer apartment projects under construction

Apartments under construction in total on June 30, 2019: 14,378. Table below shows the company's current estimate of completed consumer apartment projects under construction to be completed. In Russia, all projects under construction are included also the ones which are not included in adjusted operating profit. In addition, the company has 2,290 apartments (03/19: 2,364) that are recognised in accordance with percentage of completion. Timing of commissioning permit may deviate from the technical completion of a building, and the company cannot fully influence the reported completion date. Also other factors may influence the completion date.

	FY 2018 Actual	FY 2019 Estimate	Q1/2019 Actual	Q2/2019 Actual	Q3/2019 Estimate (Act. Q3/18)	Q4/2019 Estimate	Q1/2020 Estimate	Q2/2020 Estimate	Later
Finland <sup>1</sup>	3,657	2,734	858	1,076	300 (690)	500	400	500	1,337
CEE <sup>2</sup>	1,427	1,507	0	307	400 (123)	700	100	100	1,510
Russia <sup>3</sup>	2,974	3,897	487	410	600 (699) <sup>4</sup>	2,400 <sup>4</sup>	400	400	2,441
In total	8,058	8,038	1,345	1,793	1,300 (1,512)	3,600	900	1,000	5,288

<sup>1</sup> In Finland, the estimate of completions may deviate with tens apartments depending on the construction schedule.

<sup>2</sup> In CEE countries, the estimate of completions may vary with tens apartments, a deviation of over 100 apartments is possible depending on authorities' decisions. The figure includes projects sold to YCE housing fund I.

<sup>3</sup> In Russia, the estimate of completions may vary with hundreds apartments, a deviation of over 500 apartments is possible depending on authorities' decisions.

<sup>4</sup> Approximately 50% of the apartments to be completed are in regions where the operations are to be sold or discontinued.

# Guidance for 2019

The Group revenue of continuing operations for 2019 is estimated to be in the range of +5% and -3% compared to the 2018 combined revenue of continuing operations (pro forma, restated 2018: EUR 3,201.0 million). Previously the company estimated the revenue in 2019 to be in the range of +5% and -5% compared to 2018.

In 2019, the adjusted operating profit<sup>1</sup> of continuing operations is estimated to be EUR 160-200 million (pro forma, restated 2018: EUR 132.0 million). Previously the company estimated the adjusted operating profit of continuing operations in 2019 to be EUR 150-210 million.

## GUIDANCE RATIONALE

- The result guidance for 2019 is based, for instance, on the completion of Mall of Tripla in the last quarter, the estimated time of completion of residential projects under construction, and the company's solid order backlog. At the end of June, 77% of the order backlog had been sold.
- Significant fluctuation is expected to take place between the quarters due to normal seasonal variation, sales of business premises projects, and the time of completion of residential projects and Mall of Tripla. As in 2018, the last quarter of the year is expected to be clearly the strongest.
- The company estimates that the adjusted operating profit for the third quarter of 2019 will decrease from the comparison period (pro forma, restated EUR 31.4 million) and be clearly positive.

<sup>1</sup> The adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in bulletin's the tables section.

# Additional information

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On  
**September  
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