Webcast transcript: Half-Year Report Jan-Jun 2024

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Time 26/07/2024

PRESENTATION

Essi Nikitin
Good morning, everyone. And welcome to YIT's second quarter 2024 results webcast. My name is Essi Nikitin, and I'm heading the Investor Relations at YIT. Together with me here are our CEO, Heikki Vuorenmaa; and our CFO, Tuomas Mäkipeska.

At this point, I will hand over to Heikki. Please go ahead.

Heikki Vuorenmaa
Thank you, Essi, and welcome all to webcast also from my behalf. We launched our transformation program 10th of February 2023. At that time, we expected to reach our savings target by end of 2024. Today, I'm happy to announce that we have already implemented the measures needed to save €40 million annually from our operations. The achievement does not mark end of our effort. We continue to optimize our operational efficiency to identify further cost savings.

Our profit for the second quarter was driven by Infrastructure, Business Premises, and Baltics and CEE performance as the Housing Finland remains affected by the muted market. Positive news from the Housing Finland is that our apartment sales have been growing for the fifth quarter in a row and the number of unsold apartments went down by 13% in one quarter.

Our quarterly revenue declined to €434 million, mainly due to onetime events in the Housing segment during the comparison period. Our adjusted operating profit decreased and was €7 million for the quarter. Accelerated transformation savings also created anticipated onetime costs that now took place during the second quarter and impacted our operating profit. Onetime costs amounted to total of €49 million, of which €28 million associated with the transformation cost savings and the €19 million was related to the closure of some historical projects in Sweden. One of the major cost items within the transformation costs is related to the use of our own premises. During the second quarter, we decided to partially release our leased headquarter premises for sublease to increase the efficiency of premises used. This impacted the program costs by €20 million. Such one-off costs are naturally a burden within a quarter, yet will improve company performance going forward.

Let's take a closer look our operating engine and four cylinders before diving deeper into our individual businesses. As mentioned, revenue from the housing sales in Finland declined by over 50% and the profitability decreased €8 million compared to previous year. On the other hand, our CEE and Baltic operations continued stable performance. Also, a low number of completions impacted revenue and profitability. Our Infrastructure segment significantly increased its profitability, achieving an adjusted operating profit of over 6% for the quarter. Business Premises continued to improve its underlying operational performance and maintained a good project control of the business.

But let's move now to individual businesses and start from the Housing Finland. As a result of increased apartment sales, number of unsold apartment decreased to 867 units at the end of June. We see this now as a trend going forward and the highest number of unsold apartments in Finland is behind us. Order book is at €600 million, impacted by the low amount of startups and investor demand. Result for the period was negative €6 million, and we continue to accelerate actions and mitigate our operative costs to minimize losses during coming quarters.

On this picture, we have included all the apartment completions to the Finnish market, so this is not only YIT completions or YIT production. The picture remains same as in the previous quarter. We do not observe new startups in Finland by housing market players. Supply to the market this year is substantially lower than last year, and in 2025, the supply will be exceptionally low. Total number of completions are approximately 1,500 apartments for the full year of 2025. However, if we exclude already sold and special-purpose apartments, true supply will be something between 800 to 900 units in 2025 to the Finnish market.

So, we can say with a reasonable confidence that we are going to see supply shortages during 2025, which may lead to increase in pricing. Our plan for while has been to use our inventory as a buffer to balance the demand and supply on this market cycle. As we sell now from our inventory, our unsold inventory declined by 13% or 133 units during one quarter. If we use the second quarter's sales pace as a proxy for analysis, our stock of unsold apartments in Finland will last until the end of third quarter 2025. Our stock remains well-balanced and located in the major university cities across the country. Some regional shortages are already present. As, for example, in Jyväskylä, we have only one unsold apartment; and in Turku, some 20 units. We see our inventory at the moment valuable asset, as the pace and timing of the market recovery is still unclear.

Let's then move to housing in Baltics and CEE countries. The second quarter was a relatively uneventful. Key KPIs are on the right track and business is progressing according to plan. Our capital employed remains under control, even though we added some more capital to our plot reserves during the quarter. However, we do see the potential for further release the capital through increased production and the sales over the period of time. Number of unsold apartments inventory declined, order book is healthy, and our rolling 12 months profitability is at 14%. During this year, completions of 900 apartments will take place during the second half of the year. It will positively then contribute to revenue and profit on those quarters.

Then to the startups. During the second quarter, we started a total of 186 apartments, all in the CEE countries. It is a bit less than our quarterly sales. However, on the rolling 12 months basis, we are well-balanced between the new starts and sales. In Finland, we have not started any consumer projects during this year. However, we have today 11 projects on the pre-marketing, another 29 ready to start as the timing is right. We have a strong land bank and secured financial position, so the decision is on our own hands to analyze right timing against our internal startup criteria what is the optimum to do the startups in Finland.

On our production side, we have 3,000 apartments under construction. It is 30% from the peak volumes what we have seen in years 2020 to 2021. It's also 50% less compared to the same situation a year ago. So, we can say that we have really adjusted our production to meet the market conditions in Finland. The sales rate have remained on a good level for the consumer apartments and actually on the same level for past three quarters, while the lower portion of investor sales continues to impact the overall number. Operatively, production runs well and we are able to enjoy already a lower construction costs and shorter lead times on our construction sites.

Then to the completions more in details. We originally planned to complete approximately 250 apartments in CEE during the second quarter. However, we had a total of 100 apartment project completions shifted to early July in CEE, which postponed both revenue and profit from the second quarter. Total completions during the quarter was 196 units. Now, we expect that 900 apartments will be completed in the Baltics and CEE during the second half of the year and approximately 250 in Finland.

Then we move to the sales. As mentioned, we are really pleased that our segment consumer sales in Finland increased for the fifth consecutive quarter and were 154 units during the quarter. While the absolute number is still modest, the trend and the market sentiment is more positive than year ago. Our campaigns, 2% five-year interest rate cap on mortgage and the rent-your-own-home, have been successful. We have sold approximately 100 units through these campaigns by now. Sales reservations are on a good level and we are pleased with the certain project pre-marketing reservations in Finland, which is a signal of trust from consumers towards YIT. In addition, we see that the private investors are back on the market and we have done small bundle deals with the private investors during the year. Overall segment sales reached 350 units and CEE clear improvement came from the sales in Czech Republic during the quarter.

Then we look on our joint venture portfolio. We are also operating in the Baltics and CEE through these joint venture structures. It is a part of our operating model to scale up the business and tie up less capital during the construction period. Apartment sales, the market from joint ventures, increased clearly compared to the previous year and amounted total of 84 units during the second quarter. During the quarter, we completed

135 units and estimate that, on the second half of the year, completions will be additional 200 units within those joint venture structures. Number of unsold completed apartments declined to 204 units and is on a healthy level. Capacity of this joint venture enables YIT to construct over 2,000 new homes in the Baltics and CEE countries, and we are very pleased with the ongoing cooperation with our partners.

Then it's the time to move to other segments and start from the Infra segment. In past 12 months, we have structured the Infra balance sheet through operative changes, business divestments, ramp down of our operations in Sweden and more. Now, we have reduced over €70 million capital employed from the operations year-on-year basis. At the same time, we have improved the operative performance of the segment and reached our minimum target for the rolling 12 months adjusted operating profit. Our order book is strong and it provides work for following 24 months. All in all, the Infra segment is now in a good place to see growth and further improve operational efficiencies.

Business Premises is on a same journey as our Infra segment has been. Our plan is relatively simple; to reach negative capital employed with excellent order book, and through operational efficiencies, reach profitability that will clearly exceed the minimum threshold. While operational efficiencies and order book is more on our own hands, lighter balance sheet will be connected to the successful timing of the divestments, which requires increasing activity in the retail transaction markets. Result for that second quarter was still a modest €5 million or 2.9%. However, we see that the segment is progressing according to the plan and underlying project execution is continuously improving.

Then before handing over to our CFO, Tuomas Mäkipeska, I will go through our market outlook. We are not making changes to our housing market outlook in Finland yet. Yes, we see that the activity on the secondary market is picking up and the pricing level is increasing. Additionally, we also observe consumer sentiment and intentions to buy apartment improving, interest towards the housing loans increasing, and shortening of the average marketing times.

On the primary market, home buyers are on the market and making great deals for their new homes at the moment. We have also seen the private investors returning to the market and buying a small bundled deals during the first half of the year. However, uncertainty continues high and the market recovery may still take more time than anticipated. Therefore, we remain conservative with our view and state that the market still remains weak and may not materially improve during 2024.

On the Baltic countries, housing market is gradually improving. Estonia remains weak. In the CEE countries, we operate in the normal housing market. Our sales on all three countries are on a good level, and some projects' price lists are already increased during the project execution.

Real estate market for us remains normal. In Baltics, we have had successes in tendering, especially in Lithuania. In Finland, market activity remains normal from our viewpoint. Infrastructure market in Finland is normal, both in public and private sector. Large amount of tenders will be decided during this year.

So, that's all from our market environment, and now it's time to hand over to our CFO, Tuomas, to go through numbers in more detail.

Tuomas Mäkipeska
Thank you, Heikki. From financial perspective, the Q2 was a stable continuum after a positive start for the year in Q1. Especially, we continued on the right track to improve our financial position. The highlight of the quarter was the finalization of the planned multistep financing process and significantly improved maturity profile of the debt portfolio. Overall, the underlying profitability of the group was driven by the CEE operations and the contracting segments Infrastructure and Business Premises. The housing market in Finland continued to challenge us and burdened our revenues and profits in Housing segment as already described.

We made progress in releasing capital from the operations and our capital employed decreased clearly. Consequently, we decreased the net debt by some €80 million from the comparison period. The cash flow was slightly negative, mainly due to the payments of plots that have been acquired earlier.

Let's have a closer look at the financials, focusing first on the capital employed development. On group level, we have released almost €140 million of capital during the last four quarters by robust execution of the capital release program. In Housing Finland, we have been able to keep capital employed stable during the last 12 months due to the measures taken in the operations. Sale of the apartments from inventory and low construction volumes will further release capital in upcoming quarters.

In Housing Baltic and CEE, the capital employed increased slightly due to the land bank and inventory development. However, we have released the capital, altogether some €30 million, during the last 12 months by conducting more capital-efficient ways of doing business. The majority of the improvement from the comparison period is a result of the formed joint ventures to develop large area projects together with RSJ Investments. This allows us to reach higher volumes profitably and tying less capital.

In Infrastructure, we now operate with negative capital employed and positive cash flow, which contributes to group financials very positively. In total, over €70 millions of capital have been released during the last 12 months, demonstrating solid performance in capital release measures. Majority of the impact is attributable to the sale of equipment business and the ramp down of the operations in Sweden. Also, the negative capital employed have further increased in the operations in Finland.

Finally, in Business Premises, we are on positive trend, and some €60 million of capital has been released during the last 12 months. The largest single item remaining in the balance sheet is obviously the Tripla Mall. The execution of the capital release actions continues to improve the return on capital employed of YIT. Overall, we will be able to run our business profitably with clearly less capital than before.

Let's move on to the cash flow development. Operationally, cash flow was positive in the period and continues on the right track. However, the operating cash flow after investments includes €39 million payments of plots in CEE countries that have been acquired before 2024. These plots strengthen our land bank in CEE countries and provides basis for profitable growth in these markets in the future. The last 12 months' cash flow was €59 million positive, and measures to improve net working capital efficiency have yielded results. As we have stated in our guidance for 2024, the operating cash flow after investments is expected to be positive.

If we then compare our key assets to the net interest-bearing debt, our underlying asset base continues to be very strong and amounts nearly 2 times than gross debt. We have a land bank of over €830 million to serve as a platform for future operations and profits. Inventory assets under production decreased to €314 million, reflecting the declining number of apartments under construction. Completed apartments and real estate in our inventory decreased to €417 million due to the increased sales and lower number of apartment completions in Finland. Investment were worth of €279 million.

The gross debt decreased by over €130 million from the end of March 2024. This is due to the term loan and RCF amortizations as well as lower amount of commercial papers. The approximately €500 million of our gross debt is related to the IFRS 16 lease liabilities, including leased plots and long-maturity housing company loans. The adjusted net debt amounted to €290 million. So, our asset base is nearly 2 times the gross debt, and balance of the debt structure has improved. Going forward, YIT's target is to operate with clearly less debt and utilize mainly project-based loans.

Next, few words about the financing situation of the company. We have now completed a comprehensive, multistep financing process, which included several actions and transactions during the last couple of quarters. By that, we are currently in a stable position in our financing with loan maturities in the instruments in use. By issuing the new €100 million green bond in June, we effectively refinanced the matured bond, which was redeemed in April this year. Already in Q1, we executed this – when we executed the substantial financing arrangement, we committed to amortize €40 million of term loans and cancel €50 million of the revolving credit facility in use.

Consequently, we have now reduced the gross debt by €130 million compared to the end of March this year, as already mentioned. As a result, our debt portfolio is now more in balance between different instruments, and more importantly, the maturities of financing instruments are significantly extended. This enables us to focus in improving our financial performance and optimize timing of certain capital release measures to maximize shareholder value.

We are very satisfied to have reached such a position at this phase of the cycle. We would like to thank our owners and equity investors, as well as debt investors and financing institutions who contributed to the successfully finalized financing process.

Next, a glance on the balance sheet. The equity ratio of the company has remained stable at 33%, and regarding the interest-bearing debt, we are on downward trend and on €80 million lower level compared to the last year's Q2, even though there was a slight increase from the end of March 2024 due to the lower cash and cash equivalents. Gearing increased from Q1 due to the increased net debt and lowered equity due to the negative net result in Q2. However, gearing decreased clearly from Q2 last year due to the favorable net debt development. Overall, YIT's target is to deleverage balance sheet and to return to below 50% gearing level going forward.

In maturity structure of the interest-bearing debt, having only minor amortizations to be performed this and next year provides us stability and possibility to focus on improving the profitability of the company, as already mentioned.

One of the highlights in the quarter was definitely the transformation program going on in the company. The program was launched in February 2023 and the rigorous execution of it has been a priority in the company. We have created tangible benefits both operationally and financially. The run rate cost savings target of €40 million for the program was achieved ahead of schedule by the end of June.

Transformation-related costs has been estimated to be between €50 million to €70 million in total, of which €51 million was realized by the end of Q2. A large item in the costs were related to the decision to partially release the leased headquarter premises for sublease to improve efficiency of the premises used. Also, the capital release stream of the program has progressed favorably. With the actions taken by the end of June, we have released approximately €140 million of capital. We are determined to continue the transformation program to gain further efficiencies and other benefits during the second half of the year.

Heikki, would you like to elaborate from your perspective about the program as well?

Heikki Vuorenmaa
Yeah. Thank you, Tuomas. And when we talk about our transformation program, it is truly a holistic transformation. Of course, we are providing the insights to the numbers, cost saving numbers, as well as how much we have been releasing capital. But what we talk here is a holistic change the way we are changing our operating model, structure, and building new capabilities. And if I'm thinking about those capabilities, what we have already implemented during the program lifecycle, almost 18 months that we have been now running. So, we have been significantly upskilling our procurement functions, our project management capabilities, which is already visible when we talk about the segment performance, our commercial excellence, and so on and so forth. And I think when we are truly addressing a transformation, there's a lot to do with the company culture. And how do we, as a YIT employee, see that where is our – what the good looks like? What is the right ambition level and what do we really want to achieve? And we have been redefining that together, and I'm very pleased also about the progress of changing the company culture and bringing those great elements to our business that I know that the team is capable to do.

And to say here we have achieved this ahead of schedule, but this doesn't really mark the end of our efforts. We will continue to do this, and eventually, we are transforming this transformation as a part of our continuous improvement, where we are substantially still seeing potential to improve our operational efficiency and performance of the company.

Tuomas Mäkipeska
Exactly. Thank you, Heikki. Moving on to the guidance, our guidance remains intact. We expect group adjusted operating profit for continuing operations to be between €20 million and €60 million this year. The operating cash flow after investments is expected to be positive. However, we have made an elaboration in the outlook regarding the housing market in Finland as already described. The housing market is not expected to materially improve during 2024. Rest of the outlook remains unchanged.

So, to summarize the finance section, we completed a comprehensive multistep financing process and reached a stable position with long maturities in our financing. This enables us to focus in improving our financial performance and optimize timing of certain capital release measures to maximize shareholder value. We will continue to execute the capital release plan as the top priority to improve cash flow and return on capital employed of YIT. We already achieved the set target for the transformation program and are determined to continue the program to gain further efficiencies and other benefits during the second half of the year.

This concludes my part, so handing over to you, Heikki.

Heikki Vuorenmaa
Thank you, Tuomas. And now we have both covered here in great details our financial result, the transformation programs, all the actions to improve that what we have been doing on the financing side. And it is highly important to provide that frame and context where we are working as a company. But really important points that I want to take is on our greatest asset is our employees. And even during this type of market cycle, we have continued to invest in our people. We continue to provide trainee positions. We have been focusing on the safety, holistic wellbeing for our employees, our teams, so that we can enhance the company culture.

The work and the results are clearly important for us. For one hand, it's already – for the sites where we have the construction activities ongoing, it's improving the way of working and the safetiness, but at the same time, as we have been providing training, for example, people that have been on temporary layoffs, we are able to ensure that we have talented professionals ready to come back to work as the timing is right to do the startup. So, that we have our team in place and we have everything ready as we are accelerating the startups of housing projects in Finland as well.

But now it's time to wrap up and recap our business priorities in the future before opening to potential questions. On the Housing segment, we remain focused to boost our sales throughout the operating countries and close deals with consumers. We believe there is a good opportunity to continue on increasing trend and further increase our market share. Consumer startups in Finland will take place as the timing is right. We have a good level of prereservations on projects and decision-making is on our own hands how to proceed.

Infra segment tendering is active and we see a lot of project opportunities for us on the market. We need to be prudent on our tendering and continue to seek operative efficiencies going forward to positively surprise our customers. Infra has already strong and healthy order book and we see a growth potential on this segment in the coming years.

Business Premises is up to speed to improve operative performance. I'm pleased that we have, generally speaking, projects under control and net project deviations are turning to positive. Our order book healthiness is improving and we continue to focus on complex demanding projects that are suitable for our competencies.

So, all in all, we remain positive on future ahead of us. Our performance is supported by actions taken, competencies of our people, and successful progress of the transformation program. So, moderator, now, it's the time to open the line for potential questions. Thank you.

QUESTION AND ANSWER SECTION

Operator
The next question comes from Anssi Raussi from SEB. Please go ahead.

Anssi Raussi
Hey, all, and thank you, Heikki and Tuomas, for the presentation. A couple of questions from me and I'll start with the guidance. So, what makes you so confident that you will actually reach a positive cash flow after investments this year? Like, is it relying on your business, underlying business, or do you see something, let's say, extraordinary happening in H2?

Tuomas Mäkipeska
Thank you, Anssi. I can take this one. So, regarding the operating cash flow, so definitely the major source

for the operating cash flow are our businesses. And as described in the presentation, three of the four so-called cylinders of our engine are working and providing cash flow. So, definitely that's the major source for operating cash flow. And as mentioned, for example, the Infrastructure business is now operating on a positive cash flow with a negative capital employed, to give you an example. That's the major source then we will support our cash flow development by continuing the execution of the capital release program.

Anssi Raussi
Okay. Thanks. And another one is about your Infra business as you mentioned that one. Like, can you remind us about the schedule about – or regarding the close down of the Infra business in Sweden, and what kind of gradual decline we are going to see? And also if it's going to trigger any onetime costs or not? Thanks.

Heikki Vuorenmaa
Yeah. So, generally speaking, if you look our Infra now, what we have been doing part of the transformation is to really to peel the onion and show that where we are, how well the Finnish operations are going. And at the same time, we decided to start the close down of the Swedish operations. And now what we saw here, those onetime items were related to historical project closures, that project that has been taken quite a time ago. And, therefore, we had the onetime profit impact there, not that much cash-related items. The volume of the Swedish Infra business is all the time going down. And we have a very small amount of programs continuing there beyond this year. So, the impact of that is getting less and less.

What we are actually doing at the moment is that we have a lot of our Finnish teams expatriate to operate those projects in Sweden to ensure that we are, first of all, keeping our commitments and that we have a good operational pace on those projects. And on that, we haven't seen actually a major impact, even though we made the decision at the beginning of the year how the projects are going forward. So, that's where we are standing.

Of course, when you are closing the projects and ensuring that all the last tales and the discussions have been completed, so these type of onetime items may happen. And now those took place in the second quarter of the year.

Anssi Raussi
Okay. Thank you so much. That was all for me.

Operator
The next question comes from Svante Krokfors from Nordea. Please go ahead.

Svante Krokfors
Good morning. Thank you, Heikki, Tuomas, and Essi, for the presentation. A couple of questions. Also a question regarding the guidance, specifically the EBIT guidance of €20 million to €60 million, which is unchanged. Could you elaborate a bit on the logic here as you basically downgraded the Q4 outlook for Housing Finland? Q4 has typically been an important quarter. you'll have completions in Finland also there. So, should we interpret this as CEE – Baltics and CEE, Infra, and Business Premises outlook is better for H2 than earlier?

Tuomas Mäkipeska
Thank you, Svante, for the question. I can take this one. And, first of all, obviously, the outlook and the guidance for this year are kind of tied together and corresponding each other. A little bit repeating what I already said regarding the cash flow. So, three of the four cylinders in the engine are working, providing cash flow and profits as well. So, that's one part of that. Also, regarding the Finnish housing market, so as we say now that we don't expect the market to materially improve. So, that's taking also into account in the guidance and in the range that we have provided.

Heikki Vuorenmaa
If I continue, a couple – thanks, Svante, and a couple of words on the individual businesses. And now the market in Finland for housing market has been weak for quite some time, and it was the fifth consecutive quarter that we still increased our own sales. So, it is a lot to do with our own actions that what we have been still capable to do even the market picture hasn't improved, campaigns and individual sales efforts. We are also present in all the major cities and, therefore, there are city differences between kind of micro markets.

And as discussed there, for example, Tampere and Turku, demand picture is different than what we have in the capital region. However, the capital region in Finland is driven the largest amount of volume, which kind of represents the market as such.

Then when we look our Baltics and CEE, so the completions are tilted towards the second half of the year. On Infra and Business Premises, we are very pleased with the trend. Business Premises has been impacted by the fair value changes on the balance sheet, but the project level execution has been there on the improving trend. And as you can see from the Finnish Infra, so it has been now trending already above our rolling 12 months target of 4%, and it is a good place to further improve. So, that is how do we see the businesses and the performance of those on this year.

Svante Krokfors
Okay. Thank you. Then a question regarding land plot investments worth €39 million in Q2. It's very difficult for us to see what is coming up for the coming quarters or years when it comes to timing. I think you have disclosed the total amounts, but can you comment anything about potential commitments that you need to meet during the near future?

Tuomas Mäkipeska
Yes, thank you, Svante. Yes, as we described, so €39 million of the cash flow was related to the payments of plots that were committed before this year in CEE countries. We will continue to invest in CEE countries with the slow pace going forward as well. But also, if you look at the kind of the milestone payments of the committed plots, so we see kind of a stable way ahead. We don't anticipate any major payments of the already committed plots for the coming quarters.

Svante Krokfors
Thank you. And then on housing, still. The completion issues or postponements that you had in CEE, is it similar reasons as earlier?

Heikki Vuorenmaa
Yeah, it's not the construction project management related. It is timing of the documentation. And it was completed in the very early part of July. So, that was reason for the postponement.

Svante Krokfors
Thank you. And then looking at the housing and investor side, do you see any demand in the near future for the good start investor projects on the houses?

Heikki Vuorenmaa
In Finland, if we look at – it is more likely to see the investor project demand to pick up in 2025. There are I think more projects that are today starting on this so-called governmental ARA project that are – that type of a project on the segment. I see that investors, the individual investors are buying either one kind of individual apartments as a bundled deals. There is also an activity on the market where investors are buying already fully rented buildings and shifting between the portfolios. So, we expect – and it's more likely that those will take place 2025 than 2024, the startups.

Svante Krokfors
Thank you. And last question, regarding your headquarter sublease €20 million impact. Could you – at least I have missed that, I must have read the news a bit. But haven't seen that announced earlier. So, could you elaborate a bit on what that includes?

Heikki Vuorenmaa
Yeah. If I first talk about operation and, Tuomas, if you take the numbers there so. But part of our – it was a part of our transformation program where we announced that we are also assessing the need of our – use of our own premises and how much space we need. And if we look at our own headquarters, invested somewhere in 1990s and expanded there at a time when the company was significantly on different scale. So, we now assess how much we can release for a sub kind of – the space for the subleasing purposes. And operationally that was the change and it was done within the transformation program.

And on the numbers side, if you, Tuomas, take on that one.

Tuomas Mäkipeska
Yeah. So, basically, what you already mentioned, it is related for us and more efficient use of our own premises. So, that really is just part of the space is what we have there for sublease and we have by that, so, we have written down part of the right-of-use asset as a part of that transaction, and that's basically what we can disclose here.

Svante Krokfors
Okay. Fair enough. Thanks. That's all from me.

Heikki Vuorenmaa
Thank you, Svante.

Operator
The next question comes from Emil Immonen from Carnegie. Please go ahead.

Emil Immonen
Yeah. Hi, Heikki and Tuomas. Thanks for taking my questions. Just to continue on the housing side, I saw that some competitors have sold apartments to investors. Could you also do that if you wanted to in Finland or is it still closed-off?

Heikki Vuorenmaa
So, there is – if you look at overall capacity, investors' capacity on the market, so there is a lot of capacity and lot of appetite towards YIT homes in Finland and definitely we could execute such deals. What we are balancing is the kind of attractiveness of those deals compared to the timing of selling the apartments to the consumer market. But in case we would like to, yes, there is a capacity and there is such option available.

Emil Immonen
Okay. In that case, I assume that, with consumers, you get higher prices. You haven't sold at a loss yet, even though, in Finland, you were loss-making on adjusted EBIT?

Heikki Vuorenmaa
If you then look at that kind of – we will have completions this year of 250 units and our inventory is declining all the time. And we are having a very minor amount of completions during 2025. So, we are balancing now the demand and supply of those apartments on the different areas in such a way that we are not ending up on the situation where we don't have basically nothing to sell before the lead time of our new apartments to that market. So, that's also one factor on that balancing equation.

And also when we – when you look at the apartments, unsold 867, vast majority of those are today on the capital region here in Helsinki. And the market situation for Tampere and Turku, eastern part of Finland, is actually quite – or it is different compared to what we have on the capital area. So, there is also that to be considered.

What comes to the operative losses? So, yes, we are taking continuous actions. We have been now declining on the – or kind of reducing the losses on the quarterly basis for the Finnish operations. But it is a consequence of scaling down the production from 50% from the previous year as is visible on our production side but also on the sales side. And we see that, as we are returning to the more normal market condition, also that part of our engine starts to operate and function in a normal manner.

Tuomas Mäkipeska
And also if I may continue...

So, as has been our plan, our strategy, so kind of the order of priority in the sales has been, first, the consumers and then smaller bundled deals, and then as a third one, larger investor sales if needed and if attractive deals are available.

Emil Immonen
Okay. Can you just remind me, how would you expect the joint venture then in CEE to impact your profitably?

Tuomas Mäkipeska
Yeah, I can take this one. So, what we have now done in CEE countries has been forming joint ventures mainly with the RSJ Investments, regarding larger area projects tying quite a lot of capital. And by forming these kind of joint ventures, we are actually capable of increasing our volumes and profits and tying less capital. So, that's basically the plan and, of course, the profits from the joint ventures and associated companies are then visible in our P&L.

I think the thing with the joint venture is really about performing a business with a lighter balance sheet and enabling volume so that we can kind of optimize the return on capital employed of the CEE countries and, of course, on a group level as well.

Heikki Vuorenmaa
Yeah. And thanks, Tuomas, there. And maybe, I mean, one more comment on it. So, we are making a decision project-by-project basis there to start those and achieving a very healthy IRR for us as well as for the investors is always a key. So, those are then the criterias what we are using to start the projects within the joint venture structures.

Emil Immonen
Excellent. Thank you. That's all for me.

Tuomas Mäkipeska
Thank you, Emil.

Operator
The next question comes from Olli Koponen from Inderes. Please go ahead.

Olli Koponen
Yeah. Hi. I have a few questions left myself. I don't know if you answered already to this, but can you elaborate more, was there something kind of out of ordinary in Infra's operating profitability in Q2?

Heikki Vuorenmaa
Thank you, Olli. There wasn't. So, it was a quite good quarter. When you – generally speaking, if you look this type of a contracting business, whether it is Infra or Business Premises, it looks like somewhere clearly up of 4% for the businesses. And we have now reached that. Internally, we have high ambition level for sure, but there wasn't any extraordinary within that quarter that should be kind of discounted for the great work that the team has been done.

Olli Koponen
And can I ask one more question on the Infra segment. Do you think – or is your assumption that, like normally in Infra business, that Q2 and Q3 are the best quarters?

Heikki Vuorenmaa
Well, if I look a little bit kind of a longer perspective on the – and the horizon there, I think the Q1 typically is the weakest in overall. Last year, we had quite a strong Q4 as well on the Infra. We continue to still improve our operational efficiencies and the team is really up to speed in terms of project execution. And now we have today achieved the €40 million cost savings from our transformation program, but that is not yet fully visible on all of our businesses.

And if you take that €40 million and compare that to our revenue, what we have had, so there is still also operational efficiencies of our operating model that will then benefit for all of our businesses. So, therefore, I remain very positive when looking our Infra segment performance going forward.

Olli Koponen
Okay. Thanks. Then lastly just a question about the debt structure now going forward. Could you kind of remind us what are your covenants in your existing debt now and how are you kind of handling those at the moment? Like, could there be a problem with those if you cannot improve your profitability by year-end, which might have been the kind of assumption when the year started?

Tuomas Mäkipeska
Thank you, Olli. I can take this one. Regarding covenants, we are not disclosing the exact – or specifics

regarding the covenants, but generally speaking, we are in a very stable situation with our covenants going forward. Also, if we think of the kind of short and long term, so we look at the liquidity situation and also the now available funding for the future operation startups and actually accelerating here in Finland as well. So, we don't see any challenges regarding that profit-related or cash flow-related covenants.

Olli Koponen
Okay. Thanks. That's all from me.

Heikki Vuorenmaa
Thank you, Olli.

Operator
There are no more questions at this time so I hand the conference back to the speakers.

Essi Nikitin
As there seems to be no more questions, we thank you all for participating and wish you all a great rest of the day..

Heikki Vuorenmaa
Thank you.

Essi Nikitin
Thank you.

Tuomas Mäkipeska
Thank you.