

# CREDIT UPDATE

May 2025



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# AGENDA

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Partial demerger considerations

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Q1 2025 update

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Overview of L&T Circular Economy

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Sustainability

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Appendix



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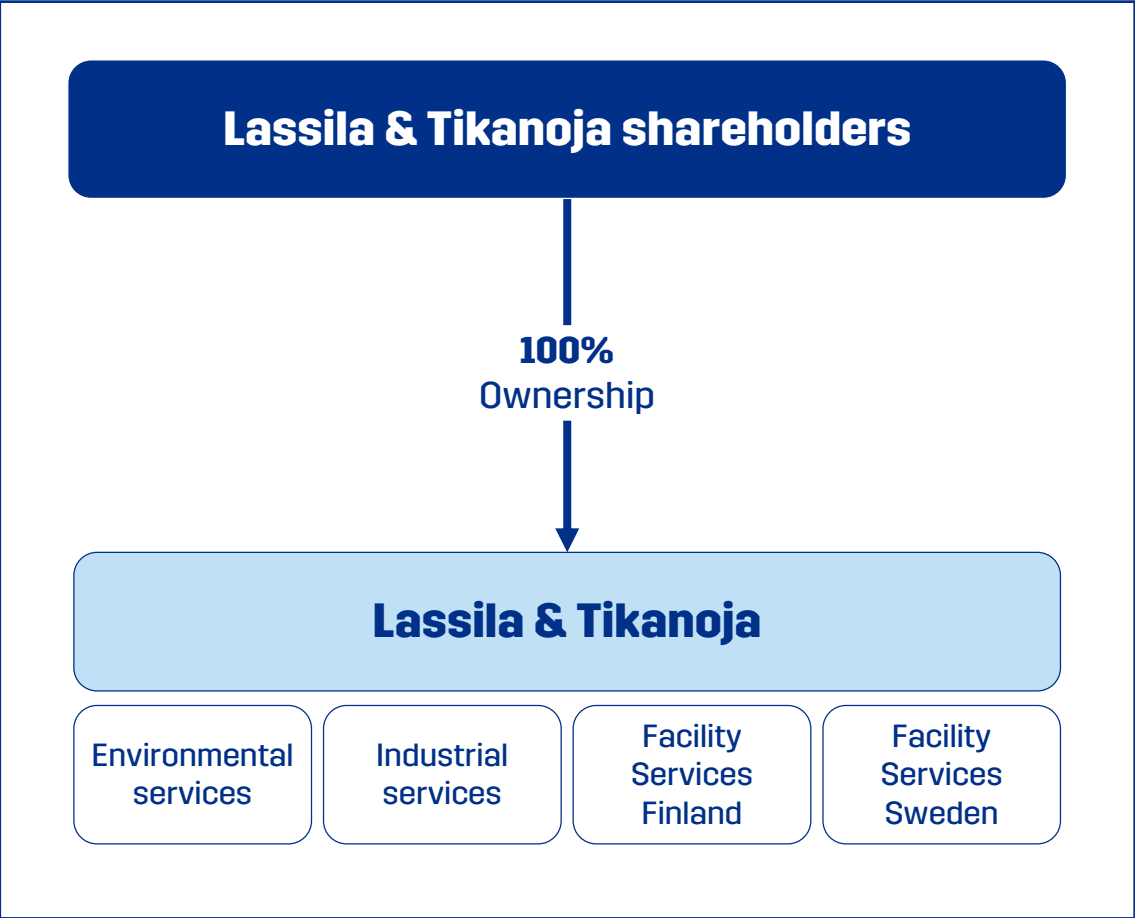
# BACKGROUND TO THE POTENTIAL PARTIAL DEMERGER

- **In December 2024, L&T announced the plan to separate its circular economy and facility services businesses into two independent listed companies**
  - The circular economy business would be separated into a newly listed company through a partial demerger
  - This aims to increase shareholder value by allowing both businesses to pursue their own strategies and growth opportunities more effectively
- **With over 50 years of listed company experience and a prior demerger, L&T firmly believes that a partial demerger is the right next step**
- **The preparation for the partial demerger progressed as planned during Q1 2025. The possible partial demerger and listing of the circular economy businesses requires an EGM approval**
- **L&T has assessed the financial structure of the potential separate listed companies. According to preliminary estimates, the EUR 75 million bond issued by L&T would be transferred to the receiving company, i.e., the Circular Economy Business company, in the demerger**

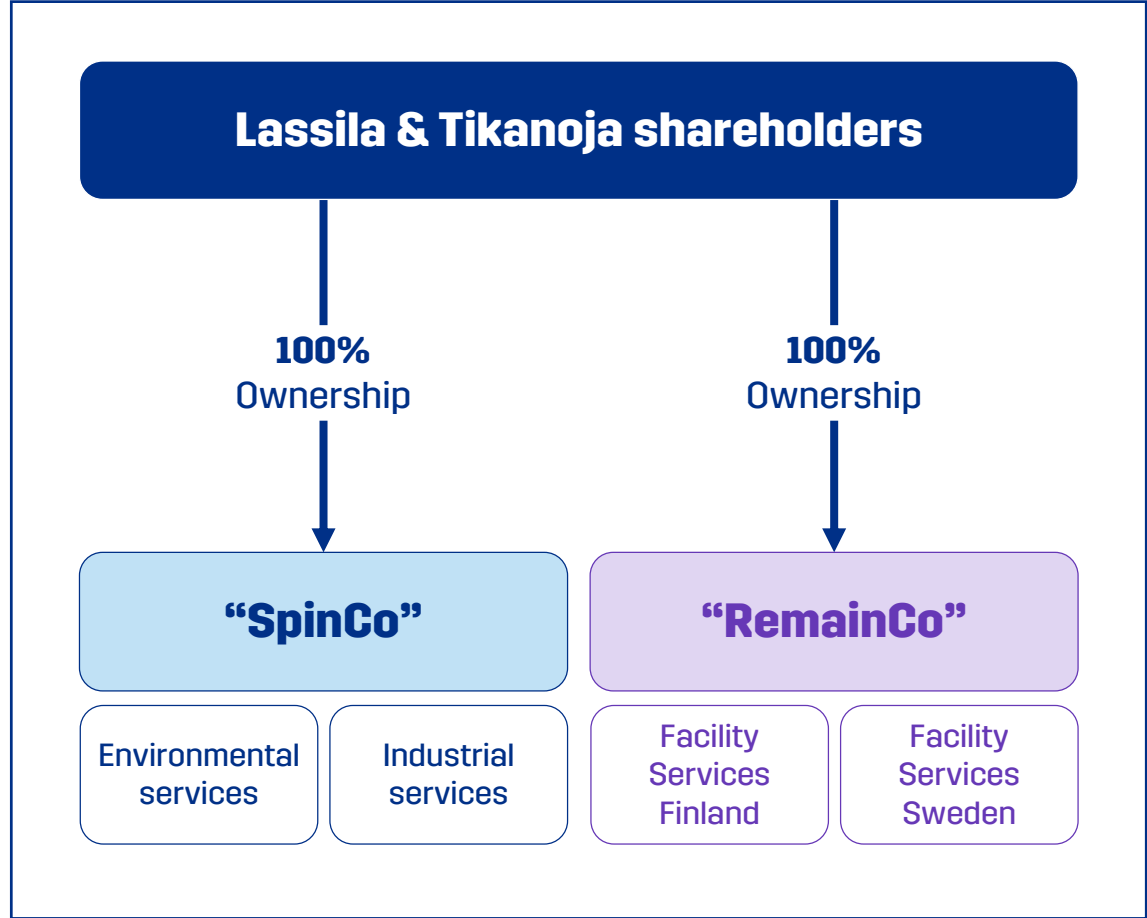


# PLANNED DEMERGER OF LASSILA & TIKANOJA

## L&T TODAY



## PLANNED STRUCTURE POST-2025





# CREATING ATTRACTIVE CIRCULAR ECONOMY AND FACILITY SERVICES INVESTMENT CASES

## CIRCULAR ECONOMY BUSINESSES

- 
- ✓ **Leading market position in Finland and an expanding platform in Sweden**
  - ✓ **Operating in a large and growing market driven by underlying mega trends**
  - ✓ **Resilient business model featuring long-term contracts and stable, asset-backed cash flows**
  - ✓ **Multiple growth avenues identified for substantial value creation opportunities**

Note: Management estimates



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## FACILITY SERVICES BUSINESSES

- 
- ✓ **Established player with an improved operating model geared for growth, capitalizing on current industry trends**
  - ✓ **High share of long-term contracted revenues and a low level of capital employed**
  - ✓ **Opportunity for value creation through profitability enhancement measures**
  - ✓ **Fresh start for the entity – positioned to deliver sustainable margins and cash flow**





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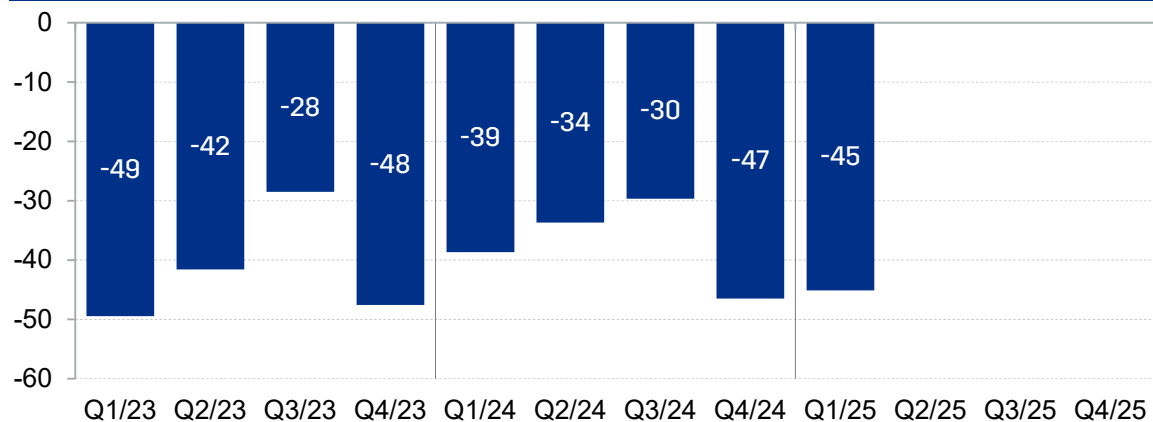
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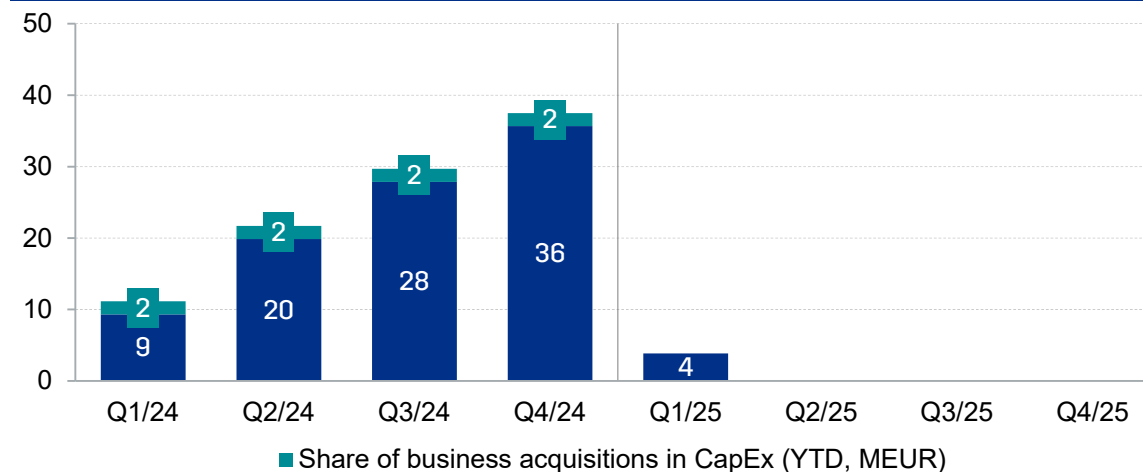


# LASSILA & TIKANOJA'S IMPROVING CASH FLOW GENERATION

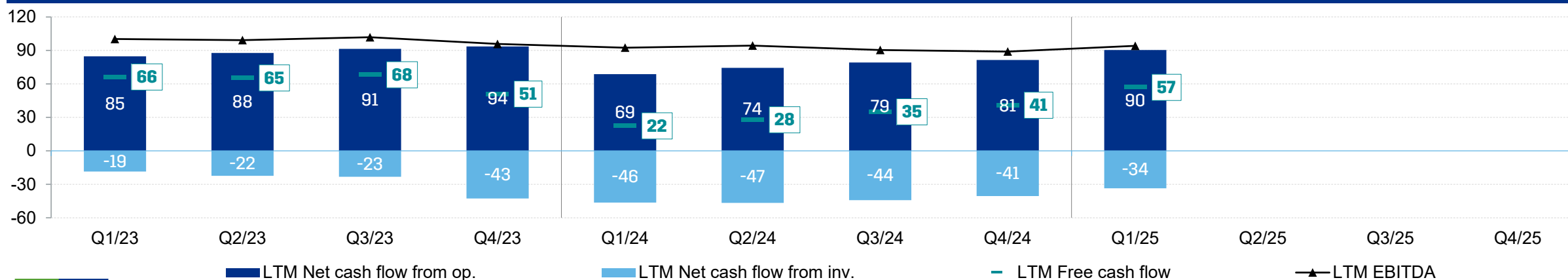
Net working capital\* by quarter 2023-2025 (MEUR)



Capital expenditure 2024-2025 (YTD, MEUR)

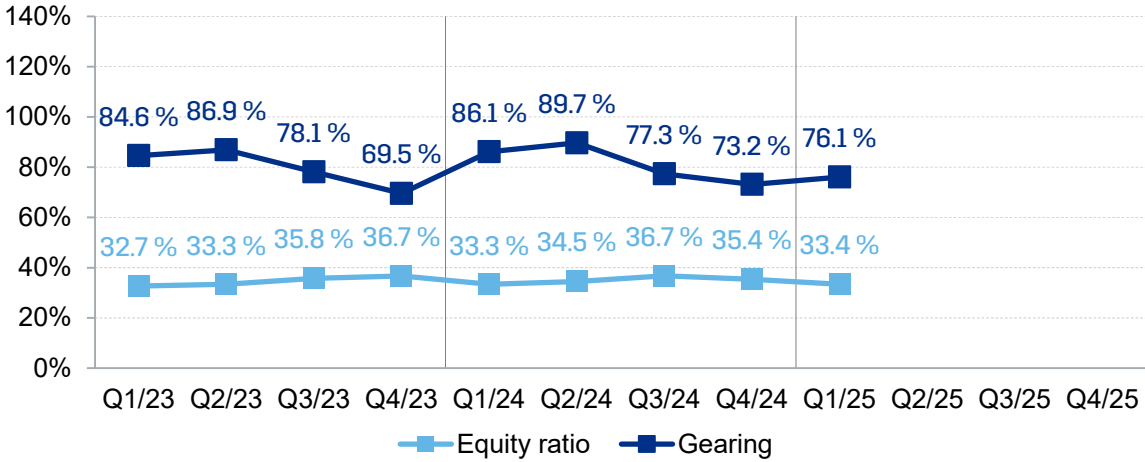


Cash flow from operations and investments 2023-2025 (LTM, MEUR)

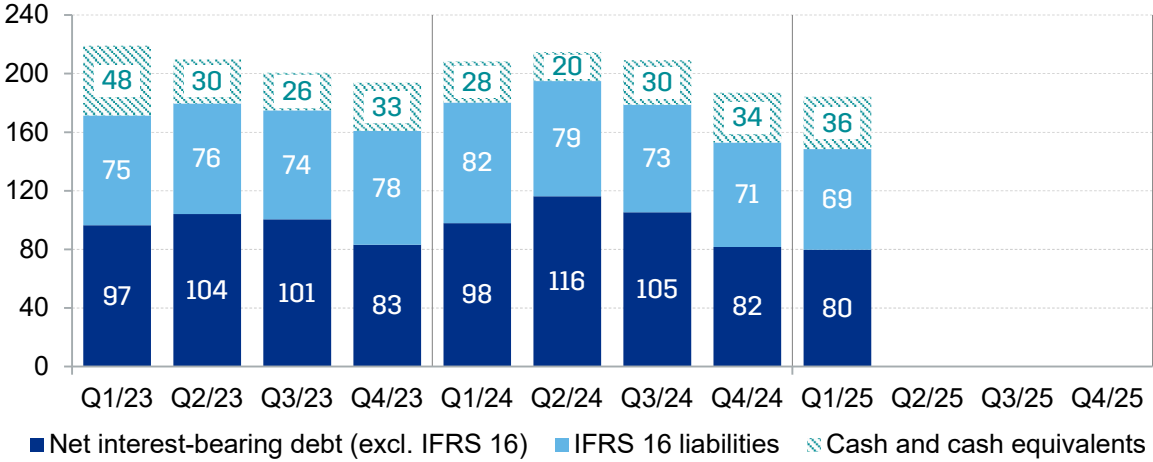


# LASSILA & TIKANOJA'S FINANCIAL POSITION

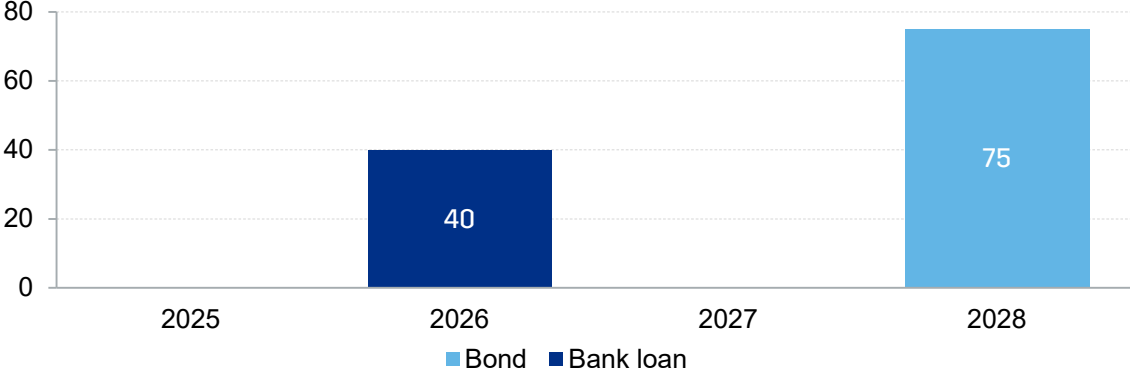
Equity ratio and Gearing by quarter 2023-2025



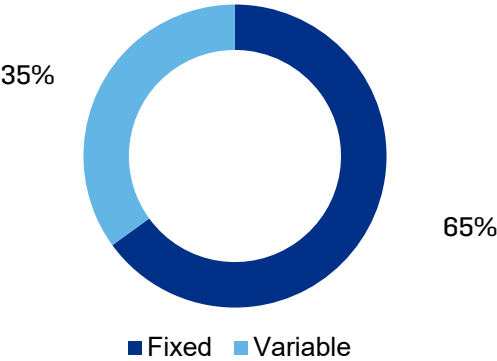
Net debt specification by quarter 2023-2025 (MEUR)



Maturity structure of long-term loans (MEUR)



Weighted average of effective interest rate 3.4% (4.0%)







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# OVERVIEW OF CIRCULAR ECONOMY BUSINESS

## CIRCULAR ECONOMY BUSINESS OVERVIEW

MAINTENANCE AND RESTORATION	SORTING AND LOGISTICS	RECYCLING AND UTILISATION
Industrial cleaning and sewer maintenance	Waste management	Chemical and mechanical material handling
Environmental construction	Hazardous waste	Utilisation of side streams
<b>EUR 420m</b> SALES <sup>1)</sup>	<b>10%</b> EBIT MARGIN <sup>1)</sup>	<b>14.1%</b> ROCE <sup>1)</sup>
The circular economy business offers several infra-like features with an established position: 68% long-term contracted sales, diversified customer base with ca. 140,000 customers, and over 1 million tons of treated waste annually		

### Established Operations in Finland and Sweden



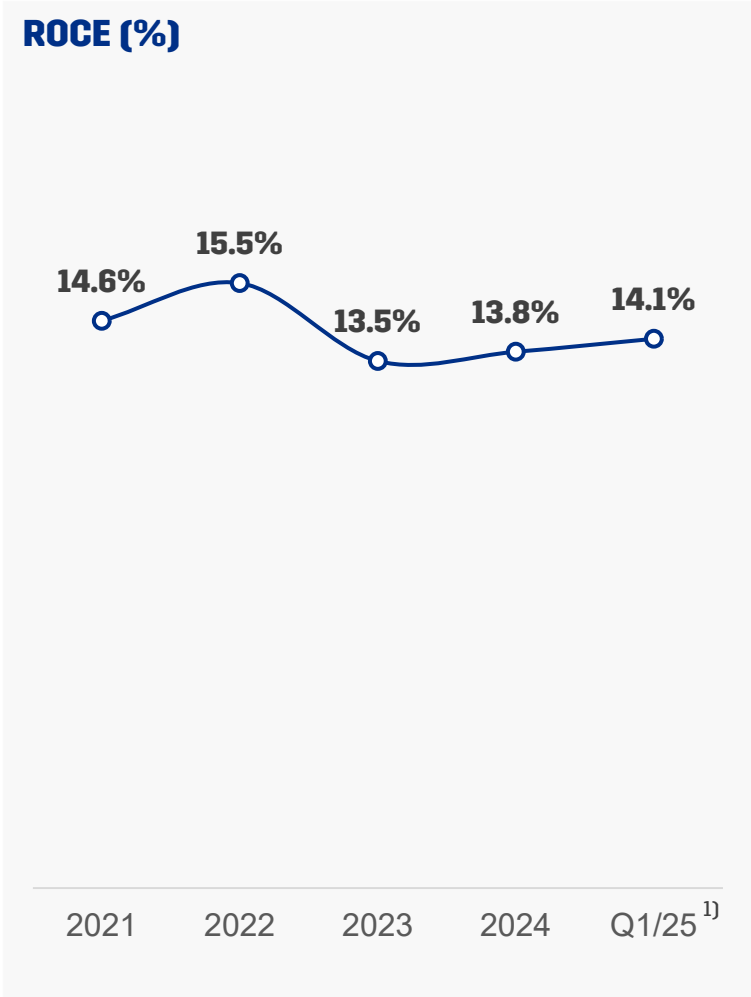
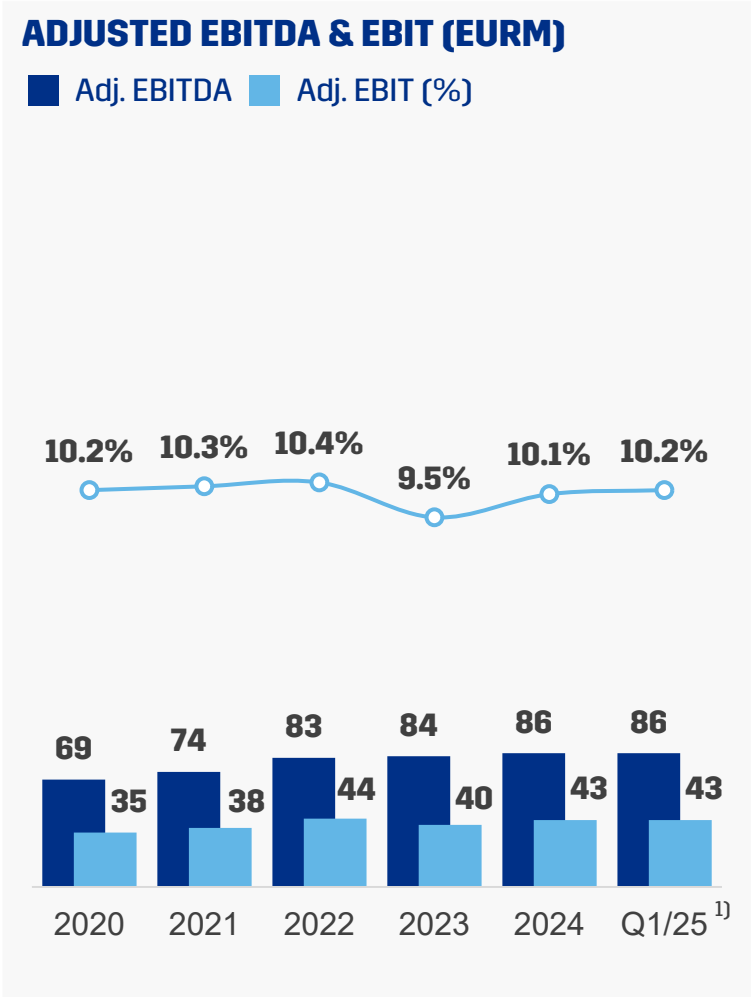
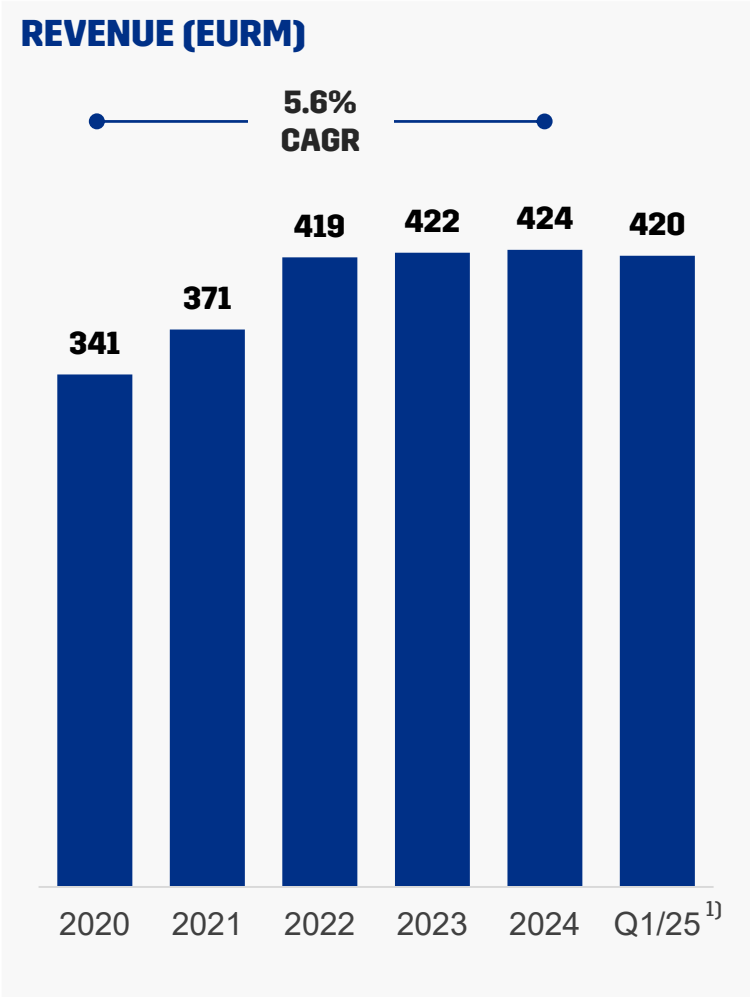
## MARKET HIGHLIGHTS<sup>2)</sup>

	Environmental services	Industrial services
L&T POSITION IN CURRENT MARKET	<b>#1</b>	<b>#1-2<sup>3)</sup></b>
RELEVANT MARKET SIZE (BEUR)	<b>~2.0</b>	<b>~1.1</b>
ANNUAL MARKET GROWTH	<b>0-3%</b>	<b>2-5%</b>

1) Q1 2025 LTM, 2) Management estimates; 3) In Finland



# CIRCULAR ECONOMY BUSINESS – KEY FINANCIALS



<sup>1)</sup> Last twelve months; Note: all figures excluding non-allocated Group costs, Renewable energy sources and Russia. Parent company cost allocations to segments not necessarily in line with final carve-out allocations

# KEY CREDIT HIGHLIGHTS



**WE MAKE  
CIRCULAR  
ECONOMY A  
REALITY**

**L&T CIRCULAR ECONOMY BUSINESS IS A MARKET LEADER IN FINLAND AND AN EMERGING PLAYER IN SWEDEN WITH AN ATTRACTIVE FULL-SERVICE OFFERING**

1

**L&T is a Nordic circular economy service provider with a full-service offering**

2

**L&T has strong performance and a leading position in Finland—with further growth potential across segments and in Sweden**

3

**The circular economy business offers several infra-like features with resilient margins and high barriers to entry**

4

**Track-record of strong top-line growth while maintaining high margins, with a healthy balance sheet**

5

**L&T's core segments are underpinned by stable and predictable volumes**

6

**Waste is increasing in value, and L&T is uniquely positioned to capture the opportunity**

7

**Identified and tangible efficiency program expected to boost profitability in the upcoming years**

8

**Several identified growth pockets, especially within recycled materials, offering attractive outlook**

**L&T HAS A RESILIENT BUSINESS MODEL FEATURING LONG-TERM CONTRACTS AND STABLE, ASSET-BACKED CASH FLOWS**

**THE UNDERLYING MARKET VOLUMES ARE STABLE AND INCREASING IN VALUE WITH STRONG SUSTAINABILITY AGENDA**

**MULTIPLE GROWTH AVENUES IDENTIFIED FOR SUBSTANTIAL VALUE CREATION OPPORTUNITIES**

Source: Management estimates



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# SUSTAINABILITY-LINKED BOND; PROGRESS IN KPIS

## KPI 1: Scopes 1 and 2 GHG emissions (gCO2e/km driven)

SPT 1		2018 baseline	2019	2020	2021	2022	2023	2024	2027 target
Reduce Scope 1 and 2 GHG emissions by 37.5% per km by the end of 2027 from the base year 2018	<b>gCO2e/km</b>	<b>952</b>	867	818	771	701	613	556	
	<b>Δ from baseline</b>		-8.9%	-14.1%	-19.0%	-26.4%	-35.6%	-41.6%	<b>-37.5%</b>

## KPI 2: Scope 3 GHG emissions (from contractor fuel consumption)

SPT 2		2018	2019	2020 baseline	2021	2022	2023	2024	2027 target
Reduce fuel emissions from contracted work-related transportation by 21% by end of 2027 from a 2020 baseline	<b>tCO2e</b>	15.30	14.30	<b>16.60</b>	16.70				
	<b>tCO2e</b>			<b>20.50<sup>1)</sup></b>	18.80	19.75	21.30	20.97	
	<b>Δ from baseline</b>				-8.3%	-3.7%	+3.9%	+2.3%	<b>-21%</b>

## Bond characteristics

Depending on L&T's performance versus the applicable SPTs, the redemption price of the bond may increase by 37.5bps for each SPT L&T fails to meet

1) The distribution obligation for renewable transport fuel was reduced by 7.5 percentage points in July 2022. Therefore, the baseline for KPI 2 was adjusted with the refined emission factor.







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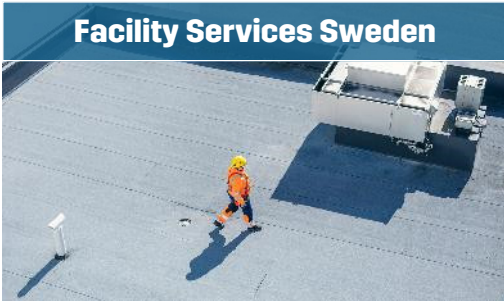
# OVERVIEW OF FACILITY SERVICES BUSINESS

## FACILITY SERVICES BUSINESS OVERVIEW



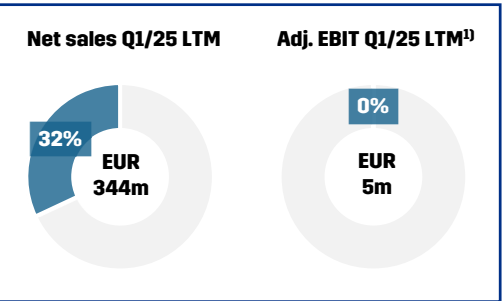
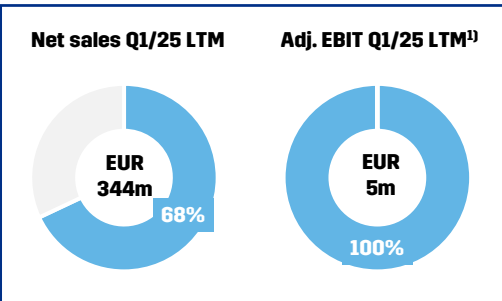
Facility Services Finland

The Facility Services Finland segment offers cleaning and other support services for properties, as well as property maintenance and technical services, including energy management services



Facility Services Sweden

The Facility Services Sweden segment provides cleaning and support services for properties, as well as technical property services



### Highlights

Headcount  
~5,000

Cleaning premises  
~50

Technical services  
premises  
~90

## MARKET HIGHLIGHTS<sup>2)</sup>

	Facility Services FI	Facility Services SE
L&T POSITION IN CURRENT MARKET	#2-4 <sup>3)</sup>	#4-5 <sup>4)</sup>
RELEVANT MARKET SIZE (BEUR)	~5.5	~5.0
ANNUAL MARKET GROWTH	2-4%	3-5%

1) Adjusted EBIT in Finland EUR 12m and in Sweden EUR (7)m; 2) Management estimate; 3) Excluding technical services; 4) Facility management

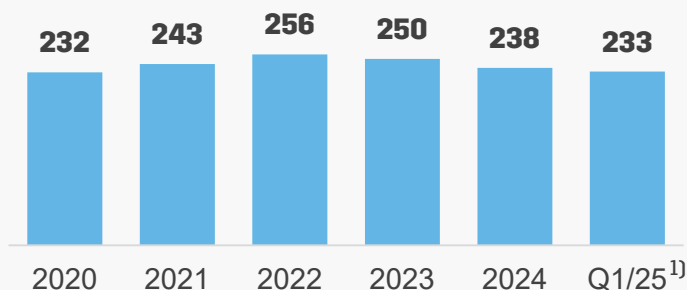


# FACILITY BUSINESSES – KEY FINANCIALS

## REVENUE (EURM)

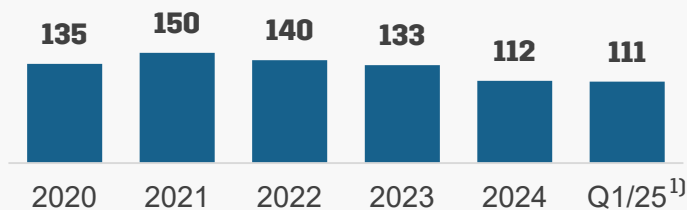
### Finland

0.6%  
CAGR



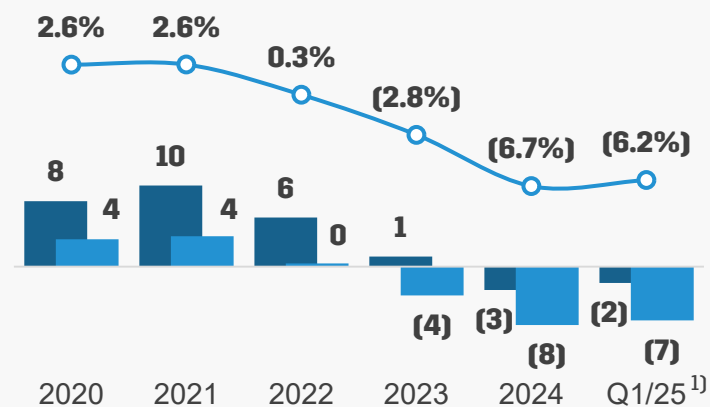
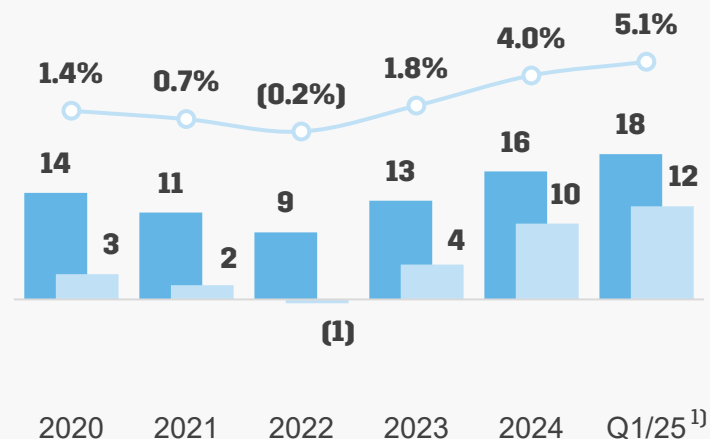
### Sweden

(4.6%)  
CAGR

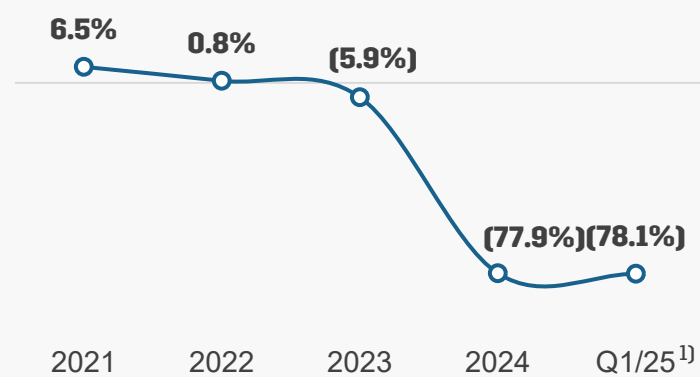
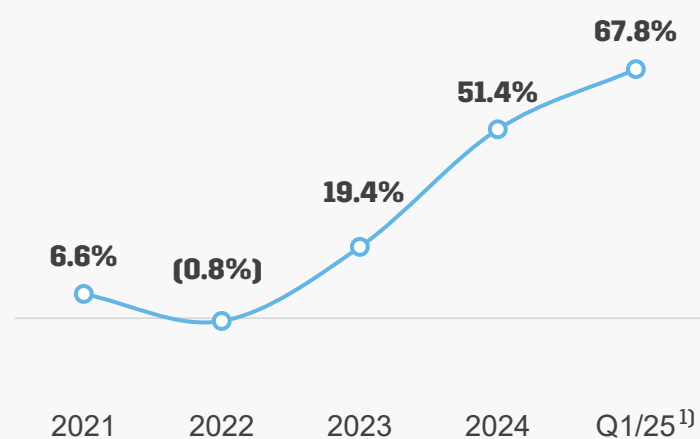


■ Adj. EBITDA ■ Adj. EBIT (%)

## ADJUSTED EBITDA & EBIT (EURM)



## ROCE (%)



1) Last twelve months; Note: all figures excluding eliminations and non-allocated Group costs. Parent company cost allocations to segments not necessarily in line with final carve-out allocations

# KEY CREDIT HIGHLIGHTS



**THE MOST  
SUSTAINABLE  
PARTNER FOR  
THE WHOLE  
LIFETIME OF  
CUSTOMER'S  
FACILITY**

**NORDIC FACILITY SERVICES PLATFORM  
COVERING THE WHOLE OF FINLAND AND  
SWEDEN WITH A WIDE RANGE OF  
SERVICES**

1

**A leading Facility Services provider in the Nordics with #2-5 market position across services**

2

**Comprehensive service offering with the ability to provide holistic one-stop-shop solutions for clients**

3

**Non-cyclical market expected to continue on the stable growth trajectory**

4

**Further tailwinds from increased sustainability and climate change mitigation**

5

**Stable business model based on contracted revenues with high cash generation potential**

6

**Underlying profit potential with extensive turnaround already bearing fruit, supported by a clean balance sheet**

7

**FRESH START FOR THE ENTITY –  
POSITIONED TO DELIVER SUSTAINABLE  
CASH FLOW**

**Efficiency actions leading to an improved operating model geared for growth, capitalizing on current industry trends**

Source: Management estimates



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**THANK YOU**



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