



# LASSILA & TIKANOJA INTERIM REPORT Q1 2019

Eero Hautaniemi, President and CEO

Juha Jaatinen, Acting CFO

26 April 2019

Q1 2019

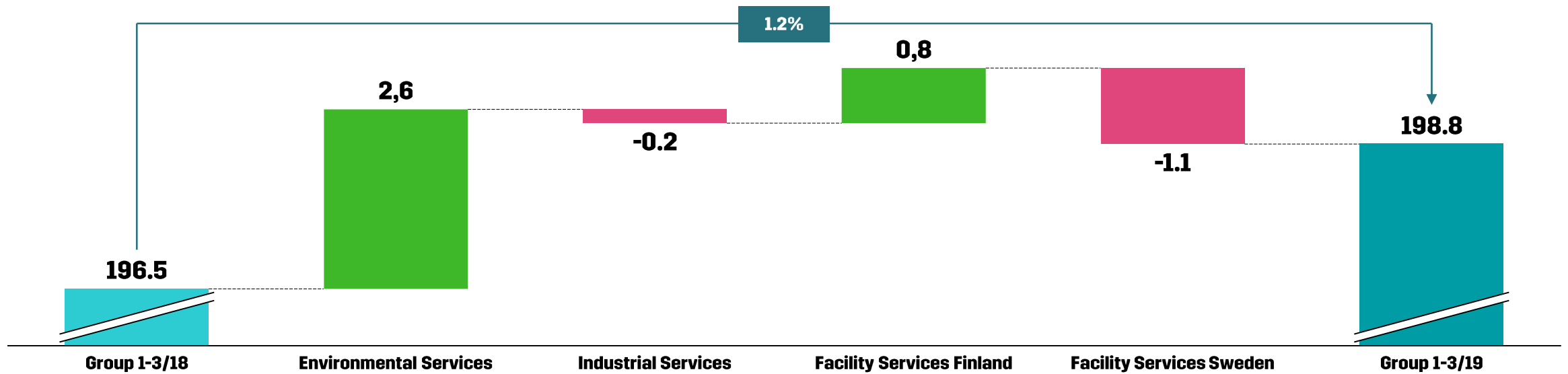
## HIGHLIGHTS

- Lassila & Tikanoja's net sales increased by 1.2%.
- Operating profit was EUR 0.7 million, which was substantially lower than in the comparison period (3.7).
- The net sales and operating profit in Environmental Services, Industrial Services and Facility Services Sweden were on par with the previous year.
- The operating profit of Facility Services Finland was weighed down by implementation of the new operating model in technical services and high snowfall related costs in property maintenance.



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# NET SALES

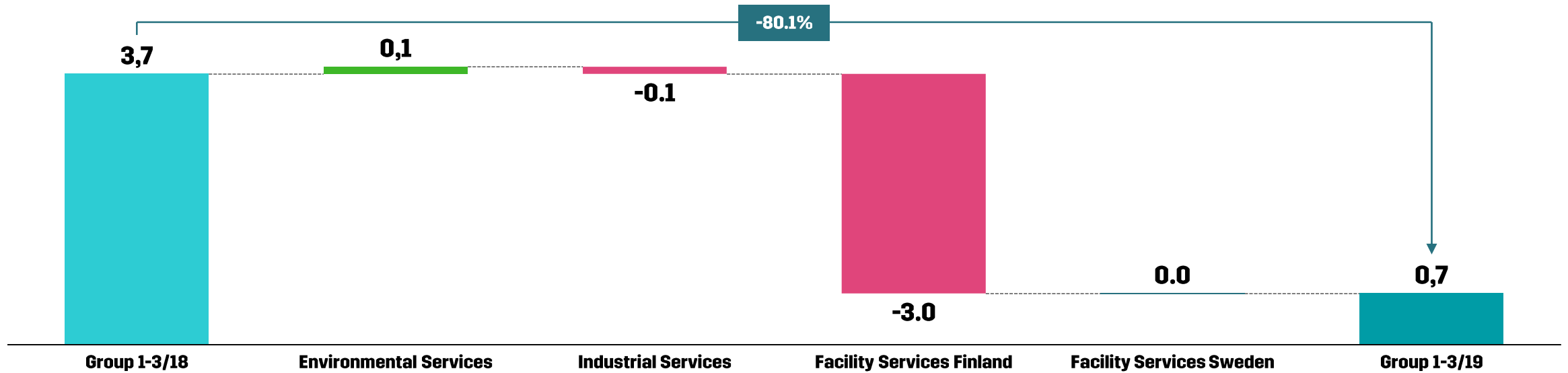


EUR million	Q1/19	Q1/18	Change%	2018
Environmental Services	<b>79.6</b>	77.0	3.4	<b>309.4</b>
Industrial Services	<b>19.0</b>	19.2	-0.9	<b>96.5</b>
Facility Services Finland	<b>69.5</b>	68.6	1.2	<b>269.6</b>
Facility Services Sweden	<b>32.1</b>	33.3	-3.4	<b>134.0</b>
L&T Group	<b>198.8</b>	196.5	1.2	<b>802.2</b>



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# OPERATING PROFIT



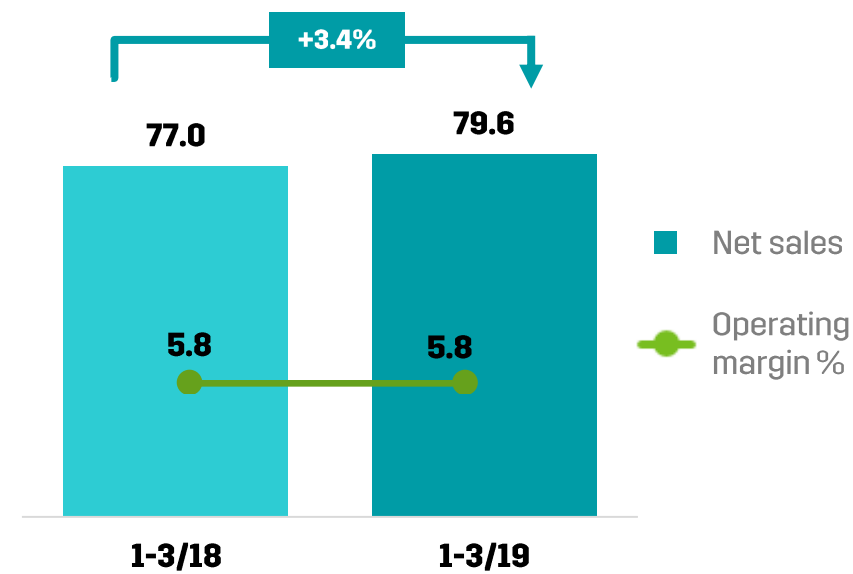
EUR million	Q1/19	Q1/18	Change%	2018
Environmental Services	4.6	4.5	3.3	31.6
Industrial Services	0.3	0.4	-19.6	10.0
Facility Services Finland	-3.5	-0.6	-535.0	5.2
Facility Services Sweden	0.7	0.7	-6.3	4.2
L&T Group	0.7	3.7	-80.1	47.6



# ENVIRONMENTAL SERVICES

- ◆ Demand remained good particularly in the retail and industrial segments.
- ◆ Operating profit was burdened by a shortage of drivers, challenging weather conditions and fuel costs.
- ◆ In the renewable energy sources business, wood delivery volumes were at a good level.

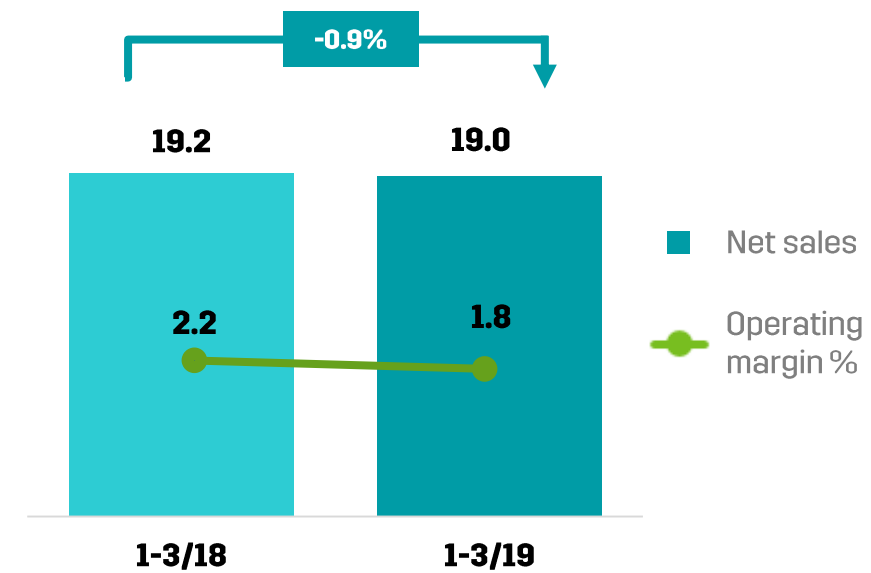
EUR million	Q1/19	Q1/18	Change%	2018
Net sales	<b>79.6</b>	77.0	3.4	<b>309.4</b>
EBITDA	<b>10.8</b>	9.6		<b>52.1</b>
Operating profit	<b>4.6</b>	4.5	3.3	<b>31.6</b>
Operating margin, %	<b>5.8</b>	5.8		<b>10.2</b>



# INDUSTRIAL SERVICES

- ◆ Demand remained good particularly in the project business.
- ◆ Projects were postponed due to challenging weather conditions particularly in Northern Finland.

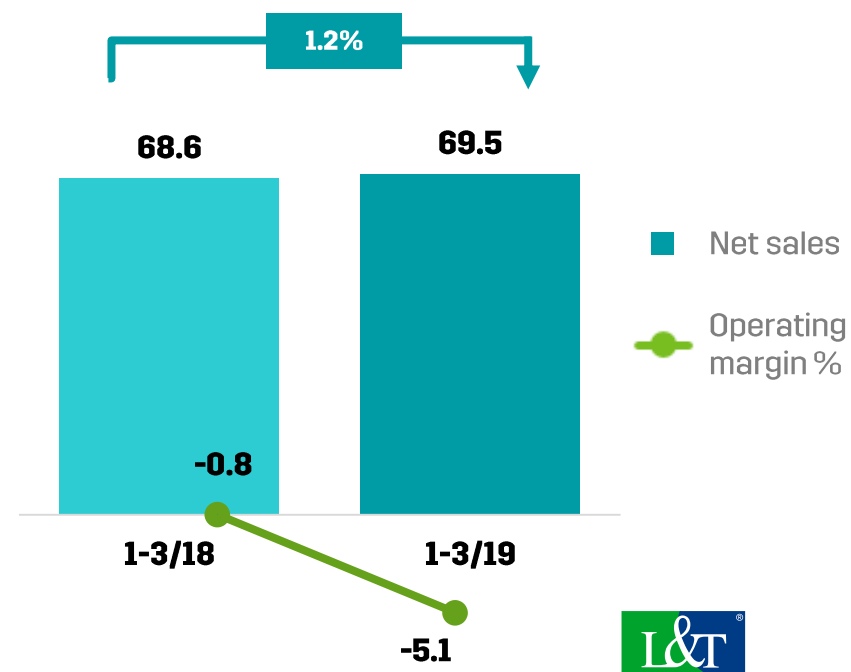
EUR million	Q1/19	Q1/18	Change%	2018
Net sales	<b>19.0</b>	19.2	-0.9	<b>96.5</b>
EBITDA	<b>2.6</b>	2.2		<b>17.5</b>
Operating profit	<b>0.3</b>	0.4	-19.6	<b>10.0</b>
Operating margin, %	<b>1.8</b>	2.2		<b>10.4</b>



# FACILITY SERVICES FINLAND

- ◆ The operating profit was substantially lower than in the comparison period.
  - ◆ Problems in the implementation of the new operating model in technical services in Finland.
  - ◆ In property maintenance business, the high snowfall increased net sales but weakened operating profit.
  - ◆ Contract portfolio of the cleaning business was lower, which had a negative impact on net sales and operating profit.

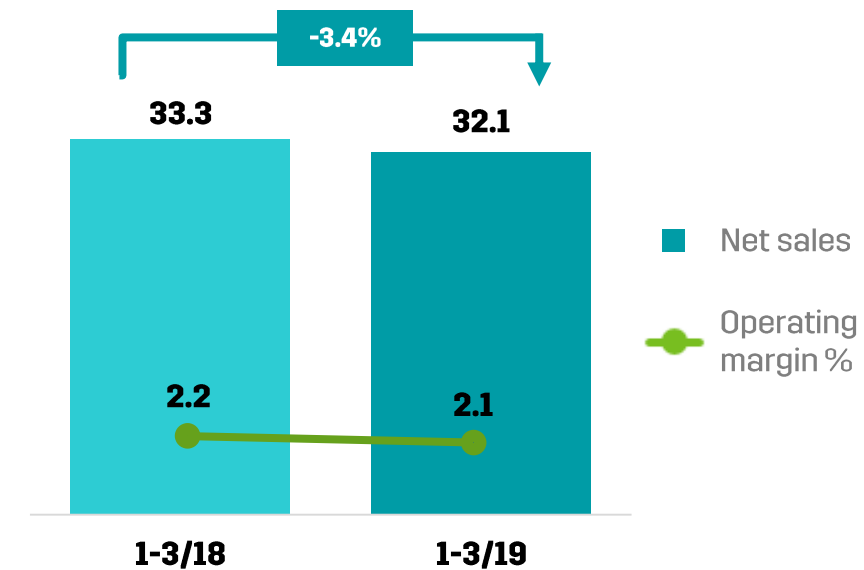
EUR million	Q1/19	Q1/18	Change%	2018
Net sales	<b>69.5</b>	68.6	1.2	<b>269.6</b>
EBITDA	<b>0.1</b>	2.4		<b>17.2</b>
Operating profit	<b>-3.5</b>	-0.6	-535.0	<b>5.2</b>
Operating margin, %	<b>-5.1</b>	-0.8		<b>1.9</b>



# FACILITY SERVICES SWEDEN

- ◆ The demand for maintenance of technical systems was strong in Sweden but sales growth was slowed down by labour shortage.

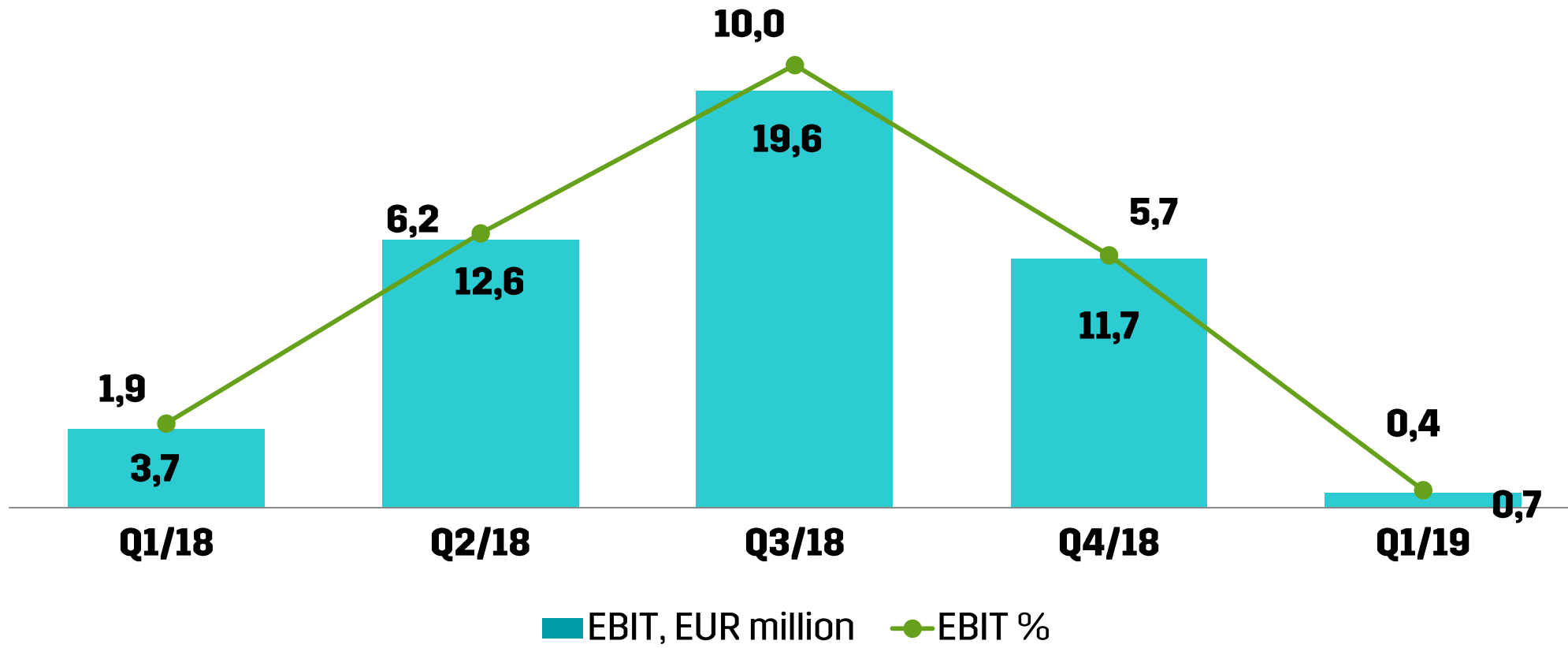
EUR million	Q1/19	Q1/18	Change%	2018
Net sales	<b>32.1</b>	33.3	-3.4	<b>134.0</b>
EBITDA	<b>2.2</b>	1.4		<b>6.8</b>
Operating profit	<b>0.7</b>	0.7	-6.3	<b>4.2</b>
Operating margin, %	<b>2.1</b>	2.2		<b>3.1</b>





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# OPERATING PROFIT

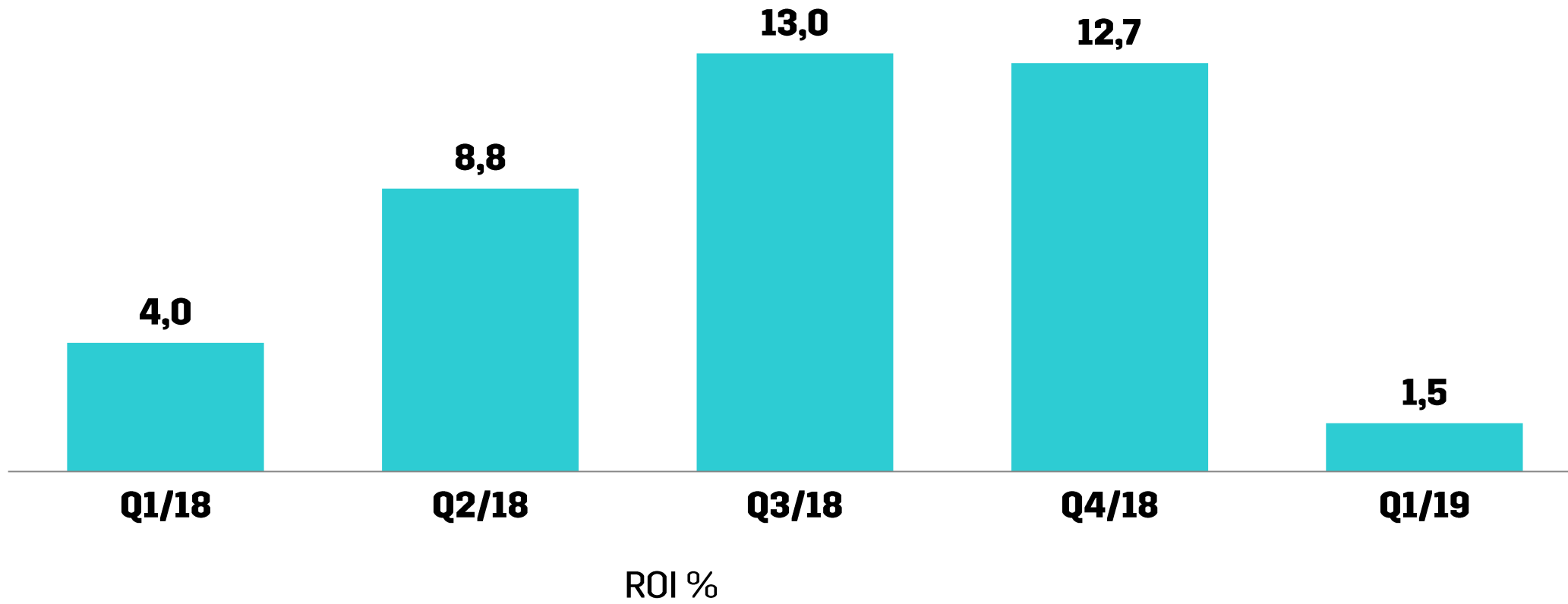


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# RETURN ON INVESTMENT



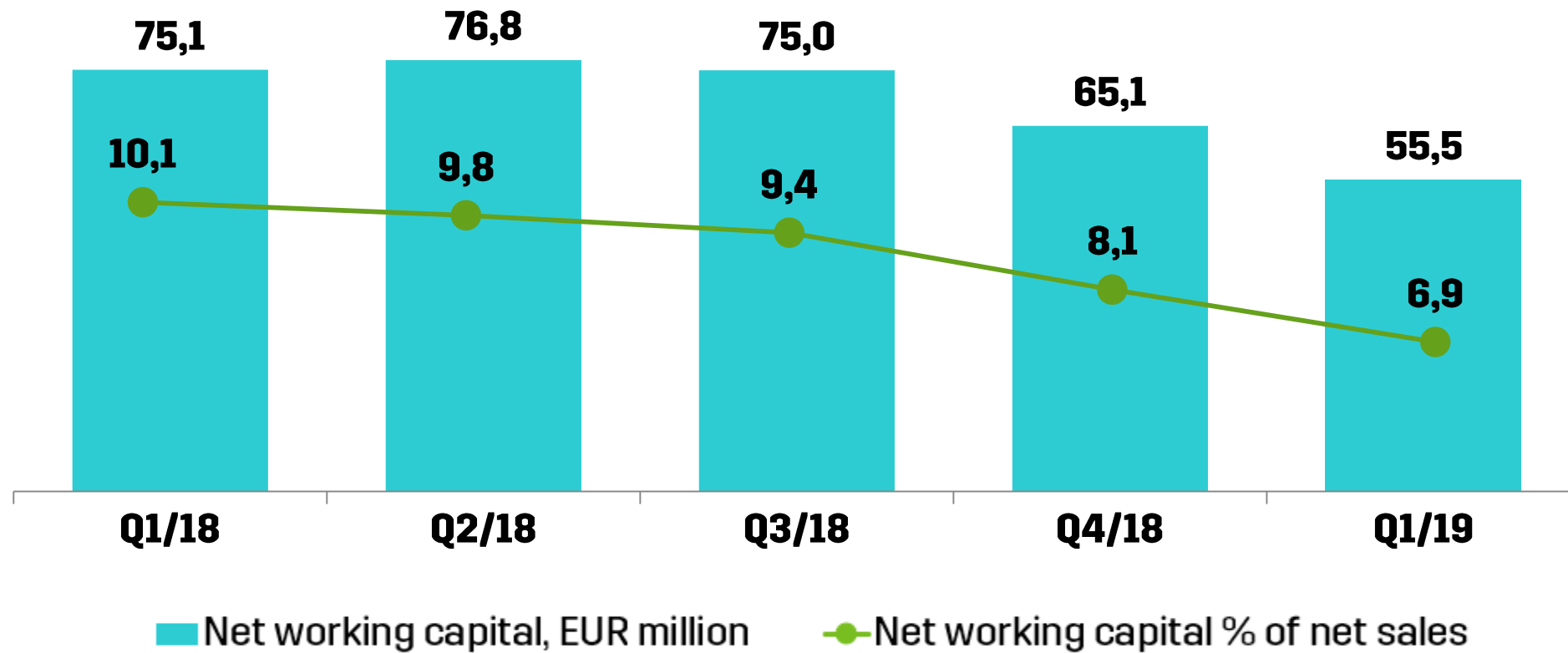
The return on investment declined compared to the previous year due to lower profitability and IFRS 16. IFRS 16 increased opening balance sheet debt by EUR 53.9 million.



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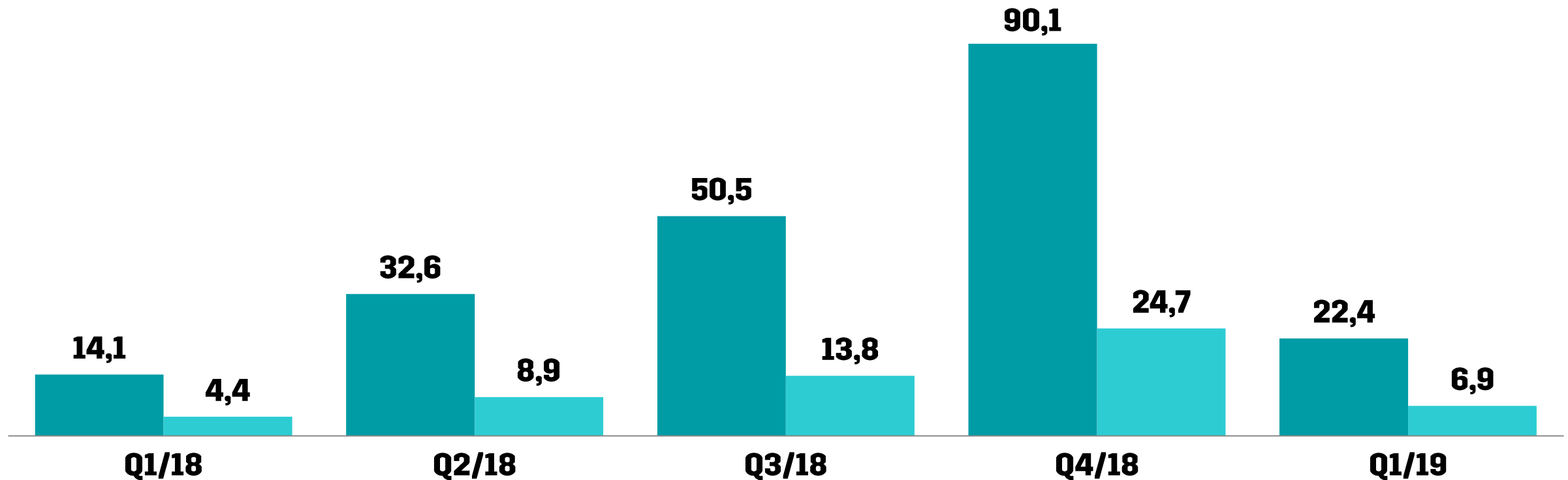
# NET WORKING CAPITAL

Net working capital % has decreased six quarters in a row.



Q1 2019

# CASH FLOW AND INVESTMENTS



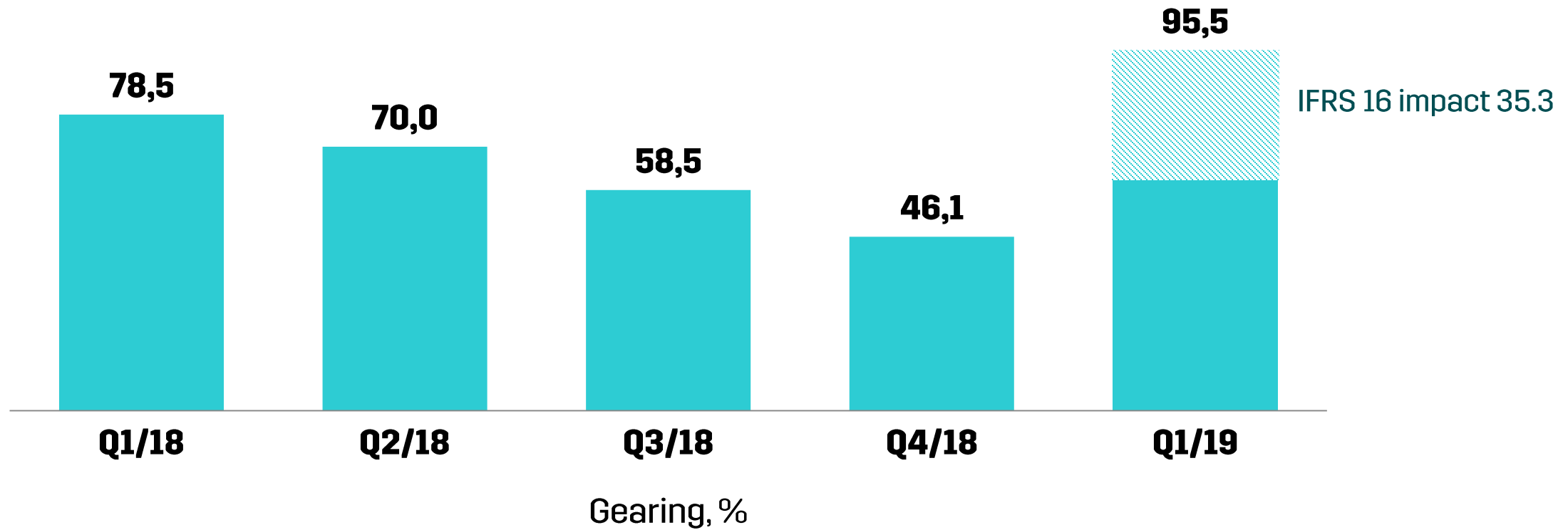
- Net cash from operating activities, cumulative, EUR million
- Net cash used in investment activities, cumulative, EUR million



Q1 2019

# GEARING

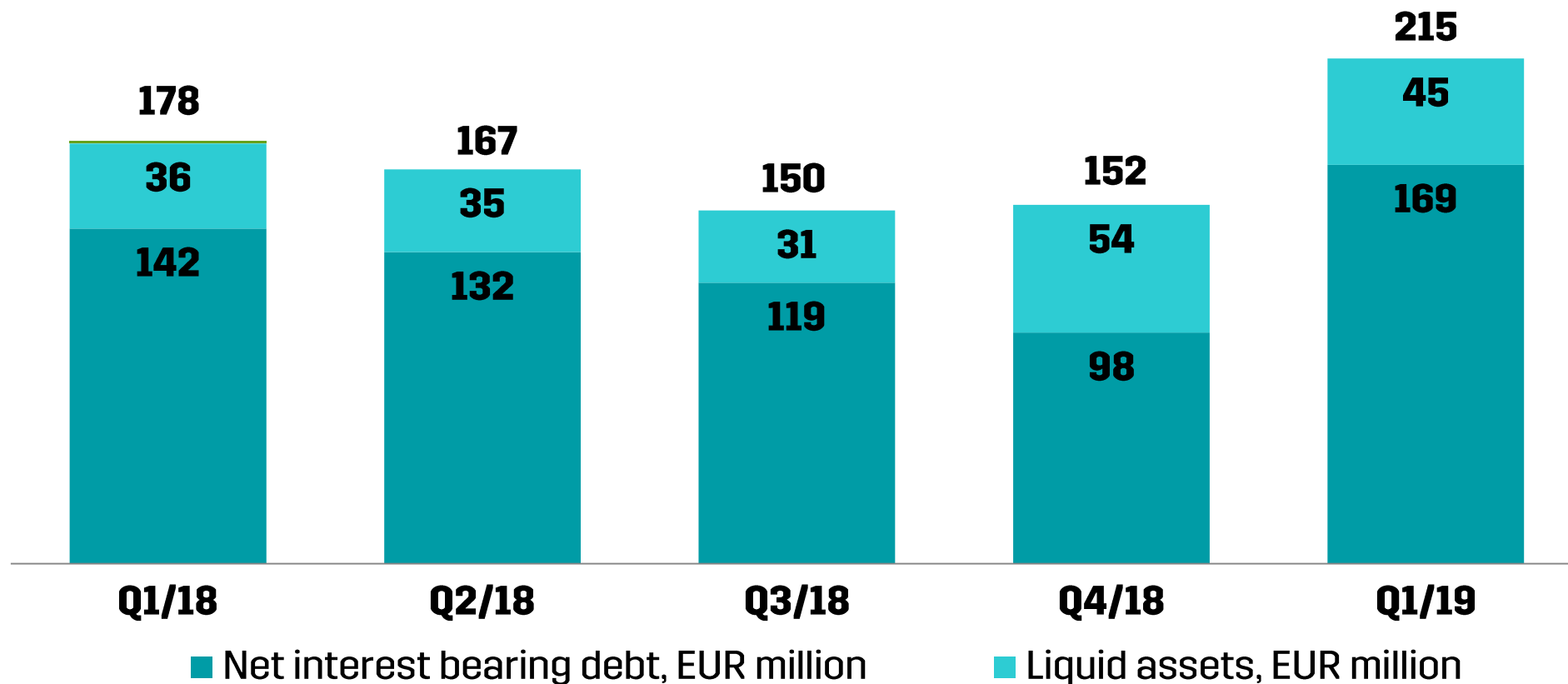
Gearing % increased from the comparison period mainly due to IFRS 16.



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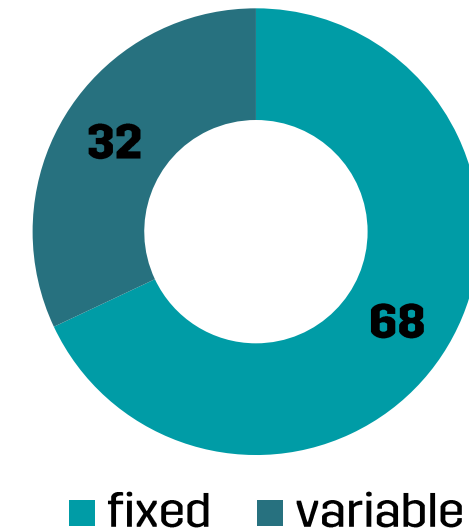
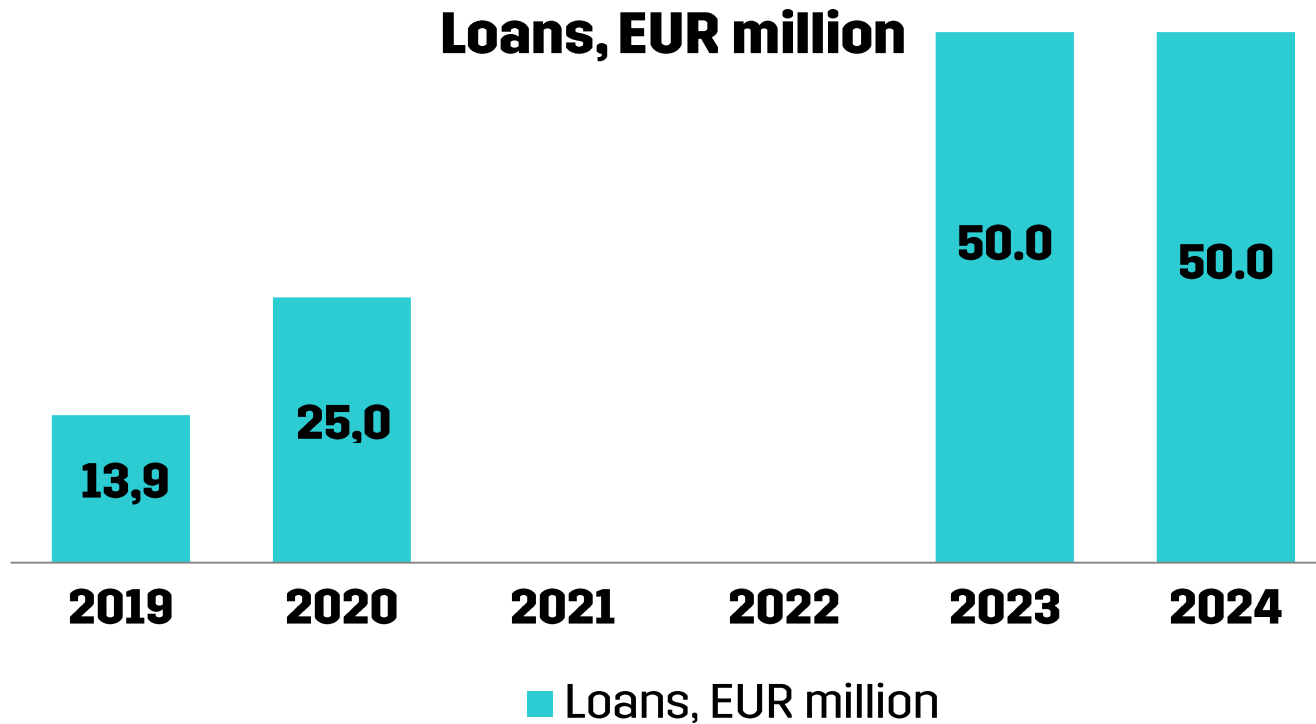
# INTEREST BEARING DEBT

Net interest-bearing debt increased mainly due to IFRS 16 adoption. The change increased balance sheet debt by EUR 53.8 million.



# MATURITY STRUCTURE OF LOANS

In 2019 loan payments due EUR 13.9 million.



Weighted average of effective interest rate 1.1 %

Q1 2019

## OUTLOOK FOR THE YEAR 2019

All of Lassila & Tikanoja's divisions, except Facility Services Finland, have a good outlook for 2019. The net sales and operating profit of Facility Services Finland are expected to decrease compared to 2018 due to costs related to the implementation of the new operating model and decrease in the division's contract base.

Lassila & Tikanoja's full-year net sales and operating profit in 2019 are expected to be on par with 2018. The outlook does not take into account the impact of the divestment of L&T Korjausrakentaminen Oy.

This estimate was included in the Interim Report released on 26th April 2019.



# CONTACTS



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Q1 2019

# KEY FIGURES

## NET SALES



Environmental Services **40%**  
 Facility Services Finland **35%**  
 Facility Services Sweden **16%**  
 Industrial Services **9%**

	Q1/19	Q1/18	Change %	2018
Net sales, EUR million	<b>198.8</b>	196.5	1.2	<b>802.2</b>
EBITDA	<b>14.4</b>	14.3		<b>90.1</b>
Operating profit, EUR million	<b>0.7</b>	3.7	-80.1	<b>47.6</b>
Operating margin, %	<b>0.4</b>	1.9		<b>5.9</b>
EVA, EUR million	<b>-5.3</b>	-2.2	143.5	<b>24.0</b>
Earnings per share, EUR	<b>0.01</b>	0.06	-78.6	<b>0.89</b>

Q1 2019

## KEY FIGURES

	Q1/19	Q1/18	Change%	2018
Capital expenditure, EUR million	<b>9.3</b>	8.2	13.7	<b>37.8</b>
Depreciation, amortisation and impairment, EUR million	<b>13.6*</b>	10.6	28.8	<b>42.5</b>
Net cash from operating activities, EUR million	<b>22.4</b>	14.1	58.8	<b>90.1</b>
Return on equity (ROE), %	<b>1.0</b>	4.4		<b>15.8</b>
Return on investment (ROI), %	<b>1.5</b>	4.0		<b>12.7</b>
Equity ratio, %	<b>30.1</b>	33.5		<b>38.6</b>
Gearing, %	<b>95.5</b>	78.5		<b>46.1</b>
Total number of employees at the end of the period	<b>8,728</b>	8,513		<b>8,600</b>

*\*IFRS 16 impact EUR 3.0 million*



**L&T IN BRIEF**

# L&T YEAR 2018

## NET SALES BY DIVISION



- **ENVIRONMENTAL SERVICES 33 %**  
Waste management, recycling services and environmental management
- **INDUSTRIAL SERVICES 12 %**  
Process cleaning, environmental construction, sewer maintenance and hazardous waste management
- **FACILITY SERVICES 32 %**  
Cleaning and support services, property maintenance and renovation business
- **TECHNICAL SERVICES 18 %**  
Maintenance of technical systems
- **RENEWABLE ENERGY SOURCES 5 %**  
Forest services

## OUR RECYCLING RATE



In 2018, L&T reused or recycled

**500,000**

tonnes of the materials collected from customers. Recycling helped customers save a total of 3.4 million tonnes of wood and 75,000 tonnes of oil.

## OUR CARBON HANDPRINT

L&T's carbon handprint, or the emission reductions for customers created by L&T's operations, totalled approximately

**-1.2 MILLION**

CO<sub>2</sub> tonnes (eq.)

This corresponds to the annual emissions of approximately **120 000** Finns.

## NET SALES BY COUNTRY

- **FINLAND 82%**  
Environmental Services  
Facility Services  
Industrial Services  
Technical Services  
Renewable Energy Sources
- **SWEDEN 17%**  
Technical Services  
Facility Services
- **RUSSIA 1%**  
Environmental Services



## PERSONNEL BY COUNTRY



- Finland **80 %**
- Sweden **17 %**
- Russia **4 %**

## OUR TAX FOOTPRINT

We paid EUR

**185**

million in taxes.



This corresponds to the taxes paid by nearly 30,000 average Finnish earners.

## OUR OCCUPATIONAL SAFETY



In 2018, L&T employees reported

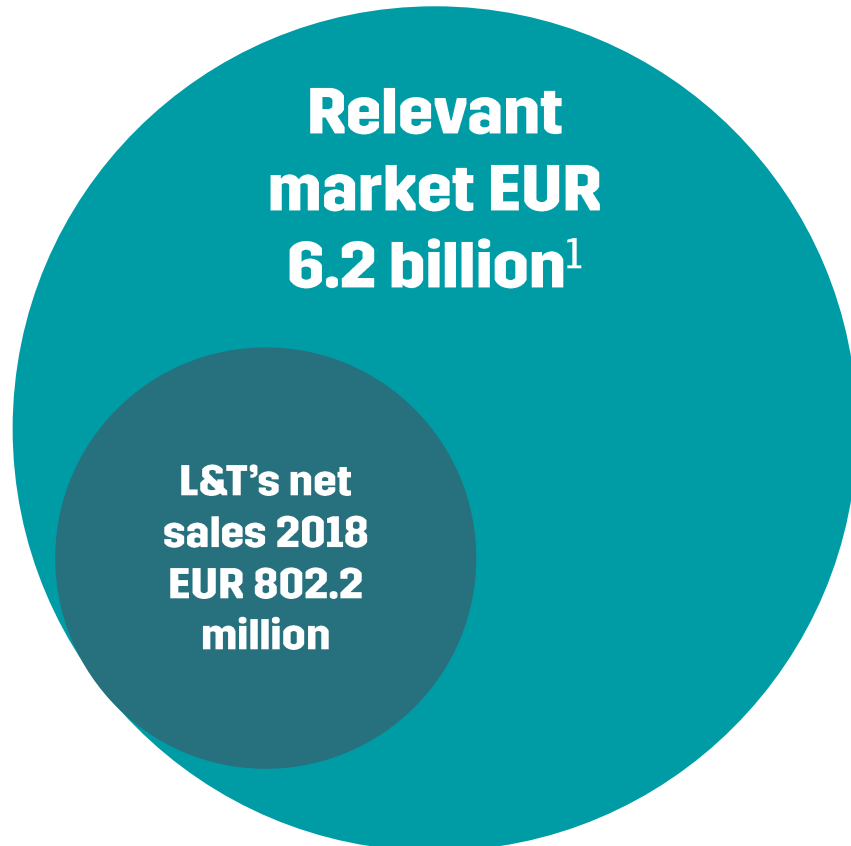
**32 000**

observations to improve safety. Our ultimate goal is zero accidents.



**OPERATING ENVIRONMENT**

# RELEVANT MARKET TOTALS EUR 6.2 BILLION AND IS GROWING AT 2.6% ANNUALLY



- ◆ The market is large and offers room for growth especially now as the Finnish GDP is growing fast
- ◆ The EUR 6.2 billion relevant market in Finland is expected to grow at a compound annual rate of ~2.6%<sup>2</sup> during the years 2017 – 2020
- ◆ Focus on strengthening market positions in the business segments
- ◆ A healthy balance sheet enables investments and business acquisitions, as also indicated by the recent Veolia FM AB acquisition in Sweden
- ◆ The relevant market size in Sweden is estimated at EUR 5.5 billion, mainly consisting of property cleaning, maintenance and technical services
  - ◆ The relevant Swedish market is expected to grow at ca. 3% annually

<sup>1</sup>Based on L&T's estimate and research data on the size of relevant markets in Finland. Outsourcing potential in municipal sector not included

<sup>2</sup>Company estimate. The net sales weighted average of market growth in different segments

# OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY FOR 2017 – 2020

## Changes in the operating environment

**Environment regulation tightens, ambition in climate change mitigation grows**

**Expected changes in the public sector governance and financing disrupts the market**

**Urbanization and demographic change continues, availability of labor decreases and changes focus**

**Digitalization disrupts business models and creates new demand**

**Property construction decreases and switches to renovation in the short term**

**Process industry continues strong, but GDP growth expected to rely more on consumers**

## Impact on L&T

Increased producer responsibility for waste as well as requirements for sustainability create business opportunities.

Outsourcing in the public sector increases business opportunity creation. Competition emerges from previously public operations.

Higher competition for labor demands focus on employee experience. New service opportunities emerge in growing cities.

Amount of recyclable fibers diminishes, but also new e-business opportunities emerge throughout the businesses.

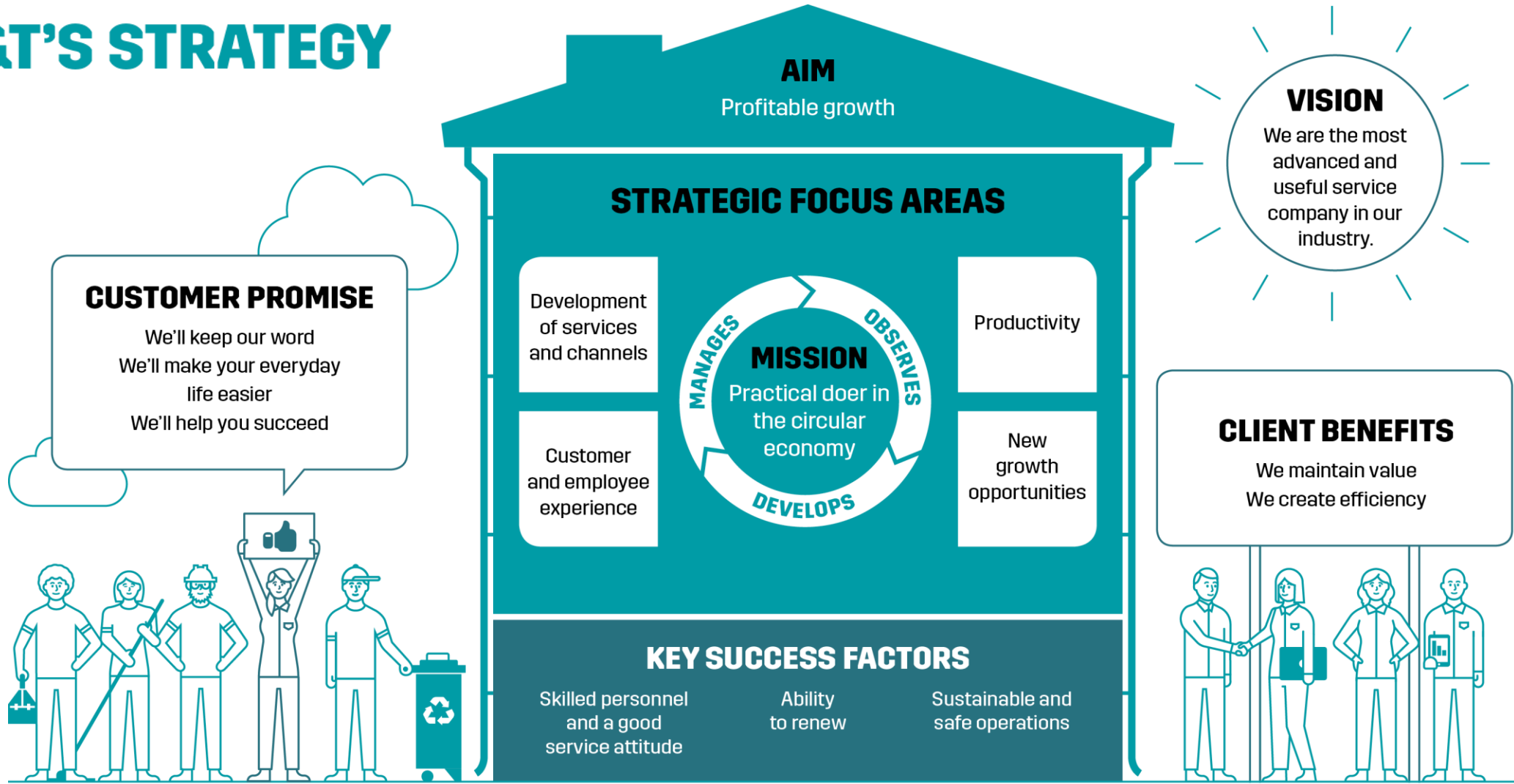
The amount of construction waste decreases and competition intensifies in renovation.

Industrial segment demand for support services stays strong, changes in consumption drive service needs and waste creation in retail.



# STRATEGY OVERVIEW

# L&T'S STRATEGY



## TRENDS

Transition of work life • Digitalisation • Servicisation • Urbanisation • Climate change • Diminishing natural resources

# L&T'S VALUE CREATION

## VALUE FOR THE ENVIRONMENT AND CLIMATE

Conserving natural resources.  
Mitigating climate change.  
Reducing environmental and health risks.

## VALUE FOR PERSONNEL

A safe workplace.  
Meaningful work.  
Retiring in good health.  
Career paths and competence development.



## VALUE FOR SOCIETY

Employment.  
Increased well-being.

## VALUE FOR CUSTOMERS

Material, energy and cost efficiency.  
Better conditions, more productive employees and more satisfied residents.  
Increased value of property and forest assets.

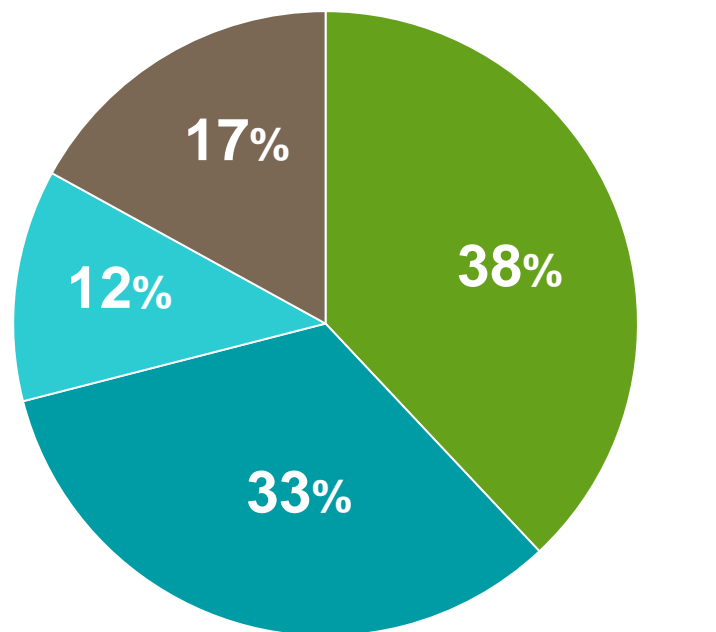
## VALUE FOR SHAREHOLDERS

Sustainable growth of the company's financial value.  
Stable dividend yield.

# **BUSINESS SEGMENTS**

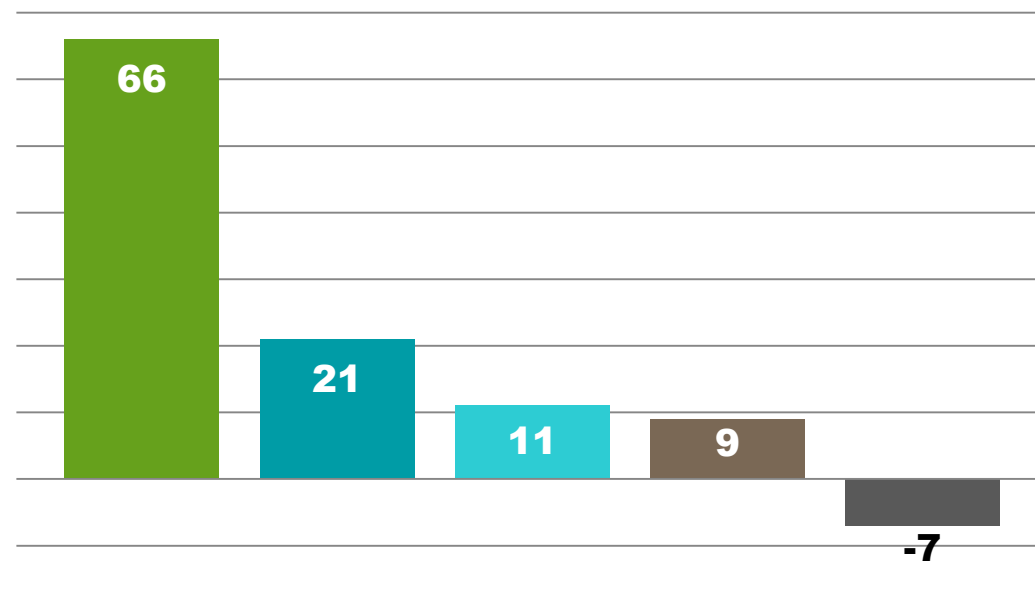
# NET SALES AND OPERATING PROFIT BY DIVISION 2018

Net sales



- Environmental Services
- Facility Services Finland
- Industrial Services
- Facility Services Sweden

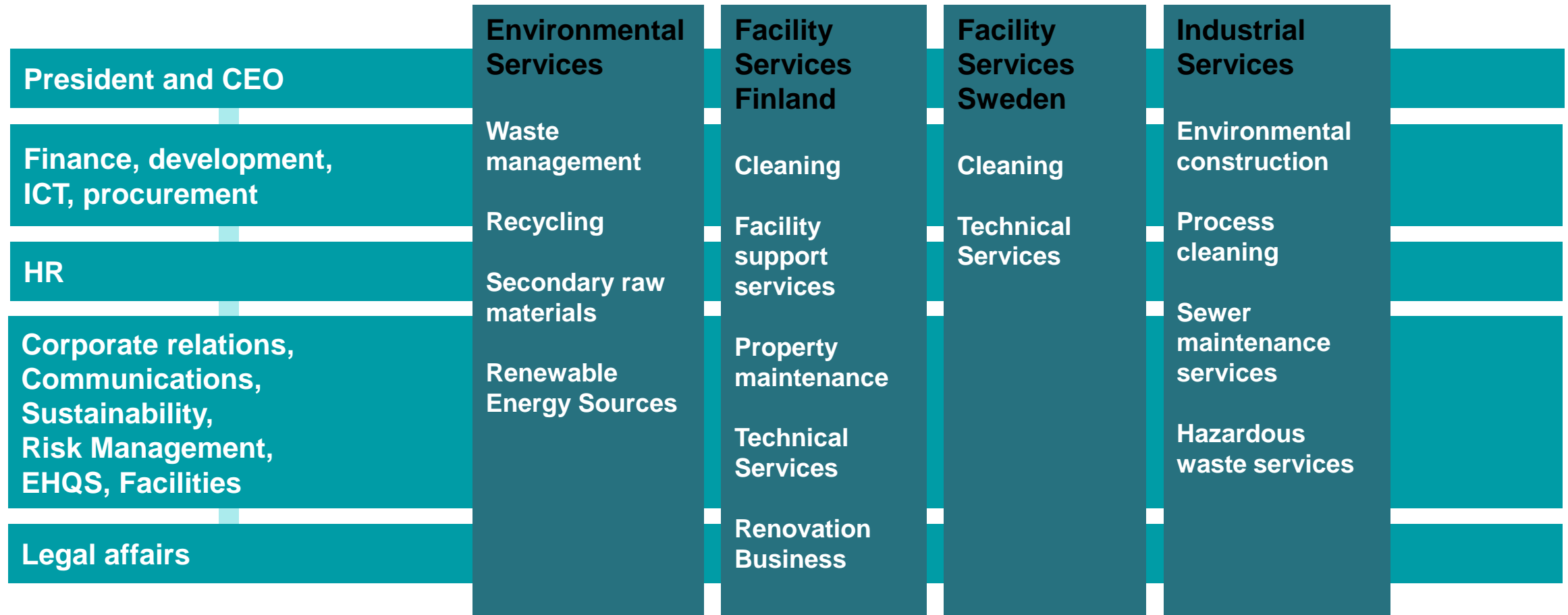
Operating profit, % of Group total



- Environmental Services
- Facility Services Finland
- Administration and other
- Industrial Services
- Facility Services Sweden



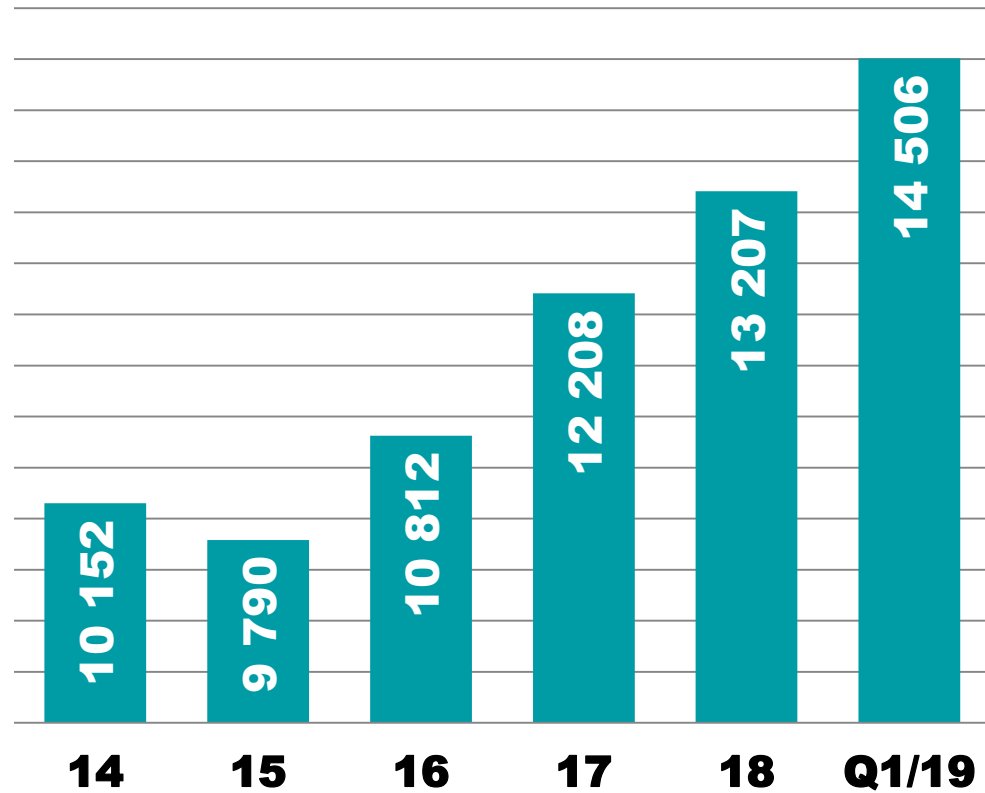
# L&T'S ORGANISATION 2019



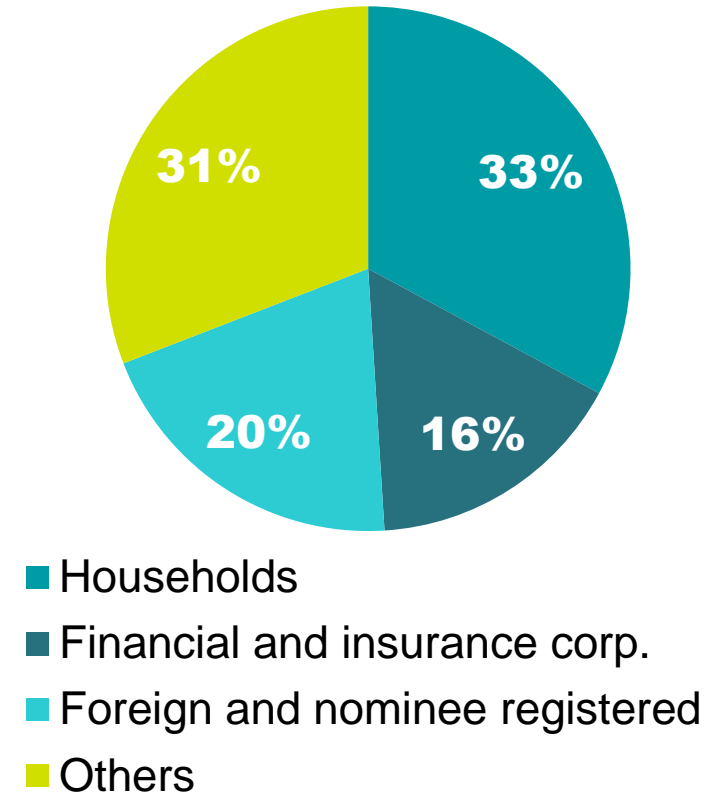
**SHAREHOLDERS**

# SHAREHOLDER STRUCTURE

## Number of shareholders



## Shareholder structure





# MAJOR SHAREHOLDERS AT 31 MARCH 2019

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	<b>6.22</b>
Mandatum Life Insurance Company Limited	2,361,474	<b>6.09</b>
Nordea Investment Funds	1,717,410	<b>4.43</b>
Maijala Juhani	1,529,994	<b>3.94</b>
Elo Mutual Pension Insurance Company	1,405,375	<b>3.62</b>
Stiftelsen för Åbo Akademi	949 482	<b>2.45</b>
Ilmarinen Mutual Pension Insurance Company	934,836	<b>2.41</b>
Bergholm Heikki	831,116	<b>2.14</b>
Maijala Mikko	720,000	<b>1.86</b>
Turjanmaa Kristiina	529,200	<b>1.36</b>

Ownership structure / sector	Shares	%
Nominee-registered shares	7,645,731	<b>19.71</b>
Number of shares	38,798,874	<b>100.00</b>
Number of shareholders	14,506	

*According to Kabouter Management LLC's notification, its holding in Lassila & Tikanoja increased to 7.53 % and 2,923,238 shares (nominee-registered). Stock exchange release on the change in shareholding was published on 4 July 2017.*





**SMARTER, MORE EFFICIENT  
AND SAFER PURSUING  
PROFITABLE GROWTH**