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PRESENTATION

Essi Nikitin
Good morning everyone and welcome to YIT's First Quarter 2025 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 CFO Tuomas Mäkipeska. Without further ado, I will hand over to Heikki. Please go ahead.

Heikki Vuorenmaa
Thank you, Essi, and good morning to you all. Let me start with the key highlights from our first quarter results. Our adjusted operating profit increased in all segments. The residential CEE apartment sales increased and the market remained favorable in all operating countries. In Finland, residential profitability improved due to a favorable sales mix and that market is recovering as we have expected. All segments also contributed to our profitability improvement and the benefits of our transformation program are already visible across our operations. So overall, a solid start for the year.

But let's dive into the more details and we start with the overview of our financial performance. The group adjusted operating profit improved from negative €14 million to positive €8 million due to profitability improvements across all the segments. The group revenue decreased by 6% from the previous year, amounting to €386 million in the first quarter. Revenue increased in both Residential CEE and Infrastructure segments, while Building Construction and Residential Finland revenue declined compared to the previous year. When we look at profitability improvement, the efficiency gains from the transformation program were a common factor on that. Although that only partially accounts and explains the profitability improvement year-on-year.

I will go through further details on the following pages and we will start with our residential operations in Finland. So during the first quarter our revenue continued to decline to €80 million -- €81 million due to lower production volumes and sales during the quarter. The market conditions over the past two years has impacted two new project starts as well as investor products, with both impact negatively to the segment's revenue. While the segment's profitability improved by €6 million from the comparison period, it remained still negative €1 million during the quarter. Profitability improvement is connected to internal efficiencies and to our improved sales mix. The capital employed continues on a declining trend as inventory of unsold apartments is declining according to our expectations. Just to remind that fundaments are in place in this segment to reach the set targets as the market returns back on normal level.

Our inventory of completed apartments continues to decline. At the end of the first quarter, total amount of unsold inventory amounted to 682 units, of which 70% is located in the capital area. And as the demand in the capital area is now improving, the declining trend on inventory will continue in the coming quarters. We remain confident that the inventory level will normalize during 2025. We also had a new start during the Q1 as we launched new project in Espoo, Finland. This project is actually first in the capital area since 2023 and as such, a signal of improved demand on the region.

As a segment we have a clear plan for the new project starts during 2025 and the pre-marketing is ongoing for many new projects already. On the right-hand side you can see the graph which summarizes the development of demand, supply and inventory over the past two years. Our inventory has now declined for the past five quarters as the sales volumes have increased and the number of new starts has been on the historically low level. This picture also clearly illustrates the headwinds Residential Finland segment has had over the past few years due to the residential market downturn that now lasted three years. So during this year the inventory will balance and we will see further opportunities to increase amount of new project starts as the year progress.

Then to completions, we will have a low amount of completions in Finland this year. During the first quarter we had only 74 in Finland. For the next two quarters, our completions are on zero level. And during Q4, we expect to complete approximately 200 apartments more. So for now, we continue to sell from our inventory this year, which is supporting our cash flow. However, the low amount of completions is limiting our capability to generate profit from the Residential Finland segment during the year.

Then we move to our Residential business in CEE. Our growth story continues in all operating countries. Revenue increased compared to last year and also on a rolling 12 months trend our revenue has increased 25% within a year. Our profitability improved from €2 million to €5 million compared to previous year, and our operating margin is close to 12% on rolling 12 months trend line. Even though you can see that we have a very clear growth in revenue, we have simultaneously reduced our capital employed on the segment's balance sheet. So after the transformation program, our operations are now more efficient to use the capital. And consequently, return of capital on this segment is improving.

Our apartment sales in CEE during the first quarter was the highest since Q4 2021. And you can see that our rolling 12 months we have already exceeded 1000 apartment mark. Supported by this favorable market conditions we continued to start new projects in total more than 500 apartments during the first quarter of the year. These new projects are already selling well and will support our coming years' revenue and profit generation. Our land bank is strong and it supports new project starts in all operating countries. As you look our history over the past two years, the demand and supply has remained in balance and the inventory is under control like it has been over the past few years.

When we then looked at completion distribution in the Residential CEE, it actually looks very similar than in Finland. We had 278 completions during the first quarter and the next approximately 750 will be Q4 this year. This obviously creates a strong seasonality to the segment profitability as well. Our way to recognize profit at completion well will make the year quite backend loaded on this segment.

One more element which is connected to our Residential CEE operation is the construction that we are doing with our joint venture partners. Also in that part of the business, our sales increased compared to last year and the number of unsold apartment is less than 100. Overall completions this year is 223 units, which is 60% less than year 2024. So I could say that also our operations in joint venture is progressing exactly as we have planned.

But now it's the time to leave our Residential segment and move to Infrastructure segment. Infrastructure also had a great start for the year. Our revenue increased 30% from the comparison period to €110 million and our profitability from €1 million to €3 million. The team has done an excellent work to provide cost-efficient solutions to our customers and that is also visible in our -- as part of our increased revenue. The profit improvement has been done by internal efficiencies and lead time reductions and this both are also benefiting our customers. Our 12 months rolling profitability is now at 4.6% and trending upwards. The segment's capital employed remained negative, contributing positively to group financial position.

We go to order book still. Because our order book in our Infra segment remained strong. It's over €800 million and it equals approximately 24 months of work. We see further opportunities both in public and private sector and we will come back to this later in the market outlook section. Also, the most recently announced governmental investment plans are supporting our medium to long-term view on this segment. So all in all, Infra is on a good track.

Then now we move to Building Construction. The Building Construction revenue continued to decline during the first quarter. Competition situation in the market has impacted development of our order book during the past quarters, which now resulted in declining quarterly revenue as well. Adjusted operating profit improved to €2 million. The comparison period included negative fair value adjustment of €10 million, which is impacting the comparability within the segment. We didn't have any significant divestments during the quarter. Hence we continue to have €257 million worth of capital employed on this segment.

The good news is that the order book developed positively during the quarter. We recorded projects from development phase to our order book such as Salvia in Meilahti worth of €119 million and Melkinlaituri School in Helsinki value of €44 million. We also won a new project in Lithuania as we renovate our shop, renovate that shopping center worth approximately €47 million. The order book now corresponds to approximately 18 months of work, which is on a good level. However, it requires still a further attention as we go forward.

Then some key highlights from our supply chain. And we have collected here our key operational metrics across all the segments. If you look at production of homes under construction, it increased from a previous quarter. We have now almost 3,000 units under construction of which 70% is located in the Residential CEE segment. Before the market downturn started the total volume reached approximately 9,000 units, so our production is still lower than year 2021.

Then an important metric for our contracting segments, which is a project margin net deviations. If you look the historical trend from year 2023, we have improved significantly supported by our transformation program on this specific metric. And during the Q1, the situation remained well under control. So this is largely behind the contracting segments operating performance improvement that you can see from our financial statements.

Then finally, if you look our supply chain status availability of key raw materials as well as workforce remains either good or normal. We see normal situation in concrete structures due to the start ups that we have observed on our operating countries, which typically first requires a concrete solutions in early part of the process. But altogether, we our operations are well under control.

But then we move to market environment and we have made changes and upgrades to our market outlook. Firstly, we updated our view on Residential market in Finland. Based on data from the secondary market transaction mortgage lending volume, improved sales in the capital area and the success of the pre-marketing projects across the country, we estimate that the residential market in Finland is now improving. The market is still a weak and recovery fragile. However, this signals provides us confidence that the market is improving.

We also updated our view on infrastructure market in Finland. Based on ongoing projects and tenders both in private and public sector, future investment plans and announced decisions by government we see that the market situation is further improving. These investments are naturally subject to potential impact of the global political turmoil as well as the local government decisions that may impact our view in the medium term. But those were the two changes we did for that market outlook. And when we look at our Residential market in the Baltics, it remains on a normal level. And in the Central Eastern Europe continue still further to improve.

Our building construction market remains normal across our operating countries. But now it's time to leave the market environment update on my part and actually hand over to you, Tuomas.

Tuomas Mäkipeska
Yes, thank you Heikki. The first quarter of 2025 was stable from financial perspective and solid from operational perspective, as you mentioned. Capital efficiency has been a key focus area for us in recent years and capital employed decreased by some €200 million from the comparison period. Cash flow for the quarter was minus €16 million due to the typical seasonality of our business. Net debt decreased some €80 million from the comparison period and remained stable when compared to the end of Q4. Gearing was at 91% at the end of the first quarter.

But let's have a closer look at the financials. The capital release from the balance sheet and capital efficiency in business operations are top priorities in our strategy. On group level, capital employed has been on a downward trend in recent quarters. And all in all, we have released some €200 million of capital during the past 12 months. Our return on capital employed has been on a positive trend as well. The successful capital release measures, capital efficiency in business operations, as well as improved adjusted operating profit are really visible in the metric now.

The segment level development was overall stable during the first quarter. As a key highlight, I would like to mention Residential CEE and Infra. In CEE we released over €30 million of capital during the first quarter, mainly as a result of project completions, strong sale of apartments and other capital release measures. The Infrastructure segment reached the target to operate with negative capital employed already in Q2 last year and it has since remained on the same path. This is a strong result and really supports the whole group's financial performance. We will continue to drive profits and capital turnover to reach our financial target of at least 15% return on capital employed by the end of the strategy period.

Let's then look at the cash flow development. The measures to improve net working capital efficiency have continued to yield results as the 12 months rolling operating cash flow after investments has now been positive for the last five quarters. Cash flow during the first quarter was €16 million negative decreasing from the comparison period. However, it is important to note that the cash flow for the comparison period was supported by net cash inflow of €29 million from the sale of businesses. So when excluding the effect of the sale of businesses, the cash flow also improved from the comparison period. We have now improved cash conversion across the operations to generate positive cash flow going forward.

Net interest bearing debt remained stable from the previous quarter and decreased from the comparison period amounting to €689 million at the end of the first quarter. The net interest bearing debt included the IFRS 16 lease liabilities of €269 million, as well as housing company loans of €169 million related to the unsold apartments. The housing company loans have decreased by some €70 million from the comparison period, along with our decreasing inventory of unsold apartments. When excluding the IFRS 16 lease liabilities and long maturity housing company loans, the adjusted net debt amounted to some €250 million. Gearing was at 91% at the end of the period. As said, we aim to reduce indebtedness of the group and operate within the set financial framework of 30% to 70% gearing going forward.

If we then compare our interest bearing debt to the key assets, we can see that our in underlying asset base continues to be very strong and amounts to well over 2 times the net debt. We continue to have a land bank of €760 million, which we see a critical platform for future profitable growth both in Finland and CEE countries as Heikki mentioned. Completed apartments and real estate in our inventory amounts to some €400 million.

During the quarter, we announced a successful issue of a new green bond of €120 million maturing in three years. We also announced tendering of the bond maturing in 2026 and extended the bank facilities maturity from 2026 to 2027 according to the plan. The successful transactions extend our average debt maturity significantly and highlight the capital markets' continued confidence in YIT and the outlook for our business.

Let's then revisit the guidance. Our guidance remains intact. So we expect the group adjusted operating profit for continuing operations to be between €20 million and €60 million in 2025. And also our outlook remains unchanged.

So before handing over to you, Heikki, I'll summarize the finance section and all in all, we can say that from the financial perspective, the first quarter was a really a step forward in line with our plans. The improved adjusted operating profit, along with better capital efficiency across all our businesses, has put the return on capital employed on a positive trend. Sales improvement in the capital-intensive Residential businesses supports our cash flow generation. And maturity structure of the interest bearing debt was extended significantly during the quarter and having only minor amortization scheduled for this and next year really provides us stability and allows us to focus on executing our strategy. And the strategy executions serves actually a transition. Back over to you Heikki.

Heikki Vuorenmaa
Thank you very much, Tuomas. And a great overview on our finances under. And I can say that we are actually well, we have been touching a bit on the strategy already and we announced that last year in our Capital Markets Day. What we're saying is that what is our both operationally but also financially our targets for years 2025 to 2029. And now the first full quarter is executed. We actually have 20 quarters on that strategy period. So it's a one out of 20.

On those three different metrics, if we look our financial targets that we were setting ourselves so we talked about revenue and we are looking annual growth of 5%. And with this start still requires further, further work.

And this performance is impacted by the residential market in Finland but also our decisions to exit the Infra business.

But the two other metrics what we have here are already pointing and trending towards the right direction. When we look at our adjusted operating profit margin so there we are targeting a performance over 7%. Now on the 12 months rolling basis, we are at 3%. So it's a step towards right direction. Obviously still work to be done. And I think when we look our transformation program gains also the recovery of our Finnish residential market and our operations in Residential CEE those will play an important role to reach this profitability target during the strategy period.

You talked already about our actions to reduce the capital, which we are determined to do. And as well, profitability improves and our capital allocation -- kind of use of capital also is going down. So our return on capital employed will increase. Consequently, and now we are at 3.6%. The target is to reach the 15% on the strategy period.

So as a summary small steps towards the target. Two out of three metrics during the first quarter. And if we then look at kind of operationally what we concretely are doing to reach those targets and just pick a one operational highlight from the previous quarter and that is our decision to expand our operations and enter into the new city of Kladno in Czech Republic. We started there with our investor project to mitigate the sales risk and we will continue with our own production thereafter. First steps to kind of -- it's about 200 apartments, but we have a target to reach 800 apartments and actually more as the market supports.

So this is the concrete steps that are behind in building our success also during the coming years and how we are going to reach our strategic targets. And I have to say that the whole YIT team is excited about the new strategy and we are all passionate to execute it in the coming years to come.

But now I think it's time to say thank you for your attention and operator it would be time for questions.

Q&A

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

Anssi Raussi
Thank you and hi all and thank you for the presentation. I have a few questions and I go one by one. So first about your number of sold apartments in Finland the number declined a bit in Q1, but was there anything specific reason or changes in trends or was it just quarterly variation there?

Heikki Vuorenmaa
Yeah. Thank you Anssi and no drama, no specific behind quarterly variation. We are very pleased with our sales mix that took place during Q1.

Anssi Raussi
Okay. That's clear. And continuing on Residential side, so you have done a lot of efficiency measures and taken actions. So what kind of lead times you have currently in Finland and in CEE? So how fast can you react if demand improves rapidly?

Heikki Vuorenmaa
You are right. We have implemented a multiple of -- multiple of efficiency and activities there. When we are in the location where we are not needing underground parking mainly outside of capital area, our lead time is less than 12 months. 10 months is also achievable depending bit on the project. When we then come to the capital area, maybe more demanding earthworks and kind of underground parkings and structures. It's something between 14 to 18 months. So that's in Finland. And if you want the take the CEE...

Tuomas Mäkipeska
Yes. Thank you Heikki and generally I would say that the lead time in CEE on average is a bit longer than in Finland and as you alluded Heikki 14 to 16 months in general I would say is on average in the CEE countries and that of course varies a lot project by project but that's on the average. And also Anssi you asked what is

our kind of capability to react to the market turn. So also from kind of starting perspective, we have a very good capacity and capability to react fast. So we have financial financial and other resources to react fast if and when the market picks up.

Anssi Raussi
Thanks. That's great to hear and may be the last one from me for now so we have had a lot of public discussions regarding data centers lately. So have you seen any changes in the investment plans or is everything progressing as initially planned with your customers?

Heikki Vuorenmaa
Yes, I actually I wrote an opinion piece on the importance of of investment, kind of security of Finland in a way that what is the long-term view. We are in active dialogue with our customers not -- if I broadly speak there, so I think that the -- we have a very, very close cooperation with our customers. And and we look forward that the projects would start in Finland also in a bigger scale. Is that ambiguous enough?

Anssi Raussi
Yes. Thank you. I'll get back in the line.

Heikki Vuorenmaa
I'm sorry Anssi. I'm not being very specific on that one. But of course, it's a lot of confidential discussions with the customers there that are ongoing.

Anssi Raussi
Yeah, I understand. Thank you.

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. I have a couple of questions. First one, regarding Residential Finland and the clear improvement in earnings despite of lower sales. So could you elaborate a bit on the positive sales mix that you explained and also how much was it impacted by, let's say, more staying improvement like cost control.

Heikki Vuorenmaa
Yes. So the sales mix improved it and for sure during the first quarter and we have now seen activity increasing here in the kind of also in the capital area, which is then more balancing the demand between kind of across Finland. I'm not going through all the details. But I would say that the we are looking some 50-50, that would be a good proxy on how that is impacting.

Tuomas Mäkipeska
If I may just continue a bit on that, as you also mentioned in the presentation, so really, really now the transformation program that was completed at the end of last year. So that's of course, supporting the cost efficiency and other efficiency metrics as well across our operations, across the business segments. And that's really supporting the Residential Finland business as well.

Svante Krokfors
Okay. Thank you. That is helpful. Then on discount -- consumer apartment discounts in Finland any changes there during Q1?

Heikki Vuorenmaa
To consumers, no changes that would be -- I think we are and we are running successful campaign again, which started a bit later than in Q1. And it is gaining a positive momentum on the market where we are then providing benefits for the customers that are buying home from us in terms of support for the initial six months as well as help with the selling of the apartment as well as the moving in type of an elements. And I think those are the typical support that we are giving and then time to time also negotiating about the price.

Tuomas Mäkipeska

But also what we can say here that on a group level also in the Residential Finland the discounts are lower than in the comparison period that we can say.

Svante Krokfors
Very clear. Thank you. And then regarding the investor apartments in Finland have you seen any changes in or light at the end of the tunnel there?

Heikki Vuorenmaa
No concrete decisions, but the amount of discussions are increasing. And that is, of course, supported by the fact that there is a quite limited amount of new completions in terms of rental units. And the second element, which is that the interest rate this is declining, but no concrete decisions. But I would say that more discussions that during the last year.

Svante Krokfors
Thank you and the last one I don't know if you would like to comment, governmental decisions published last week. I mean there's a number of more steps that could be argued to be supportive for you.

Heikki Vuorenmaa
Yeah, I think that is a good conclusion. We see that there are positive signals. Overall, the message about the growth investments quite often is connected to overall construction industry and activity that is required to make that growth that we are talking about. But also when we look for activities to support the home buyers, we see it as a positive, a positive also in the medium term, the business environment.

Svante Krokfors
Okay. Thank you. That is all from me.

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

Anssi Raussi
Yes, thanks. One follow-up actually on just question. So if we think about your Residential on the inventory of these unsold completed apartments, how should we think about the earnings capacity and margin potential in this inventory? So is it more like that the last ones are maybe those which are a bit more difficult to sell or is it so that the launch the supply decrease because it's easier to take down discount campaigns? If you can help us with this one. Thanks.

Heikki Vuorenmaa
I would actually kind of look to the picture from a regional level. And what last year was quite clearly visible is that the demand was better outside of the capital region where we were selling more. And if you look our inventory levels in a cities like Turku and Tampere and the eastern part of Finland, for example, so those almost disappeared already by now. And now that the 70% of our inventory is here in the capital region so that is more kind of playing a factor here than what would be the easiness or attractiveness. I think all of the apartments are in a great location and attractive units as such. So that's the answer on that.

Anssi Raussi
Yes, that's helpful. Thank you.

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

Emil Immonen
Hi Heikki and Tuomas. Thanks for taking my questions. I wanted to ask on the profitability improvement across the segment and the project margin met deviation. There's clearly been good progress here. How confident are you that you can continue with this good progress when construction volumes increase?

Heikki Vuorenmaa
Thank you, Emil. And I have to say that is the behind off of that improvement is the hard work and dedication from the YIT team members have done. So it's a day-to-day management that happens on the sites as well

as the visibility and our culture to address the challenges, if there are any. We have put a lot of fundamental, fundamentals in place during the transformation program that is visible part of as a result. Meaning is that how do we ensure that we have the project management tools and capabilities in place? How do we support the process that are needing to support that as well as we have completely renewed our procurement and supply chain functions. And with these kind of capability improvements, we remain confident that the businesses continues to have the projects under good control. So this is not improvement by the market situation, but this is the improvement done by YIT employees. So therefore, we are confident.

Emil Immonen
And a follow-up on that, would you say that you are now more prepared of a market where construction or material costs in general, for example, rise unexpectedly, that you're more resilient to changes in the market?

Heikki Vuorenmaa
For sure, we have taken absolutely massive steps forward on our capabilities to foresee, predict as well as manage such changes on the market environment. So -- and that is big thanks to our supply chain and the procurement team. So we are much more prepared than what we historically have been.

Emil Immonen
Great. Does that also mean that we could assume that the profitability improvements we are seeing in building construction Infra Q1 of course, it's a small part of the year, but still there is clear improvement year-on-year in both of those segments and that kind of improvement track should also continue going forward.

Heikki Vuorenmaa
Yeah, of course, we remain very focused to deliver our strategic targets and both segments still have kind of room to improve in order to reach that 6% on the profitability. And that's what we are working towards as well as then the building construction side, we are carrying a balance sheet and as we have communicated on that balance sheet, we would like to also operate with the negative capital employed. So we continue to release that capital. So both segments are working towards those goals.

Emil Immonen
Great. Thank you. Last question, maybe on the housing or Residential segment in general, given that really low completions you are going to have in Q2, Q3, is that going to reflect then on cash flows from those segments as well and their ability to be profitable?

Heikki Vuorenmaa
If I look at cash flow perspective, we expect, of course, then our inventory of complete apartments to decline clearly and significantly during during this year, which is then providing us the cash to our business. And so that is even though we don't have the completions during next two quarters.

Emil Immonen
And on the profitability is that expected that to reflect negatively meaning that on profits this year is going to be very heavily back end loaded for Q4.

Heikki Vuorenmaa
Yeah, we are recognizing the profit from the completions time. So the -- and the Q4 is going to be a massive quarter for completions both in Finland as well as the CEE. Hence it will make it quite backend loaded.

Emil Immonen
Okay. Thanks for the clarification.

Heikki Vuorenmaa
Thank you.

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

Essi Nikitin

Thank you. As there are no more questions, we thank you all for participating and wish you a great rest of the day. Thanks.

Heikki Vuorenmaa
Thank you.