

## Caverion updates its Fit for Growth strategy for the Growth phase and launches its updated financial targets

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**Caverion updates its Fit for Growth strategy for the Growth phase and launches its updated financial targets ahead of the Capital Markets Day, which will be held tomorrow on 5 November 2019 in Helsinki, Finland.**

“Our strategy is built around **digitalisation**, which will revolutionise our industry. Our unique service offering covers the entire life cycle of buildings and industries: from Design and Build to Technical Maintenance and Managed Services including Facility Management. We are already today recognised as a forerunner in digitalisation and technology by our customers. Since our previous CMD in 2017, we have already taken forward numerous growth initiatives in preparing us for the Growth phase of our strategy. For example, we have further invested in our digital platform as well as in our sales, brand and offering,” says **Ari Lehtoranta**, President and CEO of Caverion Corporation.

Since the previous CMD, there have been changes in EU legislation related to sustainability and carbon neutrality. Caverion has been selected as **the most sustainable building technology service company in Northern Europe** in a recent Corporate Knights 2019 study. “As the sustainability needs are growing rapidly, we are well positioned to enable a sustainable, digital future for our customers. Caverion is contributing to a better world through its energy-efficient and sustainable solutions. We are all about Building Performance. We focus on delivering long-lasting benefits by combining people, technology and data. Therefore, we consider **digitalisation and sustainability** as the key themes driving our growth,” Ari Lehtoranta continues.

“We will utilise numerous sources of growth. We operate in a relationship business with a customer and life-cycle focus. Our strong customer base is the first foundation for our growth. There is furthermore a need for faster digitalisation in several customer segments, such as Real estate investors, Forest, Energy, Pharma and Retail. These segments, as examples, provide us great opportunities to win new customers. In our refined offering, we have focused on selected Smart Technologies requiring regular maintenance and providing sustainable value for our customers over the life cycle. Examples of these include Building Automation, Security, Safety and Cooling. Our digital solutions such as Caverion SmartView, Remote Services, IoT solutions and Analytics differentiate us from our competitors already today. Our operating environment is stable and the market outlook remains good especially in Services supporting us in our growth ambitions,” Ari Lehtoranta concludes.

### Clear implementation plan through Must-Wins to reach the financial targets to be continued

Caverion has improved its financial performance during the **Fit** phase of its strategy. Even if some of the divisions need to further improve their Fit status and the Projects business performance is not at the targeted level, Caverion is now ready as a group for the **Growth** phase. The four selected Must-Win areas introduced in November 2017 will be continued as follows:

- **Excellent Customer Experience**, building a strong service and sales culture for delivering superior customer experiences and increased customer loyalty.
- **Best Solutions**, driving growth in Smart Technologies, sustainable solutions and digital services as well as in introducing the new offering.
- **Top Performance at Every Level**, further boosting cash generation, profitable growth and productivity through performance management actions in Services, Projects, procurement, material logistics and fixed costs.
- **Winning team**, further enhancing leadership and professional growth of employees and developing Building Performance Culture.

### Updated financial targets

“Caverion will continue to prioritise cash flow generation in the Growth phase of its strategy. Our target is to boost profitable growth in Services. In the Projects business, the selectivity approach continues and the improving performance gradually opens profitable growth opportunities. Organic growth will be supported by bolt-on acquisitions in selected growth areas and complementary capabilities. Sustainably strong cash conversion, adjusted EBITA as well as organic revenue growth are our most important financial targets going forward, supported by a moderate debt leverage level,” says **Martti Ala-Härkönen**, CFO of Caverion Corporation.

The table below presents the Group’s previous and updated financial targets. The previous profitability metric adjusted EBITDA will be converted to adjusted EBITA. The level of ambition in profitability remains unchanged. The growth targets have been updated.

Previous financial targets	Updated financial targets (mid-term)
<b>Cash conversion</b> = Operating cash flow before financial and tax items / EBITDA > 100%	<b>Cash conversion</b> (unchanged) = Operating cash flow before financial and tax items / EBITDA > 100%
<b>Profitability:</b> Adjusted EBITDA > 8% of revenue	<b>Profitability:</b> Adjusted EBITA* > 5.5% of revenue
<b>Debt leverage:</b> Net debt / EBITDA** < 2.5x	<b>Debt leverage</b> (unchanged): Net debt/EBITDA** < 2.5x
<b>Growth:</b> - Services growth > market growth - Long-term target beyond 2020: Services generate > 2/3 of Group revenue	<b>Growth:</b> - Organic revenue growth > 4% p.a. over the cycle. Supported by bolt-on acquisitions in selected growth areas and complementary capabilities. - Services revenue growth > market growth - Services revenue > 2/3 of Group revenue
<b>Dividend policy:</b> distribute at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.	<b>Dividend policy</b> (unchanged): distribute at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.

\* EBITA is defined as Operating profit + amortisation and impairment on intangible assets. Adjustments according to defined Items affecting comparability (IAC).

\*\* Based on calculation principles confirmed with the lending parties. The confirmed calculation principles currently exclude the effects of the IFRS 16 standard and contain certain adjustments.

## Capital allocation policy

Caverion's capital allocation principles in the order of importance are:

1. Investments in organic growth including digitalisation and offering development. However, Caverion's targeted operational capex level (excluding acquisitions) should not exceed 1 percent of revenue;
2. Dividend policy of distributing at least 50% of net profit remains in place, taking into account profitability and the leverage level;
3. Mergers and acquisitions in selected growth areas and complementary capabilities.

## Overview of the CMD programme

More detailed information on the updated strategy, Caverion's growth plans and business prospects and Caverion's roadmap to reach the strategic and financial targets will be provided at the Capital Markets Day, to be held in Helsinki tomorrow on 5 November 2019 at 12.00 a.m. EET (Finnish time). The lunch with the management will begin at 11.00 a.m. (registered lunch guests are advised to arrive on time).

The day will start with management presentations. In addition to President and CEO Ari Lehtoranta, the speakers include Thomas Hietto (Deputy CEO and Head of business unit Services), Martti Ala-Härkönen (Chief Financial Officer), and Frank Krause (Executive Vice President, Germany). All these presentations will be webcasted. During the afternoon, the participants can also meet a representative of Hines, Caverion's customer, and join breakout sessions on growth opportunity deep-dives.

The presentation given by Ari Lehtoranta can also be followed through a conference call at 12.00–12.40 p.m. (EET) by calling the assigned number +44 (0)330 336 9104 at 11:55 a.m. (Finnish time, EET) at the latest. Participant code for the conference call is "257238 / Caverion". A more detailed schedule, as well as information on practical arrangements, can be found on the company's website at [www.caverion.com/investors](http://www.caverion.com/investors). The presentation materials will also be made available on the day of the event at the same address. The event and all the materials will be in English. A recording of the webcast will be available after the Capital Markets Day.

CAVERION CORPORATION

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*Caverion provides smart technical solutions and services for buildings, industrial processes and infrastructure. Our unique service offering covers the entire life cycle: design, build and maintenance. Our vision is to be the first choice in digitalising environments for customers, employees, partners and investors. Our revenue in 2018 was approximately EUR 2.2 billion. Caverion has about 15,000 employees in 10 countries in Northern, Central and Eastern Europe. Caverion's shares are listed on Nasdaq Helsinki. [www.caverion.com](http://www.caverion.com) Twitter: @CaverionGroup*