Webcast transcript: Interim Report Jan-Mar 2023

Time 03/05/2023

PRESENTATION

Samu Heikkilä
Good morning and welcome to YIT's First Quarter 2023 Results Webcast. My name is Samu Heikkilä, and I'm YIT's Investor Relations Manager. The results and highlights of YIT's first quarter will be presented by our CEO, Heikki Vuorenmaa; and our CFO, Tuomas Mäkipeska. After the presentation, we will be taking questions from the conference call line. At this point, I would like to hand over to our CEO, Heikki. Please go ahead.

Heikki Vuorenmaa
Thank you, Samu, and welcome all, to the Q1 interim report call also from my behalf. This year started under difficult market conditions, and the strong headwinds from the market continued throughout the quarter. Consumer demand on the Finland housing market during the first quarter was unprecedented low level; over 80% decline on year-on-year. What we have observed is that lack of the long-term visibility of the housing interest rate development and asset price fluctuation and the banking sector turbulence during the quarter postponed consumer decisions to acquire new homes. Early leading indicators such as conversion rate, visitor and open apartment displays, increase in interests towards the housing loans were observed. However, those did not materialize to sales during the first quarter. We believe that the fundamental demand of the market exists as the home is not a fashion product, as consumers are only postponing their decisions due to overall uncertainty. We believe that the market will recover over the time to normal level. However, the visibility to the timing and the speed of recovery is unclear even the positive leading indicators are strengthened as we speak.

We have been adaptive to the market situation and launched our transformation program during the quarter to one hand weather the market situation and on other hand with the long-term competitiveness of YIT. We are very pleased to say that the program has got off to a strong start, and we have progressed faster than anticipated and are in good trend to achieve our set targets and goals. Success of this transformation program is essential as we build our long-term competitiveness to YIT growth.

As we look to Q1 financials more in details, the decline of the housing market and our selective tendering approach on infra is visible on our revenue, which declined 12% in year-on-year comparison to €455 million. Our adjusted EBIT declined to a negative €4 million, which was driven by the low consumer sales in Housing and disappointing results in the Business Premises segment. Both of these factors lead also to the negative EBIT margin for the Q1, which is a disappointment for us.

We double-click then on the segment results and the drivers behind the Q1 results for a moment. As said, Housing result decline is solely connected to the low consumer sales during the quarter. This is especially connected to the market situation in Finland. On the other hand, Housing sales in the CEE performed as expected. Toward end of the quarter, we started to see uptick, especially in Poland, Lithuania, and Czech Republic. The Central Eastern European market is important for us on the full-year outlook given 50% of the consumer apartments during 2023 are completed in the CEE. Business Premises got off by a very poor start as the material cost inflation continued to erode the margins in earlier taken fixed-price project, and we experienced project management deviation on some of the projects as well.

We have work to do to catch up the setback during the year. I think positive news is that the material cost trends are stabilizing over the past months already. On the Infra side, the profitability decline is connected to the overall decline in revenue, while our relative project margin remained on the similar level. The most relevant news from the segment is the nomination of the new Interim Head of Infra segment, Aleksi Laine.

He is recognized on an industry expert and has a stellar track record on infra business during the past 20 years.

Then when we look to Property Development segment, it is labeled by fact that there were no significant transactions during the first quarter. The team has been focused to finalize our self-developed offices that can be commercialized during this year. There we see a positive development of the rental levels, both in Maistraatinportti and Tuultenristi, and we are expecting a good response in this overall demanding investor market for these two assets. We also continue to mature our wind power portfolio and moved 390 megawatts to permitting phase. Maybe one additional highlight is the Mall of Tripla. It was confirmed the largest mall in Finland by visitor during last year. In addition, that's a good start to the year with the total revenue increasing and then the total number of visitors growing year-on-year basis.

Let's then move to the order book. Our order book remained stable and is €3.5 billion. It is 6% lower than last year at same time despite the lower start-ups. We have communicated several contracts on the Business Premises during the past months, which is a signal both on our competitive offering as well as that market activity on that segment. Our view is that the order book that we have been taking is taken in with the healthy margins, and those will support our segment profitability going forward.

I already mentioned that we had an unprecedentedly weak market on Housing, especially in Finland. If we look the public data, the overall Finnish market has been down somewhat 80% during the first quarter. This is also reflecting very well our sales on Finland as it declined 82% compared to first quarter on 2022. On the other hand, the Central Eastern European sales declined 41% against the comparable quarter last year. What is positive is actually the trend in the CEE as we see 20% increase in unit sales compared to previous quarters. We are having a strong land bank and that will enable us to contract – construct 33,000 new homes. This is our strategic asset we have to create a long-term success. And our CFO, Tuomas, will cover the breakdown of the assets more detail on this call.

As we communicated earlier, the completions during the first quarter were low side during this year. Simultaneously, we activated tools from our tool box to rent finished unsold apartments during the first quarter and shifted the portfolio to our investment asset side. This was mainly focused on one-room and two-room apartments, which are typically suitable also for rental purposes. Overall, our unsold finished apartments are well under control and decreased to 747 units. Overall rate of apartments sold under construction remained higher than average level on the five-year comparison period. Also, it's good to keep in mind that the maturity of the portfolio of unsold apartment is at low-risk locations: capital regions or university towns in Finland and Central Eastern Europe. We continue to have those several tools in use as we are adapting to the market changes; monitor the market development with several leading indicators and adapt our commercial campaigns to unlock the market situations. On this market situation, we remain conservative on our new start-ups and plot investments, yet holding good inventory on optimum location enables us also to have relevant offering to market as consumer confidence returns and market starts to normalize.

A few words also about the transformation program. As I said in the opening, our transformation program is off to a good start. We're delivering faster-than-anticipated savings, transforming company, and implementing new capabilities with the lower-than-anticipated costs. Our team is all hands on deck and take actions on topics that we can impact regardless of the market situation. We have now generated total of €16 million run-rate saving with more under final validation. Additionally, we have taken several measures such as temporary layoffs to generate needed onetime impacts to support our 2023 financial performance. Our new organization, off to a good start, and teams are welcoming simplified and focused ways of working. A lot of work is still to be done to simplify day-to-day life on the construction site, improve our procurement practices, leverage all the best-in-class project management tools we have, lean manufacturing, just to name a few. I remain highly confident that we are on the right track. Provide needed focus for individual business segments and increase value for our customers and shareholders. On the ESG side, we updated our design principles for all new apartment buildings to Energy Class A. This will future-proof our business and keep us showing the industry leadership towards sustainable solutions. During the quarter, we also introduced new digital capabilities to track and prevent access of contractors to our sites that are not fully compliant with the local rules and regulations. We continue to observe time to time such challenges and resolve those in a good cooperation with local authorities. We as YIT has a zero tolerance on such violations. But now let me hand over to our CFO, Tuomas Mäkipeska. Tuomas will cover our numbers with greater details.

Tuomas Mäkipeska
Thank you, Heikki, and good morning, everyone. Q1 was clearly a challenging quarter for us, especially due to the weak market conditions in Housing. Our profitability decreased and cash flow was burdened by very low consumer sales in Housing. But let's see the financial highlights of the quarter.

Here we have the Q1 key performance indicators. And order book amounted to €3.5 billion despite the challenging market situation in Housing and our selective approach in tendering, as Heikki already described. Adjusted EBIT fell to minus €4 million from the strong comparison period from year 2022. And the cash flow after investments amounted to minus €211 million, mainly due to the low consumer sales. Net debt increased, mainly driven by the negative cash flow during the period. Let's have a look at some of these metrics a bit closer.

Profitability, Heikki presented the segments' adjusted EBITs and here you can see the overall change in our adjusted EBIT split by segments. The EBIT decreased especially in Housing, which accounted roughly 70% of the drop. The main driver, as already described, behind the development was the weak consumer sales of our products, especially in Finland. Also, Heikki mentioned that the demand in CEE countries has been clearly higher, which is also strategically important for us going forward. But as for total, the slow start of the year was evident in all segments. In Business Premises, we suffered from weaker project management in certain projects and increased material prices. In Infra segment, the main driver for small decrease in profit was lower volumes of the business, and the volume drop was actually also the case in Property Development segment since there were no significant transactions during the quarter.

Let's spend some time on the cash flow. The cash flow was burdened by very low consumer sales in Housing, and this was the main contributor to the weak result. Approximately half of the negative cash flow is attributable to Housing, driven by, as mentioned, very low sales but also payments for plot investments made before Q1 and the apartments currently under construction. In Q1, we slowed down plot investments and start-ups due to the unstable situation in the market, as Heikki mentioned. Our completed unsold apartment inventory remained stable during the quarter. And it is very important to note that more than 80% of the apartments are in the capital regions or university towns in Finland and CEE countries, meaning that they are very current products to be sold as the demand recovers. On top of Housing segment, the cash flow was also negatively impacted by the normal seasonality in other segments, as well as some financial items and taxes paid during the quarter. Also, the cash flow development was the main contributor to the increase in capital employed that you can see on the right-hand side.

But then, here we have some new graphics to be introduced. On the left-hand side, you can see the distribution of key assets in our balance sheet. And on the right-hand side, you can see the distribution of our net interest-bearing debt. Due to the recent rapid market changes, we see short-term timing-related challenge in our balance sheet. At the same time, our underlying asset base is very strong. Our debt structure remains well-balanced, but the timing challenge forces net debt increase in the short term. Starting from left, we have a land bank of nearly €780 million in our balance sheet to enable future operations and profits. Assets tied in production at the end of Q1 amounted to €655 million. And our inventory of completed apartments stood roughly at €230 million. Our investments were worth of nearly €300 million. Biggest single item there is Mall of Tripla, but also includes our investments to joint ventures and associated companies. These, altogether, amount nearly to €2 billion. And on top of this, we have a valuable wind power portfolio, of which we do not have significant assets in our balance sheet.

Then, on the right-hand side, you can see approximately €470 million of our gross debt is related to the IFRS 16 lease liabilities, including leased plots and housing company loans that are transferred to buyer at the point of sale. And just for clarification, when we are selling a single apartment in Finland, we receive a double positive impact to the net debt in terms of positive cash effect from the sale and decrease of housing company loan and possible plot lease since they are transferred to the buyer at the time of sale. So, this leaves us with roughly €320 million so-called adjusted net debt to bear with the nearly €2 billion asset base, which illustrates our financial risk profile. To conclude, our underlying asset base is very strong. As you can see on the left-hand side, our debt structure remains well-balanced, but the timing challenge has forced the net debt increase in the short-term.

Let's finally look briefly at the balance sheet and financing. Our equity ratio remained on a healthy level and interest cover ratio is strong. Gearing increased mainly due to the cash flow development that I described earlier. There were no major changes in the gross debt. Regarding financing, we consider financial needs continuously as usual and make new financing decisions accordingly as needed. We are sure that YIT has required financial means and strong liquidity. For example, €300 million committed revolving credit facility, cash and committed undrawn project loans. And typically, we also use commercial papers to balance short-term liquidity needs. Altogether, our balance sheet supports us when we navigate through the unstable market environment. To conclude our financial situation, the market has remained challenging, but we have a strong underlying asset base. Our debt structure is well-balanced. And we will gain substantial profitability improvements from our well started transformation program. Now, over to you, Heikki.

Heikki Vuorenmaa
Thank you, Tuomas. And now, it's time to take a focus on the forward-looking topics. Let's start on the on the market outlook. Compared to our previous market view, we see an improvement of the Central Eastern Europe housing market on short-term outlook. We see that the consumer activity is increasing and that which has also materialized to sales. And we also see that the governmental actions to support the local housing market there is positive. The overall housing market we see and observe a shifting behavioral in which the decision to purchase new home is postponed closer to the completion of the apartment. This is obviously impacting somewhat the demand predictability also for us. Additionally, what we have observed is that on the overall housing market, the new start-ups that are coming to pre-marketing are reflecting the inflation both in material and labor costs in the apartment sales prices. However, on the current weak market on housing, has triggered the temporary campaigns to unsold finished apartments, especially in Finland, creating short-term opportunities for consumers to acquire new apartment with discounted levels. On the real estate market, the outlook is two-folded. Actually, the renovation market and investments under the social sector remain on the good normal level. On the office space, customers are seeking unique and efficient space solutions to adapt the company needs to post-COVID era, and also comply with the science-based targets many companies has committed to. This is setting a different type of offer requirements and we see that this is a positive trend on the overall market for us. This trend is also active in Baltics, in which we have announced contracts also during the first quarter. Infrastructure market remains active in Sweden. Finland tendering of the larger project continues also active level.

If we look the investments to green energy, we see some positive signals there as well. Yet some of those larger projects are on hold as a consequence of energy price decline and increases on the construction costs. Overall, on the Infra, we continue to observe normal market activity.

Let's then go through our guidance for the year.

Tuomas Mäkipeska
Thank you, Heikki. Our current guidance stays intact and we expect our group adjusted operating profit for continuing operations to be lower than in the year 2022, but at least €50 million. In Housing, the demand outlook remains weak for the first half of the year, but is expected to gradually recover in the second half of the year. In Business Premises and Infrastructure, the underlying operational performance is expected to improve, but certain low-margin legacy projects will still affect Infrastructure's performance. YIT's performance will be supported by the increased efficiencies from the transformation program launched on the 10th of February 2023. Developments in housing markets may have an impact on the outlook. Rising interest rates may have a negative impact on the fair value of our investments.

Back over to you, Heikki.

Heikki Vuorenmaa
Thank you, Tuomas. And I think now, it's time to take a look on the completions of the consumer apartments. And as we look into that, we see that – we estimate the Q2 completion completions to be on the level of 550 units, of which 450 in Finland. Peak of the consumer completions is on Q3, a total of 1,000 apartments. The completion of these apartments are tilted more towards the second half, which is somewhat following our overall market outlook as we are expecting market to gradually recover during the second half of the year. On a full-year level, completion of the consumer apartments in Finland is estimated to be 30% lower than year 2022. The Central Eastern European countries, we see the demand and supply to be more in balance during 2023. The new information maybe on this picture is the estimated completion that on the Q1 2024, which we are expecting to be on the level of 250 units. This is driven by our carefulness of start-ups over the past quarters.

I also wanted to bring up a one topic to the discussion. As I mentioned that we have been more careful with the start-ups to ensure we balance the supply and the market demand. One tool that supports us to be adaptive on this market situation is that we are focusing to improve our productivity and time to market through the decrease in construction lead times. And this is something that's YIT has focused over several years already. As the example data here shows our project lead times in Slovakia, we have been taking out six-month lead time on the similar project just by increasing prefabrication and applying the industrial construction methods. This work and the progress has been done between the years of 2019 to 2021, during which the material availability has also impacted overall construction times on the industry. And such a capability is enabling us to be adaptive to the market changes while sizing the market opportunities to the fullest.

Finally, let me recap our key messages of today before opening the questions. Firstly, we reacted to the market situation early and have taken decisions and started several initiatives to release the cash from our operations. Those actions comes with the lead time, and we see that the capital allocation is more of a timing issue than a problem itself. Secondly, we are focusing firmly on executing our transformation and delivering value to our customers. We are progressing faster than anticipated. Savings are structural, not one-off. And this plan will unlock value from the different businesses we have and simplify our ways of working as well as portfolio. Thirdly, we are playing both short and long term to create value for shareholders. We continue to be adaptive to the market and determined to size the opportunities even in this difficult market situation.

Thank you all for listening. We are more than happy to take questions now.

Samu Heikkilä
Thank you, Heikki, and thank you, Tuomas. Operator, we are now ready for the questions.

QUESTION AND ANSWER SECTION

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

Olli Koponen
Hello. Olli Koponen from Inderes. Thank you for taking my questions. First, in the Housing segment, I have one question there. Is there any interest on investors or institutions to buy your apartments as a group deal? Should we expect some kind of deals happening in the near future, for example, those joint venture deals? Or are you just going to wait for the market to pick up for the consumers?

Heikki Vuorenmaa
Yes. Thank you, Olli. We have active dialogue both on the investor side on the market. We are sizing the different opportunities it might provide. But we are also careful to strike the balance between the optimizing the timing and the benefits of that the investor deals could provide to us. And I think our primarily focus there is to continue with the consumer sales as we see that that has been the original that we have been targeting on that segment with the apartments that we have at the moment in our balance sheet.

Olli Koponen
Okay. Thank you. Then, to financials or on the balance sheet side, what ways you have to improve your cash flow other than selling a bunch of ready unsold apartments? Is there some quick fix we should take into account here?

Tuomas Mäkipeska
Yes, I can take that. So, of course, as you already mentioned, so the first priority is to sell the apartments that we have on our balance sheet. But we have several other tools as well in use. We are – of course, we have been defining the measures that we can take if the situation is challenging and we have certain, let's say, noncore assets on our balance sheet that we can liquidate if needed. They are, of course, not done, let's say, on very short-term basis and will require probably some time to execute. But we have several of these kind of tools to use if the situation becomes even more challenging.

Olli Koponen
Have you considered selling your other assets, for example, Tripla Mall?

Tuomas Mäkipeska
Tripla Mall has been as already communicated, so it has been on our agenda to sell it by 2024. And of course, this is one item that we are considering, is there any other options to be taken already this year, but no major changes there to the original plan.

Olli Koponen
Okay, thank you. I have one more question left and it's on the guidance. Just a clarification, is your guidance dependent on the Business Premises to improve during the year?

Tuomas Mäkipeska
Well, regarding the guidance, so just a bit of a background on that. So, we have made, of course, scenario work and we have typically a positive, neutral a negative scenario when considering the financial performance in the future. And then, we have also incorporated the transformation program benefits to that one. And therefore, I concluded or ended up with the current guidance. The guidance is mostly depending, of course, on the Housing performance, and also it is related to the market changes as communicated today already. And then, we have the transformation program to support us on the long-term but also during this year.

Olli Koponen
Okay. That's all from me. Thank you.

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

Anssi Raussi
Hi, all. It's Anssi Raussi from SEB. And I have a couple of questions. And firstly, you state in your outlook that you expect the housing market to gradually recover in H2 of this year. But could you remind, at least me, that where do you base this assumption on? And of course, how long you are willing to wait if you don't see any recovery and what kind of impact this would have if the housing market remained as weak as it is now?

Heikki Vuorenmaa
Thank you, Anssi. This is Heikki. If we take the housing market, if we take a look on the Central Eastern European market and then start there. So, I mentioned that if we looked at that first quarter, we already saw improvement on quarter-on-quarter on that market. And we see that the activity on the overall performance is improving there already. We are following several leading indicators on the Finnish housing market. And like mentioned, so we see increase in those leading indicators that are material for us and which typically are then connected to the signs of the market recovery. Yet, it hasn't been yet materializing to the sales during the first quarter. That is our visibility at the moment that we see that the market would gradually start to improve the second half in Finland as well.

Anssi Raussi
Okay, thanks. And the next one is about Tripla. So, you have this profit-sharing agreement between the shareholders of Tripla. If we think about the current situation and the fair value and evaluation, do you see anything which could prevent you from selling your stake as soon as possible? Of course, other than not finding a buyer, if that's the case, but any other reasons?

Heikki Vuorenmaa
Well, I said, first of all, the Tripla Mall has break all the records in the performance quarter-on-quarter for some time already. It has been a tremendous success and I think the team is working there extremely focused to take care of the value of the asset it has. Tuomas mentioned there on specifically on the Tripla Mall already is what we have communicated openly is that we are now looking to exit from that asset during the year 2024 and we do not comment specifics on any agreements that could be on between the different parties.

Anssi Raussi
Okay. Understand. Thanks. And I think the last one from me is just a bit more of a broad question. So, about your balance sheet, do you exclude many items as so-called less risky debt, but are you worried yourselves about the leverage? And how do you see the situation? Because to me, it seems like your net debt to

EBITDA is 7.1 and even if we exclude IFRS 16, it's still about 5 times. So, the situation seems a bit worrying to me, at least.

Tuomas Mäkipeska
Yes. Thanks, Anssi. I can answer that. We had in our presentation a slide for that and just a comment that we have, let's say, key assets in our balance sheet of nearly €2 billion. So, this is one thing to understand. And there are, for example, the Mall of Tripla in the investments, several other investments also. Then, we have the completed apartments' stock, so to say, and also the land bank and the work in progress. So, these all together are €2 billion. And then, comparing this one to the gross or net debt, so we are not worried. We are not worried about the situation. And also, what I mentioned earlier, the large amount of our gross debt are related to the housing company loans and IFRS 16 lease liabilities, including the leased plots. And at the point of sale of the apartments in Finland, these liabilities are transferred to the buyer. So, taking these kind of dynamics or elements into account, so we are not worried about the situation.

Anssi Raussi
Okay. And if I continue on that, so I think your operating cash flow after investments, it's something like €450 million negative during the last four quarters. So, what kind of cash flow we should expect in Q2 and do we see it the same kind of trend to continue?

Tuomas Mäkipeska
Yes, you are right. And regarding the cash flow and when going forward, we are not, of course, guiding the cash flow itself going forward. But one element, what we had in the negative cash flow development in Q1 included the lot purchases made earlier than Q1 and commitments to these ones. Those, we have still in our balance sheet as we have communicated, and it's included in our financial reporting. We have €171 million commitments now spread across a longer time period. But those commitments including our strategy to grow in CEE countries and in Finland, so those have an impact on our cash flow as well going forward.

Anssi Raussi
Okay, thank you so much. That's all from me.

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

Svante Krokfors
Good morning. Svante Krokfors from Nordea. Thank you, Heikki, Tuomas and Samu, for the presentation. Actually, most of my questions have been already asked by Olli and Anssi, but a couple left and coming to Anssi's last question about balance sheet and net debt to EBITDA, which has been quite high for you in recent years. But is net debt to EBITDA, I guess, it's not a covenant in any of your loan agreements. Could you confirm that it's only interest coverage ratio, equity ratio and gearing which are – or how should we look at it?

Tuomas Mäkipeska
Yes. Thank you, Svante. I can confirm, you have the right take on the covenants. Those are the three covenants that we have.

Svante Krokfors
Thank you. And then, on Housing side, you said that CEE demand improved during the quarter. Can you identify what the triggers there have been? And can we kind of make any sort of read across the Finland on is it just – do you expect only a lag effect for Finland or are there other elements impacting that?

Heikki Vuorenmaa
They might not be straightforward correlation that you could draw between the different markets, and the markets are slightly unique and operate with the different dynamics. But what we've seen there is that the confidence of the consumers for their own long-term situation is slightly better. And I think that our leading indicators started to show the recovery in the CEE already, let's say, early Q4, towards the end of the Q4, which is then kind of now materializing there. There has been also governmental actions and activities to support the homeowners as well as different type of interests from the banks provided to the home buyers, and maybe we see that supporting. And also combined with our strong offering, we are present there in the major cities where we have extremely good locations, the apartments that we are constructing, and those

have been then very attractive also to the buyers. I think those are the combinations that we see that the CEE is – the demand is built on.

Svante Krokfors
Thank you. And then a question about your land bank and plot reserve. Have you at any point of time had any thoughts about raising cash from that side?

Tuomas Mäkipeska
Yes. Thank you, Svante. So, as we already mentioned, so we have several tools in our box to improve our cash flow and, of course, we have looked at our asset base from that perspective as well. But if I kind of comment on, the first priority is, of course, the sale of the apartments and probably divest some of the noncore assets or investments that we have. And for sure, the land bank is there for that purpose as well. But it's – let's put it this way: that it's pretty low in our priorities to improve cash flow.

Svante Krokfors
Thank you. That was all from me. Thank you very much.

Heikki Vuorenmaa
Thank you, Svante.

Operator
The next question comes from Simen Mortensen from DNB. Please go ahead.

Simen Mortensen
Hi. Thank you for taking my questions. I guess in the line of what the other guys have been asking, but in terms of capital releases of the employed capital and reducing this, how are you looking, for instance, at price cuts, both when you do commercial sales of developments and residential homes? And what kind of guidance, for instance, can you perhaps indicate given the current market? What do you think about starts for new housing going forward for the rest of the year? And how much of that is depending in the guidance that you are able to start more projects?

Heikki Vuorenmaa
If I start and – if I heard it correctly, I think the line was a bit breaking, but you had a question about the ongoing campaigns of the housing market, and we are reacting that we are observing the situation and has been also introduced our own campaigns with the market during the second quarter. I would say that those campaigns are providing a good opportunities for the consumers also, to also especially on to buy the new first homes for many. And the capital release that Tuomas already communicated there, so that is obviously our kind of a preferred option to release the capital from them. From the finished apartment, this has this dual impact that we highlighted on our balance sheet structure.

Tuomas Mäkipeska
And then if I may continue from there, so the link to our guidance as well that you commented, so we expect the housing market to gradually recover in the second half of the year. So, that's – there is assumption behind the guidance as well. And also what I commented earlier, so at that situation when we sell the apartment in Finland so that will then have a positive double effect on our net debt in terms of cash flow and IFRS 16 lease liabilities and housing company loans.

Simen Mortensen
Can you give us a guidance on like how much price discounts are you talking about in campaigns and such like that, or don't, have that data?

Heikki Vuorenmaa
We don't specifically comment on that. If you looked at our recent campaigns, what we have announced in Finland, that is specific for complete finished apartments under 55 squares and there we are promoting those apartments for the new home buyers. But that's all that we are commenting on that.

Simen Mortensen
Okay. In terms of higher interest rates, clearly, the net debt is increasing, but how is higher interest rates impacting your financial cost? What is your hedging like? Secondly, also the undrawn credit facility, seem to

be well positioned to handle the bond maturing next year. But what kind of pricing effect change could we expect in this kind of refinancing in the new current market environment?

Tuomas Mäkipeska
Well, thank you for the question. And as I mentioned, so we are considering the financial needs continuously, as usual, of course, and make the financing decisions accordingly as needed. We are not commenting on the price levels and, of course, those will be then impacted by the general market as well. So, we don't know what will be the pricing levels for the refinancing. But as I mentioned, so we are continuously monitoring the situation and planning to execute on our options as well.

Simen Mortensen
Okay. And also just lastly on the guidance, you said you have like a negative neutral and bullish view on the housing markets in the guidance; is the base case and assumed that it's a neutral guidance in your view with the recovery in second half.

Tuomas Mäkipeska
The reason why I brought out the kind of the scenarios behind the outlook and the guidance was that in this kind of a market situation where we have – where we don't have a clear visibility, those scenarios help a bit to kind of define the boundaries of the guidance. And that's kind of the basis for a pretty wide range of our guidance between €110 million and €50 million of adjusted EBIT for this year. So, there are the boundaries. And of course, the guidance itself is including the gradual improvement in the housing market during the second half of the year.

Simen Mortensen
Okay. Just the last question in terms of the dividend payments. I think – don't you have one more payment this year? How are you considering like the dividend? And is the board even considering the dividend given the current debt level of the company? Do you think it's fair to still pay out all dividends as planned?

Tuomas Mäkipeska
According to the normal process, we have two installments of the dividend and during the fall, the board of directors will then make the final decision of the second installment of the dividend based on the situation what we have at hand at that time. That's all that we can comment.

Simen Mortensen
Okay. Thank you for taking my questions.

Operator
The next question comes from Mika Karppinen from Danske Bank. Please go ahead.

Mika Karppinen
This is Mika from Danske. Concerning the consumer housing sales in Finland, have you seen any weakening trends that the consumers would be willing to cancel out already carried out transactions?

Tuomas Mäkipeska
Well, of course, this is something that we are monitoring carefully. And as historically, there has been a very low number of cancellations, and we don't see any dramatic change at that parameter. So, no major changes and pretty stable compared to the historical levels as well.

Mika Karppinen
Okay. Good. Thanks.

Operator
The next question comes from Lasse Rimpi from SEB. Please go ahead.

Lasse Rimpi
Yeah. Hi. It's Lasse from SEB. Thanks for taking the questions. And still coming back to cash flow and liquidity. So, could you provide us with an estimate on this remaining construction cost you have related to the unsold housing that you have in Finland and the CEE countries? And secondly, relating to that, how much did you say that you have as of remaining plot investments from the previous acquisitions? That would be the first one.

Tuomas Mäkipeska
Yes. Thank you. Starting from the latter one, so as I mentioned, we have €171 million purchase commitments, which is included in our financial reporting, and that's spread across a longer time period, of course. And also there is always a possibility that those won't even realize in future. So, that was the latter part. The first question, so we are not disclosing the costs tied to complete the work in progress, but as I presented earlier, so now at the end of Q1, €655 million were tied in the work in progress of our production.

Lasse Rimpi
Okay. Is there then a big difference then comparing Finland and CEE in the construction cost between per-unit cost in these regions?

Heikki Vuorenmaa
No material difference that we would see in that.

Lasse Rimpi
All right. Thanks. And then the final one on – still on liquidity. On top of the items that you have listed previously then, is there a possibility for you to draw on the pension premium loans or any scenario for that one?

Tuomas Mäkipeska
Well, that's one of the tools in our box, I would say. So, that's one option. But there are several other ones as well as we have communicated during this call.

Lasse Rimpi
All right. That was all for me. Thanks.

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

Anssi Raussi
Thanks. Just a quick follow-up on your campaigns. And I think that this campaign regarding up to 50-squaremeter apartments, it started in April, if I remember correctly. So, have you seen this campaign to have a significant impact? So, basically, is the market price sensitive or are the conditions just so twisted at the moment that there's actually no improvement in demand due to this campaign? Or how do you see the situation and are you planning to intensify your campaigns like more aggressive steps in the near future? Thanks.

Heikki Vuorenmaa
Thank you, Anssi. I commented earlier and I restate that we see that our leading indicators are showing that they meet the market. But it's too early to comment specific on any success of the campaigns or take any stand on the forthcoming measures that that we would take.

Anssi Raussi
Okay. So, basically, I take this that – so that you haven't seen any clear improvement in due to this campaign yet or...

Heikki Vuorenmaa
No, you should take it that we are not disclosing that information at the moment. We are coming back to those then on the Q2 quarterly reporting. That's how I hope that you interpreted my answer.

Anssi Raussi
Okay. Great. Thank you.

Heikki Vuorenmaa
Thank you.

Operator
There are no more questions at this time. So, I hand the conference back to the speakers for any closing comments.

Samu Heikkilä
Thank you, all, for participating. YIT's half-year report will be published on the 1st of August. Thank you and have a great day.