

Webcast transcript: Interim Report January-September 2025

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PRESENTATION

Essi Nikitin

Hi, everyone, and welcome to YIT's Third Quarter 2025 Results Webcast. My name is Essi Nikitin, and I'm heading the Investor Relations at YIT. The results will be presented to you by our CEO, Heikki Vuorenmaa; and, CFO, Tuomas Mäkipeska. Without further ado, I will hand over to Heikki now to go through the latest developments in the company. Please go ahead, Heikki.

Heikki Vuorenmaa

Yes. Thank you very much, Essi, and welcome also from my behalf to our third quarter 2025 Webcast.

In the third quarter, we overall delivered a solid performance, in line with our expectations. The Contracting segment's profitability continues to improve and they were the main profit drivers during the third quarter. Our apartment sales and production keeps increasing in the Residential segments and the CEE has taken the role as our primary market in terms of revenue, volume and profits. Order book for the Contracting segments are developing well and broader demand environment remains healthy as we move into the fourth quarter. In fact, our next year order book is stronger than in the recent years. Our recently executed employee survey indicates a strong commitment from the team towards our new strategy and, supported by the good operating progress, we revised our full year guidance. But let me share numbers and some key highlights from the quarter.

The low amount of apartment completions in the Residential business impacted our numbers on a group level, as expected. The revenue declined to €402 million, burdened by the Residential segment volumes. Also, it impacted our adjusted operating profit, which was on the level of €12 million. What we are really pleased is that our Contracting segment's trend is improving all the time, and the contribution to profitability is increasing. Infra revenues continues to increase during the quarter €127 million, increasing 30% compared to last year. Adjusted operating profit reached almost 6% in Infra and 4.5% in the Building Construction segment.

But, as we then look our business performance over the past 12 months, we can clearly see how the three out of four segments are delivering as they operate in their favorable market. The revenue is still primarily coming from the Contracting segments and representing altogether 65% of the rolling 12 months' revenue. The Residential operation in the CEE are expected to grow strongly and, as you can see here, the project completion scheduled for the next year, worth €450 million, would imply or indicate, you can see, almost a 60% volume growth compared to the rolling 12 months' figures. And, of course, those starts, what we have been doing in those, are done with the healthy gross margin levels. The resilience of the group is increasing and the dependency to a single market or a single segment is declining. Our Contracting segment operates with a strong order book. So, all in all, the company is heading to the right direction.

Now, let's move then to individual segments, and we start with the Residential Finland. And, as I mentioned already, the revenue has been on the declining trend, and the same trend continued this quarter, as we didn't have any completions during the third quarter of 2025. We mostly sold apartments from our inventory during the quarter and focused to launch new projects that will then be completed during 2026 and 2025. Key for us is to ensure that our product designs meet the market expectations and consumer preferences. And the theme here is working on with internal efficiencies to manage the costs and identify further opportunities across the operations.

The inventory of unsold apartments is reaching a normal level. Helsinki Metropolitan Area still carries excess from the decisions done during the 2022. Our focus on reducing the inventory has now yielded results, and the inventory is no longer an issue for us. Actually, when we look outside of the capital area, we start to already have some shortages, like in Oulu, Turku to Jyväskylä to mention a few of the cities.

Altogether, we started 224 new apartments during the quarter, and those were done mostly on the capital -- outside of the capital area, and the reason is on the previous slide, as discussed, that we still carry an excess supply and we make those starts on the regions, where we see that the demand is healthy and we are convinced that those products are on a good micro-locations that will be sold to consumers during the construction period.

And, as I mentioned here, the story actually is quite the same as in the second quarter. So, no completions and it had the implications that what we already discussed. Our revenue and profits on this segment, same as on the CEE, is based on completion and it has then the meaningful impact on our profitability. The completions -- overall completions this year, if we look, 274 units, this could be actually the lowest point in time. This is just 20% of the completions on 2023 when we are comparing to the previous years. And, here, we can see the implications, where the Residential business bottomed out. Now, we have been starting new projects and, gradually, we see that the market is improving and heading towards better times.

But then, we move to the Residential CEE, which is our primary residential business in the future. The segment performance is very strong, but which is hard to observe from our IFRS numbers as this records revenue only at completion. It's also good to know that this team at the moment this is managing a substantial amount of new projects and the future revenues, which is not yet visible on the pages here or the figures here. And, as I said, this has been now become our principal market. There is about 60 million people living on the operating countries that we are building the homes for consumers, and we see that there are future opportunities still to grow. Revenue and profits for the segment are heavily tilted towards the Q4 this year.

The sales speed continues to increase and reached new levels, now over 1,200 units in a rolling 12 months' basis. We also continued with the new starts. A bit more than 300 units during the quarter and, by now, projects valued, almost €450 million are in production that are estimated to be completed in 2026, and the sales of those projects are progressing well. Favorable market conditions will reinforce the segment's role as a key driver for the growth in the future during our strategy period.

We actually had one project completion during the Q3 ahead of schedule and that was the City in Krakow, Poland. It was one of our newest cities that we opened, and I'm very pleased that the team were able to find lead time acceleration opportunities to get the project completed already ahead of schedule. However, majority of the completions are scheduled for the final quarter of this year and, the total, we talk about 10% more during 2025 than what we had in 2024 in terms of the completions.

But let's leave the Residential segments and maybe more to the Contracting segments, starting with our Infra operations. Infra, the solid performance continues. Top line and profitability continued to grow. The rolling 12 months' revenue is to reach €0.5 billion level soon as we, during the quarter, we saw already or, again, a 30% growth in revenue. The business has a strong order book, tendering pipeline, extremely active, and the customer NPS is increasing.

But I'd like to double click on one part of the market and what the segment is operating in. This is one of the mega trends, what we have highlighted, and it relates to the data centers. The data center investments may play a big role for the Finnish construction companies in the coming years. We have already publicly announced three data center partnerships by now. The market in Finland, strongly increasing, investment plans announced, reaching already €12 billion. We made a decision, a couple of years ago, to invest in capabilities, both in our project management, on general terms, but also in the MEP, and that decision is now yielding results. Data center market offers great potential for us, and we are happy to work with the close cooperation with customers to deliver those solutions on time, under the tight schedules that the data centers typically has. Our recent wins further strengthens YIT's position as the leading data builder -- builder of data centers here in Finland, and this is supporting our strategic focus. We are capable to actually offer full EPC solutions for the data centers as well through our diverse capabilities and as we have capabilities both in

Infra, as well as the Building Construction segment and, as we combine all that, so that makes us competitive in those tendering processes.

But, coming back to the infra order book, and it has remained on the steady level, but the content here is a bit shifting. We actually observe increasing amount of orders from B2B customers in our order book. We still see that we have probably one of the strongest order books among the industry players, and it's approximately 19 months of work. It gives us an opportunity to develop the projects with our customers in such a way that we will find the best solutions for them, which suits for their project. But, before moving to Building Construction, I have to say that it's yet, again, a solid quarter from our Infra team.

We also have positive news from our Building Construction segment. The revenue growth is still ahead of us, but the profitability of the segment is taking steady steps forward. This quarter, we recorded a €7 million profit and, on the rolling 12-month basis, we are approaching 3% level. The balance sheet continues to have a lot of opportunities to release that capital, yet it also negatively impacts the segment's profitability. The negative impact from the capital employed, what we have, exceeds the gains from our -- the balance sheet, which is the fair value of gains that we are recording during the quarter.

We have secured a good level of new orders and we are looking actually ahead with a quite positive, positive outlook. We have about 17 months of work in our books and enabling us here again also to focus on the long term customer development activities. The market continues active and so does the tendering.

Then, a view to our operations. Overall, our operations are running smoothly even though we have significantly scaled up our production volume in the Residential segments. The production has now increased 60% in the Residential business year on year, up 4,000 homes in production today. Project margin net deviations are positive in the Contracting segments and supports the profitability. Our supply chain is under control. However, we're starting to observe workforce availability tightness in our operations, especially in Slovakia and Czechia, which needs attention from our supply chain teams going forward.

Then, to overall market view, before handing over to Tuomas. We have actually updated our view on infrastructure market here in Finland from normal to good. Our operations in the Central Eastern Europe benefits from the favorable market conditions and the strong demand, what we are seeing, especially on the Residential segment, but also there is a normal to good market in the Building Construction segment, depending a bit on the specific country. The residential market in Finland is improving. However, it is still on the weak level, and there's still way to go before we are reaching a normal level of residential market here in Finland.

But that concludes my first part and time to hand over to you, Tuomas, to cover our financial performance of the quarter.

Tuomas Mäkipeska

Yes. Thank you, Heikki. Let's go through our financial development in the third quarter and start with a summary of our key metrics there. So, our return on capital employed was at 3% and gearing at 85% at the end of the third quarter. Our key assets amounted to well over €1.6 billion, while the net debt decreased to €669 million at the end of the third quarter. The cash flow for the quarter was €0 million. So, all in all, the quarter was very stable and, according to the plan also, from the financial perspective. And, as a result of the stable performance year to date, actually, we revised our guidance and we now expect the adjusted operating profit for the year to be between €40 million to €60 million. But let's look at each of these topics in more detail in the following slides.

Our return on capital employed improved from the comparison period, but was at a lower level than in the past two quarters. The low amount of consumer apartment completions during the quarter, which impacted adjusted operating profit in both the Residential segments, is also visible in this metric. We will continue to drive profits and capital turnover to reach our financial target of at least 15% by the end of the 2029. But some highlights regarding capital employed from the segments. So, in Residential Finland, the capital employed has been on a downward trend, supported by the efficient use of our plot portfolio and the sale of the completed apartments from the inventory. In Residential CEE, we have been able to release some €75 million of capital over the past 12 months, even though, at the same time, our apartments under production have increased by over 70%. So this is mainly thanks to our strong plot portfolio, solid apartment sales and

other capital efficiency measures. The Infrastructure segment continues to operate with negative capital employed, supporting the whole group's financial performance, and the capital employed in Building Construction continues to include non-core assets, which burdened the segment's profitability, as Heikki mentioned before.

Let's move on to the cash flow development. Cash flow for -- cash flow after investments for the third quarter was zero and we can see from the graph that the cash flow in our business is cyclical and typically heavily tilted towards Q4. When looking at a longer time period, the 12 months' rolling cash flow was almost €70 million positive at the end of the third quarter and it has now been actually positive for the seven -- last seven quarters. Cash flow from plot investments in the third quarter was minus €9 million and the plots we invested in during the third quarter were mainly located in Poland, which supports our growth in the region in the future. So, this demonstrates our ability to operate the businesses with a positive cash flow, while investing in growth where the returns are the highest.

Net interest-bearing debt decreased from the comparison period and remained stable when comparing to the previous quarter, amounting to €669 million at the end of Q3. Gearing was at 85% and decreased from the comparison period. In addition to the positive rolling 12 months' cash flow, the decrease was supported by our hybrid bond issuance, which took place during the second quarter this year. The net interest bearing debt included IFRS 16 lease liabilities of €260 million, as well as housing company loans of €138 million, and the combined amount of these items has decreased by over €80 million from the comparison period. This is thanks to our decreasing inventory of unsold apartments, as well as capital efficiency actions relating to leased plots. When excluding the before-mentioned lease liabilities and the maturity -- long maturity housing company loans from our net debt, the adjusted net debt amounted to some €270 million. This translates to an adjusted gearing ratio of 35%. We remain determined to reduce the indebtedness of the group and operate within the set financial framework of 30% to 70% gearing.

We have an asset-rich balance sheet. Our key assets amount to well over 2 times the net debt. When comparing the components of our key assets to the year ago situation, the changes in the company are clearly reflected there. Production has increased by around €60 million as we have accelerated our production, especially in the favorable markets of the CEE countries. As we have accelerated starts, our a plot reserve has decreased by some €100 million, but it continues to remain strong, enabling the construction of approximately 30,000 apartments across our operating countries. Completed inventory in our balance sheet has decreased by over €80 million from a year ago as we have continued to successfully sell the excess apartment stock. So, all in all, we have effectively used our balance sheet and we'll continue to do so going forward.

Capital release from the balance sheet and capital efficiency in business operations continue to be top priorities in our strategy. As communicated, we identified potential to release up to €500 million of capital from our current apartment inventory and through divestments of the non-core assets. These non-core assets include real estate plots and ownerships in associated companies that are not in the core of our current strategy. And the released capital will be reallocated to fund Residential segment's profitable growth and reduce indebtedness of the company, which will consequently lower the financing cost and support the net profit generation.

In the maturity structure of the interest bearing debt, having only a limited amortization schedule for this and next year, allow us to focus on profitable growth of the businesses. The amortizations maturing in 2027 and 2028 will be addressed as a part of normal refinancing planning.

Then, to the guidance, which has been revised. We have narrowed the range for the adjusted operating profit guidance. We now expect group adjusted operating profit for continuing operations to be between €40 million to €60 million in 2025. Previously, we expected the adjusted operating profit to be between €30 million to €60 million. The guidance update is a result of the stable financial performance of the businesses during the first nine months of the year. Our outlook, however, remains unchanged.

So, to summarize the Q3 financial development, before handing back over to you, Heikki. The stable financial performance across our businesses, seen during the first half of the year, continued in the third quarter. Our plot portfolio continues to be strong, which enables us to start new residential projects and, consequently, support profitable, profitable and capital-efficient growth, and releasing capital is a strategic

priority as we continue to allocate capital to our most profitable businesses. So, based on these facts, our current financial position clearly serves as a basis for the targeted profitable growth according to the strategy.

So, that covers the finance part of the presentation. So, now back to you, Heikki.

Heikki Vuorenmaa

Well, thank you, Tuomas, and I think there's a -- there's also other reason to say, say thank you. As we have announced, you have you a -- have taken the opportunity to join another great company as a CFO in a couple of couple of months, and this is opportunity for me to say thank you for the intensive three years that we have, we have time to spend together, and I think that I could not have imagined a better person on that three years to work with in order to successfully turn around the company and re-set the new strategy and put the foundations in place for the growth, what the company is or has ahead of it. So, a big thank you for all the work, work and the commitment that you have done for the YIT.

Tuomas Mäkipeska

Thanks. Thanks, Heikki, for the kind words and thank you. It's been a pleasure and it's been an absolute pleasure working with you and working for YIT for these roughly four years and, I think, we have accomplished a lot together, and we have really transformed the company during the last couple of years. So I think it's been quite a ride, quite a ride together and, I think, it also makes me sad a bit to leave the company, but I will be following you and, I think, YIT has the right strategy, the skilled management and the absolute professional employees throughout the segments. So, I think these are the ingredients for the future success of the company and under your management. So, I'm really confident that you will keep up the good work and be successful in the future. So that's what I think for -- from the future perspective as well.

Heikki Vuorenmaa

Well, thank you. Thank you very much, and I think that now it's a -- as we have introduced, the third musketeer along the team that, Markus, Markus Pietikäinen, you haven't been so visible in the -- in this stage but, of course, you have been on a, you know, close cooperation that we have been working with you already for two years given the, you know, financing and in terms of the whole group, but also project financing and, you know, we have a strong leadership, leadership bench and it's my privilege and I'm really excited also to announce you as our Interim CFO and ask you, maybe introduce a bit about your personal background. So, next, we're also covering the strategy progress. So, you've been now with us and kind of seeing the first full year of the strategy, so how you are looking forward the implementation and execution of that as well? So, please, Markus.

Markus Pietikäinen

Thank you, Heikki, and thank you for the opportunity. And so, a few words. So, my background, I'm a finance major from Helsinki. I worked 12 years with Wärtsilä in different positions. I worked in group controlling, corporate development and I ran the Treasury, Treasury, and also ran a business unit out of Houston. So, that's my -- that's the background. And I also worked for JPMorgan for five years in different investment banking positions in London, and then also as Chief Investment Officer for FinnFund. So, this is, in brief, my background. And, to your question on the strategy, I think that the first year into the five-year strategy, we are clearly now seeing results of the strategy working out. We have a very strong outlook in the CEE countries on the residential side. This is a good margin business with tremendous growth opportunities. And, if you look at the two Contracting segments which we have, both have very robust order books, clearly, headwinds from -- and a good support from from data centers, and also the defense sector. So, we see good trends supporting these two Contracting businesses. And then, fourth, the Residential Finland, I think that, very clearly, the trough is behind us. We've, I think, announced today the 10th self-developed project. So, clearly, the -- we are past the difficult times and, obviously, there is opportunities there going forward. So, this is a great opportunity for me to join the leadership team and really excited about this opportunity and looking forward working with you all.

Heikki Vuorenmaa

Very good and welcome, welcome, Markus to our team. Same time sadness, but also joy and excitement as the -- it's the two today's -- today's feeling that I'm having.

But now, it's the time for us to go into the section that has been already promised. So, how we are executing our strategy during the third quarter? First, a high level look on our revenue and the profitability, as well as return on capital employed. We covered this already on the early part of the presentation. The revenue is still yet to start to show the growth trends due to the low amount of completions, what we are having this year. The same is -- the same thing is impacting our adjusted operating profit margin on a rolling 12 months basis during this quarter. And the return on capital employed, while it has been trending in the right direction, took a big step back during the quarter and it requires, of course, that -- the profit to come, but also capital release actions that we have in the pipeline to be executed.

But the highlights from our strategy during the Q3 comes from actually our strategic focus to elevate the customer and employee experience to next level. When we look on our customer feedback and the NPS, it has been continued on a very high level already for the several quarters. We have also made changes in terms of how are we serving our customers that has maybe liability repairs in the Residential Finland, and the lead times on that side has been decreasing already 60% compared to 2023, and this is then, of course, reflecting as a better customer feedback, as well as the -- when the issues that has been identified are closed on a faster pace. Also, we have been working a lot with our apartment designs, not just the one apartment, but also the full floor layouts in order to introduce new designs in this type of a market, and it has been also what our efficiencies we have been taking. So it has provided us opportunity to price those with a lower price than before into that market when we have been launching the new starts. And, investing to our own capabilities and teams, so we have been becoming the leading builder of the data centers in Finland, as mentioned, that we have already announced the three projects.

But the key big highlight from this quarter is our -- the commitment of our employees towards our new strategy. Our -- we're measuring our employee satisfaction on an annual basis and the Net Promoter Score from our employees increased from a level of 30 to a level 37, and that is a significant increase compared to a year ago. The main drivers was how our teams are understanding and -- the strategy, but also how they are seeing the future of the company to develop. 98% of trainees would like to continue working at YIT after we are -- after the summer or the period of time that they have been working with us, and we continue to invest in our people. And, most recently, all of our leaders are going through the leadership training, which is then building more competencies and capabilities to their toolbox in order to lead the construction side of the projects, but also the teams on this side of the manor. So, good progress also on this during the quarter and, operator, I think now it's already time to open up and start to have the questions.

Q&A

Operator

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

Anssi Raussi

Yes. Hi all and thank you for the presentation. A couple of questions from me. So, first, about these so-called non-core assets you are targeting to divest in the future. So, can you give us any ballpark, like how much these assets are currently generating earnings?

Tuomas Mäkipeska

Well, I can start and continue if you wish then. So, as -- actually, as you, Heikki, mentioned, so altogether, if you look at the non-core assets, non-core assets on our balance sheet and, of course, that they actually create, and comparing that one to the benefits of having a kind of a fair value gains there. So, these costs are offsetting the gains and are exceeding the gains. So that is what we have publicly communicated. We are not disclosing any numbers regarding the -- our non-core assets piece by piece or the operational cost related to them, but in a big picture. So, as we say that they continue to burden our profitability. So, that effectively means that the costs exceed the benefits.

Anssi Raussi

Okay. Got it. Thanks. And maybe then about your cash flow so, as you mentioned, that the Q4 is typically the strongest quarter in terms of seasonality. So, could you give us any, you know, estimate like should we look at the 2024 Q4 or 2023 or something like we have seen in the previous years?

Tuomas Mäkipeska

I can...

Heikki Vuorenmaa

Yeah.

Tuomas Mäkipeska

...I can take this one. So, we're not guiding quarterly cash flows or even a yearly cash flow for this year. But, as we have throughout our presentation, we have explained that our growth in CEE countries is not tying more capital or being cash negative largely. Then also, the increase in -- or growth in the Contracting segments are actually supporting the positive cash flow generation, and we're confident that we have a strong cash flow for the Q4, so that we can say, but anyway. So, we're not, not giving any ballpark on a number basis.

Anssi Raussi

Okay. That's clear. Thank you. And, by the way, thank you, Tuomas, for now. So happy to continue our cooperation in the future as well.

Tuomas Mäkipeska

Yeah. Likewise, Anssi.

Anssi Raussi

That's all for me.

Tuomas Mäkipeska

Thanks.

Operator:

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

Tuomas Mäkipeska

I would actually ask you... Before we close, so I would actually like to thank also the cooperation with the analysts throughout these years. So, it's been a -- also a pleasure working a very smooth cooperation with you during this phase and most of or a part of you will -- we'll, of course, meet in the next roles as well. So thank you very much for the cooperation on my behalf.

Essi Nikitin

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

Heikki Vuorenmaa

Thank you very much.

Tuomas Mäkipeska

Thank you