

Caverion launches Fit for Growth strategy and sets new financial targets until 2020

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Caverion launches its new strategy and sets new financial targets ahead of the Capital Markets Day, which will be held tomorrow on November 7, 2017 in Helsinki, Finland.

The new strategy until 2020 is built around the digitalisation of the industry. According to its updated vision, Caverion wants to be the **“First choice in digitalising environments”** for its customers, employees and partners in its industry.

“I strongly believe that digitalisation will revolutionise our industry. This favours companies like Caverion. We are already now forerunners in digitalisation and technology is at the core of our offering and competitive edge. Our unique service offering covers the entire life cycle: from Design and Build and further to Technical Maintenance and Managed Services. The market is doing well and the outlook is favourable. By co-creating with our customers and partners we will together define and combine the technologies and best solutions for the long-term benefit of our customers. The new strategy builds on Caverion’s mission: with **“Smart solutions and happy customers”** we can make profitable business and also grow in the future,” says **Ari Lehtoranta**, President and CEO of Caverion Corporation.

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

Before investing heavily in digital growth, however, Caverion has to first improve its current performance. Therefore the new strategy is divided into two phases: **“Fit”** and **“Growth”**. With these two phases combined, the new strategy is called a **“Fit for Growth”** strategy.

Caverion has selected four Must-Win areas, which are crucial to success in strategy implementation. During the first **“Fit”** phase over 2018-2019, Caverion will concentrate on materially improving its financial performance. In this phase **“Top Performance at Every Level”** is a pivotal Must-Win to boost the Group’s cash conversion, improve productivity, clean the project portfolio and continue the selective approach towards Projects. This Must-Win focuses on performance management in the business units Services and Projects while driving also savings in procurement, material logistics and fixed costs through detailed actions. There is also a clear target to boost growth in the Services part of the business.

The Must-Win area **“Excellent customer experience”** focuses on a creation of a service culture where customer demand and experience are key starting points. Running parallel with this area throughout the whole strategy period is the **“Winning team”** Must-Win, which focuses on creating excellent customer experience through capable leaders and engaged professionals and having the right people in the right places through enhanced resource planning.

Towards the end of the **“Fit”** phase the focus will shift more on the fourth Must-Win area **“Best solutions”**. In this area Caverion will drive growth based on its existing and new capabilities in high value-adding technologies as well as by co-creating wholly new digital services with its customers.

After successful implementation of the **“Fit”** phase, Caverion will move to the **“Growth”** phase of its strategy during 2019-2020. The main target of this phase is to further accelerate growth in Services. Caverion has set a specific business mix target for its revenue; the long-term target reaching beyond 2020 is to generate over two-thirds of Group revenue from the Services business. At the same time, Caverion will continue its selective approach in Projects throughout the strategy period. However, Projects will still remain important as they act as a gateway to Services and contribute to maintaining the company’s technical forerunner position.

Furthermore, Caverion has also defined areas which always need to be in focus and under constant improvement. These are safety, quality and sustainability and they have been defined as **“must-haves”** in the new strategy.

New financial targets

“Caverion wants to prioritise on cash flow generation and profitability improvement in its new strategy. We have hence set cash conversion and EBITDA as our most important financial targets, supported by a moderate debt leverage level. Except for constantly targeting to beat market growth in our Services business, we have not defined a general revenue growth target for the **“Fit”** phase of our strategy. It will be given by the end of 2019 before the start of the **“Growth”** phase,” says **Martti Ala-Härkönen**, CFO of Caverion Corporation.

The main updates to the financial targets are the following:

Previous targets	Updated targets (until the end of 2020)
Profitability: EBITDA over 6% of revenue	Cash conversion = Operating cash flow before financial and tax items / EBITDA > 100%
Revenue growth: Average annual revenue growth >10%	Profitability: EBITDA over 6% of revenue (no change)
Working capital: negative	Debt leverage: Net debt/EBITDA < 2.5x
	Growth: - Revenue growth target will be given by the end of 2019. - Services growth > market growth. - Long-term target beyond 2020: Services generate over two-thirds of Group revenue.
Dividend policy: distribute at least 50% of the result for the year after taxes, excluding changes in fair value.	Dividend policy: distribute at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.

Capital allocation policy

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

1. Investments in organic growth including digitalisation. However, Caverion's targeted operational capex level (excluding acquisitions) should not exceed 1 percent of revenue;
2. Reduction in leverage;
3. Dividend policy of distributing at least 50% of net profit remains in place, taking into account profitability and leverage level;
4. Mergers and acquisitions in areas where adding complementing capabilities or assets to existing footprint especially in Services. However, acquisitions are only allowed for divisions performing well.

Overview of the CMD programme

More detailed information on the new strategy, the Must-Wins and how Caverion will reach the new financial targets will be provided at the Capital Markets Day, to be held in Helsinki tomorrow on November 7, 2017 at 9.00 a.m. EET (Finnish time).

The day will start with management presentations. In addition to President and CEO Ari Lehtoranta, the speakers include Martti Ala-Härkönen (Chief Financial Officer), Thomas Hietto (Head of business unit Services), Jarmo Hacklin (Head of business unit Projects) and Knut Gaaserud (Executive Vice President & CEO, Division Denmark-Norway).

After the management presentations the guests will visit a life cycle project at the Lintuvaara school in Espoo where Caverion has installed building systems in connection with the renovation and expansion of the buildings and is responsible for a 25-year life cycle service contract. In addition, guests will visit Caverion's remote management centre and 24-hour Helpdesk operations in Vantaa.

All presentations will be made available at www.caverion.com/investors on the Capital Markets Day. The event and all the materials will be in English. It is also possible to follow the presentations through a live webcast at the same address at approximately 9.00 a.m.-12.30 p.m. EET. A recording of the webcast will be available after the Capital Markets Day. The presentation given by Ari Lehtoranta can also be followed through a conference call at 9.00-10.00 a.m. (EET) by calling the assigned number +44 (0)330 336 9105 at 8:55 a.m. (Finnish time, EET) at the latest. Participant code for the conference call is "5896055/Caverion".

CAVERION CORPORATION

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Caverion designs, builds, operates and maintains user-friendly and energy-efficient technical solutions for buildings, industries and infrastructure. Our services and solutions are used in commercial and residential buildings and on industrial and public sector properties, as well as in processes, ensuring business continuity, safety, healthy and pleasant surroundings, optimal performance and cost management. Our vision is to be a leading European provider of advanced and sustainable life cycle solutions for buildings and industries. Our strengths include technological expertise and comprehensive services, covering all technical disciplines throughout the entire life cycles of properties and industrial plants. Our revenue in 2016 was approximately EUR 2.4 billion. Caverion has about 17,000 employees in 12 countries in Northern, Central and Eastern Europe. Caverion's shares are listed on Nasdaq Helsinki. www.caverion.com, Twitter: @CaverionGroup