



 **NORDECON**

Investor  
<sup>1</sup>  
Presentation  
Q1 2020

# STRATEGY OVERVIEW



## Business model

Industrial buildings

Public buildings

Residential buildings

Commercial buildings



BUILDINGS



INFRASTRUCTURE

Other infrastructure  
Environmental engineering  
Utility networks

Specialist engineering  
Bridges, viaducts  
Port construction  
Rail construction

Road construction  
and maintenance  
Road construction  
Road maintenance

# STRATEGIC AGENDA FOR 2019–2022

The Group will grow, mostly organically, with a focus on more efficient use of its existing resources.

In Estonia, we will operate, as market leader, in both the building and infrastructure construction segments.

In Sweden, we will focus on general contracting in Stockholm and the surrounding area.

In Finland, we will focus on general contracting and concrete works in Helsinki and the surrounding area.

In Ukraine, we will focus on general contracting and concrete works, primarily in Kiev and the surrounding area.

## BUSINESS LINES AND MARKETS

Improving profitability through more precise planning of our design and construction operations.

Increasing our design and digitalisation capabilities.

Simplifying and automating work and decision-making processes.

Monitoring the balance between the contract portfolios of different business segments.

Valuing balanced teamwork where youthful energy and drive complement long-term experience.

Noticing and recognising each employee's individual contribution and initiative.

## ACTIVITIES

Revenue will grow at least 10% per year.

The contribution of foreign markets will increase to 20% of revenue.

Real estate development revenue will grow to at least 10% of revenue earned in Estonia.

Operating margin per year will be consistently above 3%.

Operating profit per employee will increase to at least 10 thousand euros per year.

On average, at least 30% of profit for the year will be distributed as dividends.

## FINANCIAL TARGETS

# ESTONIAN ACADEMY OF SECURITY SCIENCES

LOCATION  
Tallinn

CUSTOMER  
Academy of Security Sciences

ARCHITECT  
Arhitekt11 OÜ

CONSTRUCTION PERIOD  
July 2017 – February 2019

CONTRACTOR  
Nordecon AS

PROJECT MANAGER  
Kaido Aunre



## PERIOD IN BRIEF

The Group's **revenue** for the first quarter of 2020 amounted to 54,924 thousand euros, a roughly 59% improvement on the 34,524 thousand euros generated in the first quarter of 2019.

Revenue grew in the Buildings segment, which increased sales by 71%, but remained practically at the same level as a year ago in the Infrastructure segment.

Based on the order book at the end of 2019, revenue growth met expectations.

Nordecon ended the first quarter of 2020 with a **gross profit** of 1,188 thousand euros (Q1 2019: 46 thousand euros) and a gross margin of 2.2% (Q1 2019: 0.1%).

Due to the seasonality of the construction business, first-quarter results, particularly in the Infrastructure segment, are affected by a large share of uncovered fixed costs.

The Group's first-quarter gross profit was earned in the Buildings segment, where the gross margin remained at the same level as in the comparative period: 4.5% (Q1 2019: 4.5%).

The Group's **administrative expenses** for the first quarter of 2020 totalled 1,799 thousand euros. Compared to the same period in 2019, administrative expenses increased by around 20% (Q1 2019: 1,493 thousand euros).

The rise is attributable to growth in personnel expenses and depreciation as well as the fact that Embach Ehitus OÜ became a subsidiary of the Group.

The ratio of administrative expenses to revenue (12 months rolling) decreased compared to the same period last year and was 2.8% (Q1 2019: 3.1%).

The Group ended the first quarter of 2020 with an **operating loss** of 643 thousand euros (Q1 2019: 1,750 thousand euros).

**EBITDA** was positive at 194 thousand euros (Q1 2019: negative at 1,018 thousand euros).

The Group's **order book** stood at 229,018 thousand euros at 31 March 2020, an increase of around 34% year on year.

In the first quarter of 2020, we signed new contracts of 43,325 thousand euros (Q1 2019: 92,556 thousand euros).

In the first quarter of 2020, **operating** activities produced a **net cash** outflow of 2,318 thousand euros (Q1 2019: an outflow of 3,182 thousand euros).

Negative operating cash flow is typical of the first quarter and stems from the cyclical nature of the construction business.

# KOHTLA-JÄRVE STATE GYMNASIUM

## LOCATION

Kohtla-Järve, Ida-Viru county

## CUSTOMER

The State Real Estate

## ARCHITECT

BOA OÜ

## CONSTRUCTION PERIOD

September 2018 – August 2019

## CONTRACTOR

Nordecon AS

## PROJECT MANAGER

Kristo Leede, Marko Mägi

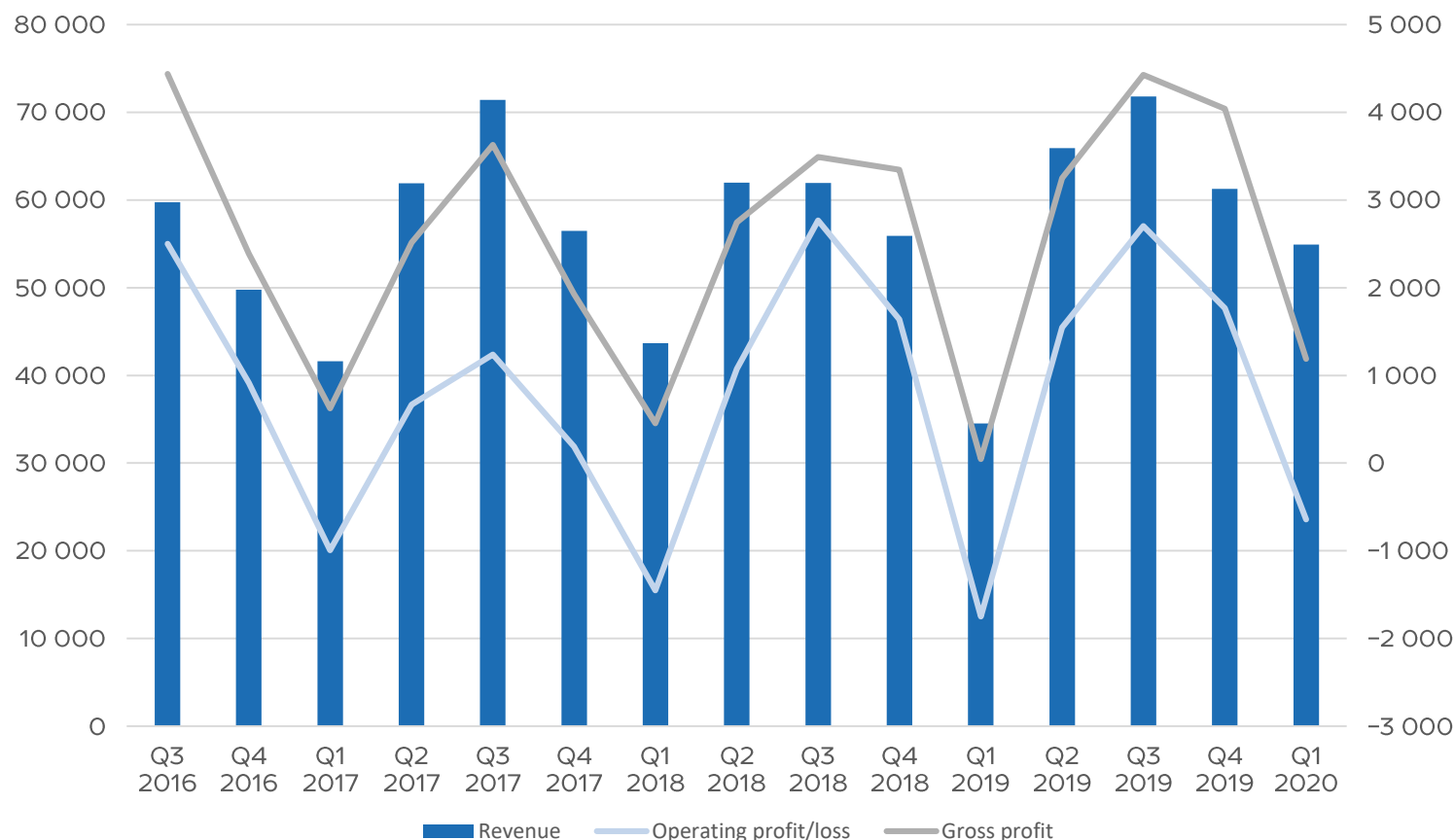


## REVENUE AND OPERATING PROFIT

**Revenue** grew in the Buildings segment, which increased sales by 71%, but remained practically at the same level as a year ago in the Infrastructure segment.

The **gross margin** of the Buildings segment remained at 4.5% for the first quarter while the Infrastructure segment loss decreased year-on-year from -17.1% to -12.8%.

Figure / Ratio	3M 2018	3M 2019	3M 2020
Revenue (EUR '000)	43,662	34,524	54,924
Revenue change	4.9%	-20.9%	59.1%
Net profit/loss (EUR '000)	-1,883	-1,893	-2,196
Gross margin	1.0%	0.1%	2.2%
EBITDA margin	-2.2%	-2.9%	0.4%
Net margin	-4.3%	-5.5%	-4.0%
Administrative expenses to revenue (12 month rolling)	3.1%	3.1%	2.8%





# VESKITAMMI JUNCTION

## LOCATION

National road no 4, 13.0–13.7 kilometers of the Tallinn–Pärnu–Ikla road

## CUSTOMER

Road Administration

## DESIGNER

Reaalprojekt OÜ

## CONSTRUCTION PERIOD

March 2018 – November 2019

## CONTRACTOR

Nordecon AS

## PROJECT MANAGER

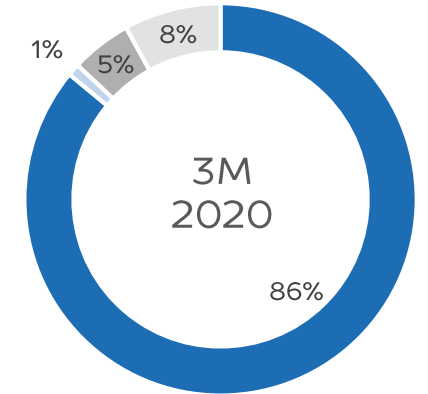
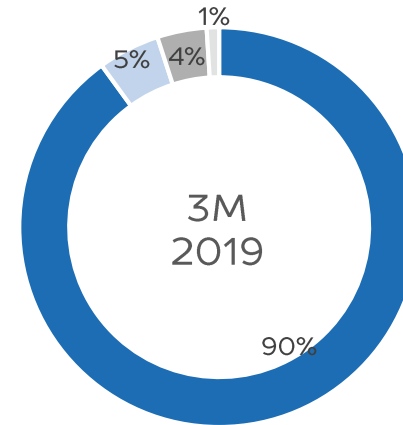
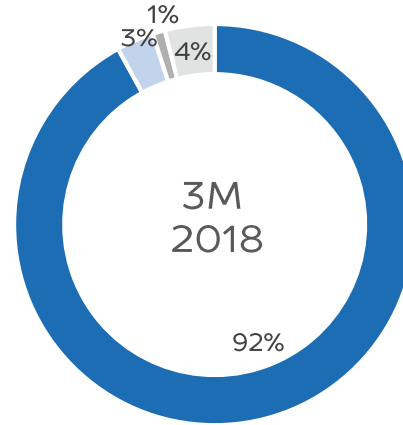
Madis Padu



# Revenue by Geographic Regions

■ Estonia ■ Ukraine ■ Finland ■ Sweden

	3M 2018	3M 2019	3M 2020
Estonia	92%	90%	86%
Ukraine	3%	5%	1%
Finland	1%	4%	5%
Sweden	4%	1%	8%



The revenue contribution of **foreign markets** continued to grow. Revenue earned outside Estonia accounted for 14% of total revenue for the first quarter of 2020 compared with 10% for the same period in 2019.

The revenue contribution of the **Swedish market** grew significantly year on year. We are currently providing general contractor's services under three building construction contracts in Sweden.

**Finnish revenues** remained stable compared with the same period last year and resulted from concrete works in the building construction segment.

Revenue generated in the **Ukrainian market** and its proportionate share in our total revenue decreased.

# Order book and revenues

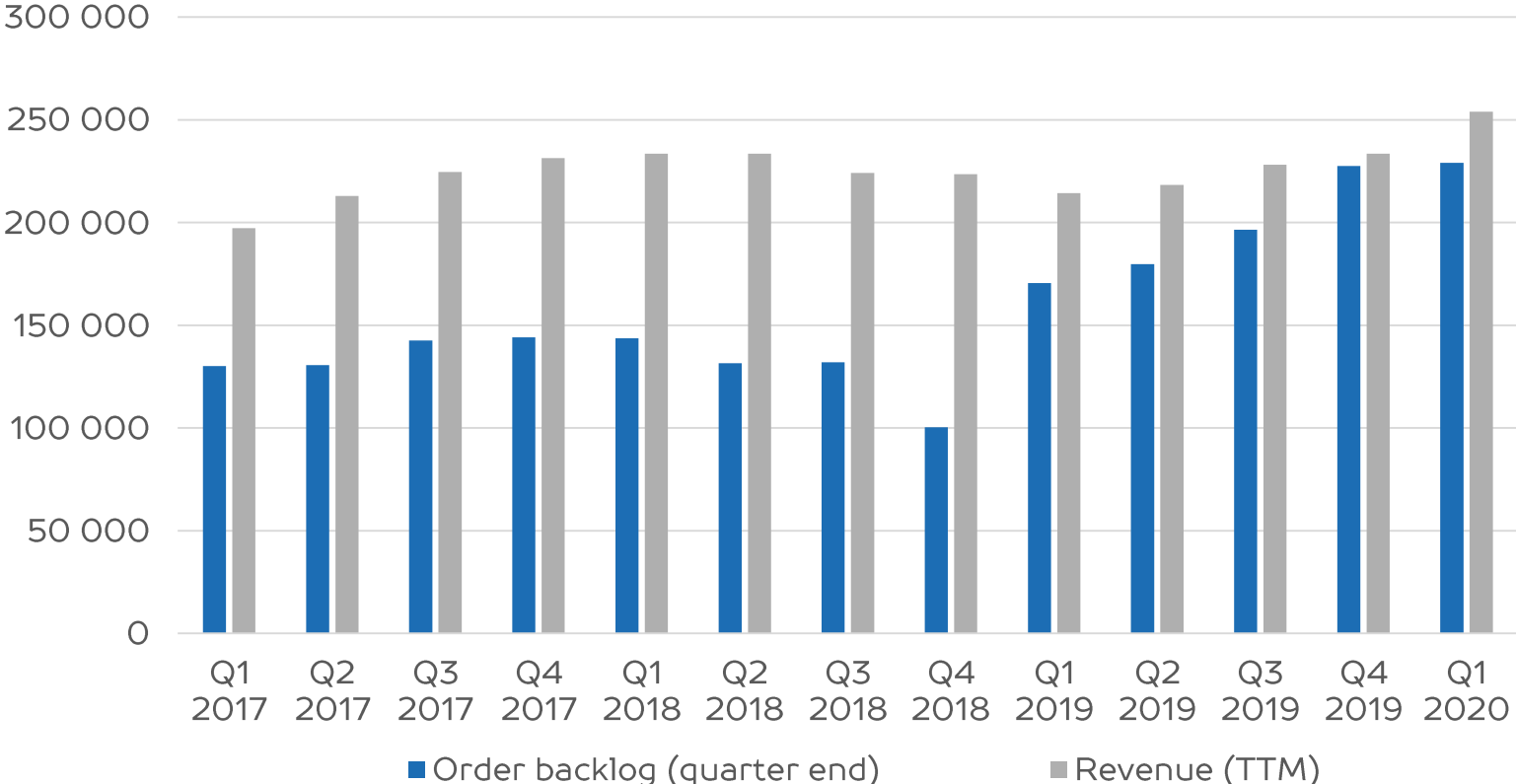
The Group's order book stood at 229,018 thousand euros at 31 March 2020, an increase of around 34% year on year.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 81% and 19% of the Group's total order book, respectively (31 March 2019: 86% and 14%, respectively).

Compared to 31 March 2019, the order book of the Buildings segment has increased by 26% and the order book of the Infrastructure segment by 84%.

In the first quarter of 2020, we signed new contracts of 43,325 thousand euros (Q1 2019: 92,556 thousand euros).

## ORDER BOOK



# TU HOSPITAL PARKING GARAGE

LOCATION  
Tartu

CUSTOMER  
Citypark Eesti OÜ

DESIGNER  
Nordecon Betoon OÜ

CONSTRUCTION PERIOD  
January 2019 – January 2020

CONTRACTOR  
Nordecon Betoon OÜ

PROJECT MANAGER  
Mihhail Varep



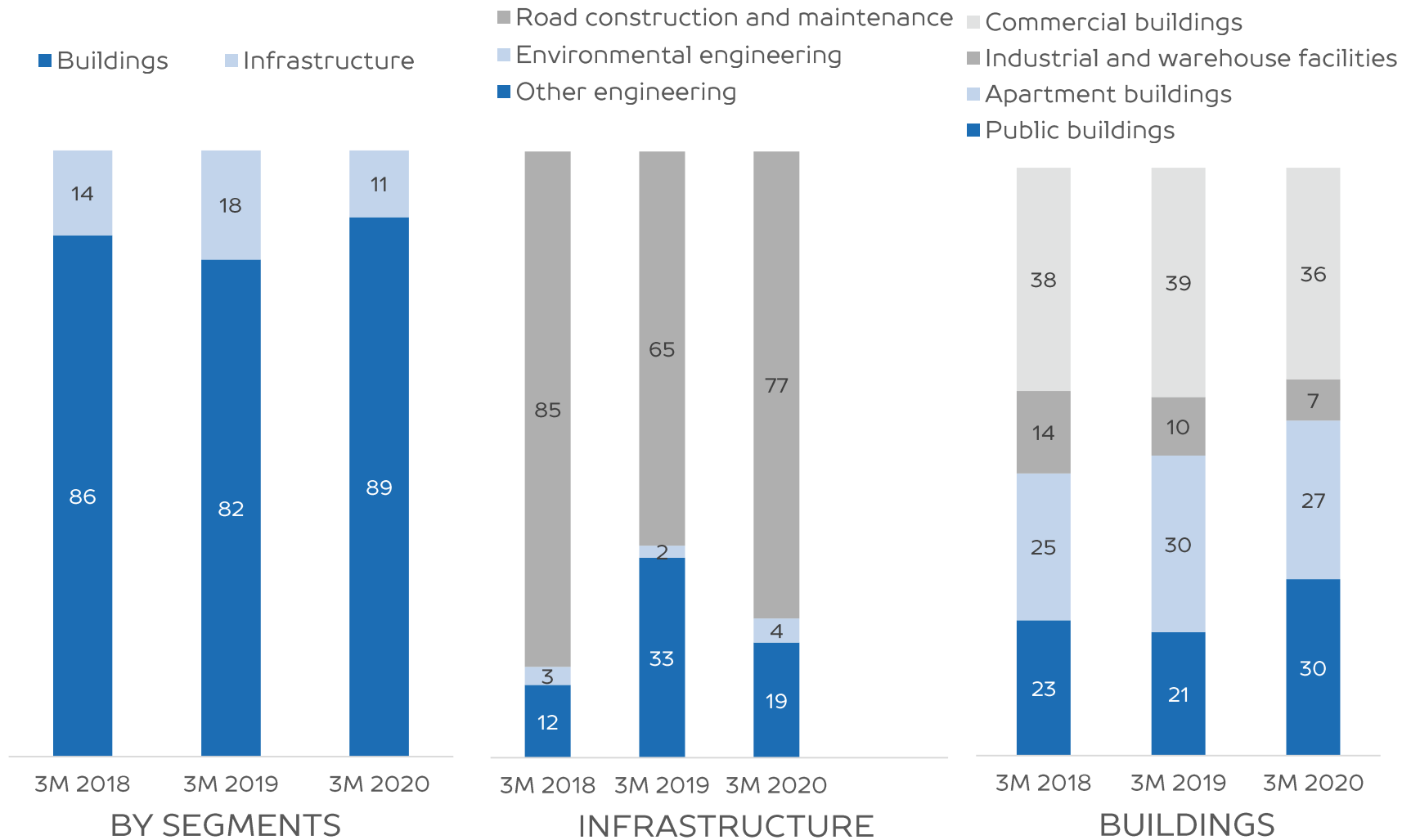
# Revenue distribution

We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) as even as possible as this helps diversify risks and provides better opportunities for continuing construction operations in more challenging circumstances where the volumes of one subsegment decline sharply.

The limited volume of infrastructure construction projects, which is affecting the entire Estonian construction market, is also reflected in our revenue structure.

Commercial buildings remained the largest revenue source in the Buildings segment, but the fastest year-on-year growth was delivered by the public buildings subsegment

Similarly to previous periods, the main revenue source in the Infrastructure segment was road construction and maintenance whose first-quarter revenue is generally modest due to seasonal factors.



# 3 APARTMENT BUILDINGS OF KALDA HOME

LOCATION  
Tartu

CUSTOMER  
Nordecon AS

ARCHITECT  
Indrek Näkk

CONSTRUCTION PERIOD  
September 2018 – October 2019

CONTRACTOR  
Embach Ehitus OÜ

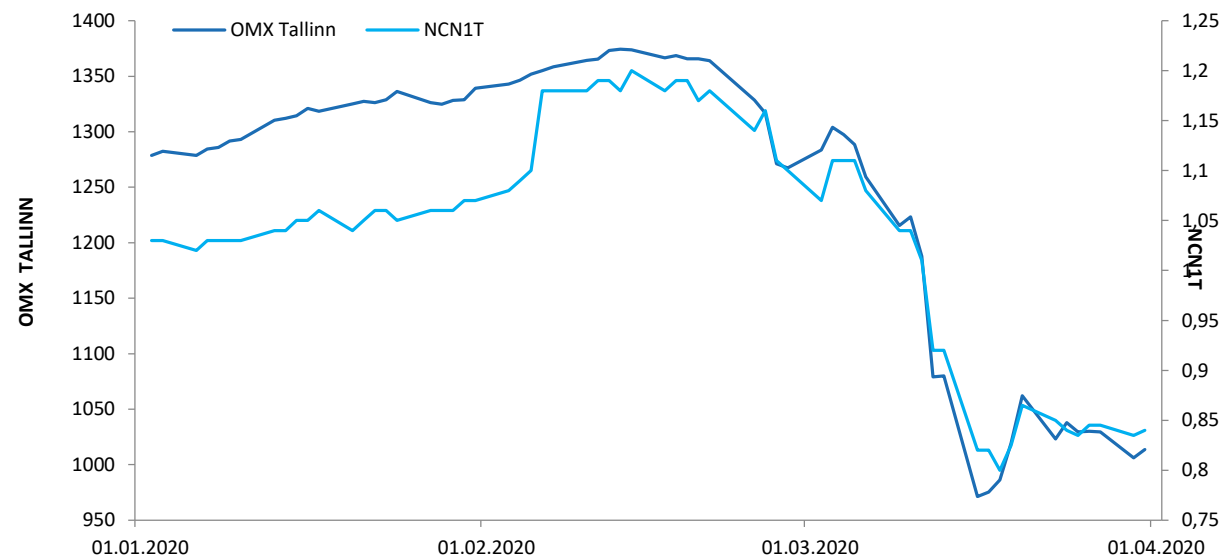
PROJECT MANAGER  
Ahti Kala



## Share and shareholders

### Largest shareholders in Nordecon AS at 31 March 2020

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16 507 464	50.99
Luksusjaht AS	4 274 153	13.20
Rondam AS	1 000 000	3.09
SEB Pank AS kliendid	553 188	1.71
Mati Kalme	525 000	1.62
ASM Investments OÜ	387 000	1.20
Olegs Radcenko	370 668	1.14
Lembit Talpsepp	367 486	1.14
SEB Elu- ja Pensionikindlustus AS	255 000	0.79
Ain Tromp	253 960	0.78



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