

# Services

Caverion is one of the major players in its market, serving both real estate and industrial clients. We aim to maintain this position and outgrow the market. In 2016, the revenue of the Services business was EUR 1,130.6 million, consisting of the Technical Maintenance revenue of EUR 817.8 million and Managed Services revenue of EUR 312.8 million.

## New ServiFlex+ concept for technical maintenance of properties

The Technical Maintenance business provides real estate and industrial clients with predictive maintenance, need-based maintenance, repair services and service projects. In 2016, Caverion had more than 30,000 spaces in Technical Maintenance service.

Technical maintenance services are typically provided under fixed-price ServiFlex agreements covering several technical disciplines. In order to increase the share of agreement-based maintenance and deliver value for clients, we began to develop a new ServiFlex+ concept in 2016. The new ServiFlex+ offers clients various service levels and an opportunity for 24/7 remote property monitoring, which enables significant energy and cost savings and benchmarking the property's consumption history against similar properties. Remote monitoring also helps in optimising the performance and maintenance intervals of the property's technical equipment and systems. The sales of ServiFlex+ began in late 2016 in Norway and will be expanded to all countries in which Caverion operates over the course of 2017.

In addition to ServiFlex+, Caverion offers other, customised agreement models, intended to secure the operation of one or more technical disciplines in the short or medium term. Agreement-based maintenance business also provides the best opportunities for selling additional services. ServiFlex agreements are typically concluded for three years, after which they continue for a period that is a multiple of the original period. Agreements are normally paid up front at the beginning of the year. The annual turnover rate for ServiFlex agreements is only a few percent, and the likelihood of concluding an agreement in the bidding phase is significantly higher than with other agreement models. Agreements do not usually offer opportunities for additional bonuses for Caverion. As part of creating the ServiFlex+ concept, control room operations were centralised by division in a single unit in Finland, Germany, Norway and Sweden.

We serve industrial clients by providing maintenance and repair services that help them achieve improved availability, speed and uninterrupted operation of their production lines.

In 2016, Caverion's Technical Maintenance business also invested in increasing internal efficiency and implementing consistent processes. For example, service managers in Finland, Sweden, Norway, Denmark and Austria began to use mobile devices that make their work more efficient.

## Managed Services takes overall responsibility for conditions and costs

In the Managed Services business, Caverion operates, develops and maintains technology and systems and related processes in commercial, industrial and residential buildings, taking overall responsibility and putting the client in the centre. Managed Services agreements can include Life Cycle Solutions, Managed Operations (including Technical Maintenance), Operational Performance Contracting and Energy Performance Contracting. Compared to traditional property maintenance, Managed Services agreements can cover all services related to facility management and maintenance, with Caverion assuming greater responsibility for achieving certain conditions and targets and controlling costs. For industrial clients, Managed Services partnerships mean that Caverion will shoulder overall responsibility for maintenance as well as partial responsibility for meeting production targets.

Managed Services agreements are typically life cycle agreements lasting up to 25 years. Instalments are paid monthly throughout the term of agreement. Opportunities for additional bonuses for Caverion and possible decreases in services are evaluated annually and are of minor economic value. Due to special features, the likelihood of concluding agreements is high. The retention rate for agreements is excellent and annual turnover is low.

In 2016, clients in Denmark and Finland, in particular, became increasingly interested in energy and cost efficiency throughout the life cycle of their buildings and plants. We currently have around one hundred Managed Services clients, most of which operate in the public sector and in the process and energy industries. Multinational corporations are also exhibiting more interest in cross-border service agreements, and the first agreements were signed during the year.

In the industry segment, Managed Services partnerships were established particularly in Finland during the year. Caverion is also in the process of expanding its industrial service offering to Germany.

Energy savings investments in the public sector are often implemented using the ESCO or EPC models, in which Caverion is responsible for energy savings and the optimisation of energy efficiency in properties, and also guarantees energy savings for the properties specified in the agreement. Energy efficiency investments can be implemented, in full or in part, by savings from the measures taken. In the Nordic countries, there is also increased interest in public-private partnerships, although the share of PPP and similar agreement models in the market is still relatively small.

## Solutions for the entire life cycle

In their widest form, Managed Services are offered as Life Cycle Solutions encompassing all Caverion's service areas.

Clients can move life cycle responsibility from several suppliers to Caverion for 20–25 years in order to secure costs, energy efficiency and optimal conditions for even decades to come. Caverion provides most of the services in-house, excluding potential soft services that are outsourced, such as cleaning or the maintenance of outdoor areas.

In 2016, Caverion launched a major life cycle project in, for example, Kalvebod Brygge, Copenhagen. The life cycle agreement for a new office building is worth more than EUR 80 million, which makes it one of the largest orders in Caverion's history.

**Caverion's expertise in Services business is based on our:**

- Broad experience and efficiency in reducing costs, extending service life and minimising breakdowns
- Technical expertise in all building systems and key technical disciplines for industry
- Nation-wide local presence, ensuring short response times in maintenance
- Strong market position
- Long-term client relationships, extensive track record
- Life cycle and sustainability focus
- Remote property management
- Real-time client reporting
- Experienced and engaged teams, skilled personnel
- Harmonised processes and enterprise architecture for controlling costs, quality and agreements

[See some examples of the orders we received in 2016](#)