

Strategy

The year 2016 was a difficult one for Caverion. The core of our strategy remained intact. However, the Group had profitability problems due to resource overcapacity and challenges in the project business.

From May 2016, Caverion focused on restructuring its operations and reviewing the project portfolio. The challenges related to project management and execution mainly related to the Sweden, Denmark-Norway, Germany and Industrial Solutions divisions. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. There were also several changes in Caverion's management board.

New Projects and Services functions were established to respond to the challenges in executing and managing projects and help secure the targeted utilisation rate in the service business. During the year, the company also cut back on internal development projects to lower fixed costs and to focus on the implementation of the most important development projects.

Megatrends

The group has defined four megatrends that are changing the market in which Caverion operates. The megatrends drive Caverion's strategy and support the future demand for our business.

Increasing technology

- Technology in buildings currently accounts for 40–60% of building costs.
- Integrated technologies require multi-discipline expertise.
- Maintenance is increasingly based on preventive measures as well as on actual needs and conditions.

Improving energy efficiency

- Tightening legislation relating to energy efficiency.
- Integrated technologies require multi-discipline expertise.
- Increasing demand for energy-efficient solutions also for existing buildings.

Growing digitalisation

- All technologies in buildings have an IP address.
- Demand for remote monitoring is increasing.
- 10,000 buildings currently under Caverion's remote control.

Urbanisation continues

- Needs for necessary infrastructure (water, sanitation, energy, information, transportation) increase.
- Urban development management important (management of land, housing, working environment, transportation).

Caverion's strategic financial targets remained the same during the year. However, reaching the targets will take more time due to the restructuring and other strategic changes.

The strategy for 2017–2020 is under preparation and will be published during 2017. Ari Lehtoranta started as Caverion's new CEO on 1 January 2017.

Our vision, mission and values

Caverion's vision is to be a leading European provider of advanced and sustainable life cycle solutions for buildings and industries.

Our mission is to design, build, operate and maintain user-friendly and energy-efficient solutions for buildings, infrastructure and industrial plants.

Our values are being one step ahead, cooperation, responsibility and high performance.

Guidance for 2017

Caverion estimates that the Group's revenue will remain at the previous year's level in 2017 (2016: EUR 2,364 million). Caverion estimates that the Group's EBITDA excluding restructuring costs will more than double in 2017 (2016: EUR 15.6 million).

Long-term financial targets

Our long-term financial targets are:

Profitability

- EBITDA over 6% of revenue

Revenue growth

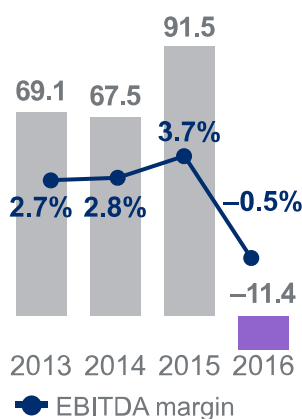
- Average annual revenue growth >10%

Working capital

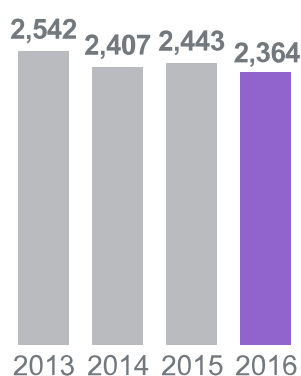
- Negative

Progress in reaching long-term financial targets 2013–2016

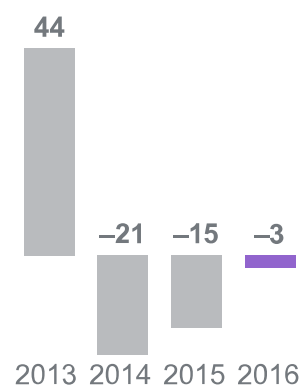
EBITDA (EUR million)



Revenue (EUR million)



Working capital (EUR million)



Key strengths

The key strengths of Caverion are:

- Life cycle solutions
- Geographically extensive operations in 12 countries and strong market position in all key operating countries
- Strong technical competence and own innovative solutions
- Energy efficiency always integrated into services and solutions
- Prerequisites for a strong, stable cash flow
- Competence and proven experience in growing through acquisitions