

## DELETE GROUP (Ax DEL1 Oy)

Q2 report: January to June 2017 (IFRS, pro forma, unaudited)

### REVENUE STABLE, PROJECTS' PROFITABILITY DECLINED

#### FINANCIAL HIGHLIGHTS OF JANUARY TO JUNE 2017

Key figures pro forma <sup>1)</sup> , IFRS, unaudited	Q2 2017	Q2 2016	Q1–2 2017	Q1–2 2016	Q1–4 2016
Net sales, MEUR	44.5	47.6	81.3	81.0	179.7
Adjusted EBITDA <sup>2)</sup> , MEUR	1.3	5.7	2.3	7.3	21.5
EBITDA, % of Net sales	2.8%	11.9%	2.9%	9.0%	12.0%
Net debt, MEUR	84.8	82.2	84.8	82.2	76.1

- Net sales increased by 0.3% to EUR 81.3 (81.0) million
- Adjusted EBITDA declined by -68% to EUR 2.3 (7.3) million
- Net debt increased by 3% to EUR 84.8 (82.2) million
- Operative cash flow decreased by EUR -1.7 million to EUR -3.1 (-1.3) million

#### FINANCIAL HIGHLIGHTS (pro forma)

The net sales of Delete Group during H1 2017 increased by 0.3% to EUR 81.3 (81.0) million.

The net sales increased from Industrial Cleaning Services and Recycling Services, but decreased somewhat in Demolition Services. The Group's sales from Industrial Cleaning (EUR 34.7 (33.4) million) increased by 4%, enabled by improved general demand as well as the number of new service contracts and several new shutdown projects. Recycling Services sales (EUR 9.9 (7.3) million) grew by 36%, achieved through organic growth, supported by three new sorting stations that opened in 2016. The net sales of Demolition Services (EUR 38.9 (42.9) million) decreased -9%, driven by low sales in Sweden during the first half.

The adjusted EBITDA during the first half-year of 2017 decreased to EUR 2.3 (7.3) million, being -68% lower than during the same period of 2016.

**JUSSI NIEMELÄ, CEO OF DELETE GROUP:**

Demand continued on a good level in Industrial Cleaning Services in both Finland and Sweden, and the volume remained steady during H1 of 2017 at the level of EUR 34.7 (33.4) million with improved profitability.

In Demolition Services, the sales volumes increased in Finland, but three sizeable projects did not perform as planned, which hurt the overall profitability. All three projects have now been completed. The performance of Demolition Services in Sweden was weak in H1, especially in the heavy demolition market, with low volumes and cost overruns on several now closed projects. After a slow market driven start to the year and a lack of sizeable projects in H1, the opportunities pipeline has developed well after Q1. New projects include, for example, the Äänekoski pulp mill demolition project, Helsinki Olympic Stadium renovation, and demolition of the SEB building in Sergels Torg, Stockholm.

We have strengthened the Swedish organisation during H1 by appointing a new Country Manager and a Business Area Director for Demolition Services. Under the new management we have reorganised the Demolition business area and added new key resources to project management and controls. We are also continuing the implementation of enhanced project controls, efficiencies and increased cross-border collaboration with business control function, project management and the sales force. Even though our performance in Heavy Demolition in Sweden is disappointing, I am convinced that our actions taken and ongoing together with the increasing market activity will have a good effect.

Recycling Services continued to perform well in H1 2017 with high waste volumes and record high sales reaching EUR 9.9 (7.3) million, being 36% higher than the same period of 2016. Profitability is on last year's level due to increased waste processing costs incurred by the high volumes.

SEGMENT INFORMATION (pro forma '000 EUR)					
<b>Net sales</b>	<b>Q2 2017</b>	<b>Q2 2016</b>	<b>Q1–2 2017</b>	<b>Q1–2 2016</b>	<b>Q1–4 2016</b>
Industrial Cleaning	21,460	20,451	34,656	33,371	76,246
Demolition Services	18,389	24,214	38,932	42,859	92,764
Recycling Services	5,447	4,356	9,936	7,305	17,613
<b>Adjusted EBITDA</b>	<b>Q2 2017</b>	<b>Q2 2016</b>	<b>Q1–2 2017</b>	<b>Q1–2 2016</b>	<b>Q1–4 2016</b>
Industrial Cleaning	3,887	3,305	4,855	3,769	13,538
Demolition Services	-2,026	3,108	-1,058	5,114	10,010
Recycling Services	1,267	1,269	2,190	2,115	4,480

Our H1 net sales (EUR 81.3 million) were on the previous year's level. Growing net sales in Industrial Cleaning and Recycling Services mitigated the declining volumes in Demolition Services.

Consistent with our growth strategy, we have also expanded our business during the reporting period by acquiring a group of companies strengthening our market position in Demolition Services in the Pirkanmaa region of Finland, adding combined pro forma sales of 5.4 M (2016).

The Group's adjusted EBITDA at the end of Q2 was EUR 2.3 million (7.3), which is behind the previous year. Without the project execution issues the profitability in H1 would have been close to the previous year's level.

The current position in the market, with a very strong customer base in Finland and improving position in the Swedish market, gives us confidence that the profitability will be back to normal historical levels by the end of H2.

## FINANCING AND FINANCIAL POSITION

Reflecting H1 financial performance, operative cash flow was EUR -3.1 (-1.3) million.

Delete Group's cash and cash equivalents on 30 June 2017 were EUR 3.1 (5.8) million. In addition, the Group has committed undrawn revolving credit facilities to be used for general corporate purposes, acquisitions and capital expenditure. The Group's interest-bearing debt was EUR 87.9 (88.0) million. On the balance sheet date, the interest-bearing net debt was EUR 84.8 (82.2) million. The revolving credit facility's quarterly maintenance covenant for debt leverage was reached with comfortable headroom at the end of Q2.

The balance sheet total at the end of Q2 2017 was EUR 186.9 (197.2) million. At the end of the reporting period, property, plant and equipment assets on the balance sheet were EUR 37.4 (36.0) million. Equity ratio was 35% (37%).

## OPERATING ENVIRONMENT

The core demand for Industrial Cleaning services remains stable and this year our customers' maintenance shutdown activities are expected to be somewhat higher than last year. The market trend continues to move towards the ability to handle increasingly complex projects as well as customer demands for high-quality environmental, health and safety standards, which favour large professional players like Delete.

Reflecting the positive trend in the construction market, the current operating environment is favourable for Delete's business. According to Statistics Finland (July 21, 2017), the rapid growth of new construction continued in Finland during March–May 2017; 21% more building projects and 28% more residential building projects were started than one year earlier. The cubic volume of building permits for commercial and office buildings continued to grow during the period.

In Sweden, the construction market shows even higher growth. According to Statistics Sweden, during Q1 2017, the number of dwellings in new buildings increased by 45% compared with same period in 2016.

The ageing building stock in both countries increases also the demand for demolition services, with buildings from the 1960s and early 1970s that are being renovated. In the public sector, especially municipality-owned real estate such as hospitals and schools require renovation.

In Recycling Services, increased awareness continues to drive improvements and new regulations (e.g. the EU's 70% recycling target by 2020, landfill ban on C&D waste, new asbestos legislation) and improvements. Regulatory development continues through the EU Circular Economy Action plan and national legislation as well as generally increasing sustainability awareness, which continue to keep the demand of the services Delete provide high.

## **INVESTMENTS AND CORPORATE TRANSACTIONS**

Investments in intangible and tangible assets during H1 2017 were EUR 5.6 (11.3) million.

During the reporting period, Delete acquired a group of businesses: the operations of Timanttiurakointi Hernesniemi Oy and Mäkelän Timanttiporaus Oy and the shares of Ykköspurku Oy in Ylöjärvi in the Pirkanmaa region of Finland.

The combined 2016 pro forma revenue of acquired business operations is EUR 5.4 million.

## **KEY EVENTS DURING H1 2017**

In April 2017, Delete issued senior secured notes of EUR 85 million. The majority of the bond issue proceeds were used to repay existing financing facilities; the remaining funds will be used for general corporate purposes and growth investment such as acquisitions.

Ville Mannola was appointed Chief Financial Officer of Delete Group on 1 June 2017.

Lars-Gunnar Almryd was appointed Country Manager of Delete Sweden on 15 March 2017.

Anders C. Bergdahl was appointed Business Area Director for Demolition Services in Sweden on 1 February 2017.

## OUTLOOK FOR 2017

Industrial Cleaning Services and Recycling Services are expected to continue performing well. Demolition Services has started to recover with an improved outlook for the rest of the year.

Profitability is expected to improve during H2, but is not expected to reach the FY 2016 level.

## FINANCIAL CALENDAR 2017

Delete Group will publish the Q3 2017 interim results on 30th November 2017.

## SIGNIFICANT RISKS AND RISK MANAGEMENT

Delete carries out an extensive annual risk assessment analysis, as a result of which the risk management capabilities are constantly updated and reviewed and approved by the Board of Directors.

The Group's key risks are divided into strategic, operative and financing risks.

Operational risks are mainly related to project executions both quality wise and financially. The internal controls environment is under constant development to improve preventative measures.

Financing risks are mainly related to interest rates, credit and liquidity.

Other uncertainties are related to the market environment, as well as the successful implementation of the Group's growth strategy and related corporate acquisitions and the integration of the acquired companies, personnel and recruitments.

The Group confirms that no relevant changes have occurred that influence the business, given the risks mentioned above, during H1 2017.

## OVERVIEW OF DELETE AND THE GROUP ORGANISATION

Delete is a leading environmental full-service provider present in Finland and Sweden with the capacity to execute heavy demolition projects also in Europe. Delete was formed in 2010 through the combination of Toivonen Yhtiöt and Tehoc and was acquired by the Nordic based private equity investor Axcel in 2013. Since 2011, Delete has made over 30 acquisitions within the industrial cleaning and demolition segments.

Delete offers business-critical environmental services that require specialist competences and specialised equipment through three business areas: Industrial Cleaning, Demolition Services, and Recycling Services.

The Group is headquartered in Helsinki and employs approx. 870 professionals at over 30 locations in Finland and Sweden.

The Board of Directors

Åsa Söderström Jerring (chair), Holger Hansen, Ronnie Neva-aho and Vilhelm Sundström.

The Management Team

Jussi Niemelä (CEO Delete Group), Tommi Kajasoja (Country Manager of Delete Finland), Lars-Gunnar Almryd (Country Manager of Delete Sweden), Ville Mannola (CFO of Delete Group), Janika Vilkmán (General Counsel of Delete Group), Joonas Ekholm (CFO of Delete Finland & Director of Group Finance).

## FOR FURTHER INFORMATION

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<sup>1)</sup> *pro forma: acquired businesses reported for the current and comparison period.*

<sup>2)</sup> *adjusted EBITDA: EBITDA before taking into account any extraordinary or exceptional items which are not in line with the ordinary course of business.*