Webcast transcript: Half-Year Report January-June 2026

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PRESENTATION

Essi Nikitin
Hi everyone. Welcome to YIT's half year 2026 results webcast. My name is Essi Nikitin and I'm heading the investor relations at YIT. Together with me here are our CEO, Heikki Vuorenmaa, and Interim CFO, Markus Pietikäinen.

We will first hear Heikki to go through the second quarter developments in the company. Following that, Markus will walk you through the latest financial development. Last but not least, Heikki will wrap up the presentation with a short update on our strategy progress. After the presentation, the participants will have an opportunity to ask questions from Heikki and Markus. Now, without further ado, I will hand over the floor to Heikki.

Heikki Vuorenmaa
Thank you very much, Essi, and welcome to this second quarter 2026 webcast also from my behalf. Let's start the webcast with some key highlights from the quarter.

We made positive progress during the second quarter as our revenue and profitability continued to improve. The Residential CEE operation continued strong. Revenue increased by over 30%, and the project pipeline improved as we launched a new project worth of EUR 160 million during the quarter. Infrastructure revenue increased by over 20% compared to last year, and the market continues favorable. Additionally, our focus on continuous improvement and efficiency gains progressed well. We recorded a total of EUR 50 million worth of annual cost-saving actions by end of Q2. As we have discussed earlier, our target is to achieve EUR 18 million, EUR 18 million total cost efficiency savings.

When we look at our group level numbers, the revenue grew by 3.5% and stood at EUR 472 million during the quarter. Our adjusted operating profit increased to EUR 19 million and was 3.9% of the revenue. The majority of the operating profit improvement came from the Residential CEE segment, reporting adjusted operating profit of EUR 40 million compared to the muted Q2 last year. As the revenue grew to EUR 87 million, adjusted operating profit margin was at 16.5% for a single quarter. That is exceeding the strategic target of 15% that we have set for this specific segment.

Building Construction revenue stood flat at EUR 186 million, and the adjusted operating profit increased to EUR 7 million with 3.5% operating profit margin. The improvement is supported by good project execution and improved internal efficiencies. Infrastructure segment recorded EUR 154 million in revenue, which is over 20% increase to previous year, as I mentioned at the start. Adjusted operating profit increased to EUR 6 million, which is 4.2% of the revenue in the single quarter.

The challenging market continued in Residential Finland, recorded only EUR 52 million in revenue, which declined 40% compared to last year, and the losses were EUR 6 million for the quarter. Investor volumes for the quarter were almost nonexistent, and the poor sales mix impacted the overall performance of the segment.

Let's get more into the segment level details, and we are starting from the Residential Finland. As I mentioned, behind the revenue decline in the Finnish residential business was a declining investor sales volume during the quarter. We do not expect the investor demand to pick up in numbers during 2026 due to the weak rent level development, especially in the capital area. Our operations continued to adjust for the declining revenue. However, the losses during the first half of the year is still reflecting the segment cost base prior to the latest efficiency improvement program. We continue to seek internal efficiencies and adjust the operations with the prevailing market conditions.

Apartment sales was 90 units during the quarter, which is reflecting the market conditions. Market conditions have not improved during the quarter, and some indicators were flagging, even softening secondary market during the first half of the year. We sold apartments mostly from the old inventory, and our unsold inventory continued to decline and is now below 400 units, which is actually 60% lower than the highest peak level observed a few years ago. Selling from the inventory is actually reflecting the consumer decision-making, as many are postponing the decision to purchase a new home closer to the completion. Our starts continued below the sales, which broadly speaking, gives a good picture how the overall market is.

There is less of a still supply to the market compared to the demand. By this way, Finland is heading gradually towards a structural deficit of housing, similar that we are observing in many other European countries as well. First sings, you can already observe by lack of student housing in some university cities.

There were also no completions or starts during the quarter, as mentioned. The apartments under construction remained at 602 units. Sales rate increased modestly to 31%, reflecting the before mentioned behavior of postponing purchase decision closer to the completion.

Let's move on to our main residential business, which takes place in the Baltics, Poland, Czechia, and Slovakia, and we are calling that Residential CEE. The rolling 12 months revenue is now at EUR 382 million, which is up by 20% from the comparison period. On a rolling basis, profitability is now at 13.5%, approaching gradually the strategic target of 15% we've set for the segment. Despite the growth and the boost and the new product launches, what we have been communicating, the operating capital remains almost flat, approximately EUR 300 million. Pipeline of the apartments increased to 15,000 new homes, and we continue to build the pipeline the way that we can secure also the future growth of the business.

Apartment sales for the quarter was 511 units. It's at 30% higher than in the comparison period. What we can say now is that the Middle East crisis and war in Iran had no negative impact on the market conditions or sales during the second quarter. We continue to launch new projects while maintaining the prudent risk management on our start decisions.

Apartments under construction in the Residential CEE increased to 3,700 units. The volume has now increased by over 70% since we announced our strategy to double the volume in the Residential CEE by 2029. Sales rate continued stable, 47%. It's reflecting the good market conditions across the operating countries.

Now we leave our residential segments, and we're moving to the contracting side and starting from the Building Construction. On the rolling 12 months basis, our revenue has remained stable, about EUR 662 million. The content of the revenue has shifted from offices and self-developed projects to design and build and collaborative contracts with our customers. In addition, we see the data center demand across all operating countries, especially in Finland, to start in meaningful terms. Improved project management and internal efficiencies are supporting the profitability development of this segment. On the rolling basis, it is now at 2.5%, and for the single quarter, Q2 2026, we recorded 3.5%. We are continuing to work with the internal efficiencies, lead times, to support us to get above our strategy target of 6% for the segment.

Order book is strong. It is above EUR 1 billion. A few highlights from the quarter. We recorded the campus in Tikkurila, worth of EUR 77 million, and also in Lithuania, commencing several road construction projects approximately worth of EUR 30 million.

Good progress in the Building Construction, and same we can say also about Infrastructure segment. The second quarter of 2026 was now the sixth consecutive quarter of growth for our Infrastructure. Now the rolling 12 months revenue is at EUR 548 million, which is a 20% increase from the comparison period. Operating profit margin has remained good, over 4% on the rolling 12 months basis. Obviously, we are working on with the internal efficiencies in order to exceed the 6% target, what we have set for ourselves. I can say that, again, very strong performance from our Infrastructure team during the second quarter.

Order book also increased 20% compared to the comparison period last year and remained above EUR 900 million. In Q2, we recorded first orders from the Helsinki Light Rail project, EUR 62 million in value, and additionally communicated that our collaboration continues in Kajaani, where we are building third data center to XTX Markets.

Let's look on the market environment. There is one change on this picture. We actually upgrading our view on the Building Construction market in Finland. While the traditional office construction market is muted, we see the data center activity and overall industry construction potential to compensate and boost the market in the next 12 months window. Same opportunity could be also in the renovation market. There has been soft recovery over the past six months. We do see that there is an opportunity for that to continue also going forward. Currently, the cities and municipalities are investing on the normal level when it comes to the social infrastructure buildings across Finland.

There are no other changes on our view in our market environment. Infrastructure market continues good in Finland. On the other side of the spectrum is still the Residential market, which remains weak for now. The Residential market conditions in CEE are good, and we expect that to remain same. Now it is my time actually to hand over, Markus, to you, and to cover the key finances for the quarter.

Markus Pietikäinen
Thank you, Heikki. Let's start with a summary of our Q2 financial development. Operating cash flow after investments was EUR -12 million for the second quarter, which is, though, an improvement of EUR 15 million year-on-year. Gearing increased and was at 91% at the end of the quarter. Net debt was at EUR 618 million, decreasing by EUR 52 million from Q2 2025. Return on capital employed improved and was at 6.1% at the end of the quarter, up from 5.4% a year ago.

Next, let's look at our capital efficiency. Our operative capital employed amounted to EUR 981 million at the end of the quarter, which is EUR 53 million less than a year ago. On a segment level, there were no significant changes during the quarter. Operating capital employed in Residential CEE has remained stable despite a significant increase in production, and both contracting segments continue to operate with negative operative capital employed. Consequently, Return on capital employed improved and was at 6.1% at the end of Q2. It is good to note that these figures are excluding our non-strategic items, which we intend to dispose of during the strategy period ending in 2029. Non-strategic items now amounted to EUR 298 million at the end of the period.

Operating cash flow after investment was at EUR -12 million for the quarter, which is typical considering the cyclicality of our cash flow profile. However, it is good to note that this cash flow increased by some EUR 15 million from the comparison period, and during the past 12 months, we have generated close to EUR 120 million of positive operating cash flow. We continue our work to further improve cash generation across our businesses.

Gearing increased by 7 percentage points year on-year and was at 91% at the end of the quarter. Gearing has been impacted by the redemption of our outstanding 2021 issued hybrid bond of EUR 46 million during Q1, which had a 12 percentage point effect on the gearing ratio. Net interest-bearing debt was at EUR 618 million, which is a decrease of EUR 52 million from a year ago. The net interest-bearing debt included IFRS 16 lease liabilities of EUR 256 million, as well as housing company loans of EUR 123 million.

Next, our balance sheet. We have EUR 709 million worth of plots enabling a pipeline of some 30,000 apartments across our operating countries. Our production increased by almost EUR 80 million from the previous quarter as we continued to scale up our production in the favorable residential markets of the CEE countries.

During the quarter, we successfully issued a new green bond of EUR 150 million maturing in 2030 and redeemed our green bond of EUR 100 million, which was due in 2027. The excess EUR 50 million capital will be allocated to support the growth in Residential CEE. This transaction is a final step of the multi-step refinancing program that we initiated in 2024. The price of the redeemed green bond was based on the 2024 position of the company, and the improved pricing of the new green bond reflects the current, more normalized market conditions. After this transaction, we have now only limited loan repayments scheduled for this and next year. Our average maturity for interest-bearing debt was three years at the end of the quarter.

Guidance remains unchanged. We expect the group adjusted operating profit for continuing operations to be between EUR 70 million and EUR 100 million in 2026. Thank you. Next, back to you, Heikki.

Heikki Vuorenmaa
Thank you, Markus. It's very clear when we're looking our financial position, how it has been improving over the past years. Like you said, after this successful transaction during the last quarter, the debt maturity is really balanced. It was quite a multi-step program, like you said, that we launched in early 2024. Now the full focus on execution and capability to allocate capital on the right level to support our growth is there in place. I think it's excellent work. Thank you for that.

Let's move then to look at how our strategy execution is doing, like Essi pointed out in the start already. We start from the highlight of the quarter. When we are looking our numbers, we actually gradually now turning into the modest growth if you look our rolling 12 months figures. The rolling 12 months revenue signals 3% growth compared to the same period last year. Actually when we looked at group finances, we have had some five, six years of consecutive revenue decline. This is quite a change on the historical years, what we've seen. Profitability turned to right direction in this quarter, yet it requires still a lot of work. We have set ourselves a financial target to be above 7%, and that's the target we are working against. Work continues to reach those strategic targets by end of 2029. The return on capital employed is also improving. Obviously, as a consequence of capital employed decline and the profitability improving on the rolling twelve months basis and is now at 6.1%, as Markus pointed out.

The major strategy highlight is actually coming from data center market in Finland. If you look the global picture and investments to the data center and AI solutions, those are increasing in exceptional pace at the moment. Finland, as a country, has a unique position to attract investors and generate growth, wealth, and jobs for the society, and also quite a lot for construction industry. If you follow closely the Finnish news, just recently we have had opportunity to read about the several billions of investments to Finland. Those are clearly news that are underwriting this in concrete terms.

What does it then mean to YIT? On our strategy that we launched 2024, we identified already this as one of the main global trends during the strategy period. For a few years from now, we have invested to our data center team. We have recruited over 100 people and lately created our own specific unit with their own separate targets to focus on this specific category of work. Consequently, now we have created capabilities to deliver and prove that we can actually work from the site clearance to the commissioning. Something that we have done actually for the first data centers that are already completed. Earlier this week, we announced that we are building a data center with atNorth in Kouvola. Contract is valued approximately EUR 300 million and will be then recorded in the third quarter order book.

We believe that this is just a start. We continue to invest more to our own internal capabilities, expand our value chain in the construction field, and ensure that the successful long-term partnerships are created with our customers. We observe and see plenty of opportunities in all operating countries, even though Finland is clearly large in terms of scale in a European level.

That is all from my side for now and operator, we are ready to take questions from the audience, if any.

Q&A

Operator
If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Anssi Raussi from SEB. Please go ahead.

Anssi Raussi
Yes. Hi, all. It's Anssi Raussi from SEB. A couple of questions from me. First one, if you could discuss a bit more about the cash flow in Q2. Operating cash flow was EUR -12 million, but I think your number of

apartments under construction, for example, in Finland remained unchanged quarter-over-quarter. What was driving this cash flow development?

Heikki Vuorenmaa
Yeah, thank you, Anssi. If you look then at the same time, we increased our apartments production in CEE close to 3,700 units, which was one of course, the decisions during the Q2. There is a combination of the payment terms, the maturity, as well as then what is the amount of investor works in the process, what comes to if you look just the Finland residential segment capital employed. That is the Finland specific question. I think like Markus pointed out there, we do have a seasonality in the cash flow. We had a positive cash flow in the Q1. Now it was mildly negative. Compared to last year, clearly an improvement. We have been generating more than EUR 100 million cash for past two years on annual basis. From that perspective, we believe that our cash flow is well under control.

Anssi Raussi
Okay, the next one about data center projects. You won this huge project a couple of days ago. How are these cash flows timed in these kind of data center projects? Are they front-loaded, back-loaded, or hand in hand with costs? Can you disclose that?

Heikki Vuorenmaa
What I can typically say, not to comment on any specific contracts, but what I can typically say if you look the contracting industry as well as if you look our two contracting segments, we operate there with the negative capital employed.

Anssi Raussi
Yeah, got it. That's what I thought. Yeah, maybe final question from me is about these non-strategic items. I think those were close to EUR 300 million, any timeline when we could hear something about these items?

Heikki Vuorenmaa
We will communicate, obviously, as we are closing the deal as quickly as we can. Markus pointed out that this is an area where we are putting ourself a clear milestone of disposing these during the strategy period. The exact timing is obviously related to the success of the deal. At this point, there's no more news to be shared.

Anssi Raussi
Okay. Thank you. That's all from me.

Heikki Vuorenmaa
Thank you very much.

Operator
The next question comes from Atte Jortikka from Inderes. Please go ahead.

Atte Jortikka
Good morning. Atte Jortikka from Inderes. Just one quick one from me. Could you still elaborate a bit on the drivers behind the capital efficiency in Residential CEE, despite the growth in units under construction?

Heikki Vuorenmaa
Absolutely. It's a great question. The different elements, obviously one is that, depending on the country, there is a different type of a payment terms that the customers or the kind of standard payment terms that you could observe in the market. Where you could say that, for example, in Poland, it's based on milestones to the escrow account, there is less, if any, capital tied in during the construction period. We have also introduced some of our own payment terms in those countries. It's a way that we can do capital efficient construction. We see that as a really important topic since, as we are targeting for the growth, we need to ensure that we are also capable to maintain the networking capital under control and deliver the cash flow at the same time, that the growth is not consuming all the cash during the construction period. We can allocate that into the plot purchases and procurements. Partially it is the country specifics already, partially what we have own introduced, kind of mechanisms and tools to minimize the capital tied in during the construction period.

Atte Jortikka
Okay. Thank you.

Operator
The next question comes from Svante Krokfors from Nordea. Please go ahead.

Svante Krokfors
Thank you. Good morning. Thank you, Heikki, Markus, and Essi for the presentation. A couple of questions. First one regarding Residential CEE. Could you comment a bit about the apartment price development in the area, and how much has the profitability got a support from increasing prices?

Heikki Vuorenmaa
Thank you, Svante, for that question. Compared to Finnish residential market, we actually see that the price development is favorable on operating countries that we are having, for example, in Poland and Czechia. As we have the dynamic pricing in place, we do update the price lists during the production period as well. That is giving us confidence and support to reach the set targets for the projects what we have had in the start of the project. Obviously, you could argue that there is also cost inflation on the countries. The work for us is to ensure that we mitigate the impact of the potential raw material and price increases on the procurement side as well as then on the dynamic pricing, optimize the prices for the apartments on individual markets. It clearly supports the development at the moment.

Svante Krokfors
Thank you. That is helpful. On the data centers, couple of questions. I think you mentioned that you have 100 people that are involved in this. You have an 18-month on the latest EUR 300 million contract from atNorth. You have 18 months time to complete. How much do you use subcontracting there? What is the availability of workforce in these quite short and large projects?

Heikki Vuorenmaa
We do use subcontracting to kind of big parts of the projects. I think from where we look our risk management processes in place. We do recognize that this size of a project or any data center project is something that where the customer needs are quite unique compared to other types of projects. Therefore, we need to be prudent and ensure that before we enter into or give the promise to our customer to deliver, we need to be ensured that we have the resources and capabilities on the value chain already in place and identified. That is quite a lot. I think we have been communicating on some of the sites what we are currently operating, is that we have plenty of actually local suppliers. We have local teams what we are capable to use. That is consequently then providing growth and wealth and jobs for those locations as well at the same time.

Svante Krokfors
Thank you. The last one, is there anything you can comment on the profitability on data center projects in general? Is it above or below what you target long term for the two contracting segments?

Heikki Vuorenmaa
Well, overall, if you look our decision-making criteria, whether it's a residential business or contracting business, the decisions that us or Board, or what we have in place is we always target to reach the strategic target. That's kind of given on our operating model. Not to comment specifically on this type of, the kind of agreements or individual cluster, but what I can say is that we see that there's plenty of growth still available in the data center industry, in the market, and we are keen on to look that as well going forward.

Svante Krokfors
Okay, thank you. That is all from me.

Heikki Vuorenmaa
Thank you, Svante.

Operator
The next question comes from Tomi Railo from DNB Carnegie. Please go ahead.

Tomi Railo
Hello. It's Tomi from DNB Carnegie. A couple of questions also about the data center, mainly about this announced large order. Can you just specify how many megawatts is this EUR 300 million for? Maybe the content, what you are delivering, a little bit more in detail. I have couple of follow-ups as well.

Heikki Vuorenmaa
To my memory, we didn't disclose the megawatts. Therefore, unfortunately, I can't comment on that. We do said that it's a design and build, it's a quite comprehensive project what we are executing there to our customer.

Tomi Railo
Still kind of, I'm assuming that this is not for the full 430 MW or there was phase I 60 MW. I'm just wondering if this is only for a certain kind of 100 MW or 150 MW or even less, because the timescale to deliver is quite short to the end of 2027. Is that fair assumption?

Heikki Vuorenmaa
Still kind of restating that we are not commenting on individual sizes or megawatts or that. What you can typically see, and I'm not talking about this contract or specifically the area, but if we look on kind of what our history, for example, with the XTX Markets, is that there has been multiple phases of construction in those kind of sites.

Tomi Railo
Okay. If you can just maybe guide us a little bit on the revenue phasing into the end of next year. Any comments on the profitability?

Heikki Vuorenmaa
Typically, this type of a contract, obviously, when you start, it is accelerating towards the end, in terms of content and work, what comes to the kind of project in terms of phasing. Like pointing out to my previous answers, no specific comments on any individual project or cluster profitability.

Tomi Railo
Okay. Thank you very much.

Heikki Vuorenmaa
Thanks.

Operator
The next question comes from Anssi Raussi from SEB. Please go ahead.

Anssi Raussi
Yes, thanks. One follow-up on Svante's previous question on data centers. Like how should we think about your capacity? Like are you able to move resources from other divisions, or does this business require something really specific skills or something like that? How should we think about that?

Heikki Vuorenmaa
It's a super good question, answer is partially yes in terms of moving internal capabilities. We have and continue to recruit new type of capabilities and talent to the team. As we look on building a residential home or project is quite different compared to building a data center. There is some elements that can be transferred, but in terms of project management, the profiles what we have are individuals that have been doing 20+ years major projects across continents, demanding industry projects. It's quite a different type of capability. What comes to the capacity, I'm very pleased with the fact that we have been capable to recruit talent. We have been capable to increase the team, and we continuously are continuing on that. We are doing a good progress, which indicates that we do have a good capability to answer the demand of this market. That being said, we need to be also very prudent on any projects that we are engaging with such a way that we are the right partner for our customers, as well as that we are delivering to the promise. Our customers in this field, they have high expectations. They also have kind of demanding projects. As we know

that the market is demanding those solutions, so we need to be ensure that we are delivering to the promise. And that we can do when we have capabilities in place prior to engaging any of contracts.

Anssi Raussi
Because it seems that you are able to execute this kind of order with a really quick pay. You can take another project still for 2027 if there's demand, I assume.

Heikki Vuorenmaa
Let's come back to that always when individual project announcements, but I think it's fair to say that this was now our fifth project what we have announced. So we do have, we are having, like I said, so we started already two years ago. We have learned a lot. We have capabilities in place, and we feel that we are really well-positioned at the moment on this market.

Anssi Raussi
Okay. Understood. Thanks.

Heikki Vuorenmaa
Thank you.

Operator
There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Essi Nikitin
There are no more questions. We thank you all for participating and wish you all great rest of the day. Thanks.

Heikki Vuorenmaa
Thank you all.

Markus Pietikäinen
Thank you.