Half year Report

PHM
Group
Holding Oy

1 JANUARY – 30 JUNE 2021

Half year report January - June 2021

Second quarter highlights

- Reported revenue increased by 353% to 84,2 MEUR (18,6)
- Reported EBITDA increased 362% to 10,8 MEUR (2,3).
- LFL revenue increased by 10% to 88,4 MEUR (80,5) and LFL adjusted EBITDA by 11% to 12,6 MEUR (11,3).
- LTM LFL adjusted EBITDA amounted to 55,2 MEUR as at June 2021, excluding unrealised synergies of 2,8 MEUR
- Leverage amounted to 5,13x

Jan - Jun highlights

- Reported revenue increased by 788% to 164,8 MEUR (18,6)
- Reported EBITDA increased 884% to 23,0 MEUR (2,3)
- LFL revenue increased by 17% to 184,9 MEUR (158,3) and LFL adjusted EBITDA by 37% to 27,6 MEUR (20,1).

Significant events during the quarter

- 13 companies acquired during Q2
- Expansion to Denmark with acquisition of Ejendomsvirke AS. Two other major strategic acquisitions closed in Finland
- Agreement to acquire major competitor Flow -group signed in Sweden.
- Despite Covid-19 pandemic demand for PHM Group's services remained good and operations remained nearly unaffected
- Integration project launched in 2020 progressed well, with synergies realizing as planned
- Refinancing complete after EUR 300 million bond issue

MEUR	4-6/21	4-6/20	Change %	1-6/21	1-6/20	Change %	1-12/20	LTM
Reported								
Revenue	84,2	18,6	353 %	164,8	18,6	788 %	122,2	
EBITDA	10,8	2,3	362 %	23,0	2,3	884 %	16,0	
Adjusted EBITDA	11,7	2,8	326 %	24,5	2,8	790 %	19,6	
Adjusted EBITDA margin %	13,9 %	14,8 %	-0,9 %	14,9 %	14,8 %	0,0 %	16,0 %	
LFL *) financials***								
LFL Revenue	88,4	80,5	10 %	184,9	158,3	17 %	331,9	358,5
LFL EBITDA	11,7	10,5	11 %	26,1	19,1	37 %	43,0	50,0
Adjusted LFL EBITDA	12,6	11,3	11 %	27,6	20,1	37 %	47,8	55,2
Adjusted LFL EBITDA margin %	14,2 %	14,0 %	0,2 %	14,9 %	12,7 %	2,2 %	14,4 %	15,4 %
Financial position								
Operating cash flow before acquisitions*				19,1				
Cash conversion before acquisitions**				83 %				
Interest bearing net debt				297,4				
Leverage***				5,13x				

**) EBITDA + change in NWC – CAPEX (excluding acquisition capex)*
***) EBITDA / Operating cash flow before acquisitions*
****) Interest bearing net debt / (LFL LTM adjusted EBITDA + run rate synergies)*
*****) LFL = Like-for-like, financials adjusted to reflect full 12 months of all entities owned at the end of the period*

Management review

All in all, the first half of the year was successful as PHM continued executing its strategy of strong growth both through M&A and organically, as well as improving the operational performance of the underlying business. Like-for-like revenue increased by 17% to 184,9 MEUR and at the same time like-for-like adjusted EBITDA increased by 37% to 27,6 MEUR. The resilience of PHM's business despite Covid-19 still impacting the market where PHM operates shows the stability of the Group's underlying business and strength of its local operating model.

During the review period PHM acquired 18 companies in the different countries it operates in including a market entry to Denmark by acquiring Ejendomsvirke AS in April 2021. The acquired companies operate in a broad range of property maintenance and management services that have a good fit to PHM and strengthen its market position in all geographies.

PHM's business continued to show limited impact from the Covid-19 pandemic thanks to the high share of recurring revenues from necessary day to day services. The main impact from the unusual situation is on postponement of non-essential additional works, however offset to some extent by increased demand for cleaning services. Going forward the market looks attractive as urbanization continues, the building stock ages and interest towards upgrading homes and residential buildings is high. The technical maintenance work postponed by property owners during the Covid-19 pandemic is also expected to positively impact market demand of these add on services going forward. In the short term, however, the development of the Covid-19 pandemic might still impact some parts of PHM's operations.

The integration project of the legacy PHM Group and Kotikatu launched in late 2020 progressed well during the review period. Integration of support functions and systems is expected to be complete during 2021 as planned and synergies are realizing in accordance with expectations. Unrealized synergies from actions taken to date amounted to 2,8 MEUR as of June 2021 and LTM EBITDA was positively impacted by 1,6 MEUR of cost synergies.

PHM also secured financing for enabling continued strategy execution by successfully placing a 300 MEUR senior secured bond that is currently listed on the Frankfurt open market exchange. The bond was heavily oversubscribed showing the markets conviction towards PHM's strategy and business model. Preparations for listing the Bond to Nasdaq Helsinki are ongoing.

Mergers and Acquisitions

During the review period (January – June 2021) the Group acquired 18 companies, of which eight were in Finland, five in Sweden, four in Norway and one in Denmark. Together the acquired entities had a 64,0 MEUR positive impact on LTM revenue and 8,8 MEUR positive impact on LTM adjusted EBITDA, respectively.

The review period was characterized by exceptionally high M&A activity as PHM was successful in completing several larger strategic acquisitions including a platform acquisition in the Danish market. In Finland PHM was also successful in acquiring two larger companies, Quality Service Group and Kiinteistöhuolto Lyijynen Oy, which strengthened its position in Oulu and Lappeenranta, as well as provided market entry into Rovaniemi and Joensuu regions.

In Sweden the Group was successful in expanding its footprint both South and West of Stockholm and Mälardalen. In the south PHM succeeded in expanding into Göteborg, Helsingborg, Malmö and Kalmar regions by acquiring three companies, whereas in the North, PHM extended its footprint to cover the East coast up to Örnsköldsvik by acquiring Höga Kusten Skog & Fastighet AB. In Stockholm the Group extended its service offering to cover window cleaning and high-altitude maintenance work by acquiring Tomina AB. In June PHM was further successful to sign an agreement to acquire one of its main competitors, Flow Fastighetsvärden AB that was previously owned by a fund managed by MVI Advisors. The transaction was subsequently closed in July outside the review period.

In Norway PHM was successful in entering Stavanger as well as strengthening its position in both Oslo and Trondheim were it already had a presence since fall 2020.

Completed acquisitions 1-6/2021

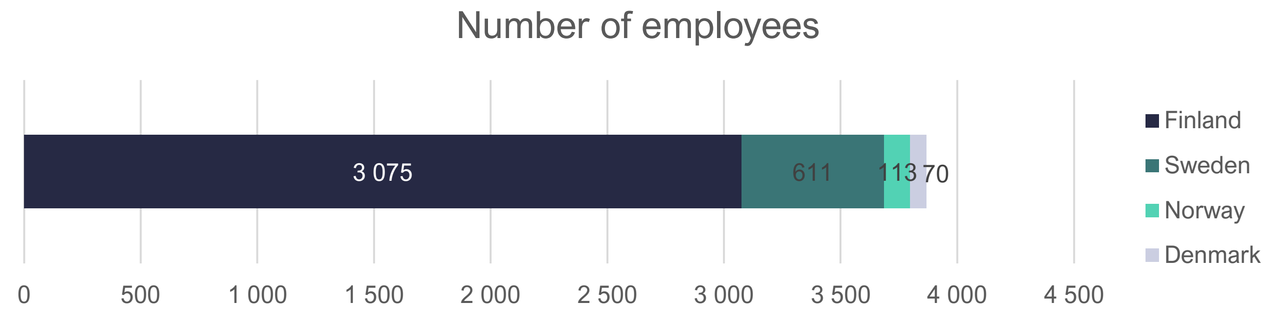
Target company	Country	Region	Closing	Currency	Revenue *)	EBITDA *)
Tomina AB	Sweden	Stockholm	January	SEKm	38,96	3,92
Montasjelaget AS	Norway	Stavanger	February	NOKm	18,89	1,87
Olies Renhold AS	Norway	Stavanger	February	NOKm	4,87	0,74
Meranti Siivouspalvelut Oy	Finland	Oulu	March	EURm	3,63	0,52
Janitor Oy	Finland	Hyvinkää	March	EURm	0,80	0,10
Kiinteistöhuolto 3J Oy	Finland	Paimio	April	EURm	1,20	0,14
QSC Group	Finland	Oulu, Joensuu, Rovaniemi	April	EURm	16,83	2,18
Viherkehä Oy	Finland	Capital region	April	EURm	1,53	0,24
Ejendomsvirke A/S	Denmark	Copenhagen	April	DKKm	67,50	6,70
Höga Kusten Skog & Fastighet AB	Sweden	Northern Sweden	April	SEKm	63,72	6,75
Vihdin Rakennustekniikka VRT Oy	Finland	Vihti	May	EURm	1,73	0,23
Optimal Service Sverige AB **)	Sweden	Göteborg	May	SEKm	31,17	2,85
Gröna Gården AB	Sweden	Landskrona	May	SEKm	27,74	5,06
Ostkustens Trädgårdsservice AB	Sweden	Kalmar	May	SEKm	18,72	1,25
Trondheim Renholdsservice AS	Norway	Trondheim	June	NOKm	12,67	1,00
Uterom Entreprenør AS **)	Norway	Oslo	June	NOKm	28,05	9,14
Kiinteistöhuolto Lyijynen Oy	Finland	Lappeenranta	June	EURm	4,33	0,95
Kiinteistöpalvelu Tim Turunen Oy	Finland	Savonlinna	June	EURm	1,64	0,17

**) Presented financials are based on latest available audited financial statements*
***) Unofficial consolidation of group entities*

At the end of the review period, the Group had ongoing negotiations in all four countries and expect to close several of these still during 2021.

Personnel and sustainability

As at end of June 2021, PHM employed 3 869 people across the four countries where the Group operates. Personnel expenses in April–June totaled 40,9 MEUR million (7,9) and in January–June 76,8 MEUR (7,9).



During the review period, the Group completed an ESG study made by an external consultant. With the help of the external review, the Group has gathered a significant amount of data to formulate future ESG KPI's and determine focus areas for ESG in the Group. Concrete steps for ramping up sustainability management have started, and recruitment of Head of Sustainability was ongoing.

Financial review

April–June

The Group's reported revenue was 84,2 MEUR (18,6) in Q2 2021. The Group was established in March 2020 and ramped up its operations in April 2020 when the Group acquired PHM Finland Oy (formerly PHM Group Oy) and its subsidiaries from funds managed by Intera Partners and former management in an acquisition completed on 30th April 2020. Hence April-June only includes two operating months for the Group at its former scale. Further the Group acquired Kotikatu Group in September 2020, which materially increased the scale of PHM's operations. This together with the several add on acquisitions completed in 2021 saw revenues increase materially compared to the comparison period.

The Group's adjusted EBITDA was 11,7 MEUR (2,8) in Q2 2021. The increase in EBITDA is largely explained by the difference in scale of operations explained above, but EBITDA also improved organically due to increased sales and improved operational efficiency as evidenced by the like-for-like development discussed further below. Adjusted EBITDA increased in all operating countries.

The Group's result for the financial period amounted to -9,9 MEUR (-3,0 MEUR). The result is impacted by goodwill amortization (11,6 MEUR), which are made in accordance with Finnish Accounting Standards, as well as high financial expenses recorded due to the bond issue in June 2021.

The Group's like-for-like (LFL) revenue was 88,4 MEUR (80,5). Like for like revenue is calculated by adjusting for the revenue of acquired entities for the time when they have not been a part of the group. LFL revenue increase was driven by increased contract customer base as well as increased additional sales.

The Group's like-for-like adjusted EBITDA was 12,6 MEUR (11,3). The increase was driven by the increased sales discussed above. Costs increased mainly in line with the revenue increase, however, machinery maintenance costs and personnel costs were slightly inflated by works and repairs caused and postponed by the busy winter season. EBITDA relative to revenue was, however, still slightly higher than during the comparison period due to synergies and operational efficiencies gained from acquired entities. Personnel costs also increased on a comparable basis as companies in the Nordics received subsidies in form of lower pension costs and social security contributions during the second quarter of 2020 which were no longer received during 2021.

January–June

The Group's revenue was 164,8 MEUR (18,6) in the first half of 2021. The comparison is impacted by the establishment of the Group's operations as described earlier. The Group's adjusted EBITDA during the period was 24,5 MEUR (2,8).

The Group's result for the financial period amounted to -18,5 MEUR (-3,0 MEUR). The result is heavily impacted by goodwill amortization (22,3 MEUR), which are made in accordance with Finnish Accounting Standards, as well as high financial expenses recorded in Q2 2021 due to the bond issue.

The Group's like-for-like revenue was 184,9 MEUR (158,3). LFL revenue increase was driven by an active winter season, increased contract customer base and increased additional revenue. Finland accounted for approximately 68% (69%) of LFL revenue, Sweden for 26% (24%), Norway for 4% (4%) and Denmark for 3% (3%)

The Group's like-for-like adjusted EBITDA was 27,6 MEUR (20,1). Adjusted EBITDA increased clearly due to increased revenues and efficient utilization of the Group's resources during the busy season, as well as improved efficiency and synergies gained from acquired entities.

The Group's operating cash flow before acquisitions was 19,1 MEUR. Cash used for acquisitions of subsidiaries amounted to 55,0 MEUR. At the end of the period interest bearing net debt was 297,4 MEUR and leverage was at 5,13x. In June, the Group completed a refinancing by successfully placing a 300 MEUR senior secured callable fixed rate note, which is currently listed on the Frankfurt open market exchange. Simultaneously the Group negotiated a 50 MEUR super senior RCF, which at the end of the review period was fully unutilized. The proceeds of the bond issue were used to refinance existing debts and finance a one time distribution to current shareholders.

Events after the review period

In July 2021, PHM Group closed a transaction by which it acquired major Swedish competitor Flow Fastighetsvärden -group, comprising of four operating entities in Stockholm, Mälardalen and Southern Sweden. In addition, the Group strengthened its position in Kalmar by acquiring Mark & Fastighetsservice i Kalmar AB.

Declaration of the board

We confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations for the period. We also confirm, to the best of our knowledge, that the management review includes a fair review of important events that have occurred during the first half year of 2021.

Helsinki, August 30, 2021

Ville Rantala
CEO

Karl Svozilik
Chairman of the Board

Financial information

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, FAS EUR THOUSAND	4-6 2021	4-6 2020	1-6 2021	1-6 2020	1-12 2020
Revenue	**84 184**	**18 568**	**164 845**	**18 568**	**122 176**
Other operating income	482	50	1 068	50	671
Materials and services	-20 341	-5 386	-42 428	-5 386	-33 052
Personnel expenses	-40 852	-7 885	-76 840	-7 885	-54 807
Other operating expenses	-12 683	-3 010	-23 658	-3 010	-19 034
EBITDA	**10 789**	**2 337**	**22 988**	**2 337**	**15 954**
% of revenue	*12,8 %*	*12,6 %*	*13,9 %*	*12,6 %*	*13,1 %*
Depreciation	-3 614	-708	-8 945	-708	-7 199
EBITA	**7 176**	**1 629**	**14 042**	**1 629**	**8 755**
% of revenue	*8,5 %*	*8,8 %*	*8,5 %*	*8,8 %*	*7,2 %*
Amortisation and impairment	-11 624	-2 455	-22 335	-2 455	-18 762
Operating result	**-4 448**	**-826**	**-8 292**	**-826**	**-10 008**
% of revenue	*-5,3 %*	*-4,4 %*	*-5,0 %*	*-4,4 %*	*-8,2 %*
Net financial expenses	-5 287	-2 108	-8 162	-2 108	-12 369
Result before taxes	**-9 735**	**-2 934**	**-16 455**	**-2 934**	**-22 377**
Income taxes	-177	-22	-2 038	-22	-912
Result for the financial period	**-9 912**	**-2 957**	**-18 493**	**-2 957**	**-23 289**

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET, FAS EUR THOUSAND	6 2021	6 2020	12 2020
ASSETS			
Non-current assets			
Intangible assets			
Consolidated goodwill	377 451	129 365	346 565
Goodwill	5 357	5 419	5 822
Other long-term expenditure	666	96	369
Property, plant and equipment	39 659	11 956	36 216
Other tangible assets	1 235	23	1 355
Investments	1 821	1 543	2 547
Advance payments	1 208	0	562
Total non-current assets	**427 398**	**147 501**	**393 436**
Current assets			
Inventories	1 209	654	971
Trade receivables	27 495	10 585	21 177
Other receivables	11 366	4 156	6 049
Deferred tax assets	0	551	116
Cash and cash equivalents	17 902	2 241	17 531
Total current assets	**57 973**	**18 188**	**45 844**
Total assets	**485 371**	**165 688**	**439 279**
EQUITY AND LIABILITIES			
Equity			
Invested unrestricted equity	143 318	69 265	193 910
Retained earnings	-23 638	0	-46
Profit for the period	-18 493	-2 957	-23 289
Total equity	**101 188**	**66 308**	**170 574**
LIABILITIES			
Non-current liabilities			
Subordinated loans	0	0	18 711
Long-term interest-bearing liabilities	311 373	81 656	187 210
Deferred tax liabilities	100	50	865
Total non-current liabilities	**311 473**	**81 706**	**206 786**
Current liabilities			
Short-term interest-bearing liabilities	3 954	2 684	13 222
Accounts payable	11 962	4 167	10 137
Other liabilities	53 959	10 822	37 153
Current tax liabilities	2 834	0	1 408
Total current liabilities	**72 710**	**17 674**	**61 919**
Total liabilities	**384 183**	**99 380**	**268 705**
Total equity and liabilities	**485 371**	**165 688**	**439 279**

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT, FAS	
EUR THOUSAND	1-6 2021
Operating profit	**-8 292**
Profit (Loss) before income taxes for the financial year	-16 455
Adjustments:	0
Depreciation	31 280
Finance income and finance expenses	8 162
Other adjustments1	-673
Cash flows before change in net working capital	22 315
Change in net working capital:	
Change in trade and other receivables (increase (-) / decrease (+))	-927
Change in inventories (increase (-) / decrease (+))	-80
Change in trade and other payables (increase (+) / decrease (-))	1 804
Cash flows before finance items	23 112
Net interests paid	-7 200
Income taxes paid	-1 265
Net cash from operating activities (A)	**14 647**
Cash flows from investing activities	
Investments into intangible and tangible assets	-4 680
Acquisition of subsidiaries net of cash acquired	-54 957
Net cash used in investing activities (B)	**-59 638**
Cash flows from financing activities	
Equity returned to shareholders	-50 592
Repayment of loans and borrowings	-353 309
Proceeds from loans and borrowings	449 259
Net cash from financing activities (C)	**45 358**
Net cash from (used in) operating, investing and financing activities (A+B+C)	**367**
Net increase (decrease) in cash and cash equivalents	**367**
Cash and cash equivalents at 1 January	17 531
Effect of fluctuations in exchange rate on cash held	5
Cash and cash equivalents at reporting end	**17 902**

Contact

Additional information about the company can be found on the corporate website www.phmgroup.fi.

For questions concerning this report please contact:

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