

Interim Report

PHM
Group
Holding Oy



1 JANUARY – 30 SEPTEMBER 2021

Interim report January - September 2021

Third quarter highlights

- Reported revenue increased by 187% to 92.2 MEUR (32.1)
- Reported EBITDA increased 236% to 14.1 MEUR (4.2).
- LFL revenue increased by 3% to 91.9 MEUR (89.1) and LFL adjusted EBITDA by 8% to 14.6 MEUR (13.5)
- LTM LFL adjusted EBITDA amounted to 58.0 MEUR as at September 2021, excluding unrealised synergies of 1.9 MEUR
- Leverage amounted to 5.37x

Jan - Sept highlights

- Reported revenue increased by 407% to 257.0 MEUR (50.6)
- Reported EBITDA increased 467% to 37.1 MEUR (6.6)
- LFL revenue increased by 13% to 293.0 MEUR (260.0) and LFL adjusted EBITDA by 25% to 42.6 MEUR (34.0)

Significant events during the quarter

- Four acquisitions completed during Q3 2021 with total annual sales of 27.7 MEUR
- Acquisition of major competitor Flow Group closed 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
- Head of ESG recruited to drive group wide development of ESG

MEUR	7-9/21	7-9/20	Change %	1-9/21	1-9/20	Change %	1-12/20	LTM
Reported								
Revenue	92.2	32.1	187%	257.0	50.6	407%	122.2	N/A
EBITDA	14.1	4.2	236%	37.1	6.6	467%	16.0	N/A
Adjusted EBITDA	14.2	4.7	205%	38.7	7.8	396%	19.6	N/A
Adjusted EBITDA margin %	15.4%	14.5%	0.9%	15.1%	15.4%	-0.4%	16.6%	N/A
LFL ****) financials								
LFL Revenue	91.9	89.1	3%	293.0	260.0	13%	359.6	392.5
LFL EBITDA	14.4	12.4	16%	41.0	31.8	29%	44.4	53.7
Adjusted LFL EBITDA	14.6	13.5	8%	42.6	34.0	25%	49.4	58.0
Adjusted LFL EBITDA margin %	15.8%	15.1%	0.7%	14.5%	13.1%	1.5%	13.7%	14.8%
Financial position								
Operating cash flow before acquisitions*	6.4			21.5				
Cash conversion before acquisitions**	45%			58%				
Interest bearing net debt				321.5				
Leverage***				5.37x				

*) EBITDA + change in NWC (excluding intra group liability to ultimate parent) – 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

During the third quarter, 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 3% to 91.9 MEUR and at the same time like-for-like adjusted EBITDA increased by 8% to 14.6 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 quarter PHM completed four acquisitions in the different countries it operates in, including all together seven operating companies. The largest acquisition completed was the acquisition of Flow Fastighetsvärden AB, which is PHM's largest acquisition outside Finland to date. The acquisition gave PHM access to a proprietary digital property management system in addition to strengthening PHM's position as the leading consolidator in Sweden. The highly complementary combination of PHM and Flow will create a unique platform enabling an accelerated growth and enhanced client service in Sweden.

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 has still been on postponement of some non-essential additional and on demand works. Going forward the market looks attractive as urbanization continues, the building stock ages and interest towards upgrading homes and residential buildings has increased due to the pandemic. The technical maintenance and other on demand 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 according to set plans 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 1.9 MEUR as of September 2021 and LTM EBITDA was positively impacted in Q3 by a further 0.7 MEUR of cost synergies.

During the review period (January–September 2021) 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 and progressing as planned. The listing is expected to take place before summer 2022.

Mergers and Acquisitions

During Q3 2021, the Group was able to complete four acquisitions, two in Sweden, one in Finland and one in Norway. Together the acquired entities had a 27.7 MEUR positive impact on LTM like-for-like revenue and 1.4 MEUR positive impact on LTM like-for-like adjusted EBITDA, respectively.

In Sweden, the Group managed to acquire one of its main competitors, Flow Fastighetsvärden AB with a transaction that was signed in June and subsequently executed in July after competition authority clearance was received. Flow Group, formerly owned by MVI Advisors and key management, comprises of four operating entities with a wide geographical coverage that greatly complements PHM's current geographical presence in Sweden. In addition, the acquisition will give PHM access to a proprietary digital property management system that can be used widely also in PHM's other operations. In addition to the acquisition of Flow Group, PHM strengthened its position in Kalmar by acquiring the leading facility maintenance company in Kalmar, Mark & Fastighetsservice i Kalmar AB.

In Norway, the Group strengthened its market position in Oslo with the acquisition of Økonomiske Løsninger AS. In Finland the Group strengthened its position around the capital region by acquiring Uudenmaan Huoltokeskus Oy.

During the full review period (January – September 2021) the Group completed 22 acquisitions, of which nine were in Finland, seven in Sweden, five in Norway and one in Denmark. Together the acquired entities had a 91.7 MEUR positive impact on LTM like-for-like revenue and 10.2 MEUR positive impact on LTM like-for-like adjusted EBITDA, respectively.

The full review period has been characterized by very high M&A activity as PHM has been successful in completing several larger strategic acquisitions including a platform acquisition in the Danish market, two strategic acquisitions in Finland and several larger acquisitions in Sweden greatly widening the Group's geographical coverage. In Norway PHM has been successful in entering Stavanger as well as strengthening its position in both Oslo and Trondheim where it already had a presence since fall 2020.

Completed acquisitions 1-9/2021

Target company	Country	Region	Closing	Currency	Revenue *)	EBITDA *)
Tomina AB	Sweden	Stockholm	January	SEKm	39.0	3.90
Montasjelaget AS	Norway	Stavanger	February	NOKm	18.9	1.9
Olies Renhold AS	Norway	Stavanger	February	NOKm	4.9	0.7
Meranti Siivouspalvelut Oy	Finland	Oulu	March	EURm	3.6	0.5
Janitor Oy	Finland	Hyvinkää	March	EURm	0.8	0.1
Kiinteistöhuolto 3J Oy	Finland	Paimio	April	EURm	1.2	0.1
QSC Group	Finland	Oulu, Joensuu, Rovaniemi	April	EURm	16.8	2.2
Viherkehä Oy	Finland	Capital region	April	EURm	1.5	0.2
Ejendomsvirke A/S	Denmark	Copenhagen	April	DKKm	67.5	6.7
Höga Kusten Skog & Fastighet AB	Sweden	Northern Sweden	April	SEKm	63.7	6.8
Vihdin Rakennustekniikka VRT Oy	Finland	Vihti	May	EURm	1.7	0.2
Optimal Service Sverige AB **)	Sweden	Göteborg	May	SEKm	31.2	2.9
Gröna Gården AB	Sweden	Landskrona	May	SEKm	27.7	5.1
Ostkustens Trädgårdsservice AB	Sweden	Kalmar	May	SEKm	18.7	1.3
Trondheim Renholdsservice AS	Norway	Trondheim	June	NOKm	12.7	1.0
Uterom Entreprenør AS **)	Norway	Oslo	June	NOKm	28.1	9.1
Kiinteistöhuolto Lyijynen Oy	Finland	Lappeenranta	June	EURm	4.3	1.9
Kiinteistöpalvelu Tim Turunen Oy	Finland	Savonlinna	June	EURm	1.6	0.2
Flow Fastighetsvärden AB	Sweden	Stockholm, Mälardalen and Southern Sweden	July	SEKm	231.9	9.4
Mark & Fastighetsservice i Kalmar Ab	Sweden	Kalmar	July	SEKm	27.5	1.4
Uudenmaan Huoltokeskus Oy	Finland	Capital region	September	EURm	1.6	0.2
Økonomiske Løsninger AS	Norway	Oslo	September	NOKm	19.3	4.0

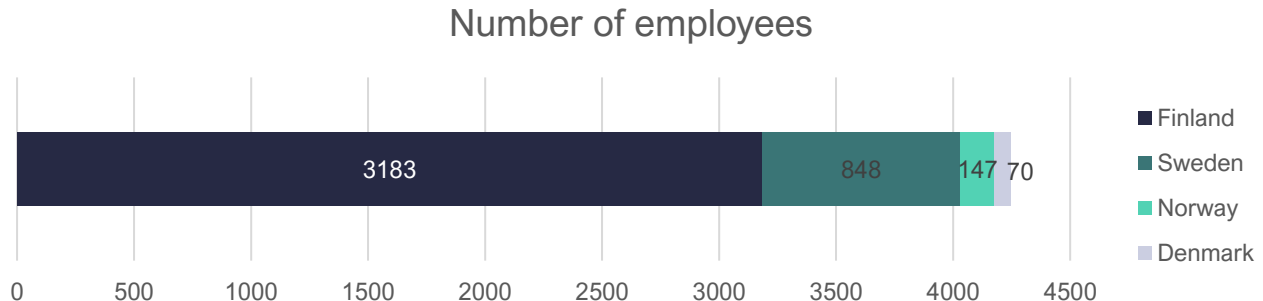
*) Presented financials are based on latest available audited financial statements

***) 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 during Q4 2021.

Corporate responsibility and sustainability

As at end of September 2021, PHM employed 4,248 people across the four countries where the Group operates. Personnel expenses in July–September totaled 42.2 MEUR million (13.2) and in January–September 119.1 MEUR (21.1).



In the third quarter, PHM appointed a Head of ESG to lead the strategic development of corporate responsibility and sustainability. The company will conduct an update of the materiality analysis already conducted and develop ESG reporting in the end of 2021 and beginning of 2022. An ESG strategy is expected to be specified during the first half of 2022. PHM Group has also started reinforcing corporate governance and is prepared to introduce a whistleblowing channel by the end of 2021.

Financial review

June–July

The Group's reported revenue was 92.2 MEUR (32.1) in Q3 2021. The business scale has increased materially compared to the comparison period as the Group acquired Kotikatu Group at the end of September 2020 and has completed several sizeable add on acquisitions during 2021.

The Group's adjusted EBITDA was 14.2 MEUR (4.7) in Q3 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 -6.9 MEUR (-9.4 MEUR). The result is impacted by goodwill amortization of -12.2 MEUR (-5.5 MEUR), which are made in accordance with Finnish Accounting Standards. In addition, the Group has recorded unusually high financing costs relating to the bond issuance in June 2021.

The Group's LFL revenue was 91.9 MEUR (89.1). LFL 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 LFL adjusted EBITDA was 14.6 MEUR (13.5). The increase was driven by the increased sales discussed above, as well as synergies realized from integration of Kotikatu and legacy PHM units. Direct costs increased mainly in line with the revenue increase. Personnel costs as share of revenue, however, decreased slightly due to synergies and operational efficiencies gained from acquired entities. Consequently, adjusted EBITDA margin improved by 0.7 pp. from the comparison period

The Group's operating cash flow before acquisitions and financial items was 6.4 MEUR. Operating cash flow was impacted by the normal seasonality in working capital, which is driven by the pay out of holiday pay liabilities on the back of the most active holiday period of the year in Q3 in the Nordics. Additionally, investments into tangible assets were considerably higher than in 1-6/21 due to renewals of machinery in preparations for the winter season. Cash used for acquisitions of subsidiaries amounted to 24.4 MEUR and the Group utilized 21 MEUR of its super senior RCF to finance these acquisitions during Q3 2021.

January–September

The Group's revenue was 257.0 MEUR (50.6) in the first nine months of 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 the comparison period only includes five operating months for the Group at its former scale. Further the Group acquired Kotikatu Group at the end of September 2020, which materially increased the scale of PHM's operations. Kotikatu Group profit and loss has been consolidated to the group from October 2020 onwards. 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 during the period was 38.7 MEUR (7.8).

The Group's result for the financial period amounted to -25.4 MEUR (-12.3 MEUR). The result is heavily impacted by goodwill amortization of -34.5 MEUR (-7.9 MEUR), which are made in accordance with Finnish Accounting Standards, as well as high financial expenses recorded in Q2 and Q3 2021 due to the bond issue.

The Group's like-for-like revenue was 293.0 MEUR (260.0). LFL revenue increase was driven by an active winter season, increased contract customer base and increased additional revenue. Finland accounted for approximately 62% (64%) of LFL revenue, Sweden for 30% (29%), Norway for 5% (5%) and Denmark for 3% (3%)

The Group's like-for-like adjusted EBITDA was 42.6 MEUR (34.0). LFL adjusted EBITDA increased clearly due to increased revenues and efficient utilization of the Group's resources during the busy winter season in Q1, as well as improved efficiency and synergies gained from acquired entities. Consequently, like-for-like adjusted EBITDA margin improved clearly by 1.5 pp.

The Group's operating cash flow before acquisitions and financial items for the financial period was 21.5 MEUR. Cash used for acquisitions of subsidiaries amounted to 79.4 MEUR, and in addition the ultimate parent PHM Group Topco Oy has received 12.8 MEUR of funds as re-investments from the sellers of the acquired entities and other key employees, which are at the Group's disposal through a cash pool arrangement. At the end of the period interest bearing net debt was 321.5 MEUR and leverage was at 5.37x. The increase in leverage from Q2 2021 is attributable mainly to the strategic acquisition of Flow Group, where the multiple on reported historical earnings was significantly higher than in average transactions due to higher perceived run rate of the stand-alone group, expected higher future earnings compared to historical levels, as well as expected synergies from combining the business with PHM's existing businesses. The presented leverage has not been adjusted for expected synergies or run rate adjustments for the Flow Group transaction.

In June 2021, 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, of which at the end of the review period 29 MEUR was unutilized. The proceeds of the bond issue were used to refinance existing debts and finance a one time distribution to shareholders.

Events after the review period

In October and November 2021, PHM Group has completed four acquisitions in total. The companies are active in a broad range of facilities maintenance and cleaning services in Finland, Sweden, and Norway.

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 nine months of 2021.

Helsinki, November 29, 2021

Ville Rantala
CEO

Karl Svozilik
Chairman of the Board

Financial information

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, FAS					
EUR THOUSAND	7-9 2021	7-9 2020	1-9 2021	1-9 2020	1-12 2020
Revenue	92,162	32,082	257,007	50,650	122,176
Other operating income	721	0	1,789	50	671
Materials and services	-23,884	-18,439	-66,312	-23,825	-33,052
Personnel expenses	-42,244	-13,220	-119,085	-21,104	-54,807
Other operating expenses	-12,611	-4,639	-36,269	-7,649	-19,034
EBITDA	14,144	4,216	37,131	6,553	15,954
<i>% of revenue</i>	15.3%	13.1%	14.4%	12.9%	13.1%
Depreciation	-3,930	-1,113	-12,876	-1,821	-7,199
EBITA	10,213	3,103	24,256	4,732	8,755
<i>% of revenue</i>	11.1%	9.7%	9.4%	9.3%	7.2%
Amortisation and impairment	-12,180	-5,472	-34,514	-7,927	-18,762
Operating result	-1,966	-2,369	-10,259	-3,196	-10,008
<i>% of revenue</i>	-2.1%	-7.4%	-4.0%	-6.3%	-8.2%
Net financial expenses	-4,645	-7,000	-12,808	-9,108	-12,369
Result before taxes	-6,612	-9,369	-23,067	-12,303	-22,377
Income taxes	-259	-19	-2,297	-42	-912
Result for the financial period	-6,871	-9,388	-25,363	-12,345	-23,289

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET, FAS					
EUR THOUSAND	9 2021	9 2020	6 2021	6 2020	12 2020
ASSETS					
Non-current assets					
Intangible assets					
Consolidated goodwill	393,412	349,687	377,451	129,365	346,565
Goodwill	4,943	4,507	5,357	4,519	5,822
Other long-term expenditure	2179	481	666	96	369
Property, plant and equipment	40,350	34,849	39,659	11,956	36,216
Other tangible assets	1,230	278	1,235	23	1,355
Investments	3,305	2,916	1,821	1,543	2,547
Advance payments	1,296	2	1,208	0	562
Total non-current assets	446,716	392,720	427,398	147,501	393,436
Current assets					
Inventories	1,233	1,914	1,209	654	971
Trade receivables	33,365	18,766	27,495	10,585	21,177
Other receivables	8,431	7,025	11,366	4,156	6,049
Deferred tax assets	-85	594	0	551	116
Cash and cash equivalents	15,745	9,561	17,902	2,241	17,531
Total current assets	58,688	37,858	57,973	18,188	45,844
Total assets	505,405	430,579	485,371	165,688	439,279
EQUITY AND LIABILITIES					
Equity					
Invested unrestricted equity	143,318	116,790	143,318	69,265	193,910
Retained earnings	-24,307	0	-23,638	0	-46
Profit for the period	-25,363	-12,345	-18,493	-2,957	-23,289
Total equity	93,648	104,445	101,188	66,308	170,574
LIABILITIES					
Non-current liabilities					
Subordinated loans	0	0	0	0	18,711
Long-term interest-bearing liabilities	311,828	274,579	311,373	81,656	187,210
Deferred tax liabilities	1,300	50	100	50	865
Total non-current liabilities	313,128	274,629	311,473	81,706	206,786
Current liabilities					
Short-term interest-bearing liabilities	25,461	8,739	3,954	2,684	13,222
Accounts payable	13,832	11,125	11,962	4,167	10,137
Other liabilities	56,952	31,641	53,959	10,822	37,153
Current tax liabilities	2,384	0	2,834	0	1,408
Total current liabilities	98,629	51,505	72,710	17,674	61,919
Total liabilities	411,757	326,134	384,183	99,380	268,705
Total equity and liabilities	505,405	430,579	485,371	165,688	439,279

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT, FAS		
EUR THOUSAND	7-9 2021	1-9 2021
Operating profit	-1,966	-10,259
Profit (Loss) before income taxes for the financial year	-6,612	-23,067
Adjustments:		
Depreciation	16,110	47,390
Finance income and finance expenses	4,645	12,808
Other adjustments	-265	-937
Cash flows before change in net working capital	13,879	36,194
Change in net working capital:		
Change in trade and other receivables (increase (-) / decrease (+))	-759	-1,686
Change in inventories (increase (-) / decrease (+))	118	39
Change in trade and other payables (increase (+) / decrease (-))	2,132	7,472
Cash flows before finance items	15,370	42,019
Income taxes paid	-45	-1,310
Net cash from operating activities (A)	15,325	40,709
Cash flows from investing activities		
Acquisition of intangible and tangible assets	-4,052	-8,732
Acquisition of subsidiaries net of cash acquired	-24,409	-79,366
Net cash used in investing activities (B)	-28,460	-88,098
Cash flows from financing activities		
Decrease in share capital for consideration	0	-50,592
Repayment of loans and borrowings	-20,237	-373,546
Proceeds from current loans and borrowings	38,330	484,052
Net interest and finance costs paid	-7,077	-14,277
Net cash from financing activities (C)	11,017	45,637
Net cash from (used in) operating, investing and financing activities (A+B+C)	-2,119	-1,752
Net increase (decrease) in cash and cash equivalents	-2,119	-1,752
Cash and cash equivalents at the beginning of the period	17,902	17,531
Effect of fluctuations in exchange rate on cash held	-39	-34
Cash and cash equivalents at reporting end	15,745	15,745

Contact

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

For questions concerning this report please contact:

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