Nordic all-stars in local property service.

Interim report Q1/22

PHM Group Holding Oy (3123811-8)

1 JANUARY – 31 MARCH 2022

Interim Report January – March 2022

First quarter highlights

- Reported revenue increased by 43% to 115.6 MEUR (81.0)
- Reported EBITDA increased 41% to 18.9 MEUR (13.5)
- LFL revenue increased by 5% to 116.8 MEUR (110.7)
- LFL adjusted EBITDA was on a par with previous year's level at 19.4 MEUR
- LTM LFL adjusted EBITDA amounted to 71.8 MEUR as at March 2022, excluding unrealised synergies of 0.7 MEUR
- Leverage amounted to 4.83x

Significant events during the quarter

- Seven acquisitions completed during Q1 2022 with total annual sales of 7.9 MEUR
- Demand for services remains at a good level and operations in general are relatively mildly impacted by the Covid-19 pandemic and the war in Ukraine. Result impacted to some extent by high sick leave rates and fuel price inflation.
- Tap issue of senior secured callable fixed rate notes in nominal amount of 40 MEUR completed
- Development of ESG strategy and policies continued well
- Transition to IFRS reporting and rebranding of PHM Group complete.

MEUR, IFRS	***1-3/22***	***1-3/21***	***Change %***	***1-12/21***	***LTM***
Reported					
Revenue	115.6	81.0	43%	364.2	N/A
EBITDA	18.9	13.5	41%	57.0	N/A
Adjusted EBITDA	19.3	15.0	29%	62.8	N/A
Adjusted EBITDA margin %	16.7%	18.5%	-1.8%	17.2%	N/A
Adjusted EBITA	13.0	7.6	70%	36.1	N/A
Adjusted EBITA margin %	11.2%	9.4%	1.8%	9.9%	N/A
LFL *) financials***					
LFL Revenue	116.8	110.7	5%	424.7	430.7
LFL EBITDA	18.9	17.9	6%	66.0	67.1
Adjusted LFL EBITDA	19.4	19.4	0%	71.8	71.8
Adjusted LFL EBITDA margin %	16.6%	17.5%	-0.9%	16.9%	16.7%
Adjusted LFL EBITA	12.8	10.5	21%	41.9	44.2
Adjusted LFL EBITA margin %	11.0%	9.5%	1.4%	9.9%	10.3%
Financial position					
Operating cash flow before acquisitions*	20.5			42.0	
Cash conversion before acquisitions**	108%			74%	
Interest bearing net debt	350.1			346.3	
Leverage***	4.83x			4.84x	

*) 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 first quarter, PHM continued executing its strategy of strong growth both through M&A and organically, as well as improving the operational performance of the acquired businesses. Like-for-like revenue increased by 5% to 116.8 MEUR. At comparable exchange rates, LFL revenue increased 6%. LFL adjusted EBITDA remained stable at 19.4 MEUR. Profitability was impacted by weaker sales mix, higher personnel costs and subcontracting relating to Covid-19 and increased fuel and energy costs. Extra costs also occurred due to the heavy winter in Finland.

During the quarter PHM continued developing its business by completing seven acquisitions in all the countries it operates in. Buildup of country organizations in Sweden and Norway progressed well with new country managers starting in both respective countries in Q1/22. Solid steps in developing the ESG policies of the Group were also taken.

PHM's business continued to show a relatively mild impact from the Covid-19 pandemic thanks to the high share of recurring revenues from necessary day to day services. As a local Nordic service business, PHM has also been relatively mildly impacted by the war in Ukraine due to its very limited direct exposure to the situation. Q1/22 did, however, show a high number of Covid-19 related sick leaves in the Group, which had an impact on the Group's ability to capitalize on add on sales opportunities, as well as increased the Group's operating costs during the busy winter season. The fuel and energy price inflation boosted by the war in Ukraine further impacted the Group's margins at a time when fuel and energy consumption are at highest due to the winter season.

Going forward the market continues to look attractive as urbanization continues, the building stock ages and interest towards upgrading homes and residential buildings has increased due to the pandemic. The demand for technical services and other on demand work continues to recover after most Covid-19 restrictions were lifted and the pipeline for these add on services continues to look strong. In the short term the Covid-19 pandemic might still impact some parts of PHM's operations mainly in terms of continued higher sick leaves, but in the longer-term PHM expects to benefit from postponed technical sales increasing the demand for the Group's services.

The war in Ukraine has so far not materially impacted the demand for the Group's services. The Group has taken active measures to end cooperation with suppliers with Russian ownership and ensure that its employees are treated equally regardless of their nationality or background. Although the war in Ukraine has no direct impact on PHM Group's operations, as all other companies, PHM is not isolated from the indirect effects of the war such as increased price inflation and general economic uncertainty. The Group's good pricing power enables it to pass on price inflation relatively effectively to customers, however, high inflation rates may temporarily impact margins. In the long-term PHM sees that the situation will create opportunities to the Group as more focus is put on improving the energy efficiency of real estate and providing energy efficient solutions to residents and tenants.

During the review period PHM Group completed a tap issue of its senior secured callable fixed rate notes in the nominal amount of 40 MEUR under the existing 450 MEUR notes' framework. Demand for the issue was good. Preparations for listing the Bond to Nasdaq Helsinki are ongoing and progressing as planned. The listing is expected to take place in June 2022.

Mergers and Acquisitions

In the first quarter of 2022 M&A activity continued to be on a good level as the Group succeeded in making seven acquisitions: two in Finland, one in Sweden, two in Norway and two in Denmark. Together the acquired entities had a 7.9 MEUR positive impact on LTM like-for-like revenue and 1.3 MEUR positive impact on LTM like-for-like adjusted EBITDA, respectively.

In Finland, the Group strengthened its service portfolio in Turku with one acquisition together with market expansion in Vammala and Sastamala. In Sweden, the financial management business was strengthened by a bolt on acquisition to the service area in Stockholm. In Norway, the Group improved its market position in Oslo in the cleaning and property maintenance markets with two acquisitions. In Denmark two bolt on acquisitions were made to strengthen residential maintenance and cleaning offering in the Copenhagen area.

Completed acquisitions 1-3/2022

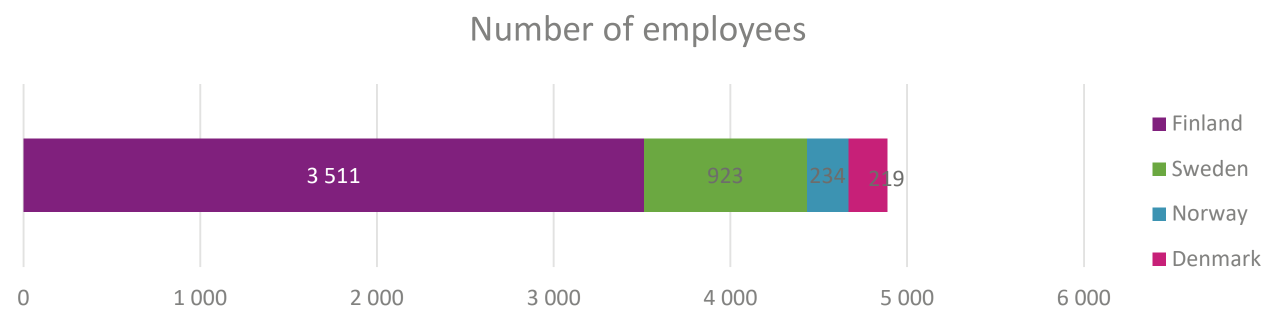
Target company	Country	Region	Closing	Currency	Revenue *)	EBITDA *)
Hagen Hageservice AS	Norway	Oslo	January	NOKm	12,8	2,4
Princip Redovisning Ab	Sweden	Stockholm	January	SEKm	5,5	1,4
Sundby Rengørings Service Aps	Denmark	Copenhagen	February	DKKm	11,3	2,1
Daseko Aps	Denmark	Copenhagen	March	DKKm	11,4	1,0
Vaktmester-Gruppen AS	Norway	Oslo	March	NOKm	12,1	-0,2
Vammalan Talonmies ja Siivouspalvelu Oy	Finland	Vammala	March	EURm	0,9	0,1
Turun Sähköhuolto Oy	Finland	Turku	March	EURm	0,8	0,0

*) 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 Q2 2022.

Corporate responsibility and sustainability

As at end of March 2022, PHM employed 4,887 people across the four countries where the Group operates. Personnel expenses in January - March totaled 51.5 MEUR million (36.1).



In the first quarter of 2022, PHM Group started updating the Corporate Responsibility Strategy based on a completed materiality analysis. In addition, the company developed its greenhouse gas emissions calculation methods and tools. PHM Group also updated the Health, Safety and Environment (HSE) requirements for its units, further specified HSE responsibilities, targets and action plan. Internal HSE audits were initiated in Finland.

Financial review

January-March

The Group's reported revenue was 115.6 MEUR (81.0) in Q1 2022. The business scale has increased materially compared to the comparison period as the Group has completed several sizeable add on acquisitions during 2021 explaining a large part of the growth year on year.

The Group's adjusted EBITDA was 19.3 MEUR (15.0) in Q1 2022. The increase in adjusted EBITDA is largely explained by the difference in scale of operations explained above.

The Group's result for the financial period amounted to 3.2 MEUR (1.0 MEUR). The result is impacted by amortization of customer and brand related intangible assets from acquisitions made -3.2 MEUR (-2.6 MEUR) as well as proportionately higher financing costs.

The Group's LFL revenue was 116.8 MEUR (110.7). 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 an active winter season in Finland, increased contract customer base and increased add on sales revenue in Norway and offset by a mild winter season in Sweden. Finland accounted for approximately 65% (63%) of LFL revenue, Sweden for 26% (29%), Norway for 6% (4%) and Denmark for 4% (4%). LFL revenue increased in Finland, Norway and Denmark, but decreased in Sweden. The impact of exchange rate fluctuations on LFL revenue was -0,7 MEUR y-o-y, of which the clearly biggest impact was from weaking of the Swedish Crown.

The Group's LFL adjusted EBITDA was 19.4 MEUR (19.4). Adjusted EBITDA was supported by the increased sales, albeit with a slightly weaker margin primarily due to sales mix as resources were focused on lower-margin snow clearance activities instead of other additional sales. Additionally, LFL adjusted EBITDA was adversely impacted by increased personnel costs and subcontracting driven largely by high Covid-19 related sickness absences. Additionally, increased fuel and energy prices impacted the Group's result. Consequently, adjusted EBITDA margin weakened by 0.9 pp. from the comparison period.

The Group's operating cash flow before acquisitions and financial items was strong amounting to 20.5 MEUR. Operating cash flow was supported by strong EBITDA and positive cash flow from working capital in line with the normal seasonality in working capital. The release of capital from working capital was driven by proportionately lower accounts receivable, as well as increase in payables and holiday pay accruals. The operating cash flow excludes the intra group cash pool debt to the Group's ultimate parent PHM Group Topco Oy. Investments into tangible and intangible assets, excluding ROU assets, was 3.7 MEUR comprising mainly of acquisitions of machinery and equipment. At the end of the period interest-bearing net debt was 350.1 MEUR and leverage was at 4.83x. Lease liabilities included in the interest-bearing net debt were 22.5 MEUR. The liquidity of the Group is strong as cash and cash equivalents at the end of the review period was 33.5 MEUR and the Super Senior RCF of 50 MEUR was undrawn.

In January 2022, the Group completed a tap issue of its senior secured callable fixed rate notes in a nominal amount of 40 MEUR under the existing 450 MEUR notes' framework. The demand for the issue was good. Part of the proceeds of the issue were used to refinance existing debts under the Super Senior RCF and the remainder will be used to enable execution of the Group's growth strategy.

Events after the review period

After the review period the Group has completed eight acquisitions, six in Finland, one in Sweden and one in Norway.

In May the Group finalized the brand project initiated in January 2022. Renewed brand strategy together with a new PHM brand and brand story, vision, mission and values were launched on May 6th. Further on the same date PHM published its first IFRS financial statements for 2021 marking the completion of the IFRS conversion started in Q3/21.

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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 2022.

Helsinki, May 13, 2022

Ville Rantala
CEO

Karl Svozilik
Chairman of the Board

Financial information

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, IFRS EUR THOUSAND	1-3 2022	1-3 2021	1-12 2021
Net sales	115 602	80 996	364 215
Other operating income	735	587	3 488
Materials and services	-32 200	-22 185	-96 480
Personnel expenses	-51 546	-36 146	-167 978
Other operating expenses	-13 664	-9 791	-46 260
EBITDA	18 927	13 461	56 985
% of revenue	*16,4 %*	*16,6 %*	*15,6 %*
Depreciation	-6 387	-7 347	-26 715
EBITA	12 539	6 114	30 270
% of revenue	*10,8 %*	*7,5 %*	*8,3 %*
Amortisation and impairment	-3 223	-2 618	-11 612
Operating result	9 316	3 497	18 658
% of revenue	*8,1 %*	*4,3 %*	*5,1 %*
Net financial expenses	-4 871	-3 236	-22 740
Result before taxes	4 445	261	-4 082
Income taxes	-1 278	739	-680
Group contribution	0	0	0
Result for the financial period	3 168	1 000	-4 762

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET, IFRS EUR THOUSAND	3 2022	3 2021	12 2021
ASSETS			
Non-current assets			
Goodwill	357 959	282 285	350 561
Intangible assets other than goodwill	120 246	109 853	122 758
Tangible assets	45 467	35 287	45 295
Right-of-use assets	21 977	19 340	22 285
Other shares	2 873	2 852	2 965
Other receivables	209	246	273
Deferred tax assets	2 411	1 012	2 202
Total non-current assets	551 142	450 875	546 338
Current assets			
Trade receivables	37 798	21 741	37 086
Inventories	1 194	1 011	1 112
Other current financial assets	1 727	1 229	15 086
Other current assets	10 914	7 093	10 174
Cash and cash equivalents	33 515	21 484	18 331
Total current assets	85 148	52 556	81 789
Total assets	636 289	503 432	628 127
EQUITY AND LIABILITIES			
Equity			
Translation differences	-182	0	343
Fund for unrestricted equity	160 318	174 778	158 318
Subordinated loan	0	19 132	0
Retained earnings	-9 756	-6 131	-13 219
Total equity	150 380	187 779	145 442
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	344 728	191 102	303 971
Other non-current liabilities	1 258	20 902	18 453
Lease liabilities	12 507	12 269	13 494
Deferred tax liabilities	27 104	24 077	27 982
Total non-current liabilities	385 596	248 350	363 901
Current liabilities			
Trade payables and other payables	81 541	51 847	73 557
Interest-bearing loans and borrowings	5 147	6 947	33 584
Lease liabilities	10 034	7 344	9 362
Income tax payable	3 591	1 165	2 281
Total current liabilities	100 313	67 303	118 784
Total liabilities	485 909	315 652	482 685
Total equity and liabilities	636 289	503 432	628 127

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT, IFRS EUR THOUSAND	1-3 2022	1-3 2021	1-12 2021
Operating activities			
Profit before tax	4 445	261	-4 082
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment	9 611	9 964	38 327
Finance income and expenses	4 871	3 236	22 740
Other adjustments	-219	-168	-695
Change in working capital	-11 961	4 212	14 923
Other adjustments without payment	-667	-553	0
Income tax paid	-820	-306	-2 569
Net cash flow from operating activities	5 260	16 646	68 644
Net cash flow from investing activities			
Acquisition of tangible and intangible assets	-3 676	-2 113	-13 052
Acquisition of a subsidiary, net of cash acquired	-8 971	-7 576	-85 999
Net cash flow from investing activities	-12 647	-9 689	-99 050
Net cash flow from financing activities			
Equity refund	0	0	-68 524
Change in equity	16 331	0	0
Net change in borrowings	9 468	1 901	132 630
Net interests and finance costs paid	-223	-2 960	-22 489
Payments of lease liabilities	-3 004	-1 943	-10 409
Net cash from financing activities	22 571	-3 003	31 208
Net increase in cash and cash equivalents	15 185	3 954	801
Cash and cash equivalents at 1.1.	18 331	17 530	17 530
Cash and cash equivalents at reporting period end	33 515	21 484	18 331

Contact

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

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