

panostaja

Q1

**Business Review
16 March, 2021**



November 2020 - January 2021

PANOSTAJA OYJ'S BUSINESS REVIEW

Business continues to suffer from the coronavirus but positive trends were seen in the corporate acquisitions market

November 1, 2020–January 31, 2021 (3 months)

- Net sales dropped in six of the seven segments. Overall, net sales for the Group as a whole weakened by 10% to MEUR 38.5 (MEUR 42.6).
- EBIT improved in four of the seven segments. The entire Group's EBIT declined from the reference period, standing at MEUR -1.3 (MEUR -0.6).
- Grano's net sales for the review period declined by 6% from the reference period in the previous year. EBIT improved to MEUR -0.1 (MEUR -0.4).
- Earnings per share (undiluted) were -3.4 cents (-1.9 cents).
- After the review period, an agreement was signed for the sale of the entire share capital of Suomen Helakeskus Oy.

CEO Tapio Tommila:

"During the three-month review period, the total net sales dropped by 10% and EBIT also declined from the reference period. The coronavirus pandemic, which began spreading in Finland in spring 2020, did not yet affect the reference period's figures, but the impacts were still clearly visible in the review period. The most notable drops in net sales during the review period were experienced by Grano, Carrot and CoreHW. Conversely, net sales increased significantly for Hygga, where the initiation of outsourcing services increased the volumes of the clinic business.

The decline in Grano's net sales is due to the dwindling demand for traditional printing services, especially during the last month of the review period. However, the company's profit/loss were supported by the completed cutbacks and adaptation measures, which is why the company's EBIT improved slightly despite the drop in net sales. The development of Carrot's net sales in the review period was very poor, and the company's net sales eventually ended up 50% below the reference period level. The company's profitability improved over the reference period thanks to cost adaptation and streamlining measures. Despite this, the company's operating result remained negative and the measures to reverse this trend will continue. The drop in CoreHW's net sales resulted from slower customer acquisition, customers postponing their decisions and resulting delays in project initiations. Thanks to strong growth in the previous financial period, the company's number of employees has increased over the reference period, which encumbers the company's profitability as the number of realized customer projects is lower than intended. However, available resources have been used to accelerate the development of the company's own product.

In the review period, Hygga's net sales increased significantly due to the start of the outsourcing services for the City of Helsinki on November 1, 2020. The start-up costs and adoption of new operating models weighed down the review period result, which dropped to MEUR -0.3. According to current estimates, the expenses resulting from the initiation of the outsourcing services have now been mostly covered.

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been high. The markets continue to provide opportunities for both new select acquisitions and divestments. After the review period on February 18, 2021, Panostaja announced that it has signed an agreement to sell the entire share capital of Suomen Helakeskus Oy to HTF Group Oy. Panostaja has been the owner of Suomen Helakeskus for a long time, and this divestment supports the goal of actively developing our portfolio.

The coronavirus pandemic and related impacts in Finland worsened further during the review period, and the second quarter of the financial period is expected to continue to be challenging due to the continuing crisis. This may cause significant impacts on Panostaja segments.”

Segments 3 months

Grano

Grano is Finland’s leading content and marketing services company



Grano's net sales for the review period were MEUR 27.3, which was 6% below the reference period level (MEUR 29.2). Grano’s EBIT for the review period stood at MEUR -0.1, which is an improvement of MEUR 0.3 from the reference period (MEUR -0.4).

At the beginning of the review period, demand was at a good level as customers were making marketing-related acquisitions for the start of the coming financial period. However, demand weakened in January as the impacts of the coronavirus pandemic were still evident in the product lines with the highest net sales, such as sheet printing and large-scale prints. Conversely, demand remained good for asset management solutions, printing services for the construction sector and translation services.

Despite the drop in net sales during the review period, the profit/loss improved slightly over the reference period. The improvement was due to the lower level of personnel costs and other fixed expenditures compared to the reference period.

After the review period, demand has continued at January’s level. As a result of the third wave of COVID-19 and the related restrictions, demand for sheet printing and large-scale prints is expected to remain low and weaken the development of net sales in the traditionally strong Q2.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	27.3	29.2	109.9
EBIT, MEUR	-0.1	-0.4	4.8
Interest-bearing net liabilities	59.6	76.0	60.6
Panostaja’s holding	55.2%		

Helakeskus

Helakeskus is a major wholesaler of furniture fittings in Finland



The company's net sales for the first quarter stood at MEUR 1.8, which matched the level of the reference period. The EBIT, too, was at the level of the reference period at MEUR 0.0.

After the review period on February 18, 2021, Panostaja announced that it had signed an agreement to sell the entire share capital of Suomen Helakeskus Oy to HTF Group Oy. This also entails Panostaja divesting all of its business operations specializing in the import of fittings and the provision of related services.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	1.8	1.8	7.6
EBIT, MEUR	0.0	0.0	0.5
Interest-bearing net liabilities	3.1	4.8	3.2
Panostaja's holding	100%		

Hygga

Hygga provides dental care and health care ERP services with a new operating concept



Hygga's net sales of MEUR 1.9 for the review period were MEUR 0.8 higher than in the reference period (MEUR 1.1). The increase in net sales came from the clinic business, which began providing outsourced services to the City of Helsinki starting from November 1. EBIT stood at MEUR -0.3, which is a decrease of MEUR 0.3 from the reference period (MEUR 0.0).

Net sales for the clinic business increased significantly from the reference period due to the provision of outsourced services to the City of Helsinki starting from November 2020. However, there were costs connected to the adoption of the new operating model that had a negative impact on the review period's result. As regards Hygga's own private clinic business, demand remained steady during the review period.

For the licensing business, the acquisition of new customers has slowed down significantly in the Finnish and international markets as a result of the coronavirus outbreak. There is interest for Hygga's solutions but customers are currently unable to take the necessary steps.

After the review period, demand has remained at the level of the end of the review period for both the clinic and licensing business.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	1.9	1.1	4.1
EBIT, MEUR	-0.3	0.0	-0.3
Interest-bearing net liabilities	7.9	7.9	7.6
Panostaja's holding	79.8%		

Heatmasters

Heatmasters offers metal heat treatment services and technology



Heatmasters' net sales of MEUR 1.0 for the review period were MEUR 0.1 lower than in the reference period (MEUR 1.1). Due to the lower net sales, EBIT for the review period weakened slightly from MEUR 0.1 in the reference period to MEUR 0.0.

In the review period, demand for service business in Finland remained satisfactory. Field operations were low due to seasonal variation. Equipment business was slow as a result of the uncertainty caused by the coronavirus pandemic, but one furnace delivery took place during the review period. In Poland, demand remained steadily at a satisfactory level.

After the review period, demand is expected to continue at the level of the review period's end.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	1.0	1.1	4.0
EBIT, MEUR	0.0	0.1	0.3
Interest-bearing net liabilities	0.3	0.9	0.2
Panostaja's holding	80.0%		

CoreHW

CoreHW provides high added value RF IC design and consulting services



CoreHW's net sales for the review period was lower than in the reference period, standing at MEUR 1.6 (MEUR 2.4), which led to EBIT dropping to MEUR -0.4 (MEUR 0.5).

In the review period, demand for the company's services remained good, but the coronavirus restrictions have significantly slowed down new sales. Some customers have also slowed down or postponed their purchasing decisions, which had an impact on the review period's net sales.

Alongside the decreased net sales, the profitability for the review period was weakened by the 10% increase in employees. The resources that were available from customer projects were used to expedite the development of proprietary products. During the review period, one of the company's own products moved to the next phase in which the customer began its own product development efforts based on CoreHW's product.

After the review period, the outlook has remained at the level of the end of the review period. The company is constantly engaged in contract negotiations with its customers. However, the negotiations are typically fairly long, which results in uncertainty with regard to upcoming projects and possible significant variation in net sales between quarters.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	1.6	2.4	8.1
EBIT, MEUR	-0.4	0.5	0.5
Interest-bearing net liabilities	4.7	4.1	4.1
Panostaja's holding	61.1%		

Carrot

Carrot Palvelut Oy provides staffing, recruitment and outsourcing services



Carrot's net sales for the review period decreased to MEUR 2.1 from MEUR 4.3 in the reference period. EBIT stood at MEUR -0.2, which is an increase of MEUR 0.2 from the reference period (MEUR -0.4).

The demand and net sales for the review period were significantly below the level of the reference period. The coronavirus pandemic and related restrictions also manifested themselves in low demand, layoffs and terminations among end customers. Moreover, employees in some areas have been quarantined, and the entry of new employees has been postponed. Through the review period, the company has maintained strict control, which has compensated significantly for the impact that the decrease in net sales has had on EBIT.

After the review period, demand has remained at the level of the end of the review period.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	2.1	4.3	14.5
EBIT, MEUR	-0.2	-0.4	-4.0*
Interest-bearing net liabilities	5.5	5.1	4.9
Panostaja's holding	74.1%		

*includes a goodwill impairment of MEUR 3.3

Oscar Software

Oscar Software provides ERP systems and financial management services



Oscar Software's net sales for the review period were equal to those of the reference period, standing at MEUR 2.8. Net sales for the review period were also at the level of the reference period, standing at MEUR 0.2.

Market demand in the review period was good. The coronavirus pandemic did not directly impact the company's demand, but the general uncertainty is evident on the market. Sales have remained at a good level considering the situation, but there are significant differences in the situations of customer companies. During the first quarter, the company recruited new experts to bolster its software business. During the financial period, the intention is to strengthen the company's resources.

After the review period, demand has remained at the level of the review period.

MEUR	3 months	3 months	12 months
	11/20-1/21	11/19-1/20	11/19-10/20
Net sales, MEUR	2.8	2.8	11.0
EBIT, MEUR	0.2	0.2	1.1
Interest-bearing net liabilities	3.7	4.2	2.8
Panostaja's holding	54.5%		

KEY FIGURES

MEUR	Q1	Q1	12 months
	11/20-	11/19-	11/19-
	1/21	1/20	10/20
Net sales, MEUR	38.5	42.6	159.0
EBIT, MEUR	-1.3	-0.6	0.8
Profit before taxes, MEUR	-2.0	-1.0	-1.8
Profit/loss for the financial period, MEUR	-2.5	-1.4	-3.4
Distribution:			
Shareholders of the parent company	-1.8	-1.0	-4.4
Minority shareholders	-0.7	-0.4	0.9
Earnings per share, undiluted (EUR)	-0.03	-0.02	-0.08
Interest-bearing net liabilities	66.2	81.0	64.0
Gearing ratio, %	97.0	104.3	90.1
Equity ratio, %	34.3	36.5	33.6
Equity per share (EUR)	0.78	0.95	0.82

Division of the net sales by segment
MEUR

	Q1	Q1	12 months
	11/20-	11/19-	11/19-
	1/21	1/20	10/20
Net sales			
Grano	27.3	29.2	109.9
Helakeskus	1.8	1.8	7.6
Hygga	1.9	1.1	4.1
Heatmasters	1.0	1.1	4.0
CoreHW	1.6	2.4	8.1
Carrot	2.1	4.3	14.5
Oscar Software	2.8	2.8	11.0
Others	0.0	0.0	0.0
Eliminations	0.0	-0.1	-0.2
Group in total	38.5	42.6	159.0

Division of EBIT by segment

MEUR	Q1	Q1	12 months
EBIT	11/20- 1/21	11/19- 1/20	11/19- 10/20
Grano	-0.1	-0.4	4.8
Helakeskus	0.0	0.0	0.5
Hygga	-0.3	0.0	-0.3
Heatmasters	0.0	0.1	0.3
CoreHW	-0.4	0.5	0.5
Carrot	-0.2	-0.4	-4.0
Oscar Software	0.2	0.2	1.1
Others	-0.6	-0.6	-2.0
Group in total	-1.3	-0.6	0.8

Panostaja Group’s business operations for the current review period are reported in eight segments: Grano, Helakeskus, Heatmasters, Hygga, CoreHW, Carrot, Oscar Software and Others (parent company and associated companies).

In the review period, two associated companies, Gugguu Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The profit/loss of the reported associated companies in the review period was MEUR 0.1 (MEUR 0.1), which is presented on a separate row in the consolidated income statement.

OUTLOOK FOR THE 2021 FINANCIAL PERIOD

As regards the corporate acquisition market, plenty of opportunities are available and the market is active. The need to leverage ownership arrangements and growth opportunities will persist for SMEs, but the high market liquidity and increased price expectations of sellers are making the operating environment more challenging for corporate acquisitions. We will continue exploring new possible investment targets in accordance with our strategy and assess divestment possibilities as part of the ownership strategies of the investment targets.

It is thought that the demand situation for different investments will develop in the short term as follows:

- The demand for CoreHW and Oscar Software will remain good.
- The demand for Hygga and Heatmasters will remain satisfactory.
- Carrot’s demand will remain poor, and Grano’s short-term demand has weakened.
As regards traditional sheet printing, Grano’s demand is poor due to the ongoing third wave of the coronavirus pandemic and the related restrictions. For this reason, Grano’s Q2 outlook entails significant uncertainties.

The demand information presented above involves uncertainties relating to the possible escalation of the COVID-19 pandemic. This may impact the future development of Grano, Carrot and Hygga, in particular, and rapidly and dramatically change the estimate provided above.

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila

CEO

All forecasts and assessments presented in this bulletin are based on the current outlook of Panostaja and the views of the management of the various investments with regard to the state of the economy and its development. The results attained may be substantially different.

This is not an interim report compliant with the IAS 34 standard. The company observes the six-monthly reporting practice prescribed in the Finnish Securities Markets Act and publishes business reports for the initial three and nine months of each year, presenting the key information on the company's financial development. The financial information presented in the business review has not been audited.

Interest-bearing net liabilities by segment

EUR 1,000	Jan 31, 2021	Jan 31, 2020	Oct 31, 2020
Grano	59,583	75,984	60,637
Helakeskus	3,141	4,782	3,151
Hygga	7,926	7,869	7,603
Heatmasters	339	872	192
CoreHW	4,677	4,065	4,130
Carrot	5,467	5,132	4,946
Oscar Software	3,740	4,191	2,841
Parent company	-18,663	-22,629	-20,312
Others	0	688	811
Group in total	66,211	80,954	63,998

The interest-bearing net liabilities for operations sold and discontinued in the reference period are presented in the row Others. The introduction of the IFRS 16 standard on the Group's net liabilities is MEUR 20.0.

Depreciations

EUR 1,000	Jan 31, 2021	Jan 31, 2020	Oct 31, 2020
Grano	-3,029	-3,504	-13,586
Helakeskus	-56	-90	-321
Hygga	-94	-149	-464
Heatmasters	-81	-83	-334
CoreHW	-123	-87	-758
Carrot	-78	-92	-3,644
Oscar Software	-218	-271	-1,145
Others	-41	-42	-87
Group in total	-3,719	-4,318	-20,340

The impact of the IFRS 16 standard on the Group's depreciations is MEUR 1.4.

Panostaja is an investment company developing Finnish start-ups in the role of an active shareholder. The company aims to be the most sought-after partner for business owners selling their companies as well as for the best managers and investors. Together with its partners, Panostaja increases the Group's shareholder value and creates Finnish success stories.

Panostaja has a majority holding in six investment targets. Grano Oy is the most versatile expert of content services in Finland. Heatmasters Group offers heat treatment services for metals in Finland and internationally, as well as produces, develops and markets heat treatment technology. Hygga Oy is a company providing health care services and the ERP system for health care providers. CoreHW provides high added value RF IC design services. Carrot provides staffing, recruitment and outsourcing services. Oscar Software provides ERP systems and financial management services.