

MAJ 2022

Q2 2021/22

INTERIM FINANCIAL REPORT

SSG GROUP A/S



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INTERIM FINANCIAL REPORT

Q2 2022

GROUP KEY FIGURES

TDKK

	Q2 2021/22	YTD 2021/22	LTM	Q2 (LY) 2020/21	YTD 2020/21
Revenue	262.417	508.190	971.939	227.495	444.145
EBITDA	23.377	45.309	115.964	24.415	49.567
<i>EBITDA , %</i>	8,9%	8,9%	11,9%	10,7%	11,2%
<i>EBITA</i>	6.454	10.621	47.941	8.497	17.209
<i>EBITA %</i>	2,5%	2,1%	4,9%	3,7%	3,9%
Operating profit, EBIT	-4.190	-10.814	8.023	-1.178	-1.940
<i>EBIT, %</i>	-1,6%	-2,1%	0,8%	-0,5%	-0,4%
Operational cash flow	14.353	15.604	99.388	7.609	15.673
Net debt	580.127	580.127	580.127	507.124	507.124
- of which lease liabilities	136.668	136.668	136.668	135.655	135.655
Leverage IFRS			5,0x		

Note: IFRS financials

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COMMENTS FROM THE CEO

**GOOD Q2 2021/22 PERFORMANCE**

- On May 25 it has been announced that Polaris, the owner of SSG Group, has entered into a sale and purchase agreement with Belfor in respect of all shares in SSG Group. As a consequence of this change of control, a notice of redemption for the bonds was released. The voluntary total redemption notice is given pursuant to clause 9.3 of the Terms and Conditions. The share transfer is expected to close on 22 June 2022.
- Revenue ended at 262.4 M DKK for the second quarter of 2021/22 compared to 227.5 M DKK in the second quarter of 2020/21. So strong growth of 15.6% driven by good activity in Denmark and Sweden in the core business and acquired business units. Organic growth was 6.5%.
- EBITDA ended at 23.4 M DKK equal to 8.9% compared to 10.7% in Q2 2020/21. The drop versus LY is mainly driven by SSG Norway due to lower revenue, challenges in a couple of centres in Denmark, a general impact from higher energy and fuel prices and the resurgence of Corona across Scandinavia during the second quarter with sickness rates as high as 15% in Norway and Denmark (sickness cost not refunded by the state).
- Overall, we saw strong activity in the market. Especially Denmark and Sweden had strong performance driven by Fire damages, several large damages, and ongoing bird flu projects. Denmark has organic growth of 16.3% and Sweden of 24.5% including the large damages projects.
- Norway was a disappointment with sales 21.7% lower than LY despite good delivery quality with key customer. The contract with our biggest customer in Norway has been extended for another 2 years and we are increasing our share of wallet with that customer. However, the total number of insurance cases has dropped for all insurance companies during the quarter, and they indicate a 20%-25% market drop. Norway has had a very dry period during March, which has been the driest month for many years. Until now some regions in Norway have had the driest period ever measured.
- The business units, Kiltin (pest control in Denmark) and Ovento (Moisture company in Stockholm) acquired in September and October 2021, are progressing as planned.
- Our operational focus remains on implementing our new IT platform and on establishing the new, large damages organization across Scandinavia and upgrading our “damage emergency preparedness platform” to improve our service level with expected increased cloudburst frequency across Scandinavia. In addition, restructuring of Norway and Herlev Movable are key priorities. In Norway the CEO has left the company and the Group CEO has taken over day-to-day management.
- Net working capital changes since 30 September 2021 are affected by higher work in progress and lower accounts payable.
- Capex in the period is related to investment in the new and improved IT platform and the rest is related to operational equipment and remains at a low level.
- Non-recurring cost is mainly related to acquisition projects and restructuring in Norway.
- Leverage calculations both pre- and post IFRS accounting standards is now included in relation to bond terms. The development in the leverage ratio reflects challenges in Norway.

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FINANCIAL INFORMATION

SOG Denmark

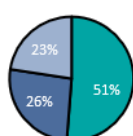
- Revenue was 140.7 M DKK compared to 105.5 M DKK LY. Organic growth was 16.3%.
- High activity due to fire damages and bird flu in several poultry farms.
- Continued strong performance in region West with Aarhus, Vejle and Aabenraa leading the way.
- Region East does generally well on the top line, too, but a couple of centres underperform on revenue and contribution. New centre managers are in place, improvement plans have been developed and are being implemented.
- The integration of the new Pest Control division is progressing according to plan.
- Higher fuel and energy prices continue to have a negative impact during the quarter with only limited possibilities to adjust sales prices before April 1's annual indexation of most major contracts. In addition, the entire 2nd quarter continued to be heavily impacted by Covid 19 sickness among staff with sick absence percentages as high as 10% and with the government abandoning the financial relief scheme when employees caught covid. The tight labour market adds to the challenges with increased churn rates as a natural result.

SOG Norway

- Revenue was 58.3 M DKK compared to 74.5 M DKK LY. A decrease of 21.7%.
- The drop in revenue came despite the service improvement experienced during Q1.
- According to data from major insurance companies they have experienced a drop in the number of insurance cases by between 20% and 25%.
- In addition, the entire 2nd quarter continued to be heavily impacted by Covid 19 sickness among staff with sick absence percentages as high as 15% and financial relief schemes were scaled back.
- Outlook more positive with new extended contract with the biggest customer and new other key contracts coming up for renewal with increased share of wallet for SOG Norway.

SOG Sweden

- Revenue was 63.3 M DKK compared to 47.1 M DKK LY. Overall organic growth in Sweden was 24.5%.
- SOG Nordic showed 22.4% organic growth driven by very strong performance in Gävle and Stockholm due to large damages (Gävle) and our focus on increasing market share in Stockholm driven by the acquisition of Ovento. The soft performance in Malmö continued during the second quarter with revenue down 24.3% to LY, but a plan is in place to increase volume in the 4th quarter.
- Overall performance in EBE +25.4% in revenue due to large damages.
- In addition, a very tight labour market makes it difficult to hire new employees. We have, however, contrary to Denmark and Norway, experienced low sickness ratios related to Covid 19.

Sales by segment LTM (%)

■ Denmark
■ Norway
■ Sweden

Revenue, LTM	Abs	%
Denmark	514	51%
Sweden	262	26%
Norway	226	23%
Total	1.003	

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CONSOLIDATED INCOME STATEMENT

TDKK	Q2 01.01.2022- 31.03.2022	IFRS impact Quarter	Q2 (IFRS) 01.01.2022- 31.03.2022	YTD 01.10.2021 - 31.03.2022	IFRS impact YTD	YTD (IFRS) 01.10.2021- 31.03.2022	Q2 (IFRS) 01.01.2021- 31.03.2021	YTD (IFRS) 01.10.2020- 31.03.2021
Revenue	262.417		262.417	508.190		508.190	227.495	444.145
Cost of goods sold	83.724		83.724	162.926		162.926	73.967	141.336
Gross profit	178.693		178.693	345.264		345.264	153.528	302.809
Total compensation	129.494		129.494	251.716		251.716	111.801	217.524
Contribution Margin	49.199		49.199	93.548		93.548	41.727	85.285
OPEX	38.326	-12.504	25.822	73.664	-25.425	48.239	17.312	35.718
EBITDA	10.873	12.504	23.377	19.884	25.425	45.309	24.415	49.567
Depreciation	5.559	11.364	16.923	11.124	23.564	34.688	15.918	32.358
EBITA	5.314	1.140	6.454	8.760	1.861	10.621	8.497	17.209
Amortization	10.644		10.644	21.435		21.435	9.675	19.149
EBIT	-5.330	1.140	-4.190	-12.675	1.861	-10.814	-1.178	-1.940
Net financial items	9.704	1.014	10.718	19.050	3.831	22.881	10.854	19.334
Non recurring cost	6.089	0	6.089	10.477		10.477	2.295	5.583
Taxes	-4.149	-21	-4.170	-8.685	-21	-8.706	-2.704	-4.798
Profit	-16.974	147	-16.827	-33.517	-1.949	-35.466	-11.623	-22.059
Gross profit margin (%)	68,1%		68,1%	67,9%		67,9%	67,5%	68,2%
Contribution margin (%)	18,7%		18,7%	18,4%		18,4%	18,3%	19,2%
EBITDA margin (%)	4,1%		8,9%	3,9%		8,9%	10,7%	11,2%



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CONDENSED CONSOLIDATED INCOME STATEMENT

TDDK				
	Q2 2021/22	YTD 2021/22	Q2 2020/21	YTD 2020/21
Revenue	262.417	508.190	227.495	444.145
Cost of sales	83.724	162.926	73.967	141.336
Staff cost	129.494	251.716	111.801	217.524
Other external costs	25.822	48.239	17.312	35.718
Operating result before depreciation, amortization, impairment losses and special items (EBITDA)	23.377	45.309	24.415	49.567
Depreciation & Amortization	27.567	56.123	25.593	51.507
Operating result (EBIT)	-4.190	-10.814	-1.178	-1.940
Financial & non-recurring items	16.807	33.358	13.149	24.917
Result before tax	-20.998	-44.173	-14.327	-26.857
Income Tax	4.170	8.706	2.704	4.798
Result for the period	-16.827	-35.466	-11.623	-22.059
Result for the period attributable to:				
Owners of SSG BidCo A/S	-17.046	-36.237	-11.293	-21.729
Non-controlling interests	219	771	-330	-330
Total	-16.827	-35.466	-11.623	-22.059

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TDDK				
	Q2 2021/22	YTD 2021/22	Q2 2020/21	YTD 2020/21
Result for the period	-16.827	-35.466	-11.623	-22.059
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss				0
Exchange rate adjustments of foreign entities	-2.329	189	1.060	-1.746
Total comprehensive income for the period	-19.156	-35.277	-10.563	-23.805
Total comprehensive income for the period is attributable to:				
Owners of SSG BidCo A/S	-19.276	-35.508	-10.430	-23.442
Non-controlling interests	120	231	-133	-363
Total	-19.156	-35.277	-10.563	-23.805

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BALANCE SHEET

TDDK			
	31.03.2022	IFRS impact	(IFRS) 31.03.2022
Assets			
Goodwill	346.562		346.562
Brand	30.735		30.735
Customer relations	51.545		51.545
Customer contracts	89.088		89.088
Intangible assets	492		492
Tangible assets	59.979		59.979
Tangible assets (lease)	0	111.720	111.720
Deferred tax (receivable)	7.548	179	7.727
Inventories	12.204		12.204
Accounts receivables	56.354		56.354
Work in progress	92.125		92.125
Other receivables	31.190		31.190
Cash	14.463		14.463
Total Assets	792.286	111.899	904.185
Liabilities			
Equity	36.510	-1.784	34.726
Provision for deferred tax	50.251	0	50.251
Long term debt, bonds	421.737		421.737
Intercompany liabilities (SSG HoldCo A/S)	12.225		12.225
short term debt other	2.307		2.307
Long term debt (lease)	23.528	74.297	97.825
Bank debt/RCF	33.878		33.878
Short term debt (lease)	0	38.842	38.842
Accounts payables	75.104		75.104
Corporation tax	5.083		5.083
Other payables	131.663	543	132.206
Total Liabilities and Equity	792.286	111.899	904.185
Net interest bearing debt	466.987		580.127
Leverage	6,9x		5,0x
Equity % of total assets	4,6%		3,8%

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CONSOLIDATED STATEMENT OF EQUITY

TDKK						
	Share capital	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of BidCo SSG	Non-controlling interest	Total
Equity at 01.10.2021	17.611	-3.824	45.286	59.073	10.931	70.004
Resultat for the period	0	0	-36.237	-36.237	771	-35.466
Other comprehensive income	0	-42	0	-42	231	189
Total comprehensive income for t	17.611	-3.866	9.049	22.793	11.933	34.726
Transactions with owners in their capacity as owners						
Dividend	0	0	0	0	0	0
Total transactions with shareholders	0	0	0	0	0	0
Equity at 31.03.2022	17.611	-3.866	9.049	22.793	11.933	34.726

CONSOLIDATED STATEMENT OF CASH FLOWS

TDKK						
	Q2 01.01.2022- 31.03.2022	Q2 IFRS impact Quarter	Q2 (IFRS) 01.01.2022- 31.03.2022	YTD 01.10.2021- 31.03.2022	YTD IFRS impact Quarter	YTD (IFRS) 01.10.2021- 31.03.2022
EBITDA	10.873	12.504	23.377	19.884	25.425	45.309
Net working capital changes	-4.115		-4.115	-19.346		-19.346
Non recurring cost	-6.089		-6.089	-10.477		-10.477
Tax	1.180		1.180	118		118
Operational cash flow	1.849	12.504	14.353	-9.821	25.425	15.604
Purchase of property, plants and equipment	4.342		4.342	8.811		8.811
Net cash flow from investing activities	4.342	0	4.342	8.811	0	8.811
Cash flow before financing	-2.493	12.504	10.011	-18.632	25.425	6.793
Interest paid	-8.832	0	-8.832	-17.566		-17.566
Drawdown on credit facilities	7.464	0	7.464	23.523		23.523
Lease liabilities	-3.165	-12.504	-15.669	-4.997	-25.425	-30.422
Debt services	-4.533	-12.504	-17.037	960	-25.425	-24.465
Cash flow after debt service	-7.026	0	-7.026	-17.672	0	-17.672

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NOTES

REVENUE

TDKK				
Q2 - 2020/21	Denmark	Sweden	Norway	Group
Revenue	105,5	47,1	74,5	227,1
Q2 - 2021/22	Denmark	Sweden	Norway	Group
Revenue	140,7	63,3	58,3	262,4
Q2 - LTM (March 2022)	Denmark	Sweden	Norway	Group
Revenue	513,7	262,5	226,3	1.002,5

NIBD

TDKK	Q2 2021/22	Q2 2020/21
Cash and cash equivalents	14.463	18.261
Credit facilities	33.878	26.816
Bond	421.737	362.914
Earn out agreement	2.307	0
Lease liabilities	136.668	135.655
Total interest bearing debt	594.590	525.385
Net interest bearing debt	580.127	507.124

RESTRUCTURING COSTS

TDKK	Q2 2021/22	YTD 2021/22
Transactions cost	2.548	3.422
Personnel expenses and restructuring cost	2.786	5.981
Reconstruction of departments	756	1.074
Total	6.089	10.477

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1. ACCOUNTING POLICIES

The financial statements, for the year ended 30 September 2021 are the first the group has prepared in accordance with IFRS as adopted by EU.

The accounting effect of the Group's transition to IFRS was limited to indefinite life of acquired goodwill, right-of-use assets and lease liabilities as well as recognition of special items.

Goodwill

Under the Danish Financial Statements Act acquired goodwill was amortized over a period of 5-10 years. Under IFRS management has assessed that acquired goodwill has indefinite useful life. This means that acquired goodwill is tested annually impairment annually.

Right-of-use assets

Under the Danish Financial Statements Act leasing was accounted for according to IAS 17. Under IFRS management applies IFRS 16 retrospectively.

2. GOODWILL

Goodwill is measured in the balance sheet at cost on initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. When recognizing goodwill, it is allocated to the cash-generating units. The determination of cash-generating units complies with the managerial structure and the Group's internal financial control and reporting.

The carrying value of goodwill is tested for impairment at least once a year in the cash-generating unit. Goodwill is written down to recoverable amount via the income statement if the carrying value exceeds the recoverable amount, which is the higher of the fair value of the asset less expected disposal costs or value in use. The recoverable amount is determined as the present value of the expected future net cash flows from the cash-generating unit to which the goodwill is allocated.

Impairment of goodwill is recognized in the income statement under Amortization and impairment of intangible assets.

Brands, customer contracts and relations

Acquisition-related brands and customer contracts are recognized at fair value at the acquisition date. Brands with finite useful lives and customer contracts are measured at cost less accumulated amortization and impairment losses.

Amortisation:	per year:
Goodwill	
Brand	10
Customer relations	7
Customer contracts	5,5

