

panostaja

Q3

Business Review  
2 September, 2021



November 2020 - July 2021

## PANOSTAJA OYJ'S BUSINESS REVIEW

### Active summer in corporate acquisitions

#### May 1, 2021-July 31, 2021 (3 months)

- Net sales increased in two of the five segments. Net sales for the Group as a whole increased by 3% to MEUR 32.7 (MEUR 31.7).
- EBIT improved in one of the five segments. The entire Group's EBIT declined from the reference period, standing at MEUR 0.5 (MEUR 0.7).
- Grano's net sales for the review period increased by 8% from the reference period in the previous year. EBIT totaled MEUR 1.1 (MEUR 0.7).
- Earnings per share (undiluted) were 0.6 cents (-0.4 cents).
- In the review period, Panostaja signed an agreement on selling the share capital of Heatmasters Oy and its Polish subsidiary. Panostaja Group recorded a sales profit of about MEUR 0.5 for the trade.
- Panostaja's associated company Spectra Yhtiöt Oy was sold to Lassila & Tikanoja Oyj. Panostaja divested its ownership and recorded a sales profit of about MEUR 0.4.

#### November 1, 2020-July 31, 2021 (9 months)

- Net sales increased in one of the five segments. Net sales for the Group as a whole weakened by 6% to MEUR 103.5 (MEUR 109.6).
- EBIT improved in one of the five segments. The entire Group's EBIT declined from the reference period, standing at MEUR -1.5 (MEUR 0.9).
- Grano's net sales for the review period dropped by 2% from the reference period in the previous year. EBIT totaled MEUR 1.8 (MEUR 1.5).
- Earnings per share (undiluted) were -6.9 cents (-3.6 cents).

**CEO Tapio Tommila:**

“Activity in the corporate acquisitions market has remained good in the review period, and we ended up making two deals. We sold Heatmasters to a Finnish investment group at the beginning of June and our associated company Spectra Yhtiöt to Lassila & Tikanoja Oyj in early July. Our journey with both companies had been long, and now was the right time to divest and usher the companies to their next phase of development with new owners. The divestments also support our goal of actively developing our portfolio.

Over the course of the review period, the total net sales of our segments increased by 3% from the review period, thanks to the improved net sales of Grano and Hygga. Grano’s net sales grew by 8% especially due to strong demand early on in the review period and the strong performance of the construction sector through the summer. The increase in Hygga’s net sales resulted from the services sold to the City of Helsinki, which is still somewhat constrained by the availability of labor.

The decline of the net sales of Carrot and CoreHW continued in the review period. Carrot’s customer activity increased during the summer, but the shortage of skilled labor makes it more difficult to increase net sales. CoreHW’s customer demand and number of tenders have continued to grow in the review period but, due to lengthy negotiation processes, this is not reflected by the development of net sales. Moreover, the development of Oscar Software’s net sales was lower than intended in the review period, largely due to resource challenges affecting the project organization. The shortfalls in net sales impacted profitability and, overall, the Group’s EBIT declined slightly from the review period.”

## Segments 3 months

### Grano

Grano is Finland's leading content and marketing services company



Grano's net sales for the review period were MEUR 25.1, which was 8% above the reference period level (MEUR 23.1). Grano's EBIT for the review period stood at MEUR 1.1, which is an increase of MEUR 0.3 from the reference period (MEUR 0.7).

Over the course of the review period, there was months-long fluctuation in demand between the business areas, as was the case early in the year. Demand was strong in May, but customer activity was lower than expected in the summer months. 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, for which the low number of events was reflected by the demand. On the other hand, demand among the construction sector customers remained strong through the summer. Demand also remained good for the packaging and translation business.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/21-7/21	5/20-7/20	11/20-7/21	11/19-7/20	11/19-10/20
Net sales, MEUR	25.1	23.1	79.3	80.9	109.9
EBIT, MEUR	1.1	0.7	1.8	1.5	4.8
Interest-bearing net liabilities	55.6	64.3	55.6	64.3	60.6
Panostaja's holding	55.2%				

**Hygga**

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



Hygga's net sales of MEUR 2.0 for the review period were MEUR 1.0 higher than in the reference period (MEUR 1.0). 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 EUR 0.0, which was slightly lower than in the reference period (MEUR 0.1).

As regards Hygga's own private clinic business, demand varied during the review period in accordance with the changing coronavirus situation. Operational development efforts were continued during the review period for outsourced services in Helsinki. The growth and profit of the clinic business is partially encumbered by the poor availability of skilled personnel.

For the licensing business, the acquisition of new customers remains slow in the Finnish and international markets as a result of the coronavirus pandemic. There is still demand and interest for Hygga's solutions on the markets, but customers are less willing to deploy new operating models as a result of the health care situation caused by the pandemic.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/21-7/21	5/20-7/20	11/20-7/21	11/19-7/20	11/19-10/20
Net sales, MEUR	2.0	1.0	6.0	3.1	4.1
EBIT, MEUR	0.0	0.1	-0.4	0.0	-0.3
Interest-bearing net liabilities	8.9	7.3	8.9	7.3	7.6
Panostaja's holding	79.8%				

**CoreHW**

CoreHW provides high added value RF IC design and consulting services



CoreHW's net sales for the review period, MEUR 1.2, was MEUR 0.3 lower than in the reference period (MEUR 1.5), which led to EBIT dropping to MEUR -0.3 (MEUR -0.2).

Demand for the company's services remained good in the review period, but the coronavirus pandemic continues to significantly slow down new sales. The resources freed up from customer projects have been used to accelerate the development of proprietary products.

After the review period, the outlook has remained at the level of the end of the review period. Plenty of tenders are still being made for design services, but the prolonged sales negotiations result in uncertainty with regard to new projects. The production capacity shortage in the semiconductor industry is affecting some customer companies and can impact demand in the coming quarters.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/21-7/21	5/20-7/20	11/20-7/21	11/19-7/20	11/19-10/20
Net sales, MEUR	1.2	1.5	4.3	6.2	8.1
EBIT, MEUR	-0.3	-0.2	-1.2	0.4	0.5
Interest-bearing net liabilities	5.5	4.0	5.5	4.0	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 2.0 from MEUR 3.6 in the reference period. Due to the declined net sales, EBIT for the review period decreased to MEUR -0.1 from MEUR 0.0 in the reference period.

Demand for the review period improved, but the availability of competent labor is causing challenges and weighing down the development of net sales. 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.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/21-7/21	5/20-7/20	11/20-7/21	11/19-7/20	11/19-10/20
Net sales, MEUR	2.0	3.6	5.9	11.4	14.5
EBIT, MEUR	-0.1	0.0	-0.6	-0.5	-4.0*
Interest-bearing net liabilities	6.3	4.3	6.3	4.3	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 slightly lower compared to those of the reference period, standing at MEUR 2.5. EBIT for the review period decreased to MEUR -0.1 from MEUR 0.5 in the reference period.

In the review period, there were no significant changes in demand or the competitive situation, but the scarcity of project organization resources has hampered the growth of net sales, especially due to work invoicing falling behind the reference period. Over the course of the current financial period, the company has recruited several new experts to bolster its software business, which has resulted in higher personnel costs than in the reference period.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/21-7/21	5/20-7/20	11/20-7/21	11/19-7/20	11/19-10/20
Net sales, MEUR	2.5	2.6	8.1	8.2	11.0
EBIT, MEUR	-0.1	0.5	0.3	1.0	1.1
Interest-bearing net liabilities	3.8	2.9	3.8	2.9	2.8
Panostaja's holding	58.3%				



## IMPACTS OF COVID-19

The effects of the COVID-19 pandemic on the business operations of Panostaja and its subsidiaries continued in the review period. The companies have conducted measures to curb the effects, and the development of the pandemic will continue to be monitored closely going forward.

## KEY FIGURES

MEUR	Q3	Q3	9 months	9 months	12 months
	5/21- 7/21	5/20- 7/20	11/20- 7/21	11/19- 7/20	11/19- 10/20
Net sales, MEUR	32.7	31.7	103.5	109.6	147.5
EBIT, MEUR	0.5	0.7	-1.5	0.9	0.1
Profit before taxes, MEUR	-0.1	0.1	-3.4	-0.8	-2.4
Profit/loss for the financial period, MEUR	0.4	-0.2	-4.5	-1.9	-3.4
Distribution:					
Shareholders of the parent company	0.3	-0.2	-3.6	-1.9	-4.4
Minority shareholders	0.1	0.0	-0.9	0.0	0.9
Earnings per share, undiluted (EUR)	0.01	-0.00	-0.07	-0.04	-0.08
Interest-bearing net liabilities	60.3	65.8	60.3	65.8	64.0
Gearing ratio, %	93.7	90.2	93.7	90.2	90.1
Equity ratio, %	36.9	34.0	36.9	34.0	33.6
Equity per share (EUR)	0.72	0.87	0.72	0.87	0.82

## Division of the net sales by segment

MEUR	Q3	Q3	9 months	9 months	12 months
	5/21- 7/21	5/20- 7/20	11/20- 7/21	11/19- 7/20	11/19- 10/20
<b>Net sales</b>					
Grano	25.1	23.1	79.3	80.9	109.9
Hygga	2.0	1.0	6.0	3.1	4.1
CoreHW	1.2	1.5	4.3	6.2	8.1
Carrot	2.0	3.6	5.9	11.4	14.5

Oscar Software	2.5	2.6	8.1	8.2	11.0
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1	-0.2	-0.2
Group in total	32.7	31.7	103.5	109.6	147.5

#### Division of EBIT by segment

MEUR	Q3	Q3	9 months	9 months	12 months
EBIT	5/21- 7/21	5/20- 7/20	11/20- 7/21	11/19- 7/20	11/19- 10/20
Grano	1.1	0.7	1.8	1.5	4.8
Hygga	0.0	0.1	-0.4	0.0	-0.3
CoreHW	-0.3	-0.2	-1.2	0.4	0.5
Carrot	-0.1	0.0	-0.6	-0.5	-4.0
Oscar Software	-0.1	0.5	0.3	1.0	1.1
Others	-0.1	-0.4	-1.4	-1.5	-2.0
Group in total	0.5	0.7	-1.5	0.9	0.1

Panostaja Group's business operations for the current review period are reported in six segments: Grano, 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 0.2), which is presented on a separate row in the consolidated income statement. Panostaja's associated company Spectra Yhtiöt Oy was sold to Lassila & Tikanoja Oyj in the review period.

## 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 Oscar Software will remain good.
- The demand for Hygga, Grano and CoreHW remained satisfactory. Carrot's demand has increased to a satisfactory level thanks to the increased labor needs of customers.

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila

CEO

All forecasts and assessments presented in this six-month review 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.

## ACCOUNTING PRINCIPLES

All forecasts and assessments presented in this business report 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 report has not been audited.

Interest-bearing net liabilities by segment EUR 1,000	July 31, 2021	July 31, 2020	October 31, 2020
Grano	55,629	64,303	60,637
Hygga	8,880	7,279	7,603
CoreHW	5,459	3,994	4,130
Carrot	6,277	4,319	4,946
Oscar Software	3,821	2,862	2,841
Parent company	-20,049	-22,007	-20,121
Others	326	5,079	3,962
<b>Group in total</b>	<b>60,344</b>	<b>65,829</b>	<b>63,998</b>

The interest-bearing net liabilities for operations sold and discontinued in the reference period are presented in the row Others. The impact of the lease liabilities on the Group's net liabilities is MEUR 23.5 (MEUR 31.5).

Write-downs per segment EUR 1,000	July 31, 2021	July 31, 2020	October 31, 2020
Grano	-8,870	-10,428	-13,586
Hygga	-362	-393	-464
CoreHW	-371	-634	-758
Carrot	-290	-261	-3,644
Oscar Software	-776	-828	-1,145
Others	44	-46	-87
<b>Group in total</b>	<b>-10,626</b>	<b>-12,591</b>	<b>-19,684</b>

Depreciations related to asset items stand at about MEUR 5.9 (MEUR 6.7).

*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 five investment targets. Grano Oy is the most versatile expert of content services in Finland. 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.*