

panostaja

Q3 BUSINESS REVIEW 5 SEPTEMBER 2019

MAY 2019–JULY 2019



PANOSTAJA OYJ'S BUSINESS REVIEW

Net sales development weaker than expected during the summer – segments continue their corrective measures

May 1, 2019–July 31, 2019 (3 months)

- Panostaja sold KL-Varaosat Oy to Kaha Ab. MEUR 2.7 was recorded for the trade before taxes.
- Grano's net sales for the review period dropped from the previous year, with the EBIT standing at MEUR 0.0 (MEUR 1.8). Grano's review period includes a MEUR 0.9 depreciation, and the profit/loss for the reference period includes MEUR 0.4 in profits from the sale of fixed assets.
- Net sales increased in three of the eight segments. Net sales for the Group as a whole dropped by 7.3% to MEUR 45.0 (MEUR 48.5).
- EBIT improved in three of the eight segments, and the entire Group's EBIT weakened substantially from the reference period, standing at MEUR 0.0 (MEUR 1.0).
- Earnings per share (undiluted) were 3.6 cents (-0.0 cents).

November 1, 2018–July 31, 2019 (9 months)

- Net sales increased in three of the eight segments. Net sales for the Group as a whole increased by 6% to MEUR 140.5 (MEUR 132.5).
- EBIT improved in three of the eight investment targets, but the EBIT of the entire Group declined from MEUR 4.2 to MEUR 2.1.
- Earnings per share (undiluted) were 3.7 cents (51.3 cents).

CEO Tapio Tommila:

“At the beginning of the review period, we made an agreement on selling the majority of KL-Parts Oy's share capital to Oy Kaha Ab. The trade involved Panostaja divesting its entire 75% shareholding in KL-Parts Oy and recording MEUR 2.7 in sales profit for the trade before taxes. The arrangement was a good conclusion to our long-term development efforts, and it significantly bolstered our cash balance.

During the review period, the total net sales of the segments dropped by 7.3% and EBIT declined from the reference period to MEUR 0.0 (MEUR 1.0). One of the significant factors that dragged down the EBIT during the review period was a MEUR 0.9 depreciation related to the rearrangements of Grano's ERP systems. Overall, the development of net sales and profitability in the third quarter of the financial period was weaker than we anticipated.

For Grano, the net sales and EBIT were lower than expected during the review period. After the spring which got off to a good start, the main reason for the development was the month of June, during which volumes dropped across all product areas. In order to ensure competitiveness and improve profitability, Grano reworked its operating model and organizational structure over the course of the review period. After

the review period, the company initiated employer-employee negotiations that may lead to the full-time or part-time lay-off or dismissal of up to 140 people.

The net sales of Carrot and Selog, which suffered from poor net sales development early on in the financial period, fell short of the target level, but Carrot's net sales recovered enough to end up positive. In these companies, the management has pushed measures to increase net sales, and we will continue to monitor the efficacy of the measures to ensure that this happens. The most significant improvement in profit/loss during the review period was achieved by CoreHW, which has maintained a good level of demand for customer projects.

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been high. The markets still provide opportunities for both new acquisitions and divestments."

Investments 3 months

Grano



Grano is Finland's leading content and marketing services company

Grano's net sales of MEUR 29.6 for the review period were MEUR 2.4 below the level of the reference period. The company's EBIT for the third quarter dropped to MEUR 0.0 (MEUR 1.8). The EBIT for the review period includes a depreciation of fixed assets in the amount of MEUR 0.9.

The third quarter began strongly but during the summer, especially in June, the demand deteriorated to a substantially poorer level than expected across the board. Product area specific development continued in line with the early part of the year: offset printing and digital printing were largely as expected, but the volumes for large-scale print products and illuminated advertisements fell short of expectations. With regard to construction services, sales for the SokoPro media bank continued to grow, compensating for the decline in paper printing. The demand for marketing logistics services also remained at a good level.

Expenditures for the review period remained at the level of the reference period. The write-offs for the review period include a MEUR 0.9 depreciation related to the reorganizations of the company's ERP-systems. The profit/loss for the reference period also includes MEUR 0.4 in profits from the sale of fixed assets.

Grano Group needs to continuously improve its competitiveness and develop its operations on the ever-changing markets. Due to this, Grano Group has initiated employer-employee negotiations after the review period. According to a preliminary estimate, the reorganizations may lead to the full-time or part-time lay-off or dismissal of up to 140 people. The negotiations will also cover changes in job descriptions.

Pekka Mettälä will step in as Grano's new CEO on September 18, 2019.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	29.6	32.1	96.4	100.9	136.6

EBIT, MEUR	0.0	1.8	2.3	5.8	8.4
Interest-bearing net liabilities	54.2	59.6	54.2	59.6	59.1
Panostaja's holding	52.8%				

Selog



Selog is the biggest wholesaler of ceiling materials in Finland

Selog's net sales for the review period were MEUR 2.0, which was a decrease of MEUR 0.5 from the reference period. Due to the low net sales, EBIT stood at MEUR 0.0 (MEUR 0.2).

The most significant reason for the development of net sales being weaker than in the reference period was the intensifying competition. The short-term market prospects remain satisfactory, and the stalling of construction activities has not yet begun to have a significant impact on the ceiling market. Generally speaking, installation companies have plenty of work at the moment.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	2.0	2.5	5.4	6.8	9.4
EBIT, MEUR	0.0	0.2	0.0	0.4	0.8
Interest-bearing net liabilities	0.9	0.9	0.9	0.9	0.9
Panostaja's holding	100.0%				

Helakeskus



Helakeskus is a major wholesaler of furniture fittings in Finland

Helakeskus' net sales for the review period was MEUR 2.0 (MEUR 1.9). EBIT stood at MEUR 0.1, which was at the level of the reference period.

During the review period, the company managed to turn its net sales to a climbing trajectory, resulting in an increase of 5% over the reference period. The demand has remained relatively good. In terms of consumer trade, there has been some decline whereas project trade has remained at a moderate level. The competition has continued to be fierce, particularly with regard to project trade.

The short-term market outlook has weakened somewhat and is currently at a satisfactory level. No major changes are expected. Some slow-down took place with regard to consumer trade and new construction projects. For renovations and more affordable projects, demand remained at a reasonable level. Customer-specific variation in work situations continued to be fairly significant.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	2.0	1.9	5.9	6.0	8.2
EBIT, MEUR	0.1	0.1	0.3	0.2	-2.7
Interest-bearing net liabilities	4.5	5.4	4.5	5.4	4.9
Panostaja's holding	100.0%				

Hygga



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

Hygga's net sales of MEUR 1.2 for the review period were MEUR 0.1 below the level of the reference period. EBIT totaled MEUR 0.0 (MEUR 0.1).

In terms of the clinic business, the development of the market situation was slightly poorer than in the previous quarter. However, the adaptation measures conducted at the clinic earlier on have improved the unit's profitability. No significant changes in market prospects are expected in the short term.

As regards the licensing business, no significant changes took place during the review period when compared to the reference period. The competition on the domestic market remains fierce. The licensing business in Sweden is progressing but the decision-making processes are long. During the review period, the company has focused on exploring the opportunities for international business by initiating market review on European markets.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	1.2	1.3	3.6	4.0	5.4
EBIT, MEUR	0.0	0.1	-0.1	-0.1	-0.2
Interest-bearing net liabilities	6.2	5.9	6.2	5.9	6.1
Panostaja's holding	79.8%				

Heatmasters

Heatmasters offers metal heat treatment services and technology



Heatmasters' MEUR 1.0 in net sales in the review period was below expectations and the reference period level. Due to the low net sales, profit/loss for the review stood at MEUR 0.0 (MEUR 0.2).

In terms of service business, the demand in Finland and Poland was poor during the review period since there were fewer construction projects than expected. The situation was the same for the equipment business during the review period. After the review period, equipment demand has increased and the results for individual trades and more persistent cooperation projects are expected to materialize over the course of the following quarter.

The short-term market outlook remains good, and heat treatment services are being supplied for the projects of many annual contract customers – power plants, pulp mills and chemical plants, in particular.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	1.0	1.3	2.6	3.5	4.8
EBIT, MEUR	0.0	0.2	-0.1	0.1	0.2
Interest-bearing net liabilities	0.4	0.7	0.4	0.7	0.4
Panostaja's holding	80.0%				

CoreHW

CoreHW provides high added value RF IC design services



The company's net sales in the financial period were MEUR 1.2, which was MEUR 0.5 more than in the reference period. The increase in net sales pushed EBIT into the green to MEUR 0.1 (MEUR -0.1).

The market demand for CoreHW's design services is high. In addition to this, the short-term market prospects remain good.

During the review period, the company signed two significant customer contracts for design services, one of which is with an entirely new customer. Preparations for launching the company's own product into the markets were continued in the review period.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	1.2	0.7	3.8	2.5	3.7

EBIT, MEUR	0.1	-0.1	0.1	-0.6	-0.6
Interest-bearing net liabilities	2.7	3.1	2.7	3.1	3.5
Panostaja's holding	61.1%				

Carrot



Carrot Palvelut Oy provides staffing, recruitment and outsourcing services as

Carrot's net sales for the review period stood at MEUR 5.6 (MEUR 6.7) while its EBIT was MEUR 0.1 (MEUR -0.2). Carrot's profit/loss has been consolidated into Panostaja Group's records as of May 1, 2018, which means that reference information is only available for one quarter.

Net sales for the third quarter was significantly better than the previous quarter but still clearly weaker than in the reference period. Summer is traditionally the peak season for the field, but at the same time, the company has conducted a lot of development measures particularly with regard to the sales and recruitment process. During the review period, the slower-than-expected growth in net sales was the result of organizational changes in the company early in the year.

The market demand remained good during the review period, as did short-term market prospects.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	5.6	6.7	15.5	6.7	13.0
EBIT, MEUR	0.1	-0.2	-0.5	-0.2	-0.1
Interest-bearing net liabilities	5.3	5.3	5.3	5.3	4.1
Panostaja's holding	74.1%				

Oscar Software

Oscar Software provides ERP systems and financial management services



Oscar Software's net sales for the review period were MEUR 2.5 (MEUR 2.1), which was a 14% increase from the reference year. EBIT totaled MEUR 0.1 (MEUR 0.0). The EBIT for the period was dragged down by staff expenses, which increased from the reference year. Oscar Software's profit/loss has been consolidated into Panostaja Group's records as of May 1, 2018, which means that reference information is only available for one quarter.

New agreements were signed during the review period with both new and existing customers. The short-term prospects remain good, and both current and potential customers are active. However, the competition on the market is fierce with multiple operators vying for each available project.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	2.5	2.1	7.6	2.1	4.4
EBIT, MEUR	0.1	0.0	0.3	0.0	0.1
Interest-bearing net liabilities	4.7	5.3	4.7	5.3	5.1
Panostaja's holding	55.0%				

KEY FIGURES

MEUR	Q3	Q3	9 months	9 months	12 months
	5/19-7/19	5/18-7/18	11/18-7/19	11/17-7/18	11/17-10/18
Net sales, MEUR	45.0	48.5	140.5	132.5	185.2
EBIT, MEUR	0.0	1.0	2.1	4.2	4.1
Profit before taxes, MEUR	-0.5	0.4	0.7	2.7	1.5
Profit/loss for the financial period, MEUR	1.7	0.5	2.1	28.7	27.1
Distribution:					
Shareholders of the parent company	1.9	0.0	1.9	26.7	24.1
Minority shareholders	-0.2	0.5	0.2	2.0	3.0

Earnings per share, undiluted (EUR)	0.04	0.00	0.04	0.51	0.46
Interest-bearing net liabilities	54.6	59.4	54.6	59.4	58.1
Gearing ratio, %	68.4	69.3	68.4	69.3	69.0
Equity ratio, %	42.6	41.1	42.6	41.1	40.4
Equity per share (EUR)	1.00	1.06	1.00	1.06	1.02

Division of the net sales by segment

MEUR	Q3	Q3	9 months	9 months	12 months
	5/19- 7/19	5/18- 7/18	11/18- 7/19	11/17- 7/18	11/17- 10/18
Net sales					
Grano	29.6	32.1	96.4	100.9	136.6
Selog	2.0	2.5	5.4	6.8	9.4
Helakeskus	2.0	1.9	5.9	6.0	8.2
Hygga	1.2	1.3	3.6	4.0	5.4
Heatmasters	1.0	1.3	2.6	3.5	4.8
CoreHW	1.2	0.7	3.8	2.5	3.7
Carrot	5.6	6.7	15.5	6.7	13.0
Oscar Software	2.5	2.1	7.6	2.1	4.4
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	-0.1	-0.1	-0.2	-0.1	-0.2
Group in total	45.0	48.5	140.5	132.5	185.2

Division of EBIT by segment

MEUR	Q3	Q3	9 months	9 months	12 months
	5/19- 7/19	5/18- 7/18	11/18- 7/19	11/17- 7/18	11/17- 10/18
EBIT					
Grano	0.0	1.8	2.3	5.8	8.4
Selog	0.0	0.2	0.0	0.4	0.8
Helakeskus	0.1	0.1	0.3	0.2	-2.7

Hygga	0.0	0.1	-0.1	-0.1	-0.2
Heatmasters	0.0	0.2	-0.1	0.1	0.2
CoreHW	0.1	-0.1	0.1	-0.6	-0.6
Carrot	0.1	-0.2	-0.5	-0.2	-0.1
Oscar Software	0.1	0.0	0.3	0.0	0.1
Others	-0.5	-1.0	-0.3	-1.3	-1.8
Group in total	0.0	1.0	2.1	4.2	4.1

Panostaja Group's business operations for the current review period are reported in nine segments: Grano, Selog, 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 result of the reported associated companies has developed well and its impact on profit/loss in the review period was MEUR 0.1 (MEUR 0.3 in the reference period, including the profit/loss impact of Ecosir Group), which is presented on a separate row under the EBIT in the consolidated income statement.

Interest-bearing net liabilities by segment

EUR 1,000	July 31, 2019	July 31, 2018	October 31, 2018
Grano	54.2	59.6	59.1
Selog	0.9	0.9	0.9
Helakeskus	4.5	5.4	4.9
Hygga	6.2	5.9	6.1
Heatmasters	0.4	0.7	0.4
CoreHW	2.7	3.1	3.5
Carrot	5.3	5.3	4.1
Oscar Software	4.7	5.3	5.1
Parent company (Others segment)	-24.3	-26.8	-26.2
Group in total	54.6	59.4	58.1

EVENTS AFTER THE REVIEW PERIOD

After the review period, Panostaja's largest segment Grano initiated employer-employee negotiations, which cover Grano Oy's entire staff and some of Grano Group Oy's staff. The aim is to examine and look for opportunities to develop and streamline operations. According to the company's preliminary estimate, the planned measures may lead to the full-time or part-time lay-off or dismissal of up to 140 people.

OUTLOOK FOR THE 2019 FINANCIAL PERIOD

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been good. The need to exploit ownership arrangements and growth opportunities in SMEs will continue, and as our own activity complements the supply of possible acquisitions from outside, there are plenty of possibilities for corporate acquisitions on the market. Panostaja aims to implement its growth strategy by means of controlled acquisitions in current investments, and new potential investments are also being actively studied. Divestment possibilities will also be assessed 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, Oscar Software, Carrot and Heatmasters will remain good.
- The demand for Grano and Hygga will remain satisfactory. The demand for Selog and Helakeskus will decline to a satisfactory level (previously good).

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila

CEO

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 reviews 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.

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 strives to increase shareholder value and create Finnish success stories. www.panostaja.fi