

panostaja

Q1

**BUSINESS REVIEW**

11 MARCH, 2020

November 2019 – January 2020

## PANOSTAJA OYJ'S BUSINESS REPORT

### TWO-SIDED DEVELOPMENT IN THE SEGMENTS

#### November 1, 2019–January 31, 2020 (3 months)

- Net sales increased in four of the eight investment targets. Net sales for the Group as a whole weakened by 4% to MEUR 45.0 (MEUR 46.7).
- EBIT improved in five of the eight segments. The entire Group's EBIT declined from the reference period, standing at MEUR -0.5 (MEUR 0.2). The reference period's EBIT includes sales profit for Ecosir Group in the amount of MEUR 1.6.
- Grano's net sales for the review period declined by 10% from the reference period in the previous year. EBIT was MEUR -0.4 (MEUR -0.3).
- Earnings per share (undiluted) were -1.9 cents (-0.1 cents).

#### CEO Tapio Tommila:

“During the first quarter of the financial period, profitability development of the segments was two-sided. The net sales of CoreHW, Heatmasters and Tilatukku developed well, but the development for Grano and Carrot was significantly poorer than expected in the financial period. Overall, the total net sales of the Panostaja segments dropped by 4% from the reference period.

Panostaja's EBIT for the review period was MEUR -0.5, which was MEUR 0.7 less than in the reference period. The profit/loss for the reference period includes MEUR 1.8 in sales profits. The weak development of Grano's net sales was also reflected by the EBIT, which declined to MEUR -0.4 from the MEUR -0.3 in the reference period, despite the streamlining measures conducted. Carrot's EBIT remained at the level of the reference period. CoreHW's strong net sales in the review period also led to a significant improvement in EBIT, which increased to MEUR 0.5 from the MEUR -0.3 in the reference period.

In the review period, the measures resulting from Grano's employer-employee negotiations in the previous period progressed as planned and contributed to the development of EBIT. Selog Group and Tilatukku merged at the end of the 2019 financial period, and the company has operated under the name Tilatukku during the review period. As expected, the merger has supported the development of the company's net sales. In Carrot's field of business, the winter is usually a slow season, but net sales were still lower than expected in the review period.

During the review period, Panostaja distributed a dividend at EUR 0.05 per share.

The corporate acquisitions market has remained active at the beginning of the financial period, and the availability of new opportunities has been high. After the review period, the increased uncertainty of economic development due to the coronavirus outbreak may impact sentiments in the corporate acquisition market as well as the prospects of our current segments.”

## Investments 3 months

### Grano



Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 29.2, which was 10% below the reference period level (MEUR 32.3). Grano's EBIT for the first quarter stood at MEUR -0.4, which is a decrease of MEUR 0.1 from the reference period (MEUR -0.3).

The demand for sheet printing was poor during the review period. The postal service strike in November–December as well as strikes in various customer fields during the review period had a partial impact on Grano's business operations. In addition to the labor market situation, customer demand for print products has been lower than normal in the review period. In contrast, the demand for outsourced marketing production was strong and the illuminated advertisement business improved from the reference period.

Due to the decline in net sales, the profit/loss for the review period dropped slightly from the reference period. That said, the overall fixed costs for the review period were significantly below the reference period level, which compensated for the lower net sales. The measures agreed upon in the context of the employer-employee negotiations held in the previous financial period have progressed as planned.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	29.2	32.3	129.7
EBIT, MEUR	-0.4	-0.3	4.1
Interest-bearing net liabilities	76.0*	57.1	50.9
Panostaja's holding	54.8%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

**Tilatukku**

Tilatukku is the biggest wholesaler of ceiling materials in Finland

Tilatukku's net sales for the review period were MEUR 2.4, which was an increase of MEUR 0.6 from the reference period (MEUR 1.8). The strong growth in net sales is explained by the corporate acquisition in October 2019, which merged Selog Group and Tilatukku. EBIT in the review period also improved slightly to MEUR 0.1 (MEUR 0.0).

The market situation has evened out since the corporate restructuring in October. Construction relevant to Tilatukku remains strong, which means that the company's customers have plenty of work.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	2.4	1.8	7.3
EBIT, MEUR	0.1	0.0	-0.2
Interest-bearing net liabilities	0,8*	0.2	0.8
Panostaja's holding	60.0%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

**Helakeskus**

Helakeskus is a major wholesaler of furniture fittings in Finland

Helakeskus' net sales for the review period were MEUR 1.8, which was a 5% drop from the reference period (MEUR 1.9). The November sales lagged behind the previous year, but some growth was achieved in December and January. EBIT declined similarly from the reference period level, standing at MEUR 0.0 (MEUR 0.1).

The market demand remained at a satisfactory level. The general market situation has been weaker than in the previous year. Some slowdown has been evident in consumer and project trade, and the regional gaps continue to widen.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	1.8	1.9	8.0
EBIT, MEUR	0.0	0.1	0.5

Interest-bearing net liabilities	4,8*	4.7	4.7
Panostaja's holding	100%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

## Hygga

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



Hygga's net sales of MEUR 1.1 for the review period were MEUR 0.1 below the level of the reference period (MEUR 1.2). EBIT was MEUR -0.0, which was slightly better than the reference period (MEUR -0.1).

In terms of clinic business, there were no changes to the market situation during the first quarter of the year. It is estimated that the demand still reflects the heavy general focus on public oral health care. Public dental care services are used particularly by the population groups that have a significant need for treatment.

There has been no change in the demand for domestic licensing business, and the market situation for oral health care has remained good. In terms of general health care, the demand potential has been substantial, but taking advantage of it will require further development of the product solution.

There was no change in demand in the context of international licensing business either. There is demand for the company's solutions, and active negotiations are under way. Among new customer relationships, Örebro in Sweden and Beekparken in the Netherlands have decided to deploy Hygga Flow during the spring.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	1.1	1.2	4.7
EBIT, MEUR	-0.0	-0.1	-0.2
Interest-bearing net liabilities	7,9*	6.2	6.4
Panostaja's holding	79.8%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

## Heatmasters

Heatmasters offers metal heat treatment services and technology



Heatmasters' net sales of MEUR 1.1 for the review period were MEUR 0.3 higher than in the reference period (MEUR 0.8). Thanks to this, EBIT improved from MEUR -0.1 in the reference period to MEUR 0.1.

Demand in Finland was at a good level in the review period. In the service business segment, the manufacturing of prefabricated products continued for the large-scale maintenance outage to take place at the Neste refinery in Kilpilahti in spring 2020. The demand was also good in terms of equipment business – during the review period the company delivered several heat treatment devices to Malaysia, for example. In Poland, the development of net sales was slow, but profitability matched expectations.

The short-term market outlook remains good. The company is carrying out international projects and exploring cooperation opportunities with regard to equipment and services. The preparations for the maintenance outage to take place at the Neste refinery in Kilpilahti continue, but the actual outage will not begin until the end of the second quarter.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	1.1	0.8	4.2
EBIT, MEUR	0.1	-0.1	0.2
Interest-bearing net liabilities	0,9*	0.5	0.2
Panostaja's holding	80.0%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

## CoreHW

CoreHW provides high added value RF IC design and consulting services



CoreHW's net sales for the review period stood at MEUR 2.4, which was a MEUR 1.4 increase from the reference period (MEUR 1.0). Thanks to the significant increase in net sales, the EBIT for the quarter also climbed to MEUR 0.5 (MEUR -0.3).

Demand for the company's services has remained good. In addition to this, the short-term market prospects remain good. The company has also continued to successfully recruit new employees, although availability on the market is scarce. The increase in personnel, international sales activities and the investments in measuring equipment and tools have resulted in a slight increase in costs. During the review period, the company also continued its planned preparations for introducing its own product into the market.

After the review period, CoreHW received the Finland's Most Inspiring Workplace award in the category of small organizations.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	2.4	1.0	5.7
EBIT, MEUR	0.5	-0.3	0.4
Interest-bearing net liabilities	4,1*	3.4	3.6
Panostaja's holding	61.1%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

## Carrot



Carrot Palvelut Oy provides staffing, recruitment and outsourcing services

Carrot's net sales for the review period decreased to MEUR 4.3 from MEUR 5.3 in the reference period. Net sales for the review period were equal to those of the reference period, standing at MEUR -0.4.

Net sales for the review period were significantly lower than in the reference period. Sales development was weaker than expected and corrective measures are being actively promoted. Despite the lower net sales, the profit/loss remained at the level of the reference period thanks to streamlining measures and savings.

The winter season, which covers the first and second quarters, is traditionally slower in terms of Carrot's business activities. However, general market demand has remained good and short-term prospects are estimated to be favorable.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	4.3	5.3	20.8
EBIT, MEUR	-0.4	-0.4	-0.4
Interest-bearing net liabilities	5,1*	4.4	5.0
Panostaja's holding	74.1%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures

**Oscar Software**

Oscar Software provides ERP systems and financial management services

Oscar Software's net sales for the review period stood at MEUR 2.8, which was 8% higher than in the reference period (MEUR 2.6). Net sales for the review period were equal to those of the reference period, standing at MEUR 0.2.

The demand for software and service business has remained good in the review period. The orderbook for software business increased and trade profits were also accumulated. The demand has leveled out slightly for financial administration services.

In accordance with the effective strategy, sales efforts have been steered toward SaaS-based contracts, which will have a negative impact on the growth of net sales and profitability in the short term. The profit/loss for the review period is also partially encumbered by the personnel costs, which have increased from the reference period.

Short-term demand is estimated to remain good in the context of both business operations.

MEUR	3 months	3 months	12 months
	11/19-1/20	11/18-1/19	11/18-10/19
Net sales, MEUR	2.8	2.6	10.1
EBIT, MEUR	0.2	0.2	0.2
Interest-bearing net liabilities	4,2*	4.7	4.2
Panostaja's holding	50.8%		

\*includes the impact of IFRS 16 and is therefore not comparable with prior figures



**KEY FIGURES**

<b>MEUR</b>	<b>Q1</b>	<b>Q1</b>	<b>12 months</b>
	11/19- 1/20	11/18- 1/19	11/18- 10/19
Net sales, MEUR	45.0	46.7	190.2
EBIT, MEUR	-0.5	0.2	3.6
Profit before taxes, MEUR	-1.0	-0.2	1.7
Profit/loss for the financial period, MEUR	-1.4	-0.7	2.5
Distribution:			
Shareholders of the parent company	-1.0	-0.1	1.6
Minority shareholders	-0.4	-0.7	0.9
Earnings per share, undiluted (EUR)	-0.02	0.00	0.03
Interest-bearing net liabilities	81.0	57.5	53.7
Gearing ratio, %	104.3	72.2	67.5
Equity ratio, %	36.5	39.8	41.3
Equity per share (EUR)	0.94	0.96	0.96

**Division of the net sales by segment**

<b>MEUR</b>	<b>Q1</b>	<b>Q1</b>	<b>12 months</b>
	11/19- 1/20	11/18- 1/19	11/18- 10/19
<b>Net sales</b>			
Grano	29.2	32.3	129.7
Tilatukku	2.4	1.8	7.3
Helakeskus	1.8	1.9	8.0
Hygga	1.1	1.2	4.7
Heatmasters	1.1	0.8	4.2
CoreHW	2.4	1.0	5.7
Carrot	4.3	5.3	20.8
Oscar Software	2.8	2.6	10.1

Others	0.0	0.0	0.0
Eliminations	-0.1	-0.1	-0.3
Group in total	45.0	46.7	190.2

### Division of EBIT by segment

MEUR	Q1	Q1	12 months
EBIT	11/19- 1/20	11/18- 1/19	11/18- 10/19
Grano	-0.4	-0.3	4.1
Tilatukku	0.1	0.0	-0.2
Helakeskus	0.0	0.1	0.5
Hygga	0.0	-0.1	-0.2
Heatmasters	0.1	-0.1	0.2
CoreHW	0.5	-0.3	0.4
Carrot	-0.4	-0.4	-0.4
Oscar Software	0.2	0.2	0.2
Others	-0.6	1.0	-1.1
Group in total	-0.5	0.2	3.6

Panostaja Group's business operations for the current review period are reported in nine segments: Grano, Tilatukku, 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 0.0), which is presented on a separate row in the consolidated income statement.

### OUTLOOK FOR THE 2020 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. After the review period, the economic uncertainty sparked by the coronavirus will impact the Finnish economy in 2020, causing consequential effects on the corporate acquisition market and general economic development.

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.
- Demand for Grano, Hygga, Tilatukku and Helakeskus will remain satisfactory.

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila

CEO

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

**Interest-bearing net liabilities by segment**

<b>EUR 1,000</b>	<b>January 31, 2020</b>	<b>January 31, 2020</b>	<b>January 31, 2019</b>
	Impact of IFRS 16		
Grano	75,984	21,403	57,100
Tilatukku	845	515	189
Helakeskus	4,782	148	4,741
Hygga	7,869	1,374	6,152
Heatmasters	872	545	524
CoreHW	4,065	454	3,440
Carrot	5,132	58	4,351
Oscar Software	4,191	272	4,720
Parent company	-22,786	353	-23,710
Others	0	0	0
<b>Group in total</b>	<b>80,954</b>	<b>25,122</b>	<b>57,506</b>

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 has increased the Group's net liabilities by MEUR 25.1.

**Depreciations**

<b>EUR 1,000</b>	<b>11/19-1/20</b>	<b>11/19-1/20</b>	<b>11/18-1/19</b>
	Impact of IFRS 16		
Grano	-3,504	-1,275	-2,179
Tilatukku	-51	-46	-9
Helakeskus	-90	-86	-4
Hygga	-149	-74	-80
Heatmasters	-83	-42	-34
CoreHW	-87	-22	-65
Carrot	-92	-18	-72
Oscar Software	-271	-99	-151
Others	-42	-32	-19
<b>Group in total</b>	<b>-4,369</b>	<b>-1,694</b>	<b>-2,613</b>

The introduction of the IFRS 16 standard has increased the Group's depreciations by MEUR 1.7.

*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 eight 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. Suomen Helakeskus Oy is a major wholesaler of furniture fittings in Finland. Tilatukku (formerly Selog Oy) is a specialty supplier and wholesaler of ceiling materials. 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.*