All-stars in local property service.

Interim report 1-3/2023

PHM Group Holding Oyj (3123811-8)

1 JANUARY – 31 MARCH 2023

Interim report January – March 2023 (unaudited)

First quarter highlights

- Reported revenue increased by 22% to EUR 140.9 million (115.6)
- Reported EBITDA increased 5% to EUR 19.8 million (18.9)
- LFL revenue decreased by 2% to EUR 142.8 million (146.2)
- LFL adjusted EBITDA decreased by 10% to EUR 21.1 million (23.5)
- Profit for the period amounted to EUR 1.9 million (3.2)
- Operating cash flow before acquisitions was strong at EUR 20.2 million (20.5)
- Leverage amounted to 4.86x (4.83)

Significant events during the quarter

- Operationally solid quarter but revenue and result impacted negatively by low winter related additional sales in Finland and headwind from exchange rates development.
- Five acquisitions completed during Q1 2023 with total annual sales of EUR 17.5 million.
- Country Director for Denmark recruited with start date during Q2 2023.
- Corporate responsibility reporting with reference to the Global Reporting Initiative (GRI framework) and Taxonomy Regulation developed significantly.

MEUR, IFRS	1-3/23	1-3/22	Change %	1-12/22	LTM
Reported					
Revenue	140.9	115.6	22%	483.3	N/A
EBITDA	19.8	18.9	5%	71.9	N/A
Adjusted EBITDA	20.9	19.4	8%	77.9	N/A
Adjusted EBITDA margin %	14.8%	16.8%	-1.9%	16.1%	N/A
Adjusted EBITA	14.7	13.0	13%	56.6	N/A
Adjusted EBITA margin %	10.4%	11.2%	-0.8%	11.7 %	N/A
*LFL *) financials*					
LFL Revenue	142.8	146.2	-2%	567.9	564.4
LFL EBITDA	20.0	23.1	-13%	83.4	80.4
Adjusted LFL EBITDA	21.1	23.5	-10%	88.9	86.6
Adjusted LFL EBITDA margin %	14.8%	16.1%	-1.3%	15.7%	15.3%
Adjusted LFL EBITA	14.8	17.5	-15%	63.9	61.3
Adjusted LFL EBITA margin %	10.4%	11.9%	-1.6%	11.3%	10.9%
Financial position					
Operating cash flow before acquisitions**	20.2	20.5	-1%	52.7	
Cash conversion before acquisitions***	102%	108%	-6%	73%	
Interest bearing net debt	425.0	350.1	21%	421.2	
Leverage, x****	4.86	4.83	1%	4.81	

*) LFL = Like-for-like, financials adjusted to reflect full 12 months of all entities owned at the end of the period
**) EBITDA + change in NWC (excluding intra group liability to ultimate parent) – CAPEX (excluding acquisition capex)
***) EBITDA / Operating cash flow before acquisitions
****) Interest bearing net debt / (LFL LTM adjusted EBITDA + run rate synergies). Run rate synergies per 31.3.2023 amounted to EUR 0.9 million (31.3.2022: 0.7).

Management review

During the first quarter, PHM Group continued executing its strategy of growth both through M&A and organically, as well as improving the operational performance of the acquired businesses. In addition to solid operational performance, several steps to improve Corporate Responsibility were taken and strengthening of the organization was done by recruitment of a Country Director for Denmark. Despite results headwinds from both low seasonal additional sales and unfavorable exchange rate development, the operating cash flow was very strong.

Like-for-like revenue decreased by 2% to EUR 142.8 million and LFL adjusted EBITDA decreased by 10% to EUR 21.1 million. The result was supported by a clear growth in contract sales across the countries where PHM operates driven by both successfully implemented price increases as well as growth of the customer base. The positive contract sales development was however, offset by the fluctuating weather conditions in Finland resulting in low amount of winter related additional sales coupled with high fuel and labor costs. Impact of weakening exchange rates on like-for like net sales was EUR -4.3 million and on like-for-like adjusted EBITDA was EUR -0.5 million during the quarter.

During the quarter PHM continued to develop its business by completing five acquisitions, of which the most significant was the acquisition of MBA Fastighetsservice AB, a full-service property maintenance company with its seat in Gothenburg. The Group also made one further acquisition in Sweden, and one each in Finland, Norway and Denmark. Development and implementation of Corporate Responsibility Strategy progressed well as new HSE tools were introduced and a new Code of Conduct online training for employees was launched.

As a local service business, PHM's business continued to show a relatively mild impact from the war in Ukraine due to its limited direct exposure to the crisis. The main impacts of the crisis continue to be the increased fuel and energy prices as well as the general price inflation, which the Group has succeeded rather well in passing on to its own sales prices. Despite the relatively normal level of snowfall, the rapid changes in temperature especially in Finland led to absence of winter related additional sales while the costs for winter maintenance included in the fixed contracts realized, which had a large negative impact on the Q1/23 result. On the other hand, many of the Swedish and Norwegian operating companies saw increase in snow clearance revenues that supported further the revenue growth y-o-y in local currency.

The war in Ukraine has so far not materially impacted the demand for the Group's services. Contract sales has remained unaffected and the demand for add on services has continued largely in line with previous years, albeit demand for some technical and other non-essential services showed a slight weakening during the quarter compared to previous year. The Group has taken active measures to abide by the sanctions imposed against Russia and ensure that its employees are treated equally regardless of their nationality or background. Although the war in Ukraine has no direct impact on PHM's operations, as all other companies, PHM is not isolated from the indirect effects of the war such as increased price inflation and general economic uncertainty. The Group's good pricing power enables it to pass on price inflation relatively effectively to customers, but high inflation rates may temporarily impact the Group's margins. Also, the generally rising cost of living and financing costs might postpone some nonessential maintenance and improvement work and therefore impact the business in the short-term.

In the long term, PHM sees that more focus is put on improving the energy efficiency of real estate and providing energy efficient solutions to residents and tenants, which will create opportunities for the Group. Long-term market trends such as continuing urbanization, ageing building stock and interest towards upgrading homes and residential buildings also support the growth of the underlying market.

Mergers and Acquisitions

In the first quarter of 2023 M&A activity continued as planned and the Group succeeded in making both a sizable acquisition in Sweden as well as smaller add-on acquisitions in the other Nordic countries, completing five acquisitions in total: one in Finland, two in Sweden, one in Norway and one in Denmark. Together the acquired entities had a EUR 17.5 million positive impact on LTM like-for-like revenue and EUR 2.4 million positive impact on LTM like-for like adjusted EBITDA, respectively.

In Sweden, the Group strengthened its presence in the southern parts of Sweden and especially the west coast by acquired MBA Fastighetsservice AB, a full-service property maintenance company headquartered in Gothenburg, as well as increased its residential property management offering in the Värmland area by acquiring Vänerförvaltning AB. In Finland, the Group acquired Pirkanmaan Viemäritekniikka Oy to strengthen the service offering in the Tampere region. In Norway, the Group strengthened it service offering in the Oslo area by acquiring B.O Drift AS, a maintenance add-on to the existing portfolio of companies. In Denmark, the Group acquired SaniService ApS, a residential cleaning company in Copenhagen.

Completed acquisitions and disposals 1–3/2023

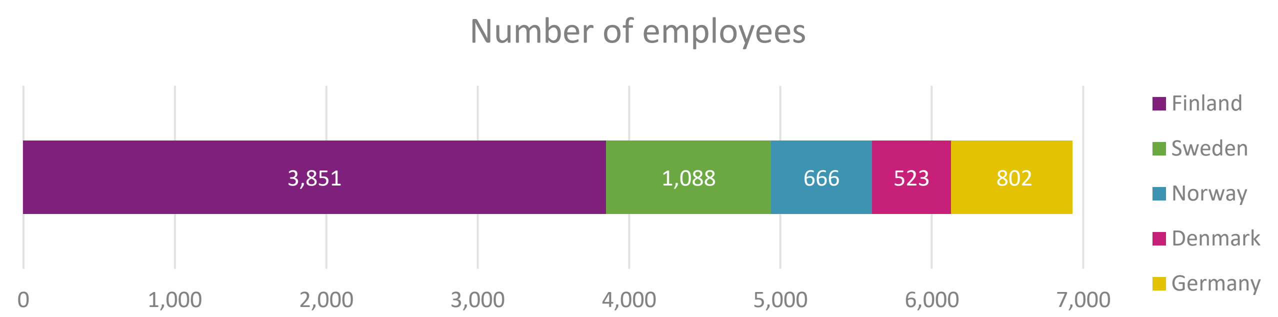
Target company	Country	Region	Closing	Currency	Revenue *)	EBITDA *)
Acquisitions						
SaniService ApS	Denmark	Copenhagen	January	DKKm	19.3	2.6
Pirkanmaan Viemäritekniikka Oy	Finland	Tampere	January	EURm	1.0	0.1
MBA Fastighetsservice AB and MBA Bygg AB	Sweden	Gothenburg	February	SEKm	132.6	13.2
Vänerförvaltning AB	Sweden	Karlstad	February	SEKm	9.9	1.9
B.O Drift AS	Norway	Oslo	March	NOKm	16.7	2.2

*) Presented financials are based on latest available audited financial statements

At the end of the review period, the Group had several ongoing negotiations of which some have been closed and others are expected to close during Q2 2023.

Corporate responsibility and sustainability

As at the end of March 2023, PHM employed 6,930 people (LFL) across the five countries where the Group operates. Like-for-like personnel expenses adjusted for non-recurring items in January - March totaled EUR 69.3 million (67.3). Reported personnel expenses totaled EUR 69.9 million (51.5).



In the first quarter of 2023, PHM Group continued to execute its Corporate Responsibility Strategy as planned. The company launched a new Code of Conduct online training for its employees. In addition, PHM updated its safety reporting and launched a new tool for reporting occupational accidents and safety observations. Internal HSE (Health, Safety and Environment) audits and follow-up visits continued in Finland. PHM Group updated car benefit policies to favor low-emission vehicles in the company's journey towards climate neutrality.

Financial review

January-March

The Group's reported revenue was EUR 140.9 million (115.6) and adjusted EBITDA was EUR 20.9 million (19.4) in Q1 2023. In addition to the operational development discussed below in the like-for-like section of the financial review, the business scale has continued to increase compared to the comparison period as the Group has completed several sizeable add on acquisitions during 2022 explaining a large part of the growth year on year.

The Group's result for the financial period amounted to EUR 1.9 million (3.2). In addition to operating costs the result is impacted by amortization of customer and brand related intangible assets from acquisitions made and amortization of other long-term expenditure totaling EUR -4.2 million (-3.2) as well as financing costs amounting to EUR -7.8 MEUR (-4.9). In addition to interest paid, net financial expenses include, among others, financing related advisory costs and realized translation differences. The increase in financing costs is due to an increase in debt financing for execution of PHM's growth strategy.

The Group's LFL revenue decreased by 2% to EUR 142.8 million (146.2). LFL revenue is calculated by adjusting for the revenue of acquired entities for the time when they have not been a part of the group. At comparable exchange rates, LFL revenue increased 1%. LFL revenue decrease was driven by a low amount of winter related additional sales in Finland, offset by price increases and increased contract customer base as well as increased additional sales in Sweden and technical services revenue in Germany. LFL revenue increased in Norway, Denmark and Germany and decreased in Finland and Sweden. The impact of exchange rate fluctuations, mainly due to the weakening of the Swedish Crown and Norwegian Krone, totaled EUR -4.3 million. At comparable exchange rates the revenue increased also in Sweden. During the last twelve months, Finland accounted for approximately 51%, Sweden for 26%, Norway for 10%, Denmark for 7% and Germany for 6% of LFL revenue.

The Group's LFL adjusted EBITDA was EUR 21.1 million (23.5). LFL adjusted EBITDA was weakened by lower winter related additional sales in Finland, due to unusually rapid changes in temperature, while the costs for winter maintenance included in the fixed contracts realized at last year's levels. The good sales development in other countries was not enough to offset higher personnel costs and higher fuel and energy prices throughout the Group. The personnel cost increase is largely attributable to in housing of services provided and overtime pay for snow clearance work. Consequently, adjusted EBITDA margin weakened by 1.3 pp. from the comparison period. At comparable exchange rates, LFL adjusted EBITDA amounted to EUR 21.7 million (23.5).

The Group's operating cash flow before acquisitions and financial items was strong amounting to EUR 20.2 million (20.5). Operating cash flow was supported by strong EBITDA and release of working capital due to increase of holiday pay accrual in-line with normal seasonality, as net change in accounts receivables and payables was nearly zero. Investments into tangible and intangible assets were on a normal level amounting to EUR -4.4 million comprising mainly acquisitions of machinery and equipment. The operating cash flow excludes the intra group cash pool debt to the Group's ultimate parent PHM Group TopCo Oy. Compared to the corresponding period of the previous year, the cash flow development was stable, and the small decrease is mainly attributable to a slightly lower amount of release from working capital and higher investments into tangible and intangible assets.

At the end of the period interest-bearing net debt was EUR 425.0 million and leverage was at 4.86x. The increase in interest-bearing net debt from the end of 2022 is explained mainly by increase in the lease liabilities due to lease increases of properties taking effect in January, reassessment of the lease liability of open-ended lease contracts, the impact of which was approximately EUR 1.7 million, and new lease agreements from acquired companies. The aforementioned coupled with stable synergy adjusted LFL EBITDA development for the previous twelve months had a negative impact on the development of the leverage ratio from the end of 2022. The liquidity of the Group remains strong as cash and cash equivalents at the end of the review period was EUR 32.2 million and EUR 61.5 million of the Super Senior RCF was undrawn.

Events after the review period

After the review period the Group has completed one acquisition in Sweden. Additionally, PHM completed the listing the new euro-denominated senior secured floating rate notes in a nominal amount of EUR 70 million issued in Q4/2022 on the Nasdaq Helsinki as planned.

Declaration of the board

We confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations for the period. We also confirm, to the best of our knowledge, that the management review includes a fair review of important events that have occurred during 2023.

Helsinki, 12 May, 2023

Ville Rantala
CEO

Karl Svozilik
Chairman of the Board

Financial information

Consolidated income statement

EUR THOUSAND	1-3 2023	1-3 2022	1-12 2022
Net sales	140,896	115,602	483,282
Other operating income	764	735	3,547
Materials and services	-35,331	-32,200	-124,076
Personnel expenses	-68,914	-51,546	-225,493
Other operating expenses	-17,622	-13,664	-65,407
EBITDA	19,794	18,927	71,853
% of revenue	*14.0%*	*16.4%*	*14.9%*
Depreciation	-6,252	-6,387	-21,281
EBITA	13,542	12,539	50,572
% of revenue	*9.6%*	*10.8%*	*10.5%*
Amortisation and impairment	-3,672	-3,223	-13,578
Operating result	9,869	9,316	36,994
% of revenue	*7.0%*	*8.1%*	*7.7%*
Net financial expenses	-7,845	-4,871	-22,257
Result before taxes	2,025	4,445	14,738
Taxes	-90	-1,278	-539
Result for the financial period	1,935	3,168	14,198

Consolidated Statement of Other Comprehensive Income

EUR thousand	1-3 2023	1-3 2022	1-12/2022
Profit for the financial period	1,935	3,168	14,198
Items that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations, net of tax	-3,588	-525	-8,052
Other comprehensive income/(loss) for the year, net of tax	-3,588	-525	-8,052
Total comprehensive income for the financial period	-1,653	2,643	6,147
Profit for the period attributable to			
Equity holders of the parent	1,935	3,168	14,198
Total comprehensive income attributable to			
Equity holders of the parent	-1,653	2,643	6,147

Consolidated balance sheet

EUR THOUSAND	03 2023	03 2022	12 2022
ASSETS			
Non-current assets			
Goodwill	420,961	357,959	416,764
Intangible assets other than goodwill	124,889	120,246	124,978
Tangible assets	60,770	45,467	59,034
Right-of-use assets	32,425	21,977	26,536
Other shares	3,330	2,873	3,223
Other receivables	342	209	332
Deferred tax assets	3,297	2,411	3,150
Total non-current assets	646,015	551,142	634,018
Current assets			
Trade receivables	47,527	37,798	56,204
Inventories	3,342	1,194	3,007
Other current financial assets	216	1,727	291
Other current assets	15,881	10,914	15,049
Cash and cash equivalents	32,165	33,515	31,632
Total current assets	99,131	85,148	106,183
Total assets	745,145	636,289	740,201
EQUITY AND LIABILITIES			
Equity			
Share capital	80	0	80
Fund for unrestricted equity	160,238	160,318	160,238
Retained earnings	1,604	-9,756	-393
Translation differences	-11,297	-182	-7,709
Total equity	150,625	150,380	152,216
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	416,959	344,728	418,297
Other non-current liabilities	8,737	1,258	7,923
Lease liabilities	19,452	12,507	15,020
Deferred tax liabilities	31,025	27,104	30,961
Total non-current liabilities	476,173	385,596	472,201
Current liabilities			
Trade payables and other payables	100,085	81,541	98,401
Interest-bearing loans and borrowings	4,292	5,147	4,314
Lease liabilities	13,711	10,034	12,202
Income tax payable	259	3,591	866
Total current liabilities	118,347	100,313	115,783
Total liabilities	594,520	485,909	587,985
Total equity and liabilities	745,145	636,289	740,201

Consolidated cash flow statement

EUR THOUSAND	1-3 2023	1-3 2022	1-12 2022
Operating activities			
Profit before tax	2,025	4,445	14,738
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment	9,925	9,611	34,847
Finance income and expenses	7,845	4,871	20,945
Other adjustments	-242	-219	-1,720
Change in working capital	5,941	-11,961	-12,064
Other adjustments without payment	1,202	-667	2,564
Income tax paid	-1,537	-820	-3,829
Net cash flow from operating activities	25,158	5,260	55,480
Net cash flow from investing activities			
Acquisition of tangible and intangible assets	-4,384	-3,676	-17,711
Acquisition of subsidiaries, net of cash acquired	-10,848	-8,971	-87,507
Proceeds from sale of subsidiaries	0	0	465
Net cash flow from investing activities	-15,232	-12,647	-104,754
Net cash flow from financing activities			
Increase in fund for unrestricted equity for consideration	0	16,331	16,331
Net change in borrowings	-1,393	9,468	82,536
Net interests and finance costs paid	-3,406	-223	-20,933
Payments of lease liabilities	-4,147	-3,004	-14,834
Net cash from financing activities	-8,945	22,571	63,100
Net increase in cash and cash equivalents	981	15,185	13,827
Cash and cash equivalents at the beginning of the period	31,632	18,331	18,331
Effect of exchange rate changes on cash and cash equivalents	-448	0	-525
Cash and cash equivalents at reporting period end	32,165	33,515	31,632

Definitions of alternative performance measures

Formulas of Key Figures

EBITDA	=	Operating profit + depreciations and amortisation	
EBITDA margin -%	=	$\frac{\text{Operating profit + depreciations and amortisation}}{\text{Net sales}}$	x 100
EBITA	=	Operating profit + amortisation	
EBITA margin -%	=	$\frac{\text{Operating profit + amortisation}}{\text{Net sales}}$	x 100
Adjusted EBITDA	=	EBITDA + non-recurring items	
Adjusted EBITDA margin -%	=	$\frac{\text{Adjusted EBITDA}}{\text{Net sales}}$	x 100
Adjusted EBITA		EBITA + non-recurring items	
Adjusted EBITA margin -%	=	$\frac{\text{Adjusted EBITA}}{\text{Net sales}}$	x 100
LFL Revenue (net sales)		Net sales + like-for-like adjustments	
LFL EBITDA		EBITDA + like-for-like adjustments	
LFL adjusted EBITDA		Adjusted EBITDA + like-for-like adjustments	
LFL adjusted EBITDA margin -%	=	$\frac{\text{LFL adjusted EBITDA}}{\text{Net sales}}$	x 100
LFL adjusted EBITA		Adjusted EBITA + like-for-like adjustments	
LFL adjusted EBITA margin -%	=	$\frac{\text{LFL adjusted EBITA}}{\text{Net sales}}$	x 100
LFL synergy adjusted EBITDA		LFL adjusted EBITDA + run rate synergies	
Net interest bearing debt (NIBD)		Interest bearing liabilities - cash and cash equivalents	
Leverage, x		$\frac{\text{Net interest bearing debt (NIBD)}}{\text{LFL synergy adjusted EBITDA}}$	x 100
Operating cash flow before acquisitions		EBITDA + change in working capital (excluding intra group liability to ultimate parent) + Proceeds from sale of tangible and intangible assets + Purchase of tangible and intangible assets	
Cash conversion, %		$\frac{\text{EBITDA}}{\text{Operating cash flow before acquisitions}}$	x 100

Contact

Additional information about the company can be found on the corporate website.

For questions concerning this report please contact:

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