All-stars in local property service.

Interim report 1-3 2024

PHM Group Holding Oyj (3123811-8)

1 JANUARY – 31 MARCH 2024

Interim report January – March 2024 (unaudited)

First quarter highlights

- Reported revenue increased by 46% to EUR 205.2 million (140.9)
- Reported EBITDA increased by 54% to EUR 30.4 million (19.8)
- LFL revenue increased by 9% to EUR 207.3 million (190.9). At comparable exchange rates, LFL revenue increased by 10%
- LFL adjusted EBITDA increased by 16% to EUR 33.2 million (28.7). At comparable exchange rates, LFL adjusted EBITDA increased by 17%
- Profit for the period amounted to EUR -2.0 million (1.9)
- Operating cash flow before acquisitions increased by 33% to EUR 26.9 million (20.2)
- Leverage amounted to 5.16x (4.81)

Significant events during the quarter

- There was a clear improvement in the result, driven by revenue growth and realised synergies, but the result was still negatively affected by the unfavourable development of exchange rates.
- M&A activity was at a seasonally lower level when compared to the preceding quarters: acquired total revenue amounted to EUR 10.7 million in the first quarter of 2024.
- Tap issue of senior secured callable floating rate notes in a nominal amount of EUR 35 million.
- The execution of strategic development measures continued as planned.

EUR million, IFRS	1-3/24	1-3/23	Change %	1-12/23	LTM
Reported					
Revenue	205.2	140.9	46%	624.9	N/A
EBITDA	30.4	19.8	54%	86.2	N/A
Adjusted EBITDA	32.8	21.1	56%	93.7	N/A
Adjusted EBITDA margin %	16.0%	14.9%	1.1%	15.0%	N/A
Adjusted EBITA	23.8	14.8	61%	65.0	N/A
Adjusted EBITA margin %	11.6%	10.5%	1.1%	10.4%	N/A
*LFL *) financials*					
LFL Revenue	207.3	190.9	9%	769.6	786.0
LFL EBITDA	30.9	27.5	12%	110.5	113.8
Adjusted LFL EBITDA	33.2	28.7	16%	117.6	122.2
Adjusted LFL EBITDA margin %	16.0%	15.0%	1.0%	15.3%	15.5%
Adjusted LFL EBITA	24.1	20.2	20%	82.0	86.0
Adjusted LFL EBITA margin %	11.6%	10.6%	1.1%	10.7%	10.9%
Financial position					
Operating cash flow before acquisitions**	26.9	20.2	33%	68.9	
Cash conversion before acquisitions***	88%	102%	-14%	80%	
Interest bearing net debt	649.6	425.0	53%	647.8	
Leverage, x****	5.16	4.86	6%	5.36	

*) 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 31.3.2024 amounted to EUR 3.8 million (31.3.2023: 0.9, 31.12.2023: 5.2)

Management review

The first quarter of 2024 was a successful period in many ways with strong organic growth and a clear improvement in profitability. PHM Group continued to execute its strategy through acquisitions as well as strategic development measures.

Although there was no clear improvement in market conditions, contract sales continued to grow, additional sales grew substantially, and profitability was improved by cost control and the in-housing of service production. Operating cash flow was also strong during the quarter, which combined with the improved profitability, led to a clear decrease in leverage when comparing to year end 2023.

M&A activity was slightly lower, which is normal for the first quarter of the year. PHM made a total of six acquisitions in several of its operating countries, allowing the company to expand into new geographic regions and strengthen its market position. During the quarter, the Group carried out a tap issue of senior secured floating rate notes amounting to EUR 35 million. Demand for the tap issue was high and the pricing was favourable.

The execution of strategic development measures continued as planned during the review period. The focus was particularly on the development of integration processes aimed at improving operational efficiency, as well as the centralisation of procurement. The number of users of PHM Digital continued to grow. A national PHM Digital marketing campaign was carried out in Finland, and several new features were launched to improve the customer experience of the service. The availability of the service was expanded to also include property maintenance customers in Sweden.

PHM will continue to execute its strategy to fulfil its mission of taking care of people by taking care of their surroundings. At the same time, the company aims to become the market leader across all of its markets.

Operating environment

PHM's business is to provide must have monthly and seasonally recurring services, complemented with a broad offering of additional services to serve the needs of our customers. In general, the demand for recurring services is unaffected by external market factors, whereas the additional services range from mandatory to discretionary services of which some are more prone to be impacted by external market factors. The Group's pricing power is good and thus, the main impact on PHM's business from changes in the operating environment are timing of cost and revenue increases of recurring services, which can temporarily impact the Group's margins, and fluctuations in customer demand for non-essential additional services.

During the first quarter, the operating environment continued to be affected by general economic uncertainty in all of PHM's operating countries. Interest rates remained high, consumer confidence was still low and the property market continued to be subdued. Private customers continued to show selectivity in purchasing non-essential additional services and postponed their purchases to some extent. Professional property owners have also decreased investments, and project demand among commercial and public sector customers has decreased. Interest rate expectations in Europe, which had lowered in the latter part of 2023, remained unchanged, which contributed to the stabilisation of the operating environment, although the start of interest rate cuts is now expected to take place slightly later than previously anticipated. Inflation continued to decline during the quarter, which has eased margin pressure and will also contribute to increased consumer confidence and the stabilisation of demand going forward. Risk appetite in the financial markets increased during the quarter and the market was active, which improved access to financing and reduced credit risk premiums.

Despite being a locally operating service company, PHM is not unaffected by the broader macroeconomic development. Geopolitical tensions, including Russia's ongoing war in Ukraine, recent emerging conflicts in the Middle East, and tensions between major economies, like China and the US, continue to cause uncertainty in the operating environment, which may impact economic growth, inflation, and consumer confidence. Changes in the monetary policies of major central banks may impact customer demand, financing conditions and various currencies that directly or indirectly affect PHM.

Organic growth and operational efficiency

In the first quarter of 2024, like-for-like revenue increased by 9% to EUR 207.3 million and LFL adjusted EBITDA increased by 16% to EUR 33.2 million. The results continued to be negatively impacted by headwinds from exchange rate development that caused a EUR -1.7 million impact on like-for-like revenue and a EUR -0.3 million impact on like-for-like adjusted EBITDA during the quarter. On a fixed FX basis sales grew by 10% and adjusted EBITDA grew by 17%, respectively. Revenue was supported by growth in both contract and additional sales. Contract sales growth was driven by both price increases and growth in the customer base, and the strong additional sales especially by winter related services in Finland, Sweden and Denmark. The positive sales development was, however, offset by a continued lower level of additional sales of non-essential improvement and refurbishment work due to general economic uncertainty, higher interest rates and lower project revenue in Germany. LFL adjusted EBITDA growth was supported by high revenue, successful in-housing of previously subcontracted work and a decrease of other operating expenses due to realized synergies.

During the quarter, PHM started a project to accelerate the centralisation of procurement in all of its operating countries. PHM has developed its own procurement monitoring tool to support the centralisation of procurement. The tool has already been deployed in Finland and will be rolled out in the company's other operating countries during the year. The company also decided to start using electrically powered light machinery across all of its operating countries. Light machinery powered by internal combustion engines will be phased out in a controlled manner during a transition period and replaced with battery-powered tools.

The major integration projects of Bredablick, Sefbo and Taurus progressed well during the quarter and synergies were realised according to plan. The focus during the review period was particularly on integrating the companies with the centralised functions and systems of the countries in question. This enables the efficiency of internal business processes in the countries and the broader realisation of synergies.

Mergers and Acquisitions

PHM Group completed six acquisitions in the first quarter of 2024: two in Finland, two in Sweden and one each in Norway and Germany. Together, the closed acquisitions had a positive effect of EUR 10.7 million on LTM like-for-like revenue and a positive effect of EUR 1.9 million on LTM like-for-like adjusted EBITDA.

In Finland, PHM made two acquisitions in the property maintenance and supplementary services space. The acquisition of Savonlinnan Siivous- ja Kiinteistöhuoltokeskus Oy's property maintenance business strengthened PHM's service offering for commercial properties in the Savonlinna region. The acquisition of Nokian Saneeraus Asiantuntijat Oy strengthened PHM's market position and damage restoration services in the Pirkanmaa region.

In Sweden, PHM acquired Allgranthgruppen, which consists of three companies that offer a wide range of property services. The companies' services include financial and technical management, outdoor and property maintenance, landscaping as well as renovation services to households. The acquisition strengthens PHM's market position as a provider of residential property services in the Stockholm area. PHM also acquired the business operations of Korrekt Bostadrättsförening, consisting of property management services for residential properties in the Stockholm area.

In Norway, PHM strengthened its presence in the Drammen region by acquiring Høvik Eiendomsdrift AS, which is a provider of various indoor and outdoor maintenance services, including technical building services, renovation work and outdoor maintenance. Høvik Eiendomsdrift AS has operated in the rapidly growing region for a number of years and has a good understanding of the needs of the region and its customers, which presents an excellent opportunity for organic growth in the coming years.

PHM continued its growth in Germany by acquiring the property services business of Pur98100 Gebäude-Service GmbH. With the acquisition, PHM expanded to Flensburg and the surrounding area in northern Germany. Pur98100 offers cleaning, maintenance, gardening and winter maintenance services for residential and commercial properties.

Completed acquisitions and disposals 1-3/2024

Target company	Country	Region	Closing	Currency	Revenue *)	EBITDA *)
Acquisitions						
Savonlinnan Siivous- ja Kiinteistöhuoltokeskus SK2**	Finland	Savonlinna	January	EURm	0.9	0.2
Nokian Saneeraus Asiantuntijat Oy	Finland	Nokia	February	EURm	1.0	0.2
Høvik Eiendomsdrift AS	Norway	Drammen	March	NOKm	17.1	2.2
Pur98100 Gebäude-Service**	Germany	Flensburg	March	EURm	2.6	0.5
Allgranthgruppen***	Sweden	Stockholm	March	SEKm	49.7	6.7
Korrekt Bostadsrättsförvaltning****	Sweden	Stockholm	March	SEKm	3.3	1.6

*) Presented financials are based on latest available audited financial statements (local GAAP)
**) Asset deal
***) No statutory consolidated financials available
****) Asset deal, management estimation of like-for-like revenue and adjusted EBITDA

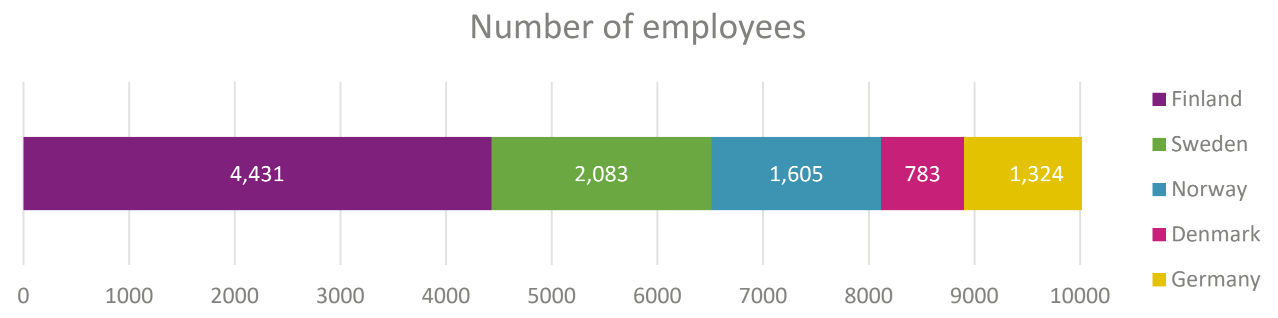
Financing

In the first quarter of 2024, PHM Group carried out a tap issue of subsequent senior secured callable floating rate notes in a nominal amount of EUR 35 million. The subsequent notes were issued on the same terms as the EUR 265 million senior secured callable floating rate notes due in 2026, under the company's existing framework of EUR 450 million. The notes were in high demand and issued at a price corresponding to 104.25% of the nominal value. The Super Senior RCF that was utilised during the review period was repaid with the proceeds from the issued notes.

At the end of the review period, the total amount of outstanding senior secured notes totalled EUR 640 million. The total amount consists of EUR 300 million in floating rate notes and EUR 340 million in fixed rate notes. The notes are listed on the Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market. EUR 73.5 million of the EUR 77.5 million Super Senior RCF was unutilised.

People, Responsibility and Good Governance

At the end of March, PHM employed a total of 10,226 people across its five operating countries. Like-for-like personnel expenses adjusted for non-recurring items totalled EUR 99.0 million (92.5) in January–March. Reported personnel expenses totalled EUR 98.8 million (68.9).



In the first quarter of 2024, PHM continued to implement its Corporate Responsibility Strategy and Personnel Strategy as planned. The company deployed a renewed e-learning environment that will make training on the Code of Conduct, data protection training, anti-bribery and anti-corruption training and anti-discrimination training more widely available across the Group's operating countries as integration processes move forward. PHM continued to develop its sustainability reporting alongside annual reporting and strengthened its sustainability resources to meet the requirements of the Corporate Sustainability Reporting Directive (CSRD). The deployment of HR systems also continued in the Group's various operating countries, which will enable more extensive reporting in the future. The planning and implementation of supervisor training continued in accordance with the strategy.

Financial review

January-March

The Group's reported revenue was EUR 205.2 million (140.9) and adjusted EBITDA was EUR 32.8 million (21.1) in Q1 2024. 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 PHM has completed several sizeable add on acquisitions during 2023 explaining a large part of the growth year on year.

The Group's result for the first quarter amounted to EUR -2.0 million (1.9). In addition to operating costs the result is impacted by amortisation of customer and brand related intangible assets from acquisitions made and amortisation of other long-term expenditure totalling EUR -5.2 million (-3.7) as well as financing costs amounting to EUR -15.8 million (-7.8). In addition to interests paid, net financial expenses include, among others, financing related advisory costs and realized translation differences. The increase in financing costs is due to increase in debt financing for execution of PHM's growth strategy.

The Group's LFL revenue increased by 9% to EUR 207.3 million (190.9). 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 by 10%. The strong growth of LFL revenue was driven by price increases and growth in the contract base throughout the Group, as well as increased winter-related additional sales in Finland, Sweden and Denmark. In addition to the successful provision of winter-related services, the increase in additional sales was attributable to the exceptionally low sales of winter-related services in Finland during the comparison period. The additional sales of other types of non-essential services remained low in Finland, Sweden and Norway, and project revenue decreased in Germany. Nevertheless, LFL revenue increased in all of the Group's operating countries. The impact of exchange rate fluctuations, mainly due to the weakening of the Swedish krona and the Norwegian krone, totalled EUR -1.7 million. During the last twelve months, Finland accounted for approximately 43%, Sweden for 26%, Norway for 16%, Denmark for 8% and Germany for 7% of LFL revenue.

The Group's LFL adjusted EBITDA increased by 16% to EUR 33.2 million (28.7). At comparable exchange rates, LFL adjusted EBITDA grew by 17%. LFL adjusted EBITDA was supported by substantially higher revenue, successfully implemented price increases, the successful in-housing of previously subcontracted services, and reduced operating expenses, which were mainly due to lower premises costs and administrative expenses. However, this development was offset by higher subcontracting costs, as sales were focused on winter-related services for which the use of subcontracting is relatively higher. Personnel costs increased due to the growth of in-house service production and general increases to wages, albeit clearly less than the increase in revenue. Consequently, the adjusted EBITDA margin improved by 1.1 percentage points year-on-year.

The Group's operating cash flow before acquisitions and financial items increased clearly from the comparison period to EUR 26.9 million (20.2). Operating cash flow was supported by higher EBITDA and the release of working capital, whereas capital expenditure increased slightly from the previous year. Investments in tangible and intangible assets amounted to EUR -6.1 million (-4.4). This amount consisted mainly of investments in machinery and equipment, as well as intangible assets arising from acquisitions carried out as asset purchases.

At the end of the period, interest-bearing net debt was EUR 649.6 million and leverage was 5.16x. Interest-bearing net debt increased slightly from the end of 2023 due to acquisitions. However, leverage decreased from the level of 5.36x reported at the end of 2023 due to strong organic EBITDA growth which, combined with acquisitions, increased synergy-adjusted LFL EBITDA for the previous twelve months. The Group's liquidity remained strong, with cash and cash equivalents totalling EUR 52.5 million at the end of the period and EUR 73.5 million of the Super Senior RCF being undrawn.

Events after the review period

On 10 May, PHM Group signed an agreement to acquire DEAS Real Estate Services (DEAS A/S) from DEAS Group in Denmark. The transaction does not include DEAS Asset Management, and it is subject to approval by the Danish Competition Authority.

DEAS A/S is a leading property service and consultancy business with over 30 years of experience. On behalf of private and institutional property investors, DEAS A/S provides financial and technical real estate management and ancillary services for a portfolio of over 2,000 properties located throughout Denmark. In 2023 the company employed more than 900 property service professionals and had a turnover of more than EUR 90 million. With the acquisition, PHM will have the most comprehensive range of services and expertise in property maintenance and management in Denmark.

After the review period PHM has also completed two smaller add on acquisitions in Finland, one in Germany and one in Norway.

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 the first quarter of 2024.

Helsinki, 15 May 2024

Ville Rantala
CEO

Karl Svozilik
Chairman of the Board

Financial information

Consolidated income statement

EUR THOUSAND	1-3 2024	1-3 2023	1-12 2023
Net sales	205,205	140,896	624,904
Other operating income	2,162	764	3,541
Materials and services	-51,944	-35,331	-155,538
Personnel expenses	-98,774	-68,914	-307,493
Other operating expenses	-26,205	-17,622	-79,194
EBITDA	30,445	19,794	86,219
% of revenue	*14.8%*	*14.0%*	*13.8%*
Depreciation	-9,037	-6,252	-28,716
EBITA	21,408	13,542	57,504
% of revenue	*10.4%*	*9.6%*	*9.2%*
Amortisation and impairment	-5,231	-3,672	-16,684
Operating result	16,177	9,869	40,819
% of revenue	*7.9%*	*7.0%*	*6.5%*
Net financial expenses	-15,841	-7,845	-41,281
Result before taxes	336	2,025	-462
Taxes	-2,305	-90	-1,811
Result for the financial period	-1,969	1,935	-2,273

Consolidated Statement of Other Comprehensive Income

EUR thousand	1-3 2024	1-3/2023	1-12/2023
Profit for the financial period	-1,969	1,935	-2,273
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	-13,672	-3,588	11,005
Other comprehensive income/(loss) for the year, net of tax	-13,672	-3,588	11,005
Total comprehensive income for the financial period	-15,641	-1,653	8,732
Profit for the period attributable to			
Equity holders of the parent	-1,969	1,935	-2,273
Total comprehensive income attributable to			
Equity holders of the parent	-15,641	-1,653	8,732

Consolidated balance sheet

EUR THOUSAND	3 2024	3 2023	12 2023
ASSETS			
Non-current assets			
Goodwill	616,999	420,961	624,621
Intangible assets other than goodwill	175,624	124,889	183,198
Tangible assets	80,064	60,770	78,335
Right-of-use assets	48,644	32,425	47,701
Other shares	3,020	3,330	3,011
Other receivables	2,200	342	842
Deferred tax assets	3,290	3,297	3,295
Total non-current assets	929,840	646,015	941,004
Current assets			
Trade receivables	78,414	47,527	87,121
Inventories	2,146	3,342	3,243
Other current financial assets	2,211	216	138
Other current assets	28,233	15,881	29,171
Cash and cash equivalents	52,477	32,165	35,026
Total current assets	163,481	99,131	154,699
Total assets	1,093,321	745,145	1,095,703
EQUITY AND LIABILITIES			
Equity			
Share capital	80	80	80
Fund for unrestricted equity	209,550	160,238	208,239
Retained earnings	-6,229	1,604	-4,087
Translation differences	-10,376	-11,297	3,296
Total equity	193,024	150,625	207,527
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	642,821	416,959	603,940
Other non-current liabilities	3,786	8,737	3,375
Lease liabilities	29,970	19,452	29,476
Deferred tax liabilities	41,603	31,025	43,723
Total non-current liabilities	718,181	476,173	680,514
Current liabilities			
Trade payables and other payables	150,752	100,085	155,898
Interest-bearing loans and borrowings	5,106	4,292	24,706
Lease liabilities	20,044	13,711	19,459
Income tax payable	6,214	259	7,598
Total current liabilities	182,116	118,347	207,662
Total liabilities	900,297	594,520	888,176
Total equity and liabilities	1,093,321	745,145	1,095,703

Consolidated cash flow statement

EUR THOUSAND	1-3 2024	1-3 2023	1-12 2023
Operating activities			
Profit before tax	179	2,025	-463
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment	14,269	9,925	45,400
Finance income and expenses	15,842	7,845	41,284
Other adjustments	1,154	-242	-3,846
Change in working capital	2,970	5,941	545
Other adjustments without payment	-3,367	1,202	-2,792
Income tax paid	-5,168	-1,537	-3,439
Net cash flow from operating activities	25,880	25,158	76,689
Net cash flow from investing activities			
Acquisition of tangible and intangible assets	-6,102	-4,384	-22,490
Acquisition of subsidiaries, net of cash acquired	-3,932	-10,848	-222,710
Proceeds from sale of subsidiaries	0	0	0
Net cash flow from investing activities	-10,034	-15,232	-245,201
Net cash flow from financing activities			
Increase in fund for unrestricted equity for consideration	1,311	0	48,002
Net change in borrowings	17,942	-1,393	178,655
Net interests and finance costs paid	-11,008	-3,406	-35,083
Payments of lease liabilities	-6,202	-4,147	-18,807
Net cash from financing activities	2,043	-8,945	172,767
Net increase in cash and cash equivalents	17,889	981	4,255
Cash and cash equivalents at the beginning of the period	35,026	31,632	31,632
Effect of exchange rate changes on cash and cash equivalents	-434	-448	-861
Cash and cash equivalents at reporting period end	52,480	32,165	35,026

Definitions of alternative performance measures

Formulas of Key Figures

EBITDA	=	Operating profit + depreciations and amortisation	
EBITDA margin -%	=	Operating profit + depreciations and amortisation / Net sales	x 100
EBITA	=	Operating profit + amortisation	
EBITA margin -%	=	Operating profit + amortisation / Net sales	x 100
Adjusted EBITDA	=	EBITDA + non-recurring items	
Adjusted EBITDA margin -%	=	Adjusted EBITDA / Net sales	x 100
Adjusted EBITA		EBITA + non-recurring items	
Adjusted EBITA margin -%	=	Adjusted EBITA / 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 -%	=	LFL adjusted EBITDA / Net sales	x 100
LFL adjusted EBITA		Adjusted EBITA + like-for-like adjustments	
LFL adjusted EBITA margin -%	=	LFL adjusted EBITA / 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		Net interest-bearing debt (NIBD) / 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,%		EBITDA / 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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