

Q1/2022

Sievi Capital Plc Business Review

January–March 2022

5 May 2022



January–March 2022

THE STRONG GROWTH OF KH-KONEET GROUP CONTINUED, UNREALISED CHANGES IN FAIR VALUES HAD A NEGATIVE EFFECT ON SIEVI CAPITAL'S RESULT

January–March 2022

- Operating profit was EUR -2.9 (3.7) million
- Net profit for the period was EUR -2.4 (3.5) million
- Earnings per share (undiluted and diluted) were EUR -0.04 (0.06)
- Net asset value per share at the end of the review period was EUR 1.57 (1.39)
- Return on equity for rolling 12 months was 14.6% (23.2%)
- Gearing at the end of the review period was 10.3% (-13.2%)
- KH-Koneet Group made an acquisition in Sweden after the end of the review period
- Tuomas Joensuu became the interim CFO of Sievi Capital in March

Figures in parentheses are figures from the corresponding period in the previous year, unless indicated otherwise. Information in the Business Review is unaudited. Sievi Capital does not consolidate the data of its subsidiaries into Group-level calculations line item by line item but recognises investments in the companies at fair value through profit or loss.

CEO Jussi Majamaa:

“Development in the first quarter of 2022 was two-fold. Four of our five target companies increased their net sales, and three of them improved their profits. The strongest performance was achieved by KH-Koneet Group, which recorded substantial growth in net sales and EBITDA. After the review period, KH-Koneet Group also acquired the Swedish machinery rental company Törnells Maskinuthyrning, which strengthens its market position in Sweden.

While there were many successes during the review period, our target companies faced a number of challenges and uncertainties, the most significant of these being related to the crisis in Ukraine, inflation, and delays associated with availability. These difficulties had the biggest impact on Indoor Group, where the the beginning of the year was much slower than expected.

Fortunately, our target companies have no business operations in Russia or dependence on trade with Russia, so Russia's armed offensive against Ukraine has only indirect impacts on us. It remains to be seen whether the crisis will have long-term impacts on consumer demand, or whether the impacts will be short-lived, as in the case of the coronavirus pandemic.

Sievi Capital's result for the first quarter showed a loss due to unrealised changes in the values of investments, with the negative change in the value of the Indoor Group investment having the largest effect. Return on equity for a rolling 12 months at the end of the review period was 14.6%, which exceeds our long-term minimum target level.

During the first months of the year, we focused particularly on supporting our target companies in the organic and inorganic development of their business, as well as our strategy work. Our objective is to increase Sievi Capital's shareholder value by increasing transparency, among others. This Business Review marks the first time we are reporting the key net sales and profit figures, including comparison figures, for our target companies for the first three months of the year. There was also a change in our organisation during the review period. Tuomas Joensuu, who had been a member of our investment team since 2019, became Sievi Capital's interim CFO in March.”

January–March 2022

Target companies

Indoor Group

Indoor Group's operating environment became more challenging in January–March. Uncertainty has been increased by the negative impact on consumer demand of the war in Ukraine. The war has also further increased the purchase prices of raw materials and products. Logistics costs were at a record-high level, which had a negative impact on profitability. Product availability improved slightly compared to the end of 2021 and was at a satisfactory level.

Indoor Group's net sales for January–March decreased by 3% year-on-year, while operating profit declined by EUR 4.0 million compared to the very strong comparison period. The decline in profitability was attributable to the lower net sales as well as the higher purchasing costs of products and higher fixed costs. The increase in fixed costs was partly due to an ERP system renewal project. Costs of EUR 0.9 million were recognised in the review period in relation to the project.

The company's ERP system renewal project has progressed according to plan. The project has moved from the design stage to the deployment stage. Indoor Group's plans are for the system to be deployed in stages during the third quarter of 2022 and the first quarter of 2023. The new ERP system is expected to further improve the company's ability to develop and manage its business in a multi-channel operating environment.

Indoor Group Holding Oy's key figures

| EUR million | 1-3/2022 | 1-3/2021 | 1-12/2021 |
|---|----------|----------|-----------|
| Net sales | 45.6 | 47.1 | 204.8 |
| EBITDA ⁽¹⁾ | 3.2 | 7.0 | 32.3 |
| EBIT ⁽²⁾ | -1.5 | 2.5 | 14.1 |
| EBITDA (FAS) ⁽³⁾ | -0.7 | 2.8 | 16.1 |
| Sievi Capital's holding at the end of the period ⁽⁴⁾ | 58.3% | 58.2% | 58.3% |

The key figures are consolidated IFRS figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBIT = operating profit (earnings before interest and taxes)

(3) Unaudited EBITDA calculated according to the Finnish Accounting Standards (FAS)

(4) Of outstanding shares

January–March 2022

KH-Koneet Group

KH-Koneet Group's operating environment during the review period was better than expected. Demand was at a good level and there were only occasional delays in the delivery times of machines. The company has sought to ensure the availability of the machines by making proactive orders, which means that the inventory situation is fairly good. There may still be uncertainties associated with the delivery of new machines during the remainder of the year.

KH-Koneet Group's net sales grew by 39% year-on-year during the review period. Net sales grew in both operating countries, supported by strong demand in the machine dealership business and the rental business. During the review period, operations in Sweden already accounted for almost half of the company's net sales. The company's EBITDA nearly tripled due to the year-on-year increase in sales and amounted to EUR 1.7 million.

In line with its strategy, KH-Koneet Group has continued to actively develop its business operations. After the end of the review period, KH-Koneet Group acquired the Swedish machinery rental company Törnells Maskinuthyrning. The company's premises are located in Gothenburg, and its net sales for the financial period that ended in August 2021 amounted to SEK 47 million. Törnells Maskinuthyrning's extensive fleet of machinery supports KH-Koneet Group's position in the Swedish market, which has seen strong growth in the demand for rental machinery.

KH-Koneet Group Oy's key figures

| EUR million | 1-3/2022 | 1-3/2021 | 1-12/2021 |
|--|----------|----------|-----------|
| Net sales | 42.4 | 30.4 | 168.7 |
| EBITDA ⁽¹⁾ | 1.7 | 0.6 | 10.3 |
| EBITA ⁽²⁾ | 1.4 | 0.3 | 8.9 |
| Sievi Capital's holding at the end of the period | 90.5% | 66.4% | 90.5% |

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

January–March 2022

Logistikas

Logistikas' operating environment developed favourably in the first quarter, although certain challenges were still present. Challenges associated with the availability of components ordered by the company's customers and global supply chain disruptions affected the predictability of customer volumes and, consequently, Logistikas' operational efficiency. Nevertheless, demand was generally at a good level and picked up clearly towards the end of the review period.

Logistikas' net sales for January–March increased by 62% year-on-year. Net sales were boosted by organic growth as well as the acquisition made last year. EBITDA improved year-on-year by EUR 0.1 million. As the company's operational efficiency was not at the optimal level at the beginning of the year, its relative profitability was fairly low during the review period.

Logistikas will continue to execute its strategic growth plan, which includes both organic growth and acquisitions. Logistikas took an important step in its growth after the review period by expanding its operations related to the service provision of Rauma Marine Constructions Oy, which operates at the Rauma shipyard, following a business transfer. In addition to the previous cooperation, Logistikas will now also assume responsibility for Rauma Marine Constructions' internal logistics services for steel production and block manufacturing as well as tool distribution service operations.

Logistikas Oy's key figures

| EUR million | 1-3/2022 | 1-3/2021 | 1-12/2021 |
|--|----------|----------|-----------|
| Net sales | 7.0 | 4.3 | 22.0 |
| EBITDA ⁽¹⁾ | 0.3 | 0.2 | 1.7 |
| EBITA ⁽²⁾ | 0.2 | 0.1 | 1.3 |
| Sievi Capital's holding at the end of the period | 65.9% | 70.0% | 65.9% |

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

January–March 2022

Nordic Rescue Group

Nordic Rescue Group's operating environment remained challenging especially due to problems with the availability of chassis and components, which has affected the rescue vehicle market in the form of delayed deliveries and higher component purchase prices. The company's activity in terms of quotations picked up slightly during the review period, and the order book at the end of March was at a higher level than at the corresponding time in the previous year due to the acquisition made last year.

Net sales for January–March increased by 26% year-on-year as a consequence of the acquisition made last year. The net sales for the comparison period include EUR 2.2 million in a non-recurring asset sale. Adjusted for the effect of that sale, net sales for the review period also increased organically. EBITDA decreased by EUR 0.2 million year-on-year and was negative. Profitability was weighed down not only by the increased costs but also by arbitration proceedings concerning a dispute related to the Saurus Oy and Vema Lift Oy transaction's purchase agreement and purchase price liabilities, from which Nordic Rescue Group incurred non-recurring expenses totalling EUR 0.9 million. Of that amount, EUR 0.3 million was already recognised in 2021. After the review period, Nordic Rescue Group paid a deferred purchase price of EUR 1.7 million to the seller of Saurus and Vema Lift. The payment of the liability was financed by a junior loan granted by the owners of Nordic Rescue Group, of which Sievi Capital's share was EUR 1.3 million.

The company has continued to take measures to improve sales and profitability as well as facilitate the availability of components. These measures have enabled the company to reactivate some of its market areas. The rescue vehicle market is still expected to grow in the future, and the company is in a good position to execute its growth strategy when component availability improves.

Nordic Rescue Group Oy's key figures

| EUR million | 1-3/2022 | 1-3/2021 | 1-12/2021 |
|--|----------|----------|-----------|
| Net sales | 10.5 | 8.3 | 37.6 |
| EBITDA ⁽¹⁾ | -0.5 | -0.3 | -0.1 |
| EBITA ⁽²⁾ | -0.6 | -0.4 | -0.4 |
| Sievi Capital's holding at the end of the period | 67.9% | 69.9% | 67.9% |

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

January–March 2022

HTJ

Economic uncertainty and rising inflation were reflected in HTJ's operating environment in the form of higher costs for construction materials, availability problems and also the postponement of certain projects. Nevertheless, on the whole, the impacts on HTJ's ongoing projects have been limited. The demand situation and quotation activity for construction consulting services were at a good level in the first months of the year. HTJ serves a wide range of public and private sector customers, and the company received several significant new orders in the first quarter. The order book at the end of March was higher than at the corresponding time in 2021, and the company has a good amount of projects not only for this year but also for the coming years.

The development of net sales and EBITDA for January–March was positive, supported by the good demand situation and order book. Net sales grew by 4% compared to the pro forma net sales for the corresponding period last year. Growth was achieved in all of the company's business sectors. EBITDA improved by EUR 0.1 million and amounted to EUR 0.6 million in January–March. Relative profitability also improved year-on-year.

HTJ's business was actively developed in the first quarter. The organisation was strengthened through new recruitment, especially in the Helsinki metropolitan area. As part of HTJ's management retention and commitment programme, a directed share issue was carried out in January, which led to Sievi Capital's holding in the company decreasing slightly. After the HTJ acquisition carried out in October, strategy work has been initiated in the company to assess development opportunities and strengthen the foundation for future growth as a leading independent construction management company. As part of the strategy, HTJ has also actively evaluated opportunities to strengthen its service offering through acquisitions, and the company has engaged in discussions with potential targets.

HTJ Holding Oy's key figures

| EUR million | 1-3/2022 | 1-3/2021 | 1-12/2021 |
|--|----------|----------|-----------|
| Net sales | 4.8 | 4.6 | 19.0 |
| EBITDA ⁽¹⁾ | 0.6 | 0.4 | 2.3 |
| EBITA ⁽²⁾ | 0.6 | 0.4 | 2.2 |
| Sievi Capital's holding at the end of the period | 91.7% | - | 92.4% |

The key figures are unaudited consolidated FAS (Finnish Accounting Standards) figures. The figures for 2021 are unaudited pro forma figures, which have been combined from the figures of the acquired company Rakennuttajatoimisto HTJ Oy until the completion of the acquisition (4 October 2021) and from the figures of the HTJ Holding group in the period after that.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

January–March 2022

Result, financial position and net asset value

Sievi Capital's operating profit for January–March was EUR -2.9 (3.7) million and the net profit for the period amounted to EUR -2.4 (3.5) million. Earnings per share (undiluted and diluted) were EUR -0.04 (0.06). The result was negative due to a decline in the fair values of investments. Unrealised changes in the fair values of investments totalled EUR -2.3 million, which was mainly due to the value of the Indoor Group investment changing by EUR -2.3 million. Sievi Capital's return on equity for rolling 12 months was 14.6% (23.2%), which exceeds the company's long-term minimum target level of 13%.

Sievi Capital's gearing at the end of the period was 10.3% (-13.2%), which is in line with the company's financial targets (gearing of at most 20%). Sievi Capital took out a loan of EUR 4.5 million in March for the purpose of the company's investment activities and other general financing needs. The loan is due in one instalment in October 2023. The loan agreement includes a financial covenant based on Sievi Capital's equity. The terms of the covenant were met at the end of the review period.

At the end of the review period, the total value of private equity investments was EUR 106.2 million (3/2021: EUR 73.9 million and 12/2021: EUR 108.3 million). The total value of private equity investments decreased slightly from the end of 2021 due to a decrease in the fair value of investments. Sievi Capital's net asset value per share on 31 March 2022 was EUR 1.57 (3/2021: EUR 1.39 and 12/2021: EUR 1.61).

Distribution of investments and net asset value

| EUR million | 31 Mar. 2022 | % | 31 Mar. 2021 | % | 31 Dec. 2021 | % |
|---|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| Private equity investments | | | | | | |
| Indoor Group Holding Oy | 47.4 | 52.0% | 42.8 | 53.0% | 49.7 | 53.2% |
| KH-Koneet Group Oy ⁽¹⁾ | 37.5 | 41.2% | 17.4 | 21.5% | 36.5 | 39.1% |
| Logistikas Oy | 6.0 | 6.6% | 6.3 | 7.8% | 6.3 | 6.7% |
| Nordic Rescue Group Oy | 5.7 | 6.3% | 7.4 | 9.2% | 6.5 | 7.0% |
| HTJ Holding Oy ⁽¹⁾ | 9.5 | 10.5% | - | - | 9.3 | 10.0% |
| Private equity investments, total | 106.2 | 116.6% | 73.9 | 91.4% | 108.3 | 115.9% |
| Cash and cash equivalents and other financial assets | 5.2 | 5.7% | 10.7 | 13.2% | 1.8 | 2.0% |
| Loans from financial institutions | -10.0 | -11.0% | - | - | -5.5 | -5.9% |
| Deferred tax liabilities and assets, total | -5.6 | -6.1% | -4.6 | -5.7% | -6.2 | -6.6% |
| Other liabilities, receivables and assets, total ⁽¹⁾ | -4.7 | -5.2% | 0.8 | 1.0% | -5.0 | -5.4% |
| Total net asset value | 91.1 | 100.0% | 80.8 | 100.0% | 93.5 | 100.0% |
| Net asset value per share (EUR) | 1.57 | | 1.39 | | 1.61 | |

The percentages in the "Distribution of investments and net asset value" table have been calculated on the basis of net asset value.

⁽¹⁾ Sievi Capital and all of the minority shareholders of KH-Koneet Group and HTJ Holding agreed on a mutual right to complete a transaction concerning all of the shares held by the minority shareholders. Therefore, the investment in said companies is presented as if Sievi Capital had a 100% holding and the non-controlling interests are presented as contingent liabilities at fair value through profit or loss in other liabilities.

January–March 2022

Future outlook

In line with its current strategy, Sievi Capital will continue to explore new investment opportunities. The company plans to make an average of 1–2 new investments per year but the number of investments made may vary from year to year. For existing investments, the active development of the companies' business operations will continue. Exit planning and the assessment of exit opportunities will also continue. Sievi Capital will carry out strategy work during the current year, as part of which alternative strategies for increasing shareholder value that differ from the current strategy will also be considered.

Sievi Capital does not consolidate the data of its subsidiaries into Group-level calculations line item by line item but recognises investments in the companies at fair value through profit or loss. Changes in the fair values of the investments have a material impact on Sievi Capital's results. In addition to the target companies' own development, factors that influence the development of the fair values of the investments include, for instance, the general development of different sectors and national economies as well as changes in their outlooks, the development of stock market and interest rates and other factors beyond Sievi Capital's control. Furthermore, the coronavirus pandemic increases uncertainty when it comes to anticipating development.

Sievi Capital's financial target is a return on equity of at least 13%, the achievement of which the company considers to be realistic in the long term. Due to the nature of the business, the company's short-term result development is subject to volatility that is difficult to predict. Therefore, Sievi Capital does not provide an estimate of the result development in 2022.

Helsinki, 4 May 2022
Sievi Capital Plc
Board of Directors

Sievi Capital's financial information in 2022

Half-Year Report for January–June 2022 on 17 August 2022

Business Review for January–September 2022 on 3 November 2022

Sievi Capital is a partner for Finnish entrepreneurs. We support the growth, performance and value creation of small and medium-sized companies and concurrently build national competitiveness. We believe that we succeed together as co-entrepreneurs. Sievi Capital's share is listed on Nasdaq Helsinki.