Q1/2021

Sievi Capital Plc
Business Review

January–March 2021
29 April 2021

RETURN ON EQUITY AT A VERY STRONG LEVEL

January–March 2021

- Operating profit was EUR 3.7 (-4.6) million
- Net profit for the period was EUR 3.5 (-3.7) million
- Earnings per share (undiluted and diluted) were EUR 0.06 (-0.06)
- Net asset value per share at the end of the review period was EUR 1.39 (1.14)
- Return on equity for rolling 12 months was 23.2% (10.7%)
- Gearing at the end of the review period was -13.2% (-22.7%)

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 Päivi Marttila:

"The year 2021 started in our target companies under varying circumstances. The coronavirus pandemic made it difficult for our target companies to do business early in the year, which had an impact on the development of the companies in the first quarter. In spite of this, two of the four companies' EBITDA for January–March improved from the previous year. All target companies made good progress in implementing their business plans and the companies' short-term outlooks currently seem positive.

Sievi Capital's result for the first quarter was strong. As a result of several favourable quarters, Sievi Capital's return on equity for rolling 12 months was very strong, 23.2%, at the end of the review period. This is well above our long-term minimum target level. The good return on equity is the result of successful investment decisions and the strong performance of our target companies over the past 12 months in the exceptional market environment.

In the M&A market, activity is currently at a high level. Several companies are seeking change in their ownership structures and partners for the next development phase. There is also a large number of players on the market looking for investments, and the competition for good investments is fierce. Sievi Capital's promise of partnership for potential target companies is strong, and we have a solid track record of successful development of our target companies. We are convinced that thanks to this and our active deal flow work, we will be able to invest in 1–2 new target companies annually in accordance with our goals despite the fierce competition."

Target companies

Indoor Group

Indoor Group's net sales for January–March increased slightly and operating profit improved significantly from the comparison period. Online sales continued strong growth during the review period. Gross margin improved compared to the comparison period in line with the goals as a result of the measures taken by the company. Indoor Group's financial position is strong, thanks to last year's good profit and cash flow development. Facilitated by the strong financial position, the company paid dividends of EUR 4.7 million during the review period, of which Sievi Capital's share was EUR 2.7 million.

Indoor Group's operating environment varied during the review period. Overall, the demand situation was good, but the coronavirus pandemic affected the operating environment. In Estonia, the company's shops were closed for several weeks towards the end of the reporting period under a decision by the government. The availability of products improved during the review period, but was still clearly weaker than normal. Besides responding to changing market conditions, the company continued to implement measures in line with its strategy. One important ongoing development project is a renewal of the ERP system. The new ERP system and its supplier have been selected, and the company plans to deploy the system gradually during 2022.

KH-Koneet Group

KH-Koneet Group's net sales grew considerably during the review period from the previous year. Net sales increased in both countries of operation, with focus of growth in Sweden. In Finland, sales were particularly supported by good demand for winter maintenance machinery and equipment. In Sweden, the growth in net sales was particularly attributable to the company's new representations agreed upon last year and the rental business acquired in June 2020. As a result of the growth in net sales, KH-Koneet Group's EBITDA also improved slightly on the previous year, even though higher fixed costs following the expansion of operations burdened profitability in the typically softest quarter of the year.

The company's operating environment was reasonably stable in January–March. As usual, the demand picked up seasonally towards the end of the reporting period. Disruptions in international production and supply chains have increased the risks relating to product availability, but this is not expected to have a material impact on the company's operations, at least in the next few months. KH-Koneet Group continued to develop the Swedish business during the review period with several important recruitments and by opening a new office in Jönköping. In addition to investments in growth, operations have also been improved by harmonising the information systems and centralising support functions.

Logistikas

Logistikas' net sales decreased significantly during the review period from last year's pro forma level. The decline in the net sales was caused by the termination of a single significant procurement services customer relationship in spring 2020. The net sales of logistics services grew only slightly from the reference period due to market disruptions. The challenges of global container traffic and the coronavirus pandemic complicated the operations of the company's customers during the quarter, which affected the company's business volumes. Following net sales falling short of plans, Logistikas' EBITDA for January–March was slightly lower than last year's pro forma level.

The takeover of Logistikas, which became Sievi Capital's target company in December 2020, has progressed as planned. The takeover measures have included supplementing the Board of Directors, developing reporting and strengthening the operating models related to responsible business operations. As a result of these changes, the already well-managed company will be even better prepared for the targeted organic and inorganic growth. In order to facilitate growth, the company's sales organisation was also strengthened during the review period.

Nordic Rescue Group

Nordic Rescue Group's net sales grew clearly in the first quarter from last year's pro forma level. The growth in net sales was essentially due to the sale of certain assets transferred to the company in an acquisition, which had no impact on the company's results. Excluding the impact of the sale of the above-mentioned assets, the company's net sales decreased slightly, as a result of which the company's EBITDA fell clearly below last year's pro forma level.

The company's operating environment was stable in the first quarter. The order book was clearly higher year-on-year at the end of the review period, but its development did not fully meet the set objectives, due to the postponed decision making on some expected sales orders, among other things. A major step in the development of Nordic Rescue Group was taken in January, when Vema Lift's operations were centralised in a new plant in Kaarina. Centralising operations into one instead of the three separate locations enables, among other things, more efficient production operations and significantly increases the company's production capacity. Vema Lift's new premises and competitive new products provide good preconditions for business development.

Result, financial position and net asset value

Sievi Capital's operating profit for January–March was EUR 3.7 (-4.6) million and its net profit for the period amounted to EUR 3.5 (-3.7) million. Earnings per share (undiluted and diluted) were EUR 0.06 (-0.06). Net profit for the period increased significantly from the low level in the comparison period. Changes in the values of all investments were slightly positive during the reporting period, except for the Nordic Rescue Group investment, with its fair value decreasing slightly. Dividend income during the review period was EUR 2.7 million relating to dividends from Indoor Group. Sievi Capital's return on equity for rolling 12 months was 23.2% (10.7%), which is clearly above the company's long-term minimum target level of 13%.

Sievi Capital's financial position has remained strong and gearing was -13.2% (-22.7%) at the end of the period.

At the end of the review period, the total value of private equity investments was EUR 73.9 million (3/2020: EUR 52.7 million and 12/2020: 72.4). The total value of private equity investments increased slightly from the level at the end of 2020 as a result of an increase in the fair values of investments. Sievi Capital's net asset value per share on 31 March 2020 was EUR 1.39 (3/2020: EUR 1.14 and 12/2020: EUR 1.33).

Distribution of investments and net asset value

EUR million	31 March 2021	%	31 March 2020	%	31 Dec. 2020	%
Private equity investments						
Indoor Group Holding Oy	42.8	53.0%	24.2	36.6%	41.5	53.6%
KH-Koneet Group Oy	17.4	21.5%	16.9	25.6%	17.0	22.0%
Logistikas Oy	6.3	7.8%	-	-	6.1	7.9%
Nordic Rescue Group Oy	7.4	9.2%	8.4	12.7%	7.9	10.2%
Suvanto Trucks Oy	-	-	3.2	4.8%	-	-
Private equity investments, total	**73.9**	**91.4%**	**52.7**	**79.9%**	**72.4**	**93.7%**
Cash and cash equivalents and other financial assets	10.7	13.2%	15.0	22.8%	8.6	11.1%
Deferred tax liabilities and assets, total	-4.6	-5.7%	-1.8	-2.7%	-4.4	-5.7%
Other liabilities, receivables and assets, total	0.8	1.0%	0.1	0.1%	0.7	0.9%
Total net asset value	**80.8**	**100.0%**	**66.0**	**100.0%**	**77.3**	**100.0%**
Net asset value per share (EUR)	**1.39**		**1.14**		**1.33**	

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

Future outlook

Sievi Capital will continue to explore new investment opportunities in line with its strategy. 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 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 2021.

Helsinki, 28 April 2021
Sievi Capital Plc
Board of Directors

Sievi Capital's financial information in 2021

Half-Year Report for January–June 2021 on 17 August 2021

Business Review for January–September 2021 on 28 October 2021

Sievi Capital is a listed (Nasdaq Helsinki) private equity investment company that invests in small and medium-sized Finnish companies. Sievi Capital acts in close partnership with management and co-owners in target companies and actively supports growth, performance and value creation.