panostaja

Q1

Business Review

13 March, 2025

November 2024 – January 2025

Panostaja Oyj's Business Review
November 1, 2024–January 31, 2025

Varying development across our segments – CoreHW achieves a strong opening to the financial period, Grano's demand remains modest

NOVEMBER 2024–JANUARY 2025 (3 months) in brief:

- Net sales increased in one of our four segments. Net sales for the Group as a whole dropped by 1.8% to MEUR 32.7 (MEUR 33.3).
- EBIT improved in two segments. The entire Group's EBIT was MEUR -0.8 (MEUR -0.4).
- Grano's net sales for the review period dropped by 3% from the reference period. EBIT totaled MEUR -0.9 (MEUR 0.2). The EBIT includes one-time items related to change negotiations in the amount of MEUR -0.8.
- Earnings per share (undiluted) were -1.4 cents (-1.6 cents).

CEO Tapio Tommila:

“Similarly to the previous year, market uncertainty remained elevated in the first quarter, and we have not yet seen significant signs of recovery in the general economic development. Within the customer bases of our segments, investment decisions remained slow and general customer demand continued to be lower than usual. Overall, first-quarter net sales decreased by 1.8%, with Grano’s net sales being weaker than in the reference period and the change in Hygga's clinic business encumbering net sales as expected. On the other hand, CoreHW’s strong development continued in the first quarter of the financial year, supporting the total net sales level.

EBIT for the review period weakened to MEUR -0.8 from MEUR -0.4 in the reference period. An essential item that weakened the result was formed by the one-time costs related to Grano’s change negotiations, totaling MEUR 0.8. During the review period, Grano completed the change negotiations, and the structural and organizational changes implemented will achieve permanent annual cost savings of approximately MEUR 3, which will be fully realized in the 2026 financial year. In the review period, EBIT improved in two of our four investments, and CoreHW achieved the largest profitability improvement by far. Customer activity related to CoreHW’s design service was at a good level during the review period and EBIT increased to MEUR 0.7 (MEUR -0.2). Oscar Software also continued to improve profitability, with EBIT rising to MEUR 0.2 (MEUR 0.1) while net sales remained at the level of the reference period. Hygga’s EBIT decreased to MEUR -0.1 from MEUR 0.1 in the comparison period, while the transition of the clinic business back to private clinic business was under way.

The slow phase in the corporate acquisition market has continued beyond the turn of the year, and the number of bids is clearly lower than usual. We are actively focusing on generating our own project flow and focusing on exploring new corporate acquisition opportunities in our target sectors, in accordance with our goals.

On February 5, 2025, Panostaja’s Annual General Meeting decided to change the company’s financial year to a calendar year. As a result, the financial year that began on November 1, 2024 will end on December 31, 2025. We will release our six-month review and business report for the third quarter on October 30, 2025, according to our announced schedule. The preliminary plan will be to publish the financial statement bulletin at the turn of February and March 2026.”

Segments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 25.6, which is a decline of 3% from the reference period (MEUR 26.3). The EBIT for the review period deteriorated from the reference period level and stood at MEUR -0.9 (MEUR 0.2). The EBIT for the review period was weighed down by one-time costs related to change negotiations, totaling MEUR 0.8.

The demand situation remained weak in the review period for most of Grano's main customer segments. In the industrial and construction sectors, the demand situation continued to be poor. Public sector savings are also reflected in weakened demand in the customer segment. The clear improvement of market demand will require a more expansive upward trend in the Finnish economy, particularly in the segments of industry and construction. Furthermore, the unstable labor market situation is affecting customer demand in industry. In the commercial sector, demand has remained at a good level. Net sales development in relation to the reference period was strong with regard to the packaging and label business, in particular. On the other hand, the demand for sheet printing and construction-related printing services remained poor in the review period. Profitability in the review period was encumbered by one-time costs of MEUR 0.8 related to change negotiations as well as increased material and subcontracting costs for individual illuminated ad projects.

On January 20, 2025, Panostaja announced the conclusion of Grano's change negotiations. The resulting restructurings will discontinue a total of 50 positions. As part of the negotiated solution, it has been agreed that the company has the option to lay off personnel for a fixed period, the duration of which will vary from two to four weeks. Structural and organizational changes and other cost-saving measures will achieve permanent annual cost savings of roughly MEUR 3. The full cost savings are estimated to be realized in the 2026 financial year.

MEUR	**3 months**	**3 months**	**12 months**
	11/24-1/25	11/23-1/24	11/23-10/24
Net sales, MEUR	25.6	26.3	104.6
EBIT, MEUR	-0.9	0.2	3.0
Interest-bearing net liabilities	31.3	35.7	32.8
Panostaja's holding	55.2%		

Oscar Software

Oscar Software provides ERP systems and financial management services

Oscar Software's net sales of MEUR 2.9 for the review period were at the level of the reference period (MEUR 2.9). The review period's EBIT improved from the reference period level, standing at MEUR 0.2 (MEUR 0.1).

The general market demand remained satisfactory in the review period. There were no significant changes in the competitive situation of the market during the review period, but the competition has remained fierce in places. The operations have continued to be active in the review period with regard to expansions and further development projects for existing customers.

Interest towards Oscar Software's products and services has remained good, despite the uncertain general market situation making customers less sure to kick off larger investment projects. In the coming months, the demand situation is expected to remain at the level of the review period, as the economic turn is stalling. Moreover, the unstable labor market situation maintains uncertainty regarding customers' investment projects during the coming quarter.

The growth of the continuously invoiced software business, which is the company's strategic focus, continued as expected, but the development of selling expert services was modest in the review period, as there were continued challenges in the realization of new projects. Active sales efforts in the acquisition of new customers are being continued. Oscar Software's new, modern ERP business platform, Oscar P1, will be released in June 2025 as regards production control functionalities. Production planning and sales functionalities will follow later in 2025. The current year is significant for the company in terms of progressing its cloud-based business platform.

MEUR	**3 months**	**3 months**	**12 months**
	11/24-1/25	11/23-1/24	11/23-10/24
Net sales, MEUR	2.9	2.9	12.1
EBIT, MEUR	0.2	0.1	1.4
Interest-bearing net liabilities	1.6	3.0	1.8
Panostaja's holding	57.6%		

CoreHW

CoreHW provides high added value RF IC design and consulting services and product solutions for indoor positioning

CoreHW's net sales for the review period were MEUR 2.8, which was a 40% increase from the reference period (MEUR 2.0). EBIT for the review period improved from the reference period to MEUR 0.7 (MEUR -0.2) thanks to a strong increase in net sales. The net sales and profitability of the review period was particularly improved by strong customer project activity in design services.

Customer project activity in design services was at a good level during the review period. The workload of design services is expected to remain at a good level in the next quarter. Active sales work for design services has continued during the review period, focusing particularly on our own IP portfolio and further development projects for existing customer relationships. During the review period, new further development projects were established with existing customers. As a result of the active sales efforts, the order book for the review period remained at a good level.

CoreHW continued the active development and commercialization of its own products in the review period. During the review period, the first pilot deliveries to the Japanese market were completed, with product installations scheduled for the second quarter of the financial year. In terms of indoor positioning technology, the company will focus on securing the first reference customers in the United States health care market, where pilot order volumes from existing customers have continued to grow during the review period. The company will complete the product development phase of indoor positioning products and finalize product certification in the coming months. We will be aiming for significant net sales in the product business in the new financial period.

MEUR	**3 months**	**3 months**	**12 months**
	11/24-1/25	11/23-1/24	11/23-10/24
Net sales, MEUR	2.8	2.0	8.6
EBIT, MEUR	0.7	-0.2	-0.1
Interest-bearing net liabilities	10.0	9.8	10.9
Panostaja's holding	54.8%		

Hygga

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

Hygga's net sales for the review period were MEUR 1.4, which is a decrease of 30% compared to the reference period (MEUR 2.0). The decrease in net sales is due to the discontinuation of the City of Helsinki's outsourced services business at the end of the previous financial year. EBIT declined from the reference period, standing at MEUR -0.1 (MEUR 0.1).

The demand situation for the clinic business in the private sector developed positively during the review period, even though the overall volume of the clinic business decreased significantly after the end of the City of Helsinki's outsourced services agreement on October 31, 2024. During the review period, the company has continued to shift its clinic business back to a predominantly private clinic business model, supplemented by oral health care services for service voucher customers. Over the course of the review period, the company's cost structure has been developed to respond to the changed customer volume and the work will continue during the current financial year. Hygga will develop its oral health care services during the financial year as part of measures aimed at increasing the productivity of the clinic operations.

As regards the software business, the market situation has remained very difficult due to the efforts of the domestic wellbeing services counties to save in costs. The financial challenges of the wellbeing services counties have crystallized during the review period in the form of terminations of domestic Hygga Flow agreements. The financial impacts of the termination and discontinuation decisions will be reflected by Hygga's operations in the current financial period. The competitive situation in Finland has remained fierce, which causes significant pricing pressure. During the review period, the company won a new pilot project in Finland. In Finland, the dialogue with the wellbeing services counties will be continued on the possibilities of utilizing the Hygga Flow system in oral health care and basic health care, but a significant turn is not expected in the current financial period with regard to domestic demand. An agreement was reached during the review period to expand the production use of Hygga Flow in the Västernorrland region of Sweden. In the Örebro area, the company is in dialogue about the Hygga Flow system's scope of use.

MEUR	**3 months**	**3 months**	**12 months**
	11/24-1/25	11/23-1/24	11/23-10/24
Net sales, MEUR	1.4	2.0	8.8
EBIT, MEUR	-0.1	0.1	0.4
Interest-bearing net liabilities	9.5	9.9	9.7
Panostaja's holding	79.8%		

Gugguu

Gugguu designs and manufactures first-rate children's clothing

Gugguu is Panostaja's associated company, which is why its figures are not incorporated into Panostaja Group in the same way as those of other segments. Instead, its result impact is presented on a separate row in the Group's income statement. The company does not report its figures according to IFRS standards, and the figures presented here are largely indicative. In contrast to Panostaja, Gugguu's financial period will conclude at the end of March, but the figures presented adhere to Panostaja's financial period.

Gugguu's demand situation remained challenging in the review period. Overall, anticipating demand has continued to be extremely difficult due to the declined purchasing power of consumers. The net sales for the review period were lower than in the reference period. The adaptation of fixed costs will support the company's profitability also in a market environment with a lower net sales level.

Significant changes are not expected in the short-term market outlook. The spending behavior of customers is expected to remain cautious. The company has launched a loyal customer program, the purpose of which is to increase the average single purchases, annual purchases and life cycle value of customers. The after-sales market has also changed. Small and large operators have filed for bankruptcy or ceased their operations. This has choked the market for children's clothing – also on an international level. This offers the company the opportunity to secure a larger market share through its own online store, events and new retailers.

MEUR	**3 months**	**3 months**	**12 months**
FAS (illustrative figures)	11/24-1/25	11/23-1/24	11/23-10/24
Net sales, MEUR	0.7	0.9	3.1
EBIT, MEUR	-0.1	-0.0	-0.2
Panostaja's holding	43%		

FINANCIAL DEVELOPMENT November 1, 2024–January 31, 2025

KEY FIGURES

MEUR

	Q1	Q1	12 months
	11/24-1/25	11/23-1/24	11/23-10/24
Net sales, MEUR	32.7	33.3	134.0
EBIT, MEUR	-0.8	-0.4	2.5
Profit before taxes, MEUR	-1.0	-1.1	-3.1
Profit/loss for the financial period, MEUR	-1.1	-1.1	-3.2
Distribution:			
Shareholders of the parent company	-0.7	-0.9	-4.0
Minority shareholders	-0.3	-0.2	0.7
Earnings per share, undiluted, EUR	-0.01	-0.02	-0.08
Interest-bearing net liabilities	36.9	38.9	39.3
Gearing ratio, %	75.6	75.3	79.3
Equity ratio, %	38.2	36.9	37.8
Equity per share, EUR	0.53	0.60	0.54

NOVEMBER 2024–JANUARY 2025

Net sales for the review period dropped by 1.8% to MEUR 32.7 (MEUR 33.3). Exports amounted to MEUR 2.1, or 6.5% (MEUR 1.9, or 5.7%), of net sales. Net sales increased in one of the four segments.

EBIT totaled MEUR -0.8 (MEUR -0.4). EBIT improved in two of the four segments. The development of net sales and EBIT for each of our segments has been commented on separately. The profit/loss for the review period was MEUR -1.1 (MEUR -1.1).

Distribution of net sales by segment
MEUR

Net sales	Q1 11/24-1/25	Q1 11/23-1/24	12 months 11/23-10/24
Grano	25.6	26.3	104.6
Hygga	1.4	2.0	8.8
CoreHW	2.8	2.0	8.6
Oscar Software	2.9	2.9	12.1
Others	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1
Group in total	32.7	33.3	134.0

Distribution of EBIT by segment

MEUR

EBIT	Q1 11/24-1/25	Q1 11/23-1/24	12 months 11/23-10/24
Grano	-0.9	0.2	3.0
Hygga	-0.1	0.1	0.4
CoreHW	0.7	-0.2	-0.1
Oscar Software	0.2	0.1	1.4
Others	-0.6	-0.6	-2.1
Group in total	-0.8	-0.4	2.5

Panostaja Group's business operations for the current review period are reported in five segments: Grano, Hygga, CoreHW, Oscar Software and Others (parent company and associated companies).

One associated company, Gugguu Group Oy, provided a report for the review period. The impact on profit/loss of the reported associated companies in the review period was MEUR -0.1 (MEUR -0.0), which is presented in a separate row in the consolidated income statement.The development of Gugguu's net sales and EBIT has been commented on more specifically in the Segments section.

OUTLOOK FOR THE 2025 FINANCIAL PERIOD

Activity in the corporate acquisition market has been slow due to the uncertain economic outlook, and the availability of new segments has declined. The consistently high liquidity of the market and the continuously high price expectations of the sellers have contributed to making the operating environment challenging for corporate acquisitions. That said, the need for SMEs to utilize ownership arrangements and growth opportunities will continue and, as the economic outlook improves, the corporate acquisition market is expected to recover. We will continue to actively explore new possible investment targets in accordance with our strategy and assess divestment possibilities as part of the ownership strategies of the investment targets.

It is thought that the demand situation for different investments will develop in the short term as follows:

- The demand for Grano, Oscar Software, CoreHW and Hygga will remain satisfactory.

The demand situation presented above involves uncertainties relating to any geopolitical and macroeconomic impacts that are difficult to anticipate. In addition to this, the domestic labor market situation and the instability of international trade policy increase uncertainty for the current financial year. The effects of the war in Ukraine as well as related economic sanctions and geopolitical tensions will increase economic uncertainty in Finland and abroad, which may negatively impact segment demand or the availability of materials, and thereby material prices and delivery capabilities. The general economic volatility may have a negative impact on the purchasing power of consumers and the willingness of companies to make investments, which may weaken the demand situation of our segments from the estimate provided above.

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila

CEO

ACCOUNTING PRINCIPLES

All forecasts and assessments presented in this business report 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 EUR 1,000	January 31, 2025	January 31, 2024
Grano	31,309	35,685
Hygga	9,533	9,899
CoreHW	10,001	9,840
Oscar Software	1,620	3,010
Parent company	-15,587	-19,488
Others	0	0
Group in total	36,877	38,946

The impact of the IFRS 16 standard on the Group's net liabilities is MEUR 24.8 (MEUR 30.4).

Write-downs per segment

EUR 1,000	January 31, 2025	January 31, 2024
Grano	-2,423	-2,470
Hygga	-167	-160
CoreHW	-158	-156
Oscar Software	-232	-225
Others	-19	-17
Group in total	-2,998	-3,027

The impact of the IFRS 16 standard on the Group's depreciations is MEUR 2.2 (MEUR 2.2).

Panostaja is an investment company developing Finnish companies in the growing service and software sectors as 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 four investment targets. Grano Oy is the most versatile expert of content services in Finland. Hygga Oy is a company providing health care services and the ERP system for health care providers. CoreHW provides high added value RF IC design services and indoor position product solutions. Oscar Software provides ERP systems and financial management services.