



VMP Plc Half-Year Report January—June 2019

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Juha Pesola, CEO

Hannu Nyman, CFO

Content


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Juha Pesola
CEO



Hannu Nyman
CFO



VMP's vision is to help both employers and employees succeed in the changing world of work.

VMP pursues growth organically and through acquisitions



Strong growth continued



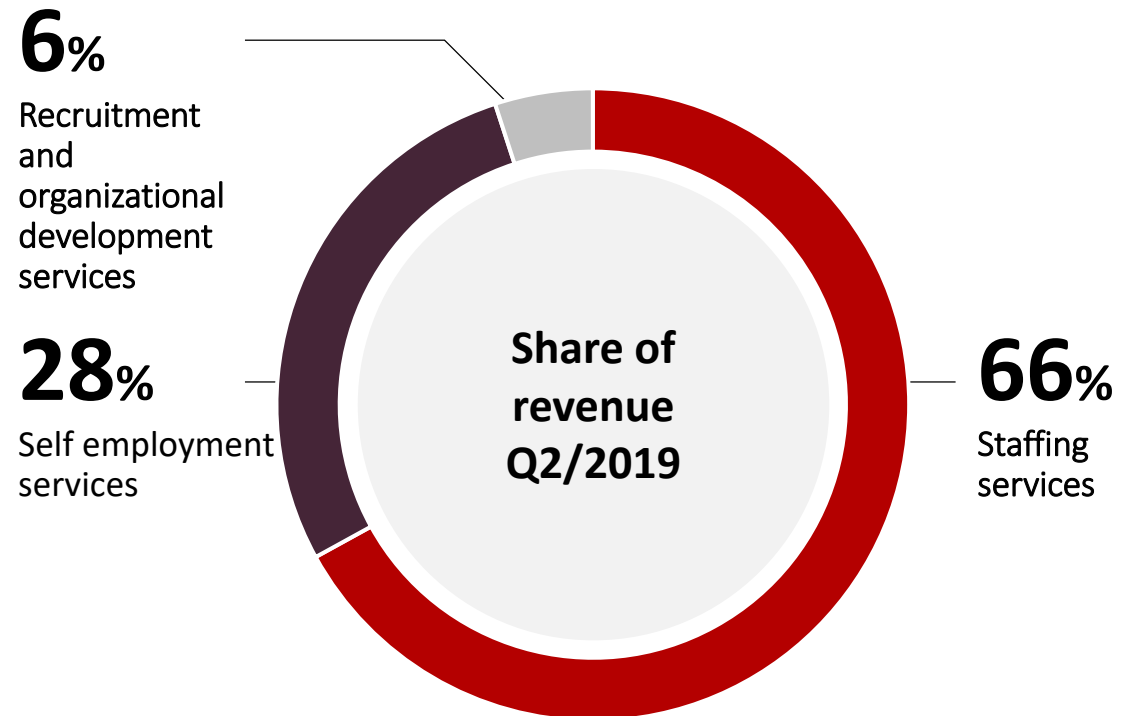
April–June 2019

- Revenue was EUR 44.4 million (32.4). Revenue increased by 36.8%.
- EBITDA was EUR 3.0 million (2.5). EBITDA increased by 20.2%.
- Adjusted EBITDA was EUR 3.2 million (2.7), increase of 22.1%.
- Earnings per share (EPS) was EUR -0.02 (-0.26).
- Chain wide revenue was EUR 63 million (54), increase of 17%.
- VMP strengthened its recruiting and organizational development business area and expanded its service offering by acquiring Corporate Spirit Ltd in April.
- VMP initiated a cost savings and efficiency program, targeting annual savings of approximately EUR 2.5 to 3.0 million.

January–June 2019

- Revenue was EUR 82.6 million (60.5). Revenue increased by 36.6%.
- EBITDA was EUR 6.6 million (4.5). EBITDA increased by 48.0%.
- Adjusted EBITDA was EUR 5.8 million (5.0), increase of 15.6%.
- Earnings per share (EPS) was EUR 0.01 (-0.29).
- Chain wide revenue was EUR 118 million (99), increase of 19%.

Revenue by service area



The financial statements and interim reports of VMP Plc are made pursuant to Finnish accounting legislation (FAS).

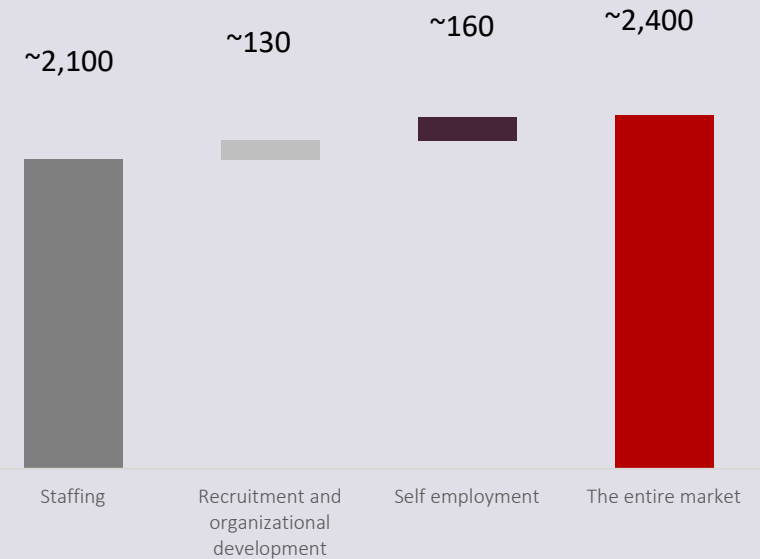


Market review

- Consolidation of the HR industry
- Workforce availability challenges in customer companies
- Demographic changes in Finland
- Need for reforms to boost employment services
- Flexible forms of working becoming more prevalent

- **Staffing services:** the largest companies have grown by approximately 6% during January–June 2019 (according to HPL), including some inorganic growth.
- **Recruitment and organizational development services:** the recruitment market has slightly decreased from the previous year's level in the beginning of year 2019.
- **Self employment services:** market leaders have continued strengthening their position.

The size of HR service market in Finland, 2018 (EUR million), management's estimate



Financial development 1-6/2019

Hannu Nyman, CFO

Revenue

April–June 2019

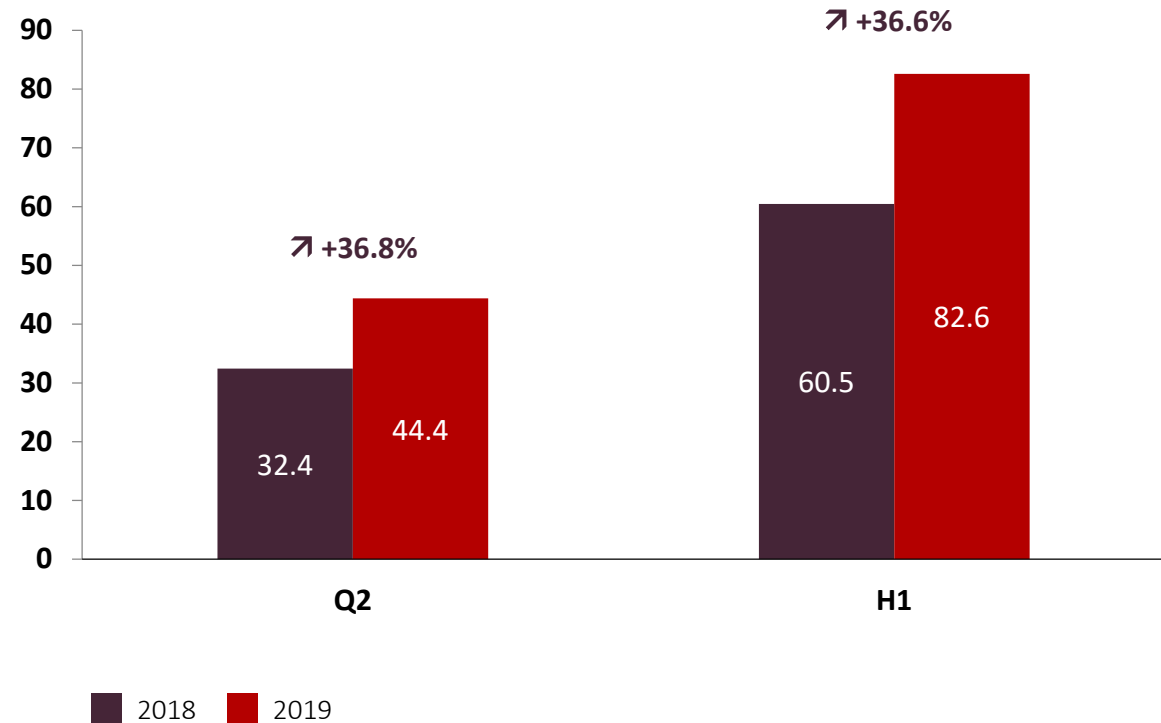
- Revenue increased particularly strongly, by 61.0%, in the staffing service area as a consequence of acquisitions realized at the end of year 2018 and during the first quarter of the year 2019.

January–June 2019

- Revenue increased particularly strongly, by 61.3%, in the staffing service area as a consequence of acquisitions realized at the end of year 2018 and during the first quarter of the year 2019.

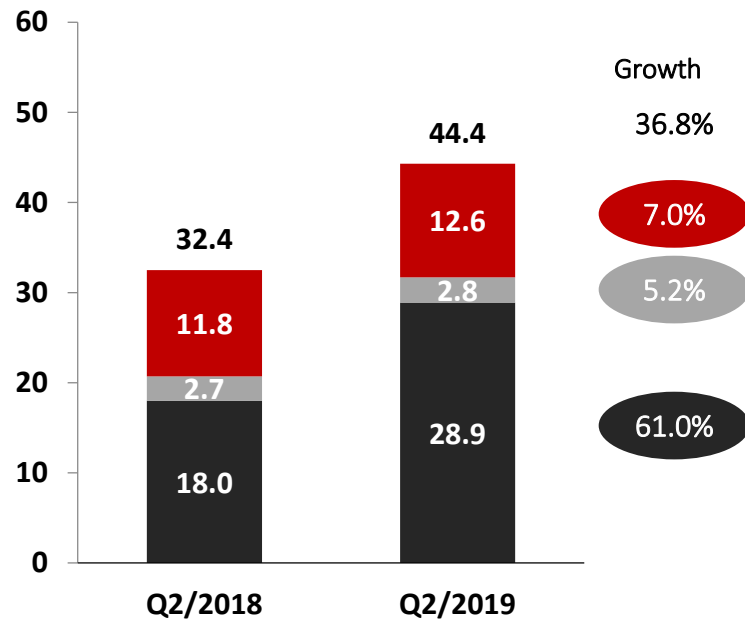
Revenue

EUR million



Development of revenue by service area

EUR million



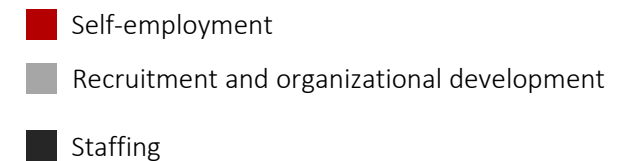
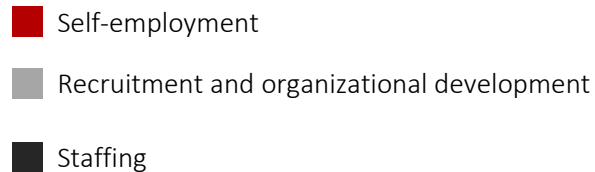
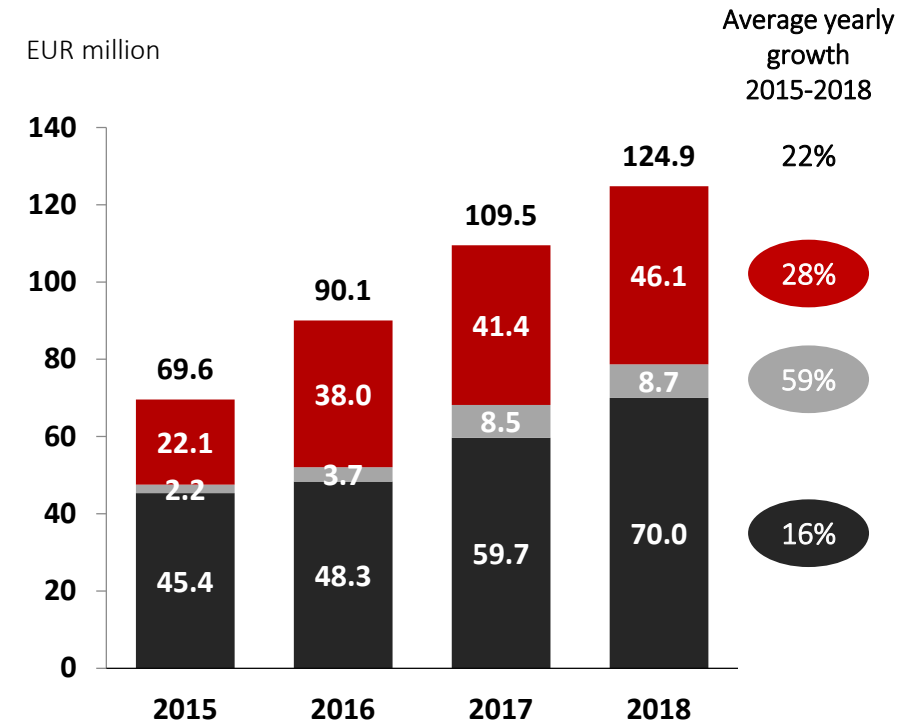
April–June 2019

- Particular strong growth in staffing service area. Revenue increased particularly strongly in service sector.
- In self-employment service area, increase in revenue stemmed mainly from the increase in the service's user volume.
- In the recruitment and organizational development service area, increase in revenue stemmed from the acquisition of Corporate Spirit realized in the service area.

Financial years 2015–2018

- Strong growth in all service areas.

EUR million



Adjusted EBITDA

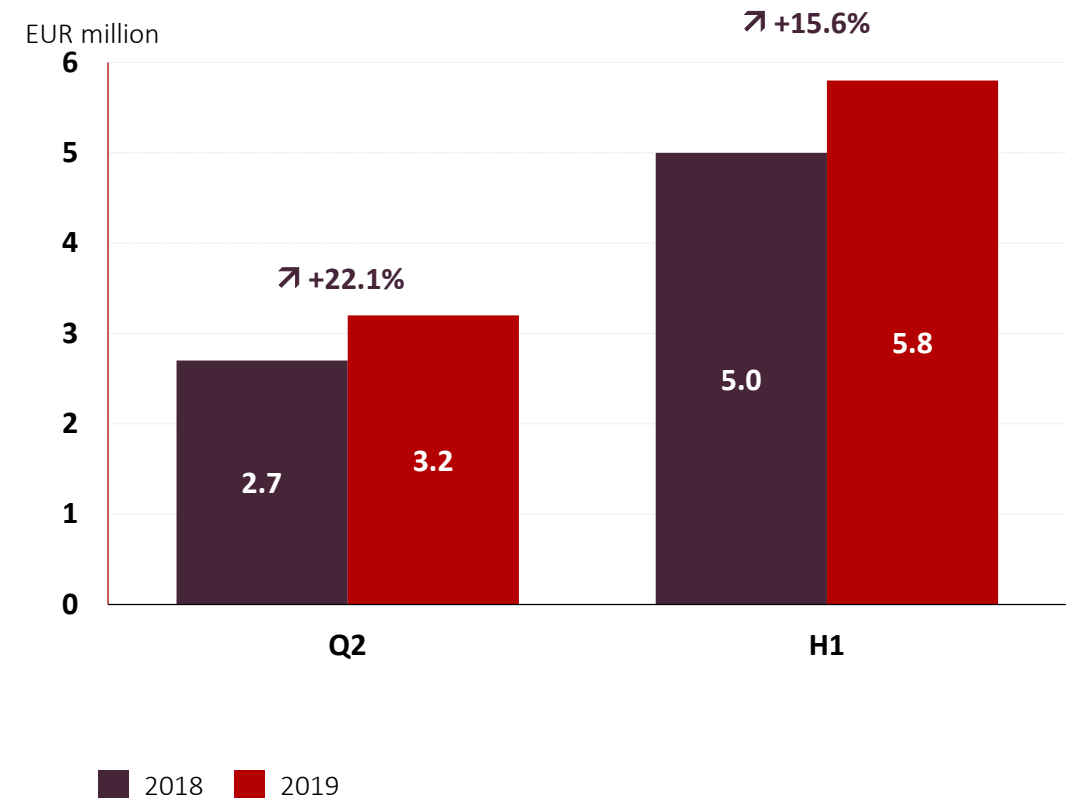
April–June 2019

- EBITDA was EUR 3.0 million (2.5).
- Adjusted EBITDA was EUR 3.2 million. EUR 0.3 million of personnel expenses relating to severance payments were entered as items affecting comparability.
- The change in the adjusted EBITDA margin from 8.2% to 7.3% was due to changed sales mix after acquisitions.

January–June 2019

- EBITDA was EUR 6.6 million (4.5).
- Adjusted EBITDA of EUR 5.8 million is lesser than EBITDA by EUR 0.8 million mainly because of the capital gain of EUR 1.2 million from Alina divestment, entered in other operating income, and personnel expenses of EUR 0.4 million relating to severance payments.
- The change in the adjusted EBITDA margin from 8.3% to 7.0% was due to sales mix changes after acquisitions.

Adjusted EBITDA



Key figures

EUR million	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	2018
Revenue	44.4	32.4	37%	82.6	60.5	37%	124.9
Adjusted EBITDA	3.2	2.7	22%	5.8	5.0	16%	10.2
Adjusted EBITDA margin, %	7.3%	8.2%	-	7.0%	8.3%	-	8.2%
EBITDA	3.0	2.5	20%	6.6	4.5	48%	9.8
Earnings per share, EUR	-0.02	-0.26	-	0.01	-0.29	-	-0.20
Earnings per share without amortization, EUR	0.14	-0.13	-	0.31	-0.05	-	0.27
Net debt / Adjusted EBITDA (net leverage)	-	-	-	1.9 x	1.5 x	-	1.4 x
Operative free cash flow	1.1	2.2	-	3.4	4.4	-	9.5
Chain wide revenue	63	54	17%	118	99	19%	204

Financial standing and cash flow

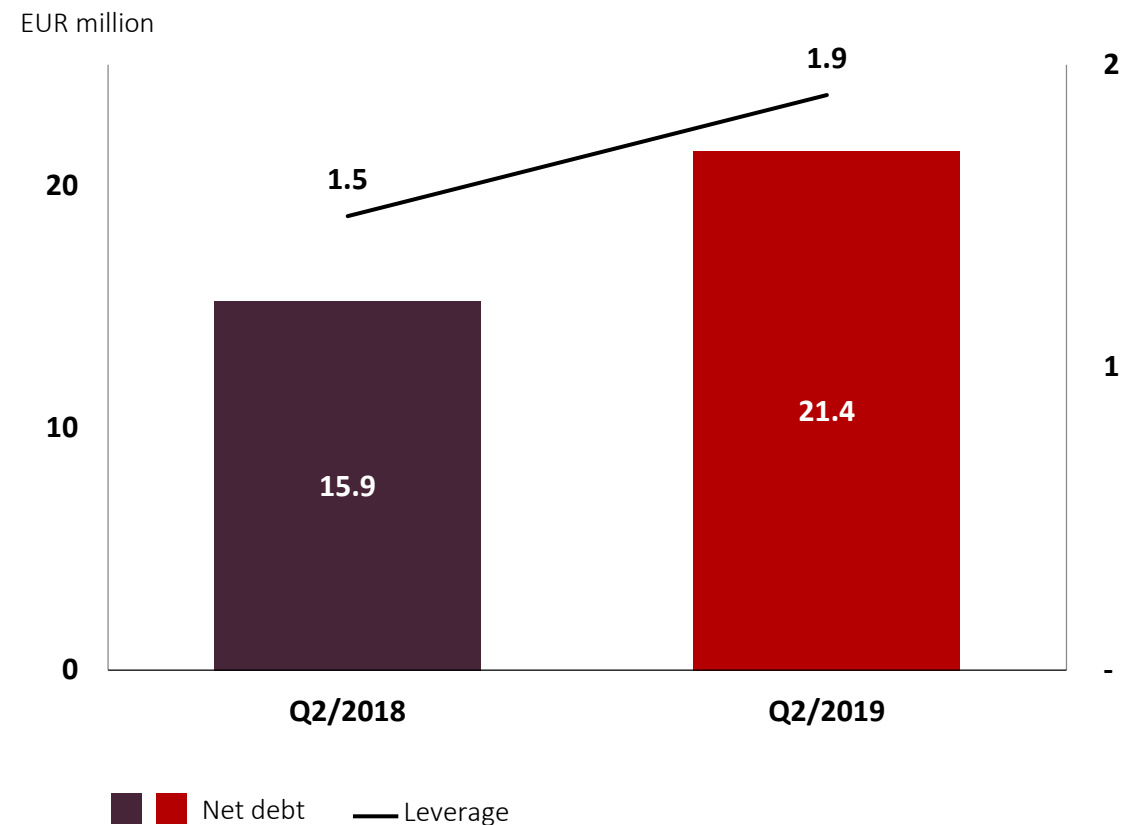
April–June 2019

- Operative free cash flow amounted to EUR 1.1 million (2.2).
- Cash conversion was 37.0% (88.8%).

January–June 2019

- Operative free cash flow amounted to EUR 3.4 million (4.4).
- Cash conversion was 51.5% (97.5%).
- Equity-to-assets ratio stood at 50.6% (54.6%).
- Net debt on June 30, 2019 amounted to EUR 21.4 million (15.9).
- The net debt / adjusted EBITDA ratio was 1.9 x (1.5 x).

Net debt and leverage



VMP's 10 largest shareholders

On June 30, 2019

Shareholder	Number of shares	% of shares
1. Sentica Buyout V Ky	5,523,072	37.32
2. Meissa-Capital Oy	2,852,307	19.27
3. Ilmarinen Mutual Pension Insurance Company	450,000	3.04
4. Odin Finland	397,000	2.68
5. Evli Finnish Small Cap Fund	385,000	2.60
6. Sijoitusrahasto Taaleritehdas Mikro Markka	380,000	2.57
7. Sentica Buyout V Co-Investment Ky	228,928	1.55
8. Pajuharju Tapio Olavi	182,077	1.23
9. Pesola Juha Olavi	140,030	0.95
10. Juvonen Ari Tapani	140,000	0.95
Ten largest shareholders total	10,678,414	72.16

Outlook for 2019

VMP expects adjusted EBITDA to grow significantly during the financial period ending December 31, 2019 compared to the financial period ended December 31, 2018.

Current at VMP

VMP and Smile unite to become the front-runner of the HR services industry



VMP and Smile to unite

Summary of the Transaction

Structure

- VMP has on 5 July 2019 signed a share purchase agreement with NoHo Partners and the other owners of Smile in which they agreed to combine the operations of VMP and Smile as share consideration
- The Transaction will be executed as a share exchange, in which Smile's shareholders will receive 0.8087 new shares in VMP as share consideration for each share in Smile owned by them, corresponding to a debt-free purchase price of approximately EUR 82 million (based on the closing price EUR 4.92 of VMP as at 4 July 2019)
- The number of new VMP shares to be issued is expected to be 10,050,177 shares
- The Board of Directors of VMP has proposed to the EGM of VMP a dividend and capital repayment amounting to EUR 3.5 million in total to be paid to its shareholders before the closing of the Transaction

Holdings

- The current shareholders of VMP and Smile will hold approximately 59.6% and 40.4%, respectively, of the shares in VMP after the Transaction

Conditionality

- The completion of the Transaction is subject to approval by VMP's shareholders in the EGM of VMP by a majority of two-thirds at the EGM and the approvals and commitments from the financing banks

Shareholder support

- Sentica and Meissa-Capital, who together hold approximately 58.1% of shares and votes in VMP, have committed with certain typical terms to participate in the EGM of VMP and to vote in favour of the Transaction

Governance

- Sami Asikainen will act as the CEO of the combined company and Hannu Nyman as the CFO
- The Board of Directors of the combined company will include board members from both companies, and it is proposed that the Chairman will be Tapio Pajuharju

Timetable

- The EGM of VMP will convene on 22 August 2019
- The Transaction is expected to be completed during the third quarter of 2019
- The combined company intends to release further information on strategy and integration plan during the autumn after the completion of the Transaction

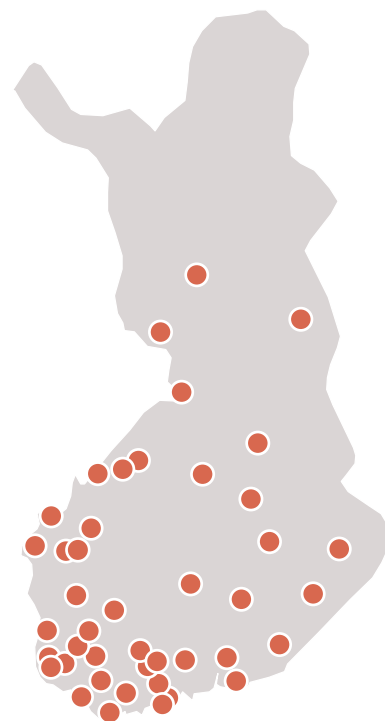
The combined company is the front-runner in the HR services industry

Companies' key information and the combined company's business location network

vmp

smile

HR service offering	<div>Staffing</div> <div>Recruitment and organisational development</div> <div>Self employment</div>	
Revenue 2018 (EURm, FAS)	124.9	128.6
Adjusted EBITDA 2018 (EURm, FAS)	10.2	11.5
Number of staffed employees 2018	~19,400	~10,000
Number of business locations (June 2019)	58	23



- The Transaction brings together two industry leading HR services companies, who together have a stronger market position and a better ability to reform working life
- The company will have a wide service offering and a significant number of staffed employees
- The company will have a nationwide network in Finland through its own group companies and franchising chain

Illustrative combined income statement information (FAS)

FAS	1-3/2019			1-12/2018		
EURm	Combined	VMP	Smile	Combined	VMP	Smile
Revenue	68.9	38.2	30.7	253.5	124.9	128.6
Adjusted EBITDA	5.0	2.6	2.5	21.8	10.2	11.5
<i>Adjusted EBITDA-%</i>	<i>7.3 %</i>	<i>6.7 %</i>	<i>8.0 %</i>	<i>8.6 %</i>	<i>8.2 %</i>	<i>9.0 %</i>
Adjusted EBITA	4.7	2.3	2.4	20.6	9.2	11.3
<i>Adjusted EBITA-%</i>	<i>6.8 %</i>	<i>6.0 %</i>	<i>7.8 %</i>	<i>8.1 %</i>	<i>7.4 %</i>	<i>8.8 %</i>
EBITDA	6.1	3.7	2.5	20.5	9.8	10.7
<i>EBITDA -%</i>	<i>8.9 %</i>	<i>9.6 %</i>	<i>8.0 %</i>	<i>8.1 %</i>	<i>7.8 %</i>	<i>8.3 %</i>
EBITA	5.8	3.4	2.4	19.3	8.8	10.5
<i>EBITA-%</i>	<i>8.4 %</i>	<i>8.8 %</i>	<i>7.8 %</i>	<i>7.6 %</i>	<i>7.0 %</i>	<i>8.2 %</i>

The combined financial information is presented for illustrative purposes only and should not be viewed as pro forma financial information. The combined financial information gives an indication of the combined revenue and earnings, assuming the activities were included in the same group of companies from the beginning of each period, and assuming that the financial information was reported according to FAS. Smile reports its financial information according to IFRS; therefore, Smile's IFRS figures have been adjusted to correspond to FAS (please see VMP company release July 5, 2019 for the adjustments). Smile's financials presented according to FAS are unaudited. The adjustments made to the adjusted EBITDA and the adjusted EBITA of VMP are based on VMP's published annual and interim reports. Smile's adjusted EBITDA and adjusted EBITA for 2018 include an adjustment for IPO expenses (EUR 818 thousand).

Overview on H1/2019 income information

	1-6/2019	
EUR million	VMP (FAS)	Smile (IFRS)
Revenue	82.6	67.5
Adjusted EBITDA	5.8	5.2
<i>Adjusted EBITDA margin</i>	<i>7.0%</i>	<i>7.8%</i>
Adjusted EBITA	5,2	-
<i>Adjusted EBITA margin</i>	<i>6.3%</i>	-
Adjusted operating profit	0.8	2.8
<i>Adjusted operating profit margin</i>	<i>0.9%</i>	<i>4.1%</i>
EBITDA	6.6	5.2
<i>EBITDA margin</i>	<i>8.0%</i>	<i>7.8%</i>
EBITA	6.0	-
<i>EBITA margin</i>	<i>7.3%</i>	-
Operating profit	1.6	2.8
<i>Operating profit margin</i>	<i>1.9%</i>	<i>4.1%</i>

Timetable (estimated)

August 2019

The Extraordinary General Meeting of VMP on 22 August 2019

Q3/2019

The Transaction is expected to be completed

In the autumn 2019, after the completion of the Transaction

The combined company releases more information on its strategy and integration plan



Questions?

vmp



Thank you!

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Hannu Nyman, CFO

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