

# Toivo Group Plc's BUSINESS REVIEW 1 January–31 March 2024

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# Event main points

- A brief look at the review period
- Key figures
- Q1/24 key figures
- Strategy review
- The outlook of the operating environment
- Starting projects against the tide
- Sale of a portfolio of family apartments
- Outlook



## January–March 2024 in brief

- Revenue EUR 10.3 million (EUR 13.6 million), -25%
- Operating profit EUR 1.2 million (EUR 2.8 million), -57%
- **DEVELOPMENT:** Contracts for 0 (50) new apartments
- **CONSTRUCTION:** Construction of 0 (0) apartments was started
- **OWNERSHIP:** 72 (91) apartments were completed
- The operating environment is challenging for housing developers, construction companies and property owners
- Occupancy rate 92.9%



# Key figures\*

| EUR thousand   | 1 January–31<br>March 2024 | 1 January–31<br>March 2023 | Change, % |
|--|----------------------------|----------------------------|-----------|
| Revenue  | 10,268                     | 13,637                     | -25%      |
| Operating profit   | 1,181                      | 2,772                      | -57%      |
| Operating profit without changes in values<br>of investment properties | 1,181                      | 2,772                      | -57%      |
| Profit or loss for the financial year                                  | 81                         | 1,579                      | -95%      |
| Earnings per share (EUR)   | 0.00                       | 0.03                       | -94%      |
| Fair value of investment properties                                    | 165,439                    | 163,934                    | 1%        |
| Economic occupancy rate  | 92.9%                      | 98.4%                      | -6%       |
| Total equity   | 68,673                     | 71,583                     | -4%       |
| Total assets   | 189,918                    | 187,227                    | 1%        |

\* Unaudited

# Toivo's

# Business Model

● Situation 31 March 2024

EUR 100 million/year: Apartments (Community properties)



**Construction**

- 117 apartments under construction
- approx. MEUR 30

**Development**

- approx. 3,200 apartments land portfolio
- approx. MEUR 680

**Ownership/Selling**

- 923 apartments

|                        |                             |
|------------------------|-----------------------------|
| Ownership/Sales margin | <b>Toivo's total margin</b> |
| Construction margin    |                             |
| Development margin     |                             |



# Strategy



| Development       |                             |
|-------------------|-----------------------------|
| Typical duration  | 2–4 years                   |
| Equity tied up    | approx. 0–5% of the project |
| Return on equity* | approx. 0–50%               |

| Construction      |                            |
|-------------------|----------------------------|
| Typical duration  | 1 year                     |
| Equity tied up    | approx. 20% of the project |
| Return on equity* | approx. 20–50%             |

| Ownership/selling |                            |
|-------------------|----------------------------|
| Typical duration  | 50+ years                  |
| Equity tied up    | approx. 40% of the project |
| Return on equity* | approx. 5–10%              |

\* Return on equity in projects implemented by Toivo in 2019–2023. The yield varies greatly from site to site and from year to year.

# The outlook of the operating environment

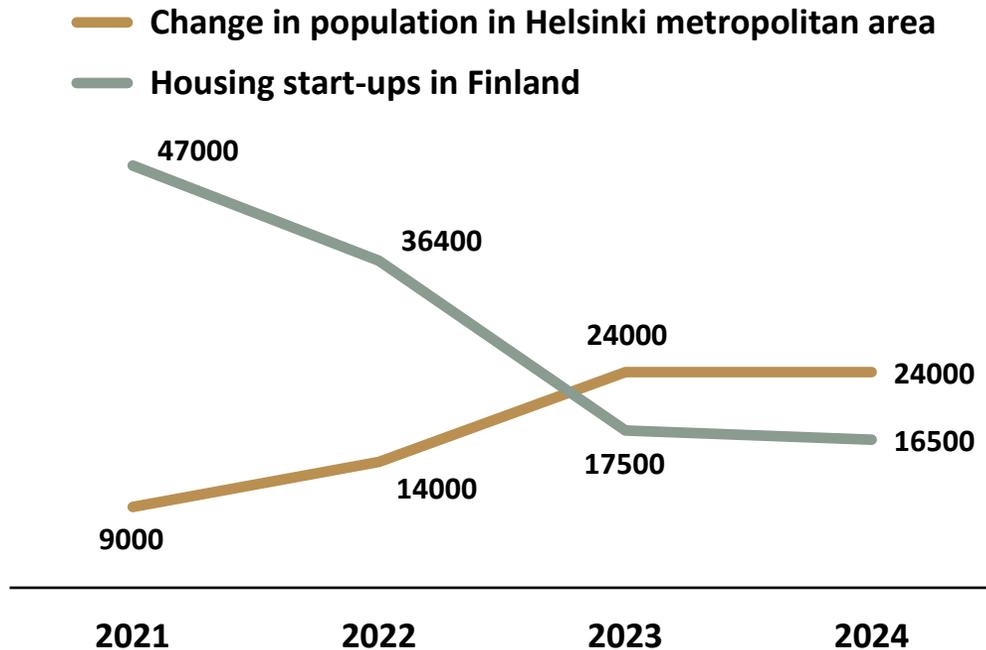
|   | Autumn 2022                            | 12-month outlook | Spring 2024                                      | 12-month outlook |
|---|--|------------------|--|------------------|
| <b>Interest rates</b>                                 | (approx. 2–3%) Interest rates rising   | Negative (-)     | (approx. 3–4%) Interest rates falling            | Positive (+)     |
| <b>Number of completed apartments</b>                 | A large number of completed apartments | Negative (-)     | The number of completed apartments has plummeted | Positive (+)     |
| <b>Net migration gain, Helsinki metropolitan area</b> | +10,000 people per year                | Negative (-)     | +20,000 people per year                          | Positive (+)     |
| <b>Number of industry operators</b>                   | Normal market                          | Negative (-)     | A decreased number of operators                  | Positive (+)     |
| <b>Construction costs</b>                             | Rising                                 | Negative (-)     | Falling  | Positive (+)     |
| <b>Maintenance costs</b>                              | Rising                                 | Negative (-)     | Levelled off                                     | Positive (+)     |
| <b>Special situations</b>                             | Not available                          | Negative (-)     | Limited availability                             | Positive (+)     |
| <b>Financing environment</b>                          | Stable                                 | Neutral (+/-)    | Tightened  | Negative (-)     |



**The market environment for the resumption of a higher level of business activity has improved significantly between autumn 2022 and spring 2024.**

Sources: Bank of Finland statistics 25 April 2024, Confederation of Finnish Construction Industries economic survey, March 2024, Helsinki Region Trends, Asiakastiето Oy, Statistics of Finland statistics 25 April 2024

# We will start projects against the tide!



Sources: Helsinki Region Trends, Statistics Finland statistics 25 April 2024

## In our view, the following factors:

- The net migration gain in the Helsinki metropolitan area
- The halt to housing start-ups
- The falling interest rate market

Will lead to the general resumption of housing construction in Tampere and the Helsinki metropolitan area in H1/2025. The period before that is an excellent time to invest because:

- Construction costs are still at a moderate level
- The availability of construction resources is good
- The supply of plots of land is good

# Sale of a portfolio of family apartments

On 8 May 2024, Toivo sold a portfolio of five residential properties and 117 apartments to Novus Family Homes Plc.

The family apartment portfolio consisted of terraced houses and semi-detached houses with the following characteristics:

1. A private yard
2. Proximity to nature
3. Timber construction
4. Sensible apartment size

The sale of the portfolio was an excellent achievement in the current transaction market. The sale is also evidence of the attractiveness of Toivo's housing portfolio, also from the perspective of international institutional investors.



# Financial prospects

## PROSPECTS FOR 2024

- The company expects the operating profit without changes in values of investment properties for the financial year of 1 January–31 December 2024 to be EUR 6–12 million.
- The company expects the operating profit for the financial year of 1 January–31 December 2024 to be EUR 8–14 million.

## FINANCIAL TARGETS 2024–2026

- Non-current net assets per share (Net asset value, NAV/share) will increase significantly every year.
- Operating profit without changes in values of investment properties EUR 20 million in 2026.
- In development and construction, achieve an annual volume of EUR 100 million (revenue and investments) by the end of 2026. (Ca. EUR 63 million in 2023).
- Equity ratio more than 40 %.
- In dividend distribution, the company's investment needs and financial position will be taken into consideration.

# Thank you!



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# Appendices

TOIVO

# Appendix 1. Key figures 31 March 2024\*

| Group, EUR thousand  | 1-3/2024 | 1-3/2023 | Change |
|--|----------|----------|--------|
| Revenue  | 10,268   | 13,637   | -3,369 |
| Lease income   | 2,090    | 1,495    | 595    |
| Net lease income   | 1,455    | 1,089    | 366    |
| Operating profit   | 1,181    | 2,772    | -1,591 |
| Operating profit without changes in values of investment properties      | 1,181    | 2,772    | -1,591 |
| Cash flow before changes in working capital (Funds from Operations, FFO) | (30)     | 449      | -480   |
| Fair value of investment properties                                      | 165,439  | 163,934  | 1,505  |
| Investments in investment properties                                     | 1,250    | 7,593    | -6,343 |
| Sales of investment properties   | -        | 65       | -65    |
| Net debt with interest   | 104,608  | 91,276   | 13,332 |
| Non-current net assets (Net asset value, NAV)                            | 56,453   | 60,972   | -4,519 |
| Loan to value (LTV), %   | 63.2%    | 55.7%    | 7.5%   |
| Equity ratio   | 36.48%   | 39.36%   | -2.9%  |
| Non-current net assets per share, EUR                                    | 0.96     | 1.11     | -0.14  |
| Increase in non-current net assets per share, %                          | -13.1    | 26.3     |        |
| Earnings per share (EPS), EUR <sup>1)</sup>                              | 0.00     | 0.03     | -0.03  |
| Occupancy rate, %  | 92.90%   | 98.40%   | -5.5%  |
| Total leasable apartment area, square metres                             | 34,052   | 22,501   | 11,551 |
| Other leasable area, square metres                                       | 14,893   | 15,224   | -331   |

\* Unaudited

<sup>1)</sup> The reverse stock split decided on by the company's Annual General Meeting on 22 April 2021 is taken into account in the number of shares

# Group income 1–3/2024\*

## Consolidated income statement

| EUR thousand   | 1 January–31<br>March 2024 | 1 January–31<br>March 2023 |
|--|----------------------------|----------------------------|
| Revenue  | 10,268                     | 13,637                     |
| Changes in the fair values of, and profit and loss on the disposal of, investment properties | -119                       | 1,264                      |
| Other operating income   | -                          | -                          |
| Raw materials and services   | -7,279                     | -10,891                    |
| Staff expenses   | -698                       | -505                       |
| Depreciation, amortisation and reduction in value  | -26                        | -7                         |
| Other operating expenses   | -966                       | -726                       |
| <b>Operating profit (loss)</b>   | <b>1,181</b>               | <b>2,772</b>               |
| <b>Share of the result of associated companies</b>   | <b>-</b>                   | <b>-</b>                   |
| Financial income   | 2                          | 2                          |
| Financial expenses   | -1,206                     | -562                       |
| <b>Net financial expenses</b>  | <b>-1,204</b>              | <b>-560</b>                |
| <b>Profit (loss) before taxes</b>  | <b>-23</b>                 | <b>2,212</b>               |
| Current tax based on the financial year's taxable income                                     | 21                         | -291                       |
| Deferred taxes, change   | 84                         | -342                       |
| Income taxes, total  | 105                        | -633                       |
| <b>Financial year profit (loss)</b>  | <b>81</b>                  | <b>1,579</b>               |
| <b>Distribution of the profit (loss) of the financial year</b>                               |                            |                            |
| Parent company owners  | 94                         | 1,557                      |
| Non-controlling interests  | -13                        | 22                         |

## Group's statement of comprehensive income

| EUR thousand  | 1 January–31<br>March 2024 | 1 January–31<br>March 2023 |
|---|----------------------------|----------------------------|
| <b>Financial year profit (loss)</b>   | <b>81</b>                  | <b>1,579</b>               |
| <b>Other comprehensive income</b>   |                            |                            |
| Items that may be subsequently reclassified to profit or loss                 | -                          | -                          |
| Currency translation differences  | -                          | -2                         |
| <b>Other comprehensive income for the financial year</b>                      | <b>-</b>                   | <b>-2</b>                  |
| <b>Total comprehensive income for the financial year</b>                      | <b>81</b>                  | <b>1,576</b>               |
| <b>Distribution of total comprehensive income for the financial year</b>      |                            |                            |
| Parent company owners   | 94                         | 1,555                      |
| Non-controlling interests   | -13                        | 22                         |
| Earnings per share (EPS), EUR   | 0.00                       | 0.03                       |
| Non-cash flow based expenses associated with the share-based incentive system | -41                        | -38                        |

\* Unaudited

# Consolidated balance sheet 31 March 2024\*

| EUR thousand                             | 31 March 2024  | 31 March 2023  |
|--|----------------|----------------|
| <b>ASSETS</b>                            |                |                |
| <b>Non-current assets</b>                |                |                |
| Investment properties                    | 139,699        | 163,934        |
| Right-of-use assets                      | 84             | 18             |
| Tangible assets                          | 198            | 63             |
| Intangible assets                        | 9              | 13             |
| Financial assets                         |                |                |
| Non-current receivables                  | 249            | 522            |
| Equity method investments                | 48             | 69             |
| Deferred tax assets                      | 310            | 124            |
| <b>Non-current assets, total</b>         | <b>140,596</b> | <b>164,743</b> |
| <b>Current assets</b>                    |                |                |
| Inventories                              | 11,856         | 9,778          |
| Rent, trade and other receivables        | 8,613          | 8,360          |
| Cash and cash equivalents                | 3,114          | 4,345          |
| <b>Current assets total</b>              | <b>23,582</b>  | <b>22,483</b>  |
| Investment properties available for sale | 25,740         |                |
| <b>Assets, total</b>                     | <b>189,918</b> | <b>187,227</b> |

| EUR thousand   | 31 March 2024  | 31 March 2023  |
|--|----------------|----------------|
| <b>EQUITY</b>  |                |                |
| Share capital  | 1,000          | 1,000          |
| Subordinated loans   | 17,302         | 17,280         |
| Share premium account  | 20,998         | 18,061         |
| Currency translation differences                                     | -27            | -27            |
| Retained earnings  | 29,133         | 35,054         |
| <b>Equity belonging to the owners of the parent company</b>          | <b>68,406</b>  | <b>71,368</b>  |
| <b>Non-controlling interests</b>                                     | <b>267</b>     | <b>215</b>     |
| <b>Total equity</b>  | <b>68,673</b>  | <b>71,583</b>  |
| <b>LIABILITIES</b>   |                |                |
| <b>Non-current liabilities</b>                                       |                |                |
| Financial institution loans  | 79,861         | 81,054         |
| Lease liabilities  | 7,104          | 8,445          |
| Loans granted to associates  | 2,400          | 2,500          |
| Other financial liabilities and other non-current liabilities        | 479            | 416            |
| Deferred tax liabilities   | 5,658          | 7,008          |
| <b>Non-current liabilities total</b>                                 | <b>95,502</b>  | <b>99,422</b>  |
| <b>Current liabilities</b>   |                |                |
| Financial institution loans  | 3,738          | 2,589          |
| Lease liabilities  | 578            | 616            |
| Loans granted to associates  | 567            | 2              |
| Provisions   | -              | -              |
| Trade and other payables   | 7,864          | 13,015         |
| Deferred tax liabilities   | -              | -              |
| <b>Current liabilities total</b>                                     | <b>12,747</b>  | <b>16,222</b>  |
| <b>Liabilities, total</b>  | <b>108,249</b> | <b>115,644</b> |
| Liabilities associated with investment properties available for sale | 12,996         | -              |
| <b>Total equity and liabilities</b>                                  | <b>189,918</b> | <b>187,227</b> |

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