



# INTERIM REPORT

January – June 2018

**QUANT**<sup>™</sup>

## April – June

- Revenue for the period remained flat against prior year in local currency. Revenue decreased to EUR 44.8 million from EUR 46.7 million prior year, including currency effect
- Adjusted EBITDA decreased to EUR 2.4 million from EUR 3.2 million prior year
- The last twelve months adjusted EBITDA was EUR 12.9 million at the end of the quarter, down from EUR 13.6 million at the end of the first quarter of 2018

## January – June

- Revenue for the first six months of 2018 grew organically by 3.3% in local currency. Changes in foreign exchange rates resulted in a revenue of EUR 90.4 million, down from EUR 93.0 million the prior year
- Adjusted EBITDA for the first six months of 2018 was EUR 6.0 million, down from EUR 6.2 million prior year. In local currency adjusted EBITDA increased by 4.3%
- Cash flow from operating activities for the first six months of 2018 amounted to EUR -36.6 (3.8) million. Change in net working capital was negative EUR -36.6 (1.3) million for the first six months of the year. Net working capital was negatively affected by recording of the proceeds from the bond issuance as a receivable instead of cash and cash equivalents

## Key events during the second quarter

- During the quarter Quant won three contracts and lost one contract, which on balance affected the contract portfolio positively. Portfolio run rate annualized revenue at the end of the quarter was EUR 177.6 million
- Quant entered into an agreement to acquire Sataservice, a leading industrial maintenance provider in Western and Southern Finland. Sataservice is a strong local Finnish industrial maintenance provider with revenues of above EUR 40 million the last twelve months, more than 400 employees and operations on more than 14 customer sites throughout Western and Southern Finland
- Quant issued further EUR 29.5 million under the senior secured bond agreement. The net proceeds from the issuance was used for the acquisition of Sataservice

## Subsequent events

- The acquisition of Sataservice was conditional on an approval from the Finnish Competition and Consumer Authority, which was granted on 18 July 2018. The acquisition was completed and ownership of Sataservice finally transferred to Quant on 1 August 2018. Sataservice will be consolidated from the interim report for the third quarter of 2018

Group	Apr – Jun 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017	LTM Jun 2018	Jan – Dec 2017
Revenue	44,849	46,695	90,362	92,994	183,878	186,106
Operating profit/loss (EBIT)	-1,642	-736	-1,243	-1,252	-5,413	-5,919
Adjusted EBITDA	2,428	3,150	6,026	6,225	12,867	12,940
Adjusted EBITDA %	5.4%	6.7%	6.7%	6.7%	7.0%	7.0%
Cash from operating activities	-37,922	2,321	-36,581	3,817	-38,878	1,520
Net Debt			82,613*	78,071	82,613*	78,411
Net Debt/Adjusted EBITDA, times					6.4	6.1

\*Net debt adjusted with the EUR 29.4 million of bond tap cash recorded as a receivable



## CEO'S COMMENTS



**During the second quarter of 2018** Quant acquired Sataservice, a leading industrial maintenance provider in Western and Southern Finland. Sataservice is a strong local Finnish industrial maintenance provider with revenues of above EUR 40 million the last twelve months, more than 400 employees and operations on more than 14 customer sites throughout Western and Southern Finland. The acquisition was approved by the Finnish Competition and Consumer Authority on 18 July 2018 and completed on 1 August 2018.

**The combination brings value** to both customers and employees as Sataservice's agile and customer focused cluster business strategy benefits from Quant's scalable business model and digital offering, creating the place to be for maintenance professionals and delivering operational excellence to customers. Sataservice's strong market position in many industries, especially the stable food and beverage segment, brings expertise and reference sites into the group that can be leveraged to drive further growth of the combined company.

**Sataservice fits well into Quant's sales** and operational excellence strategy through high performing teams in each unit. The culture of Sataservice of high customer focus and operational execution is a perfect match for Quant's culture and the acquisition is further strengthening our strong Nordic presence. Quant brings a stable growth platform and valuable digital offering to leverage Sataservice's entrepreneurial spirit and renowned customer satisfaction.

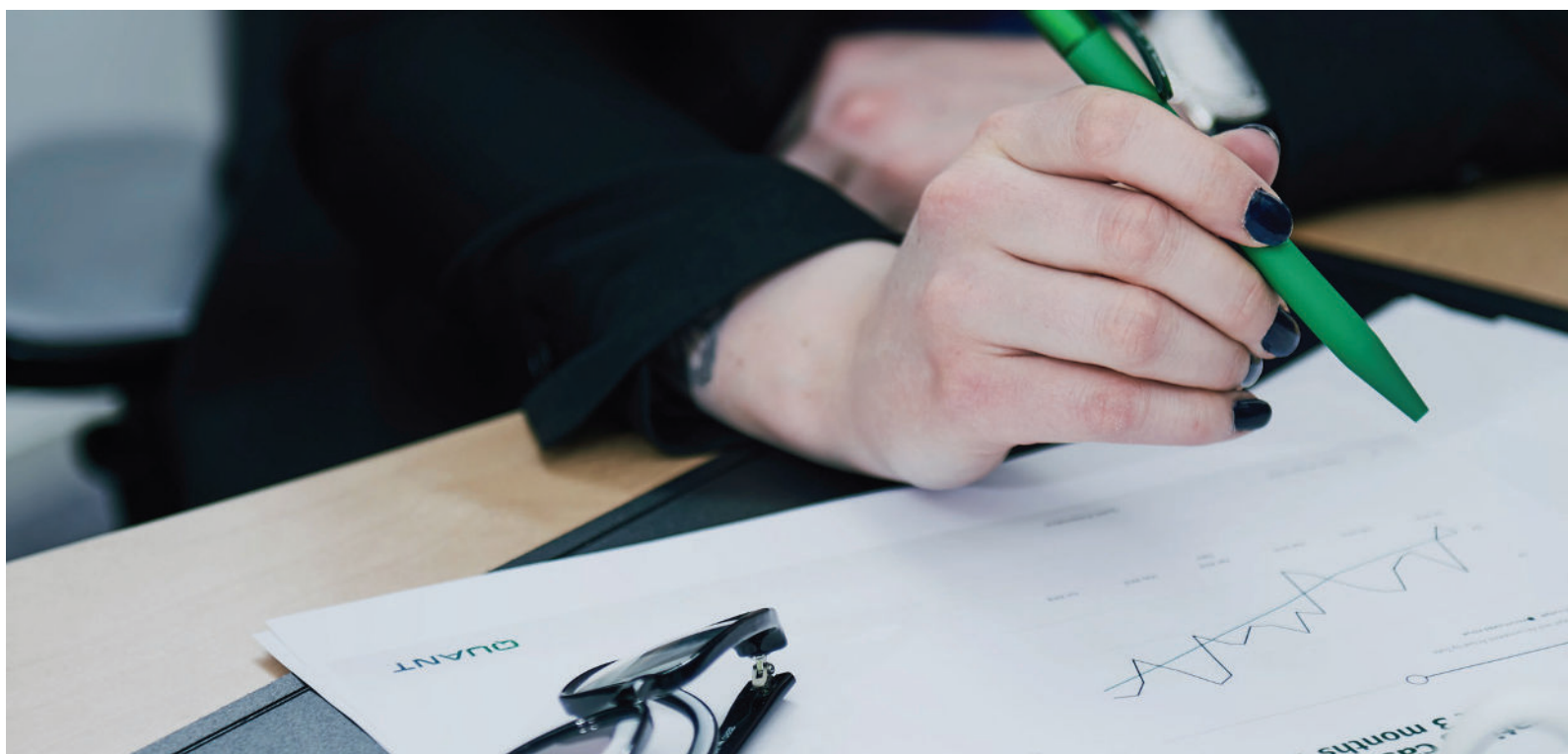
**The acquisition of Sataservice** was mainly funded by issuing further bonds under the senior secured bond agreement, part of the bond financing structure which Quant put in place early 2018. The successful completion of the bond issue demonstrates that the bond market was supportive of the Sataservice acquisition and the potential of the combination.

**The financial result** of the second quarter of 2018 shows decrease in revenue and adjusted EBITDA on the back of the decline in contract portfolio run rate during the first quarter of 2018. Despite this Quant continues to perform well in Northern Europe and the Americas. During the quarter we won three contracts and lost one contract. The effect of these changes was an increase of EUR 2.6 million in annualized revenue, taking contract portfolio revenue run rate up to EUR 177.6 million.

**Quant's digital portfolio** is maturing and during the second quarter of 2018 the deployment of quantEffect™ and quantPredict™ was intensified. quantEffect is an online overall equipment effectiveness (OEE) system that helps Quant's customers to take fact-based decisions to improve productivity and quality. quantPredict is an Internet of Things (IoT) solution with intelligence that helps customers and Quant to do maintenance at the right time from an availability and cost perspective. During the second quarter of 2018 new quant Effect and quantPredict sites were connected and commissioned. In some cases, new sensors were added for critical machines and measurements and in some other cases the system was connected to existing customer systems.

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Olof Sand  
President and CEO



## SECOND QUARTER OF 2018

### Revenue and profit

Quant continues to perform well in Northern Europe and the Americas, both for the quarter and the first six months, while other regions have developed negatively. Revenue in local currency remained flat during the quarter compared to prior year, whereas revenue in local currency for the first six months grew by 3.3%. Changes in foreign exchange rates resulted in a revenue of EUR 44.8 million for the quarter and EUR 90.4 million for the first six months of the year, down from EUR 46.7 million and EUR 93.0 million respectively prior year.

Gross profit for the quarter and the first six months of 2018 was impacted negatively by an internal reclassification of site-based IT user charges to direct costs, previously in SG&A costs. The impact of the reclassification on both lines is approximately 1.3% of revenue.

Quarterly adjusted EBITDA decreased to EUR 2.4 million from EUR 3.2 million prior year as the decrease in the contract portfolio during the first quarter of 2018 affected profitability. Adjusted EBITDA for the first six months of 2018 was EUR 6.0 million, down from EUR 6.2 million prior year. In local currency adjusted EBITDA increased by 4.3%.

Net financial items were negatively affected by FX effects and cost relating to the refinancing of prior bank credit facilities with bond loans and a working capital facility.

### Cash flow

Cash flow from operating activities for the first six months of 2018 amounted to EUR -36.6 (3.8) million. Change in net working capital was negative EUR -36.6 (1.3) million for the quarter.

During the quarter Quant issued further EUR 29.5 million in senior secured bonds; the net proceeds will be used for the acquisition of Sataservice. As the acquisition of Sataservice was yet to be approved by the Finnish Competition and Consumer Authority at the end of June, the newly issued bonds are recorded as debt in the balance sheet while the cash on Escrow is recorded as a receivable instead of cash and cash equivalents which explains the large negative development in net working capital. At the end of the quarter EUR 3 million was drawn on the revolving working capital facility.

During Q1 2017 the Group raised a temporary loan from the Group's parent company of EUR 8.0 million for the purpose of temporarily financing the closing of the New Zealand subsidiary and a customer contract in this country. This temporary loan was partly repaid during the second quarter of 2017.

### Mergers and Acquisitions

Quant entered into an agreement with Vaaka Partners Buyout Fund II Ky on the acquisition of Sataservice, a leading industrial maintenance provider in Western and Southern Finland. Sataservice is a strong local Finnish industrial maintenance provider with revenues of above EUR 40 million the last twelve months, more than 400 employees and operations on more than 14 customer sites throughout Western and Southern Finland. The transaction is subject to approval by the Finnish Competition and Consumer Authority, which was granted on 18 July after the end of the quarter. The acquisition was completed and ownership of Sataservice finally transferred to Quant on 1 August 2018. Sataservice will be consolidated from the interim report for the third quarter of 2018.

### Contract portfolio

Quant currently has 79 operational sites worldwide. A standard contract has a duration of three to five years, usually with extension possibilities after the initial period. In the maintenance contracting business wins and losses of contracts in our contract portfolio is a natural part of the business. New contract wins, and loss of existing contracts do

### Contract Portfolio Definition

Quant's definition of contract portfolio is the annualized value of current customer contracts, adjusted for

- Signed new contracts, included at date of contract signing, irrespective of start date
- Terminated contracts, excluded at date of formal notification, irrespective of end date
- Changes formally agreed with the customers of existing contracts, included at date of agreement. This includes changes due to renewals of contracts or other reasons

not coincide in the short term, whereby it is necessary to consider the long-term trend. Contracts with annualized revenue of EUR 7.5 million are scheduled for renewal during the next twelve months.

During the second quarter three new customer contracts with an annualized revenue of EUR 7.9 million were won, one customer contract with an annualized revenue of EUR 3.8 million was lost and two customer contracts were renewed with decreased scope of EUR 1.5 million in annualized revenue. The combined effect of these changes amount to increase in the contract portfolio annualized revenue of EUR 2.6 million. These changes take effect during the third quarter of 2018 and increase end of quarter annualized run rate to EUR 177.6 million.

The three contracts won during the second quarter were all with current customers which extended their partnership with Quant to new sites and locations in Europe and South America. The lost contract was a contract in China which was lost in a competitive process when Quant was unable to renew the contract with an attractive margin.

### Financial position

On 29 June 2018 Quant issued further bonds of EUR 29.5 million under the senior secured bond agreement originally entered into in February 2018. The issuance of further senior bonds was made in connection with Quant's acquisition of Sataservice. The bond tap of EUR 29.5 million was successfully placed due to strong demand seen in the market. After the bond tap issue the total outstanding senior bonds amounts to EUR 92.0 million. The bonds will be listed on NASDAQ Stockholm before mid-February 2019.

Interest-bearing liabilities after deduction of financing costs amounted to EUR 124.5 (31 March 2018: 93.4) million. Since the acquisition of Sataservice was yet to be approved by the Finnish competition authority at the end of June, the newly issued bonds are recorded as debt in the balance sheet while the cash on Escrow is recorded as a receivable instead of cash and cash equivalents. Adjusting net debt for the EUR 29.4 million of bond tap cash recorded as a receivable, net debt amounted to EUR 82.6 (31 March 2018: 77.5) million.







PROFIT/LOSS

Income Statement	Apr – Jun 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017	Jan – Dec 2017
KEUR					
Revenue	44,849	46,695	90,362	92,994	186,106
Cost of goods sold and services rendered	-38,714	-39,203	-76,551	-76,881	-155,790
Gross profit	6,135	7,492	13,811	16,113	30,315
Research and development expenses	-87	-119	-181	-152	-345
Sales expenses	-1,122	-662	-1,929	-1,563	-3,272
Administration expenses	-7,059	-7,668	-13,396	-16,026	-31,090
Write-down intangible	-	-	-	-	-2,088
Other	491	221	453	376	560
Operating profit/loss (EBIT)	-1,642	-736	-1,243	-1,252	-5,919
Financial income	267	46	309	65	157
Financial expenses	-4,350	-1,943	-9,023	-2,886	-5,126
Profit/loss before tax (EBT)	-5,726	-2,634	-9,957	-4,073	-10,889
Taxes	-120	2,236	18	2,447	1,493
Net profit/loss	-5,846	-399	-9,939	-1,626	-9,395
Depreciation and amortization	3,071	3,347	6,116	6,645	13,153
Non recurring items	1,000	540	1,152	832	3,618
Adjusted EBITDA	2,428	3,150	6,026	6,225	12,940



## BALANCE SHEET

Group	Jan – Jun 2018	Jan – Jun 2017	Jan – Dec 2017
<i>KEUR</i>			
<i>Non Current Assets</i>			
Property, plant and equipment	2,721	2,844	2,948
Software	2,055	4,645	3,386
Goodwill	71,263	74,117	73,380
Intangible assets	40,213	53,199	45,581
Investments in associated companies	52	988	511
Deferred taxes	3,330	5,572	2,119
Other non-current assets	4,765	4,447	4,680
<b>Total Non Current Assets</b>	<b>124,399</b>	<b>145,811</b>	<b>132,606</b>
<i>Current Assets</i>			
Cash and cash equivalents	12,498	17,463	12,954
Accounts Receivable, trade	31,782	31,760	33,908
Accounts Receivable, non-trade	31,111	7,384	5,897
Inventories, net	3,940	4,076	3,026
Prepaid expenses and accrued revenue	1,683	3,257	2,228
Other current assets	2,510	1,956	2,263
<b>Total Current Assets</b>	<b>83,524</b>	<b>65,896</b>	<b>60,273</b>
<b>Total Assets</b>	<b>207,923</b>	<b>211,707</b>	<b>192,879</b>
<b>Equity</b>	<b>23,392</b>	<b>39,178</b>	<b>33,150</b>
<i>Non Current Liabilities</i>			
Long term borrowings	118,303	75,366	67,552
Pensions and other employee benefits	2,825	2,711	2,677
Deferred taxes non-current liabilities	12,191	17,115	12,640
Other non-current liabilities	84	487	109
<b>Total Noncurrent Liabilities</b>	<b>133,403</b>	<b>95,679</b>	<b>82,978</b>
<i>Current Liabilities</i>			
Accounts payable, trade	11,124	15,635	18,767
Short Term borrowings	6,235	20,168	23,813
Other Provisions	811	1,416	915
Accrued exp, prepaid income and other current liabilities	32,958	39,631	33,257
<b>Total Current Liabilities</b>	<b>51,128</b>	<b>76,850</b>	<b>76,751</b>
<b>Total Liabilities</b>	<b>184,531</b>	<b>172,529</b>	<b>159,729</b>
<b>Total Liabilities and Equity</b>	<b>207,923</b>	<b>211,707</b>	<b>192,879</b>

## CASH FLOW STATEMENT

Group	Apr – Jun 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017	FY 2017
KEUR					
<b>Profit/loss before</b>	<b>-5,726</b>	<b>-2,634</b>	<b>-9,957</b>	<b>-4,073</b>	<b>-10,889</b>
<i>Adjustments for non-cash items</i>					
Depreciation, amortization and impairment losses	3,071	3,347	6,116	6,645	15,223
Change in provisions	351	-3,905	75	724	-3,757
Other	2,534	3,444	5,584	-242	-1,721
Income tax paid	-788	569	-1,809	-556	-1,977
<b>Cashflow from operating activities before working capital changes</b>	<b>-558</b>	<b>820</b>	<b>9</b>	<b>2,497</b>	<b>-3,121</b>
Change in inventories	-360	529	-981	-700	322
Change in receivables	-2,667	-3,381	1,414	-4,895	8,991
Change in liabilities	-34,337	4,353	-37,024	6,915	-4,672
<b>Cashflow from changes in working capital</b>	<b>-37,363</b>	<b>1,501</b>	<b>-36,590</b>	<b>1,320</b>	<b>4,641</b>
<b>Cash flow from operating activities</b>	<b>-37,922</b>	<b>2,321</b>	<b>-36,581</b>	<b>3,817</b>	<b>1,520</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment	-240	-	-335	-	-1,392
Acquisition of intangible assets	-52	-6	-84	-8	-321
Change in financial assets and liabilities	3,904	-3,168	2,792	-3,722	-1,756
<b>Cashflow from investing activities</b>	<b>3,613</b>	<b>-3,173</b>	<b>2,373</b>	<b>-3,730</b>	<b>-3,469</b>
<b>Financing activities</b>					
Share issue	-	-	-	-	48
Loans raised	30,500	-	123,000	8,000	8,000
Amortization of debt	-	-6,400	-89,563	-6,400	-9,320
<b>Cashflow from financing activities</b>	<b>30,500</b>	<b>-6,400</b>	<b>33,437</b>	<b>1,600</b>	<b>-1,272</b>
<b>Cashflow for the period</b>	<b>-3,809</b>	<b>-7,252</b>	<b>-771</b>	<b>1,687</b>	<b>-3,221</b>
Cash and cash equivalents at the beginning of the period	15,986	23,950	12,954	16,986	16,986
Exchange rate differences in cash equivalents	321	765	315	-1 211	-812
<b>Cash and cash equivalents at the end of the period</b>	<b>12,498</b>	<b>17,463</b>	<b>12,498</b>	<b>17,463</b>	<b>12,954</b>



### Accounting principles

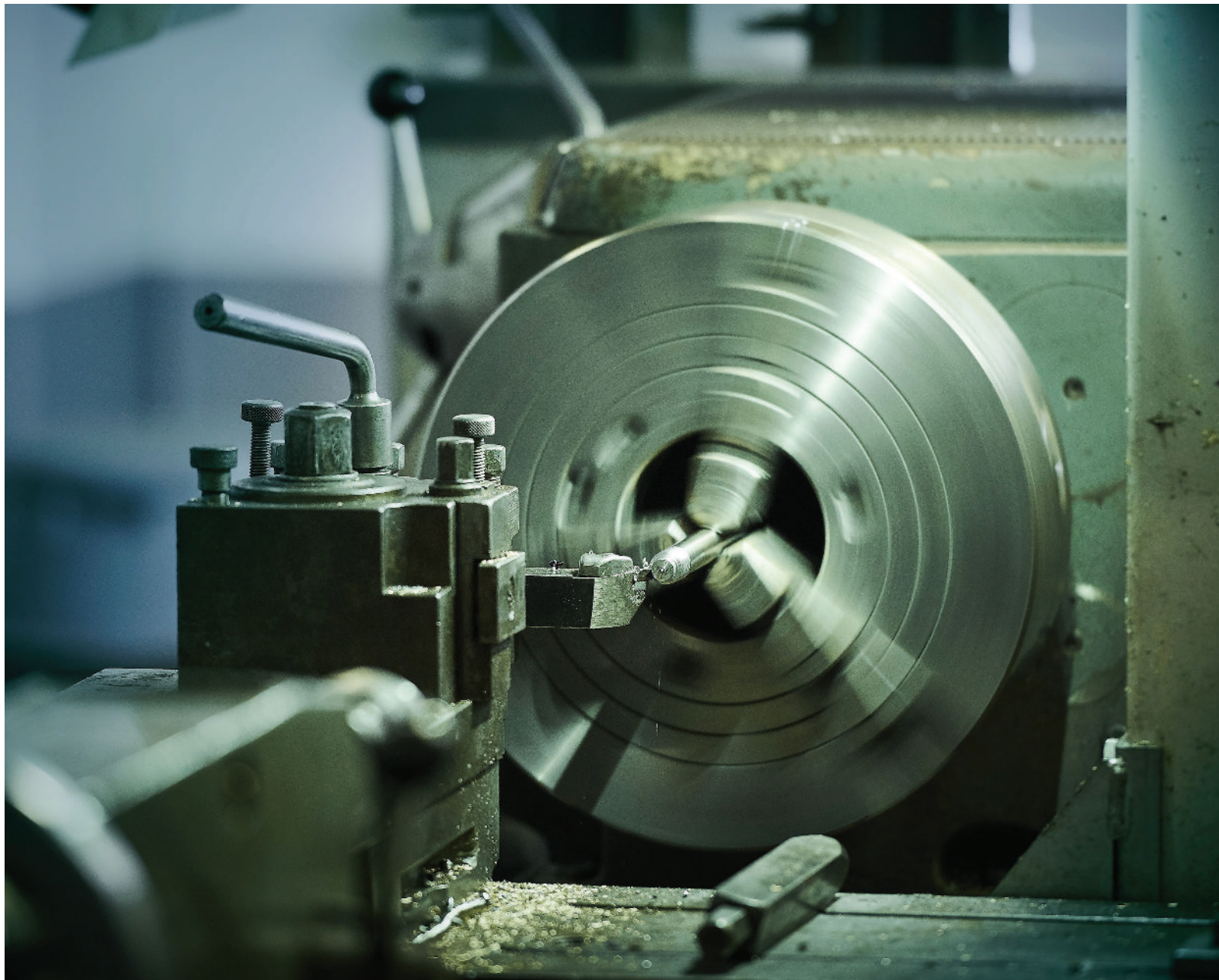
The accounting policies applied in this interim report are the same as those applied in the Annual Report for 31 December 2017, with application of the following two new standards as of 1 January 2018. Quant has not applied these standards retroactively. The application of new standards has had no material effect on Quant's financial statements and opening balances have not been restated.

IFRS 15 is the new standard for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts and all the relevant interpretations. It applies from 1 January 2018. Quant has evaluated the Group's contracts and concluded that revenue recognition will not be impacted by the transition to IFRS 15 and no adjustment to the opening balance of equity has been made.

IFRS 9 Financial Instruments is also applicable. The new standard to recognize and measure financial instruments has not had any significant effect on the accounting principles of the Group's financial instrument.

This report is presented in Euro and has not been reviewed by the company's independent auditors.

No significant changes in risk factors have been identified. For additional explanations regarding risks and uncertainties, please refer to the Annual Report for the period ended 31 December 2017.



**Quant is a global leader in industrial maintenance. For almost 30 years, we have been realizing the full potential of maintenance for our customers.**

**From embedding superior safety practices and building a true maintenance culture, to optimizing maintenance cost and improving plant performance, our people make the difference.**

**We are passionate about maintenance and proud of ensuring we achieve our customers' goals in the most professional way.**