



## Reka Industrial Plc: Profitable growth

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### January - December 2021:

- The Group's turnover was EUR 158.1 million (EUR 120.4 million)
- EBITDA was EUR 11.3 million (EUR 9.4 million)
- The result for the period was EUR 1.0 million (EUR 1.0 million)
- Cash flow from operating activities was EUR 8.6 million (EUR 2.1 million)

### Near-term outlook:

In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due to COVID-19 pandemic and the geopolitical situation will not substantially affect the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

### Managing Director Jukka Poutanen:

Turnover increased significantly in both the cable and rubber industries. About 60% of the turnover increase in the cable business is explained by rising metal prices. In the rubber industry, customer order volumes grew strongly. Reka Rubber was acquired at the end of June 2020, and thus the figures for the rubber business have been taken into account since 1 July 2020.

Due to Reka Cables' good delivery capacity towards the end of the year, the Group's EBITDA in the fourth quarter developed strongly and the EBITDA in 2021 increased to EUR 11.3 million from EUR 9.4 million in the previous year. This is a good achievement, as there is still a clear delay in passing on increased acquisition costs to customer prices in both industries.

The impact of higher metal prices on the value of inventories and the net effect of metal and currency hedging supported the cable industry's EBITDA by approximately EUR 0.5 million, compensating sharply and unprecedentedly high acquisition costs, which can only be passed on to customer prices with a delay.

There have been procurement and delivery capacity challenges in both industries. COVID-19 and supply chain logistics have required a lot of effort to ensure material deliveries. Both material prices and costs of logistics have continued to rise strongly.

The cable industry has succeeded in serving customers reliably despite ongoing procurement challenges.

In the rubber industry, the turnover of Polish production personnel has been high and the increase in production volumes has not been successful. Despite overtime and temporary labour, our delivery capacity has been poor, especially for Polish hose production. The main focus of the remedial measures is now on increasing the production capacity of hose production and streamlining the production process. Changes in production also improve the personnel situation. The prioritized measures will be completed in stages during January-May.

Cable business has made decision to increase production facilities space within Riihimäki factory. The additional space will be available in mid-2023. According to current information, the additional space for the rubber industry in Poland will be available in early April 2022.

Operating cash flow was clearly positive. This also allowed for faster loan amortization than scheduled.

The demand situation in both industries is good. The Nordic cable market is growing and is expected to grow in the coming years. Cable industry's market share in Finland is strong and we aim to increase our market share in the other Nordic countries.

The rubber industry has a strong position in its selected market segments. Order volumes have continued to grow. Especially in construction equipment, the market share continues to grow. Enquiries in the truck industry have grown from before.

Green Bond funded projects have been taken forwards and new ones are ongoing. Investments have been made specially to the projects relating to wind power and decreasing energy consumption. The rubber industry is currently working with

customers on prototypes and pre-kits for products needed for electric commercial vehicles. Related volume deliveries will begin in 2023.

## Key Figures

	2021	2020	2019
Turnover, EUR million	158.1	120.4	97.5
EBITDA, EUR million	11.3	9.4	4.8
Operating profit, %	3.5	3.8	0.4
Results for the period, EUR million	1.0	1.0	-1.4
IAS 19 corrected ROI, %	14.7	13.5	2.5
IAS 19 corrected Return on Equity, %	12.4	17.9	-16.2
IAS 19 corrected Gearing, %	190.0	238.9	213.8
IAS 19 corrected Equity ratio, %	19.8	17.7	14.8
Earnings per share	0.17	0.16	-0.24
Gross investment, EUR million	4.1	12.7	8.2

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. The company has made a discretionary decision to record taxes and tax increases, totaling EUR 1.1 million, retrospectively in equity and the comparative information for previous years has been updated accordingly. An appeal against the negative decision of the Administrative Court has been made to the Supreme Administrative Court.

The Reka Industrial Group (Reka Industrial) uses alternative key figures in its financial reporting in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

The Group joined the pension fund in 2015. Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the balance sheet items of the key figures to better monitor the development of operations. The entries of the IAS 19 defined benefit plan in the income statement are presented below the operating result as a separate item before the share of the result of associated companies. In this way, the development of Reka Industrial's business can be better monitored.

According to Reka Industrial's interpretation, alternative key figures in accordance with ESMA's guidelines include EBITDA, operating profit, IAS 19 corrected Return on Equity (ROE), IAS 19 corrected Gearing, IAS 19 corrected Equity ratio %, Return on Investment (ROI) and Gross Investments.

The financial statement release is unaudited.

### Turnover and operating result

The Reka Industrial Group's (Reka Industrial) turnover in 2021 was EUR 158.1 million (120.4). Its result for the full year was EUR 1.0 million (1.0). EBITDA was EUR 11.3 million (9.4) and operating profit was EUR 5.6 million(4.5).

### Major events during the financial period

In January 2021 Reka Cables Ltd made an agreement of EUR 5.0 million loan limit. The limit has been extended to 2022. The limit is fixed term. There are covenant terms associated with the loan limit.

In December 2021 Reka Cables Ltd received a substantial contract for underground power cables from network construction company operating in the Nordics. The total value of the contract is over EUR 7 million which will be invoiced mainly during the first quarter of 2022. Underground power cables are used when building grids that are not vulnerable to weather conditions. In December 2021 Reka Cables Ltd received a substantial contract for underground power cables from network construction company operating in the Nordics.

### Balance sheet and financing

At the end of the financial year the interest-bearing liabilities were EUR 27.5 million (33.5), of which other than finance lease liabilities were EUR 20.9 million (25.6).

Reka Cables Ltd has a loan limit of EUR 5.0 million. At the end of the financial year, the loan limit was not used.

Some of the interest-bearing liabilities involve financial covenants. Except for a EUR 0.1 million loan from Poland, covenants were fulfilled at the balance sheet date. More information about the covenants is provided in the notes. In the end of the financial period the balance sheet total stood at EUR 72.2 million (73.2).

The EUR 10 million "Green bond" issued by Reka Industrial in 2019 is denominated in euros and matures on December 6, 2024. The fixed annual interest rate on the bond is 6.00 percent, payable annually on December 6th.

The bond will be used to finance projects that meet the eligibility of the Green Bond Framework document, which are related to Reka Cables Ltd's product range and the improvement of the environmentally friendly operating capacity of Reka Cables Ltd's production facilities and processes. Part of the bond has been used for refinancing in accordance with the terms of the agreement. A separate investor letter is published annually in March.

## COVID-19

In 2021, the COVID-19 pandemic did not reduce customer demand. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The impact of the additional costs of the pandemic on EBITDA in 2021 is estimated at EUR 0.5 million. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through express deliveries.

The COVID-19 pandemic has been reflected in material procurement in both industries. Most of the materials have been procured on time, but the shortage of raw materials, components and partly containers has brought additional work and challenges to procurement. In the cable industry, there has been a significant increase in material prices. The prices of materials and components in the rubber industry are rising and have rising pressure upwards. Logistics costs have risen clearly.

So far COVID-19 pandemic has not affected to the payment behavior of the customers.

## Segments

Reka Industrial's business segments are Cable Industry and Rubber Industry.

### Cable segment

	H2/2021	H2/2020	Change	2021	2020	Change
Turnover, EUR million	67.8	55.5	22.1 %	133.8	111.2	20.3 %
EBITDA, EUR million	5.3	6.3	-15.7 %	11.0	10.0	8.1 %

The cable segment's turnover was EUR 133.8 million (111.2). EBITDA was EUR 11.0 million (10.0).

Reka Cables Ltd's domestic sales increased compared to last year. Also export sales volumes grew.

The industry's key raw materials are copper, aluminum and plastics. During the review period, price fluctuations for copper and aluminum have been significant. The prices of plastics have risen strongly, and availability has become more difficult.

On December 31, 2020, the price of copper was EUR 6,308 per tonne and the price of aluminum was EUR 1,612 603 per tonne. At the end of the December 2021, the price of copper was EUR 8,558 and the price of aluminum EUR 2,478.

At its highest point, the daily price of copper during the review period was EUR 9,138 per tonne in October, and at its lowest in January, at EUR 6,430 per tonne. The price of aluminum has been at its highest in October, when it was EUR 2,742 per tonne, and its lowest in January, when it was EUR 1,609 per tonne.

In purchasing metals, partial price hedging is utilized through commodity derivatives.

Investments fulfilled, EUR 3.6 million (4.9 million in 2020) were targeted at developing new products, increasing the supply capacity for renewable energy, and improving productivity, material- and energy efficiency. Maintenance investments were also made.

Turnover for Nestor Cables Group, an associated company in the segment, was in 2021 EUR 31.7 million (32.0). The operating result was EUR 2.9 million (3.9). Nestor Cables' equity turned positive in 2020. The profit share of EUR 0.3 million in 2021 has been taken into Groups result and in the balance sheet value of the associated company.

### Rubber segment (as of 30 June 2020)

	H2/2021	H2/2020	Change	2021	H2/2020
Turnover, EUR million	12.1	9.2	31.5 %	24.6	9.2

EBITDA, EUR million	0.4	0.2	103.5 %	1.5	0.2
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The rubber segment's turnover was EUR 24.6 million. EBITDA was EUR 1.5 million. The rubber segment's EBITDA is burdened by staff turnover in Poland, overtime, and express freight, as well as increased logistics costs. The increase in freight costs from the Far East burdened EBITDA by EUR 228 thousand. Reka Rubber was consolidated to the Group as of 30 June 2020.

Despite overtime and temporary labour, delivery capacity has been poor, especially for Polish hose production. Production volumes have been increased, but customer order volumes have grown even faster. To solve the situation and meet customer demand, hose production capacity will be increased and at the same time bottleneck process points will be developed with new technical solutions.

### **Major events after the review period**

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January. The lease for the additional space has been signed and the space will be available in early April. With the arrangement, the hose production capacity and productivity of the Polish production unit can be clearly increased during the first half of the year. Customer demand is still growing, and the change will enable us to better meet the growing volume needs.

In the end of January 2022 cable industry received a strategically significant, renewable energy related cable order from Denmark for the construction of charging infrastructure for electric cars. The value of the order is approximately EUR 0.6 million and deliveries are scheduled for the first half of this year. In addition, the agreement includes an option to double the order quantity this year.

### **Risks and uncertainty factors**

Reka Industrial's financial risks include currency, interest rate, commodity, liquidity, credit, and investment risks. Financial risks and the related protection measures are described in more detail in notes to the financial statements. The company's future risk factors are related to the development of its business segments.

In the cable segment, the most significant risks are related to market development, fluctuations of raw material prices and currencies as well as working capital management in various situations. During considerable seasonal changes, suppliers' terms of payment effect significantly on the ability to ensure competitive delivery times through sufficient inventories. Also, operation models are being developed to balance out the effects of seasonal changes on the load rates of factories. In cable business, COVID-19 pandemic has caused extra costs and delivery delays. It is difficult to estimate the effect of the pandemic for the future.

In the cable segment the key raw materials are metals (copper and aluminum) and plastics. In the metals purchases partial price hedging is used with the aid of commodity derivatives. Important with metals are the development of both the dollar-denominated price and the USD / EUR exchange rate. Currency hedges are also made for the main selling currencies. Partial price fixing is used with electricity.

The financial situation in euro area and political uncertainties may have effect on purchase amount of the customers in rubber business as well to the start of new projects. The availability of employees poses challenges to the growth of operations. In the Polish plant in particular, staff turnover and the relative share of sick leave are high and require active and multi-channel recruitment and measures to manage absences.

### **Dividend Policy**

Reka Industrial aims to distribute at least 30 percent of its net earnings as dividends.

### **Profit distribution proposal**

The parent company's distributable funds are EUR 1,925,208.23, of which the result for the period is EUR 613,394.92. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for 2021, a total of approximately EUR 0.5 million. A dividend of EUR 0.05 per share was paid for the financial year 2020.

### **Near-term outlook**

In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic and the geopolitical situation will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

### **Annual General Meeting 2022**

Reka Industrial Plc's Annual General Meeting will be held in Hyvinkää on 6 April 2022 at 2.00 pm. A separate notice will be published in March.

## **Disclosure procedure of financial review**

Reka Industrial follows the disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision Authority, and discloses relevant information related to its Financial Statement Release with this Stock Exchange Release. Reka Industrial's Financial Statement Release is attached to this release and is also available on company's website at [www.rekaindustrial.fi](http://www.rekaindustrial.fi)

Hyvinkää, 24 February 2022

Reka Industrial Plc  
Board of Directors

## **Contacts**

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## **About Reka Industrial Oyj**

*Reka Industrial is involved in the transition of both the energy and transport industries. As an industrial family company, we are committed to developing the performance and sustainability of the companies we own. The market is growing and we along with it. Reka Industrial class B shares are listed on the Nasdaq Helsinki Ltd.*

## **Attachments**

- [Download announcement as PDF.pdf](#)
- [Reka Industrial Financial Statement Release 2021.pdf](#)