



## Reka Industrial Plc: Profitable growth

21.4.2022 09:00:00 EEST | Reka Industrial Oyj | Interim report (Q1 and Q3)

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### Reka Industrial Plc: Profitable growth

Reka Industrial is advancing the energy transition and the electrification of vehicles. Our sustainability actions are guided by the UN Sustainable Development Goals. Sustainable development is based on energy efficiency, the circular economy, and the production and use of renewable energy. The market is growing and we along with it.

Reka Industrial is involved in solutions for both the energy industry and the vehicle industry. Our cable industry participates in the solutions of the energy industry: The cable industry takes power where it is needed. Reka Cables develops and manufactures cables for network construction, residential and office construction, and industry. Our rubber industry participates in solutions for the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries.

KEY FIGURES	1-3/2022	1-3/2021	1-12/2021
Turnover EUR million	46.7	36.0	158.1
EBITDA EUR million	3.5	2.7	11.3
Result for the period EUR million	0.6	0.1	1.0
Earnings per share, EUR	0.10	0.02	0.17
Operating cash flow EUR million	1.8	-0.9	8.6

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.

Near-term outlook remains the same: 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.

Interim report is unaudited.

MANAGING DIRECTOR JUKKA POUTANEN:

Turnover increased in both the cable and rubber industries. About 60% of the turnover increase in the cable industry is explained by rising metal prices. The rubber industry's turnover in March was EUR 2.9 million, the largest in Reka Rubber's history.

Due to Reka Cables' good delivery capacity, the Group's EBITDA clearly improved from the previous year. 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 0.7 million, compensating sharply and still rapidly rising acquisition costs, which can only be passed on to customer prices with a delay.

Both industries have had procurement and delivery capacity challenges. 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.

The cable industry has succeeded in serving customers reliably despite ongoing sourcing challenges. The delivery capacity of the rubber hose production in Poland was weak at the beginning of the year, although delivery volumes in March were significantly higher than before.

The main focus of the remedial measures on hose production in Poland is to increase the production capacity of hose production and to streamline the production process. Changes in production also improve the personnel situation. The prioritized measures will be completed by the end of May. The expansion of the rubber industry's space in Poland will be operational as planned during April.

Operating cash flow was strong due to excellent working capital management in a difficult situation.

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.

Green Bond funded projects have been taken forward and new ones are ongoing. Green bond investor letter was published in March 2022.

In the cable industry, 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.

#### MAJOR EVENTS DURING THE FINANCIAL PERIOD

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January. The additional space was completed in early April and the first deliveries from the new warehouse were shipped after Easter. With the arrangement, the hose production capacity and productivity of the Polish production unit can be clearly increased. 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.

Russia started a large-scale invasion of Ukraine on February 24, 2022. In 2021, the value of sales in the cable business to Russia was 0.4%, to Ukraine 0.0% and to Belarus 0.0% of the Group's net sales. In 2022, sales to Russia have stopped and related operations have been shut down. The rubber industry has no sales to these countries. The rubber industry also has no procurement from these countries. The cable industry has acquired some of the aluminum it uses from Russia. The share of Russian aluminum has decreased in 2022 and its replacement by suppliers from other regions is underway.

#### COVID-19

The pandemic has not reduced customer demand in 2022. COVID-19 has caused additional costs as personnel has been more than usual on sick leave to eliminate the possible infection risk.

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 behaviour of the customers.

#### SEGMENTS

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

#### CABLE SEGMENT

The Cable Industry's turnover for the review period was EUR 39.0 million (EUR 29.7 million). EBITDA was EUR 2.9 million (EUR 2.2 million).

Reka Cables Ltd's domestic sales increased strongly 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.

At the beginning of the year the price of copper was EUR 8,558 per tonne and the price of aluminium was EUR 2,478 per tonne. At the end of March 2022, the price of copper was EUR 9,310 per tonne and the price of aluminium was EUR 3,155 per tonne.

At its highest point, the daily price of copper during the review period was in March EUR 9,855 per tonne and lowest in January at EUR 8,511 per tonne. The price of aluminium has been at its highest in March, when it was EUR 3,660 per tonne, and its lowest in January, when it was EUR 2,305 per tonne.

Turnover for Nestor Cables Group, an associated company in the segment, in January-March 2022 was EUR 8.2 million (EUR 6.3 million). EBITDA was positive and better than in the previous year.

## RUBBER SEGMENT

Rubber segment's turnover was EUR 7.7 million (EUR 6.3 million). EBITDA was EUR 0.7 million (EUR 0.6 million). The rubber segment's EBITDA is burdened by staff turnover in Poland, overtime, and express freight, as well as increased logistics costs.

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

## FINANCIAL POSITION

At the end of the review period, the balance sheet totalled at EUR 82.0 million. On 31 December 2021 the balance sheet totalled at EUR 72.2 million.

On March 31, 2022, the Group's interest-bearing loans excluding IFRS 16 leases were EUR 22.0 million (December 31, 2021, EUR 20.9 million). Of this amount EUR 13.4 million is long-term. Recourse related to financing of accounts receivables and included to interest-bearing loans was EUR 3.3 million in the end of March 2022 (December 31, 2021, EUR 1.2 million). Recourse arises in a situation where there is a delay in financing the accounts receivable at the end of the month or due to the customer's limit being met.

Reka Cables Ltd has a loan limit of EUR 5.0 million. At the end of the review period, the loan limit was not in use.

## PERSONNEL

In January-March 2022, the Group employed an average of 606 (528) people. At the end of the review period, on March 31, 2022, the Group employed 609 (532) people.

## 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 in order 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.

## MAJOR EVENTS AFTER THE REVIEW PERIOD

Deliveries from rubber industry's new warehouse in Poland have started since Easter.

## 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.

In Hyvinkää 21.4.2022

Reka Industrial Plc  
Board of Directors

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## About Reka Industrial

*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.*

[www.rekaindustrial.fi/en](http://www.rekaindustrial.fi/en)

## Disclosure regulation

All comments in this report that do not refer to actual facts are future estimates. Such estimates include expectations concerning market trends, growth and profitability as well as statements including the words "believe", "assume" or "will be" or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors that may cause the actual results to differ substantially from current statements.

Among other things, such factors include 1) operating conditions, such as continued success in production and the ensuing efficiency benefits, availability and cost of production inputs, demand for new products and changes in circumstances affecting the acquisition of capital under acceptable conditions; 2) sector-specific circumstances, such as the intensity of demand for products, the competition, current and future market prices for the Group's products and related pricing pressures, the financial situation of the Group's customers and competitors and competitors' possible new products; and 3) the general economic situation, such as economic growth in the Group's main market areas and change in exchange rates and interest rates.

Figures in brackets refer to the same period a year earlier, unless otherwise stated.

## Contacts

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## Attachments

- [Download announcement as PDF.pdf](#)