



## Reka Industrial Plc: Profitable growth

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January – March 2021

- The Group's turnover was EUR 36.0 million (EUR 26.0 million)
- EBITDA was EUR 2.7 million (EUR 1.0 million)
- Operating result was EUR 1.3 (-0.2) million
- The result for the period was EUR 0.1 (-0.7) million

Reka Rubber, acquired in 2020, was consolidated to the Group as of 30 June 2020.

Near-term outlook remains the same: In 2021 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver.

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

MANAGING DIRECTOR JUKKA POUTANEN:

The Nordic cable market is growing and is expected to grow in the coming years. Our market share in Finland is strong and we aim to increase our market share in the other Nordic countries. In the first quarter turnover increased significantly both in Finland and in the other Nordic countries compared to the previous year. Part of the increase in turnover is explained by rising metal prices.

The demand situation is good. COVID-19 and supply chain logistics have required a lot of effort to ensure material deliveries. Material prices have risen strongly.

The impact of higher metal prices on the value of inventories and the net effect of metal and currency hedging supported the EBITDA of the cable segment by approximately EUR 0.8 million. On the other hand, EBITDA is burdened by the strongly risen material costs, which can only be passed on the customer prices with a delay. The cable segment's EBITDA doubled from previous year.

Reka Rubber market situation is good and seems to be strengthening further.

Reka Rubber has a strong position in (its) selected market segments. Especially in construction equipment, the market share continues to grow. Enquiries in the truck industry have grown from before.

Last year the COVID-19 pandemic clearly affected the volumes of the rubber industry. Currently, the demand is growing strongly, and mapping of capacity increase opportunities is underway.

Reka Rubber's turnover in the first quarter was EUR 6.3 million and rubber segments EBITDA was nearly 10 percent.

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 annual Green Bond investor letter was published in March.

MAJOR EVENTS DURING JANUARY - MARCH

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

KEY FIGURES	1-3/2021	1-3/2020	1-12/2020
Turnover, EUR million	36.0	26.0	120.4
EBITDA, EUR million	2.7	1.0	9.4
Result for the period, EUR million	0.1	-0.7	1.0
Earnings per share, EUR	0.02	-0.12	0.16

Net cash provided by operating activities, EUR million	-0.9	-4.3	2.1
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IAS 19 defined benefit plan entries are presented in the income statement 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.

#### COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable segment. 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 additional costs due COVID-19 pandemic is estimated to stress operating result of cable segment EUR 0.1 - 0.2 million in the first quarter. 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 small and express deliveries.

In rubber business the COVID-19 pandemic affected the customer demand in 2020. The volumes of some of the customers had been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors.

Currently the pandemic does not reflect in the rubber industry's customer's total demand. The pandemic is currently mainly seen as shortages of components and containers. There will be breaks in customers' production due to component shortages. The announced individual temporary closures of customers production plants have not affected Reka Rubber's overall demand.

There have been COVID-19 cases at production plant in Poland. The pandemic has particularly affected in roll-out of new products.

The pandemic has reflected material procurement in both industries. Most of the materials have been able to be procured in time, but the shortages of raw materials, components and partly containers have brought additional work and challenges to sourcing. In the cable segment, material prices have even risen significantly in some cases. There is upward pressure on the prices of materials and components in the rubber segment.

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

#### SEGMENTS

Reka Industrial's business segments are the cable industry and rubber industry.

##### CABLE SEGMENT

Cable segment's turnover for the review period was EUR 29.7 million (26.0). EBITDA was EUR 2.2 million (1.1)

Reka Cables Ltd's domestic sales volumes increased compared to previous year. Also, export sales volumes increased, but overall export volumes were lower than previous year.

The industry's key raw materials are copper, aluminum and plastics. During the review period price variations of 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 6,308 per tonne and the price of aluminium was EUR 1,612 per tonne. At the end of March 2021, the price of copper was EUR 7,545 per tonne and the price of aluminium EUR 1,886 per tonne.

At its highest point, the daily price of copper during the review period was EUR 7,863 per tonne in February, and at its lowest in January, at EUR 6,430 per tonne. The price of aluminium has been at its highest in March, when it was EUR 1,919 per tonne, and its lowest in January, when it was EUR 1,609 per tonne.

Turnover for Nestor Cables Ltd, an associated company, in January-March 2021 was EUR 6.3 million (6.7). EBITDA was positive and at the previous year's level.

##### RUBBER SEGMENT

Rubber segment's turnover was EUR 6.3 million. EBITDA was EUR 0.6 million. Reka Rubber was consolidated to the Group as of 30 June 2020.

COVID-19 pandemic affected rubber industry's volumes. This year the demand has been good.

#### FINANCIAL POSITION

At the end of the review period, the balance sheet totalled at EUR 77.2 million. On 31 December 2020 the balance sheet totalled at EUR 73.2 million.

On March 31, 2021, the Group's interest-bearing loans excluding IFRS 16 leases were EUR 26.0 million. Of these loans, EUR 17.1 million is non-current loans.

## PERSONNEL

In January-March 2021, the Group employed an average of 528 (255) people. At the end of the review period, the personnel of the Group were 532 (259) employees.

## 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. The additional costs are expected to have also in 2021.

In the cable segment the key raw materials are metals (copper and aluminium) 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. 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. COVID-19 pandemic has affected to the purchase amount of customers and it is difficult to estimate the effect of pandemic for the future. COVID-19 pandemic is expected to have negative effect on purchase amounts of the customers also in 2021. Due COVID-19 pandemic the rubber business got EUR 100 thousand support from Business Finland to develop its products, marketing, and competitiveness. The development measures are under way.

The trade sanctions of USA increase of customs tariffs for the products as well Brexit can have negative effect on customer volumes in rubber industry. Also, the increased competition by Asian actors in euro area can have effect on customer's purchase decisions.

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Reka Industrial has filed for changes in its tax assessment notice. Reka Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Reka Industrial and tax authority is EUR 1.2 million.

## MAJOR EVENTS AFTER THE REVIEW PERIOD

There have not been any major events after the review period.

## NEAR-TERM OUTLOOK

In 2021 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver.

In Hyvinkää 22.4.2021

Reka Industrial Plc  
Board of Directors

## Disclaimer

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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## About Reka Industrial Oyj

*Reka Industrial invests in modern society and reforms the industry that is the foundation of society. As an industrial family company, Reka Industrial is committed to developing the performance and sustainability of the companies it owns over the long term. Through the group's companies, we are involved in the transformation of the energy and vehicle industries. Reka Industrial class B shares are listed on the Nasdaq Helsinki Ltd.*

## Attachments

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